

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

**PUC Distribution Inc.: EB-2005-0412**

**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)

<b>Expense Item</b>	<b>2006 Application</b>	<b>2004 Actual</b>	<b>2003 Actual</b>	<b>2003 Actual</b>
Regulators' Fees/Charges				
OEB Base Levy	\$112,875	\$33,453	\$39,361	\$42,965
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)				
<b>TOTAL Reg. Expense</b>	<b>\$112,875</b>	<b>\$33,453</b>	<b>\$39,361</b>	<b>\$42,965</b>
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.**

The OEB levy increased from \$24,867 in 1999/2000 to \$95,532. The amount of \$112,875 was recorded in Account 5655 in PUC Distribution Inc.'s Rate Application filed August 3, 2005. Since the filing of the Rate Application, the OEB in September 2005 revised the levy to \$95,532.

Costs for rate filings (internal and external), RRR filings, etc. are recorded in various accounts – administrative, billing, customer service, etc. and not in account 5655.

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

The following members of PUC Services Inc. staff are involved in regulatory matters:

- VP of Financial Services
- VP of Operations and Engineering
- VP of Customer Services and Billing
- Manager of Finance
- Manager of Customer Services and Billing
- Manager of Engineering
- Distribution Engineer
- Rates and Regulatory Officer
- Various customer service and billing clerks

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

This information has not been recorded.

**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.**

This information has not been recorded.

**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.**

Costs are currently recorded in several accounts - administrative, billing, customer service, etc. They include staff time, consultant and legal counsel costs to prepare license renewal, rate applications, RRR reporting, etc. The amounts incurred in 2002-2004 were not recorded separately from other administrative, billing or customer service functions.

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

Question #2.2.1

Reference: Schedule 10.6

- a) **Is the Applicant currently aware of any potential load displacement projects that could affect revenues for 2006?**

No.

- b) **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?**

Not able to specify at this time.

## **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 Rate Impact Mitigation measures.**

PUC Distribution does not expect to implement any rate impact mitigation measures as a result of its 2006 rate application.

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

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

### Question #4.2.1

Reference: EDR 2006 Model - Tab 7.2  
Schedule 10.7

- a) Please confirm that the Applicant is neither a Host Distributor nor an Embedded Distributor.**

PUC Distribution is neither a host distributor nor an embedded distributor.

- b) If Applicant is a Host Distributor:**

- **Does the 2006 Rate Application include a “rate” for wheeling to embedded distributors and, if so, please indicate what it is and provide a copy of Schedule 10.7?**
- **If there is no “rate” for wheeling in the Application, please explain why not?**

- c) If the Applicant is an Embedded Distributor:**

- **Please explain why there are no costs for LV service included in the Application?**

**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)?**

PUC Distribution did not have any bad debt occurrences that exceeded the materiality threshold.

- 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)**

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 3<sup>rd</sup> 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.**

Overdue accounts are turned over to a 3<sup>rd</sup> party after an account has been finalized and PUC Distribution collection efforts have not been successful. The transfer of the account to a 3<sup>rd</sup> party typically occurs six months after a customer no longer has an account with the utility.

Overdue amounts are written off as bad debt when they are transferred to a 3<sup>rd</sup> party.

Security deposits are applied to the customers final bill, therefore the bad debt expense is the amount outstanding at the time of the final bill net of the security deposit.

Amounts written off to bad debts that are subsequently recovered are credited to the bad debt expense at the time of recovery.

- 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?**

	2002	2003	2004
Bad Debts Recovered after write-off	\$7,600	\$16,186	\$15,173

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?**

The ability to recover a material bad debt would likely reduce business risk.

- 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?**

Materiality - Sheet ADJ5	\$19,667	\$19,667	\$19,667	\$19,667	\$19,667
Material Bad Debt	\$0	\$20,000	\$40,000	\$100,000	\$200,000
Return - Sheet 5-1	\$3,307,865	\$3,307,865	\$3,307,865	\$3,307,865	\$3,307,865
Return with Material Bad Debt	\$3,307,865	\$3,287,865	\$3,247,865	\$3,187,865	\$3,087,865
Rate Base - Sheet 5-1	\$43,107,109	\$43,107,109	\$43,107,109	\$43,107,109	\$43,107,109
Revised Return	7.67%	7.63%	7.58%	7.44%	7.21%

**\*\*\*End of Document\*\*\***