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BY EMAIL

October 23, 2012

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro One Brampton Networks Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0135**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding.

As a reminder, Hydro One Brampton Networks Inc.'s Reply Submission is due by November 6, 2012.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor
Electricity Rates Applications

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Hydro One Brampton Networks Inc.

EB-2012-0135

October 23, 2012

**Board Staff Submission
Hydro One Brampton Networks Inc.
2013 IRM3 Rate Application
EB-2012-0135**

Introduction

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

HOBNI's Application contained a request for recovery of additional revenue associated with incremental in-service capital additions of \$4.53 million through an incremental capital module ("ICM"). On October 9, HOBNI withdrew its request for an ICM Rate Rider and on October 11, 2012 it filed an amended application to remove the ICM.

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 HOBNI.

Board staff notes that HOBNI has completed the Deferral and Variance Account workform and that the 2011 balances as shown are consistent with the 2011 Balances reported in its RRR filings and that the resulting Group 1 balances for disposition do not meet the threshold. Board staff agrees with HOBNI's proposal that the Group 1 balances not be disposed at this time.

Board staff submits that HOBNI has appropriately completed the Shared Tax Savings model, and agrees that the amount of \$86,301 to be refunded results in rate riders of \$(0.000) when rounded to four decimal places for all three energy-based kWh rate classes. Board staff supports HOBNI's request to record this amount in Account 1595 for disposition in a future rate proceeding.

LRAM Rate Rider

HOBNI has requested approval of a Lost Revenue Adjustment Mechanism (“LRAM”) amount of \$374,629, which includes persisting lost revenues from 2010 Conservation and Demand Management (“CDM”) programs realized in 2011 and 2012.

Background

In HOBNI’s 2011 cost of service (“COS”) rate application (EB-2010-0132), The Board found that the appropriate CDM adjustment to be included in HOBNI’s 2011 load forecast was 19 GWh, which represented 10% of HOBNI’s cumulative CDM target for the period of 2011 – 2014. The Board further stated that the regression model developed by HOBNI captured the projections for future year trends regarding increased CDM savings over time and that there was no need for further adjustments.

In HOBNI’s 2012 IRM application (EB-2011-0174), HOBNI requested approval of lost revenues in 2009 from 2009 CDM programs, lost revenues in 2010 from 2009 and 2010 CDM programs and lost revenues in 2011 from 2009 and 2010 CDM programs.

In the Board’s decision in HOBNI’s 2012 IRM application, it found that HOBNI’s application was inconsistent with the 2008 CDM Guidelines and that HOBNI’s 2011 forecast was final in all respects. The Board approved an LRAM amount of \$428,857 for HOBNI representing lost revenues from 2009 CDM programs in 2009 and 2010, and lost revenues from 2010 CDM programs in 2010, but excluding any lost revenues in 2011 from previous year’s programs.

Submission

On April 26, 2012 the Board issued updated *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-0003) (the “2012 CDM Guidelines”). The 2012 CDM Guidelines note that “all elements of the 2008 CDM Guidelines are superseded by this document and the CDM Code.”¹ Section 13.6 of the Board’s 2012 CDM Guidelines outlines the information that is required when filing an application for LRAM for pre-CDM Code activities (i.e. any CDM activities undertaken before 2011). The 2012 CDM Guidelines are consistent with the 2008 CDM Guidelines with respect to how long lost revenues are accruable for CDM activities undertaken before 2011.

The Board's 2012 CDM Guidelines state:

"The 2008 CDM Guidelines state as follows: "lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the CDM savings would be assumed to be incorporated in the load forecast at that time." The intent of the LRAM in the 2008 CDM Guidelines was to keep electricity distributors revenue neutral for CDM activities implemented by the distributor during the years in which its rates were set using the incentive regulation mechanism, and that future LRAM claims should be unnecessary once a distributor rebases and updates its load forecast.

The Board therefore expects that LRAM for pre-2011 CDM activities should be completed with the 2012 rate applications, outside of persisting historical CDM impacts realized after 2010 for those distributors whose load forecast has not been updated as part of a cost of service application.²

Board staff does not support HOBNI's request for recovery of an LRAM amount related to lost revenues in 2011 and 2012 from the persisting impacts of 2010 CDM programs. Board staff submits that HOBNI's request for LRAM is inconsistent with the Board's decision in HOBNI's 2012 IRM application and the 2012 CDM Guidelines. Board staff submits that HOBNI had an updated load forecast approved in 2011 and that this load forecast is final in all respects. Board staff submits that that HOBNI's current LRAM request should be denied.

- All of which is respectfully submitted –

¹ Section 1.2: Overview of the CDM Guidelines, *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-0003)

² Section 13.6: LRAM and SSM for pre-CDM Code Activities: *Guidelines for Electricity Distributor Conservation and Demand Management* (EB-2012-0003)