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**BY EMAIL**

November 14, 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: Hydro 2000 Inc.  
2013 IRM Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2012-0133**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Hydro 2000 Inc.

In addition please remind Hydro 2000 Inc. that its Reply Submission is due by January 14, 2013.

Yours truly,

*Original Signed By*

Suresh Advani

Encl.



# **ONTARIO ENERGY BOARD**

## **BOARD STAFF SUBMISSION**

### **2013 ELECTRICITY DISTRIBUTION RATES**

Hydro 2000 Inc.

EB-2012-0133

November 14, 2012

**Board Staff Submission  
Hydro 2000 Inc.  
2013 IRM Rate Application  
EB-2012-0133**

**Introduction**

Hydro 2000 Inc. (“Hydro 2000”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 10, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Hydro 2000 charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 3<sup>rd</sup> Generation Incentive Regulation Mechanism.

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 Hydro 2000.

Board staff makes submissions on the following matters:

- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Retail Transmission Service Rates (“RTSR”) Adjustment Workform;
- Shared Tax Savings; and
- Adjustments to the Revenue-to-Cost Ratios.

**Review and Disposition of Group 1 Deferral and Variance Account Balances**

*Background*

The *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative* (the “EDDVAR Report”) provides that during the IRM plan term, the distributor’s Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. Debit balances are recoverable from customers whereas credit balances are amounts payable to customers.

### *Submission*

Hydro 2000 completed the Deferral and Variance Account continuity schedule<sup>1</sup> for its Group 1 Deferral and Variance Accounts. Hydro 2000's total Group 1 Deferral and Variance Account balances amount to a credit of \$11,771 which includes interest calculated to April 30, 2013. Based on the disposition threshold test, the Group 1 Deferral and Variance Account balances equate to \$0.0005 per kWh which does not exceed the threshold, and as such, Hydro 2000 did not request disposition of these account balances.

Board staff has reviewed Hydro 2000'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 Board's *Reporting and Record-keeping Requirements* ("RRR") 2.1.7 Trial Balance. Board staff also notes that the preset disposition threshold was not exceeded. Accordingly, Board staff has no issue with Hydro 2000's request not to dispose of its Group 1 2011 Deferral and Variance Account balances at this time.

## **RTSR Adjustment Workform**

### *Background*

Hydro 2000 requested an adjustment to its RTSRs, using the RTSR Workform provided by the Board to assist distributors in calculating their specific RTSR adjustments.

### *Submission*

Board staff has no concerns with the data supporting the updated RTSRs proposed by Hydro 2000. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that once any January 1, 2013 UTR adjustments are determined, Board staff will adjust Hydro 2000's 2013 RTSR Model and Rate Generator Model to incorporate these changes. Hydro 2000 will have an opportunity to comment on the accuracy of Board staff's updates as part of the draft Rate Order process.

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<sup>1</sup> Included in Tab 5 of the 2013 IRM Rate Generator Model.

## **Shared Tax Savings**

### *Background*

Hydro 2000 indicated that the calculated rate riders for all rate classes results in \$0.0000 when rounded to the fourth decimal place and stated that it is not requesting to dispose of shared tax savings in this proceeding.

### *Submission*

Hydro 2000 completed the Sharing of Tax Change Forecast Amounts included in the 2013 IRM Shared Tax Savings Model at Tab 5. Hydro 2000's Sharing of Tax Savings amount is \$0. Board staff has no issues with Hydro 2000's proposal.

## **Adjustments to the Revenue-to-Cost Ratios**

### *Background*

In order to implement the revenue-to-cost ratio adjustments reflected in the Board's 2012 Cost-of-Service Decision (EB-2011-0326), Hydro 2000 proposes to decrease the revenue-to-cost ratios for the GS < 50 kW and GS 50 to 4999 kW rate classes to 140% and 160% from 160% and 180% respectively. The re-balancing was applied to the Residential class resulting in an increase to the revenue-to-cost ratio from 85% to 89%. Revenue-to-cost ratios for the Unmetered Scattered Load and Street Lighting classes were maintained at 110% and 103% respectively.

### *Submission*

Board staff notes that the proposed (89%) revenue-to-cost ratio for the Residential class differs from the Board approved ratio (90%) in the 2012 Cost-of-Service Decision. The revenue-to-cost ratio model requires at least one rate class to be designated for re-balancing during the ratio adjustment process. Hydro 2000 adjusted the ratios of the GS < 50 kW and GS 50 to 4999 kW rate classes to 140% and 160% respectively and selected the Residential class for re-balancing which resulted in a ratio of 89%. Board

staff submits that the 1% difference is not material and therefore has no issues with Hydro 2000's proposal.

All of which is respectfully submitted.