

**2016 ELECTRICITY DISTRIBUTION RATES**

**Ottawa River Power Corp.**

**EB-2014-0105**

**OTTAWA RIVER POWER  
CORPORATION**

**REPLY SUBMISSION**

**Revised on June 17, 2016**

## 1) Revenue to Cost Ratio

Page 12 of the Ottawa River Power's draft Rate Order showed 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 proposed a revenue to cost ratio of 1.12 for the GS<50 KW customer class in the draft rate order. OEB staff noted that table 10 of the settlement agreement showed a revenue to cost ratio of 1.16 for this rate class. OEB staff submitted 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 showed a revenue to cost ratio of 1.12 for this rate class. Ottawa River Power submits that the cost allocation model was correct but that Table 10 of the settlement agreement should be amended as follows:

Customer Class Name	Settlement Proposal March 2, 2016			Decision and Order May 12, 2016		
	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Calculated R/C Ratio	Proposed R/C Ratio	Variance
Residential	0.92	0.92	0	0.92	0.92	0
General Service < 50 kW	1.12	1.12	0	1.12	1.12	0
General Service > 50 to 4999 kW	1.16	1.17	-0.01	1.17	1.17	0
Sentinel Lighting	0.77	0.8	-0.03	0.77	0.8	-0.03
Streetlights	1.23	1.2	0.03	1.23	1.2	0.03
Unmetered Scattered Load	0.54	0.8	-0.26	0.54	0.8	-0.26

<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

## 2) Cost Allocation Model

Ottawa River Power has filed an updated cost allocation model as part of this submission with 29 of tab I6 updated to reflect the approved load forecast.

## 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 showed 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 - Minimum 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 stated the agreed upon fixed rate as per the settlement agreement at \$86.14 and \$378.72 respectively. 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. Ottawa River Power confirms this charge and updated table 9 and 9A accordingly as seen 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	\$22.02	\$0.0125
General Service > 50 to 4999 kW	kW	\$378.72	\$1.1140	\$85.43	\$3.5716	\$82.85	\$3.4316
Sentinel Lighting	kW	\$3.58	\$10.8722	\$3.00	\$9.3167	\$2.87	\$8.9053
Streetlights	kW	\$2.61	\$13.9024	\$2.41	\$13.2071	\$2.33	\$12.7737
Unmetered Scattered Load	kWh	\$6.20	\$0.0059	\$10.85	\$0.0037	\$10.13	\$0.0034

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 - Minimum Fixed Rate
Residential	kWh	\$6.96	\$19.59	\$6.85	\$18.50	\$6.77	\$18.05
General Service < 50 kW	kWh	\$10.14	\$28.40	\$7.02	\$21.44	\$6.93	\$20.85
General Service > 50 to 4999 kW	kW	\$31.87	\$378.72	\$27.32	\$85.43	\$26.27	\$82.85
Sentinel Lighting	kW	\$0.99	\$8.34	\$0.72	\$7.60	\$0.72	\$7.26
Streetlights	kW	\$0.80	\$4.41	\$0.66	\$3.27	\$0.66	\$3.15
Unmetered Scattered Load	kWh	\$7.53	\$18.03	\$2.88	\$10.83	\$2.88	\$10.55

OEB staff submitted 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.

Ottawa River Power included the following table of fixed to variable rate percentages to add clarity to the final rates:

Table 9B – Proposed Fixed to Variable Split										
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	Fixed %	Variable %	Fixed Rate	Fixed %	Variable %	Fixed Rate	Fixed %	Variable %
Residential	kWh	\$18.05	68.72%	31.28%	\$14.59	61.54%	38.46%	\$14.02	61.58%	38.42%
General Service < 50 kW	kWh	\$27.35	51.34%	48.66%	\$22.97	44.09%	55.91%	\$22.02	44.09%	55.91%
General Service > 50 to 4999 kW	kW	\$378.72	77.27%	22.73%	\$85.43	17.19%	81.81%	\$82.85	17.34%	82.66%
Sentinel Lighting	kW	\$3.58	53.52%	46.48%	\$3.00	51.31%	48.69%	\$2.87	51.31%	48.69%
Streetlights	kW	\$2.61	64.65%	35.35%	\$2.41	61.90%	38.10%	\$2.33	61.90%	38.10%
Unmetered Scattered Load	kWh	\$6.20	36.20%	63.80%	\$10.85	60.40%	39.60%	\$10.13	60.40%	39.60%

#### 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 noted the following errors:

Appendix 2-V – Revenue Reconciliation showed a variance of -\$ 179,111. Ottawa River Power has updated this appendix and has filed it as part of this submission.

Appendix 2-PA provided a calculation to transition to a new rate design for the residential customer class. Ottawa River Power has updated this appendix and has filed it as part of this submission.

## 5) OM&A Summary

Appendix D of the draft Rate Order provided an incorrect summary of recoverable OM&A expenses. The tables below has been updated.

	Last Rebasing Year (2010 Board- Approved)	Last Rebasing Year (2010 Actuals)	2011 Actual	2012 Actual	2013 Actuals	2014 Actuals	2015 Preliminary Numbers	2015 Bridge Year	2016 Test Year
<b>Reporting Basis</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>CGAAP</b>	<b>MIFRS</b>	<b>MIFRS</b>	<b>MIFRS</b>
Operations	\$ 360,476	\$ 388,095	\$ 548,028	\$ 562,813	\$ 595,899	\$ 589,388	\$ 593,059	\$ 617,080	\$ 572,467
Maintenance	\$ 705,409	\$ 491,364	\$ 721,496	\$ 693,882	\$ 840,521	\$ 707,406	\$ 557,888	\$ 766,322	\$ 728,123
<b>SubTotal</b>	<b>\$ 1,065,885</b>	<b>\$ 879,459</b>	<b>\$ 1,269,524</b>	<b>\$ 1,256,695</b>	<b>\$ 1,436,420</b>	<b>\$ 1,296,794</b>	<b>\$ 1,150,947</b>	<b>\$ 1,383,402</b>	<b>\$ 1,300,590</b>
%Change (year over year)		-17.5%	44.4%	-1.0%	14.3%	-9.7%	-11.2%	6.7%	-6.0%
%Change (Test Year vs Last Rebasing Year - Actual)									47.9%
Billing and Collecting	\$ 616,443	\$ 600,482	\$ 528,100	\$ 533,838	\$ 577,268	\$ 634,033	\$ 733,216	\$ 710,315	\$ 733,000
Community Relations	\$ 58,624	\$ 41,451	\$ 53,320	\$ 47,391	\$ 52,864	\$ 55,452	\$ 59,907	\$ 61,000	\$ 67,000
Administrative and General	\$ 859,815	\$ 821,877	\$ 833,118	\$ 817,920	\$ 1,026,994	\$ 915,963	\$ 904,489	\$ 969,266	\$ 964,375
<b>SubTotal</b>	<b>\$ 1,534,883</b>	<b>\$ 1,463,810</b>	<b>\$ 1,414,538</b>	<b>\$ 1,399,149</b>	<b>\$ 1,657,126</b>	<b>\$ 1,605,448</b>	<b>\$ 1,697,612</b>	<b>\$ 1,740,581</b>	<b>\$ 1,764,375</b>
%Change (year over year)		-4.6%	-3.4%	-1.1%	18.4%	-3.1%	5.7%	8.4%	1.4%
%Change (Test Year vs Last Rebasing Year - Actual)									20.5%
<b>Total</b>	<b>\$ 2,600,768</b>	<b>\$ 2,343,269</b>	<b>\$ 2,684,062</b>	<b>\$ 2,655,844</b>	<b>\$ 3,093,547</b>	<b>\$ 2,902,242</b>	<b>\$ 2,848,559</b>	<b>\$ 3,123,984</b>	<b>\$ 3,064,965</b>
%Change (year over year)		-9.9%	14.5%	-1.1%	16.5%	-6.2%	-1.8%	7.6%	-1.9%

## 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 noted that on tab 4, billing determinants, the customer numbers for the Sentinel and Streetlight customer classes vary from approved customer count as follows. ORPC has updated the EDDVAR model to the agreed upon number of customers as per the approved load forecast as per the settlement agreement.

## **7) Foregone Revenue Rate Rider**

OEB staff noted 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.

Ottawa River Power updated the foregone revenue to be collected over a 10 month period to minimize the bill impact on any given class.

## **8) Tariff of Rates and Charges**

Ottawa River Power has updated its Tariff of Rates and Charges. These can be found in the Chapter 2 appendices at Appendix 2-Z.

- All of which is respectfully submitted -