

January 28, 2010

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

Dear Ms. Walli:

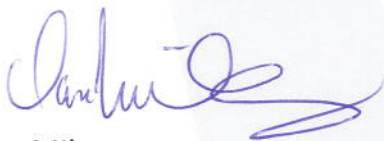
***Re: EB-2009-0026 - Guelph Hydro Electric Systems Inc.  
2010 IRM3 Electricity Distribution Rates  
Response to Board Staff Interrogatories***

Attached please find Guelph Hydro's response to Board Staff interrogatories.

Should you have any questions or require further information in this regard, please contact Michael Koktan at 519.837.4725, [mkoktan@guelphhydro.com](mailto:mkoktan@guelphhydro.com).

Yours sincerely,

GUELPH HYDRO  
ELECTRIC SYSTEMS INC.



Ian Miles  
Chief Financial Officer

:bb



**2010 IRM3 Electricity Distribution Rates**  
**Guelph Hydro Electric Systems Inc.**  
**Response to Board Staff Interrogatories**  
**EB-2009-0226**

**1. Ref: 2010 IRM Deferral Variance Account 1588 -Power**

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account Workform prepared by Guelph 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 1588 – Global Adjustment sub-account.

Account Description	Account Number	Total Claim
		I = C + D + E + F + G + H
RSVA - Power (Excluding Global Adjustment)	1588	0
RSVA - Power (Global Adjustment Sub-account)		0

- a) Has Guelph 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:** Guelph has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009. As part of the response to Board Staff Interrogatories, Guelph has completed and filed the amended Deferral Variance Account Workform V4 as found on the Board’s website under the 2010 Electricity Distribution Rates update December 7, 2009. Guelph has ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin.

- b) Has Guelph made adjustments subsequent to filing the 2010 IRM3 application and need to re-file an updated 2010 IRM Deferral Variance Account Workform?

**Response:** Yes, Guelph has made adjustments subsequent to filing the 2010 IRM3 application. Guelph has completed the amended Deferral Variance Account Workform V4 as found on the Board’s website under the 2010 Electricity Distribution Rates update December 7, 2009. The amended Workform has been filed with this Response to Board Staff Interrogatories.



Guelph is requesting the clearance of a credit balance of \$3,485,189 in its Deferral and Variance accounts over a four year period.

## **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 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 Guelph 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 Guelph agree that this proposal would be fair to all customers? Why or why not?

**Response:** Guelph agrees that a separate disposition rate rider applied prospectively to all Non-RPP customers would be a fair solution.

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

**Response:** Yes, Guelph's billing system is capable of billing a non-RPP separate rate rider. Guelph does not see any complications with this rate rider.

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

**Response:** Not applicable.

### 3. Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the billing determinants identified on Sheet "B1.3 Rate Class And Bill Det" of the workform.

Rate Class	Billed Customers or Connections	Billed kWh	Billed kW
	A	B	C
Residential	44,640	366,970,148	
General Service Less Than 50 kW	3,712	148,356,732	
General Service 50 to 999 kW	521	394,364,953	1,040,227
General Service 1,000 to 4,999 kW	37	436,254,198	981,977
Large Use	4	249,518,302	450,554
Unmetered Scattered Load	592	2,519,203	
Sentinel Lighting	27	104,454	280
Street Lighting	12,781	1,667,124	4,220

- a) Please identify if these values are from the Guelph 2008 Cost of Service Application or 2008 RRR reported values.

**Response:** The values used are from Guelph's 2008 RRR reported values. We have filed revised amounts on schedule "B3.1 Rate Class and Bill Det" in the amended Deferral Variance Account Workform V4.

- b) If the above are from the 2008 CoS application please provide reference to location in the application.

**Response:** Not applicable.

- c) If the above are from the 2008 CoS values, please explain why Guelph has not used the 2008 RRR reported values.

**Response:** Not applicable.



#### 4. 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 workform.

Rate Class	Billed kWh for Non-RPP customers D
Residential	53,121,057
General Service Less Than 50 kW	24,523,507
General Service 50 to 999 kW	394,364,953
General Service 1,000 to 4,999 kW	436,254,198
Large Use	249,518,302
Unmetered Scattered Load	2,519,203
Sentinel Lighting	104,454
Street Lighting	1,667,124

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

**Response:** These values represent actual values from January 1, 2008 to December 31, 2008. Please note that the Billed kWh for the General Service 1,000 to 4,999 rate class has been amended to 412,401,441.

- b) If the above values are estimated please explain why Guelph is unable to determine actual.

**Response:** Not applicable.

- 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, Guelph support using the numbers above as the most reasonable denominator to be used for rate determination?

**Response:** Yes, Guelph would support using Billed kWh for non-RPP customers as the most reasonable denominator to be used in the determination of a non-RPP customer rate rider for disposition of the 1588 – Global adjustment.

- d) If Guelph were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Guelph believe that the rider be applied to customers in the MUSH sector? If not, would Guelph 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:** Guelph believes that the rider should be applied consistently and prospectively to all non-RPP customers and therefore should be applied to customers in the MUSH sector.

## 5. Ref: 2010 IRM Deferral Variance Total Claim

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

<u>Regulatory Assets - Continuity Schedule Final</u>		
Account Description	Account Number	Total Claim I = C + D + E + F + G + H
LV Variance Account	1550	115,496
RSVA - Wholesale Market Service Charge	1580	(3,626,234 )
RSVA - Retail Transmission Network Charge	1584	(1,372,741 )
RSVA - Retail Transmission Connection Charge	1586	(1,704,826 )
RSVA - Power (Excluding Global Adjustment)	1588	0
RSVA - Power (Global Adjustment Sub-account)		0
Recovery of Regulatory Asset Balances	1590	(42,155 )
Disposition and recovery of Regulatory Balances Account	1595	0
Total		(6,630,458 )

- a) Please complete the amended 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 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.

**Response:** Guelph has completed the amended Deferral Variance Account Workform V4 as requested.

Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009 states that "A consistent method of either the billed or accrual basis is to be used throughout the life of Account 1588 RSVAPower." The Accounting Procedures Handbook in Article 490 (pages 10 and 11) states that the method (billed or accrual) chosen by the distributor shall be consistently applied on an ongoing basis to all RSVAs. Guelph's practice has been to report its 2.1.1 filings on the



billing (cash) basis, and its 2.1.7 filings on the accrual basis. In order to ensure consistency Guelph will be reporting its RSVA activity solely on the billing (cash) basis. As a result, the amended Deferral Variance Account Workform V4 has been prepared on the billing (cash) basis. This contrasts with the original Workform filed with the 2010 IRM3 submission, which was prepared on the accrual basis.

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

**Response:** Guelph confirms that these are the final balance for disposition.

- 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.

**Response:** See Appendix A for a reconciliation of the final balances for disposition to the 2008 year end account balances reported in the 2.1.7 Trial Balance.

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

**Response:** Guelph has complied with and applied correctly the Board's accounting policy and procedures for calculation of the final disposition balance

- e) Please confirm that Guelph has used the simple interest calculation as required by the Board using the Board's prescribed interest rates. If Guelph has used other calculations please explain where in the filing and why.

**Response:** Guelph confirms that it has used the simple interest calculation as required by the Board using the Board's prescribed interest rates.

- f) Please confirm that Guelph 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 Guelph has not complied with this requirement please explain why not.



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

## **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 \$1,927,344 while the 2009 RRWF sheet "3.Taxes\_PILs" shows Grossed-Up Income Taxes as \$1,971,258.

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

**Response:** The \$1,927,344 amount represents the Grossed-Up Tax Amount for 2009. The \$1,971,258 amount represents the Grossed-Up Tax Amount for 2008.

## **HST Interrogatory**

### **7. 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:

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- a) Would Guelph agree to capture in a variance account the reductions in OM&A and capital expenditures?

**Response:** Guelph feels that the cost of implementing a system to track the tax impact of the harmonization of the PST and GST would outweigh the benefit of any such 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?

**Response:** Guelph has no such suggestions at the present time.

