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BY EMAIL

January 21, 2010

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

Dear Ms. Walli:

**Re: Espanola Regional Hydro Distribution Corporation
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0081**

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 Espanola Regional Hydro Distribution Corporation and to all other registered parties to this proceeding.

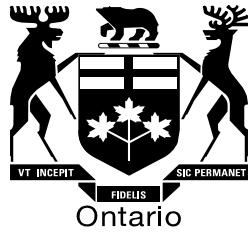
In addition please remind Espanola Regional Hydro Distribution Corporation that its Reply Submission is due by February 18, 2011.

Yours truly,

Original signed by

Suresh Advani

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Espanola Regional Hydro Distribution Corporation

EB-2010-0081

January 21, 2011

**Board Staff Submission
Espanola Regional Hydro Distribution Corporation
2011 IRM3 Rate Application
EB-2010-0081**

Introduction

Espanola Regional Hydro Distribution Corporation (“ERHDC”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 8, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that ERHDC 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 ERHDC.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by ERHDC. 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, ERHDC confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to ERHDC’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;
- Billed kWh for Non-RPP customers; 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 if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

ERHDC has completed the 2011 IRM3 Deferral and Variance Account Workform and has determined that the threshold has not been exceeded. The 2009 actual year end amount for Group 1 accounts with interest projected to April 30, 2011 is a credit of \$47,234. Credit balances are amounts payable to customers. This amount results in a total claim per kWh of (\$0.000724). As a result, ERHDC is not seeking disposition of this amount in the proposed 2011 rates.

Submission

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

Billed kWh for Non-RPP customers

Background

In the interrogatory phase, Board Staff identified potential discrepancies with respect to the "Billed kWh for Non-RPP customers" data provided by ERHDC as Board staff was unable to verify this data. In response to interrogatory #7a, ERHDC indicated that there is a discrepancy between the billing determinants used in this application to derive the rate riders for the global adjustment sub-account balance and the kWh for non-RPP customers provided to the Board as part of the 2.1.3 quarterly reporting for 2009.

ERDHC explained that there was an error in bill coding classification in the 2.1.3 reporting for 2009. ERHDC stated that the kWh used in this application have been corrected and are accurate.

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 also notes that after submitting their RRR filing, 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.

In response to interrogatory #7a, ERDHC stated that with respect to the General service 50 to 4,999 kW class, the difference between the number reported to the Board and the number provided in the application is material. Board staff notes that ERDHC did not file an amendment with the Board in this regard. Board staff submits that this should not to be repeated by ERDHC.

Board staff however has no issues with the revised kWh for non-RPP customers.

Tax Sharing Rate Rider

Background

ERDHC 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 \$1,044. Since this amount is not material, and consistent with its Decision and Order in its 2010 IRM application, ERHDC proposed that this credit amount be included in account 1595 for disposition in a future rate proceeding.

Submission

Board staff agrees that the approach proposed by ERDHC 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.