Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

1.1 Reference: Application

a) Please provide complete details of the type of costs to be recorded in the proposed Smart Meter Deferral Account including:
   - period for which costs are to be tracked
   - capital costs:
   - operating costs (distinguish direct costs and indirect for example back office costs),

b) Is interest to be charged on the accounts and if so provide details of rates etc?

c) Does the applicant have estimates of the unit capital and operating costs for residential meters? If so please provide capital and annual operating costs.

d) When will the Applicant request that the balance of each account, including carrying charges, be examined and disposed of by the Board?

e) How will the Board judge prudence and how will the prudently incurred costs be allocated to rate classes?

Response

Enersource has not proposed a Smart Meter Deferral Account but rather a Smart Meter Variance Account coupled with the distribution rates that recover the forecasted costs of Smart Meters. Several components of the Smart Meter Plan are unknown at this time (eg., the duties of the Smart Meter Entity proposed in Bill 21).

a) Enersource's proposed Smart Meter Variance Account will accrue costs until the later of:
   a. The date that Smart Meter installation is completed or
   b. Infrastructure commissioning is completed.

   Eligible capital cost variances to be recorded in the proposed Smart Meter Variance Account include differences between the following actual costs incurred and amounts to be recovered through rates:
   - Meter (acquisition, installation, initialization)
   - Communication infrastructure
   - Smart Meter controllers
   - Associated Information Technology systems

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Eligible operating cost variances to be recorded in the proposed Smart Meter Variance Account include differences between the following actual costs incurred and amounts to be recovered through rates:

- Implementation costs
- Labour
- Systems operations and maintenance
    - Field systems
    - Information Technology systems
    - Communications systems

b) Enersource believes it is appropriate for the carrying costs associated with the balances recorded in the account to be charged to the account. Enersource suggests that the interest rate associated with the most recently approved variance or deferral account for an electricity distributor be relied on.

c) Enersource relied on the unit capital and unit operating costs set out in the Appendices to the OEB's Smart Meter Implementation Plan, Report of the Board to the Minister.

d) Enersource expects that the variance account balance would be reviewed as part of the mandatory review of Deferral and Variance Accounts under the *Ontario Energy Board Act, 1998*.

e) Enersource assumes that the Board will apply its usual test of prudence to the amounts recorded in the proposed account.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory
#2.1.1 Reference: 2006 EDR Model Tab 2-2 and Tab ADJ3

a) Please complete the following table with respect to the costs included in Regulatory Expenses (Account 5655)

Expense Item	**2006 Application**	**2004 Actual**	**2003 Actual**	**2002 Actual**
Regulators' Fees/Charges				
OEB Base Levy				
Other OEB Charges				
Other Energy Regulatory Fees (specify)				
Subtotal (1)				
In House Costs				
Staff .Compensation				
Other Costs				
Subtotal (2)				
Outsourced Services				
Legal Services				
Consultants				
Other Costs (Specify)				
Subtotal (3)				
TOTAL Reg. Expense				
Total Customers				
Total Energy Distributed				
Reg. Costs/Customer				
Reg. Costs/kWh Distributed				

b) Please provide Explanatory Notes for all material increases/decreases from 2002-2006.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

c) Provide a list of 2004 positions involved in regulatory matters regarding the OEB and other Energy Regulators.

d) Provide the number of FTEs for 2004 associated with the reported staff compensation (i.e., salaries and benefits) in the table.

e) Please indicate whether the reported in-house costs in Table 1 include any allocated overheads or staff-related costs other than direct compensation. If so, please explain how the amounts to be included were determined.

f) If the OEB were to establish a deferral account for Regulatory Costs and permit utilities to record their costs of consultants, legal counsel and direct incremental disbursements, does the Applicant record costs in any other USoA accounts that it considers would qualify. If so, please indicate the nature of such costs, where they would be reported, and the amounts the Applicant incurred in 2002-2004.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Response
a)

Expense Item	**2006 Application**	**2004 Actual**	**2003 Actual**	**2002 Actual**
Regulators' Fees/Charges				
OEB Base Levy	842,900	384,563 (1)	236,909 (1)	292,523 (1)
Other OEB Charges				
Other Energy Regulatory Fees Electrical Safety Authority		29,953 (2)		
Subtotal (1)				
In House Costs				
Staff Compensation				
Other Costs				
Subtotal (2)				
Outsourced Services				
Legal Services				
Consultants				
Other Costs – Legal	360,905	360,905 (2, 3)		
Subtotal (3)				
TOTAL Reg. Expense	1,203,805	775,421	236,909	292,523
Total Customers (4)	178,049	178,049	177,319	168,645
Total Energy Distributed (kWh)	7,705,766,449	7,582,464,083	7,593,570,208	7,702,715,553

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Reg. Costs/Customer	6.7611	4.3551	1.3361	1.7345
Reg. Costs/kWh Distributed	0.000156	0.000102	0.000031	0.000038

(1) These amounts were recorded in OEB authorized deferral accounts.
(2) These amounts were recorded in UsoA account 5665.
(3) This amount pertains to legal expenses of the Regulatory Assets Phase 2 proceeding.
(4) Reference: Prefiled Evidence Tab 5 page 111 of 193; Street Lighting counted as 1 customer.

b) The material increase in the OEB Base Levy reflects the amounts invoiced by the OEB to Enersource. This amount was recorded in an OEB authorized deferral account. As a result, no expense was recorded in 2004 and Enersource proposed a Tier 1 adjustment for the entire amount.

The material increase in legal costs is attributable to Enersource's involvement in the OEB's Regulatory Assets – Phase 2 proceeding. Enersource expects to involved in hearings annually and to incur legal costs in such an amount.

c) As per the USoA description of account 5655, Enersource has not recorded internal staff labour expense in account 5655.

d) n/a.

e) n/a

f) If the OEB were to authorize such a deferral account Enersource would record any eligible incremental costs.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

2.2.1 Reference: Schedule 10.6

a) Would the Applicant's existing/proposed Standby Rates ensure ongoing recovery of required distribution revenues in the event that an existing customer installed load displacement generation?
b) If not, please explain why.
c) Is the Applicant currently aware of any potential load displacement projects that could affect revenues for 2006?
d) How far in advance (i.e., months) of the actual installation of load displacement generation would the Applicant typically expect to become aware of such a project?

Response

a) Enersource's proposed Standby rate will ensure the ongoing recovery of required distribution revenues from customers who install load displacing generation where those customers require standby service and have contacted Enersource.

b) N/a

c) Enersource is aware of one potential load displacing generation project at this time. Whether this project affects Enersource's revenues will depend on whether the applied for standby rate is approved.

d) Enersource requires that customers who contemplate installing embedded generation contact the utility as early as possible in an effort to ensure safe and reliable distribution service is provided to all customers. The notice period varies with the size of the generator; for example:

- for generators <500 kW who are eligible for net metering: at least 2 months advance notice is required;
- for generators > 500 kW and < 5 MW: 2 to 6 months notice is required, longer notice periods are required for larger generators or if distribution system operating constraints exist in the proposed connection area;
- for generators > 5 MW: Enersource requires at least 3 months advance notice and prefers 6 months, longer notice periods are required for larger generators or if distribution system operating constraints exist in the proposed connection area.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

#3.1 Reference: Schedule 10.6

a) Did Enersource consider any other approaches to setting Standby Rates? If so, please outline what they were and why they were rejected.

Response

The other approaches considered by Enersource are identified and evaluated at Tab 4 pages 19-23 of the Prefiled Evidence.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory
4.1.1 Reference: Schedule 13.1

a) Please confirm that the Applicant does not expect any short-fall in revenue for 2006 as a result of proposed Rate Impact Mitigation measures.
b) If this is not the case, please explain why and quantify the anticipated impact.

Response
a) Enersource is not proposing any Rate Impact Mitigation.

b) N/A

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

4.2.1 Reference: EDR 2006 Model – Tab 5.1, Tab 7.2 and Tab 8.5

a) Please confirm that the Applicant is an Embedded Distributor – but is not a Host Distributor.
b) Please provide a schedule that indicates what the LV Wheeling charges included in the Application are as a percentage of:
   - Total Distribution Revenue Requirement (per Tab 5.1)
   - Total Rate Base
c) If the OEB were to establish deferral accounts for LV Wheeling cost incurred by Embedded Distributors, would it be appropriate to credit to the account the revenues received from customers based on the LV cost adders per Tab 8.5? If not, why not?
d) Would it be more appropriate to consider the account a variance account similar to RSVA's?
e) If the Applicant is a Host Distributor, please complete and provide Schedule 10.7

Response

a) Enersource confirms that it is an Embedded Distributor and that it is not a Host Distributor.

b) The wheeling charges submitted in the main application amounted to $231,367. However, in the response to Board Staff interrogatory #5, Application Specific Issues, Enersource submitted a revised LV charge of $524,505. The following results are based on the revised LV charge of $524,505:
   - LV Charges as a % of Total Distribution Revenue Requirement (per Tab 5.1): 0.5%.
   - LV Charges as a % of Total Rate Base: 0.1%.

c) Yes, if the OEB were to establish deferral accounts for LV Wheeling cost incurred by Embedded Distributors, it would be appropriate to credit to the account the revenues received from customers based on the LV cost adders per Tab 8.5. The corresponding LV cost would be debited to the same account.

d) Yes, Enersource believes that it would be more appropriate to consider the account a variance account similar to RSVA's. This treatment is consistent with Enersource's current recovery of LV through distribution rates, reflects that LV is a pass-through cost (similar to IESO charges, for example), recovers LV costs in the period in which they are incurred and is considered administratively simple.

e) N/A

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

4.3.1 Reference: EDR Model – Tab ADJ5 (Specific Distribution Expense)
EDR Schedule 6-2 (Bad Debt Expense)

a) Over the three years (2002-2004), how many individual bad debt occurrences did the Applicant experience that met the materiality threshold as defined by the Rate Handbook (page 46)?
b) With respect to the response to part (a), please provide a schedule that for each of the three years lists the individual occurrences of material bad debt, the rate class the customer belonged to, the value of the bad debt and the total for the year. (Note: The actual name of the customer is not required)

Response

a) Over 2002-2004 Enersource experienced one individual bad debt that met the materiality threshold as defined by the Rate Handbook.

b) The value of the individual occurrence of material bad debt was $364,099. The customer was in the General Service 500-4,999 kW customer class. The bad debt total for the year was $994,994.

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

4.3.2 Reference: EDR Schedule 6-2 (Bad Debt Expense)

a) Does the Applicant have an approved “Bad Debt Policy” that defines when overdue accounts are turned over to 3rd parties for collection, when overdue accounts are written off as bad debt, how are security deposits used to reduce the bad debt expense, the treatment of any subsequent recoveries, etc.? If so, please provide.
b) If not, please outline what the Applicant’s practice is.
c) What was the Applicant’s experience over 2002-2004 with actually recovering all/portion of a bad debt after it had been written off?

Response

a) Enersource’s account number is customer specific and remains with the customer regardless of the service address. In this way any arrears continue to be the responsibility of the customer and Enersource is able to manage any arrears without turning the account over to a third party collection agency.

   Enersource issues a final bill when a customer leaves Enersource’s service area. The following excerpt is from Enersource’s Collection Policy and deals with overdue final billed accounts.

   FINAL BILL COLLECTIONS
   Since disconnection is not possible because the customer is no longer in EHM’s service territory, the following procedure will be adhered to:

   (a) A letter requesting payment is to be sent to the Customer’s forwarding address. Telephone contact may also be made at this stage with the Customer.
   (b) Sixty days from the Mailing Date of the original Final Bill, any unpaid accounts over a minimum amount (to be determined by the Collection Supervisor) is to be forwarded to the Company’s Collection Agency.
   (c) Unpaid amounts below the minimum and accounts that have been pursued by the Company’s Collection Agency and are deemed uncollectible are to be presented to the Executive for annual bad debt write-off.

b) N/a

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

c)

Year	Proportion recovered after write-off
2004	10%
2003	3%
2002	12%

Vulnerable Energy Consumers Coalition
Interrogatories on Generic Issues

Interrogatory

4.3.3 Reference: EDR Schedule 6-2 (Bad Debt Expense)

a) Does the Applicant agree that if the OEB were to create a deferral account for material bad debt and allow for recovery in future rates this would reduce the Applicant's business risk? If not, why not?

b) Based on the data in the Applicant's filing, please provide a schedule setting out the impact that a individual material bad debt (per the Handbook Definition) would have on the Applicant's after-tax Return on Equity?

Response

a) Enersource does not agree that if the Board approves its request for a Bad Debt deferral account that Enersource's business risk will be reduced. Enersource observes that the existence of a deferral account will not impact the number or value of bad debts. Enersource proposed the deferral account anticipating higher bad debts in future as a result of new security rules that have been implemented and in light of these added costs not being recovered through current rates, as is appropriate.

b) Under this scenario Enersource's after-tax return on equity would be 8.95%.