



PUBLIC INTEREST ADVOCACY CENTRE
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December 21, 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-2015-0059 – Centre Wellington Hydro Ltd. 2016 Electricity Distribution Rates
Submissions of Vulnerable Energy Consumers Coalition (VECC)**

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

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: Centre Wellington Hydro Ltd.

ONTARIO ENERGY BOARD

IN THE MATTER OF AN APPLICATION BY

Centre Wellington Hydro Ltd.

**Application for electricity distribution rates
effective May 1, 2016.**

SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION

- Centre Wellington Hydro Ltd. (Centre Wellington) filed an Incentive Rate Application on September 25, 2015 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule 15), (Schedule B) for electricity distribution rates effective May 1, 2016. Centre Wellington's last Cost of Service application was for rates effective May 1, 2013 (EB-2012-0113).
- Centre Wellington's application includes a request for mitigating the impact of the shift to fixed rates for the Residential Customer class.

Transition to Fully Fixed Residential Rates

- Starting in 2016, the Board's new rate design policy for electricity distributors (EB-2012-0410)¹ expects distributors to begin to shift the rate design for residential customers toward fully fixed rates with a four-year implementation phase-in period.
- The Board's policy states "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."²
- 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 10th

¹ EB-2012-0410 A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015

² Filing Requirements For Electricity Distribution Rate Applications -2015 Edition for 2016 Rate Applications - Chapter 2 Page 63

percentile of electricity consumption and if the bill impact is 10% or higher, the distributor must make a proposal for a rate mitigation plan.³

- Centre Wellington's proposed shift to fully fixed rates for the Residential customer class is based on an eight year implementation period and a \$3.75 increase in the Monthly Fixed Charge beginning in 2016.⁴
- Centre Wellington determined the lowest 10th percentile of electricity consumption for its Residential customer class is 319 kWh. In its application Centre Wellington calculates the 2016 total bill impact for the lowest consumption Residential RPP customer as 14.24%.⁵ The total bill impact for the 800 kWh Residential RPP customer is 9.72%.⁶
- As instructed by Board Staff, Centre Wellington also calculated the bill impacts due to the change in Distribution Charges only (dollar change in Sub-Total C Delivery divided by Total Bill before tax and before OECB at current rates) and the resulting Residential bill impacts are less than 10%.⁷
- In response to VECC IR#1, Centre Wellington indicated that its Rate Generator Model filed with the application included an error. The Billed kWh entered at Tab 15, represented the total kWh approved in the 2013 Cost of Service (146,259,161 kWh) rather than the Residential class only (45,809,827 kWh). Centre Wellington updated the model accordingly.
- The updated model resulted in an adjustment to the increase in the Monthly Fixed Charge for the Residential customer class which lessened the bill impact. Centre Wellington indicates it will implement the transition to fully fixed rates in 4 years compared to 8 years as proposed.
- A 4 year phase in period results in an increase in the Monthly Fixed Charge of \$2.35 beginning in 2016.
- VECC acknowledges that the Board's Chapter 3 Filing Requirements have established that only bill impacts associated with changes in the cost of distribution service are considered when assessing the combined effects of the shift to fixed rates. VECC also acknowledges recent Board Decisions where the Board has determined that changes to the bill resulting from the provincial government's decision to phase out the Ontario Clean Energy Benefit and the Debt Retirement Charge are not within the scope of the evaluation.⁸
- However, VECC notes that when the total bill impact calculations take into consideration all of the changes that Residential customers will see in 2016 i.e. the removal of the Ontario Clean Energy Benefit (OCEB) (10% credit to Residential customers), the addition of the new Ontario Clean Energy Support Program (OESP) charge of \$0.0011 effective January 1,

³ EB-2012-0410 A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015 Page 26

⁴ Manager's Summary Page 9

⁵ Manager's Summary Page 15

⁶ 2016_IRM_RateGen_ModelV2_20150928 Sheet 18

⁷ Manager's Summary Page 16

⁸ Board Decision Lakeland Power Distribution Ltd. EB-2015-0086 Page 12

2016, the removal of the Debt Retirement Charge (benefit to customers) and the change in the Wholesale Market Service (WMS) Rate from \$0.0044 to \$0.0036/kWh⁹ (benefit to customers), the total bill impacts particularly for the lowest consumption Residential customer can be significantly greater than 10%.

- VECC submits the combined effects of all of the proposed rate changes in 2016, beyond just the distribution service component of the bill, should be included in the impact analysis as it provides the full picture and more accurately reflects the true costs and impacts on customers.
- VECC requested that Centre Wellington calculate the total bill impacts including all of the above-noted changes in 2016. However, Centre Wellington indicated it was unable to because the Board's IRM model is locked and Board Staff would have to make the necessary changes.¹⁰
- In VECC's view, given the removal of the OCEB in 2016 which puts significant upward pressure on the bill, it would be preferable to delay implementation of the transition to fully fixed charges for Residential customers to 2017.
- While VECC understands that the removal of the OCEB is beyond the control of the local utility, with all of the combined changes in 2016 including the beginning transition to fully fixed rates, these bill impacts become unusually and significantly greater than 10%. VECC would request consideration of a departure from the Board's Filing Guidelines in 2016 given the unique circumstances in 2016.
- The rationale of any such departure is driven by the numbers themselves. VECC calculates that when the combined changes listed above are taken into consideration, the total bill impacts for the lowest consumption residential customer are over 22%.
- There are options that the Board can consider without unduly causing problems to the long term policy framework. These options include extending the transition to fixed rates over a longer period and/or varying the annual incremental increases in order to keep bill impacts below 10%. Alternatively, the Board could consider delaying the implementation of the move to a fixed rate design for one year.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 21st day of December 2015.

⁹ EB-2015-0294

¹⁰ VECC IR#3(d)