

**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

February 7, 2010

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: Essex Powerlines Corporation
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0082**

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 Essex Powerlines Corporation and to all other registered parties to this proceeding.

In addition please remind Essex Powerlines Corporation that its Reply Submission is due by February 14, 2011.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Essex Powerlines Corporation

EB-2010-0082

February 7, 2011

**Board Staff Submission
Essex Powerlines Corporation
2011 IRM3 Rate Application
EB-2010-0082**

Introduction

Essex Powerlines Corporation (“Essex”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on September 30, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Essex charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism.

On January 19, 2011, the Board issued Procedural Order No. 1 directing Essex to complete and file with the Board by January 24, 2011 the 2011 IRM Deferral and Variance Account Workform and 2011 Retail Transmission Service Rate (“RSTR”) Adjustment Workform. Interrogatories and responses thereon were to be filed on January 26 and January 31, 2011 respectively.

The purpose of this document is to provide the Board with the submission of Board staff based on its review of the evidence submitted by Essex.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the 2011 IRM3 Revenue Cost Ratio Adjustment Workform, 2011 RTSR Adjustment Workform, and 2011 IRM3 Rate Generator (the “models”). 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, Essex confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to Essex’s models at the time of the Board’s decision on the application.

Board staff makes a submission on the following matters:

- Adjustments to the Revenue-to-Cost Ratios; and
- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”).

ADJUSTMENTS TO THE REVENUE-TO-COST RATIOS

Background

On March 3, 2010, the Board issued its Decision (EB-2009-0143) approving the Settlement Agreement ("Agreement") in Essex's 2010 cost of service rate application. The Agreement set forth the following when setting the revenue-to-cost ratios:

- For the Residential class, the existing ratio, which is near unity, will be retained;
- For the General Service Less Than 50 kW class, the existing ratio, which is well below the target floor value of 0.80, will transition to 0.80 over two years in equal increments;
- For the Unmetered Scattered Load class, the existing ratio, which is above the 1.20 target ceiling value, will be set to 1.20;
- For the Sentinel Lighting and Street Lighting class, the existing ratios, which are well below the 0.70 target floor value, will transition to 0.70 over four years in equal increments; and
- For the General Service 50 to 2,999 kW and General Service 3,000 to 4,999 kW, the same ratio will apply to each of these classes, with a value that preserves an overall 100% ratio across all rate classes. The proposed ratio value for 2010 will be above unity, less than the 1.80 ceiling target and represent a decrease from the existing ratios. The ratio value will further decrease over the following three years to offset ratio increases in other rate classes, while remaining above unity.

In response to Vulnerable Energy Consumers Coalition's ("VECC") interrogatory #1a, Essex filed an updated workform that reflects the transformer ownership allowance of \$78,810 included in the General Service 50 to 2,999 kW rate class.

Submission

Board staff submits that the revised proposed revenue-to-cost ratio adjustments are in accordance with the Agreement.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

Background

The EDDVAR Report provides that during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

Essex has completed the 2011 IRM Deferral and Variance Account Workform and has determined that the preset disposition threshold has not been exceeded. The 2009 actual year end amount for Group 1 accounts with interest projected to April 30, 2011 is a credit of \$294,539. Credits balances are amounts refundable to customers. This amount results in a total claim per kWh of (\$0.000521). As a result, Essex is not seeking disposition of this amount in the proposed 2011 rates.

Submission

Board staff has reviewed Essex's 2011 IRM Deferral and Variance Account Workform and has no issue with Essex's request to not dispose of its 2009 Deferral and Variance Account balances at this time.

All of which is respectfully submitted