



**Great Lakes Power Transmission LP (“GLPT”) Application
2010 Transmission Rates
EB-2009-0408**

**BOARD STAFF SUBMISSION
RE
GLPT’S JULY 30, 2010 IMPLEMENTATION PROPOSAL**

August 6, 2010

1.0 The Board's Direction

Great Lakes Power Transmission LP ("GLPT"), submitted on July 30, 2010 an Implementation Proposal in accordance with the Board's direction in its July 21, 2010 Decision with Reasons¹ for the recovery of GLPT's approved revenue requirement.

The Board indicated its preference for minimizing, where appropriate, the number of changes to Uniform Transmission Rates ("UTRs") and stated in part that:

The Board notes that GLPT has a significant balance, approximately \$2.5 million, owing to ratepayers in account 1574, Deferred Rate Impact Amounts Account ("DRIAA"). GLPT could use this account to fully offset the increase to its revenue requirement for 2010, resultant of this Decision, without necessitating changes to existing UTRs. The Board sees benefit to minimizing the number of changes to UTRs where it is appropriate to do so.....There are currently two other transmission rate applications before the Board, which provide opportunities to more appropriately align and reflect GLPT's 2010 Board approved transmission revenue requirement and charge determinants in the near future.

2.0 GLPT's Implementation Proposal

GLPT's Implementation Proposal addresses the Board's preference in postponing changes to the existing Uniform Transmission Rates ("UTRs") until there is an opportunity to more appropriately align GLPT's approved revenue requirement and charge determinants with the implementation of changes to the UTRs necessitated by revenue requirement changes for other Ontario transmitters.

GLPT's Implementation Proposal provides a month by month methodology of adjustment to the revenue requirement commencing from January 1, 2010 being the effective date of the approved 2010 revenue requirement until the implementation date of the new UTRs i.e., the date when GLPT's approved 2010 revenue requirement is implemented through changes to UTRs. (this date will be determined by the Board).

¹ Decision with Reasons, July 21, 2010 Approving Revenue Requirement for Test Year 2010 for Great Lakes Power Transmission LP, page 13 under "IMPLEMENTATION"

The proposed methodology is based on a 2 percent (2 %) increase in revenue requirement from the currently approved revenue requirement of \$34,785,422 (arising from EB-2005-0241) to the newly approved 2010 revenue requirement of \$35,141,618 (arising from EB-2009-0408).

GLPT's proposal also outlines the entry steps in Account 1574 for the two periods –“Prior to UTR Changes”, and “Post UTR Changes”. The first entry would take place in the month that GLPT receives the final Board Order approving the proposed methodology, and will represent a catch-up for all months between January 1, 2010 and the noted month.

GLPT also included the steps it would take to implement Sections 6.3 of the Settlement Agreement, with reference to Section 6.1 and the entry steps for Account 1505 to reflect the credit to ratepayers of \$3,063,900 relating to the 1996 asset revaluation.

3.0 Board Staff Submission

Board staff observes that GLPT's proposed methodology is based on revenue requirement adjustment achieved by increasing the monthly revenue received from the IESO by 2 percent. The proposed methodology does not, however, reflect the corresponding load forecast changes in 2010, captured in GLPT's Charge Determinants for the three transmission pools. However capturing the effect of changes of both revenue requirement and charge determinants is in effect implementing a shadow UTR for the sake of being more accurate.

Board staff notes that in GLPT's case its current revenue requirement of \$34,785,422 (arising from EB-2005-0241) represents 2.76% of the total revenue requirement of the four transmitters of \$1,261,599,000² under the UTR. The GLPT load (Charge Determinants) in MW as a percent of the total load of the four transmitters is fairly small for the three transmission pools - 1.68 % for the Network, 1.2 % for Line Connection and 1.35 % for Transformation Connection. The added accuracy of carrying out the calculation for GLPT using both

² Revenue Requirement and Charge Determinant Order Arising From The EB-2008-0272 Decision with Reasons of December 16, 2009, **Issued January 21, 2010**, Exhibit 4 – Summary Uniform Transmission Rates and Revenue Disbursement Factors

parameters i.e., revenue requirement and load, is practically not discernable. This is a direct result of the noted small ratio of GLPT's revenue requirement and charge determinants compared to the corresponding totals of the four transmitters.

For the above reasons, Board staff therefore supports GLPT's Proposed Implementation.

The case would be different, if the Proposed Implementation were to be considered for a larger transmitter such as Hydro One Transmission. Implementation of the approach proposed by GLPT for a large utility like Hydro One, would result in inaccurate calculations of the monthly amounts. This is due to the fact that an increase in the revenue requirement and charge determinants in the case of Hydro One will likely result in an increase in the corresponding revised UTR rates, which is not the case for GLPT where any UTR rate changes would not be discernable. Board staff is of the view that the increase in the revised UTR rates under this scenario would result in an increase in the revenue monthly revenue allocated to Hydro One, and that amount would be higher than the monthly amount calculated using a simple percentage increase to the status quo amounts as proposed by GLPT.

Board staff submits that in case of large transmitters such as Hydro One, the calculation would need to be carried out on the basis of both the revised revenue requirement and charge determinants, which essentially means calculation of a shadow UTR, for the purpose of tracking the amounts owed to Hydro One until the official UTR is revised and issued by the Board.

End

All of which is Respectfully Submitted