



**16984 Highway#12 P.O. Box 820  
Midland Ontario L4R 4P4**

January 27, 2011

Ontario Energy Board  
2300 Yonge Street  
26<sup>th</sup> Floor  
P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Sirs:

Re: Midland Power Utility Corporation – 2011 IRM3 Rate Application  
Licence #ED 2002-0541; Board File No. EB-2010-0099

Enclosed please find Midland's Reply Submission to Board Staff and VECC Submissions due January 31, 2011. Should you have any questions please do not hesitate to contact the writer.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

A handwritten signature in black ink, appearing to read 'Phil Marley'.

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**Midland Power Utility Corporation**

**REPLY SUBMISSION**

**2011 ELECTRICITY DISTRIBUTION RATES**

**EB-2010-0099**

**Submitted January 27, 2011**

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**OVERVIEW/INTRODUCTION**

This is the reply submission of Midland Power Utility Corporation (Midland) in regard to its 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism for an order approving just and reasonable rates for the distribution of electricity effective May 1, 2011 (Application). Midland's submission is filed in reply to submissions filed by Ontario Energy Board Staff ("Board Staff") January 10, 2011 and Vulnerable Energy Consumers Coalition (VECC) January 10, 2011.

Midland is the electricity distributor licensed by the Ontario Energy Board (OEB) to service the area known as the Town of Midland pursuant to the legal boundary limits except for the following:

The parcel of land surrounded by the northern Town boundary and the centerline of the roads, beginning at a point on Old Penetanguishene Road southerly to a point at Harbourview Drive (if extended), easterly along Harbourview to Fuller Street, then northerly along Fuller Street to Gawley Drive, then easterly along Gawley Drive to the shoreline of Georgian Bay.

The parcel of land described above laying east of Fuller Street was formerly known as Sunnyside and the parcel of land described above laying west of Fuller Street was formerly known as Portage Park.

Midland operates an electrical distribution system with a total service area of 20 square kilometers within its boundaries.

Midland filed the Application on September 15, 2010 under section 78 of the Ontario Energy Board Act, 1998. Midland submitted its responses to interrogatories from OEB Staff and VECC on December 1, 2010.

**REPLY SUBMISSION – BOARD STAFF**

**RTSRs**

Midland agrees with Board Staff (pg 1) submission and thanks Board Staff for updating the models to reflect the loss adjusted Metered kWh and Metered kW into Columns “A” and “B” respectively on Sheet “B1.2 2009 Distributor Billing Determinants” of the workform.

**REVIEW AND DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS**

Midland agrees with Board staff (pg.3) to re-calculate the disposition rate rider over a 24 month period pursuant to the Board’s EB-2009-0236 Decision effective May 1, 2011. Midland submits the over-collection of the 2010 Rate Rider for the recovery of the global adjustment sub-account balance was as a result of an error made by Midland Power in the calculations submitted in the 2010 IRM. As the over contribution was made by the GS>50kW customer class only, Midland submits the GS>50kW customer class should receive the refund along with interest as a credit on their invoices by way of a separate rate rider over a 12 month period ending April 30, 2012. Midland apologizes to Board Staff and the Board for not requesting Board approval prior to dispensing with the rate rider, which subsequently resulted in Midland’s lack of compliance with the Board-approved rate order. Midland was endeavouring to keep variance accounts at a minimum and overlooked the appropriate approval process. Midland submits it will follow the approval process in future.

Midland agrees with Board staff (pg.4) submission to dispose of Group 1 account balances over one year, excluding the global adjustment sub-account balance and to dispose of the global adjustment sub-account balance over two years.

**REPLY SUBMISSION – VECC**

**LRAM – Third Tranche CDM**

Midland recognizes and seeks to be in compliance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No. EB-2008-0352, January 27, 2009. As such, Midland and Burman Energy sought assistance in the interpretation on the appropriate application of assumptions and measures for both LRAM and SSM calculations. In its October 8<sup>th</sup> decision and order regarding Horizon Utilities' recovery of amounts related to Conservation and Demand Management, the OEB indicated that:

*"...the filing guidelines cannot reasonably be expected to address every possible scenario that may be faced by Ontario's 80 regulated distributors. What is clear is the underlying principle of LRAM, which is that distributors are to be kept whole for revenue that they have forgone as a direct consequence of implementing CDM programs. Accordingly, in the absence of clear direction from the filing guidelines to the contrary, utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs."*

In response to this direction, Horizon Utilities recalculated LRAM using the most recent assumptions and measures as directed for 2005 and 2006 results which persisted in 2007 and 2008 only. No revisions were made retroactively to results which occurred in 2005 and 2006. These revised calculations were performed to the VECC group's satisfaction (Comments on Draft Rate Order, dated October 21, 2009) and were subsequently approved as part of the OEB's final rate order for Horizon, October 23, 2009.

Midland assessed this precedent to limit the retroactive application of the most recent assumptions and measures to one year prior to their publication. Midland submits that this precedent illustrates acceptance of the limits to the retroactive application of newer assumptions and measures to the beginning of that year. This was considered a reasonable position given the absence of any published updates until 2009, and is also consistent with the example within Guidelines and Policy Letter of January 27, 2009, quoted in VECC's interrogatories:

1    *The input assumptions used for the calculation of LRAM should be the best available at the time of*  
2    *the third party assessment referred to in section 7.5.*

3    *For example, if any input assumptions **change in 2007**, those changes should apply for LRAM*  
4    *purposes **from the beginning of 2007 onwards** until changed again.....*

5  
6    Midland further submits the application of the most recent (OPA) assumptions and measures to be  
7    applied in LRAM calculations were endorsed by the OEB in 2009. Applying the aforementioned  
8    interpretation, it was deemed appropriate to apply the more recent assumptions and measures  
9    retroactively for 2009 only.

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11    Consistent with the Horizon decision and order, Midland submits that no further adjustment be  
12    made to the SSM calculations.

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14    The statement by VECC that Midland "...has gone against the independent third party review by  
15    Burman Consulting..." is interpreted to imply that Burman Energy was not involved in the  
16    subsequent review and revisions resulting from VECC interrogatories. Midland power denies that  
17    this is the case and submits that the revised calculations have been prepared by Burman Energy.  
18    Midland also notes VECC has not provided evidence to support their assumption.

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20    Midland accepts OEB staff endorsement of the process and results for determining LRAM/SSM  
21    amounts. However, the statement referencing the use of outdated input assumptions is in conflict  
22    with Board and staff recognition of the adoption of OPA assumptions and measures January 27,  
23    2009. Applying these new assumptions and measures retroactively for all years would represent an  
24    inconsistency with the Horizon decision. This inconsistency was discovered only upon detailed  
25    review of LRAM assumptions in response to VECC interrogatories.

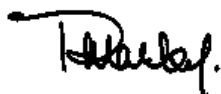
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27    In addition, Midland submits that since OEB endorsement of OPA assumptions and measures did  
28    not occur until 2009, 2005 assumptions and measures represents the best available and most reliable  
29    for the years 2005, 2006, 2007, and 2008. Midland submits that no official adoption of new  
30    assumptions and measures until 2009 supports this position. In lieu of annual approved updates to  
31    assumptions and measures, Midland respectfully submits the revised calculations in response to  
32    VECC interrogatories apply the correct assumptions and measures and respectfully requests the  
33    Board to approve the revised LRAM application component of the IRM rate application. Midland

1 therefore requests, the calculation of the LRAM of \$227,473.87 and the SSM of \$5,352.90  
2 be approved by the Board.

3  
4 Midland notes VECC has identified the same concern relating to the LRAM and SSM component in  
5 several 2011 LDC rate applications. Midland understands intervenors recover their costs for their  
6 prudent review of those applications and preparation of interrogatories. Many LDCs received the  
7 same detailed interrogatories from VECC. Therefore, Midland submits any cost awards approved  
8 by the Board to reimburse VECC, should be based on one interrogatory and submission only and  
9 not duplicated for subsequent inclusion in other LDC applications interventions.

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14 All of which is respectfully submitted,

15  
16 MIDLAND POWER UTILITY CORPORATION



17  
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19 President & CEO

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