



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.  
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September 5, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 26<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Cambridge and North Dumfries Hydro Inc.  
Application for 2014 Rates  
Application Board File Number EB-2013-0116**

On August 14, 2014 the Ontario Energy Board ("OEB" or the "Board") issued its Decision and Order (the "Decision") relating to Cambridge and North Dumfries Hydro Inc.'s ("CND") Cost of Service Rate Rebasing Application for rates effective May 1, 2014. The Board ordered that CND file with the Board, and to intervenors, a Draft Rate Order ("DRO") no later than 14 days from the date of the issuance of the Decision. CND filed its DRO with Board staff and intervenors within the 14 days, on August 28, 2014.

In its DRO, in addition to the required updates as ordered by the Board in its Decision, CND put forth an alternative solution to clear its deferral and variance accounts over a nine month period (August 1, 2014 to April 30, 2015) instead of a one year period (May 1, 2014 to April 30, 2015) as indicated in the Settlement Agreement. CND requested intervenors' consideration and comment in this matter.

The Board, in its Decision, also ordered that Board staff and intervenors file any comments on the DRO with the Board and CND within 7 days of the date of the filing of the DRO. CND received comments from Energy Probe on September 2, 2014, and from the Vulnerable Energy Consumers Coalition ("VECC") on September 3, 2014. No comments were received from the School Energy Coalition. On September 4, 2014, Board staff advised that they would not be making a comment as they concur with those of Energy Probe and VECC.

Both Energy Probe and VECC indicated support for CND's proposal to dispose of the deferral and variance accounts over nine months.

Energy Probe and VECC both expressed difficulty in following the change in the Cost of Power from the Settlement Agreement to the DRO and requested a more detailed explanation of the increase in the Cost of Power.

CND appreciated the prompt response to the DRO as it allowed CND to engage with intervenors and Board staff immediately. CND circulated a draft response to the comments to intervenors and Board staff via email and was able to explain the issue in an expedient manner. Following the circulation of the draft response, the explanation was described by Randy Aiken of Energy Probe, and confirmed by CND, as follows:

*"The settlement agreement reflected the changes in the cost of power and distribution revenues based on the agreed upon kWh forecast, but did not reflect any change related to the change in the kW forecast.*

*The DRO shows the increase in the transmission network and connection charges associated with the increase in the kW forecast. In addition, the RRWF reflects the increase in distribution revenues at current rates of about \$615,983."*

The increase to the Cost of Power therefore resulted in an increase in distribution revenue, as both were adjusted after the Settlement Agreement.

CND sincerely appreciates the comments and feedback provided by Mr. Aiken.

Attached is CND's formal response to Energy Probe and VECC's comments, as well as the DRO Load Forecast. No changes to the DRO were required.

CND respectfully proposes that the Board issue its Final Rate Order, in approving new distribution rates to be effective May 1, 2014 and implemented August 1, 2014.

CND's response will be filed electronically through the Board's web portal and two hard copies will be submitted to the Board Secretary.

Sincerely,



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**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O.1998,  
c.15, (Schedule B);

**AND IN THE MATTER OF** an Application by Cambridge and North  
Dumfries Hydro Inc. for an order approving just and reasonable rates and  
other charges for electricity distribution to be effective May 1, 2014.

**RESPONSE TO COMMENTS ON DRAFT RATE ORDER OF  
CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.**

**FILED: SEPTEMBER 5, 2014**

1 Response to Energy Probe Research Foundation and Vulnerable Energy Consumers

2 Coalition Draft Rate Order Comments:

3 The Load Forecast was calculated and submitted as part of the Settlement Proposal  
4 and all parties agreed to the various components of the Forecast. The Settlement  
5 Agreement and Appendix E to the Settlement Proposal reflected the changes in the  
6 Cost of Power and Distribution Revenues based on the agreed upon kWh forecast but  
7 did not reflect any changes in the Cost of Power and Distribution Revenues related to  
8 the change in the kW forecast. .

9 The final financial impacts of the Load Forecast model, and more specifically the  
10 revised Cost of Power as a result of the change in the kW forecast, were not included in  
11 the determination of the Working Capital, the Rate Base or Distribution Revenues  
12 submitted as part of the Settlement Proposal. Such was not included as CND  
13 understood that there may be other changes required as a result of the Oral hearing,  
14 and ultimately the Final Decision by the Board.

15 The Load Forecast model (as opposed to the Summary provided in Appendix E)  
16 submitted with the Settlement Proposal inadvertently did not include the adjustment

outlined in Section 8.1 (ii) in the Settlement Proposal and therefore the Cost of Power calculations did not include this adjustment. The kW/kWh factors used in the Cost of Power calculation filed with the Settlement Proposal were 0.2842% and 0.2085% for the General Service >50 to 999 kW and the Embedded Distributors classes respectively, as opposed to the agreed upon kW/kWh factors of 0.3230% and 0.2368% respectively. Only Hydro One is impacted and not the other Embedded Distributor (Waterloo North Hydro).

Once the kW/kWh factors of 0.3230% and 0.2368% were applied, the Cost of Power changed accordingly. The change in the Cost of Power, and the resulting change in the Working Capital Allowance, and ultimately Distribution Revenue, was reflected in the DRO.

The following table summarizes the change in kW's for these two classes as a result of the revised factors:

Load Forecast Impact from kW/kWh Factor Change				
		Settlement	DRO	Difference
GS >50 to 999 kW	kW	1,234,884	1,403,590	168,706
Embedded Distributor	kW	27,169	30,853	3,684
	Total	1,262,053	1,434,443	172,390

Only the Hydro One Network's Transmission Network and Transmission Connection charges are impacted by the change in the kW/kWh factors as these are the only charges that are based on kW's and not kWh's. The Rates used in the Table below are those included in the Load Forecast Model and differ slightly from the final approved RTSR rates. The impact of the difference is \$16.

Retail Transmission Charges Impact				
GS >50 to 999 kW Transmission Network Charge		168,706	\$3.7791	\$637,558
Embedded Transmission Network Charge		3,684	\$2.7199	\$10,020
GS >50 to 999 kW Transmission Connection Charge		168,706	\$2.3951	\$404,068
Embedded Transmission Connection Charge		3,684	\$1.9133	\$7,049
Total				\$1,058,694

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2 The Cost of Power changes by the same amount as indicated below.

Cost of Power as per Settlement Agreement prior to adjustments		\$157,901,253
Cost of Power as per DRO after adjustments		\$158,959,947
Difference indicated as Adjustment 12.		\$1,058,694

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4 When the Working Capital Rate Percentage of 13% and the weighted average cost of  
5 capital of 6.60% is applied to the total of \$1,058,694, the impact is a \$9,084 increase in  
6 the revenue requirement.

7 Included with this response is the Load Forecast model that includes all of the changes.