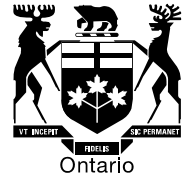


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**BY EMAIL**

February 14<sup>th</sup>, 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: West Coast Huron Energy Inc.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0120**

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 West Coast Huron Energy Inc. and to all other registered parties to this proceeding.

In addition please remind West Coast Huron Energy Inc. that its Reply Submission is due by March 7, 2011.

Yours truly,

*Original Signed By*

Kelli Dobson  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2011 ELECTRICITY DISTRIBUTION RATES**

**West Coast Huron Energy Inc.**

**EB-2010-0120**

**February 14<sup>th</sup>, 2011**

**Board Staff Submission  
West Coast Huron Energy Inc.  
2011 IRM3 Rate Application  
EB-2010-0120**

**Introduction**

West Coast Huron Energy Inc. ("West Coast Huron") filed an application (the "Application") with the Ontario Energy Board (the "Board") on December 15, 2010 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that West Cost Huron charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3<sup>rd</sup> 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 West Coast Huron.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by West Coast Huron. 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, West Coast Huron confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to West Coast Huron'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 West Coast Huron. Pursuant to Guideline G-2008-0001, updated on July 8, 2010, Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

West Coast Huron is proposing to dispose of its Group 1 deferral and variance account balances as of December 31, 2009 having exceeded the \$0.001/kWh disposition threshold. The total balance requested for disposition is a credit of \$280,684 to be returned to ratepayers over a one-year period. 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. Staff has no concerns with the balances or recovery methodology proposed.

For 2011 rates, West Coast Huron proposes to increase the smart meter adder to \$3.37 per meter per month from the existing \$1.00. Board staff notes that the total bill impact attributable solely to the proposed funding adder of \$3.37 per meter per month (keeping all other proposals in the application model as filed) is an increase of 2.3% for the residential class. While the Board has previously approved smart meter adders as high as \$3.50 per meter per month for other LDC's, the Board may wish to consider whether an impact of greater than 2% is appropriate given that the funding adder is only a temporary tool intended to bridge the gap leading up to the next rebasing application or stand alone application involving a prudence review of incurred costs for the installed smart meters. Staff notes as an alternative, a \$3.00 per metered customer per month adder would lead to a bill impact of under 2% for the residential class. Board staff has no concerns with the updated data supporting the smart meter model.

In response to interrogatory #3 from Board staff, West Coast Huron provided a revised version of Sheet F1.1 Z-Factor tax changes. The Regulatory Taxable Income entry for 2009 was revised to \$220,672 to reflect the Revenue Requirement Work form from the Board Decision in EB-2008-0248 (West Coast Huron's 2009 cost of service application). Staff notes that the use of the revised data is consistent with the Board's instructions issued on August 20, 2010 for the 2011 IRM3 model.

This change would result in a tax savings in 2011 of \$3,128 representing a decrease of \$2,197 from the original 2011 IRM3 application. Given the immateriality of the tax sharing amount, (i.e. no rate riders are calculated to four decimal places for the residential and other classes), West Coast Huron may wish to confirm whether or not it agrees to defer disposition of the amount at this time, and instead transfer the amount to account 1595 to be disposed in a future proceeding. Staff notes that this was the approach taken by the Board in 2010 IRM applications. If West Coast Huron agrees to defer disposition to a future proceeding, West Coast Huron may wish to confirm this in its reply submission and Board staff will make the necessary changes to the model.

In response to interrogatory #2 from Board staff, West Coast Huron requested clarification as to the data entered on tab B1.1 Re-Based Bill Det & Rates in the Tax Sharing Model in the original Tax Sharing Model. West Coast Huron has entered rates

from its last cost of service application. Rates in columns D, E and F should be identical with rates from sheet E1.1 Rate Reb Base Dist Rts Gen of the 2011 IRM3 Rate Generator as indicated in the instructions on sheet B1.1 Re-Based Bill Det & Rates in the Tax Sharing Model. Board staff will update the sheet with the appropriate rates.

All of which is respectfully submitted.