



February 25, 2014

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: 2014 Annual IR Distribution Rate
EB-2013-0125
Reply Submissions**

Enclosed please find EnWin's written reply submissions in the above noted proceeding.

The response is being submitted through the Board's web portal (PDF) with two paper copies following by mail.

Yours very truly,

ENWIN Utilities Ltd.

A handwritten signature in blue ink, reading "Andrew J. Sasso".

Per: Andrew J. Sasso
Director, Regulatory Affairs & Corporate Secretary

**EnWin Utilities Ltd. (“EnWin”)
2014 Annual IR Rate Application
EB-2013-0125
Reply Submissions
February 25, 2014**

Procedural

Subject to the minor corrections to the application made by EnWin in the interrogatory responses, EnWin adopts and reasserts the arguments made in its application and affirms its request of the Board for 2014 distribution rates pursuant to the Board’s Annual Incentive Rate-making Index methodology (“Annual IR”).

Savings for Ratepayers

EnWin’s 2014 Annual IR and Smart Meter Cost Recovery Application was filed on a combined basis to best reflect the 2014 distribution line bill impact to EnWin’s customers. EnWin proposed a rate decrease of approximately \$1 on a typical household’s monthly bill. This represents a decrease of approximately 3% to the EnWin Portion of the Bill.

As the Board is aware, EnWin is working hard to “hold the line on rates”. Carefully selecting the right rate-setting mechanism and proposing co-ordinated timing for changes to particular distribution rates and rate riders has been one way of doing that. The result is good for EnWin’s ratepayers and provides some relief amid significant increases to provincial charges.

Perfecting the Evidence

The evidence has now been tested under the Annual IR file number EB-2013-0125 and the Smart Meter file number EB-2013-0348. In the course of exercising their expertise and experience, the Board’s professional staff (“Board Staff”), and in the case of the larger Smart Meter file the Vulnerable Energy Consumers Coalition (“VECC”) too, found that some of the evidence needed correction. The corrections were inadvertent transposition and data entry errors. EnWin agreed with all the corrections.

Internal Corrective Action

EnWin appreciates the importance of accuracy in its filings. EnWin apologizes that its application was not error-free. EnWin appreciates the meticulous work of Board Staff to identify those matters and bring them to EnWin’s attention. While the errors in this particular case were minor, EnWin is implementing an additional layer of internal review prior to filing its next application to mitigate the risk of future errors.

Correction to Board Staff Submission

Board Staff submitted, “EnWin noted that it had input an incorrect number of customers for the GS 3,000 to 4,999 kW class.”¹ That is incorrect. For the GS 3,000 to 4,999 kW Intermediate rate class, EnWin’s typographical error was in relation to consumption, not customer count.² EnWin submits that Board Staff meant to say “consumption” and that Board Staff found that correction to be appropriate.

Group 1 Deferral and Variance Account Disposition

Background

Board Staff and EnWin do not agree on whether or not to dispose of Group 1 Deferral and Variance Accounts (“DVA”). If there is disposal, Board Staff and EnWin do not agree on how the Board should go about it.

EnWin’s application proposes DVA disposition and calculates that this would provide a \$1.40 benefit to a typical household, resulting in an immediate rate decrease. EnWin proposes disposition over 3 years to smooth the decrease and, more importantly, the future increase. That is, under EnWin’s proposal, in 3 years when the benefit is removed, the impact would be limited to an increase of \$1.40. The other intended benefit of a 3-year disposition is that other reasons for a negative rate rider may arise over the next 2 years. Aligning those with the \$1.40 increase would neutralize the impact. In short, EnWin’s focus is on the customer’s experience.

Board Staff’s submission makes two alternative proposals. Board Staff’s first proposal is that there be no DVA disposition and therefore no \$1.40 benefit to EnWin’s ratepayers. The net effect of this proposal would be to turn a proposed \$1 decrease into a \$0.40 increase.

Board Staff’s second proposal is, if the Board grants DVA disposition, that the disposition occur over 1 year rather than 3 years. While this creates an attractive benefit of \$4.10 instead of \$1.40 in 2014, it also results in a \$4.10 increase in 2015 when that benefit is removed.

Disposition Threshold

EnWin agrees that “EDDVAR” is good policy, but disagrees with Board Staff’s approach to calculating whether the DVA disposition threshold is crossed.

Board Staff totals all Group 1 accounts, including account 1589 (formerly known as account 1588 – Global Adjustment Sub-Account). EnWin totals all Group 1 accounts excluding account 1589 and treats account 1589 as an anomaly.

¹ Board Staff Submission at 1.

² EnWin IRR 4a.

The Board's practice has consistently been to treat what is now account 1589 as an anomaly for billing purposes. Since setting EnWin's 2010 distribution rates, there have been 3 occasions where the Board has ordered the use of a specific "Rate Rider for Global Adjustment Sub-Account" for Non-RPP customers.³

The Board's logic in these decisions and EnWin's logic in its application is the same. Global Adjustment represents a discrete cost factor that applies to a discrete set of ratepayers and that can be (and is) reflected in billing. As a matter of regulatory policy, the Board strives to have those who cause the costs bear the costs. Accordingly, account 1589 is segregated for DVA disposition rate rider purposes. It is logical that it be segregated for the DVA disposition threshold calculations that drive those DVA disposition rate riders.

As a practical matter, following this logic is important to ratepayers. In EnWin's application, millions of dollars need to be settled as between EnWin and various groupings of ratepayers. Yet under the Board Staff proposal, the \$6.7 million "Non-RPP Customers excluding Wholesale Market Participants" owe EnWin would hold up EnWin refunding \$11.4 million to "All Customers excluding Wholesale Market Participants." A further \$2.8 million is also owed to EnWin by "All Customers including Wholesale Market Participants." These are all very large amounts that individually surpass the EDDVAR threshold of \$0.001/kWh. EnWin and these discrete, Board-defined, customer groupings ought to be permitted to settle-up.

The consequences of not settling-up are known. In preparing its 2013 rate application, EnWin was presented with a similar situation. The "Non-RPP Customers excluding Wholesale Market Participants" owed EnWin \$3.8 million. EnWin owed "All Customers excluding Wholesale Market Participants" \$5.9 million. Just as is the case in this application, the amounts seemingly offset each other. As such, EnWin did not apply for disposition.⁴ The problem got worse. The balances doubled. There is every reason to expect those balances to continue to grow. Because they will likely continue to grow in opposite directions, Board Staff will presumably continue to oppose disposition.

EnWin submits that it is not in the public interest to allow this issue to perpetuate. While Board Staff has interpreted EDDVAR as treating all ratepayers as a collective, EnWin's application proposes that the Board consider the pre-defined groups in accordance with their discrete circumstances. This is the same policy that the Board applies in disposing of the DVA accounts with group-specific rate riders. EnWin submits that situations such as these are very much fact dependent. In situations such as this where the facts demonstrate that an inappropriate imbalance exists, the Board should adopt an interpretation that resolves the issue.

³ EB-2009-0221, EB-2010-0079, EB-2011-0165. The issue was not relevant in EnWin's 2013 rate application EB-2012-0120.

⁴ EB-2012-0120.

Disposition Period

EnWin continues to take the position that in considering the DVA disposition period, the Board should be mindful of bill impacts caused by the introduction and removal of rate riders. In its Decision in EnWin's 2012 rate application, the Board stated:

“With respect to the balance in Account 1562, which was the subject of a separate determination of the Board, the Board is of the view that given the size of the debit balance to be recovered from customers and the findings elsewhere in this Decision, a three-year recovery period, May 1, 2012 to April 30, 2015, appropriately balances intergenerational equity and rate mitigation issues. The Board notes that a number of letters of comment were received in the context of this proceeding and the Board has considered those letters in making this determination.”⁵

EnWin submits that the amount to be disposed in this proceeding is of comparable magnitude. The 3-year disposition of account 1562 required a rate rider of \$1.30, which is very close to the presently proposed 3-year rate rider of \$1.40 for DVA disposition. While a 1-year disposition would create the customer-friendly experience of a significant rate decrease, the removal of that benefit in the subsequent year would create an unacceptably large rate increase.

EnWin estimates that independent of all other factors, its 3-year proposal would create a “2014 decrease then 2017 increase” bill impact of approximately 5% in each rate year.⁶ The Board Staff proposal for disposition over 1 year would create a “decrease-then-increase” of approximately 13%.⁷ This is well beyond the Board's “10% rule” which EnWin submits is at least informative from a policy perspective in this context. Even the 2-year disposition scenario requested by Board Staff would create a decrease-then-increase of approximately 7%.⁸

While 5% is itself a significant amount, the introduction of the smart meter cost recovery rate rider at the same time provides some smoothing effect. Going beyond 3 years would also heighten intergenerational issues. To smooth the effect of removing the proposed DVA rate rider in 3 years, the DVA balances may once again have accumulated to a level where disposing of them at that time (negative impact) will coincide with the expiry of the proposed rate rider (positive impact) resulting in an offset.

⁵ EB-2011-0165 at 10-11.

⁶ \$1.40/\$31.00.

⁷ \$4.10/\$31.00.

⁸ \$2.10/\$31.00.

Policy Framework

As noted above, EnWin agrees with Board Staff that the so-called “EDDVAR” report from July 2009 is the Board’s starting point in considering DVA disposition. However, it is only a starting point. Not only can no Board policy or precedent bind the Board as a matter of law, the Board necessarily will want to have regard for its contemporary objectives and the current context.

Since EDDVAR, a great deal has changed. When EDDVAR was issued in the summer of 2009, the *Green Energy and Green Economy Act, 2009* had recently been given Royal Assent but had yet to be enacted. Subsequently, the Government’s 2010 and 2013 Long Term Energy Plans have been prepared and published, both of them projecting major commodity rate increases and thus significant impact to ratepayers. Since EDDVAR, the Board has engaged in the major Renewed Regulatory Framework for Electricity (“RRFE”) policy proceeding in which it specifically turned its attention to rate smoothing.⁹ Since EDDVAR a new Board Chair has been leading numerous initiatives and speaking out actively about being focused on outcomes important to customers.

None of this invalidates EDDVAR. It is still good policy and a useful baseline approach. However, all of these other factors necessarily change the types of applications that distributors ought to file with the Board and, respectfully, the types of proposals that the Board should approve.

EnWin perceives that its proposal fits within the “4 corners” of EDDVAR. If EnWin is incorrect and, in fact, this proposal pushes the boundary of EDDVAR, EnWin submits that the Board has sufficient discretion to make that allowance and the practical and policy bases to do so.

⁹ EB-2010-378.