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January 17, 2011

Ontario Energy Board
Attention: Kirsten Walli, Board Secretary
2300 Yonge Street
27th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Rideau St. Lawrence Distribution Inc.
2011 3rd Generation
Incentive Rate Mechanism Adjustment Application
Ontario Energy Board File Number EB-2010-0113
Response to Board Staff Interrogatories**

Please find accompanying this letter two (2) copies of RSL's responses to the interrogatories submitted to the Board in respect to the above- captioned matter.

We have enclosed a CD containing this electronic media. A PDF version of these responses will, coincidentally with this written submission, be filed on the Board's RESS Filing System.

Yours very truly,

A handwritten signature in black ink, appearing to read 'John Walsh', is written over a horizontal line.

John Walsh, President/CEO
Rideau St. Lawrence Distribution Inc.

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Rideau St. Lawrence Distribution Inc. ("Rideau St. Lawrence")
Response to Board Staff Interrogatories
2011 IRM3 Electricity Distribution Rates
EB-2010-0113

1. Ref: 2011 IRM 3 Rate Generator Model

A portion of Sheet C4.1 Current Rates & Charges General is reproduced below.

Monthly Rates and Charges - Delivery Component

Service Charge	\$	10.26
Service Charge Smart Meters	\$	2.00
Distribution Volumetric Rate	\$/kWh	0.0117
Low Voltage Volumetric Rate	\$/kWh	0.0016
Distribution Volumetric Def Var Disp 2010 – effective until Saturday, April 30, 2011	\$/kWh	(0.0002)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0061
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0049

The descriptions for all rate classes for the two rates identified below are different from the versions on Rideau St. Lawrence's current Tariff sheet:

Service Charge Smart Meters

Distribution Volumetric Def Var Disp 2010 – effective until April 30, 2011

- a) If the above descriptions are correct, please provide evidence supporting the new descriptions. If the descriptions are incorrect, please re-file sheet C4.1 with the correct descriptions and Board staff will make the necessary changes to the model.

Rideau St. Lawrence Response # 1:

The descriptions noted above are not correct. We are unable to change the model therefore we cannot resubmit Sheet C4.1 with the corrected descriptions. We wish to confirm that our application was not meant in any way to change rate class descriptions as listed in our current approved Tariff sheet.

2. Ref: 2011 IRM Tax Sharing Workform

A portion of Sheet F1.3 – Calculate Tax Change Rate Rider Volumetric is reproduced below.

Calculate Tax Change Rate Rider Volumetric

Total Revenue \$	Total Revenue %	Total Z-Factor		Tax Change\$ by			Distribution	Distribution
							Volumetric Rate	Volumetric Rate
Residential	\$1,143,094,2291	56.44%	-\$609	45,379,623	0		\$0.0000	
General Service Less Than 50 kW	\$405,096	20.00%	-\$180	24,085,319	0		\$0.0000	
General Service 50 to 4,999 kW	\$380,197	18.77%	-\$169	47,522,972	132,103			-\$0.0013
Unmetered Scattered Load	\$14,585	0.72%	-\$6	304,493	0		\$0.0000	
Sentinel Lighting	\$3,032	0.15%	-\$1	100,826	279			-\$0.0048
Street Lighting	\$79,228	3.91%	-\$35	1,366,231	3,875			-\$0.0091
	\$2,025,233	100.00%						

a) Board staff has been unable to verify the figures in columns "F" and "G"

(Distribution Volumetric Rate kWh Rate Rider and Distribution Volumetric Rate kW Rate Rider) for the various rate classes as Sheet J2.7 in the Rate Generator

Workform has not been filed. Please provide the information supporting these figures or alternatively please file Sheet J2.7.

Rideau St. Lawrence Response # 2:

In the Board's Decision in EB-2009-0248, tax savings were approved in the amount of \$574. The Board ordered Rideau to record this tax sharing refund in account 1595 for disposition in a future rate setting process. The denominator for calculating a rate for the shared tax savings is too large for classes where the rate is a kWh driven rate. In the table above this is evidenced by the model producing a rate of \$0.0000 for the Residential, General Service Less than 50kW and the Unmetered Scattered Load classes. In our application we proposed to follow a similar process as the Board had ordered in EB-2009-0248 as the rates calculated in Sheet F1.3 (above) will not reproduce the tax change savings. We have attached Sheet J2.7 of the Rate Generator Model which was populated with a rate of \$0.000 for all classes.

3. Ref: Deferral and Variance Account Rate Riders Ref:
Deferral and Variance Account

Ref: Manager's Summary, page 8 of 32

Sheet E.1.1 Threshold Test is reproduced below

Threshold Test

Rate Class	Billed kWh
	B
Residential	45,271,935
General Service Less Than 50 kW	20,399,815
General Service 50 to 4,999 kW	43,072,665
Unmetered Scattered Load	348,019
Sentinel Lighting	108,556
Street Lighting	1,412,527
	<u>110,613,517</u>
Total Claim	34,900
Total Claim per kWh	0.000316

Board Staff notes that Rideau St. Lawrence has requested final disposition of the balances in the Group 1 variance accounts that have accumulated in 2009 even though the balances do not exceed the preset disposition threshold of \$.001 per kWh (debit or credit). Rideau St. Lawrence claims that within the Group 1 accounts there are individual balances that do exceed the threshold.

- Please identify which Group 1 variance accounts exceed the threshold on an individual basis.
- Please provide the threshold calculation excluding the \$409,069 amount from Account 1588 (RSVA – Power (Global Adjustment Sub-Account)).
- Please provide the threshold calculation for only Account 1588 (RSVA – Power (Global Adjustment Sub-Account)).

Rideau St. Lawrence Response # 3:

- a) Rideau submits that the following variance accounts exceed the threshold on an individual basis:

RSVA – Power (Excluding Global Adjustment) Account 1588 and
RSVA – Power (Global Adjustment Sub-Account) Account 1588.

Threshold Calculation Only for

RSVA - Power (Global Adjustment Sub-account)

Rate Class	Billed kWh
Residential	45,271,935
General Service Less Than 50 kW	20,399,815
General Service 50 to 4,999 kW	43,072,665
Unmetered Scattered Load	348,019
Sentinel Lighting	108,556
Street Lighting	1,412,527
	110,613,517
Total Claim	\$(409,069)
	-
Total Claim per kWh	0.003698185

Threshold Calculation Only for

RSVA - Power (Excluding Global Adjustment Sub-account)

Rate Class	Billed kWh
Residential	45,271,935
General Service Less Than 50 kW	20,399,815
General Service 50 to 4,999 kW	43,072,665
Unmetered Scattered Load	348,019
Sentinel Lighting	108,556
Street Lighting	1,412,527
	110,613,517
Total Claim	\$132,531
Total Claim per kWh	0.001198145

Details of all the Group One accounts appear in the table below:

Account Description	Account Number	Principal Amounts	Interest Amounts	Total Claim
LV Variance Account	1550	45,017	(737)	44,280
RSVA - Wholesale Market Service Charge	1580	37,071	3,268	40,339
RSVA - Retail Transmission Network Charge	1584	75,490	2,203	77,693
RSVA - Retail Transmission Connection Charge	1586	68,229	10,640	78,869
RSVA - Power (Excluding Global Adjustment)	1588	148,150	(15,620)	132,531
RSVA - Power (Global Adjustment Sub-account)	1588	(402,883)	(6,186)	(409,069)
Recovery of Regulatory Asset Balances	1590	(195)	653	458
Balance of Disposition and recovery of Regulatory Balances Account (2008)	1595	0	0	0
Disposition and recovery of Regulatory Balances Account	1595	(29,121)	(5,779)	(34,900)

b) Threshold Calculation excluding the \$409,069 amount from Account 1588 (RSVA – Power (Global Adjustment Sub-Account)).

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
Excluding RSVA Power (Global Adjustment Sub-account)				
LV Variance Account	1550	45,017	(737)	44,280
RSVA - Wholesale Market Service Charge	1580	37,071	3,268	40,339
RSVA - Retail Transmission Network Charge	1584	75,490	2,203	77,693
RSVA - Retail Transmission Connection Charge	1586	68,229	10,640	78,869
RSVA - Power (Excluding Global Adjustment)	1588	148,150	(15,620)	132,531
RSVA - Power (Global Adjustment Sub-account)	1588	0	0	0
Recovery of Regulatory Asset Balances	1590	(195)	653	458
Balance of Disposition and recovery of Regulatory Balances Account (2008)	1595	0	0	0
Disposition and recovery of Regulatory Balances Account	1595	373,763	407	374,169

Threshold Calculation

Excluding RSVA Power (Global Adjustment Sub-account)

Rate Class	Billed kWh
Residential	45,271,935
General Service Less Than 50 kW	20,399,815
General Service 50 to 4,999 kW	43,072,665
Unmetered Scattered Load	348,019
Sentinel Lighting	108,556
Street Lighting	1,412,527
	110,613,517
Total Claim	374,169
Total Claim per kWh	0.003382673

Product exceeds the preset disposition threshold of \$.001 per kWh.

c) The threshold calculation for only account 1588 (RSVA-Power (Global Adjustment Sub-Account)).

RSVA - Power (Global Adjustment Sub-account)	1588	(402,883)	(6,186)	(409,069)
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Threshold Calculation Only for

RSVA - Power (Global Adjustment Sub-account)

Rate Class	Billed kWh
Residential	45,271,935
General Service Less Than 50 kW	20,399,815
General Service 50 to 4,999 kW	43,072,665
Unmetered Scattered Load	348,019
Sentinel Lighting	108,556
Street Lighting	1,412,527

110,613,517

Total Claim (409,069)

Total Claim per kWh 0.003698185

Product exceeds the preset disposition threshold of \$.001 per kWh.

Rideau St. Lawrence is requesting permission of the Board to dispose of the accumulated variances of the Group One accounts as a combined balance. Bill impacts can be material due to the application of the resultant rate rider on specific rate classes.

4. Ref: Smart Meter Rate Adder Ref: Smart Meter Model

Ref: Manager's Summary, page 5 of 32

A portion of Sheet J.1.1 Smart Meter Funding Adder from the Rate Generator Workform is reproduced below.

Applied For Smart Meter Funding Adder

Rate Adder	Smart Meters
Tariff Sheet Disclosure	Yes
Metric Applied To	Metered Customers
Method of Application	Uniform Service Charge
Uniform Service Charge Amount	3.00

Rate Class	Applied to Class	Fixed Amount	Fixed Metric	Vol Amount	Vol Metric
Residential	Yes	3.000000	Customer - 12 per year	0.000000	kWh
General Service Less Than 50 kW	Yes	3.000000	Customer - 12 per year	0.000000	kWh
General Service 50 to 4,999 kW	Yes	3.000000	Customer - 12 per year	0.000000	kW

A portion of Sheet 8 from the Smart Meter Model is reproduced below.

Sheet 8 Applied for Smart Meter Rate Adder

Description	Amount
	\$
Revenue Requirement - 2006	
Revenue Requirement - 2007	737.17
Revenue Requirement - 2009	\$ 89,064.62
Revenue Requirement - 2010	\$ 166,377.68
Revenue Requirement - 2011	\$ 242,003.95
Total Revenue Requirement	<u>\$ 509,630.84</u>
Smart Meter Rate Adder Collected	-\$ 249,398.68
Carrying Cost / Interest	-\$ 4,870.89
Proposed Smart Meter Recovery	<u>\$ 255,361.27</u>
2011 Expected Metered Customers	5857
Proposed Smart Meter Rate Adder	\$ 3.63

Sheet 8 from the Smart Meter Model indicates a Proposed Smart Meter Rate Adder of \$3.63, whereas pages 4 and 5 of the Manager's Summary state that Rideau St. Lawrence is proposing to increase the Smart Meter Rate Adder to \$3.00 per month per metered customer. Rideau St. Lawrence is also showing a \$3.00 per month

Smart Meter Funding Adder for applicable customer classes in its proposed Tariff of Rates and Charges on pages 27-29 of the Manager's Summary.

- a) Please confirm the smart meter funding adder that Rideau St. Lawrence is proposing for 2011.
- b) If Rideau St. Lawrence is proposing a Smart Meter Funding Adder of \$3.00 per month per metered customer, please explain why it is proposing an amount different from what is calculated in the Smart Meter Model.

Rideau St. Lawrence Response #4:

- a) Rideau would like to confirm that it is applying for the product of the model which due to the change in the short-term debt rate referenced in question #7 from Board staff , would be \$3.69 per month per metered customer.

b) Please refer to answer in section a) above.

5. Ref: Smart Meter Model

On Sheet 2 – Smart Meter Data, Rideau St. Lawrence shows a capital cost of \$78,736 in 2011 for Computer Software under 1.3 Advanced Metering Control Computer (AMCC).

- a) Please provide a description of the purpose of this computer software.
- b) Please identify whether this computer software meets minimum functionality per O.Reg. 425/06 and as adopted by the Board in Decision with Reasons EB-2007-0063, issued August 8, 2007.

Rideau St. Lawrence Response # 5:

- a) The computer software includes the Base Software License fee for the operational server and backup server, the base C & I Adder for commercial meters and the IESO File Conversion application. Together they form one of the main components of the Elster Energy Axis System – the Metering Automation Server (MAS) sometimes referred to the “head-end” software. The MAS is the advanced metering control computer (AMCC) component of the system for the collection and transmission of meter data and system management of the AMI solution.
- b) The software is designed to be part of a complete Advance Metering Infrastructure (“AMI”) solution which must meet the criteria and specification outlined in the London Hydro RFP dated August 14, 2007. Ontario Regulation 427/06 authorizes discretionary metering activity conducted by a distributor that has procured its smart meters pursuant to and in compliance with the parameters and process established by the request for Proposal for Advanced Metering Infrastructure (AMI) – Phase 1 Smart Meter Deployment dated August 14, 2007, together with any amendments to it, issued by London Hydro Inc. (“the London Hydro RFP”). Elster was chosen as one of the vendors of record by London to supply a complete AMI solution. As such it is our understanding that the software supplied through that process meets the minimum functionality per O. Reg. 425/06.

6. Ref: Smart Meter Model

On Sheet 2 – Smart Meter Data, Rideau St. Lawrence shows operating expenses of under section 2.5 – Other OM&A Costs related to Minimum Functionality. Specifically, Rideau St. Lawrence shows costs of \$12,341 for each of 2011 and later under Customer Communications, \$14,726 in 2011 under Change Management and \$22,680 for 2011 and later under Other AMI Costs. For each of these categories:

- a) Please provide a description of the OM&A expenses forecasted for 2011 and, if applicable, beyond 2011; and
- b) Please identify how each of these expenses is related to smart meter deployment and meets minimum functionality per O.Reg. 425/06 and as adopted by the Board in Decision with Reasons EB-2007-0063, issued August 8, 2007.

Rideau St. Lawrence Response # 6:

- a) Customer Communications: The category includes materials and advertising related to educating our customers about time of use rates. With our Mandatory TOU date as December 2011 we see that there will some education material flow prior to the issuance of the first bill in 2011 and materials along with the first bills that will flow to some of our customers in 2012.

Change Management Expenses: Costs included are AMI Installation Operational verification tools and expenses for staff training on the new AMI system.

Other AMI Costs: This category is meant to capture expenses associated with annual AMI Security Audits beginning in 2011.

- b) In the Boards' Decision with reasons in EB-2007-0063 , Appendix D to the Decision contains a diagram that depicts the Ontario Smart Metering System as the area within the box titled "Advanced Metering Infrastructure" (AMI) defining the minimum functionality. This was presented as evidence and agreed to by the Board. Items not contained in the box such as the consumer education, re-engineering business practices, the meter data management/Meter repository, customer information and billing systems, security and others– are in addition to the minimum functionality but could be recovered as part of distribution rates in an individual utilities' next rate case. Section 2.11 of the Functional Specification for an Advanced Metering Infrastructure,

dated July 5, 2007, states that "The AMI shall have security features to prevent unauthorized access to the AMI and the meter data and to ensure the authentication to all AMI elements". The undertaking of a security assessment on the infrastructure deployed within our service territory will provide assurance that the technology has been deployed securely and that information transmitted through the network is secure and protected from unauthorized access.

The expenses identified in section a) above are components of the complete AMI project.

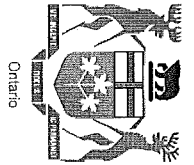
7. Ref: Smart Meter Model

Rideau St. Lawrence last rebased its distribution rates for May 1, 2008, as approved by the Board in its Decision EB-2007-0762. In that Decision, the Board approved a deemed capital structure that included a deemed short-term debt capitalization of 4% and a deemed short-term debt rate of 4.47%.

- a) On Sheet 3 – LDC Assumptions and Data, in cells F18, G18, H18, and I 18, Rideau St. Lawrence shows a deemed Short-term Debt Rate of 1.13% for 2009 and later. Please explain the source of the 1.13% deemed short-term debt rate.
- b) Board staff has observed that, on Sheet 4 – Smart Meter Rev Reqt, the deemed short-term debt capitalization and short-term debt rate was not calculated in the revenue requirement for the years 2008, 2009, 2010 and 2011. Board staff has prepared an alternative version that accounts for Rideau St. Lawrence's Board-approved capital structure from its last rebasing application. This version results in an estimated Smart Meter Funding Adder of \$3.69 per month per metered customer. Please provide Rideau St. Lawrence's views as to whether this alternative model is more accurate.

Rideau Response # 7:

- a) The deemed short-term debt rate of 1.13% is an error.
- b) Rideau agrees that the alternative model would be more accurate.



Name of LDC: Rideau St. Lawrence Distribution Inc.
File Number: EB-2010-0113
Effective Date: Sunday, May 01, 2011
Version : 2.0

Tax Change Rate Rider

Rate Rider
Sunset Date
Metric Applied To
Method of Application

Tax Change
DDMMYYYY
All Customers
Distinct Volumetric

Rate Class	Applied to Class	Fixed Amount	Fixed Metric	Vol Amount	Vol Metric
Residential	No	0.000000	Customer - 12 per year	0.000000	kWh
General Service Less Than 50 kV	No	0.000000	Customer - 12 per year	0.000000	kWh
General Service 50 to 4,999 kV	No	0.000000	Customer - 12 per year	0.000000	kV
Unmetered Scattered Load	No	0.000000	Customer -12 per year	0.000000	kWh
Sentinel Lighting	No	0.000000	Customer -12 per year	0.000000	kV
Street Lighting	No	0.000000	Connection - 12 per year	0.000000	kV