Ontario Energy Board

Commission de l’énergie de l’Ontario

Ontario

EB-2013-0122

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Cooperative Hydro Embrun Inc. for an order approving just and reasonable rates and other charges, to be effective January 1, 2014.

BEFORE: Paula Conboy
Presiding Member

Allison Duff
Member

DECISION AND ORDER
December 23, 2013

Cooperative Hydro Embrun Inc. (“CHEI”) filed a complete application with the Ontario Energy Board (“Board”) on June 14, 2013 under section 78 of the *Ontario Energy Board Act*, *1998*, seeking approval for changes to the rates that CHEI charges for electricity distribution, to be effective January 1, 2014. The Board issued a Notice of Application and Hearing dated June 28, 2013.

CHEI is a licensed electricity distributor serving approximately 2,000 customers in the Town of Embrun. CHEI’s initial application included a requested revenue requirement of $838,798. If the company’s application were accepted in full by the Board, the impact on the bill of a typical residential customer would be an increase of about $3.03 per month.

The Board conducted a written hearing. The Vulnerable Energy Consumers Coalition ("VECC") applied for and received intervenor status and cost eligibility. No letters of comments were received. The hearing process included the filing of additional evidence and interrogatories. Board staff and VECC filed submissions on November 13 and 15, 2013 respectively. CHEI filed its reply submission on December 3, 2013.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Alignment of Rate Year with Fiscal Year and Effective Date for Rates;
- Capital Expenditures;
- Rate Base;
- Working Capital Allowance;
- Green Energy Act Plan;
- Operating Revenues;
- Operating Expenses;
- Cost of Capital;
- Cost Allocation;
- Rate Design; and
- Deferral and Variance Accounts.

Alignment of Rate Year with Fiscal Year and Effective Date for Rates

CHEI requested a fiscal rate year alignment to January 1, in order to reduce administrative and accounting cost burdens, improve budget planning and align rates with costs. The Board approves CHEI's request.

VECC had no issue with this proposal other than submitting that CHEI's rates should become effective the later of January 1, 2014 or the earliest date of implementation after the Board's order. VECC submitted that no retroactivity should be granted in the event that CHEI is unable to implement rates by January 1, 2014 due to the length of this proceeding. Board staff made no submission on this matter.

The Board will permit CHEI to recover any foregone revenue should implementation of final rates not be possible by January 1, 2014. The Board finds that the length of this proceeding has not been prolonged by any actions of CHEI.

Capital Expenditures

CHEI proposed a budget of $474,595 for capital projects in 2014 (net of $160,000 in capital contributions). Approximately $400,000 of the capital expenditures is related to a new subdivision consisting of four housing developments which will serve 250 customers. CHEI indicated that both the municipality and the subdivision developer confirmed that the subdivision will be in service by the end of 2014.

VECC submitted that while CHEI indicated the subdivision, with the 250 units, would be in service by the end of 2014, CHEI forecast only 200 customers to be energized in 2014. VECC concluded that CHEI's capital budget should be reduced by 50 units, or $60,000.

The Board approves CHEI's 2014 capital expenditures of $474,595. The Board recognizes that small changes to a utility of Embrun's size can have a material impact on capital and operating costs. There is little dispute that the four housing projects will materialize in the near term. The Board finds the cost of a subsequent application to include the 50 units in rate base is not justified given these units may be energized early in 2015.

Rate Base

CHEI's forecast for 2014 rate base is $2,885,590 based on CGAAP, representing an increase of 19.4% over 2012 actual. CHEI filed an Asset Management Plan and Stantec Study, which evaluated the acceptability of CHEI's system with current and future load growth.

Board staff submitted that CHEI had extensively documented the condition of its assets and the program to address the required capital expenditures in the next 10 years.

The Board accepts the proposed rate base of $2,885,590 for 2014.

Working Capital Allowance

CHEI proposed to use the Board's default 13% working capital allowance as set out in the Filing Requirements for Transmission and Distribution Applications. Board staff supported CHEI's 13% proposal.

VECC disagreed with CHEI's proposed 13% allowance and submitted a 12% allowance was more appropriate. VECC indicated that CHEI had migrated from bi-monthly to monthly billing in 2011 which should decrease its need for working capital. In support of its proposal, VECC referenced a lead-lag study which resulted in a working capital requirement near 11% for London Hydro, which also bills monthly. VECC argued it was incorrect for distributors to use an arbitrary proxy when tested evidence from actual lead-lag studies was available.

In reply submission, CHEI opposed VECC's proposal. CHEI indicated that it was arbitrary to reduce its working capital allowance in the absence of its own study or consultation process.

The Board has been clear that an applicant may take one of two approaches for the calculation of its allowance for working capital: (1) the 13% allowance approach based on its findings in a generic consultation; or (2) the filing of a lead/lag study. The Board finds no compelling reason to depart from the policy at this time. The Board is reluctant to adopt the results of a lead-lag study from one utility to another without a thorough analysis of the circumstances for each utility.

Green Energy Act Plan

CHEI requested approval of its Green Energy Plan (the "Plan"). CHEI did not propose to connect any generators under the FIT program, undertake any new capital investments or OM&A expenditures during the term of the Plan. CHEI sought an exemption from the filing requirement that a distributor must submit its Green Energy Plan to the Ontario Power Authority (the "OPA") for comment prior to filing the plan with the Board. Given the absence of any forecast connections, CHEI did not consider an OPA review to be warranted.

Board staff submitted the Plan appeared reasonable yet noted that submission to OPA was still required. In the absence of an OPA review, Board staff submitted the Board has no way of confirming whether the assumptions in CHEI's Plan are reasonable. Board staff submitted that the Board should not grant CHEI an exemption and should not approve CHEI's Plan.

VECC submitted that despite the non contentious nature of the Plan, CHEI should still be required to submit the Plan to the OPA and share any findings as part of the draft Rate Order process. If CHEI was unable to obtain a timely response from the OPA, it would bear the risk of having the implementation date for its 2014 rates delayed.

In reply submission, CHEI agreed to file its Plan with the OPA and to file the OPA correspondence when it becomes available. CHEI indicated that the OPA requires a minimum of 30 days to review and approve a Green Energy Plan.

The Board directs CHEI to file its Plan with the OPA and to file a copy of the OPA's response with the Board. The Board trusts CHEI to complete these tasks in a timely fashion but will not delay the implementation date for CHEI's 2014 rates.

Operating Revenues

Customer Forecast

CHEI forecast 2,198 customers for 2014 based on a year-end customer count. The following table provides CHEI's actual 2012, forecast 2013 and 2014 year-end customer numbers.

Table 1: Number of Year-End Customers

Customer Rate Class	2012 Actual	2013 Bridge Year	2014 Test Year
Residential	1,788	1,798	1,998
GS<50 kW	157	160	168
GS>50 kW	11	11	11
Street Lighting (connections)	1 (409)	1 (415)	1 (425)
Unmetered Scattered Load	19	20	20
Total	**1,976**	**1,990**	**2,198**

VECC submitted CHEI's 2014 forecast customer counts were reasonable and should be adopted by the Board. However, VECC highlighted a discrepancy of 50 customers in CHEI's forecast of new residential customers and the associated capital budget for the new residential subdivisions.

Table 2: 2014 Capital Expenditures for Subdivision

PATENAUDE SUBDIVISION (100 UNITS)	$ 120 000.00
BRISSON PROJECT OLIGO (50 UNITS)	$ 60 000.00
DOMAINE VERSAILLE PHASE (50 UNITS)	$ 60 000.00
MAURICE LEMIEUX NEW YORK CENTRAL PROJECT (50 UNITS)	$ 60 000.00

Board staff had no concerns with the 2014 customer forecast, yet noted that CHEI had proposed to use the year-end number of customers for its load forecast, revenue forecast, cost allocation and rate design, rather than the average number of customers. Board staff submitted that CHEI's year-end approach was justified because it was a better reflection of CHEI's customer and volumetric composition entering into the price cap regime, contemplated in the *Renewed Regulatory Framework for Electricity Distributors*.

In reply submission, CHEI reiterated its rationale for the forecast of 200 residential customers and submitted the forecast was intrinsically linked to its 2014 capital investment. "CHEI submits that the forecasted customers along with their related capital expenditures and forecasted load should remain in the application".

The Board agrees with CHEI and VECC that it is important to align customer additions with the associated capital expenditures. The Board will align these numbers to correspond to the accepted capital expenditure budget based on 250 units. This alignment results in a total forecast of 2,248 customers in 2014.

Load Forecast

CHEI proposed a load forecast of 31,609,564 kWh, prior to CDM adjustments. CHEI based its forecast on a multi-variant regression model. Distribution consumption was derived from purchase consumption and then allocated to each rate classes based on historic billing trends. In the application, CHEI included a CDM adjustment to its 2014 load forecast of 710,140 kWh.

Board staff did not comment on the derivation of CHEI's load forecast but submitted that CHEI's should update its CDM adjustment to 58,322 kWh to account for the impact of the 2011 and 2012 CDM programs on a net basis, rather than a gross basis of 710,140 KWh. VECC submitted the regression model developed by CHEI was reasonable and appropriate for the purpose of forecasting purchases; however noted a few areas of concern. VECC submitted that CHEI, in developing the initial purchase energy forecast, should use an economic conditions variable at the close of 2012 rather than a 10-year average. VECC proposed a load forecast of 32,636,155 kWh, higher than CHEI's proposal of 31,609,564 kWh and supported Board staff's submission for a CDM adjustment of 58,322 kWh.

In reply submission, CHEI agreed to accept a CDM adjustment of 58,322 kW.

However, CHEI submitted that VECC's proposal to use year-end 2012 variable may be short-sighted given the fact that the federal government is forecasting more job-cuts in Ottawa.

The Board accepts CHEI's regression model and load forecast methodology but directs CHEI to update its load forecast based on a year-end customer forecast of 2,248 and adjusted by 58,322 kWh for CDM activities. CHEI should include the revised forecast in its draft Rate Order. The Board acknowledges VECC's submission regarding the economic condition inputs to the forecast, yet finds no compelling reason to adjust the load forecast any further.

Operating Expenses

CHEI requested approval of $556,279 in OM&A expenses for 2014, excluding taxes and amortization expenses, for an increase of 11.88% over the 2010 Board approved amount or 6.04% over the 2012 actual expenses.

Board staff did not take issue with CHEI's proposed operating expenses. Board staff submitted that CHEI has improved its ability to meet regulatory requirements, has reasonable demonstrated its ability to operate reliably by meeting and exceeding the minimum standards for all service quality indicators. VECC performed an "expected growth test" and submitted that CHEI's proposed OM&A costs were within the range expected from inflation, growth and incremental responsibility cost pressures.

The Board is satisfied that CHEI's proposed OM&A expenses are reasonable. The evidence shows that the OM&A budgets are largely based on historical spending levels as well as additional billing activities and increased ongoing expenses related to incremental smart meter costs.

Cost of Capital

CHEI acknowledged the Board would update the cost of capital parameters for 2014 and committed to updating its cost of capital in its draft Rate Order. Board staff and VECC had no concerns.

The Board directs CHEI to update its cost of capital as part of its draft Rate Order to reflect the cost of capital parameters issued by the Board on November 25, 2013.

Cost Allocation

Revenue-to-Cost Ratios

CHEI used the latest Board approved Cost Allocation model which resulted in its GS<50, GS>50 and Unmetered Scattered Load revenue-to-cost ratios outside of the Board policy ranges. CHEI proposed to move all revenue-to-cost ratios to 100% thus eliminating cross-subsidization among classes. CHEI submitted a billing weighting factor of 1.0 for all customer rate classes was appropriate as the time, effort and cost for billing and collection did not vary across customer rate classes.

Board staff expressed concerns with the 1.0 billing weighting factor as it would require significant rebalancing of CHEI's distribution rates. However, Board staff deferred to CHEI's knowledge of its own situation and did not disagree with CHEI's proposed weighting factors. Board staff indicated the variation amongst the distribution rate impacts was attenuated by the other components of the customer's bill yet the total bill impacts would not approach the threshold at which rate impact mitigation was required. Board staff submitted that a phased-in approach over the next three years could be used to gradually adjust the revenue-to-cost ratios to 100%.

VECC noted that CHEI acknowledged that meter reading costs had not been separated out and allocated as required by the Cost Allocation model, but had been included in Account 5314, Customer Billing[1]. VECC questioned the appropriateness of CHEI's allocation of its meter reading costs, which are allocated using the unity weighting factors developed for billing and collecting. VECC submitted that the methodology is not sufficiently improved to justify moving the revenue-to-cost ratios closer to 100% than is currently required by the Report of the Board: *Review of Electricity Distribution Cost Allocation Policy*, dated March 31, 2011.

VECC submitted that the ratios of the GS<50 kW, GS>50 kW and Unmetered Scattered Load should be reduced to the upper end of the Board's respective policy range for each class over a period greater than one year. VECC also submitted in order to maintain revenue neutrality, there should be corresponding increases in the revenue-to-cost ratios for the Residential and Street Lighting classes. VECC submitted that the ratio for the Street Lighting class should be moved to the same level as the Residential rate class, and that both ratios for these classes should then be increased in tandem, subject to any rate impact considerations.

[1] Interrogatory response 7.0-VECC-32.

In its reply submission, CHEI noted that its proposal of an unusually aggressive adjustment is due to the fact that rates, for most classes, are decreasing and that the revenue-to-cost ratio adjustments would not be as noticeable to the customer. CHEI had no issue with VECC's submission and the methodology proposed by VECC.

The following table displays CHEI's current and proposed revenue-to-cost ratios, as well as the Status Quo revenue-to-cost ratios per the Cost Allocation model referred to by Board staff and VECC.

Table 3: Current and Proposed Revenue-to-Cost Ratios

Customer Class	2010 Board Approved	Status Quo as per CA Model (Board staff)	Status Quo as per CA Model (VECC)	Proposed 2014	Board Policy Ranges
Residential	103.0	89.4	89.8	100.0	85.0 – 115.0
GS<50 kW	91.0	143.9	139.7	100.0	80.0 – 120.0
GS>50 kW	121.0	159.4	156.7	100.0	80.0 – 120.0
Street Lighting	120.0	83.1	83.1	100.0	70.0 – 120.0
Unmetered Scattered Load	120.0	231.7	231.7	100.0	80.0 – 120.0

The Board supports VECC's submissions that the ratios of the GS<50 kW, GS>50 kW and Unmetered Scattered Load should be reduced to the upper end of the Board's respective policy range for each class. The Board's policy is that distributors should endeavor to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations. The Board has indicated that given the data limitations in the cost allocation models, as a practical matter, there may be little difference between a revenue-to-cost ratio of near one and the theoretical ideal of one.

In order to maintain revenue neutrality, CHEI should calculate a corresponding increases in the revenue-to-cost ratios for the Residential and Street Lighting classes. The ratio for the Street Lighting class should be moved to the same level as the Residential rate class, and that both ratios for these classes should then be increased in tandem, subject to any rate impact considerations. Rate impact mitigation is not required as the total bill impact will not exceed 10% for any rate class.

Rate Design

Fixed/Variable Split

CHEI proposed to move the fixed/variable split for all customer rate classes closer to a 50% fixed and 50% variable split.

Table 4: Proposed Fixed/Variable Split

Class	Fixed	Variable	Rate
Residential	49.69%	50.31%	$14.00
GS<50 kW	50.06%	49.94%	$21.22
GS>50 kW	55.89%	44.11%	$235.00
Unmetered Scattered Load	52.83%	47.17%	$9.75
Street Lights	64.18%	35.82%	$2.25

Board staff submitted that CHEI's proposed 50/50 split was arbitrary. Board staff suggested it would be preferable to decrease the fixed/variable rates together by a similar percentage, rather than rebalance through the variable part of the bill. Board staff was concerned that CHEI's proposal could have a material impact on certain customers.

VECC submitted that CHEI should base its rate design on the current fixed/variable split for each customer class. VECC noted that the resulting fixed charges should all be below the respective ceilings established by the Board policy[2]. In VECC's view, accepting CHEI's proposal and associated rationale would establish a precedent that other utilities may seek to follow.

In reply submission, CHEI submitted its proposed methodology is fair and should be approved by the Board as the results are more acceptable than VECC's proposed splits.

The Board does not find the arguments to change CHEI's rate design to a 50/50 split compelling and directs CHEI to maintain its existing fixed/variable split for each customer class.

Retail Transmission Service Rates ("RTSR")

CHEI is a fully embedded distributor whose host is Hydro One. Pursuant to a Rate Order regarding Hydro One Networks Inc.'s application for 2014 distribution rates (EB-

[2] Exhibit 8, Tab 1, Table 2, p. 12.

2013-0141), Hydro One's Sub-Transmission adjusted rates will be effective January 1, 2014. For CHEI's 2014 rates, the Board directs CHEI to revise its RTSRs by incorporating these new Sub-Transmission rates as part of its draft Rate Order. In accordance with standard practice, Variance Accounts 1584 and 1586 will continue to be used to capture timing differences and differences in the rate paid for wholesale transmission service compared to the retail rate CHEI is authorized to charge when billing its customers.

Low Voltage ("LV") Charges

CHEI proposed to increase its LV rates to recover $56,000, which would result in rate increases of 23% to 36% for its rates classes.

Table 5: Proposed Low Voltage Charges

Customer Class	% Allocation	$ Charges	Non-loss Adjusted Volumes	Rate
Residential	70.92%	$39,717	21,296,520	$0.0019 per kWh
GS<50 kW	14.43%	$8,079	4,950,960	$0.0016 per kWh
GS>50 kW	13.54%	$7,584	12,372	$0.6130 per kW
Unmetered Scattered Load	0.26%	$146	89,554	$0.0016 per kWh
Street Lighting	0.85%	$474	1,001	$0.4739 per kW
Total	**100%**	**$56,000**	**26,350,407**	

Board staff suggested that the LV charge increase should be close to 40% across the all rate classes. VECC submitted that CHEI's proposal was reasonable for rate setting given any differences would be captured in a variance account.

The Board will allow the recovery of $56,000 of LV charges as proposed by CHEI.

Loss Factor

CHEI proposed a loss factor of 1.0663 based on a five-year historical average. VECC accepted CHEI's proposal for 2014 as CHEI has committed to study the issue as loss factors varied widely in the five-year period.

Board staff submitted that CHEI should confirm it is using the approved 1.0443 SFLF in its loss factor calculation. In addition, Board staff submitted that CHEI should simply use the SFLF of 1.0443 rather than the five-year average because it would apply throughout the test year and the subsequent IRM period. In reply submission, CHEI indicated it had confirmed with Hydro One Network Inc., that the SFLF has been 1.0443 since February 2009.

The Board accepts CHEI's proposed loss factor of 1.0663 which includes the five-year average SFLF.

Deferral and Variance Accounts

CEHI proposed to dispose of Group 1 and Group 2 Deferral and Variance Account balances as of December 31, 2012 with interest forecast to December 31, 2013. CHEI proposed to dispose of the net debit balance of $64,222 over a two-year period.

Table 6: Group 1 and 2 Deferral and Variance Account Balances

Account Name	Account Number	Total Claim
LV Variance Account	1550	$21,141
Smart Meter OM&A Variance Account	1556	$165,834
Accounting Changes Under CGAAP	1576	$39,272
RSVA – Wholesale Market Service Charge	1580	($23,233)
RSVA – Retail Transmission Network Charge	1584	($2,598)
RSVA – Retail Transmission Connection Charge	1586	$2,056
RSVA – Power	1588	($21,435)
RSVA – Global Adjustment	1598	($8,133)
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	($111,894)
Other Regulatory Assets – Sub-Account OEB Cost Assessments	1508	$593
Other Regulatory Assets – Sub-Account OEB Cost Assessments	1508	$673
LRAM Variance Account	1568	$1,946
Total Group 1 and Group 2 Account Balances		$64,222

Board staff agreed with CHEI's proposed Group 1 and Group 2 account balances and disposition period, with the exception of the balances in Accounts 1508, 1556, 1576 and 1568. VECC generally supported Board staff's submissions, making specific submissions regarding Accounts 1556 and 1576.

The Board accepts the disposal of Group 1 and 2 balances over a one-year period, subject to its findings regarding 1508, 1556, 1576 and 1568. The Board wants to be clear that these amounts reflect account balances as of December 31, 2012 with interest forecast to December 31, 2013. This means that in future applications there should be no amounts related to costs incurred prior to December 31, 2012 booked to these accounts. Any such amounts would be considered retroactive ratemaking. It is a fundamental tenet of ratemaking that rates must be set to recover future costs and not to recover past costs in relation to a period for which the rates were already set on a final basis. Once the rates (including any associated rate riders from the clearance of deferral and variance account balances) have been determined to be final by the Board, it is implicit that such rates are just and reasonable and it is therefore improper for the Board to alter the rates retroactively.

Account 1508, Other Regulatory Assets – Sub Accounts OEB Cost Assessments and Pension Contributions

CHEI requested disposition sub account balances of $604 and $685 in Account 1508 related to minor transactions which occurred in 2010. Board staff submitted that, even though not material, the amounts are out of period and should be denied.

In interrogatory 9-Staff-37, Board staff asked CHEI why the Board should approve these amounts given they are out of period. In response, CHEI stated that it sought and was granted approval by the Board to dispose of $5,251 in its 2010 cost of service application (EB-2009-0132). CHEI indicated the $565 relates to minor transactions which occurred in early 2010 after disposal through 2010 Board Approved rates.

The Board agrees with Board staff and denies CHEI's request to dispose $604 balance in the OEB Cost Assessments sub account or the $685 balance in the Pension Contributions sub account as these costs were incurred in 2010. In CHEI's 2010 Rate Application decision, the Board approved the disposition of deferral and variance account balances as at December 31, 2008, plus projected interest to April 30, 2010 (not December 31, 2010 as suggested by Board staff). The amounts CHEI are referring to in Account 1508 relate to minor transactions which occurred in 2010. However, the Board notes that the Accounting Procedures Handbook states that effective May 1, 2006 cost assessments and cash pension contributions amounts should not be booked to a deferral and variance account. Effective on May 1, 2006 cost assessments and cash pension contributions amounts are assumed to be included in the distribution rates for the 2006/07 rate year.

Account 1556, Smart Meter OM&A Variance

Through interrogatory responses, CHEI updated its evidence and proposed disposition of $165,834 in Account 1556. The $165,834 balance consisted of $80,884 in capital expenses, $21,040 in OM&A expenses, $62,035 in depreciation expenses related to smart meters and $1,875 in interest on Meter Data Management Repository ("MDM/R") expenses[3].

Board staff and VECC submitted that the costs related to these accounts were dealt with in CHEI's stand-alone smart meter application (EB-2012-0094 Decision issued July 26, 2012), in which CHEI did not include any smart meter related OM&A costs for disposition and waived its claim for operating costs in that application.

Both Board staff and VECC opposed the recovery of the $165,834 and made reference to the Board's findings in EB-2012-0094 that stated, "Going forward, no capital and operating costs for new smart meters and the operations of smart meter shall be tracked in Accounts 1555 and 1556."[4] VECC added that the disposition of the Account 1556 balance were, in any event, out of period costs.

In reply submission, CHEI clarified the $165,834 actually related to not only operating costs but included capital costs, depreciation expenses and interest. CHEI updated its proposed balance for disposition to $21,040, by excluding $62,035 in depreciation expenses, $1,874 in interest charges as it should have included the amounts in the stand alone smart meter application. In addition CHEI proposed to transfer $80,884 of capital costs to Account 1611 "Computer Software" which would increase rate base by $8,040 and the revenue requirement by $484. CHEI it interpreted its MDM/R-related costs as the responsibility of the Smart Metering Entity and therefore excluded these costs in EB-2012-0094. CHEI expected to address them in its next cost of service application.

The Board accepts that CHEI no longer wishes to recover the $62,035 in depreciation expenses. The Board also accepts CHEI's statement that since the capital and operating costs should have been included in the smart meter application, it would forego the interest charges of $1,874.

The Board will not however approve the disposition of $21,040 in operating costs or the $80,884 in capital related costs. The Board was clear in its Decision (EB-2012-0094)

[3] Reply submission, Cooperative Hydro Embrun, December 3, 2013, p. 30.
[4] EB-2012-0094, Decision and Order, Cooperative Hydro Embrun Inc.'s Smart Meter application, p. 10.

that the amounts were deemed final and no capital or operating costs for new smart meters and the operating of smart meters were to be tracked in Accounts 1555 and 1556. The time to file a motion on the Decision (EB-2012-0094) has long passed. These costs are clearly out of period and to retroactively allow their inclusion in rates would not be fair to ratepayers.

The Board notes that the capital amount of $80,884 came to light only in CHEI's reply argument. The amount has therefore not been subject to any discovery process and has not been tested on the record of this proceeding. The Board therefore has no way of knowing whether this amount is accurate, whether it is appropriately categorized as software, what the useful life and depreciation amounts are and when the asset(s) went into service. The Board therefore does not have the evidentiary basis to allow recovery of the $80,884. The Board reminds CHEI that new evidence cannot be introduced in reply as it does not allow a complete record on which the Board can make its decision.

The Board notes further that CHEI has booked the $80,833 amount into Account 1556. In its EB-2012-0094 decision the Board indicated that no capital or operating costs for new smart meters and the operating of smart meters were to be tracked in Accounts 1555 or 1556 following that proceeding. It would therefore be inappropriate for the Board to now allow the disposition of and recovery of amounts booked to these accounts.

Account 1576, Accounting Changes under CGAAP
Through its interrogatory responses CHEI identified a credit balance of $39,272 in Account 1576 but stated that, in accordance with Board policy, it would seek disposition in a future application once the balances were audited.

Both Board staff and VECC referenced the June 25, 2013 Board letter on Accounting Policy Changes 1575 and 1576 as well as the 2014 cost of service filing requirements requiring licensed electricity distributors to dispose the balance of Account 1576 in their 2014 rate applications.

In its reply submission, CHEI pointed out that its application was filed prior to the June 25th letter and under the 2013 of service filing requirement. CHEI also believed that the balances in Account 1576 should be audited before it is disposed.

The Board appreciates the timing of CHEI's application but directs CHEI to dispose of the credit balance of $39,272 in Account 1576 over a two-year period, in accordance with the most recent requirements.

Account 1568, Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
CHEI proposed to dispose of $1,946 in Account 1568 which includes 2011 savings persisting in 2012 and projected interest on the account balance up to December 31, 2013. In response to 4-Staff-28, CHEI indicated it would be updating its application to include a request for approval of its 2012 LRAMVA amounts related to its 2012 OPA Province-wide CDM Programs and that it plans to update its LRAMVA in its draft Rate Order.

Board staff supported a disposition of CHEI's 2011 LRAMVA balance of $1,045, which consists of 2011 CDM savings in 2011 but excludes 2011 persisting savings in 2012. Board staff noted, however, that CHEI should have updated its LRAMVA amount to include 2012 lost revenue in its interrogatory responses and that updating its LRAMVA at the time of the draft Rate Order is inappropriate as Board staff and VECC will not have had an opportunity to test the information. VECC submitted that CHEI's proposal is acceptable provided the amounts in question are not material.

The Board will permit CHEI in this circumstance, given the expected materiality of costs, to update the account balance in Account 1568 to incorporate its 2012 Final OPA Results as part of the Draft Rate Order process with disposition over a one-year period. Board staff and VECC will have an opportunity to raise any relevant concerns through their submissions on the Draft Rate Order.

Stranded Meters
CHEI proposed to recover a net book value of stranded meters of $42,924.

The Board accepts the proposed recovery of one year of CHEI's proposed Stranded Meter Rate Rider ("SMRR"). The Board directs CHEI to update the calculation of its SMRR in its Draft Rate Order to adjust for the depreciated amount in 2013, as outlined in interrogatory response 8.0-VECC-42 using the methodology shown at Exhibit 7, Tab7, page 28 of CHEI's application.

Implementation

The Board has made findings in this Decision which change the 2014 revenue requirement and therefore change the distribution rates from those proposed by CHEI. In filing its draft Rate Order, the Board directs CHEI to file detailed supporting material, including all relevant calculations showing the impact of the implementation of this Decision on its proposed revenue requirements, the allocation of the approved revenue requirement to the classes and the determination of final rates and all approved rate riders, including bill impacts. Supporting documentation shall include, but not be limited to, the filing of a completed version of the Revenue Requirement Work Form Excel spreadsheet, which can be found on the Board's website.

CHEI filed its complete application on June 14, 2013 with a proposed effective date of January 1, 2014 for new rates. The Board's final Rate Order will not be issued until after the proposed effective date of January 1, 2014. The Board is therefore declaring CHEI's current approved rates interim as of January 1, 2014 pending the Board's final Rate Order on this application.

THE BOARD ORDERS THAT

1. CHEI's current approved rates are declared interim as of January 1, 2014 pending the Board's final Rate Order on this application.

2. CHEI shall file with the Board, and shall also forward to VECC, a draft Rate Order attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision within **21 days** of the date of this Decision and Order.

3. VECC and Board staff shall file any comments on the draft Rate Order with the Board and forward to CHEI within **7 days** of the filing of the draft Rate Order.

4. CHEI shall file with the Board, forward to VECC, responses to any comments on its draft Rate Order within **4 days** of the date of receipt of Board staff and intervenor comments.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall file with the Board and forward to CHEI their respective cost claim no later than **11 days** from the date of the issuance of the final Rate Order.

2. CHEI shall file with the Board, and shall forward to VECC within **18 days** from the date of issuance of the final Rate Order any objections to the claimed costs.

3. VECC shall file with the Board and forward to CHEI any responses to any objections for cost claims within **25 days** from the date of issuance of the final Rate Order.

4. CHEI shall pay the Board's cost incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2013-0122,** be made through the Board's web portal at, https://www.pes.ontarioenergyboard.ca/eservice// and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to BoardSec@ontarioenergyboard.ca. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

DATED at Toronto, December 23, 2013
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary