



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

July 18, 2022

VIA RESS

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0158: Niagara-on-the-Lake Hydro Inc.
Application to change the Large Use Service Retail Transmission Rates
and related Approvals
Submission of the Vulnerable Energy Consumers Coalition (VECC)**

Please find attached VECC's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

A handwritten signature in black ink, appearing to read 'W Harper', is written in a cursive style.

William Harper
Consultant for VECC/PIAC

Cc: VIA Email:

NOTL – Tim Curtis – tcurtis@notlhydro.com
Intervenors - EB-2022-0158



PUBLIC INTEREST ADVOCACY CENTRE
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Niagara-on-the-Lake Hydro Inc.

**Application to change the Large Use Service
Retail Transmission Rates and related Approvals**

(EB-2022-0158)

Submission of the
Vulnerable Energy Consumers Coalition

July 18, 2022

Vulnerable Energy Consumers Coalition
Public Interest Advocacy Centre
613-562-4002
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1. INTRODUCTION

On May 10, 2022 Niagara-on-the-Lake Hydro Inc. (NOTL Hydro) filed an application with the Ontario Energy Board (OEB) under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval to change its Large Use Service Retail Transmission Rates, effective July 1, 2022, and to establish a related variance account. More specifically, NOTL is seeking¹:

- An Order amending NOTL Hydro's Large Use Service Classification Retail Transmission rates; and
- An Order amending the Specified Customer Revenue Variance Account to a General Large Use Customer Revenue Variance Account.

On June 16, 2022, the OEB issued a Notice of Hearing and Procedural Order No. 1 (P.O. #1) which approved the Schools Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) as intervenors and set out the process by which it would review the Application. This process included:

- i. One round of information requests;
- ii. Written submissions by OEB staff and intervenors; and
- iii. Reply submissions by NOTL.

Set out below are VECC's submission with respect to NOTL Hydro's Application.

2. NOTL'S REQUESTED APPROVALS

Background

The load forecast underpinning the OEB Decision regarding NOTL's most recent cost of service application² included one Large Use customer with an average monthly demand of 5 MW³. The same Decision also approved a Specified Customer Revenue Variance Account that would record the difference between forecast and actual revenues solely from the Large Use customer forecast in NOTL Hydro's application. The reason for the account was that the load forecast for the one customer included in the Large Use Customer Class was uncertain and it was quite large relative to NOTL Hydro's total load⁴.

¹ Application, page 8

² NOTL's EB-2018-0056 Application for 2019 Rates.

³ EB-2018-0056, OEB Decision and Order, Schedule A – Settlement Proposal, pages 18-19

⁴ EB-2018-0056, OEB Decision and Order, Schedule A – Settlement Proposal, page 31

Up until October 2021 the Large Use customer's load generally exceeded 5 MW. However, in October 2021 the load fell to slightly below 5 MW and in November declined significantly more⁵. The customer subsequently ceased operations and the property is currently up for sale⁶. Currently NOTL Hydro has no Large Use customers⁷.

However, since October 2021⁸ NOTL Hydro has been working with a new cryptocurrency customer who intends to be operating as soon as possible⁹. To this end, in May 2022, NOTL Hydro submitted a System Impact Assessment (SIA) request to the IESO and a Connection Impact Assessment (CIA) to Hydro One requesting the availability of 80 MW of transmission line capacity on behalf of the customer¹⁰. While noting the new load could be up to 80 MW¹¹, NOTL Hydro does not currently have an estimate as to what the customer's probable load will be. Throughout the Application 20 MW has been used for illustrative purposes when discussing the revenue impacts associated with the new customer¹².

NOTL notes that any load over 10 MW requires the SIA and CIA approval and cannot be in-service until these are received. In this regard, the SIA request is still with the IESO and NOTL Hydro does not have insight into the status within the IESO. The CIA with Hydro One normally follows the SIA but the agreement for the CIA has been put in place¹³. An initial load of less than 10 MW is expected to be connected during the summer¹⁴. The customer is expected to operate on a 24/7 basis and the usage is not expected to vary during the month¹⁵.

RTSR Proposal

NOTL Hydro is requesting an amendment to its Large Use service classification Retail Transmission Service Rates (RTSRs) so that they match the Provincial Transmission Rates as approved by the OEB (EB-2022-0084)¹⁶. NOTL Hydro's rationale is that as the customer will be operating at generally a constant level throughout the month: i) NOTL Hydro's peaks for the purposes of calculating the Network Service

⁵ This can be seen from the monthly entries to the Specific Large Use Customer Revenue Variance Account as set out in SEC 5 where prior to October 2021 the entries are positive for all months except September 2019.

⁶ Staff 2 b)

⁷ Staff 2 b)

⁸ Staff 4 a)

⁹ Application, page 4

¹⁰ Application, page 4

¹¹ Staff 1 b)

¹² Staff 1 a), Staff 2 d), Staff 5 b), VECC 1 c) and SEC

¹³ VECC 1 a) & b)

¹⁴ SEC 4 b)

¹⁵ Application, page 4 and Staff 3 a)

¹⁶ Application, page 9

Charge and the Line Connection Service Charge as administered by the IESO will increase by the full amount of the demand of the cryptocurrency mining operation and ii) the charge to NOTL Hydro will therefore increase by this level of demand multiplied by the respective rates.¹⁷.

NOTL Hydro notes that, by their nature, cryptocurrency mining operations can be brought into service and be brought to scale significantly quicker than the traditional industrial or mining Large Use customer. The operations of this customer could therefore have a significant financial impact in 2022¹⁸. For example, at 20 MW, the difference between the Provincial Transmission Rates and the NOTL Hydro's approved RTSRs is \$39,182 per month. Unless the current RTSRs for the Large Use class are adjusted, this shortfall will accumulate in NOTL Hydro's variance accounts and would subsequently have to be recovered from all NOTL Hydro ratepayers. Until such recovery is effected this would create a cash shortfall for NOTL Hydro with the resulting interest costs. It would also mean that while the shortfall was created by only one customer, all customers would be paying for its recovery¹⁹. NOTL Hydro does not consider this equitable or good planning²⁰.

To address these issues, NOTL is proposing to set the RTSRs for its Large Use class equal to the Provincial Transmission Rates.

Changes to the Specific Customer Revenue Variance Account

NOTL Hydro is also seeking to amend the current "Specific Customer Revenue Variance Account" so as to, instead, have a general Large Use Customer Revenue Variance Account which would apply to all Large Use customers²¹.

NOTL Hydro notes that the current variance account protected NOTL Hydro from the uncertainties related to its previous Large Use customer while allowing the other NOTL Hydro customers to benefit from the increased revenues²².

NOTL also notes that the cryptocurrency mining operation has an even greater uncertainty as to the future level of demand. It would also be much easier to close the operation as the operating assets, the servers, are very portable and the land is leased rather than owned. Application of a similar variance account in this particular case would allow NOTL Hydro to maintain its own revenue at current levels

¹⁷ Application, page 9

¹⁸ Application, page 10

¹⁹ Staff 2 d)

²⁰ Application, page 9

²¹ Application, page 11

²² Application, page 11

and earmarking any increase in revenues immediately to be passed on to all its customers on an annual basis and subject to Board review. Without this change, all new revenues would accrue to NOTL Hydro as income²³.

However, the wording of the current Specific Customer Revenue Variance Account's Draft Account Order is such that it was specifically established with respect to "a Specified Customer that is initially classified in the Large User rate class in NOTL Hydro's 2019 cost of service rate application". As a result, it cannot be used in the case of the new cryptocurrency Large Use customer. Furthermore, as the customer corporate structure has not been finalized, NOTL Hydro is unable to specify the name of the customer in which the account will be created. A general Customer Revenue Variance Account has therefore been requested²⁴.

3. VECC'S SUBMISSIONS

3.1 Summary of VECC's Submissions

VECC supports NOTL Hydro's request to revise its Large Use class RTSRs such that they are aligned with the Provincial Transmission Rates. However, contrary to NOTL's proposal to set the RTSRs equal to the Provincial Transmission Rates, it is VECC's submission that the RTSR's also need to be adjusted for losses.

VECC also supports NOTL Hydro's request to change the applicability of the current Specific Customer Revenue Variance Account such that it would encompass any and all Large Use customers. However, in VECC's view the proposed wording in the Draft Accounting Order needs to be revised so as to correctly reflect this intent.

3.2 VECC's Detailed Submissions/Reasons

3.2.1 Large Use RTSRs

NOTL notes that, based on an illustrative load of 20 MW, the difference between the Provincial Transmission Rates and the NOTL Hydro's approved RTSRs is \$39,182 per month²⁵. On an annualized basis this would be over \$470,000. To put this variance into context, the following table sets out the annual amounts that NOTL has recorded in the RSVA-Retail Transmission Network Charge (#1584) and the RSVA-Retail Transmission Connection (#1586) for the period 2016-2020.

²³ Application, page 11

²⁴ VECC 2 b)

²⁵ Application, page 9

| | Annual Transactions (\$) | | | | |
|-----------|---|---|---|--|--|
| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| RSVA 1584 | 84,032 | -151,824 | 80,771 | -28,818 | -126,386 |
| RSVA 1586 | 16,404 | - 9,995 | 16,183 | -65,342 | - 82,566 |
| Total | 100,436 | -161,819 | 96,954 | -94,160 | -202,952 |
| Sources | EB-2021-0045, NOTL's 2022 IRM Rate Generator Model | EB-2020-0042, NOTL's 2021 IRM Rate Generator Model | EB-2019-0056, NOTL's 2020 IRM Rate Generator Model | EB-2021-0056, NOTL's 2019 DVA Continuity Schedule | EB-2021-0056, NOTL's 2019 DVA Continuity Schedule |

VECC notes that the absolute value of the annual variance that will be created by this one customer is more than twice the absolute value of the total variance recorded in these two accounts in any of the last five years. As result, VECC concludes that maintaining the current Large Use RTSRs will have a significant impact on the balances in these accounts and, as noted by NOTL Hydro, also significantly increase the associated interest costs. Furthermore, the recovery of this significantly higher variance will be allocated to and recovered from all customer classes²⁶. VECC agrees with NOTL that this result is neither good financial planning nor fair to the NOTL's other customer classes who will (in effect) be subsidizing the cost of serving the new Large Use customer.

In response to information requests NOTL Hydro explained the supply arrangements for the new Large Use customer as follows²⁷:

“NOTL Hydro receives its power from Hydro One at two NOTL Hydro owned stations where the power is converted from 115 kV to 27.6 kV. These stations are used for all NOTL Hydro customers. Assuming the full 80 MW capacity was provided, 40 MW would be provided from each station. Two dedicated feeder lines or circuits, both with 20 MW capacity and at 27.6 kV, will be built from each station. The customer property is adjacent to the NOTL Hydro MTS 1 so the feeder lines from this station will only be around 100m. The feeder lines from the NOTL Hydro MTS 2 will be around 5 km. The customer will be providing its own transformers to convert from 27.6 kV to its desired voltage”.

²⁶ The current default approach for #1584 and #1586 is to allocate the amount to be refunded/recovered based on each class' kWh usage.

²⁷ Staff 1 d)

NOTL has also confirmed that the customer will be paying for the 100% of the cost of the new facilities²⁸. Given that customer is paying for 4 feeders, each of which is capable of supplying 20 MW, and NOTL has requested 80 MW of transmission capacity on behalf of the customer, it is VECC's view that the customer's monthly load will likely be higher than the 20 MW used by NOTL Hydro in its illustrative calculations. As result, VECC concludes that the impact of the misalignment of the current Large Use class RTSRs and the Provincial Transmission Rates is likely to be greater than illustrative \$39,182 per month calculated by NOTL Hydro. This will only compound the financial impacts and increase the level of customer class cross-subsidization.

Overall, VECC submits that the Large Use class RTSRs need to be aligned so as to more closely match and recover the Provincial Transmission costs that NOTL Hydro will incur as a result of serving the new cryptocurrency customer.

In its Application NOTL Hydro proposes to set the RTSRs for its Large Use class equal to the Uniform Transmission Rates for Network and Connection Service²⁹.

NOTL has confirmed³⁰ that it will incur line or transformation losses between the point at which Hydro One measures demand for purposes of charging NOTL for Network Service and Line Connection Service and the point at which NOTL will measure the new customer's demand for purposes of applying its Retail Transmission Service Rates. However, NOTL claims that there is no need to mark-up the Provincial Transmission rates since:

“Line losses are recovered through the line loss factor which is applied to all usage on a kWh basis. Line loss rates for Large Use customers have been previously approved by the OEB.”³¹

It is VECC's submission that this is incorrect. While there are OEB approved loss factors for the Large Use customer class, the Large Use (kW) billing determinants for RTSRs are not loss adjusted but rather based on the customer's-delivered kW. This can be seen from the following:

- i. NOTL Hydro's Bill Impact Calculations: As shown in the extract below from bill impact calculations from NOTL Hydro's 2019 Rate Application, there is no adjustment to the RTSR billing demands to account for losses³².

²⁸ Staff 1 f)

²⁹ NOTL Hydro owns its own transformers and does not pay the UTR for Transformation Service.

³⁰ VECC 2 d)

³¹ VECC 2 d)

³² EB-2018-0056, NOTL Hydro's 2019 Tariff Schedule and Bill Impact Model, Tab 20

| | |
|-------------------------------|------------------------|
| Customer Class: | LARGE USER |
| RPP / Non-RPP: | Non-RPP (Other) |
| Consumption | 1,942,402 kWh |
| Demand | 5,000 kW |
| Current Loss Factor | 1.0379 |
| Proposed/Approved Loss Factor | 1.0045 |

| | Current OEB-Approved | | | Proposed | | | Impact | |
|---|----------------------|-----------|----------------------|-------------|-----------|----------------------|----------------------|----------------|
| | Rate (\$) | Volume | Charge (\$) | Rate (\$) | Volume | Charge (\$) | \$ Change | % Change |
| Monthly Service Charge | \$ 281.65 | 1 | \$ 281.65 | \$ 3,692.18 | 1 | \$ 3,692.18 | \$ 3,410.53 | 1210.91% |
| Distribution Volumetric Rate | \$ 2.2226 | 5000 | \$ 11,113.00 | \$ 2.3574 | 5000 | \$ 11,787.00 | \$ 674.00 | 6.06% |
| Fixed Rate Riders | \$ - | 1 | \$ - | \$ - | 1 | \$ - | \$ - | |
| Volumetric Rate Riders | -\$ 0.1566 | 5000 | -\$ (783.00) | \$ - | 5000 | \$ - | \$ 783.00 | -100.00% |
| Sub-Total A (excluding pass through) | | | \$ 10,611.65 | | | \$ 15,479.18 | \$ 4,867.53 | 45.87% |
| Line Losses on Cost of Power | \$ - | - | \$ - | \$ - | - | \$ - | \$ - | |
| Total Deferral/Variance Account Rate Riders | -\$ 0.0599 | 5,000 | -\$ (299.50) | \$ 0.0171 | 5,000 | -\$ (85.50) | \$ 214.00 | -71.45% |
| CBR Class B Rate Riders | \$ - | 5,000 | \$ - | \$ - | 5,000 | \$ - | \$ - | |
| GA Rate Riders | -\$ 0.0030 | 1,942,402 | -\$ (5,827.21) | \$ 0.0018 | 1,942,402 | \$ (3,496.32) | \$ 2,330.88 | -40.00% |
| Low Voltage Service Charge | \$ - | 5,000 | \$ - | \$ - | 5,000 | \$ - | \$ - | |
| Smart Meter Entity Charge (if applicable) | \$ - | 1 | \$ - | \$ - | 1 | \$ - | \$ - | |
| Additional Fixed Rate Riders | \$ - | 1 | \$ - | \$ - | 1 | \$ - | \$ - | |
| Additional Volumetric Rate Riders | \$ - | 5,000 | \$ - | \$ - | 5,000 | \$ - | \$ - | |
| Sub-Total B - Distribution (includes Sub-Total A) | | | \$ 4,484.94 | | | \$ 11,897.36 | \$ 7,412.41 | 165.27% |
| RTSR - Network | \$ 2.8543 | 5,000 | \$ 14,271.50 | \$ 2.7367 | 5,000 | \$ 13,683.50 | \$ (588.00) | -4.12% |
| RTSR - Connection and/or Line and Transformation Connection | \$ 1.3567 | 5,000 | \$ 6,783.50 | \$ 1.2812 | 5,000 | \$ 6,406.00 | \$ (377.50) | -5.56% |
| Sub-Total C - Delivery (including Sub-Total B) | | | \$ 25,539.94 | | | \$ 31,986.86 | \$ 6,446.91 | 25.24% |
| Wholesale Market Service Charge (WMSC) | \$ 0.0034 | 2,016,019 | \$ 6,854.47 | \$ 0.0034 | 1,951,143 | \$ 6,633.89 | \$ (220.58) | -3.22% |
| Rural and Remote Rate Protection (RRRP) | \$ 0.0005 | 2,016,019 | \$ 1,008.01 | \$ 0.0005 | 1,951,143 | \$ 975.57 | \$ (32.44) | -3.22% |
| Standard Supply Service Charge | \$ 0.25 | 1 | \$ 0.25 | \$ 0.25 | 1 | \$ 0.25 | \$ - | 0.00% |
| Average IESO Wholesale Market Price | \$ 0.1101 | 2,016,019 | \$ 221,963.71 | \$ 0.1101 | 1,951,143 | \$ 214,820.83 | \$ (7,142.87) | -3.22% |
| Total Bill on Average IESO Wholesale Market Price | | | \$ 255,366.37 | | | \$ 254,417.40 | \$ (948.98) | -0.37% |
| HST | | 13% | \$ 33,197.63 | | 13% | \$ 33,074.26 | \$ (123.37) | -0.37% |
| Total Bill on Average IESO Wholesale Market Price | | | \$ 288,564.00 | | | \$ 287,491.66 | \$ (1,072.34) | -0.37% |

ii. Derivation of NOTL Hydro’s RTSRs: In the RTSR Work Form, the RTSR calculations use loss adjusted kWhs for those customer classes billed for Retail Transmission Service on an “energy basis”. However, for those classes that are demand billed the calculations use the billed kW (with no adjustment for losses) as shown in the following extract from NOTL Hydro’s 2022 IRM Generator Model³³.

The purpose of this table is to update the re-aligned RTS Network Rates to recover future wholesale network costs.

| Rate Class | Rate Description | Unit | Adjusted RTSR- Network | Loss Adjusted Billed kWh | Billed kW | Billed Amount | Billed Amount % | Forecast Wholesale Billing | Proposed RTSR- Network |
|--|--|--------|------------------------|--------------------------|-----------|---------------|-----------------|----------------------------|------------------------|
| Residential Service Classification | Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0085 | 82,732,773 | 0 | 703,338 | 36.0% | 718,971 | 0.0087 |
| General Service Less Than 50 kW Service Classification | Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0077 | 41,439,117 | 0 | 318,736 | 16.3% | 325,821 | 0.0079 |
| General Service 50 To 4,999 kW Service Classification | Retail Transmission Rate - Network Service Rate | \$/kW | 3.1564 | | 37,031 | 116,886 | 6.0% | 119,484 | 3.2266 |
| General Service 50 To 4,999 kW Service Classification | Retail Transmission Rate - Network Service Rate - Interval Metered | \$/kW | 3.4114 | | 151,802 | 517,850 | 26.5% | 529,361 | 3.4872 |
| Large Use Service Classification | Retail Transmission Rate - Network Service Rate - Interval Metered | \$/kW | 3.4114 | | 84,806 | 289,305 | 14.8% | 295,735 | 3.4872 |
| Unmetered Scattered Load Service Classification | Retail Transmission Rate - Network Service Rate | \$/kWh | 0.0077 | 256,291 | 0 | 1,971 | 0.1% | 2,015 | 0.0079 |
| Street Lighting Service Classification | Retail Transmission Rate - Network Service Rate | \$/kW | 2.3801 | | 2,339 | 5,567 | 0.3% | 5,691 | 2.4330 |

The purpose of this table is to update the re-aligned RTS Connection Rates to recover future wholesale connection costs.

| Rate Class | Rate Description | Unit | Adjusted RTSR- Connection | Loss Adjusted Billed kWh | Billed kW | Billed Amount | Billed Amount % | Forecast Wholesale Billing | Proposed RTSR- Connection |
|--|---|--------|---------------------------|--------------------------|-----------|---------------|-----------------|----------------------------|---------------------------|
| Residential Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0011 | 82,732,773 | 0 | 93,702 | 25.5% | 95,987 | 0.0012 |
| General Service Less Than 50 kW Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0011 | 41,439,117 | 0 | 46,933 | 12.8% | 48,078 | 0.0012 |
| General Service 50 To 4,999 kW Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 0.3627 | | 37,031 | 13,432 | 3.7% | 13,759 | 0.3716 |
| General Service 50 To 4,999 kW Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered | \$/kW | 0.8725 | | 155,670 | 135,817 | 37.0% | 139,129 | 0.8837 |
| Large Use Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate - Interval Metered | \$/kW | 0.8725 | | 87,942 | 76,727 | 20.9% | 78,598 | 0.8837 |
| Unmetered Scattered Load Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kWh | 0.0011 | 256,291 | 0 | 290 | 0.1% | 297 | 0.0012 |
| Street Lighting Service Classification | Retail Transmission Rate - Line and Transformation Connection Service Rate | \$/kW | 0.2804 | | 2,339 | 656 | 0.2% | 672 | 0.2872 |

As result, VECC submits that in order to align the transmission costs recovered from the Large Use class customer with the transmission costs incurred by NOTL Hydro to serve the customer, the Provincial Transmission rates need to be adjusted for losses³⁴.

³³ Tab 15

³⁴ VECC 2 d)

When asked for an estimate of the losses associated with serving the new Large Use customer NOTL Hydro replied:

“We are unable to estimate this as the services have not been installed nor have any engineering drawings been made yet for this service”.

VECC understands why NOTL may not have an estimate of the line losses associated with the feeders that will service the customer, particularly the ones that are yet to be constructed. However, the losses will be calculated from the high side of the transformers³⁵. Since NOTL Hydro owns and has been operating both transformers, NOTL Hydro should be able to, at a minimum, determine and apply an adjustment to account for the transformer losses. VECC submits that the OEB should direct NOTL Hydro to do so.

3.2.2 Specific Customer Revenue Variance Account Changes

The monthly transactions recorded in the current Specific Customer Revenue Variance Account indicate that the customer’s monthly demand never exceeded 12 MW and, indeed, in most months was less than 8 MW³⁶. The account has operated to the benefit of NOTL Hydro’s other customers for most of 2019-2021. However, now that the customer has gone out of business the monthly amounts recorded in the account will accrue to the benefit of NOTL Hydro based on 5 MW of monthly billing demand.

At the same time, once the new cryptocurrency customer comes into service NOTL Hydro will receive the additional revenue associated with the load’s revenue. Using the illustrative load of 20 MW, this additional distribution revenue is estimated to be \$33,125.08 based on NOTL Hydro’s 2022 approved rates. On an annualized basis, this represents roughly 7% of NOTL Hydro’s forecast distribution revenue for 2022³⁷. It also represents roughly 36% of the before tax net income in the approved revenue requirement from NOTL Hydro’s last rebasing application³⁸. This customer and the associated revenue

³⁵ According to the 2022 Ontario Uniform Transmission Rate Schedules approved by the OEB (EB-2022-0084): “The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV.”

³⁶ See SEC 5. The monthly entries represent the revenues due to the monthly demand exceeding or being less than 5 MW. The highest monthly entry is \$12,318.14 in July 2019. Based on the approved 2019 LU class rates this would indicate that month’s demand was 11.85 MW. However, the monthly entries are typically less than \$5,000 which, based on the approved rates for the period, would suggest monthly demands of less than 8 MW

³⁷ SEC 6. NOTL Hydro’s forecast distribution revenues for 2022 are \$5.7 M, excluding the new cryptocurrency customer.

³⁸ EB-2018-0056, Settlement Proposal RRWF, Tab 7: \$1,105,128

was not included in NOTL Hydro's last rebasing application. However, since the current variance account is customer specific this additional revenue will all accrue to NOTL Hydro as income³⁹.

The existing account was granted to NOTL Hydro to address the uncertainty associated with its then existing Large Use customer in recognition of the impact loss of such customer could have on the utility's income. In VECC's view it is both unfair and ironic that, given the current applicability of the variance account, NOTL would be held harmless for the loss of this former customer and, at the same time, receive 100% of the benefits from the new (and previously unforecasted) cryptocurrency customer with a load that is possibly an order of magnitude larger. VECC submits that NOTL Hydro's proposal to change the definition of the account so as to effectively include the actual revenues from any and all Large Use class customers⁴⁰ is appropriate and represents a logical extension of the original purpose of the account.

VECC's original concern with NOTL Hydro's proposal was that, in the event there was more than one Large Use customer, the 5 MW variance threshold would be applied to each Large Use customer. However, in response to information requests submitted by both VECC⁴¹ and SEC⁴² NOTL Hydro has clarified that this is not the intent and that demand variance will be based on the difference between the total class demand and 5 MW. This is also evident from the revised wording for the Draft Accounting Order provided in response to SEC 1:

“On a monthly basis the aggregate demand revenue from the Specified Large Use Customers will be reviewed and any variance from aa (sic) aggregate demand of 5,000 kW will result in a journal entry in the account. Demand revenue will include any standby revenue billed due to a User's behind-the-meter generation displacing demand revenue. The amount recorded will be the difference between actual revenue collected from the Specified Customers and the amount of revenue forecasted to be collected for that period, based on the approved fixed and variable rates in effect during that period”.

VECC's only observation is that the wording could be further clarified by replacing “the amount of revenue forecasted to be collected that period” with “the amount of revenue associated with one Large

³⁹ Application, page 11

⁴⁰ EB-2018-0056, Settlement Proposal RRWF, Tab 10: One Large Use customer with a monthly demand of 5,000 kW

⁴¹ VECC 3 a)

⁴² SEC 2 a)

Use customer with a monthly billing demand of 5 MW” as it is not immediately clear what “forecast” is being referred to.

4. COSTS

VECC respectfully 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.
