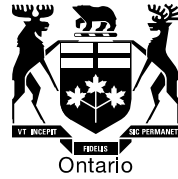


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**BY E-MAIL**

July 18, 2012

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

Dear Ms. Walli:

**Re: Cooperative Hydro Embrun Inc.  
Disposition of Account 1562 – Deferred PILs  
Board Staff Submission  
Board File No. EB-2012-0051**

In accordance with the Notice of Application and Hearing and Procedural Order No.1, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Cooperative Hydro Embrun Inc. and to all other registered parties to this proceeding.

In addition please advise Cooperative Hydro Embrun Inc. that its Reply Submission is due by August 9, 2012.

Yours truly,

*Original Signed By*

Suresh Advani

Encl.



**2012 ELECTRICITY DISTRIBUTION RATES**  
**Cooperative Hydro Embrun Inc.**  
**Application for Disposition of Account 1562 –**  
**Deferred Payments in Lieu of Taxes**

**EB-2012-0051**

**STAFF SUBMISSION**

**July 18, 2012**

**Cooperative Hydro Embrun Inc. (“CHEI”)**  
**EB-2012-0051**  
**Account 1562 – PILs Disposition**  
**Board staff submission**

**Background**

The PILs evidence filed by CHEI in this proceeding includes tax returns, financial statements, Excel models from prior applications, calculations of amounts recovered from customers, and SIMPIL<sup>1</sup> Excel worksheets and continuity schedules that show the principal and interest amounts in the Account 1562 deferred PILs balance requested for disposition. In pre-filed evidence, CHEI applied to refund to its customers a credit balance of \$23,225 consisting of a principal credit amount of \$19,125 and related credit carrying charges of \$4,100 calculated up to April 30, 2012.<sup>2</sup>

On July 3, 2012, CHEI updated its evidence in reply to interrogatories and requested to refund to its ratepayers \$42,538 consisting of a principal credit amount of \$32,937 and carrying charge credit amount of \$9,601 calculated up to April 30, 2012.<sup>3</sup>

CHEI has requested to refund the credit amount of \$42,538 over 21 months commencing August 1, 2012 and ending on April 30, 2014.<sup>4</sup>

**Submission**

Board staff submits that CHEI has correctly chosen the minimum income tax rates based on its specific tax facts.

Board staff submits that the interest true-up in the SIMPIL models has been calculated correctly by comparing the maximum deemed interest of \$54,592 to

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<sup>1</sup> Spreadsheet implementation model for payments-in-lieu of taxes

<sup>2</sup> EB-2012-0051/ Manager’s Summary dated February 7, 2012/ Exh.1/ Tab1/ Sch.1/ page 5.

<sup>3</sup> Responses to Board Staff Interrogatories/Letter dated July 3, 2012/ CHEI\_ED Disposition\_1562 Balance\_IRR\_20120703.xls Tab G1.1 Request for Disposition

<sup>4</sup> Responses to Board Staff interrogatories/ Letter dated July 3, 2012/ Page 2.

actual interest expense which is much lower than this amount in each year 2001 through 2005.

Board staff submits that the calculated amounts of PILs recovered from CHEI's ratepayers are reasonable.

Board staff submits that CHEI has followed the regulatory guidance and the Board's decisions in determining the recalculated amounts recorded in its Excel continuity worksheets for Account 1562 deferred PILs up to April 30, 2012.

Board staff supports the disposition of the credit principal balance of \$32,937 to be refunded to ratepayers over 21 months as requested by CHEI.

Board staff notes that CHEI provided rate riders based on the credit balance above as part of its response to Board staff interrogatories plus carrying charges to July 31, 2012. However, Board staff notes that the total of \$42,538 proposed for disposition reflects carrying charges to only April 30, 2012 and that the appropriate total to be disposed would be \$42,660 to account for carrying charges for the months of May, June and July.

While it is unlikely that the Board will be in a position to issue a final Decision in time to implement approved rate riders by August 1, 2012 as requested by CHEI, Board staff notes that any additional carrying charges for the month of August (as well as the additional carrying charges noted above for the period May 1 to July 31) are immaterial and submits that the total amount of \$42,538 be disposed starting September 1, 2012.

As an alternative, CHEI may wish to provide updated carrying charges and rate riders to August 31, 2012 as part of its reply submission.

In either alternative above, if the Board is inclined to approve the principal quantum agreed to by CHEI and Board staff, the Board would be in a position to issue a final rate order with the Decision, thus avoiding the need for a draft Rate Order phase.

All of which is respectfully submitted