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**BY EMAIL**

January 20, 2012

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Parry Sound Power Corporation  
2012 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2011-0193**

In accordance with the Decision, Interim Rate Order and Procedural Order No. 1, please find attached the Board Staff Submission relevant to Parry Sound Power Corporation's proposed 2010 lost revenue adjustment mechanism recovery amount in the above proceeding. Please forward the following to Parry Sound Power Corporation and to all other registered parties to this proceeding.

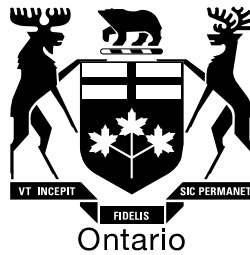
In addition, please remind Parry Sound Power Corporation that its Reply Submission is due by January 30, 2012.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2010 Lost Revenue Adjustment Mechanism Claim

Parry Sound Power Corporation

EB-2011-0193

**January 20, 2012**

**Board Staff Submission  
Parry Sound Power Corporation  
2012 IRM3 Rate Application  
EB-2011-0193**

## **Introduction**

Parry Sound Power Corporation (“Parry Sound Power”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on September 29, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Parry Sound Power charges for electricity distribution, to be effective January 1, 2012. The Application is based on the 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism (“IRM”).

In its original Application, Parry Sound Power did not include any requests to recover the impact of lost revenues associated with various conservation initiatives. However, on December 8, 2011, after the record was closed, Parry Sound Power filed evidence supporting its 2010 lost revenue adjustment mechanism (“LRAM”) claim in this proceeding.

On December 13, 2011, the Board issued its Decision, Interim Rate Order and Procedural Order No. 1. The Board declared Parry Sound Power’s existing rates to be interim as of January 1, 2012. The Board made provision to re-open the public record and allow Parry Sound Power’s 2010 LRAM evidence to be heard as part of the Application. The Board also made provision for written interrogatories followed by written submissions by Board Staff and Vulnerable Energy Consumers Coalition (“VECC”) and reply submission by Parry Sound Power. The Board also determined that VECC is eligible to apply for an award of costs under its *Practice Direction on Cost Awards* in relation to Parry Sound Power’s proposed 2010 LRAM claim.

Board staff filed its written interrogatories on December 21, 2011. VECC also filed its written interrogatories on December 22, 2011. Parry Sound Power filed its interrogatory responses to both Board staff and VECC on January 17, 2012.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the LRAM evidence submitted by Parry Sound Power.

## **LRAM CLAIM**

### **Background**

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM recovery.

Parry Sound Power has requested approval of an LRAM claim of \$50,034 over a one-year period. Parry Sound Power is requesting recovery of 2010 LRAM amounts, which include persisting lost revenues in 2010 from CDM programs implemented from 2005-2009 and new lost revenues from 2010 CDM programs. Parry Sound Power is also requesting approval of 2011 LRAM amounts which are comprised of persisting lost revenues from 2005-2010 CDM programs.

The Board's CDM Guidelines outline the information that is required when filing an application for LRAM. In its decision on Horizon's application (EB-2009-0192) for LRAM recovery, the Board also noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

### **Submission**

#### *Persisting impacts of 2005-2010 programs*

Parry Sound Power has requested the recovery an LRAM for 2011 that is the result of persisting lost revenues from 2005-2010 CDM programs.

Board staff notes that Parry Sound Power's rates were last rebased in 2011.

Board staff notes that the CDM Guidelines state the following with respect to LRAM claims:

Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the

savings would be assumed to be incorporated in the load forecast at that time<sup>1</sup>.

Board staff also notes that in its decision and order on Hydro One Brampton's 2012 IRM application (EB-2011-0174), the Board disallowed an LRAM claim for the rebasing year as well as persistence of prior year programs in and beyond the test year on the basis that these savings should have been incorporated into the applicant's load forecast at the time of rebasing.

In cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate. Parry Sound Power may want to highlight in its reply submission whether the issue of an LRAM application was addressed in their cost of service application.

In the absence of the above information, Board staff does not support the recovery of the requested persisting lost revenues from 2005-2010 CDM programs in 2011 as these amounts should have been built into Parry Sound Power's last approved load forecast.

#### *2010 lost revenues*

Board staff does however support the approval of the 2010 lost revenues, inclusive of both the persisting lost revenues from 2005-2009 programs in 2010 and the lost revenues from 2010 programs in 2010 requested by Parry Sound Power. These lost revenues occurred during an IRM year and Parry Sound Power did not seek prior recovery of these amounts. Board staff notes that this is consistent with what the Board noted in its 2012 IRM decisions on applications from Horizon (EB-2011-0172), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206).

Board staff requests that Parry Sound Power confirm that the updated LRAM amount that only includes lost revenues in 2010 is \$23,410.75. Board staff also requests that Parry Sound Power provides the associated rate riders.

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<sup>1</sup> Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

All of which is respectfully submitted