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BY EMAIL

January 24, 2011

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

Dear Ms. Walli:

**Re: Greater Sudbury Hydro Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0085**

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 Greater Sudbury Hydro Inc. and to all other registered parties to this proceeding.

In addition please remind Greater Sudbury Hydro Inc. that its Reply Submission is due by February 14, 2011.

Yours truly,

Original signed by

Kelli Dobson
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Greater Sudbury Hydro Inc.

EB-2010-0085

January 24, 2011

**Board Staff Submission
Greater Sudbury Hydro Inc.
2011 IRM3 Rate Application
EB-2010-0085**

Introduction

Greater Sudbury Hydro Inc. ("GSHI") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 12th, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that GSHI 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 GSHI.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by GSHI. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

GSHI's revenue-to-cost ratio model has been updated in order to implement the directive from the Board's cost of service decision EB-2009-0225. The General Service greater than 50kW and General Service less than 50kW rate classes have been proportionately reduced to balance the change to the street lighting and sentinel rate class. Board staff has no concerns with the adjustments.

The tax sharing model has been updated with the correct rates and reflects the Revenue Requirement Work Form from Board Decision EB-2008-0230. Board staff has no concerns with these adjustments.

Staff notes that GSHI is proposing to maintain its smart meter funding adder at \$1.94 per metered customer per month.

Board staff makes submissions on the following matters:

- Deferral and Variance Accounts

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 total 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.

GSHI's total deferral and variance account balance as of December 31, 2009 is \$518,643. GSHI states in its manager summary that, GSHI is not requesting disposal at this time of the 2009 Deferral and Variance Account balances, including the adjustment of (\$173,576.00) to correct an error in calculating the 2008 account balances disposed on a final basis in GSHI's 2009 CoS proceeding. The threshold calculation of \$0.000542 is below the Board's predetermined value of \$0.001/kWh.

Staff notes that despite this statement, GSHI has included in its rate generator model a rate rider of \$0.00269 for disposal of the global adjustment account in the amount of a \$1,055,829 receivable over a period of one year. GSHI's proposal is for the rate rider to be added to the electricity commodity component of the bill.

Submission

Staff notes that the appropriate way to calculate the threshold is to not include prior period adjustments. In this case, the threshold calculation for GSHI would be \$0.000725, still below the Board's threshold of \$0.001. It is open to GSHI to propose to return the credit balance of \$173,576.00 in its next rate application.

Board staff submits that GSHI's proposal to dispose of its global adjustment sub-account balance in this proceeding is not consistent with the policy outlined in the EDDVAR Report. Staff notes that GSHI did not provide any justification for disposing of

this sub-account at this time. Board staff submits that the Board should not dispose of GSHI's global adjustment account balance in this proceeding.

All of which is respectfully submitted