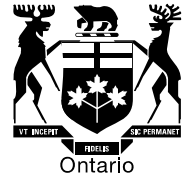


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BY E-MAIL

February 1, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Parry Sound Power Corporation
2010 IRM2 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0207**

In accordance with the Notice of Application and Written Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Parry Sound Power Corporation and to all other registered parties to this proceeding.

In addition please advise Parry Sound Power Corporation that responses to interrogatories are due by February 22, 2010.

Yours truly,

Original Signed By

Martin Benum
Advisor – Applications & Regulatory Audit

Encl.

Board Staff Interrogatories

2010 IRM2 Electricity Distribution Rates Parry Sound Power Corporation (“Parry Sound Power”) EB-2009-0207

1. Ref: 2010 IRM Deferral Variance Account 2006 EDR LV

In the 2006 EDR application Parry Sound Power included \$77,110 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 \$77,804 and \$78,660 respectively. In the 2010 IRM Deferral Variance Account Workform Parry Sound Power has reported \$31,833, \$122,654 and \$24,011 for 2006, 2007 and 2008 additions for USoA 1550 LV Variance account.

DVAWF		2006 EDR	
Transaction s (additions) during 2006/7/8, excluding interest and adjustments	Transaction s (reductions) during 2006/7/8, excluding interest and adjustment s	7-2 ALLOCATION - LV- Wheeling Cell L120	(GDP-IPI) - X
2006 \$ 31,833	\$ -	\$ 77,110	0.0%
2007 \$ 122,654	\$ -	\$ 77,804	0.9%
2008 \$ 24,011	\$ -	\$ 78,660	1.1%

- a) Please confirm that Parry Sound Power has applied the 2006 EDR LV Allocation against Hydro One LV costs and that the balance shown in the Deferral Variance Account workform are net of the LV allocation and correct.
- b) If LV Allocation not applied or Account 1550 not correct please provide an explanation in respect to the accounting for the LV.

2. Ref: 2010 IRM2 Rate Generator – LV and 2010 IRM Deferral Variance Account

Sheet “C3.1 Curr Low Voltage Vol Rt” of the 2010 IRM2 Rate 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.

-2-

Rate Generator	Rebased LV	2006 EDR		LVRate
		Rate Group	Rate Class	
Residential	\$ 0.00101	RES	Regular	\$0.00098
General Service Less Than 50 kW	\$ 0.00071	GSLT50kW	Less than 50 kW	\$0.00075
General Service 50 to 4,999 kW	\$ 0.35905	GSGT50kW	Greater than 50 kW (to 3000 kW)	\$0.35630
Unmetered Scattered Load	\$ 0.00091	USL	Unmetered Scattered Load	\$0.00092
Sentinel Lighting	\$ 0.34535	SENTINEL	Sentinel Lighting	\$0.34268
Street Lighting	\$ 0.32056	SL	Street Lighting	\$0.31807

- a) Please explain differences between the LV rates input into the Rate Generator the values generated by the 2006 EDR. Which rates should be used?

3. Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Parry Sound Power 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.

Account Description	Account Number	Total Claim
		I = C + D+ E + F + G + H
RSVA - Power (Excluding Global Adjustment)	1588	(779,538)
RSVA - Power (Global Adjustment Sub-account)		869,121

- a) Has Parry Sound Power 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?
- b) Has Parry Sound Power made adjustments subsequent to filing the 2010 IRM2 application and need to re-file an updated 2010 IRM Deferral Variance Account workform?

4. 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 modelled 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 Parry Sound Power 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 Parry Sound Power agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Parry Sound Power to provide such a rate rider, would Parry Sound Power's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Parry Sound Power see with this rate rider?

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

5. 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	2008		
	Billed Customers		
	Billed Customers or Connections	Billed kWh	Billed kW
	A	B	C
Residential	2,723	36,192,448	
General Service Less Than 50 kW	534	17,933,500	
General Service 50 to 4,999 kW	68	38,236,861	89,597
Unmetered Scattered Load	19	66,989	
Sentinel Lighting	12	16,393	43
Street Lighting	1,004	921,749	2,424

- a) Please identify if these values are from the Parry Sound Power 2009 Cost of Service Application or 2008 RRR reported values.
- b) If the above are from the 2009 CoS application please provide reference to location in the application.
- c) If the above are from the 2008 RRR reported values, please explain why Parry Sound Power has not used the 2009 CoS values.

6. 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	4,969,069
General Service Less Than 50 kW	2,679,201
General Service 50 to 4,999 kW	31,970,646
Unmetered Scattered Load	32,345
Sentinel Lighting	560
Street Lighting	682,077

- Please identify if these values estimated values or actual values and specify the applicable period.
- If the above values are estimated please explain why Parry Sound Power is unable to determine actual.
- As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for the disposition of the 1588 – Global adjustment sub-account. If accepted would Parry Sound Power support using the numbers above as the most reasonable denominator to be used for rate determination.
- If Parry Sound Power were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Parry Sound Power believe that the rider be applied to customers in the MUSH sector? If not, would Parry Sound Power 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?

7. Ref: 2010 IRM Deferral Variance Total Claim

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

	Account Number	Total Claim
Account Description	I = C + D+ E + F + G + H	
LV Variance Account	1550	192,055
RSVA - Wholesale Market Service Charge	1580	(351,693)
RSVA - Retail Transmission Network Charge	1584	(166,847)
RSVA - Retail Transmission Connection Charge	1586	(144,365)
RSVA - Power (Excluding Global Adjustment)	1588	(779,538)
RSVA - Power (Global Adjustment Sub-account)		869,121
Recovery of Regulatory Asset Balances	1590	42,277
Disposition and recovery of Regulatory Balances Account	1595	0
Total		(338,989)

- 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.
- 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.
- Please reconcile final balance for disposition to the 2008 year end account balance reported in the RRR filing. Please identify source and reason for variances.
- Please confirm that Parry Sound Power has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Parry Sound Power has used other practices in the calculation please explain where in the filing and why?

- e) Please confirm that Parry Sound Power has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Parry Sound Power has used other calculations please explain where in the filing and why?
- f) Please confirm that Parry Sound 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 (included in the Updated IRM Deferral and Variance Account Work Form zip file). If Parry Sound Power has not complied with this requirement please explain why not?

HST Interrogatory

8. 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?
- 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?