Coopérative Hydro Embrun Inc.

Cooperative Hydro Embrun
821 Rue Notre Dame
Embrun, ON, K0A 1W1

January 27, 2011

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

Re: Reply to Board Staff Submission.
2011 IRM3 Rate Application
EB-2010-0077

Dear Ms. Walli:

Please find attached Cooperative Hydro Embrun Inc.'s reply to Board Staff submission.

Should there be any questions, please do not hesitate to contact me at the number below.

Yours truly,

Benoit Lamarche
General Manager
Cooperative Hydro Embrun
821 Rue Notre Dame
Embrun, ON, K0A 1W1
Tel: 613-443-5110

Reply to Board Staff Submission
Cooperative Hydro Embrun Inc.
2011 IRM3 Rate Application
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Introduction

Cooperative Hydro Embrun Inc. ("CHEI") filed an application (the "Application") with the Ontario Energy Board (the "Board"), on November 12, 2010, under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that CHEI 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 a reply to the submissions of Board staff dated January 21, 2011.

Board staff made submissions on the following matters:

- Review and Disposition of Deferral and Variance Account Balances;
- Adjustments to the Revenue-to-Cost Ratios; and
- Tax Sharing Rate Rider.

CHEI accepts Board staff's submission on the subjects of review and disposition of Deferral and Variance Account Balances and the Tax Sharing Rate Rider.

Adjustments to the Revenue-to-Cost Ratios

Board staff's submission to CHEI noted that they were unable to match adjustments proposed to revenue to cost ratio adjustments stated in the Manager's summary to values entered in the Board's model.

Board staff also notes that the proposed revenue-to-cost adjustments included in CHEI's Manager's summary do not match the proposed revenue-to-cost adjustments contained in its revenue-to-cost ratio model. Board staff also invites CHEI to clarify its proposal in its reply submission.

CHEI concurs with Board staff and apologize for any confusion created.

Board staff's submission to CHEI noted that they were unable to determine where in CHEI's previous cost of service application (EB-2009-0132) the Board had authorized the proposed revenue to cost ratio adjustment to be made in the 2011 IRM3 application.

The submission stated *"Board staff notes that CHEI stated in its Manager's Summary that it received approval by the Board in its cost of service application to increase the revenue-to-*

cost ratios for the Street Lightning and USL rate classes up to the target minimum range over a period of several IRM applications. Board staff was unable to validate this statement in the Board's Decision in CHEI's 2010 cost-of-service application (EB-2009-0132). Board staff invites CHEI to provide in its reply submission an excerpt of the document that supports this claim."

CHEI submits the following as an excerpt from the Board's decision.

DECISION –Page 17- March 19, 2010
Coopérative Hydro Embrun
EB-2009-0132

Revenue to Cost Ratios

The Board has set a policy that the R:C ratios should be based on the service revenue requirement by class. The Board directs Embrun to set the ratios accordingly when preparing the draft rate order.

The Board accepts the company's proposals for the respective R:C ratios by class.

CHEI also submits the following as an excerpt from the Board's Rate Order dated May 3, 2010.

The Board has reviewed all the information provided and is satisfied that the Tariff of Rates and Charges accurately reflects the Board's Decision and Order.

CHEI submits that the company believes the Board's decision was properly executed in good faith by CHEI in 2010.

CHEI further acknowledges Board staffs concern that the Boards decision (EB-2009-0132) did not concretely direct CHEI to continue revenue to cost ratio adjustments in continuing years. In CHEI's response to Board Staff Supplemental Interrogatories Issue 6 Page 29, CHEI did propose that the Unmetered Scattered Load customers be moved to 0.51 and Street Lighting be moved to 0.60. CHEI did specifically state that this proposal would be effective for the 2010 rate year only. That being said, upon further examination CHEI concurs with Board staff that there was no implicit direction from the Board to continue revenue to cost ratio adjustments in continuing years. CHEI regrets this error and hereby rescinds its request for 2011 revenue to cost ratio adjustments. CHEI further request that Board staff make the appropriate adjustments to the effected rate models.

All of which is respectively submitted.