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**BY E-MAIL**

September 4, 2018

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

Dear Ms. Walli:

**Re: Essex Powerlines Corporation (Essex Powerlines)  
2018 Distribution Rate Application  
OEB Staff Submission  
OEB File No. EB-2017-0039**

In accordance with the Decision and Order, please find attached OEB staff's submission on the effective date and draft rate order for Essex Powerlines' 2018 cost of service application. This document is also being forwarded to Essex Powerlines, the School Energy Coalition, the Vulnerable Energy Consumers Coalition, and Hydro One Networks Inc.

Yours truly,

*Original Signed By*

Donald Lau  
Project Advisor – Rates Major Applications

Encl.

**2018 ELECTRICITY DISTRIBUTION RATES**  
**Essex Powerlines Corporation**

**EB-2017-0039**

**OEB STAFF SUBMISSION ON DRAFT RATE  
ORDER**

**September 4, 2018**

## **INTRODUCTION**

On August 23, 2018, the Ontario Energy Board (OEB) issued its decision on Essex Powerlines Corporation's (Essex Powerlines) application seeking approval for changes to the rates that Essex Powerlines charges for electricity distribution. In the Decision and Order<sup>1</sup>, the OEB accepted the partial settlement proposal and directed Essex Powerlines to file a draft rate order based on the findings in the Decision and Order. The OEB also noted that the parties did not address the effective date of the proposed rates, and the OEB found it necessary to allow parties and OEB staff an opportunity to file submissions on the appropriate effective date for Essex Powerlines' rates.

### **Effective Date**

The OEB issued a letter on January 13, 2017 stating that the OEB expects that distributors that intend to file for rates effective May 1, 2018 on a cost of service basis are expected to file their 2018 rate applications no later than August 28, 2017.<sup>2</sup> Essex Powerlines filed its application on August 28, 2017 for a change to its electricity distribution rates effective May 1, 2018. OEB staff acknowledges that certain procedural matters, such as the issuance of the Notice of Application and Procedural Order No.1, were beyond Essex Powerlines' control. OEB staff also notes that aside from the one week extension requested for the filing of a settlement proposal, Essex Powerlines met all other dates set out by the OEB. The OEB issued an interim rate order on April 26, 2018 declaring Essex Powerlines' rates interim pending the final decision. OEB staff submits that an effective date of May 1, 2018 is reasonable given Essex Powerlines' meeting of the deadlines in this case.

### **Draft Rate Order**

OEB staff has reviewed the calculations of forgone revenue and is satisfied that the total forgone revenue is correctly calculated from May 1, 2018 to September 30, 2018, assuming an October 1, 2018 implementation date. OEB staff has also reviewed the draft rate order filed by Essex Powerlines and, subject to three comments discussed below, is satisfied that Essex Powerlines has appropriately reflected the findings in the Decision and Order and the terms in the settlement agreement.

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<sup>1</sup> EB-2017-0039 Decision and Order, August 23, 2018

<sup>2</sup> Applications for 2018 Electricity Rates, January 13, 2017

First, OEB staff submits that the forgone revenue rider for the Residential customer class should be a fully fixed charge rather than a volumetric charge. The use of a fully fixed charge is consistent with the OEB's residential rate design policy, which provides that "electricity distributors will structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge"<sup>3</sup>. OEB staff also submits that the forgone revenue rate riders should have a sunset date of April 30, 2019 to correspond with Essex Powerlines' next anticipated rate change and to allow Essex Powerlines to collect the forgone revenue during the rate year. If the OEB agrees with the 100% fixed charge approach, then the forgone rate riders will need to be recalculated.

Second, OEB staff notes that the stranded meter rate rider and the deferral and variance account rate riders were calculated based on multiples of 12 month recovery periods but the tariff sheet submitted as part of the draft rate order shows an implementation date of October 1, 2018 and sunset dates ending April 30. With an implementation date of October 1, 2018 those rate riders will result in either under-recovery from, or under-credit to the customer. OEB staff supports a sunset date of April 30 and submits that the riders should be recalculated based on the remaining months from the implementation date.

Finally, OEB staff also notes that the Low Voltage service rates in the proposed tariff sheet do not match the rates agreed to in the settlement proposal<sup>4</sup> and need to be updated.

OEB staff will work with Essex Powerlines to make these corrections to the final corrected tariffs to be provided with Essex Powerlines' reply submission, subject to the OEB's decision.

All of which is respectfully submitted

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<sup>3</sup> EB-2012-0410 *A New Distribution Rate Design for Residential Electricity Customers*, April 2, 2015

<sup>4</sup> EB-2017-0039 Settlement Proposal, April 13, 2018, p. 27