ONTARIO ENERGY BOARD

BOARD STAFF COMMENTS
- DRAFT RATE ORDER -

Enersource Hydro Mississauga Inc.

EB-2012-0033

January 7, 2013

Introduction

On December 21, 2013 Enersource Hydro Mississauga Inc. ("Enersource") filed a draft Rate Order ("DRO") pursuant to the Ontario Energy Board's EB-2012-0033 Decision and Order, dated December 13, 2012.

Board staff's comments on the DRO follow.

Revenue Requirement Work Form and MIFRS

Board Staff notes that Enersource used Version 2.20 of the Revenue Requirement Work Form and not updated Version 3.0. For consistency and clarity of information, Board Staff requests that Enersource update the Revenue Requirement Work Form to Version 3.0. This will allow the return on rate base and adjustment to return on rate base associated with the deferred PP&E balance as a result of the transition from CGAAP to MIFRS to be captured accordingly.

Stranded Meter Rate Rider ("SMRR")

While acknowledging that the Board's Decision called for the disposition of the residual value of the stranded meters over one year, Enersource proposes to allocate the SMRR over 4 years in order to mitigate the impact of said disposition.[1]

Board staff disagrees with this proposal on the basis that acceptance of this methodology in the Rate Order would in effect be a change to the Decision rendered by the Board on December 13, 2012.

Administration Building Adjustments to Net Assets

Table 2 on page 3 shows accumulated depreciation in the amount of $30,000 associated with the $2 million reduction to 2012 capital. Board staff is unclear how the $30,000 amount was determined and submits that Enersource provide the calculation that generated the $30,000.

Forgone Revenue Billing Determinant

For the Large Use (>5000kW) class the forgone revenue for the month of January

[1] DRO p.5 "The Board approved the recovery of $7.64 million, which is the residual book value of stranded conventional meters that were replaced by smart meters, over one year from January 1, 2013 to December 31, 2013. The allocation of the Stranded Meter Rate Rider ("SMRR") over one year results in a bill impact greater than 10% for GS < 50 kW customers. In order to mitigate this bill impact, Enersource proposes to allocate the SMRR over four years. Due to the February 1 implementation of rates, Enersource proposes to allocate the SMRR over 47 months."

2013 is a credit (refund) of $41,782 and Enersource derived the associated rate rider on the basis of a kW billing determinant.[2] There are 9 customers in the Large Use class and the 2013 monthly fixed charge is $12,486.82 while the variable rate is $2.6731/kW.

Board staff is concerned, given the relative size of the monthly charge, that disposition of the credit based on only the variable billing determinant may materially over or under compensate a particular customer.

Board staff submits that Enersource (i) calculate the amount of refund the largest customer and the smallest customer in the Large Use class will realize using the billing determinant as proposed by Enersource and (ii) given the result in (i) reconsider, if warranted, the forgone revenue billing determinant for this class.

Green Energy Act Adjustments

Table 3 from the DRO identifies the net capital expenditures, and depreciation expense, that will be recorded in account 1531- Renewable Connection Capital Deferral account.

Table 3: GEA Adjustments Recorded in Account 1531 ($)

	2010	2011	2012	2013	Total
Net Capital Expenditures	61,297	197,413	139,145	188,496	586,350
Depreciation Expense	(766)	(4,476)	(10,526)	(21,447)	(37,215)

Table 4 from the DRO identifies the adjustments that will be made to Net Assets in 2013 Rate Base to reflect the removal of those capital expenditures that will now be recorded in account 1531.

[2] See Appendix 7.

Table 4: GEA Adjustments to Net Assets in 2013 Rate Base ($)

Description	2013 Initial submitted	GEA Adjustments	2013 Test MIFRS
Asset Values at Cost	$ 582,788	$ (491)	$ 582,296
Construction Work in Progress	$ (4,519)	$ 147	$ (4,372)
Accumulated Depreciation	$ (58,621)	$ 26	$ (58,596)
Net Assets in Rate Base	**$ 519,647**	**$ (318)**	**$ 519,329**

Board staff submits that Enersource provide an explanatory trail between the numbers shown in Table 3 and the numbers shown in the "GEA Adjustments" column in Table 4.

Low Voltage

The Low Voltage Service Rate proposed by Enersource is based on a "pro-rated" calculation such that the rate collects over 11 months, 12 months of Transmission Connection charges.[3] This appears to be equivalent to making an adjustment to account for January forgone revenue. Board staff questions this approach for two reasons.

First, the Decision did not specifically approve this approach regarding the Low Voltage rate. The only forgone revenue approved for recovery at this time is revenue associated with base rates (i.e. the base revenue requirement).

Second, this results in a higher rate than otherwise would be the case and this rate would be in effect until Enersource's next application is heard by the Board. In comparison, the recovery period of forgone revenue [of revenue requirement] is limited by the sunset date of the associated rate rider.

In any event Board staff submits that Enersource is not harmed by a 12 month based calculation since any "under-recovery" would be recorded in Account 1550-LV Variance Account.

[3] See DRO Appendix 7

Other Post-Employment Benefits (“OPEB”) Accounting Order

Enersource included a draft accounting order for the MIFRS OPEB deferral account in the DRO.[4] [5] With respect to the draft Accounting Order, Board staff is of the view that Appendix 6 contains information that is not relevant to the draft Accounting Order. This view is similar to that as expressed by the School Energy Coalition (“SEC”). In the draft Accounting Order, Enersource indicates:

> … the following is a request for a new deferral account to be used for future remeasurements (future actuarial gains or losses) relating to Other Post-Employment Benefits (“OPEB”).

This is followed by a discussion of the Filing Requirement’s eligibility criteria required when seeking to establish a new deferral/variance account. The Board has approved the deferral account, effective 2013 in its Decision. Board Staff submits that the Accounting Order should discuss the establishment of the deferral account, rather than the request for the account. Board staff submits that it should address the mechanics of the account, including the journal entries that would be recorded in the account. Board Staff also submits that the Accounting Order should clearly indicate that the deferral account will not include actuarial gains and losses related to OPEB, incurred prior to 2013. Board Staff notes that the balances in this account, supported by appropriate documentation, will need to be reviewed by the Board for prudence and future disposition at Enersource’s next cost of service application.

Other

Board staff agrees with SEC that it is better practice in a draft Rate Order to quote directly from the Board’s decision where a change affecting the rates has been ordered, and refrain from re-characterizing either the evidence, or the Board’s conclusions from that evidence. Board staff also concurs that it would be appropriate for the Board in the Rate Order to state that any characterizations contained in the draft Rate Order are neither accepted by the Board nor precedent for any future understanding of the Board’s Decision.

-All of which is respectfully submitted-

[4] The Board in its Decision (p.59) authorized (…the establishment of a deferral rather than a variance account for Enersource to record and track the cumulative actuarial gains and losses related to OPEB as they are incurred” and directed Enersource to include a draft accounting order for this account in the DRO.

[5] See DRO Appendix 6