

2014 REVENUE REQUIREMENT AND USAGE FEE

1.0 REVENUE REQUIREMENT

The OPA is seeking approval of its fiscal year 2014 revenue requirement as required by sections 25.20 and 25.21 of the *Electricity Act, 1998*. Specifically, the OPA is requesting approval of its 2014 operating costs, and to return to ratepayers approximately \$18.8 million of the balance of its Forecast Variance Deferral Account ("FVDA") through a one-time rebate. The details of this request are described below.

The 2014 OPA operations revenue requirement is \$60.3 million, the same as its 2014 operating expense budget. The 2014 revenue requirement is forecast to be \$19.5 million lower than the total 2011 revenue requirement of \$79.9 million. In 2014, the OPA proposes to not include the registration fees and other income in the usage fee calculation due to the uncertainty associated with registration income experienced in the past few years, as evidenced by the reimbursement of Feed-in Tariff ("FIT") registration fees in 2012 and 2013.

The proposed revenue requirement of \$60.3 million is shown in Table 1 below.

Table 1		
OPA Revenue Requirement		
(\$ 000)		
	2011	2014
Operating Expense Budget	\$64.1	\$60.3
Registration Fee Income	(\$1.4)	N/A
Interest Income	(\$0.6)	N/A
Revenue Requirement	\$62.1	\$60.3
FVDA	\$2.1	N/A
RCSDA (Retailer Contract Settlement)	\$15.6	N/A
Net Revenue Requirement	\$79.9	\$60.3

1 As of the end of 2013, the FVDA had a balance of \$33.8 million. This is largely the result of
2 a higher than budget interim usage fee accumulated during the 2011 to 2013 fiscal years.
3 In 2014, the OPA seeks to return \$18.8 million of its cumulative FVDA surplus to ratepayers
4 rather than using it to off-set its operating expenses. This approach is consistent with the
5 methodology used by the Independent Electricity System Operator ("IESO") and approved
6 by the Ontario Energy Board ("Board"). The most recent Board approval for this was given
7 in the IESO's 2011 Fees Submission for Review (EB-2010-0046).

8 The OPA recommends, and seeks Board approval for the retention of a portion of this
9 accumulated surplus, not to exceed \$15 million, in an approved regulatory deferral account
10 (2014 FVDA). The evidence at Exhibit D-3-2 provides further detail on the cumulative
11 surplus and how the disposition of amounts in excess of \$15 million would be returned to
12 ratepayers.

13 On December 16, 2013 the OPA wrote to the Board requesting approval for the
14 continuation of an interim fee for 2014, given the delay to the revenue requirement
15 submission. Specifically, an interim fee of \$0.438/MWh was requested based on the OPA's
16 expected revenue requirement for 2014 and the IESO's 2014 net energy forecast of
17 138 TWh. The 2014 interim fee represents a 20.5 percent decrease from the 2010-2013
18 usage fee of \$0.551/MWh, and would result in annual savings of \$1.09 for the average
19 residential ratepayer in 2014. In its Decision and Order of December 19, 2013, the Board
20 approved the requested fee of \$0.438/MWh on an interim basis, effective January 1, 2014.

21 In February 2014, the OPA obtained an updated demand forecast from the IESO of
22 137.4 TWh from 138 TWh, resulting in a slight increase in the OPA's requested usage fee
23 to \$0.439/MWh for 2014, a difference of \$0.001/MWh. This proposed usage fee represents
24 a savings of \$0.112/MWh or a 20.3 percent decrease from the OPA's 2010-2013 Board-
25 approved fee. The usage fee is derived by dividing the net revenue requirement of
26 \$60.3 million by the IESO's net Ontario electricity forecast of 137.4 TWh (the IESO's

- 1 Ontario forecast of 140.5 TWh less line losses of 3.1 TWh). Assuming average
- 2 consumption of approximately 800 kWh per month, the total monthly bill impact of the
- 3 OPA's fee on a residential consumer is approximately \$0.35.
- 4 Exhibit D-2-1 provides a detailed explanation of the registration fees, the OPA's operating
- 5 expenses and variance analysis on an organizational basis.
- 6 Exhibit D-2-2 provides year-over-year variance analyses of operating costs by goal.