

**Ontario Energy  
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**BY EMAIL**

December 21, 2015

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Centre Wellington Hydro Ltd.  
2016 IRM Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2015-0059**

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

Centre Wellington is reminded that its Reply Submission is due by January 11, 2016, should it choose to file one.

Yours truly,

*Original Signed By*

Marc Abramovitz  
Advisor, Electricity Rates & Accounting  
Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2016 ELECTRICITY DISTRIBUTION RATES

Centre Wellington Hydro Ltd.

EB-2015-0059

**December 21, 2015**

**OEB Staff Submission  
Centre Wellington Hydro Ltd.  
2016 IRM Rate Application  
EB-2015-0059**

## **Introduction**

Centre Wellington Hydro Ltd. (Centre Wellington) filed an application with the Ontario Energy Board (the OEB) on September 28, 2015 under section 78 of the *Ontario Energy Board Act*, seeking approval for changes to the rates that Centre Wellington charges for electricity distribution, effective May 1, 2016. The application is based on the 2016 Price Cap IR option.

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 Centre Wellington.

### Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Centre Wellington. Pursuant to the OEB's Guideline G-2008-0001, 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, Centre Wellington noted that due to a tax change from 15.5% to 19.64%, the model calculated a shared tax amount of \$2,420. In interrogatories, OEB staff noted that there were insignificant rate riders for some of the rate classes and asked Centre Wellington to confirm that the amount of \$2,420 be transferred to Account 1595 to be disposed in a future rate application when sufficient balances have accumulated to ensure that the intended disposition results are achieved. Centre Wellington agreed with OEB staff.

### Shift to Fixed Rates

In the Application, Centre Wellington proposed to apply the first stage of the transition to fully fixed rates for residential customers in its Residential class. This proposal was made in response to the OEB's policy, A New Residential Rate Design for Residential Electricity Customers (EB-2012-0410) (the Policy), which was issued in April of 2015. The Policy requires that all distributors transition to a fully fixed rate design for residential customers over a four year transition period starting in 2016.

The Policy also states that distributors must file a mitigation plan in the event that a four year transition entailed an increase to the fixed charge greater than \$4 in each rate year. In its originally filed rate generator model, calculations indicated that the fixed charge would have to be increased by \$7.49 per rate year if the utility were to complete the transition to fully fixed rates in four years. As a result, Centre Wellington proposed that it would implement the Policy over an 8 year period.

In its interrogatories, OEB staff questioned the accuracy of the consumption data associated with the residential class provided by Centre Wellington. In response, Centre Wellington noted that its calculation had been based on the total annual consumption of all classes in the model rather than the total annual consumption of the residential class only. Centre Wellington provided an updated model with corrected inputs; it shows the fixed charge would increase by less than \$3 under a four year implementation period. The impact on its customers at the 10<sup>th</sup> percentile is also less than 10%.

OEB staff submits that Centre Wellington has correctly updated the model and as a result, no mitigation is necessary. The transition to a fully fixed rate design over a four year period is appropriate.

### LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT (LRAMVA)

#### **Background**

The OEB's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "2012 CDM Guidelines") issued on April 26, 2012 (EB-2012-0003), outline the information that is required when filing an application for LRAMVA.

Account 1568 – LRAMVA tracks the revenue impact of the difference between verified results from province-wide CDM Programs undertaken by the distributor pursuant to contract(s) with the Independent Electricity System Operator<sup>1</sup> and the CDM activities included in a distributor's load forecast at the time of rebasing.

Distributors receive a copy of their annual final verified CDM results from the IESO and file these results with the OEB as part of their CDM Annual Reports on or before September 30<sup>th</sup> of each year. Distributors are expected to use these results when calculating their lost revenues that are included within Account 1568 – LRAMVA. OEB staff reviews the final net CDM savings (both energy (kWh) and peak demand (kW)) for all CDM programs delivered by the distributor and compares these savings totals with the CDM amounts included in the distributor's load forecast.

In response to OEB staff interrogatories, Centre Wellington Hydro revised its LRAMVA amount to include the lost revenues related to its final verified 2014 CDM results it received from the IESO on August 31, 2015. Centre Wellington Hydro's updated Account 1568 – LRAMVA account balance is \$122,840. The LRAMVA balance is attributable to CDM programs from 2011 to 2014 and has been reduced to reflect the CDM adjustment made to Centre Wellington Hydro's load forecast.

Centre Wellington Hydro last rebased with a new load forecast as part of its 2013 cost of service application (EB-2012-0113). As part of its updated load forecast, consistent with the OEB's 2012 CDM Guidelines (EB-2012-0003), Centre Wellington Hydro included a CDM adjustment to account for the load reducing effects of delivering CDM programs. Prior to its 2013 cost of service proceeding, Centre Wellington Hydro did not make an explicit CDM adjustment to its load forecast when it rebased as part of its 2009 cost of service proceeding (EB-2008-0025). As part of the OEB's Decision on Centre Wellington Hydro's 2013 Cost of Service application, it found that the CDM impact adjustment identified for the purposes of the LRAMVA be determined using an annualized "net" CDM savings of 2,288,799 kWh. This reflects the full year persistence of 2012 CDM programs and the initial year impact of 2013 CDM programs on 2013 load.

The table below shows the lost revenues that Centre Wellington Hydro has requested approval to recover through the LRAMVA – Account 1568. The lost revenue amounts in each year represent any lost revenues realized in that year from CDM programs

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<sup>1</sup> Or, as the case may be, the Ontario Power Authority, which merged with the IESO in 2015.

delivered in that year, as well as the persisting lost revenues related to the savings from CDM programs delivered in previous years. The load reduction amounts have been calculated by Centre Wellington Hydro using the manual CDM load forecast reductions approved as part of its 2013 Cost of Service application.

Year	Lost Revenues	Load Forecast Deduction
2011	\$ 8,459	n/a
2012	\$ 23,840	n/a
2013	\$ 60,530	\$ 10,950
2014	\$ 52,002	\$ 11,572
Sub-Total	\$ 144,831	\$ 22,522
LRAMVA (Lost Revenues less Load Forecast Deduction)		\$ 122,309
Carrying Charges		\$ 530
Total Account 1568		<b>\$ 122,840</b>

### OEB Staff Submission

OEB staff submits that Centre Wellington Hydro has properly relied on the 2014 final verified results provided by the IESO when calculating its LRAMVA amount. However, OEB staff was not able to reconcile the LRAMVA amount approved as part of Centre Wellington Hydro's 2013 Cost of Service application with the amount used in its LRAMVA calculations.

OEB staff requests that Centre Wellington Hydro include a detailed description of how it has incorporated the OEB's findings related to the LRAMVA component of its 2013 Cost of Service Decision. Particularly, OEB staff requests that Centre Wellington Hydro confirm that it has included the LRAMVA amount of 2,288,799 kWh in its LRAMVA calculations and has not used the CDM load forecast adjustment amount of 986,133 kWh. OEB staff requests that in the event Centre Wellington Hydro has relied on the CDM adjustment amount of 986,133 kWh when preparing this application for approval of its LRAMVA amount, Centre Wellington Hydro update its LRAMVA calculation using the LRAMVA amount from its 2013 Cost of Service proceeding (2,288,799 kWh).

All of which is respectfully submitted