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**BY E-MAIL**

December 16, 2010

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Board Staff Interrogatories  
2011 Electricity Distribution Rates  
Parry Sound Power Corporation  
Board File No. EB-2010-0140**

In accordance with Procedural Order No. 1, please find attached Board staff interrogatories in this proceeding. Please forward the attached to Parry Sound Power and to all intervenors in the proceeding.

Yours truly,

*Original signed by*

Harold Thiessen  
Case Manager

Attachment

**BOARD STAFF INTERROGATORIES**  
**Parry Sound Power Corporation**  
**2011 Electricity Distribution Rates Application**  
**EB-2010-0140**

**DECEMBER 16, 2010**

**GENERAL**

**Responses to Letters of Comment**

1. Following publication of the Notice of Application, did Parry Sound Power receive any letters of comment, including those forwarded by the Board Secretary's Office? If so, please confirm whether a reply was sent from Parry Sound Power to the author of any letters. If confirmed, please file these replies with the Board. If not confirmed, please explain why a response was not sent and confirm if Parry Sound Power intends to respond.

**Ref: Exhibit 1/Tab 2/Schedule 1/ pp. 10-12 Bill Impact Tables**

2. The bill impact tables presented on these pages include a number of errors. Please update these tables so they correspond to the bill impacts cited in the published Notice of Application. If required, please also update the bill impact tables found at Exhibit 8/Tab1/Schedule 6/Appendix A.

**Ref: Exhibit 1/Tab 1/Schedule 15 Conditions of Service (CoS)**

3. Please identify any rates and charges that are included in Parry Sound Power's Conditions of Service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered. If applicable, please explain whether in the applicant's view, why these rates and charges should not be included on Parry Sound Power's tariff sheet. If applicable, please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2010 bridge and 2011 test years.

**LOAD FORECAST**

**Ref: Exhibit 3/Tab 2/Schedule 1/p.2**

4. Please provide an update to the load forecast with actual results for 2010 (customer numbers, KW and kWh consumption for all classes). Does Parry Sound believe that the 2010 actuals warrant a revision in the 2011 forecast? Why or why not?

**Ref: Exhibit 3/Tab 2/Schedule 1/p.2**

5. With regard to the Residential analysis, it appears that Parry Sound has not included an economic variable in its regression for this class. Why was an economic variable not included?

**Ref: Exhibit 3/Tab 2/Schedule 1/p.2&3**

6. With regard to the GS<50kW and GS>50kW analysis, Ontario Real GDP is used as a variable. Why did Parry Sound not use a variable that is more locally or regionally focused rather than a province-wide variable?

**Ref: Exhibit 3/Tab 2/Schedule 1/p.3**

7. With regard to the GS>50kW analysis, what is the employment statistic cited in the table and why is the coefficient negative?

**Ref: Exhibit 3/Tab 2/Schedule 1/p.13**

8. At Line 21 on this page, Parry Sound mentions a review of the historical ratio of kW to kWhs and applying the average ratio to the forecasted kWh. Please provide this analysis of the ratios and explain what effect it had on the kW forecast.

**OPERATIONS AND MAINTENANCE EXPENSES**

**Ref: Exhibit 4/Tab 1/Schedule 1**

9. Please identify the inflation rate used for the 2011 OM&A forecasts and the source document for the inflation assumptions.

**Ref: Exhibit 4/Tab 1/Schedule 1/p.5**

10. Parry Sound presents a table of OM&A cost per customer on this page. Please provide the calculation using customer number definition used in the Board's EB-2006-0258 comparisons report, that is including only the Residential, General Service <50kW, General Service >50kW in the total.

**Ref: Exhibit 4/Tab 2/Schedule 2/p. 1-3**

11. Please provide a report on OM&A expenditures in 2010 to date (or year end, if available), by major expenditure account as shown at Exhibit 4/Tab2/Sch2 pages 1-3. Please highlight areas where the forecast presented will not be achieved and provide reasons for the difference.

**Ref: Exhibit 4/Tab 2/Schedule 2/p. 1 Cost Drivers**

12. Under Account 5040 - Underground Distribution Lines and Feeders – Operation Labour, Parry Sound shows an increase from 2009 to 2010 of 118%, with expenditures continuing at this level in 2011 (\$22,372). Please provide additional detail on the need for this increase citing specific projects (completed and planned) to account for these increases and continued levels of spending.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.2 Cost Drivers**

13. Under Maintenance Accounts:

5120 - Poles, Towers and Fixtures  
5125 – Overhead Conductors and Devices  
5160 – Line Transformers

Parry Sound shows substantial increases from 2009 to 2010 and then again from 2010 to 2011. Please provide additional detail on the need for these increases citing specific projects (completed and planned) to account for these increases.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.2 Cost Drivers**

14. Under Maintenance Accounts:

5130 – Overhead Services  
5135 – Overhead Distribution Lines and Feeders - Right of Way

Parry Sound shows substantial increases from 2009 to 2010 and then maintains these high levels of expenditure into the test year. Please provide additional detail

on the need for these increases citing specific projects (completed and planned) to account for these increases and continued levels of spending.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.2 Cost Drivers**

15. What is Parry Sound's tree trimming cycle? Please provide any further evidence/rationale for the tree trimming cycle employed by Parry Sound.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.2 Cost Drivers**

16. Under Maintenance Account 5150 – Underground Conductors and Devices, spending increases by over 700% in 2010 and, while reduced by half in 2011, continues at over 3 times the 2009 level. Please provide additional detail on the need for the 2010 increase and the continued high level of spending in the test year.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.3 Cost Drivers**

17. Under Administration and General Account 5615 – General Administrative Salaries and Expenses, the increase from 2010 to 2011 is 34% after a 7% increase in 2010. At Schedule 3 page 52 of this exhibit the rationale provided mentions only a 3% wage increase. Please provide additional specific detail on the need/rationale for the 2011 increase.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.3 Cost Drivers**

18. Under Administration and General Account 5620 – Office Supplies and Expenses, the increase from 2010 to 2011 is 21% after a 112% increase in 2010. At Schedule 3, page 49 no explanation is provided for the 2010 increase and at page 52 the rationale provided mentions 'synergies'. Please provide additional specific detail on the need/rationale for the 2010 and 2011 increases.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.3 Cost Drivers**

19. Under Administration and General Account 5630 – Outside Services Employed, in 2011 there is a substantial decrease from 2010, however the 2011 level is still 28% higher than in 2009. Please provide additional specific detail on the level requested for 2011.

**Ref: Exhibit 4/Tab 2/Schedule 2/p.3 Cost Drivers**

20. Under Administration and General Account 5670 – Rent, please provide a more detailed explanation of how the change in sharing the building contributes to the reason that Rent increases by 37% or \$19,000 in 2011. How does the increase in building rent to \$62,000 in 2011 (Exhibit 4/Tab2/Sch4/ p. 3) translate to the \$19,000 increase in the test year?

**Ref: Exhibit 4/Tab 2/Schedule 2/p.3 Cost Drivers**

21. Under Administration and General Account 5655 – Regulatory Expenses, Parry Sound's costs increase substantially from \$19,427 in 2009, to \$54,606 in 2010, to \$210,929 in the test year. Some explanation of the components of this amount are provided at page 52 of schedule 3 and also in the table on page 62. Please provide additional information and background calculations for:

- a) the increase in the ongoing Regulatory Labour component.
- b) the One Time Costs of Service amount.
- c) the One Time Asset Management Plan amount.
- d) the One Time ARC/Corporate Changes amount.

**Ref: Exhibit 4/Tab 2/Schedule 1 Low Income Energy Assistance Program (LEAP)**

22. Please state whether or not Parry Sound has included an amount in its 2011 Test year revenue requirement for the emergency financial assistance component of the Low Income Energy Assistance Program.

- a) If yes, please identify the amount included for LEAP emergency financial assistance, and identify the percentage of total distribution rates.
- b) If no, please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2011 Test Year.
- c) Please state whether or not the applicant has included an amount in its 2011 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

**Ref: Exhibit 4/Tab 2/Schedule 1 Late Payment Penalty (LPP) Litigation Costs**

23. Please state whether or not Parry Sound has included an amount for recovery of late payment penalty litigation costs in its 2011 Test Year application. If yes, please identify the amount and explain how this amount is proposed to be recovered. If yes, please provide evidence supporting the amount allocated to the applicant (e.g. the settlement agreement).

**Ref: Exhibit 4/Tab 2/Schedule 1 Donations**

24. Please identify whether or not the applicant has included any charitable or political donations as part of its forecast OM&A expense for the Test Year. If yes, please identify the amounts and the account in which the donations are recorded, and whether the amounts are compliant with Section 2.5.2 of the Filing Requirements.

**STAFFING and COMPENSATION**

**Ref: Exhibit 4/Tab 2/Schedule 6/p.2**

25. The Table on this page shows employee numbers and compensation totals for only the 2011 Test Year. Please provide the equivalent statistics for the other years on the table, specifically 2006, 2009 and 2010. Please include any assumptions or rationales used to arrive at the numbers for each year.

**Ref: Exhibit 4/Tab 2/Schedule 6/p.2**

26. For each of the staff additions in the 2010 bridge year and 2011 test year, please provide the rationale and need for each staff position.

**Ref: Exhibit 4/Tab 2/Schedule 6/p.2**

27. Has Parry Sound considered in its staffing plan, a provision for replacing staff that are or will be eligible for retirement in the test year or in the following years? Please provide Parry Sound's strategy in this regard and if this strategy was considered in the staffing plans in the test year.

**Ref: Exhibit 4/Tab 2/Schedule 6 OMERS Increase**

28. OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. Please provide additional detail on these costs for Parry Sound, including actual OMERS costs from 2009 to 2010 and the forecast costs for 2011, 2012 and 2013. Please provide all rationales and assumptions used and include documentation where appropriate.

**SHARED SERVICES**

**Ref: Exhibit 4/Tab 2/Schedule 4**

29. Parry Sound indicates that it had filed an application for a number of exemptions from the Affiliate Relationships Code (ARC) in 2009, which was denied by the Board. Please provide a summary of the exemptions requested, the Board's decision and the subsequent action taken by Parry Sound as reflected in the current rates application. Please include Parry Sound's view of each of the actions and the impact on the rate payers of the utility.

**Ref: Exhibit 4/Tab 2/Schedule 4**

30. Has Parry Sound undertaken any studies or analysis to ensure that the cost allocation criteria for shared services currently used are appropriate? If so, please provide a copy of any such study or analysis.

**Ref: Exhibit 4/Tab 2/Schedule 4**

31. Parry Sound indicates that the cost to achieve compliance with the ARC is estimated to be \$100,000 which is proposed to be recovered from ratepayers over a four year period. Please reconcile the \$100,000 amount with the cost filed for the ARC/Corporate Changes One time amount referred to above in Board Staff IR# 21.

**Ref: Exhibit 4/Tab 2/Schedule 4**

32. In the Board's decision (EB-2009-0133) on the Parry Sound application for certain exemptions from the Affiliate Relationships Code, on page 4 it is noted that Parry Sound indicated that cost increases of \$262,000 would occur if restructuring was needed. Please indicate whether the increase in the current rate application is related to the \$262,000 estimate provided.

**CAPITAL EXPENDITURES**

**Ref: Exhibit 2/Tab 2/Schedule 3**

33. Parry Sound's capital expenditures have grown significantly since 2006 to the \$538,000 level in 2010. In the test year, these expenditures more than double to over \$1.2 million. What is the overall urgency that drives such an increase in one year? Was there a particular event, study or realization that contribute to this increase?

**Ref: Exhibit 2/Tab 4/Schedule 7**

34. Please provide Parry Sound's actual capital expenditures in 2010 to date (or year end, if available), by major expenditure account as shown at Exhibit 2/Tab2/Sch3 page 27. Please highlight areas where the forecast presented will not be achieved and provide reasons for the difference. Also, indicate which projects will not be in-

service by the end of 2010 and please indicate now the test year capital expenditure budget may or may not be affected.

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

35. The table on this page provides a summary of the major capital projects planned for 2011. The largest project, at over \$641,000 is the **MS1/MS2 Replacement**. On page 37 a very brief summary of this project is provided, with an additional page of detail provided at Appendix H. Please provide more detailed information on the project and why it is being undertaken, including: Need for the project, consequences if the project is not undertaken, will the project be undertaken in-house or by external contractors, or a combination of both?, and any documentation (or references to it) that would support this project as currently proposed.

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

36. The table on this page provides a summary of the major capital projects planned for 2011. The project entitled **Voltage Conversion** is budgeted at over \$47,000. On page 39 a very brief summary of this project is provided. Please provide more detailed information on the project and why it is being undertaken, including: Need for the project, consequences if the project is not undertaken, will the project be undertaken in-house or by external contractors, or a combination of both?, and any documentation (or references to it) that would support this project as currently proposed.

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

37. The table on this page provides a summary of the major capital projects planned for 2011. The project entitled **Conductor Replacement** is budgeted at over \$31,000. On page 39 a very brief summary of this project is provided. Please provide more detailed information on the project and why it is being undertaken, including: Need for the project, consequences if the project is not undertaken, will the project be undertaken in-house or by external contractors, or a combination of both?, and any documentation (or references to it) that would support this project as currently proposed.

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

38. The table on this page provides a summary of the major capital projects planned for 2011. The project entitled **Office Improvements** is budgeted at \$200,000. On page 40 a very brief summary of this project is provided. Please provide more detailed information on the project and why it is being undertaken, including: Need for the project, consequences if the project is not undertaken, what the major steps in the project will be and the cost of each, and any further documentation (or references to it) that would support this project as currently proposed.

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

39. The table on this page provides a summary of the major capital projects planned for 2011. Please provide additional specific detail on the **Office Equipment and Computers** proposed for purchase. What are the specific pieces of Equipment and Computers required and at what specific cost?

**Ref: Exhibit 2/Tab 2/Schedule 3/p. 36**

40. The table on this page provides a summary of the major capital projects planned for 2011. Please provide addition specific detail on the need for a new **Truck Purchase** for 2011 when a new truck was also purchased in 2010. Please provide a listing and summary of Parry Sound's current truck fleet.

**Ref: Exhibit 2/Tab 3/Schedule 4/p.1 Reliability**

41. Please provide a report of reliability scores to date in 2010. Have any major outages occurred and for what reasons? Has reliability performance improved from 2009 levels?

**Ref: Exhibit 2/Tab 3/Schedule 4/p. 2 Reliability**

42. Please provide a report of the primary reasons for the high reliability scores (Excluding Loss of Supply) in 2008 for SAIDI and CAIDI. In addition please provide a similar report for CAIDI in 2009 (Excluding Loss of Supply).

**OTHER REVENUE**

**Ref: Exhibit 3/Tab 3/Schedule 1**

43. Please provide a detailed explanation of the sources of the revenue received in years prior to 2009 and found on the Other Income and Expenses line in this table. Why did these revenue sources fall from the \$151,417 level in 2008 to \$33,139 in 2009 and then to \$5,505 in 2010?

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

**Ref: Exhibit 1/Tab4/Schedule1**

44. Please confirm that the revenue requirement numbers for 2011 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.

**Ref: Exhibit 1/Tab4/Schedule1**

45. Please state whether or not Parry Sound has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

**SMART METER PROGRAM**

**Ref: Exhibit 9/Tab 1/Schedule3 Stranded Meter Costs**

46. 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 became 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	Accumulated Amortization	Net Asset	Proceeds on Disposition	Contributed Capital	Residual Net Book Value
	(A)	(B)	(C = A-B)	(D)	(E)	(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.

## **PAYMENTS IN LIEU OF TAXES (PILS)**

### **Ref: Exhibit 4/Tab 3/Schedule 1**

#### **47. Filing Requirements for PILs**

- a) Please provide the following information required per Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, dated June 28, 2010.
  - i. Detailed calculations of PILs (the PILs model in Excel format), and/or actual Provincial and Federal taxes, as applicable, including derivation of adjustments (e.g. Tax credits, CCA adjustments) for the Historical, Bridge and Test Years,
  - ii. Supporting schedules and calculations identifying reconciling items,
  - iii. Copies of most recent Federal and Provincial tax returns (non-utility tax items should be separated if material),
  - iv. Ontario Capital Tax for the historical and bridge years,
  - v. Calculation of tax credits (e.g. apprenticeship tax credits, education tax credits),
  - vi. Financial statements included with tax returns if different from the financial statements filed in support of the application.

- b) Please provide the most recent signed federal and Ontario tax returns, with supporting schedules, as filed with the Canada Revenue Agency (CRA) for taxes or the Ontario Ministry of Finance for PILs.
- c) Please provide the federal and Ontario Notice of Assessments, Notice of Re-assessments (if applicable), Statements of Adjustments, and any other correspondence with the CRA and the Ministry of Finance regarding an tax items, or tax filing positions that may be in dispute, or under consideration or review, for tax years 2001 to 2009.

**Re: Exhibit 1/Tab 2/Schedule 4, page 6**

**48. Revenue Requirement Work Form, Taxes/PILS**

- a) PSPC has used the Provincial tax rate of 4.25%. The correct rate is 4.50%. Please provide an update to the appropriate tables and schedules using the correct rate.
- b) Please explain "Adjustments required to arrive at taxable utility Income" for \$29,964 on row 16 of PILS tab of this Excel model.

**COST ALLOCATION and RATE DESIGN**

**Ref: Exhibit 7/Tab1/Schedule 2 - Worksheet I6 'Customer Data', & Worksheet I8 'Demand Data'**

49. For the Street Light class, the number of connections in row 35 is 1061. Please confirm that this is the total number of streetlights, with one connection per light, and that the average wattage per light is 190 Watts ( i.e. 202 kW in Sheet I8 / 1061). If this is not the correct assumption, please describe a typical street-lighting connection, number of fixtures per connection, and average wattage per fixture.

**Ref: Exhibit 7/Tab1/Schedule 2 - Worksheet I6 'Customer Data'**

50. For Unmetered Scatter Load, the number of bills in row 35 is 916, which is the number of connections times 12, and there is a weighting factor for each bill of 5.0 in row 34.
- a) Please confirm that there are 18 USL connections and that there is a bill sent to the owner of the scattered load connections for each connection, rather than a single bill for a number of connections each month.
  - b) Please describe the complex nature of the bill that warrants a weighting factor of 5.0, compared to the weighting factor for other unmetered loads such as streetlights which have a weight of 1.0 or sentinel lights with a weight of 0.1
  - c) If PSP on reconsideration of the matter makes a change due to part a and/or part b, please provide a copy of Sheet O1 that corresponds to the changed inputs.

**Ref: Exhibit 7/Tab1/Schedule 2/Table 2, & Appendix A, p. 2**

51. The distribution revenue amounts in the first row of Table 2 do not match exactly with either Column 7C or Column 7D in the Appendix, and the revenue to cost ratios in Table 2 do not match exactly with either the Status Quo or Proposed Ratios in the Re-balancing part of the table in the Appendix.

Please provide an explanation of how to get from the cost allocation results to the tables in the Appendix, or make such changes as may be necessary to eliminate the discrepancy.

**Ref: Exhibit 8/Tab 1/Schedule 4**

52. In proposing to retain the existing Low Voltage Rate Adders, please confirm that PSP has considered that its host distributor has received approval for an increase in its Sub-Transmission class rates effective January 1, 2011, and that the refund from its Rate Rider # 4 will end at April 30, 2011.

**Ref: Exhibit 8/Schedule 2, p. 1, Table 4, & Exhibit 8/Tab 1/Schedule 6/App. A, p. 13**

53. Table 4 shows a current customer charge for Unmetered Scattered Load at \$8.96, while the Bill Impact calculation in the appendix shows a current charge of \$0. If Table 4 is correct, please recalculate the impact in the appendix. If this is not the source of the discrepancy, please explain.

**Ref: Exhibit 8/Tab 1/Schedule 6/p. 6**

54. Please confirm that the USL Monthly Service Charge will be charged on a per-connection basis, rather than per customer, in the situation where a customer might be responsible for more than one connected USL load.

## **DEFERRAL AND VARIANCE ACCOUNTS**

**Ref: Exhibit 9/Tab1/Schedule 2, Appendix A – Continuity Schedule, Account 1508 – OEB Cost Assessments**

55. The Accounting Procedures Handbook (APH) states that account 1508 Sub-account OEB Cost Assessments shall be used to record the difference between OEB costs assessments invoiced to the distributor for the Board's 2004/05 and 2005/06 (up to April 30, 2006) fiscal years and OEB costs assessments previously included in the distributor's rates.

The description of this account in Parry Sound's evidence at Exhibit 9/Tab1/Schedule 1, page 2 is consistent with APH. However, the Continuity Schedule shows that new entries were made into this account past April 30, 2006.

- a) Why is Parry Sound accruing balances beyond April 30, 2006 into this account?
- b) What would the balance be in account 1508 sub-account OEB Cost Assessments if principal accruals ceased at April 30, 2006?

**Ref: Exhibit 9/Tab1/Schedule 2, Appendix A, page 8 - Allocators**

56. Parry Sound has used 2011 data by rate class to allocate the deferral and variance account balances for the purpose of calculating rate riders.

The Board Report EB-2008-0046 on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR) states the following with respect to the volume that should be used to calculate rate riders:

“With respect to the volume that should be used to calculate the rate riders, the Board agrees that the most recent Board-approved volumetric forecast should be used. Where there are material differences between the latest Board-approved volumetric forecast and the more recent volumetric data, a distributor should use the most recent 12-month of actual data.”

Please provide Parry Sound’s rationale for the departure from the Board’s policy which stipulates that in the normal course, the most recent Board-approved volumetric forecast should be used to derive the rate riders.

## **HARMONIZED SALES TAX (HST)**

### **Ref: Exhibit 4/Tab3**

57. The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

- a) Please state whether or not the applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that the applicant realized due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.
- b) The Board’s decision on the applicant’s 2010 IRM application established a deferral account and directed the applicant to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account until the effective date of the applicant’s next cost of service rate order. Has the Applicant recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

### **Ref: Exhibit 4/Tab3**

58. a) Please confirm that the revenue requirement numbers for 2011 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.

- b) Please state whether or not Parry Sound has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is Parry Sound recording IFRS transition costs in the deferral account established by the Board in October 2009?

**Account 1592, PILs and Tax Variances for 2006 and Subsequent Years**

59. Please identify whether Parry Sound has posted any amounts to account 1592 since April 2006. If yes, please respond to the following questions. If not, please explain why Parry Sound has not posted any amounts to account for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

- a) Please revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all the required information for transaction, adjustments, interest carrying charges, etc. for all the relevant years.
- b) Please describe each type of tax item that has been accounted for in account 1592.
- c) Please provide the calculations that show how each item was determined and provide any pertinent supporting evidence.
- d) Please confirm whether or not the Applicant followed the guidance provided in the July 2007 FAQ. If not, please explain why not.
- e) Please identify the account balance as of December 31, 2009 as per the 2009 audited financial statements. Please identify the account balance as of December 31, 2009 as per the April 2010 2.1.7 RRR filing to the Board. Please provide a reconciliation if the balances provided in the above are not identical to each other and to the total amount shown on the continuity schedule.
- f) Should the Board wish to dispose of this account at this time, please identify the following:
  - i) the allocator that in the applicant's view would be most appropriate to use in allocating the balance to the rate classes.
  - ii) the disposition period that the applicant would prefer if different from the period proposed for the remaining deferral and variance accounts and explain why.
  - iii) the billing determinant that in the applicant's view would be most appropriate to use.
- g) Please complete the following table based on the previous answers. Add rows as required to complete the analysis in an informative manner, or if any of the rows are not applicable, please delete the rows and provide an explanation. If Excel is used to prepare the table, please submit the live Excel workbook.

Tax Item	\$ Principal As of [December 31, 2009]
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007	
Large Corporation Tax from 2005 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4 /12ths of approved grossed-up proxy) if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	
Ontario Capital Tax rate decrease and increase in capital deduction for 2008	
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from any prior application not recorded above.	
Insert description of next item(s)	
Insert description of next item(s) and new rows if needed.	
<b>Total</b>	