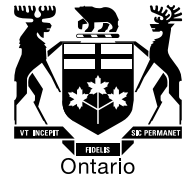


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BY EMAIL

December 14, 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: Orangeville Hydro Limited
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0155**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. This document is being forwarded to Orangeville Hydro Limited and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Orangeville Hydro Limited

EB-2012-0155

December 14, 2012

**Board Staff Submission
Orangeville Hydro Limited
2013 IRM3 Rate Application
EB-2012-0155**

Introduction

Orangeville Hydro Limited (“Orangeville Hydro”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 12, 2012, seeking approval for changes to the distribution rates that Orangeville Hydro charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 3rd Generation 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 Orangeville Hydro.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models by Orangeville Hydro. In response to Board staff interrogatories, which requested either a confirmation that these discrepancies were errors or an explanation supporting the validity of the original data filed with the Application, Orangeville Hydro confirmed that there were errors and provided the corrected data. Board staff will make the necessary corrections to Orangeville Hydro’s models at the time of the Board’s Decision on the Application.

In the interrogatory phase, Board staff noted that the network and transmission connection rates entered on tab 6 of the RTSR workform do not reconcile with the effective Hydro One Sub-Transmission rates. In response to Board staff interrogatories, Orangeville Hydro agreed and requested Board staff to update the workform. Board staff has no concerns with the corrected data supporting the updated Retail Transmission Service Rates provided by Orangeville Hydro. Pursuant to Guideline G-2008-0001, updated on June 28, 2012, Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

Board staff also noted that some of the figures entered on tab 3 of the Tax-Sharing workform do not reconcile with Orangeville Hydro’s current tariff of rates and charges. In response to Board staff interrogatories, Orangeville Hydro agreed and requested that

Board staff update the model. Board staff submits that, notwithstanding the minor errors to be corrected, Orangeville Hydro completed the Tax-Savings workform with the correct rates which reflects the Revenue Requirement workform from the Board's cost of service Decision in EB-2009-0274. Board staff has no concerns with the corrected workform.

Orangeville Hydro completed the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Orangeville Hydro's total Group 1 Deferral and Variance Account balances as at December 31, 2011 amount to a debit of \$64,578 which includes interest calculated to April 30, 2013. Based on the threshold test calculation, the Group 1 Deferral and Variance Account balances equate to \$0.0003 per kWh which does not exceed the threshold. Orangeville Hydro did not request disposition of these Accounts.

Board staff has reviewed Orangeville Hydro's Group 1 Deferral and Variance account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances reported as part of the *Reporting and Record-keeping Requirements*. Also, the preset disposition threshold has not been exceeded. Accordingly, Board staff agrees that disposition of Orangeville Hydro's 2011 Deferral and Variance Account balances is not warranted at this time.

The Board's Decision in Orangeville Hydro's last cost of service rate application (EB-2009-0272) prescribed a phase-in period to increase the revenue-to-cost ratio for Sentinel Lighting and Street Lighting classes. The additional revenues from these adjustments were to be used to reduce the revenue-to-cost ratio for the Residential rate class. Orangeville Hydro's current Application included adjustments to the revenue-to-cost ratios for the Street Lighting and Sentinel Lighting classes from 59.46% to 70.00% and 60.80% to 70.00% respectively, resulting in an adjustment to the revenue-to-cost ratio for the Residential class from 108.11% to 107.60%. Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2009-0272 Decision and therefore Board staff has no issues with Orangeville Hydro's proposal.

Board staff makes detailed submissions on the following matters:

Adjustment to Account 1521.

Adjustment to Account 1521

In its Manager's Summary, Orangeville Hydro noted that the balance in Account 1521 to the end of April 2012 was calculated as a credit balance of \$10,354.43. However, an error occurred in the calculation and the amount should have been a credit of \$854.41 (difference of \$9,528.93). Orangeville Hydro subsequently cleared the \$10,354.43 amount from Account 1521 to render the account balance to zero and adjusted Account 1595 Disposition & Recovery/Refund of Regulatory Balances, Sub-Account balances accordingly.

Board staff noted that in Orangeville Hydro's 2012 IRM decision (EB-2011-0190), the Board approved, on a final basis, Orangeville Hydro's request for the disposition of principal and interest balances in Account 1521 totalling \$10,354 over a one-year period. The Board directed Orangeville Hydro to close Account 1521 as of May 1, 2012. By way of interrogatories in this proceeding, Board staff requested that Orangeville explain how this initial overstatement occurred and to explain why Orangeville Hydro believes it is appropriate to make, what in Board staff's view, is a retroactive adjustment to Account 1521.

In response to Board staff interrogatories, Orangeville Hydro noted that "this initial overstatement was caused by an unbilled revenue calculation amounting to \$9,086.94 being included in the amount of \$64,281 recovered from customers in 2010. The unbilled revenue was not reversed in 2011 thus overstating the amount of revenue billed in 2011 by \$9,086.94¹".

Orangeville Hydro noted that it wanted to bring this matter to the attention of the Board. While Orangeville Hydro noted its awareness that it is not typical of the Board to make a retroactive adjustment, it is unsure how to handle the error.

Submission

Board staff agrees that the Board does not generally permit retroactive adjustments to an account balance approved for disposition on a final basis. In regards to a retroactive adjustment to account balances that had already been cleared through a final rate order for North Bay Hydro (EB-2009-0113), the Board stated as follows:

¹ EB-2012-0155, Interrogatory Responses, Page 5

“...However, once the rates, including any associated riders from the clearance of the RSVAs or any other account, have been determined to be final the Board has little, if any, power to alter these rates retroactively².”

That decision also noted the following:

“It is not rational to conclude that the Board’s desire to maintain the use of deferral accounts suggests that the final disposition of deferral accounts is anything less than final³.”

Accordingly, Board staff submits that if the Board accepted the adjustment for Account 1521, this adjustment would, in effect, vary the Board’s EB-2011-0190 decision. That decision disposed of the balance in Account 1521 on a final basis. Board staff notes that the deadline for filing a motion to review that decision has long passed.

As such, Board staff submits that for regulatory purposes, the charge to Orangeville Hydro should be recorded in the non-utility expense account so that this amount is not recorded and included as part of Orangeville Hydro’s rate-regulated activities.

All of which is respectfully submitted

² EB-2009-0113 North Bay Board Decision, September 9, 2009, Page 6

³ EB-2009-0113 North Bay Board Decision, September 9, 2009, Page 7