

UNDERTAKING NO. J1.8: TO PROVIDE THE ANNUAL ADJUSTMENT PROCESS THAT POWERSTREAM INTENDS TO UNDERTAKE WITH RESPECT TO WHAT WILL BE FILED, WHAT PROCESS WILL BE FOLLOWED, AND THE TIMING RELATED TO THAT PROCESS

RESPONSE:

PowerStream proposes to file an annual update based on a similar schedule and process as annual IRM filings. PowerStream proposes that it would file its first annual update for rates effective January 1, 2017 by July 29, 2016.

This filing would be a mainly mechanical update to the evidence provided and approved in this proceeding. PowerStream anticipates that the items to be updated would be limited to:

1. Updating of the weighted average cost of capital (WACC) based on the Board's latest parameters and any new debt issued. This would need to be finalized at the draft rate order stage when the Board's 2017 Cost of Capital parameters are available.
2. Cost of power updated based on the most current cost estimates for commodity issued by the Board plus approved uniform transmission rates, sub-transmission and low voltage rates. These prices would be applied to the load forecasts approved in the Decision in this proceeding.
3. The updated WACC would be applied to the rate base for the year as approved in this proceeding and adjusted for the cost of power update noted in (2) above.
4. Recalculation of the tax amount based on legislated tax changes and the revised revenue requirement based on the adjustments in steps 1 to 3 above. This would include updates regarding income tax rates, CCA rates and tax credit amounts. To keep the process simple no changes are proposed regarding CCA additions or other adjustments in the tax model from those filed in this application.
5. Recalculation of distribution rates based on the approved revenue allocation percentages determined in this proceeding. This step would include Board directed rate design changes such as the transition to full fixed charge rates for the Residential class.
6. Updating of retail transmission service and low voltage rates.
7. Disposition of deferral and variance accounts on the same basis as the Board directs for IRM filers.

PowerStream proposes to file a summary of the changes between the updated revenue requirement and rates, and, the preliminary revenue requirement and rates that are approved in this Application. The following evidence would be filed in support of these changes:

1. Detail of new debt and updated Cost of capital schedules: App.2-OA: Capital Structure and Cost of Capital App.2-OB.
2. Updated 2017 Cost of power schedules as filed in this Application based on the most current available price forecasts.

3. Updated Revenue Requirement summary and RRWF.
4. Updated Board model tax model using new target net income (regulatory income) and tax rates. Supporting documentation for any changes in tax credit estimates due to changes in tax legislation in how these are calculated.
5. Proposed 2017 Rate Sheet, Revenue validation 2-V and Bill Impacts 2-W.
6. Updated schedules as filed in this Application for 2017 Retail Transmission Service Rates and Low Voltage charges based on the most current available price forecasts.
7. Updated deferral and variance accounts continuity schedule, allocation and rate rider calculations as filed in this Application.