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**BY EMAIL**

April 2, 2018

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Kirsten.Walli@oeb.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: InnPower Corporation**
**Application for Rates**
**OEB Staff Submission – Draft Rate Order**
**OEB File Number: EB-2016-0085**

In accordance with the March 8, 2018 Decision and Order and the OEB's letter dated March 26, 2018, please find attached the OEB staff submission on the draft rate order in the above proceeding. This document is being forwarded to InnPower Corporation and intervenors in this proceeding.

InnPower Corporation is reminded that its reply submission is due by April 9, 2018.

Yours truly,

*Original Signed By*

Fiona O'Connell
Project Advisor, Major Applications
Encl.

# ONTARIO ENERGY BOARD

## STAFF SUBMISSION

2017 ELECTRICITY DISTRIBUTION RATES

InnPower Corporation

EB-2016-0085

**April 2, 2018**

## Table of Contents

# 1 SUMMARY

On March 26, 2018, InnPower Corporation (InnPower) filed a draft rate order (DRO) pursuant to the Ontario Energy Board's (OEB) Decision and Order[1] (Decision) dated March 8, 2018. A letter issued by the OEB on March 26, 2018 also granted InnPower an extension to file its DRO.

The Decision found that the effective date of InnPower's rate order would be January 1, 2018, but was silent on a specific implementation date for the rate order, given the timelines set out for comments and responses. InnPower has proposed an implementation date of May 1, 2018. OEB staff has no concerns with this date.
OEB staff's comments on the DRO are listed below.

OEB staff has separated its submission based on items that impact InnPower's electricity distribution rates and items that are required to complete the record in this proceeding, but may not impact rates.

OEB staff is of the view that InnPower's entire DRO needs to be re-filed, based on the issues noted below.

[1] EB-2016-0085

# 2 ISSUES - Items that Impact InnPower's Electricity Distribution Rates

## 2.1 Rate Base – Corporate Headquarters and Operations Centre Discrepancy

### Background

In its Decision, the OEB approved $10,896,704 (less accumulated depreciation) and $244,506 (less accumulated depreciation), for a sub-total of $11,141,210 (less accumulated depreciation) for the new Corporate Headquarters and Operations Centre (Building).

Table 1 – Amounts Approved in the Decision related to the Building

| | | | | |
|---|---|---|---|---|
| ICM settlement amount - approved in the Decision, pg 11 and also noted in J2.3 | | | | 10,896,704 |
| Building costs incurred over and above the ICM amount - approved in the Decision, pg 11 and also noted in J2.3 | | | | 244,506 |
| | | | | 11,141,210 |

However, OEB staff notes that in the March 26, 2018 filing of Appendix 2-BA, cell E238 has been updated to reflect $398,737, instead of keeping the original amount of $154,231, as reflected in the earlier September 20, 2017 version of the Appendix 2-BA continuity schedule. InnPower has incorrectly added $244,506 to the amount recorded in cell E238, and as a result has double counted this amount in both Appendix 2-BA and Table 3: Rate Base in the DRO. OEB staff notes that Table 2: Appendix 2-BA 2017 Fixed Asset Continuity Schedule is also misstated, as a result. The discrepancy of $244,506 is described further below.

Table 2 - Breakdown of Amounts Approved in the Decision related to the Building and $244,506 Discrepancy

| USoA Account Number | USoA Account Description | Reference | Total Amount Recorded in USoA | Less: Amount Recorded in USoA Not Related to the Building, as per J2.3 Filed Oct 6/17 | Amount Recorded in USoA Related to the Building, including the Double-Counting of Some Fixed Assets | Less: Double-Counting of Some Fixed Assets | Amount Recorded in USoA Related to the Building, excluding the Double-Counting of Some Fixed Assets |
|---|---|---|---|---|---|---|---|
| Account 1905 | Land | Mar 26/18 App 2-BA cell E33 - 2013 balance | $1,015,496 | $0 | $1,015,496 | $0 | $1,015,496 |
| Account 1908 | Buildings & Fixtures | Mar 26/18 App 2-BA cell E236 - 2015 balance | $10,080,510 | ($79,961) | $10,000,549 | $0 | $10,000,549 |
| Account 1915 | Office Furniture & Equipment | Mar 26/18 App 2-BA cell E238 - 2015 balance | $398,737 | ($29,066) | $369,671 | ($244,506) | $125,165 |
| | | | | | | | |
| | | | $11,494,743 | ($109,027) | $11,385,716 | ($244,506) | $11,141,210 |
| | | | | | | | |
| Table 1 Amounts Approved in the Decision Related to the Building | | | | | | | $11,141,210 |
| | | | | | | | |
| Zero Discrepancy | | | | | | | $0 |
| | | | | | | | |
| Therefore the required adjustment is to remove $244,506 (less of accumulated depreciation) of fixed assets from Appendix 2-BA and associated evidence. | | | | | | | |

### Submission

OEB staff submits that Appendix 2-BA, cell E238, should be changed back to $154,231 instead of the $398,737 which appears in the revised Appendix 2-BA filed with the DRO. OEB staff notes that the rate base section, and any other associated sections, should be updated to remove the extra $244,506 (less accumulated depreciation) that has been incorrectly added to rate base.

## 2.2 Rate Base – Amounts Related to 2073 Commerce Park Drive Discrepancy

### Background

In the Decision[2], the OEB directed InnPower to remove the specific amounts related to the old building (2073 Commerce Park Drive) from rate base, in accordance with the

[2] Decision, page 11

Incremental Capital Module (ICM) settlement agreement[3]. OEB staff notes that InnPower has removed $201,049 from Account 1905 Land, in addition to the $451,878, as indicated on page 10 of the DRO, that was removed from Account 1908 Buildings & Fixtures, related to the old building. OEB staff has prepared an analysis below which shows that there is an unexplained difference of $76,876 between the amounts related to the old building removed from Appendix 2-BA, as compared to ICM settlement agreement[4], Table 3: ICM Capital Components.

Table 3 – OEB Staff Analysis Related to Removal of Old Building

| | | | **Appendix 2-BA cells F235, F236, K236** | **EB-2014-0086 Settlement Agreement Table 3: ICM Capital Components** | **Unexplained Difference** |
|---|---|---|---|---|---|
| Account 1905 | Land | Disposals | $201,049 | $124,000 | $77,049 |
| Account 1908 | Buildings & Fixtures | Disposals | $451,878 | $435,000 | $16,878 |
| Account 1908 | Buildings & Fixtures | Acc Dep - Disposals | ($17,051) | $0 | ($17,051) |
| | | | $635,876 | $559,000 | $76,876 |

### Submission

OEB staff is of the view that the difference of $76,876 between the amounts related to the old building removed from Appendix 2-BA, as compared to ICM settlement agreement, Table 3: ICM Capital Components, should be explained, and InnPower's evidence should be updated as required.

## 2.3 Rate Base – Amounts Related to Net Book Value Used for Rate Base Discrepancy

### Background

OEB staff further notes that the average net book value (NBV) of fixed assets used for rate base in the Revenue Requirement Work Form (RRWF), Table 2 of the DRO, and

[3] EB-2014-0086
[4] EB-2014-0086

Table 3 of the DRO does not reconcile to Appendix 2-BA. Although the $12,691 difference is immaterial, the numbers should reconcile.

Table 4 – Average NBV Used for Rate Base

| Average NBV used for Rate Base | | | | | |
|---|---|---|---|---|---|
| | Appendix 2-BA filed March 26/18 Balance as at Jan 1, 2017 | Appendix 2-BA filed March 26/18 Balance as at Dec 31, 2017 | Average | RRWF Tab 4, Rate Base, March 26/18 & Table 3 DRO | Difference |
| Gross Plant | 54,899,686 | 59,120,305 | 57,009,995 | 57,009,995 | - |
| Accc Dept | - 5,405,601 | - 7,779,372 | - 6,592,486 | - 6,605,177 | 12,691 |
| | 49,494,085 | 51,340,933 | 50,417,509 | 50,404,818 | 12,691 |

### Submission

OEB staff submits that the average NBV of fixed assets used for rate base in the RRWF, Table 2 of the DRO, and Table 3 of the DRO should reconcile to Appendix 2-BA. InnPower's evidence should be updated as required.

## 2.4 Working Capital

### Background

In its Decision, the OEB approved the use InnPower's proposed working capital allowance rate of 7.5%, and the methodology used in undertaking J1.7. However, InnPower was directed to update the Rural and Remote Rate Protection (RRRP) charge to $0.0003.

OEB staff notes that the RRRP charge has not been updated in the cost of power calculation, and remains at $0.0021.

OEB staff also notes that the cost of power calculated in the DRO is $26,455,808[5]. However, the working capital allowance calculation in the DRO and RRWF used a cost of power value of $32,176,543.[6]

[5] DRO p. 15.
[6] DRO p. 11. and RRWF Tab 4. Rate_Base, cell W25.

### Submission

OEB staff submits that the cost of power calculation should be updated to reflect the RRRP charge of $0.0003, as well as all other changes to address other issues in this submission including the load forecast. OEB staff also submit that the cost of power calculation in the DRO, and in the RRWF should reflect the updated cost of power calculation provided on pages 13-15 of the DRO, subject to updates as required for other issues, including the load forecast.

## 2.5 Load Forecast

### Background

In its Decision, the OEB directed InnPower to revise its 2017 load forecast, updating the billed energy forecast by applying a loss factor of 1.0604 to the purchased energy, consistent with undertaking J1.9, for inclusion in the DRO.

In the load forecast filed in response to undertaking J1.9, the loss factor of 1.0604 to the purchased energy resulted in 242.6 GWh of billed energy. However, OEB staff notes that in the March 26, 2018 filing of its load forecast, the loss factor applied to the purchased energy was 1.0731. As a result, the forecast used in the DRO included 239.7 GWh of billed energy.

### Submission

OEB staff submits that an incorrect load forecast was filed with and relied upon in the DRO. The load forecast filed in response to undertaking J1.9 is the appropriate forecast to be used in DRO.

## 2.6 Cost Allocation and Rate Design

### Background

In its Decision, the OEB approved InnPower's proposed cost allocation methodology. With respect to residential rate design, the OEB directed InnPower to adhere to the four-year transition period. With respect to the proposed GS > 50 kW fixed rate, the OEB approved InnPower's original proposal to maintain the current fixed-variable split that results from 2016 approved rates.

OEB staff notes that InnPower has adopted the four-year transition period for residential rate design as directed by the OEB. However, the GS > 50 kW fixed rate in the DRO is not the rate which results from 2016 approved rates at the approved 2017 load forecast. Instead, InnPower has retained the fixed proportion of 20.51% used in the proposal filed September 20, 2017 as part of the technical conference undertakings.[7]

OEB staff also notes that due to changes in inputs to the cost allocation model, the output revenue to cost ratios have changed. This has necessitated that InnPower make updates to the revenue-to-cost ratio adjustments.

As part of the update on September 20, 2017 following the technical conference, InnPower had increased Residential, GS > 50, and USL revenue to cost ratios to a common 99.29% in order to offset a required decrease to the Street Light revenue-to-cost ratio to 120%.

[7] RRWF, filed September 20, 2017, Tab 13. Rate Design, Cell U30.

Table 5 - Revenue-to-Cost ratio adjustments following the technical conference

| Customer Class | Revenue to Cost resulting from Cost Allocation | Proposed Revenue to Cost |
|---|---|---|
| Residential | 99.21% | 99.29% |
| GS < 50 | 103.99% | 103.99% |
| GS > 50 | 87.10% | 99.29% |
| Sentinel Lights | 102.27% | 102.27% |
| Street Light | 196.69% | 120.00% |
| USL | 97.69% | 99.29% |

In the DRO, InnPower has adjusted Street Light to 120%, GS < 50 to 103.20%, and Residential, GS > 50, and USL to a common 99.36% ratio. The adjustment to Street Light brought it down to the upper limit of the approved range of 80-120%. The adjustment to GS < 50 decreased its revenue to cost ratio, moving it slightly closer to unity within the range. The adjustment to Residential decreased its revenue-to-cost ratio slightly away from unity. The adjustments to GS > 50 and USL increased their revenue-to-cost ratios toward unity, and functioned to offset the decreases to Residential, GS < 50, and Street Light.

Table 6 - Revenue-to-Cost ratio adjustments in the DRO

| Customer Class | Revenue to Cost resulting from Cost Allocation | Proposed Revenue to Cost |
|---|---|---|
| Residential | 99.49% | 99.36% |
| GS < 50 | 103.44% | 103.20% |
| GS > 50 | 85.50% | 99.36% |
| Sentinel Lights | 103.14% | 103.14% |
| Street Light | 196.06% | 120.00% |
| USL | 98.27% | 99.36% |

**Submission**

OEB staff submits that the changes to residential rate design are appropriate.

With respect to the GS > 50 fixed and variable charges, OEB staff submits that InnPower should revise the charges. The proportion of revenue that would be collected from the fixed charge if 2016 rates were applied to the 2017 load forecast should be maintained in 2017 rates.

OEB staff does not take issue with the changes to the output of the cost allocation model. OEB staff views these changes as appropriate given the required changes to the inputs to cost allocation. However, OEB staff submits that the updated revenue-to-cost ratio adjustments in the DRO are not appropriate. The Residential and GS < 50 kW rate class revenue-to-cost ratios should not have been reduced.

OEB staff also notes that changes required to address other issues may cause further changes to cost allocation and revenue to cost ratios. Therefore OEB staff submits that the methodology consistent with OEB policy be applied to any required updates to the revenue to cost ratios.

## 2.7 RTSR and LV Rates

**Background**

In its Decision, the OEB approved Retail Transmission Service Rates (RTSR) and Low Voltage (LV) Rates proposed by InnPower. The OEB noted that neither VECC, SEC, nor OEB staff made submissions on the LV rates. InnPower had been collecting less from customers for LV charges than it had paid to Hydro One. If the trend continues, InnPower is to propose an update to its LV rates as part of a future IRM application.

OEB staff notes that the RTSR rates proposed by InnPower at the technical conference[8] remain the RTSR rates included in the DRO. However, the LV charges provided in J1.7, which were approved by the OEB resulted in a recovery of $667,758. InnPower has updated the LV rates at the DRO to collect a total of $1,329,908 with no rationale provided.

[8] RTSR Workform filed September 20, 2017, Tab 9. RTSR Rates to Forecast

Table 7 – Difference between Approved LV Rate and DRO LV Rate

| Customer Class | Billing Determinate | Approved LV Rate | DRO LV Rate |
|---|---|---|---|
| Residential | kWh | $0.0025 | $0.0050 |
| General Service < 50 kW | kWh | $0.0024 | $0.0047 |
| General Service 50 to 4,999 kW | kW | $1.3235 | $2.6359 |
| Street Lighting | kW | $0.6977 | $1.3895 |
| Sentinel Lighting | kW | $1.0344 | $2.0600 |
| Unmetered Scattered Load | kWh | $0.0024 | $0.0047 |

**Submission**

OEB staff submits that the appropriate LV charge used in the DRO should be revised back to the LV charges used in undertaking J1.7 as approved by the OEB.

## 2.8 Deferral and Variance Accounts

**Background**

OEB staff notes that Table 22: Updated DVA Balances (Excluding Accounts 1568, 1572, 1588 and 1589) in the DRO shows an incorrect amount for Account 1580, in the column “December 31, 2015 Balances with projected Interest to December 31, 2017.” The Account 1580 balance should be a credit balance of $541,580, instead of a credit balance of $545,280. The sub-total is also incorrect. The $3,701 difference is due to Account 1580 Variance WMS – Sub-account CBR Class B balance that was not reflected in the above noted column in Table 22. OEB staff further notes that the 2017 DVA Continuity Schedule submitted on March 26, 2018 also does not incorporate the correct balance for Account 1580 of a credit balance of $541,580, as the formula that was in cell D7 of Tab 5. Allocation of Balances was overwritten with an incorrect hard number.

OEB staff notes that the previous version of the 2017 DVA Continuity schedule filed with the OEB on October 6, 2017 had the correct Account 1580 balance, before the additional carrying charges were applied to December 31, 2017, as directed by the OEB.[9]

OEB staff also observes that although the OEB directed InnPower to apply additional carrying charges from January 1 to December 31, 2017, as noted above, no additional carrying charges were applied to the Group 2 DVAs in the 2017 DVA Continuity Schedule filed March 26, 2018 and Table 22: Updated DVA Balances (Excluding Accounts 1568, 1572, 1588 and 1589).

OEB staff notes that the DVA rate riders are calculated based on a two year period and InnPower has noted in its proposed tariff that these riders should end December 31, 2019. As InnPower is proposing an implementation date of May 1, 2018, it may be more appropriate to revise the DVA rate riders to reflect a 20 month period of clearance, rather than a two year period.

**Submission**

OEB staff submits that Table 22: Updated DVA Balances (Excluding Accounts 1568, 1572, 1588 and 1589) in the DRO should be updated to show the correct amount for Account 1580, in the column “December 31, 2015 Balances with projected Interest to December 31, 2017.”

OEB staff is of the view that the 2017 DVA Continuity Schedule should be updated to incorporate the correct credit balance of $541,580 for Account 1580.

OEB staff submits that additional carrying charges from January 1 to December 31, 2017 should be applied to the Group 2 DVAs in the 2017 DVA Continuity Schedule and Table 22: Updated DVA Balances (Excluding Accounts 1568, 1572, 1588 and 1589) should also be updated.

OEB staff submits that as InnPower is proposing an implementation date of May 1, 2018, it is more appropriate to revise the DVA rate riders to reflect a 20 month period of clearance, rather than a two year period. InnPower’s evidence should be updated.

[9] Decision, page 30

## 2.9 Rate Riders

### Background

The OEB approved an effective date of January 1, 2018. The OEB has decided to approve forgone revenue rate riders to be effective from the implementation date to December 31, 2018.[10]

InnPower is presently collecting an ICM rate rider effective January 1, 2015 related to the Building. As a result of the Decision, the Building was included in rate base. The OEB therefore directed InnPower to consider the ICM rate rider revenue received prior to the implementation date in 2018, forecasted at $294,913 by InnPower, when deriving its forgone revenue rate rider.

InnPower has proposed an implementation date of May 1, 2018, resulting in eligibility for forgone revenue for four months January to April 2018. InnPower's DRO calculated resulting rate riders on the basis of a two year recovery until April 30, 2020.

InnPower calculated the revenue due to it under the 2017 rates resulting from the Decision, and subtracted revenue forecasted to be over collected under the ICM rate riders. This resulted in a claim of $3,133,820. However, InnPower did not deduct the revenue collected under 2016 approved distribution rates.

In arriving at volumetric rate riders, OEB staff also notes that InnPower reversed the billing kW for the Sentinel and Street Lighting rate classes.[11]

### Submission

OEB staff submits that the methodology used to calculate ICM rate rider revenue is reasonable, and results in an appropriate estimate of revenue under these rate riders. However, in calculating the forgone revenue, InnPower has failed to deduct revenue collected in 2018 under the existing 2016 approved distribution rates.

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[10] Decision p. 42.
[11] Forgone Revenue Rate Rider Calculation, filed March 26, 2018, cells C61 and C62.

OEB staff submits that the ICM rate riders should cease on April 30, 2018.

OEB staff submits that the rate riders for forgone revenue should cease December 31, 2018, as stated in the Decision.

OEB staff submits that the forgone revenue should be $349,886, as calculated below. Based on an eight month period for recovering the forgone revenue, the correct riders are also shown below.

Table 8 - Forgone Revenue under Fixed Charges

| Fixed | Customers and or Connections | 2016 Rate Charged | ICM Rate Rider Charged | 2017 Rate Per Decision | Net Rate Differential | Forgone Revenue |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 15,555 | $ 24.85 | $ 2.21 | $ 34.97 | $ 7.91 | $ 492,160.20 |
| GS < 50 KW | 1,034 | $ 34.33 | $ 3.65 | $ 42.19 | $ 4.21 | $ 17,412.56 |
| GS > 50 KW TO 4,999 KV | 88 | $ 151.60 | $ 16.12 | $ 192.33 | $ 24.61 | $ 8,662.72 |
| STREET LIGHTING | 2,995 | $ 5.72 | $ 0.61 | $ 4.19 | $ (2.14) | $ (25,637.20) |
| SENTINEL | 161 | $ 11.20 | $ 1.19 | $ 13.80 | $ 1.41 | $ 908.04 |
| USL | 74 | $ 10.57 | $ 1.12 | $ 13.18 | $ 1.49 | $ 441.04 |
| | 19,907 | | | | | $ 493,947.36 |

Table 9 - Forgone Revenue under Variable Charges

| Volumetric | kWh/kW | 2016 Rate Charged | ICM Rate Rider Charged | 2017 Rate Per Decision | Net Rate Differential | Forgone Revenue |
|---|---|---|---|---|---|---|
| RESIDENTIAL (kWh) | 144,001,990 | $ 0.0139 | $ 0.0020 | $ 0.0114 | $ (0.0045) | $ (216,002.99) |
| GS < 50 KW (kWh) | 31,418,007 | $ 0.0083 | $ 0.0009 | $ 0.0102 | $ 0.0010 | $ 10,472.67 |
| GS > 50 KW TO 4,999 (K\ | 174,966 | $ 3.1132 | $ 0.3311 | $ 4.6162 | $ 1.1719 | $ 68,347.55 |
| STREET LIGHTING (kW) | 1,599 | $ 39.5544 | $ 4.2063 | $ 28.9863 | $ (14.7744) | $ (7,874.76) |
| SENTINEL (kW) | 286 | $ 51.0173 | $ 5.4252 | $ 62.8576 | $ 6.4151 | $ 611.57 |
| USL (kWh) | 461,015 | $ 0.0177 | $ 0.0019 | $ 0.0221 | $ 0.0025 | $ 384.18 |
| | | | | | | $ (144,061.77) |

Table 10 - Fixed Rate Riders for recovery of Forgone Revenue

| Fixed | Customers and or Connections | Total Forgone Reveue Fixed | Fixed Rate Rider |
|---|---|---|---|
| RESIDENTIAL | 15,555 | $ 276,157 | $ 2.22 |
| GS < 50 KW | 1,034 | $ 17,413 | $ 2.11 |
| GS > 50 KW TO 4,999 KV | 88 | $ 8,663 | $ 12.31 |
| STREET LIGHTING | 2,995 | $ (25,637) | $ (1.07) |
| SENTINEL | 161 | $ 908 | $ 0.71 |
| USL | 74 | $ 441 | $ 0.75 |
| | 19,907 | $ 277,944 | |

Note: the Residential recovery includes both fixed and variable forgone revenue under a fixed rate rider.

Table 11 - Variable Rate Riders for recovery of Forgone Revenue

| Volumetric | kWh/kW | Total Forgone Reveue Vol | Vol Rate Rider |
|---|---|---|---|
| RESIDENTIAL (kWh) | 144,001,990 | $ - | $ - |
| GS < 50 KW (kWh) | 31,418,007 | $ 10,473 | $ 0.0005 |
| GS > 50 KW TO 4,999 (K\ | 174,966 | $ 68,348 | $ 0.5860 |
| STREET LIGHTING (kW) | 1,599 | $ (7,875) | $ (7.3872) |
| SENTINEL (kW) | 286 | $ 612 | $ 3.2076 |
| USL (kWh) | 461,015 | $ 384 | $ 0.0013 |
| | | $ 71,941 | |

## 2.10 Other Operating Revenue

### Background

Although not specifically directed in the Decision, OEB staff notes that InnPower has updated its amortization of capital contributions in Appendix 2-BA, cell J378, to reflect an adjustment to depreciation of $25,381. The calculation of the $25,381 difference is outlined in undertaking J2.4. However, OEB staff notes that Appendix 2-H, Account 4245, has not been increased by a corresponding amount of $25,381, therefore the other operating revenue offset is understated.

### Submission

OEB staff submits that Appendix 2-H, Account 4245, should be increased by a credit balance of $25,381, in order to match the adjustment made to depreciation in Appendix 2-BA. The revenue offset needs to be updated when calculating the base revenue requirement used to determine rates.

# 3 ISSUES – Items Required to Complete the Record in this Proceeding

## 3.1 OM&A

**Background**

OEB staff notes that the OEB approved OM&A of $5.317 million has not been reflected in Appendix 2-JB Recoverable OM&A Cost Driver Table. Instead InnPower's ask of $5.990 million is reflected in this table. However, OEB staff notes that InnPower has used the OEB approved OM&A of $5.317 million in its calculation of its revised 2017 test year revenue requirement.

**Submission**

OEB staff submits that the OEB approved OM&A of $5.317 million should be reflected in Appendix 2-JB Recoverable OM&A Cost Driver Table.

## 3.2 Payments in Lieu of Taxes (PILs)

**Background**

OEB staff notes that the disposals included in Schedule 8 CCA – Bridge Year of $31,430 and Schedule 8 CCA – Test Year of $184,030 in the revised test year PILs model are not reflected as a negative number, instead these amounts are shown as a positive number. As a result, the revised test year PILs provision of $176,496 is understated. In the earlier version of the PILs model filed September 20, 2017, the signs for disposals were correctly shown as negative numbers.

OEB staff also notes that InnPower has incorporated a PILs provision for the test year of $184,259 in its revenue requirement, however the PILs model filed with the OEB on March 28, 2018 shows a PILs provision of $176,496. Although the difference of $7,763 is immaterial, the numbers should reconcile. OEB staff observes that updating the PILs model to reflect the disposals as negative numbers, as described above, would generate a new PILs amount of $184,259 in a revised model, which would tie to the amount included in the 2017 test year revenue requirement.

**Submission**

OEB staff submits that the disposals included in Schedule 8 CCA – Bridge Year and Schedule 8 CCA – Test Year in the revised test year PILs model should be updated to reflect a negative number, instead of these amounts being shown as a positive number.

OEB staff submits that InnPower should update is PILs provision for the test year so that the RRWF reconciles to the PILs model.

## 3.3 Deferral and Variance Accounts

**Background**

On page 29 of the DRO, InnPower references two new DVA accounts, but did not reference the third new DVA account, Account 1508 – Other Regulatory Assets, Sub-account Vegetation Management Revenues on Joint-Use Poles.

**Submission**

OEB staff submits that in the revised DRO submitted by InnPower, a reference to the third new DVA, Account 1508 – Other Regulatory Assets, Sub-account Vegetation Management Revenues on Joint-Use Poles, should be included.

## 3.4 Bill Impacts

**Background**

InnPower proposed an updated bill impacts with the DRO. OEB staff notes several inconsistencies with OEB policy in the derivation of bill impacts:

- The Smart Meter Entity charge has been updated to $0.57 for the GS < 50 class, but has been entered as $0.73 for the residential rate class.
- The rate rider for the disposal of Group 2 Deferral and Variance accounts is missing from the Residential rate class.
- The Wholesale Market Service Charge (WMS) has been entered as $0.0036/kWh in Current OEB-Approved rates (including the Capacity Based Recovery), and as $0.0032/kWh in the proposed bill impact.
- The RRRP charge has been entered as $0.0013 under Current OEB-Approved, yet the current approved charge is $0.0003, and is not changing as a result of InnPower's rate application.
- The Ontario Electricity Support Program (OESP) amount is included despite this charge having been removed from bills completely.
- The Time of Use (TOU) commodity rates do not reflect current TOU rates.
- The Bill Impact sheet labelled Sentinel Light is a repeat of the Unmetered Scattered Load bill impact.

**Submission**

OEB staff submits that when preparing bill impacts, InnPower should:

- use $0.57 for the Smart Meter Entity charge for the residential class,
- include the Group 2 deferral and variance account rate rider on the residential class,
- use a WMS of $0.0036/kWh for all rate classes,
- use the RRRP rate of $0.0003 under Current OEB-Approved,
- remove the OESP completely,
- reflect current rates for the TOU commodity, and
- include the sentinel light bill impact.

OEB staff also believes that a number of formatting changes to the proposed tariff are necessary in order for it to conform with tariffs approved for other distributors. OEB staff will discuss these changes with InnPower, but will not list them here. In the event InnPower has any concerns with these changes, it can state such concerns in its reply submission.

## 3.5 Draft Accounting Orders

**Background**

InnPower has provided draft Accounting Orders in Schedule 1 of its DRO for the new DVAs approved in the Decision. OEB staff notes that some revisions to these Accounting Orders may be appropriate, as reflected in Schedule A to this submission.

**Submission**

OEB staff submits that the draft Accounting Orders, as reflected in Schedule A to this submission, are appropriate.

## 3.6 Collection Process

**Background**

InnPower has provided an overview of its proposed review of its Collection Process in the DRO. However, OEB staff notes that InnPower was silent on the following items which were noted by the OEB in its Decision:

- whether InnPower would take into consideration the feedback from its customers; and
- whether InnPower would document this process in its Conditions of Service.

**Submission**

OEB staff submits that InnPower should incorporate the above noted two bullet points as part of its review of its Collection Process.

## 3.7 Miscellaneous Items

### Background

OEB staff notes that InnPower has not updated RRWF Tab 14. Tracking Sheet to reflect the impact of the Decision as separate line items in this worksheet.

OEB also observes that items reflected in RRWF Tab. 14 Tracking Sheet related to the lines “Technical Conference” are different between the September 20, 2017 filing of the RRWF and the March 26, 2018 filing of the RRWF. These line items should be consistent.

OEB staff also notes that the column “Settlement Agreement” in certain tabs of the RRWF are different between the September 20, 2017 filing of the RRWF and the March 26, 2018 filing of the RRWF. These columns should be consistent.

### Submission

OEB staff submits that InnPower should update its RRWF Tab 14. Tracking Sheet to reflect the impact of the Decision as separate line items in this worksheet.

OEB also submits that items reflected in RRWF Tab. 14 Tracking Sheet related to the lines “Technical Conference” should be consistent between the September 20, 2017 filing of the RRWF and the March 26, 2018 filing of the RRWF.

OEB staff also submits that the column “Settlement Agreement” in certain tabs of the RRWF should be consistent between the September 20, 2017 filing of the RRWF and the March 26, 2018 filing of the RRWF.

All of which is respectfully submitted

# Schedule A

To OEB Staff Submission on Draft Rate Order

Accounting Order

InnPower Corporation

EB-2016-0085

Dated: April 2, 2018

Accounting Order
Account 1508 –Other Regulatory Assets, Sub-account Difference in Revenues from Affiliate Services

InnPower shall establish Account 1508 – Other Regulatory Assets, Sub-account Difference in Revenues from Affiliate Services. This sub-account shall have an effective date of January 1, 2018. This sub-account will be used to record the difference between the approved forecast of affiliate service revenues of $757,539 and actual revenues determined as a result of the OEB audit. Items will be recorded in the sub-account until the date of InnPower's next cost of service rate order or until the OEB closes this account. This account is eligible for carrying charges at the OEB prescribed rate.

Sample accounting entries are provided below.

A. This sub-account records the difference between the approved forecast of affiliate service revenues of $757,539 and actual revenues determined as a result of the audit.

| | |
|---|---|
| DR/CR 4080 | Distribution Services Revenue |
| CR/DR 1508 | Other Regulatory Assets, Sub-account Difference in Revenues from Affiliate Services |

B. This sub-account records the carrying charges associated with Other Regulatory Assets, Sub-account Difference in Revenues from Affiliate Services.

| | |
|---|---|
| DR 6035 | Other Interest Expense (applies to Account 1508 credit balances) |
| CR 4405 | Interest and Dividend Income (applies to Account 1508 debit balances) |
| CR/DR 1508 | Other Regulatory Assets, Sub-account Difference in Revenues from Affiliate Services, Carrying Charges |

All records shall be maintained at an appropriate level to permit OEB review and verification of amounts recorded therein.

Accounting Order
Account 1508 – Other Regulatory Assets, Sub-account Difference in Expenses from Affiliate Services

InnPower shall establish Account 1508 – Other Regulatory Assets, Sub-account Difference in Expenses from Affiliate Services. This sub-account shall have an effective date of January 1, 2018. This sub-account will be used to record the difference between the approved forecast of affiliate service expenses of $704,939 and the fully-allocated costs as determined by the OEB audit. Items will be recorded in the sub-account until the date of InnPower's next cost of service rate order or until the OEB closes this account. This account is eligible for carrying charges at the OEB prescribed rate.

Sample accounting entries are provided below.

A. This sub-account records the difference between the approved forecast of affiliate service expenses of $704,939 and the fully-allocated costs as determined by the OEB audit.

| | |
|---|---|
| DR/CR 4080 | Distribution Services Revenue |
| CR/DR 1508 | Other Regulatory Assets, Sub-account Difference in Expenses from Affiliate Services |

B. This sub-account records the carrying charges associated with Other Regulatory Assets, Sub-account Difference in Expenses from Affiliate Services.

| | |
|---|---|
| DR 6035 | Other Interest Expense (applies to Account 1508 credit balances) |
| CR 4405 | Interest and Dividend Income (applies to Account 1508 debit balances) |
| CR/DR 1508 | Other Regulatory Assets, Sub-account Difference in Expenses from Affiliate Services, Carrying Charges |

All records shall be maintained at an appropriate level to permit OEB review and verification of amounts recorded therein.

Accounting Order
Account 1508 – Other Regulatory Assets, Sub-account Vegetation Management Revenues on Joint-Use Poles

InnPower shall establish Account 1508 – Other Regulatory Assets, Sub-account Vegetation Management Revenues on Joint-Use Poles. This sub-account shall have an effective date of January 1, 2018. This sub-account will be used to record any revenues received by InnPower prior to its next cost of service application for the provision of vegetation management services pursuant to the terms of any joint-use agreement for wireline communications attachments. Items will be recorded in the sub-account until the date of InnPower's next cost of service rate order or until the OEB closes this account. This account is ineligible for carrying charges.

Sample accounting entries are provided below.

A. This sub-account records any revenues received by InnPower for the provision of vegetation management services pursuant to the terms of any joint-use agreement for wireline communications attachments.

| | |
|---|---|
| DR 4080 | Distribution Services Revenue |
| CR 1508 | Other Regulatory Assets, Sub-account Vegetation Management Revenues on Joint-Use Poles |

All records shall be maintained at an appropriate level to permit OEB review and verification of amounts recorded therein.