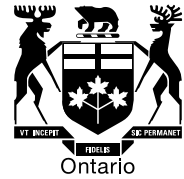


Ontario Energy Board
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BY EMAIL

November 7, 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: Whitby Hydro Electric Corporation
2017 IRM Distribution Rate Application
OEB Staff Submission
OEB File No. EB-2016-0114**

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

Whitby Hydro is reminded that its Reply Submission is due by November 17, 2016, should it choose to file one.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Electricity Rates & Accounting
Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2017 ELECTRICITY DISTRIBUTION RATES

Whitby Hydro Electric Corporation

EB-2016-0114

November 7, 2016

**OEB Staff Submission
Whitby Hydro Electric Corporation
2017 IRM Rate Application
EB-2016-0114**

Introduction

Whitby Hydro Electric Corporation (Whitby Hydro) filed an application with the Ontario Energy Board (OEB) on August 15, 2016 under section 78 of the *Ontario Energy Board Act*, seeking approval for changes to the rates that Whitby Hydro charges for electricity distribution, effective January 1, 2017.

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 Whitby Hydro.

Retail Transmission Service Rates

OEB staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Whitby Power. Pursuant to the OEB's Guideline G-2008-0001, OEB staff notes that OEB staff will update the applicable data at the time of the OEB's Decision on the Application based on the Uniform Transmission Rates in place at that time.

Tax-Savings

In its Manager's Summary, Whitby Hydro noted that the calculated volumetric rate riders from the Tax-Savings Workform indicate amounts with low levels of materiality for several of the customer classes. Whitby Hydro requested that it be allowed to record the total amount to be refunded in Account 1595 to be disposed in a future rate application, when sufficient balances have accumulated to ensure that the intended disposition results are achieved. Whitby Hydro also noted that when the dollar amount of the disposition by customer class is converted to a rate rider, the result produces differences between the calculated disposition and the intended tax savings due to rounding of the rates. Whitby Hydro provided the following table:

2017 Tax Sharing - Analysis of Tax Sharing to Distribute vs Projected Savings Generated By Rate Riders

	Billed kWh (A)	Billed kW (B)	# Customers (C)	Tax Chg Rate Rider per kWh/kW/ Customer (D)	Calculated Amount (E=D*(A, B or C) as applicable)	Total Z Factor Change\$ by Rate Class (F)*	Diff \$ (G=E-F)	Diff% (G/F)
Residential	358,809,051		39,251	(\$0.0700)	(\$32,971)	-32,012	(\$958)	3%
GS<50 kW	86,010,023			(\$0.0001)	(\$8,601)	-4,864	(\$3,737)	77%
GS>50 kW	405,044,147	950,510		(\$0.0128)	(\$12,167)	-12,175	\$9	0%
USL	1,765,346			(\$0.0002)	(\$353)	-302	(\$51)	17%
Sent. Lights	33,877	95		(\$0.0835)	(\$8)	-8	(\$0)	0%
Streetlights	8,871,207	23,991		(\$0.0338)	(\$811)	-812	\$1	0%
	860,533,651	974,596			(\$54,910)	(\$50,174)	(\$4,736)	9%

OEB staff notes that Whitby Hydro completed the Tax-Savings Workform with the correct rates which reflects the Revenue Requirement Work Form from the OEB's last cost of service decision in EB-2009-0274. While the difference that concerns Whitby Hydro appears to be immaterial, OEB staff notes that Whitby Hydro's proposal to record the Tax Savings amount of \$50,174 in Account 1595 for future disposition is consistent with prior IRM decisions for Whitby Hydro. The alternative is for the OEB to dispose of the tax savings amount using the calculated rate riders (with no true up as is the normal practice) given the immaterial difference between the disposed quantum and the forecast recovery amounts.

Deferral and Variance Account Disposition

Whitby Hydro completed the Deferral and Variance Account continuity schedule included in the 2017 IRM Rate Generator Model at Tab 3 for its Group 1 Deferral and Variance Accounts for Whitby Hydro's total Group 1 Deferral and Variance Account balances amount to a credit of \$631,455. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to a credit of \$0.0007 per kWh which does not exceed the pre-set disposition threshold, and as such, Whitby Hydro did not request disposition of these accounts.

However, Whitby Hydro did request the debit balance of \$56,136 related to Global Adjustment (GA) for two new Class A customers that transitioned from Class B on July

1, 2015 be disposed in this application. Whitby Hydro stated the following reasons in their Managers Summary:

- Unlike the Total Group 1 variance balance, these amounts specifically relate to a small number of customers. As a result, it is imperative that the disposition be considered separately from other calculations and thresholds that are set to trigger the disposition requirements of the Total Group 1 variance balances which are spread out over a large customer base.
- The amount represents approximately 7.8% of the total GA variance amount for 2015. In Whitby Hydro's opinion, this amount is considered significant for the two customers it affects.
- It is reasonable that any customer who transitions to Class A in 2015 should expect to have any customer specific financial implications related to a period prior to their transition identified and addressed in a timely manner. Given that the GA variance amount relates to January – June 2015 timeframe, Whitby Hydro feels it is not reasonable to delay the financial impact of the disposition beyond the 2017 rate year.

OEB staff reviewed Whitby Hydro's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2015 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Whitby Hydro also used Tab 6.a. of the IRM rate generator model to calculate the GA amount that should be allocated to these two Class A, formerly Class B, customers. The Report of the Board on *Electricity Distributors' Deferral and Variance Account Review Report* (EDDVAR) provides that under the Price Cap IR or the Annual IR Index, the distributor's Group 1 audited account balances will be reviewed, and disposed if the pre-set disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. Consistent with a letter from the OEB on July 25, 2014, distributors may elect to dispose of Group 1 account balances below the threshold. Although this is a slight departure from the EDDVAR report, OEB staff is in agreement with Whitby Hydro, that any customer who transitions to Class A should expect to have any customer specific financial implications related to a prior period to their transition identified and addressed in a timely manner, even when the Group 1 Deferral and Variance Account balances do not exceed the pre-set disposition threshold. Accordingly, OEB staff has no issue with Whitby Hydro's request to dispose of the GA amount to these two customers over 12 equal installments as requested.

Disposition of Deferral and Variance Account 1576 Balance

Whitby Hydro made changes to its depreciation and capitalization policies effective January 1, 2013. It has recorded the financial difference arising from changes to its depreciation and capitalization policies in Account 1576 for 2015. As a result of asset componentization and the reassessment of the remaining useful lives of all its distribution assets, Whitby Hydro has recorded significantly lower depreciation expense for 2015.

Whitby Hydro disposed of its January 1, 2013 to December 31, 2014 1576 balance in its last IRM application on an interim basis so that the credit balance can begin to be refunded to customers on a timely basis. Whitby Hydro will continue to use Account 1576 until such time as a full disposition is approved during the next cost of service rate application. Whitby Hydro is currently scheduled to file its next cost of service for 2018 rates.

In the current application, Whitby Hydro is again seeking an interim disposition of Account 1576 to begin the return of funds to customers associated with new balances that have accumulated to December 31, 2015. The rate adder represents a return of \$1,285,347 to Whitby Hydro customers over a proposed 1 year period.

Unlike Whitby Hydro's proposal in its 2016 IRM application where Whitby Hydro proposed a sunset date on the 1576 rider, OEB staff asked Whitby Hydro in the interrogatory phase if they were willing to continue the rate adder that would be approved by the OEB in this proceeding for Account 1576 until Whitby Hydro's next rebasing, in order to make this process more efficient as PP&E differences will continue to be recorded in Account 1576 until Whitby Hydro's next rebasing. Any disposition of Account 1576 before rebasing will continue to be on an interim basis.

Whitby Hydro responded that after review of the information, Whitby Hydro advises that the amount of net transactions impacting the 1576 account is not expected to remain consistent over current and upcoming years. Whitby Hydro anticipates that there will be relatively significant fluctuations due to capital programs which differ from year to year and the amount of \$1,285,347 is not expected to be representative of future years. As a result, Whitby Hydro was unable to support an extension of the proposed rate rider beyond 2017 until Whitby Hydro's next rebasing. Whitby Hydro is however committed to

review transactions and actual/forecasted balances at the end of 2016 and discuss possible alternative approaches to addressing the 1576 disposition with board staff for consideration in future applications.

OEB staff submits it has no concerns with the data supporting the disposition of the deferral and variance Account 1576 balance for Whitby Hydro. OEB staff supports Whitby Hydro's request to return \$1,285,347 to Whitby Hydro customers over a proposed 1 year period on an interim basis.

All of which is respectfully submitted