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**BY EMAIL**

January 18, 2010

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Innisfil Hydro Distribution Systems Limited  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0093**

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 Innisfil Hydro Distribution Systems Limited and to all other registered parties to this proceeding.

In addition please remind Innisfil Hydro Distribution Systems Limited that its Reply Submission is due by February 9, 2011.

Yours truly,

*Original Signed By*

Suresh Advani

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2011 ELECTRICITY DISTRIBUTION RATES

Innisfil Hydro Distribution Systems Limited

EB-2010-0093

**January 18, 2011**

**Board Staff Submission  
Innisfil Hydro Distribution Systems Limited  
2011 IRM3 Rate Application  
EB-2010-0093**

**Introduction**

Innisfil Hydro Distribution Systems Limited (“IHDSL”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 1, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that IHDSL charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3<sup>rd</sup> 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 IHDSL.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by IHDSL. 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, IHDSL confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to IHDSL’s model at the time of the Board’s Decision and Order on the application.

Board staff makes submissions on the following matters:

- Review and Disposition of Deferral and Variance Account Balances; and
- Global Adjustment Sub-Account Disposition: Electricity vs. Delivery Component.

**Review and Disposition of Deferral and Variance Account Balances**

*Background*

For purposes of 2011 IRM applications, the *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative* (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.

IHDSL requested that the Board review and approve the disposition of its 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 is a credit of \$143,431. Credit balances are amounts payable to customers. This amount, results in a total claim per kWh of (\$0.000625).

IHDSL proposed a disposition period of one year for its Group 1 account balances.

#### *Submission*

Board staff notes that when rounded up to three decimal places, IHDSL's total claim per kWh is (\$0.001) which equals but does not exceed the preset disposition threshold contained in the EDDVAR Report.

Board staff considers that the disposition threshold has only been narrowly missed and does not materially differ from the preset disposition threshold of \$0.001/kWh provided for in the EDDVAR Report. Board staff submits that IHDSL's proposal is substantively consistent with the rationale of the EDDVAR Report, which endorses a systematic approach to the review and disposition of deferral and variance accounts.

Board staff further notes that the Board has previously considered a case where the preset disposition threshold was narrowly missed (EB-2009-0405). In this Decision, the Board Panel opined that while recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, the Panel found that the public interest required it to deviate from the EDDVAR Report under certain circumstances. Board staff submits that since IHDSL's Group 1 deferral and variance account balance is in a credit position, i.e. amounts are payable to customers, the public interest would be served by disposing of IHDSL's Group 1 deferral and variance account balances.

Were the Board to approve the disposition of the deferral and variance account balances at this time, 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 IHDSL’s proposal for a one year disposition period for its Group 1 account balances, is in accordance with the EDDVAR Report.

### **Global Adjustment Sub-Account Disposition: Electricity vs. Delivery Component**

#### *Background*

IHDSL has proposed to recover its Global Adjustment (“GA”) sub-account debit balance of \$206,975 by means of a rate rider that would be included in the electricity component of the bill for non-RPP customers.

Board staff notes that IHDSL’s Tariff of Rates and Charges Effective May 1, 2010 indicates that the rate rider for the GA sub-account applied to non-RPP customers and was included in the delivery component of the bill. In response to Board staff’s interrogatory #1 which requested IHDSL to provide the rationale supporting this change, IHDSL indicated that this change would provide consistency amongst all customer rate classes. IHDSL further indicated that if the GA rate rider was to be included in the electricity component of the bill, the kWh would be adjusted by the loss factor.

#### *Submission*

Board staff notes that IHDSL’s rationale for proposing recovery of their GA sub-account balance via the electricity component of the customer’s bill is unclear. Board staff is seeking clarification on whether IHDSL is concerned about inconsistencies between RPP and non-RPP customers as it relates to the global adjustment. .

Board staff notes that with respect to recovery of the GA sub-account, the prevalent practice amongst distributors is to dispose of the GA sub-account by means of a separate rate rider applicable to non-RPP customers that is included in the delivery component of the bill. Board staff further notes that during the process for the 2010 IRM

applications, the Board approved the recovery of the GA sub-account in the electricity component of the bill for non-RPP customers only in cases where the distributor could not readily accommodate a separate rate rider that would apply prospectively to non-RPP customers in the delivery component of the bill. Since IHDSL was able to implement a separate rate rider in 2010 and was directed to do so in the Board's EB-2009-0232 Decision and Order, Board staff submits that this approach be continued were the Board to decide to require IHDSL to dispose of its Group 1 Deferral and Variance Account balances.

All of which is respectfully submitted.