EB-2011-0181

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.O.15, Sch. B;

AND IN THE MATTER OF an application by London Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

AND IN THE MATTER OF the Board's Decision with Reasons dated April 4, 2012.

MOTION RECORD OF LONDON HYDRO INC.

For a Review of the Board's Decision Dated April 4, 2012

London Hydro Inc.
By its Counsel

Borden Ladner Gervais LLP
40 King Street West
Suite 4100
Toronto, ON M5H 3Y5

James C. Sidlofsky
(T) (416) 367-6277
(F) (416) 361-2751
(E) jsidlofsky@blg.com

TO: Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto ON M4P 1E4
Tel: (416) 481-1967
Fax: (416) 440-7656

AND TO: Intervenor of Record

Index

EB-2011-0181

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by London Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.;

AND IN THE MATTER OF the Board's Decision dated April 4th, 2012 in this proceeding.

NOTICE OF MOTION

London Hydro Inc. (“London Hydro”) will make a motion to the Ontario Energy Board (the “Board”) on a date and at a time to be determined by the Board.

PROPOSED METHOD OF HEARING: London Hydro proposes that the Motion be heard by way of a written hearing.

THE MOTION IS FOR:

a) A review and variance of that portion of the Board's Decision With Reasons dated April 4, 2012, in the matter of London Hydro’s 2012 Incentive Regulation Mechanism (“IRM”) distribution rate adjustment application, relating to amounts recoverable under the Board’s Lost Revenue Adjustment Mechanism (“LRAM”), and more particularly That London Hydro be permitted to recover additional LRAM amounts of $202,820.96 representing 2010 revenue impacts of CDM program activities. [1]

b) An order staying the operation of that portion of the Board’s Decision dated April 4, 2012 pending the resolution of this motion, or alternatively an order allowing the revenue requirement impact of the motion to be tracked and recovered from ratepayers if the motion is

---

[1] London Hydro’s total adjusted LRAM claim was for $355,473.45 (page 5 of London’s Reply Submission to VECC Interrogatories). The Board approved the recovery of $152,652.49 for 2010 CDM programs (page 15 of the Decision); the difference (or unapproved amount) is $202,820.96.

successful; and

c) An order declaring the Board's Rate Order in this proceeding, which to date has not been issued, to be interim pending the disposition of this motion.

THE GROUNDS FOR THE MOTION ARE:

1. On November 24, 2011, London Hydro applied for distribution rates effective May 1, 2012 under the Board's 3rd Generation Incentive Regulation Mechanism rate making process. As part of that Application, London Hydro requested recovery of lost revenue through the LRAM process in accordance with the Board-issued Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037), dated March 28, 2008. This was London Hydro's first application to recover lost revenues arising out of CDM activities. London Hydro initially replied for approval of the recovery of a total of $291,455, based on OPA final 2009 program results for London Hydro, and estimated 2010 OPA CDM results. Upon receipt of final 2010 results from the OPA, London Hydro revised its request for recovery for OPA CDM programs implemented in 2009 and 2010 for an amount of $355,473.45, including carrying charges.

2. At pages 15 and 16 of its Application, London Hydro stated that "Although London Hydro is not requesting recovery of lost distribution revenues with respect to CDM programs prior to 2009, London Hydro is requesting a 2012 LRAM rate rider to recover lost distribution revenues associated with 2009 and 2010 CDM programs that were funded by the OPA." The 2009 savings results were verified by the Ontario Power Authority, and a copy of the OPA's report was included in the Application as Appendix "F" thereto.

3. In their submission on the Application as it pertained to London Hydro's LRAM claim, Board Staff wrote:

> "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. London 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 lost revenues in 2009 for 2009 CDM programs, or the persisting lost revenues from 2009 CDM programs in 2010 as these amounts should have been built into London's last approved load forecast."

4. As London Hydro indicated in its reply submission, the 2008 Guidelines provided that "When applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available". London Hydro reasonably believed in 2009 that it would not be appropriate, and inconsistent with the Guidelines then in place, to suggest adjusting its load forecast for planned but not realized CDM programs.

5. In response to and in satisfaction of the Board Staff request, London Hydro directed the Board to two interrogatory responses in its 2009 cost of service application (EB-2008-0235) in which this matter was addressed:

- In its response to Board Staff Interrogatory No. 34 in its 2009 cost of service application, London Hydro provided an estimate of the CDM energy savings that occurred for programs undertaken in 2005, 2006 and 2007. The load forecast for 2009 incorporated the impacts of these CDM programs for 2005, 2006 and 2007. The 2009 Board approved load forecast did not include any adjustments or proxies for CDM programs initiated after 2007. [2]
- Also in the 2009 cost of service proceeding, London Property Management Association's ("LPMA's") Interrogatory No. 45, and London Hydro's response, were as follows:

> **"Ref: Exhibit 9, page 10**
>
> London Hydro states that it has elected not to file a claim for Lost Revenue Adjustment or Shared Savings Mechanism with this Application. Does this mean that London Hydro will file a claim for the Lost Revenue Adjustment and/or Shared Savings Mechanism at some future time or is London Hydro indicating that it will not file for recovery of these historical amounts that it could have included in this Application at any time?
>
> **RESPONSE:**
>
> London Hydro does not intend to file an LRAM or SSM claim for any lost revenues incurred during the period 2005 to 2008 with this Application or any other application in the future, since London Hydro believes that the revised load forecasts used to develop its 2009 revenue requirement will incorporate the impacts of CDM programs undertaken during the period 2005 to 2008.
>
> London Hydro cannot advise at this time that it will not file an LRAM or SSM at some time in the future for lost revenues that may occur for the period after 2008 for CDM programs implemented after 2008." [3]

6. London Hydro submits that it was clear in the 2009 cost of service proceeding that the 2009 test

---

[2] Pages 7 & 8 of London Hydro's Reply Submission
[3] Pages 81 of Responses to LPMA Interrogatories, filed March 20, 2009

year load forecast did not include forecasted 2009 program results, and that a future application may address programs implemented after 2009.

7. In its Decision issued April 4, 2012, at page 15, the Board approved London Hydro's recovery of 2010 lost revenue related to 2010 CDM programs "as London was under IRM in this year and London has not otherwise received LRAM compensation for this year". However, the Board denied recovery of lost revenue from CDM programs deployed in 2009 and persistence from 2009 programs in 2010, "as these amounts should have been reflected in the 2009 load forecast at the time of rebasing, consistent with the 2008 CDM Guidelines. Absent specific language otherwise in the Board's decision EB-2008-0235, there is no reasonable basis upon which to diverge from the 2008 CDM Guidelines. The Board approves a one year disposition period for the LRAM recovery of $152,652.49."

8. London Hydro respectfully submits that the Board erred in its Decision as it related to LRAM, as follows:

   a) First, the Board erred in determining that the lost revenue from CDM programs deployed in 2009 and persistence from 2009 programs in 2010, should have been reflected in the 2009 load forecast at the time of rebasing. The 2008 Guidelines did not require that. While the 2008 Guidelines did provide (at section 5.2) that "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", they go on to provide (in section 5.3 – Timing) that "When applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available." London Hydro respectfully submits that it was correct and in compliance with the 2008 Guidelines.

   b) London Hydro notes that it is only in the Draft January 5, 2012 Guidelines for Electricity Conservation and Demand Management (the "Draft Guidelines", issued in EB-2012-0003) that the Board would be establishing stricter requirements in this regard. Specifically, at page 10 of the Draft Guidelines, the Board writes:

   > "Distributors will generally be expected to include a CDM component in their load forecast in cost of service proceedings to ensure that its customers are realizing the true effects of conservation at the earliest date possible and to mitigate the variance between forecasted revenue losses and actual revenue losses. If the distributor has included a CDM load reduction forecast in its distribution rates, the amount of the forecast that was adjusted for CDM at the rate class level would be

compared to the actual CDM results verified by an independent third party for each year of the CDM program (i.e., 2011 to 2014) in accordance with the OPA's EM&V Protocols as set out in Section 6.1 of the CDM Code. The variance calculated from this comparison will result in a credit or a debit to the ratepayers at the customer rate class level in the LRAMVA.

…

In the situation where the distributor has not included CDM impacts in its load forecast, the distributor is expected to make it clear in their rate application that CDM impacts have not been included, why they have not been included and whether the distributor intends to address CDM impacts through an LRAM.

c) The Draft Guidelines would not apply to the current Application, but London Hydro notes in any event that it would be inappropriate to retroactively apply a stricter requirement to the London Hydro 2009 cost of service application than the requirement that existed at the time that cost of service application was filed and disposed of by the Board. The 2008 Guidelines did not require the statements and explanations of the kind contained in the Draft Guidelines where a distributor did not plan to include CDM impacts in its load forecast. London Hydro submits that its responses to interrogatories made it clear on the record of that proceeding that lost revenue from CDM programs deployed in 2009 and persistence from 2009 programs in 2010 were not included in the 2009 Test Year load forecast and that they may be the subject of a future LRAM application.

d) Finally, the Board erred in rejecting the interrogatory responses referred to above as a sufficient indication that London Hydro's cost of service application did not include lost revenue from CDM programs deployed in 2009 and persistence from 2009 programs in 2010 and that those matters may be addressed at a later date. As noted in its response to LPMA Interrogatory No. 45 in that application, the revised load forecasts used to develop its 2009 revenue requirement would incorporate the impacts of CDM programs undertaken during the period 2005 to 2008, and programs implemented after 2008 may be the subject of future LRAM or SSM applications. If such an indication was required in the context of the 2009 cost of service application – and London Hydro submits that it is not clear from the 2008 Guidelines that it is required – then London Hydro submits that the interrogatory responses discussed above should be adequate for this purpose.

9. London Hydro also submits that the Board's Decision raises a concern about regulatory consistency. On March 22, 2012, the Board issued a Decision and Order in the Bluewater Power 2012 IRM application (the "Bluewater Decision", Board File No. EB-2011-0153). In the Bluewater Decision, the Board panel approved Bluewater's LRAM recovery of the effect in

2010 of its CDM programs implemented in 2006-2010. Board Staff had taken a similar position to that taken London Hydro's Application. At pages 12-13 of the Bluewater Decision, the Board wrote:

> "Board staff noted that 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 in this proceeding is appropriate. Board staff requested that Bluewater highlight in its reply whether the issue of an LRAM application was addressed in its most recent cost of service application.
>
> …
>
> In its reply submission, Bluewater noted that it did not include any CDM impacts in its load forecast and expected that it would be able to recover amounts through an LRAM application. Bluewater referred to the 2009 Settlement Agreement which states, "[f]or the sake of clarity, the revised forecast does not reflect in any way specific electricity conservation programs". Bluewater submitted that this last sentence in the Settlement Agreement served the sole purpose of highlighting its expectation that it would seek to recover lost revenues through a future LRAM claim."

10. In the Bluewater Decision, the Board made the following determination:

> "The Board acknowledges and accepts the provision in the Settlement Agreement relating to EB-2008-0221, which states: "For the sake of clarity, the revised forecast does not reflect in any way specific electricity conservation programs". Accordingly, the Board will approve LRAM recovery for the persistence of 2006 – 2009 programs in 2010 and the effect in 2010 of the programs implemented in 2010, totalling $168,049.85 to December 31, 2010, plus interest to April 30, 2012."

11. In both cases, certain CDM-related impacts were not included in the previous cost of service application. In London Hydro's case, that was confirmed in the discovery process but the subsequent LRAM claim was rejected; in Bluewater's, that was confirmed in the settlement agreement and the subsequent LRAM claim, very similar to that of London Hydro's, was allowed. London Hydro respectfully submits that there no basis for inconsistent treatment between these two applications, and that the London claim should be allowed.

12. The Board has recognized the value of consistency in decision making. As it wrote in a Decision in EB-2011-0256, another proceeding involving Bluewater:

> "...the Board recognizes the value of consistency in decision-making. Departures from established decisions should only be made on the basis of reasoned principle. However, panels of the Board are not and cannot be thought to be bound to the decisions of proceeding panels. Each panel must

make its decision on the basis of the facts before it and the relevant policies and principles affecting the decision."[4]

13. London Hydro submits that consistency in decision-making is important to the integrity of the regulatory process and it should be abandoned only in the clearest of circumstances, that is, when circumstances of one case are clearly distinguishable from the other. The principles applied by the Board in the London Hydro Decision of April 4, 2012 appear to have departed from those applied in the Bluewater Decision of March 22, 2012. London Hydro recognizes that one panel of the Board cannot bind another. However , in these circumstances, where contradictory decisions were issued on almost identical facts, London Hydro submits that this regulatory inconsistency is a reasonable ground for review.

14. London Hydro also relies upon:

(a) Rules 42-44 of the Board's *Rules of Practice and Procedure*; and

(b) such further grounds and material as counsel may advise and this honourable tribunal may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion**:**

(a) The Board's Decision with Reasons dated April 4, 2012;

(b) Extracts from London Hydro's Interrogatory Responses in its 2009 Cost of Service Application (EB-2008-0235);

(c) EB-2011-0181 – Board Staff Submission;

(d) EB-2011-0181 – London Hydro Reply Submission;

(e) EB-2011-0153 – The Board's Bluewater Decision with Reasons dated March 22, 2012; and

(f) Such further and other documentary evidence as counsel to London Hydro may advise and this honourable tribunal may permit.

[4] Page 5

Date: April 24, 2012

London Hydro Inc.
By its Counsel

Borden Ladner Gervais LLP
40 King Street West
Suite 4100
Toronto, ON M5H 3Y5

James C. Sidlofsky
(T) (416) 367-6277
(F) (416) 361-2751
(E) jsidlofsky@blg.com

TO: Ontario Energy Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4

Tel: (416) 481-1967
Fax: (416) 440-7656

AND TO: Intervenor of Record

Ontario Energy Board | **Commission de l'énergie de l'Ontario**

Ontario

EB-2011-0181

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by London Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER

Introduction

London Hydro Inc. ("London"), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on November 24, 2011 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that London charges for electricity distribution, to be effective May 1, 2012.

London is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism ("IRM") (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity ("RRFE"), the Board announced that it was extending the 3rd generation IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, London is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "*Supplemental Report*"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011 the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the Filing Requirements for IRM applications based on the policies in the Reports.

Notice of London's rate application was given through newspaper publication in London's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to London's request for lost revenue adjustment mechanism ("LRAM") recoveries. The Vulnerable Energy Consumers Coalition ("VECC") applied for and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to London's request for LRAM recoveries. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;

- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes;
- Review and Disposition of Lost Revenue Adjustment Mechanism; and
- Smart Meter Funding Adder.

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to London efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection. The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;

- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current $0.0013 per kWh to $0.0011 per kWh effective May 1, 2012. The draft Tariff of Rates and Charges flowing from this Decision and Order should reflect the new RRRP charge.

Shared Tax Savings Adjustments

In its Supplemental Report*,* the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

London’s application identified a total tax savings of $1,353,320 that results in a shared amount of $676,660.

In interrogatories, Board staff noted that it was unable to verify the Tax-Savings Workform, specifically data entered for the line items “Tax Credits” and “Regulatory Taxable Income”, with London’s 2009 Revenue Requirement Workform (“RRWF”). In its interrogatory responses London agreed and requested Board staff to make the necessary corrections to the workform. Board staff submitted that in all other respects, London completed the Tax-Savings Workform with the correct rates and that it reflects the RRWF from the Board’s decision in London’s 2009 cost of service application (EB-2008-0235).

The Board notes that these changes revised the incremental tax savings to $1,447,440, resulting in a shared amount of $723,720. The Board approves shared tax savings of $723,720 to be disposed over a one year period, May 1, 2012 to April 30, 2013.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates ("RTSRs"). Variance accounts are used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the "RTSR Guideline"). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors' specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	$3.57 per kW
<u>Connection Service Rates</u> Line Connection Service Rate Transformation Connection Service Rate	 $0.80 per kW $1.86 per kW

In its submission, Board staff noted that it had no concerns with the RTSR Workform as filed.

The Board finds that the 2012 UTRs are to be incorporated into the filing module.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 Account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

London's 2010 actual year-end balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of $7,184,125. This amount results in a total claim of $0.00209 per kWh, which exceeds the preset disposition threshold, and as such, London requested disposition of these accounts over a three year period. London requested a three year disposition period to help avoid erratic rate adjustments. London noted that it is scheduled to file a cost of service rate application in 2012 for 2013 rates. The disposition of a credit in this application over three years will avoid having that credit removed in the same time frame as the introduction of a cost of service rate increase.

In its submission, Board staff noted that it had reviewed London's Group 1 Deferral and Variance Account balances and submitted that the principal balances as of December 31, 2010 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff took no issue with London's request to dispose of its 2010 Deferral and Variance Account balances at this time.

Board staff did however take issue with the disposition period requested by London. Board staff noted that London's application is not consistent with the guidelines outlined in the EDDVAR Report with respect to the standard disposition period for Group 1 Accounts (i.e. one year). In its interrogatory responses, London provided bill impacts for one, two and three year disposition periods in the repayment of all Group 1 Accounts as requested by Board staff.

In its submission, Board staff noted that the balances in the subject accounts represent over recoveries on the part of the distributor and in the normal course should be available to be refunded over a fairly short time frame.

While recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, Board staff noted that in the past, the Board has made decisions which deviate from the EDDVAR Report if it deems it in the public interest to do so.

With respect to the Group 1 account balances in the current application, Board staff noted that using a disposition period of three years may exacerbate intergenerational inequities. Board staff however recognized that some volatility in electricity bills may result from adopting a shorter disposition period. Board staff noted that the Board should strike a balance between reducing intergenerational inequities and mitigating rate volatility.

Based on the approximate bill impacts as provided by London, Board staff recommended that a two-year disposition period should be adopted for all Group 1 Accounts. Board staff also noted that the impacts for the Residential class do not vary significantly between the two and three year scenarios (i.e. -1.9% and -1.7% respectively).

In its reply submission, London noted that it had requested a disposition period of three years based on concerns about bill impacts on its other customer classes especially its Large User, General Service > 50 kW to 4,999 kW, and General Service > 50 kW to 4,999 kW (CoGeneration) class customers. London noted that constant bill increases and decreases cause uneasiness for customers towards London's industry, and in particular with its industrial class customers who are in the manufacturing business[1].

The Board notes that the EDDVAR threshold of $0.001/kWh has been exceeded. The Board approves the disposition, on a final basis, of the Group 1 Deferral and Variance Accounts of a credit balance of $7,184,125, representing principal as at December 31, 2010 and interest to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014. The Board is of the view that a two year disposition period more appropriately aligns the issues of intergenerational equity and mitigation of rate volatility, than the three year disposition period requested by London.

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts.

[1] EB-2011-0181, Reply Submission, Page 3

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
LV Variance Account	1550	-	-	-
RSVA - Wholesale Market Service Charge	1580	-$3,937,692	-$531,390	-$4,469,082
RSVA - Retail Transmission Network Charge	1584	$ 329,189	$215,308	$ 544,497
RSVA - Retail Transmission Connection Charge	1586	-$ 530,629	-$ 87,076	-$ 617,705
RSVA - Power (excluding Global Adjustment)	1588	-$ 947,934	-$836,349	-$1,784,283
RSVA - Power - Sub-Account - Global Adjustment	1588	$1,275,974	-$ 40,192	-$1,316,166
Disposition and Recovery of Regulatory Balances (2008)	1595	-	$458,614	$ 458,614
Disposition and Recovery of Regulatory Balances (2009)	1595			-
Group 1 Total				**-$7,184,125**

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment (“SPC”) Variance Account in accordance with Section 8 of Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the “SPC Regulation”). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor’s SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in “Sub-account 2010 SPC Assessment Variance” of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

London provided a reconciliation of Account 1521 as requested by Board staff during the interrogatory phase. Based on London's reconciliation, Board staff supported London's request to dispose of the updated balance in this account of a credit of $98,993.49.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review and electricity distributors are required by regulation to apply for disposition of this account. Board staff submitted that the $98,993.49 credit balance in Account 1521 should be approved for disposition over a two year period, in line with Board staff's submission on London's Group 1 Accounts.

The Board approves the disposition, on a final basis, of a credit balance in Account 1521 of $98,993.49, representing principal and interest to April 30, 2012, over a two year period, May 1, 2012 to April 30, 2014. The Board directs London to close Account 1521 effective May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes ("Deferred PILs") (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board's expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that: "Each remaining distributor will be expected to apply for final disposition of account 1562 with its next general rates application (either IRM or cost of service)."[2]

London revised its evidence through interrogatories to propose a credit principal refund of $506,611 and debit interest of $479,987, for a net total refund to customers of $26,624.

<u>PILs Recoveries from Customers</u>

In its submission, Board staff noted that the trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. After a review prompted by Board staff interrogatories, London filed evidence that disclosed that the PILs proxies in rates are greater than recoveries by $163,753 for the 2004 rate year. Board staff requested that London provide an explanation for this unusual trend in 2004, or provide a revised calculation of recoveries.

Board staff was of the view that there may be a problem with London's analysis because of the logic in the 2004 RAM application model. Consequently, Board staff submitted that London should review its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants

[2] EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004[3].

In its reply submission, London noted that a review of the data utilized in the 2004 RAM model to calculate the variable PILs rate sliver that became effective on April 1, 2004 indicated that the quantities used were the uplifted values that are utilized for energy commodity billing rather than the values used for billing variable distribution revenue, which are the values before uplift for systems losses and which should have been used[4].

The impact of this error in the 2004 RAM model is that the energy quantities used to recover the rate would be approximately 4% lower than the quantities used to calculate the rate. Under-recoveries resulting from this difference in quantities are offset by quantity growth related to customer growth, but initially in 2004, this error combined with a change in the recovery mechanism that removed the fixed recovery component and placed all recoveries on the variable component resulted in an under recovery for London in 2004.

London provided a table which confirmed the explanations for the shortfall in recoveries in 2004. London noted that it had reviewed its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004. Consequently, London submitted that PILs recovery amounts, including the previously noted revisions for 2004 have been accurately accounted for.

The Board notes that it still appears that London has understated recoveries. The Board estimates an amount of about $400,000 for 2004 based on 2003 and 2005 data. London noted that it used uplifted 2002 volumes in its 2004 rate application rather than metered quantities and that it under-recovered PILs in 2004 as a result. Its 2005 rates were based on uplifted 2003 volumes but London recovered more than the proxy in 2005 which included 2004 rates for January through March 2005.

The Board agrees with the submission of Board staff. Based on the evidence submitted by London in Appendix A to its reply submission, that 2004 PILs recoveries have been understated by approximately $400,000, the Board will therefore deem that 2004 PILs

[3] EB-2011-0181, Board staff Submission, Page 13
[4] EB-2011-0181, Reply Submission, Page 13

recoveries be increased by $400,000. London is directed to re-file, in conjunction with its rate order, revised continuity schedules for the disposition of Account 1562. Subject to the receipt of the re-filed schedules reflecting this change, the Board approves the disposition of Account 1562 over a two year period, May 1, 2012 to April 30, 2014.

For accounting and reporting purposes, the approved balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Lost Revenue Adjustment Mechanism

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.

In response to Board staff interrogatories, and using the final 2010 OPA program results, London updated its LRAM claim to $355,473.45 including carrying charges, to be recovered over a one year period. The lost revenues include the effect of CDM programs implemented from 2009-2010 only.

Persisting Impacts of 2009 Programs and 2009 Lost Revenues

In its submission, Board staff noted that London's rates were last rebased in 2009.

Board staff noted 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[5].

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. Board staff submitted that London may want to highlight in its reply whether the issue of an LRAM application was addressed in their cost of service application.

In the absence of the above information, Board staff did not support London's request to recover lost revenues in 2009 for 2009 CDM programs, or the persisting lost revenues from 2009 CDM programs in 2010 as these amounts should have been built into London's last approved load forecast.

VECC submitted that energy savings from London's CDM programs deployed in 2009 are not accruable in the years 2009 and 2010 as these savings should have been incorporated in the 2009 load forecast at the time of rebasing.

2010 Programs

Board staff supported the approval of the 2010 lost revenues, as these lost revenues took place during an IRM year and London did not have an opportunity to recover these amounts. Board staff requested that London provide an updated LRAM amount that only includes lost revenues from 2010 CDM programs in the year 2010, and the subsequent rate riders.

In its submission, VECC supported the approval of lost revenues in 2010 from 2010 CDM program results in 2010, as these savings occurred post rebasing (during an IRM year) and have not been claimed.

In its reply submission, London agreed with Board staff's and VECC's submission with respect to lost revenues related to 2010 amounts and as per Board staff's request,

---

[5] Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

provided an updated LRAM amount of $152,652.49 and the associated rate riders for lost revenues from 2010 CDM programs in 2010. However, London also addressed the issue with respect to its application for recovery of its 2009 lost revenues as well.

London noted in its reply submission that through interrogatories, Board staff requested that London identify the CDM savings that were proposed to be included in London's last Board approved load forecast for CDM programs deployed from 2006-2009 inclusive. London referred to Board Staff interrogatories in the 2009 cost of service (EB-2008-0235), specifically, interrogatory #34: "London provided an estimate of the CDM energy savings that occurred for programs undertaken in 2005, 2006 and 2007. The load forecast for 2009 incorporated the impacts of these CDM programs for 2005, 2006 and 2007. The 2009 Board approved load forecast did not include any adjustments or proxies for CDM programs initiated after 2007."

London referenced section 5.3 of the 2008 CDM Guidelines which states that, "when applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available". London stated that adjusting for planned and not realized 2009 CDM programs was thought to be inappropriate based on 2008 CDM Guidelines[6].

London also noted that its 2009 load forecast was strongly supported in its 2009 application and was tested thoroughly by a considerable amount of interrogatories from both Board staff and intervenors throughout the 2009 rate application proceedings. London stated that it is not aware of any interrogatories from the Board or intervenors asking London to either include or quantify the load forecast adjustments pertaining to 2009 CDM programs yet to be undertaken[7].

London referred to the Guidelines for Electricity Distributors Conservation and Demand Management (the "2012 CDM Guidelines"), issued January 5, 2012, which state: "In the situation where the distributor has not included CDM impacts in its load forecast, the distributor is expected to make it clear in their rate application that CDM impacts have not been included, why they have not been included, and whether the distributor intends to address CDM impacts through an LRAM".

However, London stated that it relied on the 2008 CDM Guidelines when filing its 2009 rate application. The above-noted reference from the 2012 CDM Guidelines was simply

[6] EB-2011-0181, Reply Submission, Page 8
[7] *Ibid*, Page 9

not found in the 2008 CDM Guidelines. Therefore, London submitted that its LRAM application is appropriate and that London did not include in the approved load forecast for its 2009 cost of service application any reductions for losses attributable to 2009 CDM programs.

The Board approves an LRAM recovery of $152,652.49 representing lost revenues from 2010 CDM programs in the year 2010, as London was under IRM in this year and London has not otherwise received LRAM compensation for this year. Furthermore, the 2010 CDM programs were not reflected in the last, Board-approved load forecast. The Board will not approve LRAM arising from CDM programs deployed in 2009 and persistence from 2009 programs in 2010, as these amounts should have been reflected in the 2009 load forecast at the time of rebasing, consistent with the 2008 CDM Guidelines. Absent specific language otherwise in the Board's decision EB-2008-0235, there is no reasonable basis upon which to diverge from the 2008 CDM Guidelines. The Board approves a one year disposition period for the LRAM recovery of $152,652.49.

Smart Meter Funding Adder

London requested approval of the continuation of the existing approved SMFA of $1.46 per metered customer per month until April 30, 2012 or until such time as a Smart Meter Cost Recovery Application is filed by London and approved by the Board. London noted that it will be seeking a May 1, 2012 implementation for its smart meter cost recoveries. In the event that a Board decision cannot be rendered for a May 1, 2012 implementation of a SMIRR and SMDR, London's request for the continuation of the existing SMFA in the amount of $1.46 per metered customer per month is to avoid customer confusion and erratic rate adjustments from the removal of the $1.46 adder on May 1, 2012 followed by the implementation of a revised adder shortly after.

In its interrogatory responses, London indicated that as at December 31, 2011, it had completed the installation of 99.96% of its Residential class customers and 98.47% of its General Service < 50kW customers. The remaining Residential smart meter installations are expected to be completed during early 2012. The General Service < 50kW smart meter installations are expected to be 99.3% complete by the end of 2012.

Board staff submitted that the Board may wish to consider continuing the SMFA with a specific termination date. Board staff noted that London is expected to rebase its rates through a cost of service application for the 2013 rate year and given that London has not yet completed the deployment of all its smart meters and consequently still has some remaining deployment costs to incur, Board staff submitted that London's request is reasonable.

Board staff noted that establishing a termination date of April 30, 2013 for the SMFA, or until such time as a final smart meter recovery is approved, should give London enough time to complete its smart meter program.

In its reply submission, London agreed with Board staff's submission.

The Board will not approve the continuation of London Hydro's current SMFA beyond the current expiry of April 30, 2012. The Board is of the view the relevant metric to consider with respect to whether it is appropriate to extend a SMFA is the date at which smart meter deployment was or will be substantially complete. In this case, smart meter deployment was 99.84% complete by the end of 2011. The SMFA was designed to fund the prospective deployment of smart meters with minimum functionality. The Board believes that the current expiry date (April 30, 2012) of the current SMFA best aligns the interests of ratepayers and the utility, by balancing potential rate volatility with the need to ensure that monies collected from ratepayers serve the intended purpose.

IMPLEMENTATION

The Board has made findings in this Decision which change the 2012 distribution rates from those proposed by London.

The Board expects London to file a draft Rate Order, including all relevant calculations showing the impact of this Decision on London's determination of the final rates. Supporting documentation shall include, but not be limited to, filing completed versions of the 2012 IRM Rate Generator model, updated SIMPIL models and continuity tables to support the claim for disposition of Account 1562 and LRAM calculations showing the derivation of the final rate riders to recover the approved LRAM amount.

A Rate Order will be issued after the steps set out below are completed.

THE BOARD ORDERS THAT:

1. London shall file with the Board, and shall also forward to intervenors, a draft Rate Order that includes revised models in Microsoft Excel format and a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision and Order within 7 days of the issuance of this Decision and Order.

2. Board staff and intervenors shall file any comments on the draft Rate Order including the revised models and proposed rates with the Board and forward to London within 7 days of the date of filing of the draft Rate Order.

3. London shall file with the Board and forward to intervenors responses to any comments on its draft Rate Order including the revised models and proposed rates within 4 days of the date of receipt of intervenor comments

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.

2. London shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.

3. VECC shall file with the Board and forward to London any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.

4. London shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0181,** be made through the Board's web portal at, www.errr.ontarioenergyboard.ca and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

DATED at Toronto, April 4, 2012
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

CDM

34. Ref: Exhibit 1 / p. 44 – LRAM / SSM

London Hydro states that it “has elected not to file an application for a CDM-related lost revenue adjustment (“LRAM”) or shared savings mechanism (“SSM”) with this Application.” Board staff recognizes that application for LRAM or SSM disposition is at the discretion of the distributor. However, significant build-up of a surplus or deficiency could be of concern if unaddressed.

Please indicate London Hydro’s balances for LRAM and/or SSM as of December 31, 2008. Please separately identify principal and carrying charges.

***RESPONSE*:**

As Board Staff have acknowledged, the decision to file an application for LRAM or SSM disposition is at the discretion of the distributor. Similarly, London Hydro is not aware of any Board Directive or accounting policy that requires a distributor to track and maintain accounting records for an LRAM or SSM that they have elected not to file for disposition.

Based upon the information London Hydro has filed under the Board’s Requirements for Annual Reporting of CDM Initiatives, London Hydro has estimated that the value of an LRAM claim, if London Hydro were to file one, would be approximately $617,000 for the period 2005 to 2007.

Our estimate of a potential LRAM claim if we were to submit one, is as illustrated in the following table. We have not prepared any estimated calculations with respect to an SSM claim.

Estimate Lost Revenue Calculations

	2005	2006	2007	Cummulative
Energy Saved				
Residential Kwhs	1,489,352	19,170,528	18,019,872	38,679,752
Commercial Kwh's	305,292	475,406	10,014,887	10,795,585
Traffic signals Kwh's	289,504	134,009	136,129	559,641
Streetlight Kwh's	3,735,900	3,891,395	3,889,275	11,516,571
Demand Saved				
Residential Kw's	170	836	2,817	3,823
Commercial Kw's	58	90	2,782	2,930
Traffic signals Kw's	33	15	31	80
Streetlight Kw's	427	445	889	1,760
Distribution Rates - Energy				
Residential	$ 0.0110	$ 0.0130	$ 0.0131	
Commercial	$ 0.0083	$ 0.0097	$ 0.0098	
Traffic signals	$ 0.0083	$ 0.0085	$ 0.0086	
Streetlight	n/a	n/a	n/a	
Distribution Rates - Demand				
Residential	n/a	n/a	n/a	
Commercial	$ 1.0952	$ 1.2894	$ 1.2977	
Traffic signals Kw's	n/a	n/a	n/a	
Streetlight Kw's	$ 1.1951	$ 1.4144	$ 1.4235	
Lost Revenue - Energy				
Residential	$ 16,383	$ 249,217	$ 236,060	$ 501,660
Commercial	$ 2,534	$ 4,611	$ 98,146	$ 105,291
Traffic signals	$ 2,403	$ 1,139	$ 1,171	$ 4,713
Streetlight	$ -	$ -	$ -	$ -
	$ 21,320	$ 254,967	$ 335,377	$ 611,664
Lost Revenue - Demand				
Residential	$ -	$ -	$ -	$ -
Commercial	$ 64	$ 116	$ 3,610	$ 3,790
Traffic signals	$ -	$ -	$ -	$ -
Streetlight	$ 510	$ 629	$ 1,265	$ 2,405
				$ -
	$ 574	$ 745	$ 4,876	$ 6,194
Total Lost Revenue	$ 21,893	$ 255,712	$ 340,252	
Cumulative Lost Revenue		$ 277,606	$ 617,858	$ 617,858

Lost Revenue - By Customer Class	2005	2006	2007	Cummulative
Residential	$ 16,383	$ 249,217	$ 236,060	$ 501,660
Commercial	$ 2,597	$ 4,727	$ 101,756	$ 109,081
Traffic signals	$ 2,403	$ 1,139	$ 1,171	$ 4,713
Streetlight	$ 510	$ 629	$ 1,265	$ 2,405
	$ 21,893	$ 255,712	$ 340,252	$ 617,858

Interrogatory # 45

Ref: Exhibit 9, page 10

London Hydro states that it has elected not to file a claim for Lost Revenue Adjustment or Shared Savings Mechanism with this Application. Does this mean that London Hydro will file a claim for the Lost Revenue Adjustment and/or Shared Savings Mechanism at some future time or is London Hydro indicating that it will not file for recovery of these historical amounts that it could have included in this Application at any time?

***RESPONSE*:**

London Hydro does not intend to file an LRAM or SSM claim for any lost revenues incurred during the period 2005 to 2008 with this Application or any other application in the future, since London Hydro believes that the revised load forecasts used to develop its 2009 revenue requirement will incorporate the impacts of CDM programs undertaken during the period 2005 to 2008.

London Hydro cannot advise at this time that it will not file an LRAM or SSM at some time in the future for lost revenues that may occur for the period after 2008 for CDM programs implemented after 2008.

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY EMAIL

February 16, 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: London Hydro Inc.
2012 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2011-0181

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

In addition please remind London Hydro Inc. that its Reply Submission is due by February 27, 2012.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2012 ELECTRICITY DISTRIBUTION RATES

London Hydro Inc.

EB-2011-0181

February 16, 2012

Board Staff Submission
London Hydro Inc.
2012 IRM3 Rate Application
EB-2011-0181

Introduction

London Hydro Inc. ("London") filed an application (the "Application") with the Ontario Energy Board (the "Board") on November 24, 2011, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that London charges for electricity distribution, to be effective May 1, 2012. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism.

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 London.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by London. 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, London confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to London's model at the time of the Board's Decision on the Application.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by London. Pursuant to Guideline G-2008-0001, revised on June 22, 2011, Board staff notes that the Board will update the applicable data at the time of this Decision based on the updated Uniform Transmission Rates.

During the interrogatory phase of this proceeding, Board staff noted that it was unable to verify the Tax-Savings Workform, specifically data entered for the line items "Tax Credits" and "Regulatory Taxable Income", with London's 2009 Revenue Requirement Workform ("RRWF"). London agreed with Board staff and requested Board staff to make the necessary corrections to the workform. In all other respects, London completed the Tax-Savings Workform with the correct rates and it reflects the RRWF from the Board's decision in London's 2009 cost of service application (EB-2008-0235). London provided a reconciliation of Account 1521 – Special Purpose Charge as requested by Board staff during the interrogatory phase. Board staff notes that the usual practice of the Board is to dispose of audited deferral and variance account balances. 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.

Based on London's reconciliation, Board staff supports London's request to dispose of the balance in this account of a credit of $98,993.49. Board staff submits that the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amount recovered from customers in 2011, including the appropriate carrying charges to April 30, 2012. Board staff submits that if the Board decides to dispose of Account 1521, the disposition should be on a final basis and account 1521 should be closed.

Board staff submits that Account 1521 should be disposed over a period of two years, consistent with London's total Group 1 accounts, for the reasons set out below.

Board staff makes detailed submissions on the following matters:

- Review and Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report");
- Smart Meter Funding Adder ("SMFA");
- Lost Revenue Adjustment Mechanism Claim; and
- Payments in Lieu of Taxes – PILS 1562.

REVIEW AND DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

Background

For the purpose of 2012 IRM applications, the EDDVAR Report requires a distributor to determine the value of its December 31, 2010 Group 1 Deferral and Variance account balances and determine whether the total balance exceeds the preset disposition threshold of $0.001 per kWh using the 2010 annual kWh consumption reported to the Board. When the preset disposition threshold is exceeded, a distributor is required to file a proposal for the disposition of Group 1 account balances (including carrying charges) and include the associated rate riders in its 2012 IRM Rate Generator for the disposition of the balances in these accounts. The onus is on the distributor to justify why any account balance should not be cleared if the threshold is exceeded.

Submission

London completed the Deferral and Variance Account continuity schedule included in the 2012 IRM Rate Generator Model at Tab 9 for its Group 1 Deferral and Variance Accounts. London's total Group 1 Deferral and Variance Account balances amount to a credit of $7,184,125 which includes interest calculated to April 30, 2012. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to $0.00209 per kWh which exceeds the threshold, and as such, London requested disposition of these accounts over a three year period. London notes that the requested three year period is to help avoid erratic rate adjustments.

Board staff has reviewed London'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*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with London's request to dispose of its 2010 Deferral and Variance Account balances at this time.

Board staff does however take issue with the disposition period requested by London. Board staff notes that London's Application is not consistent with the guidelines outlined in the EDDVAR Report with respect to the standard disposition period for Group 1 Accounts (i.e. one year). In its interrogatory responses, London provided bill impacts for one, two and three year disposition periods in the repayment of all Group 1 Accounts as requested by Board staff.

The tables below provided by London summarize the dollar and percentage impacts of each of the disposition periods. All the requests proposed by London in its Application are included in the calculations below, namely the Group 1 accounts, PILs 1562, SPC and LRAM.

1 Year

Rate Class	Consumption kWh	Demand kW	Current $	Proposed $	Difference $	Total Bill Impact
RESIDENTIAL	800	-	$ 106.93	$ 104.30	$ (2.64)	-2.5%
GENERAL SERVICE LESS THAN 50 KW	2,000	-	$ 260.32	$ 255.93	$ (4.39)	-1.7%
GENERAL SERVICE > 50 KW to 4,999 KW	995,000	2,480	$ 34,750.76	$ 33,191.22	$ (1,559.54)	-4.5%
GENERAL SERVICE > 50 KW to 4,999 KW (CoGeneration)	995,000	2,480	$ 41,513.77	$ 37,921.65	$ (3,592.12)	-8.7%
LARGE USER	5,600,000	10,700	$ 175,892.26	$ 161,786.22	$ (14,106.04)	-8.0%
UNMETERED LOADS (SCATTERED)	2,000		$ 235.45	$ 232.11	$ (3.35)	-1.4%
SENTINEL LIGHTS	180	0.50	$ 12.60	$ 12.27	$ (0.34)	-2.7%
STREET LIGHTING	37	0.10	$ 3.22	$ 3.15	$ (0.07)	-2.2%

2 Year

Rate Class	Consumption kWh	Demand kW	Current $	Proposed $	Difference $	Total Bill Impact
RESIDENTIAL	800	-	$ 106.93	$ 104.93	$ (2.00)	-1.9%
GENERAL SERVICE LESS THAN 50 KW	2,000	-	$ 260.32	$ 257.58	$ (2.74)	-1.1%
GENERAL SERVICE > 50 KW to 4,999 KW	995,000	2,480	$ 34,750.76	$ 34,061.20	$ (689.56)	-2.0%
GENERAL SERVICE > 50 KW to 4,999 KW (CoGeneration)	995,000	2,480	$ 41,513.77	$ 39,711.28	$ (1,802.50)	-4.3%
LARGE USER	5,600,000	10,700	$ 175,892.26	$ 168,875.12	$ (7,017.14)	-4.0%
UNMETERED LOADS (SCATTERED)	2,000		$ 235.45	$ 233.80	$ (1.66)	-0.7%
SENTINEL LIGHTS	180	0.50	$ 12.60	$ 12.41	$ (0.19)	-1.5%
STREET LIGHTING	37	0.10	$ 3.22	$ 3.18	$ (0.04)	-1.3%

3 Year

Rate Class	Consumption kWh	Demand kW	Current $	Proposed $	Difference $	Total Bill Impact
RESIDENTIAL	800	-	$ 106.93	$ 105.14	$ (1.79)	-1.7%
GENERAL SERVICE LESS THAN 50 KW	2,000	-	$ 260.32	$ 258.13	$ (2.19)	-0.8%
GENERAL SERVICE > 50 KW to 4,999 KW	995,000	2,480	$ 34,750.76	$ 34,351.19	$ (399.57)	-1.1%
GENERAL SERVICE > 50 KW to 4,999 KW (CoGeneration)	995,000	2,480	$ 41,513.77	$ 40,307.82	$ (1,205.95)	-2.9%
LARGE USER	5,600,000	10,700	$ 175,892.26	$ 171,238.09	$ (4,654.17)	-2.6%
UNMETERED LOADS (SCATTERED)	2,000		$ 235.45	$ 234.36	$ (1.10)	-0.5%
SENTINEL LIGHTS	180	0.50	$ 12.60	$ 12.46	$ (0.15)	-1.2%
STREET LIGHTING	37	0.10	$ 3.22	$ 3.19	$ (0.03)	-1.0%

London is requesting a three-year disposition period citing that this will help avoid erratic rate adjustments to customers that will occur by virtue of introducing a significant bill credit in year one and removing that bill credit in year two. London is scheduled to file a cost of service rate application in 2012 for 2013 rates. The disposition of a credit in this Application over three years will avoid having that credit removed in the same time frame as the introduction of a cost of service rate increase[1]. In addition, London is extremely concerned with the cash flow impacts that would result with a shorter disposition period.

Board staff notes that the balances in the subject accounts represent over recoveries on the part of the distributor and in the normal course should be available to be refunded over a fairly short time frame.

[1] EB-2011-0181, Application, Page 22

While recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, Board staff notes that in the past, the Board has made decisions which deviate from the EDDVAR Report if it deems it in the public interest to do so.

With respect to the Group 1 account balances in the current Application, Board staff notes that using a disposition period of three years may exacerbate intergenerational inequities. Board staff however recognizes that some volatility in electricity bills may result from adopting a shorter disposition period. Board staff is of the view that the Board should strike a balance between reducing intergenerational inequities and mitigating rate volatility.

Based on the approximate bill impacts as provided by London, Board staff recommends that a two-year disposition period should be adopted for all Group 1 Accounts. Board staff also notes that the impacts for the Residential class do not vary significantly between the two and three year scenarios (i.e. -1.9% and -1.7% respectively).

SMART METER FUNDING ADDER ("SMFA")

Background

London is requesting that the Board approve the continuation of the existing approved SMFA of $1.46 per metered customer per month until April 20, 2012 or until such time as a Smart Meter Cost Recovery Application is filed by London and approved by the Board. London notes that it will be seeking a May 1, 2012 implementation for its smart meter cost recoveries.

In the event that a Board decision cannot be rendered for a May 1, 2012 implementation of a SMIRR and SMDR, London's request for the continuation of the existing SMFA in the amount of $1.46 per metered customer per month is supposed to avoid customer confusion and erratic rate adjustments from the removal of the $1.46 adder on May 1, 2012 followed by the implementation of a revised adder shortly after[2].

The table below provided by London depicts its circumstances with respect to smart meter installations. London notes that the remaining GS<50 kW smart meter

[2] EB-2011-0181, Application, Page 26

installations are expected to be 99.3% complete by the end of 2012. London is experiencing delays in the installation of the small number of smart meters that remain to be deployed, mainly due to customer locations in which the meters are difficult to access[3].

Smart Meter Implementation

Customer Class	2009 Audited	2010 Audited	2011 Actual	Total to December 31, 2011	2012 Forecast	Total	Total Customer Count December 31, 2011	% of Total Customer Count
Residential	7,462	125,078	2,118	134,658	62	134,720	134,714	100.0%
General Service Less Than 50 kW	5	4,892	6,882	11,779	100	11,879	11,962	99.3%
Total	7,467	129,970	9,000	146,437	162	146,599		

* Differences in Smart Meter Installs and Customer Counts associated with inactive accounts, new service changes, and customer locations in which most part meter is inaccessable (at this point in time).

Submission

Board staff submits that the Board may wish to consider continuing the SMFA with a specific termination date. London is expected to rebase its rates through a cost of service application for the 2013 rate year. This has been confirmed in the Board's letter issued on January 26, 2012 identifying the electricity distributors expected to file for cost of service applications for the 2013 rate year. Given that London has not yet completed the deployment of all its smart meters and consequently still has some remaining deployment costs to incur, Board staff submits that London's request is reasonable.

Board staff is of the view that establishing a termination date of April 30, 2013 for the SMFA, or until such time as a final smart meter recovery is approved, should give London enough time to complete its smart meter program. The 2011 costs would also be audited, so that total smart meter costs should satisfy the threshold that at least 90% of such costs are audited actuals as documented in *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*, issued December 15, 2011. Further, this will allow sufficient time for the utility to prepare and file for disposition of its smart meter costs in accordance with the guideline and model, and as part of London's expected 2013 cost of service application to rebase its rates.

[3] EB-2011-0181, Interrogatory Responses, #11(A)

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.

In its decision on Horizon's application (EB-2009-0192) for LRAM recovery, the Board noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

London had originally requested recovery of a total LRAM claim of $291,455 over a one-year period. In response to Board staff interrogatories, London updated its LRAM claim using final 2010 program results from the OPA. London is now requesting approval of an updated LRAM claim of $355,473.45, including carrying charges. The lost revenues include the effect of CDM programs implemented from 2009-2010 only.

Submission

Persisting impacts of 2009 programs and 2009 lost revenues

London has requested the recovery of an LRAM amount that includes lost revenues in 2009 for 2009 CDM programs and the persisting lost revenues for 2009 CDM programs in 2010.

Board staff notes that London's rates were last rebased in 2009.

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[4].

[4] Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

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. London 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 lost revenues in 2009 for 2009 CDM programs, or the persisting lost revenues from 2009 CDM programs in 2010 as these amounts should have been built into London's last approved load forecast.

2010 programs

Board staff notes that London has not collected the lost revenues associated with CDM programs delivered in 2010, a year in which London was under IRM. Board staff supports the approval of the 2010 lost revenues, as these lost revenues took place during an IRM year and London did not have an opportunity to recover these amounts. Board staff notes that this is consistent with what the Board noted in its 2012 IRM decisions on applications from Horizon (EB-2011-0172), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206).

Board staff requests that London provide an updated LRAM amount that only includes lost revenues from 2010 CDM programs in the year 2010, and the subsequent rate riders. This will allow for the issuance of the final rate order on a timelier basis if the Board is inclined to approve only the lost revenues associated with the 2010 programs.

PAYMENTS IN LIEU OF TAXES – PILS 1562

Background

The PILs evidence filed by London in this proceeding includes tax returns, financial statements, Excel models from prior applications, calculations of amounts recovered from customers, SIMPIL[5] Excel worksheets and continuity schedules that show the principal and interest amounts in the account 1562 deferred PILs balance. In pre-filed evidence London disclosed a debit balance of $338,275 in account 1562 to be disposed in the Rate Generator model[6]. On the same schedule, London reported its RRR debit balance as $717,200. After responding to interrogatories, London revised its evidence to disclose a credit principal refund of $506,611 and debit interest of $479,987, for a net total refund of $26,624.[7]

Submission

<u>PILs Recoveries from Customers</u>

In the Excel rate adjustment models there are worksheets that calculate rate slivers related to the PILs dollar amounts to be recovered from ratepayers. The fixed and variable PILs rate slivers are multiplied by billing determinants to calculate the amounts recovered. Board staff asked a series of interrogatories concerning the billing determinants and PILs recoveries that London used especially for 2004.

The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. PILs rates slivers were derived in 2002 using billing determinants estimated for the 2001 fiscal year. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants.

In pre-filed evidence for 2004, London's total PILs proxy was higher than recoveries. After a review prompted by Board staff's interrogatories, London filed evidence that now discloses that the PILs proxies in rates are still greater than recoveries by $163,753.

---

[5]Spreadsheet implementation model for payments-in-lieu of taxes
[6] Rate Generator Tab 9. 2012 Cont. Sched. Def_Var.
[7] Responses to Board Staff Interrogatories, February 1, 2012, page 28.

The table below shows London's updated evidence for the full years of 2003, 2004 and 2005.[8]

PILs Recoveries vs Proxies $	2003	2004	2005
PILs Proxies in Rates	8,708,354	2,177,089	1,654,031
		4,962,092	4,239,022
	8,708,354	7,139,181	5,893,053
PILs Recovery Calculations	9,028,302	2,212,052	1,757,990
		4,763,376	4,368,295
	9,028,302	6,975,428	6,126,285
Difference	**-319,948**	**163,753**	**-233,232**

London's data exhibits the same trend as other distributors in 2003 and in 2005 in that recoveries exceed the PILs proxies. However, this is not the case for 2004. Board staff requests that London provide an explanation for this different trend in 2004, or provide a revised calculation of recoveries.

The table below shows billing determinants from the various application models that London filed with the Board. The data indicates an increasing trend. Board staff invites London to consider the implications of this data on the calculation of PILs recoveries.

[8] Responses to Board Staff Interrogatories, February 1, 2012, page 28.

Customer Class	Billing Parameter	Billing Determinants for 1999 from 2002 RAM Base Rates	Billing Determinants for 2001 from 2002 RAM PILs	Billing Determinants for 2002 from 2004 RAM	Billing Determinants for 2003 from 2005 RAM	Total Actual 2004 IRRs page 31
Residential	kWh's	1,010,154,173	1,022,356,811	1,126,683,291	1,117,118,053	1,065,211,136
General Service < 50 KW	kWh's	353,514,874	396,733,285	455,884,258	442,893,345	410,537,726
Unmetered Loads < 50 KW	kWh's	-	-			8,795,094
		353,514,874	396,733,285	455,884,258	442,893,345	419,332,820
General Service > 50 KW	kW's	3,933,244	3,173,866	3,652,083	1,770,051	1,858,070
General Service > 50 KW - TOU	kW's				1,929,241	1,872,685
		3,933,244	3,173,866	3,652,083	3,699,292	3,730,755
Large User - TOU	kW's	539,441	440,191	376,632	441,848	425,269
Cogeneration < 1MW - incr.	kW's	14,487	15,017	29,809	30,491	11,276
Cogeneration < 1MW - standby	kW's res.	126,600	181,300	154,799	154,681	151,300
Streetlight - TOU	kW's	56,685	58,106	59,788	60,493	61,623
Sentinel Lights	kW's	2,561	2,586	2,745	2,590	2,477

London submitted an analysis of revised recoveries on page 29 of its responses to Board staff's interrogatories. The revised recovery calculations appear to have been based on PILs rate slivers being expressed as percentages of the total rate by customer class. London did not file the active Excel workbook and staff could not determine what method London followed. However, Board staff believes there may be a problem with London's analysis because of the logic in the 2004 RAM application model.

In order to maintain the fixed charge at the same amount as the prior rate order, sheet #9 was inserted into the 2004 RAM. This sheet adjusted the decline that would have occurred in the fixed charge rate by reducing the volumetric rate by class. PILs from April 1, 2004 were recovered using only the volumetric rate. The PILs slivers were calculated on sheet #7 before this downward adjustment to the variable rate on sheet #9. Distributors should use the PILs rate slivers from sheet #7 of the 2004 RAM in order to calculate the PILs recoveries.

Board staff has provided tables that show the ratio of the PILs rate slivers to the total rate expressed in percentages for the period up to March 31, 2004 and for the next period to December 31, 2004.

Period to March 31, 2004		C	D	E = C+D	F	G=E/F
Customer Class	**Billing Parameter**	**2001 PILs Rate Adder**	**2002 PILs Rate Adder**	**Total 2001 and 2002 PILs Rate Adder Mar. 1/02 to Mar. 31/04**	**Rate Order Total Rate**	**PILs as a % of Rate Order Total Rate**
Fixed Distribution Revenues						
Residential	customer	0.548000	1.732900	2.280900	11.48000	19.87%
General Service < 50 KW	customer	1.535600	4.855900	6.391500	31.79000	20.11%
General Service > 50 KW	customer	15.009400	47.463300	62.472700	250.21000	24.97%
General Service > 50 KW - TOU	customer	15.009400	47.463300	62.472700	250.21000	24.97%
Large User - TOU	customer	762.275400	2,410.492700	3,172.768100	13795.56000	23.00%
Cogeneration < 1MW TOU	customer	108.844000	344.190200	453.034200	2754.29000	16.45%
Streetlight - TOU	connection	0.013300	0.041400	0.054700	0.27000	20.26%
Sentinel Lights	connection	0.023800	0.075400	0.099200	0.48000	20.67%
Unmetered Loads < 50 KW	connection	0.013100	0.075400	0.088500	0.48000	18.44%
Variable Distribution Revenues						
Residential	kWh's	0.000450	0.001422	0.001872	0.00930	20.13%
General Service < 50 KW	kWh's	0.000328	0.001036	0.001364	0.00700	19.49%
General Service > 50 KW	kW's	0.047852	0.151320	0.199172	0.95870	20.78%
General Service > 50 KW - TOU	kW's	0.047852	0.151320	0.199172	0.95870	20.78%
Large User - TOU	kW's	0.055414	0.175232	0.230646	1.09580	21.05%
Cogeneration < 1MW	kW's	0.153113	0.484179	0.637292	3.24920	19.61%
Cogeneration < 1MW - standby	kW's res.	0.064784	0.204862	0.269646	2.11460	12.75%
Streetlight - TOU	kW's	0.047474	0.150124	0.197598	0.99280	19.90%
Sentinel Lights	kW's	0.049740	0.157290	0.207030	1.10270	18.77%
Unmetered Loads < 50 KW	kWh's	0.000328	0.001036	0.001364	0.00700	19.49%

Period April 1, 2004 to December 31, 2004

Customer Class	Billing Parameter			2004 PILs Volumetric Rate Adder April 1 to December 31, 2004	Rate Order Total Rate	PILs as a % of Rate Order Total Rate
Variable Distribution Revenues						
Residential	kWh's			0.003599	0.01000	35.99%
General Service < 50 KW	kWh's			0.002553	0.00820	31.13%
General Service > 50 KW	kW's			0.316098	1.62290	19.48%
General Service > 50 KW - TOU	kW's			0.316098	1.62290	19.48%
Large User - TOU	kW's			0.351788	1.98080	17.76%
Cogeneration < 1MW	kW's			1.152076	3.82210	30.14%
Cogeneration < 1MW - standby	kW's res.			0.326667	2.23960	14.59%
Streetlight - TOU	kW's			0.408531	1.65550	24.68%
Sentinel Lights	kW's			0.442255	1.72970	25.57%
Unmetered Loads < 50 KW	kWh's			0.002553	0.00820	31.13%

Board staff submits that London should review its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004. Board staff submits that London should file active Excel worksheets to support the reply submission.

Board staff has no other concerns with the data filed by London in support of its account 1562 balances for disposition.

All of which is respectfully submitted

25 February, 2012

By RESS and Courier

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

Dear Ms. Walli:

Re: London Hydro Inc.
2011 IRM3 Electricity Distribution Rate Application
Reply Submission
Board File No: EB-2011-0181

Enclosed is the reply submission by London Hydro Inc. in response to written submissions received from Board Staff and Vulnerable Energy Consumers Coalition ("VECC"), issued and received on February 16th, 2012.

An electronic version of this final submission is being sent by e-mail and to be filed via the Board's RESS system. Two paper copies of the Final Submission will be delivered via courier to the Board, to the attention of the Board Secretary.

If you have any questions or concerns with the Final Submission, please do not hesitate to contact me at (519) 661-5800 Ext. 5750.

(Original signed by)

____

Mike Chase, CMA, MBA
Director of Finance and Regulatory
Fax (519) 661-2596
chasem@londonhydro.com

cc Mr. Michael Buonaguro, VECC
Mr. Dave Williamson, London Hydro Inc.

Response to Final Submission
London Hydro Inc.
2012 IRM3 Rate Application
EB-2011-0181

INTRODUCTION

London Hydro Inc. ("London Hydro") filed an application (the "Application") with the Ontario Energy Board (the "Board") on November 24, 2011, under section 78 of the *Ontario Energy Board Act, 1998,* seeking approval for changes to the rates that London Hydro charges for electricity distribution, to be effective May 1, 2012. The Application was filed in accordance with the Board's guideline for 3rd Generation Incentive Regulation.

On February 16th, 2012, Board staff and the Vulnerable Energy Consumers Coalition ("VECC"), filed submissions on the following matters:

- Review and Disposition of Deferral and Variance Accounts as per the *Electricity Distributions' Deferral and Variance Account Review Report* (The "EDDVAR Report");
- Smart Meter Funding Adder ("SMFA");
- Lost Revenue Adjustment Mechanism ("LRAM") Claim; and
- Payments in Lieu of Taxes ("PILs") – PILS 1562.

London Hydro provides the following responses with respect to the above matters:

Review and Disposition of Deferral and Variance Accounts

In its submission, Board staff noted that London Hydro had requested the disposition of its December 31, 2010 balances of Group 1 Deferral and Variance account balances which, including interest as of April 30, 2012, amounts to a credit of $7,184,125; this is equivalent to a credit of $0.00209 per kWh and exceeds the present disposition threshold. Board staff noted that the requested disposition principal balances reconcile with the records of the Board. Further, Board staff takes no issue with London Hydro's request to dispose of its 2010 Deferral and Variance Account balances.

Board staff noted that London Hydro had requested a three-year disposition period in order to avoid erratic rate adjustments to customers that will occur by virtue of introducing a significant bill credit one year and removing in year two. It is further noted that London is extremely concerned with the cash flow impacts that would result from a shorter disposition period. However, Board staff has recommended that a two-year disposition period be adopted for all of Group 1 account balances. Board staff notes that using a disposition period of three years may exacerbation intergenerational inequalities.

In London's interrogatory responses, London submitted the bill impacts for one, two, and three disposition periods in the repayment of all Group 1 Accounts. In review of the bill impacts Board Staff note that the bill impact for the Residential class does not vary significantly between the two and three year scenarios (i.e. -1.9% and -1.7% respectively).

However, London Hydro requested for a disposition period of three years based on bill impact concerns of our other classed customers especially our Large User, General Service > 50 kW to 4,999 kW, and General Service > 50 kW to 4,999 kW (CoGeneration) class customers. The concerns as to erratic rate adjustments impacting our customers by imposing a two-year disposition period are still very much of a concern to London Hydro. Constant bill impact increases and decreases, lumpy rate changes, provide uneasiness for our customers towards our Industry, and in particular with our Industrial class customers who are in the manufacturing business. These customers often look for stability in their business environment and are adverse to spikes in any input, such as electricity, needed in their manufacturing concerns. London Hydro further makes mention that its next cost of service rate filing is expected to apply for 2013 rates.

Total bill impact differences between a disposition period of two years and three years are reflected in Table 1.

Table 1 – Bill Impact Comparison: Deferral and Variance Disposition between Period of Two and Three Years

Rate Class	Consumption kWh	Demand kW	Disposition Period 2 Year	Disposition Period 3 Year
RESIDENTIAL	800	-	-1.9%	-1.7%
GENERAL SERVICE LESS THAN 50 KW	2,000	-	-1.1%	-0.9%
GENERAL SERVICE >50 KW to 4,999 KW	995,000	2,480	-2.0%	-1.1%
GENERAL SERVICE >50 KW to 4,999 KW (CoGeneration)	995,000	2,480	-4.3%	-2.9%
LARGE USER	-	-	-4.0%	-2.6%
UNMETERED LOADS (SCATTERED)	2,000		-0.7%	-0.1%
SENTINEL LIGHTS	180	0.50	-1.5%	1.2%
STREET LIGHTING	37	0.10	-1.3%	-1.0%

While London Hydro acknowledges Board staff's desire to not exacerbation intergenerational inequalities, it is felt that a three-year disposition is in the best interests for our customers by permitting some stability in rates.

London Hydro respectfully submits that the $7,184,125 amount should be disposed of over a three-year period as originally requested in its Application.

Smart Meter Funding Adder ("SMFA")

In its application London Hydro requested to the Board the approval for the continuation of the existing approved SMFA of $1.46 per metered customer per month until April 30th, 2012 or until such time as a Smart Meter Cost Recovery Application is filed by London and approved by the Board. Although London will be seeking a May 1, 2012 implementation for its smart meter costs recoveries, in the event that a Board decision cannot be rendered for a May 1, 2012 implementation of a SMIRR and SMDR, the Applicant is requesting for the continuation of the existing SMFA.

London Hydro's request for continuation of the SMFA, the amount of $1.46 per metered customer per month, is based on avoidance of confusion to our customers and erratic rate adjustments from the removal of the SMFA on May 1, 2012 followed by possible implementation of a revised approved adder or rate rider shortly after. As noted by Board staff London Hydro is expected to rebase its rates through a cost of service application for the 2013 rate year. In addition, the Board staff also noted that London Hydro has not yet completed the deployment of all its smart meters and still has remaining deployment costs to incur.

Board staff has submitted that London's request is reasonable. That they are of the view that establishing a termination date of April 30, 2013 for the SMFA, or until such time as a final smart meter recovery is approved, should give London enough time to complete its smart meter program.

London Hydro appreciates Board staff comments that this will allow sufficient time for the utility to prepare and file for deposition of its smart meter costs in accordance with the guideline and model, and as part of London's expected 2013 cost of service application to rebase its rates.

London Hydro agrees with the Board staff submission and submits for the continuation of the SMFA, in the amount of $1.46 per metered customer per month, with a termination date of April 30, 2013 or until such time as a final smart meter recovery is approved.

Lost Revenue Adjustment Mechanism ("LRAM") Claim

In its Application, London Hydro requested the recovery of its LRAM saving resulting from forgone volumes applicable to Ontario Power Authority ("OPA") CDM programs implemented in 2009 and 2010. The total amount of $291,455 was originally applied for in the Application, based on OPA final 2009 program results for London Hydro, and estimated 2010 OPA CDM results. An estimation of 2010 OPA CDM results were applied for in this Application due to the unavailability of the final 2010 OPA CDM report when the original evidence was prepared. However, after many requests to the OPA, the Applicant was able to obtain a copy of the OPA final 2010 program results for London Hydro just before filing the response to Board staff interrogatories. London Hydro, in its response to interrogatories revise our LRAM request for OPA CDM programs implemented in 2009 and 2010 for an amount of $355,473.45, including carrying charges.

In association with London Hydro's background for LRAM and SSM recoveries, London Hydro has <u>never filed</u> an application for forgone volumes or recoveries of LRAM or SSM. London Hydro's last cost of service in 2009 (EB-2008-0235), London never included in its cost of service application a claim for lost revenues (whether LRAM or SSM). Only during the cost of service rate application intervener process a question was asked as to London Hydro's intensions to file for future LRAM or SSM recoveries. As referenced in Appendix E - London Hydro IRM2012 LRAM Recovery – letter, page one of its Application London Hydro states,

"…the London Hydro 2009 Cost of Service Rate Application, London Hydro forwarded to the OEB that London Hydro would not be seeking LRAM or SSM dispositions for programs in the years 2006, 2007, and 2008. Therefore, this Application will *not include any recoveries for lost distribution revenues for either due to CDM programs funded from 3rd tranche MARR funding, or 2006, 2007, and 2008 CDM programs that were funded by the OPA."*

In both the Board staff and VECC submissions, London Hydro was invited to provide responses to both the 2010 LRAM programs, and the Persisting Impacts of 2009 Programs and 2009 Lost Revenues. London's response is as follows:

2010 programs

Both the Board staff and VECC have submitted to approving of the 2010 lost revenues, as requested by London Hydro. Board staff notes that the lost revenues were applied for in an IRM year and are consistent with 2012 IRM decisions on applications for Horizon (EB-2011-0173), Hydro One Brampton (EB-2011-0174), and Whitby Hydro (EB-2011-0206). VECC also submits their support for the approval of lost revenues in 2010 from 2010 CDM program results in 2010, as these savings occurred post rebasing (during an IRM year).

While London Hydro accepts the approval of the requested recoveries for 2010 lost revenues amounts, the Applicant is also requesting the approval of the Board as to its application for full recovery of 2009 lost revenues, as identified in the next section of this submission reply.

Persisting impacts of 2009 programs and 2009 lost revenues

In the Application, London requested the recovery of LRAM that includes revenues in 2009 for 2009 CDM programs and the persisting lost revenues for 2009 CDM programs.

Both the Board staff and VECC have stated similar in that they both do not support the claim for lost revenues relating to 2009 for 2009 CDM programs, or the persisting lost revenues from 2009 CDM programs in 2010 as these amounts should have been built into London's last approved load forecast.

In the Board staff's submission, is stated:

"*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 is was accepted by the Board, <u>then Board staff would agree that an LRAM application is appropriate.</u> London may want to highlight in its reply whether the issue of an LRAM application was addressed in its cost of service application"*

In their interrogatories, Board staff requested that London Hydro identify the CDM savings that were proposed to be included in London's last Board approved load forecast for CDM programs deployed from 2006-2009 inclusive. London Hydro response was that the last Board approved load forecast was in its 2009 Cost of Service rate application. Those Board Staff interrogatories in the 2009 Cost of Service (EB-2008-0235) IR #34: London Hydro provided an estimate of the CDM energy savings that occurred for programs undertaken in 2005, 2006 and 2007. The load forecast for 2009 incorporated the impacts of these CDM programs for 2005, 2006 and 2007. The 2009 Board approved load forecast <u>did not include any adjustments or proxies for CDM programs initiated after 2007</u>."

London Hydro feels if there was a suggestion that it was appropriate to adjust its load forecast for the 2009 Cost of Service rate application for CDM programs in 2009, it would not have deemed it to be appropriate to adjust for CDM that were based on "planned 2009" figures. Section 5.3 of the Guidelines for Electricity Distributor Conservation and Demand Management (EB-2007-0037), issued March 28, 2008 (the "2008 CDM Guidelines") states that,

"When applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available".

For London Hydro to apply any adjustments to its load forecast for the 2009 cost of service application, to suggest adjusting for planned and not realized 2009 CDM programs, was thought to be inappropriate based on 2008 CDM Guidelines. Further, London's 2009 load forecast was strongly evidenced in its 2009 Application and was tested thoroughly by a considerable multitude of interrogatories from both Board staff and Interveners throughout the 2009 rate application proceedings. We are not aware of any interrogatories or discussions throughout that proceeding from the Board or Interveners with respect to asking London Hydro to either include or quantify the load forecast adjustments pertaining to 2009 CDEM programs yet to be undertaken.

In developing the load forecast in its 2009 cost of service application, London Hydro used a multiple regression approach whereby a mathematical relationship was developed between various historical input parameters and kWh load. While London Hydro now understands some LDCs in their applications, specifically lower their load forecast in the test year and in subsequent years to include expected future reductions due to their adoption of CDM initiatives, London Hydro did not take this approach; rather, London Hydro's forecast was developed in full expectation of making LRAM claims in future years to compensate it for any subsequent CDM initiatives it undertook.

The Guidelines for Electricity Distributors Conservation and Demand Management (the "2012 CDM Guidelines"), issued January 5, 2012 do state:

"In the situation where the distributor has not included CDM impacts in its load forecast, the distributor is expected to make it clear in their rate application that CDM impacts have not been included, why they have not been included, and whether the distributor intends to address CDM impacts through an LRAM".

However, London Hydro relied on the <u>2008 CDM Guidelines</u> when filing its 2009 rate application. The above reference from the 2012 CDM Guidelines was simply not found in the 2008 CDM Guidelines.

Therefore, London Hydro submits that its LRAM application is indeed appropriate, that London Hydro did not include in the approved load forecast for its 2009 Cost of Service application any reductions for losses attributable to 2009 CDM programs. That London

Hydro complied with 2008 CDM Guidelines that were applicable for the 2009 cost of service rate application. In addition London Hydro had full expectations, in not including reductions in its load forecast, that it would be able to use actual OPA verified results to put forward a LRAM claim in the future.

London Hydro submits that the LRAM claim as filed is both appropriate and requests that the Board approve the full applied LRAM claim of $355,473.45.

Board Staff Request for LRAM Model Input Changes

As per Staff request, London Hydro provides an updated LRAM amount that only includes lost revenues from 2010 CDM programs in the year 2010, and subsequent rate riders being requested. London Hydro wishes to again express that not only is London Hydro requesting recoveries for LRAM for its 2010 CDM programs, but as well as 2009 programs, in both 2009 and 2010, and resulting carrying charges.

Table 2 – LRAM from 2010 CDM Programs in Year 2010

Forgone Revenue by Program and Class
(2009-2010 OPA Programs Only)
Revise To Board Staff Submission Request - Only Includes 2010 CDM Prgrams in Year 2010.
*London Hydro is not requesting LRAM /SSM for Programs in 2006, 2007, and 2008

		2010				Total Revenue	Carrying Charges	Total	2010 Billing Determinate	Rate Rider
Class/ Program	Year Program Implimented	Load Impact	kWh or kW	Rate per Unit	Revenue					
RESIDENTIAL										
Great Refrigerator Roundup	2010	1,272,000	kWh	$ 0.0142	$ 18,062.40	$ 18,062.40				
Cool Savings Rebate	2010	1,223,000	kWh	$ 0.0142	$ 17,366.60	$ 17,366.60				
Every Kilowatt Counts Power Savings Event	2010	539,000	kWh	$ 0.0142	$ 7,653.80	$ 7,653.80				
Residential Total		3,034,000			$ 43,082.80	$ 43,082.80	$ 844.42	$ 43,927.22	1,146,514,255	$ 0.00004
General Service < 50 kW										
OPA Energy Retrofit Incetive Program (ERIP)	2010	116,414	kWh	$ 0.0091	$ 1,059.36	$ 1,059.36				
High Performance New Construction	2010	839,000	kWh	$ 0.0091	$ 7,634.90	$ 7,634.90				
Power Savings Blitz	2010	7,467,000	kWh	$ 0.0091	$ 67,949.70	$ 67,949.70				
Multifamily Energy Efficency Rebates	2010	1,244,000	kWh	$ 0.0091	$ 11,320.40	$ 11,320.40				
Total General Service < 50 kW		9,666,414			$ 87,964.36	$ 87,964.36	$ 1,724.10	$ 89,688.46	407,620,994	$ 0.00022
General Service 50 kW to 4,999 kW										
OPA Energy Retrofit Incetive Program (ERIP)	2010	210	kW	$ 1.6052	$ 337.82	$ 337.82				
Demand Response 1	2010	0	kW	$ 1.6052	$ -	$ -				
Demand Response 2	2010	3,391	kW	$ 1.6052	$ 5,442.52	$ 5,442.52				
Demand Response 3	2010	7,171	kW	$ 1.6052	$ 11,511.62	$ 11,511.62				
Loblaw & York Region Demand Response	2010	832	kW	$ 1.6052	$ 1,335.93	$ 1,335.93				
Total General Service 50 to 4,999 kW		11,605			$ 18,627.90	$ 18,627.90	$ 365.11	$ 18,993.01	3,944,476	$ 0.00482
Large User										
OPA Energy Retrofit Incetive Program (ERIP)	2010	19	kW	$2.2552	$ 42.96	$ 42.96				
Large User		19			$ 42.96	$ 42.96	$ 0.84	$ 43.80	402,894	$ 0.00011
Total Forgone Revenue OPA programs		12,712,037			$ 149,718.02	$ 149,718.02	$ 2,934.47	$ 152,652.49		

VECC – Input Assumptions

In reply to VECC submission and Input Assumptions (OPA Funded Programs) item 2.8, VECC identifies that London Hydro was not able to be provided by the OPA the 2010

OPA Program Results report in detail (on input assumptions at the measured level). Although VECC acknowledges our many requests to the OPA for the detailed OPA program report, VECC asks that London Hydro indicate the impact of this additional information on its LRAM claim in its reply submissions.

At the time of filing of this reply submission, London Hydro has yet to be provided a copy of the detailed OPA program report for 2010. This is after again repeated requests to the OPA to supply the report. London Hydro requests VECC understanding as to this matter in that the Applicant has been aggressive in trying to obtain the report in question and would like to have all parties, including VECC and London Hydro, the opportunity to review the report. However, although London Hydro does not expect any material discrepancies in OPA Program results between the summary and the detailed report, London Hydro cannot confirm.

Payments in Lieu of Taxes ("PILS") – PILS 1562

In their final submission, Board staff raised concerns with respect to the determination of PILs recovery amounts specifically for the 2004 calendar year.

Board staff stated that the trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. Staff stated that PILs rates slivers were derived in 2002 using billing determinants estimated for the 2001 fiscal year. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants.

Board staff provided a table in their final submission that illustrated London Hydro's PILs proxies and recoveries for 2003, 2004 and 2005 and requested that London provide an explanation for this different trend in 2004, or provides a revised calculation of recoveries.

In Table 2 below, London Hydro has recreated the table provided by Board Staff.

Table 2 - London Hydro PILS Recoveries versus Proxies

PILS Recoveries vs Proxies						
		2003		**2004**		**2005**
PILS proxies in rates	$	8,708,534	$	2,177,089	$	1,654,031
				4,962,092		4,239,022
	$	8,708,534	$	7,139,181	$	5,893,053
PILS Recoveries Calculations						
		2003		**2004**		**2005**
	$	9,028,302	$	2,212,052	$	1,757,990
				4,763,376		4,368,295
	$	9,028,302	$	6,975,428	$	6,126,285
Difference	$	(319,768)	$	163,753	$	(233,232)

A review of the energy quantity data utilized in the 2004 RAM model to calculate the variable PILs rate sliver that became effective on April 1, 2004 indicates that the energy quantities used were the uplifted values that are utilized for energy commodity billing. The values that should have been used are the values used for billing variable distribution revenue, which are the values before uplift for systems losses. The difference in these 2 values is approximately 4%.

The impact of this error in the 2004 RAM model is that the energy quantities used to recover the rate would be approximately 4% lower than the quantities used to calculate the rate.

Under recoveries resulting from this difference in quantities are offset by quantity growth related to customer growth, but initially in 2004, this error combined with a change in recovery mechanism that removed the fixed recovery component and placed all recoveries on the variable component resulted in an under recovery for London Hydro in 2004 as indicated above.

In Board Staffs submission, a table of billing determinates were presented and London Hydro was invited to consider the implications of the data in the PILs recoveries. Board Staffs table of data, reference as Table 3, is illustrated below.

Table 3 – Board Staff Table of Data (for Disposition of PILS Account 1562)

- 10 - Board Staff Submission London Hydro Inc. 2012 IRM3 Application **EB-2011-0181 Customer Class**	**Billing Parameter**	**Billing Determinants for 1999 from 2002 RAM Base Rates**	**Billing Determinants for 2001 from 2002 RAM PILs**	**Billing Determinants for 2002 from 2004 RAM**	**Billing Determinants for 2003 from 2005 RAM**	**Total Actual 2004 IRRs page 31**
Residential	kWh's	1,010,154,173	1,022,356,811	1,126,683,291	1,117,118,053	1,065,211,136
General Service < 50 KW	kWh's	353,514,874	396,733,285	455,884,258	442,893,345	410,537,726
Unmetered Loads < 50 KW	kWh's			-	-	8,795,094
		353,514,874	396,733,285	455,884,258	442,893,345	419,332,820
General Service > 50 KW	kW's	3,933,244	3,173,866	3,652,083	1,770,051	1,858,070
General Service > 50 KW - TOU	kW's				1,929,241	1,872,685
		3,933,244	3,173,866	3,652,083	3,699,292	3,730,755
Large User - TOU	kW's	539,441	440,191	376,632	441,848	425,269
Cogeneration < 1MW - incr.	kW's	14,487	15,017	29,809	30,491	11,276
Cogeneration < 1MW - standby	kW's res.	126,600	181,300	154,799	154,681	151,300
Streetlight - TOU	kW's	56,685	58,106	59,788	60,493	61,623
Sentinel Lights	kW's	2,561	2,586	2,745	2,590	2,477

The data in the above table confirms the explanations given by London Hydro for the shortfall in recoveries in 2004. The energy quantities shown in the table for the "billing determinates for 2002 from 2004 RAM" are the values that were used to calculate the PILs sliver that became effective on April 1, 2004. These values were the uplifted energy values, whereas the values from the "total actual 2004 IRRs" column above are the values before uplift that are used to bill the PILs rate slivers to customers.

Board staff submitted that London Hydro revised its calculation of recoveries for the January 1 to March 31, 2004 time frame but did not file the active Excel workbook for staff to determine what method London followed.

London Hydro is attaching a copy of that live excel workbook as requested by Board staff, reference Appendix A -PILS Feb 27, 2004.

Board staff submitted that there may be a problem with London's analysis because of the logic in the 2004 RAM application model. Staff stated that In order to maintain the fixed charge at the same amount as the prior rate order, sheet #9 was inserted into the 2004 RAM. This sheet adjusted the decline that would have occurred in the fixed charge rate by reducing the volumetric rate by class. PILs from April 1, 2004 were recovered using only the volumetric rate. The PILs slivers were calculated on sheet #7 before this downward adjustment to the variable rate on sheet #9.

Distributors should use the PILs rate slivers from sheet #7 of the 2004 RAM in order to calculate the PILs recoveries.

London Hydro has confirmed that the correct PILs slivers from sheet #7 of the 2004 RAM model have been used in their calculation of recovery amounts.

London Hydro has reviewed its calculations of the 2004 PILs recoveries using the PILs rate slivers from the 2002 and 2004 RAM models and the billing determinants for the discrete periods of January 1 to March 31, 2004 and from April 1 to December 31, 2004.

Active Excel worksheets to support these calculations have been included with this reply submission.

London Hydro respectfully submits that PILs recovery amounts, including the previously noted revisions for 2004 have been accurately accounted for.

Conclusion

London Hydro submits that the relief requested in this Application, as provided in its Reply Submission, is just and reasonable, and requests that the Board direct London Hydro to prepare a draft Rate Order that implements the requested relief with an effective date of April 1, 2012.

All of which is respectfully submitted

Ontario Energy Board | **Commission de l'énergie de l'Ontario**

Ontario

EB-2011-0153

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Bluewater Power Distribution Corporation for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER

Introduction

Bluewater Power Distribution Corporation ("Bluewater"), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on October 3, 2011 under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Bluewater charges for electricity distribution, to be effective May 1, 2012.

Bluewater is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "IR Report"), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism ("IRM") (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed

Regulatory Framework for Electricity ("RRFE"), the Board announced that it was extending the 3rd generation IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, Bluewater is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "*Supplemental Report*"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011 the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the Filing Requirements for IRM applications based on the policies in the Reports.

Notice of Bluewater's rate application was given through newspaper publication in Bluewater's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Bluewater's proposed revenue-to-cost ratio adjustments and its request for lost revenue adjustment mechanism ("LRAM") recoveries. The Vulnerable Energy Consumers Coalition ("VECC") applied for and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to Bluewater's request for LRAM recoveries and any revenue-to-cost ratio matters that go beyond the implementation of previous Board decisions. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection;
- Revenue-to-Cost Ratio Adjustments;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes;
- Review and Disposition of Lost Revenue Adjustment Mechanism; and
- Smart Meter Funding Adder.

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to Bluewater efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection. The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;

- Standard Supply service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;
- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection ("RRRP") benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current $0.0013 per kWh to $0.0011 per kWh effective May 1, 2012. The final Tariff of Rates and Charges attached to this Decision and Order reflects the new RRRP charge.

Revenue-to-Cost Ratio Adjustments

Revenue-to-cost ratios measure the relationship between the revenues expected from a class of customers and the level of costs allocated to that class. The Board has established target ratio ranges (the "Target Ranges") for Ontario electricity distributors in its report *Application of Cost Allocation for Electricity Distributors*, dated November 28, 2007 and in its updated report *Review of Electricity Distribution Cost Allocation Policy,* dated March 31, 2011.

Pursuant to the Settlement Proposal approved by the Board in Bluewater's 2009 cost of service application [EB-2008-0221], it was agreed that for the 2012 rate year Bluewater would adjust the Street Lighting and Sentinel Lighting categories to a revenue-to-cost ratio of 0.85. The excess revenue would be allocated to the General Service Less Than 50 kW and Large Use rate classes.

The table below outlines the proposed revenue-to-cost ratios.

Rate Class	Current 2011 Ratio	Proposed 2012 Ratio	Target Range
Residential	103.00%	103.00%	85 – 115
General Service Less Than 50 kW	104.85%	103.00%	80 – 120
General Service 50 to 999 kW	90.00%	90.00%	80 – 180
General Service 1,000 to 4,999 kW	101.00%	101.00%	85 – 115
Large Use	104.85%	103.00%	80 – 120
Street Lighting	75.33%	85.00%	70 – 120
Sentinel Lighting	72.33%	85.00%	70 – 120
Unmetered Scattered Load	80.00%	85.00%	80 – 120

Both Board staff and VECC submitted that the proposed revenue-to-cost ratio adjustments were in accordance with the Board approved Settlement Agreement in Bluewater's 2009 cost of service proceeding.

The Board approves the proposed revenue to cost ratios as the proposed adjustments are in accordance with EB-2008-0221.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

Bluewater's application identified a total tax savings of $505,462 resulting in a shared amount of $252,731 to be refunded to rate payers.

In its submission, Board staff noted that Bluewater completed the Tax-Savings Workform with the correct rates which reflected the Revenue Requirement Work Form from the Board's Decision in EB-2008-0221. Board staff had no concerns with the workform filed.
The Board approves the disposition of the shared tax savings amount of a credit of $252,731 over a one year period (i.e. May 1, 2012 to April 30, 2013).

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates ("RTSRs"). Variance accounts are used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the "RTSR Guideline"). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors' specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

Network Service Rate	$3.57 per kW
Connection Service Rates	
Line Connection Service Rate	$0.80 per kW
Transformation Connection Service Rate	$1.86 per kW

In its submission, Board staff noted that it has no concerns with the RTSR Workform as filed by Bluewater.

The Board finds that these 2012 UTRs are to be incorporated into the filing module.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Bluewater's 2010 actual year-end balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of $2,112,461. This amount results in a total claim of -$0.00203 per kWh, which exceeds the preset disposition threshold. Bluewater proposed to dispose of this credit amount over a two year period.

In interrogatories, Board staff noted variances between Bluewater's RRR filings and its December 31, 2010 ending balances. In its response, Bluewater noted that it had analyzed its Group 1 Accounts and noted that these variances were the result of the difference between i) the actual amount of carrying charges based on prescribed rates recorded in previous years by Bluewater and ii) the OEB approved disposition amounts which included forecast carrying charges at the time of the respective rate applications. Bluewater noted that it intends to allocate these historical variances to either Account 4405 or 6035 to reverse these charges.

In its submission, Board staff noted that Bluewater's explanation for the variances between its RRR and December 31, 2010 Group 1 Deferral and Variance Account balances is reasonable. Also, Board staff took no issue with Bluewater's request to dispose of its 2010 Group 1 Account balances at this time over the requested two year period to allow for the smoothing of rates.

With respect to the allocation of the variances to either Account 4405 or 6035, Board staff noted that this should not be done as these variances will be trued-up as part of

Bluewater's future rate proceeding, when the residual balance in the recoveries account 1595 should be disposed.

The Board notes that the disposition threshold of $0.001 has been exceeded. Accordingly, the Board will approve the disposition of Bluewater's Group 1 Deferral and Variance Account balances of a credit of $2,112,461 on a final basis as of December 31, 2010 plus interest to April 30, 2012. The Board approves a disposition period of two years - May 1, 2012 to April 30, 2014, as requested by Bluewater. The Board is of the view that a two-year disposition period appropriately aligns the issues of intergenerational equity with the need to mitigate rate volatility. The Board concurs with Board staff that Bluewater should not undertake the reallocation of variances to either Account 4405 or 6035, as these variances should be trued-up in a future proceeding.

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts.

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
LV Variance Account	1550	-$66,902	-$2,653	-$69,555
RSVA - Wholesale Market Service Charge	1580	-$1,369,743	-$36,832	-$1,406,575
RSVA - Retail Transmission Network Charge	1584	-$57,194	-$1,158	-$58,352
RSVA - Retail Transmission Connection Charge	1586	-$112,481	-$4,600	-$117,081
RSVA - Power (excluding Global Adjustment)	1588	-$213,825	$11,359	-$202,466
RSVA - Power - Sub-Account - Global Adjustment	1588	-$275,380	$16,948	-$258,432
Disposition and Recovery of Regulatory Balances (2008)	1595			-
Disposition and Recovery of Regulatory Balances (2009)	1595			-
Group 1 Total				**-$2,112,461**

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment ("SPC") Variance Account in accordance with Section 8 of Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the "SPC Regulation"). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor's SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in "Sub-account 2010 SPC Assessment Variance" of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

Bluewater requested the disposition of a residual debit balance of $2,709 as at December 31, 2010, plus collections in 2011 and carrying costs until April 30, 2012.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review, and electricity distributors are required by regulation to apply for disposition of this account. Board staff submitted that the $2,709 debit balance in Account 1521 should be approved for disposition on a final basis.

The Board approves, on a final basis, Bluewater's request for the disposition of the principal and interest balances in Account 1521 totaling a debit of $2,709 over a two year period, consistent with the Board's findings on Bluewater's Group 1 Deferral and Variance account balances. The Board directs Bluewater to close account 1521 as of May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes ("Deferred PILs") (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board's expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that: "Each remaining distributor will be expected to apply for final disposition of account 1562 with its next general rates application (either IRM or cost of service)."[1]

[1] EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

Bluewater applied to dispose of a credit balance of $638,656 which included a principal balance of a credit of $555,943 and carrying charges up to April 30, 2012 of $82,713 over a two year period.

CDM Incremental OM&A Expenses

Board staff requested Bluewater to clarify whether the company incurred and disclosed expenses related to CDM activities in its 2005 financial statements as a component of net income; and, that Bluewater provide an explanation for the difference in the amounts disclosed in the interrogatory response of $104,549 for CDM costs incurred and in the financial statements of $362,532.

Board staff noted that If Bluewater incurred CDM expenses in its 2005 net income, Bluewater should select one of two options: 1) Record the 2005 actual CDM expense of $104,549 (or $362,532) in 2005 SIMPIL model TAXCALC sheet; or, 2) Move the CDM proxy amount of $127,600 to a line that does not true-up. Further, Board staff noted that if Bluewater had deferred all CDM capital and operating expenses amounting to $362,532 as at December 31, 2005 in account 1565, Bluewater should explain whether those CDM amounts have been disclosed on 2005 SIMPIL sheet TAXREC3 as part of the changes in regulatory assets, and if so, where specifically they were disclosed.

Other than the possible adjustment for CDM expenses as discussed above, and any resulting changes to interest carrying charges, Board staff submitted that Bluewater followed the regulatory guidance and the Board's decisions in determining the amounts recorded in Account 1562.

In its reply submission, Bluewater proposed to follow Board Staff's recommendation #1 as indicated above. As a result, the revised Account 1562 balance is a credit of $706,229 consisting of a principal credit amount of $614,040 plus related credit carrying charges of $92,189.

The Board approves the disposition of a credit balance of $706,229 on a final basis as at April 30, 2012 over a two year period, consisting of a principal credit amount of $614,040 plus carrying charges of $92,189. The two year disposition period is consistent with the Board's findings on Bluewater's Group 1 Deferral and Variance account balances.

For accounting and reporting purposes, the balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Lost Revenue Adjustment Mechanism

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.

Initially, Bluewater had applied for an LRAM amount of $303,393.37 to be recovered over a one year period. In response to interrogatories from Board staff and VECC, Bluewater updated its LRAM amount with the 2010 OPA final results to $308,567.16 The lost revenues include the effect of new 2010 programs as well as persistence of 2006-2009 programs in 2010, and the persistence of 2006-2010 programs for 2011.

<u>2006-2009 Persisting Programs</u>

Board staff submitted that the *Guidelines for Electricity Distributor Conservation and Demand Management* ("CDM Guidelines") state the following:

> 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.[2]

Board staff noted that 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 in this proceeding is appropriate. Board staff requested that

[2] EB-2008-0037, Section 5.2

Bluewater highlight in its reply whether the issue of an LRAM application was addressed in its most recent cost of service application.

Board staff submitted that in the absence of the above information, Bluewater should not be permitted to recover the requested persisting lost revenues from 2006-2009 CDM programs in 2010 or 2011 as these amounts should have been built into Bluewater's last approved load forecast, thereby dispensing with the need for LRAM.

VECC submitted that the load forecast methodology utilized by Bluewater and subsequently approved by the Board in its 2009 cost of service application included actual use and therefore included 2006 to 2007 CDM program impacts. VECC further submitted that Bluewater's regression model would capture not only historical savings but would carry forward into future years trends in the historical data regarding increased CDM savings over time that would be implicit in the 2009 forecast.

As a result, VECC submitted that there is already recognition of lost sales (and therefore revenues) in 2009 from additional 2008 and 2009 CDM programs accounted for in the 2009 load forecast. As there is no information available to indicate whether the savings implicitly included in the 2009 forecast are more or less than the actual impact of 2006 to 2009 CDM programs in 2009, VECC submitted that based on these considerations and the Board's Guidelines, lost revenue for Bluewater's 2006 to 2009 programs that persist into 2010 and 2011 are not accruable in 2010 and 2011.

In its reply submission, Bluewater noted that it did not include any CDM impacts in its load forecast and expected that it would be able to recover amounts through an LRAM application. Bluewater referred to the 2009 Settlement Agreement which states, "[f]or the sake of clarity, the revised forecast does not reflect in any way specific electricity conservation programs". Bluewater submitted that this last sentence in the Settlement Agreement served the sole purpose of highlighting its expectation that it would seek to recover lost revenues through a future LRAM claim.

<u>2010 Programs</u>

Bluewater has also requested the recovery of new savings arising from CDM programs delivered in 2010 and persisting savings from these programs through 2011.

Board staff submitted that Bluewater was under IRM in 2010 and therefore it could not have been reasonably expected to account for these new program savings at the time it rebased and had a new load forecast approved by the Board. Board staff supported the recovery of the lost revenues related to the new savings arising from 2010 programs. Board staff noted that the Board requested distributors to file for recovery of any and all LRAM amounts related to 2005-2010 CDM programs in their 2012 rate applications. Board staff suggested that Bluewater provide an updated LRAM amount for only 2010 program savings that took place in 2010, allocated by rate class, in its reply submission. VECC submitted that Bluewater calculated estimated lost revenues for 2006 to 2010 CDM Programs in 2011 based on the OPA's Measures and Assumptions list and OPA verified results available at the time of this application, which is not appropriate or in accordance with the Guidelines. VECC further submitted that in the absence of OPA input assumptions and verified final results for 2011, the LRAM claim should be adjusted to cover only lost revenues from new 2010 CDM programs in 2010.

In its reply, Bluewater referred to Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications and noted that, if this proceeding is its last opportunity to recover LRAM from 2006-2010 programs, including persistence in 2011 and 2012, it is appropriate to include 2012 amounts at this time, but only if the Board directs that this is Bluewater's last opportunity to claim these savings.

The Board acknowledges and accepts the provision in the Settlement Agreement relating to EB-2008-0221, which states: "For the sake of clarity, the revised forecast does not reflect in any way specific electricity conservation programs". Accordingly, the Board will approve LRAM recovery for the persistence of 2006 – 2009 programs in 2010 and the effect in 2010 of the programs implemented in 2010, totalling $168,049.85 to December 31, 2010, plus interest to April 30, 2012. The Board will not approve recovery of persistence from 2006 to 2010 programs in 2011 and 2012, as it is premature to do so and inconsistent with the LRAM Guidelines. The Board approves a two year disposition period (i.e., May 1, 2012 to April 30, 2014), consistent with the Board's findings elsewhere in this Decision.

Smart Meter Funding Adder ("SMFA")

Bluewater requested that the Board approve the continuation of its current SMFA of $2.00 to April 30, 2013. Bluewater noted that although the physical deployment of Smart Meters was completed in 2011, Bluewater is experiencing delays in implementing TOU pricing. The Board approved the extension of the date for mandated TOU billing from October 2011 to January 31, 2012.

Board staff submitted that the Board could consider continuance of the current $2.00 SMFA with a specific sunset date. Board staff noted that establishing a sunset date of October 31, 2012 would be suitable. By this time, Bluewater should have completed its smart meter program, including TOU implementation. Bluewater's 2011 costs would also be audited by then, so that total smart meter costs should satisfy the threshold that at least 90% of such costs are audited actuals.

In its reply submission, Bluewater stated that while it respects the intent of Board staff's submission of a sunset date of October 31, 2012, Bluewater believes that the proposed date is not practical, given the fact that there remains some uncertainty surrounding the implementation of Bluewater's TOU program. The October 31, 2012 date would deny Bluewater the option to submit its Smart Meter costs for final disposition as part of its 2013 rebasing application, despite that mechanism specifically being contemplated by the recent filing guidelines (i.e. G-2011-0001 Smart Meter Funding and Cost Recovery – Final Disposition).

The Board has determined that it will not approve the continuation of the existing SMFA of $2.00 per metered customer per month past the present expiry date of April 30, 2012. The Board is of the view that the TOU date is not the relevant metric to consider with respect to whether it is appropriate to extend a SMFA. Rather, the relevant metric is the date by which smart meter deployment was or will be substantially completed. In this case, smart meter deployment was completed in August 2011. The SMFA was designed to fund the prospective deployment of smart meters with minimum functionality. It was not intended to fund the activities referenced by Bluewater, which are clearly outside of the minimum functionality pursuant to O. Reg. 425/06, the functional specification for an Advanced Metering Infrastructure issued on July 5, 2007, the Board's Decision in EB-2007-0063[3], and SMFA and Cost Recovery guidelines dated October 22, 2008[4].

The Board disagrees with Bluewater's interpretation of Guideline G-2011-0001, as final disposition in a cost of service is only one of the alternatives contemplated. The Board believes that the current sunset date best aligns the interests of ratepayers and the

[3] Smart Meter Initiative Combined Proceeding (EB-2007-0063)
[4] Guideline: Smart Meter Funding and Cost Recovery (G-2008-0002)

utility by balancing regulatory efficiency and streamlining with the need to ensure that monies collected from ratepayers serve the intended purpose and are adequately supported by appropriate amounts.

Rate Model

With this Decision, the Board is providing Bluewater with a rate model (spreadsheet) and applicable supporting models and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate model to ensure that they were in accordance with the 2011 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

THE BOARD ORDERS THAT:

1. Bluewater's new distribution rates shall be effective May 1, 2012.

2. Bluewater shall review the draft Tariff of Rates and Charges set out in Appendix A. Bluewater shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information within **7 days** of the date of issuance of this Decision and Order.

3. If the Board does not receive a submission from Bluewater to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the draft Tariff of Rates and Charges set out in Appendix A of this order will become final effective May 1, 2012, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2012. Bluewater shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

4. If the Board receives a submission from Bluewater to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the Board will consider the submission of Bluewater and will issue a final Tariff of Rates and Charges.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.

2. Bluewater shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.

3. VECC shall file with the Board and forward to Bluewater any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.

4. Bluewater shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0153,** be made through the Board's web portal at, www.errr.ontarioenergyboard.ca and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

DATED at Toronto, March 22, 2012
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Decision and Order

Draft Tariff of Rates and Charges

Board File No: EB-2011-0153

DATED: March 22, 2012

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

RESIDENTIAL SERVICE CLASSIFICATION

All service supplied to single-family dwelling units for domestic or household purposes shall be classed as residential service. Where electricity service is provided for combined residential and business purposes (including agricultural usage) and the wiring does not provide for separate metering, the classification shall be in the discretion of Bluewater Power Distribution Corporation (“Bluewater Power”) and shall be based on such considerations as the estimated predominant consumption or the municipal tax roll classification. A residential customer may be found in a detached, semi-detached, linear row housing, apartment building or mixed-use building. Where more than one dwelling is served by a single meter, that service shall be considered a General Service Customer. Further servicing details are available in the distributor’s Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor’s Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	13.80
Distribution Volumetric Rate	$/kWh	0.0188
Low Voltage Service Rate	$/kWh	0.0002
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013 Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014 Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kWh	0.0012
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kWh	(0.0017)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery Rate Rider (2011) – effective until April 30, 2013	$/kWh	0.0004
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery Rate Rider (2012) – effective until April 30, 2014	$/kWh	0.0002
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kWh	(0.0005)
Retail Transmission Rate – Network Service Rate	$/kWh	0.0068
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0057

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or a new customer forecast to have, an average monthly peak demand less than 50 kW, and has a monthly peak demand that never exceeds 100 kW. Bluewater Power shall review this rate class designation on an annual basis and the customer's designated rate class may change as a result. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	23.71
Distribution Volumetric Rate	$/kWh	0.0166
Low Voltage Service Rate	$/kWh	0.0002
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013 Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014 Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kWh	0.0012
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kWh	(0.0016)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery Rate Rider (2011) – effective until April 30, 2013	$/kWh	0.0001
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM) Recovery Rate Rider (2012) – effective until April 30, 2014	$/kWh	0.0002
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kWh	(0.0003)
Retail Transmission Rate – Network Service Rate	$/kWh	0.0063
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0050

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 50 kW and less than 1,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	142.00
Distribution Volumetric Rate	$/kW	3.5617
Low Voltage Service Rate	$/kW	0.0722
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014		
Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kW	0.4186
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kW	(0.4464)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM)		
Recovery Rate Rider (2012) – effective until April 30, 2014	$/kW	0.0149
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kW	(0.0614)
Retail Transmission Rate – Network Service Rate	$/kW	2.5648
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.9998

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

GENERAL SERVICE 1,000 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated Residential, and that: over a twelve month period has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 1,000 kW and less than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	3,121.63
Distribution Volumetric Rate	$/kW	1.2790
Low Voltage Service Rate	$/kW	0.0792
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014		
Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kW	0.5237
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kW	(0.5105)
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kW	(0.0363)
Retail Transmission Rate – Network Service Rate	$/kW	2.7241
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	2.1923

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

LARGE USE SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over 12 consecutive billing periods has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	24,427.60
Distribution Volumetric Rate	$/kW	1.4610
Low Voltage Service Rate	$/kW	0.0905
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers and excluding Wholesale Market Participants	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014		
Applicable only to Non-RPP Customers and excluding Wholesale Market Participants	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kW	0.6579
Not Applicable to Wholesale Market Participants		
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Wholesale Market Participants	$/kW	(0.0530)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kW	(0.7177)
Not Applicable to Wholesale Market Participants		
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013		
Applicable only for Wholesale Market Participants	$/kW	(0.1377)
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kW	(0.0470)
Retail Transmission Rate – Network Service Rate – Interval Metered	$/kW	3.0162
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	$/kW	2.5070

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand is less than, or a new customer forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by Bluewater Power and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	$	15.68
Distribution Volumetric Rate	$/kWh	0.0426
Low Voltage Service Rate	$/kWh	0.0002
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014		
Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kWh	0.0012
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kWh	(0.0020)
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kWh	(0.0008)
Retail Transmission Rate – Network Service Rate	$/kWh	0.0063
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0050

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	$	3.43
Distribution Volumetric Rate	$/kW	22.6299
Low Voltage Service Rate	$/kW	0.0570
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kW	0.4944
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kW	(0.8027)
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kW	(0.3944)
Retail Transmission Rate – Network Service Rate	$/kW	1.9441
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.5783

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	$	2.14
Distribution Volumetric Rate	$/kW	16.5512
Low Voltage Service Rate	$/kW	0.0558
Rate Rider for Global Adjustment Sub-Account Disposition (2011) – effective until April 30, 2013		
Applicable only for Non-RPP Customers	$/kWh	0.0026
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2014		
Applicable only to Non-RPP Customers	$/kWh	(0.0002)
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2013	$/kW	0.4212
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2014	$/kW	(0.6964)
Rate Rider for Tax Change (2012) – effective until April 30, 2013	$/kW	(0.3152)
Retail Transmission Rate – Network Service Rate	$/kW	1.9342
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.5461

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	$	5.25

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Customer Administration		
Duplicate invoices for previous billing	$	15.00
Income tax letter	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	10.00
Returned Cheque charge (plus bank charges)	$	15.00
Special meter reads	$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	$	30.00
Disconnect/Reconnect Charge - At Meter During Regular Hours	$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	$	185.00
Specific Charge for Access to the Power Poles – $/per pole/year	$	22.35

Bluewater Power Distribution Corp.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0153

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0356
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0253
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045