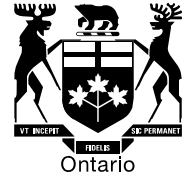


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BY EMAIL

March 28, 2013

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: Chapleau Public Utilities Corporation
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0114**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding.

As a reminder, Chapleau Public Utilities Corporation's Reply Submission is due by April 12, 2013.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Chapleau Public Utilities Corporation

EB-2012-0114

March 28, 2013

**Board Staff Submission
Chapleau Public Utilities Corporation
2013 IRM3 Rate Application
EB-2012-0114**

Introduction

Chapleau Public Utilities Corporation (“Chapleau PUC”) applied to the Ontario Energy Board (the “Board”) for permission to change its delivery charges beginning May 1, 2013. The original application was filed on January 17, 2013 and an addendum to the application was filed on January 25, 2013 (the “Application”). The Application was filed under section 78 of the *Ontario Energy Board Act, 1998*, (the “Act”) seeking approval for changes to the distribution rates that Chapleau PUC charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

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

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates (“RTSR”) proposed by Chapleau PUC. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the RTSR Adjustment Work Form with the updated Uniform Transmission Rates and Hydro One Sub-transmission rates effective January 1, 2013.

Board staff makes submissions on the following matters:

- Disposition of Group 1 Deferral and Variance Account Balances as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”);
- Revenue-to-Cost Ratio Adjustments; and

- Rate Mitigation.

Disposition of Group 1 Deferral and Variance Account Balances as per the EDDVAR Report

Chapleau PUC completed the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. The total Group 1 Deferral and Variance Account balances as of December 31, 2011 amount to a debit of \$163,919 which includes interest calculated to April 30, 2013. Based on the disposition threshold test calculation of \$0.001 per kWh, the Group 1 Deferral and Variance Account balances of \$0.0059 per kWh exceed the threshold and as such Chapleau PUC requested disposition of these account balances over a two-year period.

In response to Board staff interrogatory #6a, Chapleau PUC’s justification for requesting a two-year disposition period for its Group 1 Account balances is that a one-year recovery period may place a financial burden on its low consumption customers, and in general to the average Residential and General Service Less Than 50 kW customer rate classes. In response to Board staff interrogatory #6b, Chapleau PUC indicated that the Unmetered Scattered Load customer rate class may experience a total bill impact of approximately 11.71%, which exceeds the 10% threshold for rate mitigation. The following table, provided by Chapleau PUC, shows the difference in bill impact to the average customer in each customer rate class when using a one versus two-year disposition period:

| <i>Customer Class</i> | <i>Impact 1 Year</i> | | <i>Impact 2 Years</i> | | <i>Difference 1&2 Year</i> | |
|---------------------------------|----------------------|----------|-----------------------|----------|--------------------------------|----------|
| | <i>Amount \$</i> | <i>%</i> | <i>Amount \$</i> | <i>%</i> | <i>Amount \$</i> | <i>%</i> |
| <i>Residential</i> | 10.40 | 6.75 | 6.57 | 4.26 | 3.83 | 2.49 |
| <i>GS <50 kW</i> | 20.92 | 5.59 | 11.21 | 3.00 | 9.77 | 2.59 |
| <i>GS >50 kW</i> | 105.41 | 1.45 | 38.25 | 0.52 | 67.16 | 0.93 |
| <i>Unmetered Scattered Load</i> | 4.12 | 11.71 | 3.76 | 10.68 | 0.36 | 1.39 |
| <i>Sentinel Lights</i> | 2.03 | 9.98 | 1.70 | 8.36 | 0.33 | 1.62 |
| <i>Street Lights</i> | 1.65 | 9.24 | 1.40 | 7.84 | 0.25 | 1.40 |

Board staff has reviewed Chapleau PUC’s Group 1 Deferral and Variance Account balances and notes that the principal amounts to be disposed of as of December 31, 2011 reconcile with the amounts reported as part of the Reporting and Record-keeping

Requirements. Board staff therefore submits that the amounts should be disposed of on a final basis.

Board staff notes that Chapleau PUC's proposal for a two-year disposition period for its Group 1 Account balances is not in accordance with the EDDVAR Report. However, Board staff is of the view that the Board should strike a balance between reducing intergenerational inequity and mitigating rate volatility. Board staff recommends that a two-year disposition period be adopted for Chapleau PUC's Group 1 Account balances.

Revenue-to-Cost Ratio Adjustments

In this Application, Chapleau PUC proposed to adjust the revenue-to-cost ratio for the Sentinel Lighting and Street Lighting customer rate classes to 68.02% and 79.64% respectively. The revenue increase from these class would decrease the revenue-to-cost ratio for the GS>50kW customer class.

Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's decision in Chapleau PUC's 2012 cost of service proceeding (EB-2011-0322).

Rate Mitigation

Board staff notes that in Chapleau PUC's last cost of service proceeding (EB-2011-0322), Chapleau PUC proposed to mitigate rate impacts greater than 10%. Board staff acknowledges that Chapleau PUC implemented in the 2013 IRM Rate Generator model rate mitigation measures that were agreed to in Chapleau PUC's 2012 cost of service proceeding (EB-2011-0322)¹. Board staff submits that the proposed monthly fixed charge and volumetric distribution rates in this proceeding concur with the rate schedule approved in Chapleau PUC's 2012 cost of service proceeding.

- All of which is respectfully submitted –

¹ EB-2011-0322 Chapleau PUC's Response to Board Staff and VECC Submission on the Draft Rate Order, December 19, 2012, pg. 4.