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BY E-MAIL

December 14, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Sioux Lookout Hydro Inc.
2010 IRM3 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0249**

In accordance with the Notice of Application and Written Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Sioux Lookout Hydro Inc. and to all other registered parties to this proceeding.

In addition please advise Sioux Lookout Hydro Inc. that responses to interrogatories are due by January 8, 2010

Yours truly,

Original Signed By

Martin Benum
Advisor – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Sioux Lookout Hydro Inc. (“Sioux Lookout”) EB-2009-0249

1. Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Sioux Lookout 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 |
|--|----------------|---------------------------------|
| | | I = C + D+ E + F + G + H |
| RSVA - Power (Excluding Global Adjustment) | 1588 | 120,943 |
| RSVA - Power (Global Adjustment Sub-account) | | 535,034 |

- a) Has Sioux Lookout 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 Sioux Lookout made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

2. 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

- 2 -

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 modeled 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 Sioux Lookout 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 Sioux Lookout agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Sioux Lookout to provide such a rate rider, would Sioux Lookout's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Sioux Lookout see with this rate rider?
- c) If Sioux Lookout were to be unable to bill in this fashion what would Sioux Lookout consider proposing in the alternative?

3. 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 | 2008 | | |
|---------------------------------|------------------------------------|------------|-----------|
| | Billed Customers or Connections | Billed kWh | Billed kW |
| | A | B | C |
| Residential | 2,302 | 33,587,664 | |
| General Service Less Than 50 kW | 392 | 15,187,392 | |
| General Service 50 to 4,999 kW | 40 | 27,443,928 | 75,100 |
| Unmetered Scattered Load | 12 | 38,942 | |
| Street Lighting | 532 | 494,167 | 1,445 |

- a) Please identify if these values are from the Sioux Lookout 2008 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2008 CoS values, please explain why Sioux Lookout has not used the 2008 RRR reported values.

4. 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 | 2,565,068 |
| General Service Less Than 50 kW | 111,207 |
| General Service 50 to 4,999 kW | 14,160,971 |
| Unmetered Scattered Load | 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 Sioux Lookout 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 Sioux Lookout support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Sioux Lookout were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Sioux Lookout believe that the rider be applied to customers in the MUSH sector? If not, would Sioux Lookout 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?

5. Ref: 2010 IRM Deferral Variance Total Claim

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

Regulatory Assets - Continuity Schedule Final

| Account Description | Account Number | Total Claim |
|---|--------------------------|--------------|
| Account Description | I = C + D+ E + F + G + H | |
| LV Variance Account | 1550 | 675,562 |
| RSVA - Wholesale Market Service Charge | 1580 | (12,279) |
| RSVA - Retail Transmission Network Charge | 1584 | (137,224) |
| RSVA - Retail Transmission Connection Charge | 1586 | (1,129,375) |
| RSVA - Power (Excluding Global Adjustment) | 1588 | 120,943 |
| RSVA - Power (Global Adjustment Sub-account) | | 535,034 |
| Recovery of Regulatory Asset Balances | 1590 | (301,404) |
| Disposition and recovery of Regulatory Balances Account | 1595 | 0 |
| Total | | (248,744) |

- 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 Sioux Lookout has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Sioux Lookout has used other practices in the calculation please explain where in the filing and why.
- e) Please confirm that Sioux Lookout has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Sioux Lookout has used other calculations please explain where in the filing and why.
- f) Please confirm that Sioux Lookout 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 Sioux Lookout has not complied with this requirement please explain why not?

6. Ref: Supplemental Module - Z-Factor Tax Changes

Sheet "F1.1 Z-Factor Tax Changes" of the supplemental module shows Grossed-Up Tax Amount as \$0 while the 2009 3GIRM Supplementary Filing Module sheet "F1.1 Z-Factor Tax Changes" shows Grossed-Up Income Taxes as \$55,473.

- a) Please review and advise of the correct amount.

7. Ref: Supplemental Module - Revenue Offsets Allocation

Sheet "C1.2 Revenue Offsets Allocation" of the supplemental module shows Informational Filing Revenue Offsets

| Rate Class | Informational Filing Revenue Offsets A |
|---------------------------------|--|
| Residential | 29,134 |
| General Service Less Than 50 kW | 9,544 |
| General Service 50 to 4,999 kW | 7,032 |
| Unmetered Scattered Load | 4,018 |
| Street Lighting | 502 |
| | 50,230 |

- a) Please provide reference to the 2008 Cost of Service application that identifies the above Informational Filing Revenue Offsets.

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