

**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 25, 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: Enersource Hydro Mississauga Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0078**

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 Enersource Hydro Mississauga Inc. and to all other registered parties to this proceeding.

In addition please remind Enersource Hydro Mississauga Inc. that its Reply Submission is due by February 15, 2011.

Yours truly,

Original signed by

Lawrie Gluck
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES
ENERSOURCE HYDRO MISSISSAUGA INC.

EB-2010-0078

January 25, 2011

Introduction

Enersource Hydro Mississauga Inc. (“Enersource”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 15, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Enersource charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism (“IRM”).

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 Enersource.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by Enersource. 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, Enersource confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to Enersource’s models at the time of the Board’s decision on the Application.

Board staff makes submissions on the following matters:

- Smart Meter Funding Adder;
- Deferral and Variance Account Disposition; and
- Lost Revenue Adjustment Mechanism.

Smart Meter Funding Adder

Background

Enersource proposed to decrease its Board-approved smart meter funding adder of \$2.17 to \$2.12 per metered customer per month.

In its Application, Enersource filed supporting documentation in accordance with section 1.4 of the Smart Meter Guideline (G-2008-0002).

Enersource noted that the proposed decrease in the smart meter funding adder is primarily due to lower than budgeted operating expenses related to the implementation of a web presentment application.

Enersource is not seeking approval for capital and operating costs incurred to date or in 2011 in this Application, but will track 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 notes that actual smart meter expenditures will be subject to a prudence review when Enersource makes an application for the disposition of smart meter related variance account balances in a subsequent proceeding. Board staff takes no issue with Enersource's proposal to decrease its smart meter funding adder to \$2.12 per metered customer per month.

Deferral and Variance Account Disposition

Background

For purposes of the 2011 IRM applications, the Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (the "EDDVAR Report") requires a distributor to determine the total 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.

Enersource originally requested that the Board review and approve the disposition of the December 31, 2009 balances of Group 1 Deferral and Variance accounts, including interest as of April 30, 2011. The total balance of the Group 1 accounts is a credit of

\$8,490,016. This amount results in a total claim per kWh of \$(0.00113). Credit balances are amounts refundable to customers.

Enersource proposed to dispose of its Group 1 account balances over a one-year period.

On January 13, 2011, Enersource filed a letter with the Board requesting approval to withdraw its request for Group 1 deferral and variance account disposition. Enersource noted that subsequent to the filing of its Application, a comprehensive review of Enersource's Group 1 deferral and variance accounts was commenced to ensure that their treatment is in accordance with the provisions of the Board's Accounting Procedures Handbook. Enersource stated that as a result of this review, there could be changes to the Group 1 account balances and therefore disposition of these balances would not be prudent at this time.

Enersource stated that it will file a separate application, based on the completed review of Group 1 deferral and variance accounts within the next three to six months. This application will seek to dispose of Group 1 deferral and variance account balances as of December 31, 2010 based on audited financial statements.

Submission

Board staff considers that the review undertaken by Enersource is important to ensure the correctness of the Group 1 account balances and as such, Board staff submits that the Board should grant Enersource's request to withdraw this element of its Application at this time. Board staff is of the view that Enersource's proposal to deal with this issue in a separate application within the next three to six months, based on audited December 31, 2010 balances is reasonable.

Lost Revenue Adjustment Mechanism

Background

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outlines the information that is required when filing an application for LRAM or SSM recovery.

Enersource has requested the recovery of \$699,236 in lost revenue related to its CDM activities.

Submission

Board staff submits that Enersource has complied with the Board's CDM Guidelines in preparing the LRAM portion of its Application. Board staff submits that it has no issues with the LRAM claim as filed.

All of which is respectfully submitted.