



February 7, 2023

Registrar – Nancy Marconi
Ontario Energy Board
2300 Yonge Street
Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

**Re: Orangeville Hydro Limited
Application for 2023 Electricity Distribution Rates – EB-2022-0056
Orangeville Reply Submission**

In accordance with Procedural Order #1, please find attached Orangeville's reply to submissions from OEB Staff and Vulnerable Energy Consumers Coalition ("VECC").

Copies of the attached reply submission have also been provided to VECC and OEB Staff.

Please direct any questions or concerns to the undersigned.

Yours truly,

A handwritten signature in black ink that reads "Amy Long".

Amy Long
Chief Financial Officer
Orangeville Hydro Limited
400 C Line
Orangeville, Ontario L9W 3Z8
amy.long@orangevillehydro.on.ca

**Reply Submission to OEB Staff and VECC submission
EB-2022-0056
Orangeville Hydro Limited
Application for electricity distribution rates and other charges effective May 1, 2023
February 7, 2023**

Introduction

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.

In accordance with Procedural Order No. 1, OEB Staff and VECC filed their submissions on January 26, 2023 and January 27, 2023 respectively. VECC made submissions only regarding Orangeville Hydro's request to adjust its Low Voltage Service Rates (LVSR). OEB Staff made submissions on:

1. Shared Tax Adjustment
2. Group 1 Deferral and Variance Accounts ("DVAs")
3. Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
4. Low Voltage (LV) service charge update

Orangeville Hydro is providing reply submissions on the following issues:

1. Annual IR adjustment to set base rates for 2023
2. Adjustment to retail transmission service rates (RTSRs)
3. Shared Tax Adjustment
4. Group 1 Deferral and Variance Accounts ("DVAs")
5. Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
6. Low Voltage (LV) service charge update

1. Annual IR Adjustment Mechanism

OEB Staff submission

Orangeville Hydro filed its 2023 IRM Rate Generator Model as part of the Application. Consistent with the Chapter 3 Filing Requirements, Orangeville Hydro applied the Price Cap IR adjustment factor to adjust the monthly service charge and distribution volumetric rate during the incentive rate-setting years. As part of the interrogatory process in this proceeding, OEB staff updated Orangeville Hydro's calculated price cap adjustment, to reflect the OEB's 2023 inflation factor of 3.70%. The stretch factor assigned to Orangeville Hydro is 0.60%, resulting in a rate adjustment of 3.10%, based on the Annual IR Index adjustment formula.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approves its price cap adjustments as updated by OEB staff to reflect the OEB approved 2023 inflation factor, and Annual IR adjustment formula.

2. Retail Transmission Service Rates (RTSRs)

OEB Staff submission

In its application, Orangeville Hydro requested an update to its Retail Transmission Service Rates (RTSRs) to recover the rates charged by within Hydro One Networks Inc (HONI). Orangeville Hydro is fully embedded within HONI's distribution system. OEB staff has updated Orangeville Hydro's RTSRs in the Rate Generator Model as part of its interrogatories to reflect Hydro One's 2023 host-RTSRs. In its submissions, OEB staff supports Orangeville Hydro's updated RTSR rates.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approves its RTSR adjustments as updated by OEB staff.

3. Shared Tax Adjustment

OEB Staff submission

In its application, Orangeville Hydro calculated a credit amount of \$18,323 associated with the OEB's shared tax savings mechanism. In its submissions, OEB staff supports Orangeville Hydro's calculated tax sharing amount and its approach for disposition.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approves the Shared Tax Adjustments as filed.

4. Group 1 Deferral and Variance Accounts ("DVAs")

Group 1 DVAs Excluding Accounts 1588 and 1589

OEB Staff submission

In its application, Orangeville Hydro has requested the disposition of a \$1,231,694 debit balance for Group 1 DVAs (excluding Accounts 1588 and 1589), as of December 31, 2021 (adjusted for dispositions in 2022), on an interim basis over one year.

In its staff submission, OEB staff reviewed the 2021 DVA balances and the supporting evidence substantiating these balances. OEB staff supports the request to dispose of the December 31, 2021 Group 1 DVA balances (excluding Accounts 1588 and 1589) on an interim basis over one year.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approve the interim disposition of the 2021 Group 1 DVA balances of \$1,231,694 as of December 31, 2021, not including accounts 1588 and 1588, through rate riders applicable for one year.

Accounts 1588 and 1589

OEB Staff submission

In December 2021, the OEB commenced its compliance review relating to a Class A administrative error (as per the 2019 IRM decision EB-2018-0060) and the additional OEB inspection relating to internal

controls and associated accounting practices for accounts 1588 and 1589 (as per the 2021 IRM decision EB-2020-0046) collectively referred to as “the Inspection”. Orangeville Hydro confirmed that it is not requesting disposition of Accounts 1588 and 1589 balances in the current proceeding, as it is likely that the Inspection will not be completed by the February 10, 2023 close of record of this proceeding.

In its submission, given the ongoing Inspection, OEB staff submits that it is appropriate that the Accounts 1588 and 1589 balances not be disposed in the current proceeding. OEB staff submits that deferring the disposition of Accounts 1588 and 1589, while disposing of the remaining Group 1 balances (other than Accounts 1588 and 1589) on an interim basis, is appropriate, similar to the 2022 IRM decision.

In the 2022 IRM decision EB-2021-0049, the OEB directed Orangeville Hydro to provide the outcomes of the Inspection for the OEB’s consideration in the first rate application following the conclusion of the Inspection. In its submission, OEB staff agrees that the question of final disposition of these balances can be revisited at that time.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approve the deferral of the disposition of Accounts 1588 and 1589 until the conclusion of the Inspection. Orangeville Hydro agrees that it will provide the outcomes of the inspection in the first rate application following the conclusion of the Inspection.

5. Request for Disposition of Account 1568 LRAMVA

OEB Staff submission

In its application, Orangeville Hydro is requesting approval of the final disposition of the LRAMVA balances for 2021 and 2022 resulting from 2021 CDM programs and persistence of 2011 to 2020 CDM programs. The LRAMVA balance, including carrying charges projected to April 30, 2023, is a debit balance of \$124,351. Orangeville Hydro is requesting disposition over 12 months. Orangeville Hydro is also requesting approval on a prospective basis for an LRAM-eligible debit amount of \$203,849, arising from persisting savings in 2023-2027 from previously implemented CDM programs. Orangeville Hydro is proposing a separate LRAM-Eligible Amount Rate Rider to be included beginning with the 2023 rate year to recover the amount of \$58,057.

In its submission, OEB staff agrees that Orangeville Hydro’s requests are consistent with the OEB’s CDM Guidelines, and that the LRAMVA balances and the LRAM-eligible amounts are reasonable. OEB staff supports Orangeville Hydro’s requests to dispose of its LRAMVA balances on a final basis, and to also approve the 2023-2027 LRAM-eligible amounts, including recovering these amounts, subject to adjustment by the approved inflation minus X factors, beginning with the 2023 rate year.

Orangeville Hydro reply submission

Orangeville Hydro requests that the OEB approve the final disposition of the debit balance of \$124,351 LRAMVA amount. Orangeville Hydro also requests that the OEB approve the final disposition of the prospective basis LRAM-eligible amount arising from persisting savings in 2023-2027 from previously implemented CDM programs, for the 2023 rate year.

6. Low Voltage Service Rate Adjustment

OEB Staff submission

In its application, Orangeville Hydro requested to adjust its Low Voltage (LV) service rates (LVSR) billed to customers to minimize its DVA account balances and mitigate intergenerational inequity. Orangeville Hydro noted that it last updated its LVSR as part of its 2014 Cost of Service application (EB-2013-0160). Orangeville Hydro's reason for this request is two-fold:

1. To set its LVSRs at an appropriate level to reflect actual costs.
2. To minimize the variances accumulated in Account 1550, by reducing the differential between the LV charges incurred and its LVSRs charged to customers.

To set its LV service rate at a more appropriate level, Orangeville Hydro proposed to forecast its 2023 LV costs by multiplying its 2022 demand values by HONI's 2023 OEB-approved sub-transmission rates. This resulted in forecasted LV costs for the 2023 rate year of \$835,475. Orangeville Hydro used the OEB's RTSR model to complete its final LV service rate calculation.

In its submission, OEB staff supports Orangeville Hydro's request and the methodology used to amend its 2023 LVSRs in this proceeding. OEB staff also supports Orangeville Hydro's attempt to minimize the balance in Account 1550.

Due to the timing of the 2023 IRM application process for May 1 rates, Orangeville Hydro was able to recalculate its 2023 LV costs based on 2023 sub-transmission rates and 2022 actual demand. OEB staff submits that the use of the most recent host sub-transmission rates as well as the most recent actual demand data will result in a reasonably accurate forecast for the 2023 LVSR.

VECC submission

In its submission, 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.

VECC took no issue with Orangeville Hydro's methodology of basing the forecasted LV costs on the historical 2022 demand values multiplied by the 2023 approved Hydro One LV rates in EB-2021-0110. This methodology allows for a more accurate forecast of costs, by using actual rates for the forecasted year, based on OEB-approved rates.

Orangeville Hydro reply submission

As submitted in the application, a significant variance between the Low Voltage Costs and Revenues based on the LVSR rate last set in 2014 is shown in the table below.

Year	Low Voltage Costs (Payments to Hydro One)	LV Revenues	Variance Cost vs Revenues
2014 Actual	\$ 534,011	\$ 333,412	\$ 200,600
2015 Actual	\$ 675,954	\$ 378,662	\$ 297,291
2016 Actual	\$ 799,803	\$ 387,932	\$ 411,871
2017 Actual	\$ 775,365	\$ 379,177	\$ 396,188
2018 Actual	\$ 668,075	\$ 394,845	\$ 273,230
2019 Actual	\$ 912,091	\$ 386,690	\$ 525,401
2020 Actual	\$ 1,249,117	\$ 386,835	\$ 862,283
2021 Actual	\$ 1,319,832	\$ 394,193	\$ 925,639
2022 Actual	\$ 942,601	\$ 405,265	\$ 537,338
	\$ 7,876,849	\$ 3,447,011	\$ 4,429,841

Orangeville Hydro's request to adjust the LVSRs is reasonable and in the best interest of its customers for the reasons stated below:

- 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.

Orangeville Hydro requests that the OEB approve the increase to the LVSRs based on the methodology proposed in the application to determine an appropriate LVSR.

All of which is respectfully submitted this 7th day of February, 2023.

Orangeville Hydro Limited



Amy Long, CPA, CGA
Chief Financial Officer