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**BY EMAIL**

December 5, 2013

Ontario Energy Board  
P.O. Box 2319  
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[Kirsten.Walli@ontarioenergyboard.ca](mailto:Kirsten.Walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Chapleau Public Utilities Corp.  
2014 IRM4 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2013-0119**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Chapleau Public Utilities Corp. ("CPUC") and to all other registered parties to this proceeding.

CPUC is reminded that its Reply Submission, if it intends to file one, is due by December 19, 2013.

Yours truly,

*Original Signed By*

Martha McOuat  
Project Advisor

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2014 ELECTRICITY DISTRIBUTION RATES**

**Chapleau Public Utilities Corp.**

**EB-2013-0119**

**December 5, 2013**

**Board Staff Submission  
Chapleau Public Utilities Corp.  
2014 IRM4 Rate Application  
EB-2013-0119**

## **Introduction**

Chapleau Public Utilities Corp. ("CPUC") filed an application (the "Application") with the Ontario Energy Board (the "Board") on September 10, 2013, seeking approval for changes to the distribution rates that CPUC charges for electricity distribution, to be effective May 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 CPUC.

By way of preliminary submissions on the various models and workforms filed with the Board, Board staff makes the following submission.

In response to Board staff interrogatories, CPUC confirmed there were errors in the billing determinants filed and provided the corrected data. Board staff will make the necessary corrections to CPUC's models at the time of the Board's Decision on the Application. Pursuant to the Board's Guideline G-2008-0001, Board staff notes that the Board will also update the applicable data at the time of the Board's Decision on the Application to reflect the Uniform Transmission Rates in place at that time.

Board staff notes that the Tax-Savings Workform reflects the Revenue Requirement Work Form from the Board's cost of service decision in EB-2011-0322, and that the resulting tax changes are \$0.00. Board staff has no concerns with the Tax-Savings Workform as filed.

Board staff also notes that the Revenue-to-Cost Ratio adjustments as contained in CPUC's model are consistent with the changes approved in CPUC's 2012 cost of service application (EB-2011-0322). Board staff has no concerns with the Revenue-to-Cost Ratio Adjustment model as filed.

Board staff requested clarification of the balance for disposition in Account 1595 in

CPUC's continuity tables at Sheet 5 of the IRM Rate Generator. CPUC explained that the large residual balance relative to the initial approved amount for disposition is largely due to a large increase in non RPP customers in 2010. Board staff is satisfied with CPUC's explanation and has no further concerns with the balance in Account 1595.

Board staff makes detailed submissions on the following:

- Request for Recovery of Amounts Related to the Hydro One Billing Error; and
- Request for Adjustments to Low Voltage Service Rates.

### **Request for Recovery of Amounts Related to the Hydro One Billing Error**

#### **Background**

CPUC is a partially embedded distributor whose host is Hydro One Networks Inc. ("Hydro One"). CPUC proposes to record a principal balance for recovery of \$93,387.02 and interest of \$1,831 in its 2012 Group 1 deferral and variance account balances, representing an adjustment to low voltage charges as a result of a billing error by Hydro One. The invoice was received in September, 2013 and represented an adjustment to the billed kW quantity for the period from January 28, 2009 to April 3, 2013. CPUC proposed to recover the debit balance with its 2012 deferral and variance account balances to offset a credit balance of \$108,948, reducing the total credit balance for disposition to \$13,730.

In response to an interrogatory from Board staff<sup>1</sup>, CPUC confirmed that CPUC had included a total adjustment of approximately \$93,387 in Account 1550 related to the Hydro One billing error. Board staff notes that this amount consists of the following two components:

- \$34,296 related to transactions post-December 31, 2011, where the account balance has not yet been disposed on a final basis; and
- \$59,091 related to transactions prior to December 31, 2011, where the account balance was approved by the Board and disposed on a final basis in CPUC's 2013 IRM rate proceeding EB-2012-0114.

In response to interrogatories, CPUC stated that it had an internal process for checking

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<sup>1</sup> Response to Board staff Interrogatory #4

the accuracy of amounts payable and that it had questioned Hydro One's billed amounts on three occasions over the period in question, beginning in early 2009. In 2009 and 2011, Hydro One assured CPUC that the invoiced amounts were correct. In early 2013, CPUC again questioned the invoice received and was informed by Hydro One that there was indeed an error.

### **Submission**

Board staff submits that CPUC's 2011 deferral and variance account balances were disposed of on a final basis in CPUC's 2013 IRM proceeding (EB-2012-0114, dated April 4, 2013). In Board staff's view, CPUC's proposal to recover the adjustments in the amount of \$59,091 relating to this period from its customers raises an issue of retroactive ratemaking. Board staff notes that in past Board decisions, recovery of past costs or charges have not been permitted where an account has been disposed of on a final basis, as the principles of certainty and finality are a necessary component of effective rate regulation<sup>2</sup>. Board staff submits that under these circumstances, it would be inappropriate for CPUC to record an adjustment of \$59,091 in Account 1550 or any other deferral or variance account for future recovery from its customers. Therefore, Board staff submits that the Board should deny recovery of this amount.

Board staff submits that, in this case, the utility/customer relationship at issue is between CPUC and Hydro One, which is dictated by the Retail Settlement Code. Board staff notes that Section 7.7.7 addresses under billing situations as follows:

Where the distributor has under billed a customer or retailer, the maximum period of under billing for which the distributor is entitled to be paid is 2 years. Where the distributor has over billed a customer or retailer, the maximum period of over billing for which the customer or retailer is entitled to be repaid is 2 years.

Further, Board staff notes that Hydro One's Conditions of Service also provide for recovery of billing errors, as follows:

Where a billing error, from any cause, has resulted in a Customer or Retailer being under-billed, and where Measurement Canada has not become involved in the dispute, the Customer or Retailer shall pay to Hydro One the amount that was not previously billed. In the case of an individual Customer who is not responsible for the error, the allowable period of time for which the Customer

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<sup>2</sup> EB-2013-0022, Decision and Order, Veridian Motion to Review, April 25 2013, p. 10

may be charged is two (2) years for residential customers, including seasonal and farm residence, and all other customers<sup>3</sup>.

In this case, Hydro One is the distributor and CPUC is the customer. CPUC may choose to consider the Retail Settlement Code and Hydro One's Conditions of Service and pursue further discussions with Hydro One.

## **Request for Adjustments to Low Voltage Service Rates**

### **Background**

As a result of the Hydro One billing error discussed above, CPUC proposes to adjust its low voltage service rates based on the revised billed amounts from Hydro One. CPUC has indicated that, in the absence of an adjustment to low voltage rates, the annual amount that would accumulate in Account 1550 would be approximately \$28,000. CPUC states that the threshold for disposition of its deferral and variance accounts is approximately \$26,000.

### **Submission**

Board staff notes that section 3.4 of the Filing Requirements addresses specific exclusions from IRM applications, as follows:

The IRM application process is intended to be mechanistic in nature. For this reason, the Board has determined that the IRM process is not the appropriate venue by which a distributor should seek relief on issues, which are substantially unique to an individual distributor or more complicated and potentially contentious.

Board staff submits that CPUC's request to adjust low voltage rates, and the circumstances surrounding the request are substantially unique to CPUC, and should be addressed in CPUC's next cost of service application.

Board staff notes that, in the absence of a rate adjustment, the amount that will accumulate in CPUC's low voltage variance account is approximately equal to its threshold for disposition. This suggests to Board staff that the rate impact per customer upon disposition of the deferral and variance accounts on an annual basis will be approximately \$0.0001 per kWh (the per unit rate at which disposition is triggered).

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<sup>3</sup> Hydro One Networks Inc. Conditions of Service, May 21, 2013, s. G. Billing Errors, p. 71

Board staff submits that this impact should not present a significant burden to CPUC's customers and that adjustment of the low voltage rates during CPUC's IRM period should not be necessary.

All of which is respectfully submitted