



Sent By E-Filing & Courier

January 8, 2010

Ontario Energy Board
Attention: Kirsten Walli, Board Secretary
2300 Yonge Street
27th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Rideau St. Lawrence Distribution Inc.
2010 3rd Generation
Incentive Rate Mechanism Adjustment Application
Ontario Energy Board File Number EB-2009-0248
Response to Board Staff Interrogatories**

Please find accompanying this letter two (2) copies of RSL's responses to the interrogatories submitted to the Board in respect to the above- captioned matter. In addition, electronic copies of the models are being provided together with our responses.

We have enclosed a CD containing this electronic media. A PDF version of these responses will, coincidentally with this written submission, be filed on the Board's RESS Filing System.

Yours very truly,

A handwritten signature in black ink, appearing to read 'John Walsh', is written over the 'Yours very truly,' text.

John Walsh, President/CEO
Rideau St. Lawrence Distribution Inc.
Phone: 613-925-3851
Fax: 613-925-0303
E-Mail: jwalsh@rslu.ca

Rideau St. Lawrence Distribution Inc.

**2010 IRM3 Electricity Distribution Rates
Rideau St. Lawrence Distribution Inc. ("Rideau St. Lawrence")
EB-2009-0248**

Question #1

Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Rideau St. Lawrence 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	910,856
RSVA - Power (Global Adjustment Sub-account)		(267,935)

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

RSL Response:

- a) Rideau has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009 and has adjusted the amounts reported in account 1588 –Power and the sub-account-Global Adjustment in accordance with the bulletin.

Account Description	Account Number	Balances Submitted Oct. 21/09	Balances for Final Disposition
RSVA - Power (Excluding Global Adjustment)	1588	910,856	470,618
RSVA - Power (Global Adjustment Sub-account)	1588	-267,935	183,181

- b) Rideau has made adjustments subsequent to its' filing of October 21- 2010 IRM3 application. Rideau will file in accordance with the Boards' December 7, 2009 –2010 IRM Process Update #4, 4. 1588 Global Adjustment Correction – Next Step instructions, and submit a revised version of the Deferral Variance Account workflow as part of it's' response to these interrogatories.

Question #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 rateclass. 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 workflow 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 Rideau St. Lawrence 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 Rideau St. Lawrence agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Rideau St. Lawrence to provide such a rate rider, would Rideau St. Lawrence's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Rideau St. Lawrence see with this rate rider?

- c) If Rideau St. Lawrence were to be unable to bill in this fashion what would it consider proposing in the alternative?

Response:

- a) In our view this approach theoretically may be fairer to customers. We do not have sufficient information to give an absolute opinion – but we understand that one of the contributing factors to the variance GA is the amount the LDC is charged for GA and the rate that the LDC is directed to use for billing of the GA. Any variance due to a difference in these rates would be more appropriately shared by all customers. Other factors also contribute to the GA variance including the estimating processes used to proportion the GA charge. We do have a concern that the variance in this account has occurred over a number of years and the application to the current customers may not be fair depending on the effective date of such a rate rider and a customers' status at that instant.

There are too many factors that contribute to the variance GA to strictly assign the variance to either RPP or non-RPP customers and for that reason we would advocate that the variance be cleared amongst all customers.

- b) Rideau has been informed by our software supplier that establishing a separate rate rider for the disposition of the GA variance account could be done. We expect that the setting up of billing parameters would be somewhat complex and not without new costs.
- c) In the event that Rideau is not able to bill a further rate rider we would suggest that the rate riders be applicable to all customers in each class regardless of the RPP designation.

Question # 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	Billed Customers or Connections	Billed kWh	Billed kW
Residential	4,966	44,465,236	
General Service Less Than 50 kW	779	21,119,955	
General Service 50 to 4,999 kW	66	44,381,852	124,007
Unmetered Scattered Load	48	323,685	0
Sentinel Lighting	65	100,161	278
Street Lighting	1,643	1,394,217	3,782

- a) Please identify if these values are from the Rideau St. Lawrence 2008 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2008 CoS values, please explain why Rideau St. Lawrence has not used the 2009 RRR reported values.

Response:

- a) The values above are from Rideau’s actual 2008 figures as of December 31, 2008 as reported in our RRR filing.
- b) N/A see response to a) above.

Question #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	5,853,577
General Service Less Than 50 kW	2,695,823
General Service 50 to 4,999 kW	37,674,816
Unmetered Scattered Load	350
Sentinel Lighting	12,695
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 Rideau St. Lawrence is unable to determine actual.
- c) As discussed in question 3 above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would Rideau St. Lawrence support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Rideau St. Lawrence were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Rideau St. Lawrence believe that the rider be applied to customers in the MUSH sector? If not, would Rideau St. Lawrence 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?

Response:

- a) These are the actual billed values including losses, for the January 1 thru December 31, 2008 period.
- b) N/A see response to a) above.
- c) If directed to develop a non-RPP rate rider for the disposal of the GA variance account, RSL would support the use of the above numbers for the determination of that rate.
- d) If a separate rate rider were to be developed to dispose of the balance of the 1588 Global Adjustment variance Rideau would not favour the inclusion of the MUSH sector for that rate rider, provided that the MUSH account had not opted out of the RPP. Rideau believes that it could not exclude those MUSH customers from the rate rider

calculation without a further complex set of billing determinates being developed, tested and put into production.

Question # 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	127,316
RSVA - Wholesale Market Service Charge	1580	(249,174)
RSVA - Retail Transmission Network Charge	1584	(109,319)
RSVA - Retail Transmission Connection Charge	1586	(115,070)
RSVA - Power (Excluding Global Adjustment)	1588	910,856
RSVA - Power (Global Adjustment Sub-account)		(267,935)
Recovery of Regulatory Asset Balances	1590	(95,558)
Disposition and recovery of Regulatory Balances Account	1595	0
Total		201,115

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

Response:

- a) The amended Deferral Variance Account Workform V4 dated December 7, 2009 has been completed and forms in part Rideau's response to these IR's.

Account Description	<u>Account Number</u>	<u>Balances Submitted Oct. 21/09</u>	<u>Balances for Final Disposition</u>
LV Variance Account	1550	127,316	127,444
RSVA - Wholesale Market Service Charge	1580	-249,174	-249,355
RSVA - Retail Transmission Network Charge	1584	-109,319	-109,360
RSVA - Retail Transmission Connection Charge	1586	-115,070	-123,519
RSVA - Power (Excluding Global Adjustment)	1588	910,856	470,618
RSVA - Power (Global Adjustment Sub-account)	1588	-267,935	183,181
Recovery of Regulatory Asset Balances	1590	-95,558	-95,124
Disposition and recovery of Regulatory Balances Account	1595	201,115	203,885

- b) The revised values presented above are the final balances for disposition. The amounts included the D&VA workform for 2008 year end reconcile to the revised 2008 RRR filing. The adjustments have been made to the RRR and refilled coincident with this submission.
- c) The balances reported above are consistent with our revised 2008 year end account balances as reported in revised RRR filings.
- d) Rideau confirms that to the best of its knowledge it has complied with and has correctly applied the Board's accounting policy and procedures for the calculation of the final disposition balance.
- e) Rideau confirms that it has used the simple interest calculation as required by the Board using the Boards' prescribed interest rates.
- f) Rideau confirms that it applied recoveries to the principle first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009.

Question # 6

Ref : Rate Generator – Revenue Cost Ratio Adjustment

Sheet "D1.2 Revenue Cost Ratio Adj" of the Rate Generator has no values entered, while sheet "C1.10 Adjust To Proposed Rates" of the supplemental module shows values.

- a) Did Rideau St. Lawrence have any reason not to enter values in the rate Generator?
Please explain.

Response:

- a) Rideau did not enter the values in the rate generator as Rideau previously correctly calculated the effects of the low voltage and transformer allowance on the cost to revenue ratios. If Rideau had complete to Sheet "D1.2 revenue Cost ratio Adj" the ratios would have been incorrectly adjusted a second time. The values in Sheet C1.10 were calculated and populated by the model.

Question #7

Ref: Supplemental Module - Z-Factor Tax Changes

Sheet "F1.1 Z-Factor Tax Changes" of the supplemental module shows Grossed-Up Tax Amount as \$31,807 while the 2009 Supplemental Module sheet "F1.1 Z-Factor Tax Changes" shows Grossed-Up Income Taxes as \$25,124.

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

Response:

- a) The correct amount is \$25,124.

Question #8

HST Interrogatory

Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010.

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 Rideau St. Lawrence 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?

Response:

- a) Rideau will comply with the Boards direction as it relates to the HST.
- b) Rideau would submit that the amount of this potential reduction in OM & A and capital expenditure spending may be less than the current materiality limit. Rideau would suggest the Board consider that the appropriate timing to reflect the effect of the HST would be at the time of rebasing. This approach would be consistent with the Board's

approach to addressing certain other major factors only at rebasing time, such as the timing of the implementation of the recent Cost of Capital Decision. Early indications regarding the implementation of the HST are that the taxation measures appear to be phased in and are also dependant on the sales volumes of companies. As the implementation of the HST unfolds it may change substantially and for that reason it is difficult to provide an absolute opinion. This economic adjustment is typical of many changes an LDC is faced with year over year that are not in their control.