



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

Sioux Lookout Hydro Inc.

EB-2008-0212

February 2, 2009

INTRODUCTION

Sioux Lookout Hydro Inc. (“SLHI”) submitted an application on November 5, 2008, seeking approval for changes to the rates that SLHI charges for electricity distribution, to be effective May 1, 2009. The application is based on the 3rd Generation Incentive Regulation Mechanism (3rd Gen. IRM).

The purpose of this document is to provide the Ontario Energy Board (the “Board”) with the submissions of Board staff based on its review of all the evidence submitted by SLHI.

RETAIL TRANSMISSION SERVICE RATES (RTSR)

Background

On October 22, 2008, the Board issued its Guideline on *Electricity Distribution Retail Transmission Service Rates* (G-2008-0001). Page 4 of these guidelines states that “A distributor that has not yet filed its application for 2009 distribution rates is expected to include the RTSRs analysis and proposed adjustment in its application.”

In its Manager’s summary, SLHI indicated that “SLHI is an embedded distributor to Hydro One, therefore the company does not pay the Uniform Transmission Rates charges by the IESO. SLHI proposes not to apply an adjustment to RTSR until the rates charged by Hydro One are known.”

Submission

Board staff submits that a similar situation was found in Veridian Connections Inc.’s (“Veridian”) 2008 IRM application (EB 2007-0879). In its Decision, the Board found that Veridian should adjust its RTSRs for the portion related to its embedded costs:

“No changes were assumed regarding the level of transmission related charges payable to Hydro One Networks Inc. on the grounds that Veridian’s main service area and Scugog are partially embedded within Hydro One Distribution and that the RTS rates Hydro One Distribution charges have not yet changed. The Board notes that the RTS rates of Hydro One Distribution are currently under review by the Board as part of that utility’s 2008 distribution rate application. Hydro One Distribution has

proposed changes to its existing RTS rates as a result of the changes in the Uniform Transmission Rates for Ontario transmitters effective November 1, 2007. While there is uncertainty regarding the exact quantum and timing of this upcoming rate change, the Board finds that, in order to minimize the prospective balance in variance accounts 1584 and 1586 and mitigate intergenerational inequities, wholly embedded or partially embedded distributors should adjust their RTS rates to reflect the proposed changes in the RTS rates charged by their host distributor.”

In its response to Board staff interrogatory number 5, SLHI noted that it “adjusted its RTSRs in its 2008 Application EB-2007-0785 based on the proposed rates to be charged by Hydro One in their 2008 rate application EB-2007-0681 for the Sub-Transmission (ST) Class.” Board staff notes that Hydro One currently has an application to adjust its rates effective May 1, 2009 (EB-2008-0187), with proposed RTSR changes for the ST rate class.

SLHI noted further in its response to Board staff interrogatory that “Hydro One was contacted prior to submitting the 2009 rate application and they indicated that there was a possibility that the Transmission charges would change come May 1, 2009, but they did not know what the change would be. Therefore no adjustment to the RTSRs was calculated.”

Board staff notes that Table 2 on page 4 of Exhibit B1, Tab 5, Schedule 1 of Hydro One’s 3rd Gen. IRM application (EB-2008-0187) sets out its proposed 2009 RTSRs. In particular, it shows that the proposed RTSR adjustments to be effective May 1, 2009 for the ST rate class are:

- RTSR – Network
 - An increase from \$2.01/kW to \$2.24/kW
- RTSR – Connection
 - Line Connection: an increase from \$50/kW to \$60/kW
 - Transformation Connection: an increase from \$1.38/kW to \$1.39/kW

Board staff submits that SHLI should adjust its RTSRs in light of Hydro One’s proposed adjustments.

All of which is respectfully submitted.