London Hydro Inc.

OEB Staff Questions

EB-2017-0059

**London Hydro Inc.**

**EB-2017-00059**

**Staff Question-1**

**Ref: Application, page 30 of 43**

**Tab 1 of LRAMVA Work Form**

London Hydro is requesting approval of a debit balance of $763,199 in lost revenues associated with new CDM program savings in 2016, persisting savings from 2011 to 2015 in 2016, and carrying charges claimed up to April 30, 2018. An LRAMVA threshold of 45,191,286 kWh approved in the 2013 COS is compared against actual 2016 savings.

As noted in the application, the LRAMVA includes 2015 adjustments that were not claimed in the 2017 COS application. The lost revenues for 2015 programs, which were made available by the IESO in 2016, are proposed to be recovered with this application along with the lost revenues from 2016 programs.

Please confirm whether London Hydro is proposing to claim $27,546 (sum of cells R64 to R67 of Table 1-b of Tab 1) related to 2015 adjustments to 2015 programs that were not included in London Hydro’s last LRAMVA disposition (EB-2016-0091). If not, please confirm the dollar amount of the 2015 adjustment (proposed to be claimed at 2015 rates).

As noted in the Chapter 3 Filing Guidelines, adjustments to final approved amounts related to a previous LRAMVA disposition cannot be made.

Please confirm the rationale for claiming adjustments to 2015 savings at 2015 rates, as London Hydro has previously been approved lost revenues related to 2015 savings in EB-2016-0091.

Please confirm whether London Hydro agrees that these savings should be removed.

If London Hydro agrees with not claiming 2015 adjustment in the current LRAMVA claim, please remove the savings in cells R64 to R67 in Table 1-b of Tab 1 (this will automatically remove the carrying charges related to the 2015 adjustment from the total carrying charges). Please also confirm that the carrying charges related to the 2015 savings adjustment have been removed from the LRAMVA total.

**Staff Question-2**

**Ref: Tabs 4 and 5 of the LRAMVA Work Form**

Between 2011 and 2014, 92% of the savings from each of the saveOnEnergy business retrofit and new construction programs were allocated to the GS 50-4999 kW class, and 8% of the savings were allocated to the GS<50 kW class. In 2015 and 2016, the rate class allocations for these two programs appear to have changed to approximately 23% of savings allocated to GS<50 kW customers, 53% of savings allocated to GS 50-4999 kW customers, and 3% of savings allocated to cogeneration (1000-4999 kW) customers.

Please discuss the rationale for changes to the rate class allocations for the business retrofit and new construction programs over the 2011-2016 period.

**Staff Question-3**

**Ref: Application, page 34 - ACM**

On page 34 of the Application, London Hydro states that its most recent return on equity capital, for the 2016 year, is 5.99, which “does not exceed 300 basis points above the deemed return on equity of 8.98% embedded in the London Hydro’s rates”.

The OEB-issued allowed ROE for 2017 rates is 8.78%. Please confirm the ROE approved for London Hydro in its most recent cost of service application to rebase rates in 2017 (EB-2017-0091).

**Staff Question-4**

**Ref: ACM Model, sheets 4 Growth Fact – NUM\_CALC1 and 5 Groth Fact – NUM CALC2**

London Hydro documents the following 2017 customer and load forecast for the GS 50-4999 kW class:

* Number of customers 1556
* kWh 1,550,902,793
* kW 3,814,310

These are different from the load forecast in the Settlement Agreement approved in London Hydro’s 2017 cost of service application EB-2016-0091:

* Number of customers 1552
* kWh 1,483,228,611
* kW 3,782,233

The difference appears to be due to the addition of data for 4 Wholesale Market Participant Customers. However, in the RRWF filed as part of the Draft Rate Order in EB-2016-0091, London Hydro calculated no distribution rates or revenues for these customers, but their addition into the GS 50-4999 kW class add revenues on sheet 5 of the ACM model.

Numbers for other customer classes correspond with the 2017 load forecast.

Please provide an explanation and reconciliation, as necessary to account for the differences in the final RRWF in EB-2016-0091 and the current ACM model.

**Staff Question-5**

**Ref: Application, page 34 and ACM Model, sheet 12 – Opt 1 Rate Rider Calc F & V**

London Hydro has proposed to recover the ICM incremental revenue requirement solely through a fixed monthly rate rider, for all classes. What is the basis for London Hydro’s proposal? Certain commercial demand-billed classes, such as GS 50-4,999 kW and the GS > 50 kW Co-generation classes, may exhibit heterogeneity in the consumption and demand profiles, so please provide London Hydro’s explanations for why all customers in these classes should bear the same ICM cost burdens despite different profiles. Do they all use and benefit from the qualifying incremental capital in the same way? Are the differences material?

**Staff Question-6**

**Ref: ACM Model**

In response to any changes made due to responses to interrogatories, and to account for London Hydro’s assigned stretch factor for 2018 and for the Input Price Index (IPI) for 2018 Price Cap IR applications issued on November 23, 2017, with an IPI of 1.2%, please file an updated ACM model in working Microsoft Excel format. Changes in resulting ICM rate riders should be identified.

**Staff Question-7**

1. With regards to the Dec. 31, 2016 balance in Account 1588, all components that flow into Account 1588 (i to iv in table below) should be all based on actuals at year end. Please complete the following table to a) indicate whether the component is based on estimates or actuals at year end and b) quantify the adjustment pertaining to each component that is trued up from estimate to actual

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Component** | **a) Estimate or Actual** | **Notes/Comments** | **b) Quantify True Up Adjustment** |
| i | Revenues (i.e. is unbilled revenues trued up by year end) |  |  |  |
| ii | Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end) |  |  |  |
| ijj | Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end) |  |  |  |
| iv | Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages |  |  |  |
| v | RPP Settlement: Charge Type 142 including any data used for determining the RPP/HOEP/RPP GA components of the charge type |  |  |  |

**Staff Question-8**

No adjustment pertaining to impacts of RPP settlement true-up is proposed for Account 1588 or Account 1589, please explain why not.

**Staff Question-9**

OEB staff has updated London’s Rate Generator Model for the calculation of the RTSR’s and Standby rate class tarif. Please confirm the changes are correct. (Updated model is attached to the email)