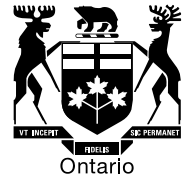


**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

November 21, 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: Brant County Power Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0108**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. Brant County Power Inc.

In addition please remind Brant County Power Inc. that its Reply Submission is due by December 6, 2012.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Brant County Power Inc.

EB-2012-0108

November 22, 2012

**Board Staff Submission
Brant County Power Inc.
2013 IRM3 Rate Application
EB-2012-0108**

Introduction

Brant County Power Inc. ("BCP") filed an application (the "Application") with the Ontario Energy Board (the "Board") on September 12, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that BCP charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2011 3rd 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 BCP.

BCP completed the Tax-Savings Workform with the correct rates which reflect the Revenue Requirement Work Form from the Board's cost of service decision in EB-2010-0125. Board staff has no concerns with the Tax-Savings Workform as filed.

In light of the corrections provided by BCP in response to Board staff interrogatory #3, Board staff has no concerns with the data supporting the RTSR Workform proposed by BCP. Pursuant to Guideline G-2008-0001, updated on June 22, 2011, Board staff notes that the Board will update the applicable data at the time of this Decision based on the updated Uniform Transmission Rates.

Board staff makes detailed submissions on the following matter:

- Disposition of Group 1 Deferral and Variance Account Balances.

Disposition of Group 1 Deferral and Variance Account Balances

Background

BCP's 2011 actual year-end balance for Group 1 accounts with interest projected to April 30, 2013 is a credit of \$943,109. This includes a debit balance of \$692,990 in the global adjustment sub-account of account 1588. The total Group 1 Deferral and

Variance account (“DVA”) amount results in a total credit claim of \$0.0034 per kWh, which exceeds the preset disposition threshold. BCP proposed to dispose of Group 1 DVA balances at this time by means of a variable rate rider to be in effect for two years. DVA amounts were assigned to each class on the basis of billed kWh.

In Board staff Interrogatory #1, Board staff noted that it was unable to reconcile the 2009 Group 1 DVA balances approved by the Board for disposition in BCP’s 2011 cost of service application (EB-2010-0125) with the balances indicated in BCP’s continuity schedule, as filed in the Application. Board staff also noted that the December 31, 2011 balance for account 1586, shown in the continuity schedule for BCP’s 2013 IRM Rate Generator Model, did not reconcile with BCP’s 4th quarter RRR filing 2.1.7.

In its interrogatory response, BCP noted that the table referenced by Board staff in the interrogatory was from the original evidence filed in support of the application. BCP noted that the approved settlement agreement used a 2010 date for disposition and not the 2009 balances, as provided in BCP’s original application. BCP noted that the final Board approved balances for disposition could be found in Appendix M of the settlement agreement for its 2011 cost of service application. BCP did not address why the December 31, 2011 balance for account 1586 did not reconcile with its 4th quarter RRR filing 2.1.7 in its interrogatory response.

In Board staff Interrogatory #5, Board staff requested the rationale for BCP’s proposal to dispose of Group 1 balances over a 2-year period, as well as estimated bill impacts for each class using a one-year period of disposition. In its response, BCP stated that its proposal resulted from the size of the refund to customers. BCP stated that it is trying to balance customer rate swings along with BCP’s cashflow. BCP provided the estimated bill impact using a one-year period of disposition for only the residential class. The bill impacts are summarized in the table below.

Period of disposition	Total Residential Bill Impact (\$)	Total Residential Bill Impact (%)
1 Year	\$ (5.04)	- 4.2%
2 Years	\$ (2.60)	- 2.2%

Submission

Board staff has reviewed the table in Appendix M of the approved settlement agreement from BCP's 2011 cost of service application outlining the DVA balances approved for disposition in that proceeding. While the principal balances approved by the Board for disposition reconcile with the values shown in the continuity schedule from BCP's 2013 IRM Rate Generator Model, the closing carrying charges do not. The inconsistencies are summarized in the table below.

Account Name	December 31, 2010 closing balance for interest	
	2013 IRM Rate Generator Model	Appendix M of approved settlement agreement (EB-2010-0125)
Account 1588 – Excluding Global Adjustment	\$ (25,580)	\$ (66,224)
Account 1588 – Global Adjustment Sub-Account	\$ 38,028	\$ 78,672

Additionally, Board staff submits that BCP did not address the inconsistencies between the December 31, 2011 closing balance of account 1586 shown in the continuity schedule and the value provided by BCP in its 4th quarter RRR filing 2.1.7. BCP's 4th quarter RRR filing 2.1.7 shows a combined principal and interest credit balance of \$207,341, as of December 31, 2011. BCP's continuity schedule shows a combined credit balance of \$210,041 in account 1586, as of December 31, 2011.

Board staff submits that BCP should address the inconsistencies noted above in its reply submission and that BCP re-file a continuity schedule that reconciles these inconsistencies.

Regarding BCP's proposal to refund the credit Group 1 DVA balance, Board staff is of the view that the Board should strike a balance between reducing intergenerational inequity and mitigating rate volatility. Board staff does not believe that the 4.2% decrease in the total bill for the residential class, indicated by BCP in response to Board staff Interrogatory #5, is sufficiently large to cause concern over rate volatility and submits that a one year period of disposition would be appropriate. Board staff notes that it is unable to comment on the overall bill impacts for all classes. Board staff

suggests that BCP provide the estimated total bill impacts for customers in all classes using a one-year period of disposition for Group 1 DVA balances in its reply submission.

Other than the exceptions noted above, Board staff notes that BCP's Group 1 DVA account balances as of December 31, 2011 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Subject to BCP's submission regarding the above noted inconsistencies, Board staff takes no issue with BCP's proposal to refund the amounts to customers through a variable rate rider as the preset disposition threshold of \$0.001 per kWh was exceeded. Additionally, Board staff takes no issue with BCP's method of allocating the Group 1 DVA amounts to each class based on billed kWh.

All of which is respectfully submitted