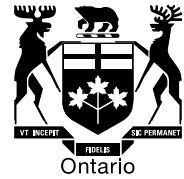


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BY EMAIL

February 4, 2016

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: Tillsonburg Hydro Inc.
2016 IRM Distribution Rate Application
OEB Staff Submission
OEB File No. EB-2015-0104**

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

Tillsonburg Hydro Inc. is reminded that its Reply Submission is due by February 18, 2016, should it choose to file one.

Yours truly,

Original Signed By

Katherine Wang
Analyst, Electricity Rates & Prices

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2016 ELECTRICITY DISTRIBUTION RATES

Tillsonburg Hydro Inc.

EB-2015-0104

February 4, 2016

**OEB Staff Submission
Tillsonburg Hydro Inc.
2016 IRM Rate Application
EB-2015-0104**

Introduction

Tillsonburg Hydro Inc. (Tillsonburg Hydro) filed an application with the Ontario Energy Board (OEB) on November 2, 2015 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that Tillsonburg Hydro 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 Tillsonburg Hydro.

OEB staff makes detailed submissions on the following:

- Residential Rate Design and Rate Mitigation
- Deferral and Variance Account Disposition
- Retail Transmission Service Rates

Residential Rate Design and Rate Mitigation

The OEB's April 2, 2015 policy¹ on electricity distribution rate design sets out that distribution rates for residential customers will transition to a fully fixed rate structure from the current combination of fixed and variable charges over four years. Starting in 2016, the fixed rate will increase gradually, and the usage rate will decline.

The OEB requires distributors to calculate the impact of this change and any other changes in the cost of distribution service to those customers who are at the 10th percentile of overall consumption, as well as the impact of the change in fixed rates to residential customers in general. The Filing Requirements² state that distributors should apply for an exception to the standard approach for implementation in order to mitigate the impact for customers where either:

¹ Board Policy: A New Distribution Rate Design for Residential Electricity Customers (EB-2012-0410), April 2, 2015

² Filing Requirements for Electricity Distribution Rate Application – 2015 Edition for 2016 Rate Applications, Chapter 2 – Cost of Service, July 16, 2015

- i. the fixed charge would have to increase by greater than \$4 in order to transition to a fully fixed rate over four years
- ii. where the overall bill impact for a low volume customer³ would exceed 10%

The Filing Requirements state that distributors meeting criteria i. above should apply to extend the transition period for the implementation of the policy by one year, as a first course of action. Other strategies for mitigation should be proposed only where an additional year is insufficient to ensure the fixed charge would increase by less than \$4 in each year of the transition.

Tillsonburg Hydro calculated that its monthly fixed charge would have to increase by an average of \$4.16 per year if the transition were to be completed in four years. Tillsonburg Hydro proposed to complete the transition to fully fixed residential rates over a five-year period and calculated that this would result in the monthly fixed charge increasing by \$3.33 in each rate year.

Tillsonburg Hydro calculated its lowest 10th percentile of consumption at monthly consumption of 310 kWh. The total bill impact for this low volume customer consuming 310 kWh per month was calculated to be 5.19% for the 2016 rate year, less than the 10% threshold identified in the Filing Requirements.

OEB staff submits that Tillsonburg Hydro's proposal to complete the transition to fully fixed residential rates over five years is consistent with the approach outlined in the OEB's Filing Requirements. It is also consistent with the OEB's decision in EB-2015-0086, in which the OEB found that fully fixed residential distribution rates for Lakeland Power Distribution Ltd.'s Parry Sound service area should be phased in over five rather than four years in order to keep the annual increase in the fixed rate below \$4. OEB staff notes that the total bill impacts for a customer consuming 310 kWh are well below the 10% bill impact threshold.

Deferral and Variance Account Disposition

Tillsonburg Hydro completed the Deferral and Variance Account continuity schedule included in the 2016 IRM Rate Generator Model at tab 3 for its Group 1 Deferral and Variance Accounts. Tillsonburg Hydro's total Group 1 Deferral and Variance Account

³ The Filing Requirements state that the bill impact should be evaluated for a customer consuming at the distributor's lowest 10th percentile of consumption each month.

balances amount to a debit of \$604,788. The balance of Account 1589 – Global Adjustment is a debit of \$335,761, and is applicable only to Non-RPP customers. These balances also include interest calculated to April 30, 2016. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to a debit of \$0.0031 per kWh which exceeds the pre-set disposition threshold, and as such, Tillsonburg Hydro requested disposition of these accounts over a one-year period.

OEB staff has reviewed Tillsonburg Hydro's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2014 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the pre-set disposition threshold has been exceeded. Accordingly, OEB staff takes no issue with Tillsonburg Hydro's request to dispose of its 2014 Deferral and Variance Account balances at this time.

With respect to disposition period, OEB staff notes that both RPP and non-RPP bill impacts are well below the 10% threshold required for mitigation. OEB staff takes no issue with Tillsonburg Hydro's request to dispose the Deferral and Variance Account balances over a one-year period (from May 1, 2016 to April 30, 2017).

Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Tillsonburg Hydro. Pursuant to the OEB's Guideline G-2008-0001, OEB staff notes that the OEB has adjusted the Uniform Transmission Rates effective January 1, 2016⁴. OEB staff will further update the applicable data in the IRM model at the time of the OEB's decision on the application.

All of which is respectfully submitted

⁴ 2016 Uniform Electricity Transmission Rate Order, EB-2015-0311