

Response to Board Staff Submissions  
Peterborough Distribution Inc.  
2010 Electricity Rates Application  
EB-2009-0420  
Dated: March 16, 2010



1867 Ashburnham Drive, PO Box 4125, Station Main  
Peterborough ON K9J 6Z5

March 16, 2010

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

Dear Ms. Walli

**Peterborough Distribution Inc.  
Response to Board Staff Submission on Peterborough Distribution Incorporated  
2010 Electricity Distribution Rates Application  
Board File No. EB-2009-0240**

Please find accompanying this letter two hard copies of Peterborough Distribution Inc's response to the Ontario Energy Board Staff Submission. Electronic version of this response has been forwarded to the Board in PDF format.

Yours truly,

*Original signed by Robert Kent*

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**Peterborough Distribution Inc. Response to  
Board Staff Submission on March 9, 2010  
2010 Electricity Distribution Rates  
EB-2009-0240**

**CONSISTENCY WITH THE EDDVAR REPORT**

**Board Staff Discussion and Submission**

Board staff notes that PDI's application is consistent with the guidelines outlined in the EDDVAR Report with respect to the annual disposition and review process in a rebasing year, the cost allocation methodology, the rate rider derivation, and the filing requirements for deferral and variance accounts.

Board staff agrees with PDI's proposal to dispose of its Group 1 and Group 2 account balances over a one year period. With respect to the global adjustment sub-account, Board staff notes that customer migration might occur in the low volume customer groups. For this group of customers, there would be a benefit to dispose of the global adjustment sub-account balance over a relatively short period of time in order to reduce intergenerational and intra class inequities. Board staff submits that a disposition period no longer than one year would be appropriate. Regarding the remaining account balances, they have been accumulating over the last four years. Board staff is of the view that using a disposition period longer than one year would exacerbate intergenerational inequities. Board staff however recognizes that some volatility in electricity bills may result. Notwithstanding, Board staff believes that a one year disposition period, as suggested by PDI, would be in the interest of all parties.

**Peterborough Distribution Response**

Peterborough Distribution Inc. concurs with Board Staff's proposal.

**ACCOUNT 1550 – LOW VOLTAGE VARIANCE ACCOUNT**

**Board Staff Discussion and Submission**

By letter dated December 20, 2007, Hydro One filed a request with the Board for the continuation, on an interim rates basis, of the Regulatory Assets Phase 2 – rate rider until such time as new distribution rates would be implemented. In an oral Decision Issued by the Board on February 15, 2008, Hydro One received Board approval to continue its Regulatory Assets Phase 2 rate rider on an interim basis until the establishment of its new rates for 2008. As a result, the low voltage charges, which were included in Hydro One's Regulatory Assets Phase 2 – rate rider, continued to be charged to embedded distributors beyond April 30, 2008.

The Accounting Procedure Handbook ("APH") FAQ Q14 issued by the Board in August 2008 provides the accounting guidance on how distributors should account for the payments made to Hydro One, pursuant to the Board approved interim rates referenced above for the period beyond April 30, 2008. In summary, the APH requires that distributors record Hydro One's subsequent LV charges after April 30, 2008 as expenses in account 4705 which are thereafter transferred to account 1550.

Board staff therefore suggests that Hydro One's RAR 2005 charges after April 30, 2008 should have been included in account 1550. Consequently, the Board may wish to consider approving the disposition of a credit balance of \$432,036 in account 1550.

### **Peterborough Distribution Response**

Peterborough Distribution Inc. concurs with Board Staff's proposal to dispose of the credit balance of \$432,026 in account 1550.

## **ACCOUNT 1588 GLOBAL ADJUSTMENT SUB-ACCOUNT**

### **Board Staff Discussion and Submission**

Board staff notes that PDI has complied with the Regulatory Audit and Accounting Bulletin 200901 issued on October 15, 2009 with the exception of requirement #10. However, Board staff notes that requirement #10 has no impact on the global adjustment balances.

Considering PDI's responses to Board staff interrogatories 3 e) to 3 h), Board staff suggests that the Board may wish to consider establishing a separate rate rider for the disposition of the global adjustment sub-account balance. The rate rider would apply prospectively to non-RPP customers. Board staff submits that recovering the global adjustment sub-account balance solely from non-RPP customers would be more reflective of cost causality since it was that group of customers that were undercharged by the distributor in the first place. Based on the evidences filed by PDI, Board staff estimates that the bill impacts under this approach would be as follows:

A RPP customer consuming 800 kWh per month would experience an approximate 0.2% decrease in the current delivery charges. This is a \$0.17 per month decrease on the bill. A general service RPP customer consuming 2,000 kWh per month and having a monthly demand of less than 50 kW would experience an approximate 0.3% decrease in the current delivery charges. This is a \$0.63 per month decrease on the bill. A residential non-RPP customer consuming 800 kWh per month would experience an approximate 2.3% increase in the current delivery charges. This is a \$2.18 per month increase on the bill. A general service non-RPP customer consuming 2,000 kWh per month and having a monthly demand of less than 50 kW would experience an

approximate 2.2% increase in its current delivery charges. This is a \$5.25 per month increase on the bill.

Board staff invites PDI to confirm the above bill impacts in its reply submission.

Alternatively, the Board may wish to consider the recovery of the allocated global adjustment sub-account balance from all customers in each class. This approach would recognize the customer migration that might occur both away from the non-RPP customer group and into the non-RPP customer group.

### **Peterborough Distribution Response**

Peterborough Distribution Inc. concurs with Board Staff comment that requirement #10 has no impact on the global adjustment variances. Peterborough Distribution Inc. has changed its accounting practice and is now recording interest revenue in account 4405 and interest expense in account 6035.

Although Peterborough Distribution Inc. has the ability to implement a separate rate rider for non-RPP customers, Peterborough Distribution Inc. submits that it is more practical to recover the global adjustment sub-account balances from all customer in each rate class for the reasons stated by Board Staff.

The rate rider was developed by allocating the global adjustment to each class based upon Non-RPP kWh's. As illustrated in the table on the following page, the global adjustment amount is included in the balance to be collected from all customers within each rate class.

Peterborough Distribution Inc. has no comment regarding the Board Staff rate impact. Peterborough Distribution Inc. has not provided a revised rate impact analysis as the 3<sup>rd</sup> Generation Incentive Regulation Mechanism model used for adjusting electricity distribution rates requires updating for Board announced adjustments and Board Staff proposed adjustments.

**Sheet 2 - Rate Riders Calculation Group 1 and Group 2**

**NAME OF UTILITY** **Peterborough Distribution Inc**

Deferral and Variance Accounts:	Amount	ALLOCATOR	Unmetered							Total
			Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Scattered Load	Sentinel Lighting	Street Lighting	
Low Voltage - Account 1550	\$ (447,423)	kWh	\$ (157,248)	\$ (66,002)	\$ (185,364)	\$ (34,606)	\$ (779)	\$ (346)	\$ (3,080)	\$ (447,423)
WMSC - Account 1580	\$ (2,238,400)	kWh	\$ (786,690)	\$ (330,198)	\$ (927,351)	\$ (173,130)	\$ (3,896)	\$ (1,730)	\$ (15,407)	\$ (2,238,400)
Network - Account 1584	\$ (845,766)	kWh	\$ (297,246)	\$ (124,763)	\$ (350,394)	\$ (65,416)	\$ (1,472)	\$ (654)	\$ (5,821)	\$ (845,766)
Connection - Account 1586	\$ (248,085)	kWh	\$ (87,190)	\$ (36,596)	\$ (102,780)	\$ (19,188)	\$ (432)	\$ (192)	\$ (1,708)	\$ (248,085)
Power - Account 1588 excl GA	\$ 3,695,455	kWh	\$ 1,298,774	\$ 545,136	\$ 1,530,997	\$ 285,826	\$ 6,431	\$ 2,856	\$ 25,435	\$ 3,695,455
Power - Account 1588 sub-account GA	\$ 1,034,177	non-RPP kWh	\$ 105,759	\$ 51,094	\$ 684,011	\$ 175,977	\$ 1,114	\$ 563	\$ 15,660	\$ 1,034,177
Recovery of Regulatory Asset Balances 1590	\$ (48,727)	previous claim	\$ (25,893)	\$ (7,318)	\$ (14,055)	\$ (1,228)	\$ -	\$ (84)	\$ (150)	\$ (48,727)
<b>Subtotal - Group 1</b>	<b>\$ 901,231</b>		<b>\$ 50,267</b>	<b>\$ 31,353</b>	<b>\$ 635,065</b>	<b>\$ 168,235</b>	<b>\$ 968</b>	<b>\$ 414</b>	<b>\$ 14,930</b>	<b>\$ 901,231</b>
Other Regulatory Assets - Account 1508	\$ 85,428	Dx revenue	\$ 52,228	\$ 13,974	\$ 17,342	\$ 699	\$ 99	\$ 103	\$ 982	\$ 85,428
One-Time WMSC - Account 1582	\$ 52,021	kWh	\$ 18,283	\$ 7,674	\$ 21,552	\$ 4,024	\$ 91	\$ 40	\$ 358	\$ 52,021
<b>Subtotal - Group 2</b>	<b>\$ 137,448</b>		<b>\$ 70,511</b>	<b>\$ 21,648</b>	<b>\$ 38,894</b>	<b>\$ 4,722</b>	<b>\$ 190</b>	<b>\$ 143</b>	<b>\$ 1,340</b>	<b>\$ 137,448</b>
<b>Total to be Recovered</b>	<b>\$ 1,038,679</b>		<b>\$ 120,778</b>	<b>\$ 53,001</b>	<b>\$ 673,959</b>	<b>\$ 172,957</b>	<b>\$ 1,157</b>	<b>\$ 557</b>	<b>\$ 16,270</b>	<b>\$ 1,038,679</b>
Balance to be collected or refunded, Variable	\$ 1,038,679		\$ 120,778	\$ 53,001	\$ 673,959	\$ 172,957	\$ 1,157	\$ 557	\$ 16,270	\$ 1,038,679
Number of years for Variable	1									
Balance to be collected or refunded per year, Variable	\$ 1,038,679		\$ 120,778	\$ 53,001	\$ 673,959	\$ 172,957	\$ 1,157	\$ 557	\$ 16,270	\$ 1,038,679

Class
Deferral and Variance Account Rate Riders, Variable
Billing Determinants

Components of 2010 Riders:  
Variable Group 1  
Variable Group 2

Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Scattered Load	Sentinel Lighting	Street Lighting
\$ 0.00042	\$ 0.00044	\$ 0.79972	\$ 1.28698	\$ 0.00081	\$ 0.22857	\$ 0.98527
kWh	kWh	kW	kW	kWh	kW	kW
\$ 0.00017	\$ 0.00026	\$ 0.75357	\$ 1.25184	\$ 0.00068	\$ 0.16969	\$ 0.90413
\$ 0.00024	\$ 0.00018	\$ 0.04615	\$ 0.03514	\$ 0.00013	\$ 0.05888	\$ 0.08114