

Rideau St. Lawrence Distribution Inc.

EB-2022-0061

Description of Updated LRAMVA Claim

November 8, 2022

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Description of Updated LRAMVA Claim

Rideau St. Lawrence Distribution Inc. (RSL, or the Applicant), is providing an updated LRAMVA portion of the Manager’s Summary (section “6. LRAM Variance Account” on page 11-19 in the original submission), per the OEB staff’s request in an email to RSL dated October 31. RSL is proposing to dispose **2020 – 2022** LRAMVA in this 2023 IRM (EB-2022-0061). In its original submission, RSL requested disposal of 2020 – 2021 LRAMVA.

The LRAMVA Workform and the Rate Generator Model have been updated to reflect the inclusion of 2022 LRAMVA.

A revised reconciliation of 1568 LRAM Variance Account (page 21 in the original submission) is also provided in this description.

Background

The Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) is a retrospective adjustment designed to account for differences between forecast revenue loss attributable to Conservation and Demand Management (CDM) activity embedded in rates and actual revenue loss due to the impacts of CDM programs.

The OEB established Account 1568 as the LRAMVA to capture the difference between the OEB approved CDM forecast and actual results at the customer rate class level.

The 2021 CDM Guidelines (EB-2021-0106 issued on December 20, 2021) require distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds (i.e, thresholds established in a distributor’s previous cost of service application).

Chapter 3 Filing Requirement dated May 24, 2022 also allows that:

“Some distributors filing for 2023 rates may have CDM projects subject to the CFF extension directive that have not come into service at the time of filing. In this circumstance, a distributor may delay disposition of the LRAMVA balance for 2022 and future years, but must dispose of the balances for all previous years.”

RSL most recently disposed of the principal balance in account 1568 in its 2022 COS rate application (EB-2021-0056) as of December 31, 2019.

When the Applicant was preparing its 2023 IRM Application, it was unclear whether there were going to be new CDM programs under the previous CFF or Interim Framework being installed or to be installed in 2022. The Applicant thus requested disposition of 2020 and 2021 LRAMVA only in its original submission and would seek disposition of 2022 LRAMVA in a future rate application when better information related to 2022 CDM savings is available.

Upon receiving the OEB staff email dated October 31, 2022, RSL re-evaluated its 2022 LRAMVA and concluded that the potential new CDM savings would not be significant and therefore would be ignorable if there will be any. RSL decided to include 2022 LRAMVA as well as 2020 – 2021 LRAMVA through this Application. The disposition is consistent with Chapter 3 Filing Requirement dated May 24, 2022, which states:

“Alternatively, if a distributor is of the view that the additional project savings from projects not yet in service will not be significant, it may seek final disposition of the LRAMVA balance for all years until the next rebasing, based only on the CDM savings from completed projects.”

RSL has determined the LRAM amount in accordance with:

- Board’s 2012 CDM Guidelines,
- 2015 CDM Guidelines,

- 2016 Updated Policy for the calculation of LRAMVA in respect of peak demand savings,
- Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications for 2023 rates, and
- 2021 CDM Guidelines.

Period of New LRAMVA

RSL filed a COS rate application (EB-2021-0056) and claimed the LRAMVA balance as of December 31, 2019. This application claims the following LRAMVA years:

- 2020 LRAMVA resulting from 2020 new programs and persistence savings from 2016 - 2019 programs,
- 2021 LRAMVA resulting from persistence savings from 2016 - 2020 programs, and
- 2022 LRAMVA resulting from persistence savings from 2016 - 2020 programs.

Sources of Actual Savings

The LRAMVA historically has been based on the Final Verified Annual Results published by the IESO. However, the Ministry of Energy, Northern Development and Mines' decision on March 20, 2019 to conclude the Conservation First Framework (CFF) led to the IESO not issuing verified CDM results effective immediately.

To obtain the data for period of 2017 - 2022 used in this filing, RSL relied on the following documents that were provided by the IESO to get the Net Energy Savings and Net Demand Savings by program, as well as third party's evaluation reports. In addition, assumptions are used for 2021 and 2022 new savings.

- IESO's 2017 Final Results Report,
- Program Participation & Cost Report from January 1, 2018 to March 31, 2019,
- Detailed Project Level Savings File,

- Third party (Burman Energy) evaluation reports for projects not included in the above documents,
- 2021 new savings deemed to be zero as RSL has not received information of any new CDM projects, and
- 2022 new savings deemed to be insignificant and ignorable if there are any.

The 2021 CDM Guidelines indicate that distributors may request the use of the LRAMVA for distribution-rate funded CDM activities or LIP activities on a case-by-case basis. RSL had not had any of these activities.

LRAMVA Calculation

As consistent with RSL 2016 COS application (EB-2015-0100), the actual savings for 2016 from 2016 IESO Final Results Report has been used as the threshold for LARMVA calculation since RSL's 2020 IRM (EB-2019-0066). The 2016 IESO Final Results Report is filed in Excel format as a part of this submission.

RSL's new rates from 2022 COS Application (EB-2021-0056) did not become effective until July 1, 2022. As such, RSL is eligible for claiming LRAMVA for period January – June 2022 (1st half of 2022). This situation is similar to RSL's 2017 LRAMVA. RSL's new rates from 2016 COS (EB-2015-0100) were not effective until July 1, 2017. In RSL's 2020 IRM application (EB-2019-0066) the OEB approved RSL's approach for 2017 LRAMVA that split 2017 into two equal periods (January-June and July-December) and calculated LRAMVA for each period separately based on two different thresholds, rates, and actual savings. The following paragraph is excerpted from the decision and rate order EB-2019-0066:

“Rideau St. Lawrence Distribution was operating under unique circumstances following the delayed implementation of its 2016 COS rates. Rideau St. Lawrence Distribution's proposed approach for addressing its 2017 LRAMVA amount is reasonable considering the circumstances. By apportioning 50% of the 2017 verified savings to each half of the

year, Rideau St. Lawrence Distribution has taken an objective and unbiased approach. Similarly, it made a reciprocal adjustment to forecast savings where the LRAMVA threshold for each half period was reduced by 50%. The OEB is of the view that the proposed approach enables Rideau St. Lawrence Distribution to recover lost revenues consistent with the timing of new rates coming into effect.”

For the first six months of 2022, 50% of actual 2022 savings are compared against 50% of the 2016 COS LRAMVA threshold. There is no LRAMVA calculation for July – December of 2022 because no LRAMVA threshold was established in RSL’s 2022 load forecast in EB-2021-0056.

The following table illustrates the LRAMVA elements to be used in the calculation.

Table 1 - LRAMVA Elements by Period

Period	Rates Approved in	Rates Derived from	LRAMVA Threshold Established in	Actual Savings	LRAMVA Calculation	Note
2020	2020 IRM	2016 COS	2016 COS	2020 new CDM programs & 2016 - 2019 persistence	Actual - Threshold	
2021	2021 IRM	2016 COS	2016 COS	2016 - 2020 persistence	Actual - Threshold	2021 new savings deemed zero
2022 January - June	2021 IRM	2016 COS	2016 COS	2016-2020 persistence	(Actual - Threshold) x 0.5	2022 new savings ignorable
2022 July - December	2022 COS	2022 COS	2022 COS	None	None	No CDM adjustment in 2022 Load Forecast. 2022 new savings ignorable

RSL has used the 2023 LRAMVA Workform 7.0 to complete the calculation of the LRAMVA which amounts to \$50,312. The Workform is filed as working Microsoft Excel files as directed by the Board in the Chapter 3 Filing Requirements. RSL has not included peak demand (kW) savings from Demand Response programs in its lost revenue calculation in accordance with the Board’s 2016 Updated Policy on the calculation of peak demand savings.

In accordance with the Chapter 3 Filing Requirements, RSL is confirming that:

- RSL has used the most recent input assumptions available at the time of the program evaluation when calculating the lost revenue amount.
- RSL has relied on the most recent and appropriate final CDM evaluation report from the IESO, the Participation and Cost report, and the Detailed Project Level Savings file, in support of the lost revenue calculation.
- The IESO's 2017 Final Verified Annual LDC CDM Program Results Report, and the Participation and Cost report are filed in this filing. The Detailed Project Level Savings file and the third party evaluation reports have not been submitted with this filing due to the sensitivity of privacy information of our customers listed in the file. Should these files be required RSL will submit with confidentiality at the OEB's request.

Reduction in Street Lighting

The Municipality of South Dundas replaced their old streetlights with new LED lights in Morrisburg, Williamsburg, and Iroquois in 2014. Similar projects were completed in the Village of Cardinal in 2015, the town of Prescott in 2016 and the village of Westport in 2019. The savings in 2019 and prior years were claimed in 2019 IRM (EB 2018-0065), 2020 IRM (EB-2019-0066) and 2022 COS (EB-2021-0056). In this Application, RSL is claiming LRAM for persistence savings from the Street Lighting projects completed in Prescott in 2016 and Westport in 2019.

RSL is confirming that 2016 actual billing reduction adjusted for the net/gross ratio is used for the threshold for Street Lighting. The same threshold has been used in RSL's 2019 IRM, 2020 IRM and 2022 COS.

In accordance with the Chapter 3 Filing Requirement, RSL is confirming that:

- The street light upgrades represent incremental savings attributable to participation in the IESO Retrofit program. All savings are attributable to IESO programs. A net to gross ratio is applied to the billing reduction to reflect the net reduction used in the calculation of lost revenue. The savings were calculated in accordance with OEB approved load profiles for Street Lighting projects.
- The associated energy savings from the applicable IESO program (retrofit) have been removed from the LRAMVA Workform.

RSL has received reports from the participating municipalities that validate the number and types of bulbs replaced or retrofitted through the IESO program.

The 2020-2022 reduction in kW for Streetlighting is shown in Table 2, which is consistent with tab 8 “Streetlight” of the LRAMVA Workform. A net to gross ratio was applied to the billing reduction to reflect the net reduction used in the calculation of lost revenue.

Table 2 – Street Lighting Savings

Customer Account	Billed KW												
	101125 Prescott								2030020 Westport				
Year	2015	2016	2017	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
January	111.76	111.76	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
February	111.76	111.76	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
March	111.76	111.76	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
April	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
May	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
June	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
July	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
August	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
September	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
October	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	22.34	6.28	6.28	6.28
November	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	6.28	6.28	6.28	6.28
December	111.76	48.93	48.93	48.93	48.93	48.93	48.93	48.93	22.34	6.28	6.28	6.28	6.28
Total	1,341	776	587	587	587	587	587	587	268	236	75	75	75
Savings (kW)		565	754	754	754	754	754	754		32	193	193	193
Period				2020		2021		2022 1st Half		2022 2nd Half			
Gross Reduction, kW	Annualized			947		947		947 =754+193					
NTG				0.74		0.74		0.74					
Net Reduction, kW	Annualized			701		701		701					
Threshold	Annualized			418		418		418 = 565*0.74					
kW savings for LRAMVA	Annualized			282		282		282		N/A			
								50%					
	Half Year							141		-			

Carrying Charges of LRAMVA

RSL has calculated carrying charges on the LRAM amounts from January 1, 2020 to April 30, 2023 in the LRAMVA Workforms using the OEB’s prescribed interest rates and estimated interest rate as shown in Table 3 and also are provided in Tab 6. “Carrying Charges” of the LRAMVA Workform.

Table 3 – Interest Rates for Carrying Charges

Period of Time	Type	Interest Rate
2020 Q1	Prescribed	2.18%
2020 Q2	Prescribed	2.18%
2020 Q3	Prescribed	0.57%
2020 Q4	Prescribed	0.57%
2021 Q1	Prescribed	0.57%
2021 Q2	Prescribed	0.57%
2021 Q3	Prescribed	0.57%
2021 Q4	Prescribed	0.57%
2022 Q1	Prescribed	0.57%
2022 Q2	Prescribed	1.02%
2022 Q3	Prescribed	2.20%
2022 Q4	Prescribed	3.87%
2023 Q1	Estimated	3.87%
2023 Q2	Estimated	3.87%

Principal Balance of LRAMVA

The total amount requested for disposition is a recovery of \$50,312 representing a principal balance of \$48,661 and carrying charges of \$1,652. RSL has provided a summary of its lost revenue calculations for each rate class in Table 4, which is also provided in Tab 1 “LRAMVA Summary” of the LRAMVA Workform.

Table 4 – LRAMVA by Period

2020	Billing Unit	Actual Savings	CDM Threshold	Variance	Average Rate		LRAMVA \$
Residential	kWh	1,213,648	334,349.00	879,299	0.0034		2,989.6
GS < 50 kW	kWh	1,106,106	206,130.59	899,976	0.0112		10,079.7
GS 50 to 4,999 kW	kW	1,941.88	44.57	1,897	2.2932		4,350.9
Street Lighting	kW	701	418	282	13.0490		3,681.4
Total							21,102
2021	Billing Unit	Actual Savings	CDM Threshold	Variance	Average Rate		LRAMVA \$
Residential	kWh	1213648.23	334,349.00	879,299	0		-
				-			-
GS < 50 kW	kWh	1089687.52	206,130.59	883,557	0.0115		10,161
				-			-
GS 50 to 4,999 kW	kW	1941.88494	44.57	1,897	2.3514		4,461
				-			-
Street Lighting	kW	701	418	282	13.3800		3,775
Total							18,397
			Annualized				50%
2022 1st Half	Billing Unit	Actual Savings	CDM Threshold	Variance	Average Rate	LRAMVA \$	\$
Residential	kWh	1209806.23	334,349	875,457	0	-	-
GS < 50 kW	kWh	1072113.48	206,131	865,983	0.0116	10,045	5,023
GS 50 to 4,999 kW	kW	1932.60681	45	1,888	2.3698	4,474	2,237
Street Lighting	kW	701	418	282	13.4847	3,804	1,902
Total							9,162
Grand Total Principal							\$ 48,661
Carrying Charge							1,652
Total Claim							\$ 50,312

LRAMVA Rate Rider

RSL is proposing disposition for Account 1568 LRAMVA over 1 year through LRAMVA Rate Riders. The proposed rate riders that result from the disposition of the Account are

identified in Table 5 below and included in Tab 6 “Calculation of Def-Var RR” in the Rate Generator Model. The rate class allocation is derived from the calculation in the LRAMVA Workform.

Table 5 – LRAMVA Rate Rider

	Billing Unit	Principal \$	Carrying Charges	Total \$	Billing Determinant	Rate Rider
Residential	kWh	2,990	126	3,115	43,612,856	0.0001
		-		-		
GS < 50 kW	kWh	25,263	846	26,109	17,739,759	0.0015
		-		-		
GS 50 to 4,999 kW	kW	11,049	369	11,418	110,834	0.1030
		-		-		
Street Lighting	kW	9,358	312	9,670.39	1,745	5.5427
Total		48,661	1,652	50,312		

Reconciliation of 1568 LRAMVA

An adjustment was made to the 2021 balance on “3. Continuity Schedule” for the difference of the LRAMVA claim from 2023 LRAMVA Workform and the recorded accrual GL. The reconciliation of 1568 LRAMVA is presented in Table 6.

Table 6 – Reconciliation of 1568 LRAMVA

	Principal	Interest	Total	Note
2021 GL/RRR	58,976	555	59,531	
2021 Adjustment to Reflect LRAMVA Work Form Result	10,569	218	10,787	Adjustment
2021 Balance in Continuity Schedule	69,545	773	70,318	
Minus Disposition in 2022	20,884	681	21,565	
Projected Interest up to Apr 2023		1,560	1,560	
Claim as shown in Continuity Schedule	48,661	1,652	50,312	
Variance			(10,787)	
Variance in Rate Generator Model			(10,787)	ok

Live Excel Models

The following is a listing of the Excel models to be included in this submission:

- Updated_RSL_2023_IRM_Rate_Generator_Model_20221108
- Updated_RSL_2023_Generic_LRAMVA_Workform_1.2_20221108
- RSL_2016_Final_Verified_Annual_LDC_CDM_Program_Results_Report_xlsx_20221108
- RSL_2017_Final_Verified_Annual_LDC_CDM_Program_Results_xlsx_20221108
- RSL_Participation_and_Cost_Report_xlsx_20221108