



**Peterborough
Distribution Inc.**

PETERBOROUGH DISTRIBUTION INC.

1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

December 14, 2009

File: F69

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, On M4P 1E4

Dear Kirsten:

**Re: Peterborough Distribution Incorporated Application for 2009 Electricity
Distribution Rates EB-2008-0241 – Recovery of Deferral and Variance
Account Balances**

Peterborough Distribution Incorporated ("PDI") is pleased to submit to the Ontario Energy Board (the "Board") an application for recovery of deferral and variance account balances in accordance with the direction given by the Board on page 16 of its 2009 Rate Decision EB-2008-0241.

The Board directed PDI to file an application by December 31, 2009 to include the balance of all existing deferral and variance accounts accompanied by a plan for disposition of those balances. PDI is seeking recovery of Group 1 and Group 2 deferral and variance accounts, and has calculated proposed rate riders on that basis.

This application includes the following:

- A Manager's Summary documenting and explaining the rate riders applied for.
- A revised Rate Generator model provided by the Board, in both Excel and PDF form.
- Deferral and Variance Account Rate Riders Group 1 and 2, in both Excel and PDF form.
- Deferral and Variance Account Continuity Schedule, in both Excel and PDF form.

The Manager's Summary for PDI's application for recovery of deferral and variance account balances is attached to this letter.

PDI's application for recovery of deferral and variance account balances will be sent to you in the following form:

- (a) Electronic filing through the Board's web portal at www.errr.oeb.gov.on.ca, consisting of one (1) copy of the completed IRM3 model, both in Excel and PDF form, one (1) copy of the Manager's Summary in PDF form, one (1) copy of the Deferral and Variance Account Rate Riders Group 1 and 2 model, both in Excel and PDF form, and one (1) copy of the Deferral and Variance Account Continuity Schedule, both in Excel and PDF form.
- Two (2) paper copies and a CD of the above (item (a)).

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

Original signed by John Stephenson

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CFO & Vice President Corporate Services
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Attached: Completed 2010 IRM3 model
Completed Deferral and Variance Account Rate Riders model
Completed Deferral and Variance Account Continuity Schedule

Peterborough Distribution Incorporated**EB-2009-0241****REQUEST FOR RECOVERY OF DEFERRAL AND VARIANCE
ACCOUNT BALANCES****MANAGER'S SUMMARY****December 14, 2009****Background**

PDI's 2009 rate rebasing application EB-2008-0241 requested disposition of two Deferral and Variance Accounts:

- **1508 Other Regulatory Assets**

Disposal of December 31, 2007 balance of \$81,505 including interest to April 30, 2009 of \$3,316 for a total of \$84,821.

Method of recovery: Allocated to rate classes on the basis of distribution revenue and then recovered over a three year period.

- **1550 Low Voltage Account Variance Account**

Disposal of December 31, 2007 balance of (\$370,531) including interest to April 30, 2009 of (\$16,650) for a total of (\$387,081).

Method of recovery: Allocated to rate classes on the basis of kWh and then recovered over a three year period.

The rate application included proposed rate riders to dispose of the above balances.

During the interrogatory process PDI was requested to develop rate riders to dispose of the December 31, 2007 balances, plus interest to April 30, 2009, for all Retail Settlement Variance Accounts (1580, 1582, 1584, 1586, 1588) plus Account 1508, Other Regulatory Assets and Account 1550, Low Voltage Variance Account.

The sum of these accounts at December 31, 2007 including interest to that date was a credit balance of (\$1,367,807). The requested rate riders would have disposed of this credit balance.

The sum of these accounts at December 31, 2008 including interest to that date was a debit balance of \$868,057.

The following table shows a comparison of 2007 and 2008 balances by account:

Deferral Accounts
Peterborough Distribution Inc.

Account	Dec. 31, 2007 Principal	Dec. 31, 2007 Interest	Dec. 31, 2007 Total	Dec. 31, 2008 Principal	Dec. 31, 2008 Interest	Dec. 31, 2008 Total	2008 vs 2007
1550 LV Variance Account	-\$356,965	-\$13,566	-\$370,531	-\$622,702	-\$31,245	-\$653,947	-\$283,416
1580, RSVA WMS	-\$1,601,646	-\$1,478	-\$1,603,124	-\$2,152,836	-\$57,332	-\$2,210,168	-\$607,044
1584, RSVA NW	-\$172,685	-\$9,735	-\$182,420	-\$814,307	-\$20,780	-\$835,087	-\$652,667
1586, RSVA CN	-\$317,190	-\$77,962	-\$395,152	-\$161,129	-\$84,843	-\$245,972	\$149,180
1588, RSVA Power including Global Adjustment	\$628,467	\$423,720	\$1,052,187	\$3,988,526	\$688,801	\$4,677,326	\$3,625,140
1508, Other regulatory assets	\$74,235	\$7,270	\$81,505	\$74,235	\$10,219	\$84,454	\$2,950
1582, RSVA One-time	\$43,362	\$6,367	\$49,728	\$43,362	\$8,090	\$51,451	\$1,723
Total	-\$1,702,423	\$334,616	-\$1,367,807	\$355,147	\$512,910	\$868,057	\$2,235,864

Disposition of the 2007 balances would have resulted in a credit rate rider, while disposition of the 2008 balances will result in a rate rider charge to customers. The bill impact to customers of the unfavourable 2008 balances would be even greater if the 2007 credit balances had been disposed of previously. The impact to customers will be mitigated by allowing the RSVA credit balances to reduce the unfavourable balances in RSVA Power and Global Adjustment.

Therefore, in its final submission, PDI withdrew its request to dispose of any deferral and variance account balances pending further review.

The Board accepted PDI's request and directed PDI to file an application by December 31, 2009 to include the balance of all existing deferral and variance accounts accompanied by a plan for disposition of those balances.

Account 1588, RSVA Power

PDI's 2006 Board Approved rates for its Peterborough service territory included a reduction in the total loss adjustment factor from 1.0432 to 1.035.

The balance in Account 1588 RSVA Power, excluding Global Adjustment, was reported as zero for the years 2004, 2005, 2006, and 2007. The amount of unbilled revenue in each of these years was calculated as being the amount required to reduce the variance to zero, based on the assumption that any

variance in this account would be due to timing differences between payments to the IESO and generators compared to customer billings. Therefore, the unbilled revenue accrual eliminated any timing differences and reduced the RSVA Power variance to zero.

Prior to the reduction in the loss adjustment factor, this method of estimation resulted in an accrual for unbilled energy revenue that approximated one month's energy purchases, which seemed reasonable based on PDI's billing cycles. Following the reduction in the loss adjustment factor unbilled revenue, calculated on the same basis, expressed as a percentage of December energy purchases increased to 141% and 163% in 2006 and 2007 respectively. This indicated that the difference between energy revenue and energy purchases was not entirely due to timing differences and that a power variance was accumulating.

In the course of preparing its reply submission for the 2009 rate rebasing application, PDI determined that there may be an issue with respect to the calculation of its power variance for the period commencing May 2006.

Accordingly, at December 31, 2008 PDI revised its methodology for calculating unbilled energy revenue. The number of unbilled kWh at the end of the year was estimated by comparing December purchases from the IESO and generators to customer billing cycles. Unbilled kWh was multiplied by the weighted average cost of electricity for the month of December 2008 resulting in an unbilled energy accrual of \$4,088,000 and an RSVA Power variance of \$2,996,732.

The following table displays the relationship between energy purchases, unbilled energy revenue, and the power variance:

Energy Purchases, Unbilled Revenue, RSVA Power

	December 2004	December 2005	December 2006	December 2007	December 2008
Energy Purchases for month:					
IESO, code 101	\$4,159,367	\$6,586,178	\$3,069,528	\$4,122,124	\$3,815,300
IESO, code 142	\$0	-\$512,943	\$160,904	-\$172,473	-\$130,356
IESO, code 149	\$0	\$74,129	-\$60,031	-\$1,864	-\$205
IESO, code 146 RPP	\$0	\$0	\$450,909	\$70,102	\$573,273
Total IESO	\$4,159,367	\$6,147,363	\$3,621,311	\$4,017,889	\$4,258,012
Embedded generation	\$163,709	\$261,685	\$122,004	\$101,653	\$145,246
Total energy purchases	\$4,323,077	\$6,409,048	\$3,743,315	\$4,119,542	\$4,403,259
Unbilled energy revenue accrual @ December 31	\$4,093,776	\$6,345,748	\$5,271,490	\$6,729,838	\$4,088,000
Unbilled revenue / energy purchased	95%	99%	141%	163%	93%
1588, RSVA Power excluding GA	\$0	\$0	\$0	\$0	\$2,996,732

PDI has determined that the reduced loss factor in effect for the 2006, 2007, and 2008 rate years resulted in a revenue shortfall and produced an unfavourable power variance. Unbilled revenue was overstated and the power variance was

understated at December 31, 2006 and December 31, 2007. This was corrected at December 31, 2008 and a variance of \$2,996,732 was recorded in Account 1588.

PDI's 2009 Board Approved rates have increased the loss factor from 1.035 to 1.0487. This is expected to bring energy revenues and expenses more closely in line and eliminate the on-going accumulation in account 1588.

Application for Disposition of Regulatory Asset Balances

PDI would like to amend its 2010 IRM application to include an application for disposition of regulatory asset balances.

The regulatory asset accounts to be included in the disposition are shown in the following table, labeled Sheet 1:

SHEET 1 - December 31, 2008 Deferral and Variance Accounts

NAME OF UTILITY		Peterborough Distribution Inc					
Account Description	Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total Claim	
Low Voltage - Account 1550	1550	\$ (622,702)	\$ (31,245)	\$ (7,040)	\$ (1,126)	\$	(662,113)
WMSC - Account 1580	1580	\$ (2,152,836)	\$ (57,332)	\$ (24,340)	\$ (3,892)	\$	(2,238,400)
Network - Account 1584	1584	\$ (814,307)	\$ (20,780)	\$ (9,207)	\$ (1,472)	\$	(845,766)
Connection - Account 1586	1586	\$ (161,129)	\$ (84,843)	\$ (1,822)	\$ (291)	\$	(248,085)
Power - Account 1588 excl GA	1588	\$ 2,996,732	\$ 659,424	\$ 33,881	\$ 5,418	\$	3,695,455
Power - Account 1588 sub-account GA	1588	\$ 991,794	\$ 29,377	\$ 11,213	\$ 1,783	\$	1,034,177
Recovery of Regulatory Asset Balances 1590	1590	\$ -	\$ (48,727)	\$ -	\$ -	\$	(48,727)
Sub-Totals		\$ 237,552	\$ 445,874	\$ 2,686	\$ 429	\$	686,541
Other Regulatory Assets - Account 1508	1508	\$ 74,235	\$ 10,219	\$ 839	\$ 134	\$	85,428
One-Time WMSC - Account 1582	1582	\$ 43,362	\$ 8,090	\$ 490	\$ 78	\$	52,021
Sub-Totals		\$ 117,597	\$ 18,309	\$ 1,330	\$ 213	\$	137,448
Totals per column		\$ 355,149	\$ 464,183	\$ 4,015	\$ 642	\$	823,989
Interest rate:		Jan 1 09 - Dec 31 09		Jan 1 10 - April 30 10			
		1.13%		0.18%			

Sheet 2 displays the rate riders that have been developed to dispose of the above regulatory asset balances:

Sheet 2 - Rate Riders Calculation

NAME OF UTILITY

Peterborough Distribution Inc

Deferral and Variance Accounts:	Amount	ALLOCATOR	Unmetered							Total
			Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Scattered Load	Sentinel Lighting	Street Lighting	
Low Voltage - Account 1550	\$ (662,113)	kWh	\$ (232,701)	\$ (97,672)	\$ (274,308)	\$ (51,211)	\$ (1,152)	\$ (512)	\$ (4,557)	\$ (662,113)
WMSC - Account 1580	\$ (2,238,400)	kWh	\$ (786,690)	\$ (330,198)	\$ (927,351)	\$ (173,130)	\$ (3,896)	\$ (1,730)	\$ (15,407)	\$ (2,238,400)
Network - Account 1584	\$ (845,766)	kWh	\$ (297,246)	\$ (124,763)	\$ (350,394)	\$ (65,416)	\$ (1,472)	\$ (654)	\$ (5,821)	\$ (845,766)
Connection - Account 1586	\$ (248,085)	kWh	\$ (87,190)	\$ (36,596)	\$ (102,780)	\$ (19,188)	\$ (432)	\$ (192)	\$ (1,708)	\$ (248,085)
Power - Account 1588 excl GA	\$ 3,695,455	kWh	\$ 1,298,774	\$ 545,136	\$ 1,530,997	\$ 285,826	\$ 6,431	\$ 2,856	\$ 25,435	\$ 3,695,455
Power - Account 1588 sub-account GA	\$ 1,034,177	non-RPP kWh	\$ 105,759	\$ 51,094	\$ 684,011	\$ 175,977	\$ 1,114	\$ 563	\$ 15,660	\$ 1,034,177
Recovery of Regulatory Asset Balances 1590	\$ (48,727)	previous claim	\$ (25,893)	\$ (7,318)	\$ (14,055)	\$ (1,228)	\$ -	\$ (84)	\$ (150)	\$ (48,727)
Subtotal - Group 1	\$ 686,541		\$ (25,186)	\$ (317)	\$ 546,121	\$ 151,629	\$ 594	\$ 248	\$ 13,452	\$ 686,541
Other Regulatory Assets - Account 1508	\$ 85,428	Dx revenue	\$ 52,228	\$ 13,974	\$ 17,342	\$ 699	\$ 99	\$ 103	\$ 982	\$ 85,428
One-Time WMSC - Account 1582	\$ 52,021	kWh	\$ 18,283	\$ 7,674	\$ 21,552	\$ 4,024	\$ 91	\$ 40	\$ 358	\$ 52,021
Subtotal - Group 2	\$ 137,448		\$ 70,511	\$ 21,648	\$ 38,894	\$ 4,722	\$ 190	\$ 143	\$ 1,340	\$ 137,448
Total to be Recovered	\$ 823,989		\$ 45,325	\$ 21,331	\$ 585,014	\$ 156,352	\$ 784	\$ 391	\$ 14,792	\$ 823,989

Balance to be collected or refunded, Variable		\$ 823,989	\$ 45,325	\$ 21,331	\$ 585,014	\$ 156,352	\$ 784	\$ 391	\$ 14,792	\$ 823,989
Number of years for Variable	1									
Balance to be collected or refunded per year, Variable		\$ 823,989	\$ 45,325	\$ 21,331	\$ 585,014	\$ 156,352	\$ 784	\$ 391	\$ 14,792	\$ 823,989

Class
Deferral and Variance Account Rate Riders, Variable
Billing Determinants

Components of 2010 Riders:

Variable Group 1

Variable Group 2

Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Scattered Load	Sentinel Lighting	Street Lighting
\$ 0.00016	\$ 0.00018	\$ 0.69418	\$ 1.16342	\$ 0.00055	\$ 0.16050	\$ 0.89578
kWh	kWh	kW	kW	kWh	kW	kW
\$ (0.00009)	\$ (0.00000)	\$ 0.64802	\$ 1.12828	\$ 0.00042	\$ 0.10162	\$ 0.81464
\$ 0.00024	\$ 0.00018	\$ 0.04615	\$ 0.03514	\$ 0.00013	\$ 0.05888	\$ 0.08114