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BY EMAIL

September 28, 2012

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Hydro Ottawa Limited
2013 IRM Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0138

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to Hydro Ottawa Limited.

In addition please remind Hydro Ottawa Limited that its Reply Submission is due by October 24, 2012.

Yours truly,

Original Signed By

Suresh Advani

Encl.

Ontario

ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Hydro Ottawa Limited

EB-2012-0138

September 28, 2012

Board Staff Submission
Hydro Ottawa Limited
2013 IRM Rate Application
EB-2012-0138

Introduction

Hydro Ottawa Limited ("Hydro Ottawa") filed an application (the "Application") with the Ontario Energy Board (the "Board"), received on August 3, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Hydro Ottawa charges for electricity distribution, to be effective January 1, 2013. The Application is based on the 3rd Generation Incentive Regulation Mechanism.

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 Hydro Ottawa.

Board staff makes submissions on the following matters:

- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Retail Transmission Service Rates ("RTSR") Adjustment Workform; and
- Shared Tax Savings.

Review and Disposition of Group 1 Deferral and Variance Account Balances

Background

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of $0.001 per kWh (debit or credit) is exceeded. Debit balances are recoverable from customers whereas credit balances are amounts payable to customers.

Hydro Ottawa requested that the Board review and approve the disposition of its

December 31, 2011 balances of Group 1 Deferral and Variance account balances, including interest as of December 31, 2012. The total balance of the Group 1 accounts provided by Hydro Ottawa in its Application is a credit of $22,512,311. In response to Board staff interrogatory #1, Hydro Ottawa revised this amount to a credit balance of $22,097,671. This amount results in a total claim per kWh of ($0.00290), which exceeds the preset disposition threshold.

Hydro Ottawa proposed a one-year disposition period for its Group 1 account balances.

Submission

<u>The Quantum</u>

Board staff notes that the principal balances to be disposed as of December 31, 2011 reconcile with the amounts reported as part of the Reporting and Record-keeping Requirements (“RRR”) and updated on August 17, 2012. Board staff further notes that the preset disposition threshold of $0.001 per kWh (credit) is exceeded. Board staff therefore submits that the balances should be disposed of on a final basis.

<u>Disposition Period</u>

Board staff notes that Hydro Ottawa’s application is consistent with the guidelines outlined in the EDDVAR Report with respect to the one-year default disposition period for Group 1 accounts.

Board staff recommends that a one-year disposition period be adopted for all of Hydro Ottawa’s Group 1 account balances.

RTSR Adjustment Workform

Background

Hydro Ottawa requested an adjustment to its RTSRs, using the RTSR Workform provided by the Board to assist distributors in calculating their specific RTSR adjustments.

Filing Sheet “4 RRR Data” of the RTSR Workform requires a distributor to enter the most recent RRR billing determinants (2011 kWh’s or billed kW’s) and to ensure the billing determinants are non-loss adjusted. The Board approved loss factor is then applied to the metered kWh’s to arrive at the billed values.

Hydro Ottawa applied a loss factor of 1.0344 which is the loss factor underpinning the 2011 test year. Board staff understands that Hydro Ottawa elected to apply the 2011 loss factor since it corresponds with the period used for the RRR billing determinants (i.e. 2011).

Board staff notes that the loss factor resulting from Hydro Ottawa’s most recent 2012 cost-of-service Decision (EB-2011-0054) is 1.0358. In response to Board staff interrogatory #2, Hydro Ottawa stated that the 1.0358 loss factor “refers to the loss factors for 2012 going forward”.

Submission

Board staff submits that the purpose of the RTSR Workform is to align a distributor’s wholesale electricity costs with the charges recovered from customers. The RTSR Workform uses a distributor’s historical wholesale costs and adjusts these costs once the new uniform transmission rates become available. The most recent historical load is used as a proxy for the test year costs. Board staff submits that Hydro Ottawa should use the most recent Board approved loss factor as it should be a better predictor of the wholesale costs and therefore a better proxy to re-calibrate RTSRs unless the Applicant can provide evidence that a change in circumstances will have a material impact on the loss factor going forward. No such evidence has been put forward in this case and as such Board staff submits that the loss factor of 1.0358 resulting from its most recent 2012 cost-of-service Decision should be used in the RTSR Workform.

Shared Tax Savings

Background

In its Application, Hydro Ottawa indicated that the amount of tax sharing to be collected from ratepayers is $71,279. In response to Board staff interrogatory #5, the amount was revised to $71,225.

In response to Board staff interrogatory #3 which asked Hydro Ottawa to explain how its position “no tax sharing is required” is consistent with the Board’s filing requirements, Hydro Ottawa demonstrated that calculated distribution volumetric kWh rate riders to be collected from customers in certain rate classes, when rounded to the fourth decimal place, is $0.0000. In addition, Hydro Ottawa cited Appendix C of the filing requirements[1], which states that:

> Occasionally, the calculated rate adders or rate riders for one or more rate classes may be negligible. In the event where the calculation of one or more rate adder or rate rider results in volumetric rate riders of $(0.0000) when rounded to the fourth decimal place, or are negligible, the entire Board-approved amount for recovery or refund shall be recorded in a USoA account to be determined by the Board for disposition in a future rate setting.

Further, Hydro Ottawa noted that “if directed, Hydro Ottawa will record the $71,225 to be recovered in a USoA account to be determined by the Board for disposition in a future rate setting, however in light of the fact that the amount is *de minimus*, we would prefer not do this”.

Submission

Board staff has no issues with Hydro Ottawa’s proposal to forgo the recovery of the tax sharing debit of $71,225.

All of which is respectfully submitted.

[1] http://www.ontarioenergyboard.ca/OEB/_Documents/Regulatory/Filing_Requirements_Tx_Dx_Applications_20120628.pdf