

## Board Staff Interrogatories

### 2010 IRM2 Electricity Distribution Rates Middlesex PowerDistribution Corporation. ("Middlesex") EB-2009-0202

#### 1. Ref: 2006 EDR LV

In its 2006 EDR application Middlesex included \$54,432 in Low Voltage ("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 \$54,922 and \$55,526 respectively

2006 EDR	
7-2 ALLOCATION - LV-Wheeling Cell L120	(GDP-IPI) - X
\$ 54,432	0.0%
\$ 54,922	0.9%
\$ 55,526	1.1%

- a) Please confirm that Middlesex has applied the 2006 EDR LV Allocation against Hydro One LV costs and that the balance that would be shown in the Deferral Variance Account workform for account 1550 would be net of the LV allocation.

#### 2. 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. Middlesex chose to request exemption from filing.

- a) Did Middlesex complete an informal calculation of outstanding balances as at December 31, 2008 to determine position on threshold? If so please advise calculated value.

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- 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 Middlesex 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.
- c) If Middlesex 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.
- d) If Middlesex 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.
- e) If Middlesex has completed the workform please confirm that Middlesex has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Middlesex has used other practices in the calculation please explain where in the filing and why.
- f) If Middlesex has completed the workform please confirm that Middlesex has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Middlesex has used other calculations please explain where in the filing and why.
- g) If Middlesex has completed the workform please confirm that Middlesex 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 Middlesex has not complied with this requirement please explain why not?
- h) If Middlesex has completed the workform please confirm whether the threshold balance of +- \$0.001 per kWh is or is not exceeded.

- i) If Middlesex 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?

**3. 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 Middlesex 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?

**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 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."*

Board staff would like to poll Middlesex 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 Middlesex agree that this proposal would be fair to all customers? Why or why not?
- b) If the Board were to order Middlesex to provide such a rate rider, would Middlesex's billing system be capable of billing non-RPP the separate rate rider? What complications, if any, would Middlesex see with this rate rider?
- c) If Middlesex were to be unable to bill in this fashion what would it consider proposing in the alternative?
- d) If Middlesex were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Middlesex believe that the rider be applied to customers in the MUSH sector? If not, would Middlesex 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?

## **HST Interrogatory**

### **5. 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?