



EB-2013-0225

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an application by Erie
Thames Powerlines Corporation for an order or orders to
dispose Account 1562 – Deferred Payments in Lieu of
Taxes (“Deferred PILs”).

Before: Cynthia Chaplin
Vice Chair and Presiding Member

Ken Quesnelle
Member

DECISION AND ORDER

January 9, 2014

Background

On June 24, 2011, the Board issued its Decision on the Combined PILs proceeding EB-2008-0381 (“Combined PILs Decision”). The Board indicated that the remaining distributors would be expected to apply for final disposition of Deferred PILs with their next general rates application, either IRM or cost of service. The Board also indicated in the Combined PILs Decision that if the distributor files evidence in accordance with the various decisions made in the course of the Combined PILs proceeding, including the use of the updated SIMPIL¹ model, the determination of the final account balance will be handled expeditiously and in a largely administrative manner. However, if a distributor files on a basis which differs from what is contemplated by the Combined PILs Decision, the application can take some time to process, and therefore should not

¹ Spreadsheet implementation model for payments-in-lieu of taxes

be included in an IRM application. Deviations from the Combined PILs Decision could include taking a different position on issues considered by the Board in the Combined PILs proceeding, addressing issues not arising in the Combined PILs proceeding or filing older SIMPIL models rather than the updated models containing the Excel worksheet 'TAXREC 3' as used by Halton Hills Hydro Inc.

The Board in its Erie Thames Powerlines Corporation ("Erie Thames") 2012 COS decision (EB-2012-0121) directed Erie Thames to file a separate application for the disposition of Deferred PILs by June 1, 2013 if not otherwise included in its 2013 IRM application.

The Application

Erie Thames filed a complete application with Board on August 21, 2013 for permission to dispose of the Deferred PILs balances over a one year period commencing January 1, 2014. There are three separate Account 1562 balances being considered in this application, one each for the former service areas: Clinton Power Corporation ("CPC"); West Perth Power Inc. ("WPPI"); and Erie Thames Powerlines Corporation ("ETPL"). CPC, WPPI and ETPL amalgamated in 2011.

The Board issued a Notice of Application and Hearing and Procedural Order No.1 dated September 3, 2013. No party applied for intervenor status. Pursuant to Procedural Order No. 1, Board staff filed interrogatories on September 27, 2013 and Erie Thames filed interrogatory responses on October 11, 2013. On November 13, 2013 Erie Thames filed an update to its application to reflect changes related to its responses to Board staff interrogatories. Pursuant to Procedural Order No. 2, Board staff filed its submission on December 2, 2013 and Erie Thames filed its reply submission on December 9, 2013.

The evidence filed by Erie Thames in this proceeding includes tax returns, financial statements, Excel models from prior applications, calculations of amounts recovered from customers, SIMPIL Excel worksheets and continuity schedules that show the principal and interest amounts in the Deferred PILs balance.

Account 1562 Balances

In its original evidence, Erie Thames applied to refund its ETPL customers a credit balance of \$276,888 and to recover \$35,435 and \$98,628 respectively from its CPC and

WPPI customers.² Subsequent to the filing of its responses to Board staff interrogatories, Erie Thames filed revised evidence including new balances for Account 1562. Erie Thames' updated evidence proposed the following amounts be refunded to customers: \$339,968 to the ETPL customers, \$18,847 to the CPC customers and \$6,331 to the WPPI customers.³

In its submission Board staff indicated that it had reviewed the underpinning models, and calculations filed by Erie Thames and was satisfied that the amounts were in keeping with the approved treatment set out in the Combined PILs Decision, subject to confirmation from Erie Thames that the related carrying costs were calculated as of April 30, 2014. Erie Thames provided such confirmation on December 13, 2013.

Board Findings

The Board accepts the revised balances proposed for disposition to the customers of the former EPTL, CPC and WPPI service areas.

Allocation to Classes

Erie Thames utilized the class allocations that were employed in the 2005 Electricity Distribution Rates ("EDR") Rate Adjustment Model ("RAM") -PILs Tab for each of ETPL, CPC and WPPI to allocate the amount to be disposed by customer class. Erie Thames viewed the use of the 2005 EDR RAM as consistent with the principle of cost causality and as a means of reducing intergenerational inequity. Board staff in its submission noted that this approach differs from the Combined Proceeding Decision, Issue#19, whereby the customer class allocation should be based on distribution revenue from the most recent rebasing application. In Erie Thames' case that would be EB-2012-0121. Board staff supported Erie Thames' proposed approach because the rates for ETPL, CPC and WPPI were harmonized in EB-2012-0121 and using the EB-2012-0121 allocations would result in refund amounts for classes that did not exist for WPPI and CPC, i.e. GS>50 kW and Large Use and Embedded.

Board Findings

The Board accepts the allocation utilized by Erie Thames and the amounts allocated to each customer class for each of ETPL, CPC and WPPI.

² Includes related carrying costs to December 31, 2013.

³ Includes related carrying costs to April 30, 2014.

Charge Determinants and Term

For ETPL, Erie Thames proposed a variable charge rate rider with a two year term, effective May 1, 2014. The rate rider was calculated using volumes, kWhs or kW as appropriate, from Erie Thames' last COS proceeding (EB-2012-0121). Board staff submitted that the Board's Deferred PILs decisions have usually reflected a one year term and noted that Erie Thames did not provide any explanation that justified a two year term. Erie Thames in its reply submission agreed to a one year term.

For CPC and WPPI, Erie Thames proposed, and Board staff supported, a one-time and customer count determined refund payment in light of the small dollar amounts involved.

Erie Thames proposed a May 1, 2014 effective date which Board staff also supported. May 1, 2014 is the same effective date for the rates proposed by Erie Thames in its 2014 IRM application which is currently before the Board. Erie Thames noted that coincident timing will reduce the number of rate changes experienced by the Erie Thames' customers.

Board Findings

The Board accepts the revised rate rider for ETPL customers which will be effective May 1, 2014, for a one year term, and the proposed one-time payments for WPPI and CPC customers. The rate rider and one-time payment amounts are set out in Table 1 below.

Table 1

Rate Class	ETPL		WPPI		CPC	
	Charge Determinant	Rate Rider	* Charge Determinant	one-time payment	* Charge Determinant	one-time payment
Residential	119,707,075 kWh	(\$0.0016)	1797	(\$1.76)	1414	(\$7.69)
GS<50	37,037,700 kWh	(\$0.0016)	243	(\$3.96)	221	(\$17.27)
GS>50	39,648 kW	(\$1.3376)	20	(\$108.89)	17	(\$241.33)
GS>1000	123,604 kW	(\$0.1650)	-	-	-	-
Large Use	160,146 kW	(\$0.0998)	-	-	-	-
Unmetered	545,982 kWh	(\$0.0019)	5	(\$0.08)	-	-
Streetlight	10,730 kW	(\$0.1584)	618	(\$0.05)	709	(\$0.07)
Sentinel Light	603 kW	(\$0.5638)	7	(\$0.08)	38	(\$0.21)

Potential Over-Collection by CPC

Board staff in its submission identified a potential over-recovery by CPC, related to a Board approved rate adjustment to CPC's rates implemented on November 1, 2002.

According to the 2002 decision⁴, the purpose of the adjustment was to allow CPC to recover foregone revenue approved by the Board in the Decision with Reasons and Order dated December 12, 2001⁵ and the recovery would be over a 4 month period, November 1, 2002 to February 28, 2003. Board staff submitted that the adjustment continued to be collected by CPC from March 1, 2003 through April 1, 2004, when the rates were next changed by the Board, and this resulted in an over collection of about \$58,500 including carrying costs.

Board staff noted, among other things, that the adjustment for forgone revenue approved by the Board was implemented by “adding” the appropriate adjustment of \$17,983 to the existing base rates. Board staff submitted that if the Board is of the view that all base rates, including any “added” rate slivers, were frozen as a result of Bill 210, then no true-up should take place with respect to the subject amount. Alternatively, if the Board is of the view that the implementation of the approved adjustment is akin to establishing a “rate rider” by today’s nomenclature, then there should be a true-up in the amount of \$58,500.

Erie Thames replied that the order which gave effect to the adjustment was final as determined by the legislation in place at the time and any true-up would be tantamount to retroactive rate-making. Erie Thames also questioned the accuracy and reliability of any calculations in this regard given the lack of CPC billing records.

Board Findings

The adjustment amount was embedded in rates, with no sunset date indicated, in the order issued by the Board at that time and the rate order was final. Subsequently rates were frozen by legislation and Erie Thames’ rates were not changed again until April 1, 2004. The Board finds that it would be inappropriate to now make changes to rates which were made on a final basis and subsequently frozen under legislation.

Implementation

The Board directs Erie Thames to reflect the rate riders approved and ordered in this proceeding in the in the Tariff of Rates and Charges which will accompany the Erie Thames’ 2014 IRM Decision and Order (EB-2013-0126).

⁴ RP-2002-0087/EB-2002-0096, November 4, 2002.

⁵ RP-2000-0258/ EB-2000-0558/ EB-2001-0202

The Board directs that the one-time payments to the customers of WPPI and CPC will be made as soon as possible commencing with the May 2014 billing cycle.

THE BOARD ORDERS THAT:

1. The rate riders set out in Appendix A of this Decision and Order are approved effective May 1, 2014 for a term of one year for implementation on May 1, 2014 for electricity consumed or estimated to have been consumed on and after May 1, 2014 by customers located in the former ETPL (pre-amalgamated) service area.
2. The one-time refund amount set out in Appendix A of this Decision and Order is approved for payment as soon as possible commencing with the May 2014 billing cycle for each customer or connection located in the former CPC (pre-amalgamated) service area.
3. The one-time refund amount set out in Appendix A of this Decision and Order is approved for payment as soon as possible commencing with the May 2014 billing cycle for each customer or connection located in the former WPPI (pre-amalgamated) service area.
4. Erie Thames shall notify its customers of the resulting rate changes no later than issuance of the first bill reflecting the new rates.

DATED at Toronto, January 9, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A
TO DECISION AND ORDER
ERIE THAMES POWERLINES CORPORATION
RATE RIDERS AND ONE TIME REFUNDS
EB-2013-0225
JANUARY 9, 2014

Erie Thames Powerlines Corporation

Rate Riders

RESIDENTIAL SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kWh	(\$0.0016)
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kWh	(\$0.0016)
GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kW	(\$1.3376)
GENERAL SERVICE 1,000 to 4,999 kW SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kW	(\$0.1650)
LARGE USE SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kW	(\$0.0998)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kWh	(\$0.0019)
SENTINEL LIGHTING SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kW	(\$0.5638)
STREET LIGHTING SERVICE CLASSIFICATION Rate Rider for Deferred PILs Variance Account 1562 Disposition for customers – effective until April 30, 2015 and excluding the former service areas of Clinton Power and West Perth Power	\$/kW	(\$0.1584)

Former Service Area of Clinton Power Corporation

One-time Refunds

RESIDENTIAL SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of Clinton Power	Customer	(\$7.69)
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of Clinton Power	Customer	(\$17.27)
GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of Clinton Power	Customer	(\$241.33)
SENTINEL LIGHTING SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of Clinton Power	Connection	(\$0.21)
STREET LIGHTING SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of Clinton Power	Connection	(\$0.07)

Former Service Area of West Perth Power Inc.

One-time Refunds

RESIDENTIAL SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Customer	(\$1.76)
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Customer	(\$3.96)
GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Customer	(\$108.89)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Connection	(\$0.08)
SENTINEL LIGHTING SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Connection	(\$0.08)
STREET LIGHTING SERVICE CLASSIFICATION One-time payment for Deferred PILs Variance Account 1562 Disposition for customers – effective May 1, 2014 and for the former service area of West Perth Power	Connection	(\$0.05)