

**2006 Electricity Distribution Rate Application
Generic Issues Proceeding: RP-2005-0020/EB-2005-0529
VECC Interrogatories for**

Kingston Electricity: EB-2005-0385

Generic Issue #1: Smart Meters

Question #1.1

Reference: EDR 2006 Model, Tabs ADJ 1 and ADJ 3
Schedule 3-1

- a) **Please complete the following attached Tables 1, 2 and 3 for the Applicant's Smart Meter Costs included in Proposed 2006 Rate Application (over and above the 2005 Approved CDM plans).**

Please see the tables on the following pages.

- b) **Please confirm the amounts for the Tier 1 Rate Base and Distribution Expense Adjustments requested for 2006 – in excess of the 2005 approved CDM plan.**

The amount for the tier 1 rate base adjustment required for the 2006 EDR for the non-CDM Plan is \$603,500. When combined with the approved CDM capital expenditure of \$50,000, the combined total is \$653,500.

- c) **Indicate what action the Applicant will take (vis-à-vis it's requested 2006 Rates) if the government regulations require either a different schedule than the one filed or different types of meters than assumed in the Application and t specified as filed proposal.**

The amount of the distribution expense adjustment for 2006 for Smart Meters is \$Nil.

Table #1 – Smart Meter Program

	2006 Total # of Customers to be Converted	2005/05 to be Converted Under CDM Plan	2006 Convers. Incremental to CDM Plan	Future Conversion Schedule		
				2007	2008	2009
Residential		498				
GS < 50 kW		0				
GS 50 to 200 kW		0				
GS >200 kW		0				
Total	3,093	498	2,595	6,489	7,786	9,084

Note: Since the deployment areas for each year have not been established, we cannot estimate by year the conversion numbers for customer meters based on the categories above.

Table #2 – Cost Assumptions

	Per Unit Installed Capital Cost	Depreciation Period	Annual Per Unit Operating Costs
Residential			
GS < 50 kW			
GS 50 to 200 kW			
GS >200 kW			
Total	\$121.57	15 years	\$4.05

Note: Since the deployment areas for each year have not been established, we cannot estimate by year the conversion numbers for customer meters based on the categories above.

Table #3 – Incremental 2006 Smart Meter Costs (per Application)

	2006 SM Capital Expenditures (over 3 rd Tranche)	Depreciation	Operating Expense
Meters:			
Residential			
GS < 50 kW			
GS 50 to 200 kW			
GS >200 kW			
Other (Specify)			
#1			
#2			
Total	\$603,500	\$20,117	\$Nil

Note: Since the deployment areas for each year have not been established, we cannot estimate by year the conversion numbers for customer meters based on the categories above.

Generic Issue #2.1: Deferral Accounts – Regulatory Costs

Question #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	2003 Actual
Regulators' Fees/Charges				
OEB Base Levy	\$42,921	\$19,643		
Other OEB Charges				
Other Energy Regulatory Fees (specify)				
Subtotal (1)	\$42,921	\$19,643		
In House Costs				
Staff Compensation				
Other Costs				
Subtotal (2)				
Outsourced Services				
Legal Services				
Consultants				
Other Costs (Specify)				
Subtotal (3)				
TOTAL Reg. Expense	\$42,921	\$19,643		
Total Customers	26,478	26,478		
Total Energy Distributed	705,901,326	718,541,335		
Reg. Costs/Customer	\$1.62	\$0.74		
Reg. Costs/kWh Distributed	\$0.00006	\$0.00003		

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

The only amount coded to this account for 2004 is the OEB Cost Assessment. There are no other regulatory charges related to this account.

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

There were no positions directly involved in matters before the Board in 2004 that meet the Uniform System of Accounts requirements for inclusion in account 5655.

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

Not Applicable

- 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.**

Not Applicable

- 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.**

Kingston Electricity Distribution Limited would currently record these costs in account 5655. However, Kingston Electricity Distribution Limited has not incurred any such costs for 2002 - 2004.

Generic Issue #2.2: Deferral Accounts – Revenue Losses Attributable to Unforecasted Distributed Generation

Question #2.2.1

Reference: Schedule 10.6

- a) **Would the Applicant's proposed Standby Rates ensure ongoing recovery of required distribution revenues in the event that an existing customer installed load displacement generation?**

Not in all cases. If the customer requested a standby rate for only a portion of the load being displaced, it would not.

- b) **If not, please explain why.**

As noted above. If a customer installs two 5 Meg generators for a total of 10 Megs, but requests on 5 Megs as they view they have sufficient redundancy and flexibility, then we would not.

- c) **How far in advance (i.e., months) of the actual installation of load displacement generation does the Applicant typically become aware it will occur?**

We have not had enough experience with this to answer this question.

Generic Issue #4.1: Other Deferral Accounts – Rate Mitigation Revenue Shortfalls

Question #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.**

Confirmed

- b) If this is not the case, please explain why and quantify the anticipated impact.**

Not Applicable

Generic Issue #4.2: Other Deferral Accounts: Low Voltage Charge Variations

Question #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.**

Kingston Electricity Distribution Limited (KEDL) has a combination of direct and embedded supply. KEDL 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**

The Low Voltage shared line rate of \$0.56/KW was applied to the monthly 2004 demands for the applicable feeders for an estimated total of \$154,022. This estimate represents 1.496% of KEDL's Service revenue requirement and 0.548% of the Rate base amount.

- 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?**

Answer to c) and d)

If revenues from LV cost adders were credited to a deferral account it would effectively be a variance account. It would be appropriate to track expenses and costs in a variance type account.

- e) **If the Applicant is a Host Distributor, please complete and provide Schedule 10.7**

KEDL is not a host distributor.

Generic Issue #4.3: Other Deferral Accounts – Material Bad Debt

Question #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)?**

Kingston Electricity Distribution Limited did not have any bad debts above the materiality threshold during 2002- 2004.

- 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)**

Not Applicable

Question #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.**

Bad debts are turned over to the collection agency between 60 and 90 days after Kingston Electricity Distribution Limited has exhausted its means of collection.

Kingston Electricity Distribution Limited has no formal policy around when accounts are written off as a bad debt other than performing an analysis at year end, to ensure the auditor is comfortable with the provision.

Security deposits are used to mitigate bad debts. For example, security deposits are applied to customers’ accounts when customers terminate service or when Kingston Electricity Distribution Limited terminates service for non payment and accounts are deemed “Final”.

Any subsequent recoveries of accounts that are written off are recorded as a credit to the bad debt expense account.

b) If not, please outline what the Applicant's practice is.

See answer to Question 4.3.2 (a)

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?

KEDL's experience for the period 2002-2004 is that it recovered approximately 12% of the amount that was sent to its collection agency for recovery. For the years 2002-2004, approximately \$970,000 was sent to its collection agency and approximately \$116,000 was recovered.

Question #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?

Kingston Electricity Distribution Limited agrees that a deferral account would decrease the business risk for material bad debts.

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?

Equity per 2006 EDR		
Rate Base		\$ 28,093,917
Debt %		50%
Equity		<u>\$ 14,046,959</u>
Material Bad Debt		\$ 14,502
Tax Savings from Write off	36.12%	<u>-\$ 5,238</u>
After tax effect of Material Bad Debt		<u>\$ 9,264</u>
Effect on Return on Equity		<u>0.1%</u>