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BY EMAIL

December 20, 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 Hawkesbury Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0134**

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

As a reminder, Hydro Hawkesbury Inc.'s Reply Submission is due by January 16, 2012.

Yours truly,

Original Signed By

Daniel Kim
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Hydro Hawkesbury Inc.

EB-2012-0134

December 20, 2012

**Board Staff Submission
Hydro Hawkesbury Inc.
2013 IRM3 Rate Application
EB-2012-0134**

Introduction

Hydro Hawkesbury Inc. ("Hydro Hawkesbury") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 5, 2012 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Hydro Hawkesbury 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 Hydro Hawkesbury.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the application models by Hydro Hawkesbury. In response to Board staff interrogatories which requested either confirmation that these discrepancies were errors or, an explanation supporting the validity of the original data filed with the Application, Hydro Hawkesbury confirmed that they were errors and provided the corrected data. Board staff will make the necessary corrections to Hydro Hawkesbury's models at the time of the Board's Decision and Order on the Application.

Board staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Hydro Hawkesbury. 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 the Board's Decision and Order based on any available updated Uniform Transmission Rates.

Board staff makes submissions on the Hydro Hawkesbury's disposition of Group 1 Deferral and Variance Account Balances as per the *Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report").

Disposition of Group 1 Deferral and Variance Account Balances as per the EDDVAR Report

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.

Hydro Hawkesbury 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. Hydro Hawkesbury's total Group 1 Deferral and Variance Account balances as of December 31, 2011 amount to a debit of \$704,040 which includes interest calculated to April 30, 2013. Based on the disposition threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0046 per kWh which exceeds the threshold. Hydro Hawkesbury requested disposition of these account balances over a one-year period.

Board staff has reviewed Hydro Hawkesbury's Group 1 Deferral and Variance Account balances and notes that the principal amounts to be disposed of as of December 31, 2011 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements. Board staff therefore submits that the amounts should be disposed of on a final basis. Board staff also submits that Hydro Hawkesbury's proposal for a one-year disposition period for its Group 1 Account balances is in accordance with the EDDVAR Report.

- All of which is respectfully submitted –