

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates London Hydro Inc. ("London Hydro") EB-2009-0235

1. Ref: Manager's Summary and EDDVAR Report

On July 31, 2009 the Board issued its Report on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR). The report requires electricity distributors to determine the outstanding consolidated value of Group One accounts as at December 31, 2008 and determine whether or not the Board defined threshold value of +/- \$0.001/kwh had been exceeded. London Hydro chose to request exemption from filing.

- a) London Hydro advises attempt to complete the 2010 Deferral Variance Account Workform, but encountered difficulties in processing due to model constrictions. Did London Hydro attempt to discuss this issue with Board Staff or request model modifications?
- b) Did London Hydro complete an informal calculation of outstanding balances as at December 31, 2008 to determine position on threshold? If so please advise calculated value.
- c) The Board is currently reviewing the impact of significant growth in the balance of Account 1588 – Global Adjustment during the period January 1 to September 30, 2009. Currently no concrete direction has been determined for future disposition. The Board has added the request to disclose 1588 – Global Adjustment values in the model for information purposes only. If London Hydro would like to consider completing the 2010 IRM Deferral Variance Account Workform, please complete and file the amended Deferral Variance Account Workform V4 as found on the Board's website under the 2010 Electricity Distribution Rates update December 7, 2009.
- d) If London Hydro has completed a previous version of the 2010 IRM Deferral Variance Account Workform, please update to 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 any recent models and making model amendments. Please contact your case manager to assist you.
- e) If London Hydro has completed the workform please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the source and reasons for variances.

- f) If London Hydro has completed the workform please confirm that London Hydro has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If London Hydro has used other practices in the calculation please explain where in the filing and why.
- g) If London Hydro has completed the workform please confirm that London Hydro has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If London Hydro has used other calculations please explain where in the filing and why.
- h) If London Hydro has completed the workform please confirm that London Hydro 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 London Hydro has not complied with this requirement please explain why not?
- i) If London Hydro has completed the workform please confirm whether the threshold balance of +- \$0.001 per kWh is or is not exceeded.
- j) If London Hydro has any concerns with respect to the disposition of deferral variance account balances, please explain in detail why the Board should not consider disposal at this time?

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

On October 15, 2009 the Board issued "Regulatory Audit and Accounting Bulletin 200901" which clarified the accounting rules for reporting the 1588 – Global Adjustment sub-account.

- a) Has London Hydro 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?

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

- d) If London Hydro were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does London Hydro believe that the rider be applied to customers in the MUSH sector? If not, would London Hydro 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?

4. Ref: Supplemental Module - Z-Factor Tax Changes

Sheet “F1.1 Z-Factor Tax Changes” of the supplemental module shows Grossed-Up Tax Amount as \$4,175,844 while the 2009 RRWF sheet “3.Taxes_PILs” shows Grossed-Up Income Taxes as \$2,669,815

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

5. Ref: Supplemental Module - Revenue Offsets Allocation

Sheet “C1.2 Revenue Offsets Allocation” of the supplemental module shows Informational Filing Revenue Offsets

Rate Class	Informational Filing Revenue Offsets A
Residential	2,231,975
General Service Less Than 50 kW	530,842
General Service 50 to 4,999 kW	756,921
General Service 50 to 4,999 kW (CoGeneration)	41,743
Standby Power	0
Large Use	85,703
Unmetered Scattered Load	40,635
Sentinel Lighting	1,847
Street Lighting	4,433
	3,694,100

- a) Please provide reference to the 2009 Cost of Service application that identifies the above Informational Filing Revenue Offsets.

6. 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 London Hydro 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?