Espanola Regional Hydro Distribution Corporation ("ERHDC")

Reply Submission

2010 Electricity Distribution Rate Application
EB-2009-0224
February 24, 2010

Introduction

Espanola Regional Hydro Distribution Corporation filed an application with the Ontario Energy Board (the "Board") on October 21, 2009, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to ERHDC's distribution rates effective May 1, 2010. The application was based on the 2010 3rd Generation Incentive Regulation Mechanism. On February 3, 2010 the Board Staff issued a written submission to be provided to the Board based on its review of ERHDC's application and evidence. ERHDC respectfully submits this document as a reply submission to the Board.

Disposition of Deferral and Variance Accounts as per the EDDVAR Report

Issue

As per the EDDVAR Report, ERHDC has determined the value of its December 31, 2008 Group 1 deferral and variance account balances and has requested disposition in the 2010 IRM rate application. Board Staff suggests that the Board may wish to consider establishing a separate rate rider for the disposition of the global adjustment sub-account balance but noted that ERHDC's current billing system, at this time, would not be capable of such a change. Alternatively, Board staff suggests another approach which is to recover sub-account global adjustment from all customers in each class. This approach would recognize the customer migration that might occur both away from the non-RPP customer group and into the non-RPP customer group.

ERHDC Comment

At this time ERHDC suggests the global adjustment sub-account be recovered from all customers in each rate class until further analysis of billing options is completed and ERHDC is able to readily implement billing alternatives. In Addition, Board Staff commented that it would be useful if ERHDC was to review Board's decision EB-2009-0405 dated January 29, 2010 and provide comments as to whether the approach for disposition of global adjustment sub account (i.e. implementation through an adjustment to the Provincial Benefit item on the bill) could be readily implemented by ERHDC. ERHDC has reviewed the decision and agrees it would be more transparent to non-RPP customers to reflect the disposition on the Provincial Benefit line on the bill, insofar as that is the origin of the funds being disposed of. ERHDC billing system would require some modification but would be capable of implementing the rate rider as an adjustment to the Provincial Benefit line item of the bill. ERHDC proposes that this issue is generic to the industry and a stakeholder consultation should be held to fully address the issue and that the method of allocation should be consistently applied to all distributors. Furthermore, ERHDC has a billing and customer service agreement with PUC

Distribution Inc. therefore, the method of allocating the non-RPP rate rider must be consistent between these distributors.

Adjustments to the Retail Transmission Service Rates (RTSR)

Issue

In accordance with the July 22, 2009 RTSR Guideline, Board staff submits that the revisions to the RTSR's ought to reflect the changes from the current level to the January 1, 2010 level, that is an increase of about 15.6% to the RTSR Network Service rate, and an increase of about 5.2% to the RTSR Line and Transformation Connection Service Rate.

ERHDC Comment

ERHDC is in agreement that the proposed network service rates and line and transformation rates be revised to reflect January 1, 2010 values.

Accounting for the Implementation of the Harmonized Sales Tax

Issue

Board staff submits that the Board may wish to consider establishing a deferral account to record amounts, after July 1, 2010 and until ERHDC's next cost-of-service rebasing application, that were formerly incorporated as the 8% PST on capital expenditures and expenses incurred, but which will now be eligible for a HST Input Tax Credit.

ERHDC Comment

ERHDC submits that establishing a variance account during the IRM period to track reductions in OM&A and capital expenditures imposes an enormous administrative burden on a utility. Furthermore, growth/reduction in capital expenditures is not incorporated into rates during the IRM period unless such growth/reduction exceeds the materiality threshold limit set by the OEB. There are numerous other elements of a utilities costs (other than PST) embedded into distribution rates such as property taxes, employment insurance rates, Canada pension rates, etc. and increases/decreases to all components of rates should be considered simultaneously. In addition, there would be an increased exposure to bad debts as accounts receivable increase. Addressing only the commodity tax component of rates during the IRM period amount to "a single-issue rate adjustment". Therefore, ERHDC proposes in the IRM term that revenue requirement be established based on the current tax regime and that the issue is generic to the industry and a stakeholder consultation may be required to ensure implications of this tax change are fully addressed.

- All of which is respectfully submitted -