



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION ON DRAFT RATE ORDER

EB-2015-0003

POWERSTREAM INC.

Application for electricity distribution rates effective from January 1, 2016 and for each following year effective January 1 through to December 31, 2020

BEFORE: Ken Quesnelle
Vice Chair and Presiding Member

Ellen Fry
Member

September 21, 2016



EB-2015-0003

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 PowerStream Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2016 and for each following year effective January 1 through to December 31, 2020.

DECISION ON DRAFT RATE ORDER
September 21, 2016

PowerStream Inc. (PowerStream) filed a Custom Incentive Rate (CIR) application (the Application) with the Ontario Energy Board (the OEB) on May 22, 2015 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998 seeking approval for changes to the rates that PowerStream charges for electricity distribution, to be effective January 1, 2016 and each year until December 31, 2020.

On August 4, 2016, the OEB issued its Decision and Order (the Decision) on the Application. Among other matters, the Decision established dates for PowerStream to file a draft rate order (DRO) reflecting the OEB's findings in the Decision and for OEB staff and intervenors to file comments on the DRO and PowerStream to file responses to any such comments.

On August 15, 2016, PowerStream filed its DRO. On August 26, 2016, OEB staff and intervenors filed their comments on the DRO and on September 12, 2016, PowerStream filed its reply submission including a revised DRO.

The OEB has organized its findings on the matters raised by the DRO, the submissions by OEB staff and intervenors and the reply submission in the order in which they appear in the reply submission.

2.0 2016 Revenue Requirement and Rate Calculation

OEB staff and Energy Probe submitted that in the DRO PowerStream did not follow the Decision because PowerStream applied the 1.8% increase for 2016 to its 2015 rates rather than to its 2015 revenue requirement. In its reply submission, PowerStream agreed that it had erred in failing to apply the 1.8% increase to the 2015 revenue requirement. PowerStream stated that it had filed a revised DRO with supporting models and calculations correcting this error.

Findings

The OEB's clear intention in the Decision, was to apply the 1.8% increase to 2015 rates rather than to the 2015 revenue requirement. This intention was stated in several places in the Decision. For example, the Introduction and Summary states that "For the reasons discussed below, the OEB will approve 2016 rates based on an estimate of the revenues that PowerStream would normally have received through an IRM adjustment from 2015 to 2016 rates." There are similar statements elsewhere in the Decision. The detailed wording in the Decision that refers to applying the adjustment to the revenue requirement rather than to rates does not align with this clear intention and was used in error.

The OEB accordingly directs PowerStream to refile its DRO and the accompanying tariffs on the basis of adjusting 2016 rates on an IRM application basis (i.e. on a rates basis), rather than on a revenue requirement basis.

3.0 Change in 2017 Capital Additions

Energy Probe and the School Energy Coalition (SEC) questioned PowerStream's adjustment to closing work-in-progress (WIP) arising from the OEB ordered 2017 capital spending reduction. PowerStream submitted that it would be unreasonable to assume that when the level of capital activity changes significantly, the amount of closing WIP would be unchanged.

Findings

PowerStream's proposed methodology for calculating work in progress was presented in the Application. The Decision did not impose any changes to the proposed methodology. Accordingly, the OEB accepts PowerStream's proposed methodology.

4.0 Capital Expenditures Included in 2017 Rate Base

PowerStream included 100% of its 2016 capital additions in its 2017 opening rate base. Energy Probe and SEC submitted that the Decision requires a reduction from the 2016 proposed capital expenditures in arriving at the amount of opening net fixed assets for inclusion in the 2017 rate base. PowerStream submitted that the Decision had not required any changes to be made to the 2016 capital expenditures.

Findings

The OEB agrees with PowerStream that its 2016 capital additions should be included in the opening amount of net fixed assets for inclusion in the 2017 rate base. This reflects the intention of the Decision, given that it is analogous to what would happen in a “normal” cost of service proceeding following an IRM year.

5.0 2017 Depreciation Expense

Energy Probe submitted that PowerStream should provide an additional reconciliation of the depreciation figures in the DRO and associated schedules. PowerStream provided a reconciliation in its reply submission. Energy Probe also noted that PowerStream had not removed the fully allocated depreciation expense from the amount of OM&A included in the working capital allowance and further noted that PowerStream had agreed to this as part of the proceeding. PowerStream stated that it had made this correction in the revised DRO.

Findings

The OEB accepts PowerStream’s reconciliation and the change proposed by Energy Probe and accepted by PowerStream related to the working capital allowance.

6.0 2017 PILs

SEC, supported by Energy Probe, submitted that PowerStream should provide additional supporting information on changes to the depreciation and CCA amounts. PowerStream did so in its reply submission.

Findings

The OEB accepts the changes to depreciation and CCA amounts as submitted by PowerStream.

7.0 Cost of Capital

On September 6, 2016, Energy Probe filed additional draft rate order submissions in which it argued that the setting of PowerStream's 2017 rates cannot be completed until the OEB has issued its 2017 cost of capital parameters so that PowerStream can update its 2017 revenue requirement on this basis.

PowerStream disagreed, submitting that in the Decision, the OEB had accepted the cost of capital parameters in the Application..

Findings

In the Application, PowerStream proposed that the cost of capital be updated in accordance with the OEB's parameters for the years 2016 to 2020. The OEB did not comment on cost of capital in the Decision, but stated in the Introduction and Summary that "For any issues not specifically addressed in this Decision, the OEB accepts PowerStream's position." Accordingly, the OEB finds that PowerStream's 2017 rates should be calculated on the basis of the OEB's updated cost of capital parameters.

8.0 Cost Allocation

SEC submitted that PowerStream should use a different method for allocating adjustments to revenue to cost ratios. PowerStream submitted that in the Decision the OEB had accepted PowerStream's position on this adjustment.

Findings

The OEB agrees with PowerStream that this issue has been dealt with in the Decision. Accordingly no adjustment to the DRO is to be made in this regard.

9.0 Foregone Revenue Rate Riders

Energy Probe submitted that while calculating the 2016 foregone revenue riders, PowerStream should use the average customers for the period October to December 2016 rather than for 2016 in its entirety. PowerStream agreed with Energy Probe that this was an appropriate change and updated the foregone revenue fixed charge rate riders as proposed by Energy Probe.

Findings

The OEB accepts the change proposed by Energy Probe and agreed to by PowerStream.

10.0 Account 1557 Meter Cost Deferral Account

Energy Probe submitted that PowerStream had not reflected the impact of the Decision regarding the replacement of GS>50 kW meters with time of use (TOU) meters and the recording of these costs in account 1557. In its reply submission, PowerStream made the correction requested by Energy Probe and provided relevant supporting documentation

Findings

The OEB accepts the change proposed by Energy Probe and agreed to by PowerStream.

11.0 Renewable Generation Connection Rate Protection (RGCRP) Amounts

OEB staff asked PowerStream to clarify if any of the 2016 RGCRP recovery amount was one-time in nature. PowerStream advised that its entire RGCRP 2016 recovery amount is one-time in nature as it is related to capital expenditures and does not include any OM&A amounts.

Findings

Taking PowerStream's clarification into account, the OEB accepts PowerStream's filing of \$437,040 as the total RGCRP recovery amount for 2017.

Updated DRO

PowerStream shall file updated DROs including updated Tariffs of Rates and Charges for 2016 and 2017 and all necessary calculations and explanations reflecting the above findings, in the timeframes outline below. Following these filings, the OEB will issue final Rate Orders for 2016 and 2017.

The ONTARIO ENERGY BOARD ORDERS THAT:

1. PowerStream shall file an updated DRO attaching an updated 2016 Tariff of Rates and Charges, reflecting the OEB's findings in this Decision on or before **September 23, 2016**.
2. PowerStream shall file an updated DRO attaching an updated 2017 Tariff of Rates and Charges, reflecting the OEB's findings in this Decision within **14 days** from the issuance of the OEB's cost of capital parameter updates for 2017 applications.

All filings to the OEB must quote the file number, EB-2015-0003, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. 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 <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents 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 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Martin Davies at Martin.Davies@ontarioenergyboard.ca and OEB Counsel, Maureen Helt at Maureen.Helt@ontarioenergyboard.ca.

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DATED at Toronto, September 21, 2016

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary