

Board Staff Interrogatories
2009 Incentive Regulation Mechanism Rate Application
Sioux Lookout Hydro Inc. ("Sioux Lookout")
EB-2008-0212

Revenue Requirement

Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet B3.1

1. Cell G75 shows that your 2008 revenue requirement was \$2,077,725.

The draft 2008 rate order filing (re: EB-2007-0785) on page 1 of 34 shows a 2008 revenue requirement of \$1,706,517. Staff understands that part of the difference between this number and the information provided in the IRM model may be due to the inclusion in latter of low voltage charges and transformer allowance, but this does not account for the entire difference.

Please reconcile these two figures, providing a full explanation for any differences.

Revenue to Cost Ratios

Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet C3.1

2. Cells E22 to E27 provide an estimate of the revenue to cost ratios in 2008. While the ratio for the street lighting rate class is close to the ratio provided in the 2008 draft rate order submitted in EB-2007-0785 (page 9 of 34), ratios for the other rate classes do not correspond by a larger margin, as illustrated in the table below.

2008 Revenue to Cost Ratio

	As Submitted in Sioux Lookout's 2008 Draft Rate Order Application	As Estimated in the 3rd Gen. IRM Model
Residential	95.9%	89.1%
GS < 50	95.1%	90.3%
GS > 50	164.2%	200.9%
Street Lighting	23.3%	22.1%
USL	94.7%	84.8%

- a) Please explain why the estimated 2008 ratios for the residential, the general service less than 50 kW and the unmetered scattered load rate classes differ by 5% or more from the proposal approved in EB-2007-0785.

- b) Please explain why the estimated 2008 ratio for the general service greater than 50 to 4,999 kW rate class differs by more than 35% from the proposal approved in EB-2007-0785.

Ref.: 2009 3rd Gen. IRM Supplementary Filing Module, Sheet C3.1

3. Cells I22 to I26 provide an estimate of the proposed 2009 revenue to cost ratios. Under the proposal of Sioux Lookout Hydro, the general service greater than 50 to 4,999 kW rate class (GS > 50 kW) will have a ratio of 186.1%. This ratio is above the target range of 80 to 180% for this rate class, as set out in the November 28, 2007, Board report on *Cost Allocation for Electricity Distributors*.

Please provide an explanation for the proposal to keep the ratio for the GS > 50 kW rate class outside the bounds of its target range. Alternatively, please submit a revised proposal where the ratio for this rate class falls within the target range.

Deferral Account Rate Rider

Ref.: 2009 3rd Gen. IRM Rate Generator Model, Sheet C2.2 and Sheet J2.2

4. Cell D22 of sheet C2.2 and sheet J2.2 indicate that the sunset date for the approved Deferral Account Rate Rider is April 30, 2011. A review of the current 2008 Board approved Tariff of Rates and Charges indicates that the sunset for this rate rider is April 30, 2009.

Please clarify whether this was an error, confirming what the correct entry should have been, or provide a complete explanation for the discrepancy.

Retail Transmission Service Rates (RTSR)

Ref.: Manager's Summary, Page 4

5. Sioux Lookout submitted on page 4 of its manager's summary that

"SLHI is an embedded distributor to Hydro One, therefore the company does not pay the Uniform Transmission Rates charges by the IESO. SLHI proposes not to apply an adjustment to RTSR until the rates charged by Hydro One are known."

In its Decision on Veridian Connections Inc.'s ("Veridian") 2008 IRM application (EB-2007-0879), the Board described a similar situation and found that Veridian should adjust its RTSRs for the portion related to its embedded costs:

“No changes were assumed regarding the level of transmission related charges payable to Hydro One Networks Inc. on the grounds that Veridian’s main service area and Scugog are partially embedded within Hydro One Distribution and that the RTS rates Hydro One Distribution charges have not yet changed. The Board notes that the RTS rates of Hydro One Distribution are currently under review by the Board as part that utility’s 2008 distribution rate application. Hydro One Distribution has proposed changes to its existing RTS rates as a result of the changes in the Uniform Transmission Rates for Ontario transmitters effective November 1, 2007. While there is uncertainty regarding the exact quantum and timing of this upcoming rate change, the Board finds that, in order to minimize the prospective balance in variance accounts 1584 and 1586 and mitigate intergenerational inequities, wholly embedded or partially embedded distributors should adjust their RTS rates to reflect the proposed changes in the RTS rates charged by their host distributor.”

On October 22, 2008, the Board issued its Guideline on *Electricity Distribution Retail Transmission Service Rates* (G-2008-0001). Page 4 of these guidelines state that “A distributor that has not yet filed its application for 2009 distribution rates is expected to include the RTSRs analysis and proposed adjustment in its application.”

- a) Given the Board’s finding in Veridian’s 2008 IRM application (EB-2007-0879) and the G-2008-0001 Guideline, please explain why it would be appropriate for Sioux Lookout not to adjust its RTSRs.