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BY EMAIL

February 16, 2011

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Tillsonburg Hydro Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0116

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 Tillsonburg Hydro Inc. and to all other registered parties to this proceeding.

In addition please remind Tillsonburg Hydro Inc. that its Reply Submission is due by March 7, 2011.

Yours truly,

Original Signed By

Lawrie Gluck
Analyst, Applications & Regulatory Audit

Encl.

Ontario

ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

TILLSONBURG HYDRO INC.

EB-2010-0116

February 16, 2011

Introduction

Tillsonburg Hydro Inc. ("Tillsonburg") filed an application (the "Application") with the Ontario Energy Board (the "Board"), received on November 25, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Tillsonburg charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism ("IRM").

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 Tillsonburg.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by Tillsonburg. 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, Tillsonburg confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to Tillsonburg's models at the time of the Board's decision on the application.

Board staff makes submissions on the following matters:

- Revenue to Cost Ratio Adjustments; and
- Deferral and Variance Account Disposition

Revenue to Cost Ratio Adjustments

Background

Tillsonburg originally requested the revenue to cost ratio adjustments reflected in the table below.

Rate Class	**Direction**	Current Year 2010	Transition Year 1 2011
Residential	Rebalance	117.00%	108.00%
General Service Less Than 50 kW	No Change	120.00%	120.00%
General Service 50 to 499 kW	Change	75.00%	80.00%
General Service 500 to 1,499 kW	Change	71.00%	80.00%
General Service Equal To Or Greater Than 1,500 kW	Change	62.00%	80.00%
Unmetered Scattered Load	No Change	80.00%	80.00%
Sentinel Lighting	Change	129.00%	120.00%
Street Lighting	Change	64.00%	70.00%

In response to VECC Interrogatory No. 1, Tillsonburg noted that it had erroneously entered distribution revenue amounts instead of revenue offset allocations on Sheet C1.2 of the Revenue to Cost Ratio Adjustment Workform. Tillsonburg noted that this error first occurred in its 2010 Rates Application.

Tillsonburg recalculated the 2010 revenue to cost ratios when using the revenue offset allocations while keeping the 2010 adjustments to rates as approved by the Board. Tillsonburg also updated its 2011 Revenue to Cost Ratio Workform to reflect the allocation of the revenue offsets instead of distribution revenue.

The resulting 2010 and 2011 revenue to cost ratios are reflected in the table below.

Rate Class	Rebased Year 2009	Transition Year 2 2010	Transition Year 3 2011
Residential	126.00%	116.81%	109.18%
General Service Less Than 50 kW	120.00%	120.00%	120.00%
General Service 50 to 499 kW	70.00%	75.16%	80.00%
General Service 500 to 1,499 kW	56.00%	71.66%	80.00%
General Service Equal to or Greater than 1,500 kW	45.00%	62.97%	80.00%
Unmetered Scattered Load	70.00%	78.60%	80.00%
Sentinel Lighting	141.00%	128.83%	120.00%
Street Lighting	56.00%	64.40%	70.00%

Submission

Board staff submits that Tillsonburg's revisions to its revenue-to-costs ratio calculation for 2011 are appropriate. Board staff further submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2008-0246 Decision and Order.

Deferral and Variance Account Disposition

Background

For purposes of the 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 total 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.

Tillsonburg has requested that the Board review and approve the disposition of the December 31, 2009 balances of Group 1 Deferral and Variance accounts as defined by the EDDVAR report. The total balance for all Group 1 accounts is a debit of $412,841. This balance results in a total claim per kWh of $0.002233, which exceeds the Board prescribed disposition threshold. Tillsonburg has included interest, using the Board's prescribed interest rates, on these account balances up to April 30, 2011. Debit balances are amounts recoverable from customers.

Tillsonburg has proposed to dispose of its Group 1 account balances over a one-year period.

Submission

With regard to its 2011 deferral and variance account balances, Board staff notes that there are no material differences between the principal amounts applied for disposition as of December 31, 2009 and 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 Tillsonburg's proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report.

All of which is respectfully submitted.