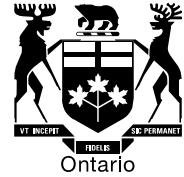


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BY EMAIL

November 21, 2013

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
kirsten.walli@ontarioenergyboard.ca

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Welland Hydro-Electric System Corp. ("Welland Hydro")
2014 Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0177**

In accordance with Procedural Order No. 1, please find attached Board staff's submission in the above noted proceeding. The applicant has been copied on this filing.

Welland Hydro's reply submission is due on December 10, 2013.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator – Applications & Regulatory Audit



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Welland Hydro-Electric System Corp.

EB-2013-0177

November 21, 2013

**Board Staff Submission
Welland Hydro-Electric System Corp.
2014 IRM4 Rate Application
EB-2013-0177**

Introduction

Welland Hydro-Electric System Corp. (“Welland Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 25, 2013, seeking approval for changes to the distribution rates that Welland Hydro charges for electricity distribution, to be effective May 1, 2014. The Application is based on the 2014 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 Welland Hydro.

Board staff has reviewed Welland Hydro’s 2014 IRM application and its responses to interrogatories and other than the submissions on the “Review and Disposition of Group 1 Deferral and Variance Account Balances” as, set out below, has no concerns with the application.

Review and Disposition of Group 1 Deferral and Variance Account Balances

Board staff notes that the Group 1 principal balances as of December 31, 2012 reconcile with the amounts reported by Welland Hydro as part of the *Reporting and Record-Keeping Requirements* (“RRR”).

Welland Hydro proposed a two-year disposition period for its Group 1 Account balances, citing as reasons the need to minimize rate volatility and reduce potential cash flow impacts.

Board staff notes that the Application is not consistent with the guidelines outlined in the *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Report* (the “EDDVAR Report”) with respect to the default disposition period for Group 1 Accounts (i.e. one year).

Board staff recognizes the value of the EDDVAR Report in guiding the Board in making its decisions with respect to the disposition of deferral and variance account balances. Board staff notes that in the past, the Board has also made decisions which deviate from the EDDVAR Report when the Board deemed it to be in the public interest to do so. For example, the Board has, on several occasions, approved a two-year disposition on the basis of striking a balance between reducing intergenerational inequity and mitigating rate volatility.

Board staff also notes that in the settlement agreement related to Welland Hydro's 2013 cost-of-service application (EB-2012-0173¹), all parties agreed to a disposition period of 24 months for the recovery of deferral and variance account balances.

Board staff submits that the two-year disposition period for its Group 1 Account balances requested by Welland Hydro is appropriate in this case because it strikes a reasonable balance between intergenerational inequity and rate volatility.

All of which is respectfully submitted

¹ <http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/383920/view/>