



BY EMAIL and RESS

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2300 Yonge Street
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October 20, 2020
Our File: EB20190261

Attn: Christine Long, Registrar & Board Secretary

Dear Ms. Long:

Re: EB-2019-0261 – Hydro Ottawa Limited 2021-2025 – Submissions on Fixed Charge Issue

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 8, these are SEC’s submissions on the unsettled issue of the appropriateness of Hydro Ottawa Limited’s (“Hydro Ottawa”) proposed monthly fixed charge for certain rate classes for 2021 through 2025 (included as part of Issue 7.3).

Background

As part of its rate design, Hydro Ottawa proposes that for each of its GS>50, GS>1500 and Large User classes, the fixed charge in 2021 be maintained at the 2020 level, which based on the Cost Allocation Model (“CAM”), are all above the Board’s ceiling.¹ For 2022 through 2025, Hydro Ottawa proposes to adjust the fixed charge each year so as to recover the additional allocated approved revenue requirement, unless it would result in a reduction due to changes in the customer or demand forecast. In those situations (GS>1500 class in 2024-2025, and the Large User class in 2023-2025), Hydro Ottawa proposes to hold the fixed charge constant for the relevant years in which it would otherwise decrease.²

Board Policy

The Board’s fixed charge ceiling is the Minimum System with Peak Load Carrying Capacity (PLCC) adjustment that is calculated in the CAM. The calculation is based on utility specific inputs to a theoretical model that is intended to reflect the cost of the distribution system allocated to each customer of a given class without any capacity. As the Board has previously noted, “[t]he ceiling is based on the calculated cost for a basic system to provide electricity to an individual customer in any

¹ Exhibit 8, p.5,8; Argument-in-Chief, p.6

² *Ibid*

given class, irrespective of the amount of electricity consumed.”³ The capacity component is supposed to be recovered through the variable demand charge.

SEC believes that proper rate design should require that a distributor’s fixed charges be no higher than the Board’s ceiling, but we accept that the Board policy and previous decisions have indicated otherwise. While a distributor is not required to adjust the fixed charge downwards when it is higher than the Board’s ceiling, it must also not exacerbate the issue by further increasing it. The policy is best reflected in section 2.8.1 of the Board’s Filing Requirements:

If a distributor’s current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class.⁴

The Board has confirmed this policy in its decision in EB-2013-0116, where it rejected the request by a distributor to increase the fixed charge which was already above the Board ceiling, and in EB-2014-0074, where it rejected a request from SEC to reduce the fixed charge to the Board ceiling.⁵

Hydro Ottawa’s Application of Board Policy

SEC has two concerns with Hydro Ottawa’s application of the Board policy.

First, in the context of a five year Custom IR application in which rates are being adjusted annually not through a price cap type adjustment, but through application of changes in the approved revenue requirement, a policy of not increasing the fixed charge when it is above the Board ceiling should be applied to the entire term, and not just the initial year. For Hydro Ottawa, this would result in it maintaining the currently approved fixed charge for each year it is above the Board ceiling between 2021 through 2025, not just in 2021. Considering that the fixed charge is significantly above the ceiling for each of the classes at issue⁶, this would allow over the five years a small, but important, natural reduction in the gap. For example, for the GS>50 class which includes many SEC member schools, where the 2021 Board ceiling is \$76.46⁷, this would result in the currently approved 2020 fixed charge of \$200 remaining in place for each year of the Custom IR plan, instead of the proposal to have the amount increase beginning in 2022 until it reaches \$219.54 in 2025.⁸

Second, even if the Board allows Hydro Ottawa to adjust the fixed charge for classes when above the ceiling in years 2 through 5 of the Custom IR term, it should reject the proposal to maintain the fixed charge in years that would otherwise result in a reduction.⁹ While distributors are not required to reduce the fixed charge if it is above the Board ceiling, the intent of Board policy is surely not to allow a distributor to artificially *increase* the fixed charge, as Hydro Ottawa is proposing for certain years for

³ [Decision and Order](#) (EB-2014-0073 – Festival Hydro Inc), April 30, 2015, p.17

⁴ [Filing Requirements For Electricity Distribution Rate Applications - 2020 Edition for 2021 Rate Applications](#), Chapter 2 - Cost of Service, p.54

⁵ [Decision and Order](#) (EB-2013-0116 – Cambridge and North Dumfries Hydro Inc.), August 14, 2014, p.10-11; [Decision and Order](#) (EB-2014-0073 – Festival Hydro Inc), April 30, 2015, p.17

⁶ In 2021 the amounts are 162% above the ceiling for GS>50, 1033% for GS>1500, and 3,2411% for the Large User class. See Hydro Ottawa Argument-in-Chief, p.8-9, Tables 1-3

⁷ HOL_SP Attachment 18_OEBWorkform_CostAllocationModel_NewModel_20200918, Sheet ‘O2’

⁸ Exhibit 8, p.5,8; HOL_SP Attachment 21_HOL_Bill_Impacts_Model_2021_2025_20200918, Sheet ‘2025’

⁹ Exhibit 8, p.8; Argument-in-Chief, p.6

its GS>1500 and Large User class by freezing the amount.¹⁰ Hydro Ottawa’s proposal is unfair to those customers who should get the benefit of the natural reduction of the fixed charge, that is derived by Hydro Ottawa’s approach to rate adjustments caused by the increase in customer count and demand classes.

Further Comments

SEC wishes to briefly address Hydro Ottawa’s comments at paragraphs 26 and 27 of its Argument-in-Chief, in which it appears to attempt to draw a parallel between the changes to rate design for residential customers (i.e. a move to fully fixed distribution rates) with what the Board may do in the on-going consultation to review commercial and industrial rate design (EB-2015-0043).¹¹ Hydro Ottawa makes these comments to bolster its view that the above the ceiling fixed charge is appropriate. While the commercial and industrial rate design consultation is on-going, the most recent Board Staff Report appears to indicate the latest thinking on the issue is that there should be no changes to the rate design for most of these customers. The Report recommends that for customers in GS>50 and above classes, “[b]ased on the feedback and further research, staff are now proposing that there be no change to the underlying rate classes, basis for fixed charge, or rate design and allocations for these customers.”[emphasis added]¹²

Summary

SEC submits the Board should adopt the fixed charges for years 2021 through 2025 outlined in the table below, which addresses the issues identified with Hydro Ottawa’s interpretation of Board policy as discussed in these submissions.

		2020 (Approved)	OEB Ceiling	2021	2022	2023	2024	2024
GS>50	Hydro Ottawa Proposal	\$200.00	\$76.46	\$200.00	\$208.20	\$215.31	\$218.45	\$219.54
	SEC Position			\$200.00	\$200.00	\$200.00	\$200.00	\$200.00
GS>1500	Hydro Ottawa Proposal	\$4,193.93	\$370.17	\$4,193.93	\$4,228.35	\$4,239.79	\$4,176.14	\$4,176.14
	SEC Position			\$4,193.93	\$4,193.93	\$4,193.93	\$4,176.14	Unknown
Large User	Hydro Ottawa Proposal	\$15,231.32	\$455.91	\$15,231.32	\$15,287.33	\$15,265.28	\$15,265.28	\$15,265.28
	SEC Position			\$15,231.32	\$15,231.32	\$15,231.32	Unknown	Unknown

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Wayne McNally, SEC (by email)
 Applicant and intervenors (by email)

¹⁰ At this time the specific amounts are unknown to SEC as Hydro Ottawa has not provided alternative fixed charges for these years where there is a natural reduction based on the approved Settlement Proposal. SEC requests Hydro Ottawa provide these amounts in its Reply Argument.

¹¹ Hydro Ottawa Argument-in-Chief, p.11

¹² [Staff Report to the Board: Rate Design for Commercial and Industrial Electricity Customers - Rates to Support an Evolving Energy Sector](#) (EB-2015-0043), February 21, 2019, p.26