

**2016 ELECTRICITY DISTRIBUTION RATES**

**Ottawa River Power Corp.**

**EB-2014-0105**

**STAFF SUBMISSION**

**June 10, 2016**

## INTRODUCTION

Pursuant to the Decision and Order, Ottawa River Power Corp. (Ottawa River Power) filed its draft Rate Order on May 20, 2016. Subsequently, Ottawa River Power requested and was granted an extension to re-file the draft Rate Order on June 3, 2016 through Procedural Order No. 3. It made provisions for comments by OEB staff and intervenors on or before June 10, 2016.

OEB staff has reviewed the Tariff of Rates and Charges, Excel models and calculations provided in Ottawa River Power's draft Rate Order. OEB staff also reviewed the supporting documentation of the partial settlement proposal between the intervenors<sup>1</sup> and Ottawa River Power. The partial settlement proposal was approved by the OEB on May 12, 2016 (settlement agreement). OEB staff believes that Ottawa River Power has correctly reflected the OEB's decision and the settlement agreement with exceptions noted below.

### 1) Revenue to Cost Ratio

Page 12 of the draft Rate Order shows the following revenue to cost ratios.

Customer Class Name	Settlement Proposal Mar 2 2016			Decision and Order May 12 2016		
	Calculated R/C Ratio (CA model)	Calculated R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Residential	0.92	0.92	0.92	0.92	0.92	0.00
General Service < 50 kW	1.16	1.16	1.16	1.12	1.12	0.00
General Service > 50 to 4999 kW	1.16	1.17	1.17	1.17	1.17	0.00
Sentinel Lighting	0.77	0.77	0.80	0.77	0.80	-0.03
Streetlights	1.23	1.23	1.20	1.23	1.20	-0.03
Unmetered Scattered Load	0.52	0.52	0.80	0.54	0.80	-0.26

Ottawa River Power proposes a revenue to cost ratio of 1.12 for the GS<50 KW customer class in this draft rate order. OEB staff notes that table 10 of the settlement agreement shows a revenue to cost ratio of 1.16 for this rate class. OEB staff submits that while the revenue to cost ratio of 1.16 matches table 10 of the settlement agreement<sup>2</sup>, the cost allocation model that was filed with the settlement agreement shows a revenue to cost ratio of 1.12 for this rate class. OEB staff invites Ottawa River Power to comment on the calculation of the revenue to cost ratio of 1.16 for the GS<50 kW as per the settlement agreement.

<sup>1</sup> School Energy Coalition (SEC) and the Vulnerable Energy Consumers Coalition (VECC) and the

<sup>2</sup> EB-2014-0105, Settlement Proposal, p. 27, table 10

If the revenue to cost ratio of 1.16 as per table 10 of the settlement agreement is correct, OEB staff asks Ottawa River Power to explain the change in the revenue to cost ratio from 1.16 to 1.12.

## 2) Cost Allocation Model

Ottawa River Power filed an updated cost allocation model as part of this draft Rate Order. OEB staff submits that row 29 of tab I6.1 has not been updated to reflect the approved load forecast. OEB staff request Ottawa River Power to update the cost allocation model or provide an explanation for the omission.

## 3) Rate Design

The rate design determines how to divide the amount Ottawa River Power is allowed to recover from each of its customer classes through each of a fixed monthly service charge and a volumetric charge. The rate design filed as part of the settlement agreement was based on a base revenue requirement of \$4,526,580. The settlement agreement had one outstanding issue to be determined by the OEB. The OEB's decision of May 12, 2016 subsequently reduced the amount Ottawa River Power can recover from its customers to \$4,347,469.

On pages 13, tables 9 and 9A of the draft Rate Order, Ottawa River Power shows the fixed and variable distribution charges to its customers as per the application, the settlement agreement and the OEB's decision as shown below.

**Table 9- Proposed 2016 Distribution Charges**

Rate Design - Original Application		Application Aug 28 2015		Settlement Proposal Mar 2 2016		Decision and Order May 12 2016	
Customer Class Name	per	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Residential	kWh	\$18.05	\$0.0114	\$14.59	\$0.0135	\$14.02	\$0.0129
General Service < 50 kW	kWh	\$27.35	\$0.0125	\$22.97	\$0.0131	\$22.97	\$0.0121
General Service > 50 to 4999 kW	kW	\$378.72	\$1.1140	\$86.14	\$3.5656	\$82.85	\$3.4316
Sentinel Lighting	kW	\$3.58	\$10.8722	\$3.00	\$9.3167	\$2.84	\$8.9937
Streetlights	kW	\$2.61	\$13.9024	\$2.41	\$13.2071	\$2.35	\$12.6081
Unmetered Scattered Load	kWh	\$6.20	\$0.0059	\$10.85	\$0.0037	\$10.36	\$0.0033

**Table 9A- Cost Allocation Minimums and Maximums**

Rate Design - Original Application		Application Aug 28 2015		Settlement Proposal Mar 2 2016		Decision and Order May 12 2016	
		Cost Allocation - Minimum Fixed Rate	Cost Allocation - Maximum Fixed Rate	Cost Allocation - Minimum Fixed Rate	Cost Allocation - Maximum Fixed Rate	Cost Allocation - Minimum Fixed Rate	Cost Allocation - Maximum Fixed Rate
Residential	kWh	\$6.96	\$19.59	\$6.85	\$18.46	\$6.77	\$18.05
General Service < 50 kW	kWh	\$10.14	\$28.40	\$7.02	\$22.97	\$6.93	\$20.85
General Service > 50 to 4999 kW	kW	\$31.87	\$378.72	\$27.32	\$378.72	\$36.27	\$82.85
Sentinel Lighting	kW	\$0.99	\$8.34	\$0.72	\$7.61	\$0.72	\$7.26
Streetlights	kW	\$0.80	\$4.41	\$0.66	\$3.26	\$0.66	\$3.15
Unmetered Scattered Load	kWh	\$7.53	\$18.03	\$2.88	\$10.79	\$2.88	\$10.55

Both tables 9 and 9A incorrectly states the agreed upon fixed rate as per the settlement agreement at \$86.14 and \$378.72 respectively. OEB staff submits that, the Ottawa River Power and the intervenors agreed to cap the fixed charge for the GS>50 kW customer class at the minimum system with PLCC adjustment of \$85.43. OEB staff asks Ottawa River Power to confirm this charge and update table 9 and 9A accordingly.

OEB staff submits that the revenue requirement has changed as a result of the OEB's decision and consequently, the fixed charge reflecting the minimum system charge with PLCC adjustment for the GS>50 kW customer class has been recalculated to \$82.85. OEB staff submits that Ottawa River Power has correctly applied this charge in its rate design.

#### **4) Revenue Reconciliation – Appendix 2-V**

On June 7, 2016, Ottawa River Power updated its draft Rate Order by providing the Chapter 2 - Appendices in excel format. OEB staff notes the following errors:

Appendix 2-V – Revenue Reconciliation shows a variance of -\$ 179,111. OEB staff notes that Ottawa River Power has not updated the fixed and variable charges used to reconcile the rates with the revenue Ottawa River Power is allowed to recover from its customers. OEB staff requests that Ottawa River Power update Appendix 2-V and explain any variances.

Appendix 2-PA provides a calculation to transition to a new rate design for the residential customer class. As part of the settlement agreement, the parties agreed to transition to a fully fixed residential rate over a period of 5 years. As

per the OEB's decision, the residential rate class has a class specific revenue requirement of \$2,585,517. The OEB's decision also found that Ottawa River Power shall transition to a fully fixed rate design over five year. OEB staff notes that while Ottawa River used the correct transition period in Appendix 2-PA, a incorrect class specific residential revenue requirement of \$2,692,038.19 was used as an input.

OEB staff notes that Appendix 2-PA also does not match the PDF version provided as Appendix K to the draft rate order, which shows an updated class revenue requirement of \$2,585,517.41. OEB staff submits that the PDF version, Appendix K seems to be correct. OEB staff requests Ottawa River Power to update the excel version of Appendix 2-PA.

## **5) OM&A Summary**

Appendix D of the draft Rate Order provides a summary of recoverable OM&A expenses. OEB staff notes that while the total amount corresponds to the approved amount as per the settlement proposal, the allocation to Operations, Maintenance and Administrative and General section does not match table 4 of the settlement agreement. OEB staff submits that Appendix D should reflect the settlement proposal.

## **6) EDDVAR Model**

On June 6, 2016, Ottawa River Power provided an updated EDDVAR model to reflect the disposition of a balance of \$32,660 in account 1592. OEB staff submits that the update to the EDDVAR model reflects the correct balances to be disposed of.

For the purpose of the rate rider calculation, OEB staff notes that on tab 4, billing determinants, the customer numbers for the Sentinel and Streetlight customer classes vary from approved customer count as follows:

<b>Customer Class</b>	<b># of customers Draft Rate Order</b>	<b># of customers Settlement Agreement</b>
RESIDENTIAL	9,463	9463
GENERAL SERVICE LESS THAN 50 KW	1,281	1281
GENERAL SERVICE 50 TO 4,999 KW	148	148

UNMETERED SCATTERED LOAD	20	20
SENTINEL LIGHTING	199	195
STREET LIGHTING	2,825	2849

OEB staff notes that the consumption and demand billing determinants represent the approved load forecast as per the settlement agreement.

OEB staff requests Ottawa River Power to update the EDDVAR model to reflect the customer counts as agreed upon and approved by the OEB. OEB staff submits that the Tariff of Rate and Charges should be updated to reflect the recalculated rate riders.

## 7) Foregone Revenue Rate Rider

On page 15 of the draft Rate Order, Ottawa River Power proposed a fixed and a variable foregone revenue rate rider to be collected over a 2 month period. The rate rider will recover monthly foregone revenue in the amount of \$25,649. OEB staff notes that the OEB's decision approved recovery of foregone revenue for a 2 month period from May 1, 2016 – July 1, 2016, which results in a total foregone revenue of \$51,298.

OEB staff notes that Ottawa River Power proposes to recover this foregone revenue through a fixed and a variable rate rider. On July 16, 2016, the OEB issued a letter that introduced a new fixed rate design for the residential customer class. The letter stated that “any new ‘other’ charges related to distribution will be applied on a fixed basis”. The letter notes that these charges typically have an end date. OEB staff submits that the foregone revenue rate rider should be collected on a fixed basis for the residential rate class. OEB staff submits that for all rate classes a fixed foregone rate rider would be sufficient and ensure rate stability for all customers. OEB staff further submits that the foregone revenue should be collected over a 10 month period to minimize the bill impact on any given class.

## 8) Tariff of Rates and Charges

OEB staff submits that the Tariff of Rates and Charges does not match the rate riders calculated through the updated EDDVAR model. OEB staff also submits that the monthly fixed service charge and/or volumetric charge for the Streetlight and Unmetered Scattered Load do not match the values calculated on Appendix

K – Rate Design. OEB staff submits that Ottawa River Power should update the Tariff of Rates and Charges or provide an explanation for the deviation.

- All of which is respectfully submitted -