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**Commission de l'énergie
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BY EMAIL

January 11, 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: Peterborough Distribution Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0109**

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 Peterborough Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind Peterborough Distribution Inc. that its Reply Submission is due by February 01, 2011.

Yours truly,

Original Signed By

Christiane Wong
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Peterborough Distribution Inc.

EB-2010-0109

January 11, 2011

**Board Staff Submission
Peterborough Distribution Inc.
2011 IRM3 Rate Application
EB-2010-0109**

Introduction

Peterborough Distribution Inc. ("PDI") filed an application (the "Application") with the Ontario Energy Board (the "Board"), on September 17, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that PDI 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 PDI.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by PDI. In response to Board staff interrogatories, which requested either a confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the application, PDI confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to PDI's model at the time of the Board's decision on the application.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates ("RTSRs") proposed by PDI. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

PDI is proposing to dispose of its Group 1 deferral and variance account balances as of December 31, 2009 having exceeded the \$0.001/kWh disposition threshold. The total balance requested for disposition is \$798,783 to be recovered over a one-year period. Staff has no concerns with the balances or recovery methodology proposed.

Finally, in response to an interrogatory from Board staff, PDI provided a revised version of Sheet F1.1 Z-Factor tax changes. The Taxable Capital entry for 2009 was revised to \$55,095,816 and the Regulatory Taxable Income entry for 2009 was revised to \$2,824,442 to reflect the Revenue Requirement Work form from the Board Decision in EB-2008-0241 (PDI's 2009 cost of service application). Staff notes that the use of the revised data is consistent with the Board's instructions issued on August 20, 2010 for the 2011 IRM3 model.

These changes have resulted in a tax savings in 2011 of \$369,406, an increase of \$52,532 from the original 2011 IRM3 application.

Board staff has reviewed the changes and has no concerns with the updated data provided by PDI.

All of which is respectfully submitted.