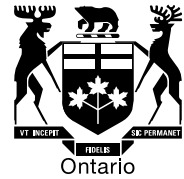


**Ontario Energy
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BY EMAIL

December 5, 2012

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

Dear Ms. Walli:

**Re: St. Thomas Energy Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0166**

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 St. Thomas Energy Inc. and to all other registered parties to this proceeding.

In addition please remind St. Thomas Energy Inc. that its Reply Submission is due by December 20, 2012.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

St. Thomas Energy Inc.

EB-2012-0166

December 5, 2012

**Board Staff Submission
St. Thomas Energy Inc.
2013 IRM3 Rate Application
EB-2012-0166**

Introduction

St. Thomas Energy Inc. ("STEI") filed an application (the "Application") with the Ontario Energy Board (the "Board") on September 26, 2012 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that STEI 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 STEI.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by STEI. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

STEI 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. STEI's total Group 1 Deferral and Variance Account balances as of December 31, 2011 amount to a debit of \$129,200 which includes interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0004 per kWh which does not exceed the threshold, and as such, STEI did not request disposition of these Accounts.

Board staff has reviewed STEI'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 not been exceeded. Accordingly, Board staff has no issue with STEI's request to not dispose of its 2011 Deferral and Variance Account balances at this time.

The Board's decision (EB-2010-0141) in STEI's last cost of service rate application prescribed a phase-in period to adjust the revenue-to-cost ratio for the Street Lighting and Sentinel Lighting rate classes towards the lower end of the target range in 2011 while the remaining amount would be addressed over 2012 and 2013. The additional revenue from these adjustments would be used to reduce the revenue-to-cost ratio of the Residential rate class. STEI's current application included adjustments to the revenue-to-cost ratios for the Street Lighting and Sentinel Lighting classes from 55.00% to 70.00% and 60.00% to 70.00% respectively, resulting in an adjustment to the revenue-to-cost ratio for the Residential class from 106.00% to 105.00%. Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2010-0141 decision and therefore Board staff has no issues with STEI's proposal.

All of which is respectfully submitted