

**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 E-MAIL

January 16, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Cooperative Hydro Embrun Inc.
Application for Rates
Board File No. EB-2013-0122**

In accordance with the Decision and Order issued on December 23, 2013, please find attached the Board Staff comments on the draft rate order filed by Cooperative Hydro Embrun Inc.

As a reminder, Cooperative Hydro Embrun Inc.'s reply comments are due by January 20, 2014.

Yours truly,

Original Signed By

Daniel Kim
Analyst – Applications & Regulatory Audit

Encl.

**Cooperative Hydro Embrun Inc. ("CHEI")
2014 Cost of Service (EB-2013-0122)**

Board Staff Comments on Draft Rate Order

On December 23, 2013, the Board issued its Decision and Order (the "Decision") on CHEI's rate application. The Decision required CHEI to submit its draft Rate Order ("DRO") within 21 days of the issuance of the Decision. CHEI submitted its DRO and supporting documentation on January 9, 2014. The following are Board staff's comments regarding the DRO.

Load Forecast

CHEI acknowledged the Board acceptance of its proposed load forecast of 31,609,564 kWh, prior to CDM adjustments. CHEI also acknowledged the Board agreement with a CDM adjustment of 58,322 kWh. However, on page 7 of the Decision, the Board accepted CHEI's regression model and load forecast methodology but directed CHEI to update its load forecast based on a year-end customer forecast of 2,248 and adjusted by 58,322 kWh for CDM activities.

On January 14, 2014, VECC filed a submission on CHEI's DRO. VECC submitted that the 2014 load forecast used by CHEI in its rate order should be revised to reflect the approved residential customer count (i.e. 250 residential customers) and increased by 547,950 kWh.

Board staff agrees with VECC's submission. Board staff further submits that CHEI should use its revised 2014 load forecast and update all related MS Excel appendices, revenue requirement work form, cost allocation model, proposed monthly service and charge and volumetric distribution rates, draft tariff of rates and charges and updated bill impacts for all rate classes.

Draft Tariff of Rates and Charges

As part of its DRO, CHEI filed a summary of tariff sheets.

Board staff notes that the draft tariff of rates and charges has not been completed and has not been included as part of CHEI's DRO. Board staff submits that existing approved rate riders that have not expired should still be reflected on CHEI's draft tariffs, as well as any new rate riders approved in the Decision. Board staff also submits that the approved loss factor and all other

charges (specific service charges and retail service charges) should also be included on the draft tariffs.

Retail Transmission Service Rates (“RTSR”)

In accordance with the Decision, CHEI filed an updated RTSR model with the updated Hydro One Sub-Transmission rates¹. Board staff has no concerns with the updated RTSR model as filed as part of CHEI’s DRO.

Account 1508, Other Regulatory Assets – Sub Accounts OEB Cost Assessments and Pension Contributions and Account 1556, Smart Meter OM&A Variance

In accordance with the Decision, CHEI acknowledged the Board’s decision to disallow the recovery of past costs in relation to a period for which the rates were already set on a final basis. CHEI removed the amounts in Account 1508 and Account 1556 from the EDDVAR model.

Board staff has no concerns with the updated credit balance of \$139,726 in CHEI’s Group 1 and 2 account balances. However, Board staff notes that on page 13 of the Decision, the Board instructed the disposal of Group 1 and 2 balances over a one-year period and not the two-year period indicated in CHEI’s DRO. Board staff submits that CHEI should file an updated EDDVAR model and update its tariff of rates and charges to reflect the correct disposition period for the rate rider for its Group 1 and 2 account balances.

Account 1568, Lost Revenue Adjustment Mechanism (“LRAMVA”)

In accordance with the Decision, CHEI revised its LRAMVA calculations to include 2011 CDM savings in 2011 and incorporate its 2012 Final OPA results, but exclude 2011 persisting savings in 2012. CHEI revised its LRAMVA recovery amount to \$3,855. CHEI noted that the Board instructed CHEI to dispose of the balance over a one-year period. CHEI also noted that the EDDVAR model incorporates the balance in Account 1568 in its rate rider calculations and therefore a specific rate rider recovery period cannot be selected for this particular account. CHEI proposed to dispose of the balance in Account 1568 over a two-year period instead.

¹ EB-2013-0141, Rate Order, Hydro One Networks Inc., December 19, 2013.

Board staff notes that on page 16 of the Decision, the Board permitted CHEI to update the account balance in Account 1568 to incorporate 2012 Final OPA results as part of the DRO process with disposition over a one-year period. Board staff has no concerns with the revised LRAMVA amount of \$3,855. Board staff also notes that the Board approved a one-year disposition period and not the two-year referenced by CHEI. Board staff submits that CHEI should file an updated EDDVAR model and update its tariff of rates and charges to reflect the correct disposition period of one-year for Account 1568.

Board staff also notes that on worksheet "6. Rate Rider Calculations" of the EDDVAR model, distributors can select separate disposition periods for the calculation of the rate rider for deferral and variance account balances, which includes Account 1568, and the calculation of the rate rider for Accounts 1575 and 1576.

Loss Factors

In accordance with the Decision, CHEI acknowledged a total loss factor of 1.0663, which includes the five-year average for the supply facilities loss factor. Board staff has no concerns with CHEI's total loss factor.

- All of which is respectfully submitted -