

**INNPOWER CORPORATION**

**License – ED-2002-0520**

**2016 – 4<sup>th</sup> Generation Incentive Rate Mechanism**

**Electricity Distribution**

**Rate Application**

**EB-2015-0081**

**Effective January 1, 2016**

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### 3.1 InnPower Corporation Manager Summary – EB-2015-0081

InnPower Corporation (“IPC”) is a licensed electricity distributor (ED-2002-0520) that owns and operates electricity distribution systems that provide service to the Town of Innisfil and south Barrie. InnPower Corporation charges its customers distribution rates and other charges as authorized by the Ontario Energy Board (“Board”).

InnPower Corporation applies to the Ontario Energy Board (the “Board”) pursuant to Section 78 of the *Ontario Energy Board Act, 1998* (the “OEB Act”) for approval of its proposed adjustments to its distribution rates and other charges, effective January 1, 2016.

InnPower Corporation filed a comprehensive cost of service rebasing application for rates effective May 1, 2013 and had rates approved by the Ontario Energy Board under file number EB-2012-0139.

IPC has followed Chapter 3 of the Board’s Filing Requirements for Transmission and Distribution Applications dated July 25, 2014 in order to prepare this application.

The Schedule of Rates and Charges proposed in this Application is provided In Appendix B.. The proposed rates reflect an adjustment to the rates previously approved by the Board in the rate order issued by the Board on December 5, 2013, Board File EB-2013-0144. The proposed adjustments include:

1. Price Cap adjustment:
2. The continuation of current LV service charge as approved in EB-2012-0271:
3. The approval for the proposed adjustments to the current Retail Transmission Service Rates:
4. The approval for disposition of the Group 1 deferral and variance accounts:
5. The continuation of existing specific service charges and loss factors as approved in EB-2012-0271:
6. IPC’s recommended transition of 4 years to full fixed rate recovery for the residential rate class in support of the new rate design policy EB-2014+0210;

Details of these adjustments are provided in the models that accompany this application and are summarized in the following pages.

### **3.1.1 Contact Information**

IPC's contact for this application is as follows:

Brenda L. Pinke  
Regulatory/Conservation Manager  
[brendap@innpower.ca](mailto:brendap@innpower.ca)  
Office: 705-431-6870 Ext. 262  
Cell: 705-331-5596

### **3.1.2 Notice Information**

IPC, if directed will provide notice of the January 1, 2016 rates in the Innisfil Examiner which is a paid publication and has an estimated weekly circulation of 13,000.

### **3.1.3 Current Tariff Sheet**

A PDF version of IPC's current tariff sheet is enclosed in Appendix A.

### **3.1.4 Bill Impacts**

IPC utilized the Rate Generator model to calculate Bill impacts. As identified in Section 3.1.5 the Bill Impact Tab requires updates which will be updated by Board staff after September 3. Current Bill impacts are in Appendix B.

### **3.1.5 Electronic Models**

IPC has provided the following models with this application in excel and PDF formats:

- Innisfil\_2016\_IRM\_Rate\_Generator\_EB-2015-0081

IPC understands that the Rate Generator model submitted on August 17, 2015 requires updates to the following components which will be completed after September 3, 2015.

- The allocation of 1589
- Proposed Tariff Sheet
- Shared Tax Savings
- Bill Impacts

## 3.2 Elements of the Price Cap IR and the Annual IR Index Plan

### 3.2.1 Annual Adjustment Mechanism

IPC has utilized the 2015 rate setting-parameters within the Rate Generator model. IPC acknowledges that Board staff will update the Rate Generator model with the 2016 price cap parameters once they are available.

#### 2016 Price Cap Parameters

Price Escalator	1.60%	Productivity Factor	0.00%
Choose Stretch Factor Group	III	Price Cap Index	1.30%
Associated Stretch Factor Value	0.30%		

### 3.2.2 Revenue-to-Cost Ratio Adjustments

IPC has no Cost Ratio adjustments resulting from the Boards decision EB-2012-0139, which will impact the outcome of Tab 15 in the Rate Generator model. Ratio Adjustment model and has utilized the approved Revenue to Cost ratios from EB-2012-0139.

#### Proposed Revenue to Cost Ratios (2015 model)

Rate Class	Adjusted Revenue A	Current Revenue Cost Ratio B	Re-Allocated Cost C = A / B	Proposed Revenue Cost Ratio D	Final Adjusted Revenue E = C * D	Dollar Change F = E - C	Percentage Change G = (E / C) - 1
Residential	\$ 6,555,888	0.98	\$ 6,710,223	0.98	\$ 6,555,888	-\$ 0	0.0%
General Service Less Than 50 kW	\$ 655,481	1.12	\$ 586,298	1.12	\$ 655,481	\$ 0	0.0%
General Service 50 to 4,999 kW	\$ 561,313	1.20	\$ 467,761	1.20	\$ 561,313	\$ 0	0.0%
Unmetered Scattered Load	\$ 19,288	1.20	\$ 16,073	1.20	\$ 19,288	\$ 0	0.0%
Sentinel Lighting	\$ 48,396	0.98	\$ 49,535	0.98	\$ 48,396	-\$ 0	0.0%
Street Lighting	\$ 392,941	0.98	\$ 402,191	0.98	\$ 392,941	-\$ 0	0.0%
	<u>\$ 8,233,306</u>		<u>\$ 8,232,081</u>		<u>\$ 8,233,306</u>	<u>\$ 0</u>	<u>0.0%</u>
Out of Balance				-	0		
Final?					Yes		

### 3.2.3 Rate Design for Residential Electricity Customers

The OEB released Board Policy, EB-2014-0210, A New Rate Design for Residential Electricity Customers. The report required that electricity distributor's transition to a fully fixed monthly distribution service charge for residential customers over a four year period commencing in 2016. IPC has completed Tab 15 within the Rate Generator model. Based on the current Fixed rate of \$20.45 this approach adjusts the fixed rate to \$24.41 for an increase of \$3.96.

<u>Rate Design Transition</u>		Revenue from Rates	Current F/V Split	Decoupling MFC Split	Incremental Fixed Charge (\$/month/year)	New F/V Split	Adjusted Rates <sup>1</sup>	Revenue at New F/V Split
Current Residential Fixed Rate (inclusive of R/C adj.)	20.45	3,478,790	56.3%	10.9%	3.96	67.3%	24.41	4,152,434
Current Residential Variable Rate (inclusive of R/C adj.)	0.0182	2,696,309	43.7%			32.7%	0.0137	2,029,640
		6,175,100						6,182,073

As required, IPC has evaluated the total bill impacts for a residential customer with consumption at the 10<sup>th</sup> percentile of 372 kWh per month. The 372 kWh was determined by the following residential customer query from our Northstar CIS:

1. 2014 billed usage by account
2. Usage data based on general ledger transactions for the 2014 fiscal year
3. Excluded accounts with inactive dates
4. Eliminated accounts without at least 11 months of consumption data (due to high seasonal accounts and new growth)

The query returned 13,918 customers and the 10<sup>th</sup> percentile consumption using excel percentile function, of 371.62 kWh per month. Utilizing this value IPC compared total bill impacts for the 800 and 372 kWh consumption values. In undertaking the comparison IPC maintained the DRC and OCEB constant.

IPC is not proposing a rate mitigation plan, the rate increase which include the new rate design transition of 4 years and the 2016 Price Cap Index of 1.30 are as follows;

	Tot Dist Impact \$	Tot Dist Impact %	Tot Bill Impact \$	Tot Bill Impact %
800 kWh	-0.56	-1%	-0.57	0%
372 kWh	2.03	5%	2.07%	2%

**Note:** Total Distribution Impact includes RTSR's network and connection

IPC submits that it is appropriate to exclude the DRC and OCEB impacts based on the COS guidelines, 2.11.12 Bill Impact Information,

*“The distributor must provide the impact of changes resulting from the as-filed application on representative samples of end-users, i.e., percentage rate change and revenue. The distributor must include the base distribution rates, any applicable rate adders or rate riders, and RTSR's. Commodity rates and regulatory charges should be held constant.”*

Bill Impact Calculations are included.

# 800 kWh Calculation

## Residential Bill Comparator - EB-2015-0081

Consumption  kWh

### Charges

Charges	Charge Unit
Monthly Service Charge	monthly
RR Smart Meter Entity	monthly
RR Incremental Capital	monthly
Distribution Volumetric Rate	per kWh
Low Voltage Rate Adder	per kWh
Volumetric Rate Adder(s) - ICM	per kWh
Volumetric Rate Rider(s) - 2016 DVA	per kWh
Volumetric Rate Rider - Capital Gains	per kWh
Total Deferral/Variance Account	per kWh
Disposition Rate Rider - 2015	
Adjusted On Peak	
Adjusted Mid Peak	
Adjusted Off Peak	
<b>Sub-Total A - Distribution</b>	
RTSR - Network	per kWh
RTSR - Line and Transformation	per kWh
Connection	
<b>Sub-Total B - Delivery (including Sub-Total A)</b>	
Wholesale Market Service Charge (WMS)	per kWh
Rural and Remote Rate Protection (RRRP)	per kWh
Special Purpose Charge	per kWh
Standard Supply Service Charge	monthly
Debt Retirement Charge (DRC)	per kWh
<b>Total Regulatory Charges</b>	
On Peak	per kWh
Mid Peak	per kWh
Off Peak	per kWh
<b>Total Bill (before Taxes)</b>	
HST	
<b>Total Bill (including Sub-total B)</b>	
OCEB	
<b>Total Bill (including OCEB)</b>	

InnPower 2015		
Rate (\$)	Volume	Charge (\$)
\$ 20.45	1	\$ 20.45
\$ 0.79	1	\$ 0.79
\$ 2.21	1	\$ 2.21
\$ 0.0182	800	\$ 14.56
\$ 0.0022	800	\$ 1.76
\$ 0.0020	800	\$ 1.60
\$ -	800	\$ -
-\$ 0.0007	800	-\$ 0.56
\$ 0.0030	800	\$ 2.40
\$ 0.1610	7.50	\$ 1.21
\$ 0.1220	9.25	\$ 1.13
\$ 0.0800	41.13	\$ 3.29
		<b>\$ 48.84</b>
\$ 0.0061	858	\$ 5.23
\$ 0.0044	858	\$ 3.77
		<b>\$ 57.84</b>
\$ 0.0044	858	\$ 3.77
\$ 0.0013	858	\$ 1.12
\$ -	858	\$ -
\$ 0.2500	1	\$ 0.25
\$ 0.0070	800	\$ 5.60
		<b>\$ 10.74</b>
\$ 0.1610	104	\$ 16.74
\$ 0.1220	128	\$ 15.62
\$ 0.0800	569	\$ 45.52
		<b>\$ 157.20</b>
13%		\$ 20.44
		<b>\$ 177.64</b>
		-\$ 17.76
		<b>\$ 159.88</b>

InnPower 2016		
Rate (\$)	Volume	Charge (\$)
\$ 24.73	1	\$ 24.73
\$ 0.79	1	\$ 0.79
\$ 2.21	1	\$ 2.21
\$ 0.0139	800	\$ 11.12
\$ 0.0022	800	\$ 1.76
\$ 0.0020	800	\$ 1.60
\$ 0.0020	800	\$ 1.60
-\$ 0.0007	800	-\$ 0.56
\$ -	800	\$ -
\$ 0.1610	7.50	\$ 1.21
\$ 0.1220	9.25	\$ 1.13
\$ 0.0800	41.13	\$ 3.29
		<b>\$ 48.88</b>
\$ 0.0057	858	\$ 4.89
\$ 0.0041	858	\$ 3.52
		<b>\$ 57.28</b>
\$ 0.0044	858	\$ 3.77
\$ 0.0013	858	\$ 1.12
\$ -	858	\$ -
\$ 0.2500	1	\$ 0.25
\$ 0.0070	800	\$ 5.60
		<b>\$ 10.74</b>
\$ 0.1610	104	\$ 16.74
\$ 0.1220	128	\$ 15.62
\$ 0.0800	569	\$ 45.52
		<b>\$ 156.64</b>
13%		\$ 20.36
		<b>\$ 177.01</b>
		-\$ 17.70
		<b>\$ 159.31</b>

\$ Change	% Change
\$ 4.28	21%
\$ -	0%
\$ -	0%
-\$ 3.44	-24%
\$ -	0%
\$ -	0%
\$ 1.60	
\$ -	0%
-\$ 2.40	-100%
\$ -	0%
\$ -	0%
\$ -	0%
<b>\$ 0.04</b>	<b>0%</b>
-\$ 0.34	
\$ 0.26	
<b>-\$ 0.56</b>	<b>-1%</b>
\$ -	0%
\$ -	0%
\$ -	0%
\$ -	0%
\$ -	0%
\$ -	0%
<b>-\$ 0.56</b>	<b>0%</b>
-\$ 0.07	0%
-\$ 0.63	0%
\$ 0.06	0%
<b>-\$ 0.57</b>	<b>0%</b>

Loss Factor (%)

7.23%

7.23%

Threshold

800

800

Notes:

## 372 kWh Calculation

Residential Bill Comparator - EB-2015-0081									
Consumption		372 kWh		10th Percentile Bill Impacts					
Charges	Charge Unit	InnPower 2015			InnPower 2016			\$ Change	% Change
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)		
Monthly Service Charge	monthly	\$ 20.45	1	\$ 20.45	\$ 24.73	1	\$ 24.73	\$ 4.28	21%
RR Smart Meter Entity	monthly	\$ 0.79	1	\$ 0.79	\$ 0.79	1	\$ 0.79	\$ -	0%
RR Incremental Capital	monthly	\$ 2.21	1	\$ 2.21	\$ 2.21	1	\$ 2.21	\$ -	0%
Distribution Volumetric Rate	per kWh	\$ 0.0182	372	\$ 6.77	\$ 0.0139	372	\$ 5.17	\$ -1.60	-24%
Low Voltage Rate Adder	per kWh	\$ 0.0022	372	\$ 0.82	\$ 0.0022	372	\$ 0.82	\$ -	0%
Volumetric Rate Adder(s) - ICM	per kWh	\$ 0.0020	372	\$ 0.74	\$ 0.0020	372	\$ 0.74	\$ -	0%
Volumetric Rate Rider(s) - 2016 DVA	per kWh	\$ -	372	\$ -	\$ 0.0020	372	\$ 0.74	\$ 0.74	
Volumetric Rate Rider - Capital Gains	per kWh	\$ 0.0007	372	\$ 0.26	\$ 0.0007	372	\$ 0.26	\$ -	0%
Total Deferral/Variance Account	per kWh	\$ 0.0030	372	\$ 1.12	\$ -	800	\$ -	\$ -	
Disposition Rate Rider - 2015								\$ -1.12	-100%
Adjusted On Peak		\$ 0.1610	3.50	\$ 0.56	\$ 0.1610	3.50	\$ 0.56	\$ -	0%
Adjusted Mid Peak		\$ 0.1220	4.3	\$ 0.52	\$ 0.1220	4.3	\$ 0.52	\$ -	0%
Adjusted Off Peak		\$ 0.0800	19.12	\$ 1.53	\$ 0.0800	19.12	\$ 1.53	\$ -	0%
<b>Sub-Total A - Distribution</b>				<b>\$ 35.26</b>			<b>\$ 37.56</b>	<b>\$ 2.31</b>	<b>7%</b>
RTSR - Network	per kWh	\$ 0.0061	399	\$ 2.43	\$ 0.0057	399	\$ 2.27	\$ -0.16	-7%
RTSR - Line and Transformation Connection	per kWh	\$ 0.0044	399	\$ 1.76	\$ 0.0041	399	\$ 1.64	\$ -0.12	-7%
<b>Sub-Total B - Delivery (including Sub-Total A)</b>				<b>\$ 39.44</b>			<b>\$ 41.47</b>	<b>\$ 2.03</b>	<b>5%</b>
Wholesale Market Service Charge (WMS)	per kWh	\$ 0.0044	399	\$ 1.76	\$ 0.0044	399	\$ 1.76	\$ -	0%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	399	\$ 0.52	\$ 0.0013	399	\$ 0.52	\$ -	0%
Special Purpose Charge	per kWh	\$ -	399	\$ -	\$ -	399	\$ -	\$ -	0%
Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0%
Debt Retirement Charge (DRC)	per kWh	\$ 0.0070	372	\$ 2.60	\$ 0.0070	372	\$ 2.60	\$ -	0%
<b>Total Regulatory Charges</b>				<b>\$ 5.13</b>			<b>\$ 5.13</b>	<b>\$ -</b>	<b>0%</b>
On Peak	per kWh	\$ 0.1610	48	\$ 7.79	\$ 0.1610	48	\$ 7.79	\$ -	0%
Mid Peak	per kWh	\$ 0.1220	60	\$ 7.26	\$ 0.1220	60	\$ 7.26	\$ -	0%
Off Peak	per kWh	\$ 0.0800	364.58	\$ 29.17	\$ 0.0800	364.58	\$ 29.17	\$ -	0%
<b>Total Bill (before Taxes)</b>				<b>\$ 93.91</b>			<b>\$ 95.94</b>	<b>\$ 2.03</b>	<b>2%</b>
HST		13%		\$ 12.21	13%		\$ 12.47	\$ 0.26	2%
<b>Total Bill (including Sub-total B)</b>				<b>\$ 106.12</b>			<b>\$ 108.42</b>	<b>\$ 2.30</b>	<b>2%</b>
OCEB				\$ 10.61			\$ 10.84	\$ 0.23	2%
<b>Total Bill (including OCEB)</b>				<b>\$ 95.51</b>			<b>\$ 97.58</b>	<b>\$ 2.07</b>	<b>2%</b>
Loss Factor (%)		7.23%			7.23%				
Threshold		800			800				
Notes:									

### 3.2.4 Electricity Distribution Retail Transmission Service Rates

IPC has calculated the adjustment to the current retail transmission service rates within the Rate Generator model. IPC acknowledges that once any January 1, 2016 UTR adjustments have been determined that Board staff will adjust the Rate Generator to incorporate the change.

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

IPC has completed the DVA worksheets included in the 2016 Rate Generator model. The receivable balance for the Group 1 accounts is \$485,277. The threshold test resulting from the Group 1 balance is \$0.0025. As this exceeds the threshold limit IPC is requesting a 1 year disposition on the Group 1 deferral/variance accounts.

### Threshold Test

Total Claim (including Account 1568)	\$485,277
Total Claim for Threshold Test (All Group 1 Accounts)	\$485,277
Threshold Test (Total claim per kWh) <sup>2</sup>	\$0.0025

### 3.2.6 LRAM Variance Account (LRAMVA) for 2011 – 2014

IPC is not claiming disposition of LRAM/VA in this application.

### 3.2.7 Tax Changes

IPC has completed the Tax Sharing work form with data from the RRWF completed in our COS Application EB-2012-0139, Tab 3 and Tab 6. There are no tax changes effective for 2016.

Taxes/PILs Worksheet from RRWF EB-2012-0139.

#### Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$1,386,640	\$1,159,481	\$1,159,481
2	Adjustments required to arrive at taxable utility income	(\$1,246,052)	(\$969,196)	(\$969,196)
3	Taxable income	\$140,588	\$190,285	\$190,285
<u>Calculation of Utility Income Taxes</u>				
4	Income taxes	\$21,791	\$ -	\$ -
6	Total taxes	\$21,791	\$ -	\$ -
7	Gross-up of Income Taxes	\$3,997	\$ -	\$ -
8	Grossed-up Income Taxes	\$25,788	\$ -	\$ -
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$25,788	\$ -	\$ -
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	11.00%	0.00%	0.00%
12	Provincial tax (%)	4.50%	0.00%	0.00%
13	Total tax rate (%)	15.50%	0.00%	0.00%

### **3.2.8 Z-factor Claims**

IPC has no Z-factor claims with this application.

### **3.3 Elements Specific to the Price Cap IR Plan**

IPC is not requesting the approval of a Rate Rider to recover amounts through rates related to non-discretionary, incremental capital investments.

~Respectfully Submitted~