



January 24, 2011

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

Attention: Ms. Walli

**Re: Espanola Regional Hydro Distribution Corporation's 2011 3rd Generation
IRM Rate Application
Board File No. EB-2010-0081
Re: Reply Submission**

Please find enclosed Espanola Regional Hydro Distribution Corporation's reply submission to the 2011 3rd Generation Rate Application that was filed with the Board November 8, 2010. The reply submission has been electronically filed through the Board's web portal.

Sincerely,

Jennifer Uchmanowicz
on behalf of Espanola Regional Hydro Distribution Corporation
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
Sault Ste. Marie Ont.
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Espanola Regional Hydro Distribution Corporation (“ERHDC”)

Reply Submission

2011 Electricity Distribution Rate Application

EB-2010-0081

January 24, 2011

Introduction

Espanola Regional Hydro Distribution Corporation filed an application with the Ontario Energy Board (the “Board”) on November 8, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to ERHDC’s distribution rates effective May 1, 2011. The application was based on the 3rd Generation Incentive Regulation Mechanism. On January 21, 2011 the Board Staff issued a written submission to be provided to the Board based on its review of ERHDC’s application and evidence. ERHDC respectfully submits this document as a reply submission to the Board.

Review and Disposition of Deferral and Variance Account Balance

Issue

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. 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.

ERHDC Comment

ERHDC has no further comment on this issue and is in agreement with the Boards submission.

Billed kWh for Non-RPP customers

Issue

Board Staff identified potential discrepancies with the Billed kWh for Non-RPP data provided by ERHDC in the 2.1.3 quarterly reporting and the billing determinates used in the application to derive rate riders for the global adjustment sub-account. ERHDC stated and explained that the kWh used in the application have been corrected and are accurate. Board Staff had no issues with the revised kWh for Non-RPP customers in the application.

ERHDC Comment

ERHDC has no further comment on this issue and is in agreement with the Boards submission.

Tax Sharing Rate Rider

Issue

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. 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.

ERHDC Comment

ERHDC has no further comment on this issue and is in agreement with the Boards submission.

- All of which is respectfully submitted -