Ontario Energy Board
Commission de l'énergie de l'Ontario

2017 IRM - Rate Model Orientation

Audio Portion of this Webinar available via:
416-406-1280/1-866-832-4446

Pass code: 7011028

2017 IRM Team July 26, 2016

2017 IRM Model - Introduction

- The 2017 model has been redesigned to provide additional functionalities to users

- Additional instruction, notes, warning messages and text boxes have been added to several tabs

- The model will be auto-populated with the most current RRR data (as of June 30, 2016)

2017 IRM Process – Agenda

- 2017 IRM Model Updates/Changes:
  1. Continuity Schedule - Capacity Based Recovery (CBR) Sub-accounts
  2. Global Adjustment
  3. Deferral/Variance Account Rate Rider for Non-WMP
  4. Tax Rate Rider
  5. Bill Impacts

- Filing Requirements Changes/Updates:
  1. ACM/ICM Threshold calculation
  2. LRAMVA Work Form
  3. CBR Accounting Guidance

2017 IRM Webinar – Chat Feature

- To submit questions during the presentation please use the chat feature on your screen


- For any technical issues, please contact the OEB IT Help at it.help@ontarioenergyboard.ca

2017 IRM Model

Notes:

- Color Coding

    Pale green cells represent input cells.

    Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.

    Pale grey cell represent auto-populated RRR data

    White cells contain fixed values, automatically generated values or formulae.

- Please ensure that the required inputs are entered and saved by ascending numeric order of tab numbers (Tab 1, 2, 3…to Tab 20)

Capacity Based Recovery (CBR) - Changes to the DVA Continuity Schedule

- **The OEB established two new sub-accounts of Account 1580- WMS to record CBR amounts**
  - Sub-account CBR Class A
  - Sub-account CBR Class B

- **CBR amounts are to be recorded separately in CBR Sub-accounts Class A and Class B**
  - Account 1580 RSVA - Wholesale Market Service Charge is to **exclude** any amounts relating to CBR.
  - The CBR amounts are to be entered separately in the Class A and Class B 1580 sub-accounts (Tab 3, rows 24 & 25).
  - Column BU, showing RRR data for Account 1580 – Wholesale Market Service Charge, includes sub-account CBR amounts for Class A and Class B (if any). The IRM model will show a variance in cell BV23 that should equal the sum of CBR sub-accounts for Class A and Class B

- **Disposition - Sub-account CBR Class B only**
  - IRM model supports disposition of CBR Class B amounts; manner will depend on distributor circumstances.
  - Sub-account CBR Class A will not be disposed off during the 2017 IRM process
  - The checkbox with cell BT24 (total claim of 1580 sub-account Class A) has been disabled and the value in this cell is always "0" in the model, as sub-account CRB Class A is not disposed

Capacity Based Recovery (CBR) - Changes to the DVA Continuity Schedule (con't)

- A checkbox on top of the continuity schedule, Tab 3 must be used to indicate whether a distributor has Class A customers

> If you have a Class A customer, 1580 sub-account CBR Class B will be disposed through a rate rider calculated outside the model (if significant).
>
> If you have only Class B customers, the balance applicable to Class B will be allocated and disposed with account 1580. ☑
>
> Please click if you have one or more Class A customers.

- Based that selection, the model will initiate one of two possible methods for disposing the balances in Sub-account CBR Class B customers

Capacity Based Recovery (CBR) – Disposition

- **Disposition Method 1:**
  - If a distributor has **only Class B customers**, the balance in the Sub-account CBR Class B will be disposed along Account 1580 - Wholesale Market Service Charge through the general DVA rate rider

- **Disposition Method 2:**
  - If a distributor has **any Class A customer(s),** and has elected to dispose of the balances in Sub-account CBR Class B, a rate rider must be calculated separately from IRM model
  - The calculation and resulting rate rider for Class B customers must be included in the manager's summary of the 2017 IRM application
  - The rate riders need to be added into Tab 18 Additional Rates for each applicable rate class
  - If the amounts to be disposed of does not produce a rate rider to the fifth decimal place for one or more rate class(es), the total amount shall be transferred to Account 1595 (see Chapter 3 Filing Requirements,, Appendix B)

Capacity Based Recovery (CBR) – Key Accounting References

- OEB Accounting Guidance documents:
  - Letter dated June 4, 2015
  - Letter dated March 29, 2016
  - Accounting Guidance dated July 25, 2016

- Decision and Order (EB-2015-0294), dated November 19, 2015

- Supplementary Decision and Order (EB-2016-0193), dated June 16, 2016

Global Adjustment - Overview of changes

For Class B customers, the GA variance account captures the difference between the amounts billed (or estimated to be billed) to Non-RPP customers and the actual amounts paid to the IESO for those customers based their electricity consumption/month (kWh) .

Change to Energy Basis (kWh)

- The Global Adjustment (GA) balance will be disposed on energy (kWh) basis for all the rate classes, regardless of billing determinants used to calculate distribution rates for any particular class
- Allows to align recovery with the way the variance was incurred
- Minimize the risk of cross-subsidy between classes

New Tabs for GA disposition - Tab 6 & Tab 6a

- Tab 6 – GA rate riders for all current Class B customers (excluding amount attributable to recent Class A customers that contributed to some of the total GA balance)
- Tab 6a – GA amounts for customers who transitioned from Class B into Class A

Global Adjustment – Tab 6

A checkbox on top of Tab 6 must be used to indicate whether a distributor is serving Class A customers that transitioned during the 2015 rate year

> Below is a GA calculation based on non-RPP consumption data minus Class A consumption. If a Class B customer switched into Class A during the 2015 rate year click this checkbox: ☑
>
> Identify the total billed consumption for former Class B customers prior to becoming Class A customers (i.e. Jan.1 to June 30, 2015) in columns G.

- Class B consumption that is attributed to recent Class A customers prior to switching classes must be entered into Column G
  - i.e. January 1, 2015 to June 30, 2015
- Class A consumption (2015) is to be entered in column E
  - includes consumption of full-year Class A customer(s) AND consumption of new Class A customer(s) who used to be Class B before July 1, 2015 if applicable

Global Adjustment - Tab 6a

The model displays Tab 6a when it's indicated on Tab 6 that the distributor has Class B customer(s) who switched into Class A in 2015.

- Tab 6a allocates the GA balance to former Class B customers who contributed to the GA balance in 2015 but are now Class A customers

- The model calculates the residual, customer specific, GA balance for each of these customers

- Consistent with both decisions for 2016 rates and EDDVAR, distributors are generally expected to settle the amount through 12 equal adjustments to bills. A one-time settlement is acceptable if the affected customer has expressed a clear preference for this approach.

Global Adjustment - Tab 6a

- **Inputs required to calculate customer specific GA amounts for former Class B customers**

  - In cell B16, enter the year of the GA balance that was last disposed in a CoS/IRM process. (e.g. If in the 2015 EDR process, you received approval to dispose the GA variance account balance as of December 31, 2013, please enter 2013.)
  - In row 20, input the total Class B consumption for each year since last disposition of GA
  - In row 32, input # of former Class B customers. A corresponding number of rows will open up
  - Input consumption of each customer

- **Calculation**

  - Table 1: % (Former Class B consumption / Total Class B consumption)
  - Table 2: Based on this %, total GA $ is allocated to former Class B customers (cell C28) and current Class B customers (cell C29)
  - Table 3: The GA $ (cell C28) for former Class B customers is allocated to each former Class B customer based on that customer's Class B consumption

Deferral/Variance Account Rate Rider for Non-WMP

- On Tab 7 Calculation of Def-Var RR, the Deferral/Variance Account Rate Rider for Non-WMP (column J) is only applicable to rate classes with WMP customers
  - For rate classes that do not include WMP customer, the model and tariff sheet will no longer show a $0 rate rider for Non-WMP.
- The Deferral/Variance Account Rate Rider (column I) is applicable to all the rate classes.

Rate Class	Deferral/Variance Account Rate Rider	Deferral/Variance Account Rate Rider for Non-WMP
Classes without WMP customers	Account 1550, 1551, 1580, 1584, 1586, 1588, 1595 allocated	n/a
Classes with WMP customers	Account 1550, 1551, 1584, 1586, 1595 allocated	Account 1580 & 1588 allocated

- Account 1589 is disposed of through a separate rate rider

Bill Impacts

- ## Typical Residential Consumption

  – A typical residential customer has been defined as consuming 750 kWh per month as per an OEB report issued in April 2016, "Defining Ontario's Typical Electricity Customer" (EB-2016-0153). Please enter 750 as the consumption (kWh) amount for residential class in Table 1.

- ## Updated RPP-TOU Prices

  – The model has updated the RPP-TOU prices and the associated % of consumption used in the Bill Impacts tables based on the "Regulated Price Plan Price Report" issued in April 2016.

Time-of-Use RPP Prices	Off-Peak	Mid-Peak	On-Peak
Price ($)	0.0870	0.1320	0.1800
% of TOU Consumption	65%	17%	18%

Bill Impacts

- ## GA Rate Riders Line

  - As the GA rate riders for all rate classes are now calculated based on energy (kWh) basis, the Bill Impact table of each rate class now has a separate line for the GA rate riders.

  - This line item is only applicable to the "Proposed" section of each Bill Impact table. In the "Current OEB-Approved" section, the GA rate riders are included in the Total Deferral/Variance Account Rate Riders line.

- ## New Functionality - Billing Determinants for Unmetered Classes

  - A new column "Billing Determinant Applied to Fixed Charge for Unmetered Classes" (column N) has been added to Table 1.

  - It allows applicants to enter billing determinants (e.g. # of devices/connections) for their unmetered classes – Unmetered Scattered Load Class, Sentinel Lighting Class and Street Lighting Class. The billing determinants entered are applied to Monthly Service Charge and Fixed Rate Riders lines in the Bill Impact tables of the unmetered classes.

Bill Impacts

- If the monthly service charge is applied on a per customer basis for any unmetered class(es), please enter number "1" in column N of Table 1.

- With the new functionality, fixed charges for the unmetered classes on the Bill Impacts tab can be calculated similar to how they would be on an actual bill.

ACM/ICM – Materiality Threshold Formula

- A Supplemental Report on the New Policy for the Funding of Capital Investments was issued on January 22, 2016 (EB-2014-0219)

- The OEB determined that:

  - The following formula is to be used by a distributor to calculate the materiality threshold

$$Threshold\ Value\ (\%) = \left(1 + \left[\left(\frac{RB}{d}\right) \times (g + PCI \times (1+g))\right]\right) \times \left((1+g) \times (1+PCI)\right)^{n-1}$$

  - The materiality threshold formula has been modified a follows:

    - The growth factor g is annualized
    - The dead band X has been reduced to 10%
    - the stretch factor used in the Price Cap Index (PCI) will be the factor assigned to the middle cohort (currently 0.3%) for all distributors

LRAMVA Work Form – Supplemental Model

- OEB has developed a new work form for all LDCs to use when filing for disposition of Account 1568 – LRAMVA

- LRAMVA Work Form must be used by LDCs filing both IRM and COS applications

- LRAMVA Work Form builds on best practices and establishes a consistent approach for all LDCs

- Consolidates information that LDCs have received, and will continue to receive, from the IESO

LRAMVA Calculation

- There are no changes to how LRAMVA values are calculated:

> **(Final Net CDM Savings – Load Forecast CDM Component) x Distribution Volumetric Rate = LRAMVA**

- There are no changes in in the disposition LRAMVA balance through the 2017 IRM model.

Demand Savings

- OEB held a consultation with LDCs and other expert stakeholders in early 2016 to determine any policy changes related to demand savings from CDM programs (EB-2016-0182)
- OEB determined new policy related to eligible demand savings from energy efficiency programs are specified in Table 1 the OEB Report "Updated Policy for Including Peak Demand Savings in LRAMVA Calculation"
- The new LRAMVA work form incorporates the new policy:
  - Indicates the number of months peak demand savings are applicable within from energy efficiency programs
  - Excludes demand savings from Demand Response programs

LRAMVA Work Form - Discussion

The LRAMVA Work Form consists of the following sheets:

File Name	Description
1. LRAMVA Summary	**Table 1** provides a summary of the LRAMVA balances and carrying charges associated with the LRAMVA claim. The balances are populated from entries into other tabs throughout this work form.
2. CDM Allocation	**Tables 2, 3 and 4** include the CDM savings and allocation by rate class that were included in the load forecast.
3. Distribution Rates	**Tables 5 and 6** include a historical account of distribution rates that were used to calculate lost revenues.
4. 2011-14 LRAM	**Tables 7, 8, 9 and 10** includes 2011-2014 LRAMVA work forms. These should only be used if the LDC has not applied for approval of these amounts.
5-a. 2015 LRAM	**Table 11-a** includes a template workform for calculating 2015 lost revenues based on legacy and new programs.
6. Persistence Rates	**Tables 12 and 13** includes the 2011-2014 persistence factors and 2015-2020 persistance factors.
7. Carrying Charges	**Tables 19 and 20** includes the carrying charges related to the LRAMVA claim that is being made.

Quick Links

- Link for Filing Requirements and models [here](#)

- If you have questions in regard to the 2017 IRM model and Filing Requirements following this webinar, please send enquiries to 2017IRM@ontarioenergyboard.ca

- Questions & Answers

CBR – Accounting Guidance

- Last week the OEB issued its Accounting Guidance related to CBR (previously called CBDR)

- The remainder of the presentation will cover the following:

  - CBR - Background

  - CBR Accounting Guidance – Class B

  - CBR Accounting Guidance – Class A

  - Class A Variances Treatment

Capacity Based Recovery (previously called CBDR) - Background

- CBDR replaced DR3 under OPA. MWs under CBDR were not procured under any CDM program as defined in GA regulation. Since the IESO was creating a market mechanism under the market rules, it could recover the costs of this market program through uplift under charge types (CT). CT 1350/1351 were established and used by the IES0 since April 30, 2015.

- Recovery is allocated in the same manner as GA (i.e. recovering peak capacity-related costs tied to the contribution of various consumers in driving the need for peak-capacity resources)

- Similar to other "uplift" IESO CTs, CBDR CTs were determined to be part of WMS costs.

Program Costs Recovered Through CT 1350/1351

- Approximately 500 MW were procured under CBDR. Most of it expired from the CBDR program on April 30, 2016 and the balance will expire in 2018.

- In July 2015, approximately 80 MW were procured through Demand Response Pilot Programs which came into service in May 2016.

- The December 2015 DR Auction resulted in procuring 367 MWs which came into service on May 1, 2016.

Capacity Based Recovery – Accounting Guidance – Class B

- Record billings in Account 4062 Billed – WMS, Sub-account Capacity Based Recovery (CBR) Class B

Date	Rate	Account
Effective January 1, 2016	$0.0032/kWh	Account 4062 Billed - WMS
	$0.0004/kWh	Account 4062 Billed - WMS, Sub-account CBR Class B
Before January 1, 2016	N/A	No entries in Account 4062 Billed

- Record costs in Account 4708 Charges – WMS Sub-account CBR Class B
    - Record CT 1351

Capacity Based Recovery – Accounting Guidance – Class B (con't)

Record variances in Account 1580 Variance – WMS Sub-account CBR Class B

- Effective January 1, 2016 – Record the difference between:
  - amounts recorded in WMS revenues of $0.0004/kWh in Account 4062 Billed – WMS, Sub-account CBR Class B, and
  - WMS charges from IESO recorded in Account 4708 Charges – WMS, Sub-account CBR Class B

- Before January 1, 2016
  - No revenues were collected from customers for CBR prior to January 1, 2016.
  - All costs paid for CBR for Class B customers for the period from April to December 31, 2015 would have been captured in Account 1580 Variance – WMS Sub-account CBR Class B

Capacity Based Recovery – Accounting Guidance – Class A

Record billings in Account 4062 Billed – WMS, Sub-account CBR Class A

- Effective the first billing following June 16, 2016, date of the Supplementary Order:
    - Distributors must bill non-WMP Class A their share of the actual CBR charge, based on their respective Peak Demand Factor (PDF). Distributors' billings to its Class A customers should equal the total invoiced to it under CT 1350. This would result in recording <u>zero</u> variance in Account 1580 for Class A CBR going forward

- From January 1, 2016 to June 16, 2016:
    - Distributors have been billing Class A customers $0.0036/kWh WMSR, including $0.0004/kWh CBR since January 1, 2016.
    - Distributors are to record all 2016 consumption billed to the date of the Supplementary Order to Class A as follows: $0.0032/kWh to Account 4062 Billed – WMS and $0.0004/kWh to Account 4062 Billed – WMS Sub-account CBR Class A

- Before January 1, 2016: No entries in Account 4062 Billed - WMS, Sub-account CBR Class A

Record costs in Account 4708 Charges – WMS Sub-account CBR Class A
    - Record CT 1350

Capacity Based Recovery – Accounting Guidance – Class A (con't)

Record variances in Account 1580 Variance – WMS Sub-account CBR Class A

- Effective the first billing following June 16, 2016, date of Supplementary Order:
  - No variances to be recorded going forward.

- Effective January 1, 2016 to first billing following June 16, 2016– Record the difference between:
  - amounts recorded in WMS revenues of $0.0004/kWh in Account 4062 Billed – WMS, Sub-account CBR Class A, and
  - WMS charges from IESO recorded in Account 4708 Charges – WMS, Sub-account CBR Class A

- Before January 1, 2016:
  - No revenues were collected from customers for CBR prior to January 1, 2016.
  - All costs paid for CBR for Class A customers for the period from April to December 31, 2015 would have been captured in Account 1580 Variance – WMS Sub-account CBR Class A

- The net billing adjustment for 2015 and 2016, as calculated below is to be applied to the first available billing after the issuance of the Accounting Guidance. The total adjustment is equal to the total difference between CBR billed by the LDC and CBR charged by the IESO, plus applicable carrying charges. Once the billing adjustment is processed, the balance in the sub-account for 2015 and 2016 activity should be $0, and there will be no variances recorded in this sub-account going forward

Treatment of Variances Recorded for 2016 (up to the date of Supplementary D&O)

- Calculate each Class A customer's allocation of CBR costs based on their specific portion of 2016 PDF
- Calculate the amount billed to each Class A for CBDR based on $0.0004/kWh on their consumption
- Calculate the billing adjustment as the difference between the above two amounts
- Allocate the carrying charges in Account 1580 Variance – WMS, Sub-account CBR Class A to each Class A customer on a pro rata basis of the Class A customer's specific proportion of the total PDF.

Treatment of Variances Recorded for 2015

- Calculate each Class A customer's allocation of CBR cost based on their specific PDF
- Allocate the carrying charges in Account 1580 Variance – WMS, Sub-account CBR Class A to each Class A customer on a pro rata basis of the Class A customer's specific proportion of the total PDF.