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**BY EMAIL**

November 7, 2013

Ontario Energy Board  
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[kirsten.walli@ontarioenergyboard.ca](mailto:kirsten.walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Bluewater Power Distribution Corporation ("Bluewater Power")  
2014 IRM4 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2013-0112**

In accordance with Procedural Order No. 1, these are Board staff's submissions. Bluewater Power's Reply Submission, if it intends to file one, is due by December 2, 2013.

Yours truly,

*Original Signed By*

Suresh Advani



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2014 ELECTRICITY DISTRIBUTION RATES

Bluewater Power Distribution Corporation

EB-2013-0112

**November 7, 2013**

**Board Staff Submission  
Bluewater Power Distribution Corporation  
2014 IRM4 Rate Application  
EB-2013-0112**

## **Introduction**

Bluewater Power Distribution Corporation (“Bluewater Power”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 13, 2013, seeking approval for changes to the distribution rates that Bluewater Power charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 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 Bluewater Power.

Board staff has reviewed Bluewater Power’s 2014 IRM application and its responses to interrogatories and other than the submissions set out below has no concerns with the application and the changes agreed to by the applicant.

Board staff makes detailed submissions on the following:

- Review and Disposition of Group 1 Deferral and Variance Account Balances; and
- Review and Disposition of Lost Revenue Adjustment Mechanism

## **Review and Disposition of Group 1 Deferral and Variance Account Balances**

Board staff notes that the Group 1 principal balances as of December 31, 2012 reconcile with the amounts reported by Bluewater Power as part of the *Reporting and Record-keeping Requirements* (“RRR”).

Bluewater Power proposed a two-year disposition period for its Group 1 Account balances, citing as reasons the need to smooth rates and be consistent with the disposition period of past rate riders.

Board staff notes that the Application is not consistent with the guidelines outlined in the *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review*

*Report* (the “EDDVAR Report”) with respect to the default disposition period for Group 1 accounts (i.e. one year).

While recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance account balances, Board staff notes that in the past, the Board has made decisions which deviate from the EDDVAR Report when it deemed it in the public interest to do so. For example, the Board in several occasions approved a two-year disposition on the basis of striking a balance between reducing intergenerational inequity and mitigating rate volatility.

Board staff also notes that in the settlement agreement related to Bluewater Power’s 2013 cost-of-service application (EB-2012-0107), all parties agreed to a disposition period of 24 months for the recovery of deferral and variance account balances.

Board staff submits that the two-year disposition period for its Group 1 Account balances requested by Bluewater Power is appropriate in this case because it strikes a balance between intergenerational inequity and rate volatility.

### **Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)**

The Board’s *Guidelines for Electricity Distributor Conservation and Demand Management* (the “CDM Guidelines”) issued on April 26, 2012 outline the information that is required when filing an application for LRAMVA.

In response to Board staff interrogatory #1c, Bluewater Power has requested the recovery of an updated LRAMVA amount of \$150,455.88 which includes \$4,026 in carrying charges. The LRAMVA is comprised of persisting lost revenues in 2012 from 2011 CDM programs in the amount of \$55,346.79 and new 2012 lost revenues from 2012 CDM programs in the amount of \$91,083.09, plus carrying charges on the total lost revenue amount.

Board staff notes that Bluewater Power rebased and had an updated load forecast approved as part of its 2013 cost-of-service application. None of the lost revenues included in this Application were subject to any previous approvals. Board staff therefore submits that the applied for lost revenues are eligible for recovery.

Bluewater Power has provided all relevant rate riders by customer class and has proposed to recover its LRAMVA amount through a separate rate rider over a one-year period. Board staff has no concerns with Bluewater Power's updated LRAMVA amount and recovery period.

All of which is respectfully submitted