



February 24, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
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Toronto, ON M4P 1E4

**RE: Hawkesbury Hydro Incorporated
2011 IRM3 Distribution Rate Application
Board Staff Submission
OEB File No. EB-2010-0090**

Enclosed, please find Hydro Hawkesbury Hydro (HHI)'s submission in regard to its 2011 IRM3 Distribution Rate Application which was filed on November 12, 2010. This submission is in response to the Board Staff Submission dated February 4, 2011. Should you require any further information, please do not hesitate to contact me at the number below.

Yours very truly,

Michel Poulin

Hydro Hawkesbury Inc., Manager

613-632-6689

OEB Staff Submission

Board staff has reviewed Hawkesbury's 2011 Deferral and Variance Account Workform and have been unable to verify the \$181,196 debit balance in Account 1588 – RSVA – Power (excluding the global adjustment sub-account). Board staff notes that the opening amounts for all the Group 1 Deferral and Variance Accounts, entered on Sheet D1.6 of the 2011 Deferral and Variance Account Workform, have been adjusted by the amounts approved for disposition in Hawkesbury's 2010 Rate Application (EB-2009-0186). However, the balance in Account 1588 – RSVA – Power (excluding the global adjustment sub-account) was adjusted by an amount that is significantly different from the approved amount for disposition in EB-2009-0186. Board staff requests that Hawkesbury comment on the adjustments it made to the noted account in its Reply Submission.

HHI Response.

In response to the Board's interrogatory regarding account 1588 RSVA-Power and its debit balance of \$181,196, please find below a table indicating the account balance details of both 1588-Power and 1588-GA separately. The table indicates the total sums approved for disposition in the amount of (\$396,388), as indicated in the Board's decision of May 10, 2010.

	TOTAL RSVA 1588 POWER & GA	RSVA GA ONLY	RSVA POWER ONLY
Principal Balance of RSVA POWER as of December 31-2008	(666,285.61)		(666,285.61)
Principal Balance of RSVA GA sub-account as of December 31-2008	232,444.73	232,444.73	
Carrying Charges TOTAL for RSVA POWER as of December 31, 2008	25,465.87		25,465.87
Carrying Charges TOTAL for RSVA GA as of December 31, 2008	17,171.35	17,171.35	
TOTAL Principal & Carrying Charges as of December 31, 2008	(391,203.66)	249,616.08	(640,819.74)
Carrying Charges TOTAL for RSVA POWER as of April 30, 2010	(8,832.87)		(8,832.87)
Carrying Charges TOTAL for RSVA GA as of April 30, 2010	3,048.53	3,048.53	
TOTAL of RSVA POWER, RSVA GA & Carrying Charges for both accounts	(396,988.00)	252,664.61	(649,652.61)

The total amount approved for disposition for both 1588 accounts is (\$396,388) and is composed of \$252,664.61 RSVA-GA and (\$649,652.61) RSVA-Power including carrying charges.

If you add the amounts of \$666,286 & (\$16,633) for RSVA Power and (\$232,445) & (\$20,220) for RSVA-GA in the HH 2011 IRM DV&A, Sheet D1.6 Def Var-Con Sch Final, it sums up to \$396,388.

In the Board's Decision of May 10, 2010, p.16 Deferral and Variance Accounts approved, the Board indicated an approved amount of (\$144,324) for RSVA-Power, because the amount of \$252,665 was subtracted from the total approved amount of (\$396,988) for a total of (\$144,324). The correct amount is indicated in the table above. But, the result remains the same; the total approved amount is still (\$396,388), which is what Hydro Hawkesbury has posted on its books.

Deferral Variance - Continuity Schedule Final

Account Description	Account Number	Opening Principal Amounts as of Jan-1-10			Interest on Board- approved 2008 amounts prior to transfer Jan 1, 2010 to Date of Transfer			Projected Interest			Interest Amounts to be disposed	Total Claim
		A	B	C=A+B	D	E	F	G	H	I		
LV Variance Account	1550	153,142	(138,688)	16,474	9,495	(9,824)	119	48	(162)	16,312		
RSVA - Wholesale Market Service Charge	1580	(449,782)	319,237	(130,546)	7	230	(942)	(382)	(1,087)	(131,633)		
RSVA - Retail Transmission Network Charge	1584	(222,296)	216,773	(5,523)	(17,154)	17,549	(40)	(16)	339	(5,184)		
RSVA - Retail Transmission Connection Charge	1586	(1,300,910)	1,244,443	(56,467)	(216,638)	218,910	(407)	(165)	1,701	(54,756)		
RSVA - Power (Excluding Global Adjustment)	1588	(487,443)	686,288	178,845	17,173	(16,633)	1,290	523	2,354	181,198		
RSVA - Power (Global Adjustment Sub-account)	1590	673,938	(222,445)	441,494	21,677	(20,220)	3,185	1,292	5,934	447,428		
Recovery of Regulatory Asset Balances	1590	37,131	(37,131)	0	26,292	(25,872)	0	0	420	420		
Residual Balance Disposition and recovery of Derivar Balances Account (2008)	1595	0	0	0	0	0	0	0	0	0		
Total		(1,596,210)	2,040,495	444,285	(159,146)	164,139	3,205	1,300	9,499	453,784		

Board staff notes that the EDDVAR Report is clear on the policy regarding the review and disposition of Deferral and Variance Account balances. The Board states on Page 10 of the EDDVAR Report, that:

“During the IRM plan term, the Board has decided that a preset disposition threshold of \$0.001 / kWh is appropriate. In the Board’s view, this level would lead to a more systematic approach to the disposition of the revised Group 1 Account balances. This systematic approach should mitigate intergenerational inequities and the accumulation of large account balances. Further, this disposition threshold level should enhance the distributor’s ability to manage its cash flow. When this threshold is exceeded, a distributor will file a proposal for the disposition of all revised Group 1 Account balances (including carrying charges).”

Board staff notes that the 2009 audited balances in Hawkesbury’s Group 1 Deferral and Variance Accounts result in a total claim that is well in excess of the Board prescribed threshold. Board staff submits that although the global adjustment sub-account balance may have been significantly reduced as of September, 2010, this balance is unaudited and does not provide evidence that this trend may continue for the remainder of 2010.

For the reasons set out above, pending confirmation from Hawkesbury that the balance in Account 1588 – RSVA – Power (excluding the global adjustment sub-account) is correct, Board staff submits that in order to maintain a systematic approach to Group 1 Deferral and Variance Account disposition, the Board should direct Hawkesbury to dispose of its Group 1 Deferral and Variance Account balances as of December 31, 2009.

HHI Response.

HHI supports the OEB recommendation and the EDDVAR report and would like to dispose of Group 1 Deferral and Variance Account.

HHI would like the Board Staff to make the necessary corrections to HHI's model (tab J2.4 and Tab J3.31) since other corrections are also necessary at the time of the Board's decision on HHI's application.

The Deferral and Variance Account Workform , Tab G1.1a and G1.1b should reflect the required rate riders for disposition of Group 1 deferral and Variance Accounts.

TAB G1.1a (Deferral and Variance Account workform)

Rate Class	Vol Metric	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)
Residential	kWh	0.00005
General Service Less Than 50 kW	kWh	0.00004
General Service 50 to 4,999 kW	kW	0.01351
Unmetered Scattered Load	kWh	0.00004
Sentinel Lighting	kW	0.02064
Street Lighting	kW	0.01369

Enter the above value onto Sheet

"J2.4 Def Var Disp 2011"
of the 2011 OEB IRM3 Rate Generator

TAB G1.1b (Deferral and Variance Account workform)

Rate Class	Vol Metric	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)
Residential	kWh	0.00474
General Service Less Than 50 kW	kWh	0.00474
General Service 50 to 4,999 kW	kW	1.77784
Unmetered Scattered Load	kWh	0.00000
Sentinel Lighting	kW	1.52085
Street Lighting	kW	1.85023

Enter the above value onto Sheet
"J3.31 Global Adjust Del 2011"
of the 2011 OEB IRM Rate
Generator