PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

April 26, 2021 **VIA E-MAIL**

Christine E. Long
Registrar
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

Re: EB-2021-0074 – Kitchener-Wilmot Hydro Inc. (KWHI) 2021 RTSR Application
Submission of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached VECC's submission in the above referenced proceeding, pursuant to Procedural Order No. 2.

Yours truly,

William Harper
Consultant for VECC/PIAC

Email copy:
Ms. Margaret Nanninga
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PUBLIC INTEREST ADVOCACY CENTRE
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Kitchener-Wilmot Hydro Inc.

Application for a change in retail transmission service rates effective January 1, 2021

EB-2021-0074

Submission
of the
Vulnerable Energy Consumers Coalition
(VECC)

April 26, 2021

Vulnerable Energy Consumers Coalition

Public Interest Advocacy Centre
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1. Introduction

On November 27, 2020, the IESO informed Kitchener-Wilmot Hydro Inc. ("KWHI") that one of KWHI's meters had been originally entered into the IESO's system incorrectly with an end date of June 8th, 2015. Since that date, KWHI has not been charged network service charges for one delivery point and correspondingly, KWHI has also not charged its customers for these network service charges. The IESO has reset the end date for the affected meter with the result that, effective December 1, 2020, KWHI has been paying an additional $80,000 to $100,000 per month in Network Service Charges.

On December 20, 2020 Kitchener-Wilmot Hydro Inc. ("KWHI") advised the Ontario Energy Board of the historical error and noted that there are two issues arising as a result. One is the payment to the IESO and collection from customers of amounts not collected since June 2015 and the second is that the Retail Transmission Rate – Network Service approved by the Board in EB-2020-0035 for 2021 is insufficient to cover the additional charges that will be incurred. The OEB subsequently[1] advised KWHI to have this matter addressed within its 2022 IRM application provided that at that time it could explain and quantify the nature of the impacts with supporting evidence. However, the OEB also noted that if KWHI did not feel it prudent to wait for this matter to be addressed in its 2022 IRM application, it may choose to file a standalone application explaining its circumstances at any time.

In its December 20, 2020 letter KWHI noted that the eventual payment of the amounts owed to the IESO since June 2015 will have an impact on KWHI's cash flow. KWHI further noted that as the Network charges from the IESO are a "pass through charge" the eventual payment to the IESO will result in a significant regulatory asset (attributable to Account 1584) that will eventually need to be recovered from its ratepayers. Furthermore the amount in Account 1584 will continue to increase every month as the result of the insufficient Retail Transmission Service Rates ("RTSRs") in place for 2021.

In order to minimize the variance that will accumulate in Account 1584 during 2021, on January 26, 2021 KWHI filed an application with the OEB seeking to revise its approved 2021 Retail Transmission Service Rates so as to incorporate in their determination the

[1] Letter dated December 21, 2020

missing network charge billing data. At the same time, KWHI has also updated[2] the calculation using the approved[3] 2021 Uniform Transmission Rates ("UTRs"). In its Application KWHI notes that use of the approved 2021 UTRs will also serve to mitigate what will be substantial variances in Account 1584. KWHI intends to apply for the true up of historical years missed (2015 through 2020) and its 2021 current charges as part of its 2022 IRM application.

2. VECC's Submissions

Genesis of the Error

The interrogatory responses provided information regarding the genesis of the error which the IESO has acknowledged was result of former manual processes regarding the entry of the "end dates" for network delivery points in its systems. The IESO also notes that these systems have since been updated and automated[4]. When asked about the previous processes for setting and reviewing the "end dates", the IESO's responses were:

- *"Prior to the implementation of the current automated process in 2019, a manual process was utilized to set the end date. Under this manual process, the IESO would receive a request from a transmitter (e.g. via email) to create a business role associated to a network delivery point, including setting the business role end date, and the IESO would update its systems to reflect the transmitter's request. Following the completion of the request, the IESO notified the transmitter that the update had been completed."*[5] (Emphasis Added)
- *"As a transmission customer, Kitchener-Wilmot Hydro Inc. does not have a role in setting the end date for the transmitter business role for the network delivery point".*[6]
- *Under the IESO's former manual processes, which is no longer used, the IESO created and updated business roles associated with a network delivery point, which may have included setting an end date, as directed by transmitters. Following the*

[2] The 2021 UTRs were approved subsequent to the approval of KWHI's current 2021 RTSRs.
[3] EB-2020-0251
[4] Staff 1 a), b) & c)
[5] Staff 1 b) i)
[6] Staff 1 b) ii)

implementation of a change directed by a transmitter, the IESO notified the transmitter that the change was complete and <u>the transmitter was able to see the change reflected on its invoices</u>."[7] (Emphasis Added)

In its December 20, 2020 letter the OEB KWHI noted that it "was not in control of this error". However, in VECC's view, the responses provided by the IESO leave some uncertainty as to the control KWHI had over the error. First the responses are somewhat ambiguous as to whether the transmitter's request to create a business role associated to a network delivery point includes a requested "business role end date". While the second response suggests the transmitter has no role in setting the date, the first quote is not clear as to whether the initial request from the transmitter includes a requested "end date" and the third quote similarly suggests that the transmitter may have a role in setting the end date. Furthermore, even if the "end date" problem was a result of the value being input incorrectly by the IESO into its systems, the third quote indicates the changes made are reflected on the transmitter's invoices. What is not clear is whether the "changes" reflected on transmitter's invoices would include the "end date" associated with the delivery points such that the transmitter would be alerted to any potential input errors. Furthermore, it is not clear whether invoices from the IESO identify the delivery points included in the bill, which, if the case, should have alerted KWHI to fact there was a delivery point missing.

VECC submits that while these issues are not necessarily relevant in the consideration of KWHI's current Application for revised 2021 RTSRs they may have relevance in the consideration of KWHI's future application for recovery of the true-up for the historical years missed.

Appropriateness of Current Application

VECC supports KWHI's application to revise its 2021 RTSRs in order to incorporate the missing 2019 network charge billing data. VECC also supports KWHI's proposal to update the UTRs used in the calculation to reflect the approved values for 2021. VECC notes that, based on the historical under billing between since June 2015 and November 2020, the total amount payable by KWHI to the IESO due to the historical

[7] Staff 1 c)

missing data points will be in the order of $6 M[8]. Furthermore, if the 2021 RTSRs are not revised and the UTRs used not updated, this could add another $3.6M to Account 1584[9].

VECC notes that in its Application KWHI has also updated the 2021Retail Transmission Rate – Line and Transformation Connection Service Rate to reflect the approved 2021 Line Connection Service Rate of $0.77 per kW. VECC supports this update as well. Using the approved 2021 Line Connection Service Rate will reduce the variance recorded in Account 1586 for 2021. Also, since the 2021 Line Connection Service Rate is less than the 2020 value of $0.97 per kW, this update will help to offset some of the bill impact associated with the increase in the Retail Transmission Rate – Network Service Rate.

Revised RTSR Calculations

VECC has reviewed the revised inputs (i.e., UTR values and IESO billing determinants) used by KWHI in the RTSR related tabs of the 2021 IRM Rate Generator (version 1.0) and submits that the update has been calculated appropriately.

Bill Impacts

The following table compares the total bill impacts for each customer class as result of KWHI's initial 2021 IRM Application inclusive of the all changes (i.e., distribution rates, rate riders and RTSRs) with the bill impacts for 2021 resulting revised RTSRs (along with the distribution rates and rate riders already approved for 2021).

[8] Staff 2 a) – Appendix A
[9] VECC 1 b)

RATE CLASSES	Total Bill Change (1)		Total Bill Change (2)	
	(EB-2020-0035)		(EB-2021-0074)	
	$	%	$	%
RESIDENTIAL - RPP	- 0.00	0.00%	0.93	0.87%
GENERAL SERVICE LESS THAN 50 KW - RPP	0.60	0.22%	2.75	0.99%
GENERAL SERVICE 50 to 4,999 kW - Non-RPP (Other)	88.16	2.18%	134.94	3.33%
LARGE USE - Non-RPP (Other)	- 1,515.45	-0.31%	2,331.18	0.48%
UNMETERED SCATTERED LOAD - RPP	- 0.52	-0.20%	1.62	0.62%
STREET LIGHTING - Non-RPP (Other)	66.80	11.78%	70.12	12.36%
EMBEDDED DISTRIBUTOR - Non-RPP (Other)	- 582.94	-0.21%	2,062.88	8.29%
Sources: 1) EB-2020-0035, 2021 IRM Generator Model, Tab 20				
2) EB-2021-0074, Revised 2021 IRM Generator Model, Tab 20				

For most customer classes the change in bill impacts is less than one percent. The significant increase in bill impacts for the Embedded Distributor class is due to the fact the KWHI bill for this class' customers does not include commodity costs and, as a result, the RTSR charges are a significant portion (over 50%) of the total bill.

Also of note is the fact that the updating of the UTRs used in the revised calculations is a major contributor to the change in bill impacts. For example, VECC estimates that in the case of the Residential class simply updating the UTRS used to the approved 2021 values would have changed the bill impact from 0% to 0.46%. In VECC's view, this further supports the need to update the RTSRs for both the historical data error and the 2021 approved UTR if the objective is to mitigate the size of the variance that will be captured in Account 1584.

Effective Date

In its Application, KWHI has requested an effective date of February 1, 2021[10]. However, the Final Tariff Sheet[11] provided in the Revised 2021 IRM Generator Model sets the effective date as of January 1, 2021 as does KWHI's Argument-in-Chief[12]. Given the schedule for the current proceeding the actual implementation date will likely be sometime after May 1, 2021 such that adoption of either of these dates as the "effective date" would likely give rise to need for a lost revenue rate rider. In VECC's view this would be an unnecessary complication, particularly since the related costs are

[10] Cover page of Application
[11] Tab 19
[12] Page 1

a “pass through” and variances are tracked in a regulatory account. Furthermore, adoption of either of these effective dates would require KWHI’s current 2021 RTSRs to have been made “interim” on or before the proposed effective date and, to VECC’s knowledge, this has not occurred. As a result, VECC submits that the effective date should be set so as to align with the implementation date. In its reply submissions, KWHI may wish to advise the OEB as to the impact the Decision date will have on the timing of the implementation of the revised RTSRs.

Recovery of Historical Underpayment and Future UTRs

KWHI has indicated that it intends to seek recover of the amounts owing to the IESO related to its historical underpayment of Network Service charges for the period June 2015 to November 2020 as part of its 2022 IRM Application. It is not clear whether the IESO has already invoiced KWHI for this amount or when the amounts are payable. However, VECC would expect KWHI’s application for recovery to be supported by the related IESO invoices.

Also, in the interrogatory responses the IESO indicated that “*the potential overall impact of the uncharged transmission services charges in respect of the network delivery point at Kitchener MTS 9 facility would be a very slightly higher overall UTR rate charged to all transmission customers (except Kitchener MTS 9)*”[13]. In the same response the IESO also states: “*The impact of this amount relative to the total amount of UTR rates payable would be extremely low and there is potentially no impact to UTR rates as a result of rounding to two decimal points*”. VECC notes that while this may have been the case for each individual year (2015-2020) the cumulative amount owing by KWHI for the historical error may well be sufficiently large to impact the Network Service Charge. Indeed based on the 2021 Network Service revenue requirement ($1,117.8 M[14]) it would appear that the roughly $6 M owing from KWHI would be sufficient to impact the Network Service charge.

[13] VECC 6 b)

[14] EB-2020-0251 Decision and Rate Order, Schedule A. It should be noted that this value includes a portion of the over $34 M attributed to the recovery of the 2020 foregone revenue due to the delay in the implementation of the 2020 UTRs.

As the Decisions regarding the annual Uniform Transmission Rates are typically issued by delegated authority, without a hearing, under section 6 of the Ontario Energy Board Act, 1998, VECC submits that the OEB should take the above facts into consideration when setting future UTRs.

Conclusion

Relying on the above, VECC submits that the OEB should accept KWHI's revised 2021 RTSRs subject to the recommendations and considerations made in this Submission.

VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED