



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

DECISION AND RATE ORDER

EB-2017-0265

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Application for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2018.

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

March 22, 2018

TABLE OF CONTENTS

1	INTRODUCTION AND SUMMARY.....	1
2	THE PROCESS	3
3	DECISION.....	4
4	RATE ORDER	6

SCHEDULE A - TARIFF OF RATES AND CHARGES

SCHEDULE B - SETTLEMENT PROPOSAL

1 INTRODUCTION AND SUMMARY

This Decision and Rate Order approves Rideau St. Lawrence Distribution Inc.'s (Rideau St. Lawrence Distribution) incentive rate-setting mechanism (IRM) application for the 2018 rate year.

Rideau St. Lawrence Distribution serves about 5,900 mostly residential and commercial electricity consumers in the Town of Prescott, Village of Westport, Township of Cardinal and Municipality of South Dundas. The company is seeking the approval of the Ontario Energy Board (OEB) for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario.

The IRM application was filed on September 26, 2017, under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the Act) and under the [Chapter 3 Filing Requirements for Incentive Rate-Setting Applications](#) (Filing Requirements). Through the IRM application, Rideau St. Lawrence Distribution is seeking approval for changes to its electricity distribution rates, to be effective May 1, 2018.

A distributor may choose one of three rate-setting methodologies approved by the OEB. Each of these is explained in the Filing Requirements. Rideau St. Lawrence Distribution's IRM application is based on a Price Cap Incentive Rate-setting option (Price Cap IR) with a five-year term. The Price Cap IR option involves the setting of rates through a cost of service (COS or rebasing) application in the first year. Mechanistic price cap adjustments, based on inflation and the OEB's assessment of the distributor's efficiency, are then approved through IRM applications in each of the ensuing four (adjustment) years. Rideau St. Lawrence Distribution's request for a 0.90% Price Cap IR adjustment is in accordance with the annually updated parameters set by the OEB.

As a result of the OEB's findings in this Decision, there will be a monthly bill decrease of \$2.67 for a residential customer consuming 750 kWh, effective May 1, 2018.

Rideau St. Lawrence Distribution has also applied to change the composition of its distribution service rates. All residential distribution rates currently include a fixed monthly charge and a variable usage charge. The OEB's residential rate design policy stipulates that distributors will transition residential customers to a fully fixed monthly distribution service charge over a four-year period, beginning in 2016.¹ The OEB

¹ OEB Policy- "A New Rate Design for Residential Electricity Customers", EB-2012-0410, April 2, 2015

requires that distributors filing IRM applications affecting 2018 rates continue with this transition by once again adjusting their distribution rates to increase the fixed monthly service charge and decrease the variable charge consistent with the policy.

As there were no intervenors in the proceeding, the OEB determined that OEB staff and Rideau St. Lawrence Distribution would participate in a settlement conference as the only parties. Rideau St. Lawrence Distribution filed a settlement proposal with the OEB on February 22, 2018, indicating that parties had reached an agreement on all issues in the proceeding. The OEB accepts the settlement proposal, which is attached as Schedule B.

2 THE PROCESS

The OEB follows a standardized and streamlined process for IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes information from the distributor's past proceedings and annual reporting requirements. A distributor will then review and complete the Rate Generator Model and include it with its application. During the course of the proceeding, the Rate Generator Model will also be updated or corrected, as required.

The Rate Generator Model updates base rates, retail transmission service rates and, if applicable, shared tax saving adjustments. It also calculates rate riders for the disposition of deferral and variance account balances.

The OEB issued a Notice of Application on December 21, 2017, inviting parties to apply for intervenor status. No requests for intervenor status were received, nor was a request made for an oral hearing.

The OEB issued Procedural Order No. 1 on January 19, 2018 establishing, among other things, the timetable for a written interrogatory discovery process. Rideau St. Lawrence Distribution filed its interrogatory responses on January 30, 2018. The OEB issued Procedural Order No. 2 on February 2, 2018 and included a settlement conference.

The settlement conference was held on February 8, 2018 at the OEB's offices.

Rideau St. Lawrence Distribution filed the settlement proposal with the OEB on February 22, 2018, indicating that Rideau St. Lawrence Distribution and OEB staff had reached an agreement on all issues.

3 DECISION

The OEB accepts the settlement proposal. The OEB finds that the outcome of the settlement proposal will result in just and reasonable rates for Rideau St. Lawrence Distribution. Attached to the settlement proposal as Appendix A is the Tariff of Rates and Charges. The OEB is making two changes to the Tariff of Rates and Charges, which the OEB finds are administrative in nature and do not amend the settlement proposal. The first is to change the name of the capital funding rate riders from the 2017 ICM rate rider to the 2018 ICM rate rider. The second is to include the smart metering entity charge. The OEB provides the following comments and directions.

Group 1 Deferral and Variance Accounts

The Parties have agreed to the disposition of the Group 1 deferral and variance accounts over a one-year period from May 1, 2018 until April 30, 2019. The settlement proposal did not state whether the balances are being disposed on a final basis.

The OEB notes that in its recent decision on the 2018 rates for Kitchener-Wilmot Hydro Inc., the OEB stated that it will be reviewing its directions for the Retail Settlement Variance Accounts to determine if it is appropriate to recognize the potential for ongoing adjustments, given the nature of these accounts, even if a particular balance has been disposed on a final basis. Given this pending review, the OEB agrees that a reference to disposition on a final basis is not required.

Incremental Capital Module

The OEB accepts the outcome of the settlement proposal and agrees that the methodology adopted in the settlement proposal for determining the incremental funding is appropriate. However, there are two statements in the settlement proposal for which the OEB has comments.

The first is the statement that: “recovery of costs for 2017 may be considered out-of-period”. The OEB does not consider the cost for the digger truck to be an out-of-period cost in 2018. No incremental funding is being sought for 2017, and the cost used for the calculation of the funding starting in 2018 is the net book value of the asset in 2018 (i.e. it has been reduced by the depreciation in both 2017 and 2018).

The second statement is that: “the cost recovery for the digger truck beginning in 2018 is not an Incremental Capital Module as the digger truck entered service prior to 2018.” The OEB agrees that the typical approach to the incremental capital module (ICM) is for the incremental funding to start in the year that an asset is planned to go into service. The OEB’s models have therefore been designed for this typical situation. However, the

OEB considers the approach used for incremental capital funding as part of this settlement proposal consistent with the OEB's policy for the ICM. The policy states that the advanced capital module (ACM) and ICM are for incremental funding for "capital projects scheduled to go into service during the IRM term". The OEB considers any period of time between cost of service applications to be part of the IRM term. The digger truck therefore went into service during the IRM term. In the unique circumstances of Rideau St. Lawrence Distribution there was no 2017 rate application and, therefore, no incremental funding was available for the digger truck in 2017, but this does not prohibit incremental funding for 2018.

The OEB's ICM policy also states that: "Funding shall not commence for any projects that are not forecasted to be in service during the subject IR year". The digger truck is in service in 2018 and is therefore eligible for the ICM, subject to the other conditions.

The settlement proposal referred to the rate riders for the digger truck as the "capital funding rate riders". The proposed Tariff of Rates and Charges, Appendix A to the settlement proposal, used the name "Rate Rider for 2017 Capital Funding". The OEB is amending the Tariff of Rates and Charges to replace this name with "Rate Rider for the 2018 Capital Funding" in order to reflect the year for which the incremental funding starts.

Smart Metering Entity Charge

Since the filing of the settlement proposal, the OEB has issued a separate decision setting a new smart metering entity charge of \$0.57 per smart meter per month.² The OEB has therefore amended the Tariff of Rates and Charges to reflect this separate decision.

Distribution Rate Design

Rideau St. Lawrence Distribution is in the second year of the four-year transition to fixed rates for residential customers. Most distributors will complete the transition in 2019, but Rideau St. Lawrence Distribution is scheduled to complete the transition in 2020 because there was no IRM application for 2017. The OEB's policy requires the consideration of mitigation if the change in the fixed charge exceeds \$4. In Rideau St. Lawrence Distribution's case, the impact on the fixed charge of the transition for 2018 rates is \$2.71, well below this threshold. For this reason, the OEB expects Rideau St. Lawrence Distribution to provide evidence regarding the impact of both one and two more years of transition in its 2019 IRM application.

² Decision and Order, EB-2017-0290, March 1, 2018

4 RATE ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The settlement proposal, attached as Schedule B, is accepted as filed.
2. The Tariff of Rates and Charges set out in Schedule A of this Decision and Rate Order is final effective May 1, 2018. Rideau St. Lawrence Distribution Inc. will notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.
3. Rideau St. Lawrence Distribution Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto March 22, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A
TARIFF OF RATES AND CHARGES
DECISION AND RATE ORDER
RIDEAU ST. LAWRENCE DISTRIBUTION INC.
EB-2017-0265
MARCH 22, 2018

SCHEDULE B
SETTLEMENT PROPOSAL
RIDEAU ST. LAWRENCE DISTRIBUTION INC.
EB-2017-0265
MARCH 22, 2018