



February 22, 2010

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

Re: EB-2009-0203 Newbury Power Inc. 2010 Incentive Rate 2nd Generation Mechanism Application

Dear Ms. Walli:

Please find attached Newbury Power Inc. responses to Board Staff Interrogatories on the 2010 Incentive Rate Mechanism 2nd Generation Application.

The responses to the interrogatories have been submitted through the Board's web portal and two hard copies were sent to the office of the Ontario Energy Board.

Should there be any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in black ink, appearing to read 'Cheryl Decaire', written in a cursive style.

Cheryl Decaire
Co-ordinator of Regulatory and Rates
(519) 352-6300 ext 405
Email: cheryldecaire@ckenergy.com

CC: Dave Kenney, President of Middlesex Power Distribution
Chris Cowell, Chief Financial and Regulatory Officer

Newbury Power Inc.

EB-2009-0203

Response to Board Staff Interrogatories

Question #1

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. Newbury chose to request exemption from filing.

- a) Did Newbury complete an informal calculation of outstanding balances as at December 31, 2008 to determine position on threshold? If so please advise calculated value.
- 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 Newbury 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 Newbury 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 Newbury 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 Newbury has completed the workform please confirm that Newbury has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Newbury has used other practices in the calculation please explain where in the filing and why.
- f) If Newbury has completed the workform please confirm that Newbury has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Newbury has used other calculations please explain where in the filing and why.
- g) If Newbury has completed the workform please confirm that Newbury 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 Newbury has not complied with this requirement please explain why not?

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

Answer:

- a) Newbury did not performed an informal calculation of the outstanding balances as at December 31, 2008.
- b) – i) Newbury has not completed the Deferral Variance Account Workform V4 as it is in the process of reviewing the pre-acquisition (pre May 1, 2009) account activities. We propose to provide a verified Deferred Variance Account Workform at the time of the next IRM submission.

Question #2

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 Newbury 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?

Answer:

- a) Newbury has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009 and confirms that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin from the date of its acquisition by Middlesex Power Distribution Corporation, May 1, 2009, to present. We are presently reviewing the available pre acquisition records and propose to provide a verified deferral variance calculation at the time of the next IRM submission.

Question #3

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

Answer:

- a) Newbury agrees this would be fair to all customers for the reasons noted by the Board Staff above.
- b) The billing system used by Newbury does have the ability to apply a separate rate rider to the non-RPP customers. Some minor modifications will be required to the billing system to comply with the request.
- c) N/A, see (b)
- d) The rate rider should not be applicable to the MUSH sector customer as they were not included in the non-RPP customer group that accumulated the balance in the 1588 GA sub-account.

Question #4

Ref: 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?
-

Answer:

- a) Newbury is not agreeable to the establishment of a variance account to capture the reduction in OM&A and capital expenditures as the additional costs/efforts would likely outweigh the benefits.
- b) The impact of harmonization on most LDCs is likely small as PST only applied to some OM&A and capital expenditures. As such, we propose that the impact of the tax changes be considered in future cost of service rate application and not incorporated in the IRM model.