WASAGA DISTRIBUTION INC.
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February 17, 2023

Ms. Nancy Marconi
Registrar
Ontario Energy Board
27-2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Re: Wasaga Distribution Inc. – EB-2022-0066
Application for 2023 Electricity Distribution Rates
Wasaga Distribution Reply Submission

Dear Ms. Marconi,

In accordance with Procedural Order #1, please find attached Wasaga Distribution's reply to submissions from OEB Staff.

Respectfully Submitted,

S. Silvestro

Spencer Silvestro
Financial and Regulatory Analyst
Wasaga Distribution Inc.
s.silvestro@wasagadist.ca
cc: Ashly Karamatic, Manager of Finance and Regulatory

Reply Submission to OEB Staff Submission
EB-2022-0066
Wasaga Distribution Inc.
Application for electricity distribution rates and other charges effective May 1, 2023
February 17, 2023

Introduction

Wasaga Distribution Inc. (“Wasaga Distribution”) filed an amended rate-setting mechanism application with the Ontario Energy Board (“OEB”) on November 22, 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. Wasaga Distribution is also seeking approval to adjust its Low Voltage Service rates.

In accordance with Procedural Order No. 1, OEB Staff filed the submissions on February 6, 2023. OEB Staff made submissions on:

1. Price Cap Adjustment and Retail Transmission Service Rates
2. Wholesale Market Service Rates and Rural/Remote Electricity Rate Protection Charge
3. Shared Tax Adjustment
4. Group 1 Deferral and Variance Account
5. Lost Revenue Adjustment Mechanism Variance Account
6. Low Voltage Service Rate Adjustment.

Wasaga Distribution is providing reply submissions on the above mentioned issues.

1. Price Cap Adjustment and Retail Transmission Service Rates

OEB Staff submission

In its application, Wasaga Distribution requested an update to its Retail Transmission Service Rates (RTSRs) to recover the rates charged by HONI’s distribution system. OEB Staff has updated Wasaga Distribution’s RTSRs in the Rate Generator Model as part of its interrogatories to reflect Hydro One’s 2023 host- RTSRs.

In that same Rate Generator Model, OEB staff also updated price cap adjustment for Wasaga Distribution, to reflect the OEB’s 2023 inflation factor of 3.70%.

In its submission, OEB staff supports Wasaga Distribution’s request for updated RTSR rates and the 3.70% rate adjustment based on the Price Cap Index adjustment formula.

Wasaga Distribution reply submission

Wasaga Distribution requests that the OEB approves its RTSR and Price Cap Adjustment as updated by OEB Staff.

2. Wholesale Market Service Rates and Rural/Remote Electricity Rate Protection Charge

OEB Staff submission

On December 8, 2022, the OEB issued a Decision and Rate Order that set the WMS including Capacity Based Recovery (CBR) at $0.0045/kWh and the RRRP charge at $0.0007/kWh, effective January 1, 2023. OEB staff updated the Rate Generator Model, as part of its interrogatories, to reflect that decision and rate order. In its submission, OEB staff supports the updates made to the WMS rate and RRRP charges.

Wasaga Distribution reply submission

Wasaga Distribution requests that the OEB approves the updates to the WMS rate and RRRP charges as a result of the OEB's December 8, 2022 Decision and Order.

3. Shared Tax Adjustment

OEB Staff submission

In its application, Wasaga Distribution calculated a total decrease of $14,279 in its 2023 tax expense as compared to the approved tax expense in its 2016 cost of service, resulting in a shared amount of $7,140 to be refunded to tax payers.

Wasaga Distribution also noted that the shared tax amounts approved in 2019, 2020, 2021, and 2022 IRM applications plus carrying charges, totaling a credit amount of $4,910 has been recorded in Account 1959 (2020).

In its submission, OEB staff agreed with Wasaga Distribution's calculated 2023 tax decrease of $14,279, as well as its proposal to share $7,140 with ratepayers. OEB staff submits that the amount should be transferred to Account 1959 (2023) and disposed in a future rate application.

In its submission, OEB staff did not agree with Wasaga Distribution's proposal to transfer 2019-2022 approved shared tax amounts to an Account 1595 (Tax Sharing) sub-account, as the OEB has not established a generic Account 1595 (Tax Sharing). OEB staff did submit that these shared amounts, along with the 2023 shared tax amount should be transferred to Account 1595 (2023) for regulatory efficiency and ease of accounting administration.

OEB staff also calculated the total approved shared tax amounts for 2019-2022, excluding carrying charges, to be $5,341 credit, compared to Wasaga Distribution's calculation of $4,910 including carrying charges. OEB staff submits that Wasaga Distribution should review and transfer the correct 2019-2022 shared tax amounts of $5,341 plus carrying charges to Account 1595 (2023).

Wasaga Distribution reply submission

Wasaga Distribution has confirmed that the shared tax amounts for 2019-2022 is $5,341 plus carrying charges of $231, for a total of $5,572. This amount, combined with the 2023 amount of $7,140 will be moved to account 1595 (2023), totaling $12,712.

Wasaga Distribution requests that the OEB approves the Shared Tax Adjustment of $12,712.

4. Group 1 Deferral and Variance Account

OEB Staff submission

In its application, Wasaga Distribution's 2021 year end net balance of Group 1 accounts eligible for disposition, including interest projected to April 30, 2023, is a debit of $577,399 and pertains to variance accumulated during the 2021 calendar year. This amount represents a total debit claim of $0.0040 per kWh, $0.003 per kWh above the pre-set disposition threshold. Wasaga Distribution has requested the disposition of this amount over a one-year period on a final basis.

In its submission, OEB staff reviewed the 2021 DVA balances and supporting evidence substantiating these balances. OEB staff has not identified any issues with the other Group 1 account balances. Therefore, OEB staff support the request to dispose of the December 31, 2021 Group 1 DVA balances on a final basis over one year.

Wasaga Distribution reply submission

Wasaga Distribution requests that the OEB approve the disposition of the 2021 Group 1 DVA balances of $577,399 as of December 31, 2021 through rate riders applicable for one year.

5. Lost Revenue Adjustment Mechanism Variance Account

OEB Staff submission

In its submission, Wasaga Distribution is not applying for LRAMVA disposition as part of this proceeding. In response to OEB staff interrogatories, Wasaga Distribution noted that a request of its LRAMVA balance was not submitted, as the LRAMVA balance is immaterial. Wasaga Distribution also noted that it may consider disposing of its LRAMVA balance as part of its next Cost of Service application.

OEB staff submit that, as Wasaga Distribution has not indicated that a lack of information on eligible program savings is preventing the disposition of its LRAMVA balance, Wasaga Distribution should dispose of any remaining balance as part of the current proceeding. OEB staff request that Wasaga Distribution include its LRAMVA balance in its reply submission. Based on Wasaga Distribution's statement that its LRAMVA balance is immaterial, OEB staff submits that if Wasaga Distribution does not seek disposition in the current proceeding, its LRAMVA balance should be set to zero and not be considered for disposition in a future proceeding.

Wasaga Distribution reply submission

Wasaga Distribution's balance in its LRAMVA account is a credit of $329. Wasaga Distribution requests that the OEB approve Wasaga Distribution in setting the balance to zero and not considering the disposition in a future proceeding.

6. Low Voltage Service Rate Adjustment

OEB Staff submission

In its application, Wasaga Distribution is requesting to adjust its Low Voltage (LV) service rates (LVSRs) billed to customers to minimize its DVA account balances and to smooth customer bill impacts. Wasaga Distribution acknowledged that a LVSR adjustment is usually dealt with in a Cost of Service application. However, Wasaga Distribution requested this adjustment now to mitigate bill impacts anticipated in its 2024 Cost of Service application.

Wasaga Distribution last updated its LVSR as part of its 2016 Cost of Service application (EB-2015-0107).

In its submission, to set its LVSR at a more appropriate level, Wasaga Distribution proposed to forecast its 2023 LV costs by multiplying its projected 2023 demand values by HONI's 2023 OEB-approved sub-transmission rates. Wasaga Distribution's projected 2023 demand values were derived by using the 2022 actual demand values and then applying the average year-over-year increase from 2016-2022, resulting in a forecasted LV cost for the 2023 rate year of $567,687. Wasaga Distribution used the OEB's RTSR model to complete its final LV service rate calculation.

In its submission, OEB staff did not object to Wasaga Distribution's request to update its 2023 LVSR as part of its 2023 IRM application. OEB staff agreed that if Wasaga Distribution is anticipating a significant bill impact to its customers associated with its 2024 Cost of Service application, one way to mitigate that impact would be to reduce the year-over-year impact from 2023 to 2024 associated with LVSRs charged to customers. An update to the 2023 LVSRs would accomplish that.

Furthermore, OEB staff support Wasaga Distribution's attempt to minimize the balance in Account 1550 (LV Variance Account). OEB staff noted that Account 1550 makes up over 92% of Wasaga Distribution's total Group 1 account variances accumulated during the 2021 calendar year.

OEB staff also noted that HONI's sub-transmission rates are subject to inflationary increases year-over-year, while Wasaga Distribution's LVSR is only set during a Cost of Service Application.

OEB staff does not agree with Wasaga Distribution's proposal to use projected 2023 demand values. OEB staff believe Wasaga Distribution's approach may lead to an overcollection of LV revenues due to potential fluctuation in demand.

OEB staff submits that it would be more appropriate for Wasaga Distribution to use its actual demand values to derive its projected 2023 LV costs.

Wasaga Distribution reply submission

As submitted in the application, a significant variance between Low Voltage Costs and Revenues based on the LVSR rate last set in 2016 is shown in the table below.

Year	Low Voltage Payments to Hydro One	LV Revenues	Variance Cost vs Revenues
2016 Actual	$ 475,394.87	$ 272,994.70	$ 202,400.17
2017 Actual	$ 448,790.58	$ 289,080.63	$ 159,709.95
2018 Actual	$ 420,244.98	$ 311,282.07	$ 108,962.91
2019 Actual	$ 553,135.34	$ 307,150.96	$ 245,984.38
2020 Actual	$ 785,462.85	$ 322,872.53	$ 462,590.32
2021 Actual	$ 844,403.87	$ 330,343.88	$ 514,059.99
2022 Actual/Projected	$ 622,962.20	**$ 333,505.25**	$ 289,456.95
	$ 4,150,394.69	$ 2,167,230.02	$ 1,983,164.67

As discussed throughout the evidence, by requesting the adjustment to its LVSR in 2023, Wasaga Distribution is trying to achieve the following:

1. Smooth customer bill impacts – the increase occurs in 2023, rather than in the 2024 rebasing year, where the same increase will be coupled with other bill impact increases, associated with Wasaga Distribution's rebasing application.
2. Set LVSRs at an appropriate level to reflect actual costs.
3. Prevent further accumulation of a larger balance in the variance account, thereby mitigating any potential bill impacts that may result from the future disposition of the balance.
4. Ensures rate stability for customers is Wasaga Distribution is able to better match costs to revenues.
5. Mitigates intergenerational inequities which occur when variance account balances are recovered/returned in future periods.

Wasaga Distribution, per suggestion from OEB staff calculated the LV costs removing the built in inflation for 2023, as can be shown in the table below.

	Year	Low Voltage Payments to Hydro One	LV Revenues	Variance Cost vs Revenues
Originally Submitted	2023 Projected	$ 567,686.62	$ 350,180.51	$ 217,506.10
Adjusted 2023 LV Costs	2023 Projected	$ 550,344.40	$ 350,180.51	$ 200,163.88
Variance		$ 17,342.22	$ -	$ 17,342.22

Wasaga Distribution believes that the forecasted 2023 increase in kWh is justifiable as the increase is based on the average trend from the past six (6) years. It is unlikely that demand will drop or stay the same year-over-year. In addition, HONI's sub-transmission rates are subject to inflationary increases year-over-year and will therefore continue to increase beyond 2023. At the same time, Wasaga Distribution's rate will stay constant past 2023 until our next re-basing. This could create a situation similar to the past six (6) years; large year-over-year variances. In conclusion, given that Wasaga Distribution has been carrying an average variance of $283,309 per year since their last rebasing in 2016, Wasaga Distribution 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 17th day of February 2023.

Wasaga Distribution Inc.

Karamatic

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Ashly Karamatic, CPA, CGA
Manager, Finance & Regulatory