

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES APPLICATION -

Board Staff Submission

Kitchener-Wilmot Hydro Inc.

EB-2013-0147

April 11, 2014

Kitchener-Wilmot Hydro's ("KWHI") made its draft Rate Order ("DRO") filing on April 3, 2014 pursuant to the Board's Decision and Order EB-2013-0147 KWHI filed an amended DRO filing on April 4, 2014. The DRO filing and the timelines established by the Board reflect the January 1, 2014 effective date and May 1, 2014 implementation date approved by the Board.

Board staff has reviewed the amended DRO filing to the extent necessary to check that it complies with the determinations made by the Board in its Decision and Order EB-2013-0147, including adherence to the terms of the Partial Settlement approved by the Board and appended to the Decision and Order EB-2013-0147. Board staff has also had the benefit of reviewing the submission on the DRO filed by Energy Probe Research Foundation ("Energy Probe") on April 7, 2014.

Board staff concurs with Energy Probe's submission that KWHI's DRO filing complies with the Board's Decision and Order EB-2013-0147 including the partial Settlement Agreement, on the following matters:

- **Working Capital Allowance and Operations, Maintenance and Administration expenses** (Item A of Energy Probe's submission); and
- **Cost Allocation and Rate Design** (Item B of Energy Probe's submission);

Board staff makes the following submissions of KWHI's DRO, adhering to the labelling used in Energy Probe's submission.

C. Deferral and Variance Accounts

a) Global Adjustment

Board staff has reviewed KWHI's adjusted calculation for the Global Adjustment ("GA") rate rider pursuant to O.Reg. 429/04 as amended, in particular by O.Reg. 398/10.

Board staff observes that a major criterion in O.Reg. 429/04 is that a customer who is a Class A consumer or a Class A market participant must have an average monthly peak demand of 5 MW or more during the applicable base period.¹ On the Tariffs of Rates and Charges of electricity distributors, these customers would typically be called Large Use customers.

Board staff notes that the GA adjustment calculations shown in KWHI's amended DRO filing, on pages 9-11, show that Class A consumer adjustments are made for one Large Use customer and for one customer in the General Service 50-4,999 kW class. Board staff submits that KWHI should provide additional clarification supporting that each of these customers was a Class A consumer and for the applicable period, both as defined in O.Reg. 429/04, since the Account 1588 – RSVA Power sub-account Global Adjustment is being disposed of as of December 31, 2012, plus carrying charges to December 31, 2013. Subject to clarifying support being provided, Board staff concurs with Energy Probe regarding the calculation of the GA rate riders. However, in the alternative, absent such support, KWHI may have to provide an alternative calculation omitting either (likely for the GS 50-4,999 kW customer) or both adjustments.

b) Foregone Revenue

Board staff agrees with Energy Probe's submission that KWHI's approach for determining the foregone revenue rate riders, including the methodology that the over-recovery (due to existing rates being in place on an interim basis from January 1 to April 30, 2014) of the Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR) should be taken into account, while other existing rate riders that sunset on April 30, 2014 should not be taken into account. Even if new rates would have been in place effective January 1, 2014, these rate riders, established in prior Board decisions, would have continued to April 30, 2014.

¹ Sections 6.(1) and 7.(1) of O.Reg. 429/04. Sections 6.2 (1) and 7.2(1) define Class A consumers and market participants, respectively, on a continued basis, where they may have been but no longer qualify as Class A.

Board staff agrees with the following items:

- i) Volume Estimate;
- ii) Customer Estimate;
- iii) Existing Rate Riders; and
- iv) Foregone Rate Rider.

With respect to item iv) above, Board staff makes the following additional comments.

In theory, there should be foregone revenue rate riders for both the fixed (monthly service charge) and variable (per kWh and per kW) charges. In the case of KWHI, the over-collection of the SMIRR would offset the foregone incremental monthly service charge revenues for the Residential and GS < 50 kW classes. KWHI has proposed that the foregone revenues be recovered, or refunded in the case of Residential and GS < 50 kW classes solely through a fixed monthly rate rider from May 1 to December 31, 2014.

Board staff concurs with Energy Probe that KWHI's fixed foregone revenue rate rider is appropriate in the circumstances. As documented in the Revenue Requirement Work Form ("RRWF") appended to the DRO filing, KWHI's Board-approved base revenue requirement is \$38,449,392, including a revenue deficiency of \$27,981 (grossed up for taxes/PILs). The revenue deficiency is 0.07% of the base revenue requirement. The aggregate amount of the foregone revenues for the first four months of 2014, before adjusting for the SMIRR over-recovery, would be about 1/3 of that, or \$9,327. Trying to apply the most accurate approach and calculate both fixed and variable foregone revenue rate riders would likely result in estimated variable rate riders that would be insignificant even to the fourth decimal place. Board staff also agrees with Energy Probe that the over-recovery of the SMIRR should be returned by way of a fixed monthly rate rider, consistent with the SMIRR itself as a fixed charge. Board staff concludes that KWHI's approach results in *de minimus* differences from what would be the most accurate results.

c) Change in Collection Period

Board staff concurs with Energy Probe's finding that KWHI's proposal to recover all new rate riders (e.g. for DVA disposition, stranded meters, foregone revenues, etc.) over the 8-month period from May 1 to December 31, 2014 is appropriate. While this is a shorter recovery period and results in larger rate riders, the bill impacts are not significant. Further, having the rate riders sunset on December 31, 2014 will align with KWHI's next expected rate change for January 1, 2015.

D. Rate Impacts and Rate Schedules

KWHI appended a copy of the draft Tariff of Rates and Charges to its DRO filing. Board staff has reviewed the draft Tariff of Rates and Charges for accuracy with respect to the Decision and Order and DRO filing, and also with respect to adherence to current Board practice and policy. Board staff submits that the description of many of the new rate riders should be changed for consistency with the approved tariffs of other electricity distributors. Board staff has also noted and corrected the following differences between the draft Tariff of Rates and Charges and the rates documented in the DRO filing and the partial Settlement Agreement:

Customer Class	Tariff Element	Rate on draft Tariff of Rates and Charges	Rate on record	Source
GS 50 to 4,999 kW	Rate Rider for Recovery of Foregone Revenues	\$1.61	\$1.60	DRO filing, April 4, 2014, page 16, Table 17
	Retail Transmission Rate – Network Service Rate	\$3.0862/kW	\$3.2836/kW	Settlement Agreement, December 3, 2013, page 38, Table #8b
Large Use	(Monthly) Service Charge	\$15,948.15	\$15,948.21	DRO Filing, April 4, 2014, page 9, Table 7

Board staff has appended its suggested changes and corrections to the draft Tariff of Rates and Charges to this submission.

Rate and bill impacts, as shown in the DRO filing and in Appendix B, appear to be correct and reasonable. Board staff requests that KWHI provide appendices 2-V and 2-W in working Microsoft Excel format. KWHI may wish to provide other tables such as are shown in tables in the DRO also in Microsoft Excel format, where this may assist the Board, Board staff and intervenors. Subject to further review, Board staff has not determined any errors in inputs or calculations at this point. Board staff also submits that the bill impacts calculated reflecting KWHI's proposal for the calculation and recovery or refunding of rates and rate riders are reasonable and that there does not appear to be any need for mitigation of rate impacts.

Supporting Documents

KWHI has filed several spreadsheets, including an updated RRWF, PILs Model, Cost Allocation model and rate rider calculations. Board staff submits that KWHI should also file an updated Appendix 2-C: Revenue Reconciliation corresponding to the updated DRO. This should be filed in pdf and working Microsoft Excel spreadsheet format. Bill Impacts in Appendix 2-W format should also be filed in working Microsoft Excel format.

– All of which is respectfully submitted –