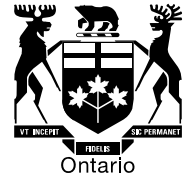


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BY EMAIL

December 8, 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: St. Thomas Energy Inc. ("St. Thomas Energy")
2015 Electricity Distribution Rate Application
Comments on Draft Rate Order
Board File No. EB-2014-0113**

In accordance with the Decision and Order, written comments by Board staff on St. Thomas Energy's draft rate order must be filed with the Board, and copied to all other parties, within 5 days of the filing of the draft Rate Order. St. Thomas Energy filed a draft Rate Order on December 2, 2014. Please find Board staff's comments attached to this letter.

Yours truly,

Original Signed By

Stephen Vetsis, Analyst, Electricity Rates and Prices

Cc: Parties to the EB-2014-0113 proceeding.

Encl.

St. Thomas Energy Inc. ("St. Thomas Energy")
2015 Cost of Service Rate Application
EB-2014-0113

Board Staff Comments on Draft Rate Order
December 8, 2014

Pursuant to the Decision and Order, St. Thomas Energy filed its draft Rate Order on December 2, 2014. The Decision and Order made provisions for comments by Board staff and intervenors within 5 days of the date of filing of the draft Rate Order. In Procedural Order No. 1, the Board granted intervenor status to the Energy Probe Research Foundation, the Vulnerable Energy Consumers Coalition and the School Energy Coalition.

Board staff has reviewed the Tariff of Rates and Charges, Excel models and calculations provided in St. Thomas Energy Inc.'s draft Rate Order and the documentation supporting the Settlement Proposal, filed on November 7, 2014, and believes that St. Thomas Energy has correctly reflected the Board's decision with exceptions noted below.

RTSR Workform

Board staff notes that billing determinants provided by St. Thomas Energy on sheet 4 of the RTSR Workform are the values from St. Thomas Energy's load forecast and not the most recent RRR billing determinants, as required by the RTSR Workform. Board staff submits that St. Thomas Energy should file an updated version of the RTSR model utilizing its most recent RRR billing determinants.

Revenue Reconciliation

As part of the draft Rate Order, St. Thomas Energy filed updated copies of the Chapter 2 Appendices. The revenue reconciliation in Appendix 2-V is reproduced below:

Appendix 2-V
Revenue Reconciliation

Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues at Proposed Rates	Class Specific Revenue Requirement	Transformer Allowance Credit	Total	Difference
		Start of Test Year	End of Test Year	Average	kWh	kW	Monthly Service Charge	Volumetric						
								kWh	kW					
Residential	Customers	14,973.00	15,120.00	15,046.50	121,139,467		\$ 15.07	\$ 0.0178		\$ 4,877,291.57	\$ 4,890,222		\$ 4,890,222	\$ 12,930
GS < 50 kW	Customers	1,728.00	1,737.00	1,732.50	40,919,528		\$ 24.61	\$ 0.0168		\$ 1,199,089.97	\$ 1,199,589	\$ 889	\$ 1,200,478	\$ 1,388
GS > 50 to 4,999 kW	Customers	143.00	144.00	143.50	117,249,967	299,044	\$ 81.43		\$ 3.6258	\$ 1,224,496.20	\$ 1,148,442	\$ 76,554	\$ 1,224,996	\$ 500
Streetlighting	Connections	4,918.00	4,918.00	4,918.00	3,138,334	8,685	\$ 3.79	\$ 0.0371		\$ 223,992.85	\$ 224,263		\$ 224,263	\$ 270
Sentinel Lighting	Connections	52.00	52.00	52.00	22,987	176	\$ 5.00		\$ 6.0141	\$ 4,178.48	\$ 4,182		\$ 4,182	\$ 4
				-						\$ -	\$ -		\$ -	\$ -
Total										\$ 7,529,049.07	\$ 7,466,698	\$ 77,443	\$ 7,544,141	\$ 15,092

Board staff notes that the revenue reconciliation has not been updated to reflect the proposed based rates presented on page 11 of the draft Rate Order. The kWh and kW billing determinants in Appendix 2-V do not reflect the CDM adjusted billing determinants and the "Average" column for customer/connection counts also does not reconcile to the billing determinants from St. Thomas Energy's settlement proposal.

Page 5 of Schedule 1 in Attachment 1 to Ex. 3/T. 1/Sch. 3 of the application indicated that forecasted customer counts were average values and not year-end values.

Board staff submits that St. Thomas Energy should provide an updated revenue reconciliation that reflects the parameters agreed to in the settlement proposal to show that the proposed base rates reconcile to the class revenue requirements arising from the cost allocation.

Similarly, St. Thomas Energy has not provided a derivation for the base rates shown on page 11 of the draft Rate Order. Board staff submits that St. Thomas Energy should provide a schedule showing the calculation of the proposed base rates.

microFIT Charge

On December 5, 2014, St. Thomas Energy filed a letter providing some additional background information for the proposed microFIT charge of \$10. St. Thomas Energy noted that the change had been agreed to by all parties but was not specifically noted in the Settlement Proposal. Energy Probe filed its comments on the draft Rate Order on December 8, 2014 supporting and agreeing with St. Thomas Energy.

Board staff notes that the increase of the microFit charge from \$5.40 to \$10 was proposed by the applicant for the first time at the technical conference. St. Thomas Energy noted that “the bill calculation is a very manual process and STEI [had] been in discussion with one of [their] service providers to automate the process. Cost for this service is \$10 per account per month which exceeds the recoverable amounts.” Board staff agrees that the change is reflected in the calculations, cost allocation and rate design supporting the settlement proposal.

Board staff notes that there is no evidence on the record that the individual customers were notified of this proposed change. However, Board staff notes that the majority of the microFIT customers reside in the Residential and GS < 50 kW classes which were largely represented in this proceeding by the approved intervenors. As such, Board staff has no concerns with the agreement between the parties to the settlement. Board staff also estimates that the total incremental cost would be in the neighbourhood of \$3000, a de minimis portion of the total revenue requirement.