

Board Staff Interrogatories
2009 Incentive Regulation Mechanism Rate Application
Norfolk Power Distribution Inc.
EB-2008-0201

Revenue Requirement

Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet B3.1

1. Cell G75 shows that your 2008 revenue requirement was \$11,449,926. The draft 2008 rate order filing (re: EB-2007-0753) on page 13 shows a 2008 revenue requirement of \$11,539,379. Staff also notes that the difference between this number and the information provided in the IRM model is before taking into account the low voltage charges and transformer allowance.

Please reconcile these two figures, providing a full explanation for any differences.

Response:

Norfolk Power reconciled the figures between the draft 2008 rate order filing (re: EB-2007-0753) on page 13 showing a 2008 revenue requirement of \$11,539,379 and the 2008 EDR Model showing a service revenue requirement of \$11,450,749 for rate setting purposes. As shown in Table 1.1, the difference of \$88,630 reflects the adjustments to the 2008 revenue requirement for revenue offsets of (\$464,000), Low Voltage Charges of \$252,864 and Transformer Allowance of \$122,506.

Table 1.1

	Per 2008 EDR Model	
<u>Return on Rate Base</u>	\$3,462,114	
<u>Distribution Expenses</u>		
OM&A Expenses	\$4,339,137	
Amortization	2,754,090	
Ontario Capital Tax (F1.1 Z-Factor Tax Changes)	74,592	
Grossed Up PILs (F1.1 Z-Factor Tax Changes)	909,446	
Low Voltage	0	
Transformer Allowance	0	
	<u>\$8,077,265</u>	
Service Revenue Requirement	<u>\$11,539,379</u>	
<u>Less: Revenue Offsets</u>	(\$464,000)	
Revenue Requirement from Distribution Rates	\$11,075,379	
<u>Add: Revenue Adjustments</u>		
Low Voltage	\$252,864	
Transformer Allowance	122,506	
	<u>\$375,370</u>	
Service Revenue Requirement	<u><u>\$11,450,749</u></u>	
	Per 2008 EDR Model	<u>Difference</u>
Base Service Revenue Requirement	\$11,539,379	
Revenue Offsets ^{NB 1}	(464,000)	
Low Voltage	252,864	
Transformer Allowance	122,506	
Service Revenue Requirement	<u>\$11,450,749</u>	
		(\$88,630)
<u>NB 1 - Revenue Offsets are made up as follows:</u>		
Rent from Electric Property	(\$10,000)	
Late Payment Charges	(101,500)	
Miscellaneous Service Revenues	(243,800)	
Miscellaneous Non-Operating Income	(58,700)	
Interest & Dividend Income	(50,000)	
	<u>(\$464,000)</u>	

Rural or Remote Electricity Rate Protection (“RRRP”)

2. By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: “Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009.”

If Norfolk Power Distribution Inc. has not done so, please file the required addition to the evidence as outlined in the December 17th letter.

Response:

Please see the attached letter and evidence.

January 12, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
Attn: Ms. Kirsten Walli
Board Secretary

**Norfolk Power Distribution Inc.
2009 Incentive Regulation Mechanism (IRM) Rate Application
Rural or Remote Electricity Rate Protection
OEB File No. EB-2008-0201**

Dear Ms. Walli

Attached is a copy of the announcement issued by the Ontario Energy Board concerning a change in Rural or Remote Electricity Rate Protection ("RRRP") charged to distributors by the IESO from the current \$0.0010/kWh to \$0.0013/kWh, effective May 1, 2009.

As a result, please accept this letter as a formal request to revise the RRRP charge for Norfolk Power Distribution Inc. to \$0.0013/kWh in the Proposed Rates and Tariff sheet filed under EB-2008-0201.

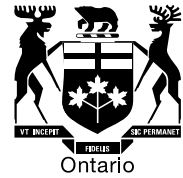
Yours truly,



Alvin E. Allim
Manager of Finance

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December 17, 2008

To: All Licensed Electricity Distributors and Retailers

Re: Rural or Remote Electricity Rate Protection

Ontario Regulation 442/01, Rural or Remote Electricity Rate Protection ("RRRP") (made under the *Ontario Energy Board Act, 1998*) requires the Ontario Energy Board (the "Board") to calculate the amount to be charged by the Independent Electricity System Operator ("IESO") with respect to the RRRP for each kilowatt-hour of electricity that is withdrawn from the IESO-controlled grid.

Amount to be charged by the IESO for RRRP

Based on the demand forecast provided by the IESO, the Board has determined that the amount to be charged by the IESO with respect to the RRRP shall remain at the current level of 0.1 cents per kilowatt-hour effective January 1, 2009. Effective May 1, 2009, the IESO's RRRP charge shall be 0.13 cents per kilowatt-hour.

Amount to be Charged by Distributors and Retailers for RRRP

Effective January 1, 2009, the RRRP charge shall remain at the current level of 0.1 cents per kilowatt-hour.

Effective May 1, 2009, the RRRP charge shall be 0.13 cents per kilowatt-hour.

After May 1, 2009 the RRRP charge shall remain at 0.13 cents per kilowatt-hour until such time as the Board revises it.

Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009.

Where a distributor does not have a rate application before the Board, the distributor shall make an application to the Board to alter the RRRP charge in its tariff sheet effective May 1, 2009 to 0.13 cents per kilowatt-hour.

In the collection of this amount from customers, the customer's metered energy consumption shall be adjusted by the Total Loss Factor as approved by the Board.

The Board wishes to remind all distributors and retailers that in accordance with subsection 5(6) of the Regulation:

A distributor or retailer who bills a consumer for electricity shall aggregate the amount that the consumer is required to contribute to the compensation required by subsection 79(3) of the Act with the wholesale market service rate described in the Electricity Distribution Rate Handbook issued by the Board, as it read on October 31, 2001.

Yours Truly,

Original Signed By

Kirsten Walli
Board Secretary