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BY EMAIL

February 16, 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: Westario Power Inc.
2011 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2010-0122**

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 Westario Power Inc. and to all other registered parties to this proceeding.

In addition please remind Westario Power Inc. that its Reply Submission is due by March 7, 2011.

Yours truly,

Original Signed By

Lawrie Gluck
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2011 ELECTRICITY DISTRIBUTION RATES

WESTARIO POWER INC.

EB-2010-0122

February 16, 2011

Introduction

Westario Power Inc. (“Westario”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on November 25, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Westario charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3rd Generation Incentive Regulation Mechanism (“IRM”).

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 Westario.

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

Board staff only makes submissions in regards to Deferral and Variance Account Disposition.

Deferral and Variance Account Disposition

Background

For purposes of the 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 total 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.

Westario has requested that the Board review and approve the disposition of the December 31, 2009 balances of Group 1 Deferral and Variance accounts as defined by the EDDVAR report. The total balance of the Group 1 accounts, excluding the 1588 global adjustment sub-account is a debit of \$709,356. The balance in the 1588 global adjustment sub-account is a debit of \$502,826. The total balance for all Group 1 accounts is a debit of \$1,212,182, this balance results in a total claim per kWh of \$0.002552, which exceeds the Board prescribed disposition threshold. Westario has included interest, using the Board's prescribed interest rates, on these account balances up to April 30, 2011. Debit balances are amounts recoverable from customers.

Westario proposed to dispose of its global adjustment sub-account debit balance of \$502,826 as of December 31, 2009 including the applicable interest to April 30, 2011 by means of a separate rate rider that would prospectively apply to non-RPP customers.

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

Submission

Board staff notes that there are no material differences between the principal amounts applied for disposition as of December 31, 2009 and the amounts reported as part of the Reporting and Record-keeping Requirements ("RRR"). Board staff therefore submits that the amounts should be disposed on a final basis. Board staff also submits that Westario's proposal for a one year disposition period for its Group 1 account balances is in accordance with the EDDVAR Report.

With respect to the disposition of the global adjustment sub-account, Board staff notes that Westario did not seek disposition of its Group 1 account balances in its 2010 application since the preset disposition threshold was not exceeded. Therefore, the disposition of the global adjustment sub-account was not an issue in that proceeding.

Board staff submits that Westario's proposal to dispose of the global adjustment sub-account by means of a separate rate rider that would prospectively apply to non-RPP customers is consistent with previous Decisions from the Board in this regard. Therefore, Board staff has no issues with Westario's proposal.

All of which is respectfully submitted.