2009 Electricity Distribution Rates FAQs for LDCs under 2nd and 3rd Generation Incentive Regulation Mechanisms

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The table below sets out answers to frequently asked questions (FAQs) for LDCs regarding the 2009 distribution rate setting processes under 2nd and 3rd Generation Incentive Regulation Mechanisms (IRM).

For details regarding the content of 2009 IRM rate applications, see the following documents:
✓ Board's letter and Filing Requirements for 2009 Incentive Regulation Distribution Rate Adjustments issued October 3, 2008.
✓ Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors issued September 17, 2008
✓ Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors issued July 15, 2008
✓ Guidelines for Electricity Distributor Conservation and Demand Management issued March 28, 2008
✓ Board's Filing Requirements for Transmission and Distribution Applications, as applicable.

These materials are available on the Board's website.

These FAQs will be updated periodically, as needed.

2nd and 3rd Generation Incentive Regulation Mechanisms (IRM)

1.	I am a host distributor. Does the Incentive Regulation Mechanism adjustment apply to Low Voltage ("LV") charges that I bill embedded distributors that are connected to my distribution system?
A	Yes. Embedded distributors are treated as a "customer" of the host distributor for this purpose. Embedded distributors will not experience a windfall or shortfall as a result of this, as the same rate adjustment will also apply to the rates for their own distribution customers, and those rates include recovery of LV charges paid by the embedded distributor.
2.	Can I change my Distribution Loss Factor as part of the 2nd or 3rd generation rate application under the Incentive Regulation Mechanism?
A	That is not part of the incentive regulation mechanism.

3.	Why does the Incentive Regulation Mechanism not apply to Specific Service Charges?
A	In section 4.2.5 of the Board Report, "[t]he IRM price cap index will not be applied to specific service charges as the Board recently completed a generic review of these charges."
4.	I wish to add a **new** Specific Service Charge. Can I do it under the Incentive Regulation Mechanism?
A	Additions or changes to Specific Service Charges are not possible using the IRM spreadsheet provided by the Board. A distributor would have to file supplemental material supporting any changed or additional Specific Service Charges. You are reminded that the Board will not be able to process applications based on alternative principles or mechanisms as expeditiously as applications that are consistent with the IRM methodology documented in the Board Report.
5.	I wish to add a **new** rate class (say, because of a new Intermediate or Large Use customer). How can I do that under the Incentive Regulation Mechanism?
A	Addition of a customer class is not possible using the IRM spreadsheet provided by the Board. A distributor would have to file supplemental material supporting any new customer class. You are reminded that the Board will not be able to process applications based on alternative principles or mechanisms as expeditiously as applications that are consistent with the IRM methodology documented in the Board Report.
6.	When will the final Inflation change be available? Will I have to amend my application to reflect the change?
A	Statistics Canada publishes the 4th quarter and annual data for the national GDP-IPI by the end of February. When the data are released, the Board will calculate the final year-over-year change of GDP-IPI per the methodology documented in section 3.3 and in Appendix D of the Board Report (December 20, 2006). The Board intends to publish the final number and its derivation on the Board's website. When the final 2008 data are published by Statistics Canada around the end of February 2009, the Board will adjust the inflation index in each distributor's rate application model to ensure this final published number is used to adjust rates for all distributors. The Board will issue the adjusted model to the distributors. The distributors will be required to review the model and confirm its completeness and accuracy with the Board.

7.	How can I apply for a Z-factor adjustment?
A	Distributors who wish to file for such a Z-factor adjustment should file a standard 2nd or 3rd Generation IRM application along with a detailed explanation of, and justification for, the proposed Z factor, in accordance with the Board Report.
8.	My Board-approved 2008 and 2007 distribution rates do not reflect a 9.00% return on equity ("ROE") (either because I applied for a lower ROE or the Board approved a lower effective ROE in 2006). I wish to go to a 9.00% ROE with my 2009 distribution rates. How can I do so?
A	In section 3.3 of the Board Report (December 20, 2006), the Board stated its view that: "[f]or 2nd Generation IRM, the Board is satisfied that during the term of the plan changes in GDP-IPI will implicitly recognize changes in the ROE and debt rates, and that therefore no further adjustment will be required."
10	Where can I find the December 20, 2006 *Report of the Board on the Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors*, the 2nd Generation IRM excel Model and associated documents?
A	Use the following link to the webpage on the Board's website to access the Board's Report: http://www.oeb.gov.on.ca/documents/cases/EB-2006-0088/report_of_the_board_201206.pdf The Board has established a webpage http://www.oeb.gov.on.ca/OEB/Industry+Relations/OEB+Key+Initiatives/2009+Electricity+Distribution+Rate+Applications/2009+Electricity+Distribution+Rate+Applications that can be easily accessed from the home page of the Board's website, with information on Board documents relating to the 2009 distribution rate applications, with background information to assist distributors and other parties. The webpage also contains a table linking documents pertaining to individual applications as they are processed. At the bottom of the page, there is a link to download the 2nd Generation Incentive Regulation Model. For any updates, check "What's New" on the Board's web site at www.oeb.gov.on.ca

11. As an electricity distributor, I understand that my application for LRAM (Lost Revenue Adjustment Mechanism) and / or SSM (Shared Savings Mechanism) related to CDM activities maybe separate from my 2009 2nd Generation IRM application for May 1, 2009 distribution rates. What information is required when filing an application for LRAM and / or SSM and how would it be integrated into my 2009 rates?

A When applying for LRAM or SSM, a distributor should allow sufficient time to pass to ensure that the actual information on the performance of CDM programs needed to support the application is available. The *Board's Guidelines for Electricity Distributor Conservation and Demand Management issued March 28, 2008* (http://www.oeb.gov.on.ca/documents/*cases/EB-2008-0037/Board_Guidelines_for_CDM_20080328*.pdf) provides further guidance on filing requirements for LRAM and SSM applications.

12 On October 22, 2008, the Board issued Guidelines for adjusting the Retail Transmission Service Rates ("RTSR"). The Guidelines state that the adjustment to the RTSRs for the 2009 rate year for distributors that file incentive regulation applications will be based only on the specific changes in the connection and network rates that were determined in the uniform transmission rates ("UTR") proceeding. How do I calculate the percent change in my RTSRs?

A Last year, as part of the 2008 IRM applications, RTSR adjustments were made for all distributors. The Panel in these proceedings determined that the following methodology was appropriate for calculating the percent change in the RTSRs:

Percent change in RTSR — Network Service Rate = (new UTR Network)/(old UTR Network) - 1

Percent change in RTSR — Line and Transformation Connection Service Rate = (New UTR Line Connection + new UTR Transformation Connection)/(old UTR Line Connection + old UTR Transformation Connection) - 1

Those numbers were then rounded to the nearest percent.

As part of the 2008 IRM applications, some distributors used alternative methodologies to adjust their RTSRs, some of which were approved by the Board.

The percent change in the RTSRs should be inputted in the "L" sheets of the applicant's IRM application Excel model (sheets L1.1, L1.2, L2.1, and L2.2 for the 2nd Gen. IRM applications and sheets L1.1 and L2.1 for the 3rd Gen. IRM applications).

2009 - 2nd and 3rd Generation IRM Models

1.	I want to harmonize rates across different service areas. Can I do this and still use the 2009 2nd or 3rd Generation IRM model?
A	Yes. However, you are reminded that the Board will not be able to process applications based on alternative principles or mechanisms as expeditiously as applications that are consistent with the IRM methodology documented in the Board Report
2.	Why do I have to re-input the 2008 tariff of rates and charges schedule? Do I have to input it in its entirety even though most of the numbers do not change?
A	Beginning in 2006, the Board issued a complete approved tariff of rates and charges for each distributor. The Board intends that for any change in rates a new and complete tariff of rates and charges will be prepared, so that it is easy to identify the complete approved tariff of rates and charges in effect for a distributor at any point in time. The 2009 2nd Generation IRM spreadsheet model requires the distributor to input the 2008 tariff of rates and charges schedule in its entirety so that the spreadsheet can generate the complete tariff of rates and charges schedule proposed by the distributor for 2008.
3.	What is the purpose of the K-factor?
A	As documented in sections 2.3.3 and 4.1 of the Board Report, distributors will need to transition, for rate-making purposes only, from their current size-related deemed capital structure to a common deemed capital structure of 60% debt and 40% equity. This transition starts in 2008, and can occur in 1, 2 or 3 years, depending on the size of a distributor's rate base. As noted in the Board Report (December 20, 2006), this transition applies whether the distributor is filing a Cost of Service application or an IRM application. The K-factor accomplishes the 2009 capital-structure transition for distributors filing IRM applications.
4.	Does the K-factor reflect changes in interest and debt rates and the Return on Equity ("ROE")?
A	No. As noted on page 30 of the Board Report (December 20, 2006), normal changes in debt rate and ROE levels are assumed to be implicitly reflected in the GDP-IPI change, along with changes in the prices of labour, capital equipment and material. The K-factor reflects solely the change in the deemed capital structure (the amount of debt and equity financing of the corporation's capital), which would not be reflected in a macro-economic price index like GDP-IPI.
5.	Can data be imported from an old version of the model into a newer version?
A	No. However, staff has noted this and will try to improve data portability in future models.
6.	Sheet C2.1 LRAM in the 3rd Generation model asks for a "Sunset Date", can you

	please explain what that is?
A	Sunset date is a term to indicate the expiration date for a rate rider. The Board has adapted a reference style to be applied to rate riders on tariff sheets. The standard phrase after the rate rider reference is "- effective until" and then the sunset date. For instance if a rate rider is effective until April 30, 2013, the applicant will enter "30/04/2013" as the sunset date. The models tariff sheet should describe the rate rider and end with "- effective until April 30, 2013".
7.	Can the fixed metrics be updated, as ours is not correct?
A	Please contact the OEB through the Market Operations hotline.
8.	Our demand billing is on both kW and kVA depending on power factor. Can we have both in the model at once?
A	Please reference your current tariff schedule. Most utilities apply both kW demand billing with a 90 % kVA applied depending on power factor. These utilities tariff of rates and charges indicate a rate per kW. Some utilities however bill customers only on kVA. Those utilities tariff of rates and charges will indicate a rate per kVA.
9.	When will we receive the OEB application number?
A	Please contact the Board Secretaries Office requesting your filing number and they will provide you with one.
10.	Stand by rate is not in drop down box on sheet B2.1 for unique classes
A	Please reference Rate Group "USB" for standby rates. If the rate class description does not match your current tariff sheet description, please contact the OEB Market Operations hotline.
11.	What is RTSR?
A	RTSR is short for Retail Transmission Service Rates which are comprised of Network and Connection charges.
12.	Will the approved OEB transmission and network increased be mandatory? May LDC choose to leap existing rates?
A	Any change to the current RTSR's must comply with the filing requirements found in the RTSR guidelines to be issued Wednesday October 22, 2008.
13.	We will be looking to change our rate rider for smart meters. Do we indicate that in this application?
A	Any change to the current smart meter rate must comply with the filing

	requirements found in the Smart Meter guidelines to be issued Wednesday October 22, 2008.
14.	Sheet O2.1 Calculation of Bill Impact worksheet does not save the changes on consumption. Do we have to attach the Bill Impact analysis to the hard copy of the application?
A	The rate generator produces a separate workbook for all rate classes. On the top right hand corner of most worksheets is a button called "Bill Impact Generator". The bill impacts are of singular design for multi utility comparison purposes. The applicant should provide a copy of the bill impacts for each rate class produce in this workbook as part of their application.
15.	Will you be updating the commodity prices on the bill impact calculation sheet O2.1?
A	Yes the commodity prices will be updated on the amended models.
16.	Under tab P2.1, we have a specific service charge that appears to be missing from the listing.
A	Please contact the OEB Market Operations hotline.

2009 –3rd Generation Supplementary Filing Model

1.	Loss carry forwards used in the 2008 application will not be available possibly in 2009 but in any event prior to the next rebasing - can the new tax calc be incorporated in rates through the IRM process
A	A rate adjustment sheet(s) can be provided to the applicant to enter application adjustment such as this and other similar requests. Contact the OEB Market Operations hotline. Please note that this or similar requests may be deemed as outside of the IRM process and handled offline. The applicant is at risk of missing the May 1, 2009 implementation date. To avoid this risk the applicant may consider submitting a separate application.
2	In regards to the capital module, is the factor "g" in the formula calculating the difference between 2007 actual distribution revenue and 2008 board approved base or is it calculating the difference between 2007 volumes at 2008 approved rates and 2008 volumes at 2008 rates?
A	The "g" factor in the formula is calculated for this year's applicants as the difference between 2008 billing determinants and 2007 billing determinants in order to isolate changes in the various sources of growth measured in those determinants (i.e., demand, consumption, connections, etc). The 2008 base

	distribution rates are applied to both years.
3	In Sheet B3.1 "Re-Basing Revenue requirement", why are the short term interest rates and ROE hard coded?
A	The majority of 2008 COS Board decision ordered the applicants to use the 2008 prescribed short term interest rate and ROE rates. To prevent the possibility of input error in the worksheet these cells were locked. If the applicant has reason to use other values, contact the OEB Market Operations hotline.
4	When are the stretch factors going to be finalized?
A	The Board indicated in its supplementary report that it intends to undertake further work on the stretch factor assignment grouping approach and will consult with stakeholders to identify whether it can improve the grouping approach and further reduce the potential for misclassification in the two OM&A benchmarking evaluations. The ranking list for the purposes of assigning stretch factors to distributors will be finalized at the completion of this consultation. Staff is now in the process of preparing for this consultation and expects to release materials for stakeholder review and comment this fall (late October or early November).
6	Will the stretch factor in the model be changed by the Applicant or will the Board change this after they receive the filed model?
A	Once the stretch factor has been determined, Board staff will make the necessary change to the model.

2009 IRM Process

1.	When are distributors due to file their 2009 IRM distribution rate applications (2nd or 3rd Generation IRM)?
A	As indicated in the Board letter of October 3, 2008, the target date for distributors to file 2008 IRM applications is November 7, 2008.
2.	I made an error in entering data in my application. Can I amend the application?
A	Yes. The amended application should be filed with the Board Secretary and served on all registered intervenors. If the amendment is material, publication of a revised Notice of Application may be required. Amendments to an application that are made late in the process or that require publication of a revised Notice of Application could result in a delay in completion of the processing of the application.
3.	When can I expect the Board to issue a decision on my rate application?

A	A change in the Decision and Rate Order process began in 2008. The decision of the Board will be issued first, and the distributor will then have to subsequently file its proposed Tariff of Rates and Charges to the Board for approval. Intervenors will also have an opportunity to comment on the proposed draft tariff sheets. The Board will then approve the final Tariff of Rates and Charges.
4.	Who publishes the Notice of Application?
A	As was the case for 2007 and 2008 distribution rate applications, it is the responsibility of the distributor to publish the Notice of Application in accordance with the Letter of Direction issued by the Board to the distributor.

Electronic Regulatory Filing Process

1.	Will we be getting an EB number in advance of filing our application?
A	Yes. Your EB number can be requested through the market operations hotline at market.operations@oeb.gov.on.ca.
2.	Will we be using the OEB's e-filing standard process?
A	Yes. If you have any questions, please refer to the RESS e-filing Submissions – A Quick Guide found under the "e-filing services" button on the OEB's home page.
3.	Will I need a user id in order to submit our application?
A	Yes. If you do not have one and will be directly submitting documents through the OEB portal, please complete the application form found on the e-filing services page on the OEB's web site. The form has to be sent by your organization's key regulatory contact. Please request a user id well in advance of submitting documents.
4.	Do I have to use the file naming conventions for documents that I send into the OEB?
A	Yes. The file naming conventions are important for searching and retrieving documents. The naming conventions are found in the RESS Document Preparation – A Quick Guide on page 6 "How to Name Electronic Files". For example, an application from Barrie Hydro would be named Barrie_APPL_20071120
5.	How should I file our completed IRM model?
A	It should be filed in the combined PDF file with the application through the OEB portal www.errr.oeb.gov.on.ca. Also, please separately e-mail a live Excel file to Boardsec@oeb.gov.on.ca .