



CENTRE WELLINGTON HYDRO LTD.
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February 3, 2011

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

Dear Ms. Walli:

Centre Wellington Hydro Ltd.
2011 Rate Application – 3rd Generation Incentive Regulation Mechanism
Reply Submission
OEB File No.: EB-2010-0072

On January 18, 2011, Centre Wellington Hydro received Board Staff and VECC submissions on its 2011 IRM3 Distribution Rate Application. Centre Wellington Hydro's Reply Submission is attached to this letter. Centre Wellington Hydro has submitted the Reply Submission via the e-filing in PDF format. Centre Wellington is submitting 2 hardcopies and a CD by courier.

If you have any questions or concerns, please contact the undersigned at (519) 843-2900 Ext 225 or by email at thiessen@cwhydro.ca

Yours truly,

Original signed by

Florence Thiessen, CGA
Vice President / Treasurer
Centre Wellington Hydro Ltd.

Encl.

cc Vulnerable Energy Consumers Coalition (VECC)
Attention: Michael Buonaguro



REPLY SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Centre Wellington Hydro Ltd.

EB-2010-0072

February 3, 2011

Reply Submission
Centre Wellington Hydro Ltd.
2011 IRM3 Rate Application
EB-2010-0072

Introduction

Centre Wellington Hydro Ltd. (Centre Wellington) filed an application with the Ontario Energy Board (the Board) on September 30, 2010 under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Centre Wellington charges for electricity distribution, to be effective May 1, 2011. The application was based on the 2011 3rd Generation Incentive Regulation Mechanism.

Board Staff and VECC filed interrogatories relating to this proceeding on November 25, 2010 and November 24, 2010, respectively.

Centre Wellington submitted responses to those interrogatories on December 3, 2010.

Both Board staff and VECC filed Submissions on January 18, 2011.

Centre Wellington addresses below each of the items raised in the January 18, 2011 submissions.

ADJUSTMENTS TO THE REVENUE-TO-COST RATIOS (Board staff & VECC)

Submission

Centre Wellington submits it will apply the proposed Revenue to Cost ratio adjustments as agreed by all parties.

ALIGNMENT OF RATE YEAR WITH FISCAL YEAR

Background

There are many good reasons for aligning the rate year with the fiscal year for electricity distributors many of which were identified throughout Centre Wellington's rate application process. Although the Board has concluded in its April 15, 2010 letter that it is appropriate to consider the merits of aligning the rate year with the fiscal year on a case-by-case basis in a cost of service application, Centre Wellington has asked the Board to consider allowing the alignment of the rate year with the fiscal year in conjunction with the approval of the 2012 IRM rate application. Consideration by the Board to move from its position and to allow the change of alignment of the rate year with the fiscal year during an IRM rat application would benefit all parties prior to moving into an already complex Cost of Service rate application. In addition to the other benefits cited during this rate application, this would allow the bridge year and the test year to be based on comparable periods (January – December).

Submission

Centre Wellington submits it will consider the guidance provided in the letter issued by the Board on April 15, 2010 with respect to electricity distributors aligning the rate year with the fiscal year and will therefore not request to have its 2012 IRM application effective January 1, 2012 unless further consideration and guidance is provided by the Board prior to the filing of the 2012 IRM rate application based on the comments made in the Background section above.

Centre Wellington further submits it did not ask to have its 2011 IRM application effective January 1, 2011 as suggested by VECC.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

Background

The EDDVAR model used by electricity distributors required the input of "Billed kWh for Non-RPP customers" on worksheet "B3.1 Rate Class and Bill Det". These kWh represent the actual kWhs adjusted for losses used to bill the global adjustment to Centre Wellington's Non-RPP customers. It would therefore be most appropriate to dispose of any balance in the Global Adjustment sub account to the appropriate customers using an allocator similar to how those customers were billed in the first place.

The model required the input of the Non-RPP kWhs for all customers but then was programmed not to use the kWhs for the General Service >50 customer classes and the Sentinel and Street Light Customers. Instead the model allocates the share of the balance in the global adjustment sub account to those classes based on kW.

Using the distribution portion of the bill to dispose of the GA subaccount balance would result in the Residential and General Service <50kW customer classes being allocated on an unadjusted for losses kWh basis and the remaining classes receiving a share of the disposition based on kW. None of these methods reflect how those customers were charged for the GA.

Currently the distribution portion of some customer class electricity bills includes a combination of loss adjusted and non-loss adjusted kWhs. For example, the distribution volumetric charge for residential customers is based on non-loss adjusted kWhs while the transmission and connection charges are based on loss adjusted kWhs. Centre Wellington's billing system is capable of combining a new item within the delivery component of the bill for all classes of customers based on loss adjusted kWhs.

Submission

Centre Wellington submits it should use the allocator for disposition of the balance the GA subaccount that most appropriately reflects how the balance in the account was accumulated. That allocator would be the kWh adjusted for losses for the Non-RPP customers (provided for all customer classes on sheet B1.3 of the 2011 Deferral and Variance Workform). Centre Wellington further submits a separate rate rider can be established using loss adjusted kWhs and disposed of through the distribution portion of the bill to Non-RPP customers only.

HST CONSIDERATIONS

Submission

Centre Wellington submits it will not record its incremental costs incurred to track the HST in Account 1592 and will use the December 2010 Frequently Asked Questions to determine whether to use the accounting guidance provided on "Sub-account HST/OVAT Input Tax Credits" of Account 1592 to record the IRC savings arising from the implementation of the HST on July 1, 2010 or the alternate simplified approach also provided in that document.

SMART METER FUNDING ADDER

Submission

Centre Wellington submits it will reflect in its rates a Smart Meter Rate Adder of \$2.78 per metered customer per month effective May 1, 2011.

All of which is respectfully submitted