EB-2012-0113

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 Centre Wellington Hydro Ltd. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2013.

BEFORE: Cynthia Chaplin
Presiding Member and Vice-Chair

Allison Duff
Member

DECISION AND ORDER
May 28, 2013

Centre Wellington Hydro Ltd. ("CWH") filed a complete application with the Ontario Energy Board on November 16, 2012 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that CWH charges for electricity distribution, effective May 1, 2013. The Board issued a Notice of Application and Hearing on November 22, 2012.

CWH is an electricity distributor serving the Town of Fergus and the Village of Elora in the Township of Centre Wellington and has approximately 6,683 customers. Its application included a requested revenue requirement of $3,463,407. If the company's application were accepted in full by the Board, the impact on the bill of a typical household customer would be an increase of about $9.62 per month.

The Board conducted a written hearing. The Vulnerable Energy Consumers Coalition ("VECC") applied for and received intervenor status and cost eligibility. The hearing process included interrogatories, supplemental interrogatories, and revised evidence from the company. Board staff and VECC filed submissions on April 1 and April 4, 2013, respectively. CWH filed its reply submission on April 18, 2013.

The following issues are addressed in this Decision and Order:

- Effective Date for Rates
- Capital Expenditures and Rate Base
- Operating Revenues
- Operating Expenses
- Cost of Capital
- Cost Allocation
- Rate Design
- Deferral and Variance Accounts
- Updated RRRP, WMSC and Smart Metering Entity Charges
- Implementation

Effective Date for Rates

CWH filed its application on October 17, 2012, but the Board determined the application was incomplete. CWH completed its application on November 16, 2012.

CWH's current rates were declared interim by the Board, pending a determination in this proceeding. CWH proposed that if a final rate order was not issued before May 1, 2013, the Board should allow recovery of any foregone incremental revenue back to an effective date of May 1, 2013. Board staff and VECC took no issue with CWH's proposed effective date of May 1, 2013.

The Board will not accept the proposal to make rates effective on May 1, 2013 or allow for recovery of any foregone revenue. CWH filed its complete application in November 2012, more than two months after the Board's target date of August 31, 2012. The target date is established to allow sufficient time to complete the proceeding and issue a final rate order before May 1, 2013. In addition, the company revised its evidence regarding the accounting method used to determine rates which added a second round of interrogatories and delayed the filing of submissions. These timing issues were within the company's control. The Board therefore concludes that it would not be appropriate to make the rates effective back to May 1. CWH's new rates will be effective July 1, 2013.

Capital Expenditures and Rate Base

Capital Expenditures

CWH proposed to spend $1,876,400 on capital projects in 2013. Board staff and VECC supported this aspect of the application. The Board accepts the forecast 2013 capital expenditures.

Incremental Capital Expenditures

CWH indicated that it may apply for recovery of expenditures using the Incremental Capital Module ("ICM") in future years. The expenditures relate to the planned rehabilitation of additional municipal stations in 2014 and 2015. Board staff expressed concern with this proposal, and submitted that rebuild and rehabilitation should be supported through revenues from existing rates and that the ICM "should be relied upon strictly for non-discretionary incremental capital that cannot be funded through existing rates by prioritizing and pacing of the distributor's capital projects." VECC supported Board staff's submission. CWH, in its reply submission, accepted the position taken by Board staff and VECC, but reserved the right to file for an ICM for material capital projects where existing rates would not recover the forecasted cost of the project.

The Board will not comment on the eligibility of various projects for the ICM. The Board has rendered a number of ICM decisions which provide guiding principles, should CWH consider making an ICM application in the future. VECC proposed that CWH be directed to file a comprehensive capital plan in a subsequent application for future capital expenditures. The Board will not direct CWH to file a capital plan as part of this Decision. Just as the Board will not indicate now whether or not particular expenditures qualify for ICM treatment, the Board will not specify now that a comprehensive capital plan be filed to support an ICM application. The Board has developed generic capital plan requirements as part of the Renewed Regulatory Framework for Electricity ("RRFE") implementation process that will be applicable to cost of service applications filed for 2014 rates and beyond.

Capital Contributions

CWH forecast capital contributions of $40,900 for 2013. VECC noted that CWH significantly under forecast its capital contributions in 2012 and proposed that the 2013 forecast be increased by $32,000 to reflect historical trends. CWH disagreed with VECC's proposal. In its view, an increase in contributed capital would only be justified if there were additional capital projects that would attract contributed capital. The Board will not make the capital contributions adjustment proposed by VECC. The variance in 2012 between forecast and actual occurred in one year and does not constitute a trend. The Board is also satisfied that the types of the capital projects that CWH has projected for 2013 are consistent with a lower level of contributions.

Rate Base

CWH's forecast for 2013 rate base is $11,706,804, based on CGAAP. Board staff and VECC took no issue with CWH's rate base. In reply submission, CWH sought to make an adjustment to rate base on the basis of its final 2012 audited financial statements. The Board accepts the rate base as filed and will not make an adjustment for information presented for the first time in reply argument. It is generally inappropriate in a cost of service proceeding to rely on evidence presented through submissions. Although the information arose from an audit, the material was not tested in this proceeding.

Working Capital Allowance

CWH proposed that its Working Capital Allowance ("WCA") be calculated using 13% of the sum of the cost of power and controllable expenses as it is Board's default rate for electricity distributors. Board staff took no issue with CWH's proposal to use the default 13%, but submitted that the draft rate order CWH should update the WCA to reflect the Board's Decision and incorporate the April 5, 2013 RPP and non-RPP prices. VECC submitted that because CWH bills customers on a monthly basis, the WCA should be determined using 12% instead of 13%. VECC pointed to a recent lead lag study by London Hydro, a utility which bills monthly, which resulted in a level of 11.4%. In addition, VECC referenced a number of settlement agreements in which the parties settled on 12%. CWH opposed VECC's proposal to use 12%.

The Board accepts CWH's proposal to use 13% as it is consistent with Board policy and there is no compelling reason to depart from that policy. VECC has proposed 12% on the basis of a lead-lag study for another utility and on the basis of several settlement agreements. In accepting settlement agreements, the Board has made it clear that there is no precedential value in the individual components of a settlement agreement. The Board recognizes that all settlements contain trade-offs. The Board is also reluctant to adopt the results of a lead-lag study from one utility to another without a thorough analysis of the circumstances for each utility. CWH shall update the WCA to reflect the Board's findings in this Decision and to reflect the April 5, 2013 commodity prices.

Operating Revenues

Customer Forecast

CWH forecast the number of customers and connections by applying the geometric mean of the growth rate based on 2003-2011 actuals. The growth rates were then applied to forecast 2012 bridge and 2013 test year numbers. The customer/connection forecast was done on a class-specific basis, and the class-specific geometric mean growth rate was applied to all classes except sentinel lighting, for which customer connections were held constant. Board staff and VECC submitted that CWH's methodology was reasonable and consistent with Board policy and practice. The Board accepts the forecast of customers and connections as proposed.

Load Forecast

CWH used statistical regression to model consumption for the residential and GS<50 kW customer classes and a 3-year historical average to model normalized annual consumption ("NAC") for other customer classes, namely GS > 50 kW, Streetlighting, Unmetered Scattered Load and Sentinel Lighting.

CWH's statistical regression models were based on a number of explanatory variables to incorporate weather, employment and conservation and demand management ("CDM") data. Through the interrogatory process, CWH was asked by VECC to run other regression models and update data inputs to utilize the most current CDM results from 2011. In its reply submission, CWH agreed that it was appropriate to use the updated CDM inputs to determine the load forecast for the residential and GS<50kW classes. The Board accepts the residential and GS<50 kW load forecasts as proposed by VECC and accepted by CWH and Board staff.

CWH used a historical average use per customer to forecast growth rates for the other customer classes. Board staff accepted CWH's forecast while VECC did not. VECC submitted that the 2013 forecast should be based on the 2011 actual average annual consumption for each class. While highlighting the forecasted reduction for the USL class, VECC submitted that the 3-year negative trend in other classes was inconsistent with increasing employment and incorrectly incorporated post-2011 CDM program impacts. CWH responded that it was reasonable to expect the historical decline in demand to continue into 2013 in its service area and that the employment data related to the Kitchener-Waterloo-Barrie area included cities outside of CWH's service area.

The Board accepts CWH's demand forecast for the GS>50 KW, Intermediate, Sentinel, USL and Streetlighting customer classes. Employment data for the region does not provide sufficient basis to increase the load forecast for these classes. Other factors undoubtedly also influence the load level. Although the most recent year's data is an important consideration, there is no compelling reason to ignore results from the prior years. The Board concludes that CWH's approach provides a reasonable basis for forecasting load for these classes.

The CDM Adjustment to the Load Forecast

An adjustment for new CDM program impacts is made to the load forecast. A related amount is identified for purposes of operating the lost revenue adjustment mechanism ("LRAMVA"). CWH identified the amount of CDM savings for programs in 2011, 2012 and 2013. The data was reported by the OPA and provided on a normalized, net basis.

The company proposed that the load forecast be adjusted by 1,730,946 kWh to account for new CDM programs. Board staff and VECC did not agree with the proposed load forecast adjustments. The first year impact for CDM programs was disputed. Also, there was disagreement as to whether the adjustment should be made on a "net" or "gross" basis.

Board staff noted that CDM activities do not start on January 1st and do not generate a full 12 months of CDM results in the first year. Board staff submitted that in the absence of specific information regarding program timing, the first year of each CDM program should be adjusted using the "half-year rule". VECC agreed with Board staff. CWH responded that the half-year rule was not appropriate as it appeared to be treating the CDM programs like capital assets in that asset acquisitions are allowed 50% of the depreciation expense in the year of installation. To counter the half-year recommendation, CWH included a table that estimated the 2013 monthly impact of CDM programs persisting from previous years plus the change resulting from the 2013 programs.

The Board concludes that it is appropriate to reduce the first year CDM estimates as provided by the OPA for the 2012 and 2013 programs. Program results build over the year and are not fully realized from day one. Using the half-year approach recognizes the accumulation of impacts over the year and is consistent with other Board decisions. The Board places no weight on the monthly CDM table provided by CWH in its reply submission. As indicated above, it is generally inappropriate in a cost of service proceeding to submit evidence through submissions.

With respect to the “net” and “gross” issue, Board staff agreed with CWH that the 2012 and 2013 CDM forecasts should be adjusted on a gross basis, in other words to include the CDM impact of “free riders”. Board staff noted that recent settlement agreements for other electricity distributors were based on net results, not gross, but submitted that the net CDM numbers understate the real decline in demand: “While the utility is not compensated for free ridership through the LRAMVA, the CDM savings (i.e. reduced consumption) of free riders occur in reality and will reduce consumption.” VECC submitted that the CDM adjustment should be based on the assumed net savings from the 2012 and 2013 CDM programs and not the estimated gross saving as advocated by CWH and Board staff. VECC argued that the net to gross difference does not represent additional CDM that will actually occur. VECC maintained that the individual customer class load forecasts already reflect the trends associated with natural conservation activities, activities that would have occurred without the benefit of CDM programs or incentives.

The Board agrees with VECC that the CDM savings associated with free riders and natural conservation is embedded in the historical demand data and incorporated into the demand forecast produced by the statistical regression model. The Board finds merit in VECC’s submission that “natural conservation is independent of the level of CDM programming and, therefore, future levels cannot be linked to the level of CDM programming”. The Board does not accept that the incremental 2012 and 2013 CDM programs will cause or be correlated with natural conservation savings over and above that already captured in the regression analysis. As a result, the Board will not accept the adjustment to the OPA’s CDM program estimates by a net-to-gross factor. The CDM adjustment to the load forecast is 986,133 KWh, reflecting the full year persistence of 2012 CDM programs and the initial year impact of 2013 CDM programs on 2013 load. CWH is directed to reflect this adjustment in the load forecast used for the determination and allocation of the revenue requirement, and in the determination of the rates and rate riders in its draft Rate Order filing.

The LRAMVA

A CDM impact adjustment is also identified for purposes of operating the lost revenue adjustment mechanism (“LRAMVA”). CWH identified the amount of CDM savings for programs in 2011, 2012 and 2013, and the corresponding amount used to derive the balance for the LRAMVA. The company proposed that the LRAMVA be determined using annualized “net” CDM savings of 2,288,799 kWh. Board staff and VECC supported this proposal. The Board accepts CWH’s proposal for the amount, and the allocation to customer classes on a kWh and kW basis, to be used for the determination of the LRAMVA for 2013 and 2014.

Other Revenues

CWH forecast Other Operating Revenues of $240,938 for 2013. Board staff submitted that CWH had adequately explained and supported its proposal. VECC submitted that CWH’s forecast should be increased by $20,000. In particular, VECC submitted that CWH should remove the $9,362 loss on the disposal of distribution assets as the loss will not occur under CGAAP. VECC argued that revenue offsets be increased by $9,500 as actual 2012 revenue offsets were higher than forecast. VECC also submitted that CWH had failed to forecast MicroFIT revenues of $1,400.

CWH agreed with VECC regarding the addition of the MicroFIT revenues and the removal of the $9,362 loss. However, CWH disagreed with VECC’s proposal to increase non-utility revenue offsets, as the amounts related to water and sewer billing performed for the municipality that were already included in the revenue offsets. In reply submission, CWH indicated that its MS # 1 – Elora station will require replacement in 2014 and requested that the Board approve an accelerated depreciation expense of $35,055 over the existing depreciation expense of $3,790.

The Board approves CWH’s Other Operating Revenue forecast with the addition of the MicroFITt revenues and the removal of the loss on disposal. The Board will not make any further changes for non-utility offsets. In addition, the Board will not allow for an accelerated depreciation expense for the MS #1 – Elora station as requested by CWH in its reply submission. As indicated previously, it is generally inappropriate in a cost of service proceeding to rely on evidence presented through submissions. The Board further notes that the replacement of the Elora MS is scheduled for 2014, outside of the 2013 test year period in this application.

Operating Expenses

OM&A

CWH's forecast of operations, maintenance and administration expenses ("OM&A") is $2,250,013 for 2013. The proposed OM&A is 28.3% higher than its 2009 Board-approved OM&A. CWH's annual OM&A expenses are provided below:

Year	2009 Board approved	2009 Actual	2010 Actual	2011 Actual	2012 Bridge year forecast	2013 Test Year forecast (revised)
OM&A	$1,753,350	$1,708,477	$1,758,814	$1,976,448	$2,278,700	$2,250,013

CWH lists the drivers for the increases in OM&A as follows:

- Two new staffing positions (Systems Analyst – IT in 2011 and Financial/Regulatory Analyst in 2012) to deal with increasing work in these areas;
- Annual increases in wages, salaries and other benefits;
- Decreased meter reading costs due to automated meter reading of smart meters;
- Increase in bad debt expenses due to economic factors and changes in deposit refund policy;
- Increased regulatory expenses;
- Increased computer-related costs due to move to TOU billing;
- Increased outside services for legal, audit and consulting service, unrelated to regulatory rate-setting;
- Non-labour inflation increases estimated at Canadian CPI of 2.11% (July 2012 to October 2011);
- Change in useful lives of transportation equipment, which affects OM&A through burden rates; and
- Reduction in contracted work and re-allocation of outside crew between capital and O&M work.

Board staff took no issue with the OM&A forecast and submitted that CWH had supported the proposed increase. VECC opposed the OM&A forecast and proposed a reduction of $193,408 as an envelope reduction to OM&A. VECC derived the $193,408 reduction by constructing an "expected" OM&A level based on annual inflation of 1.9%, plus customer growth of 5.25%, minus imputed productivity savings of 0.72% and minus efficiency savings of 0.6% for CWH's assigned cohort. The resulting OM&A for 2013 period would be $363,408 lower than proposed. From this "envelope" calculation, VECC proposed an adjustment of $170,000 to recognize the cost of incremental responsibilities for smart meter operations, and labour costs for regulatory and financial positions. VECC made a number of observations regarding other expense items but did not recommend individual reductions to the OM&A expense given its envelope reduction proposal.

In its reply submission, CWH argued that it had addressed the concerns raised by VECC in responses to interrogatories, and opposed any reduction to its OM&A forecast.

The Board considers the increase in OM&A from 2009 to 2013 to be unreasonable. The average annual increase is 8%. And although its customer base has grown, CWH's OM&A cost per customer has also increased by 6.2% on an annual average basis. The evidence shows that the OM&A budgets are largely based on historical spending levels and then increased to reflect additional activities or increased costs for ongoing activities. There is scant evidence of increased efficiency in CWH's operations. The only cost reductions have come in the area of meter reading, which are the result of smart meters. And the 2013 OM&A budget would in fact be even higher but for the shift of about $160,000 to capital expenditures. The Board expects to see evidence of efficiency improvements. The Board also expects to see a bottom up budget exercise balanced with a top down review. A "top-down" review is an important component of the assessment process as it demonstrates that some level of overall restraint has been considered, and potentially brought to bear. It is CWH's responsibility to manage its cost increases over time by prioritizing initiatives and activities. The Board finds that CWH has not demonstrated a sufficient level of control of its overall budget level, including the magnitude of the increase.

The Board finds merit in VECC's "envelope approach" to deriving an increase that reflects inflation, customer growth, productivity, and efficiency improvements. The Board accepts VECC's proposal which yields an OM&A amount of $1,886,605. The Board also accepts that CWH has incremental responsibilities and increasing cost pressures that cannot be completely met through efficiency improvements in other areas. The Board will therefore allow an additional $170,000, which is the amount identified by VECC and which represents the additional of two staff for specific roles. The Board is not approving those expenditures explicitly; rather it is accepting that amount as being reasonably representative of an appropriate level of incremental cost over and above what would otherwise be an appropriate level of OM&A for 2013. The total OM&A budget will be $2,056,605 ($1,886.605 + $170,000). This results in an 2013 OM&A level which represents an average annual increase of 5% since 2009. The Board finds that this is a reasonable level of increase.

The Board's mandate is not to direct an applicant on how to manage its utility and therefore the Board will not comment on specific areas in which CWH should curtail OM&A spending. Rather the Board will leave it to the discretion of CWH to manage its activities within the spending envelope.

In response to a request from CWH, the Board confirms that the LEAP amount should be derived based on 0.12% of the approved Service Revenue Requirement. CWH shall update and document the LEAP expense in the draft Rate Order.

LRAM and LRAMVA

CWH proposed recovery of an LRAM balance of $5,997.11 and an LRAMVA balance of $15,130.95. CWH proposed to recover the amounts over a one-year period. Board staff submitted that CWH had provided all relevant rate riders by customer class, that the request was consistent with the CDM Guidelines and that the LRAMVA claim is eligible for recovery. VECC made no submission. In its reply submission, CWH stated that its total LRAM and LRAMVA amount had decreased from $21,128.06 to $10,800.85. A revised balance for the 2011 LRAMVA of $4,803.74 was discovered as part of the 2012 year-end audit.

The Board approves the disposition of the LRAM balance of $5997.11. With respect to the LRAMVA balance, the Board understands that circumstances may change and new information may come to light after the close of the evidentiary portion of the hearing. However, it is inappropriate to seek recovery of a revised amount through reply submissions. The Board has two options: to re-open the proceeding to address the new information; or reach a decision on the basis of the evidence which has been tested. Given the LRAMVA is a variance account and the balance is relatively small, the Board will not dispose of the LRAMVA balance at this time. It can be addressed in CWH's next proceeding.

Cost of Capital

CWH proposed a cost of capital of 5.99% based on a deemed capital structure of 60% debt (56% long-term debt and 4% short-term debt) and 40% equity. CWH applied the Board's cost of capital parameters updated on February 14, 2013 with the exception of a long-term capital project loan at 4.23% from a third party, resulting in a weighted average long-term debt rate of 4.14%.

Board's Cost of Capital Parameters	**Rate**
Return on Equity	8.98%
Deemed Short-term Debt	2.07%
Deemed Long-Term Debt	4.12%

Board staff submitted CWH's proposal conformed with Board policy and practice. The Board accepts CWH's cost of capital of 5.99%.

Cost Allocation

CWH conducted a Cost Allocation study and proposed new revenue-to-cost ("R/C") ratios for its customer classes.

Revenue-to-Cost Ratios – 2011 IRM and 2013 Proposed

Customer Class	**Range (%)**		**2011 IRM**	**2013 Cost Allocation**	**2013 Proposed**
	Low	**High**			
Residential	85	115	101.70	97.49	99.65
GS < 50 kW	80	120	105.30	95.56	99.00
GS 50-2999 kW	80	120	104.70	90.41	99.65
GS 3000-4999 kW	80	120	87.0	100.96	100.96
Streetlighting	70	120	70.0	305.88	120.00
Sentinel Lighting	80	120	70.0	124.72	120.00
Unmetered Scattered Load	80	120	103.70	271.84	120.00

The study produced the R/C ratios in the 2013 Cost Allocation column. CWH proposed to reduce those above the "high" target rate to 120, and distribute the difference to the other classes. Board staff took no issue with the proposed R/C ratios for all customer classes. VECC submitted the cost allocation methodology was appropriate and agreed with CWH's proposal to reduce R/C ratios to the ceiling. However, VECC submitted that any shortfall be collected by increasing the R/C ratios of the other classes to the same level.

The Board accepts CWH's proposal to move streetlighting and sentinel lighting to the top of the range (120%) and to allocate the shortfall to the remaining classes. The Board does not agree with VECC's proposal to distribute R/C shortfalls to all other classes such that all ratios for the other classes are the same. VECC provided no rationale to support why this approach would be superior to CWH's approach. In any event, the resulting range under CWH's proposal (99% to 101%) is small, so equalizing them would, in the Board's view, have a minimal impact.

Rate Design

Fixed/Variable Split

CWH proposed to retain the existing fixed/variable split for all customer classes as follows:

Customer Class	Fixed % of class revenues	Volumetric %	Volumetric Billing Determinant
Residential	62.88%	37.32%	kWh
GS < 50 kW	29.52%	70.48%	kWh
GS 50-2,999 kW	19.12%	80.88%	kW
GS 3,000-4,999 kW	8.77%	91.23%	kW
Streetlighting	57.76%	42.24%	kW
Sentinel Lighting	57.54%	42.46%	kW
USL	11.17%	88.83%	kWh

Board staff took no issue with CWH's proposal. VECC proposed to cap the monthly service charge for the GS 50-2999 kW class at the ceiling value and maintain the monthly service charge for the GS 3000-4999 kW at the approved value as the ceiling value derived from the Cost Allocation Model was negative. CWH replied it would be inappropriate to make adjustments without a rate design analysis for all classes. CWH noted the Board has approved monthly service charge increases above the ceiling for other utilities. The Board accepts CWH's proposal to maintain the existing fixed/variable split in the absence of an updated rate design analysis.

MicroFIT
CWH requested an increase of the MicroFIT rate from $5.25/month to $5.40/month, in accordance with the Board's letter of September 20, 2012. No parties opposed CWH's proposal. The Board approves the MicroFIT service charge as proposed.

Low Voltage
CWH proposed Low Voltage ("LV") rates to recover $243,490.91 of LV charges from Hydro One. Board staff and VECC supported CWH's proposal. CWH increased its proposal to $332,775 in reply submission to recover additional rate riders from Hydro One. The Board will allow the recovery of $243,490.91 and will not increase the recovery amount as proposed by CWH in reply submission. As indicated previously, the Board will not base decisions on untested evidence presented for the first time in reply submission. Any difference will be captured in the LV variance account.

Retail Transmission Service Rates
CWH proposed Retail Transmission Service Rates ("RTSRs") as follows:

Customer Class	**RTSR $**	**Volumetric Billing Determinant**
Residential	0.0018	kWh
GS < 50 kW	0.0016	kWh
GS 50-2,999 kW	0.6334	kW
GS 3,000-4,999 kW	0.7471	kW
Streetlighting	0.4897	kW
Sentinel Lighting	0.5000	kW
USL	0.0016	kWh

Board staff and VECC submitted the proposed rates were appropriate. The Board accepts the RTSR as proposed.

Loss Factor
CWH used its 5-year average loss of 3.55% from 2007 to 2011 to derive its proposed total loss factor of 1.0497 for Secondary Metered customers less than 5,000 kW of demand, an increase from the current loss factor of 1.0449. Board staff and VECC supported CWH's proposal. The Board accepts the total loss factor of 1.0497 for secondary metered customers < 5,000 kW. CWH should document the corresponding total loss factor for primary metered customers < 5,000 kW in its draft Rate Order Filing.

Transformer Ownership Allowance

CWH proposed to maintain the current approved Transformer Ownership Allowance credit of $0.60/kW. No parties opposed CWH's proposal. The Board accepts CWH's proposal.

Deferral and Variance Accounts

CWH proposed a 1-year disposition period for Group 1 and Group 2 Deferral and Variance Account ("DVA") balances as at December 31, 2011. CWH requested the continuation of some of its Group 1 and Group 2 accounts, its Deferred MIFRS Transition Costs account and several new sub-accounts of Account 1595 to deal with the recovery and true-up of DVA amounts approved for disposition.

Account Description	Account Number	Total Claim ($)
LV Variance Account	1550	243,561
RSVA – Wholesale Market Service Charge	1580	(348,494)
RSVA – Retail Transmission Network Charge	1584	(156,146)
RSVA – Retail Transmission Connection Charge	1586	(116,294)
RSVA – Power (Excluding Global Adjustment)	1588	(13,987)
RSVA – Power (Global Adjustment sub-account)	1588	244,428
Recovery of Regulatory Asset Balances – Shared Taxes	1595	(4,054)
Total Group 1		**(150,987)**
Other Regulatory Assets	1508	81,797
Retail Cost Variance Account – Retail	1518	26,232
Retail Cost Variance Account – STR	1548	812
RSVA – One Time	1582	21,460
PILs and Tax Variance – Sub-Account HST/OVAT ITCs	1592	(20,017)
Total Group 2		**110,283**
Total (Group 1 and Group 2)		(40,703)

Board staff and VECC agreed with CWH's proposal except for Account 1508, sub-account Deferred IFRS Transition Costs. Accounts 1555 and 1556 for Smart Meters are discussed below. The Board accepts the proposed disposition of Group 1 and Group 2 accounts subject to the Board's decisions regarding Accounts 1508 sub-account Deferred IFRS Transition Costs, discussed below. In its draft Rate Order, CWH is directed to update the DVA Continuity Schedule to reflect the Board's finding and to calculate and propose suitable DVA rate riders taking into account the effective date of July 1, 2013 and impacts on CWH's customers.

The Board accepts CWH's request to withdraw the use and disposal of Account 1575 until it adopts IFRS.

Account 1508 – Deferred IFRS Transition Costs
CWH proposed a 1-year recovery period for the Deferred IFRS Transition Costs in Account 1508. Board staff submitted it was inappropriate to recover any IFRS transition costs until after CWH adopted IFRS, currently planned for January 1, 2015. Alternatively, Board staff suggested the Board dispose the sub-account balance of $75,704 on an interim basis, conditional on CWH completing its IFRS transition and after total transition costs were known. VECC supported Board staff's submission and suggested that, if the Board allowed disposition, it should limit recovery to 50% of the balance as the costs were not examined in this proceeding. In reply submission, CWH agreed to Board staff's suggestion to dispose of the balance on an interim basis.

The Board will not dispose of this account at this time, either on a final or interim basis. The Board finds that it is more appropriate to consider this account in total after the transition to IFRS has been made.

Accounts 1555 and 1556 - Smart Meters
CWH proposed a 4-year disposition of Accounts 1555 and 1556 related to the capital and operating costs of deploying smart meters to Residential and GS < 50 kW customers. CWH originally proposed a 2-year recovery period for both customer classes yet extended it to 4 years to ensure the total bill increase for GS < 50 kW customers did not exceed the 10% bill impact threshold.

Rate Class	Rate ($/month)	Recovery Period	Rate ($/month)	Recovery Period
Residential	$1.29	2 years	$0.57	4 years
GS < 50 kW	$8.55	2 years	$4.08	4 years

Smart meter conversion costs for GS > 50 kW customers are included in regular metering capital investments under Account 1860.

Board staff agreed with the 4-year recovery period for the GS < 50 kW class, yet suggested CWH maintain the 2-year period for Residential customers. VECC supported a 4-year recovery period for GS<50 kW customers and a 2-year period for Residential customers to match the recovery period for stranded meters. In reply submission, CWH accepted Board staff's and VECC's proposal for a 2-year recovery period for the Residential SMDR.

The Board notes that authorization to procure and deploy smart meters has been done in accordance with Government regulations, including successful participation in the London Hydro RFP process, overseen by the Fairness Commissioner, to select (a) vendor(s) for the procurement and/or installation of smart meters and related systems. There is thus a significant degree of cost control discipline that distributors, including CWH, are subject to in smart meter procurement and deployment.

The Board finds that CWH's documented costs, as revised in response to interrogatories, related to smart meter procurement, installation and operation, and including costs related to TOU rate implementation, are reasonable. As such, the Board approves the recovery of the costs applied for related to smart meter deployment and operation as of December 31, 2012, and the addition of the documented smart meter assets into the 2013 test year rate base. The Board accepts the proposed recovery of 2 years for Residential customers and 4 years for GS < 50 kW customers, adjusted to 22 and 46 months respectively to reflect the implementation of rates on July 1, 2013.

In granting its approval for the historically incurred costs and the costs projected for 2012, the Board considers CWH to have completed its smart meter deployment. Going forward, no capital and operating costs for new smart meters and the operations of smart meters shall be tracked in Accounts 1555 and 1556. Instead, costs shall be recorded in regular capital and operating expense accounts (e.g. Account 1860 for meter capital costs) as is the case with other regular distribution assets and costs.

Stranded Meters

CWH proposed a Stranded Meter Rate Rider ("SMRR") of $0.90 per month for Residential customers and $2.79 per month for GS < 50 kW customers to recover the net book value of $175,247.80 over 2 years. Board staff and VECC agreed with CWH's proposal. The Board accepts the proposed recovery of 2 years adjusted to 22 months to reflect the implementation of rates on July 1, 2013.

Updated RRRP, WMSC and Smart Metering Entity Charges

Rural or Remote Electricity Rate Protection Charge
On March 21, 2013, the Board issued a Decision with Reasons and Rate Order (EB-2013-0067) establishing that the Rural or Remote Electricity Rate Protection ("RRRP") used by rate regulated distributors to bill their customers shall be $0.0012 per kilowatt hour effective May 1, 2013. The proposed Tariff of Rates and Charges to be filed as part of the draft Rate Order should reflect this RRRP rate effective July 1, 2013.

Wholesale Market Service Charge
On March 21, 2013, the Board issued a Decision with Reasons and Rate Order (EB-2013-0067) establishing that the Wholesale Market Service Charge ("WMSC") used by rate-regulated distributors to bill their customers shall be $0.0044 per kilowatt hour effective May 1, 2013. The proposed Tariff of Rates and Charges to be filed as part of the draft Rate Order should reflect this WMSC rate effective July 1, 2013.

Smart Meter Entity Charge
On March 28, 2013, the Board issued a Decision and Order (EB-2012-0100/EB-2012-0211) establishing a Smart Metering Entity charge of $0.79 per month for Residential and General Service < 50kW customers for those distributors identified in the Board's annual *Yearbook of Electricity Distributors* effective May 1, 2013. The draft Tariff of Rates and Charges flowing from this Decision and Order should reflect the addition of this Smart Metering Entity charge effective July 1, 2013.

Implementation

The Board has made findings in this Decision which change the 2013 revenue requirement and therefore change the distribution rates from those proposed by CWH. In filing its draft Rate Order, the Board expects CWH to file detailed supporting material, including all relevant calculations showing the impact of the implementation of this Decision on its proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates and all approved rate riders, including bill impacts. Supporting documentation shall include, but not be limited to, the filing of a completed version of the Revenue Requirement Work Form Excel spreadsheet which can be found on the Board's website.

A Rate Order will be issued after the steps set out below are completed.

THE BOARD ORDERS THAT:

1. Centre Wellington Hydro Ltd. shall file with the Board, and shall also forward to the Vulnerable Energy Consumers Coalition, a draft Rate Order attaching a proposed Tariff of Rates and Charges and other filings reflecting the Board's findings in this Decision and Order within 10 days of the date of this Decision and Order.

2. The Vulnerable Energy Consumers Coalition and Board staff shall file any comments on the draft Rate Order with the Board and forward to Centre Wellington Hydro Ltd. within 7 days of the date that Centre Wellington Hydro Ltd. files the draft Rate Order.

3. Centre Wellington Hydro Ltd. shall file with the Board and forward to the Vulnerable Energy Consumers Coalition responses to any comments on its draft Rate Order within 4 days of the date of receipt of Board staff and intervenor comments.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. The Vulnerable Energy Consumers Coalition shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.

2. Centre Wellington Hydro Ltd. shall file with the Board and forward to the Vulnerable Energy Consumers Coalition any objections to the claimed costs within **14 days** from the date of issuance of the final Rate Order.

3. The Vulnerable Energy Consumers Coalition shall file with the Board and forward to Centre Wellington Hydro Ltd. any responses to any objections for cost claims within **21 days** from the date of issuance of the final Rate Order.

4. Centre Wellington Hydro Ltd. shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote the file number, **EB-2012-0113**, be made through the Board's web portal at https://www.pes.ontarioenergyboard.ca/eservice/, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at http://www.ontarioenergyboard.ca/OEB/Industry. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.
With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Keith Ritchie at keith.ritchie@ontarioenergyboard.ca and Board Counsel, Maureen Helt at maureen.helt@ontarioenergyboard.ca.

ADDRESS

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

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, May 28, 2013

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary