

## **ONTARIO ENERGY BOARD**

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

**AND IN THE MATTER OF** an Application by Welland Hydro-Electric System Corp. for an Order or Orders pursuant to Section 78 of the Ontario Energy Board Act, 1998 approving or fixing just and reasonable rates and other service charges for the distribution of electricity.

### **Application**

1. The applicant is Welland Hydro-Electric System Corp. ("Welland Hydro" or the "Applicant"). The Applicant is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Welland. The Applicant carries on the business of distributing electricity within the City of Welland, Ontario; Electricity Distribution Licence #ED-2003-0002.
2. Welland Hydro hereby applies to the Ontario Energy Board (the "Board" or the "OEB"), pursuant to section 78 of the Ontario Energy Board Act, 1998 as amended (the "OEB Act") for an Order or Orders approving its proposed electricity distribution rates and other charges, effective May 1, 2021.
3. Effective May 1, 2020 in the matter of EB-2019-0072, the Board approved electricity distribution rates for Welland Hydro's electricity distribution customers.
4. The Ontario Energy Board issued file number EB-2020-0060 to Welland Hydro for the 2021 Incentive Rate-Setting ("Price Cap IR") application.
5. This Application for Electricity Distribution Rates effective May 1, 2021 is comprised of the following:
  - The Manager's Summary
  - Appendix "A" - Certification of Evidence
  - Appendix "B" - Current Tariff of Rates and Charges - May 1, 2020
  - Appendix "C" - Current Tariff of Rates and Charges – November 1, 2020 Implementation Date
  - Appendix "D" - Proposed Tariff of Rates and Charges
  - Appendix "E" - 2021 Rate Generator Model

- Appendix "F" - Bill Impact Sheets
  - Appendix "G" - Bill Impact Sheet – 10<sup>th</sup> Percentile Customer
  - Appendix "H" - Global Adjustment Workform
  - Appendix "I" - Letter filed with the OEB February 18, 2020
  - Appendix "J" - Account 1595 Workform
6. Upon receipt of the Letter of Direction from the Board, Welland Hydro will publish this application and its Decision on its website.
7. Welland Hydro requests that this Application be disposed of by way of a written hearing.

**All of Which is Respectfully Submitted**

Welland Hydro's contact information for this Application is as follows:

The Applicant:

Mrs. Jennifer Dionne  
Senior Accountant  
Welland Hydro-Electric System Corp.

Mailing Address: 950 East Main Street  
P.O. Box 280  
Welland, Ontario L3B 5P6

Telephone: 905-732-1381 Ext 235  
Fax: 905-732-0123

Email Address: [jdionne@wellandhydro.com](mailto:jdionne@wellandhydro.com)

DATED at Welland, Ontario this 28<sup>th</sup> day of October, 2020

Welland Hydro-Electric System Corp.



Jennifer Dionne  
Senior Accountant

## Manager's Summary

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Appendix G	Bill Impact Sheet – 10 <sup>th</sup> Percentile Residential Customer
Appendix H	Global Adjustment Workform
Appendix I	Letter filed with the OEB February 18, 2020
Appendix J	Account 1595 Workform

## **1 Introduction**

Welland Hydro-Electric System Corp. (Welland Hydro) hereby applies to the Ontario Energy Board (the Board) for approval of its 2021 Distribution Rate Adjustments, effective May 1, 2021, based on Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications (EDR)* last revised on May 14, 2020.

Welland Hydro's current electricity distribution rates, effective May 1, 2020, were approved in the Decision and Rate Order of the 2020 Incentive Rate-Setting Application (EB-2019-0072) and can be found in Appendix B to this Application. In consideration of the COVID-19 emergency, the Decision and Rate Order also granted Welland Hydro the option to postpone implementation of its new rates and to track temporarily forgone revenue in a deferral and variance account. Welland Hydro chose to postpone the implementation of its new distribution rates until November 1, 2020. Through a Final Rate Order issued by the OEB on October 8, 2020, the OEB authorized Welland Hydro to implement its new distribution rates on November 1, 2020, including a rate rider for the recovery of forgone revenues resulting from postponing rate implementation in response to COVID-19. The Final Rate Order can be found in Appendix C to this Application.

Welland Hydro has chosen to file its 2021 Distribution Rate Application under the Price Cap Incentive Rate adjustment option.

Welland Hydro has used the Board's 2021 Rate Generator Model and Global Adjustment Analysis Workform in the preparation of this filing. Welland Hydro confirms the accuracy of the 2019 billing determinants and Trial Balance for pre-populated models.

## **Relief Sought**

Welland Hydro applies for an Order or Orders approving the proposed Tariff of Rates and Charges set out in Appendix D to this Application as just and reasonable rates and charges pursuant to section 78 of the OEB Act, to be effective May 1, 2021.

1    **Form of Hearing Requested**

2    Welland Hydro requests that this Application be disposed of by way of a written hearing.

3    DATED at Welland, Ontario, this 28<sup>th</sup> day of October, 2020.

4    **All of which is respectfully submitted,**

5    **WELLAND HYDRO-ELECTRIC SYSTEMS CORP**

6    Jennifer Dionne

A handwritten signature in black ink that reads "Jennifer Dionne". The signature is written in a cursive, flowing style.

7    Senior Accountant

## 1.1 Certification of Evidence

Chapter 1 of the Filing requirements for Electricity Distribution Rate Applications requires distributors to include certification by a senior officer that the evidence filed is accurate, consistent and complete. Welland Hydro has provided this certification in Appendix A attached.

## 1.2 Requested Rate Adjustments

The 2021 proposed rate adjustments include:

- An adjustment of Retail Transmission Service Rates (RTSRs) in accordance with Board Guidelines G-2008-001: *Electricity Distribution Retail Transmission Service Rates*, last revised June 28, 2012 and subsequent updates to the Uniform Transmission Rates (“UTRS”).
- A Rate Rider for Disposition of Deferral and Variance Accounts effective until April 30, 2022. Welland Hydro is seeking the Board’s approval for a one-year disposition period.
- A Rate Rider for Global Adjustment disposition applicable only for Non-RPP Class B customers effective until April 30, 2022. Welland Hydro is seeking the Board’s approval for a one-year disposition period. In addition, Welland Hydro is seeking approval of 12 equal monthly charges (debit) for the contribution of four Class A transition customers to the Global Adjustment balance.
- A Rate Rider for Capacity Based Recovery (CBR) disposition applicable only for Class B customers effective until April 30, 2022. Welland Hydro is seeking the Board’s approval for a one-year disposition period. In addition, Welland Hydro is seeking approval of 12 equal monthly payments (credit) for the contribution of four Class A transition customers to the CBR balance.

### **1.3 Statement of publication of applicant's notice**

This application, as submitted, will affect all of Welland Hydro's customers. Welland Hydro confirms that the Application and related documents will be published for viewing purposes on its website ([www.wellandhydro.com](http://www.wellandhydro.com)).

The primary contact for this application with whom the OEB may communicate is as follows:

Jennifer Dionne  
Senior Accountant  
Phone: 905-732-1381 x235  
Email: [jdionne@wellandhydro.com](mailto:jdionne@wellandhydro.com)

## **2 Distributor Profile Summary**

Welland Hydro is located in the Niagara Peninsula and incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Welland. The Corporation owns and operates electricity distribution infrastructure serving approximately 24,000 residential and commercial customers in the City of Welland. The business of Welland Hydro is regulated by the OEB under the Ontario Energy Board Act, 1998 (Ontario). Welland Hydro is 100 percent owned by its shareholder, Welland Hydro-Electric Holding Corp., which is 100 percent owned by its shareholder, the City of Welland.

Welland Hydro receives electricity from the provincial electricity grid and transports it safely and reliably across a distribution network covering a service territory of 81 square kilometers. WHESC's distribution equipment includes 13 substations, 335 kilometers of overhead lines, 155 kilometers of underground cable, over 2,600 transformers and over 7,500 poles.

## **3 Details for Welland Hydro's Electricity Distribution Rate Application**

### **3.1 Schedule of Current and Proposed Rates and Charges**

Welland Hydro has completed the 2021 Rate Generator Model which is pre-populated with the distributor's most recent tariff of rates and charges, load and customer data, and Group 1

balances as reported through RRR reporting. Welland Hydro confirms the accuracy of this pre-populated data.

Welland Hydro confirms that it has not diverged from the Board's Rate Generator Model.

#### **Current Tariff of Rates and Charges**

Welland Hydro's current Tariff of Rates and Charges approved in the 2020 Incentive Rate-Setting Application (EB-2019-0072) can be found in Appendix B. The current Tariff of Rates and Charges approved in the 2020 Incentive Rate-Setting Application, amended to reflect the implementation date of November 1, 2020 as a result of COVID-19 can be found in Appendix C.

#### **Proposed Rates and Charges**

Welland Hydro's proposed Tariff of Rates and Charges can be found in Appendix D and are the outputs of the 2021 Rate Generator Model. Bill impacts by customer class are included in Appendix F and are summarized in Table 1 below. Current rates represent those of the Final Tariff, implemented on November 1, 2020.

**Table 1 – Bill Impacts**

Customer Rate Class	Average Monthly Volume		Total Bill Charges			
	kWh	kW	Current	Proposed	\$	%
Residential	750		\$114.87	\$114.80	-\$0.07	-0.06%
General Service Less Than 50 kW	2,000		\$282.22	\$282.19	-\$0.03	-0.01%
GS 50 to 4,999 kW	32,400	60	\$6,134.57	\$6,273.28	\$138.71	2.26%
Unmetered Scattered Load	150		\$27.80	\$27.80	\$0.00	-0.01%
Sentinel Lighting	120	0.3	\$19.68	\$19.68	\$0.00	0.01%
Street Lighting	16	0.044	\$3.93	\$4.00	\$0.07	1.76%

Welland Hydro has reviewed the bill impact for a residential customer at the 10th percentile consumption. In order to determine the kWh consumed at the 10th percentile, Welland Hydro reviewed residential consumption data from the 2019 calendar year. Only data with 12 monthly bills and a minimum of 50 kWh per month were used to determine the 10th percentile point.

The data produced a sample size of 21,409 out of 21,721 residential customers. From the data, a 10th percentile consumption point was determined to be 286 kWh per month before loss factor. The Bill Impact Statement for the 10th percentile residential customer is included as Appendix G and is summarized in Table 2 below.

**Table 2 – Bill Impacts – Residential 10<sup>th</sup> Percentile Customer**

Customer Rate Class	Average Monthly		Total Bill Charges			
	kWh	kW	Current	Proposed	\$	%
Residential 10th percentile	271		\$58.40	\$58.38	-\$0.02	-0.04%

Section 3.2.3 of the filing requirements states that distributors must file a mitigation plan if total bill increases for any customer class exceeds 10%. As shown in Table 1, no bill impacts are greater than 10% and therefore Welland Hydro is not including a mitigation plan in this Application.

## **3.2 Price Cap Adjustment**

### **3.2.1 Annual Adjustment Mechanism**

Welland Hydro is submitting a price cap adjustment of 1.85% (2020 rate setting parameters) as stipulated in Chapter 3 of the Board's Filing Requirements for Distribution Rate Applications, dated May 14, 2020. This is based on the current default metrics; an inflation factor of 2.0%, a productivity factor of 0.00%, and a stretch factor of 0.15% (representing Stretch Factor Group II). Welland Hydro acknowledges that the Board will update Welland Hydro's 2021 IRM Rate Application once the final parameters are determined. The calculation of the price cap adjustment is shown in Tab 16 of the 2021 Rate Generator Model.

#### **3.2.1.1 Application of the Annual Adjustment Mechanism**

Welland Hydro has not applied the price cap index to the following components of delivery rates:

- Rate Adders
- Rate Riders
- Low Voltage Service Charges

- Retail Transmission Service Rates
- Wholesale Market Service Rate
- Rural and Remote Rate Protection Benefit and Charge
- Standard Supply Service – Administrative Charge
- Capacity Based Recovery
- MicroFIT Service Charge
- Specific Service Charges
- Transformation and Primary Metering Allowances
- Smart Meter Entity Charge

### **3.2.2 Revenue-to-cost Ratio Adjustments**

Welland Hydro is not requesting any revenue-to cost ratio adjustments in this application.

### **3.2.3 Rate Design for Residential Electricity Customers**

On April 2, 2015, the OEB released its Board Policy: A New Distribution Rate Design for Residential Electricity Consumers (EB-2014-0210), which stated that electricity distributors will transition to a fully fixed monthly distribution service charge for residential customers over a four-year period beginning in 2016. Welland Hydro fully transitioned to a fixed monthly service charge for residential customers effective May 1, 2019 in its 2019 IRM Rate Application (EB-2018-0075).

### **3.2.4 Electricity Distribution Retail Transmission Service Rates**

Revision 4.0 of Guideline G-2008-001 on Retail Transmission Service Rates dated June 28, 2012 instructs electricity distributors to adjust their retail transmission service rates (“RTSRs”) based on a comparison of historical transmission costs adjusted for new UTR levels, and revenues generated from existing RTSRs. Welland Hydro has calculated the adjustments to the current RTSRs using Tabs 10 to 15 in the 2021 Rate Generator Model. Welland Hydro acknowledges that the Board will adjust its 2021 Rate Generator Model to incorporate the January 1, 2021 UTR adjustments. The non-loss adjusted metered kWh and non-loss adjusted metered kW found in Tab 10 of the model are as reported on the 2019 RRR 2.1.5 filing. Welland Hydro has not made any adjustments to the consumption data as reported in the 2019 RRR filing.

A summary of the proposed RTSRs is provided in the following Table 3.

**Table 3 – Proposed RTSRs**

Customer Rate Class	Unit	Existing RTRS Network	Proposed RTSR Network	Variance	Variance %	Existing RTRS Connection	Proposed RTSR Connection	Variance	Variance %
Residential	\$/kWh	0.0083	0.0080	-0.0003	-3.61%	0.0071	0.0067	-0.0004	-5.63%
General Service Less Than 50 kW	\$/kWh	0.0073	0.0071	-0.0002	-2.74%	0.0059	0.0056	-0.0003	-5.08%
General Service 50 to 4,999 kW	\$/kW	2.4866	2.4085	-0.0781	-3.14%	2.3205	2.1918	-0.1287	-5.55%
Unmetered Scattered Load	\$/kWh	0.0073	0.0071	-0.0002	-2.74%	0.0059	0.0056	-0.0003	-5.08%
Sentinel Lighting	\$/kW	2.3281	2.2549	-0.0732	-3.14%	1.9133	1.8072	-0.1061	-5.55%
Street Lighting	\$/kW	2.3231	2.2501	-0.0730	-3.14%	1.9090	1.8031	-0.1059	-5.55%

### 3.2.5 Review and Disposition of Group 1 Deferral and Variance Account Balances

#### Approved Deferral and Variance Account Rate Riders

##### **Smart Meter Entity Charge**

In the Decision and Order for Welland Hydro's 2013 Cost of Service Application (EB-2012-0173) dated March 21, 2013 the Board approved a rate rider for Residential and GS<50 customer classes for Smart Meter Entity Charge in the amount of \$0.79 per smart meter per month effective until October 31, 2018. On March 1, 2018 the OEB approved the application (EB-2017-0290) by the Independent Electricity System Operator (IESO) to decrease the Smart Meter Entity Charge to \$0.57 per smart meter per month and extend the term to December 31, 2022. In accordance with the Updated Guidance on Smart Metering Entity Charge issued on March 23, 2018 by the OEB, as well as the Decision and Rate Order in Welland Hydro's 2018 IRM Application (EB-2017-0081), Welland Hydro implemented the revised Smart Metering Entity Charge of \$0.57 per smart meter per month effective April 1, 2018. The revised rate rider will remain in rates in this rate application.

##### **Group 1 Deferral and Variance Accounts**

In the Decision and Order for Welland Hydro's 2020 IRM Application (EB-2019-0072) dated April 16, 2020, the Board approved the following on an Interim basis:

- a rate rider for disposition of Deferral/Variance Accounts (2020) applicable only for Non-Wholesale Market Participants
- a rate rider for disposition of Deferral/Variance Accounts (2020) applicable to all customer classes
- a rate rider for disposition of Global Adjustment Account (2020) applicable only for Non-RPP Class B Customers that did not transition between Class A and Class B during 2018
- a monthly refund for disposition of Global Adjustment variance to three customers who transitioned between Class A and Class B during 2018

These rate riders and the fixed monthly refund were approved on an Interim Basis over a one-year period from May 1, 2020 to April 30, 2021. They are being removed from rates in this rate application.

#### Proposed Disposition of the Balances of Deferral and Variance Accounts

Section 3.2.5 of the Board's Filing Requirements provides that under the Price Cap IR, the distributor's Group 1 audited account balances as of December 31, 2019 will be reviewed and disposed if the pre-set threshold of \$0.001 per kWh (debit or credit) is exceeded. Consistent with a letter from the Board on July 25, 2014, distributors may elect to dispose of Group 1 account balances below the threshold.

Welland Hydro has completed the threshold test in Tab 4 of the 2021 Rate Generator Model. The resulting total credit claim per kWh is -\$0.0008. This can be seen in Table 4 below.

#### **Table 4 – Threshold Test**

Total Claim for Threshold Test (All Group 1 Accounts)	-\$307,317
Total Metered kWh	379,090,834
Threshold Test (Total claim per kWh)	-\$0.0008

As calculated in Tab 4 of the 2021 Rate Generator Model, Welland Hydro's total credit claim does not exceed the pre-set threshold of \$0.001. When the result is rounded to the third decimal place, Welland Hydro's total credit claim per kWh equals the pre-set threshold of -\$0.001. The

total of Welland Hydro's Group 1 balances is a credit of \$307,317 which represents a refund to customers. Since the disposition of Group 1 balances is to the benefit of the customers, and the 2021 Rate Generator Model does not produce any rate riders for a customer class that round to zero at the fourth decimal place, Welland Hydro is electing to dispose of its Group 1 balances, totalling a credit of \$307,317, in this Rate Application.

Welland Hydro has completed and is filing with this application the Board's 2021 Rate Generator Model. A copy of the schedules contained in this model is included as Appendix E attached.

Table 5 below contains a summary of the Group 1 Variance Account Balances for Disposition contained in Tab 3 of the 2021 Rate Generator Model. Table 5 is based on balances as at December 31, 2019, plus projected carrying charges to April 30, 2021. Carrying charges reflect the most recent prescribed regulatory interest rates.

**Table 5 – Group 1 Variance Account Balances for Disposition**

Account Description	Account No.	2019 Principal Balance	2019 Carrying Charge Balance	2019 Year End Balance	Projected Carrying Charges Jan 1/20 to Apr 30/21	Total for Disposition
<b>Group 1 Accounts</b>						
Smart Metering Entity Charge	1551	-\$4,878	\$75	-\$4,803	-\$76	-\$4,880
RSVA-Wholesale Market Service Charge	1580	-\$142,521	-\$3,380	-\$145,901	-\$2,230	-\$148,131
Variance WMS - Sub-account CBR Class B	1580	-\$31,345	-\$307	-\$31,652	-\$491	-\$32,143
RSVA-Retail Transmission Network Charge	1584	\$11,416	-\$1,131	\$10,284	\$179	\$10,463
RSVA-Retail Transmission Connection Charge	1586	-\$70,844	-\$2,996	-\$73,840	-\$1,109	-\$74,949
RSVA-Power (excluding Global Adjustment)	1588	-\$175,521	\$1,468	-\$174,053	-\$2,747	-\$176,799
RSVA-Global Adjustment	1589	\$109,532	\$7,876	\$117,408	\$1,714	\$119,122
<b>Total Group 1 Account Balances</b>		<b>-\$304,161</b>	<b>\$1,604</b>	<b>-\$302,557</b>	<b>-\$4,760</b>	<b>-\$307,317</b>

Welland Hydro's Group 1 balances as of December 31, 2019 plus projected interest to April 30, 2021 amounts to a \$307,317 credit.

The volumes for metered kWh and metered kW represent actuals for the 2019 calendar year as populated from RRR Reporting. Welland Hydro has reported billed kWh and billed kW for a

Wholesale Market Participant under the GS>50 kW customer class. Account 1551 is allocated based on the number of customers in the Residential and GS<50 customer classes.

Section 3.2.5 of the Filing Requirements states that “distributors must provide an explanation if the account balances on Tab 3. Continuity Schedule differ from the account balances in the trial balance reported through the RRR and the audited financial statements.”

A comparison of the Account Balances from Tab 3 of the 2021 Rate Generator Model to the balances as reported on the 2019 RRR Reporting are shown in Table 6.

**Table 6 – Comparison of Balances to RRR Reporting**

Account Description	Account No.	2019 Total Balance per Continuity Schedule	2019 Balances reported in RRR Trial Balance	Difference
<b>Group 1 Accounts</b>				
Smart Metering Entity Charge Variance	1551	-\$27,352	-\$27,352	\$0
RSVA-Wholesale Market Service Charge	1580	-\$240,123	-\$282,898	-\$42,775
Variance WMS - Sub-account CBR Class A	1580	\$0	\$0	\$0
Variance WMS - Sub-account CBR Class B	1580	-\$42,775	-\$42,775	\$0
RSVA-Retail Transmission Network Charge	1584	\$6,215	\$6,215	\$0
RSVA-Retail Transmission Connection Charge	1586	\$66,401	\$66,401	\$0
RSVA-Power (excluding Global Adjustment)	1588	-\$812,831	-\$812,831	\$0
RSVA-Global Adjustment	1589	-\$236,730	-\$236,730	\$0
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	-\$24,963	-\$24,850	\$113
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	\$43,653	\$43,653	\$0
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	-\$315,401	-\$315,401	\$0
<b>Total Group 1 Account Balances</b>		<b>-\$1,583,906</b>	<b>-\$1,626,568</b>	<b>-\$42,662</b>

As is shown in Table 6, there are variances between the continuity schedule on Tab 3 of the Rate Generator Model and the balances reported on the 2019 RRR reporting. These variances are explained as follows:

#### 1. Variance related to WMS

Table 6 shows a variance of (\$42,775) for RSVA – Wholesale Market Service Charge. This variance is equal to the balance reported as of December 31, 2019 for Account 1580 Sub-account CBR Class B. The amount reported as of December 31, 2019 on the RRR 2.1.7 Trial Balance for Account

1580 was (\$282,898) inclusive of the CBR Class B balance. The balance reported on the “Sub-Accounts” tab of 2.1.7 for Account 1580 Sub-Account CBR Class B Principal and Interest totalled (\$42,775). Per the instructions on the “Group 1 Accounts” tab of RRR 2.1.7, the total 1580 balance, inclusive of CBR Class B, was reported.

## 2. Variance related to Account 1595 (2017)

Table 6 shows a variance of \$113 for Account 1595 (2017) between the balance reported on Tab 3 Continuity Schedule and the balance reported on the 2019 RRR Reporting. The variance is related to the difference in projected carrying charges from January 1, 2019 to April 30, 2020 as calculated in the 2020 IRM Application (2019-0072) compared to actual carrying charges recorded in the general ledger. The difference is immaterial and is not being adjusted for in this rate application.

Welland Hydro can confirm for the Board that no adjustments have been made to any deferral and variance account balances previously reported to the Board on a final basis.

The 2021 Rate Generator Model was used to determine appropriate rate riders to dispose of Group 1 balances.

The allocation of Group 1 balances, excluding Account 1589 Global Adjustment and Account 1580 WMS Sub-Account CBR Class B, by rate class, can be found in Tab 5 of the 2021 Rate Generator Model. These allocations are shown in Table 7 below:

**Table 7 – Group 1 Account Allocation (excluding GA and CBR Class B)**

Rate Class	1551	1580	1584	1586	1588	Total
Residential	-\$4,511	-\$66,782	\$4,681	-\$33,531	-\$79,707	-\$179,850
General Service Less Than 50 kW	-\$369	-\$20,343	\$1,426	-\$10,214	-\$24,280	-\$53,779
General Service 50 to 4,999 kW	\$0	-\$59,821	\$4,273	-\$30,608	-\$71,398	-\$157,555
Unmetered Scattered Load	\$0	-\$384	\$27	-\$193	-\$458	-\$1,008
Sentinel Lighting	\$0	-\$235	\$16	-\$118	-\$281	-\$617
Street Lighting	\$0	-\$566	\$40	-\$284	-\$676	-\$1,487
<b>Total</b>	<b>-\$4,880</b>	<b>-\$148,131</b>	<b>\$10,463</b>	<b>-\$74,949</b>	<b>-\$176,799</b>	<b>-\$394,296</b>

Tab 7 of the 2021 Rate Generator Model calculates the appropriate rate riders by customer class and identifies rate riders which do not apply to Wholesale Market Participants. The resulting rate riders are shown in Table 8 below:

**Table 8 – Proposed Deferral/Variance Rate Riders (excluding GA and CBR Class B)**

Rate Class	Unit	Deferral/ Variance Account Rate Rider (all customers)	Deferral/Variance Account Rate Rider for Non-WMP only
Residential	\$/kWh	-\$ 0.0011	\$ -
General Service Less Than 50 kW	\$/kWh	-\$ 0.0011	\$ -
General Service 50 to 4,999 kW	\$/kW	-\$ 0.0634	-\$ 0.3197
Unmetered Scattered Load	\$/kWh	-\$ 0.0011	\$ -
Sentinel Lighting	\$/kW	-\$ 0.3847	\$ -
Street Lighting	\$/kW	-\$ 0.3790	\$ -

Consistent with Section 3.2.5 of the filing requirements, Welland Hydro is requesting approval to dispose of Group 1 Account Balances, excluding Global Adjustment and CBR Class B, in the amount of \$394,296 credit by means of the rate riders shown in Table 8 above over a one-year disposition period beginning May 1, 2021.

### 3.2.5.1 Wholesale Market Participants

Chapter 3 of the Filing requirements updated on May 14, 2020 states that a wholesale market participant (WMP) refers to any entity that participates directly in any of the IESO administered markets. These participants settle commodity and market-related charges with the IESO even if they are embedded in a distributor's distribution system. As a result, a distributor must not allocate any balances from Account 1580 RSVA -Wholesale Market Services Charge, Account 1580 Variance WMS, Sub-Account CBR Class B, Account 1588 RSVA – Power, and Account 1589 RSVA – Global Adjustment to a WMP.

Welland Hydro had one WMP in 2019 which belonged to the General Service 50 to 4,999 kW customer class. Welland Hydro has not allocated any balances to this customer from Account

1 1580 RSVA -Wholesale Market Services Charge, Account 1580 Variance WMS, Sub-Account CBR  
2 Class B, Account 1588 RSVA – Power, and Account 1589 RSVA – Global Adjustment.

3 The Filing requirements also state that a distributor must ensure that rate riders are  
4 appropriately calculated for the remaining charges that are still settled with a distributor.  
5 Welland Hydro has ensured that the Rate Rider for Account 1584 RSVA – Retail Transmission  
6 Network Charge and Account 1586 RSVA – Retail Transmission Connection Charge has been  
7 appropriately calculated.

### 8 **3.2.5.2 Global Adjustment**

#### 9 **Class A**

10 Class A customers participate in the Industrial Conservation Initiative (ICI) and pay GA based on  
11 their percentage contribution to the top five peak Ontario demand hours over a year-long period.  
12 Distributors that settle GA costs with Class A customers on the basis of actual prices shall allocate  
13 no GA variance balance to these customers for the period they were designated Class A.

14 Welland Hydro had three customers who were Class A for all of 2019 and four customers who  
15 transitioned between Class A Global Adjustment and Class B Global Adjustment effective July 1,  
16 2019. These were Welland Hydro's only Class A customers in 2019 and they belonged to the  
17 General Service 50 to 4,999 kW customer class. The transition customers contributed to the  
18 global adjustment variance for the period in which they were Class B customers.

19 Welland Hydro has populated Tab 6 of the 2021 Rate Generator Model with consumption data  
20 pertaining to the Class A customers in 2019. Tab 6.1a of the model has allocated a \$9,803 Global  
21 Adjustment recovery (debit) from the Class A transition customers which represents their portion  
22 of the GA balance for the period they were designated as Class B.

23 Welland Hydro is requesting approval to recover \$9,803 from the Class A transition customers  
24 through equal monthly charges over a 12-month disposition period, consistent with Chapter 3 of  
25 the Filing requirements. The amount allocated to each of the transition customers can be seen

1 in Table 9. These Class A transition customers will not be charged the GA rate rider that applies  
2 to all non-RPP Class B customers. The Class A non-transition customers will not be charged the  
3 GA rate rider that applies to all non-RPP Class B customers as they were billed actual Global  
4 Adjustment costs in 2019 and therefore did not contribute to the Global Adjustment variance  
5 balance.

## 6 **Class B**

7 Class B customers pay Global Adjustment based on the amount of electricity they consume in a  
8 month (kWh). For non-RPP Class B customers, the GA variance account (Account 1589) captures  
9 the difference between the amounts billed (or estimated to be billed) by the distributor and the  
10 actual amount paid by the distributor to the IESO for those customers.

11 Tab 6.1 GA of the 2021 Rate Generator model allocates a \$109,320 recovery (debit) by rate class  
12 to non-RPP customers who were designated as Class B for all of 2019 (non-transition customers).  
13 Tab 6.1 GA establishes a separate rate rider that applies to the non-RPP Class B non-transition  
14 customers.

15 Welland Hydro is requesting approval to recover \$109,320 from the non-RPP Class B non-  
16 transition customers through a rate rider effective May 1, 2021 over a one-year period.

17 The GA account allocation and proposed rate riders/bill adjustments are shown in Table 9:

1 **Table 9– Global Adjustment Allocation**

Rate Class	Unit	1589 Global Adjustment	Rate Rider	Monthly Bill Adjustment
<b>Non-RPP Class B Non-Transition Customers</b>				
Residential	\$/kWh	\$ 3,415	\$ 0.0010	
General Service Less Than 50 kW	\$/kWh	\$ 9,178	\$ 0.0010	
General Service 50 to 4,999 kW - Class B Non-Transition	\$/kWh	\$ 95,111	\$ 0.0010	
Unmetered Scattered Load	\$/kWh	\$ 127	\$ 0.0010	
Sentinel Lighting	\$/kWh	\$ 57	\$ 0.0010	
Street Lighting	\$/kWh	\$ 1,432	\$ 0.0010	
<b>Total allocated to Non-RPP Class B Non-Transition Customers</b>		<b>\$ 109,320</b>		
<b>Allocation to Class A Transition Customers</b>				
Customer 1	\$/month	\$ 980		\$ 82
Customer 2	\$/month	\$ 2,134		\$ 178
Customer 3	\$/month	\$ 5,550		\$ 462
Customer 4	\$/month	\$ 1,139		\$ 95
<b>Total allocated to Class A Transition Customers</b>		<b>\$ 9,803</b>		<b>\$ 817</b>
<b>Total GA Allocation</b>		<b>\$ 119,123</b>		

3 **GA Analysis Workform**

4 The Filing Requirements state that all distributors are required to complete the GA Analysis  
5 Workform for each year that has not previously been approved by the OEB for disposition (on an  
6 interim or final basis). Welland Hydro's 2017 and 2018 Account 1589 balances were approved  
7 on an interim basis in the 2019 IRM Application (EB-2018-0075) and the 2020 IRM Application  
8 (EB-2019-0072). Welland Hydro has not made any adjustments to previously approved balances.  
9 Welland Hydro has completed the GA Analysis Workform for 2019 balances and has included the  
10 Workform as Appendix H in this application.

11 The GA Analysis Workform compares the actual general ledger transactions recorded during the  
12 year to an expected balance that is calculated based on monthly GA volumes, revenues and costs.  
13 Distributors must provide reconciling items to explain discrepancies between the actual and  
14 expected balance. Any unexplained discrepancy greater than +/- 1% of total annual IESO GA

1 charges will be considered material and could prompt further analysis before disposition is  
2 approved.

3 Welland Hydro confirms that the prepopulated consumption data in Note 2 of the GA Analysis  
4 Workform is consistent with the consumption data as reported on the 2019 RRR filing. Welland  
5 Hydro had three customers who were Class A for all of 2019 and four customers transition  
6 between Class A Global Adjustment and Class B Global Adjustment effective July 1, 2019. The  
7 consumption data for both the Class A and Class A transition customers has been reflected in  
8 Note 2 of the GA Analysis Workform.

9 Welland Hydro bills its Class B non-RPP customers using the IESO's 1<sup>st</sup> estimate rate for GA for  
10 the month. For billing cycles that span more than one month, consumption is prorated by month  
11 and the IESO's 1<sup>st</sup> Estimate GA rate for each month is applied to the prorated consumption.  
12 Welland Hydro records unbilled GA revenue from January to November based on estimated kWh  
13 at the GA 1<sup>st</sup> estimate rate. Unbilled revenue for December is based on actual kWh at the GA 1<sup>st</sup>  
14 estimate rate.

15 Welland Hydro has identified the following reconciling item to reduce the discrepancy between  
16 the actual and expected Account 1589 GA balance.

17 **Reconciling Item 1: Differences in actual system losses and billed TLFs**

18 The Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 dated  
19 February 21, 2019 explain that differences exist between actual system losses and the Total Loss  
20 Factor (TLF) billed to customers. The resulting differences are defined as unaccounted for energy  
21 (UFE) and such differences are tracked in Account 1588 RSVA Power and 1589 RSVA GA.

22 Welland Hydro has calculated the impact of its UFE on its Account 1589 RSVA GA balance to be  
23 \$146,843. Welland Hydro compared its actual monthly kWh sales volume, including loss factor,  
24 billed to non-RPP class B customers to the purchased non-RPP class B kWh invoiced by the IESO.

1 The difference in monthly kWh (UFE) multiplied by the IESO Final monthly GA rate equals a total  
2 GA variance impact in the amount of \$146,843.

3 After the reconciling item is considered in the GA Analysis Workform, Welland Hydro has an  
4 unreconciled difference of 0.0%. This is within the +/- 1% threshold indicating that Welland  
5 Hydro's Account 1589 Global Adjustment balance is reasonable.

### 6 **3.2.5.3 Commodity Accounts 1588 and 1589**

7 In 2018, the OEB suspended its approvals of Group 1 rate riders on a final basis pending the  
8 development of further accounting guidance on commodity pass-through variance accounts. The  
9 OEB issued accounting guidance on the commodity accounts on February 21, 2019. In its letter,  
10 the OEB indicated that it expects distributors to consider the accounting guidance in the context  
11 of historical balances that have not yet been disposed of on a final basis.

12 In its 2019 Decision and Rate Order (EB-2018-0075) Welland Hydro received approval to dispose  
13 of its 2017 Group 1 balances on an interim basis. In its 2020 Decision and Rate Order (EB-2019-  
14 0072), Welland Hydro received approval to dispose of its 2018 Group 1 balances on an interim  
15 basis.

16 As explained in Section 3.2.5.3 of Welland Hydro's 2020 rate application (EB-2019-0072), Welland  
17 Hydro implemented the new accounting guidance in July 2019 retroactive to January 1, 2019.  
18 Welland Hydro completed a detailed review of its 2018 balances under the new accounting  
19 guidance. As a result of the review, Welland Hydro is confident that there are no systemic issues  
20 with its settlement procedures with the IESO. During the 2020 IRM rate proceedings Welland  
21 Hydro identified issues with its unbilled power revenue accruals for December 2017 and  
22 December 2018 as described in its letter filed on February 18, 2020 and included as Appendix I  
23 in this rate application. Welland Hydro made process improvements in 2017 and 2018, however  
24 these improvements focused primarily on unbilled GA revenue. December 2017 and December  
25 2018 unbilled GA revenue was based on actuals and December 2017 and December 2018 power  
26 revenue was based on estimates.

1 In the 2020 IRM Rate Application, Welland Hydro reported an Account 1588 Power credit amount  
2 of \$353,751 related to transactions during 2018. During the rate proceedings, Welland Hydro  
3 identified that December 2017 unbilled power revenue was understated by \$423,871 and  
4 December 2018 unbilled power revenue was understated by \$258,268. In the 2020 IRM Rate  
5 Application Welland Hydro made a principal adjustment to 2018 in Tab 3 of the 2020 Rate  
6 Generator Model in the credit amount of \$258,268 to adjust the December 2018 unbilled power  
7 revenue accrual to actual. No principal adjustment was made for the impact of the December  
8 2017 unbilled power revenue difference. Unbilled revenue is a reversing entry that affects timing  
9 only. In order to adjust for 2017 unbilled revenue differences, the impact of December 2016  
10 unbilled revenue differences that would reverse in 2017 would also have to be considered.  
11 Welland Hydro has made changes in its billing system to allow for more detailed reporting,  
12 however these changes were made subsequent to 2016 and therefore unbilled to actual revenue  
13 differences related to December 2016 cannot be determined.

14 In order to compare the 2018 Account 1588 Power balance to Account 4705 Power Purchased  
15 balance for 2018, the net impact of unbilled revenue differences to 2018 needs to be considered.  
16 Table 10 below calculates an adjusted 2018 Account 1588 Power balance. Table 10 reflects the  
17 impacts of 2017 unbilled revenue differences which were not recorded as 2017 principal  
18 adjustments. Table 10 shows that if the 2017 unbilled revenue differences of \$423,871 had been  
19 recorded as principal adjustments in 2017, these differences would reverse in 2018. When  
20 considering the net impact of unbilled revenue differences to 2018, the revised 2018 Account  
21 1588 Power balance would become a credit of \$188,148, which is approximately -0.8% of the  
22 Account 4705 Power Purchased balance recorded in RRR 2.1.7 as at December 31, 2018.

**Table 10 – Impact of Unbilled Revenue Differences to 2018 Principal Transactions**

Account 1588 - Principal Transactions originally reported	-\$ 353,751
December 31, 2018 Unbilled Revenue to Actual Differences (included as a principal adjustment)	-\$ 258,268
	-\$ 612,019
Reversal of December 31, 2017 Unbilled Revenue to Actual Differences (not included as a principal adjustment)	\$ 423,871
<b>Revised 2018 Principal Transactions</b>	<b>-\$ 188,148</b>
<b>Account 4705 - RRR 2.1.7</b>	<b>\$ 23,449,529</b>
<b>Revised % of Total Cost of Power Expense</b>	<b>-0.80%</b>

Welland Hydro has included a principal adjustment to 2019 in Tab 3 of the 2021 Rate Generator Model in the debit amount of \$258,268. This represents the reversal of the 2018 principal adjustment made to correct December 2018 unbilled power revenue. December 2019 unbilled GA and power revenue is equal to actual unbilled revenue and therefore no additional principal adjustments are required in Tab 3 of the 2021 Rate Generator Model. When considering the impact of the 2018 unbilled power revenue differences reversing in 2019, the 2019 Account 1588 Power balance is a credit of \$175,521. Table 11 below shows that this is approximately -0.76% of Account 4705 Power Purchased balance recorded in RRR 2.1.7 as at December 31, 2019.

**Table 11 – Impact of Unbilled Revenue Differences to 2019 Principal Transactions**

Account 1588 - 2019 Principal Transactions	-\$ 433,789
Reversal of December 31, 2018 Unbilled Revenue to Actual Differences (included as a principal adjustment)	\$ 258,268
<b>Revised 2019 Principal Power Transactions</b>	<b>-\$ 175,521</b>
<b>Account 4705 - RRR 2.1.7</b>	<b>\$ 23,188,616</b>
<b>% of Total Cost of Power Expense</b>	<b>-0.76%</b>

In its Decision and Rate Order on Welland Hydro's 2020 IRM Application (EB-2019-0072) the OEB accepted Welland Hydro's request to evaluate the results of the 2019 year and request disposition of its 2017, 2018 and 2019 Group 1 account balances on a final basis in its 2021 Rate Application. The decision states that once Welland Hydro determines the results of the 2019 year, Welland Hydro should investigate whether there are any impacts to the 2017 and 2018 account balances. Welland Hydro has reviewed the results of the 2019 year and has determined

1 that there are no further impacts to the 2017 and 2018 account balances and that 2019 balances  
2 are accurate.

3 The OEB also encouraged Welland Hydro to continue to examine its unbilled revenue practices  
4 impacting all RSVA accounts and has requested that Welland Hydro provide and update regarding  
5 any process changes and adjustments made to balances in its 2021 IRM Rate Application, while  
6 addressing the items detailed in its February 18, 2020 letter, included as Appendix I.

7 An update to the February 18, 2020 letter is as follows:

- 8 • Welland Hydro completed a thorough review of Accounts 1588 and 1589 for 2018 and  
9 2019 and applied the new accounting guidance to these periods. Welland Hydro has  
10 determined that there are no systemic issues with settlement procedures with the IESO,  
11 however Welland Hydro identified issues with its unbilled power revenue accruals for  
12 December 2017 and December 2018.
- 13 • Welland Hydro made process improvements in 2017 and 2018. However, these process  
14 improvements focused primarily on unbilled GA revenue. December 2017 and December  
15 2018 unbilled GA revenue was based on actuals and December 2017 and December 2018  
16 power revenue was based on estimates.
- 17 • Welland Hydro has made a significant effort to improve its unbilled revenue for both GA  
18 and power. Welland Hydro purchased a new RSVA Manager Software from Utilismart  
19 that provides unbilled revenue accruals based on actual meter reads and actual rates  
20 beginning with December 2019 unbilled revenue. This significantly improves the accuracy  
21 of unbilled revenue and variance account balances.
- 22 • In the Decision and Rate Order for the 2020 IRM Rate Application (EB-2019-0072), the  
23 OEB also encouraged Welland Hydro to continue to examine its unbilled revenue  
24 practices impacting all RSVA accounts. The new RSVA Manager Software estimates all  
25 unbilled revenue based on meter reads and actual rates, and therefore improves the  
26 accuracy of all RSVA accounts, in addition to GA and Power.

- 1 • Welland Hydro verified December 2019 unbilled GA and December 2019 unbilled power  
2 revenue accruals against billing data to ensure that the unbilled accruals equal actual  
3 unbilled revenue. No principal adjustments are required for 2019 unbilled revenue  
4 differences.
- 5 • Welland Hydro converted all remaining GS>50 kW customers to mist meters in 2019.  
6 Therefore, December 2019 unbilled revenue for the GS>50 customer class is based on  
7 actuals.
- 8 • Welland Hydro committed to reviewing other customer classes for a transition to  
9 calendar month billing as a continued effort to improve the accuracy of its unbilled  
10 revenue. By the end of 2020 Welland Hydro will have transitioned its GS<50 customer  
11 class to calendar month billing. The Residential customer class will be the only class that  
12 is not on calendar month billing and Welland Hydro will review the feasibility of  
13 transitioning this final class to calendar month billing in 2021.

14 Welland Hydro has shown a continued effort to improve the accuracy of balances and reporting.  
15 In 2018 Welland Hydro made changes to its billing system in order to provide more detailed  
16 information on an annual basis. In 2019 Welland Hydro made additional changes to its billing  
17 system in order to provide more detailed information on a monthly basis. Beginning with  
18 December 2017, unbilled GA revenue was based on actual unbilled revenue, rather than on  
19 estimates. Beginning with December 2019, unbilled power revenue was based on actuals rather  
20 than on estimates. In December 2019 Welland Hydro purchased and implemented a new RSVA  
21 Manager software which estimates unbilled revenue based on actual meter reads and actual  
22 rates. This new unbilled revenue software improves the accuracy of all RSVA account balances.  
23 In the 2020 IRM Rate Application Welland Hydro indicated that it would review 2017, 2018 and  
24 2019 balances to ensure that they are accurate and that no further adjustments are required.  
25 Welland Hydro can confirm that the balances are accurate and that there are no further  
26 adjustments required. In the 2020 IRM Rate Application Welland Hydro indicated that it had  
27 converted all remaining GS>50 customers to mist meters in 2019 and committed to reviewing

1 other customer classes for a transition to calendar month billing. By December 31, 2020 Welland  
2 Hydro will have transitioned all of its GS<50 customers to calendar month billing.

3 As a result of the detailed reviews and the efforts and improvements made, Welland Hydro is  
4 confident in its processes and procedures and is requesting disposition of 2017 and 2018 Group  
5 1 Account balances on a final basis, and 2019 Group 1 Account balances on an interim basis in  
6 this 2021 IRM Rate application. Welland Hydro will request disposition of 2019 Group 1 Account  
7 balances on a final basis in the next rate application once the results of the 2020 year are  
8 reviewed. At this time, Welland Hydro is able to verify Account 1588 and Account 1589 balances  
9 to July 31, 2020 and has determined that they are accurate. Welland Hydro completes the GA  
10 Analysis workform each month and also compares the Account 1588 balance to Account 4705  
11 Cost of Power monthly. As of July 31, 2020, the results of the both the GA Analysis workform  
12 and the analysis of Account 1588 balance is well within the +/-1% threshold used by the OEB.

### 13 **Certification of Evidence**

14 Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications requires a Chief  
15 Executor Officer (CEO) or Chief Financial Officer (CFO) to certify that the distributor has robust  
16 processes and internal controls in place for the preparation, review, verification and oversight of  
17 the account balances being disposed of. Welland Hydro has provided this certification in  
18 Appendix A attached.

### 19 **3.2.5.4 Capacity Based Recovery (CBR)**

#### 20 **Class A**

21 As stated in Section 3.2.5.2 above, Welland Hydro had three customers who were Class A for all  
22 of 2019 and four customers who transitioned between Class A and Class B effective July 1, 2019.  
23 These were Welland Hydro's only Class A customers in 2019 and they belonged to the General  
24 Service 50 to 4,999 kW customer class. The Class A transition customers contributed to the CBR  
25 Class B Sub-Account balance for the period they were designated as Class B.

Welland Hydro has populated Tab 6 of the 2021 Rate Generator Model with consumption data pertaining to the Class A customers in 2019. Tab 6.2a of the model has allocated a \$925 CBR Class B credit to the Class A transition customers which represents their portion of the CBR Class B balance for the period they were designated as Class B.

Welland Hydro is requesting approval to refund \$925 to the Class A transition customers through equal monthly payments over a 12-month disposition period, consistent with Chapter 3 of the Filing Requirements. The amount allocated to each of the transition customers can be seen in Table 12. These Class A transition customers will not be charged/refunded the CBR Class B rate rider that applies to all Class B customers. The Class A non-transition customers will not be charged/refunded the CBR Class B rate rider that applies to all Class B customers as they were billed actual CBR Class A costs and therefore did not contribute to the CBR Class B variance balance.

#### **Class B**

Tab 6.2 CBR B of the 2021 Rate Generator Model allocates \$31,217 CBR Class B credit by rate class to customers who were designated as Class B for all of 2019 (non-transition customers). Tab 6.2 CBR B establishes a separate rate rider that applies to the Class B non-transition customers.

Welland Hydro is requesting to refund \$31,217 to the Class B non-transition customers through a rate rider effective May 1, 2021 over a one-year period.

The CBR Class B account allocation and resulting rate riders/bill adjustments are shown in Table 12:

1 **Table 12 – CBR Class B Allocation**

Rate Class	Unit	1580 CBR Class B	Rate Rider	Monthly Bill Adjustment
<b>Class B Non-Transition Customers</b>				
Residential	\$/kWh	-\$ 15,932	-\$ 0.0001	
General Service Less Than 50 kW	\$/kWh	-\$ 4,853	-\$ 0.0001	
General Service 50 to 4,999 kW - Class B Non-Transition	\$/kWh	-\$ 10,149	-\$ 0.0364	
Unmetered Scattered Load	\$/kWh	-\$ 92	-\$ 0.0001	
Sentinel Lighting	\$/kWh	-\$ 56	-\$ 0.0349	
Street Lighting	\$/kWh	-\$ 135	-\$ 0.0344	
<b>Total allocated to Class B Non-Transition Customers</b>		<b>-\$ 31,217</b>		
<b>Allocation to Class A Transition Customers</b>				
Customer 1	\$/month	-\$ 93		-\$ 8
Customer 2	\$/month	-\$ 201		-\$ 17
Customer 3	\$/month	-\$ 524		-\$ 44
Customer 4	\$/month	-\$ 107		-\$ 9
<b>Total allocated to Class A Transition Customers</b>		<b>-\$ 925</b>		<b>-\$ 77</b>
<b>Total CBR Class B Allocation</b>		<b>-\$ 32,142</b>		

3 **3.2.6 Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)**

4 Welland Hydro is not requesting disposition of an LRAMVA balance in this application.

5 **3.2.7 Tax Changes**

6 Welland Hydro is not requesting any tax change rate riders in this application. Section 3.2.7 of  
7 the Filing Requirements indicates that “OEB policy, as described in the OEB’s 2008 report entitled  
8 Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario’s  
9 Distributors (the Supplemental Report), prescribes a 50/50 sharing of impacts of legislated tax  
10 changes from distributors’ tax rates embedded in its OEB approved base rate known at the time  
11 of application.”

12 Welland Hydro has implemented the Accelerated Investment Incentive program in accordance  
13 with Bill C-97, which provides for a first-year increase in Capital Cost Allowance (CCA) deductions  
14 on eligible capital assets acquired after November 20, 2018. Welland Hydro is reviewing the  
15 impact of this CCA rule change and will bring the balance of any impact forward at its next cost  
16 of service rebasing.

### **3.2.8 Z-factor Claims**

Section 3.2.8 of the Filing Requirements states that Price Cap IR applicants have the ability to include in their application a request to recover costs associated with unforeseen events that are outside the control of a distributor's ability to manage. Welland Hydro is not including a Z-factor claim in this application.

## **3.3 Elements Specific only to Price Cap IR Plan**

### **3.3.1 Advanced Capital Module**

As stated in Section 3.3.1 of the Filing Requirements, The Advanced Capital Module (ACM) approach seeks to increase regulatory efficiency during the Price Cap IR term and provides a distributor with the opportunity to smooth out its capital program over a five-year period between cost of service applications. Welland Hydro is not requesting approval for an ACM Module in this application.

### **3.3.2 Incremental Capital Module**

As stated in Section 3.3.2 of the Filing Requirements, the Incremental Capital Module (ICM) is intended to address the treatment of capital investment needs that arise during the rate-setting plan which are incremental to a defined materiality threshold. Welland Hydro is not requesting approval for an ICM Module in this application.

## **4 1595 Analysis Workform**

As stated in Appendix A: Application of Recoveries in Account 1595 of the Filing Requirements, distributors only become eligible to seek disposition of Account 1595 residual balances two years after the expiry of the rate rider. Welland Hydro disposed of the residual balance of Account 1595 (2017) in the 2020 IRM Rate Application. Welland Hydro's Account 1595 (2018) rate rider expired on April 30, 2019, and therefore can be disposed of once the December 31, 2021 balance has been audited. As a result, Welland Hydro is not eligible to dispose of any Account 1595 Sub-account balances in this rate application.

When eligible, balances in Account 1595 will be assessed in two groups of accounts; the amounts attributed to GA, and the remainder of Group 1 and Group 2 Accounts. A residual balance in either of the two groups of accounts exceeding +/- 10% of the original amounts previously approved for disposition would be considered material and would require further analysis.

Welland Hydro has included the Account 1595 Workform as Appendix J to this application.

## **5 Conclusion**

Welland Hydro has complied with the instructions provided in the OEB's 2021 IRM Rate Generator Model as well as Chapters 1 & 3 of the OEB's Filing Requirements for Electricity Distribution Rate Applications revised May 14, 2020. As a result, Welland Hydro applies for an Order or Orders approving the Tariff of Rates and Charges set out in Appendix D to this Application as just and reasonable rates and charges pursuant to section 78 of the OEB Act, to be effective May 1, 2021.

Welland Hydro requests that the disposition of 2019 Group 1 Account balances be approved on an interim basis pending review of 2020 balances. Welland Hydro also requests that the 2017 and 2018 Group 1 Account balances approved on an Interim Basis in the 2019 IRM Rate Application (2018-0075) and the 2020 IRM Rate Application (EB-2019-0072) be approved on a final Basis in this 2021 IRM Rate Application.

As discussed previously, Welland Hydro has concluded that no bill impact mitigation is required.