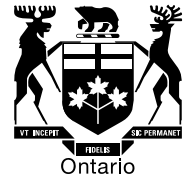


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BY EMAIL

April 12, 2013

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Wasaga Distribution Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0171**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Wasaga Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind Wasaga Distribution Inc. that its Reply Submission is due by April 19, 2013.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Wasaga Distribution Inc.

EB-2012-0171

April 12, 2013

**Board Staff Submission
Wasaga Distribution Inc.
2013 IRM3 Rate Application
EB-2012-0171**

Introduction

Wasaga Distribution Inc. (“WDI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on March 7, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that WDI charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by WDI.

With respect to tax sharing, Board staff noted in the interrogatory phase that the Regulatory Taxable Income reported in the Tax Sharing Workform did not reconcile with WDI’s last cost of service application (EB-2011-0103). In response to Board staff interrogatories, WDI agreed that the numbers did not reconcile and requested Board staff to update the workform. Board staff has no concerns with the corrected data supporting the updated Tax Sharing Workform and submits that the workform reflects the Revenue Requirement Workform from the Board’s cost of service Decision in EB-2011-0103.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by WDI.

WDI did not complete the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. WDI’s last cost of service application (EB-2011-0103) disposed of these accounts with balances to December 31, 2011 and projected interest to April 30, 2012. Accordingly, Board staff has no issue with WDI not completing the continuity schedule.

WDI requested discontinuation of the rate riders for the Deferral and Variance Account Disposition (2011) – Effective until April 30, 2014, approved in its IRM2 application (EB-2010-0143). These riders were established to dispose of all deferral and variance

accounts approved in that application, including the Global Adjustment sub-account. Normally, a separate set of riders is established for the disposition of the Global Adjustment sub-account because this balance is recovered only from Non-RPP customers. In the process of completing the Deferral and Variance account work form for the 2011 IRM application, WDI incorrectly interpreted the filing information on Sheet A1.1 titled, "LDC Information". Specifically, cell D37 should have indicated "YES" but WDI improperly indicated "NO". See Appendix A for Table 1 for calculation of deferral and variance account rate rider including global adjustment.

Board staff notes that the Managers Summary stated "[t]he result of this error was the inclusion of Non-RPP rates for Global Adjustment across all rate classes which resulted in an over collection of the Recovery Account." Board staff interprets this as meaning that instead of establishing rate riders to dispose of the Global Adjustment sub-account for only Non-RPP customers, WDI, by selecting "NO" on sheet A1.1, directed the model to allocate the outstanding Global Adjustment sub-account balance to all customers in the affected classes, thus combining the amounts to be recovered of the GA sub-account balance with the amounts allocated to classes from all other accounts disposed in that proceeding. The result is that the total GA sub-account balance to be disposed was partially collected from customers that should not have paid for this variance (the RPP customers). In addition, WDI began over recovering on the total DVA balances approved for disposition at some point in 2012. In response to Board staff interrogatories WDI confirmed that only the Residential, General Service <50 kW and General Service 50 to 4,999 kW rate classes were affected. See Appendix B for Table 2 for calculation of deferral and variance account rate riders excluding the global adjustment and Table 3 for calculation of the global adjustment rate riders, if cell D37 had indicated YES.

WDI also stated in the interrogatory phase that they propose to correct this error by removing the rate riders completely as of the effective date of this current Application. WDI is of the view that since the effect was evenly distributed between Residential, General Service less than 50 kW and General Service 50 to 4,999 kW rate classes, no other calculations or proposals are necessary. WDI plans to request disposal of the Recovery Asset Account (1595), credit balance of \$71,478.50 as of December 31, 2012 including carrying charges, in its 2014 IRM Rate Application, presumably to refund back any over-recovery accumulated as of the date the riders ceased to apply.

While Board staff agrees this is the most straightforward and practical approach in addressing the over recovery, it does not address the impact of recovering GA variance amounts from customers that have already paid for this variance through their RPP rates. Board staff notes that the April 29, 2011 Hydro Hawkesbury Partial Decision and Order (EB-2010-0090) addressed a similar improper rate design issue which created allocation issues among customer groups. The Hydro Hawkesbury decision discussed the impact to ratepayers of an incorrect allocation of certain account balances between all customers versus non-RPP customers. The decision emphasized that the error needed to be corrected. On page 8 of this decision, the Board stated:

While the total amount for account 1588 is the same (i.e. a credit balance of \$396,988), the apportionment between account 1588 (excluding the global adjustment subaccount) and the account 1588 (global adjustment sub-account) was incorrect...

...Since these account balances are disposed of to different groups of customers (i.e. all customers versus non-RPP customers), the Board is concerned about the allocation of balances amongst these customer groups in the context of the proceeding presently before the Board. As a result, in order to ensure that the potential disposition of these accounts in this proceeding is appropriate and does not perpetuate the error and create allocation issues between customer groups arising from this application, the Board intends to correct the error.

Board staff notes that the Board subsequently corrected this error in its Supplemental Partial Decision and Order EB-2010-0090 dated July 6, 2011. They corrected the error in the balances on a prospective basis in accounts 1588 excluding GA and 1588 GA in the July 6th 2011 Decision. The Board ordered a rate rider to dispose of the corrected group one account balances. The Board further said "that as a matter of principle, it must balance the issue of rate shock for NON-RPP customers with the entitlement of RPP customers to pay lower rates, while at the same time minimizing the number of rate adjustments." The Board calculated rate riders with adjusted balances taking into account the incorrect allocations that were done in the first place.

Board staff submits that WDI should calculate and provide the dollar amounts and the number of years that WDI incorrectly charged to the RPP and non-RPP customers. Board staff further submits that WDI should propose a solution to address the incorrect allocation in the context of this proceeding. One option would be to cease the current rate riders and commence new riders by refunding to RPP customers and charging to non-RPP customers the expected amounts. The new rate riders would have the

effective date of the rate order flowing from this proceeding. Another option would be to cease the current riders as of the effective date of the rate order from this proceeding and book the refund amounts to RRP customers under a new Sub-account of Account 1508, Other Regulatory Assets – RPP Customer Refund, and the charge amounts to Non-RRP customers under a new Sub-account of Account 1508, Other Regulatory Assets – Non-RPP Customer Charge. These Sub-accounts of Account 1508, Other Regulatory Assets would be cleared at the time of WDI's next cost of service rate proceeding. Under this option, WDI would be expected to include an Accounting Order for these new Sub-accounts of Account 1508 in its reply submission. Board staff submits that it is in favour of the first option in order to mitigate intergenerational inequity among WDI's customers.

Board staff requests WDI to comment in its reply submission on these two options, or any others that WDI may wish to suggest, including whether WDI has the capability to refund the amounts collected from RPP customers and charge the amounts to non-RPP customers in the affected classes.

All of which is respectfully submitted

Appendix A

Table 1 Calculation of Deferral and Variance Rate Rider including Global Adjustment
 (Cell D37 Indicating NO)

Calculation of Deferral Variance Recovery Rate Rider including Global Adjustment

Rate Rider Recovery Period - Years

Three

Rate Rider Effective To Date

April-30-14

Rate Class	Vol Metric	Billed kWh A	Billed kW B	Accounts Allocated by kWh C	Accounts Allocated by Non- RPP kWh D	Account 1590 E	Account 1595 F	Total G = C + D + E + F	Rate Rider kWh
									H = G / A (kWh) or H = G / B (kW)
Residential	kWh	67,145,248	0	(402,674)	352,196	0	0	(50,478)	(0.00025)
General Service Less Than 50 kW	kWh	12,946,028	0	(77,638)	43,409	0	0	(34,229)	(0.00088)
General Service 50 to 4,999 kW	kW	15,477,900	25,515	(92,822)	342,370	0	0	249,548	3.26014
Unmetered Scattered Load	kWh	167,496	0	(1,004)	0	0	0	(1,004)	(0.00200)
Street Lighting	kW	1,543,827	4,610	(9,258)	0	0	0	(9,258)	(0.66945)
		<u>97,280,499</u>	<u>30,125</u>	<u>(583,397)</u>	<u>737,974</u>	<u>0</u>	<u>0</u>	<u>154,577</u>	

Appendix B

Table 2 Calculation of Deferral and Variance Rate Riders excluding Global Adjustment
 (Cell D37 Indicating YES)

Calculation of Deferral Variance Recovery Rate Rider without Global Adjustment

Rate Rider Recovery Period - Years

Three

Rate Rider Effective To Date

April-30-14

Rate Class	Vol Metric	Billed kWh A	Billed kW B	Accounts	Accounts	Account 1590 E	Account 1595 F	Total G = C + D + E + F	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)
				Allocated by kWh C	Allocated by Non-RPP kWh D				
Residential	kWh	67,145,248	0	(402,674)	0	0	0	(402,674)	(0.00200)
General Service Less Than 50 kW	kWh	12,948,028	0	(77,838)	0	0	0	(77,838)	(0.00200)
General Service 50 to 4,999 kW	kW	15,477,900	25,515	(92,822)	0	0	0	(92,822)	(1.21265)
Unmetered Scattered Load	kWh	167,498	0	(1,004)	0	0	0	(1,004)	(0.00200)
Street Lighting	kW	1,543,827	4,810	(9,258)	0	0	0	(9,258)	(0.68945)
		97,280,499	30,125	(583,397)	0	0	0	(583,397)	

Table 3 Calculation of Global Adjustment Rate Riders (Cell D37 Indicating YES)

Calculation of Delivery Component Global Adjustment Rate Rider

Rate Rider Recovery Period - Years

Three

Rate Rider Effective To Date

April-30-14

Rate Class	Vol Metric	Non-RPP	Estimated Non-	Accounts	Accounts Allocated	Account 1590 E	Account 1595 F	Total G = C + D + E + F	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)
		kWh A	RPP Billed kWh B	Allocated by kWh C	by Non-RPP kWh D				
Residential	kWh	8,307,199	0	0	352,196	0	0	352,196	0.01413
General Service Less Than 50 kW	kWh	1,023,881	0	0	43,409	0	0	43,409	0.01413
General Service 50 to 4,999 kW	kV	8,075,426	13,312	0	342,370	0	0	342,370	8.57295
Unmetered Scattered Load	kWh	0	0	0	0	0	0	0	0.00000
Street Lighting	kV	0	0	0	0	0	0	0	0.00000
		17,406,806	13,312	0	737,974	0	0	737,974	