



PETERBOROUGH DISTRIBUTION INC.

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May 15, 2008

File: F69

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**2008 Incentive Rate Mechanism Application
Peterborough Distribution Inc. — EB-2007-0886
Responses to Ontario Energy Board Staff Interrogatories**

**Ref.: Letter Dated March 7, 2008;
Request for change in 2007 electricity distribution rates and amended 2008
IRM**

**Ref.: Letter Dated August 8, 2007;
Storm Damage Cost Claim**

1. You wrote that “the correct number of sentinel light connections (626) was included in the Sentinel Light class, but because customers with unmetered sentinel lights are in PDI’s Residential, GS < 50 kW and GS > 50 kW rate classes, 156 sentinel light connections were included in those classes as well.”
 - a) Based on the above, it appears that only the sentinel lighting connections that are unmetered were double-counted. However, based on Peterborough’s Conditions of Service dated July 1, 2007, the sentinel lighting connections fall under section 3.8 entitled “Un-Metered Connections.” Please clarify whether all sentinel lighting connections are unmetered. If not, please clarify whether or not the alleged doubling error relates directly to the fact that some sentinel lighting connections are metered and some are not. Please provide any additional relevant information regarding differences in characteristics and differences in treatment between the 156 sentinel lighting connections that were allegedly double-counted and the balance of the sentinel lighting connections.

Response:

Yes, all sentinel lights are unmetered.

The consumption for sentinel lights is passed through a virtual meter. The Residential, GS<50 and GS>50 customer counts were based upon a physical meter count and the query inadvertently included the virtual meters that were linked to these classes. This resulted in a double counting for these customers in the above classes. These sentinel lights were also correctly included in the sentinel light connection count.

- b) Please explain further what is meant by “unmetered sentinel lights are in” other rate classes (the “Parent”). Do these sentinel lighting connections receive a separate bill from their Parent customer? If not, do the bills received by the Parent provide two separate service charges (i.e., one for the Parent’s rate class and one for the Sentinel Lighting rate class) as well as separate volumetric charges for the two rate classes?

Response:

As explained in question 1a, unmetered sentinel lights were included in other rate classes by mistake as customer counts were based upon the number of meters in each class, both physical and virtual.

No, the sentinel lighting connections do not receive a separate bill.

Yes, the customer receives two separate service charges but they may be combined on their bill in accordance with the OEB standard bill format.

2. Please confirm that while the monthly service charge is applied to each of the 626 sentinel light connections (as per the reported 2004 figure), there are about 200 sentinel customers, some owning multiple sentinel lights. Please also confirm that each sentinel light connection is associated with a Parent customer who falls in another rate class. Please reconcile any differences between the 156 customers mentioned in question 1 and the actual number of 2004 customers owning sentinel lights.

Response:

Yes, the monthly service charge is applied to all connections.

Yes, there were about 200 sentinel customers, some owning multiple sentinel lights.

Yes, sentinel light connections are associated with a parent customer that falls in another rate class.

The 200 customers reported was based upon the 2004 PBR data used for the 2006 EDR as this was the allocation methodology approved for the storm rate rider. The 156 customers reported in the revised 2007 IRM was as of November 20, 2007. The reduction in the number of customers from 200 to 156 is attributed to customer attrition (i.e. lights are removed from service) and a practice of having unmetered lights re-connected to an existing metered service and removing them from the sentinel light rate class.

3. Please explain why the Board should consider making your revised 2007 rates effective January 1, 2008, given that your amended 2008 application was received in March 2008. What is the rationale for proposing a January 1, 2008 effective date? Please provide the rate impact by rate class and justification for the proposed retroactive rate adjustment for the 2007 rate year.

Response:

Due to the delay in submitting the 2007 revised rates, Management is requesting that you approve the revised 2007 rates effective January 1, 2008 and that Management calculate the lost revenues from January 1, 2008 to April 30 2008 to be included in the 2009 rate rebasing application.

Management is not seeking recovery of lost revenues prior to January 1, 2008 but is wishing to correct the situation and ensure that Peterborough Distribution Inc. is able to recover the Board Approved revenue requirement as it relates to the current fiscal year.

The rate impact for the revised 2007 rates is as follows:

	2007 Approved Monthly Service Charge (a)	2007 Proposed Monthly Service Charge (b)	% Change (c) (b/a)	Billing Units	2007 Approved Vol. Charge (d)	2007 Propose d Vol. Charge (e)	% Change (f) (e/d)
Residential	11.79	12.25	3.90	kWh	0.0122	0.0127	4.10
GS < 50	25.37	26.35	3.86	kWh	0.0084	0.0087	3.57
GS > 50	217.77	225.93	3.75	kW	2.2992	2.4120	4.91
Large User	4,357.42	4,530.18	3.96	kW	0.9365	0.9579	2.29
Sentinel lights	0.83	0.86	3.61	kW	4.3198	4.4826	3.77
Street lights	0.74	0.77	4.05	kW	3.2709	3.3919	3.70

4. Your storm damage cost rate riders for the period September 1, 2007 to August 31, 2008 approved in the Board's Rate Order dated August 20, 2007 (EB-2007-0571), were calculated based on customer counts presented in your August 8, 2007 letter. These rate riders would change using the adjusted customer counts presented in your March 7, 2008 letter. Board staff notes that the March 7, 2008 letter does not make mention of this change in the storm damage cost rate riders.

- a) Based on the above, please comment on whether you considered the implications of your current application on the currently approved storm damage cost recovery rate riders.

Response:

Yes, Management did consider it.

- b) If you did consider it, please indicate why you did not incorporate any revisions to the rate riders (e.g. materiality, duration of the rate riders, etc.).

Response:

Management did consider the materiality and the duration of the storm cost rate rider and decided that it was imperative that the request for change in 2007 electricity distribution rates and the amended 2008 IRM focus on correcting the customer error inherent within our rate base so that Peterborough Distribution Inc. can achieve the Board Approved revenue requirement.

- c) If you did not consider it at the time you made your application, do you wish to amend your application to reflect the change in customer counts in the determination of the storm damage cost recovery rate riders? If yes, please calculate the reallocation of the storm damage cost recovery by class under your proposed revised customer counts, what the revised storm damage cost rate riders would have to be (including any extension to the sunset of the rate riders beyond August 30, 2008, if necessary) and provide the supporting calculation in Microsoft Excel format.

Response:

Management does not wish to change the application to include revised storm damage cost rate riders.

- d) If you did not consider it at the time you made your application and now have considered it and as a result have decided not to revise the storm damage riders, please indicate why you did not seek revisions to the riders (e.g. materiality, duration of the rate riders, etc.).

Response:

Management does not wish to change the application to include revised storm damage cost rate riders.

Ref.: 2006 EDR Model

5. Please confirm that the alleged error regarding the customer numbers entered in the 2006 EDR model was only made to the 2004 customer numbers (entered in column J of sheet 6-2) and that the 2002 and 2003 customer numbers were correctly entered (columns H and I of sheet 6-2).

Response:

Yes, the error regarding the customer numbers relates to the 2004 customers entered in the 2006 EDR model, column J sheet 6-2. The 2002 and 2003 customer numbers were correctly calculated and entered in the 2006 EDR model, columns H and I of sheet 6-2.

6. According to your RRR filing, you had a total of 4,161 General Service customers in 2002. However, your 2006 EDR model for 2002 shows that you had 3,704 General Service customers in that year (i.e., 3,353 GS < 50 kW + 351 GS > 50 kW = 3,704 GS customers). Please explain the discrepancy.

Response:

During the process of preparing the 2006 EDR model Management noticed that the General Service customers reported in 2002 was significantly higher than 2003 and 2004 customer count. The GS < 50 class was reduced by 15 customers, from 3,370 customer to 3,353 and the GS > 50 class was reduced by 440 customers, from 791 to 351. The customer count was corrected and included in the submitted and approved 2006 EDR. The 2002 PBR data filed with the OEB was not updated with the revised customer count.

Ref.: 2007 IRM Model

7. It appears that you did not use the final decision model with the approved 1.90% inflation escalator, but instead used an earlier version of the model. Please confirm whether this is the case and, if so, re-submit your proposed 2007 rate adjustment based on the final version of the Board model.

Response:

Yes, the model was an older version. Management is re-submitting the 2007 final version of the rate model provided by OEB staff.

Ref.: 2008 IRM Model, Sheet 3 (2007 Tariff Sheet)

8. Retail Transmission Service Rates (RTS)
You have entered your proposed adjustment to your RTS rates on Sheet 3. Please file a revised model with those proposed adjustments removed from Sheet 3 and reflected on Sheet 9A of the latest version of the model.

Response:

The changes have been made as requested.

9. Rate Riders for Storm Damage Cost Recovery

You inserted the storm damage cost recovery rate riders on both Sheet 3 and Sheet 9 of the model. Please file a revised model with those rate riders removed from Sheet 3.

Response:

Per my conversation with Suresh Advani on Wednesday May 14, 2008 the storm cost recovery rate rider as per our Board Approved rate order is included in sheet 3 and removed from sheet 9.

10. Loss Factors

You have entered 1.01045 as the Total Loss Factor – Primary Metered Customer > 5,000 kW. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that this total loss factor is 1.0145. Please update your model to reflect the correct loss factor.

Response:

The total loss factor has been adjusted.

Yours very truly,



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Attachments Revised 2007 IRM
 Revised 2008 IRM