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**BY EMAIL**

April 21, 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: Renfrew Hydro Incorporated ("Renfrew")  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0112**

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 Renfrew and to all other registered parties to this proceeding.

In addition please remind Renfrew that its Reply Submission is due by May 11, 2011.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2011 ELECTRICITY DISTRIBUTION RATES**

**Renfrew Hydro Incorporated**

**EB-2010-0112**

**April 21, 2011**

**Board Staff Submission  
Renfrew Hydro Incorporated  
2011 IRM3 Rate Application  
EB-2010-0112**

**Introduction**

Renfrew Hydro Incorporated (“Renfrew”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on February 23, 2011, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Renfrew 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 Renfrew.

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

Board staff makes submissions on the following matters:

- Adjustments to the Revenue-to-Cost Ratios;
- Disposition of Deferral and Variance Accounts as per the *Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”); and
- Late Payment Penalty Litigation Costs.

**ADJUSTMENTS TO THE REVENUE-TO-COST RATIOS**

## Background

In its EB-2009-0146 decision, the Board directed Renfrew to adjust the revenue-to-cost ratios as depicted in the table below:

Rate Class	2010	2011	2012	2013
GS<50 kW	100%	100%	100%	100%
GS>50 kW	80%	84%	87%	90%
USL	64%	69%	75%	80%
Street Lighting	39%	50%	60%	70%

The increased revenue from the GS>50 kW, Unmetered Scattered Load (USL), and Street Lighting rate classes are to be used to reduce the revenue-to-cost ratio for the Residential rate class. The Board also noted that the upward progression of the GS>50 kW rate class should only continue until the Residential rate class reaches a limit of 100%.

## Submission

In response to Board staff interrogatory #6a, Renfrew concurred with Board staff that the starting point for the USL revenue-to-cost ratio should be 64%. The proposed 2011 revenue-to-cost ratio for the Residential rate class is 114%. Board staff submits that Renfrew's revised proposed revenue-to-cost ratio adjustments are in accordance with the Board's finding in its EB-2009-0146 decision.

## **DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS AS PER THE EDDVAR REPORT**

### **Background**

The EDDVAR Report provides that during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

In Renfrew's 2010 cost of service decision (EB-2009-0146), the Board approved the disposition of Renfrew's December 31, 2009 Group 1 account balances including interest up to April 30, 2010. As a result, Renfrew is not seeking disposition of its Group 1 account balances in this application.

### **Submission**

Board staff notes that for the 2011 IRM applications, the Board reviewed the audited Group 1 account balances as of December 31, 2009. Board staff submits that Renfrew's proposal not to seek disposition of its Group 1 account balances in this application allows for a consistent treatment across distributors in respect of Group 1 accounts. Therefore, Board staff has no issue with Renfrew's request.

### **Late Payment Penalty ("LPP") Litigation Costs**

#### **Background**

On February 22, 2010, the Board issued its Decision and Order and determined that it is appropriate for the Affected Electricity Distributors to be eligible to recover the costs and damages associated with the LPP class action in rates. The decision set out a listing of each Affected Electricity Distributor and their share of the class action costs that is

approved for recovery. The Board also directed Affected Electricity Distributors such as Renfrew to file with the Board detailed calculations including supporting documentation, outlining the derivation of the rate riders based on the methodology outlined in the EB-2010-0295 Decision and Order.

Renfrew elected to recover the amount \$14,453 approved in the EB-2010-0295 proceeding and accordingly filed the associated rate riders. Renfrew also requested that the Board authorize Renfrew to record the cost incurred to publish the Board's Notice in the EB-2010-0295 proceeding, which amounted to \$742, in a deferral account.

### **Submission**

Board staff has reviewed Renfrew's proposed late payment penalty rate rider calculation and has no issue with Renfrew's request.

Board staff notes that in the Board's Rate Order in proceeding EB-2010-0295, the Board denied the recovery of the cost of the publication of the Notice on the grounds that such costs should be managed within each distributor's regulatory budget. Board staff submits that the same treatment should apply to Renfrew.

All of which is respectfully submitted