

# Response to OEB Staff Interrogatories Chapleau Public Utilities Corporation EB-2022-0021

Please find below CPUC's responses to OEB Staff's IRs.

## OEB Staff-1

### Ref: Rate Generator Model

OEB staff has updated the Rate Generator Model with the following changes:

Item	Location <sup>1</sup>	Description of Update	Reference												
1	Rate Generator Model - Tab 11 (RTSR – UTRs & Sub-Tx)	Host RTSRs and UTRs were updated	EB-2021-0110, Decision and Order, November 29, 2022  EB-2022-0250, Decision and Order, December 8, 2022												
2	Rate Generator Model - Tab 16 (Rev2Cost_GDPIPI)	Price Escalator was updated to 3.70%	OEB Letter, 2023 Inflation parameters, issued October 20, 2022												
3	Rate Generator Model - Tab 17 (Regulatory Costs)	Wireline Pole Attachment Charge was updated to \$36.05	EB-2022-0221, Decision and Order, November 3, 2022												
4	Rate Generator Model - Tab 17 (Regulatory Costs)	Retail Service Charges were updated	EB-2022-0220, Decision and Order, November 3, 2022												
5	Rate Generator Model - Tab 17 (Regulatory Costs)	<p>Time-of-Use (TOU) Regulated Price Plan (RPP) prices were updated as per the values in Table 1 below.</p> <p><u>Table 1: TOU RPP Prices as of November 1, 2022</u></p> <table><tr><td>As of</td><td colspan="2">November 1, 2022</td></tr><tr><td>Off-Peak</td><td>\$/kWh</td><td>0.0740</td></tr><tr><td>Mid-Peak</td><td>\$/kWh</td><td>0.1020</td></tr><tr><td>On-Peak</td><td>\$/kWh</td><td>0.1510</td></tr></table>	As of	November 1, 2022		Off-Peak	\$/kWh	0.0740	Mid-Peak	\$/kWh	0.1020	On-Peak	\$/kWh	0.1510	Regulated Price Plan Price Report, October 21, 2022
As of	November 1, 2022														
Off-Peak	\$/kWh	0.0740													
Mid-Peak	\$/kWh	0.1020													
On-Peak	\$/kWh	0.1510													

<sup>1</sup> Any changes in the Rate Generator Model impact Tab 19 (Final Tariff Schedule) and Tab 20 (Bill Impacts).

Item	Location <sup>1</sup>	Description of Update	Reference
6	Rate Generator Model - Tab 17 (Regulatory Costs)	Smart Metering Entity Charge was updated to \$0.42	EB-2022-0137, Decision and Order, September 28, 2022
7	Rate Generator Model - Tab 17 (Regulatory Costs)	Distribution Rate Projection was updated to \$38.08	EB-2022-0186, Decision and Rate Order, June 16, 2022
8	Rate Generator Model - Tab 17 (Regulatory Costs)	\$0.0041 - WMS charge \$0.0004 - CBR B \$0.0007 - RRRP	EB-2022-0269, Decision and Order, December 8, 2022

**Question(s):**

- a) Please confirm if the updates made to the Rate Generator Model are accurate.

**CPUC Response:** CPUC confirms that the above parameters are accurate.

**OEB Staff-2**

**Ref 1: Rate Generator Model, Tab 1 and 16**

**Ref 2: Manager's Summary, Page 9**

In Tab 1 of the Rate Generator Model, Chapleau Public Utilities selected "no" in response to whether it has transitioned to fully fixed rates. In Tab 16 of the Rate Generator Model, Chapleau Public Utilities indicated that its OEB approved number of transition years is five, with the transition beginning in 2019. The Manager's Summary only indicates that Chapleau Public Utilities' distribution rates are fully fixed.

**Question(s):**

- a) Please discuss the status of Chapleau Public Utilities' transition to fully fixed rates, and update Tab 1 and/or Tab 16 of the Rate Generator Model accordingly.

**CPUC Response:** CPUC is transitioning to fully fixed rates in the current 2023 application and as such has not yet transitioned to fully fixed rates until the 2023 rates are approved. Any statement in the manager summary indicating that the utility had already fully transitioned is incorrect.

Tab 1 is correct in stating "no".

**OEB Staff-3**

**Ref: Rate Generator Model, Tab 4**

Chapleau Public Utilities did not check the checkbox relating to its validation of the volumetric data in Tab 4 of the Rate Generator Model.

**Question(s):**

- a) Please indicate whether the volumetric data is accurate by checking the checkbox. If the data is not accurate, please discuss any discrepancies found.

**CPUC Response:** The checkbox should have been ticked. CPUC as updated the model to correct this error.

## OEB Staff-4

### Ref: Manager's Summary, Page 20

The 2021 CDM Guidelines (section 8) require distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established thresholds, including approval of LRAM-eligible amounts in future years (arising from persisting savings) until a distributor's next rebasing application, unless a distributor does not have complete information on eligible savings.

#### Question(s):

- a) Please confirm that Chapleau Public Utilities will not be seeking to dispose of any balance in the LRAMVA due to LRAM-eligible CDM activities funded by the IESO through the Conservation First Framework or Interim Framework in a future year's application.
  - i. If not confirmed, please explain why a request for disposition was not submitted as part of this application.
  - ii. If confirmed, please also confirm that Chapleau Public Utilities has verified that, relative to the LRAMVA threshold (if any) established in Chapleau Public Utilities's most recent rebasing application, the balance in the LRAMVA, and any prospective LRAM-eligible amounts until the next rebasing, are either zero or a debit (i.e., not a credit that would need to be refunded to customers).

**CPUC Response:** CPUC confirms that it will not seek to dispose of any outstanding LRAMVA balances related to the Conservation First Framework (January 1, 2015-March 31, 2019) or the Interim Framework (April 1, 2019-December 31, 2022) in this or any future application.

CPUC has not kept track of the persisting savings beyond the Conservation First Framework period and as such, is not in a position to confirm whether the LRAMVA threshold established in its most recent rebasing application (2019), and any prospective LRAM-eligible amounts until the next rebasing, are either zero or a debit.

**OEB Staff-5**

**Ref 1: Rate Generator Model, Tab 8**

**Ref 2: Manager's Summary, Page 21**

Chapleau Public Utilities notes that it has completed Tab 8 of the Rate Generator Model, which resulted in a tax change of \$0.00 from the tax rates embedded in its last OEB-approved base rates. Chapleau Public Utilities further notes that since the amount is nil, no further action is required. OEB staff notes that Tab 8 of the Rate Generator Model has not been completed.

**Question(s):**

- a) Please explain the above statements in the Manager's Summary and update Tab 8 of the Rate Generator Model, if applicable.

**CPUC Response:** CPUC used the regulatory income from the OEB approved 2019 PILs model (Tab T1 line 123) which indicates 0 as an input to Tab 8 of the IRM model.

The only update CPUC is proposing to make to the IRM model is to input a combined effective Tax rate of 12.5% at cell H36 which has no effect on the Sharing of Tax Amount at line 48.

**Summary - Sharing of Tax Change Forecast Amounts**

	2019	2023
OEB-Approved Rate Base	\$ 1,821,794	\$ 1,821,794
OEB-Approved Regulatory Taxable Income	\$ 0	\$ 0
Federal General Rate		15.0%
Federal Small Business Rate		9.0%
Federal Small Business Rate (calculated effective rate) <sup>1,2</sup>		9.0%
Ontario General Rate		11.5%
Ontario Small Business Rate		3.2%
Ontario Small Business Rate (calculated effective rate) <sup>1,2</sup>		3.2%
Federal Small Business Limit		\$ 500,000
Ontario Small Business Limit		\$ 500,000
Federal Taxes Payable		\$ 0
Provincial Taxes Payable		\$ 0
Federal Effective Tax Rate		9.0%
Provincial Effective Tax Rate		3.2%
Combined Effective Tax Rate	12.5%	12.2%
Total Income Taxes Payable	\$ 0	\$ 0
OEB-Approved Total Tax Credits (enter as positive number)	\$ -	\$ -
Income Tax Provision	\$ 0	\$ 0
Grossed-up Income Taxes	\$ 0	\$ 0
Incremental Grossed-up Tax Amount		-\$ 0
Sharing of Tax Amount (50%)		-\$ 0

**OEB Staff-6**

**Ref: Manager's Summary, Pages 21-22**

For 2021, Chapleau Public Utilities' regulatory ROE is 1245 basis points outside of the 300 basis-point dead band of the deemed ROE of 8.98% that was approved in its last cost of service application.

**Question(s):**

- a) Please provide a copy of the 2021 RRR 2.1.5.6 that was filed.
- b) Please provide a 2022 forecasted ROE % based on the 2022 budget, if available.

**CPUC Response:** The 2021 RRR 2.1.5.6 was appended to the back of these responses. CPUC is not in a position to provide the projected ROE for 2022 as the year is not fully complete and year end journal entries have not been done yet.



**OEB Staff-7**

**Ref 1: Manager's Summary, Pages 21-22**

**Ref 2: Chapter 3 of 2023 Filing Requirements, Page 23**

The Chapter 3 Filings Requirements for Electricity Distributor Rate Applications state that a distributor whose earnings are in excess of the dead band is expected to refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan. If a distributor whose earnings are in excess of the dead band nevertheless applies for an increase to its base rates, the OEB expects it to substantiate its reasons for doing so. Chapleau Public Utilities states that the reasons for the over-earning are due, for the most part, to one-time situations that affected its profits for 2021. Chapleau Public Utilities is still seeking a price-cap adjustment.

**Question(s):**

- a) Please explain further why Chapleau Public Utilities should be eligible for a price-cap adjustment.

**CPUC Response:** The over-earning is related to a one-time Hydro One related job. The event was out of the utility's control. Since the utility does not pay dividends to the shareholder, any revenues are reinvested back in the utility's capital or operational expenditures. The increase in rates produced by the PriceCap index are needed to keep up with the post pandemic inflationary pressures.

CPUC also notes that the penalty in denying the price cap adjustment has a compounding effect in future IRMs and rates which is unfair given that this was a one-time event.

## OEB Staff-8

**Ref 1: Manager's Summary, Pages 21-22**

**Ref 2: RRR 2.1.5.6 ROE Complete Filing Guide**

Chapleau Public Utilities states that the primary reason for the over-earning is an increase in Other Revenues of \$46,944 due to a "one-time" administrative fee to a Hydro One mining customer who hired Chapleau Public Utilities to administer the transfer of its pole attachments to Hydro One upgraded poles. In addition, there was a temporary decrease in OM&A of \$52,695 due to an operations employee taking an unpaid leave of absence for medical reasons. The position was left vacant from February 2021 to December 2021. Other salaries and pension accounts were affected as well. Lastly, Chapleau Public Utilities states that another factor contributing to the over-earnings was that it did not have any debt instruments in 2021 compared to the deemed interests of \$43,908 collected through rates and based on the deemed cost of capital parameters.

### Question(s):

- a) With respect to the "one-time" administrative fee for the transfer of pole attachments:
  - i. Please clarify that this is the other revenues that were earned by Chapleau Public Utilities in 2021.

**CPUC Response:** Correct, CPUC earned additional revenues from this on-time unplanned job.

- ii. If i) is confirmed, please explain the magnitude of work involved and any costs associated with the work.

**CPUC Response:** Please find attached the itemized costs of the project. A full description of the work done is not readily available at this time due to the unavailability of the resources involved.

Administrative Fee	79,830.90
Winter premiums	(22,894.00)
Legal fees	(1,655.50)
Additional pole	(2,850.00)
Under budget items	10,489.00
	<hr/> 62,920.40

CPUC notes that Hydro One should have done the work but declined to do leaving CPUC to assist the customer.

- iii. Please provide the other revenue amount that was approved in Chapleau Public Utilities' last rebasing application Decision and Order.

**CPUC Response:** Other revenues of 51,964 were approved in CPUC's 2019 Cost of Service application

- iv. Please explain whether the other revenue amount that was approved in the last rebasing application Decision and Order included the revenues of administrating the transfer of the customers' pole attachment to Hydro One's upgraded poles. If so, what was the amount?

**CPUC Response:** CPUC confirms that it did not as this was an unplanned, one-off, one-time job that was triggered by a Hydro One upgrade which affected a particular customer.

- v. Please explain whether in 2022 Chapleau Public Utilities has the same one-time administrative fee received from the customer(s). if so, please provide the amounts.

**CPUC Response:** CPUC confirms that it has not come across a similar situation in any of its historical years nor is it expecting a similar situation to occur in 2022 or beyond.

- b) Please explain whether the employee on medical leave has impacted the OM&A in 2022. If so, please quantify the amount based on the actual and forecast data.

**CPUC Response:** CPUC confirms that the medical leave has not affected the OM&A in 2022 as the employee returned in December of 2021. The wages accounts were reduced by \$55K and the pension/benefits were reduced by \$6K.

- c) Please explain and quantify what is meant by “other salaries and pension accounts were affected as well.”

**CPUC Response:** Pension for the employee on medical leave were reduced by \$6K.

- d) Pages 13 to 14 of ROE Filing Guidance states that “Deemed interest expense, not actual interest expense, is treated as a deduction for the purposes of calculating regulated net income”. Please explain how Chapleau Public Utilities’ not having any debt instruments in 2021 impacted its regulatory ROE, given that the deemed interest expense is used in the calculation of the achieved ROE of the year, which is no different than how the deemed interest was used in the approved ROE calculation.

**CPUC Response:** Please see working excel calculations of the variances between the Board Approved and 2021 actuals.

CPUC notes that the calculations are not approximations but detailed variances totalling the expected integrity check variances as calculated by the OEB.