

## Board Staff Interrogatories

### 2010 IRM3 Electricity Distribution Rates Niagara-on-the-Lake Hydro Inc. ("NOTL") EB-2009-0237

#### 1. Ref: 2010 IRM Deferral Variance Account 2006 EDR LV

In the 2006 EDR application NOTL included \$29,450 in LV Allocation as a Rate Adder. In 2007 and 2008 the price cap adjustment (GDP-IPI – X) was 0.9% and 1.1% respectively. This would have increased the 2007 and 2008 LV Allocation to \$29,715 and \$30,041 respectively. In the 2010 IRM Deferral Variance Account Workform NOTL has reported \$18,773, \$32 and \$0 for 2006, 2007 and 2008 additions for USoA 1550 LV Variance account.

DVAWF		2006 EDR	
Transactions (additions) during 2006/7/8, excluding interest and adjustments	Transactions (reductions) during 2006/7/8, excluding interest and adjustments	7-2 ALLOCATION - LV-Wheeling Cell L120	(GDP-IPI) - X
2006 \$ 18,773	\$ -	\$ 29,450	0.0%
2007 \$ 32	\$ -	\$ 29,715	0.9%
2008 \$ -	\$ -	\$ 30,041	1.1%

- a) Please confirm that NOTL has applied the 2006 EDR LV Allocation against Hydro One LV costs and that the balance shown in the Deferral Variance Account workform are net of the LV allocation and correct.
- b) If LV Allocation not applied or Account 1550 not correct please provide an explanation in respect to the accounting for the LV

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

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by NOTL 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.

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	C	D	E	U	V
			Account Number		Total Claim
22					
23	Account Description				I = C + D+ E + F + G + H
24					
30					
31	RSVA - Power (Excluding Global Adjustment)		1588		388,950
32	RSVA - Power (Global Adjustment Sub-account)				140,305

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

#### 4. 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	2008		
	Billed Customers		
	Billed Customers or Connections	Billed kWh	Billed kW
	A	B	C
Residential	6,584	66,607,551	
General Service Less Than 50 kW	1,209	34,497,593	
General Service 50 to 4,999 kW	123	80,852,618	208,072
Unmetered Scattered Load	32	302,169	
Street Lighting	1,953	1,086,069	2,900

- a) Please identify if these values are from the NOTL 2009 Cost of Service Application or 2008 RRR reported values.

- b) If the above are from the 2009 CoS application please provide reference to location in the application.
- c) If the above are from the 2008 RRR reported values, please explain why NOTL has not used the 2009 CoS values.

**5. 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.

<b>Rate Class</b>	<b>Billed kWh for Non-RPP customers</b>
	<b>D</b>
Residential	4,028,642
General Service Less Than 50 kW	3,238,540
General Service 50 to 4,999 kW	69,103,202
Unmetered Scattered Load	984
Street Lighting	988,118

- a) Please identify if these values are estimated or actual values and specify the applicable period.
- b) If the above values are estimated please explain why NOTL is unable to determine the actual values.
- c) As discussed in one of the question above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would NOTL support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If NOTL were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does NPEI believe that the rider be applied to customers in the MUSH sector? If not, would NPEI 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?

**6. Ref: 2010 IRM Deferral Variance Total Claim**

Below are the Total Claim values for the EDDVAR Group One Deferral Accounts.

	C	D	E	V
		Account Number	Total Claim	
22				
23	<b>Account Description</b>		<b>I = C + D+ E + F + G + H</b>	
24				
25	LV Variance Account	1550	0	
26				
27	RSVA - Wholesale Market Service Charge	1580	(424,741 )	
28	RSVA - Retail Transmission Network Charge	1584	53,018	
29	RSVA - Retail Transmission Connection Charge	1586	(406,657 )	
30				
31	RSVA - Power (Excluding Global Adjustment)	1588	388,950	
32	RSVA - Power (Global Adjustment Sub-account)		140,305	
33				
34	Recovery of Regulatory Asset Balances	1590	(23,382 )	
35	Disposition and recovery of Regulatory Balances Account	1595	0	
36				
37	Total		(272,507 )	

- 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.
- Please reconcile the final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.
- Please confirm that NOTL has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If NOTL has used other practices in the calculation please explain where in the filing and why.
- Please confirm that NOTL has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If NOTL has used other calculations please explain where in the filing and why.

- e) Please confirm that NOTL 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 NOTL has not complied with this requirement please explain why not?

## **Supplemental Module**

### **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 \$310,463 while the 2009 RRWF sheet "3.Taxes\_PILs" shows Grossed-Up Income Taxes as \$351,762.

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

## **HST Interrogatory**

### **8. 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 NOTL 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?