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BY EMAIL

February 5, 2015

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Entegrus Powerlines Inc. (Entegrus)
2015 Price Cap IR Distribution Rate Application
Board Staff Submission
Board File No. EB-2014-0064

In accordance with Procedural Order No.1, please find attached the Board staff Submission in the above proceeding. The applicant has been copied on this filing.

Entegrus' reply Submission, if it intends to file one, is due by February 19, 2015.

Yours truly,

Stephen Vetsis
Advisor, Electricity Rates and Prices

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2015 ELECTRICITY DISTRIBUTION RATES

Entegrus Powerlines Inc.

EB-2014-0064

February 5, 2015

Board Staff Submission
Entegrus Powerlines Inc.
2015 Price Cap IR Distribution Rate Application
EB-2014-0064

Introduction

Entegrus Powerlines Inc. (Entegrus) filed an application (the Application) with the Ontario Energy Board (the Board) on October 20, 2014, seeking approval for changes to the rates that Entegrus charges for electricity distribution, to be effective May 1, 2015. The Application is based on the Price Cap IR option of the 2015 Incentive Regulation Mechanism (IRM). Entegrus serves four distinct rate zones: Chatham-Kent (CK); Strathroy, Mt. Brydges & Parkhill (SMP); Dutton; and, Newbury.

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 Entegrus.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data filed by Entegrus. In response to Board staff interrogatories, Entegrus corrected the number of connections for the Unmetered Scattered Load, Sentinel Lighting and Street Lighting classes in the Strathroy, Mt. Brydges & Parkhill (SMP) rate zone used to derive the Deferral and Variance Account (DVA) rate riders.

Board staff has no concerns with the RTSR Workforms provided with the Application for each of Entegrus' rate zones. Board staff submits that Entegrus should update the Uniform Transmission Rates (UTRs) in its RTSR Workforms to reflect the 2015 UTRs approved in Hydro One Network Inc.'s most recent transmission rate application (EB-2014-0140).

Entegrus filed a customized Shared Tax Savings Model indicating an overall tax savings of $202,573, of which $101,286 is to be refunded to rate payers. Entegrus proposes to refund $86,186 of these savings to the Chatham-Kent (CK) rate zone and $15,100 to the SMP rate zone based on the proportion of the revenue requirement generated by each rate zone using most recent Board approved rates. No savings are allocated to the Dutton and Newbury rate zones because tax costs were not embedded in base rates for those customers at last rebasing. Board staff notes that this is consistent with what was approved in Entegrus' last IRM application (EB-2013-0120) and has no concerns with Entegrus' approach.

In the Application, Entegrus noted that the GS 50 to 4,999 kW class in the Newbury rate zone is estimated to have a 17.87% bill increase if the Application is approved as filed. Entegrus stated that it was not proposing rate mitigation measures for that class because the vast majority of the increase was due to the expiration of credit rate riders currently in effect. In response to Board staff Interrogatory #1, Entegrus confirmed that it had consulted with some of the four customers in the GS 50 to 4,999 kW class of its Newbury rate zone in 2014 to inform them of the proposed impacts. Entegrus noted that members of this class were consulted in prior years regarding the recovery period for the rate riders that are currently expiring and that Entegrus' proposals in prior applications reflected those discussions. Since Entegrus' proposal followed consultation with customers prior to filing the Application, Board staff takes no issue with Entegrus' decision to not propose rate mitigation for this class.

Group 1 Deferral and Variance Account Disposition

Entegrus' overall Group 1 Deferral and Variance Account (DVA) balances amount to a debit of $1,964,792. These balances also include interest calculated to April 30, 2015. Based on the preset disposition threshold calculation, the overall Group 1 DVA balances equate to a debit of $0.0021 per kWh which exceeds the threshold. Entegrus tracks its DVA balances separately by rate zone.

Board staff has reviewed Entegrus' Group 1 DVA balances and notes that the principal balances as of December 31, 2013 reconcile with the balances reported by Entegrus pursuant to the *Reporting and Record-Keeping Requirements*. Since the preset disposition threshold has been exceeded, Board staff submits that the Group 1 DVAs should be approved for disposition.

Entegrus has proposed to dispose of Group 1 DVA balances over a one-year period in the CK, SMP and Dutton rate zones. Entegrus has proposed a two-year disposition period for the Newbury rate zone due to the significance of the Group 1 DVA balances[1]. Entegrus noted that Newbury is a small, stable rural area with limited migration into and out of the community. Entegrus stated that the risk of intergenerational inequity through the use of a two-year disposition period would be limited for customers in the Newbury rate zone. Board staff takes no issue with the disposition periods proposed by Entegrus.

Entegrus noted that it has Class A consumers in the CK and SMP rate zones and one Wholesale Market Participant (WMP) customer in the SMP rate zone. Entegrus stated that it settles the Global Adjustment (GA) for Class A consumers based on the actual GA rate and, as such, its Class A consumers do not contribute to the creation of variances in Account 1589 – Global Adjustment. Entegrus proposed that Class A consumers be excluded from its disposition. Entegrus also confirmed that it has excluded the WMP customer from the recovery of RSVA account balances. Board staff submits that Entegrus' proposal regarding the allocation of balances to Class A and WMP customers is appropriate.

The overall Group 1 DVA balance for disposition for the CK rate zone includes a credit balance of $387,723 in Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2010). The table below summarizes residual balances for each class resulting from the balances disposed in Chatham-Kent Energy Inc.'s (CKE) 2010 cost of service application (EB-2009-0261).

TABLE CK-02: RESIDUAL BALANCE OF 2010 NON-RPP DISPOSITION

Rate Class	Original Disposition EB-2009-0261	Amount Collected Jun10-Apr12	Reallocate Outstanding USL Balance	Total Residual Balance
Residential	$196,964	-$164,184	$809	$33,589
General Service <50	$79,078	-$40,655	$325	$38,747
General Service >50	$116,808	-$800,526	$480	-$683,238
Intermediate	$644,251	-$468,797	$2,646	$178,100
Intermediate w/Self Gen - Class A	$148,319	-$115,740	$609	$33,188
Unmetered Scattered Load Connections	$4,979	$0	-$4,979	$0
Sentinel Lighting Connections	$548	-$580	$2	-$30
Street Lighting Connections	$26,514	-$14,701	$109	$11,921
Total	**$1,217,461**	**-$1,605,184**	**$0**	**-$387,723**

Note: Positive numbers are due from customer, negative are due to customer.

[1] Overall Group 1 DVA balances for the Newbury rate zone are a debit balance of $33,032. This results in a threshold test of $0.0097/kWh, using the annual total kWh for the Newbury rate zone.

Entegrus noted that the two main causes of the large residual balance in Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2010) were an over collection of $683,238 from the GS > 50 kW class and an under collection of the $211,288 from the overall Intermediate class. As of November 1, 2009, the consumers eligible for the RPP changed as per Ontario Regulation 95/05, *Classes of Consumers and Determination of Rates* (made under the *Ontario Energy Board Act, 1998*). The Regulation required that MUSH customers in the GS > 50 kW and Intermediate rate classes leave the Regulated Price Plan (RPP). The settlement agreement approved by the Board in CKE's EB-2009-0261 proceeding stated that the GA variance account was not to be disposed to MUSH sector customers because they were RPP customers at the time those balances accumulated.

Entegrus noted that over-collection from the GS > 50 kW class was due to a clerical error in the calculation of the original rate rider which used a non-MUSH sector billing determinant of 65,977 kW to derive the rate rider. The actual annual average demand experienced and billed for the non-MUSH sector in the class was 545,518 kW which caused the significant over collection from the class. The rate riders for the Intermediate class were derived using a non-MUSH sector annual average demand of 382,377 kW. Due to economic factors, such as the closing of business of a large customer in the class, actual demand for the class was 293,840 kW, which resulted in the significant under collection.

Entegrus proposed to allocate the residual balance in Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2010) in the CK rate zone to each class based on the class-specific residual balance identified in the table above. In order to be consistent with the settlement agreement, Entegrus proposed to calculate the rate riders using 2013 non-RPP billing determinants less the applicable MUSH sector determinants. This balance was to be disposed of by a separate rate rider. Though this approach deviates from the standard approach, Board staff submits that it is a reasonable allocation insofar as it reflects cost causality. Provided that Entegrus' billing system is capable of specifically identifying MUSH sector customers to exclude them from the recovery of the proposed separate rate rider, Board staff agrees with the proposed approach. Board staff suggests that Entegrus discuss the capability of its billing system to identify MUSH sector customers separately in its reply submission.

Lost Revenue Adjustment Mechanism (LRAM) and LRAM Variance Account (LRAMVA) Claims

The Board's Guidelines for Electricity Distributor Conservation and Demand Management (the 2012 CDM Guidelines) issued on April 26, 2012 (EB-2012-0003), outline the information that is required when filing an application for LRAMVA.

Account 1568 – LRAMVA tracks the revenue impact of the difference between verified results from Ontario Power Authority (OPA) Contracted Province-Wide CDM Programs undertaken by the distributor and the CDM activities included in a distributor's load forecast at the time of rebasing.

Distributors receive a copy of their annual final verified CDM results from the OPA and file these results with the Board as part of their CDM Annual Reports on or before September 30th of each year. Distributors are expected to use these results when calculating their lost revenues that are included within Account 1568 – LRAMVA. The LRAMVA is calculated by comparing the final net CDM savings (both energy (kWh) and peak demand (kW)) for all CDM programs delivered by the distributor to the savings totals for CDM amounts included in the distributor's load forecast.

Entegrus has requested approval to dispose of the balance in Account 1568 – LRAMVA for each of the CK and SMP rate zones, which include carrying charges up to April 30, 2015. In response to Board staff Interrogatory #2, Entegrus provided corrected LRAMVA claims of $107,483.46 for the CK rate zone and $16,471.80 for the SMP rate zone.

Entegrus seeks to recover the lost revenues associated with 2013 CDM programs along with the persisting impacts of 2011 and 2012 CDM programs from January 1, 2013 to December 31, 2013 for both the CK and SMP rate zones. Entegrus confirmed that the most recent Board approved load forecast did not include impacts related to 2011-2013 CDM programs for either rate zone. Board staff notes that this is consistent with the last rebasing years of the former CKE, which was for 2010 rates, and the former Middlesex Power Distribution Corp.[2], which was for 2006 rates. The proposed LRAMVA disposition is based on the final 2013 CDM report issued by the OPA on August 29,

[2] The former Middlesex Power Distribution Corp. served the Strathroy, Mount Brydges and Parkhill communities prior to amalgamating with Chatham-Kent Energy Inc.

2014.

Additionally, Entegrus seeks to recover an LRAM claim for the SMP rate zone of $18,988.25, including carrying charges to April 30, 2015, for the persisting impacts in 2013 of lost revenues due to legacy 2006-2010 CDM programs.

Entegrus has provided all relevant rate riders by customer class for each rate zone, and has proposed to recover its LRAMVA and LRAM amounts through separate rate riders over a one-year period. Board staff has no concerns with either Entegrus's LRAM and updated LRAMVA amounts or its proposed recovery period.

All of which is respectfully submitted