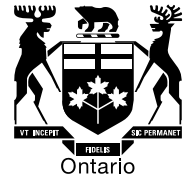


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BY EMAIL

October 30, 2014

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Grimsby Power Incorporated
2015 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2014-0076**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Grimsby Power Incorporated and to all other registered parties to this proceeding.

Grimsby Power is reminded that its Reply Submission, if it intends to file one, is due by November 13, 2014.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Electricity Rates & Accounting

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2015 ELECTRICITY DISTRIBUTION RATES

Grimsby Power Incorporated

EB-2014-0076

October 30, 2014

**Board Staff Submission
Grimsby Power Incorporated
2015 IRM Rate Application
EB-2014-0076**

Introduction

Grimsby Power Incorporated (“Grimsby Power”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on August 13, 2014. Through the Application, Grimsby Power is seeking approval for changes to the distribution rates that it charges for electricity distribution, to be effective January 1, 2015. The Application is based on the 2015 Price Cap IR.

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 Grimsby Power.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Grimsby Power. Pursuant to the Board’s *G-2008-0001 Guideline (Electricity Distribution Retail Transmission Service Rates)*, Board staff notes that the Board will update the applicable data at the time of the Board’s decision on the Application. The update will be based on the Uniform Transmission Rates in place at the time that the decision issued.

In response to Board staff interrogatories, Grimsby Power filed an updated Rate Generator Model to revise the corporate tax rate entered on tab 11. Board staff notes that the revised Shared Tax-Savings portion of the Rate Generator Model reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2011-0273.

Board staff makes detailed submissions on the following areas:

- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”);
- Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”).

Disposition of Deferral and Variance Accounts as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report")

Grimsby Power completed the Deferral and Variance Account continuity schedule included in the 2015 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Grimsby Power's total Group 1 Deferral and Variance Account balances amount to a debit of \$322,731. The balance of Account 1589 – Global Adjustment Sub-Account is a credit of \$269,334, and is applicable only to Non-RPP customers. These balances also include interest calculated to December 31, 2014. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0017 per kWh. As this amount exceeds the preset disposition threshold, Grimsby Power requested disposition of the Group 1 Deferral and Variance Accounts over a one-year period.

Board staff has reviewed Grimsby Power's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2013 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, given that the preset disposition threshold has been exceeded, Board staff has no issue with Grimsby Power's request to dispose of its 2013 Group 1 Deferral and Variance Account balances at this time, over the requested one-year period.

Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "2012 CDM Guidelines") issued on April 26, 2012 (EB-2012-0003), outline the information that is required when filing an application for LRAMVA.

Account 1568 – LRAMVA tracks the revenue impact of the difference between verified results from OPA-Contracted Province-Wide CDM Programs undertaken by the distributor and the CDM activities included in a distributor's load forecast at the time of rebasing.

Distributors receive a copy of their annual final verified CDM results from the Ontario Power Authority ("OPA") and file these results with the Board as part of their CDM Annual Reports on or before September 30th of each year. Distributors are expected to use these results when calculating their lost revenues that are included within Account

1568 – LRAMVA. Board staff reviews the final net CDM savings (both energy (kWh) and peak demand (kW)) for all CDM programs delivered by the distributor and compares these savings totals with the CDM amounts included in the distributor’s load forecast.

Grimsby Power originally requested the approval to dispose of the balance in Account 1568 – LRAMVA, which included a balance of \$67,275 including carrying charges up to December 31, 2013. In response to interrogatories from Board staff and VECC, Grimsby Power revised its LRAMVA request to include the lost revenues related to its final verified 2013 Conservation and Demand Management results it received from the Ontario Power Authority on August 31, 2014. Grimsby's updated Account 1568 - LRAMVA account balance is \$73,418. The LRAMVA balance is attributable to programs from 2011 - 2013.

In total, Grimsby Power has requested approval of lost revenues from CDM programs delivered in 2011 to 2013. Grimsby Power’s last Board approved forecast was part of its 2012 cost of service application (EB-2011-0273) and included projected CDM savings in relation to its CDM target. For 2012, Grimsby Power included forecasted CDM savings of 1.552 GWh which represents 20% of its total 2011-2014 net cumulative energy savings target of 7.760 GWh. Grimsby has used this amount to offset the actual CDM savings Grimsby Power has realized in 2011, 2012 and 2013.

Grimsby notes that it has relied on all of the appropriate final CDM results as prepared by the OPA when calculating its LRAMVA amount. Board staff has reviewed Grimsby Power’s updated LRAMVA amount and cannot reconcile the “actual CDM savings” amounts for all programs, which are outlined in the table included in Appendix 1 of Grimsby Power’s responses to Board Staff interrogatories, with those found in Grimsby Power’s 2011, 2012 and 2013 Final CDM Results¹. It does not appear to Board staff that Grimsby Power has used the “Net Incremental Peak Demand (kW)” and “Net Incremental Energy Savings (kWh)” amounts for any program in any of the years included in its LRAMVA request (i.e., 2011, 2012 and 2013) when calculating its lost revenues. It appears as though Grimsby Power may have used cumulative energy savings amounts for 2011 programs, which would not represent a proper indication of the energy savings (kWh) or subsequent lost revenues in 2011. For 2012 and 2013,

¹ 2011 Final CDM Results: Section 2.5.2, GPI Evaluation Results, pg. 50 of 58, September 28, 2012
2012 Final CDM Results: Section 4.2.1, GPI Evaluation Results, Table 6a, page 35 of 77, September 30, 2013
2013 Final CDM Results: Section 4.2.1, GPI Evaluation Results, Table 7a, page 34 of 79, September 30, 2014

Board staff cannot find a reference point to the savings found in Grimsby Power's Final Evaluation Results.

It would be helpful if Grimsby Power discussed and reconciled the differences between the savings totals in Board staff interrogatory responses, Appendix 1, and those found in its Final CDM Evaluation Results for 2011, 2012 and 2013.

In the event Grimsby Power cannot reconcile the savings amounts discussed above, Board staff suggests that Grimsby Power defer disposition of Account 1568 – LRAMVA until its next rate application, at which point it can file a revised application with the correct LRAMVA amount included.

All of which is respectfully submitted