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February 19, 2019

Delivered by RESS and Courier

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

Dear Ms. Walli:

**Re: Orangeville Hydro Limited (Orangeville Hydro)
2019 IRM Distribution Rate Application
OEB File No. EB-2018-0060
Reply Submissions**

In accordance with Procedural Order #1, please find enclosed the Reply Submissions of Orangeville Hydro Limited.

Yours truly,

Original Signed By

Ruth Tyrrell
Chief Corporate Officer

REPLY SUBMISSIONS
OF
ORANGEVILLE HYDRO LIMITED
FEBRUARY 19, 2019

INTRODUCTION

Orangeville Hydro Limited (Orangeville Hydro) makes these written reply submissions in accordance with the Ontario Energy Board's (the "**OEB's**") Procedural Order No. 1 dated January 18, 2019 in respect of an Application ("**Application**") filed by Orangeville Hydro on September 24, 2018, under Section 78 of the *Ontario Energy Board Act, 1998* ("**OEB Act**") seeking an order of the OEB approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2019. The Board assigned file number EB-2018-0060 to the Application.

These submissions are made in reply to the submissions of OEB staff ("**OEB Staff**").

The Parties made detailed submissions in respect of the following three key topics:

- a) Recovery of July and August 2017 Class A Customer Related Global Adjustment (GA) Amounts from Class B Customers
- b) Group 1 Deferral and Variance Accounts
- c) Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Orangeville Hydro will address the submissions made on each topic in-turn.

Recovery of July and August 2017 Class A Customer Related Global Adjustment (GA) Amounts from Class B Customers

Background

In its original Application, Orangeville Hydro proposed to recover a debit amount of \$385,933 due to an administrative error regarding Class A customers. In 2017, Orangeville Hydro had five customers opt-in as Class A customers by the IESO's June 15th deadline. It was Orangeville Hydro's responsibility to inform the IESO via email by July 1 of any customers that had opted-in to Class A. This email notification was not completed and the IESO was not provided with appropriate information regarding Class A customers until September 2017.

Orangeville Hydro stated that, for the purposes of Global Adjustment (GA) billing, the IESO billed Orangeville Hydro on the consumption of the five customers as if they were Class B until the issue was rectified in September. Hence, for the months of July and August, Orangeville Hydro billed the five

customers at Class A GA rates and was in turn billed by the IESO at Class B GA rates for those five customers. The difference in billing resulted in a debit amount of \$385,933.43 for Orangeville Hydro. Orangeville Hydro subsequently contacted the IESO requesting clarification and an adjustment to consider the five customers as Class A for the months of July and August. Orangeville Hydro received the following response from the IESO:

...the IESO has thoroughly reviewed the matter regarding the Class A retroactivity due to the administrative error during the 2017 Class A opt-in notices and we will not be making retroactive adjustments on the basis of the reported licensed distributor administrative errors for prior periods.

OEB staff submission

In their submissions, OEB staff appreciates that the amount of \$385,933 is significant to Orangeville Hydro and notes that 2017 was Orangeville Hydro's first year with Class A customers. OEB staff also acknowledged that non-recovery of this amount would result in Orangeville Hydro's regulated Return on Equity (ROE) to drop from 10.6% to 6.98% which is not greater than the 300 basis points dead band. OEB staff noted that the \$385,933 relates to a commodity pass-through account that should be revenue neutral for the distributor and should not impact Orangeville Hydro's financial position, but that it is a requirement that the distributor comply with all applicable IESO Market Rules, as is set out in its Electricity Distribution Licence.

OEB staff submits that this issue is a matter of compliance and should be addressed through the OEB's compliance process.

Orangeville Hydro reply submissions

Orangeville Hydro understands that this issue is a matter of compliance. Orangeville Hydro submits that this was an administrative error and there was never intent to not comply with all applicable IESO Market Rules, nor any intent to violate Orangeville Hydro's Electricity Distribution Licence. Orangeville Hydro has an inherent interest in ensuring the work it does is correct and free from errors. Unfortunately, errors will occasionally occur, despite best efforts to prevent them.

Orangeville Hydro would like to reiterate the preferred resolution of this issue is to recover the \$385,933 from the IESO, as the error originated between Orangeville Hydro and the IESO.

Orangeville Hydro is concerned that in 2017, the year that the error took place, the regulated return on equity was 10.6%, which is higher than each of the three previous years. The regulated return on equity for the prior three years of 2014, 2015 and 2016 were, respectively, 9.47%, 6.4% and 8.68%. If the regulated ROE in future years is closer to the ROE achieved in 2014, 2015 or 2016, then this error would likely cause Orangeville Hydro to move outside the 300 basis points dead band.

Orangeville Hydro submits that it does not want to see the customers unjustly penalized for this error, but also believes that Orangeville Hydro should not be financially penalized as this amount relates to a commodity pass through amount that should be revenue neutral for the distributor.

Group 1 Deferral and Variance Accounts

Background

In the Application, the 2017 actual year-end total balance for Orangeville Hydro's Group 1 accounts including interest projected to April 30, 2019 is a debit balance of \$238,066. This amount includes

the under recovery from transitioning Class A customers discussed in the earlier section of this submission. Orangeville Hydro is proposing to dispose this debit amount over a one-year period, beginning in the 2019 rate year. The total disposition includes a credit amount of \$1,107,444 and a debit amount of \$1,324,560 in accounts 1588 and 1589 respectively. Orangeville Hydro advised in an interrogatory response that the large variance is due in part to adjustments made for the true-up for RPP and Non-RPP allocations.

OEB staff submissions

In their submissions, OEB staff noted that Orangeville Hydro had unreconciled differences of over 1% in both 2016 and 2017 in the GA Workform, even after the interrogatory responses. OEB staff were concerned that the true-up adjustments may not be accurate and were of the opinion that it is not appropriate to dispose of Accounts 1588 and Account 1589 at this time. OEB staff recommended that deferral of disposal of all Group 1 accounts should take place, as the total balance excluding Account 1588 and Account 1589 is immaterial.

Orangeville Hydro reply submissions

Orangeville Hydro agrees with OEB staff that it is appropriate at this time to defer disposal of all Group 1 accounts. Further investigation is required on the true-up adjustments to ensure that all amounts are correct before disposal takes place. Orangeville Hydro plans to complete a thorough review of Account 1588 and Account 1589 as well as the settlement process with the IESO. Orangeville Hydro believes this will provide confidence in the disposition values in the next rate submission. Orangeville Hydro has already completed additional verification of the annual true-ups for 2016 and 2017 since the interrogatory response, and has discovered some data inaccuracies which has revealed more accurate true up amounts at this time. Regardless, Orangeville Hydro agrees that a deferral of disposition of Group 1 accounts is appropriate.

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

Background

In the Application, Orangeville Hydro applied for recovery of a debit balance of \$144,109. In response to OEB staff interrogatories, Orangeville Hydro adjusted the principal balance to be recovered based on a revision to the forecasted savings in 2013. Orangeville Hydro also adjusted the carrying charges to June 30, 2019, which resulted in a revised LRAMVA balance of \$185,790.

OEB staff submissions

In their submissions, OEB staff advised that the LRAMVA principal balance has been calculated correctly based on the OEB's CDM-related guidelines and updated LRAMVA policy. With regards to carrying charges, OEB staff submits that projected interest should only be recoverable up to April 30, 2019 to align with the start of the disposition period for the balance in the LRAMVA. Therefore, OEB staff requested that Orangeville Hydro confirm the revised LRAMVA balance with interest calculated up to April 30, 2019 and re-submit a final version of its LRAMVA work form.

Orangeville Hydro reply submissions

Orangeville Hydro submits that the Board should approve the recovery of \$185,068 in lost revenue from 2013 to 2017 associated with conservation activities. Orangeville Hydro has filed an updated LRAMVA workform with this submission.

Conclusion

1. Orangeville Hydro submits that the Board should approve the change to eliminate the volumetric distribution charge for residential customers to complete its transition to a fully fixed monthly distribution charge. Orangeville Hydro agrees that total bill impacts for residential customers do not exceed 10% and therefore no rate mitigation is required. OEB staff did not express concerns with Orangeville Hydro's proposal.
2. Orangeville Hydro accepts the change made by OEB staff to Orangeville Hydro's 2019 IRM Rate Generator Model to update the 2019 inflation factor of 1.5%. The Board should approve the Price Cap IR adjustment to the monthly service charge and volumetric distribution rate arising as a direct result of the Board's IRM rate setting methodology, and updated with the Input Price Index for 2019 rates released by the Board.
3. Orangeville Hydro accepts the change made by OEB staff to the Retail Transmission Service Rates to recover the wholesale transmission rates charged by its host distributor, Hydro One, and the IESO in Orangeville Hydro's 2019 IRM Rate Generator Model.
4. Orangeville Hydro agrees that the approval requested by the OEB to continue charging the following items has already been approved in previous decisions and do not require further approval in this proceeding:
 - Rate Riders and Adders for which the sunset date has not yet been reached
 - Specific Service Charges and Loss Factors
 - Smart Metering Entity Charge
 - MicroFit monthly charge
5. Orangeville Hydro understands that Board staff believes the Class A Global Adjustment error should not be dealt with by way of a rate application at this time. Orangeville Hydro would like to reiterate that it does not want to see the customers unjustly penalized for this error, but also believes that Orangeville Hydro should not be financially penalized as this amount relates to a commodity pass through amount that should be revenue neutral for the distributor.
6. Orangeville Hydro agrees that it is appropriate to defer disposition for all Group 1 deferral and variance accounts. This will provide Orangeville Hydro an additional opportunity to complete a thorough review of internal processes and data accuracy to allow for an accurate submission in the 2020 rate application. Orangeville Hydro will update the IRM 2019 Rate Generator Model if necessary.

7. Orangeville Hydro submits that the Board should approve the recovery of \$185,068 in lost revenue from 2013 to 2017 associated with conservation activities. Orangeville Hydro has filed an updated LRAMVA work form and IRM 2019 Rate Generator Model with this submission.

All of which is respectfully submitted.