

**NORTH BAY HYDRO DISTRIBUTION
2015 DISTRIBUTION RATE APPLICATION
VECC'S TECHNICAL CONFERENCE QUESTIONS**

NB: Numbering starts at last VECC IRs

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC - 49

Reference: 3-Energy Probe 36

3-VECC 18 c)

4-VECC 30 c)

Technical Conference Question:

- a) Please provide the source document(s) that support the values presented in the revised Table 3-16 in Energy Probe 36.
- b) Please confirm that for the program years 2011-2013 the values provided in response to VECC 18 c) will mirror those provided in Energy Probe 36.

Response:

a) The in-year values for 2011, 2012 and 2013 are from Ex4, p.1116 with adjustments for previous years added to those years (see VECC-53 below). Persistence spreadsheets provided by the OPA are attached. The OPA was only willing or able to provide persistence data for 2012 and 2013 savings (not 2011, and it is premature for 2014). The OPA 2011 final report does show estimated savings from 2011 programs in 2014, and annual loss of persistence was assumed to be equal each year at the program level. The difference for 2011 programs between 2015 and 2014 is assumed to be the same as between 2014 and 2013. 2014 persistence is estimated using the first year loss of persistence from 2013 programs at the program level and pro-rating that by 2014 preliminary program results. The in-year value for 2014 is the balance to achieve target. As noted in response to VECC-23, savings for 2015 programs are based on the large cogeneration project expected to start-up in 2015, and 1/6 of the balance of NBHDL's CDM target. The previous Table 3-16 used an earlier estimate and it has been corrected in the revised Table 3-16 below, lowering slightly the anticipated CDM savings in 2015.

Table 3-16 4 Year (2011-2014) expected kWh target results Along with 2015 Expected results (Revised)

kWh	2011	2012	2013	2014	2015
2011 CDM Programs	2,634,934	2,597,007	2,575,709	2,504,545	2,484,385
2012 CDM Programs		2,691,068	2,667,382	2,650,992	2,473,591
2013 CDM Programs			2,576,330	2,531,398	2,468,424
2014 CDM Programs				2,670,635	2,656,334
2015 CDM Programs					13,543,022
Total in Year	2,634,934	5,288,075	7,819,421	10,357,570	23,625,757

b) For program years 2011-2013, the values provided in response to 3-VECC-18 c) are consistent with those provided in 3-Energy Probe 36, with the following two exceptions: 3-VECC-18 c) asked for values in GWh, and therefore less precision is indicated, and it also asked for 'verified' CDM results and as noted in the response to 3-Energy Probe-36, the OPA has not provided persistence information for 2011 and so that is estimated in 3-Energy Probe-36 and indicated with an asterisk in 3-VECC-18 c).

3.0 –VECC - 50

Reference: 3-Energy Probe 34 d)

3-Energy Probe 37 a)

Technical Conference Question:

- a) Since the updated load forecast uses 2014 actual data and the GS>50 customer shut down in June 2014, why is it necessary to adjust the 2015 load forecast for the customer's estimated full annual usage?
- b) What was this customer's actual kWh usage in 2014?
- c) Why would it not be appropriate to adjust the 2015 forecast for this customer's 2014 usage?

Response:

a) For the purposes of responding to this interrogatory the GS>50 customer that shutdown in June 2014 will be referred to as Customer A. In response to 3-VECC-20, Table 3-6, Total System Purchase – Revised Load Forecast the actual and predicted values are shown for the years 1999 to 2014. The predicted values are based on a regression analysis which uses the actual values as the target that the regression analysis is attempting to predict. For the years 1999 to 2013 the power purchased amount associated with Customer A is included in the actual power purchased values on a full year basis. With the shutdown occurring in June 2014, the actual power purchased amount for Customer A included in 2014 would be for a partial year. Over the period of the regression analysis, Customer A is in the actual data on a full year basis for 15 years and partially for one year. The regression analysis develops one prediction formula for all years. As a result, the prediction formula would have a predisposition to predict a power purchased amount including Customer A on a full year basis. A review of the predicted 2014 value compared to the actual amount suggests this is the case. The 2014 predicted value is 11.2 (GWh) higher than the actual value. This difference would be significantly reduced if Customer A was included in the 2014 actual data on a full year basis. The prediction formula appears to predict 2014 as if Customer A is included on a full year basis. It is assumed this prediction characteristic will continue into 2015 resulting in the adjustment to the 2015 load forecast for Customer A to be on a full year basis.

- b) The customer's actual kWh usage in 2014 was 8,003,614.
- c) Please see a).

3.0 –VECC - 51

Reference: 3-VECC 23 d)

Technical Conference Question:

- a) Please explain the agreement that NBHDL has reached with the City of North Bay as to how the future demand for the Street Lighting class will be determined and how this agreement was incorporated into the load forecast.
- b) What are the total kWh savings associated with the GS 50-2999 class in

Response:

- a) Upon completion of the retrofit project NBHDL communicated, and mutually agreed, with the City of North Bay on the final number of replacement lights by the type of lamp with the details on the ballast/driver. With this information, NBHDL determined the monthly connected kW and then applied this to the monthly run hours for street lights based on 2009 information; this information is based on an hourly load profile.
- b) NBHDL is unsure if this question is complete, however, the energy savings in this class are as follows:

GS 50 to 2,999 kW kWh:	From final results	From final results	From final results	From preliminary results	Estimated
kWh	2011	2012	2013	2014	2015
2011 CDM Programs	1,261,418	1,243,650	1,243,650	1,213,623	1,213,623
2012 CDM Programs		1,094,485	1,073,869	1,064,495	1,055,842
2013 CDM Programs			716,309	692,512	688,192
2014 CDM Programs				842,573	836,944
2015 CDM Programs					12,624,809
Total in Year	1,261,418	2,338,135	3,033,828	3,813,203	16,419,412

3.0 –VECC - 52

Reference: 3-VECC 23 d) – Revised Table 3-17

3-VECC 26 a)

Technical Conference Question:

a) Is there a reason why the 2015 LRAM threshold shown in VECC 23 d) (19,374,043 kWh) does not equal the total impact in 2015 from 2013-2015 CDM programs as shown in Energy Probe 36 a) – Revised Table 3-16?

b) With respect to VECC 26 a), please explain the following:

- Why were any 2013 savings included in the manual adjustment since the load forecast uses actual 2013 and 2014 data and will therefore fully capture the annual impact of 2013 CDM programs?
- Why wasn't the ½ rule applied to the 2014 estimated CDM savings?

Response:

a) The values in 3-Energy Probe-36 a) include the 2013 street lighting project, which is excluded from the revised Table 3-17 as explained in the response to 3-VECC-23 d). The difference is 311,742 kWh of net savings.

b) Data from 2014 was incorporated into the most recent load forecast, and NBHDL agrees that 2013 savings should not be included and that the ½ year rule should be applied to 2014 in order that the load forecast is based on a weighting factor of 0.5 for both 2014 and 2015. A revised Table 3-17 is as follows:

Year	Residential	General Service <50 kW	General Service 50 to 2999 kW	General Service 3000 to 4999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	TOTAL
2015 manual adj. to LF for CDM (kWh)	884,849	483,952	6,730,877	-	-	-	-	8,099,678
2015 manual adj. to LF for CDM (kW)			16,457	-	-	-	-	16,457
2015 LRAMVA threshold based on full year IESO results (kWh)	1,769,698	967,905	13,461,754	-	-	-	-	16,199,356
2015 LRAMVA threshold based on full year IESO results (kW)			32,914	-	-	-	-	32,914

3.0 –VECC - 53

Reference: 3-VECC 30 c)

Technical Conference Question:

- a) Please revise the tables so as to show the detail at a kWh level by customer class.

Response:

- a) The requested tables follow, along with an additional table reconciling with the OPA report which lumps adjustments to 2011 with 2012 and to 2012 with 2013.

Program Year 2011

2011 program	Calendar year (kWh)		
	2011	2012	2013
Residential	516,867	516,655	516,443
GS<50	856,649	836,702	815,615
GS50-2999	1,261,418	1,243,650	1,243,650
Streetlighting	-	-	-
Total	2,634,934	2,597,007	2,575,709

Program Year 2012

2012 program	Calendar year (kWh)		
	2011	2012	2013
Residential	-	323,834	323,834
GS<50	-	664,057	660,988
GS50-2999	-	1,094,485	1,073,869
Streetlighting	-	608,692	608,692
Total	-	2,691,068	2,667,382

Program Year 2013

2013 program	Calendar year (kWh)		
	2011	2012	2013
Residential	-	-	985,696
GS<50	-	-	562,583
GS50-2999	-	-	716,309
Streetlighting	-	-	311,742
Total	-	-	2,576,330

Reconciling above numbers with OPA reporting (see Exhibit 4, page 1,116):

	Calendar year (kWh)		
	2011	2012	2013
Energy Efficiency Total	2,335,507	2,231,118	2,557,178
Demand Response Total (Scenario 1)	17,768	6,634	19,152
Adjustments to Previous Year's Verified Results Total	-	281,660	453,316
OPA Contracted LDC Portfolio Total (Inc. Adjustments)	2,353,275	2,519,412	3,029,646
Reallocate adjustments to 2011	281,660	(281,660)	
Reallocate adjustments to 2012		453,316	(453,316)
OPA Contracted LDC Portfolio Total (Exc. Adjustments)	2,634,935	2,691,068	2,576,330

7.0 COST ALLOCATION

7.0 – VECC – 54

Reference: 7-Staff-20

Technical Conference Question:

- a) It appears that NBDHL has used the average late payment charges collected by rate class to allocate its forecast 2015 collection costs to customer classes. Please confirm if this is the case.
- b) If yes, why is this appropriate?
- c) If not, what is the basis of the allocation?

Response:

- a) NBHDL confirms that the average late payment charges collected by rate class were used to allocate the forecasted 2015 collection costs to customer classes.
- b) NBHDL believes this is appropriate as it is consistent with the way that late payment revenues are allocated in the cost allocation model. Collection costs would reasonably follow the same pattern as late payment revenues collected.
- c) Please see b).

7.0 – VECC – 55

Reference: 7-VECC -43

Technical Conference Question:

- a) According to page 3, lines 17-21 it appears that NBHDL charges all customers for new/upgraded services. As a result, it appears that the only costs in account 1855 would be those incurred to correct non-standard or outdated services. Please confirm if this is the case.
- b) Does NBHDL require GS 50-2999 and GS 3000-4999 customers to pay for the costs of correcting non-standard and outdated services?

Response:

- a) No, this is not the case. Account 1855 includes all construction costs NBHDL incurs for secondary services, including costs for new or upgraded services, and for correcting non-standard or outdated servicing. Customer contributions that are received are accounted for in contributed capital.
- b) Dependent upon the situation, which is determined on a case by case basis, NBHDL may or may not require GS 50-2999 customers to pay for the costs of correcting non-standard and outdated services. There are no costs in 1855 for customers in the GS 3000-4999 class. Upon clarifying this question, NBHDL would suggest that an update to the Cost Allocation model be made to reflect a .1 in costs allocated to the GS 50-2999 class to account for situations where NBHDL has performed work to eliminate or update non-standard or outdated services. The .1 reflects that these costs are not consistent year over year and typically are small portion of the total costs incurred for secondary service work. It is expected this update will have a very minimal impact on the Cost Allocation results. In this regard, NBHDL suggests that the update be made when final rates or close to final rates are determined.

8.0 RATE DESIGN

8.0 –VECC - 56

Reference: 8-Staff 23

Technical Conference Question:

- a) How many of the cases cited were based on Settlement Agreements?

Response:

None (as it relates to the issue of the appropriate fixed/variable split, for which they have been cited).

Please see below for the relevant excerpts from each of the Board decisions that were cited. We have underlined the relevant portions of the decisions for ease of reference.

1. Centre Wellington Hydro Ltd. - 2013 Cost of Service Rate (EB-2012-0113)

This case was based on a Board Decision as per the following (Page 13 of Board Decision on EB-2012-0113):

“Fixed/Variable Split

CWH proposed to retain the existing fixed/variable split for all customer classes as follows:

<i>Customer Class</i>	<i>Fixed % of class revenues</i>	<i>Volumetric %</i>	<i>Volumetric Billing Determinant</i>
<i>Residential</i>	62.88%	37.32%	<i>kWh</i>
<i>GS < 50 kW</i>	29.52%	70.48%	<i>kWh</i>
<i>GS 50-2,999 kW</i>	19.12%	80.88%	<i>kW</i>
<i>GS 3,000-4,999 kW</i>	8.77%	91.23%	<i>kW</i>
<i>Streetlighting</i>	57.76%	42.24%	<i>kW</i>
<i>Sentinel Lighting</i>	57.54%	42.46%	<i>kW</i>
<i>USL</i>	11.17%	88.83%	<i>kWh</i>

Board staff took no issue with CWH's proposal. VECC proposed to cap the monthly service charge for the GS 50-2999 kW class at the ceiling value and maintain the monthly service charge for the GS 3000-4999 kW at the approved value as the ceiling value derived from the Cost

Allocation Model was negative. CWH replied it would be inappropriate to make adjustments without a rate design analysis for all classes. CWH noted the Board has approved monthly service charge increases above the ceiling for other utilities. The Board accepts CWH's proposal to maintain the existing fixed/variable split in the absence of an updated rate design analysis.

2. Atikokan Hydro Inc. - 2012 Cost of Service Rate (EB-2011-0293)

This case was based on a Board Decision as per the following (Page 18 of Board Decision on EB-2011-0293):

“Fixed/Variable Splits

Atikokan proposed to retain the existing fixed/variable split for all remaining customer classes, as documented in Table 8-3 of its Application. Board staff observed that Atikokan's current split is approximately 80% fixed and 20% variable for each class, and that this split results in higher bills for lower consumption customers but more rate stability for the utility. As such, Board staff took no issue with Atikokan's proposal.

VECC submitted that, where Atikokan's existing Monthly Service Charge (“MSC”) was above the ceiling, the MSC should be maintained at the current level. VECC noted that the MSC for the GS < 50 kW and GS > 50 kW classes are currently above their respective ceilings, and will likely remain so as a result of the Board's Decision. VECC submitted that Atikokan's proposal to increase the MSC proportionally to the fixed/variable split even where the existing MSC was above the ceiling was contrary to the Board's policy as stated in the November 2007 Report of the Board – Application of Cost Allocation for Electricity Distributors (EB-2007-0667):

The Board does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC. Distributors that are currently above this value are not required to make changes to their current MSC to bring it to or below this value at this time.

In reply, Atikokan rejected VECC's submission, referencing the Board's decision with respect to Hydro One Brampton Networks Inc.'s 2011 cost of service application:

The Board accepts HOBNI's proposed MSC which maintains the current fixed/variable proportions. The Board notes that this is consistent with other decisions in which it has approved applications to increase MSC that were already above the cost allocation ceiling, provided that the increase would not result in a higher revenue from the fixed charge relative to the volumetric charge.

Board Findings

The Board approves maintaining the existing percentage split between fixed and variable rates of about 80/20 on the grounds that, for a utility the size of Atikokan, this protects the utility from significant variability in revenues. As noted in Atikokan's reply submission, this is consistent with previous decisions of the Board where the current fixed/variable proportions were maintained."

3. Espanola Regional Hydro Distribution Corporation - 2012 Cost of Service Rate (EB-2011-0319)

This case was based on a Board Decision as per the following (Page 15 of Board Decision on EB-2011-0319)"

"Monthly Service Charges ("MSC")

ERHDC is proposing to maintain the same fixed/variable proportions for all the customer classes. The proposed MSC are all within the Board's policy ranges, except for the GS > 50 kW class. ERHDC's current and proposed MSCs are presented in the following table:

	Monthly Service Charges	
Rate Class	Current	Proposed
Residential	\$9.96	\$13.70
GS < 50 kW	\$17.95	\$24.54
GS > 50 kW	\$161.36	\$190.93
Street Lighting	\$1.40	\$1.93
Sentinel Lighting	\$1.29	\$2.09
Unmetered Scattered Load	\$8.82	\$11.94

Board staff recognized that the MSC for GS > 50 kW class exceeds the Board's ceiling; however staff submitted that to maintain the existing fixed/variable proportion is reasonable and consistent with the Board's past decisions.

VECC submitted that the MSC for GS > 50 kW class should be maintained at the 2011 level of \$161.36. VECC explained that the MSC for GS > 50 kW should not be increased further since the current MSC was already above the ceiling.

In its reply submission, ERHDC submitted that to maintain the same fixed/variable portions for all the customer classes is consistent with the Board's past decisions.

BOARD FINDINGS

The Board approves ERHDC's proposed MSC which maintains the existing fixed/variable proportions. The Board notes that the MSC for GS> 50 kW class exceeds the target ceiling, but recognizes that maintaining the fixed/variable proportions are consistent with the Board's past decisions."

4. Horizon Utilities Corporation - 2011 Cost of Service application (EB-2010-0131)

This case was based on a Board Decision as per the following (Page 45 of Board Decision on EB-2010-0131):

"Rate Design

Fixed/Variable Split

With the exception of the Large Use class, Horizon has proposed to retain the existing fixed/variable ("F/V") split for other customer classes. For the Large Use class, Horizon has proposed to make the fixed component 49.4% instead of the existing 34.3%. The fixed component would be equal to that for the GS 50-4999 kW class.

Board staff submitted that having an appropriate volumetric rate for the Large Use class is important for allocating costs within the class between customers with different levels of demand, as a 100% fixed charge would mean that all customers in the class would pay the same distribution charges regardless of differences in consumption. Board staff submitted that Horizon had not provided adequate quantitative support for moving the fixed ratio to that of the GS 50-4999 kW class, and suggested an option of moving the fixed ratio to 41.85%, halfway between the current Large Use (34.3%) and GS 50-4999 kW (49.4%) ratios.

CCC submitted that the fixed charge for residential customers should be maintained at the current level; this would implicitly change the F/V ratio for this class. CCC made this suggestion to mitigate the impacts, particularly on lower consumption residential customers, and also stated that this would promote energy conservation through increased volumetric rates.

Energy Probe supported Horizon's proposal to maintain the F/V ratios constant for all other classes, but took no position with respect to Horizon's proposed adjustment to the F/V split for the Large Use class.

SEC was concerned about Horizon's proposal, which would increase the monthly fixed charge for Large Users from \$11,151.32 to \$24,900.49, and noted that this, in and of itself, would be an increase of \$165,000 per customer per annum. SEC noted that this change was the major reason for delivery cost increases of 25-39% and total bill impacts of 4-6% for this class. SEC expressed its concern that Horizon did not have a good appreciation of the broader implications of its proposed changes on the affected customers, and submitted that good ratemaking policy would require that the Board be aware of these.

VECC submitted that Horizon's proposal was contrary to the policies from the Board's November 2007 Report – Application of Cost Allocation for Electricity Distributors, and that the proposed monthly service charges for Residential, GS < 50 kW, GS 50 to 4,999 kW, and USL all of which exceed the ceiling of the Board's ranges and the Large Use monthly service charge which significantly exceeds the ceiling, should not be further increased.

AMPCO submitted that Horizon's proposal to increase the fixed proportion for the Large Use class was arbitrary and unsupported in principle, and was inconsistent with Horizon's testimony that it was mindful of the impacts on customers. Recognizing that there has been demand volatility in recent history, AMPCO expressed concern that Horizon's proposal was shifting revenue risk from the utility to its ratepayers. AMPCO submitted that Horizon's proposal, which would see a 123% increase in the monthly service charge, would be of concern to Large Use customers and could result in some considering alternative service delivery options. AMPCO agreed with the position of SEC, and went on to state:

With the caveats provided by SEC mentioned above, AMPCO acknowledges that there have been marginal declining loads in the Large User class since 2008 that may put financial pressure on the utility. AMPCO submits, however, that loading more fixed costs onto the Large User is not an appropriate approach to rate design to deal with any potential revenue shortfalls moving forward.

In its conclusion, AMPCO supported SEC's submission with respect to Large Use class rate design. AMPCO submitted that the Large Use monthly service charge be maintained at the current Board-approved level, and that Horizon be directed to develop an alternative that would move the charge closer to the ceiling of \$726.87 from the 2011 Cost Allocation model.

In reply, Horizon submitted that it had considered proposing a 100% fixed charge for the Large Use class, and that there is support for this concept in the revenue decoupling work that has been undertaken by the Board. Horizon stated that its proposal still leaves it subject to revenue volatility, and requested that the Board approve its proposal to move the fixed proportion for the Large Use class to that of the GS 50 to 4999 kW class.

Board Findings

The Board approves the continuation of the current fixed/variable splits for all customer classes as proposed by Horizon, with the exception of the Large Use Class. The Board approves the proposed fixed/variable split for the Large Use class of 49.4%/50.6%, which is the same ratio for Horizon's GS 50 – 4999 kW class. The Board notes that there are special circumstances in this case that warrant deviating from the policy of the Board, as set out in EB-2007-0667, particularly as it relates to the Large Use class.

The Board does not accept SEC's arguments, particularly regarding the impacts on Large Use customers. Horizon has provided estimated bill impacts for "typical" Large Use customers on the record with the proposed rates. The Board also views that SEC's claimed increase of \$165,000 per annum may be overstated, as the higher fixed monthly charge will be partially offset by lower volumetric rates due to the lower variable component, all else being equal.

The decline and variability in revenue from the Large Use class go to the heart of this application and the previous approval by the Board that resulted in this full Cost of Service application. The Board finds it appropriate to approve a higher fixed ratio for Large Use customers in this Application."

5. Hydro One Brampton Networks Inc. - 2011 Cost of Service application (EB-2010-0132)

This case was based on a Board Decision as per the following (Page 38 of Board Decision on EB-2010-0132):

"Monthly Service Charges ("MSC")

HOBNI is proposing to maintain the same fixed/variable proportions for all the classes, except the Street Lighting class. For the Street Lighting class, the MSC was set based on the aggregate fixed/variable split for total distribution revenue, since it currently has no MSC.

Board staff and Energy Probe supported that the current fixed/variable proportions should be maintained.

SEC noted that the current MSC for GS>50 kW already exceeds the upper bound of the band and the proposed MSC would move further away from the upper band. SEC submitted that the MSC for GS>50 kW should remain at the 2010 level, and the revenue shortfall should be made up in the volumetric charge for the class.

VECC submitted that the MSC for GS>50 kW and Large Use classes should be maintained at the 2010 level. VECC explained that where the current MSC is above the upper band, the Applicant should not increase them further, even if its proposal was to maintain the existing fixed/variable proportions.

Parties had no concerns with respect to the MSC for the Street Lighting class.

In its reply submission, HOBNI acknowledged that in some cases the upper band of the MSC was exceeded, but it submitted that to maintain the existing fixed/variable split is consistent with the Board's Cost Allocation Report and previous decisions.

BOARD FINDINGS

The Board accepts HOBNI's proposed MSC which maintains the current fixed/variable proportions. The Board notes that this is consistent with other decisions in which it has approved applications to increase MSC that were already above the cost allocation ceiling, provided that the increase would not result in a higher revenue from the fixed charge relative to the volumetric charge."

6. **Kenora Hydro Electric Corporation Ltd.- 2011 Cost of Service application (EB-2010-0135)**

This case was based on a Board Decision as per the following (Page 30 of Board Decision on EB-2010-0135):

"Monthly Fixed Charges and Variable Distribution Rates

Kenora Hydro described its proposed fixed monthly rates as consistent with the Board's guidance found in the Board Report on the Application of Cost Allocation for Electricity Distributors (EB-2007-0667), dated November 28, 2007. The current and proposed fixed monthly and variable distribution rates are presented in table 19

Table 19

Change in Rates				
	Fixed Monthly		Variable	
	<i>Current</i>	<i>Proposed</i>	<i>Current</i>	<i>Proposed</i>
Residential	\$ 13.53	\$ 19.86	\$ 0 .0099	\$ 0.0145
GS < 50kW	\$ 25.77	\$ 39.79	\$ 0 .0040	\$ 0.0062
GS > 50kW	\$ 372.26	\$ 528.38	\$ 1 .2372	\$ 1.6794
Streetlighting (kW)	\$ 3.54	\$ 5.20	\$ 2 .3277	\$ 3.4214
Unmetered Scattered Load	\$ 13.00	\$ 16.65	\$ 0.0041	\$ 0.0053

Kenora Hydro indicated that the proposed fixed monthly rates are above the floor amount, with the floor amount calculated as avoided costs and noted that all changes in the Monthly Service Charge ("MSC") are due solely to changes in the total base revenue requirement attributable to each customer class. Kenora Hydro considered it appropriate for the purposes of setting rates in this application to maintain the current and fixed and variable proportions of its rates. Kenora Hydro's understanding of the current regulatory status is that distributors are not presently required to change their fixed monthly rate even though it may exceed the ceiling. Kenora provided a history of the Board's activity concerning the question of fixed/variable split and the Board's communication, in October 2010, to halt the Review of Distribution Revenue Decoupling Mechanisms. In light of this, Kenora concluded that it would be imprudent to make adjustments to the fixed/variable split prior to the resolution of the fixed/variable split issue.

VECC disagreed with Kenora Hydro's approach that maintains the fixed/variable split proportions for each customer class. VECC viewed Kenora Hydro's approach as inconsistent with the November 2007 Report. In that report the Board noted that the Cost Allocation methodology "set a ceiling for the MSC (Monthly Service Charge)" and stated that it considered it to be inappropriate to make significant changes to that ceiling (as had been proposed by Board Staff)

and concluded that "The Board does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC. Distributors that are currently above this value are not required to make changes to their current MSC to bring it to or below this value at this time".

VECC submitted that the direction of the Board in its November 2007 Report was clear: that in cases where the current MSC is below the ceiling set by the Cost Allocation methodology the distributor was not to make any changes such that the resulting MSC would exceed the ceiling. VECC prepared the following table to set out Kenora Hydro's 2010 MSC by class, its proposed 2011 MSC values and the MSC ceiling based on the 2011 Cost Allocation.

Class	Current MSC (2010)	Proposed MSC (2011)	Board's MSC Ceiling
Residential	\$13.53	\$19.86	\$18.69
GS<50	\$25.77	\$39.79	\$30.85
GS>50	\$372.26	\$528.38	\$81.69
Street Lights	\$3.54	\$5.20	\$6.40
USL	\$13.00	\$16.65	\$9.71

Sources: Exhibit 8/Tab 1/Schedule 1, pages 3-4

VECC stated the table illustrates that for the Residential and GS<50 classes, the current MSC is below the ceiling value established by the Cost Allocation methodology and adopted by the Board. VECC submitted that, in order to conform with the Board's EB-2007-0667 Report, the 2011 MSC for these classes should be no greater than the ceiling for the respective class: \$18.69 in the case of Residential and \$30.85 in the case of GS<50. VECC also noted that in the case of the Residential class the bill impacts (prior to taxes) are significantly higher for low volume customers (e.g. 20.21% for 250 kWh/month and 13.73% for 500 kWh per month) than for high volume customers (e.g. 6.56% for 1,500 kWh per month and 6.88% for 2,000 kWh per month). VECC included a table in its submission which demonstrated, if an MSC value of \$18.69 were to be adopted, the bill impacts would be not as divergent.

	Monthly Residential Bill Impact (before taxes)	
Monthly Use	Kenora's Proposed \$19.86 MSC	VECC's Proposed \$18.69 MSC
250 kWh	20.21%	18.47%
500 kWh	13.73%	13.33%
750 kWh	10.52%	10.72%
1,000 kWh	8.59%	9.12%
1,500 kWh	6.58%	7.44%

Sources: Exhibit 8/Tab 1/Schedule 5, Appendix C, pages 1-3
VECC #25 c)

VECC also noted that in the case of the GS>50 and USL classes, the MSC is already above the ceiling adopted by the Board. VECC submitted, while the Board's Report does not require the value to be reduced, in keeping with the spirit of the Report, the value should not be increased further in 2011.

Board staff did not have any concerns with Kenora Hydro's proposed fixed monthly rates.

In its reply submission, Kenora Hydro did not respond to VECC's submissions on the matter.

BOARD FINDINGS

The Board accepts Kenora Hydro's proposed MSC which maintain the current fixed/variable proportions. The Board believes that the proposed MSC are consistent with the Board's guidelines and previous decisions of the Board."

9.0 –VECC - 57

Reference: 8-VECC 47 a)

Interrogatory:

- a) Are the proposed 2015 LV rates set out in the response based on the updated LV costs for 2015 of \$34,675 provided in Staff 24?

Response:

- a) Yes, the proposed 2015 LV rates set out in the response are based on the updated LV costs for 2015 of \$34,675 provided in Staff-24.