**Parry Sound Power Corporation**

**2011 Distribution Rates Application**

**Board Staff Comments on the Draft Rate Order**

**Board File No. EB-2010- 0140**

Parry Sound Power (PSP) submits the following response to OEB June 29, 2011 Draft Rate Order. In addition to the OEB comments PSP also corrected an input in our Rate Design Model to add the $3,800 in Misc. Revenue. This $3,800 has no impact on revenue requirement at this time as it was simply a flow through from revenue requirement file to rate design. The rates and subsequent bill impacts now reflect the slight change.

PSP has included a summary of change file as originally filed updated with the adjustments requested entitled: PSP Summary of changes July 2011.

1) **Cost of Capital:** It appears that PSP did not use the Board’s updated interest

rates for Short Term Debt (2.46%) or Return on Equity (9.58%).

PSP updated the Short Term Debt Rate (2.46%) and the Return on Equity Rate (9.58%) as directed. Summary of changes Item # 23 shows the impact on Regulated Return on Capital of $5,436, Pils of $1,143 and a resulting decrease in Service Revenue Requirement of $6,580.

2) **Change to Working Capital:** It appears that PSP did not document how it

arrived at the Working Capital change due to an increase of $106,340 in the

Cost of Power component. Board staff requests that PSP provide additional

detail on how this amount was calculated.

*PSP submitted a summary of changes which include as Item 16 an increase in WCA of $106,340, this increase is detailed in Item 3 below. The result is an increase caused by the adjustment to the original data filed in the 2011 RTSR workform plus PSP increased the RTSR and LV rates by the percentage (%) increase charge to PSP from Hydro One.*

3) **RTSR and LV Rate Update:** Board staff requests that PSP provide additional

detail on how these rates were updated.

*PSP used the values from the 2011 RTSR Adjustment workform as a base to adjust by the increase as directed by the Board to Hydro One’s rate increases for Network, Connection and Low Voltage. PSP has attached an excel file entitled RTSR&LV update which includes two tabs one for the % calculation the second tab showing cost of power update. Hydro One’s network charge to PSP increased from $2.24 in April 2010 to $2.65 in April 2011, Hydro One’s connection charge increased from $1.99 in April 2010 to $2.14 in April 2011, Hydro One’s LV charge increased from $0.442 in June 2010 to $0.485 in April 2011. PSP attached H1 invoices for the periods as H1RTSR&LV. PSP has also corrected a reference error in the original calculation which increases the WCA by $16,042.96 as shown in Summary of Changes Item 24.*

4) **Calculation of Foregone Revenue Rate Rider:** Board staff is not clear on the

2011 proposed rates used in the calculation or the design of the riders to recover

one month of foregone revenue. The decision indicates that one month of

incremental distribution revenue is to be collected over a period of 10 months,

ending on April 30, 2012.

*PSP calculated the “Foregone Revenue Rate Rider” based on Board directed load data and customer numbers. PSP calculated the foregone revenue with an effective date of June 1, 2011 an implementation date of July and a second more realistic date of August 1, 2011. The Aug 1 date results in 2 (two) months of foregone revenue. PSP calculated the recovery until December 31 2011 and April 30, 2012. Effectively this calculation results in 4 (four) rate riders to choose from:*

*One Month Foregone Revenue allocated over 6 months (Dec 31, 2011) and over 10 months (April 30, 2012)*

*Two Months Foregone Revenue allocated over 5 months (Dec 31, 2011) and over 9 months (April 30, 2012)*

PSP has included the “Foregone Revenue Rate Rider” calculation as: PSP EB-2010-0140\_Foregone Revenue Final 20110711.

5) **Cost Allocation and Rate Design:** While the output of the RRWF provides the

2011 revenue requirement, PSP did not document how this revenue requirement

is allocated to the rate classes and then how the fixed and variable rates were

calculated for each class. Board staff requests that PSP provide additional detail

in this area.

PSP allocated the Base Revenue Requirement of $2,330,000 to customer class based on Approved Cost Allocation Methodology using the Fixed/Variable split PSP calculated the new charges for fixed and variable rates. These numbers reflect PSP’s forecast for load data and customer numbers. PSP has included a file entitled: ParrySound\_EB2010-0140\_FVAllocation to assist with clarification.

6) **Deferral and Variance Account Rate Riders:** The draft Rate Order includes

the recovery of the deferral and variance accounts over a four year period. It

appears that the rider for the Residential class of $0.0032/kWh does not

correspond to the evidence found in response to Board Staff Supplemental

Interrogatory #1, which shows a four year rider of $0.0026/kWh. Board staff

requests that PSP provide additional detail on how these riders were calculated.

The rate rider calculated for OEB staff IR#1 of $0.0026/KWh used a load data calculation as adjusted by PSP during the IR process, the $0.0032/kwh is based on load data calculation as directed by the Board. The change to overall kwh and subsequent rate class allocation allows for the slight variance in the overall split.

