



EB-2011-0181

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 London Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER

Introduction

London Hydro Inc. (“London”), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the “Board”) on November 24, 2011 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that London charges for electricity distribution, to be effective May 1, 2012.

London is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “IR Report”), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism (“IRM”) (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity (“RRFE”), the Board announced that it was

extending the 3rd generation IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, London is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "Supplemental Report"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011 the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the Filing Requirements for IRM applications based on the policies in the Reports.

Notice of London's rate application was given through newspaper publication in London's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to London's request for lost revenue adjustment mechanism ("LRAM") recoveries. The Vulnerable Energy Consumers Coalition ("VECC") applied for and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to London's request for LRAM recoveries. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

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:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;

- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes;
- Review and Disposition of Lost Revenue Adjustment Mechanism; and
- Smart Meter Funding Adder.

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to London efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection. The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;

- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current \$0.0013 per kWh to \$0.0011 per kWh effective May 1, 2012. The draft Tariff of Rates and Charges flowing from this Decision and Order should reflect the new RRRP charge.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

London’s application identified a total tax savings of \$1,353,320 that results in a shared amount of \$676,660.

In interrogatories, Board staff noted that it was unable to verify the Tax-Savings Workform, specifically data entered for the line items “Tax Credits” and “Regulatory Taxable Income”, with London’s 2009 Revenue Requirement Workform (“RRWF”). In its interrogatory responses London agreed and requested Board staff to make the necessary corrections to the workform. Board staff submitted that in all other respects, London completed the Tax-Savings Workform with the correct rates and that it reflects the RRWF from the Board’s decision in London’s 2009 cost of service application (EB-2008-0235).

The Board notes that these changes revised the incremental tax savings to \$1,447,440, resulting in a shared amount of \$723,720. The Board approves shared tax savings of \$723,720 to be disposed over a one year period, May 1, 2012 to April 30, 2013.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates (“UTRs”) at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates (“RTSRs”). Variance accounts are used to capture timing differences and 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).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the “RTSR Guideline”). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors’ specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	\$3.57 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.80 per kW
Transformation Connection Service Rate	\$1.86 per kW

In its submission, Board staff noted that it had no concerns with the RTSR Workform as filed.

The Board finds that the 2012 UTRs are to be incorporated into the filing module.

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* (the "EDDVAR Report") 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.

London's 2010 actual year-end balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of \$7,184,125. This amount results in a total claim of \$0.00209 per kWh, which exceeds the preset disposition threshold, and as such, London requested disposition of these accounts over a three year period. London requested a three year disposition period to help avoid erratic rate adjustments. London noted that it is scheduled to file a cost of service rate application in 2012 for 2013 rates. The disposition of a credit in this application over three years will avoid having that credit removed in the same time frame as the introduction of a cost of service rate increase.

In its submission, Board staff noted that it had reviewed London's Group 1 Deferral and Variance Account balances and submitted that the principal balances as of December 31, 2010 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff took no issue with London's request to dispose of its 2010 Deferral and Variance Account balances at this time.

Board staff did however take issue with the disposition period requested by London. Board staff noted that London's application is not consistent with the guidelines outlined in the EDDVAR Report with respect to the standard disposition period for Group 1 Accounts (i.e. one year). In its interrogatory responses, London provided bill impacts for one, two and three year disposition periods in the repayment of all Group 1 Accounts as requested by Board staff.

In its submission, Board staff noted that the balances in the subject accounts represent over recoveries on the part of the distributor and in the normal course should be available to be refunded over a fairly short time frame.

While recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, Board staff noted that in the past, the Board has made decisions which deviate from the EDDVAR Report if it deems it in the public interest to do so.

With respect to the Group 1 account balances in the current application, Board staff noted that using a disposition period of three years may exacerbate intergenerational inequities. Board staff however recognized that some volatility in electricity bills may result from adopting a shorter disposition period. Board staff noted that the Board should strike a balance between reducing intergenerational inequities and mitigating rate volatility.

Based on the approximate bill impacts as provided by London, Board staff recommended that a two-year disposition period should be adopted for all Group 1 Accounts. Board staff also noted that the impacts for the Residential class do not vary significantly between the two and three year scenarios (i.e. -1.9% and -1.7% respectively).

In its reply submission, London noted that it had requested a disposition period of three years based on concerns about bill impacts on its other customer classes especially its Large User, General Service > 50 kW to 4,999 kW, and General Service > 50 kW to 4,999 kW (CoGeneration) class customers. London noted that constant bill increases and decreases cause uneasiness for customers towards London's industry, and in particular with its industrial class customers who are in the manufacturing business¹.

The Board notes that the EDDVAR threshold of \$0.001/kWh has been exceeded. The Board approves the disposition, on a final basis, of the Group 1 Deferral and Variance Accounts of a credit balance of \$7,184,125, representing principal as at December 31, 2010 and interest to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014. The Board is of the view that a two year disposition period more appropriately aligns the issues of intergenerational equity and mitigation of rate volatility, than the three year disposition period requested by London.

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts.

¹ EB-2011-0181, Reply Submission, Page 3

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
LV Variance Account	1550	-	-	-
RSVA - Wholesale Market Service Charge	1580	-\$3,937,692	-\$531,390	-\$4,469,082
RSVA - Retail Transmission Network Charge	1584	\$ 329,189	\$215,308	\$ 544,497
RSVA - Retail Transmission Connection Charge	1586	-\$ 530,629	-\$ 87,076	-\$ 617,705
RSVA - Power (excluding Global Adjustment)	1588	-\$ 947,934	-\$836,349	-\$1,784,283
RSVA - Power - Sub-Account - Global Adjustment	1588	\$1,275,974	-\$ 40,192	-\$1,316,166
Disposition and Recovery of Regulatory Balances (2008)	1595	-	\$458,614	\$ 458,614
Disposition and Recovery of Regulatory Balances (2009)	1595			-
Group 1 Total				-\$7,184,125

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment (“SPC”) Variance Account in accordance with Section 8 of Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the “SPC Regulation”). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor’s SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in “Sub-account 2010 SPC Assessment Variance” of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

London provided a reconciliation of Account 1521 as requested by Board staff during the interrogatory phase. Based on London's reconciliation, Board staff supported London's request to dispose of the updated balance in this account of a credit of \$98,993.49.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review and electricity distributors are required by regulation to apply for disposition of this account. Board staff submitted that the \$98,993.49 credit balance in Account 1521 should be approved for disposition over a two year period, in line with Board staff's submission on London's Group 1 Accounts.

The Board approves the disposition, on a final basis, of a credit balance in Account 1521 of \$98,993.49, representing principal and interest to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014. The Board directs London to close Account 1521 effective May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for

changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (“Deferred PILs”) (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board’s expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that: “Each remaining distributor will be expected to apply for final disposition of account 1562 with its next general rates application (either IRM or cost of service).”²

London revised its evidence through interrogatories to propose a credit principal refund of \$506,611 and debit interest of \$479,987, for a net total refund to customers of \$26,624.

PILs Recoveries from Customers

In its submission, Board staff noted that the trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. After a review prompted by Board staff interrogatories, London filed evidence that disclosed that the PILs proxies in rates are greater than recoveries by \$163,753 for the 2004 rate year. Board staff requested that London provide an explanation for this unusual trend in 2004, or provide a revised calculation of recoveries.

Board staff was of the view that there may be a problem with London’s analysis because of the logic in the 2004 RAM application model. Consequently, Board staff submitted that London should review its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants

² EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004³.

In its reply submission, London noted that a review of the data utilized in the 2004 RAM model to calculate the variable PILs rate sliver that became effective on April 1, 2004 indicated that the quantities used were the uplifted values that are utilized for energy commodity billing rather than the values used for billing variable distribution revenue, which are the values before uplift for systems losses and which should have been used⁴.

The impact of this error in the 2004 RAM model is that the energy quantities used to recover the rate would be approximately 4% lower than the quantities used to calculate the rate. Under-recoveries resulting from this difference in quantities are offset by quantity growth related to customer growth, but initially in 2004, this error combined with a change in the recovery mechanism that removed the fixed recovery component and placed all recoveries on the variable component resulted in an under recovery for London in 2004.

London provided a table which confirmed the explanations for the shortfall in recoveries in 2004. London noted that it had reviewed its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004. Consequently, London submitted that PILs recovery amounts, including the previously noted revisions for 2004 have been accurately accounted for.

The Board notes that it still appears that London has understated recoveries. The Board estimates an amount of about \$400,000 for 2004 based on 2003 and 2005 data. London noted that it used uplifted 2002 volumes in its 2004 rate application rather than metered quantities and that it under-recovered PILs in 2004 as a result. Its 2005 rates were based on uplifted 2003 volumes but London recovered more than the proxy in 2005 which included 2004 rates for January through March 2005.

The Board agrees with the submission of Board staff. Based on the evidence submitted by London in Appendix A to its reply submission, that 2004 PILs recoveries have been understated by approximately \$400,000, the Board will therefore deem that 2004 PILs

³ EB-2011-0181, Board staff Submission, Page 13

⁴ EB-2011-0181, Reply Submission, Page 13

recoveries be increased by \$400,000. London is directed to re-file, in conjunction with its rate order, revised continuity schedules for the disposition of Account 1562. Subject to the receipt of the re-filed schedules reflecting this change, the Board approves the disposition of Account 1562 over a two year period, May 1, 2012 to April 30, 2014.

For accounting and reporting purposes, the approved balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Lost Revenue Adjustment Mechanism

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.

In response to Board staff interrogatories, and using the final 2010 OPA program results, London updated its LRAM claim to \$355,473.45 including carrying charges, to be recovered over a one year period. The lost revenues include the effect of CDM programs implemented from 2009-2010 only.

Persisting Impacts of 2009 Programs and 2009 Lost Revenues

In its submission, Board staff noted that London's rates were last rebased in 2009.

Board staff noted 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 time⁵.

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. Board staff submitted that London 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 did not support London's request to recover lost revenues in 2009 for 2009 CDM programs, or the persisting lost revenues from 2009 CDM programs in 2010 as these amounts should have been built into London's last approved load forecast.

VECC submitted that energy savings from London's CDM programs deployed in 2009 are not accruable in the years 2009 and 2010 as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2010 Programs

Board staff supported the approval of the 2010 lost revenues, as these lost revenues took place during an IRM year and London did not have an opportunity to recover these amounts. Board staff requested that London provide an updated LRAM amount that only includes lost revenues from 2010 CDM programs in the year 2010, and the subsequent rate riders.

In its submission, VECC supported the approval of lost revenues in 2010 from 2010 CDM program results in 2010, as these savings occurred post rebasing (during an IRM year) and have not been claimed.

In its reply submission, London agreed with Board staff's and VECC's submission with respect to lost revenues related to 2010 amounts and as per Board staff's request,

⁵ Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

provided an updated LRAM amount of \$152,652.49 and the associated rate riders for lost revenues from 2010 CDM programs in 2010. However, London also addressed the issue with respect to its application for recovery of its 2009 lost revenues as well.

London noted in its reply submission that through interrogatories, Board staff requested that London identify the CDM savings that were proposed to be included in London's last Board approved load forecast for CDM programs deployed from 2006-2009 inclusive. London referred to Board Staff interrogatories in the 2009 cost of service (EB-2008-0235), specifically, interrogatory #34: "London provided an estimate of the CDM energy savings that occurred for programs undertaken in 2005, 2006 and 2007. The load forecast for 2009 incorporated the impacts of these CDM programs for 2005, 2006 and 2007. The 2009 Board approved load forecast did not include any adjustments or proxies for CDM programs initiated after 2007."

London referenced section 5.3 of the 2008 CDM Guidelines which states that, "when applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available". London stated that adjusting for planned and not realized 2009 CDM programs was thought to be inappropriate based on 2008 CDM Guidelines⁶.

London also noted that its 2009 load forecast was strongly supported in its 2009 application and was tested thoroughly by a considerable amount of interrogatories from both Board staff and intervenors throughout the 2009 rate application proceedings. London stated that it is not aware of any interrogatories from the Board or intervenors asking London to either include or quantify the load forecast adjustments pertaining to 2009 CDM programs yet to be undertaken⁷.

London referred to the Guidelines for Electricity Distributors Conservation and Demand Management (the "2012 CDM Guidelines"), issued January 5, 2012, which state: "In the situation where the distributor has not included CDM impacts in its load forecast, the distributor is expected to make it clear in their rate application that CDM impacts have not been included, why they have not been included, and whether the distributor intends to address CDM impacts through an LRAM".

However, London stated that it relied on the 2008 CDM Guidelines when filing its 2009 rate application. The above-noted reference from the 2012 CDM Guidelines was simply

⁶ EB-2011-0181, Reply Submission, Page 8

⁷ *Ibid*, Page 9

not found in the 2008 CDM Guidelines. Therefore, London submitted that its LRAM application is appropriate and that London did not include in the approved load forecast for its 2009 cost of service application any reductions for losses attributable to 2009 CDM programs.

The Board approves an LRAM recovery of \$152,652.49 representing lost revenues from 2010 CDM programs in the year 2010, as London was under IRM in this year and London has not otherwise received LRAM compensation for this year. Furthermore, the 2010 CDM programs were not reflected in the last, Board-approved load forecast. The Board will not approve LRAM arising from CDM programs deployed in 2009 and persistence from 2009 programs in 2010, as these amounts should have been reflected in the 2009 load forecast at the time of rebasing, consistent with the 2008 CDM Guidelines. Absent specific language otherwise in the Board's decision EB-2008-0235, there is no reasonable basis upon which to diverge from the 2008 CDM Guidelines. The Board approves a one year disposition period for the LRAM recovery of \$152,652.49.

Smart Meter Funding Adder

London requested approval of the continuation of the existing approved SMFA of \$1.46 per metered customer per month until April 30, 2012 or until such time as a Smart Meter Cost Recovery Application is filed by London and approved by the Board. London noted that it will be seeking a May 1, 2012 implementation for its smart meter cost recoveries. In the event that a Board decision cannot be rendered for a May 1, 2012 implementation of a SMIRR and SMDR, London's request for the continuation of the existing SMFA in the amount of \$1.46 per metered customer per month is to avoid customer confusion and erratic rate adjustments from the removal of the \$1.46 adder on May 1, 2012 followed by the implementation of a revised adder shortly after.

In its interrogatory responses, London indicated that as at December 31, 2011, it had completed the installation of 99.96% of its Residential class customers and 98.47% of its General Service < 50kW customers. The remaining Residential smart meter installations are expected to be completed during early 2012. The General Service < 50kW smart meter installations are expected to be 99.3% complete by the end of 2012.

Board staff submitted that the Board may wish to consider continuing the SMFA with a specific termination date. Board staff noted that London is expected to rebase its rates through a cost of service application for the 2013 rate year and given that London has

not yet completed the deployment of all its smart meters and consequently still has some remaining deployment costs to incur, Board staff submitted that London's request is reasonable.

Board staff noted that establishing a termination date of April 30, 2013 for the SMFA, or until such time as a final smart meter recovery is approved, should give London enough time to complete its smart meter program.

In its reply submission, London agreed with Board staff's submission.

The Board will not approve the continuation of London Hydro's current SMFA beyond the current expiry of April 30, 2012. The Board is of the view the relevant metric to consider with respect to whether it is appropriate to extend a SMFA is the date at which smart meter deployment was or will be substantially complete. In this case, smart meter deployment was 99.84% complete by the end of 2011. The SMFA was designed to fund the prospective deployment of smart meters with minimum functionality. The Board believes that the current expiry date (April 30, 2012) of the current SMFA best aligns the interests of ratepayers and the utility, by balancing potential rate volatility with the need to ensure that monies collected from ratepayers serve the intended purpose.

IMPLEMENTATION

The Board has made findings in this Decision which change the 2012 distribution rates from those proposed by London.

The Board expects London to file a draft Rate Order, including all relevant calculations showing the impact of this Decision on London's determination of the final rates. Supporting documentation shall include, but not be limited to, filing completed versions of the 2012 IRM Rate Generator model, updated SIMPIL models and continuity tables to support the claim for disposition of Account 1562 and LRAM calculations showing the derivation of the final rate riders to recover the approved LRAM amount.

A Rate Order will be issued after the steps set out below are completed.

THE BOARD ORDERS THAT:

1. London shall file with the Board, and shall also forward to intervenors, 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 and Order within 7 days of the issuance of this Decision and Order.
2. Board staff and intervenors shall file any comments on the draft Rate Order including the revised models and proposed rates with the Board and forward to London within 7 days of the date of filing of the draft Rate Order.
3. London shall file with the Board and forward to intervenors responses to any comments on its draft Rate Order including the revised models and proposed rates within 4 days of the date of receipt of intervenor comments

Cost Awards

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

1. VECC shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.
2. London shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.
3. VECC shall file with the Board and forward to London any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.
4. London 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-2011-0181**, be made through the Board's web portal at, www.errr.ontarioenergyboard.ca 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 the address below. 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, April 4, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary