EB-2014-0099

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by North Bay Hydro Distribution Limited for an Order or Orders approving or fixing just and reasonable rates and other charges for electricity distribution to be effective May 1, 2015.

COMMENTS ON DRAFT RATE ORDER OF ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

November 23, 2015

NORTH BAY HYDRO DISTRIBUTION LIMITED
2015 RATES REBASING CASE

EB-2014-0099

SUBMISSION OF ENERGY PROBE RESEARCH FOUNDATION ON DRAFT RATE ORDER

A- INTRODUCTION

North Bay Hydro Distribution Ltd. ("NBHDL") filed a cost of service application with the Ontario Energy Board (the OEB) on December 15, 2014 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that North Bay Hydro charges for electricity distribution, to be effective May 1, 2015.

On July 16, 2015, the Board issued its Decision and Order in respect of the Application approving a settlement proposal filed by the parties on June 22, reflecting a partial settlement of the issues in the proceeding, approving interim rates based on the settlement proposal, and defining a process to address the one remaining open issue:

Is the proposed working capital allowance appropriate?

For the purposes of the Settlement Proposal, the parties agreed to an effective date for rates of July 1, 2015 and assumed a working capital allowance ("WCA") of 7.5%, subject to the Board's determination on this remaining open issue.

On November 12, 2015, the Board issued its Decision and Order on the remaining matters in this Application, approving NBHDL's corrected proposed working capital allowance of 10.31% and directing NBHDL to file with the Board and also forward to all parties a Draft Rate Order ("DRO"), attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in its Decision, within 7 days of the date of the Decision. NBHDL was further required to calculate foregone revenue rate riders to recover the difference between the interim revenue requirement and the final revenue requirement that resulted from approved working capital allowance factor of 10.31% during the interim rate period in which interim rates were in effect (i.e. July 1, 2015 through November 30, 2015). The Board stated that NBHDL would recover any foregone revenue over a 5 month period, ending on April 30, 2016, the end of the 2015 rate year. The Board also stated that the DRO must also clearly show how the total cost for the

WCA study has been included in the derivation of base rates and that the cost were to amortized over five years, consistent with North Bay Hydro's other regulatory costs.

NBHDL filed the DRO on November 19, 2015. This is the Submission of the Energy Probe Research Foundation ("Energy Probe") related to the DRO.

B - SUBMISSIONS

i) Revenue Deficiency Calculation

Energy Probe has reviewed the calculation of the revenue deficiency impact of the change from a 7.5% WCA in the settlement proposal to the Board approved figure of 10.31%.

In particular, Energy Probe has reviewed the updated calculation of the increase in rate base and the associated impacts on the cost of debt, return on equity and PILs, as set out in the DRO in Tables 2 and 3. Energy Probe submits that NBHDL has appropriately reflected the Board decision.

In addition, the Board directed NBHDL to amortize the cost of the WCA study over 5 years. The Board accepted a cost of $36,750, or $7,350 per year. This figure is shown Tables 2 and 3 of the DRO and Energy Probe submits that NBHDL has appropriately reflected this cost, as per the Board's decision. In addition, Energy Probe notes that NBHDL has stated that it is not seeking recovery in rates for the cost of the study in excess of this amount.

ii) Cost Allocation & Rate Design Impacts

Energy Probe has reviewed the allocation of the update level of costs and submits that they are appropriate. In particular, as shown in Table 4 of the DRO, there is a minor change in the revenue to cost ratios for the various rate classes. Moreover, NBHDL has applied the same methodology for changing the ratios from those that come directly from the cost allocation model to those used for recovery purposes. In particular, the rate classes that have revenue to cost ratios above the Board approved upper bounds (street lighting and USL) are reduced to the upper bound and the rate class with the lowest revenue to cost ratio (GS 50 to 2999) is increased to offset the reduced revenues from the other two classes. All other rate classes have no changes to their revenue to cost ratios. This is consistent with the methodology used in the settlement proposal and accepted by the Board.

With respect to the rate design, Energy Probe submits that the result rates are appropriate. This is reflected in the revenue reconciliation calculations shown in Appendix 2-V.

<u>iii) Foregone Revenue Rate Rider Calculations</u>

Energy Probe has reviewed the lost revenue and rate rider calculations shown in Appendix B and notes that the difference in rates (both monthly fixed charges and volumetric rates) between the July 1, 2015 rates and those proposed for December 1, 2015 are identical to the rates riders calculated for the December 1, 2015 through April 30, 2016 period (columns E and G in Appendix B).

Energy Probe submits that this outcome is appropriate since the foregone revenues were for a five month period, and the recovery period is also a five month period. Given that NBHDL used annual forecasts and did not have forecasts by month for each rate class, their use of an average month for the foregone revenue calculations and the rate rider calculations is appropriate.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

November 23, 2015

Randy Aiken
Consultant to Energy Probe