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BY E-MAIL

July 9, 2019

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 Draft Rate Order

Please find attached OEB staff's submission on the draft rate order filed by Energy+.

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

Yours truly,

Original Signed By

Shuo Zhang

Project Advisor, Major Applications

Encl.

2019 COST OF SERVICE APPLICATION

ENERGY+ INC.

EB-2018-0028

OEB STAFF SUBMISSION ON DRAFT RATE ORDER

JULY 9, 2019

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.

On June 27, 2019, Energy+ filed a draft rate order (DRO) pursuant to the Decision and Order (Decision) dated June 13, 2019.

OEB staff finds it necessary to make submissions on the following five items and has no other concerns with the DRO beyond those set out below.

1. Gross Load Billing for Retail Transmission Service Rates
2. Cost Allocation Model
3. Lost Revenue Adjustment Mechanism Variance Account
4. Disposition of Deferral and Variance Accounts
5. Foregone Revenue Rate Rider

1. Gross Load Billing for Retail Transmission Service Rates (RTSRs)

a. Billing determinant for GS>1000 to 4999 kW class for the calculation of RTSRs

Background

To reflect the OEB's decision on the standby charge proposal, Energy+ adjusted the load forecast for GS>50 to 999 kW, GS>1000 to 4999 kW, and the Large Use classes to remove the standby adjustments related to the load displacement generation (LDG).[1]

For the calculation of RTSR connection rates, Energy+ added 74,376 kW to the Large Use class to reflect OEB's decision on gross load billing for RTSRs.

Discussion and Submission

[1] DRO, page 20, Table 11.

OEB staff notes that there is an adjustment of 6,409 kW to the GS>50 to 999 kW class for the calculation of RTSR connection rate. OEB staff requests Energy+ to explain the nature of this adjustment.

OEB staff also notes that there is no adjustment to the GS>1000 to 4999 kW class for the calculation of RTSR connection rate. However, the removal of the standby adjustment in the GS>1000 to 4999 kW class indicated that there will be LDG(s) in the 2019 test year. OEB staff requests Energy+ to explain whether or not an adjustment to the RTSR connection load determinant is required.

b. Wording changes in the Tariff of Rates and Charges

Background

Energy+ proposed wording in its Tariff of Rates and Charges to reflect the OEB's decision on the gross load billing for RTSRs as follows:

> *The Billing Demand for Line and Transformation Connection Services and Low Voltage Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss adjusted demand supplied from the distribution system plus (b) the demand that is supplied by embedded generation installed after October 30, 1998, which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for loss.*

Discussion and Submission

OEB staff submits that "Low Voltage Services" should be removed because Energy+ is not charged on a gross load basis by its host distributors for sub-transmission charges,[2] and the Decision only applies to gross load billing for the Retail Transmission Rate – Line and Transformation Connection Service Charge.[3]

2. Cost Allocation Model

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[2] VECC-TCQ-79.

[3] Decision, dated June 18, 2019, page 34.

Background

Energy+ provided an updated Cost Allocation model with several revisions pursuant to the Decision. Included in these revisions on sheet I6.2 cell I17 is a change in the number of bills issued to the Large Use class annually from 24 to 48.

Discussion and Submission

OEB staff does not understand the reason for the change to 48 bills. It appears that two customers in the Large Use rate class, being billed on a monthly basis, would require 24 bills per year.

OEB staff submits that absent a reason for changing the annual bill count to 48, this should be revised to 24 bills.

3. Lost Revenue Adjustment Mechanism Variance Account

Background

Energy+ proposes to dispose of a total Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) debit balance of $1,566,612 with projected interest amounts calculated up to July 31, 2019. The LRAMVA balance has been allocated by rate class, on a harmonized basis, in Tab 4 of the DVA continuity schedule. The rate riders were determined in Tab 7 of the DVA continuity schedule.

Discussion and Submission

OEB staff submits that the calculation of projected interest on the LRAMVA balance is consistent with the updated calculation of Group 1 and 2 balances. Based on OEB staff's review of the disposition of the $1,566,612 balance on a harmonized basis, it appears the rate class allocations shown in the DVA continuity schedule are not consistent with the rate class allocations combined for the two rate zones. It appears that a larger LRAMVA balance has been allocated to the GS>1000-4999 kW and street lighting classes based on the harmonized approach, as opposed to the rate class specific allocations shown in the LRAMVA workform.

OEB staff requests that Energy+ clarify whether or not the LRAMVA rate riders based on the harmonized approach are accurate for all rate classes, and provide a revised DVA continuity schedule to align with the balances in the LRAMVA workforms, as appropriate.

4. Disposition of Deferral and Variance Accounts (DVAs)

Background

In the DRO, Energy+ proposed to dispose of all DVAs over a 5-month period to align with the rate year ending December 31, 2019. Energy+'s proposal was based on the following reasons[4]:

- Disposing all DVAs over a 5-month period is consistent with revenues that would have otherwise been billed from January 1, 2019 to December 31, 2019.
- The timing of the completion of the DVA riders would correspond to the beginning of Energy+'s next rate application, the 2020 IRM application.
- Because the DVA riders represent a small portion of each customer's total bill, the impact of calculating DVA riders over 5 months instead of 12 is immaterial. For example, for a typical low volume residential customer, there is only 0.3% increase in the total bill (excluding foregone revenue rider) if DVAs were disposed over 5 months instead of 12.[5]
- Disposing all DVAs over 5 months instead of 12 will be less confusing for customers and it will result in improved efficiencies for Energy+'s billing and customer care department.

Discussion and Submission

OEB staff submits that the proposal to dispose all DVAs over 5 months instead of 12 is reasonable considering all reasons stated by Energy+.

5. Foregone Revenue Rate Rider

Background

Energy+ has computed a foregone distribution revenue amount of $596,225 for the period January 1, 2019 to July 31, 2019. The foregone revenue was calculated as the difference between revenues under the approved interim distribution rates and revenues that would have been billed at the new distribution rates. Energy+ used the approved 2019 load forecast for the calculation of foregone revenue.

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[4] DRO, pp. 29-30.

[5] DRO, page 30, Table 14.

Energy+ proposed to dispose the foregone revenue over a 5-month period to recover revenues from the rate rider in the calendar year in which the revenue was foregone.

Discussion and Submission

OEB staff notes that including the foregone revenue rider, the total bill impact for a typical residential customer would be a 10.4% increase. For a typical low volume residential customer, the total bill increase would be 21.3%.[6] OEB staff understands that recovering foregone revenue over 5 months would avoid multiple implementations in 2020 and be easier for customers to understand the changes. However, as required in Chapter 2 of the Filing Requirements, a distributor must file a mitigation plan if total bill increases for any customer class exceed 10%.[7] OEB staff requests Energy+ to propose a mitigation plan for the OEB's consideration. OEB staff estimated that recovering the foregone revenue over 17 months will address the quanta of the impacts for all classes except low volume residential class. OEB staff also notes that this option will address the timing of rate changes. OEB staff requests Energy+ to provide the length of time required to lower the bill impact for a low volume residential customer under 10%.

All of which is respectfully submitted

[6] DRO, page 36, Table 17.

[7] Filing Requirements For Electricity Distribution Rate Applications, Chapter 2, Cost of Service, July 12, 2018, page 59.