



## PETERBOROUGH DISTRIBUTION INC.

1867 Ashburnham Drive, PO Box 4125, Station Main  
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February 23, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli

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

Please find accompanying this letter two hard copies of Peterborough Distribution Inc's response to the Ontario Board Staff Interrogatories. Electronic versions of this response will be forwarded to the Board in both PDF and Excel format.

Yours truly,

*Original signed by John Stephenson*

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**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.

**Response:**

PDI provided the balances of all its existing deferral and variance accounts, except for Account 1562 Deferred PILS and Account 1563 PILS Contra Account.

- b) If applicable, please provide an explanation for not seeking the disposition for any deferral and variance account balance.

**Response:**

PDI did not seek disposition of Account 1555 Smart Meter Capital and Recovery or Account 1556 Smart Meter OM&A. Disposition of the smart meter deferral accounts will be requested in a future application.

PDI did not seek disposition of Account 1562 Deferred PILS and its contra account 1563, or Account 1565 Conservation and Demand Management and its contra account 1566. These accounts have a net balance of zero.

**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:
- 2006 and 2007 power variance adjustment; or
  - 2008 power variance; or
  - both (i) and (ii) in above.
  - 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).

**Response:**

The answer is both (i) and (ii) above. The breakdown by year is shown below:

**Ending RSVA Power Variance**

2006	\$1,698,446
2007	\$2,342,471
2008	\$2,996,732

- 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.

**Response:**

The RSVA power account has captured all differences as stated above.

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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 Jan-10 to Apr30-10	Total Claim	
Low Voltage - Account 1550	1550	\$ (622,702)	\$ (31,245)	\$ (7,040)	\$ (1,126)	\$	(662,113)
WMS - 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)
<b>Sub-Totals</b>		<b>\$ 237,552</b>	<b>\$ 445,874</b>	<b>\$ 2,686</b>	<b>\$ 429</b>	<b>\$</b>	<b>686,541</b>
Other Regulatory Assets - Account 1508	1508	\$ 74,235	\$ 10,219	\$ 839	\$ 134	\$	85,428
One-Time WMS - Account 1582	1582	\$ 43,362	\$ 8,090	\$ 490	\$ 78	\$	52,021
<b>Sub-Totals</b>		<b>\$ 117,597</b>	<b>\$ 18,309</b>	<b>\$ 1,330</b>	<b>\$ 213</b>	<b>\$</b>	<b>137,448</b>
<b>Totals per column</b>		<b>\$ 355,149</b>	<b>\$ 464,183</b>	<b>\$ 4,015</b>	<b>\$ 642</b>	<b>\$</b>	<b>823,989</b>

- a) 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.

#### Response:

\$823,989 is the final balance for disposition. It includes the principal amount at December 31, 2008 plus accrued interest to April 30, 2010.

- b) 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.

#### Response:

The reconciliation is shown below.

**Regulatory Asset Account Balances  
Balance for Disposition Compared to RRR**

	Balance for Disposition	12/31/2008 Balance per RRR	Difference	Difference due to Interest Jan 1-09 to Apr 30-10	Remaining Difference
Low Voltage - Account 1550	(\$662,113)	(\$432,036)	(\$230,077)	(\$8,166)	(\$221,911)
WMSC - Account 1580	(\$2,238,400)	(\$2,210,168)	(\$28,232)	(\$28,232)	\$0
Network - Account 1584	(\$845,766)	(\$835,087)	(\$10,679)	(\$10,679)	\$0
Connection - Account 1586	(\$248,085)	(\$245,972)	(\$2,113)	(\$2,113)	\$0
Power - Account 1588 excl GA	\$3,695,455	\$3,656,156	\$39,299	\$39,299	\$0
Power - Account 1588 sub-account GA	\$1,034,177	\$1,021,171	\$13,006	\$13,006	\$0
Recovery of Regulatory Asset Balances - 1590	(\$48,727)	(\$48,727)	\$0	\$0	\$0
Other Regulatory Assets - Account 1508	\$85,428	\$84,454	\$974	\$974	\$0
One-time WMSC - Account 1582	\$52,021	\$51,451	\$570	\$570	\$0

The remaining difference of (\$221,911) is related to Hydro One's Regulatory Asset Recovery 2005 (RAR 2005). The RAR 2005 was initially scheduled to end on March 31, 2008 but was extended until December 2008.

PDI continued to record RAR 2005 charges in Account 2405 Regulatory Liabilities from April 2008 until December 2008. During the preparation of the 2008 year-end financial statements, the amounts paid after March 31, 2008 were transferred from Account 2405 to Account 1550 Low Voltage, thereby increasing the balance in Account 1550 from a balance of (\$662,113) to a balance of (\$423,036).

However, the quarterly RRR that was due in January 2009 had already been filed based on the preliminary balance of (\$662,113). The balance for disposition shown above agrees with the quarterly RRR.

The trial balance that was filed in April 2009 is based on the revised balance of (\$432,036) and agrees with the audited financial statements for 2008.

- c) 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.

**Response:**

The reconciliation is shown below.

**Regulatory Asset Account Balances  
Balance for Disposition Compared to Audited Financial Statements**

	<b>Balance for Disposition</b>	<b>12/31/2008 Balance per Audited FS</b>	<b>Difference</b>	<b>Difference due to Interest Jan 1-09 to Apr 30-10</b>	<b>Remaining Difference</b>
Low Voltage - Account 1550	(\$662,113)	(\$432,036)	(\$230,077)	(\$8,166)	(\$221,911)
WMSC - Account 1580	(\$2,238,400)	(\$2,210,168)	(\$28,232)	(\$28,232)	\$0
Network - Account 1584	(\$845,766)	(\$835,087)	(\$10,679)	(\$10,679)	\$0
Connection - Account 1586	(\$248,085)	(\$245,972)	(\$2,113)	(\$2,113)	\$0
Power - Account 1588 excl GA	\$3,695,455	\$3,656,156	\$39,299	\$39,299	\$0
Power - Account 1588 sub-account GA	\$1,034,177	\$1,021,171	\$13,006	\$13,006	\$0
Recovery of Regulatory Asset Balances - 1590	(\$48,727)	(\$48,727)	\$0	\$0	\$0
Other Regulatory Assets - Account 1508	\$85,428	\$84,454	\$974	\$974	\$0
One-time WMSC - Account 1582	\$52,021	\$51,451	\$570	\$570	\$0

Please see the response to question 3 (b) for the explanation of the difference in Account 1550 Low Voltage.

- d) 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.
- i. 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.

**Response:**

PDI has reviewed the bulletin and determined that it has accounted for RSVA Power and Global Adjustment correctly, with the exception of requirement #10. PDI records the net amount of interest in account 4405.

- ii. Has PDI made adjustments in the accounts and refiled RRR to the Board as required in the Bulletin?

**Response:**

No adjustments were required.

- 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.

**Response:**

PDI agrees that the proposal is fair to all customers as global adjustment is billed to non-RPP customers only.

- 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.

**Response:**

Yes, PDI's billing system is capable of billing a non-RPP rate rider.

- 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.

**Response:**

PDI believes in principle that the disposal of the 1588 – Global adjustment sub-account should not be applied to customers in the MUSH sector and other designated customers.

- h) Would PDI have the billing capability to exclude MUSH sector and other designated customers?

**Response:**

PDI's billing system is capable of billing a non-RPP rate rider. It does not have the ability to exclude customers in the MUSH sector from a non-RPP rate rider. It does have the ability to exclude other designated customers who are RPP.

**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 Jan-1-10 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.

### Response:

The amount recorded in Account 1508, Other Regulatory Assets, represents deferred OEB assessment costs from the year 2005; the amount deferred is the difference between the 2005 assessment and the 1999 assessment.

The amount recorded in Account 1582, One-Time WMSC, is the total of the following charge codes from the IESO invoices for the year 2005:

IESO Charge Type	Description	Total
0118	Emergency Energy Rebate	(4.01)
0163	Market Suspension Additional Compensation Settlement Rebate	2.30
0164	Outage Cancellation/Deferral Debit	28.92
0167	Emergency Energy Debit	7,763.05
0169	Station Service Reimbursement Debit	35,570.09
		<u>43,360.35</u>

## 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



- a) 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?

**Response:**

The cost allocators shown above are based on 2008 actual values.

- b) 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.

**Response:**

PDI filed three applications with the Board for the 2006 Regulatory Asset Recovery, one for each of its three service territories:

Peterborough (PDI)	\$4,786,527
Asphodel-Norwood (ANDI)	\$290,446
Lakefield (LDI)	\$253,155
	<u>\$5,330,128</u>

Supporting documentation for each service territory from the 2006 Application showing the total amount approved by the Board and the breakdown of this amount by rate class is attached as "electricity\_regulatoryasset\_recoveryworksheet\_PDI/ANDI/LDI\_2006.xls".

## **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.

**Response:**

PDI has used the simple interest calculation using the Board's prescribed interest rates.

- 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.

**Response:**

PDI has transferred the approved deferral and variance account amounts in its 2006 EDR decision (EB-2005-0406) to account 1590.

- 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).

**Response:**

The adjustments relate to Hydro One regulatory asset recovery, and the reduction applied to qualifying transition costs. A summary of the adjustments is shown in the table below. Details by service territory can be found in the spreadsheets referred to the response to question 5 (b) above:

"electricity\_regulatoryasset\_recoveryworksheet\_PDI/ANDI/LDI\_2006.xls.

**Adjustments during 2006 - Instructed by the Board**

	Hydro One Charges to Dec 31-03	Hydro One Charges Jan 1-04 to Apr 30-06	Lesser of 10% off or \$60 per Customer	Total
Network - Account 1584		-\$94,515		-\$94,515
Connection - Account 1586	\$747,880	\$1,036,779		\$1,784,659
Other Regulatory Assets - Account 1508		\$63,983		\$63,983
Qualifying Transition Costs - Account 1570			-\$166,123	-\$166,123
	<b>\$747,880</b>	<b>\$1,006,247</b>	<b>-\$166,123</b>	<b>\$1,588,004</b>