

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

October 31, 2013

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc.
2014 IRM4 Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0124**

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

As a reminder, Enersource Hydro Mississauga Inc.'s Reply Submission is due by November 12, 2013.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Enersource Hydro Mississauga Inc.

EB-2013-0124

October 31, 2013

**Board Staff Submission
Enersource Hydro Mississauga Inc.
2014 IRM4 Rate Application
EB-2013-0124**

Introduction

Enersource Hydro Mississauga Inc. (“Enersource”) filed a complete application (the “Application”) with the Ontario Energy Board (the “Board”) on August 16, 2013 under section 78 of the *Ontario Energy Board Act, 1998* (the “Act”), seeking approval for changes to the distribution rates that Enersource charges for electricity distribution, to be effective January 1, 2014. The Application is based on the Board’s guidelines for 4th Generation Incentive Regulation Mechanism. The Board assigned the Application file number EB-2013-0124.

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

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Enersource. 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 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
- Renewable Generation Connection Funding Amounts for 2014.

Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”)

In its response to Board staff interrogatory #1 and #2, Enersource 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.

Enersource's total Group 1 balances for these accounts, as of December 31, 2012, amount to a credit of \$10,611,807 which includes interest calculated to December 31, 2013. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0014 per kWh which exceeds the threshold, and as such, Enersource requested disposition of these Accounts over a one-year period.

In its Application, Enersource filed a separate Disposition Adjustment Model that replicated the billing determinants, allocation and calculation of deferral and variance account rate riders for the Group 1 disposition. This model was filed to accommodate the allocation of the balance in Account 1589 Global Adjustment. Enersource noted that it currently bills non-RPP interval customers using the second estimate of the Global Adjustment provided by the Independent Electricity System Operator (the "IESO"). However, non-RPP, non-interval customers are billed using the first estimate of the Global Adjustment, as provided by the IESO. The revenue related to the Global Adjustment (i.e. amounts billed to non-RPP customers) was determined from 2012 actual non-RPP customer bills for interval and non-interval customers. The costs related to the Global Adjustment related to class B customers, excluding those on RPP, was determined based on actual 2012 IESO invoices. Enersource allocated this cost to interval and non-interval customers based on 2012 actual consumption. As a result of using this approach, Enersource proposed to recover \$2.2 million from non-RPP interval customers and refund \$5.1 million to non-RPP non-interval customers.

Submission

Board staff has reviewed Enersource'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*. Board staff has also reviewed Enersource's Disposition Adjustment Model that calculates the Group 1 Deferral and Variance Account rate riders. Board staff supports the approach used by Enersource to apportion the balance in Account 1589 Global Adjustment between non-RPP interval and non-interval customers as it is reflective of cost causality. Board staff also submits that the one-year disposition period proposed

by Enersource is consistent with the EDDVAR Report. Accordingly, Board staff submits that the Group 1 Accounts balances should be disposed of on a final basis.

Renewable Generation Connection Funding Amounts for 2014

Under Section 79.1 (1) of the Act, the Board, in approving just and reasonable rates for a distributor that incurs costs to make an eligible investment for the purpose of connecting or enabling the connection of a qualifying generation facility to its distribution system, shall provide rate protection for prescribed customers or classes of customers in the distributor's service area by reducing the rates that would otherwise apply in accordance with the prescribed rules.

Ontario Regulation 330/09 states that the rate protection amount is to be collected by the Independent Electricity System Operator ("IESO") from all electricity market participants. The Regulation requires the Board to determine the monthly amounts to be collected by the IESO such that the total amount collected is equal to the total amount of rate protection that is to be provided.

As part of its 2013 cost of service application (EB-2012-0033), Enersource filed a basic Green Energy Act Plan (the "GEA Plan"). The Board in its Decision and Order approved the GEA Plan¹. The GEA Plan was filed in accordance with the *Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence* (EB-2009-0397), which required distributors to identify the costs related to the connection of FIT and microFIT projects and/or to the implementation of a smart grid. Enersource's GEA Plan did not include any smart grid initiatives. Enersource filed under Attachment I approved renewable generation connection funding amounts approved by the Board.

Enersource records the revenues related to renewable generation in Account 1533. The costs related to renewable generation are recorded in Accounts 1531 (for capital) and 1532 (for OM&A).

Subsequently, the Board in its Decision with Reasons and Order (EB-2013-0231) on the Green Energy Plan Electricity Rate Protection Benefit and Charge for 2013, established a payment process regarding the remittance of funds (i.e. rate protection mentioned

¹ EB-2012-0033 Decision and Order, December 13, 2012, Page 24

above) on a monthly basis from the IESO to Enersource (along with other affected distributors). In this Decision with Reasons and Order, the Board determined that the IESO was to compensate Enersource in the amount of \$64,270² for 2013.

In this proceeding, Enersource provided an update to Attachment I (filed under Attachment J) to include the actual amounts for 2012 and updated estimates for 2013 and 2014. Enersource is requesting to collect renewable generation funding of \$68,640 in 2014, or \$5,720 per month, from all provincial ratepayers.

In response to Vulnerable Energy Consumers Coalition (“VECC”) interrogatory #3a, Enersource based its forecast for renewable generation projects to be connected in 2014 using information available on the Ontario Power Authority’s (“OPA”) FIT Application Management Environment and microFIT LDC Admin web portals. Enersource also noted that on July 16, 2013 there were 56 (renewable generation) projects listed with the City of Mississauga and on August 8, 2013, there were an additional 11 projects listed, for a total of 67.

Submission

Board staff notes that the amount that Enersource has requested for renewable generation funding is neither a rate adder nor a rate rider that would appear on Enersource’s tariff of rates and charges. The amount Enersource has requested would be remitted by the IESO to Enersource.

Board staff is of the view that Enersource has demonstrated that it continues to connect renewable generation projects to its system and that its 2014 forecast appears reasonable based on the OPA information provided in response to VECC interrogatory #3a. Board staff also observes that the total number of renewable generation projects to be connected in 2014 forecast is consistent with the total number of renewable generation projects included in Enersource’s GEA Plan. Therefore, Board staff submits that Enersource’s request to increase its renewable generation funding in 2014 from all provincial ratepayers is consistent with the Board approved GEA Plan in Enersource’s 2013 cost of service proceeding (EB-2012-0033) and should be adjusted for 2014.

- All of which is respectfully submitted –

² EB-2013-0231 Decision With Reasons and Order, July 10, 2013, Page 3