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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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hearst Power Distribution Company Limited ("Hearst Power")
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0131**

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

As a reminder, Hearst Power's Reply Submission is due by December 20, 2012.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Hearst Power Distribution Company Limited

EB-2012-0131

December 5, 2012

**Board Staff Submission
Hearst Power Distribution Company Limited
2013 IRM3 Rate Application
EB-2012-0131**

Introduction

Hearst Power Distribution Company Limited (“Hearst Power”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on October 1, 2012 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Hearst Power 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 Hearst Power.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application models by Hearst Power. In response to Board staff interrogatories which requested either a confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the application, Hearst Power confirmed certain errors as described below and provided the necessary corrections to the models.

Hearst Power completed the Tax-Savings Workform with the correct rates which reflect the Revenue Requirement Work Form from the Board’s decision in Hearst’s cost of service proceeding (EB-2009-0266). Board staff has no concerns with the workform as filed.

Board staff also has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Hearst Power. 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 its Decision based on any available updated Uniform Transmission Rates.

Board staff makes submissions of the following matter:

- Review and Disposition of Group 1 Deferral and Variance Account Balances.

Review and Disposition of Group 1 Deferral and Variance Account Balances

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.

Hearst Power requested that the Board review and approve the disposition of its December 31, 2011 balances of Group 1 Deferral and Variance account balances, including interest as of April 30, 2013. The total balance of the Group 1 accounts provided by Hearst Power in its Application is a credit of \$699,492. In response to Board staff interrogatory #5a, Hearst Power revised this amount to a credit balance of \$89,804. This revised amount results in a total claim per kWh of (\$0.0012), which exceeds the preset disposition threshold.

Hearst Power proposed a one-year disposition period for its Group 1 account balances.

Submission

Board staff notes that the difference between the original Group 1 Account balance and the revised balance is \$609,688. In response to Board staff interrogatory #5a, Hearst Power explained that a revision to the continuity schedule was required since the amount approved for disposition in its 2012 IRM application (EB-2011-0171) was inadvertently not included in the continuity schedule. Board staff however notes that the amount approved for disposition in Hearst Power's 2012 IRM application was a credit of \$549,723. Board staff invites Hearst Power to explain in its reply submission the source of the residual difference of \$59,965 (i.e. \$609,688 - \$549,723). Depending on this explanation, the Board may want to consider if the balance should be disposed on an interim basis.

Board staff further notes that the principal balances to be disposed as of December 31, 2011 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements (“RRR”) and updated on August 17, 2012.

Board staff submits that Hearst Power’s proposed disposition period is consistent with the guidelines outlined in the EDDVAR Report.

All of which is respectfully submitted