

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Horizon Utilities Corporation (“Horizon”) EB-2009-0228

1. 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 LV	Rate Class	LV Rate
Residential	0.000000	Regular	0.0001
General Service Less Than 50 kW	0.000000	Less than 50 kW	0.0001
General Service 50 to 4,999 kW	0.012100	Other > 50 kW (specify) .-> 50 (to 5000 kW)	0.0402
Large Use	0.014000	Large Use (> 5000 kW)	0.0484
Unmetered Scattered Load	0.000000	Unmetered Scattered Load	0.0001
Sentinel Lighting	0.009700	Sentinel Lighting	0.0416
Street Lighting	0.009500	Street Lighting	0.0337
Stand-By	0.000000	Back-up/Standby Power	0.0000

- a) Please provide reference to the 2009 Cost of Service application that identifies the rate adders as shown under the Rate Generator.

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

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Horizon 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 Number	Total Claim
Account Description		
RSVA - Power (Excluding Global Adjustment)	1588	(2,437,983)
RSVA - Power (Global Adjustment Sub-account)		1,185,010

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

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

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
Residential	274,511,606
General Service Less Than 50 kW	92,625,088
General Service 50 to 4,999 kW	1,583,387,112
Large Use	896,702,250
Unmetered Scattered Load	424,965
Street Lighting	30,455,544
Sentinel Lighting	23,555
Stand-By	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 Horizon 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 Horizon support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Horizon were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Horizon believe that the rider be applied to customers in the MUSH sector? If not, would Horizon 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 Number	Total Claim
Account Description		
LV Variance Account	1550	(779,387)
RSVA - Wholesale Market Service Charge	1580	(11,371,525)
RSVA - Retail Transmission Network Charge	1584	(6,696,448)
RSVA - Retail Transmission Connection Charge	1586	388,422
RSVA - Power (Excluding Global Adjustment)	1588	(2,437,983)
RSVA - Power (Global Adjustment Sub-account)		1,185,010
Recovery of Regulatory Asset Balances	1590	622,608
Disposition and recovery of Regulatory Balances Account	1595	0
Total		(19,089,304)

- 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 Horizon has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Horizon has used other practices in the calculation please explain where in the filing and why.

- e) Please confirm that Horizon has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Horizon has used other calculations please explain where in the filing and why.
- f) Please confirm that Horizon 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 Horizon has not complied with this requirement please explain why not?

6. 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	4,397,990
General Service Less Than 50 kW	1,201,468
General Service 50 to 4,999 kW	707,447
Large Use	128,622
Unmetered Scattered Load	291,497
Street Lighting	37,751
Sentinel Lighting	907
Stand-By	8,799
	6,774,481

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

7. 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 Horizon 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?