

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Norfolk Power Distribution Inc. (“Norfolk”) EB-2009-0238

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

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

Account Description	Account Number	Total Claim
		I = C + D+ E + F + G + H
RSVA - Power (Excluding Global Adjustment)	1588	471,828
RSVA - Power (Global Adjustment Sub-account)		(174,399)

- a) Has Norfolk 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 Norfolk made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

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

3. 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.

2008			
Rate Class	Billed Customers or Connections A	Billed kWh B	Billed kW C
Residential	16,607	147,447,515	
General Service Less Than 50 kW	2,058	64,081,972	
General Service 50 to 4,999 kW	166	189,745,291	403,334
Unmetered Scattered Load	51	406,396	
Sentinel Lighting	400	342,469	818
Street Lighting	3,091	3,101,236	9,478

- a) Please identify if these values are from the Norfolk 2008 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2008 CoS values, please explain why Norfolk has not used the 2008 RRR reported values.

4. 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.

Rate Class	Billed kWh for Non-RPP customers D
Residential	23,072,114
General Service Less Than 50 kW	11,501,590
General Service 50 to 4,999 kW	150,212,286
Unmetered Scattered Load	0
Sentinel Lighting	101,424
Street Lighting	0

- a) Please identify if these values estimated values or actual values and specify the applicable period.

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

5. Ref: 2010 IRM Deferral Variance Total Claim

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

Regulatory Assets – Continuity Schedule Final

	Account Number	Total Claim
Account Description		
LV Variance Account	1550	6,295
RSVA - Wholesale Market Service Charge	1580	(682,680)
RSVA - Retail Transmission Network Charge	1584	(193,365)
RSVA - Retail Transmission Connection Charge	1586	1,965
RSVA - Power (Excluding Global Adjustment)	1588	471,828
RSVA - Power (Global Adjustment Sub-account)		(174,399)
Recovery of Regulatory Asset Balances	1590	1,141,392
Disposition and recovery of Regulatory Balances Account	1595	0
Total		571,036

- a) 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 if need be.

- b) Please confirm if these are the final balances for disposition. If not the final balances please provide amended workform to support final balances for disposition.
- c) Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify the sources and reason for variances.
- d) Please confirm that Norfolk has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Norfolk has used other practices in the calculation please explain where in the filing and why.
- e) Please confirm that Norfolk has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Norfolk has used other calculations please explain where in the filing and why.
- f) Please confirm that Norfolk 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 Norfolk has not complied with this requirement please explain why not?

6. Supplemental Module Sheet "B1.2 Removal of Rate Adders"

On sheet "B1.2 Removal of Rate Adders" Norfolk has not entered the 2008 COS values of their Low Voltage rates, therefore the revenue requirement calculation on sheet" B1.4 Re-Based Rev Req" is overstated by the LV value of \$252,864.

- a) Does Norfolk have any reason for not wanting to enter the 2008 CoS LV rates on sheet" B1.2 Removal of Rate Adders"? If so please explain.

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 \$889,187 while the sheet "B1.4 Re-Based Rev Req" shows Grossed-Up Income Taxes as \$909,446.

- 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 Norfolk 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?

Z-Factor, Request for Recovery of Storm Costs

Ref: (Manager's Summary, Exhibit 2)

Prudence

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors (the "Board Report") states that amounts claimed must represent the most cost-effective option (not necessarily the least initial cost) for ratepayers. Consequently, the distributor will need to justify the reasonableness of the amounts relative to other options that the distributor may have had.

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9. Please provide information supporting the choices made with respect to the procurement of external contractors for all costs included in Appendix A.
10. Please provide the method used to determine the level of incremental labour costs including the method for tracking overtime hours and labour rates.
11. Please provide copies of all invoices for the costs included in Appendix A, including a detailed breakdown of the costs for each contractor.
12. Please provide copies of all invoices for the costs included in Appendix A, including a detailed breakdown of the costs for special accommodations and meal allowances.
13. Does Norfolk have a contingency plan for the provision of emergency response services? If so:
 - a) Please summarize the extent to which Norfolk followed its contingency plan. If Norfolk deviated in any material way from the plan, please identify the deviations and the reasons for those deviations.
 - b) Please identify any arrangements/agreements that Norfolk has with other LDCs and non-LDCs. For each arrangement please include the parties to the arrangement(s), the purpose of the arrangement(s) and the types of services provided including the associated rates/fees and the basis for those rates/fees.
14. Does Norfolk have insurance coverage for storm damages? If so, please provide detailed evidence on the insurance coverage.
15. Please explain why Norfolk did not apply for the recovery of storm costs incurred in 2007 as part of its 2009 IRM application.
16. Given the tardiness of filing an application for the relief of storm costs, please explain why rate payers should be expected to bear the costs for approximately 3 years.
17. For each of the cost claims included in Appendix A, please indicate whether Norfolk intends to capitalize these costs or treat them as OM&A.
18. Appendix A provides a list of items included in the costs directly related to storm recovery and restoration of power. The following item is part of that list:
 - Materials

For this item, please confirm that it relates to the replacement value of the damaged

assets that are no longer used and useful following the storm, and exclude the value of stranded assets.

19. Why is Norfolk proposing to recover storm costs solely based on a volumetric rate rider?

20. Please provide a rationale for proposing to recover storm costs over a one-year period.