

**APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES**

**EFFECTIVE MAY 1, 2013**

**EB – 2012-0141**

**IN THE MATTER OF** the Ontario Energy Board Act, 1998, Schedule B to the Energy Competition Act, 1998, c.15;

**AND IN THE MATTER OF** an Application by Kenora Hydro Electric Corporation Ltd. to the Ontario Energy Board for an Order approving just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2013.

**APPLICATION**

The Applicant, Kenora Hydro Electric Corporation Ltd (“Kenora Hydro”) is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the City of Kenora, Ontario. Kenora Hydro carries on the business of distributing electricity within the City of Kenora as a licensed electricity distributor under license ED-2003-0030.

Kenora Hydro hereby applies to the OEB pursuant to Section 78 of the Ontario Energy Board Act, 1998 for approval of these proposed distribution rates and other charges, on a 2013 Incentive Regulation Mechanism Application, with rates effective May 1, 2013.

The applicant’s notice will be appearing in the Kenora Daily Miner & News, a paid publication, with readership and circulation of approximately 3,500.

Requests for further information on this application should be made to:

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Dated in Kenora, Ontario, December 3, 2012.

**MANAGER’S SUMMARY**

Kenora Hydro is applying for rates and charges to be effective May 1, 2013. Kenora Hydro completed a full Cost of Service rebasing application, with rates effective July 1, 2011. This is Kenora’s second application under the Board’s 3rd Generation Incentive Regulation Mechanism (IRM3).

**General Information**

**Transition to IFRS**

Kenora Hydro has maintained financial records consistent with CGAAP and will present financial information under IFRS in the next Cost of Service Application.

**Incremental Capital Module**

An Incremental Capital Model has not been filed by Kenora Hydro for this IRM application.

**Z-Factor Claim**

A Z-Factor Claim has not been filed by Kenora Hydro for this IRM application.

**Deferral and Variance Account Rate Rider**

Kenora Hydro has included in this IRM an analysis and proposed disposal of the “Group 1” Deferral and Variance accounts, as the net account balances exceed the preset disposition threshold of $0.001/kWh. Included in the Rate Rider is disposition of the following accounts:

* 1580 RSVA Wholesale Market Service
* 1584 RSVA Transmission Network Service
* 1586 RSVA Transmission Connection Service
* 1588 RSVA Power
* 1588 RSVA Global Adjustment
* 1568 2011 LRAM Variance Account
* 1590 Recovery of RA Balances

Balances as at December 31, 2011, and anticipated carrying charges to April 30, 2013 are as follows:



As the total calculated claim per kWh is ($0.0013), the threshold has been met and a one year rate rider has been proposed for the disposition of the Group 1 Accounts (Tab 8 of the IRM Generator).

**LRAM Claim**

The calculated balance in the LRAM Account 1568 has been included in the accounts above. Calculations and supporting documents have been included in Appendix E.

**Schedule of Rates and Tariffs May 1, 2013**

A draft schedule of Rates and Tariffs has been included as Appendix F.

**Draft Rate Impacts**

The rate impact sheets generated from the IRM are included in Appendix D. In summary:

* Residential TOU at 800 kWh: Decrease $1.45, a 1.26% decrease
* General Service Under 50 kW at 2,000 kWh: Decrease $3.75, a 1.45% decrease
* General Service Over 50 kW at 43,500 kWh, 100 kW: Decrease $13.49, a 0.26% decrease
* Unmetered Scattered Load at 12,500 kWh: Decrease $32.92, a 2.43% decrease
* Streetlights at 137,000 kWh, 428 kW: Decrease $58.16, a 0.37% decrease

**MODELS**

**A. 2013 IRM Tax Sharing Model**

As part of this application, Kenora Hydro submits the 2013 IRM3 Tax Sharing Workform. As calculated in the Workform, there will be no impact of any currently known legislated tax changes on Kenora Hydro. There are no Rate Riders calculated as a result of Shared Tax Savings model. The Model has been included as Appendix A.

**B. Revenue Cost Ratio Adjustment Workform**

As a result of the final OEB Decision for Kenora Hydro’s 2011 COS Rate Application, there is a required final adjustment to the revenue-to-cost ratio for the Unmetered Scattered Load class. As detailed in the submitted Revenue/Cost Ratio Model, change has occurred in the USL class, with an adjustment from 138% in 2011 to 129% in 2012, and this, the final adjustment in 2013 to 120%, the target ‘high’ range for USL class. The revenue rebalancing again occurs in the GS>50 kW class.

The proposed shift in Revenue-to-Cost ratios will result in a re-allocation of $462.00 in distribution revenue collection, reducing the total USL and increasing the GS>50 kW revenues for the year.

***Input Sources for Revenue-Cost Ratio Adjustment Workform***

The Revenue to Cost Model issued for the 2012 IRM was used in this application.

**Tab 3:** Customer count and load forecasts taken from final 2011 COS Application. Rates from final OEB Rate Order dated July 6, 2011. Current Tariff Service Charge and Volumetric Charge are taken from November 1, 2012 EB-2011-0177.

**Tab 6:** From 2012 Revenue/Cost Ratio Model – The resulting % by class from the 2012 IRM was input into this Model as the “2011” or Current Year column. The “2012” column, which will be adjusting the 2013 rates, was used to input the final transition. The Unmetered Scattered Load required movement from the 129% as approved in the 2012 IRM, to 120% for the 2013 IRM. The rebalance occurs at the GS 50 to 4,999 kW class. In this filing, the dollar adjustment is not significant enough to change the percentage displayed in the GS 50 to 4,999 kW class. It remained at 125%.

**Tab 10:** The resulting “Proposed Revenue to Cost Ratios”

**Tab 10 of Revenue/Cost Ratio Model**

The Revenue-Cost Ratio Model is included in Appendix B.

**C. Retail Transmission Service Rates Model**

Based on the most recent Uniform Transmission Rates (UTR) approved by the Board (EB-2011-0268) effective January 1, 2012, the current UTR’s applicable to Kenora Hydro are:

* Network Service $3.57 / kW
* Line Connection $0.80 / kW

Kenora Hydro agrees that the Board will update these rates in this application January 2013 as required.

***Input Sources for RTSR Adjustment Workform***

**Tab 4:** The most recent RRR billing determinants are taken from the 2011 Annual RRR filing.

**Tab 5:** Rates effective January 1, 2013 are assumed to be the 2012 Rates until updated.

**Tab 6:** Network and Connection charges taken from 2011 IESO Invoices.

The resulting RTSR’s were input into the IRM Model.

The 2012 RTSR Workform is included as Appendix C.

**D. 2013 IRM Rate Generator**

***Input Sources for 2013 IRM Rate Generator***

**Tab 4:** Current rates from November 1, 2012 Tariff of Rates and Charges EB-2011-0177.

**Tab 5:** December 31, 2009 ending balances were input into 2009 “Adjustments during 2009 – Other” to allow for carry-forward of balances to 2010 in this model. Carrying charges ending 2009 balances were input into 2009 “Adjustments during 2009- Other” for the same purpose.

In 2011 – Board approved dispositions were input, end of 2011 results match the RRR 2011 filings. Board approved dispositions from the 2011 COS Application have been included in columns “BO” and “BW”, as well as dispositions from the November 1, 2012 Order in columns “BZ” and “CA”.

LRAM Variance Account principal has been included in Colum “BS” as an Other Adjustment in Q4 2011 to allow input into the sheet.

2.1.7 - RRR balances are taken directly from the 2011 RRR filing.

No balances have been included for account 1562 –PILs, and 1521 – Special Purpose charge, as these two accounts have been disposed of in the November 2012 IRM.

**Tab 6:** Metered kWh and kW, and distribution revenue are input as approved in the 2011 COS Rate Application. LRAM variance account class allocation has been done based on working papers in Appendix E attached to this submission. OPA net savings by class is the driver for the kWh allocations as on Tab 2.5.2 – Results LDC.

**Tab 9:** The Board’s 3rd Generation IRM Version 2.3 dictates that Kenora’s model incorporates the following:

* Price escalator (GDP-IPI) = 2.0%
* Productivity Factor = 0.72%
* Stretch Factor = 0.4% (Proxy until LDC specific factor is made available)
* Resulting Price Cap Index = 0.88%

It is understood that the Board will update this rate application to reflect any required changes required in these rates.

The Revenue/Cost Ratio Model was used to determine the required adjustments in this tab. The R/C Model is included as Appendix B.

The Full 2013 IRM3 Rate Generator is included as Appendix D.