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BY EMAIL

March 9, 2010

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Board Staff Submission on Peterborough Distribution Incorporated 2010 Electricity Distribution Rates Application Board File Number EB-2009-0420

Please see attached Board staff's submission for the above proceeding. Please forward the attached to Peterborough Distribution Incorporated and any intervenors in this proceeding.

Peterborough Distribution Incorporated's reply to submissions is due March 24, 2010.

Yours truly,

Original Signed by

Tina Li
Advisor, Applications and Regulatory Audit

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2010 ELECTRICITY DISTRIBUTION RATES

Peterborough Distribution Incorporated

EB-2009-0420

March 9, 2010

Board Staff Submission

Peterborough Distribution Incorporated

Application for the Disposal of Deferral and Variance Account Balances

EB-2009-0420

Introduction

Peterborough Distribution Incorporated ("PDI") filed an application with the Ontario Energy Board (the "Board"), received on December 17, 2009, under section 78 of the *Ontario Energy Board Act, 1998*, (the "Act") seeking approval for the disposition of the balances of Group 1 and Group 2 deferral and variance accounts in accordance with a previous Board Decision (EB-2008-0241 proceeding).

PDI has requested the disposition of its Group 1 and Group 2 account balances over a one year period. The total balance requested for disposition, including carrying charges up to April 30, 2010, is a debit of $823,989.

Board staff has reproduced below the balances provided by PDI:

NAME OF UTILITY: Peterborough Distribution Inc

Account Description		Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total Claim
Low Voltage - Account 1550		1550	$ (622,702)	$ (31,245)	$ (7,040)	$ (1,126)	$ (662,113)
WMSC - Account 1580		1580	$ (2,152,836)	$ (57,332)	$ (24,340)	$ (3,892)	$ (2,238,400)
Network - Account 1584		1584	$ (814,307)	$ (20,780)	$ (9,207)	$ (1,472)	$ (845,766)
Connection - Account 1586		1586	$ (161,129)	$ (84,843)	$ (1,822)	$ (291)	$ (248,085)
Power - Account 1588 excl GA		1588	$ 2,996,732	$ 659,424	$ 33,881	$ 5,418	$ 3,695,455
Power - Account 1588 sub-account GA		1588	$ 991,794	$ 29,377	$ 11,213	$ 1,793	$ 1,034,177
Recovery of Regulatory Asset Balances 1590		1590	$ -	$ (48,727)	$ -	$ -	$ (48,727)
	Sub-Totals		**$ 237,552**	**$ 445,874**	**$ 2,686**	**$ 429**	**$ 686,541**
Other Regulatory Assets - Account 1508		1508	$ 74,235	$ 10,219	$ 839	$ 134	$ 85,428
One-Time WMSC - Account 1582		1582	$ 43,362	$ 8,090	$ 490	$ 78	$ 52,021
	Sub-Totals		**$ 117,597**	**$ 18,309**	**$ 1,330**	**$ 213**	**$ 137,448**
	Totals per column		**$ 355,149**	**$ 464,183**	**$ 4,015**	**$ 642**	**$ 823,989**

PDI indicated that if the application is approved as filed, residential customers consuming 800 kWh per month would experience an increase of approximately 0.5% in their current delivery charges. This is a $0.17 per month increase on their total bill. General service customers consuming 2,000 kWh per month and having a monthly demand of less than 50 kW would experience an increase of approximately 0.6% in their current delivery charges. This is a $0.42 per month increase on their total bill.

These submissions are based on Board staff's review of the evidence submitted by PDI and address the following matters:

- Consistency with the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report");
- Account 1550 – Low Voltage Variance Account; and
- Account 1588 Global Adjustment Sub-Account.

CONSISTENCY WITH THE EDDVAR REPORT

Background

On July 31, 2009, the Board issued the EDDVAR Report which sets forth the Board's policy framework for the review and disposition of deferral and variance accounts.

The EDDVAR Report includes guidelines on the process for the annual disposition and review process in a rebasing year, the cost allocation methodology, the rate rider derivation, and the filing requirements for deferral and variance accounts.

Discussion and Submission

Board staff notes that PDI's application is consistent with the guidelines outlined in the EDDVAR Report with respect to the annual disposition and review process in a rebasing year, the cost allocation methodology, the rate rider derivation, and the filing requirements for deferral and variance accounts.

Board staff agrees with PDI's proposal to dispose of its Group 1 and Group 2 account balances over a one year period. With respect to the global adjustment sub-account, Board staff notes that customer migration might occur in the low volume customer groups. For this group of customers, there would be a benefit to dispose of the global adjustment sub-account balance over a relatively short period of time in order to reduce intergenerational and intra class inequities. Board staff submits that a disposition period no longer than one year would be appropriate. Regarding the remaining account balances, they have been accumulating over the last four years. Board staff is of the view that using a disposition period longer than one year would exacerbate intergenerational inequities. Board staff however recognizes that some volatility in electricity bills may result. Notwithstanding, Board staff believes that a one year disposition period, as suggested by PDI, would be in the interest of all parties.

ACCOUNT 1550 – LOW VOLTAGE VARIANCE ACCOUNT

Background

In its response to Board staff interrogatory #3 b) & c), PDI provided a reconciliation of final proposed balances for disposition in comparison to the balance reported under the Reporting and Record-keeping Requirements ('RRR") and in the 2008 audited financial statements.

Board staff has reproduced below the reconciliations provided by PDI:

Balance for Disposition Compared to RRR

	Balance for Disposition	12/31/2008 Balance per RRR	Difference	Difference due to Interest Jan 1-09 to Apr 30-10	Remaining Difference
Low Voltage - Account 1550	($662,113)	($432,036)	($230,077)	($8,166)	($221,911)

Balance for Disposition Compared to Audited Financial Statements

	Balance for Disposition	12/31/2008 Balance per Audited FS	Difference	Difference due to Interest Jan 1-09 to Apr 30-10	Remaining Difference
Low Voltage - Account 1550	($662,113)	($432,036)	($230,077)	($8,166)	($221,911)

As depicted above, the credit amount applied for disposition is $221,911 greater than the amount reported under the RRR and in the 2008 Audited Financial Statements.

PDI explained that the difference of $221,911 is due to the amount recorded in Account 1550 of Hydro One's Regulatory Asset Recovery 2005 (RAR 2005) charges after March 31, 2008. The Hydro One RAR 2005 charges of $221,911 was included in the balance in RRR and 2008 audited financial statements but is not included in the balance requested for disposition.

Discussion and Submission

By letter dated December 20, 2007, Hydro One filed a request with the Board for the continuation, on an interim rates basis, of the Regulatory Assets Phase 2 – rate rider until such time as new distribution rates would be implemented. In an oral Decision issued by the Board on February 15, 2008, Hydro One received Board approval to continue its Regulatory Assets Phase 2 rate rider on an interim basis until the establishment of its new rates for 2008. As a result, the low voltage charges, which were included in Hydro One's Regulatory Assets Phase 2 – rate rider, continued to be charged to embedded distributors beyond April 30, 2008.

The Accounting Procedure Handbook ("APH") FAQ Q14 issued by the Board in August 2008 provides the accounting guidance on how distributors should account for the payments made to Hydro One, pursuant to the Board approved interim rates referenced above for the period beyond April 30, 2008. In summary, the APH requires that distributors record Hydro One's subsequent LV charges after April 30, 2008 as expenses in account 4705 which are thereafter transferred to account 1550.

Board staff therefore suggests that Hydro One's RAR 2005 charges after April 30, 2008 should have been included in account 1550. Consequently, the Board may wish to consider approving the disposition of a credit balance of $432,036 in account 1550.

ACCOUNT 1588 GLOBAL ADJUSTMENT SUB-ACCOUNT

Background

In response to interrogatory #3 d), PDI confirmed that it has reviewed the Regulatory Audit and Accounting Bulletin 200901 and determined that it had accounted for the RSVA and the global adjustment sub-account correctly with the exception of requirement #10. Requirement #10 states that interest revenue and expense are to be recorded separately in Account 4405 from interest expense in Account 6035, respectively.

In its interrogatory response #3 e), PDI agreed that a separate rate rider that would prospectively apply to non-RPP customers to dispose of the global adjustment sub-account would be fair.

In response to interrogatory #3 f), PDI stated that it did currently have the billing capability to have a separate rate rider applicable to non-RPP customers to dispose of the global adjustment sub-account balance.

As of November 1, 2009 the MUSH sector (Municipalities, Universities, Schools, and Hospitals) and other designated institutional customers that remained as RPP customers were required to switch to non-RPP customer status as per O. Reg. 95/05 of the Ontario Energy Act, 1998. In response to Board staff interrogatory #3 g) & 3h), PDI stated that in principle the disposition of 1588 global adjustment sub-account should not be applied to customer in the MUSH sector and other designated customers. However, PDI indicated that it would not have the billing capability to exclude customers in the MUSH sector from the application of the rate rider.

Discussion and Submission

Board staff notes that PDI has complied with the Regulatory Audit and Accounting Bulletin 200901 issued on October 15, 2009 with the exception of requirement #10. However, Board staff notes that requirement #10 has no impact on the global adjustment balances.

Considering PDI's responses to Board staff interrogatories 3 e) to 3 h), 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. The rate rider would apply prospectively to non-RPP customers. Board staff submits that recovering the global adjustment sub-account balance solely from non-RPP customers would be more reflective of cost causality since it was that group of customers that were undercharged by the distributor in the first place. Based on the evidences filed by PDI, Board staff estimates that the bill impacts under this approach would be as follows:

A RPP customer consuming 800 kWh per month would experience an approximate 0.2% decrease in the current delivery charges. This is a $0.17 per month decrease on the bill. A general service RPP customer consuming 2,000 kWh per month and having a monthly demand of less than 50 kW would experience an approximate 0.3% decrease in the current delivery charges. This is a $0.63 per month decrease on the bill. A residential non-RPP customer consuming 800 kWh per month would experience an approximate 2.3% increase in the current delivery charges. This is a $2.18 per month increase on the bill. A general service non-RPP customer consuming 2,000 kWh per month and having a monthly demand of less than 50 kW would experience an approximate 2.2% increase in its current delivery charges. This is a $5.25 per month increase on the bill.

Board staff invites PDI to confirm the above bill impacts in its reply submission.

Alternatively, the Board may wish to consider the recovery of the allocated global adjustment sub-account balance 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.

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All of which is respectfully submitted