

Chapleau Public Utilities Corp.

110 Lorne St. S
Chapleau, Ontario
P.O. Box 670
P0M 1K0

Telephone (705) 864-0111
Fax (705) 864-1962
E-mail chec@onlink.net

December 10, 2012

Ms. K. Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto, Ontario M4P 1E4

**Re: Chapleau Public Utilities Corporation (CPUC) 2012 Cost of Service Electricity
Distribution Rate Application EB-2011-0322 - Draft Rate Order.**

Dear Ms. Walli:

Chapleau Public Utilities Corporation (CPUC) hereby submits its Draft Rate Order in accordance with the Ontario Energy Boards Decision and Order of November 29, 2012.

Enclosed with this letter are two (2) hard copies of all documents and exhibits used to develop the Draft Rate Order. Electronic versions of these documents are also being submitted through the Boards e-Filing Services (RESS).

These documents are filed on behalf of Chapleau Public Utilities Corporation.

Sincerely,

Original signed by :

Peter Ioannou
Enclosure

cc: Marita Morin, Chapleau Public Utilities Corporation.

Chapleau Public Utilities Corporation (CPUC)
Draft Rate Order
2012 Cost of Service Rate Application
EB-2011-0322

Introduction

Chapleau Public Utilities Corporation (CPUC) filed a cost of service application with the Ontario Energy Board on January 30, 2012. The Application was filed under section 78 of the *Ontario Energy Board Act, 1998* seeking approval for changes to the rates that CPUC charges for electricity distribution to be effective May 1, 2012. The Board assigned the application file number EB-2011-0322.

In this Draft Rate Order, based on the Decision and Order issued November 29, 2012, CPUC revised its Base Revenue Requirement to \$840,653 due to the reduction of \$10,000 in the budgeted costs to develop an Asset Management Plan during 2012. The proposed rates are set to recover a revenue deficiency of \$178,727.

In the Board's Decision and Order the following issues were addressed that required changes to be made to CPUC's proposed rates for 2012:

OPERATIONS, MAINTENANCE & ADMINISTRATION ("OM&A")

Asset Management Plan

In the Board's Decision and Order it was identified that:

"The costs of asset management planning should be commensurate with the size and complexity of the distribution system and be proportional to overall spending. The Board finds that \$30,000 a year is a relatively high cost for an undertaking of this nature. The Board does note however that CPUC is intending to include its analysis of its high system losses in its analysis of asset investment. Even with this important element included, the Board considers the amount of \$30,000 per year to develop this plan to be disproportional to CPUC's overall costs. The Board will allow \$20,000 per year for the overall efforts expended in the area of asset management and system loss improvements."

CPUC has complied with the Board's Decision to reduce \$10,000 in CPUC's budgeted cost to develop an Asset Management Plan during in 2012. This change, necessitated changes to the following excel models and worksheets, included as appendices with this submission:

- Revenue Requirement Work Form - Appendix A
- Cost Allocation Model - Appendix B
- Test Year Income Tax PILs Work Form - Appendix C
- 2012 Rate Schedules - Appendix D

SMART METERS

In the Board's Decision and Order it was identified that:

"Regarding the rate riders, the Board approves of the determination of the SMDRs and SMRRs by rate class. The Board finds that due to the delays in this proceeding, it would be more appropriate to calculate the SMDR based on a collection period of 41 months, which would be December 1, 2012 through to April 30, 2016."

CPUC agrees with the Board and has made changes to the Smart Meter Disposition Rider ("SMDR") and Stranded Meter Rate Rider ("SMRR") to be based on a collection period of 41 months from December 1, 2012 to April 30, 2016

The excel worksheet included with this submission as Appendix E.

REVENUE-to-COST RATIOS

In the Board's Decision and Order the Board directed CPUC to follow VECC's proposal in principle but to mitigate increases so that no class has more than a 10.0% increase in any one year.

VECC'S proposal stated that the following adjustments should be made:

- The ratio for GS>50 should be reduced to 120%.
- The ratio for Sentinel Lights should be increased to 80%.
- Any additional revenues required to offset the shortfall resulting from the first two adjustments should be obtained by:
 - First, increasing the Street Light ratio up to 80% (if necessary);
 - Then, if necessary, increasing the ratios for both Sentinel and Street Lighting;
 - Finally, should the increase in both these ratios to 97.47% be insufficient to offset the revenue shortfall – the ratios for these two classes plus Residential should be increased (in tandem) until the shortfall is eliminated; and
 - Should the resulting bill impacts on the Sentinel Light and Street Light classes be deemed too high, then the adjustment to the GS>50 class and the offsets should be phased in over the IRM period.

CPUC agrees with the Board's decision and has made changes to the Revenue-to-Cost Ratios as proposed by VECC and has mitigated increases so that no class has more than a 10.0% increase in any one year. This excel worksheet is included as Appendix F.

Changes to Revenue-to-Cost Ratios

Customer Class	Original Cost Study	Amended Cost Study	Original Proposal	Amended Proposal	Board Ranges
Residential	97.77%	97.47%	97.47%	97.47%	85% - 115%
GS < 50 kW	99.93%	104.28%	104.28%	104.28%	80% - 120%
GS > 50 kW	119.59%	124.59%	120.00%	120.00%	80% - 120%
USL	127.93%	118.48%	118.48%	118.80%	80% - 120%
Sentinel Lighting	61.46%	54.35%	80.00%	81.52%	80% - 120%
Street Lighting	92.40%	75.78%	81.68%	81.52%	70% - 120%

CPUC increased the ratios for both Sentinel and Street Lighting to 81.52%.

The resulting bill impacts on the Sentinel Light and Street Light classes are above 10.0% therefore the adjustment to the GS>50 class and the offsets are phased in over the IRM period. The resulting bill impacts are further discussed under "Bill Impacts".

Customer Class	Amended Cost Study	2012	2013	2014	2015
GS > 50 kW	124.66%	123.18%	121.78%	120.37%	120.00%
Sentinel Lighting	54.50%	65.31%	70.71%	76.12%	81.52%
Street Lighting	75.87%	77.75%	79.64%	81.52%	81.52%

RATE DESIGN

In the Board Decision and Order the Board Finding states:

"The Board notes that on October 1, 2012 the Board announced that it has undertaken a Review of Cost Allocation Policy for Unmetered Loads ("UL"). Such an undertaking will help improve the accuracy of the costs allocated to these UL classes. At this juncture, the Board finds VECC's proposal to be appropriate."

For the unmetered classes VECC submitted the following:

- **Unmetered Scattered Load:** The rate design for this class should follow the same principles as used for the metered classes. VECC stated that there is no given reason why the variable rate should be the same as that for the GS<50 kW class;
- **Street Lighting:** The rate design for this class should follow the same principles as used for the metered classes. VECC noted that the current monthly fixed charge is well within the allowable range as determined by the CA Model and will increase further given the proposed revenue requirement; and
- **Sentinel Lighting:** VECC stated there was no basis for such an arbitrary approach and submitted that the approach used for this class should be the same as for the metered classes.

CPUC is pleased that a review of Cost Allocation Policy for Unmetered Loads ("UL") will be undertaken that will help improve the accuracy of the costs allocated to these UL classes.

CPUC has agreed with the Board and has adjusted its rates as indicated above by VECC. The following table shows the comparison of current and proposed proportions and also the comparison of current and proposed rates also shown below.

Comparison of Current and Proposed Fixed/Variable proportion

Customer Class	Current		Proposed	
Residential	63.00%	37.00%	61.96%	38.04%
GS < 50 kW	47.70%	52.30%	42.15%	57.85%
GS > 50 kW	38.59%	61.41%	31.81%	68.19%
USL	94.15%	5.85%	88.15%	11.85%
Sentinel Lighting	73.27%	26.73%	73.30%	26.70%
Street Lighting	53.24%	46.76%	53.24%	46.76%
TOTAL	56.59%	43.41%	54.15%	45.85%

Comparison of Current and Proposed Rates

Customer Class	Current Rates		Proposed Rates		Unit cost/Mth Fixed From CA Sheet O2 \$
	Fixed \$	Variable \$	Fixed \$	Variable %	
Residential	18.46	0.0102	23.37	0.0135	23.37
GS < 50 kW	30.00	0.0122	34.19	0.0174	34.19
GS > 50 kW	188.72	2.6064	188.72	3.5111	105.08
USL	20.13	0.0125	24.28	0.0326	24.28
Sentinel Lighting	4.41	6.7270	8.80	13.4067	15.64
Street Lighting	3.10	14.4120	4.31	20.0394	10.59

Explanation of changes from current and Proposed Fixed and Variable Proportions:

Residential Class - Unable to hold fixed and variable charge at the same proportion due to maximum allowed as per the Cost Allocation Model, Sheet O2. Therefore fixed charge increased to maximum allowed of \$23.37.

General Service Class <50 kW - Unable to hold fixed and variable charge at the same proportion due to maximum allowed as per the Cost Allocation Model, Sheet O2. Therefore fixed charge increased to maximum allowed of \$34.19.

General Service Class >50 kW - Fixed charge is over the maximum allowed as per the Cost Allocation Model, Sheet O2, therefore change was made to variable charge only.

Unmetered Scattered Load - Unable to hold fixed and variable charge at the same proportion due to maximum allowed as per the Cost Allocation Model, Sheet O2. Therefore fixed charge increased to maximum allowed of \$24.28.

Sentinel Lighting Class - CPUC has maintained Fixed and Variable proportions as in 2011. Minor differences are due to rate rounding.

Street Lighting Class - CPUC has maintained Fixed and Variable proportions as in 2011.

The above changes are included in the attached excel worksheet as Appendix F.

Bill Impacts

Having made all required changes to CPUCs Rate Schedule, as recommended in the Board Decision and Order, a bill impact study was performed with the following results:

Impacts - Selected Monthly Customer Consumptions by class

Rate Class	Consumption	Increase (Decrease) Before Mitigation	
		\$ Amount	Percent
Residential	800 kWh	11.71	11.28 %
General Service <50 kW	2,000 kWh	22.10	9.13 %
General Service > 50 kW	150 kW 75,000 kWh	(777.60)	(9.22)%
Unmetered Scattered Load	150 kWh	8.71	24.12%
Sentinel Lights	0.75 kW 200 kWh	11.97	42.73%
Street Lights (Total 341 Connections)	65 kW 24,552 kWh	986.00	23.05%

Impacts - Monthly Average Customer Consumptions by class

Rate Class	Average Consumption	Increase (Decrease)	
		\$ Amount	Percent
Residential	1,063 kWh	13.74	10.49 %
General Service <50 kW	2,696 kWh	27.68	8.79 %
General Service > 50 kW	115.0 kW 45,192 kWh	(595.32)	(10.95)%
Unmetered Scattered Load	100 kWh	7.18	23.26%
Sentinel Lights	0.24 kW 93 kWh	6.79	46.18%
Street Lights	0.19 kW 71 kWh	2.91	23.10%

The above changes are included in the attached excel worksheet as Appendix F.

RATE IMPACT MITIGATION

CPUC, having performed a bill impact study as above has determined that the following customer class/consumptions will be affected by more than 10.0%.

Customer Class/Consumptions impacted by 10.0% and over

Rate Class	Consumptions Less Than	Number of Customers or Connections
Residential	1,312 kWh	Approx. 500
GS <50 kW	1,135 kWh	Approx. 24
Unmetered Scattered Load	ALL	6
Sentinel Lights	ALL	23
Street Lights	ALL	341

To mitigate customer impacts of 10.0% and over, CPUC will make rate adjustments as follows:

For Residential customers CPUC is proposing to reduce the proposed monthly service rate from \$23.37 to \$20.12 for all 1133 customers per month from December 1, 2012 to April 30, 2013. There will be 14 customers consuming 65 kWh or less per month that will still be affected by 10.0% or \$2.80 or less. This approach will assist all residential customers cope with the increase.

There are 1,133 customers that will be affected by this adjustment, therefore mitigation loss of revenue (5 months) to CPUC will be \$18,411.25 (1,133 x \$3.25 x 5).

For GS <50 kWh customers CPUC is proposing to reduce the proposed monthly service rate from \$34.19 to \$31.79 per month for all 161 customers from December 1, 2012 to April 30, 2013. There will be 15 customers consuming 148 kWh or less per month that will still be affected by 10.0% or \$4.88 or less.

There are 161 customers that will be affected by this adjustment, therefore loss of revenue (5 months) to CPUC will be \$1,932.00 (161 x \$2.40 x 5).

For Unmetered Scattered Load customers CPUC is proposing a mitigation plan over a 2 year period. In 2012, reduce the proposed monthly service rate from \$24.28 to \$20.15 per month for all 6 customers from December 1, 2012 to April 30, 2013. In 2013 CPUC is proposing to reduce the proposed monthly service rate from \$24.28 to \$23.38 per month for all 6 customers from May 1, 2012 to April 30, 2013.

There are 6 customers that will be affected by this adjustment, therefore loss of revenue to CPUC will be: In 2012 \$123.90 (6 x \$4.13 x 5). In 2013 \$64.80 (6 x \$0.90 x 5) for a total of \$188.70.

The Sentinel Lighting class customers are being affected the most by the 2012 Cost of Service process. In the Cost Allocation model analysis, Sheet O1 "Revenue to Cost RR", it was identified that its cost ratio is at 54.50%. This ratio requires that it be at 81.52% as determined above and therefore CPUC will adjust this ratio in equal proportions of 6.76% over a 4 year period. The cost ratio therefore will be 61.26% on May 1, 2012, 68.02% on May 1, 2013, 74.77% on May 1, 2014 and 81.52 on May 1, 2015.

CPUC will adjust all 23 customer's Fixed and Variable Rate over 4 years as follows:

Year	Fixed Rate	Variable Rate	Total Cost	Increase \$	Increase %	Net (Loss) of Revenue
2011 Rate	\$4.41	\$6.7270	\$14.69			
2012	\$4.41	\$8.6067	\$15.94	\$1.25	8.51%	(\$342.10)
2013	\$5.41	\$10.1067	\$17.30	\$1.36	8.53%	(\$858.69)
2014	\$7.70	\$13.4067	\$18.77	\$1.47	8.50%	(\$8.85)*
2015	\$8.80	\$13.4067	\$20.37	\$1.60	8.52%	\$294.95*

* Reductions in revenue loss in 2014 and revenue gain in 2015 is due to the Rate Rider for Foregone Revenue being collected from December 1, 2012 until April 30, 2013 and was not applicable for 2014 and 2015.

The above table is based on the average Sentinel Lighting customer consuming 0.2391 kW and 93.18 kWh per month. Customers consuming less than the average will experience increases of over 10.0% however the \$ amounts will be approximately \$1.25 per month or less.

There are 23 customers that will be affected by this adjustment, therefore loss of revenue to CPUC will be a net total of \$1,099.69 calculated as follows:

For 2012 - Fixed Rate - \$8.80 - \$4.41 = \$2.97 x 5 x 23 = (\$504.85)
 - Variable Rate - \$13.4067 - \$8.6067 = \$4.80 x (66/12x5) = (\$132.00)
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$294.95

Net Loss for 2012 is (\$342.10)

For 2013 - Fixed Rate - \$8.80 - \$5.41 = \$3.39 x 12 x 23 = (\$935.64)
 - Variable Rate - \$13.4067 - \$10.1067 = \$3.30 x 66 = (\$217.80)
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$294.95

Net Loss for 2013 is (\$858.69)

For 2014 - Fixed Rate - \$8.80 - \$7.70 = \$1.10 x 12 x 23 = (\$303.60)
 - Variable Rate - \$13.4067 - \$13.4067 = \$0.00
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$294.95

Net Loss for 2014 is (\$8.85)

For 2015 - Fixed Rate - \$8.80 - \$8.80 = \$0.00
 - Variable Rate - \$13.4067 - \$13.4067 = \$0.00
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$294.95

Net Gain for 2015 is \$294.95

For Street Lighting customers CPUC is proposing to adjust both Fixed and Variable Rate over a 3 years as follows:

Year	Fixed Rate	Variable Rate	Total Cost	Increase \$	Increase %	Loss of Revenue
2011 Rate	\$3.10	\$14.4120	\$12.56			
2012	\$3.50	\$14.4120	\$13.70	\$1.14	9.08%	(\$2,383.21)
2013	\$3.90	\$18.2233	\$14.73	\$1.03	8.98%	(\$2,271.23)
2014	\$4.31	\$20.0394	\$14.73	\$0.00*	0.00%*	\$810.33

* No increase in 2014 is due to the Rate Rider for Foregone Revenue being collected from December 1, 2012 until April 30, 2013 and was not applicable for 2014.

For 2012 - Fixed Rate - $\$4.31 - \$3.50 = \$0.81 \times 5 \times 341 = (\$1,381.05)$
 - Variable Rate - $\$20.0394 - \$14.4120 = \$ \times (773/12 \times 5) = (\$1,812.49)$
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$810.33

Net Loss for 2012 is (\$2,383.21)

For 2013 - Fixed Rate - $\$4.31 - \$3.90 = \$0.41 \times 12 \times 341 = (\$1,677.72)$
 - Variable Rate - $\$20.0394 - \$18.2233 = \$1.8161 \times 773 = (\$1,403.85)$
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$810.33

Net Loss for 2013 is (\$2,271.23)

For 2014 - Fixed Rate - $\$4.31 - \$4.31 = \$0.00$
 - Variable Rate - $\$20.0394 - \$20.0394 = \$0.00$
 - Less Adjustment phased-in for Revenue-to-Cost Ratios = \$810.33

Net Gain for 2014 is \$810.33

Summary of Lost Revenues (Estimated)

Customer Class	2012	2013	2014	2015	Total
Residential	(\$18,411.25)	-	-	-	(\$18,411.25)
General Service <50 kW	(\$1,932.00)	-	-	-	(\$1,932.00)
Unmetered Scattered Load	(\$188.70)	-	-	-	(\$188.70)
Sentinel Lights	(\$342.10)	(\$858.69)	(\$8.85)	\$294.75	(\$914.89)
Street Lights	(\$2,383.21)	(\$2,271.23)	\$810.33	-	(\$3,844.11)
TOTAL	(\$23,257.26)	(\$3,129.92)	\$801.48	\$294.75	(\$25,290.95)

CPUC is proposing to forego revenue losses for the Unmetered Scattered Load and Sentinel Light Classes. CPUC in its original submission stated that it would forego revenue losses of \$581.00 for the GS <50 kW class however revenue losses are no longer trivial having more than trebled since the original submission.

CPUC will book the foregone revenue from the mitigation process, for the Residential, GS <50kW and Street Lighting Classes, in Account 1574, Deferred Rate Impact Amounts, for future review and disposition by the Board, as directed in the Board's Decision and Order issued November 29, 2012.

The above are included in the attached excel worksheet as Appendix F.

The following are monthly average consumption bill impact comparisons before and after CPUC's mitigation process for 2012.

Impacts - Monthly Average Customer consumption by class

Rate Class	Average Consumption	Increase (Decrease) Before Mitigation		Increase (Decrease) After Mitigation 2012	
		\$ Amount	Percent	\$ Amount	Percent
Residential	1,063 kWh	13.74	10.49 %	10.49	8.01%
General Service <50 kW	2,696 kWh	27.68	8.79 %	25.20	8.03%
General Service > 50 kW	115.0 kW 45,192 kWh	(595.32)	(10.95)%	(575.63)	(10.58)%
Unmetered Scattered Load	100 kWh	7.18	23.26%	1.25	8.49%
Sentinel Lights	0.24 kW 93 kWh	6.79	46.18%	3.05	9.89%
Street Lights	0.19 kW 71 kWh	2.91	23.10%	1.03	8.23%

TOTAL LOSS FACTOR

In the Board Decision and order issued November 29, 2012 the Board accepted CPUC's proposal that the Total Loss Factor of 1.0654 not to be changed.

LRAM

In its Decision and Order The Board directed CPUC to remove savings from 2006 and 2007 from the LRAM calculations and not to include an estimate of lost revenues for 2011.

The board further directed CPUC to calculate its interest on the removal of the pre 2008 CDM savings , the correction for the Great Refrigerator Round-up 2009 - 2010 and excluding 2011 savings.

CPUC has complied to the Board's decision by recalculating its LRAM (2008 - 2010) and also its interest for disposition over 12 months, as shown in Appendix H. Correction was made to the Great Refrigerator Round-up 2009 - 2010.

DEFERRAL AND VARIANCE ACCOUNTS

CPUC has complied with the Board's Decision and has disposed of the balance for the Deferral Variance Accounts over 41 months except for account 1588 Global Adjustment which is disposed of over 12 months. These are included in excel worksheet Appendix I.

IMPLEMENTATION

In the Board Decision and Order of November 29, 2012 it was determined that the effective date for CPUC's new rates to be May 1, 2012 with an implementation date of December 1, 2012. It was determined that CPUC can recover the foregone revenue through a rate rider to be calculated based on collecting the foregone revenue over 17 months from December 1, 2012 to April 30, 2014 as shown in the excel worksheet Appendix J