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**BY E-MAIL
(Re-sent / revised)**

July 13, 2011

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

Dear Ms. Walli:

**Re: St. Thomas Energy Inc.
Application for 2011 Distribution Rates
Board File Number EB-2010-0141**

On July 7, 2011 St. Thomas Energy Inc. ("St. Thomas") filed a draft rate order as directed by the Ontario Energy Board (the "Board") in its EB-2010-0141 Decision dated June 28, 2011.

Board staff has reviewed the draft rate order ("DRO") and submits the following comments.

Lost Revenue Adjustment Mechanism (LRAM)

The calculation of the LRAM rate rider, which appears in Appendix G of the DRO, utilizes a LRAM total balance of \$370,915. Pursuant to the Settlement Agreement, the balance was amended to \$364,200. The rate rider should be calculated on the basis of \$364,200.

2011 Rate Rider Calculations

The DRO contains a number of rate rider calculations, which appear in Appendix G (e.g. for the disposition of Foregone Revenue, Deferral/Variance Accounts and Deferral/Variance Account -Global Adjustment). However, the calculations lack sufficient detail to confirm the accuracy of the final riders. It would assist the Board if St. Thomas prepared a table which presents, for each rate class, the amount allocated to each class and the amount which will be recovered through the application of the calculated rate rider. The allocated amount and rate rider amounts do not often equate because of rounding and four decimal constraints. This table will provide a summary of the extent of the differences, by rate rider and in total.

2010 Rate Rider Calculations

The DRO includes revised rate riders, for Group 1 deferral and variance account balances, which had been originally approved by the Board in the 2010 IRM proceeding.

St. Thomas explains that the revisions are required due to the elimination of the Large User Class and Unmetered Scattered Load Class in the 2011 Cost of Service Rate Application. Rate riders for these 2 customer classes had been approved in the 2010 IRM proceeding. St. Thomas indicates that calculations for the revised rates were made on the same basis as was used in the 2010 IRM Application except that all data pertaining to the Large User and Unmetered Scattered Load Classes was removed. The revised rates would be in effect from August 1, 2011 to April 30, 2014. This is also the last effective day for the rate riders as set in the 2010 IRM decision. The original and revised rate riders appear in the table below.

Rate Class	D/V Accounts		Global Adj. Sub-account	
	2010 IRM	2011 COS	2010 IRM	2011 COS
Residential (kWh)	-\$ 0.0007	-\$ 0.0008	\$ 0.0002	\$ 0.0003
GS< 50 kW (kWh)	-\$ 0.0007	-\$ 0.0008	\$ 0.0002	\$ 0.0003
GS >50 kW (kW)	-\$ 0.2894	-\$ 0.3156	\$ 0.0950	\$ 0.1102
Large use (kW)	-\$ 0.3395	na	\$ 0.1112	na
Street lighting (kW)	-\$ 0.2589	-\$ 0.2823	\$ 0.0852	\$ 0.0988
Sentinel (kW)	-\$ 0.2302	-\$ 0.2510	\$ 0.1013	\$ 0.1176
Unmetered Scattered (kWh)	-\$ 0.0010	na	\$ 0.0002	na

Board staff questions whether it is appropriate in this proceeding for the Board to change rates which had been approved and set for a period of time in another proceeding. Board staff notes the following:

- St. Thomas's pre-filed evidence did not highlight nor elaborate on the requested revisions;
- The Settlement Agreement did not specifically address the proposed treatment;
- The rate riders for the Global Adjustment are a debit and the rate riders for the Other than Global Adjustment accounts are a credit;
- The dispositions of Group One account balances are subject to true-up in that any under or over recoveries are tracked for future disposition in any event.

Board staff believes there two choices available. The Board can accept St. Thomas's treatment on the basis that its adjustments are in keeping with the spirit and intent of the provisions of the originally approved rate rider; that being that the balances are to be disposed by 2014. In the alternative, the Board can leave the existing rate riders as they are, with the understanding that any under/over-recoveries will be addressed for disposition after 2014 as part of the true up mechanism related to the disposition of account 1595.

Tariff of Rate and Charges

Board staff has reviewed the tariff sheet which was included with the DRO. Board staff suggests some wording and format changes to make it more consistent with other tariff sheets. A copy of the tariff sheet with the aforementioned edits indicated is enclosed.

Please forward the attached to St. Thomas Energy Inc. and to all other registered parties to this proceeding.

Yours truly,

Richard Battista
Project Advisor – Applications & Regulatory Audit