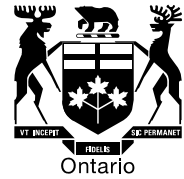


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BY EMAIL

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: Welland Hydro-Electric System Corp. ("Welland Hydro")
2013 Cost-of-Service Distribution Rate Application
Board File No. EB-2012-0173
Board Staff Comments**

In accordance with the Board's Decision and Order in the above noted proceeding, Board staff has reviewed Welland Hydro's draft Rate Order dated March 21, 2013. Please find attached Board staff comments.

Please forward the following to Welland Hydro and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor
Electricity Rates Applications

**Welland Hydro-Electric System Corp. (“Welland Hydro”)
2013 Cost of Service (EB-2012-0173)**

Board Staff Comments on Draft Rate Order

On March 21, 2013, the Board issued its Decision and Order on Welland Hydro’s rate application. The Decision contained a draft Tariff of Rates and Charges attached as Appendix B. Board staff and intervenors were ordered to file with the Board any comments on the draft Tariff of Rates and Charges and forward to Welland Hydro within seven days of the issuance of the Decision.

Tariff of Rates and Charges

Board staff notes that Tariff Sheet for the Residential Service Classification appears to contain two Rate Riders for Disposition of Deferral/Variance Accounts (2012). Board staff suggests that this is an administrative error and asks Welland Hydro to confirm that the second such Rate Rider on the Tariff Sheet should read as follows:

Rate Rider for Disposition of Deferral/Variance Accounts (2013) - effective until April 30, 2015 \$/kWh 0.0003

Draft Accounting Order

In section 2.2 of Welland Hydro’s Settlement Agreement approved by the Board, parties agreed that Welland Hydro will prepare a lead-lag study in advance of its next cost of service application. Parties also agreed that Welland Hydro will track the costs associated with the study in a new sub-account of 1508 – Other Regulatory Assets and that those costs will be recoverable by Welland Hydro, subject to their review by the Board at that time.

Board staff notes that the record in this case does not contain a Draft Accounting Order for this new deferral account. Section 2.12.5 of the Filing Requirements for Electricity Transmission and Distribution Applications requires applicants seeking an accounting order to establish a new deferral/variance sub-account to provide a draft accounting order which must include a description of the mechanics of the account, including providing examples of general ledger entries, and the manner in which the applicant proposes to dispose of the account at the appropriate time.

Board staff has attached a proposed Draft Accounting Order to this submission as Appendix A and requests that Welland Hydro provide its comments with respect to the Draft Accounting Order.

Smart Metering Entity Charge

On March 28, 2013, the Board issued a Decision and Order (EB-2012-0100/EB-2012-0211) establishing a Smart Metering Entity charge of \$0.79 per month for Residential and General Service < 50kW customers for those distributors identified in the Board's annual *Yearbook of Electricity Distributors*. This charge will be in effect from May 1, 2013 to October 31, 2018. Board staff suggests that the draft Tariff of Rates and Charges flowing from this Decision and Order should reflect this Smart Metering Entity charge.

- All of which is respectfully submitted -

Appendix A
To Board Staff Comments
Welland Hydro
Draft Rate Order
EB-2012-0173

Welland Hydro-Electric System Corp. Accounting Order
EB-2012-0173
March 28, 2013

Welland Hydro-Electric System Corp. ("Welland Hydro") shall establish the following deferral account effective May 1, 2013:

1. 2013 Lead Lag Study Deferral Account

Welland Hydro shall establish the 2013 Lead Lag Study Deferral Account to track the cost of a lead lag study to be prepared in advance of its next cost of service distribution rate application.

The amounts recorded in this deferral account shall be recorded in Account 1508, Other Regulatory Assets, Sub-account 2013 Lead Lag Study Deferral Account.

The deferral account shall be in effect for the 2013 Test Year and the subsequent IRM periods until Welland Hydro's next cost of service rebasing period. The account shall be closed upon Welland Hydro's next cost of service rebasing period.

The costs in this deferral account shall be captured in sufficient detail by Welland Hydro to be reviewed by the Board for prudence and future disposition in Welland Hydro's next cost of service application.

Welland Hydro shall record interest on the balances in the deferral account using the interest rates set by the Board from time to time pursuant to the Board's interest rate policy. Welland Hydro shall apply simple interest to the opening monthly balance of the accounts until the balances are recovered.