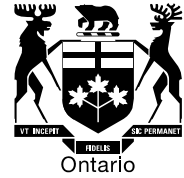


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**BY E-MAIL**

May 18, 2017

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Rideau St. Lawrence Distribution Inc. (Rideau St. Lawrence Distribution)  
2016 Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2015-0100**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission on the filed settlement proposal for Rideau St. Lawrence Distribution's 2016 cost of service application. This document is also being forwarded to Rideau St. Lawrence Distribution, the School Energy Coalition, and the Vulnerable Energy Consumers Coalition.

Yours truly,

*Original Signed By*

Donald Lau  
Project Advisor – Rates Major Applications

Encl.

**2016 ELECTRICITY DISTRIBUTION RATES**  
**Rideau St. Lawrence Distribution Inc.**

**EB-2015-0100**

**OEB STAFF SUBMISSION ON SETTLEMENT  
PROPOSAL**

**May 18, 2017**

## **INTRODUCTION**

Rideau St. Lawrence Distribution Inc. (RSL) filed a complete application with the Ontario Energy Board (OEB) on October 21, 2016 seeking approval for changes to the rates that RSL charges for electricity distribution, to be effective January 1, 2017. RSL later amended its request, stating that it was seeking an effective date of May 1, 2016 and an implementation date of January 1, 2017. The parties to the Settlement Proposal are RSL and the following approved intervenors in the proceeding: School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC).

A community meeting was held as part of the proceeding on January 16, 2017. The OEB and RSL made presentations at the meeting, along with one customer presentation and a reading of a customer letter. A summary of the community meeting was posted to the record of the proceeding. The comments during the community meeting were not directly related to RSL's application but the general theme was related to concern over rising electricity costs. OEB staff took this concern into consideration in reviewing RSL's application. For a typical residential customer with monthly consumption of 750kWh, the total bill impacts under the filed Settlement Proposal would be a decrease of \$1.95 before taxes per month or a decrease of 1.44%. The distribution portion of the total bill is an increase of \$2.45 per month

The OEB issued an approved issues list for this proceeding on April 10, 2017. A settlement conference was held on April 24, 2017 and RSL filed a settlement proposal setting out an agreement between all the parties to the proceeding on May 11, 2017.

The settlement proposal represents a full settlement.

This submission is based on the status of the record as of the filing of RSL's settlement proposal and reflects observations which arise from OEB staff's review of the evidence and the settlement proposal. It is intended to assist the OEB in deciding upon RSL's application and the settlement proposal.

## **Settlement Proposal**

OEB staff has reviewed the settlement proposal in the context of the objectives of the *Renewed Regulatory Framework* (RRF), other applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. The Parties considered the issues and outcomes of the RRF in the context of RSL's application.

OEB staff submits that the settlement proposal reflects a reasonable evaluation of the distributor's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures there are sufficient resources to allow RSL to achieve its identified outcomes in the four years that will follow. OEB staff further submits that the explanation and rationale provided by the Parties is adequate to support the settlement proposal and that the outcomes arising from the OEB's approval of the issues settled as noted in the settlement proposal would adequately reflect the public interest and would result in just and reasonable rates for customers.

OEB staff further submits that, in general, the explanation and rationale provided by the parties is adequate to support the settlement proposal, but will provide further specific submissions on the following issues:

- Issue 2.3 – Is it appropriate to use 2016 as the test year when rates are effective January 1, 2017?
- Issue 5.1 – Is the proposed adjustment to the microFIT monthly service charge appropriate?
- Issue 5.2 – What is the appropriate effective date for 2017 rates?

### **Issue 2.3 - Is it appropriate to use 2016 as the test year when rates are effective January 1, 2017?**

RSL's last rate adjustment was in 2015 based on an Incentive Rate-setting Mechanism (IRM) adjustment. RSL was scheduled to file its 2016 Cost of Service application on August 28, 2015. On August 25, 2015 RSL filed a letter to the OEB that it would not meet the scheduled date and intended to file the 2016 application October 31, 2015.

The application was eventually filed on October 21, 2016 as a 2016 rate application following the *Filing Requirements for Electricity Distribution Rate Applications - 2015 Edition for 2016 Rate Applications*. This edition of the filing requirements did not require late filing applicants to convert their application to the subsequent year, as it is required in the 2016 edition of the filing requirements (for 2017 rates). OEB staff submits that the 2016 test year as the basis for the rebased rates can be accepted on that basis.

Since 2016 actuals were available for the application, the parties to the settlement proposal propose to use 2016 actuals as the test year forecast. OEB staff does not object to this approach.

**Issue 5.1 – Is the proposed adjustment to the microFIT monthly service charge appropriate?**

RSL has applied for an adjustment to the microFIT monthly service charge from the province-wide rate of \$5.40 to \$17.76 to more accurately reflect the costs incurred. As per the *Review of Electricity Distribution Cost Allocation Policy*, distributors wishing to seek approval for a distributor-specific microFIT charge may identify additional cost elements that should be included in the determination of the charge. RSL adjusted the meter reading cost element to \$10 per month, which is the monthly fee incurred from Utilismart for settlement services per microFIT metering point. This was the key driver of the increase to \$17.76.

The parties to the settlement proposal agree the proposed microFIT monthly service charge is appropriate.

OEB staff supports the adjustment to the microFIT monthly service charge as the methodology is consistent with the OEB report and sheet “O3.6 – microFIT Charge” in the Cost Allocation schedule. The \$10 monthly fee charged for meter reading by Utilismart is consistent with costs charged by other utility’s vendors. This methodology was also used in Wellington North Power Inc.’s 2016 Cost of Service and was accepted by the OEB<sup>1</sup>.

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<sup>1</sup> EB-2015-0110 Decision and Rate Order, March 31, 2016 approved the settlement proposal which included a microFIT charge of \$15.69

## **Issue 5.2 – What is the appropriate effective date for 2017 rates?**

OEB staff notes that the wording of this issue may have been based on the confusion caused by RSL's initial effective and implementation date request. As will be discussed below RSL has since corrected their initial request. In hindsight, OEB staff is of the view that this issue should have read "What is the appropriate effective date for 2016 rates?"

Parties have not addressed the matter of whether they consider RSL to have rebased for 2017 rates or for 2016 rates (notwithstanding the use of a 2016 actual budget year). This is important as it will determine the timing of RSL's next cost of service application. OEB staff is of the view that RSL has rebased for 2016 rates with a very late effective date. As noted above, the OEB did not require RSL to convert its test year to 2017. OEB staff is of the view that RSL should file its next cost of service application for 2021 rates.

As will be noted below, this does not mean that staff agrees with the prospect of RSL filing a 2017 IRM application. OEB staff's view on this is explained further below.

### Appropriate Effective Date

In its original application, RSL requested an effective date of January 1, 2017. RSL is remaining on a May 1 rate year. As a result of the late filing of the application, the OEB declared RSL's rates to be interim effective January 1, 2017. This date lands approximately two-thirds of the way into the 2016 rate year. In the settlement proposal, RSL explained that their original date of January 1, 2017 was made in error and that their original request should have stated an effective date of May 1, 2016 with an implementation date of January 1, 2017.

Nevertheless, the parties to the settlement proposal agree that the effective date and implementation date for 2016 rates should be the earliest date that RSL can implement the OEB's decision and order approving distribution rates and other charges in this application. This means that parties have agreed that RSL will forego any lost revenue between May 1, 2016 and May 31, 2017 (assuming a June 1 effective and implementation date).

OEB staff supports the proposed effective and implementation dates and the foregoing of lost revenue as the application was extremely late.

In addition, OEB staff notes that the settlement proposal states

“For greater certainty, the Parties take no position in this proceeding on whether or not RSL may bring a 2017 IRM application and this settlement is without prejudice of the rights of the Parties to take any position in respect of any such application.”

OEB staff submits that since RSL filed its application October 21, 2016 it should have reasonably expected that its 2016 rates would be implemented in 2017 and no other adjustment would be made for 2017. On this basis, OEB staff submits that RSL’s next IRM application should be for May 1, 2018 rates.

All of which is respectfully submitted