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November 11, 2021

VIA E-MAIL

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EB-2021-0042 Milton Hydro Distribution Inc. Low Voltage Service Rate
Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

John Lawford

Counsel for VECC

Copy to: Dan Gopic Director, Regulatory Affairs

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EB-2021-0042

**Milton Hydro Distribution Inc.
Application for electricity distribution rates
effective January 1, 2022**

VECC's Submission November 11, 2021

Milton Hydro Distribution Inc. (Milton Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on August 12, 2021 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B) seeking approval for changes to its electricity distribution rates to be effective January 1, 2022.

VECC's comments below are in relation to Milton Hydro's request to update the Low Voltage Service Rate (LVSr) in 2022.

Request to Update the Low Voltage Service Rate (LVSr)

The Low Voltage (LV) charge relates to the cost of a Host Distributor to distribute electricity to an Embedded Distributor. The variance between LV charges paid to Host Distributors and the LVSr billed to customers each month are captured in the USoA 1550 LV Variance Account.

The current LVSrs (Table 2 Column A below) were approved by the OEB as part of Milton Hydro's 2016 Cost of Service Rate Application (EB-2015-0089). In the current Application, Milton Hydro requests OEB approval to adjust its LVSrs (Table 2 Column B), one year before its planned Cost of Service application for the 2023 rate year.¹ The request to reset LVSr is typically dealt with in rebasing applications and are not adjusted for 5 years until a distributor rebases again. Milton Hydro seeks to adjust the LVSrs in its 2022 rate application to minimize the balance in the account, smooth customer bill impacts in 2023 and mitigate intergenerational inequity.²

Table 1 below shows the fluctuation in Low Voltage Payments to Host Distributors over the 2016 to 2020 period compared to low voltage revenues collected through the existing LVSrs. The LV payments increased to \$1,024,093 in 2020.³

¹ OEB Staff-9 (a)

² Manager's Summary Page 44

³ OEB Staff-9 (b)

Table 1: Low Voltage Charges & Volumes

Low Voltage Volumes & Charges	2016	2017	2018	2019	2020	2021	2021	
Low Voltage Payments to Host Distributors	865,613	688,223	666,443	760,960	1,024,093	1,051,742	1,051,742	A
Low Voltage Revenues	286,930	527,760	552,252	556,605	562,853	569,170	575,559	B
Variance Cost vs Revenue	578,683	160,463	114,191	204,335	461,240	482,572	476,183	A-B

Ref: Manager's Summary P46 Table 17; VECC-2

In order to minimize the balance of Account 1550 LV Variance Account, Milton Hydro proposes to adjust the LVSRs annually by using the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount⁴, and then allocate this amount to customer classes on the same basis as the Transmission Connection Charges, and then apply the previous year's Transmission Connection denominator volumes to calculate the LVSRs.

Milton Hydro clarified that it is seeking the OEB's approval in this application to adjust the LVSRs for the current IRM period only (i.e. 2022), it is not requesting OEB approval to adjust LVSRs for future IRM periods at this time.⁵

In response to VECC-4 (a), Milton Hydro updated the calculation of the LVSRs to closer align with the timing of the host distributors Low Voltage costs. Milton Hydro updated the allocation percentages based on the Transmission Connection costs as per "Tab 15. RTSR Rates to Forecast" data from column G rows 29 to 36. Further, because Milton Hydro inadvertently included loss adjusted kWhs as the denominator volumes in its original LVSR calculations, Milton Hydro also updated the calculations to reflect metered kWhs.⁶ (Table 2 Column C)

In response to OEB Staff-10, Milton Hydro calculated the LVSRs based on the 2021 Projected wholesale LV Costs of \$1,051,742 using the most recent OEB-approved host distributor charges rather than the 2020 historical OEB-approved host distributor charges (Table 2 Column D). The difference is \$27,649 or 2.7%. Milton Hydro is not proposing to update its request and use the recalculated LVSRs.

The following table summarizes the LVSRs calculations described above.

Table 2: Existing and Proposed 2022 LVSR Variations

Customer Class	Current LVSR	LVSR Proposed in Application	Updated LVSR VECC-4(a)	OEB Staff-10
	A	B	C	D
Residential	\$0.0006/kWh	\$0.0011/kWh	\$0.0012/kWh	\$0.0012/kWh
GS<50 kW	\$0.0006/kWh	\$0.0010/kWh	\$0.0011/kWh	\$0.0010/kWh
GS 50-999 kW	\$0.2600/kW	\$0.4570/kW	\$0.4694/kW	\$0.4694/kW
GS 1,000-4,999 kW	\$0.2558/kW	\$0.4496/kW	\$0.4617/kW	\$0.4617/kW
Large Use	\$0.2860/kW	\$0.5028/kW	\$0.5164/kW	\$0.5164/kW

⁴ 2020 actual = \$1,024,093 (Manager's Summary page 47 Table 16)

⁵ VECC-4 (b)

⁶ Table 16 on page 47 of 53 of the Managers Summary

Unmetered Scattered Load	\$0.0.0006/kWh	\$0.0011/kWh	\$0.0011/kWh	\$0.0010/kWh
Sentinel Lighting	\$0.1786/kW	\$0.3139/kW	\$0.3224/kW	\$0.3224/kW
Street Lighting	\$0.1749/kW	\$0.3074/kW	\$0.3157/kW	\$0.3157/kW

VECC's Position

For the reasons discussed below, VECC's position is that the OEB should not make an exception and approve Milton Hydro's proposed adjustment to LVSR charges in 2022. Instead, Milton Hydro should request the adjustment as part of its planned Cost of Service application for 2023 rates which is consistent with current practice.

- The variance between LV charges paid to Host Distributors and the LVSR billed to customers each month are captured in the USOA 1550 LV Variance Account. The LV charges paid to Host Distributors fluctuate often, and fluctuations are expected. The fluctuations are typically due to volume variances and variances in the average variable and fixed rates paid to Host Distributors.⁷ These variances give rise to variances in Account 1550 LV Variance Account.

Milton Hydro has not provided exceptional circumstances such as a pressing issue with cash flow to justify the need to make the adjustments to the LVSRs now versus 2023.

- Milton Hydro indicates that if its request for approval to adjust LVSRs in 2022 isn't approved, the LV Variance Account balance would grow to an estimated \$958,755 for disposition as part of the Group 1 Deferral and Variance Accounts in 2023.⁸

Milton Hydro provided a comparison of the preliminary bill impacts resulting from 2023 COS application by customer class (i) with the LVSR adjustment and (ii) without it.⁹ The difference in total bill impact by customer class ranges from 0.2% to a maximum of 0.4% for the residential and GS 50-999 kW customer classes.

VECC does not believe there is a significant difference on total bill impacts in 2023 to justify a diversion from OEB policy to make the adjustments now in the last year of an IRM period. Further, given the current impact of COVID-19 on residential and low-income customers who have experienced significant job loss, deferring the adjustment to LVSRs to 2023 as originally planned is in the best interest of these customers.

- The OEB's current practice is to adjust the LVSRs at rebasing. The OEB may wish to undertake a generic proceeding to consider the benefits of adjusting LVSRs annually during

⁷ VECC- 3 (b) & (c)

⁸ Staff-9 (d)

⁹ VECC-1 (a)

the IRM period as is done with the RTSRs. Milton Hydro's methodology reflects a time lag. During this proceeding there were variations in the calculation of the proposed LVSRs to closer align with the timing of the host distributors LV costs which highlights the need for a standardized methodology across all distributors.