



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-2011-0150

Dear Ms. Walli,

Please find enclosed the responses of Middlesex Power Distribution Corporation – Newbury 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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Senior Regulatory Specialist
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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: 2012 IRM3 Rate Generator

A portion of Sheet “4. Current MFC” of the model is reproduced below.

Rate Description	Unit	Amount	Effective Until Date
Residential			
Service Charge	\$	11.94	
Smart Meter Funding Adder	\$	2.50	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.15	April 30, 2012
General Service Less Than 50 kW			
Service Charge	\$	21.85	
Smart Meter Funding Adder	\$	2.50	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.27	April 30, 2012
General Service 50 to 4,999 kW			
Service Charge	\$	266.13	
Smart Meter Funding Adder	\$	2.50	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	2.85	April 30, 2012
Street Lighting			
Service Charge (per connection)	\$	0.81	
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.86	April 30, 2012

Please confirm that the Street Lighting Rate Rider for Recovery of Late Payment Penalty Litigation Costs is \$0.01 from MPDC – Newbury’s 2011 tariff of rates and charges. If the reported amount was inputted in error, Board staff will make the necessary correction.

Response:

MPDC – Newbury confirms the Street Lighting Rate Rider for Recovery of Late Payment Penalty Litigation Costs should be \$0.01. MPDC – Newbury respectfully requests Board Staff make the necessary changes to the model.

Middlesex Power Distribution Corp – Newbury

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Question 2

Reference: 2012 IRM3 Rate Generator

A portion of Sheet “9. 2012 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	\$ -			-\$ 29,901	-\$ 29,901	\$ -	-\$ 2,046			-\$ 2,046
RSVA - Wholesale Market Service Charge	1590	\$ -			-\$ 1,189	-\$ 1,189	\$ -	-\$ 237			-\$ 237
RSVA - Retail Transmission Network Charge	1594	\$ -			\$ 5,121	\$ 5,121	\$ -	\$ 390			\$ 390
RSVA - Retail Transmission Connection Charge	1595	\$ -			\$ 25,576	\$ 25,576	\$ -	\$ 3,442			\$ 3,442
RSVA - Power (excluding Global Adjustment)	1598	\$ -			-\$ 23,482	-\$ 23,482	\$ -	-\$ 2,868			-\$ 2,868
RSVA - Power - Sub-Account - Global Adjustment	1599	\$ -			-\$ 18,449	-\$ 18,449	\$ -	\$ 2,417			\$ 2,417
Recovery of Regulatory Asset Balances	1590	\$ -			\$ -	\$ -	\$ -				\$ -
Disposition and Recovery of Regulatory Balances (2008) ³	1595	\$ -			\$ -	\$ -	\$ -				\$ -
Disposition and Recovery of Regulatory Balances (2009) ³	1595	\$ -			\$ -	\$ -	\$ -				\$ -
Group 1 Sub-Total (including Account 1598 - Global Adjustment)		\$ -	\$ -	\$ -	-\$ 42,324	-\$ 42,324	\$ -	\$ 1,099	\$ -	\$ -	\$ 1,099
Group 1 Sub-Total (excluding Account 1598 - Global Adjustment)		\$ -	\$ -	\$ -	-\$ 23,875	-\$ 23,875	\$ -	\$ 1,318	\$ -	\$ -	\$ 1,318
RSVA - Power - Sub-Account - Global Adjustment	1688	\$ -	\$ -	\$ -	-\$ 18,449	-\$ 18,449	\$ -	\$ 2,417	\$ -	\$ -	\$ 2,417
Special Purpose Charge Assessment Variance Account	1621										
Deferred Payments in Lieu of Taxes	1682	\$ -				\$ -	\$ -				\$ -
Group 1 Total + 1621 + 1682		\$ -	\$ -	\$ -	-\$ 42,324	-\$ 42,324	\$ -	\$ 1,099	\$ -	\$ -	\$ 1,099
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 ³	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 – Newbury’s 2011 IRM decision (EB-2010-0275). It appears the sign for each amount has been reversed (please also refer to Board staff interrogatory #3). If the reported amounts were input in error, Board staff will make the necessary corrections.
- 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 – Newbury 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 – Newbury’s 2011 IRM decision, EB-2010-0275.

MPDC – Newbury confirms the amounts entered into the “Adjustments during 2008 – other” columns have the signs reversed and respectfully requests Board Staff update accordingly.

- b) MPDC – Newbury 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 – Newbury proposes that segregation of interest components by year would not result in a change in the currently requested disposition.

Middlesex Power Distribution Corp – Newbury

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Board Staff**Question 3**

Reference: 2012 IRM3 Rate Generator

A portion of Sheet “9. 2012 Cont. Sched. Def_Var” of the model is reproduced below.

		2011			
Account Descriptions	Account Number	Principal Disposition during 2011 - instructed by Board	Interest Disposition during 2011 - instructed by Board	Closing Principal Balances as of Dec 31- 10 Adjusted for Dispositions during 2011	Closing Interest Balances as of Dec 31- 10 Adjusted during 2011 Disposition
Group 1 Accounts					
LV Variance Account	1550	-\$ 29,901	-\$ 2,046	\$ 9,198	\$ 71
RSVA - Wholesale Market Service Charge	1580	-\$ 1,189	-\$ 237	\$ 16,704	-\$ 124
RSVA - Retail Transmission Network Charge	1584	\$ 5,121	\$ 390	\$ 2,463	-\$ 31
RSVA - Retail Transmission Connection Charge	1586	\$ 25,576	\$ 3,442	\$ 14,060	-\$ 117
RSVA - Power (excluding Global Adjustment)	1588	-\$ 23,482	-\$ 2,868	\$ -	\$ -
RSVA - Power - Sub-Account - Global Adjustment	1588	-\$ 18,449	\$ 2,417	-\$ 61	-\$ 56
Recovery of Regulatory Asset Balances	1590			\$ -	\$ -
Disposition and Recovery of Regulatory Balances (2008) ⁷	1595			\$ -	\$ -
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595			\$ -	\$ -

Please confirm the amounts entered into the “Principal Disposition during 2011 – instructed by Board” and “Interest Disposition during 2011 – instructed by Board” have the signs reversed. If the reported amounts were input in error, Board staff will make the necessary corrections.

Response:

MPDC – Newbury confirms the amounts entered into the “Principal Disposition during 2011 – instructed by Board” and “Interest Disposition during 2011 – instructed by Board” have the signs reversed and respectfully requests that Board Staff update accordingly.

Board Staff**Question 4**

Reference: Group 1 Deferral and Variance Accounts
Manager's Summary, Page 75

Middlesex Power Distribution Corp. - Newbury**Schedule 3****Reconcile RRR vs. 2010 Balance**

Description	Legacy Balance	Approved Disposition EB-2010-0275	Variance Posted in 2011	Pre- Acquisition Activity	Total 2011 Adjustment
	Note 1	Note 2		Note 3	
1550 Low Voltage	\$0	-\$31,947	-\$31,947	\$1,400	-\$30,547
1580 RSVA Wholesale	\$0	-\$1,425	-\$1,425	-\$1,272	-\$2,698
1584 RSVA Network	\$0	\$5,512	\$5,512	-\$1,063	\$4,448
1586 RSVA Connection	\$0	\$29,019	\$29,019	-\$2,649	\$26,370
1588 RSVA Global Adjust	\$0	-\$42,382	-\$42,382	-\$4,478	-\$46,861
1521: MEI Special Purpose Charge	\$0	\$0	\$0	\$0	\$0
Total	\$0	-\$41,225	-\$41,225	-\$8,063	-\$49,288

Note 1: Legacy balances per the financial accounts of the former Newbury Power Inc.

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 – Newbury until Board disposition approval was received in 2011 (EB-2010-0275).

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 confirm that the amounts in the “Approved Disposition EB-2010-0275” have the signs reversed from the Board’s decision in MPDC – Newbury’s 2011 IRM application (EB-2010-0275).
- Please confirm that in MPDC – Newbury’s 2011 IRM application (EB-2010-0275) the Board approved MPDC – Newbury’s Group 1 account balances as at December 31, 2008, plus projected carrying charges to April 30, 2011 on a final basis.
- MPDC – Newbury 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 – Newbury attempt to amend its RRR data? Please explain.

Response:

- MPDC – Newbury confirms that the amounts in the “Approved Disposition EB-2010-0275” column of the above schedule do have the signs reversed, with reference to the approved decision.

b) Confirmed

c) In this application, MPDC – Newbury has now met the Board’s preset disposition threshold for Group 1 deferral disposition for 2009-2011¹. In preparing the application, it became apparent that, similar to 2005-2008 balances, MPDC – Newbury’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 ownership². After identifying the required adjustments in 2011 Q4, MPDC – Newbury subsequently adjusted these balances in its ledger and included the adjusted balances in this application’s disposition submission. MPDC – Newbury did not attempt to amend its 2010 RRR filing because the adjustment was identified in 2011 Q4.

¹ EB-2011-0150 Application, Manager’s Summary, Page 4

² EB-2011-0150 Application, Manager’s Summary, Page 5

Board Staff

Question 5

Reference: Account 1588
Manager's Summary, Page 4

MPDC – Newbury 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 credit balance of \$24,758, which includes a debit balance of \$65 in Account 1521 Special Purpose Charge. MPDC – Newbury proposes to dispose of these account balances over a one year period.

MPDC – Newbury has included the balance in Account 1588 Global Adjustment subaccount in its preset disposition threshold calculation, but not the Power component of Account 1588.

MPDC – Newbury determined that it had inadvertently not followed the prescribed methodology for the RSVA Power component of Account 1588. MPDC – Newbury 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 – Newbury's procedural timeframe, MPDC – Newbury 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 – Newbury 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 – Newbury'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 subaccount portion of Account 1588. What assurances can MPDC – Newbury 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 – Newbury 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 – Newbury 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 – Newbury confirms the objectives of its internal review include compliance with Article 220 and Article 490 of the Accounting Procedures Handbook.
- d) MPDC – Newbury 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 – Newbury 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 1 for more details.

Attachment 1
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