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**BY EMAIL**

April 27, 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: Norfolk Power Distribution Inc.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2011-0049**

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 Norfolk Power Distribution Inc. and to all other registered parties to this proceeding.

In addition please remind Norfolk Power Distribution Inc. that its Reply Submission is due by May 4, 2011.

Yours truly,

*Original Signed By*

Birgit Armstrong  
Advisor, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **BOARD STAFF SUBMISSION**

2011 ELECTRICITY DISTRIBUTION RATES

NORFOLK POWER DISTRIBUTION INC.

EB-2011-0049

**April 27, 2011**

## **Introduction**

Norfolk Power Distribution Inc. (“Norfolk”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on March 21, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Norfolk 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 (“IRM3”).

On April 19, 2011 the Board ordered that Norfolk’s current Tariff or Rates and Charges be made interim as of May 1, 2011.

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 Norfolk.

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

Board staff’s submission is in regard to Norfolk’s proposal to adjust its Retail Transmission Service Rates (“RTSR”) and the Lost Revenue Adjustment Mechanism (“LRAM”) and Shared Savings Mechanism (“SSM”) recoveries.

## **Retail Transmission Service Rates**

### **Background**

For the purpose of the IRM3 Application, the Guideline G-2008-0001: Electricity Distribution Retail Transmission Service Rates, revised on July 8, 2010, requires distributors to adjust their RTSRs based on a comparison of historical transmission cost adjusted for new Uniform Transmission Rates (“UTR”) levels, and revenues generated from existing RTSRs. The Board provided a filing module to Norfolk to assist in calculating Norfolk’s class-specific RTSR.

In its Application Norfolk stated that Norfolk was historically embedded to Haldimand County Hydro (“Halimand”) and as such was billed for transmission services from Haldimand, in addition to transmission serviced provided by Independent Electricity System Operator (“IESO”) and Hydro One Networks Inc. (“Hydro One”). Norfolk further stated that as of August 2010, Norfolk is no longer embedded to Haldimand. Norfolk estimated that 65% of the load previously delivered through Haldimand would now be routed through Norfolk’s own transformer station, thereby incurring further network and line connection charges (no transformation connection charges) from the IESO. Norfolk stated that the remaining 35% of the load will flow through a Hydro One transformer station, therefore incurring further network, line connection and transformer connection charges. As a result, Norfolk requested to add 65% of the 2009 actual Haldimand volumes to the IESO 2009 actual volumes (with the exception of transformation) and the remaining 35% of Haldimand volumes to Hydro One 2009 actual data in order to complete the filing module.

### **Submission**

Board staff submits that although the transmission volumes used by Norfolk in this Application are not based on historical transmission cost, the reallocation of transmission cost previously charged by Halidmand will act to minimize the balances that would otherwise accrue in variance accounts 1584 and 1586. Therefore, Board staff supports Norfolk’s proposed reallocation of transmission volumes and associated charges for the purpose of re-calibrating its RTSRs.

### **Lost Revenue Adjustment Mechanism and Shared Savings Mechanism Recoveries**

#### **Background**

In its Application Norfolk sought a total amount of \$52,336 for SSM recovery. The Applicant stated that this amount is based on the results of the Total Resource Cost test (“TRC test”) result for Norfolk’s CDM programs. Furthermore, Norfolk has sought a total amount for LRAM recovery of \$373,578 of which \$197,038 is related to Third Tranche programs and \$176,541 is a result of OPA programs. These values include \$15,556 in carrying charges. Carrying charges were calculated using OEB approved rates.

## **Submission**

The Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "Guidelines") issued on March 28, 2008 outlines the information that is required when filing an application for LRAM.

Board staff submits that Norfolk's application for LRAM and SSM recovery is consistent with the Board's Guidelines and the Board's Decision on Horizon's application (EB-2009-0192) for LRAM recovery, where the Board noted that distributors should use the most current input assumptions available at the time of the third party review when calculating LRAM. Board staff supports the manner in which Norfolk calculated its LRAM amount, and submits that the use of finalized program results delivered by the OPA is appropriate as the Board has approved this approach in past LRAM applications, most recently, Burlington Hydro Inc. (EB-2010-0067). Board staff supports the approval of the LRAM amount of \$373,578 and the SSM amount of \$52,336.

All of which is respectfully submitted.