



EB-2013-0147
EB-2014-0155

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 Kitchener-
Wilmot Hydro Inc. for an order approving rates and other
charges for the distribution of electricity to be effective
January 1, 2014;

AND IN THE MATTER OF a Motion to Review and Vary by
the School Energy Coalition pursuant to the Ontario Energy
Board's *Rules of Practice and Procedure* for a review of the
Board's Decision and Order in proceeding EB-2013-0147.

BEFORE: Ken Quesnelle
Presiding Member and Vice-Chair

Emad Elsayed
Member

DECISION AND ORDER

October 23, 2014

Background

Kitchener-Wilmot Hydro Inc. ("KWHI") filed an application (the "Application") with the Ontario Energy Board (the "Board") on May 17, 2013 seeking approval for changes to the rates that KWHI charges for electricity distribution, to be effective January 1, 2014. The Board assigned the Application file number EB-2013-0147.

Energy Probe Research Foundation (“Energy Probe”), the Schools Energy Coalition (“SEC”) and the Vulnerable Energy Consumers Coalition (“VECC”) were granted intervenor status and eligibility for costs.

The Board issued its Decision and Order EB-2013-0147 (the “Decision”) on March 20, 2014, and issued its Rate Order on May 1, 2014 for new rates for KWHI effective January 1, 2014 and implemented May 1, 2014.

On April 3, 2014, SEC filed a Motion for a Request to Review and Vary (the “Motion”) the Decision.

The Board assigned file number EB-2014-0155 to the Motion.

In the Motion, SEC asked the Board to make an Order:

- a) to make revised findings on the appropriate test year Working Capital Allowance (“WCA”) percentage by relying on the existing record in EB-2013-0147, including all pre-filed evidence, interrogatory responses, hearing transcripts, and final arguments; or
- b) remitting the issue of the appropriate test year WCA percentage back to the Board panel in EB-2013-0147, so that they may make revised findings on the issue, relying on the existing record in EB-2013-0147, including all pre-filed evidence, interrogatory responses, hearing transcripts, and final arguments.

In the Decision EB-2013-0147, the Board (the “Original Panel”) decided that KWHI’s use of the 13% default value for the WCA was appropriate. In the Motion, SEC submitted that the Board’s reliance on the 13% default WCA, combined with Board’s apparent failure to consider the evidence put forward by the intervenors with respect to an alternative WCA, left a question for the Reviewing Panel as to whether or not the Original Panel, in reaching its Decision, felt bound to apply the 13% default value.

The Reviewing Panel found that, while it is clear from the record that the intervenors made significant arguments about alternative appropriate WCA values during the original proceeding, it was not clear from the Decision that the Original Panel took these arguments into consideration in rendering the Decision. On the other hand, according to the Reviewing Panel, it was also not clear whether the Original Panel felt bound to apply the 13% set out in the Filing Requirements. The Reviewing Panel determined

that the submissions put forward by the intervenors in respect of an alternative WCA must be considered by the Board, and it must be clear that the Board has done so in its final decision.

The Reviewing Panel determined that the Original Panel is in the best position to make a finding in accordance with the findings of the Reviewing Panel and, therefore, decided to remit the proceeding back to the Original Panel for reconsideration of this matter.

Board Findings

In its Application, KWHI requested a WCA of 13% of the eligible controllable expenses including property taxes and cost of power. KWHI submitted that this request is consistent with the Board's Filing Requirements which suggest one of two approaches for the calculation of the allowance for working capital, namely, either the default 13% allowance approach or filing a lead/lag study. KWHI did not conduct a lead/lag study, as it did not believe that it had been directed to do so by the Board and it therefore relied on the Board's Filing Requirements in the preparation of its Application.

The issue of whether KWHI was required to file a lead/lag study was an issue of contention in this case. Intervenors in the proceeding argued that KWHI had been directed to file a lead/lag study in the Board's decision regarding KWHI's previous cost of service application (EB-2009-0267). Intervenors also proposed various WCA values for KWHI that were less than the default 13% to account for KWHI's intention to move its remaining Residential and General Services < 50 kW customers from bi-monthly billing to monthly billing.

The key questions before the Original Panel were whether KWHI was directed to conduct a lead/lag study and, in the absence of such a study, would another approach provide an appropriate substitute for the default 13% WCA.

Ultimately, the Board determined that KWHI's interpretation of the Board's earlier decision (EB-2009-0267) was correct in that KWHI was not required to conduct a lead/lag study.

Regarding the WCA value, intervenors suggested values ranging from 9% to 11.4% primarily based on the results of lead/lag studies of other utilities. KWHI disputed some of these results on the basis that they ignore elements which may be unique to KWHI.

The Board finds that using a consistent WCA default value in cases where lead/lag studies have not been conducted to be a better approach than attempting to use simplified methods to derive a utility-specific WCA value for each case from other lead/lag studies which may not reflect the unique circumstances of such utility.

By way of an example, two of the utilities referenced by the intervenors in this case which completed lead/lag studies were Hydro One Distribution and London Hydro. The studies determined WCA values of 11.50% and 11.42% for Hydro One Distribution and London Hydro, respectively. These were almost identical WCA values even though Hydro One Distribution's customers were mostly on bi-monthly billing while all of London Hydro's customers were on monthly billing. There could be a number of reasons behind this which would only become apparent through a detailed examination of the lead/lag studies.

The Board finds that there was no compelling evidence in this case to suggest that a WCA value other than the default 13% was more appropriate and, therefore, confirms its earlier finding that KWHI's proposed WCA of 13% is acceptable.

As a result, the Board finds that no changes are required to KWHI's revenue requirement as approved in the March 20, 2014 Decision and Order EB-2013-0147, nor in the Board-approved rates to recover that revenue requirement.

THE BOARD ORDERS THAT:

1. Kitchener-Wilmot Hydro Inc.'s Tariff of Rates and Charges approved in the Rate Order issued May 1, 2014 under EB-2013-0147 are confirmed as final.

All filings with the Board must quote the file number EB-2013-0147/EB-2014-0155, and be made through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must be received by the Board by 4:45 p.m. on the stated date. Parties should use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available, parties may e-mail their documents to the attention of the Board Secretary at BoardSec@ontarioenergyboard.ca.

DATED at Toronto, October 23, 2014

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary