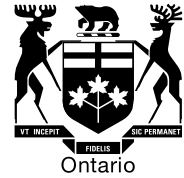


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BY E-MAIL

December 19, 2018

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

Dear Ms. Walli:

**Re: Energy+ Inc. (Energy+)
2019 Cost of Service Application
OEB File Number EB-2018-0028
OEB Staff Submission on Settlement Proposal**

In accordance with Procedural Order No. 6, please find attached OEB staff's submission on the filed settlement proposal for Energy+'s 2019 cost of service application.

Energy+ and all intervenors have been copied on this filing.

Yours truly,

Original Signed By

Shuo Zhang

Advisor, Major Applications

Encl.

2019 COST OF SERVICE APPLICATION

ENERGY+ INC.

EB-2018-0028

**OEB STAFF SUBMISSION ON SETTLEMENT
PROPOSAL**

DECEMBER 19, 2018

INTRODUCTION

Energy+ Inc. (Energy+) filed a complete application with the Ontario Energy Board (OEB) on April 30, 2018 seeking approval for changes to the rates that Energy+ charges for electricity distribution, to be effective January 1, 2019. The parties to the settlement proposal are Energy+ and the following approved intervenors¹ in the proceeding: Consumers Council of Canada (CCC), Hydro One Networks Inc. (HONI), School Energy Coalition (SEC), Toyota Motor Manufacturing Canada Inc. (TMMC), and Vulnerable Energy Consumers Coalition (VECC) (the Parties).

A community meeting was held as part of the proceeding on July 11, 2018. The OEB and Energy+ made presentations at the meeting. A summary of the community meeting was posted to the record of the proceeding. Meeting participants had questions related to the amalgamation of the former Cambridge and North Dumfries Hydro Inc. (CND) and Brant County Power Inc. (BCP), rate harmonization, bill impacts, standby charge, and new office buildings. The questions were of a general nature but OEB staff took into consideration the comments made during the community meeting in reviewing Energy+'s application.

The OEB issued an approved issues list for this proceeding on October 31, 2018. A settlement conference was held from November 7, 2018 to November 9, 2018 and teleconferences were held until December 12, 2018. Energy+ filed a settlement proposal setting out an agreement among all the Parties to the proceeding on December 12, 2018.

The settlement proposal represents a partial settlement. Among the 14 approved issues in the final issues list, this settlement proposal represents five settled issues, three partially settled issues, and six unsettled issues. Energy+, CCC, VECC and SEC have reached a complete or partial settlement on issues related to revenue requirement, load forecast, accounting and effective date. Unless specified in the settlement proposal, HONI and TMMC take no position on any of

¹ Brantford Power Inc. (BPI) is also an approved intervenor in the proceeding. BPI did not participate in the settlement conference.

the settled or partially settled issues. No settlement was reached on issues related to cost allocation and rate design.

If the OEB accepts Energy+ proposals on the unsettled issues, the total bill impact under the filed settlement proposal for a typical residential customer in the CND service area would be an increase of \$6.28 before taxes per month, or an increase of 6.5%. A typical residential customer in the BCP service area would see a decrease of \$0.63 before taxes per month, or a decrease of 0.6%. The distribution portion of the total bill impacts would be a \$2.78 per month increase (11.2%) for CND customers and a \$0.67 per month decrease (2.4%) for BCP customers.

This submission is based on the status of the record as of the filing of Energy+'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 Energy+'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)², the Handbook for Utility Rate Applications³, other applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. OEB staff is satisfied that the Parties considered the issues and outcomes of the RRF in the context of Energy+'s application.

With respect to unsettled issues, OEB staff agrees with Parties that these issues would be most efficiently disposed by way of an oral hearing. OEB staff also agrees that additional discovery on cost allocation, rate design, and the updated evidence (with respect to revised costs for the Southworks Facility and Monthly Billing costs⁴) would be appropriate prior to the start of the oral hearing. A transcribed technical conference would be the most efficient means of conducting this additional discovery.

² Report of the Board on the Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012,

³ Handbook for Utility Rate Applications, October 13, 2016

⁴ Energy+ Update to Evidence, December 13, 2018.

OEB staff supports Parties' agreement on the settled and partially settled issues and provides its submissions on the following issues:

- 1.1 Capital
- 1.2 Operating, Maintenance & Administration (OM&A)
- 2.1 & 2.2 Revenue Requirement
- 3.1 Load Forecast
- 4.1 & 4.2 Accounting
- 5.1 Effective Date

1.1 Capital

As updated through the interrogatory process, Energy+ proposed capital additions of \$11.67 million. In the settlement proposal, parties agreed to capital additions of \$11.38 million for 2019 (a reduction of \$0.3 million from proposed). With the updated 2018 capital expenditures and the agreed capital additions for 2019, the settled 2019 test year rate base is \$173.83 million.

In the context of the settlement proposal, OEB staff does not have concerns with the updated 2019 capital additions and rate base amounts. Energy+ has indicated that these amounts will be sufficient to enable the reliable operation of its system. OEB staff supports the proposal as outlined in the settlement proposal.

Energy+ updated its facilities plan as follows⁵:

- Southworks Facility – revised the Advanced Capital Module (ACM) request of \$7.6 million renovation cost plus \$0.5 million for office furniture and equipment in 2022 (originally proposed for \$4.5 million renovation cost plus \$0.5 million for office furniture and equipment in 2020)
- Garden Avenue Facility – withdrew the request of \$4.4 million capital costs for 2020 ACM funding for this facility in Brantford

⁵ Energy+ Update to Evidence, December 13, 2018, page 4 to 7.

- Dundas Street Facility – withdrew the proposal to dispose of the gain \$0.40 million included in Account 1508 arising from the sale of this property in Paris
- Bishop Street Facility – removed the \$2.0 million renovation costs in 2022 related to this facility in Cambridge, because renovations are planned for a period beyond the existing five year plan, most likely in 2023-2024.
- Thompson Drive Facility – the lease for this facility in Cambridge will be terminated and employees at this location will be relocated to the Southworks Facility in 2022 (originally proposed for 2020).

OEB staff agrees that the revised ACM request for the Southworks Facility (i.e. cost estimate and project schedule) should be explored further in a technical conference. OEB staff also supports the proposal to withdraw the request for 2020 ACM funding for the Garden Avenue Facility in Brantford. Because the Garden Avenue Facility is a shared facility between Energy+ and BPI, OEB staff agrees that it would be more efficient for the OEB to consider the entire facility at the same time in an Incremental Capital Module application. OEB staff has no concerns with the withdrawal of the request to dispose of the gain on the sale of the Dundas Street Facility on the basis that this gain should be considered together with the incremental costs associated with the transition to the Garden Avenue Facility.

OEB staff notes that, although the Garden Avenue Facility is withdrawn as an ACM request in this proceeding, it is still part of Energy+'s overall facilities plan. The Southworks Facility, which will be considered in this proceeding, is also part of the facilities plan. Hence, OEB staff believes that the Southworks Facility should be reviewed within the context of the overall plan, even if some aspects of the facilities plan, i.e. the Garden Avenue Facility, will not be determined in this proceeding.

1.2 OM&A

In the settlement proposal, parties agreed to a 2019 test year OM&A of \$18.21 million, a reduction of \$0.17 million from that proposed in the application as updated through the interrogatory process.

The proposed 2019 test year OM&A of \$18.21 million represents an increase of \$0.82 million over the 2015 actual OM&A of \$17.39 million, or an average increase of 1.2% per year over four years.

OEB staff submits that the proposed 2019 test year OM&A of \$18.21 million represents a reasonable increase from the 2015 actuals and as stated in the settlement proposal, it will allow Energy+ to maintain the safe and reliable operation of its distribution system.

2.1 & 2.2 Revenue Requirement

As outlined in Table 2 – Revenue Requirement Summary in the settlement proposal, parties have agreed to a service revenue requirement of \$36.35 million and a base revenue requirement of \$34.33 million. Energy+ also included an updated Revenue Requirement Work Form to support the requested amounts. These amounts reflect a reduction of \$0.09 million to the service revenue requirement, and a reduction of \$0.24 million to the base revenue requirement.

OEB staff notes that the changes to the revenue requirement are the result of the following factors related to 2019 test year as detailed in the settlement proposal:

- A revised opening rate base
- A reduction to capital additions
- A reduction to OM&A
- An update to working capital and cost of capital using updated parameters for 2019 rates
- An increase to the other revenue to reflect incremental bank interest earned on savings

In the context of the settlement proposal, OEB staff does not have concerns with the 2019 service revenue requirement of \$36.35 million included in the settlement proposal.

3.1 Load Forecast

Subject to any adjustments to reflect the OEB's final determination on unsettled issues (e.g. standby charge), OEB staff supports the agreement of a load

forecast of 1,653,951,480 kWh and a customer forecast of 82,897 as shown in Table 5 of the settlement proposal.

4.1 & 4.2 Accounting

For Group 1 deferral and variance accounts (DVAs), OEB staff notes that accounts balances were accumulated on an individual service territory basis. However, as confirmed by Energy+⁶, disposition of Group 1 DVAs separately in each service territory does not cause a significant difference in the bill impacts (i.e. 3.16% for Waterloo North (an embedded distributor in the CND service territory) and less than 3% for all other classes). OEB staff supports the proposal to dispose of Group 1 DVAs on a harmonized basis.

OEB staff also notes that the disposition of Group 1 DVAs will be on an interim basis per the OEB's letter dated July 20, 2018.

5.1 Effective Date

OEB staff notes that a final decision and rate order is not expected to be issued before the proposed effective date and Energy+ existing rates have been made interim. OEB staff supports Parties' agreement on the effective date of January 1, 2019.

All of which is respectfully submitted

⁶ Energy+ Settlement Proposal, page 35