



February 3, 2012

Ms. Kirsten Walli
Ontario Energy Board
PO Box 2319
27th Floor, 2300 Yonge Street
Toronto, Ontario M4P 1E4

Re: 2012 IRM3 Application, Interrogatory Responses
Board File No.: EB-2011-0149

Dear Ms. Walli,

Please find enclosed the responses of Middlesex Power Distribution Corporation – Dutton to Board Staff interrogatories relating to the above mentioned file.

If you have any further questions, please do not hesitate to contact me at (519) 352-6300, extension 243 or regulatory@ckenergy.com.

Regards,

[Original Signed By]

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cc: Dan Charron, President of Chatham-Kent Hydro
Chris Cowell, Chief Financial and Regulatory Officer
David Ferguson, Director of Regulatory and Risk Management

Board Staff**Question 1**

Reference: RTSR Adjustment Workform

A portion of Sheet “4. RRR Data” of the workform is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	4,819,375	-	1.0862		4,925,178	-
General Service Less Than 50 kW	kWh	3,520,313	-	1.0862		3,753,358	-
Sentinel Lighting	kW	882	2		49.34%	882	2
Street Lighting	kW	115,944	343		46.33%	115,944	343

Please confirm that the General Service Less Than 50 kW non-loss adjusted metered kWh is 3,510,725 kWh (mentioned on page 72 of the application). If the reported amount was inputted in error, Board staff will make the necessary correction.

Response:

The value reflected in the model is the sum of the General Service <50 (3,510,725 kWh) rate class and the Unmetered Scattered Load (“USL”) (9,588 kWh) rate class, as detailed on page 72 of the application. MPDC – Dutton provided the details on page 72 in an attempt to provide an illustration of the reconciliation between the model and its 2010 RRR filings. Specifically, the need for reconciliation arises because MPDC – Dutton is required to include USL separately in its RRR filing, but does not as of yet have a separate USL rate class.

Middlesex Power Distribution Corp – Dutton

2012 IRM3 Application – IR Responses

Board File No.: EB-2011-0149

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Board Staff

Question 2

Reference: 2012 iRM3 Rate Generator

A portion of Sheet “9. 2010 Cont. Sched. Def_Var” of the model is reproduced below.

		2008									
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-08	Transactions Debit/(Credit) during 2008 excluding interest and adjustments ¹	Board-Approved Disposition during 2008	Adjustments during 2008 - other ²	Closing Principal Balance as of Dec-31-08	Opening Interest Amounts as of Jan-1-08	Interest Jan-1 to Dec-31-08	Board-Approved Disposition during 2008	Adjustments during 2008 - other ²	Closing Interest Amounts as of Dec-31-08
Group 1 Accounts											
LV Variance Account	1550	\$ -			\$ 135,121	\$ 135,121	\$ -			\$ 11,227	\$ 11,227
RSVA - Wholesale Market Service Charge	1580	\$ -			\$ 5,566	\$ 5,566	\$ -			\$ 324	\$ 324
RSVA - Retail Transmission Network Charge	1584	\$ -			\$ 3,896	\$ 3,896	\$ -			\$ 131	\$ 131
RSVA - Retail Transmission Connection Charge	1586	\$ -			\$ 1,607	\$ 1,607	\$ -			\$ 213	\$ 213
RSVA - Power (excluding Global Adjustment)	1588	\$ -			\$ 53,715	\$ 53,715	\$ -			\$ 6,485	\$ 6,485
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -			\$ 45,108	\$ 45,108	\$ -			\$ 4,338	\$ 4,338
Recovery of Regulatory Asset Balances	1590	\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
Disposition and Recovery of Regulatory Balances (2008) ²	1595	\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
Disposition and Recovery of Regulatory Balances (2009) ²	1595	\$ -			\$ -	\$ -	\$ -			\$ -	\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ -	\$ -	\$ -	\$ 234,007	\$ 234,007	\$ -	\$ -	\$ -	\$ 13,616	\$ 13,616
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ -	\$ -	\$ -	\$ 188,899	\$ 188,899	\$ -	\$ -	\$ -	\$ 17,954	\$ 17,954
RSVA - Power - Sub-account - Global Adjustment	1588	\$ -	\$ -	\$ -	\$ 45,108	\$ 45,108	\$ -	\$ -	\$ -	\$ 4,338	\$ 4,338
Special Purpose Charge Assessment Variance Account	1521										
Deferred Payments In Lieu of Taxes	1562	\$ -				\$ -	\$ -				\$ -
Group 1 Total - 1521 + 1562		\$ -	\$ -	\$ -	\$ 234,007	\$ 234,007	\$ -	\$ -	\$ -	\$ 13,616	\$ 13,616
The following is not included in the total claim but are included on a memo basis:											
Board-Approved CDM Variance Account	1567										
PiLs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	1592										
PiLs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/IOVAT input Tax Credits (ITCs)	1592										
PiLs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/IOVAT Contra Account	1592	\$ -				\$ -	\$ -				\$ -
Disposition and Recovery of Regulatory Balances ²	1595	\$ -				\$ -	\$ -				\$ -

- Please confirm the amounts entered into the 2008 Principal and Interest “Adjustments during 2008 – other” columns are the amounts approved for disposition by the Board in MPDC – Dutton’s 2011 IRM decision (EB-2010-0274).
- Please confirm that the interest amounts (entered above) on the December 31, 2008 Group 1 account balances are projected carrying charges up until April 30, 2011. Due to the design of the model, Board staff believes that the interest amount included in “Adjustments during 2008 – other” column should have been interest amount as of December 31, 2008. Please provide the interest amount as of December 31, 2008.

Response:

- MPDC – Dutton confirms the amounts entered in the 2008 Principal and Interest “Adjustments during 2008 – Other” columns are the amounts approved by the Board in aggregate for 2005 - 2008 in MPDC – Dutton’s 2011 IRM decision, EB-2010-0274. These amounts are reflected on page 7 of the decision, issued on March 17, 2011.

- b) MPDC – Dutton confirms that the interest included in the 2008 “Adjustments during 2008 – Other” column reflects interest accrued to April 30, 2011 as defined in the EB-2010-0274 decision. The interest calculated in 2009 and 2010 represents interest on only the amounts being requested for disposition in this application, and therefore is non-duplicative to the previous claim. MPDC – Dutton proposes that segregation of interest components by year would not result in a change in the currently requested disposition.

Board Staff

Question 3

Reference: Reconciliation of Deferral and Variance Accounts to RRR Data
Manager's Summary, Page 75

Middlesex Power Distribution Corp. - Dutton

Schedule 3

Reconcile RRR vs. 2010 Balance

Description	Legacy Balance	Approved Disposition EB-2010-0274	Variance Posted in 2011	Pre- Acquisition Activity	Total 2011 Adjustment
	Note 1	Note 2		Note 3	
1550 Low Voltage	\$142,251	\$146,348	\$4,097	\$15,953	\$20,050
1580 RSVA Wholesale	-\$24,644	\$5,890	\$30,534	-\$6,987	\$23,547
1584 RSVA Network	-\$15,751	-\$3,764	\$11,987	-\$9,254	\$2,733
1586 RSVA Connection	-\$12,447	-\$1,821	\$10,626	-\$7,184	\$3,442
1588 RSVA Global Adjust	-\$7,248	\$100,970	\$108,218	-\$29,930	\$78,288
1521: MEI Special Purpose Charge	\$0	\$0	\$0	\$0	\$0
Total	\$82,161	\$247,623	\$165,462	-\$37,402	\$128,060

Note 1: Legacy balances per the financial accounts of the former Dutton Hydro.

Note 2: The disposition balances of the Group 1 deferral activity for the pre-acquisition period from January 1, 2005 through December 31, 2008 were not submitted nor accurately reflected in the financial accounts by previous ownership and were not recorded by MPDC – Dutton until Board disposition approval was received in 2011 (EB-2010-0274).

Note 3: Similar to Note 2 above, pre-acquisition Group 1 deferral activity from January 1, 2009 thru April 30, 2009, in addition to legacy balance adjustments, was not accurately reflected in the financial accounts by the previous ownership.

- Please indicate whether the amounts in the “Legacy Balance” column were included in the December 31, 2008 balances sought for disposition in MPDC – Dutton’s 2011 IRM application (EB-2010-0274). If the answer to the question is no, please confirm that MPDC – Dutton is seeking to retroactively adjust previously Board approved Group 1 Deferral and Variance account balances as the “Legacy Balance” relates to period from January 1, 2005 to December 31, 2008.
- Please confirm that the signs are reversed in the “Variance Posted in 2011” column.
- Please also provide a revised preset disposition threshold calculation and rate riders that reflect the exclusion of the “Variance Posted in 2011”.
- Please confirm that in MPDC – Dutton’s 2011 IRM application (EB-2010-0274) the Board approved MPDC – Dutton’s Group 1 account balances as at December 31, 2008, plus projected carrying charges to April 30, 2011 on a final basis.

- e) MPDC – Dutton has noted pre-acquisition Group 1 deferral activity from January 1, 2009 through April 30, 2009, in addition to legacy balance adjustments, was not included in 2010 RRR data. Did MPDC – Dutton attempt to amend its RRR data? Please explain.
-

Response:

Please note, Schedule 3 was included as an attempt to illustrate and explain the variances to the December 31, 2010 RRR filing. These adjustments were identified during 2011 and have been updated in MPDC – Dutton’s ledger as of 2011.

- a) As background, on April 30, 2009, MPDC purchased Dutton Hydro and Newbury Power in MAAD EB-2008-0322 and MAAD EB-2008-0350, respectively. The disposition balances in the Group 1 deferral accounts were not accurately reflected by the previous ownership and were not recorded by MPDC – Dutton until the Board approved disposition in 2011 (EB-2010-0274)¹.

The column referred to as “Legacy Balance” represents the balances at December 31, 2008, as recorded by the previous ownership of Dutton Hydro. Upon reconciliation and verification by MPDC – Dutton, it was identified that adjustments were required to reconcile the ledger to the Group 1 deferral balances ultimately approved by the Board for disposition for the 2005 to 2008 period.

The column titled “Variance Posted in 2011” reflects the adjustments recorded by MPDC – Dutton in 2011 subsequent to the Board approved disposition decision (EB-2010-0274).

MPDC – Dutton confirms that it is not seeking to retroactively adjust previously Board approved Group 1 Deferral and Variance account balances.

- b) The values reflected in the “Variance Posted in 2011” column above reflect the correct values. Please see updated schedule in Attachment 1 which seeks to clarify the variance calculation presentation.
- c) The amounts requested for disposition in the application do not currently include the values in the column titled “Variance Posted in 2011” above. This column is purely intended to illustrate the reconciliation of MPDC – Dutton’s ledger to the previously reported RRR balances. This adjustment was provided to demonstrate alignment to the December 31, 2010 RRR filing.
- d) Confirmed

¹ EB-2011-0149 Application, Manager’s Summary, Page 4

- e) In this application, MPDC – Dutton has now met the Board’s preset disposition threshold for Group 1 deferral disposition for 2009-2011². In preparing the application, it became apparent that, similar to 2005-2008 balances, MPDC – Dutton’s pre-acquisition Group 1 deferral activity from January 1, 2009 thru April 30, 2009 had not been accurately reflected in the 2010 RRR data (or ledger) by the previous ownership³. After identifying the required adjustments in 2011 Q4, MPDC – Dutton subsequently adjusted these balances in its ledger and included the adjusted balances in this application’s disposition submission. MPDC – Dutton did not attempt to amend its 2010 RRR filing because the adjustment was identified in 2011 Q4.

² EB-2011-0149 Application, Manager’s Summary, Page 4

³ EB-2011-0149 Application, Manager’s Summary, Page 5

Board Staff

Question 4

Reference: Account 1588
Manager's Summary, Page 4

MPDC – Dutton confirms that its 2009 and 2010 Group 1 Deferral and Variance account balances meet the Board's preset disposition threshold of \$0.001/kWh (debit or credit). The total amount, including carrying charges to April 30, 2012, proposed for disposition is a debit balance of \$32,932, which includes a credit balance of \$156 in Account 1521 Special Purpose Charge. MPDC – Dutton proposes to dispose of these account balances over a one year period.

MPDC – Dutton has included the balance in Account 1588 Global Adjustment sub-account in its preset disposition threshold calculation, but not the Power component of Account 1588.

MPDC – Dutton determined that it had inadvertently not followed the prescribed methodology for the RSVA Power component of Account 1588. MPDC – Dutton has initiated an internal review to determine the 2009 and 2010 balances attributable to the RSVA Power component of Account 1588 are in accordance with Article 220 of the Board's Accounting Procedures Handbook. In order to allow sufficient time to complete the reconciliations and analysis associated with the review, and to maintain MPDC – Dutton's procedural timeframe, MPDC – Dutton proposes to dispose of the 2009 and 2010 RSVA Power balances as part of its 2013 IRM application.

Board staff notes that the preset disposition threshold methodology proposed by MPDC – Dutton is not consistent with the EDDVAR Report. In the EDDVAR Report, the Board established a preset disposition threshold of \$0.001/kWh during the IRM plan term for all Group 1 account balances combined.

- a) Please confirm that MPDC – Dutton's preset disposition threshold calculation does not include the 1588 RSVA Power (excluding the Global Adjustment sub-account) balance.
 - b) It is not typical Board practice to dispose only of the Global Adjustment sub-account portion of Account 1588. What assurances can MPDC – Dutton provide that there are no issues with the 1588 RSVA Power – Global Adjustment sub-account balance?
 - c) Please confirm that the objective of internal review should be to be in compliance with Article 490, not only Article 220, of the Accounting Procedures Handbook.
 - d) Does MPDC – Dutton have any issue to defer the disposition of Account 1588 to its 2013 cost of service application?
 - e) Please recalculate one preset disposition threshold for all Group 1 Deferral and Variance account balances for all service areas (Main, Dutton and Newbury) combined.
-

Response:

- a) MPDC – Dutton confirms the preset disposition threshold calculation does not include the 1588 RSVA Power balance, as the balance included in the model is nil.
- b) Please see response to 2d) below.
- c) MPDC – Dutton confirms the objectives of its internal review include compliance with Article 220 and Article 490 of the Accounting Procedures Handbook.
- d) MPDC – Dutton does not have any issue with this approach and, in fact, now agrees that the disposition of the entire Account 1588 should be deferred until its 2013 IRM application. MPDC – Dutton notes that its next cost of service application is currently scheduled for 2016.
- e) MPDC has recalculated the preset disposition threshold for all Group 1 Deferral and Variance accounts for all three service territories taken as a whole. The value calculated is -\$0.0011. Please see Attachment 2 for more details.

Attachment 1

Updated Schedule - Reconcile RRR vs. 2010 Balance

Middlesex Power Distribution Corp. - Dutton**Reconcile RRR vs. 2010 Balance**

Description	Approved Disposition EB-2010-	Balance per Ledger	Variance Posted in 2011	Jan - Apr09 Activity	Total 2011 Adjustment
	Note 2	Note 1		Note 3	
1550 Low Voltage	\$146,348	\$142,251	\$4,097	\$15,953	\$20,050
1580 RSVA Wholesale	\$5,890	-\$24,644	\$30,534	-\$6,987	\$23,547
1584 RSVA Network	-\$3,764	-\$15,751	\$11,987	-\$9,254	\$2,733
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Note 1: Legacy balances per the financial accounts of the former Dutton Hydro.

Note 2: The disposition balances of the Group 1 deferral activity for the pre-acquisition period from January 1, 2005 through December 31, 2008 were not submitted nor accurately reflected in the financial accounts by previous ownership and were not recorded by MPDC – Dutton until Board disposition approval was received in 2011 (EB-2010-0274).

Note 3: Similar to Note 2 above, pre-acquisition Group 1 deferral activity from January 1, 2009 thru April 30, 2009, was not accurately reflected in the ledger by the previous ownership. After identifying the required adjustments in 2011 Q4, MPDC - Dutton subsequently adjusted these balances in its ledger.

Attachment 2
Preset Disposition Calculation

Middlesex Power Distribution Inc.

Calculation of Preset Disposition of Group 1 Deferral Accounts

Total Claim including interest to April 30, 2012				
Account	MPDC - Main	MPDC - Dutton	MPDC - Newbury	Total
1550 Low Voltage	-\$37,431.08	\$83,461.61	\$9,450.28	\$55,480.81
1580 RSVA Wholesale	-\$259,604.46	-\$22,875.76	-\$17,157.10	-\$299,637.32
1584 RSVA Network	\$104,742.45	-\$14,464.03	-\$2,542.75	\$87,735.67
1586 RSVA Connection	\$111,711.10	-\$13,037.73	-\$14,454.23	\$84,219.14
1588 RSVA Power	\$0.00	\$0.00	\$0.00	\$0.00
1588 RSVA Global Adjust	-\$165,303.51	\$4.36	-\$119.67	-\$165,418.82
Total	-\$245,885.50	\$33,088.45	-\$24,823.47	-\$237,620.52

kWh Billing Determinants				
Rate Class	MPDC - Main	MPDC - Dutton	MPDC - Newbury	Total
Residential	58,904,267	4,619,375	1,471,602	64,995,244
General Service <50	17,998,806	3,510,725	499,285	22,008,816
General Service >50	91,846,588	-	1,611,160	93,457,748
Large User	29,034,336	-	-	29,034,336
Unmetered Scattered Load	311,683	9,588	-	321,271
Sentinel Lights	42,724	882	-	43,606
Street Lighting	1,458,103	115,944	55,055	1,629,102
Total	199,596,507	8,256,514	3,637,102	211,490,123

Threshold Test	
(Total Claim per kWh)	-\$0.0011