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December 29, 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-2015-0286 Orillia Power Distribution Corporation – Account 1576 Disposal  
Final 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: Orillia Power Distribution Corporation

## **EB-2015-0286**

### **Orillia Power Distribution Corporation Application for disposition of Account 1576 effective January 1, 2016.**

#### **Submissions of the Vulnerable Energy Consumers Coalition**

##### Clearance of Deferral Account 1576

- Orillia Power Distribution Corporation (Orillia Power) filed an application October 19, 2015 for the approval of Rate Adders effective January 1, 2016 to advance a credit in the amount of \$1,481,013 to customers associated with Account 1576 (Account Changes under CGAAP) for a balance that has accumulated from January 1, 2013 to December 31, 2014.
- Effective January 1, 2013, Orillia Power has recorded the financial differences in Account 1576 due to new asset useful lives and asset componentization based on the Board's July 8, 2010 Kinectrics Report (EB-2010-0178), resulting in lower depreciation expenses in 2013 (\$642,166) and 2014 (\$645,895) for a total of \$1,288,061. In accordance with the Board's Filing Requirements, Orillia Power applied the Board-approved rate of return (7.49%) from its last COS application to the balance in Account 1576 resulting in an additional credit of \$192, for a total return to customers of \$1,481,013.<sup>1</sup> Orillia Power has not applied carrying charges to the balance in the Account.
- Orillia Power indicates it will also seek disposition of Account 1576 at the time of its next Cost of Service (COS) application for rates effective May 1, 2017.
- Orillia Power proposes that the proposed Account 1576 Rate Adders be a variable rate (kWh or kW) for all customer classes except for Residential customers. For Residential customers, Orillia Power proposes that the Rate Adder be a fixed charge.<sup>2</sup>
- 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.
- VECC submits Orillia Power's proposed fixed charge for the Account 1576 Rate Adder for Residential customers is appropriate and consistent with the Board's new policy.
- Orillia Power proposes to clear the balance in Deferral Account 1576 of \$1,481,013 as a refund to customers over a two year term on the basis that it represents the period over which the balance accumulated.<sup>3</sup>

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<sup>1</sup> Manager's Summary Page 7

<sup>2</sup> Manager's Summary Page 13

<sup>3</sup> VECC IR#2

- VECC submits a one year disposition term is more appropriate than a two year term for the following reasons.
- Firstly, a one year term coincides with the end of Orillia Power's Incentive Rate Making term meaning the new Account 1576 Rate Adder would terminate on January 1, 2017 and would not be left over and carry into Orillia Power's COS application for 2017 rates effective May 1, 2017, where Orillia Power will again seek disposition of the balance in Account 1576. A one year term approach eliminates the need for two consecutive Account 1576 Rate Adders in 2017, and returns what is owing to customers in a more timely fashion.
- Secondly, a one year term provides rate relief to customers in 2016 when other OEB and provincial government rate changes accumulatively result in larger total bill impacts. 2016 is unique in that it marks the beginning transition to fully fixed rates for Residential customers and the removal of the Ontario Clean Energy Benefit (OCEB) (10% credit to customers) which puts upward pressure on rates in 2016. The new Ontario Electricity Support Program (OESP) charge of \$0.0011 starting January 1, 2016 for all customers compounds the effect of the removal of the OCEB. VECC submits the Board should approve a one year term over a two year term as it will benefit customers in 2016 and serves to better mitigate some of the OEB and provincial government rate changes in 2016 that impact total bill increases.
- With respect to the allocation of the Account 1576 balance to each customer class, Orillia Power proposes to allocate based on share of system utilization using energy consumption (kWh) by customer class reported in 2014 RRR data, since the balance owing to customers is related to capital costs.<sup>4</sup>

**Table 6: Allocation of 1576 by Customer Class**

ALLOCATION BY CUSTOMER CLASS		2014 Metered kWh <sup>1</sup>	% Allocation
<b>Account 1576 at December 31, 2014</b>	<b>\$ (1,481,013)</b>		
Residential	\$ (514,921)	107,122,733	34.77%
General Service Less Than 50 kW	\$ (219,649)	45,695,188	14.83%
General Service 50 to 4,999 kW	\$ (728,558)	151,567,085	49.19%
Unmetered Scattered Load	\$ (3,879)	806,994	0.26%
Sentinel Lighting	\$ (1,388)	288,763	0.09%
Street Lighting	\$ (12,618)	2,625,050	0.85%
<b>Total</b>	<b>\$ (1,481,013)</b>	<b>308,105,813</b>	<b>100.00%</b>

<sup>1</sup>OEB RRR 2.1.5.4 - Table 3b

<sup>4</sup> Manager's Summary Page 12

- VECC submits the allocation of the balance in Account 1576 based on distribution revenue is more appropriate than system utilization for the following reason.
- Orillia Power's Account 1576 captures changes to its depreciation expense. In Orillia Power's last COS application for 2010 rates (EB-2009-0273), depreciation expenses paid for in rates are allocated to each customer class on the basis of distribution revenue. For the Residential customer class the allocation is approximately 50%.<sup>5</sup> VECC submits the refund to customers should be given back on the same basis.
- In response to VECC IR#1, Orillia Power provides the allocation of the balance in Account 1576 to each customer class on the basis of distribution revenue and the resulting percentage allocation to the Residential customer class is 52.11% which is consistent with the 50% noted above which depicts how depreciation expenses are paid by customer class.

ALLOCATION BY CUSTOMER CLASS		Distribution Revenue <sup>1</sup>	% Allocation
<b>Account 1576 at December 31, 2014</b>	<b>\$ (1,481,013)</b>		
Residential	\$ (771,727)	4,188,207	52.11%
General Service Less Than 50 kW	\$ (282,011)	1,530,488	19.04%
General Service 50 to 4,999 kW	\$ (364,341)	1,977,301	24.60%
Unmetered Scattered Load	\$ (4,663)	25,308	0.31%
Sentinel Lighting	\$ (2,991)	16,232	0.20%
Street Lighting	\$ (55,280)	300,008	3.73%
<b>Total</b>	<b>\$ (1,481,013)</b>	<b>8,037,544</b>	<b>100.00%</b>

<sup>1</sup>OEB RRR 2.1.5.4 - Table 3b

<sup>5</sup> EB-2009-0273 Orillia\_DRF\_RO\_RA10\_CA Model Run 2\_20100401, Sheet 01, Line 27 (\$171,551/\$343,400)

- In VECC's view the change in total bill impacts in 2016 for the Residential and GS < 50 kW customers with an Account 1576 Rate Adder with a disposition period of one year compared to two years and allocation based on distribution revenue compared to system utilization is substantial. 3.40% compared to 6.39% for the Residential customer and 7.19% compared to 9.72% for the GS<50 kW customer, taking into consideration the following changes in 2016: removal of the DRC and OCEB and the implementation of the new OESP and the change in the WMS rate.<sup>6</sup>
- In summary, VECC submits the Board should approve the disposition of the \$1, 481,013 balance in Account 1576 as a refund to customers over a one year term and allocated on the basis of distribution revenue for the reasons noted above.

All of which is respectfully submitted this 29<sup>th</sup> day of December 2015.

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<sup>6</sup> VECC IR#3