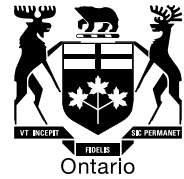


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**BY EMAIL**

October 16, 2013

Ontario Energy Board  
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Toronto ON M4P 1E4  
[Kirsten.Walli@ontarioenergyboard.ca](mailto:Kirsten.Walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc.  
2014 IRM4 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2013-0133**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Guelph Hydro Electric Systems Inc. and to all other registered parties to this proceeding.

Guelph Hydro is reminded that its Reply Submission, if it intends to file one, is due by October 30, 2013.

Yours truly,

*Original Signed By*

Georgette Vlahos  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2014 ELECTRICITY DISTRIBUTION RATES

Guelph Hydro Electric Systems Inc.

EB-2013-0133

**October 16, 2013**

**Board Staff Submission  
Guelph Hydro Electric Systems Inc.  
2014 IRM4 Rate Application  
EB-2013-0133**

## **Introduction**

Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 16, 2013, seeking approval for changes to the distribution rates that Guelph Hydro charges for electricity distribution, to be effective January 1, 2014. The Application is based on the 2014 4<sup>th</sup> 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 Guelph Hydro.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by Guelph Hydro. In response to Board staff interrogatories, Guelph Hydro confirmed there were errors in some of the models filed and provided the corrected data. Board staff will make the necessary corrections to Guelph Hydro’s models at the time of the Board’s Decision on the Application.

Board staff notes that the Tax-Savings Workform reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2011-0123. Board staff has no concerns with the Tax-Savings Workform as filed.

In the interrogatory phase, Board staff noted that Guelph Hydro entered a Transformation Connection rate of \$2.14/kW in its RTSR Workform. Board staff noted that the effective Hydro-One Sub-Transmission rate for Transformation Connection is \$1.50/kW. Board staff asked Guelph Hydro to provide justification for the rate entered and to confirm if Guelph Hydro is charged a combined Line and Transformation Connection rate.

In its interrogatory responses, Guelph Hydro agreed that the effective Hydro-One Sub-Transmission – Transformation Connection Service Rate in 2012 was \$1.50/kW. Guelph Hydro also noted that the effective Line Connection Service Rate in 2012 was \$0.64/kW, for a combined total of \$2.14/kW which Guelph Hydro input. Guelph Hydro

also confirmed that it is charged a combined Line and Transformation Connection rate and, at the request of Board staff, re-submitted an updated RTSR Workform with the Line Connection and Transformation Connection rates broken down separately (as required by the Workform).

Board staff has no concerns with the revised data supporting the updated Retail Transmission Service Rates proposed by Guelph Hydro. Pursuant to the Board's Guideline G-2008-0001, Board staff notes that the Board will update the applicable data at the time of the Board's Decision on the Application based on the Uniform Transmission Rates in place at that time.

Board staff makes detailed submissions on the following:

- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report"); and
- Wholesale Market Service Rates ("WMSR") and Rural & Remote Protection Plan ("RRRP").

### **Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report")**

#### **Background**

Guelph Hydro completed the Deferral and Variance Account continuity schedule included in the 2014 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Guelph Hydro's total Group 1 Deferral and Variance Account balances amount to a credit of \$3,173,202. The Group 1 balance excluding Account 1589 – Global Adjustment Sub-Account is a credit of \$921,051, and is applicable only to RPP customers. These balances also include interest calculated to December 31, 2012. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0019 per kWh which exceeds the threshold, and as such, Guelph Hydro requested disposition of these Accounts over a three-year period.

#### **Submission**

Board staff has reviewed Guelph Hydro's Group 1 Deferral and Variance Account

balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with Guelph Hydro’s request to dispose of its 2012 Deferral and Variance Account balances at this time.

Board staff does however take issue with the proposed disposition period (i.e. three years). Board staff notes that Guelph Hydro’s Application is not consistent with the guidelines outlined in the EDDVAR Report with respect to the standard disposition period for Group 1 accounts (i.e. one year). In its interrogatory responses, Guelph Hydro provided rate riders and bill impacts for one-, two- and three-year disposition periods in the repayment of all Group 1 accounts as requested by Board staff.

Residential, 800 kWh/month	Disposition Period		
	3-years	2-years	1-year
Sub-Total A	\$1.34	\$1.34	\$1.34
Sub-Total B – Distribution	\$3.34	\$3.26	\$3.02
Bill Impact \$	\$3.49	\$3.41	\$3.15
Bill Impact %	2.96%	2.89%	2.68%

The table above provided by Guelph Hydro summarizes the dollar and percentage impacts of each of the three disposition periods for the typical Residential customer using 800 kWh/month. All of the rate riders proposed by Guelph Hydro in its Application are included in the calculations above.

Guelph Hydro noted that it requested a three-year disposition period because this credit will help mitigate rate impacts during two years of IRM and one year of Cost of Service applications<sup>1</sup>. Staff notes that Guelph Hydro is scheduled to rebase for 2016 rates.

Board staff notes that the balances in the subject accounts represent over recoveries on the part of Guelph Hydro and in the normal course should be available to be refunded over a fairly short timeframe.

Board staff further notes that the differences in the bill impacts between the proposed one-, two- and three-year disposition periods are very slight. Board staff is of the view that Guelph Hydro’s reasoning in its request to utilize a three-year disposition period

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<sup>1</sup> EB-2013-0133, Interrogatory Responses, Page 12

(i.e. to help mitigate rate impacts during two years of IRM and one year of Cost of Service) is not supported by the minimal change in bill impacts from a one- to a three-year disposition period. Board staff also notes that the bridging of the credit to overlap with the next cost of service rates application is also not a sufficient reason to deviate from the Board's default disposition period. Therefore, Board staff submits that the Group 1 Accounts credit balance of \$3,173,202 should be disposed of over a one-year period. Guelph Hydro may wish to opine in its reply submission on the approximate impacts on 2015 rates that are also scheduled to be adjusted under the incentive rate mechanism, and at which time the one-year credit, if approved by the Board, would cease.

## **Wholesale Market Service Rates (“WMSR”) and Rural & Remote Protection Plan (“RRRP”)**

### **Background**

On August 21, 2013, Guelph Hydro submitted supplemental evidence in support of the Application. Guelph Hydro noted that only upon further review of other LDCs 2014 IRM applications, did it become apparent to Guelph Hydro that it had not been aware of the Board's Letter and the Decision and Order for WMSR and RRRP rates issued on April 2, 2013 (EB-2013-0067). Guelph Hydro subsequently updated its proposed 2014 tariff of rates and charges on September 1, 2013 to incorporate the changes to the WMSR and the RRRP that should have been implemented with an effective date of May 1, 2013.

In its interrogatories, Board staff requested that Guelph Hydro quantify the amounts of over-recovery for the WMSR and the RRRP separately over the May 1 to August 31 period, and to confirm if the WMSR variance is captured in Account 1580.

Guelph Hydro provided the table below quantifying the amounts of over-recovery. Guelph Hydro also noted that it bills Residential and General Service <50 kW customers bi-monthly; therefore, the actual consumption billed with old WMSR and RRRP rates between May 1 and August 31, 2013 will be known after November 15, 2013. Guelph Hydro confirmed that WMSR and the RRRP variances are captured in Account 1580 and the interest is calculated based on the Board's prescribed rates.

Rate	Rate Change Impact	Billed kWh	Over/(under recovery)
WMSR	\$0.0008	579,848,957	\$463,879.17
RRRP	(\$0.0001)	579,827,823	(\$57,982.78)
<b>TOTAL OVER-RECOVERY</b>			<b>\$405,896.38</b>
<p><b>Note:</b> 21,135 kWh difference between WMSR and RRP explanation: OPA bills RRRP for a Guelph Hydro's customer which is a market participant embedded generator</p>			

While Guelph Hydro has noted that it intends to calculate adjustments for all customers to reflect the impact of these changes, Guelph Hydro has not specified the manner by which it intends to make the adjustment. Based on Guelph Hydro's interrogatory responses, it is Board staff's inference that Guelph Hydro intends to remedy the matter by disposing of Account 1580 in a future rate proceeding. In its reply submission, Guelph Hydro may wish to confirm if this is its proposal.

### Submission

Board staff notes that Guelph Hydro is in violation of the Board's recent Decision and Order for WMSR and RRRP rates in EB-2013-0067. Board staff notes that the Decision and Order was issued, and sent to all electricity distributors under cover of letter from the Board Secretary, on April 2, 2013. A licensee's failure to comply with an order of the Board constitutes non-compliance with an enforceable provision of the *Ontario Energy Board Act, 1998*. Accordingly, Board staff is of the view that it is in the best interests of Guelph Hydro and its customers to rectify the matter as soon as possible.

To that end, Board staff submits that a direct billing adjustment to the affected customers, per section 7.7 of the *Retail Settlement Code* ("RSC"), is the preferred method of correcting the over-collection by Guelph Hydro. Section 7 of the RSC sets out the rules which apply to billing errors such as this (i.e. instances in which Measurement Canada has not become involved in the dispute)<sup>2</sup>.

Board staff is of the view that Guelph Hydro should be directed to adjust the affected customers' bills at the earliest opportunity once the actual consumption billed with the previous WMSR and RRRP rates becomes available. Board staff understands that such data will become available on or about November 15, 2013.

<sup>2</sup> *Retail Settlement Code*, October 1, 2011, Pages 44-47

In its reply submission, Guelph Hydro may wish to comment on the suggestion above by Board staff, including a pros and cons discussion of the various options proposed by the applicant and by Board staff.

All of which is respectfully submitted