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BY E-MAIL

July 27, 2012

Board Secretary
Ontario Energy Board
2300 Yonge Street, Ste. 2701
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro 2000 Inc.
2012 Distribution Rate Application
Comments on Draft Rate Order
Board File No. EB-2011-0326**

Please find attached Board staff's comments on draft Rate Order filed by Hydro 2000 Inc. on July 20, 2012.

Sincerely,

Original Signed By

Silvan Cheung
Advisor – Applications & Regulatory Audit

Encl.

Hydro 2000 Inc. (Hydro 2000)
2012 Cost of Service (EB-2011-0326)

Board Staff Comments on Draft Rate Order

On July 5, 2012, the Board issued its Decision on Hydro 2000's rate application. The Decision required the Applicant to submit its draft Rate Order (DRO) within seven days of the issuance of the Decision. The Applicant submitted its DRO and supporting documentation on July 20, 2012. Board staff submits that Hydro 2000 has appropriately reflected the Board's findings in all areas except the items noted below.

Stranded Meter Rate Rider

In Appendix H of the DRO, Hydro 2000 tries to re-calculate the Stranded Meter Rate Rider (SMRR) as per the Board's Decision. Board staff has identified three concerns.

First, in its reply submission, Hydro 2000 committed to recalculate the monthly fixed SMRRs based on the net book value by class. Staff notes that the revised SMRRs are calculated based on number of customers in each class. Staff submits that Hydro 2000 should re-calculate its SMRRs based on the net book value as indicated in Exhibit 2/ Tab 3/ Schedule 5/ page 5.

Second, Staff notes the SMRRs are calculated on an annual basis. Staff submits that the SMRRs should be re-calculated on a monthly basis since the fixed portion of rates on the Tariffs is based on a monthly charge.

The last concern is related to the expiry date for the SMRR. In Appendix A of the DRO, the Tariffs of Rates and Charges does not identify the expiry date for the SMRRs. Since the Board has approved the costs to be recovered over a 4 year period, Staff submits that the expiry date for the SMRRs should be June 30, 2016.

Smart Meter Disposition Rider

Board staff has identified three concerns.

First, Board staff notes that in Appendix I of the DRO, Hydro 2000 provides a revised calculation of the Smart Meter Disposition Riders (SMDR). Staff notes that the revised SMDRs are calculated on an annual basis. Staff submits that the SMDRs should be calculated on a monthly basis since the fixed portion of rates on the Tariff is based on a monthly charge.

Second, in its reply submission Hydro 2000 requested a 24 month SMDR. However, staff notes that in Appendix I of the DRO, the SMDR calculation is based on a 4 year period. The calculation of the SMDRs should be based on a 2 year period and the expiry date should be clearly identified on the Tariff of Rates and Charges.

Third, Board staff notes that the SMDR for the General Service > 50 kW is missing from the Tariff of Rates and Charges. Board staff submits that this should be included in the revised Tariff that Hydro 2000 files with the revised DRO.

Working Capital Allowance

In Appendix E of the DRO, Hydro 2000 provides the details of the pass-through charges. It appears to Board staff that the Low Voltage and Rural or Remote Rate Protection calculations are not based on updated rates. Since the calculations of these charges would impact the quantum of the working capital allowance, Board staff submits that Hydro 2000 should use the updated rates to calculate these charges and update the working capital allowance calculation accordingly.

Deferral and Variance Accounts

Board staff has identified three concerns.

First, in its DRO Hydro 2000 states that the balances for certain accounts provided during the course of the proceeding did not, inadvertently, include interest up to April 2012. The total balances for disposition should be a refund of \$156,629 instead of \$154,934 as approved by the Board in its Decision, which represents an additional \$1,695 refund to customers. Hydro 2000 states that the table compiled by Board staff in its submission showed the balances for accounts 1580, 1584, 1586 and 1588 excluding interest up to April 2012. However in

order to comply with the Decision which states that interest charges are forecasted to April 30, 2012, Hydro 2000 provided the revised balances. Board staff notes that the Board approved interest charges forecasted up to April 30, 2012, as such staff has no concerns with the revised balances.

Second, Board staff notes that in Appendix A of the DRO, the Tariff of Rates and Charges does not identify the expiry date for rate riders for Deferral and Variance accounts. Since the Board has approved a 2 year disposition period, staff submits that an expiry date for the rate riders of June 30, 2014 should be identified on the Tariff.

Third, Board staff notes that for the Residential and General Service < 50 kW classes, the rate riders for the Global Adjustment Sub-Account are presented to five decimal places. The Board's practice is to identify consumption-related rates to four decimal places unless otherwise directed by the Board. No such finding was made in the Decision and staff notes that a valid rate does get generated when calculated to four decimal places. Staff submits that these should be rounded to four decimal places.

Tariff of Rates and Charges

Board staff has identified three concerns.

First, Board staff notes that in Appendix A of the DRO, the Tariff of Rates and Charges has the Rural or Remote Rate Protection Charge for all the classes as \$0.0013/kWh. Staff notes that on December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) that established the Rural or Remote Electricity Rate Protection (RRRP) benefit and charge for 2012 as \$0.0011/kWh effective May 1, 2012. Staff submits that Hydro 2000 should adjust the RRRP for all the classes accordingly.

Second, Board staff notes that in Appendix A of the DRO, the Tariff of Rates and Charges has two Low Voltage rates for each class. It appears to Board staff that one set of the Low Voltage rates was originally proposed by Hydro 2000. And the other one was calculated based on the revised Low Voltage costs which the Board has approved. Board staff submits that Hydro 2000 should include the rate riders for Low Voltage as stated in the following table in Appendix A.

Rate Classes	Low Voltage rates
Residential	\$0.0054/kWh
GS < 50 kW	\$0.0052/kWh
GS > 50 to 4,999 kW	\$1.9417/kW
Unmetered Scattered Load	\$0.0052/kWh
Street Lighting	\$1.5010/kW

Third, Hydro 2000 provides the Total Loss Factor for Secondary Metered Customer in Appendix A of the DRO; however the Total Loss Factor for Primary Metered Customer is missing from the Tariff of Rates and Charges. Board staff submits that this should be included in Appendix A of the DRO.

Revenue Requirement Work Form (RRWF)

Board staff has identified three concerns.

First, Board staff notes that on Sheet “3.Data_Input_Sheet”, the long-term debt cost rate was not updated as per the Board’s Decision. Staff submits that the long-term debt cost rate should be 4.41%.

Second, Board staff notes that Hydro 2000 has input all the changes as per the Board Decision in column E of Sheet “3.Data_input_Sheet”, which should present the data as in the original application. Staff submits that Hydro 2000 should show the data of its original application in column E of Sheet “3.Data_Input_Sheet”. All the changes made to Hydro 2000’s original application should be input into cells on columns I or M. And finally all the changes as per the Board Decision should be input into cells on column Q or U.

Third, Staff observes that Sheet “10A. Bill Impacts – Residential” and “10B. Bill Impacts – GS_LT_50kW” have not been completed by Hydro 2000. Staff submits that Hydro 2000 should complete the worksheet accordingly.

- All of which is respectfully submitted -