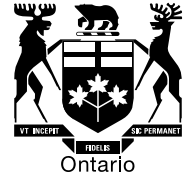


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BY EMAIL

January 10, 2014

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: PUC Distribution Inc. ("PUC")
2014 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2013-0167**

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.

PUC's reply Submission, if it intends to file one, is due by January 27, 2014.

Yours truly,

Original Signed By

Birgit Armstrong
Advisor, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2014 ELECTRICITY DISTRIBUTION RATES

PUC Distribution Inc.

EB-2013-0167

January 10, 2014

**Board Staff Submission
PUC Distribution Inc.
2014 IRM Distribution Rate Application
EB-2013-0167**

Introduction

PUC Distribution Inc. (“PUC”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 11, 2013, seeking approval for changes to the rates that PUC 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 PUC.

In the interrogatory phase, Board staff identified certain discrepancies in the data filed by PUC. In response to Board staff interrogatories, PUC confirmed that it had input some erroneous data into the Rate Generator model and requested that Board staff make the necessary corrections.

Rate Generator Model

PUC confirmed that there was an error in the data on sheet 6 of the Rate Generator model. PUC submitted that the distribution revenue entered did not include the transformer allowance credit of \$105,099 and updated its evidence. Board staff 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.

Deferral and Variance Accounts

PUC’s total Group 1 Deferral and Variance Account balances amount to a debit of \$2,058,392. The balance of Account 1589 – Global Adjustment is a debit of \$59,890, and is applicable only to Non-RPP customers. These balances also include interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1

Deferral and Variance Account balances equate to \$0.0029 per kWh which exceeds the threshold, and as such, PUC requested disposition of these Accounts over a one-year period.

Board staff has reviewed PUC's Group 1 Deferral and Variance Account balances and notes that the principal balances as of December 31, 2012 reconcile with the balances reported by PUC pursuant to the *Reporting and Record-Keeping Requirements*. Also, the preset disposition threshold has been exceeded. Accordingly, Board staff has no issue with PUC's request to dispose of its 2012 Deferral and Variance Account balances at this time over the requested one-year period.

Lost Revenue Adjustment Mechanism for Pre-2011 CDM Activities

Section 13.6 of 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 to recover LRAM amounts related to pre-CDM Code, or pre-2011, CDM Activities.

PUC has requested recovery of an LRAM amount of \$109,737 related to persisting CDM savings from 2005-2010 CDM programs in 2012. PUC rebased in 2013 and had an updated load forecast approved by the Board which includes a CDM component. PUC confirmed that this request for LRAM recovery related to pre-2011 CDM programs will be the last it is eligible for. Board staff submits that PUC has properly followed the Board's CDM Guidelines in its request and calculation of its LRAM amount. Board staff supports PUC's request to recovery its LRAM amount.

Review and Disposition of Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

Sections 13.2, 13.3 and 13.4 of the Board's CDM Guidelines outline the information that is required when filing an application to dispose of the LRAMVA – Account 1568.

PUC has requested to dispose of a total amount of \$81,484 in its LRAMVA – Account 1568 in relation to persisting 2011 CDM savings in 2012 and new 2012 CDM savings in 2012.

As noted above, PUC rebased and had an updated load forecast approved as part of its 2013 Cost of Service application. None of the lost revenues included in this Application

were subject to any previous approvals nor were they included in PUC's load forecast, therefore all lost revenues are eligible for recovery. Board staff submits that PUC has properly followed the Board's CDM Guidelines and supports PUC's request to dispose of its LRAMVA over a one-year period.

All of which is respectfully submitted