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Ontario

BY EMAIL

December 17, 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: Orillia Power Distribution Corporation
2014 IRM4 Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0161

In accordance with the Procedural Order No. 1, please find attached Board staff's submission in the above proceeding. This document is being forwarded to Orillia Power Distribution Corporation.

Orillia Power Distribution Corporation's Reply Submission, if it intends to file one, is due by January 17, 2014.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Orillia Power Distribution Corporation

EB-2013-0161

December 17, 2013

Board Staff Submission
Orillia Power Distribution Corporation
2014 IRM4 Rate Application
EB-2013-0161

Introduction

Orillia Power Distribution Corporation ("Orillia Power") filed a complete application (the "Application") with the Ontario Energy Board (the "Board") on October 11, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Orillia Power charges for electricity distribution, to be effective May 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-2013-0161.

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 Orillia Power.

In the interrogatory phase, Board staff identified certain discrepancies in the data in the models filed by Orillia Power. In response to Board staff interrogatories, Orillia Power confirmed there were errors in some of the models filed and provided corrected data. Board staff will make the necessary corrections to Orillia Power'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 Orillia Power. 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.

Other than Board staff's detailed submissions on the review and disposition of Group 1 deferral and variance account balances, as set out below, Board staff has no further concerns with the application.

Disposition of Disposition of Group 1 Deferral and Variance Account Balances

Orillia Power's total Group 1 Deferral and Variance Account balances as of December 31, 2012 amounts to a credit of $1,044,033, which includes interest calculated to April 30, 2014. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to $0.0035 per kWh, which exceeds the threshold. Orillia Power requested to dispose of these Account balances over a two-year period.

Board staff has reviewed Orillia Power'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*. Given that the preset disposition threshold has been exceeded, Board staff has no issue with Orillia Power's request to dispose of its 2012 Group 1 Deferral and Variance Account balances at this time.

Orillia Power proposed a two-year disposition period in order to avoid rate volatility for Orillia Power's customers. Orillia Power noted that in its 2012 IRM rate application (EB-2011-0191), the Board approved disposition of Orillia Power's Group 1 account balances over a two-year period. Orillia Power provided the table below on total bill impacts for its Application, as filed, highlighting the effects of a one-year versus two-year disposition period for its 2012 Group 1 account balances. The current total bill impact for its Application, as filed, is a monthly increase of approximately $0.75 for a typical residential customer consuming 800 kWh using a disposition period of two years. If the disposition is one year, the bill impact is a decrease of $1.45 per month. Similarly, the current total bill impact for its Application, as filed, is a monthly increase of approximately $1.45 for a typical General Service less than 50 kW ("GS<50 kW") customer consuming 2,000 kWh. Using a disposition of one year, the bill impact is a monthly decrease of $4.04. Table 1 indicates the proportional and directional effects of a one- and two-year disposition for all rate classes.

Table 1: Total Bill Impacts (%) – 1 Year vs. 2 Years Disposition Period for Group 1 Account Balances

Customer Class	Disposition 1 Year	Disposition 2 Years
Residential RPP	(1.22%)	0.63%
General Service Less Than 50 kW RPP	(1.35%)	0.48%
General Service 50 to 4,999 kW NON RPP	(0.11%)	0.21%
Unmetered Scattered Load RPP	(0.71%)	0.53%
Sentinel Lighting RPP	(0.58%)	0.52%
Street Lighting NON RPP	0.51%	0.79%

Board staff notes that the default disposition period for Group 1 Deferral and Variance Account balances is one year. Board staff also notes that in the past, the Board has made decisions which deviate from the EDDVAR Report when it deemed it to be in the public interest. For example, in the case of Chapleau Public Utilities Corporation ("CPUC"), the Board approved a two-year disposition period on the basis of striking a balance between reducing intergenerational inequity and mitigating rate volatility[1]. Board staff notes that the total bill impacts in that proceeding, using a one-year disposition period, for the residential customer and GS<50 kW customer rate classes was a monthly increase of approximately $10.40 (or 6.75%) and $20.92 (or 5.59%), respectively[2]. Board staff notes that the total bill impacts for that proceeding was driven by the disposition of CPUC's Group 1 account balances. Board staff notes that in 2012, when Orillia was granted a 2-year disposition period, the bill impacts were likewise greater than in its current proceeding. Having considered the net effect on bill impacts from either one- or two-year disposition, Board staff submits that a one-year disposition period for Orillia Power's Group 1 account balance would not cause rate volatility.

Furthermore, Board staff notes in Orillia Power's 2013 IRM application, the preset disposition threshold was not exceeded; accordingly, Orillia Power's Group 1 account balances, which was also in a credit position, were not disposed of. Board staff submits that Orillia Power has therefore been over-collecting from its customers since 2011. Board staff observes that a one-year disposition would return over-collected revenues to customers more quickly than a two-year disposition would.

[1] EB-2012-0114, Decision and Order, April 4, 2013, p. 8.
[2] EB-2012-0114, Response to Board Staff Interrogatory #6, Chapleau Public Utilities Corporation, p. 8.

Board staff submits that the total bill impacts for the residential and GS<50 kW customer rate classes, which constitute the bulk of Orillia Power's customers, are reasonable and that the amount of change in customers' bills due to the disposition is insufficient to require any mitigation through a longer disposition period. Therefore, Board staff submits that Orillia Power should follow the EDDVAR Report and dispose of its Group 1 account balances using the default disposition period of one year.

All of which is respectfully submitted