

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

October 30, 2014

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten, Board Secretary

Dear Ms. Walli:

**Re: Brantford Power Inc.
2015 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2014-0187**

In accordance with Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Brantford Power Inc. and to all other registered parties to this proceeding.

Brantford Power Inc.'s Reply Submission, if it intends to file one, is due by November 13, 2014.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Electricity Rates and Accounting

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2015 ELECTRICITY DISTRIBUTION RATES

Brantford Power Inc.

EB-2014-0187

October 30, 2014

Introduction

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

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 Brantford Power.

The Application

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by Brantford. In response to Board staff interrogatories, which requested a confirmation that these discrepancies were errors, Brantford Power confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to Brantford’s model at the time of the Board’s Decision on the Application.

Board staff has no concerns with the Retail Transmission Service Rates proposed by Brantford Power. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of that the Board issues a decision in this proceeding. The update will be based on the then-current Uniform Transmission Rates.

Brantford Power completed the Deferral and Variance Account continuity schedule included in the 2015 IRM Rate Generator Model Tab 5 for its Group 1 Deferral and Variance Accounts. The total Group 1 Deferral and Variance Account balances amount to a credit of \$470,709. The balance of the 1589 – Global Adjustment Account is a debit of \$1,472,922 and is applicable to only the Non-RPP customers. This amount includes interest calculated to December 31, 2014. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to a credit of \$0.0005 per kWh which does not exceed the threshold. Brantford Power, under section 3.2.3 of the 2015 Filing Requirements, has elected to dispose of the Group 1 account balances even though they are below the threshold.

Brantford Power did not fully complete the Rate Generator Model supplied stating the

model does not provide the features necessary to address Filing Requirements Section 3.2.3, relating to the disposition of Group 1 Deferral and Variance Accounts. Brantford Power went on to state the model did not allow for appropriate allocation of Group 1 Deferral and Variance Accounts to Wholesale Market Participants and Class A Customers. Brantford Power developed an alternate model to enable the correct calculation of rate riders for Wholesale Market Participants and Class A customers. Board staff has no concerns with the alternative model developed by Brantford Power and the allocation of the Group 1 Deferral and Variance Accounts among customer classes. Board staff submits, however, that the LRAMVA rate rider should not be grouped in with the Deferral and Variance rate rider, as account 1568 is not part of the Group 1 Deferral and Variance Accounts. Board staff requests that Brantford Power, in its reply submission, provide updated Deferral and Variance rate riders and separate LRAMVA rate riders.

Board staff makes detailed submissions on the following:

- Disposition of Account 1582
- Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)

Disposition of Account 1582

Background

In its Application, Brantford Power indicated that there was a clerical error that impacted its 2013 cost of service (EB-2012-0109) EDDVAR model relating to Account 1582 RSVA One-Time. During the course of the 2013 proceeding, in response to a Board staff interrogatory, Brantford Power recalculated its rate riders to remove a portion of Account 1582 (in the amount of \$284,402) from the account balance. It appears that Board staff was concerned at that time that this amount related to an out of period balance that Brantford Power was bringing forward for disposition. No submissions were filed in the 2013 proceeding as parties reached a complete Settlement Agreement. The Settlement Agreement did not mention Account 1582 and the recalculated rate riders that excluded the \$284,402 were carried forward to the final EDDVAR model in the Settlement Agreement.

Brantford Power is not currently seeking disposition of this amount but has, through the Application stated that it is proposing to carry forward the \$284,402 for recovery in its next rebasing application, given that this is a Group 2 account. Brantford Power also

stated that it would support the disposition of this balance in Account 1582 at an earlier point in time, as well.

In its interrogatories on the current Application, Board staff noted that the 2013 Settlement Agreement did not mention Account 1582 and that the EDDVAR model excluded the amount. Board Staff inquired why Brantford Power is of the view that the account should have been disposed of as part of its 2013 cost of service proceeding. Brantford Power responded that it did not intend to amend its 2013 cost of service application and remove the amount from the requested disposition when responding to Board Staff's interrogatory to recalculate the rate riders excluding the amount. Brantford Power also noted that the Settlement Agreement included no mention of any changes to Account 1582.

Submission

Board staff submits that the \$284,402 should not be recoverable by Brantford Power. In Brantford Power's 2013 cost of service proceeding (EB-2012-0109), Brantford Power confirmed that the amount was an adjustment made to Account 1582 relating to the years 2002-2004 that was already disposed of on a final basis (Brantford Power's response to interrogatory 9.0 Staff 31 b, EB-2012-0109). Brantford Power indicated that this matter was identified in an audit conducted by Board staff in 2007, which recommended that Brantford Power submit all regulatory asset accounts that were previously approved but subsequently adjusted in its upcoming rate application (Brantford Power's response to interrogatory 9.0 Staff 31 a, EB-2012-0109). Notwithstanding the audit report, Board staff noted this as a concern in the 2013 proceeding when it confirmed with Brantford Power that the adjustment pertained to amounts disposed on a final basis and inquired whether Brantford Power obtained Board approval to adjust the final balances (Interrogatory 9.0 Staff 31, EB-2012-0109). Board staff maintains the concern that any request for recovery of the \$284,402, whether made by Brantford Power in this Application or a future proceeding, would constitute retroactive ratemaking. Board staff submits that the Board should not permit Brantford Power to recover out of period amounts.

In addition, Board staff notes that Brantford Power was aware of the adjustment to Account 1582 before the Board made its decision on Brantford Power's 2006 cost of service application on April 12, 2006, but it did not provide this information to the Board (as evidenced in the Audit Report attached to interrogatory 9.0 Staff 31 a, EB-2012-0109). Board staff is of the view that Brantford Power had an opportunity to avoid the issue of retroactive ratemaking if it had brought this information to the Board when

Brantford Power first became aware of the adjustment (i.e. before the Board made its original decision on the year end 2004 balances).

Board staff acknowledges Brantford Power's claim that the exclusion of the \$284,402 in the EB-2012-0109 proceeding was a clerical error on its part and that it did not intend to exclude the amount for disposition. However, the Settlement Agreement approved by the Board makes no submissions on the parties' views with regard to the specific treatment of the \$284,402 vis-à-vis Account 1582. In addition, there was a complete settlement reached by all parties in the EB-2012-0109 proceeding and no submissions were made on the Settlement Agreement.

For all of these reasons, Board staff is of the view that the \$284,402 should not be recoverable by Brantford Power either in this proceeding nor in future proceedings.

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

Background

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

In response to interrogatories from Board staff and VECC, Brantford Power confirmed that it has requested approval of the following two amounts related to lost revenues from its CDM programs:

- 1) Lost revenues that have persisted in 2012 from the effects of historic 2006 to 2010 CDM programs (the "LRAM amount"). The LRAM amount is a total of \$116,047.82.
- 2) Lost revenues in 2012 that have been recorded in Account 1568 – LRAMVA which are related to the effects of new 2011 and 2012 CDM programs (the "LRAMVA amount"). The LRAMVA amount is a total of \$107,734.

Brantford Power noted that it has included the LRAMVA amount in the rate riders for the Disposition of Deferral/Variance Accounts included in its proposed Tariff of Rates and Charges as opposed to separating the LRAMVA amount as its own separate rate rider.

Submission

Board staff confirms that Brantford Power has followed the Board's 2012 CDM Guidelines in calculating both its LRAM amount and its LRAMVA amount and supports the recovery of both amounts.

Board staff discusses each lost revenue amount in more detail below.

LRAM Amounts

1) *2012 LRAM Amount (Persisting lost revenues in 2012 from 2006 to 2010 CDM Programs)*

The Board outlined its expectation related to lost revenues for pre-CDM Code activities (i.e., those taking place before 2011) in the 2012 CDM Guidelines. The Board stated that it expects that LRAM for pre-2011 CDM activities should be completed with the 2012 rate applications, outside of persisting historical CDM impacts realized after 2010 for those distributors whose load forecast has not been updated as part of a cost of service application.

Board staff notes that Brantford Power's requested LRAM amount related to pre-2011 CDM activities is consistent with the Board's 2012 CDM Guidelines. Brantford Power's LRAM amount relates to persisting historical CDM impacts realized in 2012 related to 2006 to 2010 CDM programs. Brantford Power's most recent updated load forecast was part of its 2013 cost of service application (EB-2012-0109). Prior to this, Brantford Power last had a load forecast approved by the Board as part of its 2008 cost of service application (EB-2007-0698). As part of Brantford Power's 2012 IRM application (EB-2011-0147), it requested and received approval of persisting historical CDM impacts in 2006 to 2010 related to 2005 to 2010 CDM programs. In the decision on the EB-2011-0147 proceeding, the Board found that:

“Although the [2008] CDM Guidelines state that lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as savings would be assumed to be incorporated in the load forecast at that time, the Board has acknowledged (PowerStream decision EB-2011-0005 and PUC decision EB-2011-0101) that the 2004 NAC based load forecast underpinning Brantford's cost of service rates does not include the impact of Brantford's CDM programs.”

The Board further found that:

“...with the exception of 2008, Brantford was under IRM during the subject time period and did not otherwise receive compensation for lost revenues from these programs.”

Based on this historical context, and the fact that Brantford Power remained under IRM in 2012, Board staff supports the recovery of the requested LRAM amount related to the persisting lost revenues in 2012 from 2006 to 2010 CDM in the amount of \$116,047.82.

2) 2013 LRAM Amount (Persisting lost revenues in 2013 from 2006 to 2010 CDM Programs)

With respect to the persisting effects of 2006 to 2010 CDM programs in 2013, Brantford Power noted that although it had an updated load forecast approved as part of its 2013 cost of service application, it still feels it is appropriate to recover the persisting lost revenues in 2013 from the 2006 to 2010 CDM programs because the rates in place during all of 2013 were based on the load forecast approved in Brantford Power's 2008 cost of service application.

Brantford Power has not requested the approval of the persisting lost revenues in 2013 from 2006 to 2010 CDM programs at this time. Board staff submits that the Board is not required to make a finding related to these amounts, as there is no evidence in front of the Board for it to make a decision. Nevertheless, Board staff notes that while Brantford Power's 2013 rate application sought an effective date of November 1, 2013 for rates, the final approval was for rates effective January 1, 2014. As such, Board staff agrees with Brantford Power that they should be eligible for the persisting lost revenues in 2013 from the 2006 to 2010 CDM programs.

LRAMVA Amounts

1) 2012 LRAMVA amount (Lost revenues in 2012 that have been recorded in Account 1568 – LRAMVA which are related to the effects of 2011 and 2012 CDM programs)

Brantford Power has requested to dispose of the amounts included in Account 1568 – LRAMVA which are related to lost revenues in 2012 from 2011 and 2012 CDM programs. As noted above, as Brantford Power did not update its load forecast until its 2013 cost of service application, and as it was under IRM during 2012, Brantford Power did not have

an opportunity to collect these amounts at a previous time and is eligible for its entire 2012 LRAMVA amount.

With respect to the 2012 lost revenues related to Brantford Power's Demand Response 3 program (in the approximate amount of \$1,015), Board staff notes that the Board's 2012 CDM Guidelines direct distributors to use actual, verified impacts of the authorized CDM activities they have undertaken when calculating their lost revenue amounts. The Board has relied on the annual final verified CDM results as produced by the Ontario Power Authority ("OPA") as the results most appropriate for calculating lost revenues. Within Brantford Power's 2012 final verified results are savings related to the Demand Response 3 program which Brantford Power has used in its calculation of lost revenues.

Board staff submits that Brantford Power has properly followed the process outlined in the Board's 2012 CDM Guidelines for calculating its LRAMVA amount and supports the disposition of Account 1568 – LRAMVA, in the total amount of \$107,734, as requested by Brantford.

All of which is respectfully submitted