

**Parry Sound Power Corporation  
Draft Rate Order  
ED-2010-0140**

**Manager's Summary**

Parry Sound Power Corporation submits this Manager's Summary as well as Customer Rate Impacts, a Tariff of Rates and Charges for 2011, and a completed RRWF excel model as directed by the Ontario Energy Board (Board) in its Decision and Order dated June 17, 2011. Parry Sound is requesting the Rate Order be approved for an implementation date of July 1, 2011 with an effective date of June 1, 2011.

Parry Sound has calculated the one (1) month of foregone distribution revenue to be recovered with a six month rate rider since Parry Sound Power has approval to align its rates with its fiscal year 2012. The calculation of the rate rider is provided in the table below.

| Parry Sound Power Corp.   |             |                                    |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|---|-------------|------------------------------------|---------------|------------|---------------|--------------------|---------------|------------|---------------|--------------------|---|--------------------|---|--------------|--|------------------|---|------------|
| Calculation of Foregone Revenue Rate Riders                             |             |                                    |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
| June 1, 2011 to June 30, 2011 - Assuming effective date of July 1, 2011 |             |                                    |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|   |             |                                    | 2010 Approved |            |               |                    | 2011 Proposed |            |               |                    | Foregone Revenue Difference Existing vs. Proposed |                    | Foregone Distribution Revenue Rate Riders |              | Rate Rider / Adder Foregone Revenue Difference Existing vs. Proposed |                  | Rate Rider / Adder Foregone Revenue Rate Riders |            |
|   |             | A                                  | Rates         |            | Revenue       |                    | Rates         |            | Revenue       |                    | B   | C                  | B / 10 / A                                | C / .833 / A |  |                  |   |            |
| Parry Sound Power Corp.   |             | Test Year Normalized Forecast 2011 | Fixed         | Volumetric | 1 Month Fixed | 1 Month Volumetric | Fixed         | Volumetric | 1 Month Fixed | 1 Month Volumetric | 1 Month Fixed                                     | 1 Month Volumetric | Fixed                                     | Volumetric   | 1 Month Fixed  | 1 Month Variable | Fixed   | Volumetric |
| Customer Class  |             |                                    |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
| Residential   | Customers   | 2,812                              | \$16.79       |            | \$47,219      |                    | \$21.85       |            | \$61,449      |                    | \$14,230  |                    | \$0.84                                    |              | \$1.71   |                  | \$0.29  |            |
|   | kWh         | 33,572,049                         |               | \$0.0134   |               | \$37,489           |               | \$0.0173   |               | \$48,400           |   | \$10,911           |   | \$0.0007     |  | -\$0.0001        |   | \$0.0000   |
| GS < 50 kW  | Customers   | 493                                | \$25.29       |            | \$12,475      |                    | \$32.69       |            | \$16,125      |                    | \$3,650   |                    | \$1.23                                    |              | \$1.85   |                  | \$0.31  |            |
|   | kWh         | 16,873,256                         |               | \$0.0104   |               | \$14,623           |               | \$0.0133   |               | \$18,701           |   | \$4,078            |   | \$0.0005     |  | -\$0.0005        |   | -\$0.0000  |
| GS >50 kW   | Customers   | 68                                 | \$171.14      |            | \$11,613      |                    | \$203.87      |            | \$13,834      |                    | \$2,221   |                    | \$5.46                                    |              | \$5.30   |                  | \$0.88  |            |
|   | kWh         | 38,118,657                         |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|   | kW          | 97,877                             |               | \$3.4592   |               | \$28,215           |               | \$4.0934   |               | \$33,387           |   | \$5,173            |   | \$0.1057     |  | \$0.0486         |   | \$0.0081   |
| Sentinel Lighting   | Connections | 12                                 | \$1.74        |            | \$21          |                    | \$4.18        |            | \$50          |                    | \$29  |                    | \$0.41                                    |              | \$0.03   |                  | \$0.01  |            |
|   | kWh         | 12,745                             |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|   | kW          | 36                                 |               | \$6.7501   |               | \$20               |               | \$16.1962  |               | \$49               |   | \$28               |   | \$1.5744     |  | \$0.9911         |   | \$0.1652   |
| Street Lighting   | Connections | 1,004                              | \$0.41        |            | \$412         |                    | \$1.31        |            | \$1,320       |                    | \$908   |                    | \$0.15                                    |              | \$0.01   |                  | \$0.00  |            |
|   | kWh         | 867,846                            |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|   | kW          | 2,421                              |               | \$4.1163   |               | \$830              |               | \$13.1954  |               | \$2,662            |   | \$1,832            |   | \$1.5132     |  | -\$0.0070        |   | -\$0.0012  |
| Unmetered Scattered Load  | Customers   | 18                                 | \$8.96        |            | \$161         |                    | \$22.44       |            | \$404         |                    | \$243   |                    | \$2.25                                    |              | \$0.14   |                  | \$0.02  |            |
|   | kWh         | 58,750                             |               | \$0.0523   |               | \$256              |               | \$0.1310   |               | \$641              |   | \$385              |   | \$0.0131     |  | \$0.0763         |   | \$0.0127   |
|   |             |                                    |               |            |               |                    |               |            |               |                    |   |                    |   |              |  |                  |   |            |
|   |             |                                    |               |            | \$71,901      | \$81,434           |               |            | \$93,182      | \$103,840          | \$21,281  | \$22,407           |   |              |  |                  |   |            |
|   | Total       |                                    |               |            | \$153,334     |                    |               |            | \$197,022     |                    | \$43,688  |                    |   |              |  |                  |   |            |

Parry Sound has provided the following Summary of Proposed Changes table reflecting the impact of all changes since the original 2011 Cost of Service Application dated October 15, 2010 followed by a description of each of the changes.

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| Parry Sound Power Corporation<br>Summary of Proposed Changes |                                   |                             |           |                    |                                 |              |      |      |                                |                 |                             |                             |                        | Bill Impact %        |
|--|-----------------------------------|-----------------------------|-----------|--------------------|---------------------------------|--------------|------|------|--------------------------------|-----------------|-----------------------------|-----------------------------|------------------------|----------------------|
|  | Regulated<br>Return on<br>Capital | Regulated<br>Rate of Return | Rate Base | Working<br>Capital | Working<br>Capital<br>Allowance | Amortization | PLIs | OM&A | Service Revenue<br>Requirement | Revenue Offsets | Base Revenue<br>Requirement | Gross Revenue<br>Deficiency | Residential 800<br>kWh | GS-50 kW<br>2000 kWh |
|  |                                   |                             |           |                    |                                 |              |      |      |                                |                 |                             |                             |                        |                      |
|  |                                   |                             |           |                    |                                 |              |      |      |                                |                 |                             |                             |                        |                      |
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Upon completion of the interrogatory and submission requirements in this proceeding, the Board addressed the following issues in its Decision:

**1.0 STREET LIGHT CONNECTIONS**

Parry Sound has adjusted the number of street Light connections to 1,004

**2.0 CDM TARGETS LOAD FORECAST**

Parry Sound's load data forecast as originally filed Oct 15, 2010 has been adjusted for 10% CDM target in the 2011 test year as directed.

**3.0 OPERATION, MAINTENANCE AND ADMINISTRATIVE EXPENSES**

The Board directed Parry Sound's to reduce OM&A from the original amount of \$1,795,417 by the \$208,000 from the Argument in Chief submission, therefore, PSP moved \$29,000 from A/C 5130 to A/C 1855 in the both the bridge year 2010 and test year 2011, which has an effect on Acc Dep of \$580 in bridge year plus \$1,740 in test year.

PSP also included an adjustment of a reduction using account 5005 by removing \$95,184 of contingency and material from the original submission.

**4.0 OPERATING, MAINTENANCE & ADMINISTRATIVE EXPENSES**

Parry Sound moved the purchase of a pickup truck from 2010 bridge year into the 2011 test year with the value of \$27,500 from account 1930 and associated amortization.

**5.0 REMOVAL OF DIGGER DERRICK TRUCK FROM CAPITAL**

Account 1930 - remove digger Derrick truck with value of \$225,000 and remove \$14,602.50 from accumulated amortization.

**6.0 RPP & NON-RPP RATE UPDATE**

PSP updated RPP and non- RPP rates which causes an increase of \$364,148 in working capital.

**7.0 FTE ADJUSTMENT**

PSP removed the 1 (one) FTE equivalent in the test year. The accounts affected are 5655 – \$40,625 and account 5615 - \$40,625.

**8.0 OMERS**

PSP included OMERS cost of \$7,984 affecting accounts as listed:

|           |          |
|-----------|----------|
| USoA 5615 | 6,634.00 |
| USoA 1830 | 1,350.00 |
| USoA 2105 | 27.00    |

#### **PRIOR COS ADJUSTMENT**

- 9.0** PSP removed the prior rate application costs of \$93,315 or \$23,929 in the test year from Account 5655

#### **REMOVAL OF OPERATING, MAINTENANCE & ADMINISTRATIVE EXPENSES**

- 10.0** PSP removed Board directed further reduction of \$10,000 from OMA, A/C 5655.

#### **FULL-TIME EQUIVALENT STAFF REDUCTION**

- 11.0** Removal of 0.2 FTE from regulatory A/C 5655.

#### **ADJUSTMENT TO ACHIEVE BOARD OM&A LEVEL**

- 12.0** Board directed OMA amount of \$1,524,745, therefore, PSP removed \$2,133 to achieve Board's OMA level. Please note in item 19 below, OM&A was increased by \$844 to reflect an approved change to the LEAP Expense.

#### **CAPITAL REDUCTION**

- 13.0** Capital reduction as directed of \$100,000 was reflected in A/c 1830 with associated amortization.

#### **MISCELLANEOUS REVENUE INCREASE**

- 14.0** Inclusion of \$3,800 in misc. service revenue.

#### **STREET LIGHT REVENUE TO COST RATIO CHANGE**

- 15.0** Street Light class movement to 35% R-C ratio as directed offset by GS>50 class reduction

| Rate Class        | Updated OEB Cost Allocation Model, R/C Ratios | Proposed Revenue to Cost Ratios |  | Board Target Low | Board Target High |
|-------------------|---|---------------------------------|--|------------------|-------------------|
| Residential       | 101.293%                                      | 102.004%                        |  | 85%              | 115%              |
| GS < 50kW         | 85.117%                                       | 85.074%                         |  | 80%              | 120%              |
| GS > 50 kW        | 145.416%                                      | 135.618%                        |  | 80%              | 180%              |
| Sentinel Lighting | 38.485%                                       | 70.000%                         |  | 70%              | 120%              |
| Streetlighting    | 15.460%                                       | 35.000%                         |  | 70%              | 120%              |
| USL               | 43.665%                                       | 80.000%                         |  | 80%              | 120%              |

**RTSR AND LV UPDATE**

- 16.0** RTSR and LV updated as directed resulting in a Working Capital increase of \$106,340.

**4 YEAR DVAD DISPOSITION**

- 17.0** DVAD disposition including Global Adjustment is calculated over four (4) year period as agreed. A separate Global Adjustment rate rider will be disposed of through Non-RPP customers only.

**LRAM & SSM**

- 18.0** LRAM & SSM – PSP submits no change is needed to the model or bill impacts as the original filing includes the LRAM and SSM as approved by the Board. LRAM of \$96,367.42 vs \$105,070.55 and SSM of \$2,399.42.

**REVISION TO LEAP**

- 19.0** Revision of the LEAP cost sees an increase in OMA of \$844 calculated using the updated Service Revenue Requirement of \$2,440,302.00

LEAP 0.12%

REVISED LEAP \$2,928.36

Original amount calculated 2,084.75

**LPP RATE RIDER**

- 20.0** Late Payment Litigation Rate Rider has no impact on PSP's OM&A or WCA.

**SMART METER FUNDING ADDER**

- 21.0** Smart Meter Funder increase to \$2.50

Parry Sound Power has completed the Revenue Requirement Work Form as part of the required filing requirements.

The Data Input Sheet includes 2 adjustment columns. The first adjustment column has been used by Parry Sound Power to reflect the changes to the revenue requirement based on the Argument in Chief sent to the Board on April 13, 2011 while the second adjustment column includes changes directed by the Board.

The details of those changes are provided in the following table:

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|   |                 | Argument in Chief<br>Changes          |              |                       |  |                | Board Directed<br>Changes                                  |              |                       |
|---|-----------------|---------------------------------------|--------------|-----------------------|--|----------------|--|--------------|-----------------------|
| <b>Capital</b>                          |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ 11,689,041         |  | Opening        |  |              | \$ 11,606,966         |
|   |                 | Change to Opening re 2010 adjustments |              |                       |  |                |  |              |                       |
|   |                 | Services                              |              | \$ 29,000             |  |                |  |              |                       |
|   |                 | Pick-up                               |              | \$ (27,500)           |  |                |  |              |                       |
|   | Revised Opening |                                       |              | \$ 11,690,541         |  |                |  |              |                       |
|   |                 | Services                              | \$ 29,000    |                       |  |                | Board Reduction  | \$ (100,000) |                       |
|   |                 | Pick-up                               | \$ 27,500    |                       |  |                |  |              |                       |
|   |                 | Digger                                | \$ (225,000) |                       |  |                |  |              |                       |
|   |                 | OMERS                                 | \$ 1,350     |                       |  |                |  |              |                       |
|   |                 |                                       | \$ (167,150) |                       |  |                |  | \$ (100,000) |                       |
|   | Average         |                                       |              | \$ (83,575)           |  |                |  |              | \$ (50,000)           |
|   | <b>Closing</b>  |                                       |              | <b>\$ 11,606,966</b>  |  | <b>Closing</b> |  |              | <b>\$ 11,556,966</b>  |
| <b>Accumulated Depreciation</b>         |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ (7,192,964)        |  | Opening        |  |              | \$ (7,186,021)        |
|   |                 | Change to Opening re 2010 adjustments |              |                       |  |                | Change to Opening re 2011 adjustments                      |              |                       |
|   |                 | Services                              |              | \$ (580)              |  |                |  |              |                       |
|   | Revised Opening |                                       |              | \$ (7,193,544)        |  |                | Pick-up  |              | \$ 2,750              |
|   |                 | Services                              | \$ (1,740)   |                       |  |                | Revised Opening  |              | \$ (7,183,271)        |
|   |                 | Pick-up                               | \$ 2,750     |                       |  |                | Board Reduction  | \$ 2,000     |                       |
|   |                 | Digger                                | \$ 14,063    |                       |  |                |  |              |                       |
|   |                 | OMERS                                 | \$ (27)      |                       |  |                |  |              |                       |
|   |                 |                                       | \$ 15,046    |                       |  |                |  | \$ 2,000     |                       |
|   | Average         |                                       |              | \$ 7,523              |  |                | Average  |              | \$ 1,000              |
|   | <b>Closing</b>  |                                       |              | <b>\$ (7,186,021)</b> |  | <b>Closing</b> |  |              | <b>\$ (7,182,271)</b> |
| <b>Controllable Expenses / OM&amp;A</b> |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ 1,795,417          |  | Opening        |  |              | \$ 1,588,701          |
|   |                 | Amendments                            | \$ (95,184)  |                       |  |                | Board Reduction  | \$ (10,000)  |                       |
|   |                 | To Capital                            | \$ (29,000)  |                       |  |                | Aborted Rate App   | \$ (23,929)  |                       |
|   |                 | 1 FTE                                 | \$ (81,250)  |                       |  |                | 0.20 FTE Reduction   | \$ (27,894)  |                       |
|   |                 | OMERS                                 | \$ 6,634     |                       |  |                | To achieve Board's OM&A Level                              | \$ (2,133)   |                       |
|   |                 | ARC                                   | \$ (10,000)  |                       |  |                |  |              |                       |
|   |                 | LEAP                                  | \$ 2,084     |                       |  |                | Additoinal LEAP funds not considered in Board's OM&A level | \$ 843       |                       |
|   |                 |                                       |              | \$ (206,716)          |  |                |  |              | \$ (63,113)           |
|   | <b>Closing</b>  |                                       |              | <b>\$ 1,588,701</b>   |  | <b>Closing</b> |  |              | <b>\$ 1,525,588</b>   |
| <b>Cost of Power</b>                    |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ 8,011,052          |  | Opening        |  |              | \$ 8,426,349          |
|   |                 | RPP/Non RPP Price                     | \$ 364,148   |                       |  |                | RTSR Updates   | \$ 106,340   |                       |
|   |                 | CDM from 25% to 10%                   | \$ 51,149    |                       |  |                |  |              | \$ 106,340            |
|   |                 |                                       |              | \$ 415,297            |  |                |  |              | \$ 8,532,689          |
|   | Closing         |                                       |              | \$ 8,426,349          |  | Closing        |  |              |                       |
| <b>Other Revenue</b>                    |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ 100,986            |  | Opening        |  |              | \$ 100,986            |
|   |                 |                                       |              |                       |  |                | Misc. Revenue  | \$ 3,800     |                       |
|   |                 |                                       |              |                       |  |                |  |              | \$ 3,800              |
|   | <b>Closing</b>  |                                       |              | <b>\$ 100,986</b>     |  | <b>Closing</b> |  |              | <b>\$ 104,786</b>     |
| <b>Depreciation Expense</b>             |                 |                                       |              |                       |  |                |  |              |                       |
|   | Opening         |                                       |              | \$ 389,525            |  | Opening        |  |              | \$ 391,292            |
|   |                 | Services                              | \$ 1,740     |                       |  |                | Board Reduction  | \$ (2,000)   |                       |
|   |                 | OMERS                                 | \$ 27        |                       |  |                |  |              | \$ (2,000)            |
|   |                 |                                       |              | \$ 1,767              |  |                |  |              | \$ 389,292            |
|   | <b>Closing</b>  |                                       |              | <b>\$ 391,292</b>     |  | <b>Closing</b> |  |              |                       |

