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VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Draft Rate Order
Hydro One Networks – 2015, 2016 and 2017 Distribution Rate
Application (EB-2014-04196)**

These are VECC's submissions in respect to the Draft Rate Order (DRO) filed by Hydro One Networks on March 25, 2015. Apart from the three issues set out below VECC has no concerns regarding the DRO.

Class Bill Impacts – Basis of Measurement

In its Decision (page 41) the Board stated that "rate mitigation be applied for customers in rate classes that experience undue rate impacts, that is, an increase from all causes greater than 10% on the total bill. The OEB will condition its rate approvals accordingly when the Draft Rate Order is filed".

Attachment 1 (page 6) of the DRO provides total bill impacts for a typical customer in each rate class. However, the calculations do not include the effect of the foregone revenue rider required as a result of the May 1st implementation (see Attachment 1, page 5). In response to questions raised by Board Staff at the Technical Conference Hydro One Networks has filed the bill impacts by customer class including the foregone revenue rider.

Given the wording in the Decision that rate mitigation should be applied in those instances when "an increase from all causes greater than 10% on the total bill" occurs (emphasis added), VECC submits that the revised impacts including the foregone revenue rider are the ones that should be used in assessing whether

Hydro One Networks' DRO meets the requirements set out in the Board's Decision.

Class Bill Impacts – Rate Mitigation

VECC notes that in the updated bill impacts filed by Hydro One Networks there are three customer classes where the typical customer's total bill impact is now greater than 10%: i) Street Lighting – 19.36%, ii) Sentinel Lights – 11.86% and iii) DGen – 37.51%. Given the fact the Board has "conditioned" its approval on customer class bill impacts being 10% or less, VECC submits that Hydro One Networks should, at a minimum, provide an explanation as to why the Company considers it acceptable that the total bill impacts for a typical customer in each of these classes exceed the maximum set out by the Board. After considering these comments, the Board can then either: i) make a determination that the rates proposed in the DRO are acceptable despite the fact the results do not comply with the original Decision, or ii) direct Hydro One Networks to file a revised DRO that conforms with the Decision. VECC also notes that this same issue exists when bill impacts are viewed excluding the effect of the foregone revenue rider, except there is only one customer class (DGen) that is above 10%.

Foregone Revenue Rate Rider

In the DRO the foregone revenue for the four months January to April is based on the annual forgone revenue multiplied by the percent of the total 2015 load forecast kWh that will be delivered in those months and then adjusted for the revenues that will be received in the same months from the Smart Meter Rate adder. It was then allocated to customer classes based on each class' contribution to the annual revenue shortfall.

During the technical conference, parties requested that a more precise calculation be done by rate class based on each class' forecast load for the period January to April 2015. The results were provided by Hydro One Networks on April 2nd. VECC notes that the revised calculation changes both the total amount of foregone revenue and also the relative assignment to each customer class. Hydro One Networks has indicated that it will use these revised calculations in its final rate order. VECC agrees that the updated values are more appropriate and should be used in the determination of the final approved rates.

Finally, in its DRO, Hydro One Networks' proposed foregone revenue rate riders in the form of monthly fixed charge as specified in the Board's Decision (page 60). VECC notes that since the foregone revenue for each rate class will arise out of differences in both the fixed and variable charges as per the Interim Approved and Final Approved rates for 2015, a fairer approach would be to recover the foregone revenue through a combination of fixed and variable rate

riders. At the same time that the Board is considering the merits of Hydro One Networks' proposal to deviate from the need for maintain typical customer bills at 10% or less as per the original Board Decision, VECC submits that the Board should also reassess the basis on which the foregone revenue is to be collected and direct that foregone fixed and variable revenues be recover/refunded respectively through fixed and variable rate riders.

Yours truly,

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