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**BY EMAIL**

March 9, 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: Hydro 2000 Inc.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0089**

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 Hydro 2000 Inc. and to all other registered parties to this proceeding.

In addition please remind Hydro 2000 Inc. that its Reply Submission is due by March 25, 2011.

Yours truly,

*Original Signed By*

Kelli Dobson  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2011 ELECTRICITY DISTRIBUTION RATES**

**HYDRO 2000 INC.**

**EB-2010-0089**

**March 9, 2011**

**Board Staff Submission  
Hydro 2000 Inc.  
2011 IRM3 Rate Application  
EB-2010-0089**

**Introduction**

Hydro 2000 Inc. ("Hydro 2000") 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 Hydro 2000 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 Hydro 2000.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application model by Hydro 2000. 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, Hydro 2000 confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to Hydro 2000'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 Hydro 2000. 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.

Hydro 2000 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 \$41,205 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 do not reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements but the difference matches exactly to the amounts approved for disposition in EB-2009-0229 (Hydro 2000's 2010 IRM application). In response to Board staff interrogatory #4, Hydro 2000 explained they recorded the disposition of the December 2008 balances in May 2010, thus when the RRR data was reported by January 2010, it included not only the 2009

data, but the previous year's balances as well. Staff has confirmed that the amounts requested for disposition in the current application do not include the amounts already disposed in EB-2009-0229. Staff has no concerns with the recovery methodology proposed.

For 2011 rates, Hydro 2000 proposes to increase the smart meter adder to \$1.69 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 \$1.69 per meter per month (keeping all other proposals in the application model as filed) is an increase of 0.7% for the residential class.

Board staff notes that the model filed by Hydro 2000 generates a funding adder of \$2.07. Staff also identified certain formula and data errors that when corrected generate a funding adder of \$2.03 per metered customer per month. Hydro 2000 explains in its Manager's Summary that it requests an adder of only \$1.69. The difference appears to be that the return on capital for all years (2009-2011) is excluded from the calculation which generates the \$1.69. Hydro 2000 does not provide an explanation for this adjustment.

While staff has no concerns with the Board approving an adder that is lower than what the model generates, staff does not necessarily agree with some of the assumptions used by Hydro 2000 in generating the \$1.69 adder, such as the use of a ten year life for the assets rather than the standard fifteen. Staff notes that Hydro 2000 is due to file a cost of service application for 2012 rates and should be in a position to provide audited statements supporting its smart meter costs for its final prudence review at that time. Staff has attached to this submission a revised model showing the \$2.03 adder for Hydro 2000's future reference.

The tax sharing model has been updated and reflects the Revenue Requirement Work Form from Board's Decision in Hydro 2000's 2008 cost of service application (EB-2007-0704). 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), Hydro 2000 agreed with staff in response to an interrogatory to defer the disposition of the tax sharing amount and transfer the amount of \$177 to account 1595 to be disposed in a future proceeding.

All of which is respectfully submitted.