Board Staff Interrogatories

2011 IRM2 Electricity Distribution Rates
Middlesex Power Distribution Corporation - Dutton
("Middlesex Power - Dutton")
EB-2010-0274

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

In Section 3, Middlesex Power – Dutton has proposed a smart meter funding adder of $4.82 per month per metered customer. The derivation is provided in the Smart Meter Adder Calculation model.

a) Please confirm that this proposed smart meter funding adder is intended to recover revenue requirement costs, both historically and for 2010 and 2011, for smart meters deployed in 2009 for which capital and operating costs have not been reviewed and approved by the Board. In the alternative, please explain the purpose of the smart meter funding adder.

b) Please explain how new smart meters are being funded for any residential and small general service customers serviced by Middlesex Power – Dutton in 2010 and 2011. Does Middlesex Power – Dutton 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) The Smart Meter Adder Calculation Model data implies that Middlesex Power - Dutton completed 100% smart meter deployment in 2010.
   i. Please confirm or, in the alternative, explain when Middlesex Power – Dutton expects to complete its smart meter deployment.
   ii. Please identify what further process Middlesex Power - Dutton 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.

2. 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 the applicant has chosen, please provide the information under the two scenarios (a. and b.) below, as applicable to the applicant.

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. Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2009.

vi. 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.

vii. 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.

viii. 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.

c. Please provide the estimate of the net book value of stranded meters as of: i) January 1, 2011; and ii) December 31, 2011.

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)						
Total						

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

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

Middlesex Power – Dutton has requested a smart meter funding adder of $4.82 per month for metered customers. The derivation of this is provided in the Smart Meter Adder Calculation model.

Smart Meter deployment in the Dutton service area was dealt with in Middlesex Power – Dutton's application for 2009 distribution rates dealt with under file number EB-2009-0177. The Board's Decision and Order in File Number EB-2009-0177 stated:

> In the application filed in June 2009, the Applicant [Middlesex Power – Dutton] proposed a $1.00 smart meter rider to minimize the impact of full deployment of smart meters in 2010. The application noted that Dutton Hydro was purchased by Middlesex Power and that the latter is one of the 13 distributors authorized to undertake smart metering activities. Middlesex Power will install the smart meters for Dutton Hydro customers in 2010. [Decision and Order, January 25, 2010, page 10]

While approved in the 2009 Distribution application dealt with under file no. EB-2009-0177, the smart meter funding adder of $1.00 per month per metered customer was not implemented until October 2010, as approved in the Board's Decision on Middlesex Power – Dutton's 2010 IRM application dealt with under file no. EB-2010-0226.

In the Smart Meter Adder Calculation model filed in this application, Middlesex Power – Dutton documents 100% deployment of smart meters in Dutton in 2009. The model thus calculates the incremental revenue requirement for 2009, 2010 and 2011 for recovery in the proposed smart meter funding adder.

a) Please reconcile Middlesex Power – Dutton's evidence that smart meters were fully deployed in 2009 with its evidence in the application considered under file no. EB-2009-0177 where smart meters would be deployed in 2010.
b) If smart meters were deployed in 2010, , please re-calculate, using the Smart Meter Adder Calculation model, the incremental revenue requirement only for 2010 and 2011 associated with the 2010 installed smart meters. Please update the funding adder to reflect the above calculation.

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

In the Board's Decision with respect to an application for an increased smart meter funding adder from Atikokan Hydro Inc. ("Atikokan"), considered under file No. EB-2010-0185, the Board approved a smart meter funding adder of $3.50 per month per metered customer. Atikokan had originally proposed a smart meter funding adder of $4.88 per month, but agreed in its reply submission to Board staff's proposal of $3.50 on the basis that the proposed increase was unprecedented at that time, that there were some concerns about whether certain expenses were smart meter-related or regular operating expenses, and to mitigate the impacts on customers.

Middlesex Power – Dutton's proposed smart meter funding adder of $4.82 per month represents an increase of $3.82 over its existing smart meter funding adder of $1.00 per month, which itself was only implemented in October 2010.

Per the calculations shown in the Smart Meter Adder Calculation model, the $4.82 is calculated to recover over the 2011 rate year (12 months from May 1, 2011 to April 30, 2012) the revenue requirement associated with smart meters installed in 2009 for the years 2009 to 2011 inclusive, a period of three years.

The role of the funding adder has changed somewhat since it was introduced for 2006 electricity distribution rates. Originally intended as "seed funding" for smart meter programs that distributors were going to be expected to implement, it has also served increasingly more like a recovery of incremental revenue requirement for deployed smart meters until such time as a distributor makes application with the Board for disposition of actual and audited costs of installed smart meters. The smart meter funding adder also serves to help mitigate rate increases for customers over time.

a) Please provide Middlesex Power – Dutton's view as to the appropriateness of a lower funding adder for 2011 to partially recover the 2011 and historical revenue requirement for installed smart meters as a means to mitigate rate increases in this application, with full recovery determined when Middlesex Power – Dutton makes application for final disposition of actual and audited smart meter costs.

b) Please provide Middlesex Power – Dutton's views as to whether $3.50 per month would be an adequate smart meter funding adder to largely recover the incremental revenue requirement for installed smart meters. If Middlesex Power – Dutton believes that an alternative smart meter funding adder quantum would be preferred, please propose an alternative. Please provide the derivation of the alternative proposal and explain the rationale supporting your proposal.

5. Ref: 2011 Rate Generator Workform

Sheet 4.1 Current Rates and Charges General is reproduced below:

Current Rates and Charges General

Rate Class		
Residential		
Retail Transmission Rate – Network Service Rate	$/kWh	0.0066
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0053
Rate Class		
General Service Less Than 50 kW		
Retail Transmission Rate – Network Service Rate	$/kWh	0.0060
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0047
Rate Class		
Sentinel Lighting		
Retail Transmission Rate – Network Service Rate	$/kW	1.8592
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.4847
Rate Class		
Street Lighting		
Retail Transmission Rate – Network Service Rate	$/kW	1.8498
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	1.4543

Middlesex Power - Dutton current Tariff sheet does not match the Retail Transmission Rate – Network Service Rate and Retail Transmission Rate – Line and Transformation Connection Service Rate for all rate classes.

a) Middlesex Power – Dutton current Tariff of Rates and Charges does not match with the Tariff of Rates and Charges prepared in the 2011 IRM2 Rate Generator Workform. Board Staff notes that the Retail Transmission Rates (Network Service Rate and Line and Transformation Connection Service Rate) for the Residential, GS <50 kW, Sentinel Lighting and Street Lighting classes are different from those which appear on the approved 2010 tariff sheet.

   If these rates are correct, please explain why. If not, please identify the correct rates for Retail Transmission Rates (Network Service Rate and Line and Transformation Connection Service Rate) for the Residential, GS <50 kW, Sentinel Lighting and Street Lighting classes and Board Staff will adjust the filed Rate Generator Workform.

6. Ref: 2011 Retail Transmission Service Rates ("RTSR") Adjustment Workform

Sheet B1.1 Rate Class and RTSR Rates is reproduced below.

Rate Group	Rate Class	Vol Metric	RTSR - Network	RTSR - Connection
RES	Residential	kWh	0.0066	0.0053
GSLT50	General Service Less Than 50 kW	kWh	0.0060	0.0047
Sen	Sentinel Lighting	kW	1.8592	1.4847
SL	Street Lighting	kW	1.8498	1.4543

a) Middlesex Power – Dutton current Tariff of Rates and Charges does not match with the Tariff of Rates and Charges prepared in the 2011 IRM2 RTSR Adjustment Workform. Board Staff notes that RTSR – Network and RTSR – Connection for the Residential, GS <50 kW, Sentinel Lighting and Street Lighting classes are different from those which appear in the approved 2010 tariff sheet.

If these rates are correct, please explain why. If not, please identify the correct rates for RTSR – Network and RTSR – Connection for the Residential, GS <50 kW, Sentinel Lighting and Street Lighting classes and Board Staff will adjust the filed RTSR Adjustment Workform.

7. Ref: 2011 Transmission Service Rates ("RTSR") Adjustment Workform

Sheet B1.2 – 2009 Distributor Billing Determinants is reproduced below.

2009 Distributor Billing Determinants

Enter the most recently reported RRR billing determinants

Loss Adjusted Metered kWh	Yes
Loss Adjusted Metered kW	No

Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor D = A / (B * 730)	Loss Adjusted Billed kWh E = A * C
Residential	kWh	4,425,564	0	1.0662		4,718,536
General Service Less Than 50 kW	kWh	3,392,738	0	1.0662		3,617,337
Sentinel Lighting	kW	881	0	1.0662	591.92%	939
Street Lighting	kW	116,532	343	1.0662	46.57%	124,246
Total		7,935,715	343			8,461,059

a) Please explain why the billing determinants in Columns A and B (Metered kWh and Metered kW) are not identical with the values reported in the 2009 RRR.

b) If Middlesex Power – Dutton is of the view that the data included in the application is more appropriate to use, please explain why. If not, please refile Sheet B1.2 with the correct data and staff will make the necessary changes to the model.

8. Ref: 2011 Deferral and Variance Account Adjustment Workform

Sheet B1.3 Rate Class and Billing Determinants

Rate Class and Billing Determinants

				2009 Audited RRR			
Rate Group	**Rate Class**	**Fixed Metric**	**Vol Metric**	**Metered kWh**	**Metered kW**	**Billed kWh for Non-RPP customers**	**1590 Recovery Share Proportion** [1]
RES	Residential	Customer	kWh	4,425,564		828,581	54.6%
GSLT50	General Service Less Than 50 kW	Customer	kWh	3,392,738		815,845	43.8%
Sen	Sentinel Lighting	Connection	kW	881	0		0.0%
SL	Street Lighting	Connection	kW	116,532	343		1.6%

a) Please explain why the billing determinants for the Metered kWh and Metered kW (Columns J & K) are not identical with the values reported in the 2009 RRR filings.

b) If the data provided is correct, please provide evidence supporting the data. If the data is incorrect, please re-file sheet B1.3 with the correct data and staff will make the necessary changes to the model.