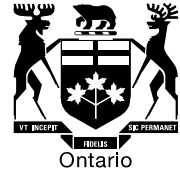


Ontario Energy Board
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BY EMAIL

January 20, 2010

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Haldimand County Hydro Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0086**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Haldimand County Hydro Inc. and to all other registered parties to this proceeding.

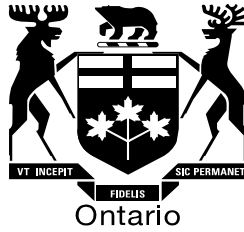
In addition please remind Haldimand County Hydro Inc. that its Reply Submission is due by February 17, 2011.

Yours truly,

Original Signed By

Suresh Advani

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Haldimand County Hydro Inc.

EB-2010-0086

January 20, 2011

**Board Staff Submission
Haldimand County Hydro Inc.
2011 IRM3 Rate Application
EB-2010-0086**

Introduction

Haldimand County Hydro Inc. (“HCHI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 29, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that HCHI charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by HCHI.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by HCHI. In response to Board staff interrogatories which requested either a confirmation that these discrepancies were errors or, an explanation supporting the validity of the original data filed with the application, HCHI confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to HCHI’s model at the time of the Board’s Decision and Order on the application.

Board staff makes submissions on the following matters:

- Review and Disposition of Deferral and Variance Account Balances;
- Tax Sharing Rate Rider;
- Adjustments to the Revenue-to-Cost Ratios; and
- Fixed/Variable Revenue Ratio Adjustment – Residential.

Review and Disposition of Deferral and Variance Account Balance

Background

For purposes of 2011 IRM applications, the *Report of the Board on Electricity*

Distributors' Deferral and Variance Account Review Initiative (the "EDDVAR Report") requires a distributor to determine the value of its December 31, 2009 Group 1 Deferral and Variance account balance and determine whether the balance exceeds the preset disposition threshold of \$0.001 per kWh using the 2009 annual kWh consumption reported to the Board. When the preset disposition threshold is exceeded, a distributor is required to file a proposal for the disposition of Group 1 account balances (including carrying charges) and include the associated rate riders in its 2011 IRM Rate Generator for the disposition of the balances in these accounts. The onus is on the distributor to justify why any account balance in excess of the threshold should not be cleared.

HCHI requested that the Board review and approve the disposition of its December 31, 2009 balances of Group 1 Deferral and Variance account balances, including interest as of April 30, 2011. The total balance of the Group 1 accounts is a credit of \$534,814. Credit balances are amounts payable to customers. This amount results in a total claim per kWh that exceeds the preset disposition threshold of \$0.001 per kWh.

HCHI proposed a disposition period of one year for its Group 1 account balances.

Submission

Board staff notes that the principal amounts to be disposed as of December 31, 2009 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements ("RRR"). Board staff therefore submits that the amounts should be disposed on a final basis. Board staff also submits that HCHI's proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report. Consequently, Board staff has no issues with HCHI's request.

Tax Sharing Rate Rider

Background

HCHI calculated the annual tax savings and allocated it to customer rate classes in accordance with the Board's methodology in the 2011 IRM3 Shared Tax Savings

Workform. The amount to be refunded to ratepayers is \$35,546. Since this amount is not material, HCHI proposed that this credit amount be included in account 1595 for disposition in a future rate proceeding.

Submission

Board staff agrees that the approach proposed by HCHI is consistent with the Board's findings in 2010 IRM applications where the amount to be credited back to customers was such that the resultant energy-based kWh rate riders were less than four decimal places and demand-based kW rate riders were less than two decimal places. In these cases, and others where the amount was not material, the Board found that the refund amount was not material enough to be refunded by means of a rate rider and approved the recording of this amount directly in account 1595 for disposition in a future rate setting.

Adjustments to the Revenue-to-Cost Ratios

Background

In order to implement the final phase of the revenue-to-cost ratio adjustment reflected in the Board's EB-2009-0265 Decision, HCHI proposed to increase the revenue-to-cost ratios for the Sentinel Lighting and Street Lighting rate classes to the bottom of the Board's target range of 70% for each rate class. The additional revenue was applied to the General Service 50 to 4,999 kW rate class in the volumetric component of the distribution rate only, meaning the base service charge remained at the current Board-approved ceiling level.

Submission

Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2009-0265 Decision with respect to the upward ratio adjustment for the Sentinel Lighting and Street Lighting rate classes and downward ratio adjustment for the General Service 50 to 4,999 kW rate class.

Board notes that a downward ratio adjustment for the General Service 50 to 4,999 kW rate class can be achieved by lowering the base service charge from its current ceiling value and/or a lowering of the volumetric rate. Board staff further notes that HCHI's proposal to apply the additional revenue to only the volumetric component of the distribution rate of the General Service 50 to 4,999 kW rate class will alter the fixed/variable revenue ratio for this class. In response to Board staff interrogatory #2a, HCHI indicated that it received prior approval from the Board to proceed in this fashion. However, Board staff is unable to find this reference in the Board's EB-2009-0265 Decision. Board staff invites HCHI to provide an excerpt of the Decision that supports this claim.

Fixed/Variable Revenue Ratio Adjustment – Residential

Background

In order to implement the fixed/variable revenue ratio adjustment for the residential rate class proposed in the EB-2009-0265 Settlement Agreement and approved by the Board, HCHI proposed to increase the fixed ratio to 37.0% and decrease the variable ratio to 63.0%.

Submission

Board staff submits that the proposed fixed/variable revenue ratio adjustments are in accordance with the Board's findings in its EB-2009-0265 Decision.

All of which is respectfully submitted.