

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sched. B, as amended:

AND IN THE MATTER OF an application by Kitchener-
Wilmot Hydro Inc. for an Order or Orders approving or fixing
just and reasonable rates and other service charges for the
distribution of electricity, effective January 1, 2014.

**COMMENTS ON DRAFT RATE ORDER OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

April 7, 2014

**KITCHENER-WILMOT HYDRO INC.
2014 RATES REBASING CASE
EB-2013-0147**

**ENERGY PROBE RESEARCH FOUNDATION
DRAFT RATE ORDER COMMENTS**

The following are comments on the Draft Rate Order ("DRO") filed by Kitchener-Wilmot Hydro Inc. ("KWHI") on April 4, 2014. Energy Probe notes that it did pass on some comments to KWHI based on the original DRO dated April 3, 2014, in order to resolve some issues of concern, with the intent of making the process as efficient as possible.

A. WCA and OM&A

Energy Probe has reviewed the calculations done with respect to the change in OM&A expense approved by the Board and the related impact on the working cash allowance and other aspects of the revenue requirement as summarized in Table 2 of the DRO. Energy Probe submits that these changes have been correctly made and reflect the Board's Decision.

B. Cost Allocation and Rate Design

Energy Probe has reviewed the cost allocation and rate design that result from the Board Decision on the revenue requirement and submit that they are consistent with the agreements related to these areas in the Settlement Agreement.

In particular, the revenue-to-cost ratios shown in Table 3 reflect the Settlement Agreement applied to the revised revenue requirement and the fixed and variable rates shown in Table 7 accurately reflect the Settlement Agreement and the Board Decision.

C. Deferral and Variance Accounts

a) Global Adjustment

KWHI indicates that it has made a correction to the Global Adjustment ("GA") rate rider to reflect the removal of Class A customers due to recent legislation (O.Reg. 398/10 amended O.Reg. 429/04). This correction is based on the statement that Class A consumers pay their exact share of the GA as billed to the LDC by the IESO and as a result Class A consumers do not contribute to any GA variance amount.

Energy Probe submits that this is the correct approach and is correct on a going forward basis. However, it is not clear to Energy Probe whether or not any of the variance amount in the GA account was incurred before the change related to the legislation came into effect. If some portion of the variance amount includes a variance related to Class A consumers, then Energy Probe submits that these consumers should be responsible for their portion of the amount.

Energy Probe understands that Class A consumers are those consumers with a monthly average peak over 5,000 kW. However, Table 8 in the DRO shows an adjustment has been made for one Class A customer in the GS > 50 kW class, in addition to the Large Use class. Energy Probe submits that KWHI should explain why there is a Class A consumer in the GS > 50 kW class for this calculation.

b) Foregone Revenue

i) Volume Estimate

KWHI has estimated the foregone revenue due to the difference in the effective date of January 1, 2014 and the implementation date of May 1, 2014 by taking the Board approved volumetric forecast for 2014, dividing it by 12 and multiplying it by 4 for the number of months that the interim rates will have been in place. This results in one-third, or 33.33% of the annual volumes being assumed to have occurred in January through April.

KWHI did not provide a monthly forecast of billed energy consumption by rate class as part of its forecast. Energy Probe has reviewed the power purchase forecast, which is presented on a monthly basis for the 2014 test year. Based on the approved forecast, approximately 34% of the power purchases for 2014 take place in the January through April period. Given the small difference between this figure and the approach taken by KWHI, Energy Probe submits that the methodology used to calculate the volumes for the foregone revenues utilized by KWHI is appropriate.

ii) Customer Estimate

Energy Probe submits that the methodology to come up with the number of customers to be used in the foregone revenue calculations is appropriate.

iii) Existing Rate Riders

On page 11 of the DRO KWHI lists four existing rate riders that have carried forward to the end of April, 2014 as a result of the existing rates being declared interim as of January 1, 2014. Energy Probe agrees with KWHI and 3 of these 4 accounts do not need to be reflected in the foregone revenue calculation.

The remaining account is the rate rider for the recovery of the smart meter incremental revenue requirement which was to be effective until the next cost of service, which has an effective date of January 1, 2014. As a result, we agree with KWHI that the revenues collected in January through April, 2014 should be refunded to the ratepayers.

iv) Foregone Rate Rider

KWHI proposes to rebate/recover the amount to ratepayers through a fixed monthly rate rider over the 8 month period May through December, 2014. Energy Probe submits that this proposal is appropriate. The alternative would be calculate a rate rider per kWh or kW. However, notably for the residential and GS<50 classes, Energy Probe notes that foregone revenue for these classes is essentially equal to the over recovery of the SMIRR

related rate rider. These costs were incurred by the customers in these rate classes as a fixed monthly rate rider, so it is appropriate that the money be returned to them in the same manner.

c) Change in Collection Period

KWHI is proposing to change the collection/rebate period for the various 2014 rate riders from a 12 month period to an 8 month period, to align the end of these riders with its rate year.

Given that the rate impact on ratepayers is relatively small (Table 23 in the DRO), Energy Probe supports the change in the collection/rebate period to 8 months is acceptable. This will eliminate a situation where distribution rates (inclusive of rate riders) are changed January 1, 2015 with another change in rates May 1, 2015 to reflect the end of some rate riders. This could cause customer confusion and complaints.

D. Rate Impacts & Rate Schedules

Energy Probe has not reviewed the rate impact and rate schedules in detail in the expectation that Board Staff will review these schedules for accuracy and completeness.