



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2008 ELECTRICITY DISTRIBUTION RATES

Hearst Power Distribution Company Limited

EB-2007-0824

January 21, 2008

INTRODUCTION

Hearst Power Distribution Company Limited (“Hearst”) submitted an application on October 25, 2007, seeking approval for changes to the rates that Hearst charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism. On December 18, 2007, Hearst filed an addendum proposing adjustments to its retail transmission service rates.

The purpose of this document is to provide the Ontario Energy Board (the “Board”) with the submissions of Board staff after its review of the evidence submitted by Hearst.

RETAIL TRANSMISSION SERVICE RATES ADJUSTMENT

Background

In its letter dated October 29, 2007, the Board directed each distributor to propose an adjustment to their retail transmission rates (RTR) and disposition of the associated variance account balances in its 2008 Cost of Service or Incentive Rate Mechanism application, as applicable.

Hearst proposes for each rate class a negative, one-year rate riders for network and line and transformation connection service respectively. Hearst states that the proposed riders are forecast to eliminate the 2006 year-end balances in the Retail Transmission Networks and Retail Transmission Connection variance accounts. Hearst further states that the proposed rate riders are based on a preliminary estimate of Hydro One's adjusted retail distribution rates which were not available at the time of their submission. Hearst proposes that the rate riders be implemented on all energy on and after January 1, 2008.

Discussion and Submission

Hearst did not provide any detailed information supporting its application. For example, the 2006 year-end balances in accounts 1584 and 1586 are not included in the evidence submitted, nor are the estimated Hydro One's transmission rates, and calculations used to derive the proposed rate riders. It is also unclear why the rate riders would be implemented on all energy on and after January 1, 2008.

Hearst is asked to provide further clarification on its proposal.

The usual practice for disposing of variance and deferral accounts in the electricity sector is to use the most up-to-date audited balances, as supported by audited financial statements, plus forecasted carrying charges on those balances up to the start of the new rate year. The disposition of deferral and variance account balances is also generally dealt with in aggregate rather than clearing discrete accounts.

Parties are asked to comment on whether the Board should consider whether the disposition of deferral and variance account balances should be dealt with in aggregate since some accounts may contain debit balances while others have credit balances. Disposing of all RSVA accounts at the same time would minimize fluctuations in amounts refunded to or collected from customers through deferral and variance account disposition.

Given that one of the intents of the Incentive Regulation Mechanism was to provide a streamlined process for setting rates, parties are asked to comment on whether the Board should consider waiting for the review of the disposition of all RSVA accounts until such time as Hearst applies for its distribution rates to be rebased, which is scheduled to occur in 2009.

All of which is respectfully submitted.