



Keeping Your Future Bright!

March 31, 2010

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

**Re: Woodstock Hydro Services Inc. License # ED-2003-0011
2010 Electricity Distribution Rates Application
OEB File # EB-2009-0211
Response to OEB Staff Submission**

Dear Ms. Walli;

Please find attached Woodstock Hydro's Reply Submission to Board Staff's March 15, 2010 submission on Woodstock Hydro Services Inc. 2010 Electricity Distribution Rates Application.

Two hard copies of WHSI's reply submission as well as a CD containing a pdf version of the submission has been enclosed. All documents that form part of this submission have been uploaded through the Board's web portal.

If you require further information please contact me at 519-537-7172 ext 240 or peitel@woodstockhydro.com.

Yours truly,

Original signed by

Patti Eitel CGA
Manager, Accounting and Regulatory Affairs

1. Disposition of Deferral and Variance Accounts as per the EDDVAR Report

Disposition Period

“Board staff submits that a disposition period no longer than one year would be appropriate. These balances have been accumulating over the last four year period and to delay immediate action is not in the customer’s best interest. Board staff recognizes that some volatility in electricity bills may result. That aside, Board staff believes that a one year disposition period would be in the interest of all parties.”

Response:

In the initial submission, WHSI proposed a four-year disposition period for repayment of the Group 1 Deferral and Variance Account Balances to smooth the impact of potential future rate changes over a longer period of time. WHSI still proposes that a four-disposition period is appropriate.

WHSI believes that it is not in the best interests of its customers to endure volatility in their electricity bills, and that a longer term rate setting strategy should be considered. While a decrease in 2010 may be welcomed by customers, a change in WHSI’s regulatory account balances, due in part to higher global adjustment charges, in could result in an unwelcome rate increase in 2011. Further, WHSI will be filing its Cost of Service Application in 2011, which augments the potential for additional rate changes and regulatory cost recoveries.

WHSI’s proposed disposition credit of nearly \$2 million represents approximately 31% of its 2010 IRM Revenue Requirement before PILs. This would have a severe and negative impact on cash flow should a one-year disposition period be ordered. Regulatory expenditures for smart meters, renewable connection and generation, compliance with the GEGEA, and the IFRS transition; combined with the 2009 discontinuation of Woodstock Hydro’s Pay-As-You-Go meter program, has had a material impact on cash flow. Additionally, WHSI is expected to make a significant capital contribution to Hydro One Networks Inc. in 2010 towards the construction of the Commerce Way TS as referred to in OEB’s Decision and Order EB-2009-0079.

While WHSI has taken measures to mitigate the impact of these cash outflows until the 2011 Cost of Service Application, a further outflow of potentially \$2 million would place extreme pressure on the operational cash requirements of WHSI.

2. Treatment of Smart Meter Funding Adder

“Board staff submits that Woodstock Hydro has complied with the policies and filing requirements of the Smart Meter Guideline. Actual smart meter expenditures will be subject to review when Woodstock Hydro makes application for disposition of the account balances in a subsequent proceeding. Hence, Board staff takes no issue with Woodstock Hydro’s proposal to increase its smart meter funding adder to \$1.63 per month per metered customer.”

Response:

WHSI has reviewed Board Staff’s submission on the Treatment of Smart Meter Funding Adder and concurs with their response.

3. Adjustments to the Retail Transmission Service Rates (RTSR)

“Board staff notes that very few distributors, including Woodstock Hydro, included in their 2009 rates the July 1, 2009 level of UTRs since for most of them, distribution rates would have been implemented on May 1, 2009. Therefore, in accordance with the July 22, 2009 RTSR Guideline, Board staff submits that the revisions to the RTSRs 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.”

Response:

WHSI has reviewed Board Staff’s submission on the Adjustments to the RTSR and concurs with their response. When WHSI filed this application on December 2, 2009, the new retail transmission service rates were unknown. Subsequent to WHSI’ filing, the OEB RTSR Rate Order was issued on January 21, 2010.

4. Accounting for the Implementation of the Harmonized Sales Tax

“Board staff notes that many distributors’ comments on the administrative burden and costs of sales tax harmonization are at odds with the provincial and Federal governments’ pronouncements regarding the stimulative and competitive results of harmonization. Because the costs and savings are not clear at this point, Board staff

submits that tracking of these is warranted at this point to quantify, per government pronouncements, that the potential savings for corporations like Woodstock Hydro could be significant. Accordingly, Board staff submits that the Board may wish to consider establishing a deferral account to record the amounts, after July 1, 2010 and until Woodstock Hydro'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 an HST Input Tax Credit ("ITC"). The intention of this account would be to track the incremental change due to the introduction of the HST that incorporates an ITC from the 5% to the 13% level. To qualify for this treatment, the cost of the subject items must be in the category of distribution revenue requirement. Tracking of these amounts would continue in the deferral account until Woodstock Hydro's next cost of service application is determined by the Board or until the Board provides guidance on this matter, whichever occurs first."

Response:

WHSI recognizes OEB staff's position that any cost savings arising from the enactment of HST should be passed on to the customer. WHSI also concurs with OEB staff's comment that "*costs and savings are not clear at this point*". To that end, Woodstock Hydro believes that, should a deferral account be established, both costs *and* savings should be captured in that deferral account. While with additional resources the potential savings could be tracked, potential costs including incremental administrative costs to track, monitor, audit, and report on the deferral amounts; increased vendor pricing; increased working capital requirements due to the application of HST on the IESO power bill; and increased customer bad debt, should also be tracked so that the net impact of the HST enactment on WHSI can be fully assessed.

All of which is respectfully submitted.