



PUBLIC INTEREST ADVOCACY CENTRE  
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November 2, 2015

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: EB-2015-0086 - Lakeland Power Distribution Ltd.  
Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the submissions of VECC in the above-noted proceeding.

Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read 'Michael Janigan', is written over a thin horizontal line.

Michael Janigan  
Counsel for VECC

Cc: Lakeland Power Distribution Ltd.

**EB-2015-0086**

**Lakeland Power Distribution Ltd.**

**Application for electricity distribution rates and other charges  
effective January 1, 2016 and May 1, 2016.**

**Submissions of the Vulnerable Energy Consumers Coalition**

Request to Mitigate the Impact of the Shift to Fixed Rates

- Starting in 2016, the Board's new rate design policy for electricity distributors (EB-2012-0410) expects distributors to begin to shift rate design for residential customers toward fully fixed rates with a four-year implementation phase-in period.
- The Board's policy states that "In the event that the monthly service charge would have to rise more than \$4 per year in order to effect this change, distributors shall apply to extend the transition period. It is expected that in most cases, only a fifth transition year would be required to make the changes within the \$4 impact threshold identified in the policy. A distributor shall propose an alternative or additional strategy in the event that an additional transition year is insufficient. Consistent with OEB policy regarding mitigation, a distributor may propose as part of its application that no extension is necessary; such a position must be substantiated with reasons."<sup>1</sup>
- Lakeland Power is proposing changes to residential rates to a fully fixed monthly charge. In order to keep the initial movement under \$4.00 and to mitigate any impacts over 10%, Lakeland Power is proposing a four year phase in for former Lakeland Power customers, and a five year phase in for former Parry Sound customers.
- The Board's implementation approach for the new rate design explained in a July 16, 2015 letter, requires that the 10% bill impact test be applied to customers at the lowest 10<sup>th</sup> percentile of electricity consumption and if the bill impact is 10% or higher, the distributor must make a proposal for a rate mitigation plan.

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<sup>1</sup> Filing Requirements For Electricity Distribution Rate Applications-2015 Edition for 2016 Rate Applications -Chapter 3 Incentive Rate-Setting Applications July 16, 2015, Page 8

- For Lakeland Power, the 10<sup>th</sup> percentile indicates a consumption band of 300 kWh per month for both Lakeland Power and the former Parry Sound.<sup>2</sup>
- In a September 2015 addendum to its August 17, 2015 filed application, Lakeland Power calculated the total bill impact on customers with average consumption of 300kWh per month. In the case of former Lakeland Power customers, the impact was 9.67% and for former Parry Sound customers, the impact was 9.41%. Based on the 10<sup>th</sup> percentile bill impact being below 10%, Lakeland Power did not propose mitigation.<sup>3</sup>
- Lakeland Power indicates that in its MADD application related to the merger with Parry Sound Power, it would file its next Cost of Service (COS) application for January 1, 2018 rates and it would be proposing rate harmonization.
- VECC submits the approach to shift to fixed rates should appropriately consider Lakeland Power's rate harmonization plans. VECC submits the phase in period for former Lakeland Power customers and former Parry Sound customers should ideally be consistent, i.e. either four years for both or five years for both in order to minimize confusion in the future rate harmonization process.
- Lakeland Power indicates it would not be opposed to extending the transition years to five years for both service territories with the understanding that it may request to file a Cost of Service application with rate harmonization until 2018 for January 1, 2019 rates, a one year deferral.
- In a Board letter dated October 20, 2015 to Lakeland Power, following the Board's public release of 2014 scorecard results for all electricity distributors, the Board noted Lakeland Power's overearnings in 2014 and indicated that Board Staff's evaluation of the application will take this into consideration in setting rates for 2016. The Board noted that Lakeland Power is scheduled to file a cost of service application in 2017 (for 2018 rates) and it expects Lakeland Power to adhere to this schedule.
- In response to VECC interrogatory #1, Lakeland Power summarized the movement to fixed rates in 2016 based on consumption levels of 800 kWh and 300 kWh (10<sup>th</sup> percentile) and four year and five year implementation plans.

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<sup>2</sup> Lakeland Power Letter dated September 4, 2015

<sup>3</sup> ibid

Table 13: Comparison by area and years of bill impacts

Lakeland Power Distribution Rate Class	Consumption	Fixed Movement 4 yrs	Bill Impact 4 yrs	Fixed Movement 5 yrs	Bill Impact 5 yrs
Residential (kWh)	800	\$ 3.43	\$ 0.63	\$ 2.82	\$ 0.58
Residential (kWh)	300	\$ 3.43	\$ 2.38	\$ 2.82	\$ 1.98
<b>Parry Sound Power Distribution</b>					
Rate Class					
Residential (kWh)	800	\$ 4.91	\$ 1.47	\$ 4.02	\$ 1.38
Residential (kWh)	300	\$ 4.91	\$ 3.62	\$ 4.02	\$ 3.03

- The total bill impacts of the above comparisons are summarized in the Table below prepared by VECC:

Lakeland Power <sup>4</sup>	Total Bill Impact 4 Years	Total Bill Impact 5 Years
800 kWh	5.27%	5.23%
300 kWh	10.16%	9.50%
<b>Parry Sound<sup>5</sup></b>		
800 kWh	4.37%	4.30%
300 kWh	10.61%	9.71%

- In considering the above, in order to keep the initial fixed rate movement at or under \$4.00 for both Lakeland Power and Parry Sound; bill impacts at 10% or lower for customers at the lowest 10<sup>th</sup> percentile of electricity consumption; and allow the number of implementation years to be consistent between Lakeland Power and Parry Sound in order to minimize confusion in the future rate harmonization process, VECC submits the Board should approve a five year implementation phase in period for residential rate design for both former Lakeland Power and former Parry Sound customers. This should be done with the understanding that Lakeland Power will not request a one year deferral to file its next cost of service application and as such would be required to file a cost of service application in 2017 for 2018 rates. This approach is consistent with the Board's October 20, 2015 letter to Lakeland Power and the Board's finding in Lakeland Power's MAAD Application Decision and Order<sup>6</sup> (Page 6) that the Applicants' proposal to defer rate harmonization and rebasing the rates of the amalgamated entity to 2018 is acceptable.
- VECC notes that the total bill impacts above do not take into consideration the new Ontario Electricity Support Program (OESP) starting January 1, 2016 that will be funded by all

<sup>4</sup> VECC IR#1

<sup>5</sup> VECC IR#2

<sup>6</sup> EB-2013-0427 & EB-2013-0428

electricity ratepayers with a cost of about \$1 per month for the typical residential electricity consumer.<sup>7</sup>

- VECC asks that in its reply submissions, Lakeland Power assess the total bill impacts including the OESP and whether or not rate mitigation is required.

All of which is respectfully submitted this 2<sup>nd</sup> day of November 2015.

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<sup>7</sup> OEB News Release November 2, 2015 New Program Helps Low-Income Ontarians with Electricity Bills