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February 26, 2010

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario

Attn: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli

Re: Innisfil Hydro Distribution Systems Limited 2010 IRM Rate Application
OEB File No. EB-2009-0232
Reply to Board Staff Submission

Innisfil Hydro Distribution Systems Limited is submitting its reply to the Board Staff submission as follows:

1. An PDF of our reply will be submitted through the OEB RESS filing system
2. Two hard copies of our reply are being sent to your office by courier
3. E-mail of our reply and amended 2010 IRM3 Generation and DVA workformV4 models to
BoardSec@oeb.gov.on.ca

Pleased contact the undersigned if you require any further assistance.

Yours respectfully,

A handwritten signature in black ink, appearing to be 'LAC' or similar, written over a horizontal line.

Laurie Ann Cogledge, CMA, CPA
Chief Financial Officer/Treasurer

Innisfil Hydro Distribution Systems Ltd.
EB – 2009 – 0232
REPLY SUBMISSION
February 26, 2010

1 Innisfil Hydro Distribution Systems Ltd. (“Innisfil”) is a licensed electricity
2 distributor (ED-2002-0520) that owns and operates electricity distribution
3 systems that provide service to the Town of Innisfil boundaries as of January 1,
4 1994 with a total service area of 292 square kilometers. Innisfil charges
5 distribution rates and other charges as authorized by the Ontario Energy Board
6 (“Board”).

7
8 Innisfil filed application, based on the 2010 3rd Generation Incentive Regulation
9 Mechanism (“IRM”) filing guidelines, on October 20, 2009 applying for rates
10 effective May 1, 2010. Board Staff submitted interrogatories on December 15,
11 2009. Innisfil provided responses to the interrogatories on January 7, 2010.

12
13 Innisfil now submits its reply submission which will address the following aspects
14 of the IRM filing:

- 15 • Potential Tax Sharing Rate Rider
- 16 • Disposition and Review of Deferral and Variance Accounts
- 17 • Potential Lost Revenue Adjustment Mechanism (“LRAM”) rate rider
- 18 • Treatment of Smart Meter Funding Adder
- 19 • Adjustments to the Revenue to Cost Ratios
- 20 • Adjustments to the Retail Transmission Service Rates (“RTSR”)
- 21 • Accounting for the implementation of the Harmonized Sales Tax
- 22 (“HST”)

POTENTIAL TAX SHARING RATE RIDER

1 Board Staff submission¹ is citing due to rounding to 4 and 2 decimals for kWh
2 and kW respectively, a portion of the Tax Sharing refund of \$34,240 will not be
3 returned to ratepayers. This is correct for Innisfil's customer class GS<50kW.
4 Innisfil is in agreement with Board Staff recommendation to record the Tax
5 Sharing refund of \$34,240 in a variance account for disposition in a future rate
6 application
7
8

**DISPOSITION AND REVIEW OF DEFERRAL AND VARIANCE
ACCOUNTS**

9 Board Staff submission² is citing Innisfil reported global adjustment sub-account
10 has a credit balance of \$92,504 as of December 31, 2008. Innisfil had advised
11 within the interrogatory response 4b), the global adjustment for the non-RPP
12 retailer customers was mistakenly recorded to the RPP cost of power account.
13 Innisfil resubmitted the correction between the power and global adjustment
14 variance accounts as of September 2009 through the RRR reporting system.
15 Innisfil had misunderstood the instructions provided by the Board Staff and did
16 not update the 2010 IRM Deferral and Variance Account WorkformV4 for the
17 corrected 2008 power and global adjustment variance accounts. The corrected
18 December 31, 2008 balances for the power and global adjustment variance
19 accounts are as follows:
20

¹ OEB staff submission page 2

² OEB staff submission page 5

**Power and Global Adjustment variance account
As at December 31, 2008**

	DVA workformV4	Corrected balances	Variance
Power	822,357	607,709	214,648
Global Adjustment	(91,099)	123,549	(214,648)
Total	731,258	731,258	0

Effectively Innisfil reclassified \$214,648 of non-RPP global adjustment cost from the power variance account to the global adjustment account. There is no change to the total regulatory asset recovery claim of \$660,983. The following table shows the impact by customer class to the rate rider assuming a 3 year recovery:

2010 DVA Rate Rider Analysis

reflecting Global Adjustment correction at Dec 31, 2008

	Vol Metric	Revised DVA Rate Rider	DVA Rate Rider submitted 1/10	Variance
Residential	kWh	0.0009	0.0010	- 0.0001
General Service Less Than 50 kW	kWh	0.0009	0.0010	- 0.0001
General Service 50 to 4,999 kW	kW	0.4622	0.2383	0.2239
Unmetered Scattered Load	kWh	0.0008	0.0011	- 0.0003
Sentinel Lighting	kW	3.4918	- 1.9900	5.4818
Street Lighting	kW	0.2688	0.3641	- 0.0953

An amended IRM3 DVA workformV4 and Rate Generator models are submitted with this reply reflecting the revised DVA rate rider.

1 Board Staff submission³ is suggesting the Board to consider a separate rate rider
2 for the disposition of the global adjustment to either non-RPP customers or all
3 customers in each class. Innisfil does not support a rate rider that would charge
4 RPP customers the global adjustment variance since this variance account was
5 setup to separate RPP and non-RPP global adjustment. Innisfil has also stated
6 within its interrogatories response⁴ that it does have the capability to have a
7 separate rate rider to non-RPP customers prospectively.

8
9 Board Staff submission⁵ is recommending a disposition of applicable DVA
10 accounts for a one (1) year term. Innisfil is proposing to dispose of the variance
11 balance over a three (3) year term which is the remaining term of the current
12 Cost of Service period. The major reason for this choice is to treat the disposition
13 of DVA accounts similar with the OEB's Cost of Service decision April 6, 2009⁶.
14 Innisfil had originally requested disposition of accounts 1508 and 1550 over a two
15 year period. Intervenors had requested a 4 year period. Innisfil and the Board
16 agreed. Innisfil is not opposed to the one (1) requested by the board staff but is
17 requesting guidance from the Board as to recommended disposition periods for
18 refunds to ratepayers or collections from ratepayers for the DVA accounts.

POTENTIAL LRAM RATE RIDER

21 Innisfil agrees with the Board Staff⁷ the application for LRAM recovery is
22 consistent with the Board's Guidelines. In preparing the Reply Submission,
23 Innisfil has found the LRAM rate riders for Residential .0008 and GS>50kW
24 .0214 were inadvertently omitted from the last submitted IRM3 Generation model

³ OEB staff submission page 5

⁴ Innisfil interrogatory response 5 b)

⁵ OEB staff submission page 6

⁶ Decision and Order dated April 6, 2009 page 31

⁷ OEB Staff submission page 6

1 January 7, 2010. An amended Rate Generator model is submitted with this reply
2 reflecting the LRAM rate rider for the Residential and GS>50kW customer
3 classes.

TREATMENT OF SMART METER FUNDING ADDER

6 Innisfil agrees with the Board Staff⁸ to increase the smart meter funding adder to
7 \$2.00 per month per metered customer.

ADJUSTMENTS TO THE REVENUE TO COST RATIOS

10 Innisfil agrees with the Board Staff⁹ that Innisfil has complied with the filing
11 requirements of the 2010 Supplemental Filing Module.

ADJUSTMENTS TO THE RTSR

14 Board Staff¹⁰ submitted Innisfil had applied for an adjustment to its RTSR based
15 on the July 22, 2009 RTSR Guideline for proxy rate adjustments. Board Staff
16 further submitted that the revisions to the RTSR should reflect the EB-2008-0272
17 proceeding Rate Order issued January 21, 2010 and applicable Uniform
18 Transmission Rates as follows:

20 Network Service Rate:	15.6% increase
21 Transformation Connection Service Rate:	5.2% increase

⁸ OEB Staff submission page 7

⁹ OEB Staff submission page 8

¹⁰ OEB Staff submission page 9

1 Innisfil agrees with the Board Staff recommendations. An amended IRM3 Rate
2 Generator model is submitted with this reply reflecting the revised RTSR and the
3 associated Retail Transmission Rates charged to each ratepayer class.
4
5

ACCOUNTING FOR THE IMPLEMENTATION OF THE HST

6 Board Staff submitted¹¹ that the Board may wish to consider establishing a
7 deferral account to record the possible savings due to the 8% PST converting
8 into the HST input tax credit.
9

10 Innisfil does not agree with this approach due to the administrative and
11 complexity burden this regulatory account would pose. Each transaction would
12 require analysis to determine if PST was charged in the past and what is the
13 applicable savings. Capital transactions would only result in potential savings of
14 the portion of PST that is being depreciated that year. Consideration would also
15 be required to determine how to record the increased PILs if there is in fact cost
16 savings.
17

18 Innisfil is recommending the Board not setup a deferral account and address the
19 reductions through the next cost of service application. This is consistent with
20 the approach that is being applied to the cost of capital decision December 11,
21 2009.
22
23

24 All of which is respectfully submitted
25
26

¹¹ OEB Staff submission page 11