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| **Ontario Energy**  **Board**  P.O. Box 2319  27th. Floor  2300 Yonge Street  Toronto ON M4P 1E4  Telephone: 416-481-1967  Facsimile: 416-440-7656  Toll free: 1-888-632-6273 | **Commission de l’énergie**  **de l’Ontario**  C.P. 2319  27e étage  2300, rue Yonge  Toronto ON M4P 1E4  Téléphone; 416-481-1967  Télécopieur: 416-440-7656  Numéro sans frais: 1-888-632-6273 |  |

**BY EMAIL**

October 30, 2014

Ontario Energy Board

P.O. Box 2319

27th Floor

2300 Yonge Street

Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc.**

**2015 IRM4 Distribution Rate Application**

**Board Staff Submission**

**Board File No. EB-2014-0068**

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

As a reminder, Enersource Hydro Mississauga Inc.’s Reply Submission is due by November 13, 2014.

Yours truly,

*Original Signed By*

Christiane Wong

Information Administrator, Applications

Encl.



**ONTARIO ENERGY BOARD**

**STAFF SUBMISSION**

2015 ELECTRICITY DISTRIBUTION RATES

Enersource Hydro Mississauga Inc.

EB-2014-0068

**October 30, 2014**

**Board Staff Submission**

**Enersource Hydro Mississauga Inc.**

**2015 IRM Rate Application**

**EB-2014-0068**

**Introduction**

Enersource Hydro Mississauga Inc. (“Enersource”) filed a complete application (the “Application”) with the Ontario Energy Board (the “Board”) on August 13, 2014 under section 78 of the *Ontario Energy Board Act, 1998* (the “Act”) Through the Application, Enersource seeks approval for changes to the distribution rates that it 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 Enersource.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by Enersource. In response to Board staff interrogatories, Enersource provided clarifications to explain some of its entries in the models filed and also provided data to correct minor errors. Board staff will make the necessary corrections to Enersource’s models at the time of that the Board issues a decision on the Application.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Enersource. 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 makes submissions on the following:

* Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Initiative* (“EDDVAR”); and
* Renewable Generation Connection Funding Amounts for 2015.

**Disposition of Deferral and Variance Accounts as per the Report of the Board on *Electricity Distributors’ Deferral and Variance Account Review Initiative* (“EDDVAR”)**

Enersource indicated that the Group 1 disposition threshold has not been met and proposes no disposition of the Group 1 account balances.

In its interrogatory 3a, Board staff inquired why the amount for Account 1551 in the RRR 2.1.7 column in Sheet 5 of the Rate Generator Model of this application differed from the amount reported to the Board in the annual RRR 2.1.7 filing. Enersource responded that it was guided by the practices which apply to Account 1595 and excluded the ($36,163) balance of Account 1551 from the calculation of the disposition amount because the Smart Meter Entity Charge is being recovered until 2018. Enersource also stated that the inclusion of Account 1551 would still result in a disposition amount significantly below the threshold.

Appendix C of the Board’s decision on the smart metering charge[[1]](#footnote-1) classifies Account 1551 as a Group 1 account and indicates that during an IRM plan term, the account balance will be included in the calculation of the disposition threshold. As a Group 1 account, Account 1551 would be cleared on an annual basis when the disposition threshold has been exceeded. Board staff understands that the disposition threshold has not been met even with the inclusion of Account 1551 and Enersource is currently not seeking disposition of Group 1 accounts, however Board staff is of the view that Account 1551 should be included in Enersource’s Group 1 disposition threshold calculation and as a part of requests for recovery of Group 1 accounts in future applications.

In its interrogatory 3b, Board staff inquired why the amount for Account 1595 in the RRR 2.1.7 column for ($2,999,823) in Sheet 5 of the Rate Generator Model of this application differed from the amount of ($7,336,906) reported to the Board in the annual RRR 2.1.7 filing. Enersource responded that it excluded Account 1595 (2012) from the review and disposition because the disposition period for this account did not end until January 31, 2014. While staff agrees that it is appropriate to exclude Account 1595 (2012) in the balance sought for disposition if the rate rider had not concluded at the time of the 2013 audited balances, Board staff notes that in Sheet 5 of the Rate Generator Model, Account 1595 (2012) includes a claim amount of ($2,984). In order for there to be a reconciliation to the RRR for Account 1595, Board staff invites Enersource to reconcile the amounts for all of the Account 1595 sub-accounts in the RRR 2.1.7 column of Sheet 5 of the Rate Generator Model to a breakdown of Account 1595 by sub-accounts, totalling ($7,336,906) as filed in the RRR 2.1.7 with the Board. This reconciliation should specifically indicate the balance in Account 1595 (2012) for which disposition is not being sought.

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**Renewable Generation Connection Funding Amounts for 2015**

**Background**

Under the *Ontario Energy Board Act, 1998* distributors are entitled to recover from load customers certain costs relating to the connection of renewable generation facilities. Some costs are recovered from a distributor’s own customers; a larger proportion of costs are recovered from all Ontario consumers via a charge levied by the Independent Electricity System Operator (IESO). These costs are identified in a Green Energy Plan filed by a distributor and approved by the Board, or in a Distribution System Plan.

As part of its 2013 cost of service application (EB-2012-0033), Enersource filed a basic Green Energy Act Plan (the “GEA Plan”), which was approved by the Board[[2]](#footnote-2).

In 2014, Enersource is to recover $68,640 for 2014 from all Ontario customers in accordance with EB-2014-0222, which provided the payment schedule for all distributors effective January 1, 2014.

As part of this Application, Enersource updated its generation-enabling costs with the actual amounts incurred for 2013 and updated estimates for 2014 and 2015. Enersource is requesting to collect renewable generation funding of $82,972 in 2015, or $6,914 per month, from all provincial ratepayers and a direct benefit amount of $52,096 or $0.02 per month to be recovered from Enersource’s own ratepayers.

In response to Board staff interrogatory #7 (b), Enersource provided the following forecast for renewable generation projects to be connected in 2015:



Enersource stated that it is forecast to have twenty FIT projects connected by the end of 2015, in line with current expectations for 2015, but lower than what was forecast in EB-2012-0033. With respect to microFIT projects, Enersource is forecasting the connection of 50 projects by the end of 2015, slightly less than currently forecast for 2014, and less than forecast in EB-2012-0033.

Enersource noted that in the past, direct benefit costs were negligible and thus it refrained from requesting a fixed funding adder from its own ratepayers. However, Enersource reported that the accumulation of GEA costs over several years resulted in a rate rider calculation in this Application. Thus, Enersource requested funding from its own rate payers through a funding adder in addition to provincial funding. The direct benefit amount of $52,096 includes an incremental amount of $20,157 for new connections in 2015 as well a true-up calculation for previous years.

In response to Board staff interrogatory #7(e), Enersource stated that due to the lack of materiality of the portion attributable to Enersource’s ratepayers, it will defer its request to collect GEA funding amounts until its next rebasing proceeding.

**Submission**

In Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications,* July 25, 2014,the Board determined that costs recovered through a funding adder will be subject to a prudence review in the first cost of service application following recoveries.

Board staff supports Enersource’s withdrawal of its request for recovery of GEA funding amounts from its own customers. Staff notes that the calculated direct benefit costs for new connections in 2015 are not expected to be material and would not result in a rate rider on the tariff sheet. Board staff also agrees that any true-up of direct benefit costs would be premature and should be deferred until Enersource’s next cost of service proceeding. Board staff notes that any costs relating to the connection of renewable generation facilities should continue to be recorded in Accounts 1531 (capital) and 1532 (OM&A).

Regarding the $82,972 proposed to be recovered by the IESO and remitted to Enersource, Board staff is of the view that Enersource has demonstrated that it continues to connect renewable generation projects to its system and that its 2015 forecast appears reasonable. Board staff also observes that the total number of renewable generation projects to be connected in 2015 forecast is slightly less than currently forecast for 2014 and less than forecasted in Enersource’s GEA Plan. Board staff submits that Enersource’s proposed adjustment to the provincial rate protection amount costs is reasonable insofar as it is the best available estimate of its future eligible costs. Staff submits that it is reasonable to update cost forecasts – despite the fact that these costs will still be subject to a prudence review – because any true-up to IESO amounts may prove to be complex and efforts to avoid or minimize this requirement may provide future benefits. Board staff notes that the 2015 forecast is still broadly consistent with the total number of renewable generation projects included in Enersource’s GEA Plan and should therefore be adjusted for 2015.

* All of which is respectfully submitted -

1. EB-2012-0100/EB-2012-0211 dated March 28, 2013 [↑](#footnote-ref-1)
2. EB-2012-0033 Decision and Order, December 13, 2012, Page 24 [↑](#footnote-ref-2)