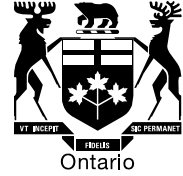


**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

April 12, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Northern Ontario Wires Inc.
2013 Distribution Rate Application
Board Staff Supplemental Interrogatories
Board File No. EB-2012-0153**

In accordance with Procedural Order No. 2, please find attached Board Staff Supplemental Interrogatories in the above proceeding.

Yours truly,

Original Signed By

Silvan Cheung
Advisor – Applications & Regulatory Audit

Encl.

cc: Parties to EB-2012-0153 proceeding

**Board Staff Supplemental Interrogatories
2013 Electricity Distribution Rates
Northern Ontario Wires Inc. ("NOW")
EB-2012-0153
April 12, 2013**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0-Staff-42s

Ref: 1.0-Staff-4 - Updated RRWF

On March 21, 2013, the Board issued a Decision and Rate Order (EB-2013-0067) on the Wholesale Market Service ("WMS") & Rural or Remote Rate Protection Plan ("RRRP") Rates, in which the WMS rate was changed to \$0.0044/kWh and the RRRP rate was changed to \$0.0012/kWh.

On March 28, 2013, the Board issued a Decision and Order in the proceeding EB-2012-0100 / EB-2012-0211 which approved a Smart Metering Entity ("SME") charge of \$0.79 per month for Residential and General Service < 50 kW customers, effective May 1, 2013.

- a) Please submit a Microsoft Excel file containing an updated RRWF (version 3.00) that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF. Please ensure that the changes noted above to the SME charge and the updated WMS and RRRP rates are reflected also. Column E of Sheet 3 should remain unchanged. Adjustments or changed numbers should be input into cells on columns I or M, as applicable.
- b) Please provide a list of all changes made to NOW's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

EXHIBIT 2 – RATE BASE

2.0-Staff-43s

Ref: 2.0-VECC-6.0; 2-SEC-2, 1.0-Staff-4 Updated RRWF – 2013 Capital Projects

In its response to 2.0-VECC-6.0, NOW states that the current forecast for 2013 capital projects has been revised as a result of rearranging of priorities and the forecast for 2013 is \$1,846,336. This represents an increase of \$46,375.

In its response to 2-SEC-2, NOW states that the insulators replacement project for Cochrane Station (with the total amount of \$43,745) has been deferred to 2013.

- a) Beside the insulators replacement project for Cochrane Station, please identify what other changes have been made to the 2013 capital projects forecast.
- b) It appears that the Net Fixed Asset (average) of \$5,621,149 as shown on page 3 of the updated RRWF has not been reflected in the revised 2013 capital projects. Please provide the updated Gross Fixed Assets (average), Accumulated Depreciation (average) and Net Fixed Asset (average) accordingly.

2.0-Staff-44s

Ref: 2.0-AMPCO-4 – Service Reliability

- a) In its responses to part a) of 2.0-AMPCO-4, NOW states that it believes that it might have at most one momentary interruption. Why does NOW believe that it would have so few incidents of these? What features of NOW's distribution network and operations would contribute to power quality that would result in such few momentary interruptions (any service interruptions with durations of less than 1 minute each)?
- b) In the responses to parts d) and e) of 2.0-AMPCO-4, NOW has not provided the requested data by duration (minutes). Please provide the responses requested showing the minutes as requested. If NOW is unable to do so, please provide an explanation.

EXHIBIT 3 – OPERATING REVENUE

3.0-Staff-45s

Ref: 3.0-Staff-14; Exhibit 3/Tab 1/Schedule 2/Attachment 1 – Customer Count

In its response to 3.0-Staff-14, NOW states that there was an error in the historical number of customers presented for the GS<50, GS>50 and USL classes. NOW provides the revised customer counts and updated actual customer counts for 2012 for all classes. However NOW did not explain the impact of these changes to the customer counts forecast for 2013.

- a) With the changes made as stated in response to 3.0-Staff-14, please provide the updated customer counts forecast for 2013.
- b) Please confirm whether NOW is adopting the updated customer counts forecast as stated in (a) in this application. If not, please explain why.

3.0-Staff-46s

Ref: 3.0-Staff-9, 3.0-VECC-13.0 – Load Forecast

In its response to part a) of 3.0-Staff-9, NOW states: “The data used to develop the load forecast are actual billed consumption for each calendar month moved back by one month to reflect the month that the consumption took place.” In part b), NOW confirms that all customers are billed monthly.

Does the response to the interrogatory mean that NOW has historically read all meters on the first day of the month, so that the billed consumption on a bill corresponds with the actual consumption in the previous calendar month? If not, please explain, including providing a quantitative example of how the monthly bill consumption variable has been measured or estimated.

3.0-Staff-47s

Ref: 3.0-Staff-10 – Load Forecast

Why is the creation of the USL class in 2008 a factor as to why the regression range of the Residential and GS < 50 kW classes only goes back to 2008?

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

9.0-Staff-48s

Ref: 9.0-Staff-33 Attachment 1 of 1 – Account 1590

In its letter dated March 15, 2013 to the Board, NOW stated:

Effective May 1, 2012 the error resulted in an under-billing to select customers until the error was identified and corrected in March 2013 in the

billing system. The correction will be reflected on customer statements issued April 1, 2013 in the next billing cycle.

- a) Has NOW issued the customer statements in the April billing cycle for impacted rate classes i.e., residential, GS<50, and unmetered scattered load customers. If not, why not?
- b) Please provide a redacted copy of a sample bill for each of the above rate classes showing the correction of the error.

In addition, NOW stated:

Northern Ontario Wires Inc. is of the opinion that the resulting billing error is not material. NOW plans to notify affected customers by way of bill insert in the upcoming bill cycle. The insert will state that a non-material billing error has been corrected.

- c) NOW stated above that it plans to notify the impacted rate classes (residential, GS<50, and unmetered scattered load). Please provide a sample of the bill insert for impacted rate classes.

NOW also stated that the account balance in 1595 included the billing error up to December 31, 2011 and is proposed to be disposed in the current application. The remaining variance from January 1, 2012 to March 2013 will be proposed for disposition in a future proceeding.

- d) Please state the amount of overbilling error that has impacted Account 1595 balance as at December 31, 2011.
- e) Please state the amount of overbilling error that has impacted Account 1595 balance from January 1, 2012 to March 31, 2013.

9.0-Staff-49s

Ref: 9.0-VECC-39 – IFRS

In its response to 9.0-VECC-39, NOW states that:

NOW has determined that it is not adopting IFRS for January 1, 2013, based on the recent Accounting Standards Board decision to defer implementation to a future date. However NOW intends to adopt the Boards requirements specified in the Boards letter July 17, 2012 titled *“Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013”*.

On February 14, 2013, the Accounting Standards Board (“AcSB”) has extended the existing deferral of the mandatory IFRS changeover date for entities with qualifying rate-regulated activities by an additional year to January 1, 2015.

- a) Given the recent AcSB update on the deferral of the mandatory IFRS changeover date for entities with qualifying rate-regulated activities by an additional year to January 1, 2015, when does NOW expect to adopt IFRS?
- b) Since NOW is not adopting IFRS for January 1, 2013, please specify the accounting basis NOW is using for its 2013 COS rate application
- c) If NOW continues to adopt CGAAP in its 2013 COS rate application, please confirm NOW is withdrawing its request for disposition of Account 1575.
- d) Please confirm that NOW made changes to its capitalization and depreciation effective January 1, 2013.
- e) If NOW is using **CGAAP** for its 2013 rate application, please update all related schedules using the CGAAP accounting basis including the following schedules:
 - i. Fixed Assets Continuity Schedule –Appendix 2- B for 2013
 - ii. Depreciation and Amortization Expense –for 2013
 - iii. RRWF: Rate Base Tab and Revenue Requirement Tab
- f) Please provide a reconciliation supported by NOW’s calculation for the following:
 - i. RRWF: Rate Base and Working Capital Tab - gross fixed asset average and accumulated depreciation amounts compared to the amounts in Appendix 2-B (CGAAP) Fixed Asset Continuity Schedule for 2013
 - ii. RRWF: Revenue Requirement Tab - Amounts in Amortization and Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS lines compared to amortization in the Depreciation Expense-CGAAP for 2013 and updated Appendix 2-EB.

9.0-Staff-50s

Ref: 9.0-VECC-39; Exhibit 9 /Tab 1/ Schedule 2/ Page 5, Group 2 Accounts Table; APH FAQ #1, dated October 2009 – Account 1508

NOW is requesting disposition of Account 1508, Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs for its audited December 31, 2011 combined principal and interest balance of \$4,837.

Board staff notes the Accounting Procedures Handbook – FAQ #1, dated October 2009 stated the following with respect to the disposition of Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition:

The Board has approved a deferral account for a distributor to record **one-time administrative incremental IFRS transition costs**, which are not already approved and included for recovery in distribution rates.

In the distributor's next cost of service rate application **immediately after the IFRS transition period**, the balance in this sub-account should be included for review and disposition [emphasis added].

Given that NOW will defer its IFRS adoption and has not completed its transition to IFRS, is NOW requesting the disposition of Account 1508, Other Regulatory Assets, Sub-account Deferred IFRS Transition balance of \$4,837 in this current COS rate application or in the next COS rate application?

9.0-Staff-51s

Ref: 9.0-Staff-31 – Account 1508

Board staff notes that NOW did not have Board approval for recording the costs of retaining external resources to prepare its 2011 - 2014 CDM under Account 1508, Other Regulatory Assets, Sub account Others.

- a) Please provide an explanation why the Board should approve the recovery for this cost given the cost was incurred and no Board approval was obtained in the past to recover it.
- b) In the event the Board does not approve this cost, please file with the Board an updated balance for Account 1508, Other Regulatory Assets, sub Account Others, after removing the CDM cost from this account.

9.0-Staff-52s

Ref: 9.0-Staff-37, 9.0-Staff-38, 9.0-Staff-39, 9.0-VECC-40, 9.0-VECC-41 – Stranded Meters

In its interrogatory responses referenced above, NOW states that it has revised its stranded meter cost recovery proposal, and is now proposing class-specific

stranded meter rate riders for Residential and GS < 50 kW customers per the response to 9.0-VECC-41.

Analysis of the response to 9.0-VECC-41 indicates that the costs per smart meter, including installation of \$92 + \$37 for Residential and \$164 + \$37 for GS < 50 kW are used to allocate the NBV of \$210,233 for stranded meters amongst the classes. A copy of Sheet I7.1 from NOW's 2009 cost allocation study, filed in the response to 9.0-Staff-39 indicates that the average capital cost for a conventional Residential meter was \$85, and that for a GS < 50 kW customer was \$210.77.

- a) Please explain the rationale for why using smart meter costs per 9.0-VECC-41 is preferred to using the documented capital costs of conventional meters from the 2009 Cost Allocation study for allocating the NBV of stranded conventional meters.
- b) In its response to 9.0-Staff-37, NOW documents the NBV of stranded meters as \$173,897 as of December 31, 2012. In the response to 9.0-VECC-41, NOW uses a NBV of \$210,233 for the updated proposed stranded meter rate riders. Please confirm the NBV of stranded meters as of December 31, 2012 that NOW is proposing to recover. If this differs from the \$173,897 documented in 9.0-Staff-37, please provide the derivation of the NBV of stranded meters.
- c) Using the allocation methodology shown in the second table of 9.0-VECC-41 but using the conventional meter capital costs from Sheet I7.1 of the 2009 Cost Allocation study as filed in the response to 9.0-Staff-39 and with the NBV of stranded meters confirmed in b) above, please provide a calculation showing proposed stranded meter rate riders. Please provide the calculations in working Microsoft Excel format if available.