



PARRY SOUND POWER

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A Member of:



November 28, 2011

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Parry Sound Power Corporation
2012 IRM3 Distribution Rate Application
Reply Submission
Board File No. EB-2011-0193**

Please find attached Parry Sound Power Corporation's Reply Submission to Board Staff Submission dated November 22, 2011.

If you have any questions, please contact the undersigned.

Yours truly,

Miles Thompson
Vice President, General Manager
Parry Sound Power Corporation
125 William Street
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705-746-5866 Extension #24

Parry Sound Power Corporation

Reply Submission

2012 3rd Generation Incentive Rate Mechanism

Electricity Distribution

Rate Application

EB-2011-0193

November 28, 2011

RTSR ADJUSTMENT WORKFORM (“RTSR Workform”)

Board Staff Submission

Board staff submits that the purpose of the RTSR Workform is to attempt to align a distributor’s wholesale electricity costs with the charges recovered from customers. The RTSR Workform uses a distributor’s historical wholesale costs and adjusts these costs once the new uniform transmission rates become available. The most recent historical load is used as a proxy for the test year costs. Board staff submits that the most recent Board approved loss factor should be used since it should be a better predictor of the wholesale costs and therefore a better proxy to re-calibrate RTSRs unless the applicant can provide evidence that a change in circumstances will have a material impact on the loss factor going forward.

Reply Submission

Parry Sound Power respectfully agrees to use the most recent Board approved loss factor (ie. 1.0809) to re-calibrate RTSRs.

2012 REVENUE COST RATIO MODEL

Board Staff Submission

Board staff has reviewed the updated revenue-to-cost ratio adjustments proposed by Parry Sound Power and submits that they are in accordance with the Board’s EB-2010-0140 Decision and Order.

Reply Submission

Parry Sound Power acknowledges that Board staff reviewed the updated revenue-to-cost ratio adjustments and that they are in accordance with the Board’s EB-2010-0140 Decision and Order and as such has no further comments.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

Board Staff Submission

Board staff has reviewed Parry Sound Power's Group 1 Deferral and Variance account balances and notes that the principal amounts to be disposed of as of December 31, 2010 reconcile with the amounts reported as part of the RRR. Board staff therefore submits that the amounts should be disposed of on a final basis. Board staff also submits that Parry Sound Power's proposal for a one-year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report.

Reply Submission

Parry Sound Power agrees with Board Staff Submission that the Group 1 Deferral and Variance account balances as of December 31, 2010 should be disposed of on a final basis and over a one-year disposition period.

ACCOUNT 1521 – SPECIAL PURPOSE CHARGE (“SPC”)

Board Staff Submission

Board staff notes that the usual practice by the Board is to dispose of audited deferral and variance account balances. The balances in the table above provided by Parry Sound Power are not audited. Board staff notes that the residual balance in Account 1521 captures the difference between the assessed amount and the amounts recovered from ratepayers, which arise as a result of the volume used in deriving the assessment unit rate (i.e. \$0.0003725) and the actual volume consumed over the recovery period.

Board staff submits that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, including carrying charges, plus the amount recovered from customers in 2011, including carrying charges, because the account balance does not require a prudence review, and electricity distributors are required by regulation to apply for disposition of this account by April 30, 2012 in any event. It is Board staff's view that that there is no need to await the outcome of final audited results when these results may be available after April 30, 2012.

Reply Submission

Parry Sound Power agrees with Board Staff that Account 1521 should be disposed of as of December 31, 2010, including carrying charges, plus the amount recovered from customers in 2011, including carrying charges, for a value of \$575.

LRAM AND SSM CLAIM

Board Staff Submission

Section 2.7.10 Conservation and Demand Management (“CDM”) Costs, under *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications*, dated June 22, 2011, state that distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.

Board staff submits that although at the time of filing Parry Sound Power did not have the final 2010 OPA results, Parry Sound Power could have used the 2009 published program evaluation results and preliminary results for 2010 to prepare its 2010 LRAM claim as part of its 2012 IRM application and updated this amount when it received the final 2010 evaluation results from the OPA. Consequently, Board staff submits that Parry Sound Power’s proposal to file a stand-alone application should be denied.

Reply Submission

Parry Sound Power is aware that distributors intending to file an LRAM or SSM application shall do so as part of their 2012 rate application filings. Parry Sound Power disagrees with Board Staff’s submission that Parry Sound Power could have used the 2009 published program evaluation results and preliminary results for 2010 to prepare its 2010 LRAM claim as part of its 2012 IRM application and u

pdated this amount when Parry Sound received the final 2010 evaluation results from the OPA.

Parry Sound Power submits that its 2010 LRAM claim should not be prepared with 2009 published program evaluation results and preliminary results for 2010 as part of its 2012 IRM application and update the amount when Parry Sound received the final 2010 evaluation results from the OPA. Parry Sound Power believes that it is an inefficient use of time and resources and that the 2010 LRAM claim should not be prepared until final 2010 evaluation results are provided from the OPA.

Parry Sound Power received its 2010 final evaluation results from the OPA November 22, 2011 and has sent the information to Burman Energy to complete Parry Sound’s 2010 LRAM claim. Parry Sound Power proposes to submit its 2010 LRAM claim to the Board immediately after Burman Energy completes the claim. Parry Sound Power is not in a position to forgo receiving any monetary claim from LRAM or SMM.