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BY EMAIL

January 21, 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: Cooperative Hydro Embrun Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0077

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 Cooperative Hydro Embrun Inc. and to all other registered parties to this proceeding.

In addition please remind Cooperative Hydro Embrun Inc. that its Reply Submission is due by February 23, 2011.

Yours truly,

Original Signed By

Suresh Advani

Encl.

Ontario

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Cooperative Hydro Embrun Inc.

EB-2010-0077

January 21, 2011

Board Staff Submission
Cooperative Hydro Embrun Inc.
2011 IRM3 Rate Application
EB-2010-0077

Introduction

Cooperative Hydro Embrun Inc. ("CHEI") filed an application (the "Application") with the Ontario Energy Board (the "Board"), received on November 12, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that CHEI 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 CHEI.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by CHEI. 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, CHEI confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to CHEI'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;
- Adjustments to the Revenue-to-Cost Ratios; and
- Tax Sharing Rate Rider.

Review and Disposition of Deferral and Variance Account Balance

Background

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report") provides that during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed of if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded.

CHEI originally included a total debit balance of $18,989 for its Group 1 deferral and variance accounts as of December 31, 2009 including interest charges as of April 30, 2011. This amount was subsequently amended to a credit balance of $3,939. Credit balances are amounts payable to customers. This amount, results in a total claim per kWh of ($0.000134).

As a result, CHEI is not seeking disposition of this amount in the proposed 2011 rates.

Submission

Board staff has reviewed CHEI's 2011 IRM3 Deferral and Variance Account Workform and has no issue with CHEI's request to not dispose of its 2009 Deferral and Variance Account balances at this time.

Adjustments to the Revenue-to-Cost Ratios

Background

In its revenue-to-cost ratio model, CHEI proposed to adjust the revenue-to-cost ratio for the Unmetered Scattered Load ("USL") rate class from 51% to 66%. CHEI also proposed to adjust the revenue-to-cost ratio of the Street Lighting rate class from 60% to the target minimum range of 70%. CHEI allocated the revenue from these customer rate classes to the Residential rate class.

Submission

Board staff notes that CHEI stated in its Manager's Summary that it received approval by the Board in its cost of service application to increase the revenue-to-cost ratios for the Street Lightning and USL rate classes up to the target minimum range over a period of several IRM applications. Board staff was unable to validate this statement in the Board's Decision in CHEI's 2010 cost-of-service application (EB-2009-0132). Board staff invites CHEI to provide in its reply submission an excerpt of the document that supports this claim. Board staff also notes that the proposed revenue-to-cost adjustments included in CHEI's Manager's summary do not match the proposed revenue-to-cost adjustments contained in its revenue-to-cost ratio model. Board staff also invites CHEI to clarify its proposal in its reply submission.

Board staff further notes that *Chapter 3 of the Filing Requirements for Transmission and Distribution Application*s dated July 9, 2010 indicates that revenue-to-cost adjustments can be made only in relation to implementing previous Board's Decisions rendered in a cost of service application. In the event that these proposed revenue-to-cost ratio adjustments did not receive prior Board approval, Board staff submits that they should be denied and addressed in a cost of service application.

Tax Sharing Rate Rider

Background

In response to Board staff interrogatory #1, CHEI calculated the annual tax savings and allocated it to customer rate classes in accordance with the Board's methodology in the 2011 IRM3 Shared Tax Savings Workform. The amount to be refunded to ratepayers is $382. Since this amount is not material, CHEI proposed that this credit amount be included in account 1595 for disposition in a future rate proceeding.

Submission

Board submits that the approach proposed by CHEI is consistent with the Board's findings in 2010 IRM applications where the amount to be credited back to customers was such that the resultant energy-based kWh rate riders were less than four decimal places and demand-based kW rate riders were less than two decimal places. In these cases, and others where the amount was not material, the Board found that the refund amount was not material enough to be refunded by means of a rate rider and approved the recording of this amount directly in account 1595 for disposition in a future rate setting.

All of which is respectfully submitted.