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**BY EMAIL**

October 7, 2022

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4  
[Registrar@oeb.ca](mailto:Registrar@oeb.ca)

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission  
Niagara-on-the-Lake Hydro Inc.  
Application for 2023 Rates  
OEB File Number: EB-2022-0052**

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Please find attached the OEB staff's submission in the above-referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

*Kelli Benincasa*

Kelli Benincasa  
Incentive Rate Setting and Regulatory Accounting

Encl.

cc: All parties in EB-2022-0052



# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission**

**Niagara-on-the-Lake Hydro Inc.**

**2023 Rates Application**

**EB-2022-0052**

**October 7, 2022**

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## Application Summary

Niagara-on-the-Lake Hydro Inc. (Niagara-on-the-Lake Hydro) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on July 15, 2022, under section 78 of the *Ontario Energy Board Act, 1998* (OEB Act) seeking approval for changes to its electricity distribution rates to be effective January 1, 2023.

Consistent with Chapter 3 of the Filing Requirements,<sup>1</sup> Niagara-on-the-Lake Hydro applied the Price Cap Incentive Rate-setting adjustment factor to adjust the monthly service charge during the incentive rate-setting years. Niagara-on-the-Lake Hydro's application is based on the placeholder value of 3.15% for the 2023 annual adjustment. The annual adjustment follows an OEB-approved formula that includes components for inflation and the OEB's expectations of efficiency and productivity gains. The components in the formula are approved by the OEB annually. The formula prescribes a rate adjustment equal to the inflation factor minus the distributor's X-factor.<sup>2</sup>

Niagara-on-the-Lake Hydro has also requested an update to its Retail Transmission Service Rates (RTSRs) to recover the wholesale transmission rates charged by the Independent Electricity System Operator (IESO). OEB staff notes that in the event the Uniform Transmission Rates (UTRs) change effective January 1, 2023, OEB staff will update Niagara-on-the-Lake Hydro's 2023 IRM Model to reflect the impacts of any changes in the UTRs before the issuance of a decision and order.

OEB staff makes detailed submissions on the following:

- Specified Customer Revenue Variance Account
- Lost Revenue Adjustment Mechanism

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<sup>1</sup> Filing Requirements for Electricity Distribution Rate Applications – 2022 Edition for 2023 Rate Applications – Chapter 3 Incentive Rate-Setting Applications, May 24, 2022

<sup>2</sup> Ibid, pages 5 - 6

## OEB Staff Submission

### Specified Customer Revenue Variance Account (SCRVA)

#### Background

Niagara-on-the-Lake Hydro is requesting the disposition of Account 1508 - Other Regulatory Asset, Sub-account Specified Customer Revenue Variance Account in the credit amount of \$50,845 over one year. The sub-account was established in Niagara-on-the-Lake Hydro's 2019 cost of service rate application to capture variances between actual distribution revenue and the forecasted distribution revenue for a specific Large Use customer. The reason for the sub-account is that the load forecast for the one customer in the Large Use Customer Class was uncertain in the 2019 cost of service proceeding, and the load was expected to be significant relative to the company's total load. In Niagara-on-the-Lake Hydro's 2019 cost of service settlement agreement, the parties agreed that it was appropriate that neither the distributor, nor customers, bear the benefit or burden of currently unknown variances in the Large Use customer's load, and that a variance account was appropriate. In addition, the parties agreed on the cost allocation and rate design methodologies for this variance account.

The variance in the sub-account is to be disposed of after the audited balances of the sub-account are available each year. Niagara-on-the-Lake Hydro's balance in the variance account was last disposed of in its 2022 IRM rate application.

The approved accounting order in the 2019 cost of service proceeding stated that "the rate rider will be determined by allocating the balance of the variance account across customer classes based on customer class revenue. Within each customer class, it will be allocated across customers based on kwh."<sup>3</sup>

Niagara-on-the-Lake has since lost the specific Large Use customer for whom this account was established. Niagara-on-the-Lake Hydro recently filed a stand-alone application<sup>4</sup> before the OEB to change this account into a generic account that will track any load variance for the Large Use customer class because a new Large Use customer, with a potentially large load profile (between 20 to 80 MW), is expected to connect in 2022. The OEB has approved the modification to the existing Variance Account in the recently issued decision and order.<sup>5</sup> The proposed disposition of Account 1508 in the credit amount of \$50,845 in this application represents the variance for the original Large Use customer in 2021.

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<sup>3</sup> EB-2018-0056, Niagara-on-the-Lake Hydro's 2019 Cost of Service Decision and Order, Appendix I Draft Accounting Order for Specified Customer Revenue Variance Account.

<sup>4</sup> EB-2022-0158.

<sup>5</sup> EB-2022-0158 Decision and Order issued on June 20, 2022.

Submission

OEB staff supports the disposition of the proposed 2021 balance in Account 1508 sub-account Specified Customer Revenue Variance Account because OEB staff notes no issue from the proposed balance in 2021.

**Lost Revenue Adjustment Mechanism (LRAM)**Background

Distributors filing an application for 2023 rates are required to seek disposition of all outstanding Lost Revenue Adjustment Variance Account (LRAMVA) balances related to program savings related to Conservation First Framework programs or other conservation programs they delivered unless they do not have complete information on eligible program savings.<sup>6</sup> Niagara-on-the-Lake Hydro is requesting the final disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds resulting from its conservation and demand management (CDM) activities. This includes approval of its LRAMVA balances for 2020, 2021, and 2022. The December 31, 2022, LRAMVA balance, including carrying charges projected to December 31, 2022, is a debit amount of \$47,069. Niagara-on-the-Lake Hydro is requesting disposition over 12 months. Should the OEB approve Niagara-on-the-Lake Hydro's request, the LRAMVA would have a balance of zero.

The components of the LRAMVA balance are shown in Table 1.

**Table 1 - LRAMVA Balance for Disposition**

<b>Account Number</b>	<b>Actual CDM Savings (\$)</b>	<b>Forecasted CDM Savings (\$)</b>	<b>Carrying Charges (\$)</b>	<b>Total Claim (\$)</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D = (A-B)+C</b>
1568	109,788	63,503	784	47,069

The OEB's CDM Guidelines<sup>7</sup> indicate that distributors are also eligible for LRAM for persisting impacts of conservation programs until their next rebasing. The OEB provided direction for distributors to seek approval of LRAM-eligible amounts for 2023 onwards on a prospective basis, and a rate rider in the corresponding rate year, to address amounts that would otherwise be recorded in the LRAMVA for all years until their next

<sup>6</sup> Chapter 3 Filing Requirements, section 3.2.6.1

<sup>7</sup> [Conservation and Demand Management Guidelines for Electricity Distributors](#) (EB-2021-0106), December 20, 2021.

rebasement application.<sup>8</sup> Niagara-on-the-Lake Hydro has requested approval on a prospective basis for an LRAM-eligible debit amount of \$14,766 in 2023, arising from persisting savings in 2023 from previously implemented CDM programs.<sup>9</sup> This amount would be adjusted mechanistically by the approved inflation minus X factor for 2023, when available. Niagara-on-the-Lake Hydro is proposing a separate 2023 LRAM-Eligible Amount Rate Rider to be included in 2023 rates to recover this amount.

### Submission

OEB staff supports Niagara-on-the-Lake Hydro's request to dispose of its December 31, 2022 LRAMVA on a final basis, and to approve the 2023 LRAM-eligible amount, including recovering this amount in 2023 rates. OEB staff submits that Niagara-on-the-Lake Hydro's request is consistent with the OEB's CDM Guidelines. OEB staff has reviewed the December 31, 2022 LRAMVA balance and the 2023 LRAM-eligible amount, and the supporting evidence substantiating these amounts. In OEB staff's opinion, the LRAMVA balance and the LRAM-eligible amount are reasonable.

OEB staff recommends that no further entries to the LRAMVA be permitted at this time, but that the LRAMVA not be discontinued, in the event that Niagara-on-the-Lake Hydro requests the use of the LRAMVA for a CDM activity in a future application, which the OEB can consider on a case-by-case basis. OEB staff is recommending this approach for all distributors who have disposed of all outstanding LRAMVA balances as part of their 2023 rate applications.

~All of which is respectfully submitted~

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<sup>8</sup> [Guidance on Prospective Lost Revenue Adjustment Mechanism \(LRAM\) Amounts – 2023 Rates](#), June 16, 2022

<sup>9</sup> Approval on a prospective basis is only sought for 2023, because Niagara-on-the-Lake Hydro intends to file a Cost of Service application for 2024 rates.