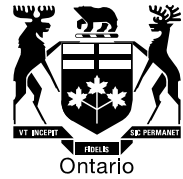


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BY EMAIL

March 6, 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: Ottawa River Power Corporation
2013 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0158**

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

In addition Board staff reminds Ottawa River Power Corporation that its Reply Submission is due by April 3, 2013.

Yours truly,

Original Signed By

Suresh Advani

Encl.



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Ottawa River Power Corporation

EB-2012-0158

March 6, 2013

**Board Staff Submission
Ottawa River Power Corporation
2013 IRM Rate Application
EB-2012-0158**

Introduction

Ottawa River Power Corporation (“ORPC”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”), received on January 8, 2013, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that ORPC charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 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 ORPC.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered into the Application models by ORPC. In response to Board staff interrogatories ORPC confirmed that these discrepancies were errors and provided the corrected data to input into the models. Board staff will make the necessary corrections to ORPC’s models at the time of the Board’s Decision and Order on the Application

Board staff makes submissions on the following matters:

- Revenue-to-cost ratio adjustments;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Tariff of Rates and Charges;
- Retail Transmission Service Rates (“RTSR”) Adjustment Workform; and
- Shared Tax Savings.

Revenue-to-Cost Ratio Adjustments

In order to implement the revenue-to-cost ratio adjustments reflected in the Board’s

2010 cost-of-service Decision (EB-2009-0165), ORPC proposed to increase the revenue-to-cost ratio for the Street Lighting rate class to 70% from 60%. The re-balancing was applied to the Residential class resulting in a decrease to the revenue-to-cost ratio from 108% to 107%.

Board staff submits that it has no issues with ORPC's proposal.

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.

ORPC requested that the Board review and approve the disposition of its Group 1 Account balances as of December 31, 2011 including interest as of April 30, 2013. The total balance of the Group 1 accounts provided by ORPC in its Application is a debit of \$269,225. This amount results in a total claim per kWh of \$0.00140, which exceeds the pre-set disposition threshold.

ORPC proposed a one-year disposition period for its Group 1 Account balances.

Board staff notes that the principal balances to be disposed as of December 31, 2011 reconcile with the amounts reported as part of the Board's *Reporting and Record-keeping Requirements* ("RRR") filing, with one exception, i.e. Account 1588 (RSVA Power Sub-account – Global Adjustment) which indicates a variance of \$878 between the RRR 2.1.7 Trial Balance and the closing principal and interest balance as of December 31, 2011.

Board staff submits that ORPC should charge this immaterial variance to non-utility expense. By charging this amount to non-utility expense, the variance between the amount in the RRR and the amount in the continuity schedule will be equal to zero. Therefore the variance will not occur in a future application.

Board staff also submits that the balances should be disposed of on a final basis.

With respect to the disposition period, Board staff notes that ORPC's proposed one-year disposition period is consistent with the guidelines outlined in the EDDVAR Report. However, as noted in Board staff interrogatory #1, the 2013 distribution rates proposed by ORPC amount to a monthly bill increase of \$17.35 or 18.78% for a residential customer using 800 kWh per month. Board staff further noted that ORPC's Application does not include a rate mitigation plan.

In response to that interrogatory, ORPC indicated that it did not consider any rate mitigation plan. ORPC further indicated that the primary cause for this increase is not the actual distribution rate but the termination of a deferral account rate rider (credit) resulting from ORPC's 2010 cost of service rate application that will cease on April 30, 2013.

ORPC further added that as this is a substantial rate increase, ORPC has put in place a plan to communicate the explanation for this increase to its customers.

Board staff recognizes that the bill impacts in this Application are high, however Board staff also notes that ORPC's customers benefitted from a shorter disposition period of amounts owing to them. Board staff submits that it would be useful to the Board if ORPC were to provide in its reply submission the bill impacts associated with a two, three and four-year disposition period for the Residential and the GS < 50 kW rate classes.

Tariff of Rates and Charges

Board staff notes that the 3rd paragraph in the "Application" section of ORPC's current tariff sheet for each rate class reads as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

In recent Tariffs of Rates and Charges approved by the Board in 2013 rate applications, the following generic wording has been included:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

While ORPC does not currently have a Wholesale Market Participant in its service area, the Board may wish to include this revised wording to ensure consistency in the generic wording used in the Tariff of Rates and Charges pertaining to all electricity distributors.

RTSR Adjustment Workform

ORPC requested an adjustment to its RTSRs, using the RTSR Workform provided by the Board to assist distributors in calculating their specific RTSR adjustments.

Board staff has no concerns with the data supporting the updated RTSRs proposed by ORPC. Board staff notes that it will adjust ORPC's 2013 RTSR Model and Rate Generator Model to incorporate the new Hydro One Sub-Transmission class RTSRs (EB-2012-0136) effective January 1, 2013. ORPC will have an opportunity to comment on the accuracy of Board staff's updates as part of the draft Rate Order process.

Board staff further notes from tab #5 of the RTSR model filed by ORPC that the transmission rates related to the transmission charges ORPC pays Brookfield Energy Management Inc. are unchanged from last year. Board staff requests ORPC to confirm if Board staff's understanding of this matter is correct.

Shared Tax Savings

ORPC completed the Sharing of Tax Change Forecast Amounts included in Tab 5 of the 2013 IRM Shared Tax Savings Model. The amount of tax savings to be returned to ratepayers is \$3,597. ORPC requested the disposition of the tax savings amount to an account specified by the Board as the amount is immaterial.

Board staff has no issues with ORPC's proposal.

All of which is respectfully submitted.