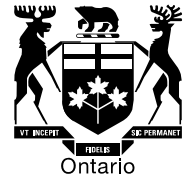


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**BY EMAIL**

November 7, 2015

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: Enersource Hydro Mississauga Inc. (Enersource)  
2017 IRM Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2016-0002**

In accordance with Procedural Order No.1, please find attached the OEB Staff Submission in the above proceeding. This document is being forwarded to Enersource Hydro Mississauga Inc.

Enersource is reminded that its Reply Submission is due by November 21, 2016, should it choose to file one.

Yours truly,

*Original Signed By*

Donald Lau  
Project Advisor, Major Applications  
Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2017 ELECTRICITY DISTRIBUTION RATES

Enersource Hydro Mississauga Inc.

EB-2016-0002

**November 7, 2016**

**OEB Staff Submission  
Enersource Hydro Mississauga Inc.  
2017 IRM Rate Application  
EB-2016-0002**

**Introduction**

Enersource Hydro Mississauga Inc. (Enersource) filed an application with the Ontario Energy Board (the OEB) on August 15, 2016 under section 78 of the *Ontario Energy Board Act*, seeking approval for changes to the rates that Enersource charges for electricity distribution, effective January 1, 2017 (the Application). The application is based on the 2017 Price Cap IR – IRM option. Specifically, Enersource has applied for approval on the following matters:

- New distribution rates effective January 1, 2017, based on 2016 rates adjusted through a price cap adjustment;
- Rate riders to clear Group 1 Deferral and Variance Account balances, effective January 1, 2017 to December 31, 2017;
- An adjustment to Retail Transmission Service Rates (RTSR);
- 2017 renewable generation funding from provincial ratepayers; and
- International Financial Reporting Standards (IFRS) adjustment to 2017 revenue requirement of \$4,108,820

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 Enersource.

**2017 Price Cap Adjustment**

Enersource's application for a 2017 price cap adjustment is consistent with the Price Cap IR annual adjustment mechanism. Enersource has used an inflation factor of 2.1% and is to be updated to the 2017 inflation factor of 1.9%. It has also been assigned the Group II stretch factor. The resultant Price Cap Index is 1.75%.

OEB staff has no concerns with the factors used to calculate the 2017 Price Cap Index.

**Disposition of Group 1 Deferral and Variance Accounts**

Enersource 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. Enersource's total Group 1 Deferral and Variance Account balance excluding Account 1589 amounts to a credit of \$12,464,655. The balance of Account 1589 – Global Adjustment (GA) Sub-Account is a debit of \$4,961,627 and is applicable only to

Non-RPP Class B customers. Enersource's total balance for Group 1 accounts including interest calculated to December 31, 2016 is a credit of \$7,503,028. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances exceed the threshold of \$0.001. Enersource requested disposition of these accounts over a one-year period.

OEB staff has reviewed Enersource's Group 1 Deferral and Variance Account balances and notes the principal balances as of December 31, 2015 vs. the balances reported as part of the *Reporting and Record-keeping Requirements*. OEB staff notes that the variance in Account 1580 – RSVA – Wholesale Market Service Charge reflects the reporting of balances in the Capacity Based Recovery (CBR) Class A and Class B sub-accounts separately from the 1580 control account. The variance is equal to the sum of the balance in the sub-accounts CBR Class A and Class B.

OEB staff notes that the disposition of Account 1580 – Variance WMS – Sub-account CBR Class B was not correctly disposed across rate payers. An OEB letter dated July 25, 2016 – Accounting Guidance on Capacity Based Recovery under the heading Disposition of Variances Recorded for Year 2015 in 2017 Rate Applications specifies the method of disposing this account. This issue was addressed through interrogatories to Enersource. In response to the interrogatories, Enersource calculated the disposition of this account separately from the model and included it as a separate rate rider. The approach taken by Enersource as revised is consistent with the method stated in the OEB letter.

OEB staff has no concerns with the updated disposition of Group 1 Deferral and Variance Accounts.

### **Retail Transmission Service Rates**

Enersource has provided historical data for RTSR charges and the calculated RTSR rates. The calculated rates should match the OEB approved rates set out by Hydro One, with the exception of April 2015, due to a misalignment of billing cycle and change in Hydro One RTSR. OEB staff notes there was a discrepancy between the Line and Transformation Connection rate for the month of April 2015 as the pro-rated value provided could not be a product of the approved rates. This issue was resolved to OEB staff's satisfaction through the interrogatory process, wherein Enersource confirmed that the line costs and transformation costs used in the calculation were incorrect and have since updated with correct values. Although the line and transformation costs have been updated, the total line and transformation costs for the month of April remains unchanged and therefore does not have any impact on the calculation of the proposed RTSR in the application

OEB staff has no concerns with the final data filed in support of the updated Retail Transmission Service Rates proposed by Enersource.

### **Renewable Generation Funding**

Enersource has requested collection of \$122,314 in renewable generation funding for 2017. This is based on the forecast of connecting 120 projects in 2016 and 90 projects in 2017. The methodology is consistent with the Green Energy Plan approved by the OEB in Enersource's 2013 Cost of Service proceeding (EB-2012-0033).

OEB staff has no concerns with the requested amount of renewable generation funding.

### **International Financial Reporting Standard (IFRS)- Canadian Generally Accepted Accounting Principles (CGAAP) Transitional PP&E Adjustment**

Enersource changed its financial reporting method from CGAAP to IFRS, effective January 1, 2012. This change led to a credit balance to Enersource's customers. The OEB had directed<sup>1</sup> Enersource to adjust its depreciation expense, the weighted average cost of capital and the revenue requirement over a period of four years to address the credit balance. Subsequent to this decision, the OEB established a process where these variances were disposed outside of base rates, by way of a rate rider.

Enersource was scheduled to rebase in 2017, at which time the expiry of the adjustment would be addressed through rebasing. Since Enersource has requested to defer rebasing in 2017, Enersource proposes to increase its 2017 revenue requirement by \$4,108,820. This is the same amount that was removed from the revenue requirement four years ago.

OEB staff notes that Enersource's method of calculating the rate increase per rate class used 2013 billing determinants. It is the view of OEB staff that 2015 billing determinants should be used since it is the latest available data. This was proposed to Enersource in the interrogatories. Enersource has calculated using both methods and found the difference in revenue is \$17,000 more using 2015 billing determinants and considered it to be immaterial. Enersource stated in its response that it will support the method the OEB decides to apply.

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<sup>1</sup> EB-2012-0033 Decision and Order, p.56

OEB Staff has no concerns with the adjustment amount requested by Enersource and is of the view that the more up to date billing determinants (2015) should be used for calculating the base rate increase. OEB staff notes that Enersource may not rebase for up to ten years based on the proposal by LDC Co. in its MAADs application (EB-2016-0025) of which Enersource is a party to the transaction. For this same reason, OEB Staff is also supportive of the adjustment to base rates (as opposed to a rate rider) as it is uncertain when Enersource's next rebasing will take place. This will also better facilitate the incentive rate-setting adjustments that Enersource may continue to apply for in the intervening years.

All of which is respectfully submitted