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BY E-MAIL

April 27, 2012

Chris White
Erie Thames Powerlines Corporation
P.O. Box 157
143 Bell Street
Ingersoll ON N5H 3G3

Dear Mr. White:

**Re: Erie Thames Powerlines Corporation
Application for 2012 Rates
Board File Number EB-2012-0121**

This letter acknowledges receipt of Erie Thames Powerlines Corporation's (Erie Thames) 2012 cost of service application on April 13, 2012. The Ontario Energy Board (the Board) has assigned File Number EB-2012-0121 to this matter. Please refer to this file number in all future correspondence to the Board regarding this matter. All information related to this matter must be filed with the Board Secretary.

The Board has identified that certain sections of the evidence supporting the application do not comply with the Board's Filing Requirements¹ for 2012 cost of service applications and the associated applicable templates/models/workforms.

The missing or insufficient information identified includes the following:

1. **Deferred PILs (Acc. 1562):** The application does not include Erie Thames' proposal for disposition of account 1562. In its Decision issued on June 24, 2011 on the EB-2008-0381 Combined PILS proceeding, the Board indicated that a distributor that was not part of the proceeding will be expected to apply for final

¹ Chapter 3 of the *Filing Requirements for Transmission and Distribution Applications*, dated June 22, 2011 and subsequent Board communications.

disposition of Account 1562 with its next general rates application, either IRM or cost of service. Erie Thames states that it does not have the requisite details (for Clinton and West Perth) to comply and that it will address the matter in its next IRM proceeding. The Board continues to expect Erie Thames to deal with this matter in the current cost of service application.

2. **Bill Impacts:** The bill impact schedules included in the application do not conform to the bill impact templates that are found in the Revenue Requirement Workform and in Appendix 2-V of the Filing Requirements. Standard bill impact information is essential for the Notice of Application and a key element in consideration of rate mitigation alternatives.
3. **Smart Meters:** Erie Thames is requesting the continuation of a Smart Meter Rate Adder and is not proposing to dispose account 1555 - Smart Meter Capital and Recovery Offset Variance and account 1556 - Smart Meter OM&A Variance. In its "*Updates to Guideline G-2008-0002: Smart Meter Funding and Cost Recovery and Smart Meter Model*", issued on December 15, 2011, the Board provided filing instructions for the funding and the recovery of costs associated with smart meter activities conducted by Ontario electricity distributors. In accordance with the Guidelines, the Board has indicated that it expects that distributors, scheduled to file a cost of service application for 2012 distribution rates, would apply for the disposition of smart meter costs and subsequent inclusion in rate base. The Guidelines also indicate that a distributor that wishes to continue the Smart Meter Funding Adder (SMFA)² after April 30, 2012 could apply to do so, but would have to provide evidence to support its proposal. This would include documentation of where the distributor is with respect to its smart meter deployment program, and reasons as to why the distributor's circumstances are such that continuation of the SMFA is warranted. Erie Thames has not provided an explanation as to the circumstances which may warrant a continuation of the SMFA and subsequent delay in the disposition of smart meter related costs.
4. **Green Energy Plan:** Although Erie Thames requests that the Board approve the Green Energy Basic Plan filed with the Board pursuant to the deemed licence condition, no Green Energy Plan is included in the evidence.
5. **Cost of Capital:** The cost of capital rates for long term debt (deemed) reflected in the proposed Revenue Requirement are out-of-date. Although Erie Thames states that it is using the rates as set out in the Board's letter of March 2, 2012, the rates actually used in the calculations appear to be sourced from the Board's letter of November 10, 2011.

² In its Guidelines G-2008-0002, the Board revised the term "rate adder" to be "funding adder". This was to more clearly communicate that the adder is a tool designed to provide advance funding and thus to mitigate the anticipated rate impact of smart meter costs when recovery of those costs is approved by the Board.

6. Miscellaneous:

- i. The application does not include publication details for the Notice i.e. circulation numbers and whether it is a paid subscription or not.³
- ii. Erie Thames has not explained why it has not used modified IFRS based accounting to prepare its application, specifically why it has chosen not to address depreciation rates and its capitalization policy.⁴
- iii. Four Filing Requirement Schedules are missing (2-H Regulatory Cost Schedule, 2-Q Smart Meters, 2-R Standard Meter Treatment and 2-T Deferred PILs Account 1592) and two schedules do not conform to the associated Filing Requirement template (2-M Depreciation & Amortization Expense and 2-V bill impacts).
- iv. Editing deficiencies in at least one section where the evidence references a Tab but the exact location has been left blank, tables are un-numbered for identification i.e table 2-xx. This seriously impedes accurate and efficient referencing during discovery and examination of the evidence.

Accordingly, the Board considers your application to be incomplete and therefore will not be processed. The Board expects that Erie Thames will file an updated application as soon as possible, but no later than June 11, 2012.

Please direct any questions relating to this application to Richard Battista, Project Advisor at 416-544-5174 or Richard.Battista@ontarioenergyboard.ca.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary

³ See Filing Requirements p.14 par. 2.4.1

⁴ See Filing Requirements p.13 par. 2.3.5