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BY EMAIL

June 9, 2011

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

Please find attached the Board Staff Submission in the above proceeding. Please forward the following to Hydro Hawkesbury Inc. and to all other registered parties to this proceeding.

Yours truly,

Original signed by

Lawrie Gluck
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

HYDRO HAWKESBURY INC.

EB-2010-0090

June 9, 2011

Introduction

Hydro Hawkesbury Inc. (“Hawkesbury”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 12, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Hydro Hawkesbury charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism. Hawkesbury filed an update to its Application on December 2, 2010.

The Board issued its Partial Decision and Order on April 29, 2011 which noted that the Board is of the view that the apportionment between the balances in account 1588 (excluding the global adjustment subaccount) and the balances in account 1588 (global adjustment sub-account) was incorrect in the Board’s EB-2009-0186 Decision and Order. The Board noted that this appears to have been the result of some confusion in the interrogatory process in the EB-2009-0186 proceeding.

The Board noted that since these account balances are disposed of to different groups of customers (i.e. all customers versus non-RPP customers), the Board was concerned about the allocation of balances amongst these customer groups in the context of the proceeding presently before the Board. As a result, in order to ensure that the potential disposition of these accounts in this proceeding is appropriate and does not perpetuate the error and create allocation issues between customer groups arising from this application, the Board noted that it intends to correct the error in the current proceeding.

In its Partial Decision and Order, the Board required Hawkesbury to issue a supplemental Notice of Application, which set out the process for interested parties to become intervenors and participate in the interrogatory and submission processes. No intervenor requests were received.

The purpose of this document is to provide the Board with the submissions of Board staff related to the deferral and variance account issue referenced above.

Deferral and Variance Account Balances

Background

On May 12, 2011, Hawkesbury filed Additional Evidence related to the deferral and variance account issue as required by the Notice of Application issued on April 29, 2011.

Hawkesbury proposed a methodology for correcting the balances in Account 1588. Hawkesbury set out a process where the accounting order from the Hawkesbury's EB-2009-0186 Decision would be restated to show the correct Account 1588 disposition amounts of a credit of \$649,652 (Account 1588 – excl. global adjustment sub-account) and a debit of \$252,664 (Account 1588 – global adjustment sub-account).

Hawkesbury requested that the existing *Rate Rider for Deferral/Variance Account 1 Disposition (2010)* - effective until April 30, 2012 and the existing *Rate Rider for Global Adjustment Sub-Account Disposition (2010)* - effective until April 30, 2011 approved and applied as a result of Hawkesbury's EB-2009-0186 Decision be applied against the restated accounting order outlined above. The Account 1588 (excl. Global Adjustment sub-account) balance would be further adjusted by a credit amount of \$505,329 (being \$252,664.61 times two) representing the incorrect disposition amount from the EB-2009-0186 Decision. The Account 1588 (Global Adjustment sub-account) balance would be further adjusted by a debit amount of \$505,329 (being \$252,664.61 times two).

Hawkesbury's methodology results in the following 2011 Rate Riders (assuming an 8-month disposition period). The following rate riders are calculated to recover the 2009 Deferral and Variance account balances in addition to the corrections to the Account 1588 balances noted above.

Rate Class	Vol Metric	Rate Rider kWh H = G / A (kWh) or H = G / B (kW)		
Residential	kWh	(0.00470)		
General Service Less Than 50 kW	kWh	(0.00470)		
General Service 50 to 4,999 kW	kW	(1.77770)		
Unmetered Scattered Load	kWh	(0.00470)		
Sentinel Lighting	kW	(1.58210)		
Street Lighting	kW	(1.85010)		

Rate Class	Vol Metric	Non-RPP kWh	Accounts Allocated by Non-RPP kWh	Rate Rider kWh
All Non-RPP Customers	kWh	94,383,211	965,114	0.01530

Submission

Board staff notes that the evidence filed by Hawkesbury regarding its proposal to correct its Account 1588 balances was confusing. Board staff found it necessary to ask a number of interrogatories to clarify what was being asked for in the evidence. Board staff found that the responses to our interrogatories were unclear and difficult to follow. As such, Board staff is still unsure whether Hawkesbury is requesting a Motion to Vary the EB-2009-0186 Decision and Order.

Board staff has decided that in these circumstances, it will put forward a prospective and simplified proposal for correcting the Account 1588 errors for Hawkesbury to comment on in its reply submission.

Board staff is of the view that if Hydro Hawkesbury were to maintain the opening principal balances in Account 1588 (as originally filed in the EB-2010-0090 proceeding) and then adjust the Account 1588 balances by the amounts that were approved for disposition in the EB-2009-0186 proceeding, the errors in Account 1588 would self correct on a prospective basis.

Board staff notes that this methodology requires no restatement of the Accounting Orders in the EB-2009-0186 Decision and results in the same corrected 2009 Deferral and Variance account balances as results from Hawkesbury's proposal.

Board staff notes that disposing of the 2009 Group 1 accounts over an 8-month period results in extremely high bill impacts for Non-RPP customers (approx. 9% - 13%).

Therefore, Board staff submits that a disposition period of 32 months is appropriate for rate mitigation purposes. A 32 month disposition period results in bill impacts of approx. 2% - 3.2% for Non-RPP customers.

Board staff submits that its above proposal is the simplest and most effective way of correcting the Account 1588 errors. Board staff notes that this proposal is set out in the attached Deferral and Variance Account Workform and requests that Hawkesbury comment on the correctness of the proposed methodology.

All of which is respectfully submitted.