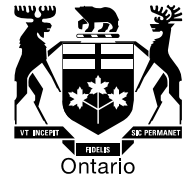


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BY E-MAIL

June 29, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Parry Sound Power Corporation
2011 Distribution Rates Application
Board Staff Comments on the Draft Rate Order
Board File No. EB-2010- 0140**

On June 24, 2011 Parry Sound Power Corporation ("PSP") filed a draft Rate Order as directed by the Ontario Energy Board (the "Board") in its EB-2010-0140 Decision dated June 17, 2011.

Board staff has reviewed Parry Sound's draft Rate Order and has the following comments:

- 1) **Cost of Capital:** It appears that PSP did not use the Board's updated interest rates for Short Term Debt (2.46%) or Return on Equity (9.58%).
- 2) **Change to Working Capital:** It appears that PSP did not document how it arrived at the Working Capital change due to an increase of \$106,340 in the Cost of Power component. Board staff requests that PSP provide additional detail on how this amount was calculated.
- 3) **RTSR and LV Rate Update:** Board staff requests that PSP provide additional detail on how these rates were updated.
- 4) **Calculation of Foregone Revenue Rate Rider:** Board staff is not clear on the 2011 proposed rates used in the calculation or the design of the riders to recover one month of foregone revenue. The decision indicates that one month of incremental distribution revenue is to be collected over a period of 10 months, ending on April 30, 2012.

- 5) **Cost Allocation and Rate Design:** While the output of the RRWF provides the 2011 revenue requirement, PSP did not document how this revenue requirement is allocated to the rate classes and then how the fixed and variable rates were calculated for each class. Board staff requests that PSP provide additional detail in this area.
- 6) **Deferral and Variance Account Rate Riders:** The draft Rate Order includes the recovery of the deferral and variance accounts over a four year period. It appears that the rider for the Residential class of \$0.0032/kWh does not correspond to the evidence found in response to Board Staff Supplemental Interrogatory #1, which shows a four year rider of \$0.0026/kWh. Board staff requests that PSP provide additional detail on how these riders were calculated.

Yours truly,

Original Signed by

Harold Thiessen
Case Manager – EB-2010-0140
Ontario Energy Board Staff

cc Parry Sound Power Corporation
Intervenors