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BY E-MAIL

August 28, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Dutton Hydro Limited
Distribution Rate Application
Board File No. EB-2009-0177**

Pursuant to Procedural Order No. 1, please find enclosed Board Staff's interrogatories.

Yours truly,

Original Signed By

Violet Binette
Project Advisor, Applications & Regulatory Audit

**Middlesex Power Distribution Corporation
Electricity Distribution Rates
Dutton Hydro Limited**

EB-2009-0177

Board Staff Interrogatories

Please re-run the model(s) as necessary to reflect the cumulative effect of potential changes identified in these interrogatories, together with any other changes you identify, and submit an electronic copy of the model(s) to the Board in conjunction with your interrogatory responses. Please state which revisions, if any, resulting from interrogatories are adopted by you as a revision to your application.

The application is comprised of 2006 cost of service and 2nd generation IRM adjustments for 2007, 2008 and 2009. Some interrogatories seek clarification on the timeframe that the information represents.

1. Ref: Tab 1, Page 3 and 4 (as revised June 29, 2009)
Ref: Response to Board Staff Interrogatory 3(e) – EB-2008-0332 (as filed on January 9, 2009)

The impact of the application on the total bill for a 1,000 kWh residential customer is listed as 33.3%, and for a 2,000 kWh general service customer is 31.5%. Board Staff interrogatory 3 for the MAADs proceeding, EB-2008-0332, related to rate rebasing for Dutton Hydro. The applicant's response listed total bill impacts of 13.13% for a typical residential customer and 10.65% for a typical general service customer. Please define the typical residential customer and typical general service customer used in the EB-2008-0332 analysis. If a typical residential customer is 1,000 kWh and a typical general service customer is 2,000 kWh, please explain why the bill impacts reported for EB-2008-0332 differ so significantly from the current application.

2. Ref: Tab 2, Page 1

The pre-filed evidence states that the current rate schedule is provided in Schedule 2-4, however, Schedule 2-4 was not provided.

- a) Please provide the complete listing of rates and charges applied in 2004 as a stand alone document.
- b) Are there any differences between the 2004 rates and those approved in the Board's last decision? If yes, please note the differences and provide an explanation.
- c) Are the rates currently in effect different from those applied in 2004? If yes, please provide the rates and an explanation.

- d) The record for the MAADs case, EB-2008-0332, notes that Dutton Hydro's rates have not been adjusted since 2001. The Mitigation Rate Plan as filed for EB-2009-0177 states that Dutton Hydro has applied for a rate change for the first time in approximately 5 years. Please clarify this inconsistency.

3. Ref: Tab 2, Schedule 2-1

The table notes that Dutton Hydro serves 597 customers. Is this representative of 2009?

4. Ref: Tab 2, Schedule 2-2

The application notes that the transaction to acquire Dutton Hydro was completed on May 1, 2009 and that Dutton Hydro would be amalgamated into Middlesex Power by the end of June 2009. Has the amalgamation been completed?

5. Ref: Tab 3, Page 2 and Schedule 3-1

The applicant seeks a Tier 1 non-routine distribution expense adjustment related to Electrical Safety Authority fees of \$3,500. Please confirm that there are no routine expenses related to the ESA.

6. Ref: Tab 3, Page 2 and Schedule 3-2

The applicant seeks a Tier 1 rate base adjustment. The applicant states that a number of poles need to be replaced for safety and reliability reasons at a cost of \$40,000. Please provide the number of poles affected, the percentage of total poles this represents, and documentation to support the need to replace poles. Similarly, please provide information to support the \$8,500 cost related to PCB testing.

7. Ref: Tab 5, Page 1

The application states:

DHL in the original rate application to the OEB requested and obtained approval for a return on equity (ROE) of 9.88%. The OEB had approved DHL to implement the rate increase over a three year period. The Provincial Government had passed legislation to freeze all LDCs rates.

DHL has been very concerned about the increased costs to the customers due to the significant changes in the deregulated electricity industry and therefore have not implemented the full rate changes. DHL has not been able to earn an ROE close to the maximum allowed and in most years since deregulation have experienced a net loss.

- a) Please clarify what is meant by the original rate application. Please provide the Board file number.
- b) Please provide documentation relating to the implementation of the rate increase over a three year period.
- c) The application states that Dutton Hydro has not implemented full rate changes from a previous decision. Please provide a list of the rate changes that have not been implemented.

8. Ref: Tab 5, Schedule 5-1
Ref: 2002, 2003 and 2004 Audited Financial Statements

The application states that Dutton Hydro **currently** does not have any debt.

- a) Does the statement apply for 2004 as well?
- b) The applicant reports that it has, in most years, experienced a net loss. Please explain how Dutton Hydro financed its operations.
- c) The audited financial statements include a note about contingent liability, "Dutton Hydro Limited has provided a letter of credit in the amount of \$150,000 in favour of Enwin Utilities Ltd. in accordance with a credit support agreement dated September 18, 2002." What is the status of this credit support agreement?

9. Ref: Tab 3 Schedule 3-1 page 1
Ref: Tab 6, Page 1
Ref: 2006 EDR Model Sheet 2-2
Ref: 2002, 2003 and 2004 Audited Financial Statements
Ref: Tab 6 Schedule 6-10

- a) Tab 3 states that there are no employees. Tab 6 page 1 states that Schedule 6-4 related to employee compensation is not provided as it does not apply. Is this a reference to current operations as well as past operations? Were there employees in 2004 and prior?
- b) Sheet 2-2 of the 2006 EDR Model lists the following:

Account Number	Account Description	2002 Total	2003 Total	2004 Total
5605	Executive Salaries and Expenses	3750	3,750.00	3750
5610	Management Salaries and Expenses	6952.53	0.00	0.00
5615	General Administrative Salaries and Expenses	21921.71	18,828.64	20999.84

The Audited Financial Statement Notes for 2002, 2003 and 2004 provide an explanation for "Related Party Transactions and Balances". Please advise if the "Purchase of labour" from Dutton/Dunwich is related to the expenses listed in Sheet 2-2 of the 2006 EDR Model. If not, please provide clarification.

- c) Tab 6 Schedule 6-10 states that, "DHL **will** outsource some management, finance, billing and settlement services to CK US. All detailed billing and collecting is done by staff at MPDC. All outside line work is done by MPDC." It is

not clear when CK US and MPDC started to provide services to Dutton Hydro. Further, in the documents filed on June 29, 2009, the applicant stated that, "Dutton Hydro Limited has outsourced its operational activities. Enwin Utilities has provided Dutton the billing service up until 2007 where the contract was awarded to Chatham-Kent Utility Services. The maintenance and line work were performed by the Village of Dutton." Please clarify the parties responsible for management, finance, billing, settlement and operations for each year since 2002. Please provide the costs of the service for each year.

10. Ref: Tab 7 Schedule 7-1

Ref: Documentation filed June 29, 2009

Ref: 2004 Audited Financial Statement

Tab 7 of the application states that, "DHL does have loss carry forwards the amount is being verified by Ministry of Finance, in this application there will be no payment-in-lieu of taxes ("PILs") incorporated in the revenue requirement to reflect the loss carry forwards."

The documentation filed on June 29, 2009 states that, "DHL does have loss carry forwards which are greater than the target net income found on Schedule 4-1 (2006 EDR Model). We are in the process of verifying the amount by the Ministry of Finance. We are estimating the PIL's to be nil therefore, we have not filed the Tax model."

The 2004 audited financial statement notes that, "No recognition has been made in the accounts for possible tax reductions in future years resulting from tax losses carried forward in the amount of \$59,250, expiring in 2014."

- a) When does the applicant expect the Ministry of Finance to complete its verification?
- b) How does the applicant propose to address these tax loss carry forwards in future rate years? Note that section 7.2.3 of the 2006 Electricity Distribution Rate Handbook states that, "A distributor expecting to have any loss carry-forwards still available on December 31, 2005 must disclose the amount of those loss carry-forwards in the 2006 application, and apply them in full to reduce the taxable income calculated in the 2006 regulatory tax calculation. These amounts are to be entered in the 2006 OEB Tax Model."

11. Ref: 2006 EDR Model, Sheet ADJ 3

- a) Please explain why the \$800 annual licensing fee from the OEB is not included in the "OEB Annual Dues and Other Regulatory Agency Costs."
- b) Please provide a breakdown of other regulatory costs including the Board's cost assessment and the costs of mounting this application. Has the applicant

provided for these costs in the current application? If yes, please provide the reference.

12. Ref: 2006 EDR Model, Sheet 8-7 (Total LF of 1.05 for 2005, seeking 1.095 for 2006)

Ref: Dutton Application Model Revised OEB Rate Generator – 20090625, Sheet N3.1

Ref: Tab 10 Schedule 10-5 (filed June 29, 2009)

a) Historical Total Loss Factor

Sheet 9-1 of the 2006 EDR Model indicates that the 2005 total loss factor was 1.05. Sheet N3.1 of the Rate Generator Model indicates that the current total loss factor is 1.0662. Please provide the total loss factors and supporting data as per schedule 10-5 of the 2006 Electricity Distribution Rate Handbook for each year from 2002 to 2006 inclusive.

b) Proposed Total Loss Factor

Schedule 10-5 provides data related to total loss factor calculations for 2007 and 2008. The applicant proposes a supply loss factor of 1.034, a distribution loss factor of 1.0611 and a total loss factor of 1.0951. The application states that, "DHL has not done any upgrades to the Distribution System for several years. The plan for DHL is to make the necessary investments to improve the distribution system and a reduction in line losses is one of the objectives."

Please provide a more comprehensive listing of work planned to reduce the total loss factor. Please note that a detailed loss factor mitigation plan was required by the 2006 EDR Handbook for distribution loss factors greater than 5%.

13. Ref: Tab 10 Schedule 10-7

The application notes low voltage charges of \$15,000.

a) Please provide the supporting calculations for the amount of \$15,000, including rates and volumes.

b) Please confirm whether these low voltage charges are incremental to existing charges.

14. Ref: Regulatory Asset Model, filed June 11 and June 29, 2009

The regulatory asset model filed on June 11, 2009 summarized principal and interest in the format and for the timeframes typical for 2006 cost of service applications.

The regulatory asset model filed on June 29, 2009 has updated the data to reflect changes in interest. The ending timeframe has been changed from April 20, 2006 to October 31, 2009.

a) Please provide the interest rates applicable for October 2009.

- b) For the deferral and variance accounts listed in the Regulatory Asset Model filed on June 29, 2009, please complete the attached continuity schedule for regulatory assets. Please determine rate riders assuming recovery of December 31, 2008 balances with interest as of January 1, 2010.

15. Ref: Mitigation Plan, filed June 11 and June 29, 2009

- a) The mitigation plan states that Dutton Hydro “having some of the lowest rates in the province has made it difficult for DHL to earn a reasonable profit.” What time frame does this statement refer to? Please provide references to support this statement. Is one of the applicant’s references the Board’s 2009 Estimated Bill Impacts Summary?
http://www.oeb.gov.on.ca/OEB/Documents/2009EDR/bill_impacts_2009.pdf
- b) The mitigation plan proposes to defer the recovery of low voltage charges, regulatory assets, smart meter adder, and adjustments to retail transmission service rates. It appears that the plan is to defer recovery to future applications. Please provide a more detailed timeline, along with estimates of bill impacts.

16. Ref: 2006 EDR Model, Sheet 5-2

Ref: Dutton Application Model Revised OEB Rate Generator – 20090625, Sheet P2.1 and Sheet P3.1

Please clarify the current specific service charges and the proposed specific service charges. For example, sheet 5-2 of the 2006 EDR Model notes that arrears certificates are not applicable, while sheet P2.1 of the Rate Generator Model indicates that the current charge is \$10.70.