



April 6, 2010

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2009-0202 Middlesex Power Distribution Corp. Reply Submission 2010 Incentive Rate 2nd Generation Mechanism Application

Dear Ms. Walli:

Please find attached Middlesex Power Distribution reply submission to Board staff Submission on the 2010 Incentive Rate Mechanism 2nd Generation Application.

The response to Board Submission have been submitted through the Board's web portal and two hard copies sent to the offices of the Ontario Energy Board.

Should there be any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in black ink, appearing to read 'Cheryl Decaire', is written over a light blue horizontal line.

Cheryl Decaire
Co-ordinator of Regulatory and Rates
(519) 352-6300 ext 405
Email: cheryldecaire@ckenergy.com

CC: Dave Kenney, President of Middlesex Power Distribution
Chris Cowell, Chief Financial and Regulatory Officer



Middlesex Power Distribution Corporation

Reply Submission

2010 ELECTRICITY DISTRIBUTION RATES

EB-2009-0202

April 6, 2010

Introduction

Middlesex Power Distribution Corporation (“Middlesex”) filed an application with the Ontario Energy Board (the “Board”) on November 20, 2009, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Middlesex charges for electricity distribution, to be effective May 1, 2010.

The application was based on the 2010 2nd Generation Incentive Regulation Mechanism.

On March 15, 2010, Board Staff made submissions on the following matters:

- Disposition of Deferral and Variance Accounts as per the Electricity Distributors’ Deferral and Variance Account Review Report (the “EDDVAR Report”)
- Adjustments to the Retail Transmission Service Rates; and
- Accounting for the implementation of the Harmonized Sales Tax (“HST”)

Middlesex respectfully offers the following replies to the Board staff submissions.

Disposition of Deferral and Variance Accounts

Middlesex has agreed to establish a separate rate rider for the disposition of the global adjustment sub-account to non-RPP customers with the exclusion of MUSH customers.

The disposal of Group 1 Deferral and Variance Accounts balances resulting from the Deferral Variance Account Workform V4 does not take into consideration the remaining balance that represents the difference between the 2006EDR deferral balance and the actual expenditures for that time period. Middlesex believes that the difference between the actual expenditures versus estimate in the 2006 EDR of \$21,640 should be recovered.

Middlesex does exceed the preset disposition threshold of +- \$0.001 per kWh on the Group 1 deferral and variance accounts and recommended disposing the balance over one year period, which is consistent with the Board staff submission.

Retail Transmission Service Rates (RTSR)

Middlesex agrees with the revision of the RTSRs to the January 1, 2010 level. The RTRS Network Service Rate increased by approximately 15.6% and RTSR Line and Transformation Connection Service Rate increased by approximately 5.2%.

Implementation of the Harmonized Sales Tax (HST)

Board staff submitted that a deferral account should be used to track the incremental change of due to the introduction of the HST until Middlesex's next cost of service application or until the Board provides guidance on this matter. Also, Board staff indicated that Middlesex would be able to clear the balance of the account as a credit to customers at the next opportunity for a rate change after the account balance information becomes available and is supported by audited financial statements.

As referred in IR#5 to Board staff the tracking of incremental change due to the introduction of the HST would cause additional efforts and increase administrative expenses which would out way the benefits.

Although the HST framework is relatively straight-forward, there are a number of practical considerations:

- There are a number of areas (called Temporary ITC Restrictions) where an amount equivalent to the OPST cannot be claimed as part of the ITC. These restrictions directly impact distributors. This includes licensed road vehicles under 3,000kg (including parts, certain service and fuel), electricity, gas, and combustibles except where used in manufacturing, telecommunications services other than internet access and toll-free numbers and food, beverages and entertainment. The ITC restrictions are in place for five years followed by a three year phase-out. There is increased cost to track and administer these restrictions.
- It should be noted that the provincial portion of the HST paid on electricity and natural gas costs, not eligible for the HST input tax credit, represent an additional cost that did not exist before, rather than a savings.

Furthermore, if the Board approves a deferral account to track these changes Middlesex requests that an additional deferral account be established to track the cost of implementing HST and the above noted reporting requirements.