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Ontario

BY EMAIL

January 14, 2013

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: Norfolk Power Distribution Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0151

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

As a reminder, Norfolk Power Distribution Inc.'s Reply Submission is due by January 28, 2013

Yours truly,

Original Signed By

Marc Abramovitz
Advisor, Applications & Regulatory Audit

Encl.

ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Norfolk Power Distribution Inc.

EB-2012-0151

January 14, 2013

Board Staff Submission
Norfolk Power Distribution Inc.
2013 IRM3 Rate Application
EB-2012-0151

Introduction

Norfolk Power Distribution Inc. ("NPDI") filed an application (the "Application") with the Ontario Energy Board (the "Board") on October 12, 2012, seeking approval for changes to the distribution rates that NPDI charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 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 NPDI.

Board staff makes submissions on the following matters:

- Updated Tax-Savings Workform;
- Retail Transmission Service Rates ("RTSRs") and Embedded Distributor Class; and
- Group 1 Deferral and Variance Account Balances.

The Application and Submission

NPDI completed the Tax-Savings Workform. During the interrogatory phase, Board staff noted that the regulatory taxable income and resulting tax impact entered on Sheet #5 were not identical to the amounts approved by the Board in NPDI's 2012 cost of service case (EB-2011-0272). In its response to Board staff interrogatories, NPDI agreed with Board staff and updated the Tax-Savings Workform. Board staff has no concerns with the updated workform.

Board staff also has no concerns with the data supporting the updated RTSRs proposed by NPDI. 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.

Board staff notes that NPDI is requesting that the RTSR be removed for the Embedded Distributor class as they are no longer applicable. In its Application, NPDI notes that the five customers within this class have five primary meter points (“PMEs”), each owned by Hydro One. NPDI stated that subsequent to the approval of its 2012 rates, Hydro One clarified that as NPDI does not own the assets upstream of these PMEs, NPDI is not charged a transmission rate and therefore should not be charging Hydro One RTSRs. In response to Board staff interrogatories, NPDI confirmed that its wholesale invoice from the IESO does not include network and connection transmission charges for its embedded distributor class. As well, NPDI states that it does not anticipate any new embedded distributors or future changes to its PMEs that would impact rates.

Through interrogatories, Board staff questioned how NPDI proposes to deal with the disposition of account 1584 and 1586 balances for the Embedded Distributor class. In response, NPDI proposed to exclude the Embedded Distributor class from the disposition of account 1584 and 1586. NPDI has reallocated the total balance of these accounts to the other customers on the basis of kWh.

Board staff has no concerns with NPDI’s request to remove the RTSRs from the Embedded Distributor class as well as its proposal to deal with the disposition of accounts 1584 and 1586.

NPDI 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. NPDI’s total Group 1 Deferral and Variance Account balances as of December 31, 2011 amount to a credit of $632,932 which includes interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to a $0.0017 per kWh which exceeds the threshold, and as such, NPDI requested disposition of these account balances over a one year period.

Board staff has reviewed NPDI’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 been exceeded. Accordingly, Board staff has no issue with

NPDI's request to dispose of its 2011 Deferral and Variance Account balances over the requested one year period.

All of which is respectfully submitted