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Ontario

BY EMAIL

October 10, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Oshawa PUC Networks Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0157

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. This document is also being forwarded to Oshawa PUC Networks Inc. and to registered parties to this proceeding.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Applications & Regulatory Audit

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Oshawa PUC Networks Inc.

EB-2012-0157

October 10, 2012

Board Staff Submission
Oshawa PUC Networks Inc.
2013 IRM3 Rate Application
EB-2012-0157

Introduction

Oshawa PUC Networks Inc. ("Oshawa") filed an application (the "Application") with the Ontario Energy Board (the "Board") on July 27, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Oshawa charges for electricity distribution, to be effective January 1, 2013. The Application is based on the 2012 3rd Generation Incentive Regulation Mechanism ("IRM").

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 Oshawa.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Oshawa. Pursuant to Guideline G-2008-0001, updated on June 28, 2012 Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

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 audited account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. Debit balances are recoverable from customers whereas credit balances are amounts payable to customers.

In the interrogatory phase Board staff requested that Oshawa update its continuity schedule for omitted data for accounts 1586 RSVA Retail Transmission Connection Charge, 1588 RSVA Power (excluding Global Adjustment) and 1588 RSVA Power-Sub Account – Global Adjustment. The total updated balance of Oshawa's Group 1 accounts is a credit of ($68,516). This amount results in a total claim per kWh of ($0.0001), which does not exceed the pre-set disposition threshold. As a result, Oshawa is not seeking disposition of its Group 1 balances.

In the interrogatory phase Board staff requested that Oshawa update the IRM Rate Generator Model from version 2.1 to version 2.3. Board staff has made one correction to the updated model under Tab 4/line 76/Residential rate class/Rate Rider for the Deferral/Variance Account Disposition (2011) – effective until April 30, 2012. The kW has been changed to kWh. Board staff requests Oshawa confirm in its reply submission the change is correct

Board staff makes detailed submissions on the following matters:

- Lost Revenue Adjustment Mechanism ("LRAM"); and
- Tax Sharing Model

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 for programs implemented prior to 2011.

Oshawa seeks to recover a total LRAM claim of $281,835.83 over a one-year period. The lost revenues include the effect of CDM programs in 2010 and 2011 from programs implemented from 2006-2010. In response to Board staff interrogatory 5(h), Oshawa also requested carrying charges of $6,989.48, for a total LRAM request of $288,825.31.

Submission

2010 lost revenues not previously claimed in past rate applications

Oshawa has requested the recovery of an LRAM amount that includes the effect of 2006-2010 CDM programs in 2010. Oshawa noted in response to Board staff interrogatory 5(d) that it had not included these amounts in its last LRAM claim in its

2012 cost of service application (EB-2011-0073) as it did not have the final results of the 2010 program year at that time.
Board staff notes that Chapter 2 of the Filing Requirements for Transmission and Distribution applications dated June 22, 2011, stated as follows:

> Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.

Oshawa did not file an LRAM claim for 2010 as part of its 2012 cost of service application, as set out by the Filing Requirements. It is making the claim now as part of this 2013 IRM rate application.

Board staff submits that the lost revenues claimed in this rate application for 2010 from 2006-2010 CDM programs are reasonable and have not been recovered in past applications by Oshawa. On that basis, Board staff does not object to this claim. However, the Board should consider whether Oshawa has provided an acceptable rationale for not filing this claim as part of its 2012 rate application, as required.

Persisting 2006-2010 lost revenues in 2011

Oshawa has also requested the persisting lost revenues from 2006-2010 CDM programs in 2011.

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[1].

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

Board staff notes that Oshawa's rates were last rebased in 2012 and therefore, Oshawa had no opportunity to recover the lost revenues in 2011 from 2006-2010 CDM programs. Further, Oshawa previously rebased in 2008 and filed its application on October 3, 2007. Since the 2008 CDM Guidelines were not issued until March 28, 2008, they were not available to Oshawa when it was preparing its historic load forecast. Board staff therefore supports the recovery of the entire LRAM amount requested by Oshawa for 2011.

Board staff notes that in response to VECC interrogatory 5(c), Oshawa indicated that the lost revenues from its Christmas Light Retrofit program from 2006 have expired. Removal of the lost revenues from this program result in a reduction of $146.11 to the overall LRAM claim, which does not affect Oshawa's proposed rate riders. Board staff does not feel that an adjustment to the LRAM request is necessary and supports the recovery of the total requested LRAM amount of $288,825.31, inclusive of carrying charges, subject to the Board consideration of whether the filing of the claim for 2010 is too late.

Tax Sharing Model

Background

In the interrogatory phase, Board staff noted it was unable to verify the 2012 tax rate entered on tab 5 of the Tax-Savings Work Form with Oshawa's previous cost of service Revenue Requirement Work Form ("RRWF") for 2012 rates (EB-2011-0073). In response to interrogatories, Oshawa stated "The 20.16% is a derived rate based on an input rate of 23.63% combined with tax credits of $56,000."

Submission

Board staff finds that the tax credits of $56,000 were already included in the calculation of the tax rates under line no. 4 Income Taxes in the RRWF cost of service EB-2011-0073. Board staff observes that the 2012 tax rate disclosed in the IRM Tax Sharing Model should be 20.16% and not 23.63%. This tax rate should include the rate derived after taking into account the tax credits of $56,000. However, Board staff notes that the 2012 tax rate is not used in the tax sharing calculation in the IRM Tax Sharing Model, rather the 2012 Grossed-Up Tax Amount is used in the calculation. Board staff further notes that total 2012 Grossed-Up Tax Amount submitted by Oshawa of $325,371 matches the amount approved in EB-2011-0073. Therefore Board staff submits that Oshawa has correctly calculated the 2013 Tax Sharing Amount of $1,620 because an input into the calculation is the correctly stated 2012 Grossed-Up Tax Amount and not the disclosed 2012 tax rate.

Board staff notes that the $1,620 Tax Sharing Amount generates rate riders for all rate classes of zero to four decimal places. Therefore, Board staff supports Oshawa's proposal which was to record the balance of this account in 1595 for future disposition.

All of which is respectfully submitted