London Hydro Inc.
EB-2017-0059

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.

a. 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).

London Hydro Response

a. Yes, London Hydro proposed $27,546 related to 2015 adjustments to 2015 programs in its 2018 IRM rate application (EB-2017-0059) that were not included in its last LRAMVA disposition (EB-2016-0091).

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

   i. 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.

London Hydro Response

b. i. 2015 adjustments to 2015 programs were not available at the time the Final 2015 Annual Verified Results Report for London Hydro was issued, and therefore, lost revenues resulted from those savings were not claimed in London Hydro's last LRAMVA disposition (EB-2016-0091). The savings from the 2015 adjustments to 2015 programs became available in the *Final 2016 Annual Verified Results Report London Hydro Inc.*, issued on June 30, 2017, and therefore, could not have been claimed in the previous LRAMVA disposition. The rationale for claiming adjustments to 2015 savings at 2015 rates is that, the 2015 adjustments are, in essence, 2016 transactions, as these adjustments were included in the *Final 2016 Annual Verified Results Report London Hydro Inc.,* and not included in any previous reports issued by the IESO. The LRAMVA Work Form does not provide entry for these 2015 savings adjustments under Year 2016, only under Year 2015.

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

London Hydro Response

b. ii. London Hydro agrees that Page 14 of Chapter 3 Filing Guidelines states: "LDCs cannot seek recovery of LRAMVA amounts related to savings adjustments for a year in which the corresponding LRAMVA amount has been approved by the OEB."

c. 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.

London Hydro Response

c. Should the OEB order that the lost revenues from 2015 adjustments to 2015 programs cannot be claimed, London Hydro will comply with Chapter 3 Filing Guidelines and will withdraw its LRAMVA claim for lost revenues from 2015 adjustments to 2015 programs. In that case, London Hydro also respectfully requests to rescind its claim for Year 2016 lost revenues and wait another year until it receives the 2017 final verified results with potential savings adjustments related to the 2016 programs from the IESO. A letter requesting the withdrawal of the LRAMVA claim accompanies this response, as well as the revised IRM Rate Generator model which does not include LRAMVA rate riders.

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.

London Hydro Response

The rate class allocation for each year is based on customer participation from each rate class in the specific CDM program. London Hydro was able to obtain more detailed information of the programs conducted in 2016 and reflected the proper allocation of savings based on that information.

During the years of 2011-2014 a small percentage of customers, who belong to the GS<50 kW rate class, participated along with customers from the GS 50-4999 kW rate class in the Save on Energy Business Retrofit and New Construction programs. The proportion of savings were approximately 8% and 92% resulted from customer participation of GS<50 and GS 50-4999 kW rate classes, respectively.

During 2015, similar participation was experienced for the Save on Energy Business Retrofit program, but a shift began with a larger participation of customers from the GS<50 kW rate class. Such customers' participation further increased in 2016 and their kWh savings was 23% of the total kWh savings. Due to this change, the portion of the kW savings related to GS 50-4999 kW rate class decreased to approximately 53% of the total demand savings, and cogeneration customers have also participated in the program.

In the New Construction and Major Renovation Initiative all customers who participated were from the GS 50-4999 kW rate class during 2015. Well-known program participation barriers in the design of the High Performance New Construction program precluded active participation in 2016 even though the program was offered.

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).

London Hydro Response

London Hydro would confirm the ROE approved for London Hydro in its most recent cost of service application to rebase rates in 2017 (EB-2017-0091) as 5.08%.

		Per Board Decision			
		(%)	($)	(%)	($)
	Debt				
8	Long-term Debt	56.00%	$167,758,520	2.67%	$4,479,152
9	Short-term Debt	4.00%	$11,982,751	1.76%	$210,896
10	Total Debt	60.00%	$179,741,271	2.61%	$4,690,049
	Equity				
11	Common Equity	40.00%	$119,827,514	8.78%	$10,520,856
12	Preferred Shares	0.00%	$ -	0.00%	$ -
13	Total Equity	40.00%	$119,827,514	8.78%	$10,520,856
14	Total	100.00%	$299,568,786	5.08%	$15,210,905

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.

London Hydro Response

The following is the values entered into the ACM model for the purposes of presenting the 2017 COS load forecast. These have been supported by the OEB accepted settlement agreement EB-2016-0091 load forecast filed February 21, 2017. Note that an interpolation error was corrected for the Co-generation service class in the updated ACM model requested in Staff Question # 6 below.

	2017 Board-Approved Distribution Revenues		
Rate Class	Re-based Billed	Re-based Billed	Re-based Billed
	D	E	F
RESIDENTIAL SERVICE CLASSIFICATION	141,991	1,080,124,093	-
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	12,703	388,005,727	-
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	1,556	1,500,902,793	3,814,310
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION) SERVICE CLASSIFICATION	4	34,352,837	72,320
STANDBY POWER SERVICE CLASSIFICATION	-	-	154,800
LARGE USE SERVICE CLASSIFICATION	1	95,045,673	182,963
STREET LIGHTING SERVICE CLASSIFICATION	36,048	22,397,552	62,713
SENTINEL LIGHTING SERVICE CLASSIFICATION	606	696,900	1,882
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	1,526	5,414,248	-
	194,435	3,126,939,823	4,288,988

Table 12: 2017 Test Year Billing Determinants (for Cost Allocation and Rate Design)

Rate Class	Application (A)		IR/TC Responses(B)		Variance (C) = (B) - (A)		Settlement (D)		Variance (E) = (D) - (B)	
	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW
Residential	1,068,671,798	0	1,069,466,426	0	794,628	0	1,080,124,093	0	10,657,667	0
GS<50	371,911,863	0	369,565,609	0	(2,346,254)	0	388,005,727	0	18,440,118	0
GS>50	1,486,650,047	3,778,018	1,471,000,883	3,751,052	(15,649,164)	(26,966)	1,483,228,611	3,782,233	12,227,727	31,181
GS>50 WMP	0	0	17,668,115	32,066	17,668,115	32,066	17,674,182	32,077	6,067	11
Cogen	34,191,555	65,844	10,913,365	72,320	(23,278,190)	6,476	10,938,724	72,320	25,358	0
Standby	0	154,800	23,359,835	154,800	23,359,835	0	23,414,113	154,800	54,279	0
Large User	82,923,505	159,628	88,987,425	171,301	6,063,920	11,673	95,045,673	182,963	6,058,248	11,662
Street Light	19,502,488	54,607	19,597,552	54,873	95,064	266	22,397,552	62,713	2,800,000	7,840
Sentinel Light	706,221	1,907	696,900	1,882	(9,321)	(25)	696,900	1,882	0	0
USL	5,464,035	0	5,414,248	0	(49,787)	0	5,414,248	0	0	0
Total	3,070,021,512	4,214,804	3,076,670,357	4,238,294	6,648,845	23,490	3,126,939,822	4,288,988	50,269,465	50,694

Table 13: Summary of Load Forecast Customer Counts/Connections

Rate Class	Application (A)	IR/TC Responses(B)	Variance (C) = (B) - (A)	Settlement (D)	Variance (E) = (D) - (B)
Residential	142,509	141,991	(518)	141,991	0
GS<50	12,999	12,953	(46)	12,703	(250)
GS>50	1,611	1,302	(309)	1,552	250
GS>50 WMP	0	4	4	4	0
Cogen	4	4	0	4	0
Standby	0	0	0		0
Large User	1	1	0	1	0
Street Light	35,912	36,048	136	36,048	0
Sentinel Light	599	606	7	606	0
USL	1,537	1,526	(11)	1,526	0
Total	195,172	194,435	(737)	194,435	0

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?

London Hydro Response

London Hydro would submit it chose the fully fixed service charge option based on the simple fact that the OEB is engaged in a C&I rate redesign activity to which it's proclaimed end result is to determine if fully fixed service charge rates can be applied to the C&I rate classes. Incumbent in that is the fact that the residential class is already directed in the model to apply a fully fixed service charge rate. Hence London Hydro has requested this rate rider to be applied fully on a fully fixed service charge rate.

With respect to the issue raised with respect to certain commercial demand-billed classes, such as GS 50-4,999 kW and the GS > 50 kW Co-generation classes exhibiting heterogeneity in the consumption and demand profiles, London Hydro would submit that overall impact between the options may be materially insignificant to individual customers bill. Under the scenario of using fixed/variable the average GS 50-4,999 kW may see a charge of $0.0347/kW which would equate to $7.88 per month. (3,814,310 kW X $0.0347/kW / 1,556 customers / 12 months)

As requested London Hydro has performed the following analysis to compare the results of the three different options. An excel workbook supporting these calculation will be submitted with this response.

	Fixed Only				
Rate Class	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider	Total	
	G = A * D * 12	H = B * E	I = C * F	J = G + H + I	
RESIDENTIAL SERVICE CLASSIFICATION	528,206.52	-		528,206.52	61.9%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	115,851.36	-	-	115,851.36	13.6%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	170,101.92	-	-	170,101.92	19.9%
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION) SERVICE CLASSIFICATION	4,787.04	-	-	4,787.04	0.6%
STANDBY POWER SERVICE CLASSIFICATION	6,132.96	-	-	6,132.96	0.7%
LARGE USE SERVICE CLASSIFICATION	8,395.44	-	-	8,395.44	1.0%
STREET LIGHTING SERVICE CLASSIFICATION	17,303.04	-	-	17,303.04	2.0%
SENTINEL LIGHTING SERVICE CLASSIFICATION	799.92	-	-	799.92	0.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	2,014.32	-	-	2,014.32	0.2%
Total	853,592.52	-	-	853,592.52	
				857,689.02	

	Variable Only				
Rate Class	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider	Total	
	G = A * D * 12	H = B * E	I = C * F	J = G + H + I	
RESIDENTIAL SERVICE CLASSIFICATION	528,206.52	-		528,206.52	62.0%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	-	116,401.72	-	116,401.72	13.7%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	-	-	170,118.23	170,118.23	20.0%
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION) SERVICE CLASSIFICATION	-	-	4,787.58	4,787.58	0.6%
STANDBY POWER SERVICE CLASSIFICATION	-	-	6,130.08	6,130.08	0.7%
LARGE USE SERVICE CLASSIFICATION	-	-	8,398.00	8,398.00	1.0%
STREET LIGHTING SERVICE CLASSIFICATION	-	-	15,628.08	15,628.08	1.8%
SENTINEL LIGHTING SERVICE CLASSIFICATION	-	-	794.58	794.58	0.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	-	2,165.70	-	2,165.70	0.3%
Total	528,206.52	118,567.42	205,856.55	852,630.49	
				857,689.02	

	Fixed And Variable				
Rate Class	Service Charge Rate Rider	Distribution Volumetric Rate kWh Rate Rider	Distribution Volumetric Rate kW Rate Rider	Total	
	G = A * D * 12	H = B * E	I = C * F	J = G + H + I	
RESIDENTIAL SERVICE CLASSIFICATION	528,206.52	-		528,206.52	63.1%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	62,498.76	38,800.57	-	101,299.33	12.1%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	37,530.72	-	132,356.56	169,887.28	20.3%
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION) SERVICE CLASSIFICATION	1,318.08	-	3,471.36	4,789.44	0.6%
STANDBY POWER SERVICE CLASSIFICATION	-	-	6,130.08	6,130.08	0.7%
LARGE USE SERVICE CLASSIFICATION	3,107.76	-	5,287.63	8,395.39	1.0%
STREET LIGHTING SERVICE CLASSIFICATION	8,651.52	-	6,572.32	15,223.84	1.8%
SENTINEL LIGHTING SERVICE CLASSIFICATION	436.32	-	365.67	801.99	0.1%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	549.36	1,624.27	-	2,173.63	0.3%
Total	642,299.04	40,424.85	154,183.62	836,907.51	
				857,689.02	

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.

London Hydro Response

London Hydro has updated the ACM model, submitted with this response for the changes in the IPI and a small interpolation affecting the Cogeneration rate class. Both of these changes do not affect calculation of the fixed service charges proposed.

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			

London Hydro Response

1)

	Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
i	Revenues (i.e. is unbilled revenues trued up by year end)	Actual	The unbilled revenues were accrued for both Year 2015 and 2016 at year-end based on actual billings for the given year during January and February.	No true-up adjustment for unbilled revenue into following year.
ii	Expenses – Commodity: Charge Type 101 (i.e. is expense based on IESO invoice at year end)	Actual	The expenses were accrued based on actual IESO invoice for December, received in January. The same method is employed for generators – a small component of commodity expenses.	No true-up adjustment for commodity expenses.
iii	Expenses - GA RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	Actual	The expenses were accrued based on actual IESO invoice, Charge Type 148 for December, received in January.	No true-up adjustment for charge type 148.
iv	Expenses - GA RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages	Actual and Estimate related to December quantity variance	In booking expense journal entries for Charge Type 1142 and Charge Type 148 from the IESO invoice London Hydro use the approach described in point b) from Question 1) GA Analysis Workform Review (Staff Questions Oct 31, 2017): "Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589." Result: Total GA charge by the IESO – less RPP portion of GA (CT 1142) = non-RPP GA in Account 1589. Therefore, any true up difference versus reversal of year-end accrual regarding quantity variance in the following year will affect only Account 1589. No adjustment required for Account 1588.	N/A
v	RPP Settlement: Charge Type 142 including any data used	Actual and Estimate related to December	Any true-up adjustment from finalizing the quantity variance will result in $0.00 adjustment to Account 1588. The fixed price difference calculated as RPP kWh * (HOEP – RPP) is booked into Account 1588.	($XX.XX) + $XX.XX = $0.00

	for determining the RPP/HOEP/RPP GA components of the charge type	quantity variance	*Reference from above: "The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588."* Therefore, any true-up in RPP kWh will result in the following: Actual customer billings vs estimated – credit to Account 1588: Trued-up billing kWhs * (HOEP – RPP) = ($XX) cr Remit to IESO fixed price debit CT 1142 – debit to account 1588: Trued-up billing kWhs * (HOEP – RPP) = $XX dr The summary of entries into Account 1588: ($XX) + $XX = $0.00 Adjustments resulting from true-up of the fixed price debit to Account 1588 net to zero.	

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.

London Hydro Response

The $269,773 true-up adjustment from 2015 is realized in 2016 and is included in the 2016 variance. The $62,426 true-up adjustment for 2016 is considered insignificant and an adjustment for this amount in the Continuity Schedule will not result in any change of the related rate riders.

Staff Question-9

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

London Hydro Response

London Hydro confirms that the changes related to the RTSR rates in the updated Rate Generator Model are correct.

- All of which is Respectfully Submitted -