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January 8, 2016

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Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: Haldimand County Hydro Inc.
2016 Electricity Distribution Rate Application (EB-2015-0259)
Reply Submission**

Dear Ms. Walli:

Haldimand County Hydro Inc. filed an application with the Ontario Energy Board (the "Board") on September 30, 2015 seeking approval for changes to electricity distribution rates with respect to the implementation of the new rate design for Residential customers effective January 1, 2016.

Pursuant to Procedural Order No. 1, issued December 9, 2015, Board Staff and Vulnerable Energy Consumers Coalition ("VECC") filed written submissions on January 5, 2016. Haldimand County Hydro was required to file a written reply submission by January 8, 2016.

Two hard copies are now enclosed. An electronic copy in PDF format will be submitted through the Board's *Regulatory Electronic Submission System* ("RESS") today.

All of which is respectfully submitted for the Board's consideration.

Yours truly,
HALDIMAND COUNTY HYDRO INC.

Original signed by

Jacqueline A. Scott
Finance Manager

cc: By email only

- Vulnerable Energy Consumers Coalition – Shelley Grice
- Ontario Energy Board – Stephen Vetsis and Richard Lanni

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Haldimand County Hydro Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates with respect to the implementation of the new rate design for Residential customers effective January 1, 2016.

HALDIMAND COUNTY HYDRO INC.

REPLY SUBMISSION

FILED JANUARY 8, 2016

Introduction

On September 30, 2015, Haldimand County Hydro Inc. (“Haldimand”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for electricity distribution rates effective January 1, 2016. The approval specifically sought for is the implementation of the fixed Residential distribution rates over a five year transition period in order to make the shift from a combined fixed/volumetric to fully fixed rate, while keeping within the \$4 impact threshold identified in the Board’s Policy, *A New Distribution Rate Design for Residential Electricity Customers* (EB-2012-0410). The Application was filed in accordance with the Board’s *Filing Requirements for Electricity Distribution Rate Applications – 2015 Edition for 2016 Rate Applications*, revised July 16, 2015 (the “Filing Requirements”); specifically subsection 3.2.3 “Rate Design For Residential Electricity Customers”.

Haldimand did not file a 2015 Incentive Regulation Mechanism (“IRM”) Distribution Rate Application as a result of the applications approved by the Board in March 2015 on the acquisition of Haldimand by Hydro One Inc. and the transfer of Haldimand’s distribution system to Hydro One Networks Inc. (“Hydro One”) in proceeding EB-2014-0244, whereby distribution rates were frozen for a five year period based on a one percent reduction in Haldimand’s approved May 1, 2014 base electricity distribution rates (exclusive of rate riders) effective on July 1, 2015. Accordingly, Haldimand’s Application further sought approval for the distribution rates in each of the subsequent years for rates effective January 1, 2017, January 1, 2018, January 1, 2019, and January 1, 2020.

On December 1, 2015, Vulnerable Energy Consumers Coalition (“VECC”) filed a “Notice of Intervention” to Haldimand’s Application with regards to the request for mitigating the impact of the transition of the Residential distribution rates from a combined fixed/volumetric to a fully fixed rate.

On December 9, 2015, the Board issued Procedural Order No. 1 which required a non-transcribed Technical Teleconference held on December 16, 2015. From this non-transcribed technical teleconference, Haldimand was requested to file revised bill impacts specifically evaluating the total bill impact for low volume Residential customers calculated at its 10th percentile consumption value. Haldimand determined its 10th percentile consumption value for a Residential customer to be 200 kWh and filed its response to the undertaking on December 18, 2015.

On January 5, 2016, Haldimand received submissions from both Board Staff and VECC. Both Board Staff and VECC have acknowledged that Haldimand’s proposal to complete the transition to fully fixed rates over five years for the Residential customer class is consistent with the approach outlined in the Filing Requirements.

This document reviews the submissions of Board Staff and VECC and provides the reply submission of Haldimand on the following matters:

- Approach to Mitigation;
- Approval of Multiple Rate Schedules; and
- Effective Date.

Approach to Mitigation

In both Board Staff and VECC submissions they have acknowledged that Haldimand's proposal to complete the transition to fully fixed rates over five years for the Residential customer class is consistent with the approach outlined in the Filing Requirements. Board Staff also notes that Haldimand's approach is consistent with the Board's decision in Lakeland Power Distribution Ltd.'s Parry Sound service area rate application (EB-2015-0086) to transition over five years to keep the fixed rate below the \$4 impact.

When considering the total bill impact to Haldimand's 10th percentile consumption value of 200 kWh, it is calculated to be 5.6% for 2016 which is well below the 10% bill impact threshold identified in the Filing Requirements. VECC has requested that the Board consider the departure from the Filing Requirements for Haldimand's Application with regards to the calculation of the Total Bill Impacts taking into consideration all of the changes affecting the Residential customer effective in 2016. This is contradictory to the recent Board Decision, (EB-2015-0086), where it was 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.

Haldimand submits that it has followed the Filing Requirements appropriately and has no further submission in this regard.

Approval of Multiple Rate Schedules

Haldimand requested approval for rate schedules for all 5 years of the transition period as part of its Application. Haldimand's base electricity distribution rates have been frozen for a 5 year period in accordance with EB-2014-0244. Subsequently there will be

no IRM increases to rates over this 5 year period and the applicable rate schedules for 2016 to 2020 inclusive can be established now to avoid further costs associated with preparing annual rate applications during each year of the transition to the new rate design for the Residential customer class.

Haldimand acknowledges the submissions made by both Board Staff and VECC that rate schedules may need to be adjusted in the five years in order to implement updates to pass-through charges and to allow for the disposition of Haldimand's balances in its Group 1 Deferral and Variance accounts. Haldimand may also need to update the rate schedules in these five years in order to implement additional Board policy changes that may be introduced, similar to the rationale behind the current application before the Board.

Haldimand supports VECC's position that the Board should approve all rate schedules in the five year period, as applied for. This would not prevent Hydro One from applying to the Board to update the approved rate schedules to reflect any changes that are required in a future period. This approach will ensure that in the years where there are no changes required to the existing rate schedules the cost efficiencies associated with avoiding a rates proceeding in front of the Board would be realized.

Haldimand does not agree with Board Staff's submission that the Board should approve an approach similar to the Kingston Hydro Corporation's ("Kingston Hydro") proceeding (EB-2015-0083) with respect to future rate schedules. It is not appropriate to treat Haldimand's application in a manner consistent with Kingston Hydro's Custom IR application. A Custom IR application is a form of rate application that involves annually changing revenue requirement and the associated resetting of rates over the Custom IR period, in addition to other annual updates as may be required by the Board. Haldimand's base distribution rates have been frozen by the Board's Decision in EB-2014-0244 and the only distribution rate changes occurring over the next five years are related to the transition to a fully fixed rate for the Residential customer class.

Effective Date

In its Application, Haldimand requested approval for this rate change to be effective January 1st of each of the 5 years of the transition period. Haldimand currently expects its customers to be fully integrated with the Hydro One customer billing system in the spring of 2016. Implementation of this rate change prior to the integration date would avoid further customer confusion with a second billing change shortly after integration and provide the customer with consistency that the rates charged on the new Hydro One bill would be the same as those on the Haldimand bill. Board Staff took no issue with Haldimand's request to align its rate year that is currently May 1st, with its fiscal year of January 1st. Board Staff also noted that the change to January 1st would align Haldimand's rate effective date with that of Hydro One's customers which could result in the realization of administrative efficiencies in its billing practices. VECC did not make a submission on this issue.

Haldimand concurs with Board Staff that, since it is already past January 1, 2016, Haldimand's rates be implemented and effective on February 1, 2016.

All of which is respectfully submitted this 8th day of January, 2016.