March 31, 2010

Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

ATT: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli,

EB - 2009 - 0209
ED - 2002 - 0544
Reply to Board Staff Submission
Wasaga Distribution Inc.

In accordance with instructions released March 15, 2010 Wasaga Distribution Inc. is responding to the Board Staff submission.

This response contains the following parts:

- Two paper copies of Wasaga Distribution's responses to the Board Staff Submission
- Two paper copies of the print screen of the online confirmation displaying the RESS submission reference number.

If you have any questions regarding the enclosed please feel free to contact the undersigned.

Thank you,

Originally signed by

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Wasaga Distribution Inc.

REPLY SUBMISSION

2010 ELECTRICITY DISTRIBUTION RATES

EB-2009-0209

Submitted March 31, 2010

INTRODUCTION

This is the reply submission of Wasaga Distribution Inc. in regard to its 2010 2nd Generation Incentive Regulation Mechanism for an order approving just and reasonable rates for the distribution of electricity effective May 01, 2010. Wasaga Distribution's submission is filed in reply to Board Staff submission filed by the Ontario Energy Board Staff March 15, 2010.

Wasaga Distribution Inc. serves 11,766 electric customers and 2,473 Street Light connections (as of September 30, 2009). There are 10,954 Residential customers, 779 General Service customers less than 50kW, 33 General Service customers who exceed the 50kW threshold.

Wasaga Distribution filed their 2nd Generation application on November 26, 2009 under section 78 of the Ontario Energy Board Act, 1998. Wasaga Distribution Inc. submitted its response to interrogatories from OEB staff on February 12, 2010.

Disposition of Deferral and Variance Accounts as per the EDDVAR Report

Global Adjustment

Wasaga Distribution in response to Board Staff interrogatory #3b stated "Wasaga **is** aware that its billing system, Harris/Northstar could be changed to allow this separate rate rider." Wasaga has reviewed the Board's EB-2009-0405 Decision dated January 29, 2010 and is of the view that a separate line item can be included on the customer's bill. Wasaga Distribution agrees with OEB staff that a separate rate rider should be established for the disposition of the global adjustment sub-account balance, and that it would apply prospectively to non-RPP customers, excluding MUSH sector and other customers that were on RPP.

Wasaga Distribution would like to note that the treatment of the Global Adjustment timeframe should follow the same timeframe as what the Board determines should be used for the other RSVA balances and that Wasaga Distribution believes that this should be a three year plan.

Disposition Period for Group 1 Accounts

Wasaga Distribution does not believe a one year disposition period would increase intergenerational inequities. Wasaga Distribution disagrees with Board Staff submission with respect to the time period over which the rate riders should apply. Wasaga Distribution submits that the balances in the Group 1 accounts have been accumulating over the last four year period. It should be noted that in submitting our Deferral Variance account Workform that Wasaga had the option of choosing a one to four year term for disposition, Wasaga chose a 3 year period for disposition. Wasaga believes that the Board provided this mechanism for a distributor to utilize in part to avoid rate shock from significant adjustments related to clearing variance accounts. Wasaga Distribution Inc. has submitted a three year plan in particular to assist in reducing the possibility of future rate shock for its customers. This is also true in light of the fact Wasaga Distribution will be filing a Cost of Service Application in August 2010 for 2011 rates.

By disposing of Group 1 Accounts over three years the cash flow impacts to Wasaga Distribution Inc. would be reduced. In addition, a three year disposition would help mitigate customer bill impacts subsequent to the disposition period. Disposing of the accounts over a one year period would cause a large impact in the year subsequent to customers once the disposition ended. A three year disposition period would allow for more rate stability with less rate volatility and customer rate shock.

Below is a table which illustrates the rate shock/distribution charge of a one year disposition versus a three year disposition based on Tab O2.1 “Calculation of Bill Impact” of the Board issued IRM2 Rate Generator Model.

Rate Class	Decrease in % of Distribution Charges with One Year Disposition	Decrease in % of Distribution Charges with Three Year Disposition
Residential	-62.20%	-20.40%
General Service Less Than 50 kW	-91.90%	-30.40%
General Service 50 to 4,999 kW	-279.20%	-92.70%
Unmetered Scattered Load	-105.60%	-36.10%
Street Lighting	-193.30%	-66.70%

In summary, Wasaga Distribution submits that a one year disposition of its Deferral and Variance accounts represents an unjust and unreasonable repayment equivalent. Wasaga Distribution’s customers would experience a large rate shock over two successive years, the first year when the rates go down and the second year when the rates go back up, this could be minimized by adopting the three year disposition period.

Adjustments to the Retail Transmission Service Rates (RTSR)

Wasaga Distribution Inc. agrees with Board Staff submission that the RSTR rates be revised to the January 1, 2010 values.

Accounting for the Implementation of the Harmonized Sales Tax

Wasaga Distribution does not agree with Board Staff submission that a deferral account be established to record the effects of the Harmonized Sales Tax (HST). Wasaga Distribution submits the appropriate time to address this issue is at the point of the Cost of Service rate applications when all OM&A and Capital expenditures are before the Board. In addition, Wasaga Distribution submits Cost of Service applications are made on a forward test year which includes projections for both Capital and OM&A expenses. Any deviations from those projections, both increases in costs or reduction in costs, are to be managed by the LDC during the year they are incurred. No deferral accounts are set up to record the differences between projected expenses and actual costs.

In setting up the deferral account for PST charges applicable to those items that were subject to PST prior to July 1, 2010 HST implementation, Wasaga Distribution believes this would entail extensive programming changes by our software vendor. This is due to the fact that the program would have to be set up in order to track the Input Tax Credit (ITC) on items that were previously subject to PST separately for the ITC where PST is now being charged when it wasn't previously. If this isn't done then the deferral account would be overstated. Another issue with regards to this is the administrative time that it would entail in order to ensure that the deferral account is 100% accurate.

The increase in administrative time is not due to that fact that Wasaga Distribution would now have to put the PST to an input tax credit account but because we would have to split the PST ITC between items that were previously subject to PST and those items that were not previously subject to PST. The staff would have to review each invoice issued after July 1, 2010 with invoices issued prior to this date to determine if this was a new PST charge versus an old one and therefore subject to a deferral variance allocation.

Again, Wasaga Distribution believes that the increased administrative time with the cost of previously mentioned programming changes to track the PST previously included in OM&A and Capital would far outweigh the benefits to customers in the long run.

Wasaga Distribution submits that the OEB Board considers denying the Board staff request that a deferral account be set up to tract PST that was previously charged on Capital and OM&A expenses prior to the implementation of HST on July 1, 2010.

All of which is respectfully submitted,
Wasaga Distribution Inc.

Originally signed by

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