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**BY E-MAIL**

February 10, 2010

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

Dear Ms. Walli:

**Re: Peterborough Distribution Incorporated  
Application for The Disposition of Deferral and Variance Account  
Balances  
Board Staff Interrogatories  
Board File Number EB-2009-0420**

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 Peterborough Distribution Incorporated and to all other registered parties to this proceeding.

In addition please advise Peterborough Distribution Incorporated that responses to interrogatories are due by February 24, 2010.

Yours truly,

*Original Signed By*

Tina Li  
Advisor – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories  
Peterborough Distribution Inc. (PDI)  
Request for Recovery of Deferral and Variance Account  
Balances EB-2009-0420  
Dated: February 10, 2010**

**1. General**

**Reference: PDI's 2009 rate rebasing decision EB-2008-0241**

In its EB-2008-0241 Decision, the Board noted that it expected PDI to provide the balances of all its existing deferral and variance accounts and to explain the reasons for not seeking disposition for any of its other deferral and variance accounts.

- a) Please confirm that PDI has provided the balances of all its existing deferral and variance account in this application.
- b) If applicable, please provide an explanation for not seeking the disposition for any deferral and variance account balance.

## 2. Account 1588, RSVA Power

**Reference: Manager's Summary, pages 4 and 5 related to Account 1588, RSVA Power**

PDI explained the source of RSVA Power Variance and stated that the "unbilled kwh was multiplied by the weighted average cost of electricity for the month of December 2008 **resulting in an unbilled energy accrual of \$4,088,000 and an RSVA Power Variance of \$2,996,732.**"

It was further explained that "PDI has determined that the reduced loss factor in effect for the 2006, 2007 and 2008 rate years resulted in a revenue shortfall and produced an unfavourable power variance. **Unbilled revenue was overstated and the power variance was understated at December 31, 2006 and December 31, 2007. This was corrected at December 31, 2008 and a variance of \$2,996,732 was recorded in the Account 1588 (emphasis added in "bold" format by Board staff).**"

- a. Please confirm whether the variance recorded in Account 1588 RSVA Power of \$2,996,732 is a result of:
  - i. 2006 and 2007 power variance adjustment; or
  - ii. 2008 power variance; or
  - iii. both (i) and (ii) in above.
  - iv. If the answer is both (i) and (ii) above, please provide a break down for the amount of variances by years (2006, 2007 and 2008).
- b. It appears that PDI determined that the loss factor has produced the power variance. However, Accounting Procedure Handbook (APH) Article 490 states that "The RSVA Power account is established for the purpose of recording the 'net difference' in energy cost only." 'Net difference' refers to the difference between the amount charged by the IESO, host distributor or embedded generator based on the settlement invoice for the energy cost and the amount billed to customers for the energy cost. **Note that these differences could be composed of differences in energy price and/ or energy quantities as well as the difference between estimated and actual line loss factors (emphasis added in "bold" format by Board staff).**<sup>1</sup>

Please confirm the RSVA power account has captured all differences as stated above. Please provide an explanation if otherwise.

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<sup>1</sup> Accounting Procedure Handbook, Article 490 page 19

### 3. Disposition of Regulatory Asset Balances

#### Reference: Manager's Summary, Page 6 of Application for Disposition of Regulatory Asset Balances

Board staff has re-produced the Table below from PDI's Application on page 6.

NAME OF UTILITY		Peterborough Distribution Inc				
Account Description	Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total Claim
Low Voltage - Account 1550	1550	\$ (622,702)	\$ (31,245)	\$ (7,040)	\$ (1,126)	\$ (662,113)
WMSC - Account 1580	1580	\$ (2,152,836)	\$ (57,332)	\$ (24,340)	\$ (3,892)	\$ (2,238,400)
Network - Account 1584	1584	\$ (814,307)	\$ (20,780)	\$ (9,207)	\$ (1,472)	\$ (845,766)
Connection - Account 1586	1586	\$ (161,129)	\$ (84,843)	\$ (1,822)	\$ (291)	\$ (248,085)
Power - Account 1588 excl GA	1588	\$ 2,996,732	\$ 659,424	\$ 33,881	\$ 5,418	\$ 3,695,455
Power - Account 1588 sub-account GA	1588	\$ 991,794	\$ 29,377	\$ 11,213	\$ 1,793	\$ 1,034,177
Recovery of Regulatory Asset Balances 1590	1590	\$ -	\$ (48,727)	\$ -	\$ -	\$ (48,727)
Sub-Totals		\$ 237,552	\$ 445,874	\$ 2,686	\$ 429	\$ 686,541
Other Regulatory Assets - Account 1508	1508	\$ 74,235	\$ 10,219	\$ 839	\$ 134	\$ 85,428
One-Time WMSC - Account 1582	1582	\$ 43,362	\$ 8,090	\$ 490	\$ 78	\$ 52,021
Sub-Totals		\$ 117,597	\$ 18,309	\$ 1,330	\$ 213	\$ 137,448
Totals per column		\$ 355,149	\$ 464,183	\$ 4,015	\$ 642	\$ 823,989

- Please confirm if the proposed amount of \$823,989, as shown in Table above, is the final balances for disposition. Otherwise, please provide an amended sheet to support final balances for disposition.
- Please provide a reconciliation of final balances for disposition of the 2008 regulatory trial balance that is reported to the Board as part of the RRR. Please identify the source and reasons for any differences for each account.
- Please provide a reconciliation of final balances for disposition of the 2008 year-end account balances reported in the audited financial statement. Please identify the source and reasons for any differences for each account.
- The 2008 ending balances reported in PDI's application shows the split for RSVA power and the Global Adjustment sub-account. On October 15, 2009, the Board issued a "Regulatory Audit and Accounting Bulletin 200901", which clarified the accounting rules for reporting of the 1558 – Global Adjustment sub-account.
  - Please confirm that PDI has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured

that it has accounted for its account 1588 RSVA Power and Global Adjustment sub-account in accordance with this Bulletin.

- ii. Has PDI made adjustments in the accounts and refiled RRR to the Board as required in the Bulletin?
- e) From a customer fairness standpoint, does PDI agree that a separate disposition rate rider should be applied prospectively to non-RPP customers to dispose of the 1588 – Global Adjustment sub-account? If not, why not? What alternatives might the Board consider to dispose of the 1588 – Global Adjustment sub-account? Please explain.
- f) If the Board were to direct PDI to effect a separate rate rider to dispose of the 1588 – Global Adjustment sub-account, would PDI's billing system be capable of accommodating that change? Please explain.
- g) If the Board were to direct PDI to effect a separate rate rider to dispose of the 1588 – Global Adjustment sub-account, please provide PDI's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector and other designated customers.
- h) Would PDI have the billing capability to exclude MUSH sector and other designated customers?

#### 4. Group 2 Accounts

##### Reference: Deferral and Variance Accounts Rate Rider Group 1 and Group 2 - Sheet 1

Board staff has re-produced the Table below from PDI's Application regarding the total claims for the Group 2 Accounts.

Account Description	Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total Claim
Other Regulatory Assets - Account 1508	1508	\$ 74,235	\$ 10,219	\$ 839	\$ 134	\$ 85,428
One-Time WMSC - Account 1582	1582	\$ 43,362	\$ 8,090	\$ 490	\$ 78	\$ 52,021
Sub-Totals		\$ 117,597	\$ 18,309	\$ 1,330	\$ 213	\$ 137,448

- a) Please provide a description of each type of expense recorded in two accounts Other Regulatory Assets – Account 1508 and One-Time WMSC – Account 1582, as shown in Table 2 above.

## 5. Allocation Factors

### Reference: Deferral and Variance Accounts Rate Rider Group 1 and Group 2 - Sheet 1

Board staff has re-produced the Table below that illustrates the cost allocators identified on sheet 1 of deferral and variance accounts Group 1 and Group 2.

2008 Data By Class	kW	kWhs	Non-RPP kWhs	Dx Revenue	2006 Regulatory Asset Recovery
RESIDENTIAL CLASS		288,028,301	38,094,802	\$ 7,700,558	\$ 2,832,331
GENERAL SERVICE <50 KW CLASS		120,894,473	18,404,350	\$ 2,060,398	\$ 800,459
GENERAL SERVICE >50 KW NON TIME OF USE	842,747	339,528,213	246,383,588	\$ 2,556,901	\$ 1,537,397
LARGE USER CLASS	134,390	63,387,466	63,387,466	\$ 103,009	\$ 134,308
UNMETERED & SCATTERED LOADS		1,426,304	401,345	\$ 14,636	\$ -
SENTINEL LIGHTS	2,437	633,264	202,644	\$ 15,229	\$ 9,185
STREET LIGHTING	16,513	5,640,742	5,640,742	\$ 144,760	\$ 16,448
Totals	996,087	819,538,763	372,514,937	\$ 12,595,491	\$ 5,330,128

- Please provide the sources of the above cost allocators (i.e. kW, KWhs, Non-RPP KWhs, Dx Revenue). Are they based on 2008 actual or 2008 Board-approved values?
- Please provide the supporting documentation for the total amount approved by the Board for the 2006 Regulatory Asset Recovery as well as the breakdown of this amount by rate class.

## **6. Continuity Schedule**

### **Reference: PDI Deferral and Variance Accounts Continuity Schedule**

- a) Please confirm that PDI has used the simple interest calculation, as required by the Board, using the Board's prescribed interest rates. Please provide an explanation if PDI has used other interest rates and the reason for this departure.
- b) Please confirm that PDI has transferred the approved deferral and variance account amounts in its 2006 EDR decision (EB-2005-0406) to account 1590. If PDI has not complied with this requirement, please explain why not? Please provide the reconciliation to the approved amounts in 2006 EDR.
- c) In the continuity schedule for 2006 year (page 2 of the continuity schedule), it shows amounts in the column named "Adjustments during 2006 – instructed by the Board".

Please provide the sources of the amounts recorded or the reference of the location in PDI's 2006 rate application (EB-2005-0406).