

VECC Interrogatory Requests
2009 Incentive Regulation Mechanism Rate Application
Norfolk Power Distribution Inc.
EB-2008-0201

Question #1

a) Please reconcile the differences in revenue by customer class as reported in Table 5 (page 6) of the Application and Tab C2.1 (Column E) of the Supplementary Model.

Response:

Please see Table 1.1 below:

Table 1.1

	A	B	C	D	E
	As per Table 5	Transformer Allowance	Low Voltage Charges	Total of A + B + C	Tab C2.1 from 3GIRM
Residential	\$6,999,229	\$0	\$105,067	\$7,104,296	\$7,086,489
GS < 50 kW	\$2,106,142	\$0	\$41,097	\$2,147,239	\$2,147,442
GS > 50 kW	\$1,828,666	\$122,506	\$104,498	\$2,055,669	\$2,052,053
Street Lighting	\$99,602	\$0	\$1,873	\$101,475	\$112,581
Sentinel Lighting	\$21,275	\$0	\$69	\$21,344	\$27,757
USL	\$20,465	\$0	\$261	\$20,726	\$22,413
TOTAL	\$11,075,379	\$122,506	\$252,864	\$11,450,749	\$11,448,736

The amount shown in Column D is consistent with the Service Revenue Requirement outlined in Table 1.1 of response to OEB Staff IR No. 1. The difference between Column D & E is \$2,013 or 0.02% and represents the difference between rounded rates used to generate Column E and non-rounded rates which would generate the revenue in Column D. As per the 3GIRM model Tab B3.1, this is acceptable given the margin of error is less than 1%.

b) With respect to Tab B3.1 (Supplementary Filing Model), please confirm that the OEB Cost Allocation Model included the cost of the Transformer Ownership Allowance in the Base Revenue Requirement and allocated it to all customer classes.

Response:

It is assumed the question refers to Tab C1.1 (Supplementary Filing Model). In Tab C1.1, the information from the OEB Cost Allocation Model assumed the cost of the Transformer Ownership Allowance was allocated to all customer classes.

c) Please confirm that in its 2008 Rate Order Norfolk excluded the cost of the transformer ownership allowance from the base revenue requirement allocated to all customer classes based on its proposed revenue to cost ratios and assigned the cost of the Transformer Ownership Allowance only to the GS>50 class.

Response:

As explained in Norfolk Power's 2008 Rate Application and confirmed through the interrogatory process Norfolk assigned the cost of the Transformer Ownership Allowance only to the GS>50 class.

d) Given the price cap adjustment is applied to the all rates, why shouldn't it also be applied to the transformer ownership allowance for 2009?

Response:

The Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated July 14, 2008, page 49 states:

"Also, consistent with practice to date in Ontario, the index will not be applied to specific service charges. The Board carried out a generic review on specific service charges in 2005, and is currently carrying out further related consultations in respect of the provision of specific services and the application of associated charges (consultation EB-2007-0722). Until this work is complete, the Board expects distributors to continue to use the currently established specific service charges and to deal with the need for new specific service charges outside of the IR rate adjustment."

In previous price cap adjustments, it is Norfolk Power's understanding that the transformation ownership allowance was treated in a manner similar to specific service charges and expects this practice to continue for 2009.