



## PARRY SOUND POWER

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A Member of:



The Voice Of Ontario's Electricity Distributors

Parry Sound  
Energy Services Corp.

Parry Sound  
PowerGen Corp.

March 14, 2011

Ms. K. Walli  
Board Secretary  
Ontario Energy Board  
Suite 2701  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

Re: Parry Sound Power Corporation - 2011 Cost of Service Rate (CoS) Application  
(EB-2010-0140)

Please find enclosed Parry Sound Power's reply to the supplemental interrogatories of  
Vulnerable Energy Consumers Coalition (VECC).

Miles Thompson  
Vice President / General Manager  
Parry Sound Power Corporation

**PARRY SOUND POWER CORPORATION**  
**(PARRY SOUND)**  
**2011 RATE APPLICATION (EB-2010-0140)**  
**VECC'S INTERROGATORIES – ROUND #2**

(Note: Numbering continues from Round #1 Interrogatories)

**QUESTION #33**

**Reference:** VECC #3 b) and c)

- a) Please confirm that Parry Sound participates in the OPA's "Peak Saver Program". If so, what is the load factor associated with kW's saved under this program.

**Response:** Parry Sound Power did not participate in the Peak Saver Program. There is no resulting kW or kWh savings being claimed in LRAM or SSM.

- b) Based on 2009 Net Results (per IRR Attachment A), please provide the total kWh, kW and load factor associated with the savings. Please compare this load factor with Parry Sound's overall system load factor based on total annual energy purchased and overall system peak..

**Response:** Attachment A does not include any kW or kWh savings, net or gross.

- c) Has Parry Sound approached either the OPA or the OEB to obtain clarification regarding its interpretation of "Net Cumulative Energy Savings"? If yes, please provide the response(s). If not, why not?

**Response:** Parry Sound Power has not specifically requested interpretation of the term “Net Cumulative Energy Savings”; however, documents filed with the OEB have the following definition:

**“Net Cumulative Energy Savings”** means the total amount of reduction in electricity consumption associated with the implementation of CDM Programs

**QUESTION #34**

**Reference:** VECC #3 e) & f)

a) Please update the response to 3 f) to provide the 2010 year-end customer count by class and the resulting 2010 average annual values by class.

**Response:** December 2010 Customer Counts and Average Annual Values by class – please note Parry Sound identified an error in the number of Street Light connections from 1,061 to 1,004. The effect of the Street Light connection change is minimal in that it results in a slight shift of approximately \$500 annually between the Fixed and Variable revenue for that class only.

	Residential	GS <50kW	GS >50kW	Street Lights	Sentinel Lights	USL
<b>Dec 2010</b>	2,756	501	65	1,004	11	18
<b>Average</b>	2,757	496	66	1,004	12	18

b) Please provide a table that sets out the geometric growth rates used in the Application for each class to project 2010 and 2011 customer counts and

contrast these with the geometric growth rates calculated for each class using 2010 as the end year.

**Response:** The following table sets out the Geometric growth rates used in the Application. It should be noted Parry Sound did not feel the geomean would reflect an appropriate forecast for the number of customers in the GS >50kW class, therefore, the 2009 change of 1.011436 was used to forecast the number of customers for 2010 ( $66 \times 1.011436 = 67$ ) and 2011 ( $67 \times 1.011436 = 68$ ). Additionally, the geomean was not used to calculate the number of Sentinel Light customers for 2011 as Parry Sound does not believe the number of Sentinel Light customers will increase in 2011.

*Per Application:*

	Residential	GS <50kW	GS >50kW	Street Lights	Sentinel Lights	USL
2004	2,581	500	59	1,061	10	18
2005	2,603	503	60	1,061	13	20
2006	2,610	505	61	1,061	13	20
2007	2,643	529	64	1,061	15	22
2008	2,697	508	66	1,061	13	17
2009	2,744	495	66	1,061	12	18
2010	2,778	494	67	1,061	12	18
2011	2,812	493	68	1,061	12	18
2004						
2005	1.008686386	1.005164085	1.015449438	1.000000	1.30578512	1.087962963
2006	1.002753145	1.004640	1.004149378	1.000000	0.98734177	1.000000
2007	1.012514766	1.047179149	1.061983471	1.000000	1.15384615	1.106382979
2008	1.020463503	0.960932577	1.02075227	1.000000	0.83333333	0.803846154
2009	1.017457669	0.974262295	1.011435832	1.000000	0.960000	1.033492823
<b>GEOMEAN</b>	1.01235557	0.997992959	1.022554854	1.000000	1.03541732	1.000000

The table below provides similar data to the table above with two exceptions. Parry Sound identified an error in the number of Street Light connection, and, the actual 2010 data for each customer class was used. The effect of the Street Light connection change is minimal in that it results in a slight shift of approximately \$500 annually between the Fixed and Variable revenue for that class only.

*Updated using 2010 Actuals:*

	Residential	GS <50kW	GS >50kW	Street Lights	Sentinel Lights	USL
2004	2,581	500	59	1,004	10	18
2005	2,603	503	60	1,004	13	20
2006	2,610	505	61	1,004	13	20
2007	2,643	529	64	1,004	15	22
2008	2,697	508	66	1,004	13	17
2009	2,744	495	66	1,004	12	18
2010	2,757	496	66	1,004	12	18
2011	2,791	495	67	1,004	12	18
2004						
2005	1.00868639	1.00516408	1.01544944	1.00000000	1.30578512	1.08796296
2006	1.00275315	1.00464037	1.00414938	1.00000000	0.98734177	1.00000000
2007	1.01251477	1.04717915	1.06198347	1.00000000	1.15384615	1.10638298
2008	1.02046350	0.96093258	1.02075227	1.00000000	0.83333333	0.80384615
2009	1.01745767	0.97426230	1.01143583	1.00000000	0.96000000	1.03349282
GEOMEAN	1.01235557	0.99799296	1.02255485	1.00000000	1.03541732	1.00000000

**QUESTION #35**

**Reference:** VECC #7 b)

a) The response specifically acknowledges that “*The Board indicated that it did not expect distributors to make changes to the MSC that would result in such exceeding the ceiling as defined in the methodology for the MSC and that distributors that are currently above that value are not required to make changes to their current MSC to bring it to or below that level*”. Please explain how Parry Sound’s proposal to increase the GS>50 MSC to a value in excess of the ceiling as defined by the methodology for MSC is consistent with this statement.

**Response:** As stated in response to VECC IR 8b) the MSC for all classes were the result of maintaining the existing fixed variable split. PSP sees the fixed variable split as a rate design issue and notes the OEB stated previously

a consultation on Rate Design was on their issues list, however, appears to have been delayed as a result of other important projects. It is recognized there is currently a Cost Allocation consultation underway and it is presumed there will be changes to the Cost Allocation Informational Filing model resulting in further direction being provided to the LDCs which may impact the Min/Max Monthly Service Charge calculation. Parry Sound had a MSC of \$169.20 in its 2006 EDR for the GS>50kW Customer Class (Cost Allocation Informational Filing ceiling \$102.67) and is now proposing a MSC of \$237.51 in 2011. In Board Staff IR #2 Parry Sound is asked to compare their OM&A cost per customer with other LDCs in the cohort. Parry Sound has prepared the following table comparing the MSC for those same cohorts for information purposes only:

		<b>MSC \$ - 2011</b>
		<b>GS 50 - 4,999 kW</b>
	<b>Data Source&gt;</b>	<b>Rate Applications</b>
<b>Algoma (2010 application)</b>		628.91
<b>Chapleau</b>		188.76
<b>Atikokan</b>		439.95
<b>Sioux Lookout</b>		394.69
<b>Northern Ontario Wires</b>		178.99
<b>Espanola</b>		161.07
<b>Fort Frances</b>		238.09
<b>Renfrew</b>		162.01
<b>Parry Sound Power</b>		237.51
	<b>Average</b>	<b>292.22</b>

b)

**QUESTION #36**

**Reference:** VECC #9

a) VECC apologizes for the lack of clarity in the original question. The original question actually sought the 2009 LV billing quantities used by Hydro One Networks for billing Parry Sound for LV service and also sought the result of applying Hydro One Networks' approved 2011 LV (ST) rates to these billing quantities. Please provide.

**Response**

<b>Data Source:</b> Quantities from Hydro One Detailed Statements for Jan - Dec 2009					
Hydro One Networks approved 2011 LV (ST) rates from Detailed Statement for Jan 2011					
	<b>2009</b>	<b>2011 Rate /kW</b>		<b>2011</b>	<b>Total</b>
	<b>kW</b>	<b>\$ 0.4580</b>		<b>MSC</b>	<b>LV Costs</b>
<b>Jan</b>	19,635	\$ 8,992.83		\$ 348.03	\$ 9,340.86
<b>Feb</b>	18,956	\$ 8,681.85		\$ 348.03	\$ 9,029.88
<b>Mar</b>	15,964	\$ 7,311.51		\$ 348.03	\$ 7,659.54
<b>Apr</b>	13,694	\$ 6,271.85		\$ 348.03	\$ 6,619.88
<b>May</b>	10,333	\$ 4,732.51		\$ 349.74	\$ 5,082.25
<b>Jun</b>	11,461	\$ 5,249.14		\$ 354.81	\$ 5,603.95
<b>Jul</b>	11,509	\$ 5,271.12		\$ 354.81	\$ 5,625.93
<b>Aug</b>	12,282	\$ 5,625.16		\$ 354.81	\$ 5,979.97
<b>Sep</b>	11,034	\$ 5,053.57		\$ 354.81	\$ 5,408.38
<b>Oct</b>	12,110	\$ 5,546.38		\$ 354.81	\$ 5,901.19
<b>Nov</b>	12,490	\$ 5,720.42		\$ 354.81	\$ 6,075.23
<b>Dec</b>	16,621	\$ 7,612.42		\$ 354.81	\$ 7,967.23
		<b>\$76,068.76</b>		<b>\$4,225.53</b>	<b>\$80,294.29</b>

**QUESTION #37**

**Reference:** VECC #14 a) & b)

a) Has Parry Sound purchased more than one type of Smart Meter over the 2007-2010 period? If so, please provide a schedule that describes the different types of smart meters purchased, the number of each type and total capital costs by type. Please reconcile the resulting total capital expenditure with the capital spending reported at Exhibit 9, Tab 1, Schedule 3, page 4.

**Response:** PSP purchased Elster Rex Type meters for the provincial mandated customers. These meters meet our customer needs and meter base style, voltage etc.. . PSP did not track the cost by meter type however; the average installed cost of the 3,291 meters is \$288.86 per meter. The following table provides the annual cost of these meters. PSP has updated the Smart Meter Rate Adder Model with the related costs shown below which results in a revised smart meter rate adder of \$2.88 per metered customer per month

	2006	2007	2008	2009	Total To 2006 - 2009	2010 Forecast	2010 Actual	Total
Recovery	(5,156.47)	(9,390.26)	(9,407.67)	(26,634.94)	(50,589.34)	(23,401.00)	(40,601.50)	(91,190.84)
Capital					-			-
V&E				3,506.28	3,506.28	75.00	220.00	3,726.28
Material				328,285.38	328,285.38	787.22	787.22	329,072.60
Install				68,659.61	68,659.61	32,430.57	28,437.32	97,096.93
Consulting	11,649.10	18,574.31	16,909.54	24,526.21	71,659.16	8,885.12	28,294.18	99,953.34
ODS				7,681.36	7,681.36	3,709.00	243.00	7,924.36
MAS				4,954.69	4,954.69	35,002.38	66,826.09	71,780.78
Other/Education				5,101.45	5,101.45	-		5,101.45
Computer Hardware & Software Portion				33,960.62	33,960.62		57,961.67	91,922.29
Security								-
WAN				33,588.76	33,588.76	-	-	33,588.76
MDMR						5,019.39	13,010.83	13,010.83
	11,649.10	18,574.31	16,909.54	510,264.36	557,397.31	85,908.68	195,780.31	753,177.62



Parry Sound Power Corporation EB-2010-0140	
<b>Rate Rider to Recover Smart Meter Costs</b>	
Revenue Requirement 2006	\$ 979
Revenue Requirement 2007	\$ 3,441
Revenue Requirement 2008	\$ 6,200
Revenue Requirement 2009	\$ 56,055
Revenue Requirement 2010 on 2009 assest	\$ 135,535
Revenue Requirement Total	\$ 202,210
Smart Meter Rate Adder	-\$ 91,191
Carrying Cost	-\$ 380
Smart Meter True-up	\$ 110,639
Metered Customers	3,200
Rate Rider to Recover Smart Meter Costs	\$ 2.88
<b>2009 Addition to Rate Base</b>	
<b>Fixed Assets</b>	
Smart Meters	\$ 523,437
Computer Software	\$ 33,961
	\$ 557,397
<b>Accumulated Depreciation</b>	
Smart Meters	-\$ 23,382
Computer Software	-\$ 5,660
	-\$ 29,042
<b>2009 Amortization Expense</b>	
Smart Meters	\$ 19,019
Computer Software	\$ 5,660
	\$ 24,679

b) Please provide a schedule that sets out the number of smart meters, by type, that were installed for each customer class over the 2007-2010 period.

**Response:** PSP has provided the number of numbers by rate class and type in the table below:

Elster Meter Type		
	Residential	GS<50
R2S	2,775.00	396.00
A1D	4.00	40.00
A3TL		75.00
A3RL		1.00
Total	2,779.00	512.00
		3,291.00

*In its Decision in Powerstream's application (EB-2010-0209) the Board staff submitted that "there should not be a requirement for class specific accounting of all such costs, as the added costs of tracking and reporting would, in board staff's view, outweigh the benefits, particularly as at least some costs would have to be allocated between customer classes. Therefore, Board staff also submits that any cost allocation methodology used for smart meters should not assume that a distributor can identify costs on a class specific basis for all cost components."*

### **QUESTION #38**

**Reference:** I) Exhibit 10 Tab 1 Schedule 2, Burman Report, page 6 and Attachments A and E (as filed);  
II) VECC IRR#16 and 17 IRR Attachments A-D (Spreadsheet)

**Preamble:** Parry Sound has changed the input assumptions and kWh Savings for CFLs and other measures under the Lighten Your Electricity Bill 2005 and Light Bulb Giveaways 2006 and 2007.

- a) Provide a comparison table of the original (as filed )and revised source(s) and Input assumptions for the following 3<sup>rd</sup> tranche CDM programs

**Lighten Your Electricity Bill 2005**

- CFLs
- SLEDs - 5W
- SLEDs - Mini Lights
- Programmable Thermostat - Space Heating
- Programmable Thermostat - Space Cooling
- Timer - Outdoor Light
- Timer - Indoor Light
- Ceiling Fan

–# units and unit kwh savings, operating hours, lifetime and free ridership for each year 2005-2009.

**Light Bulb Giveaways 2006/2007**

–# units and unit kwh savings, operating hours, lifetime and free ridership for each year 2005-2009.

- Provide a detailed explanation of the basis of change(s).

**Response:**

- Parry Sound Power and Burman Energy sought assistance in the interpretation on the appropriate application of assumptions and measures for both LRAM and SSM calculations. In its October 8th decision and order regarding Horizon Utilities' recovery of amounts related to Conservation and Demand Management, the OEB indicated that:
  - 
  - *"...the filing guidelines cannot reasonably be expected to address every possible scenario that may be faced by Ontario's 80 regulated distributors. What is clear is the underlying principle of LRAM, which is that distributors are to be kept whole for revenue that they have*

*forgone as a direct consequence of implementing CDM programs. Accordingly, in the absence of clear direction from the filing guidelines to the contrary, utilities should always use the most current input assumptions which have been adopted by the Board when preparing their applications because these assumptions represent the best estimate of the impact of the programs.”*

- 
- In response to this direction, Horizon Utilities recalculated LRAM using the most recent assumptions and measures as directed for 2005 and 2006 results which persisted in 2007 and 2008 only. No revisions were made retroactively to results which occurred in 2005 and 2006. These revised calculations were performed to the VECC group’s satisfaction (Comments on Draft Rate Order, dated October 21, 2009) and were subsequently approved as part of the OEB’s final rate order for Horizon, October 23, 2009.
- 
- Parry Sound Power assessed this precedent to limit the retroactive application of the most recent assumptions and measures to one year prior to their publication. Parry Sound Power submits that this precedent illustrates acceptance of the limits to the retroactive application of newer assumptions and measures to the beginning of that year. This was considered a reasonable position given the absence of any published updates until 2009, and is also consistent with the example within Guidelines and Policy Letter of January 27, 2009, quoted in VECC’s interrogatories:
- 
- *The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5.*

- *For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again.....*
  - 
  - Parry Sound Power further submits the application of the most recent (OPA) assumptions and measures to be applied in LRAM calculations were endorsed by the OEB in 2009. Applying the aforementioned interpretation, it was deemed appropriate to apply the more recent assumptions and measures retroactively for 2009 only.
- Provide a calculation of the Residential Third Tranche kWh and LRAM claim using **ONLY** the OPA 2009/2010 M&A List Input Assumption values and refile Schedules A,B D and E

**Response:** LRAM Calculations using only the OPA 2009/2010 M&A List Input Assumptions would be those already filed. These calculations and resulting Schedules are the 'as filed' documents.

It should be noted that LRAM calculated using the OPA 2009/2010 M&A Input Assumptions are provided for reference only, as per VECCs request. Parry Sound Power seeks to recover the revised LRAM amounts of \$109,069.49 as filed in response to VECC IR Round One questions.

**QUESTION #39**

- Reference:** I) Exhibit 10/Tab 1/Schedule 2, Burman Report, page 6 and Attachments A, B:  
 II) VECC #18

**Preamble:** The OPA 2009 final results were not found in the Spreadsheet filed in response to VECC IRs (Tab Blank)

a) File the OPA 2009 Final results.

**Response:** Please see “Copy of 2006-2009 Final OPA CDM Results Parry Sound Power Corporation.xls” attached.

b) Confirm/correct the change in kWh savings and Residential LRAM claim for the 2009 EKC and Power Savings Event.

**Response:** The final net kWh savings for the 2009 EKC Power Savings Event is 143,331kWh. This is consistent with the revised Attachments submitted as part of the VECC IR Round one questions and again with these IRs.

c) Provide a Total LRAM claim in the format of Attachment D showing the third tranche and OPA components.

**Response:**

	LRAM \$	SSM \$	TOTAL \$
<b>Third Tranche</b>			
RESIDENTIAL	\$3,301.04	\$2,328.22	\$5,629.26
GENERAL SERVICE >50KW	\$2,235.74	\$521.91	\$2,757.65
UNMETERED SCATTERED LOAD	\$4,991.94	-\$450.71	\$4,541.23
-			
<b>OPA Programs</b>			
RESIDENTIAL	\$41,738.98		\$41,738.98
GENERAL SERVICE <50KW	\$4,944.99		\$4,944.99
GENERAL SERVICE >50KW	\$51,856.81		\$51,856.81
	\$109,069.49	\$2,399.42	\$111,468.91

- d) Provide a final LRAM/SSM claim and Rate riders incorporating the response to VECC IR #39 part c and VECC IR #40 part c.

**Response** Parry Sound Power seeks to recover \$109,069.49 in LRAM and \$2,399.42 in SSM. Rate riders for these amounts were provided as per VECC IR Round One Questions.

#### **QUESTION #40**

**Reference:** OEB Staff #4

- a) Please update the response for the table provided in the response to reflect the actual sales for 2010.

**Response** PSP has updated the table from OEB Staff #4 to reflect the actual sales for 2010. PSP would like to identify an error in the response to OEB Staff IR#4. The kW for the GS>50kW did not include the “billed” kW which in some cases result in customers being billed on 90% of the kVA or 100% of the kW. The “billed” kW for the period Jan-Oct 2010 should have been 74,292 instead of 67,141. The 67,141 was the actual kW demand without taking into consideration the kVA. A projection for the remaining two months of 2010 of 15,605kW results in a total of 89,357 kW. The updated amount for the 2010 full year of actual kW billed is 90,298kW.

Two stores in Parry Sound closed in 2009 which were not taken into consideration when the test year kW demand forecast was prepared in the original submission. This had an impact of producing an inflated kW forecast for both the bridge and test years in that original submission which consequently includes a volumetric kW rate for the GS>50kW class which will likely result in PSP not recovering the full revenue requirement for that component of the total revenue requirement.

	2010 Actual	2010 Jan - Oct Actual Nov - Dec Frct	2010 Weather Normal	2011 Weather Normal
<b>By Class</b>				
<b>Residential</b>				
kWh	32,087,426	32,237,682	33,832,405	33,427,924
<b>GS &lt;50kW</b>				
kWh	15,577,193	15,721,243	16,748,564	16,733,379
<b>GS &gt;50kW</b>				
kWh	35,288,049	35,733,546	36,171,050	37,802,659
kW	90,298	89,357	96,048	97,727
<b>Sentinel Lights</b>				
kWh	12,320	12,250	12,745	12,745
kW	39	33	38	36
<b>Street Lights</b>				
kWh	915,733	891,719	867,846	867,846
kW	2,424	2,426	2,422	2,421
<b>Unmetered Scattered Load</b>				
kWh	56,187	51,718	59,000	58,750
<b>Total of Above</b>				
kWh	83,936,907	84,648,158	87,691,610	88,903,303
kW from applicable classes	92,761	91,816	98,508	100,184

#### **QUESTION #41**

**Reference:** OEB Staff #51

- a) Parry Sound's response does not explain why the distribution revenues by customer class reported in Column 7C of Appendix A do not match the distribution revenues by class as shown in Table 2 (Exhibit 7/Tab 1/Schedule 2, page 5). Please reconcile.

**Response:** On sheet I6 of the Cost Allocation Model the allocation of the Distribution Revenue was based on proportions that were revised prior to the filing of the application but were not updated on the CA model.



The percentages on the following table when input to the Cost Allocation model on row 29 of sheet I6 produce the results in Column 7C of Exhibit 7/Tab 1/Schedule 2/Appendix A, page 2 of 2. The result of this correction is a slight change to the revenue to cost ratios on sheet O1 of the Cost Allocation model. Since Parry Sound chose to use proposed Revenue to Cost ratios that differed from those calculated in the Cost Allocation Model this correction has no effect on the proposed rates.

The following tables reflect the changes discussed above:

Proportion of Revenue to Customer Classes (see last Column)

Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions										
Revenue At Existing Rates										
Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	33,427,924		33,748		566,625	447,934	1,014,559		1,014,559	55.67%
GS < 50 kW	16,733,379		5,919		149,696	174,027	323,723		323,723	17.76%
GS >50	37,802,659	97,727	814		139,361	338,057	477,418	14,046	463,372	25.43%
Large Use	0	0	0		0	0	0	0	0	0.00%
Sentinel Lights	12,745	36		144	251	243	494		494	0.03%
Street Lighting	867,846	2,421		12,732	5,220	9,965	15,185		15,185	0.83%
USL	58,750		216		1,935	3,073	5,008		5,008	0.27%
	<b>88,903,303</b>	<b>100,184</b>	<b>40,697</b>	<b>12,876</b>	<b>863,087</b>	<b>973,299</b>	<b>1,836,387</b>	<b>14,046</b>	<b>1,822,340</b>	<b>100%</b>

Portion of Cost Allocation Worksheet I6 (see last row)

ID	Total	1	2	3	7	8	9	
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	
<b>Billing Data</b>								
kWh from approved EDR model, Sheet 7-1, Col M	CEN	88,903,303	33,427,924	16,733,379	37,802,659	867,846	12,745	58,750
kWh from approved EDR model, Sheet 7-1, Col S	CDEM	100,184			97,727	2,421	36	
kWh, included in CDEM, from customers with line transformer allowance from approved EDR model, Sheet 6-3, Col P		23,410			23,410			
Optional - kWh, included in CEN, from customers that receive a line transformation allowance on a kWh basis. In most cases this will not be applicable and will be left blank.		-						
KWh excluding KWh from Wholesale Market Participants	CEN EWMP	88,903,303	33,427,924	16,733,379	37,802,659	867,846	12,745	58,750
kWh - 30 year weather normalized amount	<a href="#">Click here to</a>	88,903,303	33,427,924	16,733,379	37,802,659	867,846	12,745	58,750
Approved Distribution Rev from approved EDR, Sheet 7-1, Col AK + Sheet 7-3 Col H	CREV	\$2,613,957	\$1,455,278	\$464,347	\$664,659	\$21,781	\$708.38	\$7,183
		100.00%	55.67%	17.76%	25.43%	0.83%	0.03%	0.27%

Resulting Cost Allocation Worksheet O1

Rate Design using "Proposed Revenue to Cost Ratio" column

### Cost Allocation Based Calculations

Class	Revenue Requirement - 2011 Cost Allocation Model	2010 Base Revenue Allocated based on Porportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2011 Cost Allocation Model	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2011 Cost Allocation Model	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue
Residential	1,481,083	1,455,278	62,381	1,517,659	102.470%	102.470%	102.004%	1,510,766	62,381	1,448,385
GS < 50 kW	564,967	464,347	19,675	484,022	85.673%	85.673%	85.074%	480,638	19,675	460,963
GS >50	467,713	664,659	14,170	678,829	145.138%	145.138%	140.523%	657,243	14,170	643,073
Large Use		0	0	0				0	0	0
Sentinel Lights	2,053	708	42	751	36.562%	36.562%	70.000%	1,437	42	1,395
Street Lighting	181,621	21,781	3,752	25,533	14.059%	14.059%	28.000%	50,854	3,752	47,102
USL	17,505	7,183	965	8,149	46.552%	46.552%	80.000%	14,004	965	13,038
<b>TOTAL</b>	<b>2,714,943</b>	<b>2,613,957</b>	<b>100,986</b>	<b>2,714,943</b>	<b>100.0%</b>	<b>100.0%</b>		<b>2,714,942</b>	<b>100,986</b>	<b>2,613,956</b>

### Copy of unchanged Board template from Exhibit 7/Tab 1/Schedule 2, Appendix A

Classes	Costs from Informational Filing	%	Costs from Test Year Cost Allocation	%
Residential	\$988,184	54%	\$1,481,083	55%
GS<50 kW	\$435,866	24%	\$564,967	21%
GS 50 - 4,999 kW	\$290,078	16%	\$467,713	17%
Street Lights	\$114,605	6%	\$181,621	7%
Sentinel lights	\$1,825	0%	\$2,053	0%
Unmetered Scattered load	\$15,249	1%	\$17,505	1%
<b>Total</b>	<b>\$ 1,845,808</b>	<b>100%</b>	<b>\$ 2,714,943</b>	<b>100%</b>

  

Classes	Column 7B Load Forecast X Current Approved Rates	Column 7C Load Forecast X Existing Rates X (1+d)	Column 7D Load Forecast X Proposed Rates	Column 7E Miscellaneous Revenue
Residential	\$1,014,559	\$1,455,278	\$1,448,385	\$62,381
GS<50 kW	\$323,723	\$464,347	\$460,963	\$19,675
GS 50 - 4,999 kW	\$463,372	\$664,659	\$643,073	\$14,170
Street Lights	\$15,185	\$21,781	\$47,102	\$3,752
Sentinel lights	\$494	\$708	\$1,395	\$42
Unmetered Scattered load	\$5,008	\$7,183	\$13,038	\$965
<b>Total</b>	<b>\$ 1,822,340</b>	<b>\$ 2,613,957</b>	<b>\$ 2,613,956</b>	<b>\$ 100,986</b>

Note: d = Revenue Deficiency / Base Revenue Requirement (L.F.X current approved rates \$1,822,340)

d = 0.434395455

  

Classes	Previously Approved Ratios Most Recent Year 2006	Status Quo Ratios (Col 7C+Col 7E) / Col 7A	Proposed Ratios (Col 7D+Col 7E) / Col 7A
Residential	104.74%	102.47%	102.00%
GS<50 kW	86.33%	85.67%	85.07%
GS 50 - 4,999 kW	140.74%	145.14%	140.52%
Street Lights	13.56%	14.06%	28.00%
Sentinel lights	33.60%	36.56%	70.00%
Unmetered Scattered load	66.30%	46.55%	80.00%

  

Classes	Proposed Revenue-to-Cost Ratios 2011	Proposed Revenue-to-Cost Ratios 2012	Proposed Revenue-to-Cost Ratios 2013	Policy Range
Residential	102.00%	102.00%	102.00%	85 - 115
GS<50 kW	85.07%	85.07%	85.07%	80 - 120
GS 50 - 4,999 kW	140.52%	*	*	80 - 180
Street Lights	28.00%	42.00%	56.00%	70 - 120
Sentinel lights	70.00%	70.00%	70.00%	70 - 120
Unmetered Scattered load	80.00%	80.00%	80.00%	80 - 120

\* Note: The proposed increase in Street Lights in 2012 and 2013 will be offset by a proposed reduction to the GS 50 - 4999 kW class

## **QUESTION #42**

**Reference:** OEB Staff #17

- a) PSP's response to the referenced question appears to indicate that the duties carried out by the president and vice president/financial officer will decrease in 2011 inasmuch as these senior management personnel will no longer be responsible for any non-utility matters. If this is the case, please explain fully why the related wages and benefits for 2011 are not reduced to 70% of the 2010 level, given that this was the percentage of their compensation that was attributed to their utility activities in 2010. If this is not the case, please explain fully.

**Response:** As submitted in PSP reply to OEB Staff IR round 2 IR#4 the duties of the senior managers will not decrease in 2011. The LDC requires senior management to operate a safe, reliable and effective system. Staffing levels included in the test year budget are necessary to operate a fully functional ARC compliant utility. The senior managers can now devote the proper amount of resource to the utility's needs. The prior allocation of costing was based on an older methodology of senior management time allocation not necessarily on the need. The reality of change and regulation requires the senior manager's fully devoted time to be spent on LDC related business. The 100% costing now allocated to PSP not only achieves ARC compliance (under new corporation) but also relates closer to the actual resource requirement to manage an LDC

- b) Please identify all specific steps that PSP has taken in the reorganization (subsequent to the OEB's denial of PSP's requests for ARC exemptions), to streamline and realign management and staff roles in the new, standalone utility and minimize FTE requirements.

**Response:** PSP engaged subject matter experts (HR, Tax, Legal, etc.) to assist with corporate realignment, asset transfers, staffing resources, office, and

operational equipment. The plan includes a fully resourced stand-alone LDC. PSP has listed below some of the more detailed steps involved.

1. Determine ARC compliance issues and resources to assist with compliance exercise.
2. Review other corporate organizations in the electricity environment to determine how the organizations relate to affiliates and compliance.
3. Determine spacing requirements for admin and operations
4. An asset management plan enabled operations to resource staff, vehicles and equipment.
5. Segregation of LDC and affiliate staff to ensure no sharing of customer information.
6. Database split to segregate electrical customers only.
7. PS Power only data server.
8. Time analysis of customer support personnel was conducted to determine FTE requirement
9. Management determination of administrative support staff was developed.
10. LDC only phone system to track calls (per OEB)
11. Legal Agreements to transfer assets: trucks, equipment, office furniture, etc.
12. Development of 4 year strategic plan for wires only business
13. Rental Agreements between LDC and Holding Company
14. Develop of Service Level Agreements and establish transfer pricing

Parry Sound offers the table below with the FTE and customer counts as a comparison of the FTE requirement to operate an LDC. PSP included the cohorts in our group as well as those the CHEC group – Cornerstone Hydro Electric Concepts Association. The data shows (with few exceptions) to operate a utility of any customer size the FTE requirement range is well within the 12.5 FTE PSP currently forecasts. The indication of customers per FTE indicates to PSP management that a minimum number of employees are needed to provide a safe reliable supply of electricity.

Sorted by Number of FTEs		FTE	Customers (excl ST Lights)	Customers per FTE
Cohort	Northern Ont Wires	4.2	6,069	1,445
Cohort	Espanola	5.5	3,383	615
Cohort	Atikokan	7.0	1,670	239
Cohort	Renfrew	11.0	4,180	380
CHEC	West Coast Huron	12.0	3,763	314
CHEC	Wellington North Power	12.0	3,588	299
Cohort	Parry Sound Power	12.5	3,378	270
CHEC	Rideau St. Lawrence	13.3	5,863	442
CHEC	Centre Wellington	14.4	6,382	443
CHEC	Midland	16.0	6,905	432
CHEC	Lakeland Power	16.0	9,387	587
CHEC	Lakefront	17.5	9,534	545
CHEC	Orangeville	19.0	11,126	586
CHEC	Collus Power	21.6	14,908	690
CHEC	Innisfil	26.3	14,645	557
Cohort	Algoma (GLP)	99.2	11,688	118

**QUESTION #43**

**Reference:** VECC #28 b) and c)

- a) Please provide an update to the referenced IR responses.

**Response:** In response to update b portion of VECC IR#28b)- PSP set the target date as January 1, 2011 to become compliant with the ARC as a “Stand Alone Utility”. As discussed in VECC IR #42 b – there are several action items to ensure the transition is cost effective, timely and, PSP and Affiliate still offer the high level of customer service and reliability as seen in the past. As of March 14, 2011 the date of this response PSP is not fully compliant. We are still working on details of information sharing, server access, customer account information, staff and space sharing, and service agreements. PSP Board of Directors supports management's efforts to be fully compliant as soon as time allows. The lag time to enable resource needs, contracts, system segregation, needs analysis, business plan to mention a few certainly contribute to the time lines not being met.

**Response:** In response to update VECC IR 28c) - PSP actual costs to date are \$93,600 plus a balance of recoverable organization costs of \$77,000. PSP included \$158,400 as a budget amount in the filing material of which 25% was included in the test year forecast.

**QUESTION #44**

**Reference:** VECC #26 c)

- a) Please provide the names and affiliations of the members of the utility's Board of Directors and indicate how long each has served in that capacity.

**Response:**

Curt Harrison- Chair PS Power since January 2004 Director PS PGen

Paul Borneman – PSP Director since December 2006, Town Council

Al Downing – PSP Director since September 2006

**QUESTION #45**

**Reference:** VECC #29 b)

- a) Please indicate the methodology by which PSP estimated the components of the Test Year Billing and Collecting costs.

**Response:**

<b>5300 - Billing and Collecting</b>			
5310-50 - Labour	2,885.00	AMP	
5310-51 - Truck Time	721.78	AMP	
5310-63 - Contractors- URB	15,600.00	50% Actual contract Value	
<b>Total 5310 - Meter Reading Expense</b>	<b>19,206.78</b>		
<b>5315 - Customer Billing</b>			
5315-02 - Computer Software Mfce	32,311.55	quarterly contract plus 2.2% inflation	
5315-05 - Postage Meter Rent & Mail Mach	3,074.50	2010 cost less PST July to Dec plus 2.2% inflation	
5315-06 - Postage	20,824.27	2010 Jan to June actual X 2 plus 2.2% inflation	
5315-13 - Cust Billing- Computers	64,245.34	2010 Actual 5 months extrapolated to 12 months plus inflation	
5315-21 - Cust Billing - EBT	4,611.79	2011 Actual 5 months extrapolated to 12 months	
5315-50 - Labour	127,054.78	Billing Labour estimate plus OH	
5315-63 - Contractors	9,563.59	2010 contract costs plus 2.2% inflation	
5315-68 - Stationery	3,302.97	prior 2 years average less PST plus 2.2% inflation	
5315-70 - Bill Printing and Stuffing	6,491.10	prior year actual less PST plus 2.2% inflation	
<b>Total 5315 - Customer Billing</b>	<b>271,479.91</b>		
<b>5320 - Collecting</b>			
5320-03 - Credit Bureau	639.94	prior year actual plus 2.2% inflation	
5320-50 - Labour	96,941.75	Collections Labour estimate plus OH	
5320-51 - Truck Time	1,453.87	AMP	
<b>Total 5320 - Collecting</b>	<b>99,035.56</b>		
5325 - Collecting - Cash Over/Short	100.00	estimate	
5335 - Bad Debt Expense	5,200.00	4 year average	
<b>Total 5300 - Billing and Collecting</b>	<b>395,022.24</b>		

## **QUESTION #46**

**Reference:** VECC IR #23 a)

Exhibit 2 Tab 2 Schedule 3 page 36

Exhibit 2 Tab 3 Schedule 2 Appendix A page 6 of 34 (paginated as page 5 in the Rodan Asset Management Report)

- a) Please reconcile the \$1,211,781.73 found in the second reference with the amount of \$1,118,213.32 in the third reference (2011 capital "budget").

**Response:** Please see reconciliation below.



Reconciling Items	Exhibit 2, Tab 2, Schedule 3, Page 36	Exhibit 2, Tab 3, Schedule 2, Page 6
	\$ 1,211,782	\$ 1,118,213
PSP 5a - PSP 5i are maintenance projects (not capital projects)		(62,562)
PSP 6a - PSP 6k are maintenance projects (not capital projects)		(403,185)
PSP 8 - voltage conversion project - missing on RODAN summary		47,062
PSP 9 - conductor replacement - missing on RODAN summary		31,255
Non-Distribution Capital additions (not included in AMP)		480,999
Total	\$ 1,211,782	\$ 1,211,782

The correct value for capital expenditures for 2011 is the value stated on Exhibit 2, Tab 2, Schedule 3, Page 36 (\$1,211,782).

- b) Please indicate how PSP has adopted, in its pre-filed materials, the Rodan recommendation that states (under Table 2 on page 6 of 34): *“Should PSP wish to pursue the implementation of these projects, a price quotation from one or more vendors based on detailed scope of work including equipment specifications is necessary.”*

**Response:** The AMP specifies that the values reflected in the plan are for budgetary purposes only and correspondingly for CoS submission purposes. For 2011 projects, the budget numbers provided by the RODAN AMP were the best numbers available at the time of submission. PSP has not started the majority of 2011 capital projects and does not currently have better cost estimates. This is a direct result of a forward test year application process.

- c) Can PSP confirm that the capital budgets approved by its Board of Directors for years 2012-2014 inclusive will be identical to the costs shown in Table 2 of the Rodan report? Please explain fully.

**Response:** The PSPC Board of Directors has approved the RODAN AMP for distribution capital, operations and maintenance for the 2011 test year. The PSP Board has approved the expenditures for 2012 – 2014 contained in the plan in principle. The PSP Board understands the AMP is a living document to be updated on an annual basis. The PSP Board also approved the other capital expenditures not included in the AMP such as: V&E, computers, office equipment, etc. It is the intention of PSP’s management to follow the AMP as closely as possible for the years 2012-2014.

**QUESTION #47**

**Reference:** VECC # 30 a)

Exhibit 2 Tab 3 Schedule 2 Appendix A

Exhibit 4 Tab 1 Schedule 1 page 3

VECC #32 a)

- a) Please indicate how the 2011 Test \$ for 2011 shown on Exhibit 4 Tab 1 Schedule 1 page 3 are related to the figures provided in the Asset Management Report at Exhibit 2 Tab 3 Schedule 2 Appendix A.

**Response:** Please see summary table below:

<b>2011</b>	<b>Exhibit 2, Tab 3, Schedule 2 Appendix A</b>	<b>Exhibit 4, Tab 1, Schedule 1, Page 3</b>
Operations		46,801
Maintenance		518,258
<b>Total</b>		<b>565,059</b>
PSP 5a - PSP 5i Projects (Maintenance Projects)	62,562	
PSP 6a - PSP 6k Projects (Maintenance Projects)	403,185	
<b>Total</b>	<b>465,747</b>	
<b>Difference</b>	<b>99,312</b>	

The above table summarizes the two referenced exhibits. The \$99,312 difference relates to the fact that the AMP does not include projects related unplanned maintenance, which is included in Exhibit #4 value indicated above at \$565,059.

- b) Please show how the 2010 operating budget approved is related to the figures provided in the Asset Management Report at Exhibit 2 Tab 3 Schedule 2 Appendix A.

**Response:** Please see table below:

2010	Exhibit 2, Tab 3, Schedule 2 Appendix A	Exhibit 4, Tab 1, Schedule 1, Page 3
Operations		54,737
Maintenance		445,310
Total		500,047
PSP 5a - PSP 5i Projects (Maintenance Projects)	153,666	
PSP 6a - PSP 6k Projects (Maintenance Projects)	306,355	
Total	460,021	
<b>Difference</b>	<b>40,026</b>	

The 2010 O&M costs (\$500,047) included in the rate application include unplanned maintenance costs and actual work performed for Jan to May 2010 time period, both of which are not contained in the AMP reference (\$460,021).

- c) Since VECC #32 a) indicates that the final Report was provided to PSP on September 14, 2010, please explain how it could have been relevant to any approved 2010 operating budget.

**Response** Several versions of the AMP were developed over the time period used to develop the CoS application. Resource levels were constantly being matched to the work effort identified in the AMP and the available work effort cost out in the AMP. The final version of the AMP reflects the version that reconciles to the cost contained in the 2011 CoS application.

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