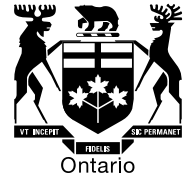


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**BY EMAIL**

November 7, 2019

Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: Oakville Hydro Electricity Distribution Inc. (Oakville Hydro)  
EB-2019-0059 Application for 2020 Rates**

In accordance with Procedural Order No. 2, please find attached OEB staff's submission in the above proceeding.

Oakville Hydro and all intervenors have been copied on this filing.

Oakville Hydro is reminded that its Reply Submission is due on November 21, 2019

Yours truly,

*Original Signed By*

Marc Abramovitz  
Rates Advisor, Incentive Rate Setting & Regulatory Accounting

Encl.

# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION ON IRM ELEMENTS**

### **2020 ELECTRICITY DISTRIBUTION RATES**

**Oakville Hydro Electricity Distribution Inc.**

**EB-2019-0059**

**November 7, 2019**

**OEB Staff Submission on IRM Elements  
Oakville Hydro Electricity Distribution Inc.  
2020 IRM Rate Application  
EB-2019-0059**

## **Introduction**

Oakville Hydro Electricity Distribution Inc. (Oakville Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 12, 2019 under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that Oakville Hydro charges for electricity distribution, effective January 1, 2020.

In Procedural Order No. 2, dated September 27, 2019, the OEB determined that it will process the standard IRM elements of the application separate from the request for incremental capital module (ICM) funding. In accordance with Procedural Order No. 2, Oakville Hydro filed responses to interrogatories on October 18, 2019. This document provides OEB staff's submissions on the IRM elements of Oakville Hydro's application.

Consistent with the Chapter 3 Filing Requirements, Oakville Hydro applied the Price Cap IR adjustment factor to adjust the monthly service charge and volumetric distribution rate. OEB staff has no concern with Oakville Hydro's proposed price cap adjustment.

Oakville Hydro completed its transition to a fully fixed monthly distribution charge as part of its 2019 rate-setting process.

OEB staff makes detailed submissions on the following:

- Retail Transmission Service Rates (RTSRs)
- Shared Tax Adjustment
- Review of Balances in Accounts 1588 and 1589
- Request for Disposing of Account 1568 LRAMVA

## **Retail Transmission Service Rates**

Oakville Hydro requests an update to its RTSRs to recover the wholesale transmission rates charged by the IESO and its host distributor, Hydro One Networks Inc.

OEB staff notes that RTSRs are increasing in the range of 4-6% from the levels approved in the 2019 rate-setting process, depending on the rate class. In response to OEB staff interrogatories, Oakville Hydro noted that the increase was due to the increases in the approved IESO Uniform Transmission Rates (UTR) and Hydro One Sub-transmission Rates. The changes in rates can be found in Table 1 and 2 below:

**Table 1 - IESO Uniform Transmission Rates**

IESO Uniform Transmission Rates	Unit	2019 Rate Generator Model	2020 Rate Generator Model	% Change
Rate Description		2019 Rate	2020 Rate	
Network Service Rate	kW	\$ 3.61	\$ 3.83	6%
Line Connection Service Rate	kW	\$ 0.95	\$ 0.96	1%
Transformation Connection Service Rate	kW	\$ 2.34	\$ 2.30	-2%

**Table 2 - Hydro One Sub-Transmission Rates**

Hydro One Sub-Transmission Rates	Unit	2019 Rate Generator Model	2020 Rate Generator Model	% Change
Rate Description		2019 Rate	2020 Rate	
Network Service Rate	kW	\$ 3.1942	\$ 3.2915	3%
Line Connection Service Rate	kW	\$ 0.7710	\$ 0.7877	2%
Transformation Connection Service Rate	kW	\$ 1.7493	\$ 1.9755	13%
Both Line and Transformation Connection Service Rate	kW	\$ 2.5203	\$ 2.7632	10%

The increases to IESO UTRs and Hydro One Sub-Transmission Rates are not in Oakville Hydro's control and OEB staff takes no issue with the proposed increases. If the OEB issues an order updating current UTRs or Hydro One Sub-Transmission rates prior to the Decision and Order in this current proceeding then, at that time, OEB staff will update Oakville Hydro's IRM rate generator model.

## **Shared Tax Adjustment**

In any adjustment year of a Price Cap IR term, a change in legislation may result in a change to the amount of taxes payable by a distributor. For IRM applications, the OEB has long held that a 50/50 sharing of the impact of legislated tax changes between shareholders and ratepayers is appropriate in these situations. The shared tax change amount, whether in the form of a credit or a debit, will be assigned to customer rate classes in the same proportions as the OEB-approved distribution revenue by rate class from a distributor's last cost of service proceeding.

Oakville Hydro has identified a total tax change of \$29,206, resulting in a shared amount of \$14,603 to be collected from rate payers. Since the allocated tax sharing amount does not produce a rate rider in one or more rate classes, Oakville Hydro has requested that the shared amount be transferred to Account 1595 for disposition at a later date. OEB staff notes that Oakville Hydro's request is aligned with the OEB's Chapter 3 Filing requirements<sup>1</sup> and takes no issue with Oakville Hydro's request.

### **Review of Balances in Accounts 1588 and 1589**

In its application, Oakville Hydro requests no disposition of its 2018 Group 1 Deferral and Variance Account (DVA) balances as the disposition threshold of \$0.001/kWh was not met.

Oakville Hydro's 2016 and 2017 balances were approved for disposition on an interim basis in its 2019 IRM application.<sup>2</sup> The approved 2016 and 2017 balances included adjustments that were identified as a result of an OEB Audit and Investigation inspection.<sup>3</sup> In the current application, Oakville Hydro indicated that it will review its 2016, 2017 and 2018 balances in the context of the new accounting guidance<sup>4</sup> prior to requesting final disposition.<sup>5</sup> Oakville Hydro plans to review the balances with the assistance of an external audit firm that will review its RPP settlement process as part of its year-end process<sup>6</sup>.

OEB staff agrees that Oakville Hydro should not be disposing of its 2016, 2017 or 2018 balances in the current application given that Oakville Hydro has not completed its review of the account balances. OEB staff has reviewed the evidence Oakville Hydro submitted in this application on the implementation of the new accounting guidance to date and will be available to Oakville Hydro in order to provide feedback before Oakville Hydro files its next application.

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<sup>1</sup> Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition, Chapter 3, Section 3.2.7

<sup>2</sup> EB-2018-0059 Decision and Rate Order, January 7, 2019

<sup>3</sup> The scope of the audit inspection included 1) settlement of RPP and embedded generation variances with the IESO and 2) Allocation of the global adjustment between Accounts 1588 and 1589

<sup>4</sup> Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019

<sup>5</sup> 2020 Distribution Rate Adjustment Application EB-2019-0059, page 7

<sup>6</sup> Response to Staff Question 4cii

## Request for Disposition of Account 1568 LRAMVA

Oakville Hydro applied to dispose of a debit balance of \$1,314,558 in lost revenues associated with conservation activities in 2017 and 2018, persisting savings from 2011 to 2016 in 2017, persisting savings from 2011 to 2017 in 2018, and projected carrying charges to December 31, 2019. Oakville Hydro filed the 2019 Participation & Cost (P&C) report in support of its 2018 unverified program savings, along with supporting documentation from the CDM-IS reports to substantiate the 2018 savings for the High Performance New Construction program which was not included in the P&C report. Oakville Hydro proposes the disposition of the LRAMVA balance over 24 months to align with the number of years being claimed (i.e. disposition over two years to clear 2017 and 2018 program activity) and to mitigate bill impacts.

In response to OEB staff interrogatories, Oakville Hydro made several updates that decreased the LRAMVA balance.<sup>7</sup> These updates include the removal of energy savings from the Toronto Hydro Swimming Pool Efficiency Program, which were initially consolidated with the Swimming Pool Efficiency Program in the 2019 P&C report; the removal of street light demand savings that resulted from customer growth; and the removal of energy savings associated with street light upgrades in the 2017 and 2018 saveOnEnergy retrofit program. The net result of these changes is a decrease to the balance by \$34,449 to a revised LRAMVA debit amount of \$1,280,109.

OEB staff agrees with Oakville Hydro's updated calculation of the LRAMVA in response to OEB staff interrogatories and submits that the revised LRAMVA debit of \$1,280,109 has been calculated in accordance with OEB policy and the Addendum to the Chapter 3 Filing Requirements<sup>8</sup>.

OEB staff notes that Oakville Hydro's proposal to dispose of its LRAMVA over a period of 24 months can result in a paced recovery of the lost revenues over the next two years. Table 3 below identifies the total bill impacts based on proposed rates, and compares the default 12 month recovery period with the proposed 24 month recovery period.

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<sup>7</sup> Response to Staff Questions #10 and 11

<sup>8</sup> OEB's *Addendum to Filing Requirements for Electricity Distribution Rate Applications – 2020 Rates* (the 2020 Filing Requirements Addendum), Section 3.2.6

Table 3

Rate Class	Account 1568 Rate Rider (12 month disposition)	Total Bill Impact	% chg	Account 1568 Rate Rider (24 month disposition)	Total Bill Impact	% chg
RESIDENTIAL SERVICE CLASSIFICATION	\$ 0.0007	\$2.97	2.64%	\$ 0.0004	\$2.73	2.40%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	\$ 0.0026	\$4.64	1.58%	\$ 0.0013	\$1.91	0.60%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	\$ 0.2110	(\$464.35)	-1.40%	\$ 0.1055	(\$523.96)	-1.60%
GENERAL SERVICE 1,000 KW AND GREATER SERVICE CLASSIFICATION	\$ 0.0372	(\$2,833.77)	-1.76%	\$ 0.0186	(\$2,880.01)	-1.80%
STREET LIGHTING SERVICE CLASSIFICATION	\$ 3.4201	\$2,174.73	3.98%	\$ 1.7101	\$1,247.22	2.30%

Table 3 shows that for a 12 month recovery period no class is forecast to be impacted by more than 4% on a total bill basis, and so all classes are well below the 10% threshold that would trigger a consideration of rate mitigation. OEB staff is not convinced that there is any need for rate mitigation. Absent further explanation from Oakville Hydro in its reply submission as to why a 24 month period should be implemented, OEB staff recommends that the LRAMVA balance continue to be disposed of over the default period of 12 months. This would also avoid additional carrying charges levied on ratepayers.

All of which is respectfully submitted.