

# GODERICH HYDRO

**West Coast Huron Energy Inc.**

57 West Street Goderich, Ontario Canada N7A 2K5

Tel: 519-524-7371 Fax: 519-524-7930

March 2, 2011

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
P.O Box 2319  
2300 Yonge Street  
26<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

**Re: West Coast Huron Energy 2011 3<sup>rd</sup> Generation IRM Application EB-2010-0120**

Dear Ms. Walli,

West Coast Huron Energy is filing the attached application with respect to the above mentioned proceeding.

Should you have any questions concerning these matter please do not hesitate to contact the undersigned.

Sincerely,  
West Coast Huron Energy

Per:   
Judy Kay  
Treasurer

**West Coast Huron Energy Reply 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 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 West Coast Huron.

**Data Discrepancies**

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.

**WCHE Response:**

WCHE accepts that Board staff will make the necessary corrections to the models.

**RTSR Rates**

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.

**WCHE Response:**

WCHE agrees that the applicable data be updated by the Board at the time of its decision based on the availability of updated Uniform Transmission Rates.

## **Deferral and Variance Account Recovery**

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.

### **WCHE Response:**

WCHE accepts Board staff position.

## **Smart Meter Rate Recovery**

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.

### **WCHE Response:**

Subsequent changes to the Smart Meter Recovery model have been agreed to by Board staff and WCHE. The resulting smart meter fixed charge of \$2.03 per metered customer is proposed and mitigates the need to consider impacts in excess of 2%. WCHE submits that the updated Smart Meter Recovery model be approved and the resulting rate of \$2.03 per metered customer, replace the \$3.37 charge on WCHE Tariff of Rates and Charges.

## **Taxable Income**

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.

**WCHE Response:**

WCHE agrees with the change in the Regulatory Taxable Income entry and agrees to defer disposition of this amount in this application.

**Tax Rates**

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.

**WCHE Response:**

WCHE concurs that the tax rates referred to in Board staff's submission should be updated to the appropriate rates

All of which is respectfully submitted.