

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

January 10, 2011

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

Dear Ms. Walli:

**Re: Midland Power Utility Corporation
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0099**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Midland Power Utility Corporation and to all other registered parties to this proceeding.

In addition please remind Midland Power Utility Corporation that its Reply Submission is due by **January 31, 2011**.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Midland Power Utility Corporation

EB-2010-0099

January 10, 2011

**Board Staff Submission
Midland Power Utility Corporation
2011 IRM3 Rate Application
EB-2010-0099**

Introduction

Midland Power Utility Corporation (“Midland”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on September 15, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Midland charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Midland.

Board staff makes submissions on the following matters:

- Retail Transmission Service Rates (“RTSRs”); and
- Review and Disposition of Deferral and Variance Account as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”).

RTSRs

Background

Midland has applied for an adjustment to its existing RTSRs using the Board’s 2011 RTSR Adjustment Workform (“workform”).

Submission

Board staff has reviewed the evidence provided by the applicant and submits that the proposal by Midland to adjust its RTSRs is reasonable. However, Board staff notes that Midland appears to have erroneously inputted loss adjusted Metered kWh and Metered kW into Columns “A” and “B”, respectively, on Sheet “B1.2 2009 Distributor Billing

Determinants” of the workform. Upon confirmation from Midland, Board staff will update the workform and affected models (ie. 2011 IRM3 Rate Generator).

REVIEW AND DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

2010 Rate Rider for Global Adjustment Sub-Account Disposition

In its Manager’s Summary, Midland indicated that it changed the sunset date of the Global Adjustment Rate Rider to July 31, 2010 from the Board approved sunset date of April 30, 2012. In response to Board staff interrogatory #1a, Midland explained that the Global Adjustment Rate Rider for the General Service 50 to 4,999 kW (“GS>50 kW”) rate class was incorrect as a result of using one month’s consumption instead of one year. As a result, Midland recovered \$45,250.89 from that rate class over the May 1, 2010 to July 31, 2010 period while the Rider was intended to recover \$28,447 over a two-year period. Consequently, Midland submitted after the fact that it was seeking Board approval to change the sunset date to July 31, 2010. In response to Board staff interrogatory #1c, Midland indicated that Midland is endeavouring to keep variance account balances to a minimum and saw the removal of the rider as the best course of action.

2011 Account Balances

For purposes of 2011 IRM applications, the EDDVAR Report requires a distributor to determine the value of its December 31, 2009 Group 1 Deferral and Variance account balance and determine whether the balance exceeds the preset disposition threshold of \$0.001 per kWh using the 2009 annual kWh consumption reported to the Board. When the preset disposition threshold is exceeded, a distributor is required to file a proposal for the disposition of Group 1 account balances (including carrying charges) and include the associated rate riders in its 2011 IRM Rate Generator for the disposition of the balances in these accounts. The onus is on the distributor to justify why any account balance in excess of the threshold should not be cleared.

Midland requested that the Board review and approve the disposition of the December 31, 2009 balances of Group 1 Deferral and Variance account balances, including interest as of April 30, 2011. The total balance of the Group 1 accounts, excluding the 1588 global adjustment sub-account, is a credit of \$32,843. The balance in the 1588

global adjustment sub-account is a debit of \$344,669. Midland has included interest, using the Board's prescribed interest rates, on these account balances up to April 30, 2011. Debit balances are amounts recoverable from customers while credit balances are amounts to be refunded to customers.

Midland proposed that the disposition of its Group 1 account balances, excluding the global adjustment sub-account, apply to all rate classes over a one year period.

Midland proposed a two year disposition period for the recovery of the global adjustment sub-account balance of \$344,669. In response to Board staff interrogatory #1f, Midland stated that a one-year disposition period would negatively impact affected customers while a two-year disposition period would allow for a substantial collection in each year and would provide Midland with the ability to plan for future variance recoveries or disposition. As approved in their 2010 rate application, Midland proposed that the amount of \$344,669 be collected from the GS>50 kW rate class only. In response to Board staff interrogatory #1e, Midland indicated that it has consulted with its billing software provider and is working to implement a separate rate rider that would prospectively apply to non-RPP customers in 2011.

Submission

With respect to the early termination of the 2010 Rate Rider for the recovery of the global adjustment sub-account balance, Board staff is of the view that Midland should have formally informed the Board of the issue, and the recourse considered by Midland to remedy the issue, prior to taking action. Midland's approach resulted in Midland being in non-compliance with a Board-approved rate order, which is a serious matter. While an early termination may be in the interest of customers, Board staff is unclear how Midland proposes to deal with the over-collection from the GS>50 kW class. Board staff submits that the over-recovery should be targeted to that particular rate class instead of being co-mingled with the residual balance included in the 1595 sub-account relating to the disposition of Group 1 December 31, 2008 account balances (i.e. 2010 rate year). Alternatively, the Board may consider ordering Midland to refund the amounts collected from the GS>50 kW customers, including interest, and re-calculate the disposition rate rider over a 24-month period (pursuant to the Board's EB-2009-0236 Decision) effective May 1, 2011.

With regard to its 2011 deferral and variance account balances, Board staff notes that the principal amounts to be disposed as of December 31, 2009 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements (“RRR”). Board staff therefore submits that the amounts should be disposed on a final basis. Board staff also submits that Midland’s proposal for a one year disposition period for its Group 1 account balances, excluding the global adjustment sub-account balance, is in accordance with the EDDVAR Report. With respect to the proposed disposition period for the global adjustment sub-account balance, Board staff agrees that a two-year disposition period would smooth the rate impacts given the level of the amount to be recovered from the GS>50 kW rate class.

All of which is respectfully submitted.