

**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 11, 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: Erie Thames Powerlines Corporation
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0080**

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 Erie Thames Powerlines Corporation and to all other registered parties to this proceeding.

In addition please remind Erie Thames Powerlines Corporation that its Reply Submission is due by March 2, 2011.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

Erie Thames Powerlines Corporation

EB-2010-0080

February 11, 2011

**Board Staff Submission
Erie Thames Powerlines Corporation
2011 IRM3 Rate Application
EB-2010-0080
Dated: February 11, 2011**

Introduction

Erie Thames Powerlines Corporation (“Erie Thames” or the “Applicant”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 17, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Erie Thames 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 Erie Thames.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application models by Erie Thames. 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, Erie Thames confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to Erie Thames’ models at the time of the Board’s decision on the application.

Board staff makes submissions on the following matters:

- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”); and
- Smart Meter Funding Adder.

DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT

Background

For purposes of 2011 IRM applications, the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") requires a distributor to determine the value of its December 31, 2009 Group 1 Deferral and Variance account 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.

Erie Thames requested that the Board review and approve the disposition of its December 31, 2009 balances of Group 1 Deferral and Variance account balances, including interest as of April 30, 2011 since the preset disposition threshold was exceeded. The reported amount for disposition, including interest is a debit of \$330,569.

In response to Board staff interrogatory #5, Erie Thames confirmed that its Group 1 account balances did not exceed the preset disposition threshold and rescinded its request to dispose of its Group 1 account balances.

Submission

Board staff notes that in Erie Thames' 2010 IRM Decision (EB-2009-0222), the Board was concerned about the difference between the amount sought for disposition and the balances reported in Erie Thames' Reporting and Record-keeping Requirements ("RRR") data. The Board approved the disposition of December 31, 2008 Group 1 account balances and projected interest to April 30, 2010 as reported by Erie Thames, but not on a final basis. The Board directed Erie Thames to bring forward in its next rate proceeding any adjustment to the 2008 Group 1 account balances, and that any adjustment be supported by a third party audit.

In this application, Erie Thames filed a Special Purpose Auditors' Report (the "Auditors' Report") indicating that adjustments were required to the amounts approved for disposition on an interim basis by the Board in their 2010 IRM application. The corrected amounts have been included in Erie Thames' 2011 IRM Deferral and Variance Account Workform.

The details of the difference are as follows:

| Account Description | Account Number | Total Claim in 2010 Decision | Total Revised Claim as per Third Party Audit | Difference |
|--|----------------|---------------------------------|---|------------------|
| LV Variance Account | 1550 | 247,876 | 244,916 | - 2,960 |
| RSVA - Wholesale Market Service Charge | 1580 | - 587,188 | - 653,179 | - 65,991 |
| RSVA - Retail Transmission Network Charge | 1584 | - 839 | - 75,330 | - 74,491 |
| RSVA - Retail Transmission Connection Charge | 1586 | - 518,879 | - 558,988 | - 40,109 |
| RSVA - Power (Excluding Global Adjustment) | 1588 | 3,089,725 | 2,951,883 | - 137,842 |
| RSVA - Power (Global Adjustment sub-account) | 1588 | 364,270 | 359,352 | - 4,918 |
| Recovery of Regulatory Asset Balances | 1590 | - 717,724 | - 701,135 | - 16,589 |
| | | <u>1,877,241</u> | <u>1,567,519</u> | <u>- 309,722</u> |

Board staff notes that the 2008 Group 1 account balances were overstated by \$309,722. Board staff also notes that Erie Thames included the corrected amounts in this application and all of the adjustments referenced above are reflected in the 2009 Group 1 account balances.

Board staff submits that Erie Thames has not exceeded the preset disposition threshold and agrees with Erie Thames's request not to dispose of its Group 1 account balances at this time.

SMART METER FUNDING ADDER

Background

Erie Thames is requesting an increase to its smart meter funding adder from \$1.00 to \$1.74 per metered customer per month.

Erie Thames is not seeking approval for capital and operating costs incurred to date or in 2011 in this application, but will track the revenues received from the funding adder

and actual costs incurred in the established smart meter related variance accounts for review and disposition in a subsequent application.

Submission

Board staff submits that actual smart meter expenditures will be subject to review when Erie Thames makes an application for disposition of the variance account balances in a subsequent proceeding. Board staff takes no issue with Erie Thames' proposal to increase its smart meter funding adder to \$1.74 per metered customer per month.

All of which is respectfully submitted