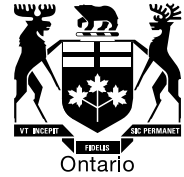


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BY E-MAIL
matt.mcmurdie@westario.com

March 4, 2016

Mr. Matthew McMurdie
Westario Power Inc.
24 Eastridge Road
RR #2
Walkerton ON N0G 2V0

Dear Mr. McMurdie:

**Re: Westario Power Inc.
Application for Rates
OEB File Number EB-2015-0112**

As outlined in the case management letter issued on November 3, 2015, the Ontario Energy Board's (OEB) Vice President, Applications has been delegated authority under Section 6 of the *Ontario Energy Board Act, 1998* to make a decision on the 2016 Price Cap IR application filed by Westario Power Inc. on October 19, 2015. All relevant information and updates to the application have now been provided. Any further changes to the models will be documented and provided to you for review.

Attached to this letter is a draft of the decision the delegated authority proposes to make based on the application and any subsequent updates or clarifications. Please review the decision and provide any comments. Please also review the accompanying draft Rate Order for accuracy and completeness.

In the course of your review you will notice that the OEB's decision regarding Westario's Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) balance is outstanding.

OEB staff has noted that LRAMVA balance calculations in several recent Cost of Service (COS) and Incentive Rate-setting Mechanism (IRM) applications have included an adjustment factor to verified demand savings in calculating lost revenues for the

purpose of disposing of LRAMVA balances. These adjustment factors have varied by distributor and have been applied to both demand reductions resulting from energy efficiency programs and demand response program savings as reported by the Independent Electricity System Operator (IESO).

OEB staff approached the IESO to clarify this issue. In a memorandum to OEB staff dated February 24, 2016 (also attached along with this draft decision and rate order), the IESO explained its definition of verified demand savings and specifically reported that the IESO's methodology "makes no attempt to verify the impact that a demand response event may have on a customer's demand for the purposes of billing for distribution service, even in months where the demand response program was activated." The memorandum also reported that while demand savings due to energy efficiency investments may persist beyond the peak season, effects are expected to vary based on the type of program.

In a [letter dated March 3, 2016](#), 2016, the OEB communicated that it will hold a stakeholder meeting on March 31, 2016 to gather input on the approach to recording demand savings in the LRAMVA. The OEB expects to provide further policy guidance on the LRAMVA following this meeting.

Given the relevance of this information to your current IRM application, which includes an LRAMVA claim, OEB staff has added this letter to case files associated with this administrative process.

The OEB's use of delegated authority typically anticipates that OEB staff members who have been delegated the authority to make findings in certain cases will consider decisions made by a panel of OEB decision makers for their own findings. Given the process designed for IRM applications, no panel has yet provided a decision on the impact of the IESO's clarified definition on an LRAMVA balance claim. Once a panel of decision makers has made its findings available, the delegated authority considering Westario's application will render a decision. In the meantime, it was determined that it would be efficient to make available the other elements of a draft decision for your comment. Any comments are to be provided no later than March 11, 2016.

The Vice President, Applications will consider your comments, if any, provided they have been received by the deadline, and issue a final decision and rate order in due course.

Any questions relating to this letter or your application should be directed to Katherine Wang, Analyst at 416-440-7619 or Katherine.Wang@ontarioenergyboard.ca.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary