

## Board Staff Supplemental Interrogatories 2010 Electricity Distribution Rates Coopérative Hydro Embrun Inc. EB-2009-0132

As identified in the Procedural Order No. 2 issued on January 5, 2010, the Board has determined that a second round of interrogatories is required. These supplemental interrogatories are to be of a clarifying or correcting nature to the answers to interrogatories filed by Cooperative Hydro Embrun Inc. (“Embrun”). The following are Board Staff’s supplemental interrogatories:

### Issue 1 Depreciation

#### 1 Ref: Exhibit(s) Board staff Interrogatory 4

Board staff remains concerned about the calculation of depreciation by Embrun. Depreciation affects the rates consumers pay due to its direct effect on operating expenses, rate base, and PILs. It appears that Embrun may be using the declining balance method for determining depreciation. While this is acceptable under Generally Accepted Accounting Principles (“GAAP”), it is not for Generally Accepted Regulatory Principles (“GARP”). Straight line depreciation is the preferred method.

a. Please complete the following table.

Account	<i>Col. 1</i>	<i>Col. 2</i>	<i>Col. 3</i>	<i>Col. 4</i>	<i>Col. 5</i> ½ 2010	<i>Col. 6</i> Adjusted	<i>Col. 7</i>	<i>Col. 8</i>	<i>Col. 9</i>
	2009 Gross Assets	Additions	Retirements	2010 Gross Assets	Additions & Retirements	2010 Gross Assets	Depreciation Rate	Amortization Period	Depreciation Expense
1 1805 - Land									
2 1806 - Land Rights									
3 1815 - Transformer Stations >50kV									
4 etc.									

Note: Column 5 is ½ column 2 plus ½ column 3  
 Column 6 is column 4 reduced by column 5.  
 Column 9 is based on applying the depreciation rate to column 6

b. If in the application, the Net Book Value (“NBV”) for assets has been determined using declining balances, please restate the NBV in Exhibit 2 Tab 3 Schedule 3 Attachment 1 using straight line depreciation.

- c. If Embrun used declining balances for the rate base and depreciation then please recalculate PILs using the rate base and depreciation derived from a straight line determination of depreciation. Please file the PILs calculation.
- d. Please file a Revenue Requirement Work Form based on the above results.

## **Issue 2 Working Capital Allowance**

### **2 Ref: Exhibit(s) Board staff Interrogatory 6**

The response shows that the cost of power used for working capital is not the projected cost based on the current transmission rates paid by Embrun, but rather is based on a cost using the rates paid by Embrun's customers. Please recast the estimated 2010 cost of power and the associated working capital based on expected costs for the supply of power to their distribution system using the upstream costs for transmission. The volumes should be the forecast volumes for 2010, including losses. Please state sources, show any calculation of inputs, and state any assumptions.

## **Issue 3 Regulatory Expenses**

### **3 Ref: Exhibit(s) VECC Interrogatory 10**

In response to VECC Interrogatory 10, Embrun revised its Regulatory Costs for expert witnesses and interrogatories. That estimate was made prior to this second round of interrogatories. Is the Regulatory Cost estimate provided by Embrun correct? If not, please submit a final Regulatory Cost estimate.

## **Issue 4 Smart Meter Rate Adder**

### **4 Ref: Exhibit(s) Board staff Interrogatory 8**

Board staff requested corrections to the calculation of the smart meter rate adder in Board staff Interrogatory 8. Embrun provided the result, but did not file the calculation of the Rate Adder. Please file the corrected Exhibit 9 Tab 3 Schedule 2 Attachment 1.

## **Issue 5 Load Forecast**

### **5 Ref: Exhibit(s) Board staff Interrogatory 9**

Board staff requested that the forecast be redone to reflect different heating and cooling degree days. Embrun provided the models results, but not the models performance statistics. Without these, it is not possible to see whether

the changes improved the model or not. Please file the results of all three studies with the models performance statistic.

**Issue 6 Revenue to Cost Ratios**

**6 Ref: Exhibit(s) VECC Interrogatory 12**

Embrun has stated that they will update the cost allocation study when the approved revenue requirement is known. The issue that Board staff is interested in is the target revenue to cost ratios that Embrun is proposing. Since balancing specific revenue to cost ratios is a difficult task, Board staff would accept a narrow range for revenue to cost ratios by class. Please provide the target range for revenue to cost ratios by class.

**Issue 7 Specific Service Charges**

**7 Ref: Exhibit(s) Board staff Interrogatory 24**

The answer to Board staff Interrogatory 24 c does not address the question posed. Specifically, please provide answers to the following:

- a. Are there charges in the Conditions of Service that are not in the Specific Service Charges?
- b. If the answer to “a” is yes, please state the charges and provide justification for the level of the charges.
- c. If the answer to “a” is yes, please state why Embrun has not included them in the Specific Service Charges.

**Issue 8 Deferral and Variance Account Continuity**

**8 Ref: Exhibit(s) Board staff Interrogatory 25**

At Exhibit 9 Tab 1 Schedule 1 Attachment 1 Board staff found interest rates that appeared not to conform to those published on the Board’s website. In order to test the exhibit, staff requested Embrun to state the interest rates, and to file the standard Board continuity schedule. The response did not address the interest question properly. In addition, the principal amounts in the continuity schedule provided in the interrogatory response did not reconcile with Exhibit 9 Tab 1 Schedule 1 Attachment 1.

- a. Please revisit the schedule filed in Board staff Interrogatory 25 to ensure that the principal amounts, and the interest are correct.
- b. Please state separately all interest rates used by Embrun.

**Issue 9      Account 1588**

**9 Ref: Exhibit(s)      Board staff Interrogatory 27**

Board staff would like additional information concerning the Global Adjustment (“GA”) sub-account.

- a. Please confirm that the GA principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.
- b. Please confirm that with respect to the disposition of GA sub-account 1588 Embrun would have the billing capability to affect a separate rate rider for non-RPP customers only.
- c. If Embrun were to establish a separate rate rider to dispose of the balance of the GA sub-account of account 1588, please provide Embrun’s views as to whether this rate rider would be applicable to the Municipalities, Universities, Schools and Hospitals (“MUSH”) sector customers.
- d. If the answer to “b” is in the negative, does Embrun have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the disposition of the account GA sub-account 1588 balance would apply?