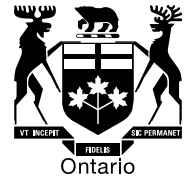


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BY EMAIL

December 20, 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: Entegrus Powerlines Inc. ("Entegrus")
2014 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0120**

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

Entegrus's reply Submission, if it intends to file one, is due by January 14, 2013.

Yours truly,

Original Signed By

Birgit Armstrong
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

Entegrus Powerlines Inc.

EB-2013-0120

December 20, 2013

**Board Staff Submission
Entegrus Powerlines Inc.
2014 IRM Distribution Rate Application
EB-2013-0120**

Introduction

Entegrus Powerlines Inc. (“Entegrus”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on September 27, 2013, seeking approval for changes to the rates that Entegrus 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 Entegrus.

By way of preliminary submissions on the various models and workforms filed with the Board, Board staff makes the following submission.

In response to Board staff interrogatories, Entegrus confirmed there were errors in the billing determinants filed and, provided the corrected data and updated models. Board staff has reviewed the updated models and takes no issue with the corrected data. Pursuant to the Board’s Guideline G-2008-0001, Board staff notes that the Board will also update the applicable data at the time of the Board’s Decision on the Application to reflect the Uniform Transmission Rates in place at that time.

Review and Disposition of Lost Revenue Adjustment Mechanism (“LRAM”) and Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)

The Board’s *Guidelines for Electricity Distributor Conservation and Demand Management* (the “CDM Guidelines”) issued on April 26, 2012 outline the information that is required when filing an application for LRAMVA.

Entegrus has requested the recovery of both an LRAM amount in relation to the persisting CDM savings from 2006-2010 CDM programs in 2011 and 2012, and an LRAMVA amount in relation to its CDM programs delivered in 2011 and 2012. Due to the timing of the merger between Middlesex Power Distribution Corp. (“Middlesex”) and

Chatham-Kent Hydro (“CKH”), which formed Entegrus, the requested lost revenues have been divided by past service territories. Board staff has sorted its submission based on the different components of Entegrus’ lost revenue claim.

LRAM Request

Middlesex - Strathroy, Mount Brydges & Parkhill (“SMP”)

Entegrus has requested the recovery of an LRAM amount of \$38,260, including carrying charges, in relation to its Middlesex – SMP CDM activities between 2006 to 2010 that produced persisting CDM savings in both 2011 and 2012.

Entegrus noted that its Middlesex - SMP base rates were last set effective May 1, 2006 in the former Middlesex cost of service application (EB-2005-0351). As none of the lost revenues included in Entegrus’ LRAM request were subject to any previous approvals and were not included in Middlesex’s last load forecast. Board staff submits that Entegrus is eligible to recover its full LRAM request of \$38,260, including carrying charges.

LRAMVA Requests

Entegrus has requested the disposition of its LRAMVA in two components, summarized in the table below:

LRAMVA Components	2011 & 2012 LRAMVA Amounts	Carrying Charges	TOTAL
Middlesex – SMP	\$13,519	\$263	\$13,782
Chatham-Kent	\$84,881	\$1,647	\$86,528
TOTAL	\$98,663	\$1,910	\$100,310

Entegrus noted that both Middlesex and Chatham-Kent’s last cost of service applications were filed in 2010 and did not account for any CDM savings from 2011-2014 CDM programs. Board staff submits that Entegrus has properly relied on the Board’s 2012 CDM Guidelines in preparing its LRAMVA request and supports the disposition of Entegrus’ total LRAMVA amount of \$100,310.

LRAM/LRAMVA Rate Riders

Board staff IR#8(b) requested that Entegrus provide separate LRAM and LRAMVA rate riders, isolated from the Group 1 DVA rate rider, which Entegrus provided.

Board staff submits that recovery of the requested LRAM and LRAMVA amounts be administered in different ways. This is due to the fact that the Board has authorized a formal account, Account 1568 – LRAMVA, for distributors to track and dispose of the lost revenues from CDM programs delivered between 2011-2014 in relation to the CDM Targets. Board staff notes that this issue was discussed in the Board's Accounting Procedures Handbook FAQs, July 2012. Question #14 states:

Q.14 What should be the accounting treatment for the tax sharing and the LRAM rate riders that were authorized in the distributor's rate order?

With respect to the LRAM rate riders approved for the pre-2011 CDM programs (i.e., prior to 2011 OPA-Contracted Province-Wide CDM Programs or 2011 Board-Approved CDM Programs), there was no Board-approved deferral or variance account (such as, Account 1568, LRAM Variance Account) authorized in which to record the LRAM amounts. There was also no required LRAM true-up procedure for these prior years. Distributors typically filed LRAM claims to recover LRAM amounts in applications and not through the disposition of LRAM balances recorded in a Board-approved deferral or variance account. Accordingly, the normal accounting treatment, as discussed above, using Accounts 1100 and 4080 should apply for recording the LRAM rate rider recoveries associated with the pre-2011 CDM programs.

Board staff submits that the disposition of the approved LRAMVA balances in Account 1568, comprising the accounting variances for 2011-2014 CDM programs, should be recorded in Account 1595, as originally requested by Entegrus.

However, Board staff submits that this procedure differs from the one used in relation to LRAM amounts for pre-2011 CDM, recovery of which Entegrus is seeking only with respect to Middlesex – SMP. Board staff submits that because the Board did not authorize a formal account for recovery of lost revenues from pre-2011 CDM activities, Entegrus should recover these lost revenues by way of a separate rate rider.

All of which is respectfully submitted