

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Westario Power Inc. ("Westario") EB-2009-0256

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

In the 2006 EDR application Westario included \$257,598 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 \$259,916 and \$262,775 respectively.

2006 EDR

| 7-2 ALLOCATION - LV-Wheeling Cell L120 | | (GDP-IPI) - X |
|--|---------|---------------|
| \$ | 257,598 | 0.0% |
| \$ | 259,916 | 0.9% |
| \$ | 262,775 | 1.1% |

- a) Please confirm that Westario has applied the 2006 EDR LV Allocation against Hydro One LV costs in Account 1550.
- 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 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.

| Rate Generator | | 2006 EDR | |
|---------------------------------|------------|---------------------------------|---------|
| | Rebased LV | Rate Class | LVRate |
| Residential | 0.0012 | Regular | 0.00058 |
| General Service Less Than 50 kW | 0.0011 | Less than 50 kW | 0.00054 |
| General Service 50 to 4,999 kW | 0.3990 | Greater than 50 kW (to 3000 kW) | 0.21676 |
| Unmetered Scattered Load | 0.0011 | Greater than 50 kW Time of Use | 0.22318 |
| Sentinel Lighting | 0.3153 | Unmetered Scattered Load | 0.00058 |
| Street Lighting | 0.3079 | Sentinel Lighting | 0.15058 |
| | | Street Lighting | 0.18848 |

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

3. 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. Westario chose to request exemption from filing.

- a) Did Westario complete an informal calculation of outstanding balances as at December 31, 2008 to determine position on threshold? If so please advise calculated value.
- b) 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 Westario 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.
- c) If Westario 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.

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- d) If Westario 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.
- e) If Westario has completed the workform please confirm that Westario has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Westario has used other practices in the calculation please explain where in the filing and why.
- f) If Westario has completed the workform please confirm that Westario has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Westario has used other calculations please explain where in the filing and why.
- g) If Westario has completed the workform please confirm that Westario 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 Westario has not complied with this requirement please explain why not?
- h) If Westario has completed the workform please confirm whether the threshold balance of +- \$0.001 per kWh is or is not exceeded.
- i) If Westario 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?

4. 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 Westario 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?

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

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- b) If the Board were to order Westario to provide such a rate rider, would Westario's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Westario see with this rate rider?
- c) If Westario were to be unable to bill in this fashion what would it consider proposing in the alternative?
- d) If Westario were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Westario believe that the rider be applied to customers in the MUSH sector? If not, would Westario 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: Supplemental Module - Z-Factor Tax Changes

Sheet "F1.1 Z-Factor Tax Changes" of the supplemental module shows Grossed-Up Tax Amount as \$385,622 while the 2009 RRWF sheet "3.Taxes_PILs" shows Grossed-Up Income Taxes as \$323,295.

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

7. Ref: Supplemental Module – Sheet "B1.1 Re-Based Bill Det & Rates"

Below is an extraction of volumetric rates from the Supplemental Module sheet "B1.1 Re-Based Bill Det & Rates" compared to the rates in the Rate Generator sheet "C4.1 Curr Rates & Chgs General". The rates in sheet B1.1 should be the same as the rates in C4.1.

| Suuplemental Module | | | Rate Generator | | |
|--------------------------------|---|--|---------------------------------|---|--|
| Rate Class | Re-based Tariff Distribution Volumetric Rate kWh | Re-based Tariff Distribution Volumetric Rate kW | Class | Re-based Tariff Distribution Volumetric Rate kWh | |
| Residential | \$ 0.0155 | \$ - | Residential | \$ 0.0153 | |
| General Service Less Than 50 | \$ 0.0103 | \$ - | General Service Less Than 50 kW | \$ 0.0102 | |
| General Service 50 to 4,999 kW | \$ - | \$ 2.6465 | General Service 50 to 4,999 kW | \$ 2.6152 | |
| Unmetered Scattered Load | \$ 0.0433 | \$ - | Unmetered Scattered Load | \$ 0.0428 | |
| Sentinel Lighting | \$ - | \$ 13.4490 | Sentinel Lighting | \$ 13.2721 | |
| Street Lighting | \$ - | \$ 3.7513 | Street Lighting | \$ 3.5371 | |

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

8. Ref: Managers Summary Page 7

Below is an extraction from the Manager's Summary.

3. Current and Applied For Rate Classes General

As per the Board's Decision and Order, dated April 24, 2009, relating to the 2009 Cost of Service based application, "The Board expects that Westario's application for 2010 will not include a separate class for the customer in question (GS time-of-use) because it appears that the remaining impact will be less than 10%. The Board will allow Westario to recover the small revenue shortfall during this transitional year from the remaining customers".

- a) Please discuss if Westario has addressed the revenue shortfall in this application, or how Westario plans to recover the shortfall if at all.

HST Interrogatory

9. 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 Westario 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?