

Board Staff Interrogatories

2010 IRM3 Electricity Distribution Rates Erie Thames Powerlines Corporation ("Erie Thames") EB-2009-0222

1. Ref: 2010 IRM Deferral Variance Account 1588 -Power

The 2008 ending balances reported in the 2010 IRM Deferral Variance Account workform prepared by Erie Thames shows the split for account 1588 – Power and Global Adjustment. On October 15, 2009 the Board issued "Regulatory Audit and Accounting Bulletin 200901" which clarified the accounting rules for reporting the 1558 – Global Adjustment sub-account.

	Account Number	Total Claim
Account Description		N = E + M
RSVA - Power (Excluding Global Adjustment)	1588	1,106,234
RSVA - Power (Global Adjustment Sub-account)		364,270

- a) Has Erie Thames 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?

2. Ref: 2010 IRM Deferral Variance Account – Balance for Disposition

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 account balances will be reviewed and disposed of if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed of.

Erie Thames has requested that the Board review and approve the disposition of the December 31, 2008 Group 1 account balances as defined by the EDDVAR Report since the preset disposition threshold of \$0.001 per kWh was exceeded. The combined total of Group 1 account balance is a credit of \$1,147,010, which includes a debit balance of \$364,270 in the 1588 global adjustment sub-account. (Credit balances are amounts

-2-

payable to customers and debit balances are amounts recoverable from customers). Erie Thames has included interest on these account balances using the Board's prescribed interest rates to April 30, 2010. Erie Thames's account balances as at December 31, 2008, plus projected carrying charges to April 30, 2010, are shown below.

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	225,700	22,176	247,876
RSVA - Wholesale Market Service Charge	1580	(905,374)	83,941	(821,433)
RSVA - Retail Transmission Network Charge	1584	(252,127)	22,061	(230,066)
RSVA - Retail Transmission Connection Charge	1586	(688,990)	(30,406)	(719,396)
RSVA - Power (Excluding Global Adjustment)	1588	483,813	622,421	1,106,234
RSVA - Power (Global Adjustment Sub-account)	1588	374,998	(10,728)	364,270
Recovery of Regulatory Asset Balances	1590	(2,424,924)	1,330,428	(1,094,496)
		<u>(3,186,903)</u>	<u>2,039,893</u>	<u>(1,147,010)</u>

- a) Please confirm if these are the final balances for disposition. If not the final balances please provide amended workform to support final balances for disposition.
- b) 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.
- c) Please confirm that Erie Thames has complied with and applied correctly the Boards accounting policy and procedures for calculation of the final disposition balance. If Erie Thames has used other practices in the calculation please explain where in the filing and why.
- d) Please confirm that Erie Thames has used the simple interest calculation as required by the Board using the Boards prescribed interest rates. If Erie Thames has used other calculations please explain where in the filing and why.
- e) Please confirm that Erie Thames 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 Erie Thames has not complied with this requirement please explain why not?

3. Ref: 2010 IRM Deferral Variance Account – Method of Disposition

The EDDVAR Report includes guidelines on the cost allocation methodology and the rate rider derivation for the disposition of deferral and variance account balances. The EDDVAR Report adopted an allocation of the global adjustment 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 be divided by the volumetric billing determinants from the most recent audited year-end or Board-approved forecast, if available. This approach spreads the recovery or refund of the allocated account balances to all customers in the affected rate class.

- a) Would Erie Thames agree in principle with Board staff that the establishment of a separate rate rider that would be prospectively applied to non-RPP customers would be more reflective of cost causality? If Erie Thames does not agree please explain why not?
- b) If Erie Thames were to establish a separate rate rider to dispose of the balance of the 1588 – Global adjustment sub-account, does Erie Thames believe that the rider be applied to customers in the MUSH sector? If not, would Erie Thames 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?
- c) Could Erie Thames current billing system readily accommodate a separate rate rider that would apply prospectively to non-RPP customers to dispose of the global adjustment sub-account balance?
- d) If Erie Thames current billing system can not readily accommodate a separate rate rider that would apply prospectively to non-RPP customers to dispose of the global adjustment sub-account balance which of the following would Erie Thames consider as an alternative?

-4-

- a. disposition of the allocated global adjustment sub-account balance to all customers in the each affected rate class (i.e. as originally intended in the EDDVAR Report).
- b. that the global adjustment sub-account balance be allocated and disposed of to the GS>50 kW, large user, and street lighting customer rate classes (i.e. the non-RPP classes) on the basis that these classes include the vast majority on non-RPP customers.

4. Ref: 2010 IRM Deferral Variance Account – Term of Disposition

With respect to the disposition period, the EDDVAR Report states that the default position would be one year.

- a) Please confirm that Erie Thames has requested the disposition of its Group 1 account balance over a one year period.

5. Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the billing determinants identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed Customers or Connections		
	A	Billed kWh	Billed kW
		B	C
Residential	12,458	123,245,746	
General Service Less Than 50 kW	1,401	40,839,870	
General Service 50 to 999 kW	144	88,113,463	367,309
General Service 1,000 to 2,999 kW	8	69,529,869	135,587
General Service 3,000 to 4,999 kW	2	29,624,668	83,687
Large Use	1	84,605,665	165,609
Unmetered Scattered Load	95	606,271	
Sentinel Lighting	256	238,372	932
Street Lighting	2,956	3,115,492	9,432
Embedded Distributor	2	20,741,502	99,771

-5-

- a) Please identify if these values are from the Erie Thames 2008 Cost of Service Application or 2008 RRR reported values.

6. Ref: 2010 IRM Deferral Variance Billing Determinants

Below are the Billed kWh for Non-RPP customers identified on Sheet “B1.3 Rate Class And Bill Det” of the workform.

Rate Class	Billed kWh for Non- RPP customers D
Residential	22,475,889
General Service Less Than 50 kW	6,913,007
General Service 50 to 999 kW	91,034,801
General Service 1,000 to 2,999 kW	18,127,520
General Service 3,000 to 4,999 kW	13,520,325
Large Use	79,813,797
Unmetered Scattered Load	22,382
Sentinel Lighting	0
Street Lighting	2,483,875
Embedded Distributor	16,433,707

- a) Please identify if these values estimated values or actual values and specify the applicable period.
- b) If the above values are estimated please explain why Erie Thames is unable to determine actual.
- c) As discussed in one of the questions above Board staff have proposed a non-RPP customer rate rider for disposition of the 1588 – Global adjustment. If accepted would Erie Thames support using the numbers above as the most reasonable denominator to be used for rate determination.

HST Interrogatory

7. Harmonized Sales Tax

The PST and GST may be harmonized effective July 1, 2010.

In the event of PST and GST being 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?