EB-2012-0033

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Enersource Hydro Mississauga Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2013.

ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

COMMENTS ON DRAFT RATE ORDER

JANUARY 3, 2013

ENERSOURCE HYDRO MISSISSAUGA INC.
2013 RATES REBASING CASE
EB-2012-0033

COMMENTS OF ENERGY PROBE RESEARCH FOUNDATION ON DRAFT RATE ORDER DATED DECEMBER 20, 2012

Energy Probe has reviewed the Draft Rate Order ("DRO") filed December 20, 2012 by Enersource Hydro Mississauga Inc. ("Enersource"), along with the Board's Decision and Order dated December 13, 2012. The following comments are related to a number of areas where Energy Probe believes more information should be provided or changes should be made to the DRO.

1. 2013 Administration Building Adjustments to Net Assets

It is not clear to Energy Probe how the accumulated depreciation figure of $30 shown in Table 2 in the DRO used in the calculation of the adjustment to 2013 rate base has been calculated. It is not clear that the $30 reflects the average of the change in accumulated depreciation at the beginning and end of the test year used in the calculation of the net assets in rate base. Further, it is not clear what depreciation rate has been applied to the administration building adjustment of $2 million.

It would appear that a depreciation rate of 1.5% was used to calculate the $30 impact on the 2013 test year. This is because the accumulated depreciation at the end of 2012 would be $15 ($2 million x 1.5% x 1/2 (half year rule)) and the accumulated depreciation at the end of the 2013 test year would be $45 ($2 million x 1.5% + $15). The average of the opening and closing accumulated depreciation would then be $30.

However, as shown in Exhibit 2, Tab 1, Schedule 1, Appendix 2-B, page 6, the depreciation rates for Building and Fixtures is 1.67% and the rate for Building and Fixtures (Improvements) is 5.0%. It is believed that the $2 million reduction in 2012 capital expenditures ordered by the Board would come from one of these accounts, or a combination of the accounts. In either case the weighted depreciation rate would be more than 1.5%.

As a result Energy Probe submits that the Board should direct Enersource to provide the calculations, including the depreciation rate(s) used to determine the $30 in accumulated depreciation shown in Table 2, along with an explanation of the depreciation rate used.

2. Change in Depreciation Expense

As can be seen in the Utility Income page of the Revenue Requirement Work Form attached as Appendix 3 to the DRO, the reduction in the depreciation expense is $3,311,382. It is not clear to Energy Probe how this figure has been arrived at, as there does not appear to be a calculation included in the DRO.

The depreciation adjustment includes a reduction of $3,260,306 related to the IFRS-CGAAP Transitional PP&E Account (as shown in Appendix 5 to the DRO), along with $21,447 related to the GEA Adjustments recorded in Account 1531 (Table 3 of the DRO). This totals $3,281,753. The remaining amount of $29,629 (to bring the total to $3,311,382) may be related to the removal of the $2 million in the administration building costs. This would imply a rate of just under 1.5%. This is the same depreciation rate noted in part 1 above, which as noted earlier, requires explanation.

Energy Probe submits that the depreciation adjustment of $3,311,382 should be explained, including all relevant calculations, including the depreciation rate used on the $2 million removed from rate base for the administration building. Again, as requested in part 1 above, the rationale for the depreciation rate applicable to this $2 million adjustment should be provided.

3. Rate Mitigation Proposal

Based on an 11 month disposition of deferral and variance account balances, stranded meter costs and smart meter disposition riders, along with the change in distribution rates that reflect the approved revenue requirement, a typical customer in the GS < 50 class would see a total bill increase of 11.2% for an RPP customer and 11.9% for a non-RPP customer. Enersource proposes to mitigate this increase by changing the recovery period for the stranded meter rate rider from 11 months to 48 months.

Energy Probe agrees with Enersource that rate mitigation is required for the GS < 50 class because the total bill impact for this class of customers is in excess of 10%. However, Energy Probe notes that Enersource is also proposing a 47 month recovery of the stranded meter rate rider for the residential rate class. As noted on page 5 of the DRO, the residential total bill impact is an increase of 3.3% for an RPP customer and 3.7% for a non-RPP customer with the stranded meter costs recovered over an 11 month period.

Energy Probe submits that there is no need for rate mitigation for the residential rate class or the GS > 50 class. In both instances, the total bill impact is significantly below the 10% threshold for rate mitigation. Further, there is no reason, in the view of Energy Probe, why the stranded meter costs need to be recovered over the same period for all rate classes.

While Energy Probe supports the rate mitigation measure for the GS < 50 class, it questions the need to extend the recovery of the stranded meter costs for this class from 11 months to 47 months. It would appear that a recovery period of 23 months would result in total bill increases for a typical customer in this class of less than 10%. Energy Probe submits that Enersource should show the rate impact on a typical customer in the GS < 50 class if the recovery period is reduced to 23 months (and if the impact is still in excess of 10%, over a 35 month period).

Energy Probe submits that the recovery period should be reduced to 23 months (or 35 months, if required) for this class. If the Board believes that the recovery period should be the same for all rate classes, then the residential and GS > 50 classes could also be recovered over this 23 month period.