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

FEBRUARY 25, 2011

GENERAL

Ref: Response to Board Staff Interrogatory #2

1. Parry Sound Power has provided revised bill impact tables which show a total bill impact of 16% for a residential customer using 800 kWh per month. Please provide an analysis/scenario of the steps Parry Sound Power could take to reduce this bill impact to less than 10%. Please include all relevant assumptions.

OPERATIONS AND MAINTENANCE EXPENSES

Ref: Response to Board Staff Interrogatory #10

2. Parry Sound Power has provided a revised cost per customer table which shows Parry Sound Power's OM&A cost per customer rising by 25% in the test year to $529/customer. Has Parry Sound Power compared its cost per customer to the other utilities in its cohort as determined in the Board's EB-2006-0268 report? For instance, in 2007 Parry Sound Power is 5th in its cohort at $306/customer. Please provide a comparison to the other LDCs in the cohort: Algoma (GLP), Chapleau, Atikokan, Sioux Lookout, Northern Ontario Wires, Espanola, Fort Francis, Renfrew and West Nipissing.

Ref: Response to Board Staff Interrogatory #11

3. This response indicates that 2010 OM&A spending was below planned by approximately 50%. While some explanation is provided for the variances, please provide more detail on significant specific variances such as accounts 5120, 5125, 5130, 5135, 5150 5160.

   The response also refers to adjustments to be made later in the rate setting process. Does Parry Sound Power anticipate forecast budgets in 2011 to change as a result of this under-spending in 2010? Why or why not?

   If Parry Sound Power feels that adjustments are required, please file these adjustments in this response.

Ref: Response to Board Staff Interrogatory #17

4. This Interrogatory inquired about an increase in General Administrative Salaries and Expenses and the response cites the fact that some positions which were once shared are no longer shared with affiliates; with 100% of the cost now the responsibility of Parry Sound Power. A new staff member is also included.

   If the management staff now has no responsibilities to the affiliate, why is another staff person required?

Ref: Response to Board Staff Interrogatory #18

5. This Interrogatory inquired about Administration and General Account 5620 – Office Supplies and Expenses, where the increase from 2010 to 2011 is 21% after a 112% increase in 2010. The response provides more detail and indicates that these office supplies were once shared with affiliates.

   If these supplies are no longer shared and are used by only one entity, Parry Sound Power, why do the expenses not drop to reflect that while Parry Sound Power is now responsible for the total cost, the total cost should be lower?

Ref: Response to Board Staff Interrogatory #20

6. This Interrogatory inquired about Administration and General Account 5670 – Rent and the response deals with the fact that the building will no longer be shared so the entire cost will be borne by Parry Sound Power. Has Parry Sound Power considered renting out the now surplus space to another entity, thereby offsetting this cost for ratepayers?

Ref: Response to Board Staff Interrogatory #21

7. Regarding this Interrogatory response dealing with Administration and General Account 5655 – Regulatory Expenses it appears that the amount provided for Regulatory Labour (to be split with Finance) quoted at $65,000 annually should actually be $74,622 so that all costs add to the $210,929 total. In addition, if this position is to be split with Finance, why is the entire cost borne under Regulatory?

STAFFING and COMPENSATION

Ref: Response to Board Staff Interrogatory #25

8. Regarding this response which provides employee numbers and compensation for historic years, please provide a detailed explanation for the increase in total compensation of over 48% from bridge to test year (up $346,733) , considering that employee numbers only grow 26% (from 9.94 to 12.52). What are the components that make up the additional $346,733?

Ref: Response to Board Staff Interrogatory #28

9. Regarding this response which indicates that previously the Affiliate covered and charged the overhead costs of labour and that the increase in the OMERS cost is not considered in the test year. How are the OMERS costs treated in the test year and where do they appear?

SHARED SERVICES

Ref: Response to Board Staff Interrogatory #32

10. Regarding this response which indicates that the cost increase estimate due to restructuring of $262,000, was only incremental labour costs. Please provide a detailed breakdown of all cost increases in the test year that Parry Sound would

attribute to the restructuring. Please include all assumptions and qualifications to the estimates provided.

CAPITAL EXPENDITURES

Ref: Response to Board Staff Interrogatory #34

11. In this response, Parry Sound Power indicates that it intends to update the 2010 Bridge Year and 2011 forecast to reflect actual 2010 activities. Please provide this update.

Ref: Response to Board Staff Interrogatory #40

12. In this response, Parry Sound Power mentions the purchase of a pick-up truck in 2010, yet in the response to Board Staff Interrogatory #34, it is stated that the 2010 pick up truck purchase was delayed to 2011. Please reconcile these two responses.

OTHER REVENUE

Ref: Response to Board Staff Interrogatory #43

13. What are the financial instruments and the interest rates that pertain, that make up the $5,505 estimate for 2010 and 2011 Interest and Dividend Income?

COST ALLOCATION and RATE DESIGN

Ref: Response to Board Staff Interrogatory #50 b)

14. The Board Directions on Cost Allocation Methodology (EB-2005-0317) describe three alternative approaches to billing Unmetered Scattered Load customers, at page 87:

    a) A separate account and invoice for each connection
    b) A separate account for each connection and a single summary bill produced by an off-line process
    c) A single bill, aggregated within the billing system.

    It specifies that the allocation of billing costs are to be allocated using the number of bills issued to USL customers based on the invoicing approach being used. Parry Sound Power has confirmed in its response to # 50(a) that it uses the first method. The default weighting in the Board's cost allocation model is 5.0, compared to the reference point of 1.0 per residential customer invoice.

    Does Parry Sound Power agree that a weighting factor of greater than 1.0 would make sense for methods b) and c), but that changing the weighting factor from the default to an amount close to 1 would make sense for method a)?

Ref: Response to Board Staff Interrogatory #50 c)

15. Please confirm that with a weighting factor of 1.0 for USL bills, the cost allocated to the USL class would fall from $17,505 to $6049, and the revenue to cost ratio would increase from 45.83% to 120.77%.

DEFERRAL AND VARIANCE ACCOUNTS

Ref: Response to Board Staff Interrogatory #55 b)

16. In this response, Parry Sound Power indicated that its financial system does not currently support tracking the ITC, and, as a result, PSPC has not recorded in account 1592 savings due to incremental ITC related to HST. Please provide an explanation of how Parry Sound Power plans to comply with the Board direction for Parry Sound Power to record the incremental input tax credits it received on distribution revenue requirement items that were previously subject to PST and which became subject to HST.

Ref: Response to VECC Interrogatory #12 b)

17. In this response, Parry Sound Power showed the rate riders calculated over a 2 year recovery period. However, in the rate impact tables, it appears that the reduced rate riders were not applied. Please provide the rate impact tables that reflect the reduced rate riders. Also please provide a similar analysis of the rate riders calculated over a 4 year recovery period, with accompanying rate impact tables.

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