

St. Thomasenergyinc.

We're Your Local Power Distributor

January 12, 2010

Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli,

**St. Thomas Energy Inc.
2010 IRM2 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0208**

Regarding Ontario Energy Board correspondence dated December 16, 2009 concerning the above matter please find below answers to the questions posed. The original questions are in bold and italicized font. Each answer is provided directly after each question and is indicated in green.

1. Ref: 2010 IRM Deferral Variance Account 1588 -Power
The 2008 ending balances reported in the 2010 IRM Deferral Variance Account work form prepared by St. Thomas Energy 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.

<i>Account Number</i>	<i>Total Claim</i>	
<i>Account Description</i>		<i>I = C + D + E + F + G + H</i>
RSVA - Power (Excluding Global Adjustment)	1588	670,326
RSVA - Power (Global Adjustment Sub-account)		(1,135,549)

a) Has St. Thomas Energy 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?

Answer : Yes. St. Thomas Energy attended the OEB Webinar in 2009 and reviewed all of the documentation provided including the Bulletin noted above. As a result of that review St. Thomas Energy realized that changes were required to be made back to the 2005 Year.

b) Has St. Thomas Energy made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account work form?

Answer : Yes. A revised 2010 IRM2 (not IRM3 as noted above) Deferral Variance Account work form has been prepared and provided with this filing. As a result of changes made in the revised Deferral Variance Account work form, a revised 2010 Incentive Rate Mechanism (IRM 2) Rate Generator Model has also been prepared and provided with this filing.

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 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 workflow 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."

While Enersource's response to the Board staff's submission is still pending Board staff would like to poll St. Thomas Energy 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 St. Thomas Energy agree that this proposal would be fair to all customers? Why or why not?

Answer : Yes. St. Thomas Energy agrees that this proposal would be fair to all customers. This adjustment should only pertain specifically to Non Regulated Price Plan Customers in all classes.

b) If the Board were to order St. Thomas Energy to provide such a rate rider, would St. Thomas Energy's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would St. Thomas Energy see with this rate rider?

Answer : St. Thomas Energy's initial check with the Application Service Provider (ASP) for the Customer Information System) indicated it may be possible to do so. At the time of writing this response to the OEB St. Thomas Energy Inc. had not received official confirmation from the ASP and/or Harris Software on whether this was possible nor an indication of when this could be available for use if it was possible.

c) If St. Thomas Energy were to be unable to bill in this fashion what would St. Thomas Energy consider proposing in the alternative?

Answer : St. Thomas Energy suggests that an adjustment be incorporated into the daily Provincial Benefit rate (currently being applied at the same rate over each month) applied to the Non RPP customer billings..

3. 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 work form.

Rate Class	Billed kWh for Non-RPP customers
	D
Residential	25,687,958

<i>General Service Less Than 50 kW</i>	<i>7,501,269</i>
<i>General Service 50 to 4,999 kW</i>	<i>136,188,760</i>
<i>Large Use</i>	<i>28,374,428</i>
<i>Unmetered Scattered Load</i>	<i>3,099</i>
<i>Sentinel Lighting</i>	<i>414</i>
<i>Street Lighting</i>	<i>2,994,806</i>

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

Answer : They are actual consumption values in respect of the 2008 Year. The original submission contained actual meter readings only. The revised submission includes the related losses that St. Thomas Energy is authorized to apply to those readings.

b) If the above values are estimated please explain why St. Thomas Energy is unable to determine actual.

Answer : No response required as actual consumption values were used.

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 St. Thomas Energy support using the numbers above as the most reasonable denominator to be used for rate determination.

Answer : Yes.

d) If St. Thomas Energy I were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does St. Thomas Energy believe that the rider be applied to customers in the MUSH sector? If not, would St. Thomas Energy 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?

Answer : St. Thomas believes that the rate rider should not be applied to customers in the Mush Sector who moved from RPP to Non RPP status last November. Approximately three St. Thomas Energy MUSH customers were moved out of the RPP in November 2009. At the time of writing this response to the OEB St. Thomas Energy Inc. had not received official confirmation from the ASP and/or Harris Software on whether this was possible nor an indication of when this could be available for use if it was possible.

4. Ref: 2010 IRM Deferral Variance Total Claim

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

Account Description	Account Number	Total Claim I = C + D + E + F + G + H
LV Variance Account	1550	0
RSVA - Wholesale Market Service Charge	1580	(864,465)
RSVA - Retail Transmission Network Charge	1584	267,306
RSVA - Retail Transmission Connection Charge	1586	225,588
RSVA - Power (Excluding Global Adjustment)	1588	670,326
RSVA - Power (Global Adjustment Sub-account)		(1,135,549)
Recovery of Regulatory Asset Balances	1590	(52,989)
Disposition and recovery of Regulatory Balances Account	1595	0
Total		(889,783)

a) Please complete the amended Deferral Variance Account Work form 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.

Answer : OEB Staff converted the Deferral Variance Account work form that was sent with the 2010 IRM2 Rate Application back in October 2009. Version 4 is attached with revisions including changes to the above numbers shown.

b) Please confirm if these are the final balances for disposition. If not the final balances please provide amended work form to support final balances for disposition.

Answer : As indicated in the answer to a) above the final balances for disposition are included in the revised Deferral Variance Account work form attached.

c) 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.

Answer : The 2008 RRR Filing (4th Quarter) 2008 Deferral Accounts and the 2008 Trial Balance submitted in the 2009 RRR 1st Quarter balance. The revised Deferral Variance Account work form attached does not balance in any of the accounts for the following reasons:

- 1) RSVA Accounts : The entry to transfer the Regulatory Asset balance approved for recovery in the 2006 Rates Decision Order was not made until October 2007 in the Trial balance. From May 2006 until December 2008 interest calculations did not

include this adjustment. This has now been corrected. The difference was \$ 349 over all RSVA accounts.

- 2) RSVA Accounts : The RSVA Power Sub Account – Global Adjustment included the entire global adjustment billed by the IESO (RPP and Non RPP components). This has now been corrected. 1588 Sub Global Adjustment net variance increased by \$ 1,159, 286 and 1588 Power decreased by same \$.
- 3) Recovery of Regulatory Asset Balances: The difference of \$ 146,316 relates to interest calculations on the accrual of \$ \$1,281,975.74 original Regulatory Asset balance approved for recovery in the 2006 Rates Decision Order from May 2006 until December 2008.

d) Please confirm that St. Thomas Energy has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If St. Thomas Energy has used other practices in the calculation please explain where in the filing and why.

Answer : Confirming that St. Thomas Energy has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance.

e) Please confirm that St. Thomas Energy has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If St. Thomas Energy has used other calculations please explain where in the filing and why.

Answer : Confirming that St. Thomas Energy has used the simple interest calculation as required by the Board using the Boards prescribed interest rates.

f) Please confirm that St. Thomas Energy 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 St. Thomas Energy has not complied with this requirement please explain why not?

Answer : Confirming that St. Thomas Energy 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).

5. Ref: Manager's Summary Page 6 Smart Meter Rate Adder.

St. Thomas Energy has applied for an increased Smart Meter Rate Adder from \$1.00 to \$3.17 per metered customer per month.

a) Please complete the smart meter calculation model that can be provided to you through your applications case manager.

Answer : St. Thomas Energy Inc. has received the smart meter calculation model provided by the applications case manager. An extension of time is being requested until Monday January 18, 2010 to complete and return this model to the OEB.

HST Interrogatory

6. Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010. In the event that PST and GST are harmonized effective July 1, 2010:

a. Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?

Answer : Yes, St. Thomas Energy Inc. would agree to the establishment of such an account unless a better alternative could be utilized as noted below.

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

Answer : Consideration could be given towards the use of an ongoing factor in future rate applications applied to gross OM&A and Capital Expenditures to represent this difference. It will not be exact but it would allow for a "across the board" approach for all LDCs. It is realized that the PST factor can be much different amongst all LDCs depending on how costs are incurred. A study of each LDC based on 2009 experience may be useful in attempting to come up with a factor. It may be appropriate to allow each LDC to have a specific factor based on the results of the study.

Respectfully submitted for the Board's consideration.



Dana A. Witt,
Chief Financial Officer