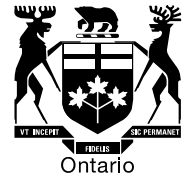


**Ontario Energy  
Board**  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416-481-1967  
Facsimile: 416-440-7656  
Toll free: 1-888-632-6273

**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 21, 2011

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: Halton Hills Hydro Inc.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0087**

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 Halton Hills Hydro Inc. and to all other registered parties to this proceeding.

In addition please remind Halton Hills Hydro Inc. that its Reply Submission is due by February 11, 2011.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **2011 ELECTRICITY DISTRIBUTION RATES**

**Halton Hills Hydro Inc.**

**EB-2010-0087**

**January 21, 2011**

**Board Staff Submission  
Halton Hills Hydro Inc.  
2011 IRM3 Rate Application  
EB-2010-0087**

**Introduction**

Halton Hills Hydro Inc. (“Halton Hills”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 4, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Halton Hills 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 Halton Hills.

Board staff makes submissions on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”);
- 2011 Retail Transmission Service Rates (“RTSR”) Adjustment Workform; and
- Smart Meter Funding Adder.

**ADJUSTMENTS TO THE REVENUE-TO-COST RATIOS**

**Background**

As directed by in the Board’s Decision in its 2008 cost of service proceeding (EB-2007-0696), Halton Hills adjusted the revenue-to-cost ratios for the Sentinel Lighting and the Street Lighting rate classes to the target minimum range of 70%. Halton Hills allocated the revenue from these customer rate classes proportionally to the General Service 50 to 999 kW and the General Service 1,000 to 4,999 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-2007-0696 Decision.

## **DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT**

### **General Background**

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.

### **Halton Hills' Specific Background**

Halton Hills originally proposed to dispose of its December 31, 2009 Group 1 Deferral and Variance Account balances, including interest charges as of April 30, 2011. The total amount to be disposed of was a debit balance of \$1,452,488.

On November 24, 2010 Halton Hills filed a letter with the Board indicating that it has initiated a comprehensive review of applicable Uniform System of Accounts which includes Group 1 Deferral and Variance Account balances. The purpose of the review is to ensure that the account balances for the year 2009 conform to the Board's Accounting Procedure Handbook. Since the review is taking longer than expected, Halton Hills requested approval to withdraw its request to dispose of its Group 1 account balances from this rate application. Halton Hills stated that it will request approval from the Board to dispose of the Group 1 account balances in its 2012 cost of service rate application.

### **Submission**

Board staff considers that the review undertaken by Halton Hills is important to ensure the correctness of the Group 1 account balances and as such, Board staff submits that

the Board should grant Halton Hills' request to withdraw this element of its application. Board staff is of the view that Halton Hills' proposal to deal with this issue in its 2012 cost of service application is reasonable. Alternatively, the Board may wish to consider whether Halton Hills should file, upon completion of its comprehensive review, a discrete application to deal with the disposition of its Group 1 Deferral and Variance Account balances.

## 2011 RTSR ADJUSTMENT WORKFORM ("RTSR workform")

### Background

Halton Hills requested an adjustment to its RTSRs using the RTSR workform provided by the Board to assist distributors in calculating their specific RTSR adjustments.

The Board's instructions for filing Sheet "B1.2 2009 Distributor Billing Determinants" of the RTSR workform are to enter the most recently reported Reporting and Record-keeping Requirements ("RRR") billing determinants (2009 Audited RRR billed kWh's or billed kW's).

In its interrogatory #1a, Board staff requested that Halton Hills reconcile the differences between the metered kWh and kW reported in the 2009 RRR and the data entered in the sheet of the RTSR workform referenced above. Halton Hills explained that the differences were due to the timing of the data compilation. Halton Hills provided the following table to reconcile the differences:

	2.1.5 Compiled May 31, 2010		2009 totals with losses Compiled September 30, 2010		Difference Due to cancels & rebills	
	kWh	kW	kWh	kW	kWh	kW
Residential	217,916,715.00		217,671,123.00		245,592.00	-
Residential TOU					-	-
General Service<50kW	54,916,651.00		55,003,908.00		(87,257.00)	-
GS50-999			125,659,598.00	329,972.00		
GS1000-4999kW	216,553,774.00	590,285.00	91,631,865.00	257,989.00		
Total General Service>50kW	216,553,774.00	590,285.00	217,291,463.00	587,961.00	(737,689.00)	2,324.00
Street Lighting	2,797,244.00	7,542.00	2,797,243.00	7,542.00	1.00	-
Sentinel Lighting	612,173.00	627.00	612,173.00	625.00	-	2.00
Un-Metered Scattered Load	902,443.00		902,443.00		-	-
	493,699,000.00	598,454.00	494,278,353.00	596,128.00	(579,353.00)	2,326.00

## **Submission**

Board staff notes that on February 17, 2010, the Board issued a letter to utilities concerning revising data filed under Reporting and Record-keeping Requirements ("RRR"). The letter stated in part:

"Compliance with the Board's reporting and record-keeping requirements ("RRR") is an important part of a regulated entity's legal obligations. The Board uses and relies on RRR data for a variety of purposes, and expects that regulated entities will ensure that their data is reported on time and is accurate when reported, such that revisions will only be required in exceptional circumstances".

Board staff further notes that distributors have from January to April 30th each year to check their statistics before submitting the returns which are due by April 30th with the Board. Board staff also notes that after submitting their return, distributors can still make changes to the most recent fiscal year's filed data by contacting Board staff up to mid-July. Once the statistical yearbooks are published and issued in August each year, the Board expects that changes to RRR would only be necessary where material errors have occurred, such as those requiring restatement of previously-issued audited financial statements. Board staff notes that Halton Hills did not file an amendment of its 2009 RRR with the Board in this regard. Board staff submits that this is a non-compliance issue that ought to be taken seriously and should not be repeated by Halton Hills.

Board staff further submits that consistent with the Board's instructions, Halton Hills should have used the 2009 RRR billing determinants (2009 Audited RRR billed kWh's or billed kW's) to calculate its RTSR adjustments. To that effect Board staff requests that Halton Hills in its reply submission re-file the RTSR workform using the RRR 2.1.5 billing determinants.

## **SMART METER FUNDING ADDER**

### **Background**

Halton Hills is requesting an increase to its smart meter funding adder from \$1.00 to

\$1.50 per metered customer per month.

Halton Hills is not seeking approval for capital and operating costs incurred to date or in 2011 in this application, but will track the 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 submits that actual smart meter expenditures will be subject to review when Halton Hills makes an application for disposition of the variance account balances in a subsequent proceeding. Board staff takes no issue with Halton Hills' proposal to increase its smart meter funding adder to \$1.50 per metered customer per month.

All of which is respectfully submitted