



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

Brantford Power Inc.

EB-2008-0162

February 2, 2009

INTRODUCTION

Brantford Power Inc. ("BPI") submitted an application on November 7, 2008, seeking approval for changes to the rates that BPI charges for electricity distribution, to be effective May 1, 2009. The application is based on the 2009 3rd Generation Incentive Regulation Mechanism ("2009 3rd Gen. IRM").

The purpose of this document is to provide the Ontario Energy Board (the "Board") with the submissions of Board staff based on its review of all the evidence submitted by BPI.

REVENUE TO COST RATIO ADJUSTMENTS

Background

For the purpose of calculating the revenue-to-cost ratio adjustments, the 2009 3rd Gen. IRM Supplementary Filing Module (the "IRM Module") allocates the low voltage charges and transformer allowance "costs" across rate classes in a way that may differ from how they were allocated in BPI's 2008 cost of service application ("2008 CoS").

Discussion and Submission

As a result of the difference in methodology employed in the IRM Module as compared to the methodology used in the 2008 CoS, there may be a slight difference in the calculated revenue-to-cost ratios (the "Ratios") and the proposed adjustments that would result under each method. Board staff submits that this difference is immaterial and that BPI's proposed revenue-to-cost ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0698).

Board staff notes that the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007 (the "Report") indicated that a range approach for Ratios was preferable given influencing factors, such as data quality. Accordingly, Board staff submits that the differences in the Ratios calculated in the IRM Module and under the 2008 CoS methodology would need to be material for a revision to the proposed revenue-to-cost ratio adjustments to be warranted at this time. As stated earlier, Board staff submits that those differences are immaterial.

Board staff would like to inform interested parties that the IRM Module will be adjusted next year to enable distributors to reflect how the low voltage charges and transformer allowance “costs” were allocated for the purpose of calculating their Ratios in their 2008 CoS. Accordingly, any differences in the calculation of the Ratios in the 2009 IRM Module will be reverted in the 2010 IRM Module next year.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

Background

BPI indicated that, while it got approval to dispose of the balances in Accounts 1508, 1525, and 1550 in its 2008 CoS proceeding, EB-2007-0698),

“the amounts in those accounts approved for disposition were based on BPI’s estimates to April 30, 2008 with the assumption that rates would be effective May 1, 2008. BPI did not receive approval for the disposition until September 1, 2008. As a result, additional carrying charges based on the OEB’s prescribed interest accumulated in Accounts 1508, 1525 and 1550.”

BPI is now seeking to dispose of the interest accrued between May 1 and September 1, 2008, in Accounts 1508 (debit of \$946), 1525 (debit of \$82) and 1550 (credit of \$3,082). BPI is also applying to dispose “of four additional months of low voltage charges that were billed to customers” resulting in an additional credit of \$30,553. BPI proposes to dispose of the combine amount (a credit of \$32,607) in its 2009 IRM application over a one-year period from May 1, 2009 to April 30, 2010.

Board staff asked BPI to clarify why it seeks to dispose of the combined accrued interest at this time, given that it only amounts to a credit of \$2,054. In its response, BPI indicated that “BPI is not expecting any further activity in Accounts 1508, 1525 and 1550 to April 2009 and would prefer to clear the balances and return the funds to its customers.” BPI provided a similar rationale to dispose of the principal balance in Account 1550, a credit of \$30,553.

Submission

Board staff notes that the Board stated on page 48 of the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* that it “expects distributors to deal with deferral and variance account disposition outside of the IRM rate adjustment.” Board staff submits that, for any deviation from this Board policy to be considered, an applicant should provide compelling evidence that the disposition of the subject Accounts cannot or should not wait until the distributor's next cost of service application. Board staff submits that no such evidence was provided.

Board staff submits that returning the total credit of \$32,607 would have an immaterial impact on BPI's customers, and hence there is no urgency in disposing of this amount. To that regard, Board staff notes that BPI's 2008 revenue requirement amounted to approximately \$16 million.

Board staff also notes that the balances submitted for disposition have not been audited. The usual practice for disposing of deferral and variance accounts in the electricity sector is to use the most up-to-date audited balances, as supported by audited financial statements, plus forecasted carrying charges on those balances up to the start of the new rate year.

All of which is respectfully submitted.