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November 17, 2016

BY RESS & OVERNIGHT COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc. Application for Distribution Rates
Effective January 1, 2017, Board File No. EB-2016-0002
Final Submission**

Please find attached Enersource's final submission in the above captioned proceeding.

Two hard copies of this letter and final submission will be sent to the Board in addition to filing this via RESS.

If you have any questions, please do not hesitate to contact me at (905) 283-4098.

Sincerely,

(Original signed by)

Gia M. DeJulio
Director, Regulatory Affairs

cc. Norm Wolff, Executive Vice-President and Chief Financial Officer, Enersource
Donald Lau, Case Manager, Ontario Energy Board
Richard Lanni, Counsel, Ontario Energy Board

EB-2016-0002

Enersource Hydro Mississauga Inc.

**Application for electricity distribution rates and
other charges effective January 1, 2017**

FINAL SUBMISSION

November 17, 2016

Introduction

Enersource Hydro Mississauga Inc. (“Enersource”) filed an application (the “Application”) with the Ontario Energy Board (the “Board” or the “OEB”) on August 15, 2016 under section 78 of the *Ontario Energy Board Act, 1998* (the “Act”), seeking approval for changes to the rates that it charges for electricity distribution, to be effective January 1, 2017. The Application is based on the Board’s Price Cap Incentive Regulation (“IR”) mechanism.

In the Application, Enersource seeks Board approval of the following:

- a) New distribution rates effective January 1, 2017, based on 2016 rates adjusted through a price cap adjustment;
- b) Rate riders to clear Group 1 Deferral and Variance Account balances, effective January 1, 2017 to December 31, 2017;
- c) An adjustment to Retail Transmission Service Rates (RTSR);
- d) 2017 renewable generation funding from provincial ratepayers; and
- e) International Financial Reporting Standards (IFRS) adjustment to 2017 revenue requirement of \$4.1 million.

This document is in response to Board Staff’s submission of November 7, 2016.

2017 Price Cap Adjustment

In its application Enersource used an inflation factor of 2.1%. The 2017 inflation factor has since been confirmed by the OEB as 1.9%. With the updated inflation factor of 1.9%, and the Group II stretch factor Enersource has been assigned, Board staff supported a final Price Cap Index of 1.75%. Enersource has included a live version of the Rate Generator Model, provided as Attachment 1, which uses the updated inflation factor and results in a Price Cap Index of 1.75%.

Enersource has no further comments.

Disposition of Group 1 Deferral and Variance Accounts

Enersource proposed to refund the Group 1 deferral and variance account balances as at December 31, 2015 including projected interest calculated up to December 31, 2016 in the amount of \$7.5 million. Board staff identified that Enersource had not disposed of Account 1580 – Variance WMS – Sub-account CBR Class B based on instructions provided in the OEB letter dated July 25, 2016 – Accounting Guidance on Capacity Based Recovery. In response to Board staff’s Interrogatory 1, Enersource calculated the disposition of this account separately from the model and included it as a separate rate

rider¹. Board staff had no concerns with the updated disposition of Group 1 Deferral and Variance Accounts.

Enersource has no further comments.

Retail Transmission Service Rates

Enersource submitted historical data for RTSR charges and the calculated RTSR rates. The historical billing data input for the month of April contained an error but did not have any impact on the calculation of the proposed RTSR Connection rates. Enersource corrected the error in response to Board staff's interrogatory 1-Staff-3². Board staff had no concerns with the final data filed in support of the updated RTSRs proposed by Enersource.

Enersource has no further comments.

Renewable Generation Funding

Enersource requested collection of \$122,314 in renewable generation funding for 2017. Board staff stated that the forecast method Enersource used is consistent with the Green Energy Plan approved by the OEB in Enersource's 2013 Cost of Service proceeding (EB-2012-0033). Board staff had no concerns with this request.

Enersource has no further comments.

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 directed³ 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 of 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. As Enersource has requested a deferral of its 2017 rebasing, Enersource proposed to increase its 2017 revenue requirement by \$4,108,820. Enersource calculated the rate increase per rate class using 2013 billing determinants. Board staff proposed in interrogatory 1-Staff-5⁴ that Enersource use 2015 billing determinants as it is the latest available data. Enersource provided the

¹ EB-2016-0002 Interrogatory Responses, 1-Staff-1, p.1

² EB-2016-0002 Interrogatory Responses, 1-Staff-3, p.1

³ EB-2012-0033 Decision and Order, p.56

⁴ EB-2016-0002 Interrogatory Responses, 1-Staff-5, p.1

calculation using the 2015 billing determinants which resulted in an increase in revenue requirement of \$17,701.

Board staff supported an adjustment to base rates as Enersource may defer rebasing for up to ten years based on LDC Co MAADs application (EB-2016-0025), of which Enersource is a party. Board staff also agreed that the more up to date billing determinants (2015) be used for calculating the base rate increase.

Enersource has updated the 2017 IRM Rate Generator Model to reflect adjustments to the rate base based on 2015 billing determinants.

Conclusion

1. Enersource therefore requests that the Board make an order approving the following:
 - (i) 2017 distribution rates effective January 1, 2017, based on 2016 rates adjusted for a net price cap adjustment of 1.75%;
 - (ii) disposition on a final basis of balances in Group 1 deferral and variance account and rate riders to implement such clearance effective January 1, 2017 to December 31, 2017;
 - (iv) adjusted Retail Transmission Service Rates ("RTSRs");
 - (v) 2016 Renewable Generation Funding of \$122,314 from provincial ratepayers; and
 - (vi) an increase to its revenue requirement of \$4.1 million.

All of which is Respectfully Submitted:

Gia M. DeJulio
Director, Regulatory Affairs
Enersource Hydro Mississauga Inc.