

**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 EMAIL

February 14, 2014

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: EnWin Utilities Ltd. ("EnWin")
2014 Annual IR Index Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0125**

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.

EnWin's reply Submission, if it intends to file one, is due by February 28, 2014.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst, Electricity Rates and Prices

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

EnWin Utilities Ltd.

EB-2013-0125

February 14, 2014

**Board Staff Submission
EnWin Utilities Ltd.
2014 Annual IR Index Distribution Rate Application
EB-2013-0125**

Introduction

EnWin Utilities Ltd. (“EnWin”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 11, 2013, seeking approval for changes to the rates that EnWin charges for electricity distribution, to be effective May 1, 2014. The Application is based on the Annual IR Index option of 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 EnWin.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data filed by EnWin. In response to Board staff interrogatories, EnWin confirmed that it had input certain erroneous data into the Rate Generator Model. Specifically, EnWin noted that it inputted an incorrect number of customers for the GS 3,000 to 4,999 kW class. EnWin confirmed the descriptive wording regarding charges for electricity commodity and the applicability of the Regulatory component of the tariff to customers that are embedded wholesale market participants. EnWin also confirmed that the labels for certain rate riders on the current tariff were selected erroneously. Upon review of EnWin's responses, Board staff submits that the corrections proposed by EnWin are appropriate.

Board staff also has no concerns with the RTSR Workform provided with the Application. Pursuant to the Board's Guideline *Electricity Distribution Retail Transmission Rates* 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 approved in EB-2013-0141.

EnWin filed a Shared Tax Savings Model indicating a total of \$206,195 in Ontario Capital Tax built into EnWin's base rates. In response to Board staff interrogatory #5,

EnWin confirmed that its tax rates had not changed and that the correct amount of Ontario Capital tax is \$415,807. This results in a total tax savings of \$852,435 resulting in a shared amount of \$426,217 to be refunded to customers, which EnWin agreed was the correct amount. Board staff has reviewed EnWin's responses and submits that the total Shared Tax Savings amount of \$426,217 is appropriate.

Group 1 Deferral and Variance Account Disposition

EnWin's total Group 1 Deferral and Variance Account ("DVA") balances amount to a credit of \$1,927,624. The balance in Account 1589 – Global Adjustment is a debit of \$6,868,834, and is applicable only to Non-RPP customers. These balances also include interest calculated to April 30, 2014. Based on the preset disposition threshold calculation, the Group 1 DVA balances equate to a credit of \$0.0008 per kWh which does not exceed the threshold. EnWin has requested disposition of these accounts over a three-year period as an approach to rate smoothing.

In Board staff Interrogatory #3, Board staff noted that the threshold test had not been met and asked why EnWin was seeking to dispose of Group 1 DVA balances. In response, EnWin stated that “due to the differing impact of Global Adjustment Sub-Account Disposition on different types of customers, disaggregating RPP and non-RPP customers is necessary to produce a reasonable result. EnWin has approached disposition this way for several years based on direction from the Board.” EnWin provided its calculations for individual thresholds for the disposition of each group of accounts in the table below.

Group 1 Deferral and Variance Rate Rider Breakdown	Group 1 Accounts	Dollars	kWh	Threshold Test (+/- \$0.001/kWh)
All Customers	1584 1586 1595	2,791,772	2,484,010,423	0.001124
Customers, excluding Wholesale Market Participants	1580 1588 (ex GA)	(11,425,122)	2,238,139,428	(0.005105)
Non-RPP Customers, excluding Wholesale Market Participants	1588 (GA)	6,741,372	1,529,783,462	0.004407

When asked why EnWin believed a 3-year disposition period was required, EnWin stated that it “chose a 3-year disposition period to balance the issues of intergenerational equity, timely cost recovery and the Board’s policy of mitigating rate increases where possible.” EnWin cited the Board’s decision in its 2012 IRM rate application (EB-2011-0165) as an example. In response to Board staff Interrogatory #3c), EnWin provided the estimated bill impacts of the disposition of Group 1 DVA balances using a 1-year and a 2-year disposition period. The total bill impacts for the Residential and GS < 50 kW classes under each period of disposition are summarized in the table below.

Class	1-year Disposition		2-Year Disposition		3-Year Disposition	
	Total Bill Impact (\$)	Total Bill Impact (%)	Total Bill Impact (\$)	Total Bill Impact (%)	Total Bill Impact (\$)	Total Bill Impact (%)
Residential (800 kWh)	- \$ 3.35	- 2.88 %	- \$ 1.73	- 1.48 %	- \$ 1.15	- 0.99 %
GS < 50 kW (2000 kWh)	- \$ 4.32	- 1.50 %	- \$ 0.25	- 0.09 %	\$ 1.17	0.41 %

Board staff notes that the overall Group 1 DVA balances in EnWin’s 2012 IRM rate application resulted in a threshold claim of \$0.00161 per kWh, which was above the disposition threshold. In that case, EnWin had initially proposed to dispose of a large debit balance over a one year period, which resulted in total bill increases of 5.94% per month for the typical residential consuming 800 kWh and 5.36% per month for a GS < 50 kW customer consuming 2000 kWh. Board staff submits that the bill impacts in this application using a one-year disposition period do not warrant any deviation from the standard one-year disposition period.

Board staff notes that EnWin’s proposed approach to calculating the threshold test separately for each group of Group 1 accounts is inconsistent with *Report of the Board on Electricity Distributor’s Deferral and Variance Account Review Initiative (EDDVAR)*, dated July 31, 2009. Board staff notes that the Board has considered applicant requests for deviations from the standard treatment of the threshold test in prior applications but has not swayed from the approach established in the EDDVAR report. For example, in Algoma Power Inc.’s 2012 IRM rate application, Algoma Power had calculated the threshold test for disposition of Group 1 DVA balances, excluding the Global Adjustment sub-account. In the decision for Algoma Power Inc.’s 2012 IRM rate

application (EB-2011-0152), the Board stated that “the threshold calculation, pursuant to the EDDVAR Report, in the first instance, is to include all balances regardless of Algoma’s proposals on the amounts to be recovered.”

Board staff submits that while EnWin may recover or refund the balances of specific Group 1 DVA accounts separately to RPP, non-RPP and non-Wholesale Market Participants, as applicable, the overall Group 1 DVA balances must exceed the threshold test in order for disposition to be triggered. Board staff has reviewed EnWin’s Group 1 DVA balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported by EnWin pursuant to the *Reporting and Record-Keeping Requirements*. As the preset disposition threshold has not been exceeded, Board staff submits that the Group 1 DVAs should not be approved for disposition, at this time.

All of which is respectfully submitted