



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

February 4, 2016

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-2015-0104 – Tillsonburg Hydro Inc. 2016 Rate Application
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: Tillsonburg Hydro Inc.

Ontario Energy Board

IN THE MATTER OF AN APPLICATION BY

Tillsonburg Hydro Inc.

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

Final Submissions of Vulnerable Energy Consumers Coalition VECC)

Shift to Fully Fixed Residential Rates

- Tillsonburg Hydro Inc. (Tillsonburg Hydro) filed an application on November 2, 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.
- 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
- Tillsonburg Hydro's application includes a request to extend the transition period from 4 years to 5 years to keep the rate impact below the \$4 threshold. Tillsonburg Hydro calculates that a 5 year transition period amounts to an increase in monthly fixed residential rates of \$3.33 compared to \$4.16 for a 4 year transition rate.³

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

³ Manager's Summary Rate Design Transition

VECC supports extending the transition period to keep the increase below \$4.

- 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 percentile of electricity consumption and if the bill impact is 10% or higher, the distributor must make a proposal for a rate mitigation plan.⁴
- Tillsonburg Hydro determined that the consumption level at the 10th percentile is 310 kWh.⁵
- Tillsonburg Hydro calculates that the bill impact for the lowest 10th percentile customer is 12.86% which includes the impact of the removal of the Ontario Clean Energy Benefit (OCEB) (10% credit to customers).
- Tillsonburg Hydro is not proposing to mitigate the rates given that it has already delayed the 100% fixed structure to 5-years; the majority of the increase is a direct result of the OCEB and is not in the control of Tillsonburg Hydro; and the controllable changes or delivery component (rate design, IRM increases, RTSR and variance account disposition) are small portions of the increases.
- 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 in 2016 provides the full picture and more accurately evaluation.⁶ However, VECC submits the combined effects of all of the proposed rate changes reflect the true costs and impacts on customers.
- 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

⁴ EB-2012-0410 A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015 Page 26

⁵ Manager's Summary Rate Design Transition

⁶ Board Decision Lakeland Power Distribution Ltd. EB-2015-0086 Page 12

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. When the combined changes in 2016 are taken into consideration, the total bill impacts for the lowest consumption residential customer are over 10%.
- 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 than 5 years 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 4th day of February 2016.