

InnPower confirmed in its response to interrogatory 9.0-Staff-59 that it is foregoing its recovery of the Account 1568 balance accumulated to December 31, 2015 and the Z-factor amount recorded in Account 1572, not just deferring recovery. InnPower is expected to record balances in Account 1568 from January 1, 2016 onwards for future consideration.

The OEB approves two new variance accounts to start effective January 1, 2018, as discussed in the Revenues and Costs Relating to Affiliate – InnServices section in this Decision, as follows.

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

The OEB directs InnPower to include draft accounting orders for these two new accounts in its draft rate order.

3.13 Rate Riders

InnPower had three rate riders approved in its ICM Application³⁸ with expiry dates of December 31, 2016:

- Rate Rider for Recovery of Incremental Capital - fixed charge
- Rate Rider for Recovery of Incremental Capital - volumetric charge
- Rate Rider for Disposition of Capital Gains

InnPower also had two rate riders approved in its 2016 Price Cap IR application³⁹ with expiry dates of December 31, 2016:

- Rate Rider for Disposition of Deferral/Variance Accounts (2016)
- Rate Rider for Disposition of Global Adjustment Account (2016)

InnPower indicated that it has continued to collect the ICM rate rider through 2017 consistent with the terms of the rate order declaring its rates interim effective January 1,

³⁸ EB-2014-0086

³⁹ EB-2015-0081

2017. InnPower proposed that a final reconciliation of these rate riders be included with its next Price Cap IR application.

OEB staff submitted that the rate rider reconciliation should be completed as part of this proceeding.

OEB staff noted that as the new rates will reflect the new Building in rate base for the first time, InnPower should show detailed calculations in its draft rate order. OEB staff submitted that if any amounts have been over recovered, InnPower should propose a rate rider to refund amounts to customers. OEB staff indicated that if InnPower prefers the balances to be audited as part of its annual financial statement audit, any refunds may be deferred to a future Price Cap IR proceeding.

Findings

The OEB finds that InnPower incorrectly continued to charge these rate riders after the approved expiry dates. The rate order declaring rates interim should not override a pre-approved rate rider expiry date. In addition, rates were declared interim the day after the expiry dates for the rate riders.

In a letter dated January 9, 2018 (letter), the OEB indicated that it expected InnPower to end three of the rate riders which continued in 2017, effective December 31, 2017. InnPower confirmed it ended the rate riders effective December 31, 2017. In particular:

- Rate Rider for Disposition of Capital Gains
- Rate Rider for Disposition of Deferral/Variance Accounts (2016)
- Rate Rider for Disposition of Global Adjustment Account (2016)

In the letter, the OEB explained that as these rate riders were established to dispose of specific approved account balances, and money was either over collected or over refunded to customers. To address this issue, the OEB directs InnPower to transfer any over refunded balances with respect to capital gains to a sub account in Account 1595 for future disposition. To the extent there has been an over or under collection of the 2016 DVA and 2016 Global Adjustment balances, the residual balances in Account 1595 can be addressed in a subsequent application.

The remaining two rate riders that continued past December 31, 2016 related to incremental capital approved in the ICM proceeding. These rate riders provided rate relief to InnPower until its rates were rebased. In this application, InnPower proposes to

add the related assets to rate base and earn a return through base rates in the revenue requirement calculation.

The OEB directs InnPower to use the net book value of the associated net ICM assets on the effective date of this Decision as the addition to rate base.

On the effective date, the incremental capital rate riders should have been displaced by the return provided through the new base rates. To the extent that the rate riders continued to be charged after the effective date, this amount should be considered in the forgone revenue calculation.

The OEB does not find it necessary to true-up the ICM rate riders. A true up would reconcile any difference between the actual and expected revenue collected through the incremental capital rate riders. A true-up was not proposed by InnPower and there is no evidence to indicate the difference would be material.

3.14 Other Operating Revenue

Specific Service Charges

InnPower proposed to increase four of its specific charges included in other operating revenue. InnPower described these charges in its Argument-in-Chief as follows:

- (a) An increase in the “Disconnect/reconnect charge – at meter- during regular hours” charge from \$40 to \$65 to better reflect current contractor average costs for disconnects/reconnects.
- (b) An increase in the “Temporary Service – Install & Removal – Underground – No Transformer” charge from \$300 to \$468, to better reflect actual costs associated with both the install and removal portions of the activity.
- (c) An increase in the “Temporary Service – Install & Remove – Overhead – No Transformer” charge from \$500 to \$632, to better reflect the actual costs associated with both the installation and removal activities.
- (d) An increase in the “Temporary Service – Install & Remove – Overhead – With Transformer” charge from \$1000 to \$2525, to better reflect the actual costs associated with both installation and removal activities.

OEB staff had no issues with the proposed changes to the specific service charges.