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**Commission de l'énergie
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BY EMAIL

February 7, 2011

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: PUC Distribution Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0111**

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 PUC Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind PUC Distribution Inc. that its Reply Submission is due by February 24, 2011.

Yours truly,

Original Signed By

Christiane Wong
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

PUC Distribution Inc.

EB-2010-0111

February 7, 2011

**Board Staff Submission
PUC Distribution Inc.
2011 IRM3 Rate Application
EB-2010-0111**

Introduction

PUC Distribution Inc. ("PUC") filed an application (the "Application") with the Ontario Energy Board (the "Board") on November 11, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that PUC 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 PUC.

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

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by PUC. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, staff notes that the Board will update the applicable data at the time that this IRM decision is issued based on any available updated Uniform Transmission Rates.

Staff notes that PUC is proposing to maintain its smart meter funding adder at \$1.68 per metered customer per month.

Board staff makes detailed submissions on the following matter:

- Review and Disposition of Deferral and Variance Account Balances

Review and Disposition of Deferral and Variance Account Balances

Background

For purposes of 2011 IRM applications, the EDDVAR Report requires a distributor to determine the value of its December 31, 2009 Group 1 Deferral and Variance account total 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.

PUC requested that the Board review and approve the disposition of the December 31, 2009 balances of the Group 1 accounts, including interest as of April 30, 2011. The total balance of the Group 1 accounts is a credit of \$938,559. Debit balances are amounts recoverable from customers while credit balances are amounts to be refunded to customers.

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

In response to Board staff interrogatory # 4, PUC clarified that the sunset date for the 1595 sub-account which tracked 2008 approved balances, is April 30, 2010 and not April 30, 2009 as originally submitted. PUC confirmed that since the sunset date is April 30, 2010, the residual balance in account 1595 should not be disposed.

Submission

With regard to its 2011 deferral and variance account balances, Board staff notes that the principal amounts to be disposed as of December 31, 2009 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements.

As a result of the correction for the exclusion of the 1595 sub-account noted above, the total balance requested for disposition was revised to \$1,020,945 to be returned to ratepayers over a one-year period. This amount results in a total claim per kWh of (\$0.001443).

Staff has no concerns with the balances or recovery methodology proposed.

All of which is respectfully submitted.