

**2010 IRM3 Electricity Distribution Rates
Innisfil Hydro Distribution Systems Limited (“Innisfil”)**

EB-2009-0232

1. Ref: 2010 IRM Deferral Variance Account Reg Ass Prop Shr.

The following is extracted from the 2010 IRM Deferral Variance Account.

DEFVAR

B1.2 2006 Reg Ass Prop Shr

Rate Class		0
Residential	\$ 2,769,210	72.3%
GS < 50 KW	\$ 440,811	11.5%
GS > 50 Non TOU	\$ 580,408	15.2%
GS > 50 TOU	\$ -	0.0%
Intermediate	\$ -	0.0%
Large Users	\$ -	0.0%
Small Scattered Load	\$ 16,139	0.4%
Sentinel Lighting	\$ 2,128	0.1%
Street Lighting	\$ 19,111	0.5%
Total	\$ 3,827,807	

B1.3 Rate Class And Bill Det

Rate Class	
Residential	78.5%
General Service Less Than 50 kW	10.3%
General Service 50 to 4,999 kW	10.2%
Unmetered Scattered Load	0.5%
Sentinel Lighting	0.1%
Street Lighting	0.4%
Rate Class 7	0.0%
Rate Class 8	0.0%
Rate Class 9	0.0%
Rate Class 10	0.0%

a) Please explain why the values as reported on sheet B1.2 are not reasonably equivalent to the values shown on sheet B1.3.

2. Ref: 2010 IRM Deferral Variance Account 2006 EDR LV

In the 2006 EDR application Innisfil included \$314,711 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 \$317,543 and \$321,036 respectively. In the 2010 IRM Deferral Variance Account Workform Innisfil has reported \$67,718, \$162,256 and \$119,047 for 2006, 2007 and 2008 additions for USoA 1550 LV Variance account.

DVAWF

	Transactions (additions) during 2006/7/8, excluding interest and adjustments	Transactions (reductions) during 2006/7/8, excluding interest and adjustments
2006	\$ 67,718	\$ -
2007	\$ 162,256	\$ -
2008	\$ 119,047	\$ -

2006 EDR

7-2 ALLOCATION - LV-Wheeling Cell L120	(GDP-IPI) - X
\$ 314,711	0.0%
\$ 317,543	0.9%
\$ 321,036	1.1%

b) Please confirm that Innisfil 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.

- c) If LV Allocation not applied or Account 1550 not correct please provide an explanation in respect to the accounting for the LV

3. Ref: 2010 IRM3Rate Generator – LV and 2010 IRM Deferral Variance Account

Sheet “C3.1 Curr Low Voltage Vol Rt” of the 2010 IRM3Rate Generator are shown as below under the caption Rate Generator. The 2006 LV Allocation rate adder are shown in comparison from Sheet “8-2 RATES - LV-Wheeling” of the 2006 EDR.

2006 EDR		Rate Generator	
	LV Rate		ReBased LV
Residential - Regular	0.0015	Residential	0.002200
General Service Less than 50 kW	0.0014	General Service Less Than 50 kW	0.002000
General Service Greater than 50 kW (to 3000 kW)	0.5494	General Service 50 to 4,999 kW	0.788300
Unmetered Scattered Load	0.0015	Unmetered Scattered Load	0.002000
Sentinel Lighting	0.3640	Sentinel Lighting	0.606500
Street Lighting	0.4092	Street Lighting	1.633100

- a) Please provide reference to the 2009 Cost of Service application that identifies the rate adders as shown under the Rate Generator.

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

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Innisfil 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 Number	Total Claim
Account Description		
RSVA - Power (Excluding Global Adjustment)	1588	419,066
RSVA - Power (Global Adjustment Sub-account)		61,762

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

5. 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 Innisfil 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

Innisfil agree that this proposal would be fair to all customers? Why or why not?

- b) If the Board were to order Innisfil to provide such a rate rider, would Innisfil's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Innisfil see with this rate rider?
- c) If Innisfil were to be unable to bill in this fashion what would it consider proposing in the alternative?

6. 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	Billed Customers or Connections	Billed kWh	Billed kW
Residential	13,512	155,528,870	
General Service Less Than 50 kW	827	31,359,068	
General Service 50 to 4,999 kW	72	40,258,708	116,345
Unmetered Scattered Load	85	562,039	
Sentinel Lighting	193	123,512	344
Street Lighting	2,810	1,652,371	4,924

- a) Please identify if these values are from the Innisfil 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 Innisfil has not used the 2009 CoS values.

7. 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.

-5-

Rate Class	Billed kWh for Non-RPP customers
Residential	19,242,476
General Service Less Than 50 kW	3,993,362
General Service 50 to 4,999 kW	28,410,535
Unmetered Scattered Load	38,352
Sentinel Lighting	1,410,823
Street Lighting	38,352

- 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 Innisfil 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 Innisfil support using the numbers above as the most reasonable denominator to be used for rate determination.
- d) If Innisfil were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Innisfil believe that the rider be applied to customers in the MUSH sector? If not, would Innisfil 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?

8. 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	122,107
RSVA - Wholesale Market Service Charge	1580	(441,902)
RSVA - Retail Transmission Network Charge	1584	(439,544)
RSVA - Retail Transmission Connection Charge	1586	685,811
RSVA - Power (Excluding Global Adjustment)	1588	419,066
RSVA - Power (Global Adjustment Sub-account)		61,762
Recovery of Regulatory Asset Balances	1590	(6,296)
Disposition and recovery of Regulatory Balances Account	1595	0
Total		401,004

- 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 source and reason for variances.
- d) Please confirm that Innisfil has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Innisfil has used other practices in the calculation please explain where in the filing and why?

- e) Please confirm that Innisfil has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Innisfil has used other calculations please explain where in the filing and why?
- f) Please confirm that Innisfil 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 Innisfil has not complied with this requirement please explain why not?

9. Ref: 2010 IRM Deferral Variance Account Workform / Rate Generator.

The following has been extracted from the above referenced models for comparative purposes.

Applicant
 Innisfil Hydro Distribution Systems Limited

File Number	Years	Effective Until
EB-2009-0232	Three	April 30, 2013

Rate Class	Per DVWF	Rate Class	Per Rate Generator	
Residential	0.00054	Residential	0.0016	-0.00106
General Service Less Than 50 kW	0.00054	General Service Less Than 50 kW	0.0016	-0.00106
General Service 50 to 4,999 kW	0.26645	General Service 50 to 4,999 kW	0.7994	-0.53295
Unmetered Scattered Load	0.00051	Unmetered Scattered Load	0.0015	-0.00099
Sentinel Lighting	1.76318	Sentinel Lighting	5.29	-3.52682
Street Lighting	0.16974	Street Lighting	0.5092	-0.33946

- a) Please explain the difference between rates calculated in the Deferral Variance Account Workform and the rates shown in the rate generator.

10. Ref: Manager’s Summary Page 6 Smart Meter Rate Adder.

Innisfil has applied for an increased Smart Meter Rate Adder from \$1.00 to \$2.00 per metered customer per month.

- a) Please explain how the value of \$2.00 was derived and provide calculation model to support this calculation.
- b) If a calculation model was not used, please complete the smart meter calculation model that can be provided to you through your applications case manager.

11. Ref: Supplemental Module – Sheet “B1.4 Re-Based Rev Req”

Per Sheet “B1.4 Re-Based Rev Req” the calculated revenue requirement is less than the comparable revenue requirement per the 2009 Revenue Requirement Workform

	Supplemental Rev Req		RRWF Rev REQ		
\$	7,563,369	\$	7,627,198	\$	63,829

a) Please review and advise of the correct amount.

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

Sheet “F1.1 Z-Factor Tax Changes” of the supplemental module shows Grossed-Up Tax Amount as \$446,308 while the 2009 RRWF sheet “3.Taxes_PILs” shows Grossed-Up Income Taxes as \$492,243.

b) Please review and advise of the correct amount.

HST Interrogatory

13. 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 Innisfil 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?

14. Ref: Manager’s Summary, Page 8

Innisfil is applying for recovery of a Lost Revenue Adjustment Mechanism (“LRAM”) amount of \$129,239 to recover revenue lost from Conservation and Demand Management (“CDM”) programs from 2006-2009. In the Board’s Guidelines for Electricity Distributor Conservation and Demand Management (the “Guidelines”) issued on March 28, 2008, section 9.2 outlines the information that is required when filing an application for LRAM.

- a) Please provide an Evaluation Report, in accordance with the guidelines set out in section 7.4;
- b) Please discuss if Innisfil contracted the EnerSpectrum Group to conduct an independent third party review of the CDM results included in this LRAM claim, in accordance with the guidelines set out in section 7.5.

15. Ref: Manager's Summary, Page 9-10

It appears that paragraph number 23, which begins on page 9 and continues on page 10, is incomplete.

- a) Please complete the sentence that begins "The exception is..."