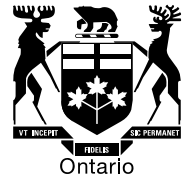


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BY EMAIL

November 13, 2012

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Waterloo North Hydro Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0172**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Waterloo North Hydro Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Waterloo North Hydro Inc.

EB-2012-0172

November 13, 2012

**Board Staff Submission
Waterloo North Hydro Inc.
2013 IRM3 Rate Application
EB-2012-0172**

Introduction

Waterloo North Hydro Inc. (“Waterloo North Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 13, 2012, seeking approval for changes to the distribution rates that Waterloo North Hydro charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Waterloo North Hydro.

Waterloo North Hydro completed the Tax-Savings Workform with the correct rates which reflects the Revenue Requirement Work Form from the Board’s cost of service decision in EB-2010-0144. Board staff has no concerns with the workform as filed.

In its interrogatory responses, Waterloo North Hydro provided explanations for why it chose to use its 2011 cost of service load (“COS”) forecast as opposed to its 2011 RRR 2.1.5 filings in its RTSR Workform. Waterloo North Hydro noted that use of the 2011 COS forecast will provide consistency between the data used in Sheet 6 of the Rate Generator Model and uses weather normalized data which is designed to remove the impact of abnormal or extreme weather conditions. An additional explanation was that use of the 2011 RRR 2.1.5 data would overstate the billing data in the General Service (GS) > 50 kW rate class if it was used in this filing as the Embedded Distributor rate class, which was established in Waterloo North Hydro’s 2011 COS, was included in the GS > 50 kW rate class for the period of January to April 2011¹.

Board staff has reviewed the explanations and submits that it has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Waterloo North Hydro. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board

¹ EB-2012-0172, Interrogatory Responses, Page 2

staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

Waterloo North Hydro completed the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Waterloo North's total Group 1 Deferral and Variance Account balances amount to a credit of \$1,870,615 which includes interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to a \$(0.0013) per kWh which exceeds the threshold, and as such, Waterloo North Hydro requested disposition of these accounts over a two year period.

Board staff has reviewed Waterloo North Hydro's Group 1 Deferral and Variance account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with Waterloo North Hydro's request to dispose of its 2011 Deferral and Variance Account balances at this time.

Waterloo North Hydro is requesting a two year disposition period in the repayment of its Group 1 accounts to protect its customers from rate shock that would occur if the entire balance was disposed during one rate year². If disposition occurred over one year, in the following year, when the rate riders cease, customers in all rate classes would experience a rate increase³. Board staff notes that while recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts over a one year period, in the past, the Board has made decisions which deviate from the EDDVAR Report if it deems it in the public interest to do so. As such, Board staff takes no issue with respect to the two year disposition period requested by Waterloo North Hydro for the purposes of rate stability.

All of which is respectfully submitted

² EB-2012-0172, Manager's Summary, Page 10

³ *Ibid*