



June 12, 2014

DELIVERED BY RESS, COURIER

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Rate Design for Electricity Distributors EB-2012-0410

On March 31, 2014, The Board issued its Draft Report of the Board on *Rate Design for Electricity Distributors* (the "Draft Report"). In its Draft Report, the Board advised that it intends to pursue a fixed rate design solution to break the link between a distributor's revenue recovery and consumer consumption of energy.

The Draft Report presents three proposals to achieve revenue decoupling for stakeholder comment:

1. A single monthly charge for the rate class.
2. A fixed monthly charge based on the size of the electrical connection.
3. A fixed monthly charge based on use during peak hours.

Recommendation

The Board invited stakeholders to comment on these proposals. Oakville Hydro supports the submission that was prepared by the Electricity Distributors Association on behalf of distributors and agrees that a single monthly charge for all consumers within the rate class is the simplest approach. Oakville Hydro believes that the EDA recommendation that distributors should be

allowed to propose sub-classes within a rate class is extremely important from the perspective of the customer.

In its report entitled, *Analysis Investigating Revenue Decoupling for Electricity and Natural Gas Distributors in Ontario*, Navigant Consulting Ltd. (the “Navigant Report”) noted that residential consumers tend to consume on more or less the same level, at more or less the same time and at more or less the same schedule. Based on a review of residential customers in Oakville this is not the case. In Oakville Hydro’s service area there are a number of large homes whose electricity consumption is considerably higher than the average typical consumption of 800 kWh per month. From an LDC perspective the cost of providing a residential connection is similar regardless of home size, however, from a customer perspective a typical 800kWh consumer will find it extremely difficult to rationalize why a large residential consumer should pay the same amount of distribution charges. Conversely multi-unit residential customers whose electricity consumption is considerably less than the average typical consumption will be significantly disadvantaged. A single residential customer rate would result in a large cross subsidization between large residential customers and small residential customers.

Oakville Hydro submits that more homogeneous sub-classes provide a reasonable compromise between the simplicity of a single fixed rate and the customer’s perspective on the equity between residential sizes. Peak load measures would cause customer confusion and additional complexity and consequently costs that is desired to be removed from the delivery of electricity.

Implementation

Oakville Hydro also agrees with the views of the distributors that participated in the Board’s stakeholder meeting regarding the timing of implementation as documented in the staff notes from meetings with stakeholders on the Draft Report.

“A number of the distributors suggested that timing of implementation is important. If the change is made during an LDC’s IRM period, the LDC must be able to retain increases in revenue related to customer and volume growth since its last rebasing”.

Like the EDA, the stakeholders were of the view that changing the rate for everyone at once makes central messaging easier. The timing should however; give appropriate consideration to the sub-classification of customers to ensure there is equity and fairness across the sub-classes. This could potentially be performed through a special purpose cost allocation filing or alternatively permit distributors to defer implementation of fixed rates to their next schedule cost of service application.

In its Draft Report, the Board stated that one of its objectives in determining which of the three proposals to achieve is most appropriate is the provision of stability and predictability to consumers on their bills. Oakville Hydro submits that a single fixed distribution charge provides the consumer with some level of stability and predictability; however, distribution costs are only about 20% of a customer's bill. Since the other components of the consumer's bill would continue to be based upon variable rates, the level of stability and predictability is limited. Oakville Hydro submits that the level of stability and predictability would be increased if the other charges that currently appear on the delivery line on the consumer's bill were also based on fixed charges. Like distribution costs, these costs are relatively fixed in the short-term, do not vary significantly from month to month and are generally for a fixed cost regardless of the size, volume or peak demand of the customer.

Respectfully submitted,



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