Chapleau Public Utilities Corporation

2012 Rate Rebasing Application

EB-2011-0322

Board Staff Interrogatories

Pursuant to Procedural Order No. 1, the following are Board staff's interrogatories in Chapleau Public Utilities Corporation ("CPUC") 2012 Cost of Service Application, EB-2011-0322.

1. Letters of Comment

Reference: Notice of Application and Hearing

Following publication of the Notice of Application and Hearing, the Board has received no letters of comment to date.

a. Please confirm whether CPUC has received any letters of comment, and if so, please file a copy of the letters of comment.

b. Please confirm whether a reply was sent from CPUC for each. If confirmed, please file the reply with the Board. Please ensure that the author's contact information except for the name is **redacted**.

c. If not confirmed, please explain why a response was not sent and confirm if CPUC intends to respond.

2. Effective Date for New Rates

Reference: Exhibit 1 page 13

CPUC filed its 2012 rate rebasing application on January 30, 2012. In its Application, CPUC requested rates to be effective May 1, 2012. In a letter dated March 1, 2011, the Board stated that applicants should file no later than August 26, 2011 for rates to become effective May 1, 2012. Please explain why CPUC is late, and why rates should be effective May 1, 2012.

3. Financial Reporting

Reference: Exhibit 1 page 15 & 26

2010 Audited Financial Statements page 8

Board letter April 30, 2012

Chapter 2 of the Filing Requirements for Transmission and Distribution Applications Section 2.4.3

CPUC did not file using the International Financial Reporting Standard ("IFRS"). The Board, in a letter dated April 30, 2012, provided guidance to all electricity utilities on the impacts of a decision by the Canadian Accounting Standards Board to defer the mandatory changeover to IFRS to January 1, 2013. The Board stated that it will not require regulatory accounting and reporting for 2012 to be in Modified IFRS ("MIFRS") if a distributor is not required to adopt IFRS for financial reporting and opts to remain on Canadian Generally Accepted Accounting Principles ("CGAAP").

On page 8 of its 2010 Audited Financial statement in note 1 (i), it states: "The Corporation has launched an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements." While CPUC is not required to file the 2012 test year or report to the Board based on the Board established MIFRS, CPUC will be required to do so in 2013.

a. Please state the steps and the timelines that CPUC has and will be taking to prepare itself for MIFRS.
b. Please state whether CPUC is planning to prepare its 2012 audited financial statements under MIFRS.
c. Please provide the estimated costs for CPUC to transition to MIFRS.
d. Has CPUC included in its OM&A the forecasted costs of the transition to MIFRS? If so, please provide the total amount and the breakdown of the costs.
e. Please provide a breakdown of the costs recorded in the one-time incremental IFRS costs under Account 1508– Other Regulatory Assets - Sub-Account Deferred IFRS Transition Costs account and provide an explanation for each category of the cost recorded in this account and demonstrate how the costs recorded meet the criteria of one-time IFRS administrative incremental costs.

In Section 2.4.3 the Board states that an application should contain a:

> "Detailed reconciliation of the financial results shown in the Annual Reports/ Audited Financial Statements with the regulatory financial results filed in the application including

> a reconciliation of the fixed assets, for example in order to separate non-utility businesses. This should include the identification of any deviations between the Annual Reports/Audited Financial Statements and the regulatory financial statements that are being proposed including the identification of any prior Board approvals for such deviations that may exist."

f. Please provide a detailed reconciliation as described for 2008, 2009, and 2010 describing detailed explanations for the variances.
g. If audited financial statements are available for 2011, please provide the statements with a detailed reconciliation to the regulatory financial results filed in CPUC's year end RRR filing. Please describe in detail any variances.
h. Please provide a detailed reconciliation of the 2012 Pro Forma Statements with CPUC's Application.

4. Conservation and Demand Management

Reference: Decision and Order EB-2010-0215, EB-2010-0216

In Appendix A of the Board's Decision and Order on CDM Targets, EB-2010-0215, EB-2010-0216, CPUC was given the following CDM targets: a 2014 Net Annual Peak Demand Savings of 0.170 MW, and a 2011-2014 Net Cumulative Energy Savings of 1.210 GWh.

a. What plans and programmes/projects does CPUC have to achieve these targets?
b. If any costs associated with these plans and programmes/projects are included in the 2012 test year revenue requirement please state the amount(s), describe the programme(s)/project(s), and state why they should be included in the revenue requirement.

5. Volumetric Forecast

References: Exhibit 3 pages 104 – 111

Decision Chapleau PUC EB-2007-0755

Decision and Order on Licence Amendments and CDM Targets, EB-201-0215/EB2010-0216

The Board noted in CPUC's 2008 costs of service Decision that CPUC is to clearly present and fully substantiate its customer number forecast and a weather normalized load forecast in its application. The Board went on to say that it expects CPUC's next application to show substantial improvement in this area.

Board staff is having difficulties understanding CPUC's forecast. CPUC states on page 102 that the load forecast for the 2012 Test Year is the average of actual historical data from 2006 to 2010 was used. CPUC also stated that, for the Bridge Year, actual data to August 2011 was used and September to December was forecast based on the average monthly consumptions 2008 to 2010. Board staff would like to understand this forecast better. Table 1 is a summary of the monthly average demand per customer/connection.

a. When CPUC states that the average of actual historical data from 2006 to 2010 was used, Board staff would like to clarify that the 2012 forecast was built up from the granular level of average monthly volumes by customer/connection. Please confirm that this is correct. If this is not correct, please explain how the forecast was developed.

Table 1

Average Customer Monthly Demand (kWh/Cust/Mos)

Chapleau PUC EB-2011-0322

		2006	2007	2008	2009	2010	2011	2012
1	Residential	1,075	1,080	1,046	1,093	1,112	1,061	1,072
2	GS,50 kW	2,905	2,851	2,750	2,629	2,675	2,643	2,720
3	GS > 50 kW	43,928	46,074	46,345	47,192	46,854	43,851	45,589
4	USL	101	101	97	101	100	101	101
5	Sentinel Lights	81	79	83	84	101	94	94
6	Street Lightnig.	59	72	72	72	73	72	72
7	Total	1,407	1,394	1,370	1,400	1,414	1,352	1,383

Board staff has developed the following tables based on the data.

Table 3

Variance

Average Customer Monthly Demand (%)

Chapleau PUC EB-2011-0322

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*	*Col. 9*	*Col. 10*
		07/08	**08/07**	**09/08**	**10/09**	**11/10**	**12/11**	**Avg.**	**Max.**	**Min**	**Range**
1	Residential	0.5%	-3.1%	4.5%	1.8%	-4.6%	1.0%	0.0%	4.5%	-4.6%	9.1%
2	GS,50 kW	-1.9%	-3.5%	-4.4%	1.7%	-1.2%	2.9%	-1.1%	2.9%	-4.4%	7.3%
3	GS > 50 kW	4.9%	0.6%	1.8%	-0.7%	-6.4%	4.0%	0.7%	4.9%	-6.4%	11.3%
4	USL	0.5%	-4.0%	4.4%	-1.2%	0.4%	0.4%	0.1%	4.4%	-4.0%	8.5%
5	Sentinel Lights	-1.9%	4.3%	1.2%	20.4%	-6.6%	-0.3%	2.8%	20.4%	-6.6%	27.0%
6	Street Lightnig.	22.3%	0.1%	0.3%	0.2%	-1.0%	0.3%	3.7%	22.3%	-1.0%	23.3%

Table 3

Variance
Average Customer Monthly Demand (%)
Chapleau PUC EB-2011-0322

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*	*Col. 9*	*Col. 10*
		07/06	**08/07**	**09/08**	**10/09**	**11/10**	**12/11**	**Avg.**	**Max.**	**Min**	**Range**
1	Residential	0.5%	-3.1%	4.5%	1.8%	-4.6%	1.0%	0.0%	4.5%	-4.6%	9.1%
2	GS,50 kW	-1.9%	-3.5%	-4.4%	1.7%	-1.2%	2.9%	-1.1%	2.9%	-4.4%	7.3%
3	GS > 50 kW	4.9%	0.6%	1.8%	-0.7%	-6.4%	4.0%	0.7%	4.9%	-6.4%	11.3%
4	USL	0.5%	-4.0%	4.4%	-1.2%	0.4%	0.4%	0.1%	4.4%	-4.0%	8.5%
5	Sentinel Lights	-1.9%	4.3%	1.2%	20.4%	-6.6%	-0.3%	2.8%	20.4%	-6.6%	27.0%
6	Street Lightnig.	22.3%	0.1%	0.3%	0.2%	-1.0%	0.3%	3.7%	22.3%	-1.0%	23.3%

Table 2 is the year over year variance in the average monthly kWh by class found on Table 1. Table 3 expresses the variances in Table 2 as a percentage. In both tables, Col. 7 – Col. 10 are descriptive statistics on the variability of the variances. Col. 7 is the average of the observed variance in Col. 1 - 6. Col. 10 is the range in which the actual value varies, and is calculated from the Maximums and Minimums in Col. 8 and 9.

Board staff feels that the year over year variability seen in the data is large.

b. Please confirm that CPUC agrees with the variances in tables, and provide an explanation for the variability of the average monthly kWh per customer/connect.

c. Please file a weather normalized kWh forecast.

d. Please provide the CDM savings that were proposed in CPUC's last Board approved load forecast.

e. Please explain how CPUC has considered the historical CDM in setting the 2012 forecast.

f. The Board in its Decision and Order on Licence Amendments and CDM Targets set 2011 – 2014 CDM targets for CPUC of Net Cumulative 2011-2014 energy savings of 1.210 GWh, and a 2014 net annual peak savings of 0.170 MW. Please explain how these targets are incorporated into the 2012 forecast.

g. If CPUC has not done so, please update the proposed load forecast with a CDM reduction included that represents 20% of Chapleau's energy consumption target of 1.210 GWh (0.242 GWh).

6. Other Revenues

Reference: Exhibit 3 pages 115 - 116

In the Other Operating Revenue table on page 115, CPUC shows a decrease in the account balance from 2008 to 2009 for Account 4405 – Interest and Dividend Income. This decrease is from \$41,697 to \$17,854 or a \$23,843 decrease, which is 57.2%.

CPUC states on page 116 that this is due to cash purchases of smart meters. It stated that the available cash and investments dropped from $789,500 to $449,000 (43.1%) from December 31, 2008 to December 31, 2009.

a. Please show the determination of the Total Variance stated on page 116 of ($32,719).
b. Please show the Cash and Interest source balances and the calculation of the income recorded in Account 4405 – Interest and Dividend Income for years 2008 – 2012.
c. Please state the number of customers and the 2012 total revenues for MicroFIT. Please state in which account the forecast is recorded.

7. Capital Expenditures

References: Exhibit 2 pages 90 – 91, and 94 – 97

Exhibit 8 page 189

EB-2007-0755 Excel Model: ChapleauPUC_RATE_APP _20081015, Tab Exhibit 3(a) Op. Rev. (Data 1)

On page 91, CPUC state that capital projects can be categorized as; for improving safety and reliability, caused by inclement weather, and for conservation purposes.

a. Please complete the following table giving the capital expenditures for each category by year, and the percentage that the category's expenditure is of the total yearly expenditure.

Table 4

Capital Expenditures ($)

Chapleau Public Utilities Corporation

EB-2011-0322

		2006	2007	2008	2009	2010	2011	2012
1	Safety and Reliability ($)							
2	Safety and Reliability (%)							
3	Inclement Weather ($)							
4	Inclement Weather (%)							
5	Conservation ($)							
6	Conservation (%)							
7	Total ($)							
8	Total (%)							

b. Using the same categories, please provide a table with CPUC's 5 year forecast capital programme, 2013 – 2017.

CPUC is proposing to increase its Total Loss Adjustment Factors from the current 1.0654% to 1.0671%. While this is not a significant increase, it nonetheless is an increase. In CPUC's last cost of service application EB-2007-0755, on the referenced excel model tab, it stated that the increase in loss factors in the 2008 COS application was due the age of CPUC's infrastructure in certain parts of the town. CPUC went on to address this by saying that a study had been undertaken to address losses and that CPUC would invest $23,500 for the replacement of conductors during 2007 in an effort to reduce line losses. However, Board staff notes that on page 90, CPUC indicates that there were no capital expenditures at all in 2007. Board staff also notes that on pages 94 – 96 the capital projects are listed for 2013 – 2015, however the 2012 projects are not listed.

c. Did CPUC invest the $23,500 for line replacement in 2007?
d. If not, has it in any of the subsequent years made the proposed investment, or similar investments for line replacements?
e. What is CPUC planning in order to reduce line losses in the future?
f. With losses increasing, why is CPUIC forecasting only low priority projects?

8. Smart Meter Costs

Reference: Appendix J 2012 Smart Meter Model

Guideline G-2011-0001 Smart Meter Funding and Cost Recovery – Final Disposition (the "Guideline")

Implementation Status

The Guideline states that a distributor is to provide the implementation status with respect to the smart meters. It appears from the Smart Meter Model that 100% of the residential and GS<50 kW meters have been installed.

a. Please confirm or correct as to whether 100% of the installations have been completed.

Audited Costs

The Guideline states that a distributor is to have as a minimum, 90% of its total costs audited before it could apply to dispose the balances in the smart meter deferral accounts. Board staff notes that the last audited balances were 2010 when CPUC filed its application, and that the 2010 capital expenditures was not at or above the 90%.

b. Please confirm that the auditors have approved the 2011 balances in Account 1555 and Account 1556.

c. Please provide the audited balance.

Fairness Commissioner's Letter

The Guideline states that a copy of the letter from the Fairness Commissioner is to be filed as support that the distributor was authorized for smart metering activities.

d. Please file a copy of the Fairness Commissioner's Letter as to the smart meter acquisition process that CPUC undertook.

Smart Meter Model Tab 1: Smart Meter Costs

The annual capital expenditures and operating expenditures are inputs found in the green cells on this tab.

e. CPUC indicate that they installed 47 smart meters in 2010, however there are no installation costs found on line 1.1.2 Installation Costs. Please explain or correct.

f. Were any of the installations performed by CPUC personnel? If so were there any incremental costs? Please explain the incremental costs.

g. CPUC has not included any capital for an Advanced Metering Control Computer. Please explain or correct.

h. CPUC has not included any capital for a Wide Area network. Please explain or correct.

Smart Meter Model Tab 2: Cost of Service Parameters

The financial parameters for cost of capital, PILs, Depreciation, and CCA rates are inputs found in the green cells on this tab.

i. The deemed long-term debt rate for 2006 and 2007 is 6.25% while the Board approved 7.25% in RP-205-0020/EB-2005-0349. Please explain the difference in the debt rate or correct.

j. For 2009 – 2011, please state the source documents for the cost of capital parameters CPUC has used. Alternatively, if these rates are incorrect, please correct.

k. For 2012, please update the cost of capital parameters for the Board's March 2, 2012 letter Re: Cost of Capital Parameter Updates for 2012 Cost of Service Applications for Rates Effective May 1, 2012.

l. CPUC has used the maximum taxes/PILs rates input on Tab 3 Cost of Service Parameters, for the years 2006 – 2012. Please confirm that these are the tax rates underpinning CPUC's rates for each of the respective years. This should be readily available from taxes/PILs calculations or spreadsheets used in annual cost of service or Incentive Regulation Mechanism ("IRM") rates applications. In the alternative, please correct if needed.

Customer Repairs

The Board, in the Guideline stated:

> "*The actual costs for materials and parts to repair or replace any customer-owned equipment should be expensed and also tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition is ordered by the Board following a review for prudence of the smart meter costs. As the meter base remains the property of the customer, the Board determined that it would not be appropriate to have it form part of the distributor's rate base.*"

m. Please state the total costs of any repairs or replacements of customer-owned equipment.

n. Are there any meter bases included in these costs? If so, please state the total amount.

o. Please confirm that these costs were recorded in a different sub-account of the Smart Meter OM&A Variance Account 1556.

Costs Beyond Minimum Functionality

CPUC has not provided any information regarding its installation of smart meters other than the smart meter model. Board staff is interested if there may have been costs incurred that are considered to be beyond minimum functionality.

The Board states in the Guideline at page 17:

> "Costs for CIS systems, TOU rate implementation, etc. are beyond minimum functionality…"

and

> "Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment

program and that they are incremental to the distributor's normal operating costs."

p. Please state the level of, and describe the costs incurred, beyond minimum functionality making specific reference to MDM/R, web presentment, CIS changes, TOU rates, business process changes, training and customer education costs.

q. Please state how these costs are required for CPUC's smart meter programme, and how they are incremental to CPUC's normal course of business.

r. Please restate Tab 1 Smart Meter Costs, separating any costs beyond minimum functionality.

s. State the total costs for beyond minimum functionality, and then state the costs again as an average unit costs per smart meter.

t. What is the annual impact on OM&A for beyond minimum functionality?

Unit Costs

The Guideline requires reporting of capital and operating unit cost per installed smart meter and in total for:

- procurement and installation of the components of the AMI system;
- customer information system;
- incremental operating and maintenance activities;
- changes to ancillary systems; and
- stranded meters;

The Guideline also states that a variance analysis comparing actual costs to previously approved costs is to be provided.

u. Please provide the unit costs information stated in the Guideline.

v. Please provide the cost comparison between the previously approved costs and the actual costs.

9. Stranded Meters

References: Exhibit 2 page 87

CPUC has stated in the referenced evidence that all smart meters have been fully deployed as of November 2011 and as at December 31, 2011 the pooled residual NBV was calculated to be $52,585 (unaudited actual). It also stated that an adjustment will be made for removals at December 31, 2011.

a. Please provide the audited NBV for the stranded meters as of December 31, 2011.

b. CPUC stated that an adjustment would be made for removal of the meters at December 31, 2011. Was that adjustment made?

c. If the audited December 31, 2011 NBV differs from $52,584, please update the Stranded Meter Rate Rider.

10. Outside Services

References: Exhibit 4 page 123
Chapter 2 Appendix 2-L

CPUC has provided detailed tabulated costs by account for its OM&A from 2007 to 2012. On page 123, CPUC gives the annual costs for account 5630, Outside Services for the stated years.

a. Please confirm that the 2008 costs are the actual costs for the year, and not the Board approved costs.

b. There have been significant variances in outside services. Please provide a detailed itemized list of each outside service acquired by CPUC, providing the service, reasons for the service and the amount.

c. In Appendix 2-L, CPUC states that these costs are allocated at 84% to CPUC. 84% appears to be the same allocator as for all other allocations that are not 100% allocated. Please explain why an allocation is used.

11. Shared Services

Reference: Exhibit 4 page 117
Exhibit 4 pages 136 – 141

CPUC states on page 117 that CPUC and Chapleau Energy Services Corporation (CESC) have an operation and maintenance service agreement between the two companies. CPUC goes on to state that all services are charged to CPUC at direct cost plus applicable overhead (no mark-up). On page 141, CPUC shows that these services are estimated to be $417,913 in total for 2012.

a. Please provide the referenced operation and maintenance service agreement between CPUC and CESC.

b. Please itemize the overhead components and state the manner in which overheads are determined for a cost item charged to CPUC, and provide an example.

c. For 2010, the year of the last audited actuals, for each account and sub account number listed on page 138, state whether the costs were determined on an as occurred basis such as time and materials, as invoiced, etc. or was determined on an allocation of costs, before overheads. State the allocator(s) used and reasons for the allocator.
d. For 2010, for each account and sub account number listed on page 138, state the methodology for allocating overheads, and the rational for the allocators.
e. Please confirm that for 2012 the same methodology described above applies.

It appears that capital costs pertaining to vehicles, office equipment, tools and work equipment, etc. are held in CESC. Given the transition to IFRS in January 1, 2013, Board staff is interested in the depreciation rates and other related costs as they affect CPUC.

f. Are the 2012 estimates for depreciation used in the transferred costs to CPUC from CESC based on an assessment of the average age and remaining life of the asset groups?
g. Please state the 2012 depreciation rates for each asset group charged to CPUC.
h. Please state the total depreciation that is included in the transferred costs from CESC for 2012.
i. If there is a component for return and taxes in the transferred costs, please state the associated percentage rates for return and taxes, and associated costs for 2012.

12. Depreciation Rates

References: Exhibit 4 page 143

Board Letter, July 8, 2010 Re: Depreciation Study for Use by Electricity Distributors.

Depreciation Study for Use by Electricity Distributors (EB-2010-0178), the "Kinectrics Report," July 8, 2010

The regulatory paradigm for depreciation is straight line remaining life depreciation, in which the asset, usually of mixed ages, is depreciated over the average remaining life. The Kinectrics Report was commissioned to assist distributors in their transition from CGAAP to IFRS. Kinectrics assessed common groups of assets in Ontario. For each of the assets and their respective components, a useful life range and a typical useful life value within the range are given. The Kinectrics Report will assist CPUC in assessing and ascribing appropriate depreciation rates based on the estimated remaining lives of its assets. Using the Kinectrics Report:

a. Please evaluate CPUC's assets and ascribe depreciation rates based on estimated remaining lives. Please state the asset group, the remaining life and the rationale that led to the remaining life.
b. Please update the 2012 depreciation expense using straight line remaining life depreciation and the new rates from the evaluation.

13. Employee Costs

References: Chapter 2 Appendix 2-K

Board staff would like an explanation for the variances (positive and negative) year over year that is exhibited in Total Salaries and Wages in this appendix. Please explain these variances.

14. PILs

References: Chapleau_appl_CoS_2012_Rev_Reqt_Work_Form_Appendix_A_20120127.xls (Tab 6)

Chapleau_appl_CoS_2012_Test_year_Income_Tax_PILs_Workform_Appendix_B_20120127.xls (Tab T)

The Revenue Requirement Work Form shows the Grossed up amount for PILs proxy to be $15,050, and the PILs work form Tab T shows the PILs proxy as $21,864.

a. The PILs proxy amounts are different in the pre-filed evidence referenced above. Please explain the differences?
b. If the PILs in both instances are to be the same, please state which number should the Board rely on for the purpose of this proceeding and why?

15. Cost of Capital

On March 2, 2012, the Board, in a letter set the parameters for the Cost of Capital for rates beginning May 1, 2012. Please update CPUC's Application for the new parameters.

16. Cost Allocation

References: Appendix G Cost Allocation Model and the supporting Excel model ("CA Model")

Exhibit 7 page 178, 180

Exhibit 3 page 102

Chapter 2 of the Filing Requirements for Transmission and Distribution Applications June 33, 2011 (“Filing Guidelines”)

Load Profiles

CPUC states on page 102 that several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumption. Board staff notes that the load profiles that underpinned the coast allocation informational filings were based on loads prior to 2006. The Filing Guidelines state that if updated load profiles are not available, the profiles used in the informational filing may be used if they are scaled to match the respective classes.

a. Did CPUC use updated load profiles in its cost allocation?
b. If not, did CPUC scale the load profiles prepared by Hydro One for its informational filing to reflect the 2012 forecast loads?
c. If CPUC did not scale its load profiles, please scale the profiles to match the forecast 2012 loads by class.

Weighting Factors

The Filing Guidelines requires that a description of the weighting factors.

d. Please explain the relative weightings that CPUC has assigned to Services, and Billing and Collection as found on page 180.
e. Please explain the meter weighting factors on Tab I7.1 Meter Capital, and Tab I7.2 Meter Reading in the CA Model.

17. Cost of Power

Reference: RTSR Work Form for Electricity Distributors

On December 20, 2011, the Board issued its EB-2011-0268 Decision with respect to the 2012 Uniform Electricity Transmission Rates which became effective January 1, 2012. CPUC’s filing did not incorporate these rates.

a. Please update the RTSR Work Form.
b. Please update the rate base for the cost of power in the working capital allowance

18. Rate Design

On December 20, 2011, the Board issued its EB-2011-0405 Decision with respect to the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge. The charge is now $0.0011 per kWh, down from $0.0013 per kWh. Please update the rate schedules for the new RRRP rate.

19. Rate Impact Mitigation

Reference: Exhibit 8 pages 209 - 211

CPUC is proposing a rate impact mitigation plan. CPUC states that 128 residential customers, 28 GS<50 customers, 23 Sentinel Lighting, and 341 Street Lighting customers/connections will see a rate impact greater than 10%. CPUC is proposing a rate mitigation plan that will result in lost revenues of $43,628. CPUC intends to book the lost revenues into a variance account for future recovery.

a. Please state whether the impacts calculated by CPUC are based on the distribution component of the bill, or whether it is the total bill. If the impacts are on the distribution portion of the bill, are there any impacts over 10% on a total bill bases. If there are any impacts over 10% on the total bill basis, please provide summaries as found in the table on page 209 and 211.

b. Please confirm that CPUC plans to raise all rates to the proposed levels in 2013, except for Sentinel Lighting, and that CPUC intends to raise Sentinel Lighting in both years, 2013 and 2014, to bring Sentinel Lighting to the proposed rate levels.

CPUC states that it requests the recovery of revenue losses of $38,340.72 and $3,478.20 from the Residential and Street Lighting classes respectively commencing on May 1, 2013 to April 30, 2014. CPUC proposes to collect these lost revenues in a deferral account in 2012.

c. Please confirm that this proposal forgoes the lost revenues from the GS<50, USL, and Sentinel Lighting classes.

d. Please state the deferral account in which CPUC intends to record the lost revenues.

20. Smart Meter Rate Adder

Reference: Tab 9, SMFA SMDR SMIRR; Smart Meter Model

CPUC seems to be relying upon the results found in Tab 9 for its SMDR for CPUC has not provided smart meter calculations for class specific SMDRs. Board staff is interested as to whether a rate rider by class could be calculated. In PowerStream's 2010 smart meter application EB-2010-0209, costs were allocated to each class based on cost allocation principles. The allocation to each class was based on:

- Allocating the return and depreciation based on customer weighted smart meter costs;
- Allocating the OM&A based on the number of meters; and
- Allocating the PILs based on the allocated revenue requirement.

The revenues from the SMFA were also allocated.

In Midland's smart meter application EB-2011-0434, Midland allocated costs in a similar way. However, the Board found that that an appropriate determination of the SMDR should be based on the direct assignment of class SMFA revenues. Please calculate SMDRs by class.

21. LRAM

Reference: Burman Energy, LRAM Support Document, Page 162-166

CPUC has requested an LRAM recovery for a total amount of $23,131.15 for lost revenues incurred from 2006 to 2010 from OPA CDM programs implemented between 2006 and 2010.

a. If CPUC did not use the final detailed 2010 program evaluation results from the OPA, please provide supporting reasons for not doing so, and update the LRAM amount with the final detailed 2010 OPA evaluation results. Please ensure that, amongst other variables, both the input assumptions and free ridership rates are up-to-date.
b. Please provide a table that shows the LRAM amounts CPUC has collected in the past.
c. If CPUC has any unclaimed lost revenues from its 3rd Tranche CDM programmes, please state the reasons for not claiming for the lost revenues.
d. Please confirm that CPUC is not requesting LRAM for any third tranche CDM programs that have already been claimed in previous applications to the Board.

e. It appears that CPUC has not applied for interest on its LRAM balances. Please explain not requesting interest and update the LRAM to include interest

f. If CPUC prefers to apply for carrying charges, please provide a table similar to the one below that shows the monthly LRAM balances, the Board-approved carrying charge rate and the total carrying charges by month for the duration of this LRAM request. Use the table below as an example:

Table 5

Year	Month	Monthly Lost Revenue	Closing Balance	Interest Rate	Interest $
Total					

22. Deferral and Variance Accounts

General

a. Has CPUC made any adjustments to deferral and variance account balances that were previously approved by the Board, subsequent to the balance sheet date that was cleared in the most recent rates proceeding? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

Account 1588 RSVA Power and Account 1588 RSVA Sub-account Global Adjustment

b. Does CPUC pro-rate IESO Charge Type 146 Global Adjustment into the RPP portion and non-RPP portion? If not, why not. If so, please provide the supporting spreadsheet for the year 2010 which prorates the IESO Charge Type 146 Global Adjustment into RPP portion and non-RPP portion.

Account 1592 Sub-account HST/OVAT ITCs

During the 2010 IRM application process, the Board directed electricity distributors to record the incremental ITCs received on distribution revenue requirement items that were previously subject to PST and became subject to HST in deferral account 1592 PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits (“ITCs”), beginning July 1, 2010,.

As part of its Frequently Asked Questions on the Accounting Procedures Handbook for electricity distributors, the Board provided accounting guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities in December 2010.

c. Please state the balance for Account 1592 Sub-account HST/OVAT ITCs as of December 31, 2010.
d. Please provide the analysis supporting the balance, along with a detailed description. If the analysis is significantly different from the December 2010 FAQ, FAQ 4 regarding Account 1592 Sub-account HST/OVAT ITCs please state why CPUC chose the method it used.
e. Please confirm that CPUC has made entries to record variances in the sub-account account of Account 1592 to cover the period from July 1, 2010 to April 30, 2012. If this is not the case, please explain
f. Please confirm that CPUC is requesting only the balance in Account 1592 Sub-account HST/OVAT ITCs for disposition, and not Account 1592 HST/OVAT Contra Account, which is used only for RRR reporting purposes. If this is not the case, please explain.

In CPUC's 2010 IRM EB-2009-0219 Decision the Board stated that 50% of the confirmed balances in Account 1592 PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits is to be returned the ratepayers.

g. Please recalculate the rate riders to include 50% of the amount recorded in Account 1592 Sub-account HST/OVAT ITCs, as per the direction of the Board in EB-2009-0219.

EB-2007-0755 Audit Review

Reference: Board Letter, August 6, 2009 Re: Action Required Per Audit Review Resulting from EB-2007-0755

The results of an OEB Regulatory Audit review from proceeding EB-2007-0755 determined that the amount filed for disposition of a credit amount of $261,348 was incorrectly recorded in CPUC's books of accounts, and the amount disposed should be adjusted to a credit of $215,662, a difference of $45,686. In response to Interrogatory 8 b) in EB-20010-0073, CPUC confirmed that it would request to dispose of the balance in Account 1595 in its next rate proceeding.

h. It appears that CPUC has not included this amount, Please recalculate the rate riders to include, as part of its proposed dispositions. Please state why has CPUC not requested disposition of this amount?

i. Please recalculate the rate riders to include a debit amount of $45,686 with interest to April 30, 2012.

Account 1508 Other Regulatory Assets

Reference: Exhibit 9 page 217

CPUC has not requested disposition of Account 1508 Other Regulatory Assets, which has a debit balance of $15,104 as of December 31, 2010.

j. Please state the reasons for not disposing of Account 1508.

k. Please update the rate rider calculations to include the balance in account 1508, Sub-account IFRS Transition Costs as of December 31, 2010, and interest forecasted to April 30, 2012.

Disposition Period

Reference: Addendum to 2012 Cost of Service Rate Application filed on March 16, 2012; Exhibit 9, page 217 – Disposition of Deferral and Variance Accounts

Exhibit 9 page 217

In the reference, CPUC has stated:

> The total amount for disposition is 30.8% of CPUC's net revenue requirement of $823,030. This will place CPUC at risk, therefore CPUC requests that disposition of Account 1562, i.e. refund to customers, be spread over a period of 3 years at ($45,535) per year.

On Exhibit 9 page 217 of the pre-filed evidence, CPUC has requested the rate rider term of one year. However, in the updated evidence in the above-referenced Addendum, CPUC has proposed two rate riders. The first rate rider is proposed for all accounts, except account 1562 with a proposed term of one year, and the second rate rider is proposed for account 1562 with the proposed disposition of 3 years. These two rate riders are in addition to the proposed rate rider for global adjustment.

The practice to date for the Board has been to dispose the balances over a consistent time period. While the Board's default position is one year, it is open to a different period.

l. Please recalculate the rate riders for the Deferral and Variance Accounts using a 2 year period for disposition.

23. Updates

The foregoing interrogatories along with changes in certain rate setting parameters by the Board necessitate updates to various models and documents. For clarity, Board staff requests, at a minimum, updates for the following:

- RRWF;
- Cost Allocation Model;
- PILs Model; and
- RTSR Model;
- LRAM Model;
- Smart Meter Mode; and
- Rate Schedules

In updating the RRWF, do not input updates into the first column "Initial Application". Please use the green cells for entering impacts in the second column or the updated values in the third column.