



Westario Power Inc.

24 East Ridge Road
R.R. #2
Walkerton, ON
N0G 2V0
Tel: (519) 507-6937
Fax: (519) 507-6887

January 13, 2010

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

**Re: Ontario Energy Board File #EB-2009-0256
2010 IRM3 Electricity Distribution Rate Application
Westario Power Inc.
Board Staff Interrogatories**

Dear Ms Walli:

In accordance with the Notice of Application and Written Hearing, please find attached Westario Power Inc.'s (WPI) response to the Board Staff Interrogatories in the above proceeding. We enclose two (2) hard copies of WPI's Interrogatory Responses and a CD ROM containing the 2010 Deferral Variance Workform V4 model and the submission in PDF format.

WPI will also file electronic versions via e-mail to boardsec@oeb.gov.on.ca and an electronic filing of the application through the Board's web portal.

If there are any questions, please contact myself at 519-507-6666 ext. 211, email alvin.allim@westario.com or Lisa Milne at 519-507-6666 ext. 216, email lisa.milne@westario.com.

Yours truly,

Alvin E. Allim
Chief Financial & Regulatory Officer

Responses to 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.

Response: Westario Power Inc. (WPI) has applied the 2006 EDR LV allocation against Hydro One LV costs correctly 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.

Response: Please see response to (a) above.

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.

Response: Please see EB-2008-0250; Exhibit B, Schedule 9, Attachment 1, from the 2009 Cost of Service application.

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.

Response: Yes, Westario Power did complete an informal calculation of outstanding balances as at December 31, 2008. The calculated value is \$172,723.

- 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.

Response: Westario Power will file a completed version of the 2010 IRM Deferral Variance Account Workform (version 4).

- 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.

Response: Westario Power has completed the latest version of the 2010 IRM Deferral Variance Account Workform (version 4).

- 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.

Response: Westario Power has completed the latest version of the 2010 IRM Deferral Variance Account Workform and reconciled the final balance for disposition to the 2008 year end account balance reported in the RRR filing.

- 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.

Response: Westario confirms that it has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance.

- 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.

Response: Westario Power has used the simple interest calculation as required by the Board.

- 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?

Response: Westario Power has complied with the requirement to apply recoveries to principal first as outlined in the 2006 Regulatory Assets Transactions document issued September 4, 2009.

- h) If Westario has completed the workform please confirm whether the threshold balance of +/- \$0.001 per kWh is or is not exceeded.

Response: Yes, Westario Power did complete an informal calculation as at December 31, 2008. The calculated threshold value is \$0.000398, which does not exceed the Board threshold.

- 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?

Response: Westario Power has no concerns 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?

Response: Westario Power has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009 and is in compliance with the accounting procedures specified for account 1588 and sub-account Global Adjustment.

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?

Response: Disposition of account 1588 – Global Adjustment through a separate rate rider applied prospectively to Non-RPP customers assumes that the balance in this account is attributable solely to the Non-RPP customers. While this is a valid assumption, it is not entirely accurate.

The determination of the Global Adjustment variant is subject to an estimation process involving IESO billing to the LDC and LDC billing to the customer classes and subclasses, all of which is interrelated. All customers, either RPP or Non-RPP have contributed, in some manner to the total 1588 Power Variance Account including the Global Adjustment sub-account.

While not totally fair to each individual customer, it may be more appropriate at this time to clear the variance over all customers.

- 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?

Response: Westario Power's billing system is capable of billing the Non-RPP customers the separate rate rider, however additional billing system modifications will be necessary and sufficient time required to implement the changes.

- c) If Westario were to be unable to bill in this fashion what would it consider proposing in the alternative?

Response: Not applicable

- 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?

Response: If a separate rate rider was established to dispose of the balance in the 1588 Global Adjustment sub-account, Westario Power believes the MUSH sector should be excluded for that rate rider seeing the MUSH sector had not opted out of the RPP. Westario Power believes that it could not exclude those MUSH customers from the rate rider calculation without incurring further billing system modifications, which could be complex and require additional resources.

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.

Response: The main difference between the two amounts is a result of different tax rates. The grossed-up tax amount of \$385,622 from sheet "F1.1 Z-Factor Tax Changes" is calculated using a tax rate of 30.1%. Meanwhile, the grossed-up tax amount of \$323,295 from the 2009 RRWF sheet "3.Taxes_PILs" is calculated using a tax rate of 26.55%. Please see summary below.

Particulars	2009 Board Decision	NB	2010 3GIRM	Difference
<u>Determination of Taxable Income</u>				
Utility net income	\$1,178,128		\$1,181,672	\$3,544
Adjustments	(\$287,148)		(\$287,148)	\$ -
Taxable income	<u>\$890,980</u>	1	<u>\$894,524</u>	<u>\$3,544</u>
<u>Calculation of Utility income Taxes</u>				
Income taxes	\$237,460		\$269,460	\$32,000
Capital taxes	\$41,681		\$41,681	\$ -
Total taxes	<u>\$279,141</u>		<u>\$311,141</u>	<u>\$32,000</u>
Gross-up of Income Taxes	<u>\$85,835</u>		<u>\$116,162</u>	<u>\$30,327</u>
Grossed-up Income Taxes	<u>\$323,295</u>		<u>\$385,622</u>	<u>\$62,328</u>
PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$364,976</u>		<u>\$427,303</u>	<u>\$62,328</u>
<u>Tax Rates</u>				
Combined Corporate Tax Rate (%)	<u>26.55%</u>	2	<u>30.1%</u>	

Notes:

1. The Taxable Income used in the 2010 3GIRM should be \$890,980, not \$894,524
2. The tax rates in effect are derived from the Board

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.

Response: The rates in the Rate Generator sheet “C4.1 Curr Rates & Chgs General” are correct. The rates in the Supplemental Module sheet “B1.1 Re-Based Bill Det & Rates” includes the Foregone Revenue Rate Rider.

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.

Response: The revenue shortfall generated from the single GS-TOU customer was recovered from customers in the 2009 rate year. As such, the revenue shortfall has been mitigated and no further recoveries are expected in future rate applications.

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?

Response: Westario Power is in support of recording the reductions in OM&A and capital expenditures in a variance account. However, Westario Power is concerned about the added labour and administrative burden to manually track these costs on an ongoing basis. Westario Power is also unsure how the Ontario Energy Board will instruct utilities to account for this variance if the balances in the HST accounts will be remitted monthly to the respective government agency.

- 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?

Response: Westario Power has no additional alternatives to offer for consideration at this time.