**Guidance on Prospective Lost Revenue Adjustment Mechanism (LRAM) Amounts – 2025 Rates**

# Purpose

The Lost Revenue Adjustment Mechanism Variance Account workform (LRAMVA Workform) calculates eligible lost revenues related to conservation and demand management (CDM) programs delivered by distributors.

The [2021 CDM Guidelines](https://www.oeb.ca/sites/default/files/uploads/documents/regulatorycodes/2021-12/CDM-Guidelines-Elec-Distributors-20211220.pdf) required distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established thresholds if possible. The LRAMVA workform has been updated to allow distributors to calculate the final balance in the LRAMVA, and to also calculate all prospective LRAM-eligible amounts in future years related to previously implemented CDM programs.

*Distributors with zero balance in the LRAMVA (including those with previously approved LRAM-eligible amounts for 2025):*

A distributor with a zero balance in the LRAMVA should indicate this fact in its application, and advise that it is not requesting any disposition. If a distributor with zero balance in the LRAMVA is requesting rate rider(s) for 2025 rates to recover an LRAM-eligible amount approved in a previous proceeding, the distributor should reference the previous OEB decision where the base LRAM-eligible amount for 2025 (i.e., the amount prior to the mechanistic adjustment) was approved, and provide the calculations used to generate the requested LRAM-eligible rate riders (i.e., the mechanistic adjustment and the allocation to rate classes). Distributors are to input the resulting rate rider(s) in Tab 19 – Additional Rates of the IRM Rate Generator Model. Distributors in this circumstance do not need to file the LRAMVA workform or any additional documentation.

|  |  |
| --- | --- |
| **LRAM-Eligible Amount** | **Calculated as:** |
| Updated 2025 LRAM-eligible amount (assumes base 2025 LRAM-eligible amount was previously approved, and shown in 2024$ in the 2024 rate decision) | Previously approved 2025 LRAM-eligible amount (in 2024$) \* (2025 OEB-approved inflation minus X-factor) |

*Distributors with non-zero balance in the LRAMVA:*

 A distributor that does not have a confirmed zero balance in the LRAMVA should seek disposition as part of their 2025 IRM applications, with supporting information, or provide a rationale for not doing so. In addition, such distributors are also eligible for LRAM for persisting impacts of CFF programs and Local Program Fund programs until their next rebasing. Such distributors not rebasing for 2025 rates who have complete information on eligible savings (i.e., needing only to account for persistence of savings in future years) should calculate and request approval of LRAM-eligible amounts to address amounts that would otherwise be recorded in the LRAMVA for all years until their next rebasing application, and request any rate rider(s) for 2025 rates for the 2025 LRAM-eligible amount. Additional details on the use of the LRAMVA workform for this purpose are provided below.

# Notes

Prospective treatment will not be necessary for cost-of-service applications. For incentive rate-setting mechanism applications, treatment of prospective LRAM-eligible amounts should be done as outlined below (these instructions are also included within the LRAMVA workform):

* Tables 5-k through Tables 5-m (the 2025 to 2027 years) do not allow for entry of new CDM savings in these years, but will calculate the total lost revenues, the forecast lost revenues, and the LRAM-eligible amount in these years due to persistence of savings from prior years, based on 2024 distribution rates.
* The LRAM-eligible amounts for 2025 to 2027 are **not** added to the LRAMVA and do not accrue interest, but are shown separately in the LRAMVA Summary in Table 1-C.
* In their applications for 2025 rates, distributors should apply for approval of the 2025 to 2027 LRAM-eligible amounts shown in Table 1-C. Approval will mean that the LRAM-eligible amounts are accepted as final, subject only to the mechanistic adjustment described below.
* In their applications for 2025 rates and subsequent rate years:
	+ Distributors should propose rate riders to recover each annual LRAM-eligible amount in the corresponding rate year, beginning with the application for 2025 rates, and continuing each rate year until all amounts shown in Table 1-C have been recovered.
	+ The LRAM-eligible amount for a particular year (as identified in Table 1-C) is to be adjusted mechanistically by the OEB-approved inflation minus X factor formula applicable to IRM applications in effect for a given year. For example:

|  |  |
| --- | --- |
| **LRAM-Eligible Amount** | **Calculated as:** |
| Updated 2025 LRAM-eligible amount requested in the 2025 rate application | (2025 LRAM-eligible amount shown in Table 1-C, in 2024$) \* (2025 OEB-approved inflation minus X- factor) |

* + The rate riders for the respective rate year’s LRAM eligible amount are for a one-year period.
	+ Distributors are to input the resulting rate riders in Tab 19 – Additional Rates of the IRM Rate Generator Model.