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BY EMAIL

January 29, 2014

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4
kirsten.walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Rideau St. Lawrence Distribution Inc. ("RSL")
2014 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0169**

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

RSL's reply submission is due on February 14, 2014.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator – Applications & Regulatory Audit



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Rideau St. Lawrence Distribution Inc.

EB-2013-0169

January 29, 2014

**Board Staff Submission
Rideau St. Lawrence Distribution Inc.
2014 IRM Distribution Rate Application
EB-2013-0169**

Introduction

Rideau St. Lawrence Distribution Inc. ("Rideau") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 25, 2013, seeking approval for changes to the distribution rates that Rideau 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 Rideau.

Board staff has reviewed Rideau's 2014 IRM application and its responses to interrogatories and, other than the submissions on the "Review and Disposition of Group 1 Deferral and Variance Account ("DVA") Balances" as set out below, has no concerns with the Application.

Review and Disposition of Group 1 Deferral and Variance Account (DVA) Balances

Background

The Report of the Board on *Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed of if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. Debit balances are recoverable from customers whereas credit balances are amounts payable to customers.

Rideau requested final disposition of the balances in the Group 1 Deferral and Variance Accounts that have accumulated in 2012. Rideau's total Group 1 Deferral and Variance Account balances amount to a credit of \$399,438, which includes interest calculated to April 30, 2014. Based on the disposition threshold test, the Group 1 Deferral and Variance Account balances equate to a credit of \$0.0038, which exceeds the threshold.

Rideau requested to dispose of these Account balances over a one-year period.

Board staff supports the disposition of the Account balances on a final basis over a one-year period.

Prior to the filing of the Application, and as authorized by the Board in proceeding EB-2011-0274, the Board's Regulatory Audit and Accounting group ("Regulatory Audit") conducted an audit of the balances in Rideau's Accounts 1588, RSVA Power; 1589, Global Adjustment ("GA"); and, 1595, Recoveries (as at December 31, 2012). On November 1, 2013, Regulatory Audit filed a letter summarizing the findings of its audit. The letter indicated that Rideau made the required audit adjustments to balances in the accounts 1588, 1589, and 1595, as of December 31, 2012. In the letter Regulatory Audit also stated that it intended to file the full audit report on the record in this proceeding.

The Board sent the final audit report to Rideau on November 21, 2013. This report outlined the audit objective, scope, criteria, procedures used, findings and observations, basis of findings and observations, areas of non-conformity requiring action, areas of concerns, management responses and management action plans for Rideau.

On December 6, 2013, Rideau stated that it was in agreement with the content of the Audit Report and acknowledged that it had made the required changes to the account balances. Rideau agreed that the Audit Report should be filed as part of this proceeding and as such would be on the public record. The report was so filed on December 10, 2013.

Section 9.4.1 of the Audit Report stated that Rideau had mistakenly over-collected a GA rate rider by charging it on the basis of metered consumption adjusted upward by its loss factor. The impact of the over-collection was \$64,632. This amount is included in the Account 1595 balance that is being requested by Rideau for disposition. The Audit Report further noted that Section 7.7.1 of the Board's *Retail Settlement Code* ("RSC") outlines actions that a distributor should undertake with respect to billing errors:

s.7.7.1 Where a distributor has over billed a customer or retailer by an amount that is equal or exceeds the customer's or retailer's average monthly billing amount, determined in accordance with section 7.7.5, the distributor shall, within 10

days of determination of the error, notify the customer or retailer of the over billing and advise that the customer or retailer may elect to have the full amount credited to their account or repaid in full by cheque, within 11 days of requesting payment by cheque. Where the customer or retailer has not requested payment by cheque within 10 days of notification of the error by the distributor, the distributor may credit the full amount to the account.

Through the Application, Rideau requested permission to refund the over-collection not pursuant to the RSC but, rather, as part of the disposition of account 1595. Rideau stated that the over-collection took place in 2010 and 2011 and that it would be very costly and time-consuming to determine the correct customers impacted by the error. Rideau stated that, because of the time gap, there will also be situations where affected customers no longer have accounts with Rideau.

Submission

Board staff notes that the RSC prescribes the appropriate remedy to be followed in situations such as that facing Rideau, in the form of a direct billing adjustment to the affected customers. Board staff submits that Rideau should have, in accordance with the RSC, notified affected customers and corrected the billing error within ten days of the error's discovery (i.e. ten days from the date on which when the issue was raised by the Regulatory Audit and was communicated to Rideau).

Board staff submits that the rate rider approach proposed by Rideau is not in compliance with the RSC. Board staff submits that while the use of a rate rider to return over-collected amounts to customers would rectify the over-collection issue between a distributor and its customer base as a whole, the approach makes no effort to ensure specific customers are refunded in amounts equal to their over-payment. Board staff submits that if Rideau were to use a rate rider as the refund mechanism for the over-collection, its customers would be individually made whole only in the coincidence that their consumption in the credit period led to a recovery equal to the amount they overpaid in 2010 and 2011. Board staff submits that this is less than the RSC requires of distributors.

Board staff notes that its submission in this regard is supported by a recent decision of the Board, in proceeding EB-2013-0133.¹ Therein, the Board endorsed reconciliation of Guelph Hydro Inc.'s over-collection from its customers by making reference to the prescriptions of the RSC. The Board noted that Guelph Hydro Inc. had (in its Reply Submission) "committed to reimbursing the affected customers as required by the Code" at its earliest opportunity.

The Board noted that "the Code is an enforceable provision of the licence granted to Guelph Hydro under the OEB Act" and stated that that if Guelph Hydro did "not correct the billing error in an appropriate manner it will be in non-compliance with the Code, and the Board could proceed with compliance action." The Board ordered Guelph Hydro Inc. to notify the Board once the affected customers had been reimbursed.

Board staff submits that the Board should direct Rideau to reimburse its customers in accordance with the RSC. As well, Board staff submits that Rideau should be ordered to provide the Board with calculations of a revised rate rider (i.e. without the \$64,632 adjustment) at the time that Rideau files its Draft Rate Order. This would ensure that the appropriate rate rider will be available to the Board for incorporation into Rideau's final rate order.

In its reply submission, Rideau may wish to comment on Board staff's proposal.

All of which is respectfully submitted

¹ EB-2013-0133 Decision and Rate Order, issued December 5, 2013