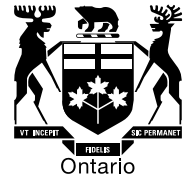


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BY EMAIL

October 24, 2014

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc.
2015 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2014-0077**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Guelph Hydro Electric Systems Inc. and to all other registered parties to this proceeding.

Guelph Hydro is reminded that its Reply Submission is due by November 7, 2014.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Electricity Rates & Accounting

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2015 ELECTRICITY DISTRIBUTION RATES

Guelph Hydro Electric Systems Inc.

EB-2014-0077

October 24, 2014

**Board Staff Submission
Guelph Hydro Electric Systems Inc.
2015 IRM Rate Application
EB-2014-0077**

Introduction

Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 13, 2014, seeking approval for changes to the distribution rates that Guelph Hydro charges for electricity distribution, to be effective January 1, 2015. The Application is based on the 2015 Price Cap IR option.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Guelph Hydro.

In the interrogatory phase, Board staff noted that Guelph Hydro entered the incorrect Hydro One Sub-Transmission Rates in the input cells on tab 15 of the Rate Generator Model. In its responses, Guelph Hydro acknowledged the error and requested that staff make the necessary corrections to the model.

Board staff has no concerns with the revised data supporting the updated Retail Transmission Service Rates proposed by Guelph Hydro. Pursuant to the Board’s Guideline G-2008-0001, Board staff notes that the Board will update the applicable data at the time of the Board’s Decision on the Application based on the Uniform Transmission Rates in place at that time.

Board staff notes that the Shared Tax-Savings portion of the Rate Generator Model reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2011-0123. Board staff has no concerns with the information as filed.

Board staff makes detailed submissions on the following:

- Allocation and Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”); and
- Green Energy Act Plan Funding Adder.

Allocation and Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report")

Background

Guelph Hydro completed the Deferral and Variance Account continuity schedule included in the 2015 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Guelph Hydro's total Group 1 Deferral and Variance Account balances amount to a debit of \$6,965,880. The balance of Account 1589 – Global Adjustment Sub-Account is a debit of \$4,917,328, and is applicable only to Non-RPP customers. These balances also include interest calculated to December 31, 2014. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0042 per kWh which exceeds the threshold, and as such, Guelph Hydro requested disposition of these Accounts over a one-year period.

Additionally, in accordance with Chapter 3 of the *Filing Requirements for Electricity Rate Applications: 2014 Edition for 2015 Rate Applications* (the "Filing Requirements") issued July 25, 2014, Guelph Hydro has established separate rate riders to recover the balances in the RSVA's from Wholesale Market Participants ("WMPs") who should not be allocated the RSVA account balances related to charges for which WMPs settle directly with the IESO (e.g. wholesale energy, wholesale market services). Guelph Hydro developed an additional tab in the Board's 2015 IRM Rate Generator to calculate the rate riders for RSVA balances applicable to its WMP customers.

Guelph Hydro also noted that its settlement process with the IESO with respect to Class A customers in regards to the contribution to the balance of Account 1589 – Global Adjustment offsets to zero. Therefore, Guelph Hydro is not proposing to charge a rate rider for the disposition of this account to Class A customers.

After filing its interrogatory responses, Guelph Hydro notified Board staff of a formula error in the new tab ("tab 29"). Guelph Hydro provided tab 29 to show the calculations relating to the rate riders for the RSVA balances applicable to its WMP customers.

Submission

Board staff has reviewed Guelph Hydro's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2013 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with Guelph Hydro's request to dispose of its 2013 Deferral and Variance Account balances at this time.

Board staff notes that for the general service rate classes between 50 kW and 4,999 kW, the bill impacts appear substantial, although below the 10% threshold requiring a mitigation plan. Board staff has calculated the following based on a one-year recovery period:

Total bill impacts for the GS 50 to 999 kW class:

- 100 kW consumption: 8.53%
- 500 kW consumption: 8.73%
- 1,000 kW consumption: 8.76%

Total bill impacts for the GS 1,000 to 4,999 kW class:

- 1,000 kW consumption: 7.63%
- 2,500 kW consumption: 7.67%
- 4,999 kW consumption: 7.68%

Board staff notes that a two-year recovery period may help mitigate these impacts for both of these general service classes. Guelph Hydro may wish to comment on a two year disposition in its reply submission.

With respect to Guelph Hydro's filing of tab 29, Board staff notes that column X (i.e. Global Adjustment Rate Rider) currently divides the total RSVAs excluding Account 1589 – Global Adjustment Account by the metered kWh or metered kW amounts (contingent on the rate class). Board staff notes that in order to determine the Global Adjustment Rate Rider amounts, the total RSVAs should be divided by column F or G (i.e. billed kWh for Non-RPP customers or estimated kW for Non-RPP customers, respectively). In its reply submission, Guelph Hydro should provide a new tab 29 that has been updated with the correct formula.

Green Energy Act Plan Funding Adder

Background

In its decision on Guelph Hydro's 2012 cost of service application EB-2011-0123, the Board approved Green Energy Act ("GEA") Plan Funding Adders for a four year period: 2012 to 2015. The rate riders approved were as follows:

- April 1, 2012 to March 31, 2013: \$0.10
- April 1, 2013 to March 31, 2014: \$0.14
- April 1, 2014 to March 31, 2015: \$0.15

Prior to the filing of the current Application, it was brought to Guelph Hydro's attention that the approved GEA model from its previous cost of service application contained a formula error. As a result of this error, Guelph Hydro will over-collect an amount of \$4,702.75 from April 1, 2014 to December 31, 2014. In its current application, Guelph Hydro sought to make corrections to its 2015 GEA Plan Funding Adder beginning January 1, 2015 for a 3-month time period (i.e. to March 31, 2015) to rectify the over-collection.

In its interrogatories, Board staff noted that on page 18 of the *Filing Requirements*, the Board stated that "the cost recovered through the funding adder will be subject to a prudence review in the first cost of service application following the implementation of the funding adder". Board staff asked Guelph Hydro if it agrees that the cost of the GEA Funding Adder true-up that it has applied for is immaterial and any variance will be captured in the appropriate account.

In its responses, Guelph Hydro agreed that the over-collection amount is immaterial and any variance will be captured in the appropriate account (Account 1533 – Renewable Generation Connection Funding Adder Deferral Account for revenue and Account 1531 – Renewable Connection Capital Deferral Account and Account 1532 – Renewable Connection OM&A Deferral Account for costs).

Submission

Board staff submits that the over-collected amount of \$4,702.75 is immaterial. Board staff is satisfied that the amount will be trued-up at the time of Guelph Hydro's next cost of service rates proceeding, scheduled for 2016 rates. Board staff submits that Guelph Hydro should continue to apply the GEA Funding Adder that was approved in its previous cost of service (i.e. \$0.15).

Board staff notes that Guelph Hydro has not requested any funding incremental to the expenditures proposed in its GEA Plan.

All of which is respectfully submitted