Chatham-Kent Hydro
2011 EDR 3rd Generation IRM
EB-2010-0074

Board staff Interrogatories

1. Ref: Section 5: Revenue-to-cost ratios

In section 5, Chatham-Kent provides its Revenue-to-cost ("R/C") ratios for 2010, 2011 and 2012, to migrate the R/C ratios for all customer classes to within the bounds established by the Board. Chatham-Kent notes that it has adjusted the 2010 revenue requirement and R/C ratios to reflect that fact that smart meter costs approved and disposed of in its 2010 Cost of Service rate application, under File No. EB-2009-0261, should have been incorporated into the rate base and revenue requirement at that time rather than being recovered through an ongoing rate rider of $0.17 per month for metered customer classes. Chatham-Kent states that this adjusted the 2011 revenue adjustment by $65,848.

a) Please provide the R/C ratios for 2010 absent the adjustment for the smart meters approved in EB-2009-0261.
b) Please explain and provide the derivation of the $65,848 adjustment explained in Note 1 to the table in Section 5.

2. Ref: Section 3: Smart Meter Funding Adder and Disposition Rider, and Smart Meter Adder Calculation Model

In Section 3, Chatham-Kent has proposed a smart meter funding adder of $0.96 per month per metered customer. The derivation is provided in the Smart Meter model.

a) Please confirm that this proposed smart meter funding adder is intended to recover revenue requirement costs, both historically and for 2011, for smart meters deployed in 2009 and 2010 for which capital and operating costs have not been reviewed and approved by the Board, and for smart meters for 318 GS < 50 kW and 197 GS > 50 kW customers planned to be installed in 2011. In the alternative, please explain the purpose of the smart meter funding adder.
b) Please explain how new smart meters are being funded for residential customers serviced by Chatham-Kent in 2011. Does Chatham-Kent assume that base distribution rates for residential customers now and on a going forward basis, fully recover capital-related and operating costs of their smart meters, subject to inflation less productivity gains?
c) Chatham-Kent has assumed the Cost of Capital parameters published by the Board on February 24, 2010 in estimating the 2011 revenue requirement. Base distribution rates are not subject to cost of capital adjustments under IRM as the GDP-IPI – X adjustment implicitly factors in macroeconomic adjustments to the cost of capital. However,

the smart meter funding adder is not subject to the price cap adjustment. Please provide Chatham-Kent's views on whether updated cost of capital parameters based on more recent data should be used to better proxy the cost of capital for calculating the revenue requirement in 2011 for the purposes of calculating the smart meter funding adder.

d) The Smart Meter Adder Calculation Model data implies that Chatham-Kent will have completed 100% deployment in 2011.
   i. Please confirm or, in the alternative, explain when Chatham-Kent expects to complete its smart meter deployment.
   ii. Please identify what further process Chatham-Kent anticipates that it will undertake to complete the regulatory process of having all of its smart meter costs reviewed and, subject to Board approval, included in rate base and revenue requirement like other distribution assets and costs.

3. Stranded Meter Costs

Regarding the regulatory ratemaking treatment of stranded meter costs, some distributors have transferred the cost of stranded meters from Account 1860, Meters, to "Sub-account Stranded Meter Costs" of Account 1555, while in some cases distributors have left these costs in Account 1860. Depending on which treatment Chatham-Kent has chosen, please provide the information under the two scenarios (a. and b.) below, as applicable to Chatham-Kent.

a. If the stranded meter costs were transferred to "Sub-account Stranded Meter Costs" of Account 1555, answer the following questions:
   i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.
   ii. Please provide the amount of the pooled residual net book value of the removed from service stranded meters, less any sale proceeds and contributed capital, which were transferred to this sub-account as of December 31, 2009.
   iii. Since transferring the removed stranded meter costs to the sub-account, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time

the stranded meters were transferred to the sub-account to December 31, 2009.

iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.

v. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.

vi. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.

vii. In the outlined format of the table shown below (after b.), Summary of Stranded Meter Cost, please provide the data to derive the total “Residual Net Book Value” amounts for each year.

b. If the stranded meter costs remained recorded in Account 1860, Meters, please answer the following questions:

i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.

ii. Please provide the amount of the pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009.

iii. Was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, provide the total depreciation expense amount for the period from the time the meters became stranded to December 31, 2009.

iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, provide the total depreciation expense amount that would have been applicable for the period from the time the meters because stranded to December 31, 2009.

v. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.

vi. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.

vii. In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

Table x - Summary the Residual Net Book Value of Stranded Meter Costs

Year	Gross Asset (A)	Accumulated Amortization (B)	Net Asset (C = A–B)	Proceeds on Disposition (D)	Contributed Capital (E)	Residual Net Book Value (F=C-D-E)
2006						
2007						
2008						
2009						
2010 (1)						
2011						
Total						

(1) For 2010, please indicate whether the amounts provided are on a forecast or actual basis.

4. Ref: Smart Meter Funding Adder Model Sheet 2

Sheet 2. Smart Meter Capital Cost and Operational Expense Data

Smart Meter Unit Installation Plan:

assume calendar year installation

	2006 Audited Actual	2007 Audited Actual	2008 Audited Actual	2009 Actual	2010 Forecasted	2011 Forecasted	Later Forecasted	Total
Planned number of Residential smart meters to be installed	1,000	26,749	123	573	23			28,568
Planned number of General Service Less Than 50 kW smart meters			963	862	1,192	318		3,135
Planned Meter Installation (Residential and Less Than 50 kW only)	1,000	26,749	1,086	1,335	1,215	318	-	31,703
Percentage of Completion	3%	88%	91%	95%	99%	100%	100%	
Planned number of General Service Greater Than 50 kW smart meters			112	96	95	197		500
Planned / Actual Meter Installations	1,000	26,749	1,198	1,431	1,310	515	-	32,203

Other Unit Installation Plan:

assume calendar year installation

	2006 Audited Actual	2007 Audited Actual	2008 Audited Actual	2009 Actual	2010 Forecasted	2011 Forecasted	Later Forecasted	Total
Planned number of Collectors to be installed								-
Planned number of Repeaters to be installed		12		18		5		35
Other : Please specify								
Transceivers		224	18	1	14	9		264
								-
								-
								-

In Sheet 2 of the Smart Meter Funding Adder Model Chatham Kent has included 2006, 2007 and 2008 number of smart meters, collectors and repeaters to be installed.

a) Please explain why these units have been included when the costs associated with them were added into rate base as per Board Decision EB-2009-0261.
b) If it is agreed they should be removed please explain why the per meter split is so high.

5. Ref: Tax Sharing Model – B1.1 Re-Based Bill Det & Rates

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year	2010
Last COS OEB Application Number	EB-2009-0261

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	28,644	207,045,763		18.03	0.0084	
GSLT50	General Service Less Than 50 kW	Customer	kWh	3,038	90,210,202		33.10	0.0112	
GSGT50	General Service 50 to 499 kW	Customer	kW	421	189,939,582	494,092	94.43		2.6761
GSGT50	General Service Intermediate 1,000 To 4,999 kW	Customer	kW	28	139,888,648	382,377	123.54		5.8603
GSGT50	Intermediate With Self Generation	Customer	kW	1	32,205,189	87,305	1,100.17		2.7757
USL	Unmetered Scattered Load	Connection	kWh	194	1,081,178		7.60	0.0006	
Sen	Sentinel Lighting	Connection	kW	327	347,118	1,079	6.18		0.4390
SL	Street Lighting	Connection	kW	10,751	5,757,195	18,365	1.40		1.0460
NA	Rate Class 9	NA	NA						

a) Please explain why rates in columns D, E and F are not consistent with rates from Sheet "E1.1 Rate Reb Base Dist Rts Gen" of the 2011 IRM3 Rate Generator.
b) If Chatham-Kent is of the view that the data included in the application is more appropriate to use, please explain why. If not, please re-file the Tax Sharing model with the correct rates.

6. Ref: Tax Sharing Model – F1.1 Z-Factor Tax Changes

Z-Factor Tax Changes

Summary - Sharing of Tax Change Forecast Amounts

1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2011
Taxable Capital	$56,073,568	$56,073,568
Deduction from taxable capital up to $15,000,000	$15,000,000	$15,000,000
Net Taxable Capital	$41,073,568	$41,073,568
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	**$ 30,552**	**$ -**
2. Tax Related Amounts Forecast from Income Tax Rate Changes	**2010**	**2011**
Regulatory Taxable Income	$ 2,129,780	$ 2,129,780
Corporate Tax Rate	30.99%	28.25%
Tax Impact	$ 660,061	$ 601,620
Grossed-up Tax Amount	**$ 956,500**	**$ 838,472**
Tax Related Amounts Forecast from Capital Tax Rate Changes	$ 30,552	$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	$ 956,500	$ 838,472
Total Tax Related Amounts	**$ 987,052**	**$ 838,472**
Incremental Tax Savings		**-$ 148,580**
Sharing of Tax Savings (50%)		**-$ 74,290**

a) Please explain why Taxable Capital is not consistent with total rate base per the Revenue Requirement Work Form from the Board decision in EB-2009-0261.
b) Please explain why Regulatory Taxable income is not consistent with Taxable Income per the Revenue Requirement Work Form from the Board decision in EB-2009-0261.
c) If the data provided is correct, please provide evidence supporting the data entered for both a) and b). If the data is incorrect, please re-file the Tax Savings Calculation model with the correct data.