



*Your Home Town Utility*



March 2<sup>nd</sup>, 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: Erie Thames Powerlines 2010 3<sup>rd</sup> Generation IRM Application EB-2010-0080**  
**Reply Submission**

Dear Ms. Walli,

Erie Thames Powerlines is filing the attached Reply Submission with respect to the above mentioned proceeding.

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

Sincerely,  
Erie Thames Powerlines

Original Signed

Per: Graig Pettit  
Manager of Finance & Regulatory Affairs

## **Erie Thames Powerlines Corporation Reply Submission**

### **2011 IRM3 Rate Application**

**EB-2010-0080**

**Dated: March 2, 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 made 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.

Board Staff Submission Erie Thames Powerlines Corporation 2011 IRM3 Application

### **DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS**

#### **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:

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.

### **Erie Thames Reply Submission:**

Erie Thames Powerlines has not further submissions with respect to this matter.

## **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.

### **Erie Thames Reply Submission:**

Erie Thames Powerlines has not further submissions with respect to this matter.