



EB-2013-0169

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 Rideau St.
Lawrence Distribution Inc. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2014.

By Delegation, Before: Lynne Anderson

DECISION and ORDER

March 13, 2014

Rideau St. Lawrence Distribution Inc. (“Rideau”) filed an application with the Ontario Energy Board (the “Board”) on October 25, 2013 under section 78 of the Act, seeking approval for changes to the rates that Rideau charges for electricity distribution, effective May 1, 2014 (the “Application”).

The Application met the Board’s requirements as detailed in the *Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (the “RRFE Report”) dated October 18, 2012 and the *Filing Requirements for Electricity Distribution Rate Applications* (the “Filing Requirements”) dated July 17, 2013. Rideau selected the Price Cap Incentive Rate-Setting (“Price Cap IR”) option to adjust its 2014 rates. The Price Cap IR methodology provides for a mechanistic and formulaic adjustment to distribution rates and charges in the period between cost of service applications. Rideau last appeared before the Board with a full cost of service application for the 2012 rate year in the EB-2011-0274 proceeding.

The Board conducted a written hearing and Board staff participated in the proceeding. No letters of comment were received.

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

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection Charge;
- Retail Transmission Service Rates; and
- Review and Disposition of Group 1 Deferral and Variance Account Balances.

Price Cap Index Adjustment

The Board issued the *Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors* (the "Price Cap IR Report") which provides the 2014 rate adjustment parameters for distribution companies selecting either the Price Cap IR or Annual IR Index option.

Distribution rates under the Price Cap IR option are adjusted by an inflation factor, less a productivity factor and a stretch factor. The inflation factor for 2014 rates is 1.7%. Based on the total cost benchmarking model developed by Pacific Economics Group Research, LLC, the Board determined that the appropriate value for the productivity factor is zero percent. The Board also determined that the stretch factor can range from 0.0% to 0.6% for distributors selecting the Price Cap IR option, assigned based on a distributor's cost evaluation ranking. In the Price Cap IR Report, the Board assigned Rideau a stretch factor of 0.15%.

As a result, the net price cap index adjustment for Rideau is 1.55% (i.e. $1.7\% - (0\% + 0.15\%)$). The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes. The price cap index adjustment does not apply to the components of delivery rates set out in the list below.

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;

- Wholesale Market Service Rate;
- Rural or Remote Electricity Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;
- MicroFit Charge; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection Charge

The Board issued a Decision and Rate Order (EB-2013-0396) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2014. The Board determined that the RRRP charge to be paid by all rate-regulated distributors and collected by the Independent Electricity System Operator (“IESO”) shall be increased to \$0.0013 per kWh effective May 1, 2014, from the current \$0.0012 per kWh. The draft Tariff of Rates and Charges flowing from this Decision and Order reflects the new RRRP charge.

Retail Transmission Service Rates

Electricity distributors are charged for transmission costs at the wholesale level and then pass on these charges to their distribution customers through the Retail Transmission Service Rates (“RTSRs”). Variance accounts are used to capture differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

The Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the “RTSR Guideline”) which outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2014. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new Uniform Transmission Rates (“UTR”) levels and the revenues generated under existing RTSRs. Similarly, embedded distributors, such as Rideau, must adjust their RTSRs to reflect any changes to the applicable Sub-Transmission RTSRs of their host distributor(s), e.g. Hydro One Networks Inc.

The Board approved new rates for Hydro One's Sub-Transmission class, including the applicable RTSRs, effective January 1, 2014 (EB-2013-0141), as shown in the following table.

2014 Sub-Transmission RTSRs

Network Service Rate	\$3.23 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.65 per kW
Transformation Connection Service Rate	\$1.62 per kW

I find that these 2014 Sub-Transmission class RTSRs are to be incorporated into the calculation of Rideau's RTSRs.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* provides that, during the IRM plan term, the distributor's Group 1 account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Rideau's 2012 actual year-end total balance for Group 1 accounts including interest projected to April 30, 2014 is a credit of \$399,438. This amount results in a total credit claim of \$0.0038 per kWh, which exceeds the preset disposition threshold. Rideau proposed to dispose of this credit amount over a one-year period.

In its submission, Board staff submitted that it supported the disposition of the Account balances on a final basis over a one-year period.

Prior to the filing of the Application, and as authorized by the Board in proceeding EB-2011-0274, the Board's Regulatory Audit and Accounting group conducted an audit of the balances in the following Rideau Accounts: 1588, RSVA Power; 1589, Global Adjustment ("GA"); and 1595, Recoveries (each as at December 31, 2012). The Board sent the final audit report to Rideau on November 21, 2013 and, on December 6, 2013, Rideau stated by letter that it was in agreement with the content of the report. Rideau

further agreed to filing the Audit Report on the public record of this proceeding. The report was so filed on December 10, 2013.

Section 9.4.1 of the Audit Report states that Rideau had mistakenly over-collected a GA rate rider by charging it on the basis of metered consumption adjusted upward by its loss factor. The impact of the over-collection was \$64,632. This amount was included in the Account 1595 balance requested by Rideau for disposition. The Audit Report further noted that Section 7.7.1 of the Board's *Retail Settlement Code* ("RSC") outlines actions that a distributor should undertake with respect to billing errors.

In its application, Rideau requested permission to refund the over-collection as part of the disposition of account 1595 rather than pursuant to the RSC. Rideau stated that the over-collection took place in 2010 and 2011 and that it would be very costly and time-consuming to determine the correct individual customers impacted by the error. Rideau further stated that, because of the time gap, there would be situations where affected customers no longer have accounts with Rideau.

Board staff submitted that the rate rider approach proposed by Rideau is not in compliance with the RSC. Board staff further submitted that while the use of a rate rider to return over-collected amounts to customers would rectify the over-collection issue between a distributor and its customer base as a whole, the approach makes no effort to ensure individual customers are refunded in amounts equal to their over-payment.

To that end, Board staff submitted that Section 7.7.1 of the RSC prescribes the appropriate remedy to be followed, in the form of a direct billing adjustment to the affected customers. Board staff stated that, in accordance with the RSC, Rideau should have notified affected customers and corrected the billing error within ten days of the error's discovery. Board staff further submitted that Rideau should provide calculations of a revised rate rider (i.e. without the \$64,632 adjustment) at the time that Rideau files its Draft Rate Order.

In its reply submission, Rideau submitted that normally, as per the RSC, it would refund to the customers as soon as possible. Rideau submitted that in this case, the error was detected during the audit, and the Audit Report was included in its IRM application. Rideau submitted that based on the recommendations by Board staff in the submission, it intends to apply a credit adjustment to each affected customer account prior to their next regular billing. Rideau agreed that the calculations for a revised rate rider (without

the \$64,632 adjustment) should be provided to the Board at the time that Rideau files its Draft Rate Order.

The disposition threshold has been exceeded. I approve the disposition of the Group 1 accounts as at December 31, 2012 with an adjustment to remove the \$64,632 related to the billing error. The balance for disposition shall include a revised calculation of the interest to April 30, 2014.

I agree with Rideau's proposal to dispose of this credit amount over a one-year period given that this is consistent with Board policy.

Rideau shall notify the Board when the credit adjustment has been applied to the accounts of customers affected by the billing error.

IMPLEMENTATION

I have made findings in this Decision and Order which change the 2014 distribution rates from those proposed by Rideau.

I expect Rideau to file a draft Rate Order, including a proposed Tariff of Rates and Charges and all relevant calculations showing the impact of this Decision and Order on Rideau's determination of the final rates. Supporting documentation shall include, but not be limited to, filing a completed version of the 2014 IRM Rate Generator model and calculations of a revised rate rider (i.e., without the \$64,632 adjustment), Tax sharing model and RTSR model. A Rate Order will be issued after the steps set out below are completed.

THE BOARD ORDERS THAT:

1. Rideau shall file with the Board a draft Rate Order that includes revised models in Microsoft Excel format and a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision by March 20, 2014.
2. Board staff shall file any comments on the draft Rate Order including the revised models and proposed rates with the Board and forward to Rideau within 7 days of the date of filing of the draft Rate Order.

3. Rideau shall file with the Board responses to any comments on its draft Rate Order including the revised models and proposed rates within 4 days of the date of receipt.
4. Rideau shall notify the Board in writing by no later than May 1, 2014 that it has credited the accounts of customers affected by the billing error. Rideau may choose to provide this notification as part of its filing for the draft Rate Order if the adjustment has been completed.
5. Rideau shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2013-0169**, 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 2 paper copies.

DATED at Toronto, March 13, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary