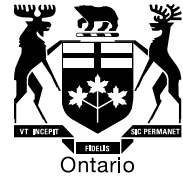


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BY E-MAIL

February 25, 2014

Board Secretary
Ontario Energy Board
2300 Yonge Street, Ste. 2701
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro Hawkesbury Inc.
2014 Distribution Rate Application
Comments on Draft Rate Order
Board File No. EB-2013-0139**

Please find attached Board staff's comments on draft Rate Order filed by Hydro Hawkesbury Inc. on February 18, 2014.

Sincerely,

Original Signed By

Silvan Cheung
Advisor – Electricity Rates & Accounting

Encl.

**Hydro Hawkesbury Inc. (Hydro Hawkesbury)
2014 Cost of Service (EB-2013-0139)**

Board Staff Comments on Draft Rate Order

On January 30, 2014, the Board issued its Decision on Hydro Hawkesbury's rate application. The Decision required Hydro Hawkesbury to submit its draft Rate Order (DRO) by February 13, 2014. Hydro Hawkesbury submitted its DRO and supporting documentation on February 18, 2014. The following are Board staff's comments regarding the DRO.

Taxes / Payments In Lieu of Taxes (PILs)

Hydro Hawkesbury provided the PILs work form (named "EB-2013-0139 HHI 2014 COS PILs Workform DRO Feb 18.2014.xlsm") supporting its PILs calculation. In Sheet A (Data Input Sheet) of the work form, the Rate Base amount of \$7,095,793 is used in the calculation. However, on page 7 of the Draft Rate Order, Hydro Hawkesbury indicates that the revised Rate Base should be \$6,386,201. Board staff submits that the Rate Base amount in the PILs work form and revenue requirement calculation should be updated accordingly.

Deferral and Variance Accounts

Hydro Hawkesbury provided its calculation of Deferral and Variance Rate Riders in Appendix F. It appears that the recovery of the Lost Revenue Adjustment Mechanism (LRAM) amount is included in the total balance of the "Rate Rider excluding Global Adjustment". Since the recovery of LRAM amounts are subject to different accounting treatment, the LRAM amounts should be recovered from a separate rate rider. Board staff submits that Hydro Hawkesbury should have a separate rate rider called "Rate Rider for Recovery of Lost Revenue Adjustment Mechanism (LRAM)" for its LRAM recovery. In addition, the kWh/kWs used to calculate all the rate riders should be updated to reflect the 10 month recovery period as per page 20 of the Board's Decision.

Draft Tariff of Rates and Charges

As part of its DRO, Hydro Hawkesbury filed the draft Tariff of Rates and Charges. Board staff notes that the Rate Riders for Recovery of Stranded Meter Assets were missing from the Tariff and the following rates for the following rate riders for the Residential class do not agree with rates shown in Appendix F of the DRO

- Rate Rider for Disposition of Deferral/Variance Account (2014)
- Rate Rider for Disposition of Global Adjustment Sub-Account (2014)
- Rate Rider Calculation for Accounts 1576

Furthermore, the Loss factors and Account set up charge have not been updated based on the Board's Decision. Board staff submits that Hydro Hawkesbury should make the above adjustments accordingly.

Bill Impacts

The Bill impacts calculation for individual rate classes are provided in Appendix B of the DRO. Board staff notes that the presentation format is not correct for the loss factor for both "Current Board Approved" and "Proposed" columns. The loss factors should be 4.46% and 5.41% respectively instead of 1.04% and 1.05%. Staff also notes that the Debt Retirement Charge is missing from the bill impact calculation. Staff submits that Hydro Hawkesbury should correct the format of the loss factors and include the Debt Retirement Charge to re-calculate its bill impact for its rate classes.

- All of which is respectfully submitted -