

**Ontario Energy  
Board**  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**  
C.P. 2319  
27<sup>e</sup> étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY EMAIL**

January 17, 2012

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro Ottawa Limited  
Application for Rates  
Board File Number EB-2011-0054**

In accordance with the Board's decision dated December 28, 2011, attached are Board staff's comments on Hydro Ottawa Limited's draft rate order, filed on January 6, 2012.

Please forward the attached to Hydro Ottawa Limited and parties to this proceeding.

Yours truly,

*Original signed by*

Violet Binette  
Project Advisor, Applications & Regulatory Audit

# **2012 ELECTRICITY DISTRIBUTION RATES**

**Hydro Ottawa Limited**

**EB-2011-0054**

**STAFF SUBMISSION**

**DRAFT RATE ORDER**

**January 17, 2012**

## INTRODUCTION

Hydro Ottawa Limited (“Hydro Ottawa”) filed an application (the “Application”) on June 17, 2011, requesting an order or orders of the Board approving distribution rates and other charges effective January 1, 2012. The Application was updated on September 14, 2011.

On December 28, 2011, the Board issued its Decision and Order on Hydro Ottawa's application for 2012 electricity rates. The Decision required Hydro Ottawa to file its draft rate order (“DRO”) within seven business days of the issuance of the Decision. Hydro Ottawa filed its DRO and supporting documentation on January 6, 2012. Additional documentation was filed on January 16, 2012. The following are Board staff's comments regarding the DRO.

### **Sub-accounts of Account 1595**

In the additional documentation filed on January 16, 2012, Hydro Ottawa described 4 sub-accounts of Account 1595 that it requests be established.

Board staff has referred to Question 6 of the December 2010 Accounting Procedures Handbook FAQ. The answer states that, “Consistent with the approach used in prior years under Account 1595, Disposition and Recovery of Regulatory Balances Control Account, three “2010” sub-accounts of Account 1595 (outlined below) should be used to record the deferral and variance account balances approved for disposition in 2010.” To date, the Board has not issued communication on accounts for 2011, however, Board staff submits that a parallel approach is appropriate for 2011, and that the following accounts should be set up:

- Sub-account Principal Balances Approved for Disposition in 2011
- Sub-account Carrying Charges Approved for Disposition in 2011
- Sub-account Carrying Charges on 2011 Net Principal Account Balances

Board staff submits that if Hydro Ottawa is in agreement with the above, which is the Board's past practice, there is no need to address these accounts in an accounting order.

### **1575 IFRS-CGAAP Transitional PP&E Amounts**

In the Addendum to Report of the Board, *Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment*, the Board authorized the creation of a generic IFRS PP&E deferral account to record differences arising from the

transition from CGAAP to MIFRS. Board staff submits that there is no need to address this account in an accounting order.

In the additional documentation filed on January 16, 2012, Hydro Ottawa provided a summary of the recovery of this deferral account over a four year period. Board staff notes that the summary is identical to the data provided in the Application on September 14, 2011 at Exh J4-1-1 Attachment AZ, except that the units (\$000) are missing. As the Decision issued on December 28, 2011 found that the useful life for transformers should be 35 years instead of 30 years as applied for, Board staff submits that the amount added to the deferral account in 2011 and the amortization amount for each year from 2012 to 2015 should differ from the amounts noted in Attachment AZ (-\$123 k in 2011 and \$31k per year from 2012 to 2015). Further, Attachment AZ determines the effect on revenue requirement of including deferral account amortization on rebasing by applying a WACC of 6.95%, while the revised WACC is 6.70%. Board staff invites Hydro Ottawa to update the recovery of the deferral account and effect of the deferral account on the revenue requirement in its reply.

#### **1508 Other Regulatory Assets, Sub-account P&OPEB Deferral Account**

Hydro Ottawa provided a brief description of the sub-account Pension & Other Post Employment Benefits (“OPEB”) deferral account and an illustration of proposed accounting entries. Board staff notes that the description does not make reference to the settlement agreement and that further adjustments related to future valuations will be made in the deferral account. Board staff also notes that the description should include a provision that no carrying charges shall be recorded on this account as the liability recognized is a non-cash item.

Board staff submits that it is more appropriate to name the sub-account “1508, Other Regulatory Assets, Sub-account OPEB Deferral Account”.

- All of which is respectfully submitted -