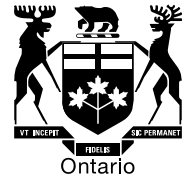


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**BY EMAIL**

November 9, 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: Whitby Hydro Electric Corporation  
2016 IRM Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2015-0113 & EB-2015-0251**

In accordance with Procedural Order No.1, please find attached the OEB Staff Submission in the above proceedings. This document is being forwarded to Whitby Hydro Electric Corporation and to all other registered parties to this proceeding.

Whitby Hydro is reminded that its Reply Submission is due by November 16, 2015, should it choose to file one.

Yours truly,

*Original Signed By*

Kelli Benincasa  
Analyst, Electricity Rates & Accounting  
Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2016 ELECTRICITY DISTRIBUTION RATES**

**Whitby Hydro Electric Corporation**

**EB-2015-0113**

**&**

**EB-2015-0251**

**November 9, 2015**

**OEB Staff Submission  
Whitby Hydro Electric Corporation  
2016 IRM Rate Application  
EB-2015-0113 & EB-2015-0251**

## **Introduction**

Whitby Hydro Electric Corporation (Whitby Hydro) filed two applications with the Ontario Energy Board (the OEB) on August 13, 2015 and August 20, 2015 under section 78 of the *Ontario Energy Board Act*, seeking approval for changes to the rates that Whitby Hydro charges for electricity distribution, effective January 1, 2016 (the Applications). The first application is based on the 2016 Price Cap IR option and the second to refund a balance in a deferral account to customers.

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the evidence submitted by Whitby Hydro.

### Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Whitby Power. Pursuant to the OEB's Guideline G-2008-0001, OEB staff notes that OEB staff will update the applicable data at the time of the OEB's Decision on the Application based on the Uniform Transmission Rates in place at that time.

### Tax-Savings

In its Manager's Summary, Whitby Hydro noted that the calculated volumetric rate riders from the Tax-Savings Workform indicate amounts with low levels of materiality for several of the customer classes. Whitby Hydro requested that it be allowed to record the total amount to be refunded in Account 1595 to be disposed in a future rate application, when sufficient balances have accumulated to ensure that the intended disposition results are achieved. Whitby Hydro also noted that when the dollar amount of the disposition by customer class is converted to a rate rider, the result produces differences between the calculated disposition and the intended tax savings due to rounding of the rates. Whitby Hydro provided the following table:

**2016 Tax Sharing - Analysis of Tax Sharing to Distribute vs Projected Savings Generated By Rate Riders**

	Billed kWh (A)	Billed kW (B)	# Customers (C)	Tax Chg Rate Rider per kWh/kW/ Customer (D)	Calculated Amount (E=D*(A, B or C) as applicable)	Total Z Factor Change\$ by Rate Class (F)*	Diff \$ (G=E-F)	Diff% (G/F)
Residential	354,735,995		39,024	(\$0.0700)	(\$32,780)	(\$31,877)	(\$903)	3%
GS<50 kW	85,014,850			(\$0.0001)	(\$8,501)	(\$4,852)	(\$3,649)	75%
GS>50 kW	408,344,810	953,957		(\$0.0128)	(\$12,211)	(\$12,145)	(\$66)	1%
USL	1,748,609			(\$0.0002)	(\$350)	(\$301)	(\$49)	16%
Sent. Lights	36,294	101		(\$0.0785)	(\$8)	(\$10)	\$2	-21%
Streetlights	9,201,877	24,758		(\$0.0328)	(\$812)	(\$988)	\$176	-18%
	859,082,435	978,816			(\$54,662)	(\$50,174)	(\$4,488)	9%

OEB staff notes that Whitby Hydro completed the Tax-Savings Workform with the correct rates which reflects the Revenue Requirement Work Form from the OEB's last cost of service decision in EB-2009-0274. OEB staff has no issue with Whitby Hydro's proposal to record the Tax Savings amount of \$50,174 in Account 1595 for future disposition, this approach is consistent with prior IRM decisions.

**Deferral and Variance Account Disposition**

Whitby Hydro completed the Deferral and Variance Account continuity schedule included in the 2016 IRM Rate Generator Model at Tab 3 for its Group 1 Deferral and Variance Accounts. Whitby Hydro's total Group 1 Deferral and Variance Account balances amount to a debit of \$1,851,532. The balance of Account 1589 – Global Adjustment (GA) Sub-Account is a debit of \$1,982,879 and is applicable only to Non-RPP customers. These balances also include interest calculated to December 31, 2014. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0022 per kWh which exceeds the threshold. Whitby Hydro requested disposition of these accounts over a one-year period.

OEB staff has reviewed Whitby Hydro's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2014 reconcile with

the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the pre-set disposition threshold has been exceeded. OEB staff notes that Whitby Hydro has made an adjustment to sub-account 1595 (2010). This account was approved on a final basis as part of its last cost of service application. The adjustment is for a credit amount of \$38,363 to be returned to customers. The credit adjustment arose due to projected interest rates for 2009 being higher than actual interest rates.

Whitby Hydro stated in its managers summary and interrogatory responses that it was unclear whether differences to the approved amount should be either written off or included as part of the disposition entries to Account 1595 or some other alternative. Whitby Hydro also stated that it was to the benefit of customers to include this credit amount for disposition and that it seemed reasonable that neither the customer nor the distributor should bear the impact of volatility in projected interest amounts on defined approved principal balances.

OEB staff notes that when an issue is raised through an application where a party is requesting to adjust amounts already approved in a previous final rate order, there is a concern about rate retroactivity. Furthermore, while actual audited balances are disposed in the OEB's deferral and variance account disposition process, there has always been an element of forecasting carrying charges due to the fact that interest applies up to the effective date of the disposition order. The OEB has not established a true-up process for the use of forecast vs actual interest rates. However, given that in this case the applicant wishes to return an amount to ratepayers, it is OEB staff's view that it is reasonable to clear the balance. The OEB took this approach in its decision in the Enbridge Gas Distribution Inc. application EB-2014-0043.

In the Enbridge Gas Distribution Inc. decision the OEB agreed to refund the money to ratepayers. The OEB acknowledged the orders were final but saw no disadvantage to customers from this approach.

OEB staff submits no party will be negatively impacted by the proposed refund in this case. OEB staff submits that in the current circumstances it would be appropriate to allow the \$38,363 to be returned to customers. Whitby Hydro is not actually "out" any income – it is simply returning money collected for a cost it did not incur.

However, this view does not mean that if the difference in forecast vs actual interest

rates resulted in a material under-recovery by the applicant, that OEB staff would be supportive of a true-up.

Accordingly, OEB staff does not oppose Whitby Hydro's request to dispose of its 2014 Deferral and Variance Account balances as proposed.

OEB staff notes that Whitby Hydro is showing a substantial GA balance, ending December 31, 2014. OEB staff notes that transactions recorded in the GA sub-account during the 2014 rate year are considerably higher than 2013 transactions. In response to OEB staff interrogatory #1, Whitby Hydro noted that it charges the GA adjustment to customers based on the first estimate (\$/MWh) as posted by the Independent Electricity System Operator (IESO). The actual GA is determined and posted approximately 10 business days after month end. Any differential between the estimated GA rate and the actual is tracked in the GA sub-account.

Whitby Hydro also noted that during 2014, the variances between the billed GA, which in Whitby Hydro's case is based on the first estimate, and the actual published rate were larger than usual, causing a high balance. OEB staff notes that the IESO's first estimate has tended to be below the actual GA rate in 2013 and 2014. The average differential between the actual rate and the first estimate was \$0.68 (\$/MWh)<sup>1</sup> in 2013, but climbed to \$3.56 (\$/MWh)<sup>2</sup> in 2014. This is a five-fold increase.

OEB staff is satisfied that the 2014 variance between estimated and actual GA rates, provides sufficient justification for the large GA account balance. OEB staff takes no issue with the disposition of a debit amount of \$1,982,879 to all non-RPP customers.

#### Disposition of Deferral and Variance Account 1576 Balance

Whitby Hydro filed a stand-alone application for the establishment of a 1576 rate adder which is a refund to customers. The OEB made the decision to combine the application with the 2016 Price Cap IR application. Usually this type of request is not dealt with in a Price Cap IR Application. These applications were combined as an efficiency measure and given that the approval of both applications can be made effective on the same date, January 1, 2016.

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<sup>1</sup> <http://www.ieso.ca/Pages/Participate/Settlements/Global-Adjustment-Archive.aspx>, October 27, 2015

<sup>2</sup> Ibid.

Whitby Hydro made changes to its depreciation and capitalization policies effective January 1, 2013. It has recorded the financial difference arising from changes to its depreciation and capitalization policies in Account 1576 for 2013 and 2014. As a result of asset componentization and the reassessment of the remaining useful lives of all its distribution assets, Whitby Hydro has recorded significantly lower depreciation expense for 2013 and 2014. Whitby Hydro has proposed to continue to use Account 1576 until such time as a full disposition is approved during the next cost of service rate application. Whitby Hydro is currently scheduled to file its next cost of service for 2018 rates. Whitby Hydro is seeking an interim disposition of Account 1576 to begin the return of funds to customers associated with balances that have accumulated to December 31, 2014. The rate adder represents a return of \$2,159,600 to Whitby Hydro customers over a proposed 1 year period on a fixed charge basis.

OEB staff submits it has no concerns with the data supporting the disposition of the deferral and variance Account 1576 balance for Whitby Hydro.

All of which is respectfully submitted