



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND VARY ORDER

EB-2016-0147

WELLAND HYDRO-ELECTRIC SYSTEM CORP.

**Motion to Review and Vary the Decision in the Welland Hydro 2013
Cost of Service Rate Application (EB-2012-0172)**

By Delegation, Before: Lynne Anderson

May 19, 2016

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1 INTRODUCTION AND SUMMARY

Welland Hydro-Electric System Corp. (Welland Hydro) filed an application with the Ontario Energy Board (the OEB) on October 9, 2012, seeking approval for changes to the rates that Welland Hydro charged for electricity distribution, to be effective May 1, 2013. The OEB assigned the application file number EB-2012-0173.

The OEB's *Filing Requirements for Electricity Distribution Rate Applications* for the 2013 rate year provided for two approaches that an applicant could take for the calculation of working capital allowance: 1) the use of a default value of 13% of the sum of the cost of power and operating, maintenance and administration (OM&A) costs; or 2) the filing of a lead-lag study. Welland Hydro's 2013 application contained the default value for working capital allowance of 13%.

Energy Probe Research Foundation (Energy Probe), School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) participated in the proceeding, which included a settlement conference. Welland Hydro and the parties reached a settlement agreement that was approved by the OEB in its Decision and Order (the Decision) dated March 21, 2013.

Among other things, the settlement agreement provided for a working capital allowance of 12% and required Welland Hydro to prepare a lead-lag study in advance of its next cost of service distribution rate application and file it for review in that proceeding. Parties to the settlement agreed that Welland would track the costs associated with the lead-lag study to be recovered from ratepayers in the next cost of service rate application, subject to their review by the OEB at that time.

On June 3, 2015, the OEB adopted a new default value for working capital allowance of 7.5% of the sum of the cost of power and OM&A costs for distributors who have not conducted a distributor-specific lead-lag study or equivalent analysis.

On April 7, 2016, Welland Hydro filed a motion to review and vary the Decision, seeking an OEB order deleting the requirement that Welland Hydro conduct a lead-lag study. Welland Hydro proposed to file its 2017 application on the basis of the default working capital allowance of 7.5%.

2 THE PROCESS

The OEB has considered this application without holding a hearing pursuant to section 6(4) of the OEB Act.

3 WELLAND HYDRO MOTION

3.1 Timeframe for Filing a Motion

Rule 40.03 of the OEB's *Rules of Practice and Procedure*, requires that a notice of motion be filed within twenty calendar days of the date of the order or decision. Welland Hydro requested that the OEB waive its required timeframe in this case, as the change in OEB policy leading to its motion came about more than two years after the decision.

Findings

In accordance with section 1.03 of the Rules, the OEB may dispense with all or part of any Rule at any time. The OEB will accept Welland Hydro's request and waive the timing requirement set out in Rule 40.03, in light of the circumstances of this proceeding and, in particular, the timing of the change in OEB policy as it affects the conditions of the settlement agreement. Moreover, Welland Hydro has submitted that each of the other parties to the settlement agreement have provided their consent to waive the Rule 40.03 timeframe.

3.2 Welland Hydro Motion

Welland Hydro stated that the change in the OEB's working capital allowance policy has resulted in a reversal of the implications of the provisions of the settlement agreement. At the time of the settlement, the results of a lead-lag study for a distributor on monthly billing would tend to fall below the effective default value of 13%. At the current default value of 7.5%, Welland Hydro suggested that it was likely that a lead-lag study would produce a higher working capital factor.

The settlement agreement required that Welland Hydro's costs to conduct a lead-lag study were to be recorded in Sub-Account 1508 – Other Costs for recovery in its next cost of service proceeding. Welland Hydro stated that it preferred to forego the effort and expense to conduct a lead-lag study, which would result in both lower application costs and rates for its customers.

In the motion, Welland Hydro advised that it had contacted each of the parties to the settlement agreement in advance of filing its motion. Welland Hydro stated that each of Energy Probe, SEC and VECC consented to both the request to vary the decision and the request to waive the timeframe requirements of Rule 40.03. Welland Hydro stated that the parties' consent was conditional, in that Welland Hydro would not record any costs associated with the conduct of a lead-lag study for recovery should the OEB grant the requested variance, and that Welland Hydro had agreed to this condition.

Findings

The OEB will grant a variance as requested. The circumstances that were in place at the time of the settlement proposal have changed. This decision is contingent on Welland Hydro adopting in its next cost of service application the OEB's default working capital factor, currently set at 7.5% of the sum of the cost of power and OM&A costs. No costs related to a lead-lag study would therefore be recoverable.

Welland Hydro is expected to file its next cost of service application for 2017 rates. The OEB finds that it is reasonable for Welland Hydro to use the 7.5% default value to calculate its working capital allowance for this application, rather than incurring the costs of conducting a lead-lag study. Should Welland Hydro not file a cost of service application for 2017 rates, it would be expected to adopt whatever default value is in effect at the time of its next cost of service proceeding.

4 ORDER

IT IS ORDERED THAT:

1. The settlement agreement approved by the OEB on March 21, 2013, in proceeding EB-2012-0173, is varied by deleting the following paragraph (found under issue 2.2):

The Parties have agreed that Welland will prepare a lead-lag study in advance of its next cost of service distribution rate application, and file it for review in that proceeding. The Parties have agreed that Welland will track the costs associated with the lead-lag study in 1508 Sub Account - Other Costs and that those costs will be recoverable by Welland in its next cost of service rate application, subject to their review by the Board at that time.

All other aspects of the settlement agreement will remain in effect.

DATED at Toronto May 19, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary