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**BY EMAIL**

January 20, 2012

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: PowerStream Inc.  
2012 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2011-0005**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to PowerStream Inc. and to all other registered parties to this proceeding.

In addition please remind PowerStream Inc. that its Reply Submission is due by February 3, 2012.

Yours truly,

*Original Signed By*

Stephen Vetsis  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **2012 ELECTRICITY DISTRIBUTION RATES**

PowerStream Inc.

EB-2011-0005

**January 20, 2012**

**Board Staff Submission  
PowerStream Inc.  
2012 IRM3 Rate Application  
EB-2011-0005**

**Introduction**

PowerStream Inc (“PowerStream”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 22, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that PowerStream charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism. PowerStream operates two separate rate zones: the Barrie rate zone consisting of the former Barrie Hydro Distribution Inc. service territory and the South rate zone which is the former PowerStream Inc. service territory.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by PowerStream.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application models by PowerStream. In response to Board staff interrogatories which requested either a confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the application, PowerStream confirmed certain errors and provided the necessary corrections to the models. Board staff will make the necessary corrections to PowerStream’s model at the time of the Board’s Decision on the application.

PowerStream completed the Tax-Savings Workform for the South rate zone with the correct rates which reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2008-0224. PowerStream completed the Tax-Savings Workform for the Barrie rate zone using the revised rates approved by the Board in PowerStream’s 2009 IRM proceeding (EB-2008-0160). Board staff has no concerns with the Tax-Savings Workforms for either rate zone as filed.

Board staff has no concerns with the data supporting the RTSR Workform proposed by PowerStream. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, Board

staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

Board staff makes detailed submissions on the following matters:

- Disposition of Group 1 Deferral and Variance Account Balances;
- Disposition of Account 1562 – Deferred Payments in Lieu of Taxes (PILs);
- Disposition of Account 1521 – SPC Variance; and
- Lost Revenue Adjustment Mechanism (“LRAM”) Claim.

### **Disposition of Group 1 Deferral and Variance Account Balances**

#### **Background**

The EDDVAR Report provides that during the IRM plan term, the distributor’s Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

In December of 2008, the Board approved the amalgamation of PowerStream Inc. and Barrie Hydro Distribution Inc. (EB-2008-0335). In the Application, PowerStream noted that it continued to receive separate invoices from the IESO for each of its service territories in 2009. As of 2010, the amalgamated PowerStream began to receive a single invoice from the IESO for both rate zones. PowerStream stated that as a result of the change in invoicing from the IESO it is unable to separate the Group 1 Retail Settlement Variance Account (RSVA) balances by rate zone for 2010. PowerStream noted that it continues to track accounts 1590 and 1595 separately by rate zone.

In order to determine if the disposition threshold had been exceeded, PowerStream computed three separate thresholds for Group 1 Deferral and Variance Account (DVA) balances: (i) the claim (in \$ per kWh) for RSVA balances up to December 31, 2009 and accounts 1590 and 1595 up to December 31, 2010, in the South rate zone, (ii) the claim (in \$ per kWh) for balances up to December 31, 2009 and accounts 1590 and 1595 up to December 31, 2010, in the Barrie rate zone, and (iii) the claim (in \$ per kWh) for the overall RSVA balances in both rate zones from January 1, 2010 to December 31, 2010, excluding accounts 1590 and 1595. PowerStream then added the claim per kWh for each individual rate zone with the overall claim per kWh for RSVA balances in 2010 to perform the threshold test for each rate zone. The approach is summarized in Table 1.

**Table 1 - Summary of PowerStream's Group 1 Deferral and Variance Claims and Threshold Tests**

| <b>Rate Zone</b>                   | <b>Barrie (RSVA account 2009 balances + 1590 and 1595 balances to 2010)</b> | <b>South (RSVA account 2009 balances + 1590 and 1595 balances to 2010)</b> | <b>Shared RSVA Account 2010 Balances</b> |
|------------------------------------|---|--|--|
| <b>Total claim (\$)</b>            | \$ 1,162,369  | \$ 3,757,589   | \$ (6,154,488)                           |
| <b>2010 Metered kWhs</b>           | 1,511,697,836   | 6,823,079,624  | 8,334,777,460                            |
| <b>Claim per kWh</b>               | \$ 0.00077  | \$ 0.00055   | \$ (0.00074)                             |
| <b>Combined Threshold (\$/kWh)</b> | \$ 0.00003  | \$ (0.00019)   | -  |

PowerStream's DVA balances, up to December 31, 2010, with carrying charges calculated up to April 30, 2012 result in a total claim of \$0.00003 per kWh for the Barrie rate zone and a total credit claim of \$0.00019 for the South rate zone. Neither amount exceeds the preset disposition threshold. PowerStream has not requested to dispose of Group 1 DVA balances for either rate zone.

## Submission

Board staff has reviewed PowerStream's Group 1 Deferral and Variance account balances and notes that the principal balances as of December 31, 2010 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*.

Board staff has no issue with PowerStream's proposal not to dispose of its DVA balances, as of December 31, 2010, at this time. Board staff does however make the following observations regarding PowerStream's approach to the threshold calculation. Board staff notes that the threshold methodology proposed by PowerStream is not consistent with the spirit of the EDDVAR Report. In the EDDVAR Report, the Board established a preset disposition threshold of \$0.001 per kWh during the IRM plan term for all Group 1 accounts combined. The Board also stated in the EDDVAR Report that during the IRM plan term: "this disposition threshold level should enhance the distributor's ability to manage its cash flow."<sup>1</sup> Board staff is of the view that a distributor's cash flow is best reflected at the utility (overall) level and not within each individual rate zone. As such, Board staff is of the view that a single threshold test should be applied to total DVA balances combined across all rate zones.

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<sup>1</sup> EDDVAR Report, Page 10

This approach would be consistent with the treatment of the Global Adjustment sub-account, in that it is included as part of the total balance used in the threshold test calculation despite the fact that the account is disposed to only a sub-set of customers.

Board staff further notes that when the Group 1 account balances for both the Barrie and South rate zones are combined, the disposition threshold is not exceeded, in any event.

### **Disposition of Account 1562 – Deferred Payments in Lieu of Taxes (PILs)**

#### **Background**

In the Decision and Order of the Combined Proceeding on Account 1562 Deferred Payments in Lieu of Taxes (EB-2008-0381), the Board approved a credit balance of \$565,583, as of April 30, 2006, to be refunded to customers in the Barrie rate zone with respect to the PILs accumulated by Barrie Hydro Distribution Inc. That balance included interest forecasted to April 30, 2012. PowerStream has proposed to refund the Board approved balance to customers in the Barrie rate zone over a one year period. PowerStream has allocated the amount in account 1562 based on the distribution revenue approved in Barrie Hydro's last cost of service proceeding (2008).

On page 19 of the Manager's Summary for the Barrie rate zone, PowerStream states:

Barrie Hydro's approved 2008 test year included forecasted revenue for the newly created Large Use class. This class did not exist at the time that the account 1562 balances arose and to date there have been no customers in this class. Therefore it would be inappropriate to allocate some of the recovery to this class. PowerStream has set the distribution revenue for the Large Use class to \$0, so that the refund of account 1562 will be allocated only to those classes with customers.

#### **Submission**

Board staff notes that PowerStream has also used variable rate riders to refund the balance. As the balance in account 1562 for the Barrie rate zone has been previously approved by the Board, Board staff takes no issue with PowerStream's proposal to

refund the balance in account 1562 to rate payers. Board staff submits that PowerStream's proposed one year recovery period, allocation and recovery methodology are appropriate as it is consistent with the decision arising from the Combined PILs proceeding. Board staff also notes that the adjustment for the Large Use class is appropriate as it maintains the spirit of the disposition by ensuring that the entire balance is refunded to existing customers.

Board staff notes that by way of a letter date October 12, 2011, the Board accepted PowerStream's proposal to defer review and disposition of the account 1562 balance for the South rate zone until PowerStream's cost of service application scheduled to be filed in 2012 for 2013 rates.

### **Disposition of Account 1521 – SPC Variance**

PowerStream requested to dispose of a credit balance of \$14,007 in account 1521, Special Purpose Charge Assessment Variance Account. PowerStream did not track the amounts in account 1521 separately by rate zone. The credit balance of \$14,007 reflects an overall balance for both rate zones and includes forecast interest expense to April 30, 2012. PowerStream has proposed to refund this amount over one year by combining this balance with the balance being disposed for account 1562 by way of a variable rate rider for the Barrie rate zone. For the South rate zone, a variable rate rider would be used for clearing just account 1521. The balance in account 1521 was allocated to the rate classes based on 2010 billed kWhs for each class without regard to rate zone. The resulting rate riders for each class in both rate zones are summarized in the table below.

**Table 2 - Summary of proposed Deferral and Variance account rate riders for each rate zone**

| Rate Class                     | Unit | Barrie       |              |              | South        |              |
|--------------------------------|------|--------------|--------------|--------------|--------------|--------------|
|                                |      | 1521         | 1562         | Total        | 1521         | Total        |
| Residential                    | kWh  | \$ 0.0000    | - \$ 0.00063 | - \$ 0.00063 | \$ 0.0000    | \$ 0.0000    |
| General Service < 50 kW        | kWh  | \$ 0.0000    | - \$ 0.00037 | - \$ 0.00037 | \$ 0.0000    | \$ 0.0000    |
| General Service 50 to 4,999 kW | kW   | - \$ 0.00063 | - \$ 0.07050 | - \$ 0.07119 | - \$ 0.00063 | - \$ 0.00063 |
| Large Use                      | kW   | -            | -            | -            | - \$ 0.00057 | - \$ 0.00057 |
| Unmetered                      | kWh  | \$ 0.0000    | - \$ 0.00093 | - \$ 0.00084 | \$ 0.0000    | \$ 0.0000    |

|                          |    |              |              |              |              |              |
|--------------------------|----|--------------|--------------|--------------|--------------|--------------|
| <b>Scattered Load</b>    |    |              |              |              |              |              |
| <b>Sentinel Lighting</b> | kW | -            | -            | -            | - \$ 0.00063 | - \$ 0.00063 |
| <b>Street Lighting</b>   | kW | - \$ 0.00066 | - \$ 0.15451 | - \$ 0.15517 | - \$ 0.00066 | - \$ 0.00066 |

## Submission

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. The balances in account 1521 in the application provided by PowerStream are not audited. Board staff notes that the Board has approved the disposition of unaudited balances in account 1521 in both the Horizon (EB-2011-0172) and Hydro One Brampton (EB-2011-0174) 2012 IRM proceedings.

Board staff has no concerns with the \$14,007 balance in account 1521. Board staff notes that this balance includes the correct calculation of forecasted carrying charges extending to April 30, 2012.

Board staff does note however that Appendix C of Chapter 3 of the Filing Requirements states:

In the event where the calculation of one of more rate classes' rate adder or rate rider results in energy-based kWh rate riders of \$(0.0000) when rounded to the fourth decimal place and demand-based kW rate riders of \$(0.00) when rounded to the second decimal place, or are negligible, the entire Board-approved amount for recovery or refund should be recorded in a USoA account to be determined by the Board for disposition in a future rate setting.

Board staff submits that the \$14,007 credit balance in account 1521 is immaterial and, as per the Filing Requirements, suggests that PowerStream record the SPC balance in variance account 1595 for future disposition. Board staff notes that PowerStream tracks account 1595 separately by rate zone and Board staff takes no issue with PowerStream using the same approach (total billed kWh) that was taken in assigning account 1521 amounts to each rate class when allocating the \$14,007 credit balance between rate zones.

## **Lost Revenue Adjustment Mechanism (“LRAM”) Claim**

### **Background**

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the “CDM Guidelines”) issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM recovery.

PowerStream is seeking to recover a total LRAM claim of \$554,020 over a one-year period for the Barrie rate zone. The lost revenues include the effect of CDM programs implemented from 2007-2010. PowerStream has requested approval of these savings persisting until December 31, 2011.

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the “Guidelines”) issued on March 28, 2008 outline the information that is required when filing an application for LRAM. In its decision on Horizon's application (EB-2009-0192) for LRAM recovery, the Board also noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

### **Submission**

#### *Persisting impacts of 2007 and 2008 programs*

PowerStream has requested the recovery of an LRAM amount that includes the persistence for 2007 and 2008 programs in 2009, 2010, and 2011.

Board staff notes that the rates for PowerStream's Barrie rate zone were last rebased in 2008.

Board staff notes that the CDM Guidelines state the following with respect to LRAM claims:

Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time<sup>2</sup>.

Board staff also notes that in its Decision and Order on Hydro One Brampton's 2012 IRM application (EB-2011-0174), the Board disallowed LRAM claims for the rebasing year as well as persistence of prior year programs in and beyond the test year on the basis that these savings should have been incorporated into the applicant's load forecast at the time of rebasing.

In cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate. PowerStream may want to highlight in its reply whether the issue of an LRAM application was addressed in its cost of service application.

In the absence of the above information, Board staff does not support the recovery of the requested persisting lost revenues from 2007 and 2008 CDM programs in 2009, 2010, and 2011 as these amounts should have been built into PowerStream's last approved load forecast for the Barrie rate zone.

#### *2009 and 2010 programs*

Board staff notes that PowerStream has not collected the lost revenues associated with CDM programs delivered in 2009 and 2010, years where PowerStream was under IRM for the Barrie rate zone. Board staff supports the approval of the 2009 and 2010 lost revenues requested by PowerStream as these lost revenues took place during IRM years and PowerStream did not have an opportunity to recover these amounts. Board staff notes that this is consistent with what the Board noted in its decisions on applications from Horizon (EB-2011-0172), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206).

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<sup>2</sup> Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

Board staff requests that PowerStream provide an updated LRAM amount that only includes lost revenues from 2009 and 2010 CDM programs in the years 2009 and 2010 and the subsequent rate riders. Board staff submits that it is premature to consider any lost revenue from 2009 and 2010 programs persisting from January 1, 2011 to December 31, 2011.

All of which is respectfully submitted