

## Board Staff Interrogatories

### 2010 IRM3 Electricity Distribution Rates Midland Power Utility Corporation (“Midland”) EB-2009-0236

**1. Ref: 2010 IRM Deferral Variance Account 2006 EDR LV**

In the 2006 EDR application Midland included \$284,777 in LV Allocation as a Rate Adder. In 2007 and 2008 the price cap adjustment (GDP-IPI – X) was 0.9% and 1.1% respectively. This would have increased the 2007 and 2008 LV Allocation to \$287,340 and \$290,501 respectively. In the 2010 IRM Deferral Variance Account Workform Midland has reported \$6,619, \$107,007 and \$189,596 for 2006, 2007 and 2008 additions for USoA 1550 LV Variance account.

DVAWF		2006 EDR	
Transactions (additions) during 2006/7/8, excluding interest and adjustments	Transactions (reductions) during 2006/7/8, excluding interest and adjustments	7-2 ALLOCATION - LV-Wheeling Cell L120	(GDP-IPI) - X
2006	\$ 6,619	\$ -	
2007	\$ 107,007	\$ 284,777	0.0%
2008	\$ 189,596	\$ 287,340	0.9%
		\$ 290,501	1.1%

- a) Please confirm that Midland has applied the 2006 EDR LV Allocation against Hydro One LV costs and that the balance shown in the Deferral Variance Account workform are net of the LV allocation and correct.
- b) If LV Allocation not applied or Account 1550 not correct please provide an explanation in respect to the accounting for the LV.

**2. Ref: 2010 IRM3Rate Generator – LV and 2010 IRM Deferral Variance Account**

Sheet “C3.1 Curr Low Voltage Vol Rt” of the 2010 IRM3Rate Generator are shown as below under the caption Rate Generator. The 2006 LV Allocation rate adder are shown in comparison from Sheet “8-2 RATES - LV-Wheeling” of the 2006 EDR.

Rate Generator		2006 EDR	
Rate Class	Rebased	Rate Class	LV Rate

LV			
Residential	0.0015	Regular	0.00017
General Service Less Than 50 kW	0.0013	Less than 50 kW	0.00016
General Service 50 to 4,999 kW	0.5012	Greater than 50 kW (to 3000 kW)	0.06238
Unmetered Scattered Load	0.0013	Sentinel Lighting	0.05679
Sentinel Lighting	0.3864	Street Lighting	0.05963
Street Lighting	0.3873		

- a) Please provide reference to the 2009 Cost of Service application that identifies the rate adders as shown under the Rate Generator.
- b) If the debit balances shown above in question 9 are correct then it would appear that Midland is under recovering LV charges. This is an observation only based on the comparison with 2006 EDR LV rate adders. Did Midland address or see this as an issue in the 2009 Cost of Service Application?

**3. Ref: 2010 IRM Deferral Variance Account 1588 -Power**

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Midland shows the split for account 1588 – Power and Global Adjustment. On October 15, 2009 the Board issued “Regulatory Audit and Accounting Bulletin 200901” which clarified the accounting rules for reporting the 1558 – Global Adjustment sub-account.

Account Description	Account Number	Total Claim
RSVA - Power (Excluding Global Adjustment)	1588	(376,435)
RSVA - Power (Global Adjustment Sub-account)		570,303

- a) Has Midland reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?
- b) Has Midland made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

**4. Ref: 2010 IRM Deferral Variance Account 1588 – Global Adjustment**

On November 13, 2009 Board Staff prepared a submission in the Enersource EB-2009-0193 2010 IRM3 Application. The following is an excerpt from the

submission in respect to Board staff concerns with the current proposal for handling the disposition of the USoA 1588 – Global Adjustment.

*The EDDVAR Report as well as the Board's Decision in EB-2009-0113 adopted an allocation of the GA sub-account balance based on kWh for non RPP customers by rate class. Traditionally this allocation would then be combined with all other allocated variance account balances by rate class. The combined balance by rate class would then be divided by the volumetric billing determinants (kWh or kW) from the most recent audited year end or Board approved forecast, if available. This process hence spreads the recovery or refund of allocated account balances to all customers in the affected rate class.*

*This method was factored on two premises; a) that the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole and b) that the distributors' billing systems would not be able to bill a subset of customers within a rate class, without placing a significant burden to the distributor.*

*For these reason the Board's original Deferral Variance Account workform was modelled on this basis. However based on Enersource's evidence, there could be material unfairness to RPP customers within the affected rate classes.*

*Therefore Board staff suggests that a separate rate rider be established to clear the GA sub-account balance to Non-RPP customers within rate classes.*

*What remains unclear to Board staff is whether Enersource's billing system could accommodate that change within a reasonable timeframe."*

Board staff would like to poll Midland on the above issue.

- a) Board staff is proposing that a separate disposition rate rider be applied prospectively to Non-RPP customers for 1588 – Global Adjustment. Does Midland agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Midland to provide such a rate rider, would Midland's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Midland see with this rate rider?
- c) If Midland were to be unable to bill in this fashion what would Midland consider proposing in the alternative?

**5. Ref: 2010 IRM Deferral Variance Billing Determinants**

Below are the billing determinants identified on Sheet "B1.3 Rate Class And Bill Det" of the workform.

Rate Class	Billed Customers or Connections	Billed kWh	Billed kW
	A	B	C
Residential	6,018	49,791,737	
General Service Less Than 50 kW	729	27,650,878	
General Service 50 to 4,999 kW	103	139,428,070	332,681
Unmetered Scattered Load	12	513,550	
Sentinel Lighting	22	15,948	44
Street Lighting	1,564	1,195,783	3,052

- a) Please identify if these values are from the Midland 2009 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2009 CoS application please provide reference to location in the application.
- c) If the above are from the 2008 RRR reported values, please explain why Midland has not used the 2009 CoS values.

**6. Ref: 2010 IRM Deferral Variance Billing Determinants**

Below are the Billed kWh for Non-RPP customers identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed kWh for Non-RPP customers D
Residential	809,838
General Service Less Than 50 kW	297,713
General Service 50 to 4,999 kW	10,744,743
Unmetered Scattered Load	0
Sentinel Lighting	0
Street Lighting	0

- a) Please identify if these values estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why Midland is unable to determine actual.
- c) As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would Midland support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Midland were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Midland believe that the rider be applied to customers in the MUSH sector? If not, would Midland have the billing capability to exclude customers in the MUSH sector if a separate rate rider were to apply for the disposition of the 1588 – Global adjustment sub-account?

**7. Ref: 2010 IRM Deferral Variance Total Claim**

Below are the Total Claim values for the EDDVAR Group One Deferral Accounts.

<b>Regulatory Assets - Continuity Schedule Final</b>		
<b>Account Description</b>	<b>Account Number</b>	<b>Total Claim N = E + M</b>
LV Variance Account	1550	191,837
RSVA - Wholesale Market Service Charge	1580	(115,014)
RSVA - Retail Transmission Network Charge	1584	119,425
RSVA - Retail Transmission Connection Charge	1586	(625,854)
RSVA - Power (Excluding Global Adjustment)	1588	(376,435)
RSVA - Power (Global Adjustment Sub-account)		570,303
Recovery of Regulatory Asset Balances	1590	(20,178)
Disposition and recovery of Regulatory Balances Account	1595	0
	Total	(255,915)

- a) Please complete the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009. Note that Board staff can assist in converting your most recent model (either the one filed with your application or a more recent version if available). Please contact your case manager to assist you if need be.
- b) Please confirm if these are the final balances for disposition. If not the final balances please provide amended workform to support final balances for disposition.
- c) Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.
- d) Please confirm that Midland has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Midland has used other practices in the calculation please explain where in the filing and why.

-7-

- e) Please confirm that Midland has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Midland has used other calculations please explain where in the filing and why.
- f) Please confirm that Midland has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Midland has not complied with this requirement please explain why not?

## **HST Interrogatory**

### **8. Harmonized Sales Tax**

It is possible that the PST and GST may be harmonized effective July 1, 2010. Unlike the GST, the PST is included as an OM&A expense and is also included in capital expenditures. If the GST and PST are harmonized, corporations would see a reduction in OM&A expenses and capital expenditures.

In the event that PST and GST are harmonized effective July 1, 2010:

- a. Would Midland agree to capture in a variance account the reductions in OM&A and capital expenditures?
- a. Are there other alternatives that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?