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**BY EMAIL**

February 10, 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: Peterborough Distribution Inc.  
2012 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2011-0194**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Peterborough Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind Peterborough Distribution Inc. that its Reply Submission is due by February 24, 2012.

Yours truly,

*Original Signed By*

Stephen Vetsis  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **2012 ELECTRICITY DISTRIBUTION RATES**

**Peterborough Distribution Inc.**

**EB-2011-0194**

**February 10, 2012**

**Board Staff Submission  
Peterborough Distribution Inc.  
2012 IRM3 Rate Application  
EB-2011-0194**

**Introduction**

Peterborough Distribution Inc (“Peterborough”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 28, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Peterborough charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism. On January 10, 2012, the Board indicated, via a letter to Peterborough, that it would be hearing Peterborough’s request for the disposition of balances in account 1562 in a separate hearing.

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

Peterborough completed the Tax-Savings Workform with the correct rates which reflect the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2008-0241. Board staff has no concerns with the Tax-Savings Workform as filed.

Board staff has no concerns with the data supporting the RTSR Workform proposed by Peterborough. Pursuant to Guideline G-2008-0001, updated on June 22, 2011, Board staff notes that the Board will update the applicable data at the time of this Decision based on the updated Uniform Transmission Rates.

Board staff makes detailed submissions on the following matters:

- Disposition of Group 1 Deferral and Variance Account Balances;
- Disposition of Account 1521 – SPC Variance; and
- Lost Revenue Adjustment Mechanism (“LRAM”) and Shared Savings Mechanism (“SSM”) Claim;

## **Disposition of Group 1 Deferral and Variance Account Balances**

### **Background**

Peterborough's 2010 actual year-end balance for Group 1 accounts with interest projected to April 30, 2012 is a credit of \$1,746,748. This includes a credit balance of \$642,908 in the global adjustment sub-account of account 1588. The total Group 1 Deferral and Variance account (DVA) amount results in a total claim of \$0.00218 per kWh, which exceeds the preset disposition threshold. Peterborough proposed to dispose of Group 1 account balances at this time by means of a variable rate rider to be in effect for one year. DVA amounts were assigned to each class on the basis of billed kWh.

### **Submission**

Board staff has reviewed Peterborough's Group 1 Deferral and Variance account balances and notes that the balances as of December 31, 2010 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. As the preset disposition threshold of \$0.001 per kWh was exceeded, Board staff takes no issue with Peterborough's proposal to refund the amounts to customers through a variable rate rider to be in effect for one year. Additionally, Board staff takes no issue with Peterborough's method of allocating the Group 1 DVA amounts to each class based on billed kWh.

## **Disposition of Account 1521 – SPC Variance**

### **Background**

Peterborough originally requested the disposition of a credit balance of \$104,986 in account 1521 with carrying charges calculated to April 30, 2012. In response to Board staff interrogatory # 1, Peterborough confirmed that the balance requested for disposition included unaudited 2011 recoveries and carrying charges calculated to April 30, 2012.

Peterborough proposed to refund the balance through the deferral and variance account rate rider calculated for the disposition of Group 1 Deferral and Variance Accounts, discussed above. Amounts were allocated to each class based on billed kWh to be refunded over a period of one year.

## **Submission**

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. The balances in account 1521 in the application provided by Peterborough are not audited. Board staff notes that the Board has approved the disposition of unaudited balances in account 1521 in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings.

Board staff has no concerns with the \$104,986 credit balance in account 1521. Board staff notes that this balance includes the correct calculation of forecasted carrying charges extending to April 30, 2012. Board staff takes no issue with Peterborough's proposal to refund the balance to customers over a year through the Deferral and Variance Account rate rider nor with Peterborough's method of allocating the balance to each class.

## **Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") 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.

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

Peterborough has requested to recover a total LRAM claim of \$686,841, including carrying charges, over a one-year period. The lost revenues include the effect of CDM programs implemented from 2005-2010. Peterborough has requested approval of

these savings persisting until April 30, 2012. Peterborough has also requested to recover a total SSM claim of \$56,463 over a one year period. The SSM claim is based on 2005-2007 Third Tranche CDM Programs.

## Submission

### *LRAM - Persisting impacts of 2005-2009 programs and 2009 lost revenues*

Peterborough requested recovery of an LRAM amount that includes lost revenues in 2009 for 2009 CDM programs and for the persisting impacts from 2005-2008 CDM programs in 2009. Peterborough also requested recovery of the persisting lost revenues from programs delivered from 2005-2009 in 2010, 2011, and for a portion of 2012.

Board staff notes that Peterborough's rates were last rebased in 2009.

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 LRAM claims 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

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

application is appropriate. Peterborough may want to highlight in its reply 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 lost revenues in 2009 for 2009 CDM programs, persisting lost revenues from 2005-2008 CDM programs in 2009 or the persisting lost revenues from 2005-2009 CDM programs in 2010, 2011 or 2012 as these amounts should have been built into Peterborough's last approved load forecast.

*LRAM - 2005, 2006, 2007, 2008 and 2010 programs*

Board staff notes that Peterborough has not collected the lost revenues associated with CDM programs delivered from 2005, 2006, 2007, 2008 and 2010. Board staff notes that except for 2006, Peterborough was under IRM for these years. In 2006, Peterborough rebased on a historical test year basis and there was no opportunity for Peterborough to account for CDM activity in its rates.

Board staff supports the approval of the 2005, 2006, 2007, 2008, and 2010 lost revenues, including the persisting lost revenues from 2005 programs in 2006, the persisting lost revenues from 2005 and 2006 programs in 2007, and the persisting lost revenues from 2005, 2006, and 2007 programs in 2008, as these lost revenues took place during years in which Peterborough did not have an opportunity to recover these amounts. Board staff notes that this is consistent with what the Board noted in its decisions on applications from Horizon (EB-2011-0172), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206).

Board staff requests that Peterborough provide an updated LRAM amount that only includes lost revenues from 2005-2008 CDM programs and 2010 CDM programs, including the persisting lost revenues noted above, in the years 2005, 2006, 2007, 2008, and 2010, the associated carrying charges, and the subsequent rate riders. This will allow for the issuance of the final rate order on a timelier basis in the event the Board is inclined to approve only the lost revenues identified above.

Board staff submits that it is premature to consider any lost revenues persisting in 2011 and 2012.

*SSM Claim*

Board staff notes that Peterborough has applied for SSM in relation to its 2005-2007 CDM Programs. Board staff submits that Peterborough's application for SSM recovery is consistent with the Board's Guidelines and supports the approval of the SSM amount of \$56,463 over a one year period.

All of which is respectfully submitted