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Ontario

BY EMAIL

December 20, 2013

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Erie Thames Powerlines Corporation ("Erie Thames Powerlines")
2014 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0126

In accordance with Procedural Order No.1, please find attached the Board staff Submission in the above proceeding. The applicant has been copied on this filing.

Erie Thames Powerlines' reply Submission, if it intends to file one, is due by January 17, 2014.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Erie Thames Powerlines Corporation

EB-2013-0126

December 20, 2013

Board Staff Submission
Erie Thames Powerlines Corporation
2014 IRM Distribution Rate Application
EB-2013-0126

Introduction

Erie Thames Powerlines Corporation ("Erie Thames Powerlines") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 11, 2013, seeking approval for changes to the rates that Erie Thames Powerlines charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 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 Erie Thames Powerlines.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data filed by Erie Thames Powerlines. In response to Board staff interrogatories, Erie Thames Powerlines confirmed that it had input some erroneous data into the models (i.e. Retail Service Transmission Service Rates Model, Tax-Sharing Model and Rate Generator Model) and requested that Board staff make the necessary corrections.

Retail Transmission Service Rates Model ("RTSR Model")

In its responses to Board staff interrogatories #2 and #3, Erie Thames Powerlines confirmed that it entered incorrect data into the Retail Transmission Service Rates Model on tab 6 with respect to the applicable IESO Uniform Transmission Rates ("UTR") and Hydro One Sub-Transmission Rates. Erie Thames Powerlines requested that Board staff make the necessary corrections to the model.

Board staff notes that as a result of these changes, the 2014 RTSRs as initially filed by Erie Thames Powerlines have altered to reflect the appropriate UTRs currently in place. Board staff has no concerns with the corrected data supporting the updated RTSRs proposed by Erie Thames Powerlines. 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.

Tax-Sharing Model

In its interrogatories, Board staff noted that Erie Thames Powerlines did not enter tax credits of $20,000 as approved in its previous cost of service rate proceeding (EB-2012-0121).

In its interrogatory responses, Erie Thames Powerlines agreed that the $20,000 in tax credits was omitted in error and requested that Board staff make the necessary adjustments to the model. Erie Thames Powerlines confirmed that it wishes to dispose of the entire tax-sharing amount, but only if the revised tax-sharing amount generates material rate riders for the Residential and General Service < 50 kW rate classes. If this is not the case, Erie Thames Powerlines would request that the amount be recorded in Account 1595 for future disposition.

Board staff notes that with the $20,000 in tax-credits included, the Tax-Sharing Model generates a tax-sharing amount of $5,574 with $2,787 (50%) being refunded to ratepayers. Board staff notes that this refund amount does not generate material rate riders for the Residential and General Service < 50 kW rate classes; therefore, Board staff submits that it takes no issue with Erie Thames Powerlines' request to record the tax sharing refund in variance Account 1595 for disposition at a future date.

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

Erie Thames Powerlines' total Group 1 Deferral and Variance Account ("Group 1 Account") balances amount to a credit of $2,507,303. The balance of Account 1589 – Global Adjustment is a debit of $888,810, and is applicable only to Non-RPP customers. These balances also include interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Account balances equate to $0.0054 per kWh which exceeds the threshold.

The EDDVAR Report provides that, during the IRM plan term, the distributor's Group 1 Account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

In its Application, Erie Thames Powerlines noted that upon reviewing the balances of its Group 1 Accounts, it projects that the disposition of this credit balance at this time would result in a significant rate increase in 2015. Erie Thames Powerlines proposed that no disposition of any Group 1 Accounts be approved at this time, with full disposition of final balances ending December 2013 to be undertaken in its 2015 rate application.

Board staff asked Erie Thames Powerlines to further explain why it believes it is appropriate to not refund the amounts owing to customers as opposed to requesting that the current credit amount be refunded over a longer time frame.

In its interrogatory responses, Erie Thames Powerlines provided the following table:

Account Number	2013 YTD Variance	2014 IRM Continuity Schedule	Continuity as of August 31, 2013
1550	$165,707.22	-$432,908.00	-$267,200.78
1580	-$263,432.29	-$1,148,761.00	-$1,412,193.20
1584	$41,511.33	-$2,437,123.00	-$2,395,611.67
1586	$330,563.20	-$72,391.00	$258,172.20
1588	$1,449,988.29	$324,981.00	$1,774,969.29
1589	$708,032.19	$888,810	$1,596,842.19
1590	$0	-$50,096.00	-$50,096.00
1595	$0	$420,185.00	$420,185.00
Total	**$2,432,369.94**	**-$2,507,303**	**-$74,933.06**

The first column represents the 2013 year to date variance which is the annual change from January to August 2013. The second column is the 2014 IRM continuity schedule from the Rate Generator Model, and the third column is the sum of the former two which displays what the continuity amounts are as at August 31, 2013.

Erie Thames Powerlines noted that this table details the calculation of the repayment of approximately $75,000 for the 8 month period ending August 2013 (i.e. December 2012 to August 2013). The table shows an approximate change of $2.5 million over the first 8 months resulting in a credit balance of $74,933.06 as of August 31, 2013. However, Erie

Thames Powerlines noted that with one full quarter of operations remaining, the cumulative balance amounts to September 2013 could shift to the customer owing approximately $618,405.

Erie Thames Powerlines noted that by deferring disposal, “the transactions effectively take place on the accounting side in a quicker fashion with less volatility in customer bills and less confusion.” Also, Erie Thames Powerlines argued that it is “not proposing to defer this approval due to the cash flow impacts of refunding these amounts over one year versus two, but it is more concerned with the rate stability for the customer and the significant swings of items that are non-distribution related.”

Board staff submits that Erie Thames Powerlines has not put forward any extraordinary circumstances which would support such a large change in the account balances. Board staff submits that the variances which accumulate in a distributor’s Group 1 Accounts as a result of standard day-to-day transactions should not be a satisfactory reason to defer disposition.

Board staff notes that the current balances in the subject accounts represent over-recoveries on the part of Erie Thames Powerlines and, in the normal course, should be available to be refunded to customers.

Board staff notes that although the balances in the Group 1 Accounts significantly altered as of September 2013, these balances are unaudited and do not provide evidence that this trend will continue. In order to maintain a systematic approach to Deferral and Variance Account disposition and to reduce intergenerational inequity, Board staff submits that the Board should direct Erie Thames Powerlines to dispose of its Group 1 Accounts.

In its interrogatory responses, Erie Thames Powerlines provided approximate bill impacts representing a one, two and three year disposition period if the Group 1 Accounts were to be disposed at the request of Board staff. Board staff is unable to verify the impacts provided by Erie Thames Powerlines. Staff has made its own approximate calculations for a typical Residential customer consuming 800kWh based on the updated productivity factor, inflation factor, applicable stretch factor and updated Time of Use (“TOU”) pricing available at this time. These bill impacts are a reflection of Erie Thames Powerlines’ IRM application as updated through the interrogatory phase.

One-Year Disposition Period – Updated Parameters and TOU Pricing

	$ Impact	% Impact
Distribution Line Impact	-$3.81	-9.05%
Delivery Line Impact	-$2.14	-4.28%
Total Bill Impact	-$2.17	-1.62%

Two-Year Disposition Period – Updated Parameters and TOU Pricing

	$ Impact	% Impact
Distribution Line Impact	-$0.93	-2.21%
Delivery Line Impact	$0.74	1.49%
Total Bill Impact	$0.76	0.57%

Board staff notes that Erie Thames Powerlines currently has a stand-alone application before the Board to dispose of the balance in Account 1562 – Deferred Payments in Lieu of Taxes ("Deferred PILs"). In its submission on that application, Board staff was supportive of the May 1, 2014 effective date proposed by Erie Thames Powerlines as this date coincides with the proposed implementation date of its 2014 IRM application. The total balance for disposition is a credit of $365,146, over a one year period, with an additional $58,445 credit under contention. Board staff is mindful that coincident timing will reduce the number of rate changes experienced by the Erie Thames Powerlines' customers.

Board staff submits that, if the Board directs Erie Thames Powerlines to dispose of its Group 1 Accounts, a disposition period of two years would strike a reasonable balance between reducing intergenerational inequity and mitigating rate volatility. As seen in the above, a one year disposition period for the Group 1 Accounts as part of this Application, coupled with a further credit from Erie Thames Powerlines' Deferred PILs application would cause a high decrease in rates in 2014, which may lead to rate volatility in the following year when these credits expire.

All of which is respectfully submitted