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**BY EMAIL**

January 20, 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: Cambridge and North Dumfries Hydro Inc.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0068**

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 Cambridge and North Dumfries Hydro Inc. and to all other registered parties to this proceeding.

In addition please remind Cambridge and North Dumfries Hydro Inc. that its Reply Submission is due by February 17, 2011.

Yours truly,

*Original Signed By*

Suresh Advani

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

2011 ELECTRICITY DISTRIBUTION RATES

Cambridge and North Dumfries Hydro Inc.

EB-2010-0068

**January 20, 2011**

**Board Staff Submission  
Cambridge and North Dumfries Hydro Inc.  
2011 IRM3 Rate Application  
EB-2010-0068**

**Introduction**

Cambridge and North Dumfries Hydro Inc. (“CNDHI”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 1, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that CNDHI 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 CNDHI.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by CNDHI. 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, CNDHI confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to CNDHI’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;
- Global Adjustment Sub-Account Disposition;
- Smart Meter Funding Adder; and
- Adjustments to the Revenue-to-Cost Ratios.

## **Disposition of Deferral and Variance Account Balance**

### *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.

CNDHI 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 debit of \$4,968,208. Debit balances are amounts recoverable from customers. This amount, results in a total claim per kWh of \$0.003240.

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

### *Submission*

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 CNDHI's proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report. Consequently, Board staff has no issues with CNDHI's request.

## **Global Adjustment Sub-Account Disposition**

### *Background*

CNDHI has proposed to dispose of its Global Adjustment (“GA”) sub-account balance of \$7.95 million as of December 31, 2009 including the applicable interest to April 30, 2011 by means of a separate rate rider that would prospectively apply to non-RPP customers.

In response to Board staff interrogatory # 10a, CNDHI clarified that the rate rider would be included in the delivery component of the non-RPP customer’s bill.

### *Submission*

Board staff notes that in CNDHI’s 2010 application (EB-2009-0260), the Board denied the recovery of the GA sub-account balance on the grounds that CNDHI did not have the billing capability to accommodate a separate rate rider that would prospectively apply to non-RPP customers, and that the balance was not material. Board staff further notes that in this application, CNDHI stated that its new billing system which has a go-live date of March/April 2011 will have the capability to implement a separate rider for non-RPP customers.

Board staff submits that CNDHI’s proposal is consistent with previous decisions from the Board in this regard. Therefore, Board staff has no issues with CNDHI’s proposal.

## **Smart Meter Funding Adder**

### *Background*

CNDHI originally requested an increase to its smart meter funding adder from the existing \$1.00 to \$2.80 per metered customer per month. CNDHI subsequently revised its proposed smart meter funding adder to \$1.61 per metered customer per month.

CNDHI is not seeking approval for capital and operating costs incurred to date or in 2011 in this application, but will track revenues received from the funding adder, and actual costs incurred, in the established smart meter related variance accounts for review and disposition in a subsequent application.

*Submission*

Board staff notes that actual smart meter expenditures will be subject to a prudence review when CNDHI makes an application for the disposition of smart meter related variance account balances in a subsequent proceeding. Board staff takes no issue with CNDHI's proposal to increase its smart meter funding adder to \$1.61 per metered customer per month.

**Adjustments to the Revenue-to-Cost Ratios**

*Background*

In order to implement the final phase of the revenue-to-cost ratio adjustment agreed upon in the EB-2009-0260 Settlement Agreement and approved by the Board, CNDHI proposed to increase the revenue-to-cost ratios for the Large Users and Street Lighting rate class to the bottom of the Board's target range of 85% and 70% respectively. The additional revenue was distributed to the General Service < 50 kW and General Service > 50 kW rate classes.

*Submission*

Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2009-0260 Decision.

All of which is respectfully submitted.