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BY EMAIL

January 26, 2011

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Welland Hydro-Electric System Corp.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0118**

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 Welland Hydro-Electric System Corp. and to all other registered parties to this proceeding.

In addition please remind Welland Hydro Electric System Corp. that its Reply Submission is due by February 16, 2011.

Yours truly,

Original Signed By

Lenore Dougan
Policy Advisor, Regulatory Policy & Compliance

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Welland Hydro-Electric System Corp.

EB-2010-0118

January 26, 2011

**Board Staff Submission
Welland Hydro-Electric System Corp.
2011 IRM3 Rate Application
EB-2010-0118**

Introduction

Welland Hydro-Electric System Corp. ("Welland Hydro") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 29, 2010 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Welland Hydro 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 Welland Hydro.

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

The tax sharing model has been updated on sheet B1.1 Rate Class and Re-Based Billing Determinants & Rates with the correct rates and reflects the Revenue Requirement Work Form from the Board's Decision on Welland Hydro's 2009 cost of service application (EB-2009-0252). Board staff has no concerns with these adjustments. Staff notes that these adjustments did not change the final tax sharing amount to be returned to customers.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Welland Hydro. 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.

Board staff submits that Welland Hydro has complied with the policies and filing requirements of the Smart Meter Guideline. Actual smart meter expenditures will be subject to review when Welland Hydro makes an application for disposition of the account balances in a subsequent proceeding. Board staff takes no issue with Welland Hydro's proposal to increase its smart meter funding adder to \$2.73 per metered customer per month from the current \$1.81 per metered customer per month. Board staff notes that the total bill impact attributable to this proposed change alone (keeping all other proposals in the application model as filed) is 0.9% for the residential class.

Staff notes that Welland Hydro's deferral and variance account balances as of December 31, 2009 did not meet the threshold for disposition and so Welland Hydro has not requested disposition at this time.

All of which is respectfully submitted.