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January 26, 2023

VIA E-MAIL

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: EB-2022-0056 Orangeville Hydro Limited - 2023 Electricity Rates
Final Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the final 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: Amy Long, Chief Financial Office

EB-2022-0056
Orangeville Hydro Limited
Application for electricity distribution rates and other
charges effective May 1, 2023

VECC Final Submissions January 27, 2023

Orangeville Hydro Limited (Orangeville Hydro) filed an incentive rate-setting mechanism application with the Ontario Energy Board (OEB) on October 12, 2022, 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 May 1, 2023. Orangeville Hydro is also seeking approval to adjust its Low Voltage Service rates.

VECC's submissions relate to Orangeville Hydro's request to adjust its Low Voltage Service Rates (LVSR).

Low Voltage Service Rate (LVSR)

Orangeville Hydro is applying for an adjustment of its LVSRs billed to customers.

The 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 are captured in 1550 LV Variance Account.

Orangeville Hydro last adjusted its LVSRs in its 2014 Cost of Service Application (EB-2013-0160). Since that time, Orangeville Hydro's LV amounts paid to the host distributor (Hydro One¹) have increased significantly annually, as shown in Table 1 below using 2023 LV Payments to Host Distributor (EB-2021-0110) and updated 2023 forecasted LV revenue rates:²

Table 1: Summary of LV Payments, LV Revenues & Variance of Costs to Revenues: 2014 to 2023

Year	Low Voltage Payments to Hydro One	Low Voltage Revenues from Customers	Variance of Costs compared to Revenues
2014	\$ 534,011	\$ 333,412	\$ 200,600
2015	\$ 675,954	\$ 378,662	\$ 297,291
2016	\$ 799,803	\$ 387,932	\$ 411,871
2017	\$ 775,365	\$ 379,177	\$ 396,188
2018	\$ 668,075	\$ 394,845	\$ 273,230
2019	\$ 912,091	\$ 386,690	\$ 525,401
2020	\$ 1,249,117	\$ 386,835	\$ 862,283
2021	\$ 1,319,832	\$ 394,193	\$ 925,639
2022	\$ 942,601	\$ 405,263	\$ 537,338
2023	\$ 835,475	\$ 694,080	\$ 141,395
	\$ 8,712,324	\$ 4,141,089	\$ 4,571,235

¹ Orangeville Hydro is embedded in Hydro One's service area

² VECC-3

Orangeville Hydro indicates it is currently seeking to reset its LVSR for the 2023 rate year and not for future IRM years at this time.³ LVSRs are typically updated during a Cost of Service application, however Orangeville Hydro has not definitively decided on when its next Cost of Service will be submitted.⁴

In response to VECC-1 (d), Orangeville Hydro explains why this adjustment is required in 2023 and cannot wait until Orangeville Hydro's next Cost of Service application.

Account 1550 LV Variance Account is a Group 1 account that is typically disposed of on an annual basis, and Orangeville Hydro indicates the size of the account has become significantly higher than other variance accounts which becomes more difficult to manage for cash flow purposes. Disposition of Account 1550 in Orangeville Hydro's 2022 IRM application was 88% of the total Group 1 account claim. Further, the accumulation of variance account balances may further cause intergenerational inequity when variance account balances are recovered/returned in future periods.

Orangeville Hydro also indicates there are precedents where the OEB has allowed the resetting of the LVSR as part of an IRM, pointing to Milton Hydro Distribution Inc.'s 2022 IRM application, EB-2021-0042.

In response to VECC-1 (d), Orangeville Hydro explains why it believes it is in the best interest of its customers to adjust the LVSR rate for 2023 rates as opposed to waiting until its next cost of service rate application as follows:

- Mitigates the potential rate increases associated with its next rebasing;
- Prevents a larger balance from accumulating in the variance account;
- Ensures rate stability for customers if Orangeville Hydro is able to better match costs to revenues;
- Mitigates intergenerational inequities which occur when variance account balances are recovered/returned in future periods.

VECC Position

VECC supports Orangeville Hydro's request to adjust its LVSRs as part of its 2023 IRM application, rather than waiting until its next cost of service application, primarily because of the significant increase and size of the 1550 LV Variance Account balance which depending on the total balance of Group 1 accounts meeting the IRM threshold, may not be disposed of on an annual basis resulting in balances that may accumulate for a period of time. Adjusting the LVSRs now will better match costs to revenues (for rate stability) and ensure variances do not accumulate for a lengthy period, resulting in smaller variance balances to be disposed of in a future period, thereby minimizing the risk of intergenerational inequity. Based on the rate making principle of cost causality, costs should be borne by the customers that cause those costs. VECC concurs delaying the recovery of the LV Variance Account can potentially create misalignment with cost causality.

³ VECC-1 (g)

⁴ Staff-7 (c)

Methodology

Orangeville Hydro used a slightly different methodology than Milton Hydro used to calculate the LV rate adjustment.⁵ Milton Hydro used the previous year's actual LV costs paid to its Host Distributor as the numerator dollar amount and allocated this amount to customer classes on the same basis as the Transmission Connection Charges, and then applied the previous year's Transmission Connection denominator volumes to calculate the LVSRs.

The difference between Milton Hydro and Orangeville Hydro's methodology is that Orangeville Hydro was able to use approved 2023 Hydro One rates due to the May 1st rate change. Orangeville Hydro's forecasted LV costs were based on the historical 2022 demand values multiplied by the 2023 approved Hydro One LV rates in EB-2021-0110. Hydro One's Decision and Order EB-2021-0110 was not available to Milton Hydro as it had aligned its rate change to January 1st. Orangeville Hydro's methodology allows for a more accurate forecast of costs, by using actual rates for the forecasted year, based on OEB-approved rates.

VECC takes no issue with Orangeville Hydro's methodology which is described in detail in VECC-1 (a).

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees.

All of which is respectfully submitted this 27th day of January 2023.

⁵ VECC-5