

MANAGER'S SUMMARY

Chapleau Public Utilities Corporation

Application Number EB-2009-0219

Licence Number ED-2002-0528

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B of the *Energy Competition Act, 1998*:

AND IN THE MATTER OF an Application by Chapleau Public Utilities Corporation for 2010 electricity distribution rates, effective May 1, 2010, in accordance with the 3rd Generation Incentive Regulation Mechanism (IRM) issued August 24, 2009 by the Ontario Energy Board.

1. Introduction

- 1.1 Chapleau Public Utilities Corporation (the "Company") is a licensed electricity distribution business operating in the Town of Chapleau under Licence # ED-2002-0528 with special conditions in 14.3 to 14.5 in its' licence.
- 1.2 The Company submits this Application which includes the 2010 3rd Generation Incentive Regulation Mechanism (IRM3 Supplementary Filing and Rate Generator Modules), the required documentation /schedules for the calculation of just and reasonable distribution rates effective May 1, 2010 in accordance with the Filing Guidelines issued by the Ontario Energy Board ("Board") and dated August 24, 2009.
- 1.3 The Company will prorate customer consumptions with pre-May 1, 2010 consumptions at the old rates and post-May 1, 2010 consumption at the new rates.

2. 3rd Generation Incentive Regulation Mechanism (IRM3) Supplementary Filing Module

The following information summarizes the output of the 3GIRM Supplementary Model. Only sheets with information inputs and outputs are identified.

2.1 Sheet A1.1 LDC Information

As per the instructions issued by the Board, general information related to the application has been entered.

2.2 Sheet B1.1 Re-Based Bill Det. & Rates

As per the instructions issued by the Board, the general rate class billing determinants and base distribution rates from the 2008 COS Decision have been entered.

2.3 Sheet B1.2 Removal of Rate Adders

As per the instructions issued by the Board, the Smart Meter funding and Low Voltage rate adders have been entered (value of these adders are from the 2008 COS reporting).

2.4 Sheet B1.4 Re-Based Rev. Req.

As per the instructions issued by the Board, the Board approved values from the 2008 COS application has been entered net of revenue from rate adders. The resultant difference being a negative \$23.00 or 0.00%.

2.5 Sheet B2.1 2009 Base Dist. Rates

The values from Sheet "C7.1 Base Dist. Rates Gen." of the 2010 OEB IRM 3 rate Generator have been entered

2.6 Sheet B2.2 CA Information

Chapleau Public Utilities Corporation is required by the Board to make revenue to cost ratio adjustments in the Streetlight class offsetting the Residential class.

As per the instructions issued by the Board, the Transformer Ownership Allowance from the EDR final model and the Total Revenue, Revenue Requirement and Transformer Ownership Allowance allocators from the Cost Allocation Informational Filing have been entered.

2.7 Sheet B2.3 New Starting Point

The Board directed Chapleau Public Utilities Corporation in its' Decision of June 2, 2008 (EB-2007-0755) to increase the ratio for Sentinel Lights to 70% and Streetlights to at least 53.0% in the Company's 2009 rates application and to increase Street Lights in the 2010 rates application to at least 70.0%. The above adjustments were to offset revenue to the Residential class.

As per the instructions issued by the Board, the required ratio inputs as directed in the Decision prior to the correction have been entered.

2.8 Sheet C1.1 Decision Cost Revenue Adj.

As per the instructions issued by the Board, "changes" to cost revenue adjustments ratios are required to all classes except for the Residential class which requires to be "rebalanced".

2.9 Sheet C1.2 Offsets Allocation Revenue

As per the instructions issued by the Board the revenue offsets from the informational filing have been entered.

2.10 Sheet C1.3 Transformer Allowance

As per the instructions issued by the Board the transformer allowance in rate has been entered. Only the General Service 50 to 4,999 kW class receives transformer allowances.

2.11 Sheet C1.5 Proposed R C Ratio Adj.

The proposed revenue cost ratio adjustment resulted in a change to the Residential ratio with \$0.0 out of balance.

2.12 Sheet C1.9 Adjust to Proposed Rates

The resultant adjustments required to the base service charge and distribution volumetric rates have been entered onto Sheet "D1.2 Revenue Cost Ratio Adj." of the 2010 OEB IRM3 Rate Generator.

2.13 Sheet D1.1 Ld Act-Mst Rcent Yr

The Company is not applying for incremental capital and will not complete Sheets that pertain to it.

2.14 Sheet E1.2 K – Factor Adjustment

The K-Factor adjustment calculated to be -0.16% has been entered in the 2010 OEB IRM3 Rate Generator sheet "D2.2 K-Factor Adjustment".

2.15 Sheet F1.3 Calc Tax Chg RRider Var

Chapleau PUC does not have a Tax Rate Rider and does not expect to pay taxes in the 2010-2011 year.

2.16 Sheet G1.1 Threshold Parameters

The Price Cap Index determined to be 1.18% has been entered in the 2010 OEB IRM3 Rate Generator sheet "F1.2 Price cap Adjustment."

3 **3rd Generation Incentive Regulation Mechanism (IRM3) Rate Generator Module**

The following information summarizes the output of the IRM3 Rate Generator Model. Only sheets with CPUC information inputs and outputs are identified.

3.1 Sheet A1.1 *LDC Information*

As per the instructions issued by the Board, general information related to the application has been entered.

Please note that cell D30 shows French as the "Notice Publication Language". This should be English/French.

3.2 Sheet B1.1 *Curr&ApplRt Class General*

As per the instructions issued by the Board, General Rate Class information, as it appears in our current tariff sheet, has been entered.

3.3 Sheet C1.1 *Smart Meter Funding Adder*

As per the instructions issued by the Board, the current smart meter rate adder of \$1.00 has been entered.

3.4 Sheet C2.2 *Deferral Account Rate Adder*

As per the instructions issued by the Board, the deferral account rate riders have been entered with a sunset date of April 30, 2010.

The OEB Regulatory Audit staff completed its' review of Chapleau's deferral and variance accounts and issued its report on April 21, 2009. Through this report the Board Secretary advised the Chair of CPUC, on August 6, 2009, (letter attached) that the Board requires Chapleau to propose an appropriate

adjustment to the rate rider as a part of its next IRM rate application.

This is discussed further in Sheet J2.3 “Deferral Account Rate Rider 1”.

3.5 Sheet C3.1 Curr Low Voltage Vol Rt

As per the instructions issued by the Board, the current 2008 rebased Low Voltage rate adder has been entered and is identified as “No – Embedded in Vol Rate” with a 2009 Stretch Factor II.

3.6 Sheet C4.1 Curr Rates & Chgs General

As per the instructions issued by the Board, current monthly rates and charges for the general rate classes as they appear in our current tariff sheet have been entered.

3.7 Sheet D1.2 Revenue Cost Ratio Adj

Chapleau Public Utilities Corporation is required by the Board, in its’ Decision of June 2, 2008 (EB-2007-0755), to increase the ratio for the Street Light class in the 2010 rates application to at least 70.0% and to offset the revenue to the Residential class.

As per the instructions issued by the Board, the resultant adjustments from sheet C1.9 from the Supplementary Filing Module, was transferred to column “G” of the base monthly service charge and the base volumetric distribution charge.

3.8 Sheet D2.2 K-Factor Adjustment

As per the instructions issued by the Board, the resultant adjustment of -0.16% from sheet E1.2 of the Supplementary Filing Module has been entered.

3.9 Sheet F1.2 Price Cap Adjustment

As per the instructions issued by the Board, the resultant price cap adjustment of 1.180% from the Supplementary Filing Module has been entered.

3.10 Sheet J1.1 Smart Meter Funding Adder

As per the instructions issued by the Board, the smart meter rate adder of \$1.00 (no change from 2009) has been entered.

Chapleau PUC intends to file a smart meter funding and cost recovery application, before December 31, 2009, under Guideline G-2008-0002.

3.11 Sheet J2.3 Deferral Account Rate Adder 1

The OEB Regulatory Audit staff completed its' review of Chapleau's deferral and variance accounts and issued its audit review report on April 21, 2009. The results of the review identified that the amount for disposition, a credit of \$261,348, was incorrectly recorded in CPUC's books of accounts. The correct amount for disposition is determined to be a credit of \$215,662, therefore CPUC, through the 3 year rate rider put in place under EB-2007-0755, is refunding its' customers \$45,686 more than the required amount. Through this audit review report, the Board Secretary advised the Chair of CPUC, on August 6, 2009, (letter attached) that the Board requires Chapleau to propose an appropriate adjustment to the rate rider as a part of its next IRM rate application.

The excel spreadsheet attachment shows the method of calculation CPUC is proposing, to adjust the rate rider, to refund the balance of the audited amount between May 1, 2010 and April 30, 2011 as follows:

Method of Disposition - Fig. 1 shows the interim amounts for disposition in CPUC's 2008 application and the audit review results, the difference for adjustment in each account and the method of disposition of each account.

Method of Disposition - Fig. 2 shows the calculation for distribution revenue for each customer class using the interim rates approved effective May 1, 2008.

Rate Rider Calculation - Fig. 3 shows the Distribution Revenue by customer class allocation, in \$ and %, that will be used to allocate "Other Regulatory Assets" account #1508 to all customer classes based on their Distribution Revenue Shares, the 2008 kWh consumption allocation by customer class in kWh and % that will be used to allocate all other variance accounts to all customer classes based on their kWh consumptions. (Also shown are the 2008 kW consumptions for the GS >50 kW, Sentinel Lights and Street Lights).

Applying the method for disposition to each variance/deferral account to each customer class results in allocating the "Total Amount for Disposition - Audit Result" of \$215,662 to each customer class in \$ and %.

To determine how much has been collected/refunded to April 30, 2010 CPUC used actual collections/refunds to July 2009 and estimated for the balance. Total refunded is an estimate of \$160,465. As this was collected/refunded under the 2008 rate rider the customer class allocation of the \$160,465 is based on the 2008 interim customer class allocation %.

The result is that CPUC will collect/refund the balance of \$55,197 (\$215,662 less \$160,465) between May 1, 2010 and April 30, 2011 based on the proposed rate rider.

| Customer Class | \$ Total for Disposition Audit Result | Customer class Allocation % | \$ Estimated Refund to April 30, 2010 | Customer class Allocation % | \$ Balance for Refund | \$ Proposed Rate Rider |
|--------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|-----------------------|------------------------|
| Residential | (107,069) | (49.65%) | 81,112 | 50.55% | (25,956) | (0.0018) |
| GS <50kW | (41,909) | (19.43)% | 31,231 | 19.46% | (10,678) | (0.0019) |
| GS >50kW | (64,535) | (29.92)% | 46,413 | 28.92% | (18,121) | (0.8560) |
| Unmetered Scattered Load | 12 | 0.01% | 12 | 0.01% | 23 | 0.0034 |
| Sentinel Lights | (128) | (0.06)% | 112 | 0.07% | (16) | (0.2393) |
| Street Lights | (2034) | (0.94)% | 1582 | 0.99% | (452) | (0.5796) |
| TOTAL | (215,662) | (100.0)% | 160,465 | 100.0% | (55,197) | |

3.12 Sheet L1.1 Appl for TX Network

As an embedded distributor to Hydro One Networks Inc., Chapleau PUC pays for Transmission Network Charges to the IESO and Hydro One. To determine the increase imposed for Transmission Network it's necessary to determine what the combined increase is from both.

Chapleaus' last 12 months of actual kW charges from September 2008 to August 2009 for Transmission Network is as follows:

| | kW | Old Rate/kW | Network Cost | New Rate/kW | Network Cost | % Increase |
|------------------|---------------|--------------------|---------------------|--------------------|---------------------|-------------------|
| IESO | 33,342 | \$2.57 | \$85,689 | \$2.66 | \$88,690 | 3.502% |
| Hydro One | 22,066 | \$2.01 | \$44,353 | \$2.24 | \$49,428 | 11.442% |
| Total | | | \$130,042 | | \$138,118 | 6.210% |

The increase of 6.210% has been entered.

3.13 Sheet L2.1 Appl for TX Connect

As an embedded distributor to Hydro One Networks Inc., Chapleau PUC pays for Transmission Connection Charges to the IESO and Hydro One. To determine the increase imposed for Transmission Connection it's necessary to determine what the combined increase is from both.

Chapleaus' last 12 months of actual kW charges from September 2008 to August 2009 for Transmission Connection is as follows:

| | kW | Old Rate/kW | Network Cost | New Rate/kW | Network Cost | % Increase |
|------------------|---------------|--------------------|---------------------|--------------------|---------------------|-------------------|
| IESO | 37,132 | \$0.70 | \$25,992 | \$0.70 | \$25,992 | 0.000% |
| Hydro One | 22,066 | \$0.50 | \$11,033 | \$0.60 | \$13,240 | 20.000% |
| Total | | | \$37,025 | | \$39,232 | 5.961% |

The increase of 5.961% has been entered.

3.14 Sheet N3.1 Curr&Appl For Loss Factors

As per the instructions issued by the Board, the loss factors as shown in the Company's current Board-approved Tariff schedule have been entered.

3.15 Sheet O2.1 Calculation of Bill Impacts

Bill impacts as calculated in the IRM3 Rate Generator Model for the different classes before GST are as follows:

| Customer Class | Consumption | % & \$ Increase (Decrease) | |
|-----------------|-------------------------|----------------------------|------|
| | | \$ Amount | % |
| Residential | 800 kWh | 0.16 | 0.2 |
| GS <50kW | 2,000 kWh | 2.17 | 1.0 |
| GS >50kW | 995,000 kWh 2,480 kW | 2,495.65 | 2.7 |
| USL | 2000 kWh | 9.75 | 9.75 |
| Sentinel Lights | 180 kWh 0.5 kW | 0.43 | 1.9 |
| Street Lights | 37kWh 0.10kW | 1.48 | 23.5 |

The Street Light class has been identified as having exceeded the threshold of 10.0%.

3.16 Sheet P1.1 Curr&Appl for Allowances

As per the instructions issued by the Board, the allowances as shown in the Company's current Board-approved Tariff schedule have been entered.

3.17 Sheet P2.1 Curr&Appl for Spc Srv Chg

As per the instructions issued by the Board, the specific service charges as shown in the Company's

current Board-approved Tariff schedule have been entered.

3.18 Sheet P3.1 *Curr&Appl for Rtl Srv Chg*

As per the instructions issued by the Board, the retail service charges as shown in the Company's current Board-approved Tariff schedule have been entered.