

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

Whitby Hydro: EB-2005-0435

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 | 2002 Actual |
|--|-----------------------------|------------------------|------------------------|------------------------|
| Regulators' Fees/Charges | | | | |
| OEB Base Levy | 129,358 | 71,792 | 39,786 | 47,295 |
| 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 | 129,358 | 71,792 | 39,786 | 47,295 |
| | | | | |
| Total Customers/Connections | | 45,452 | 43,412 | 40,421 |
| Total Energy Distributed | | 795,605,824 | 760,402,542 | 756,877,422 |
| | | | | |
| Reg. Costs/Customer | | 1.58 | 0.92 | 1.17 |
| Reg. Costs/kWh Distributed | | .00009 | .00005 | .00006 |

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

Increases are due to changes in OEB assessment fees.

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

Not applicable.

- 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.**

Yes, other costs would include such items as legal counsel and consultants.

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 applicable.

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.**

No shortfall is anticipated to occur as a result of Rate Impact Mitigation measures.

- 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 an Embedded Distributor – but is not a Host Distributor.**

Whitby Hydro Electric Corporation confirms that it is an Embedded Distributor but 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 post May 2006 LV Wheeling Charges identified in our application are \$406,243. These charges represent 2.3% of Service Revenue Requirement and 0.7% of the 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?**

If the OEB established deferral accounts for LV Wheeling costs, it would be appropriate to credit revenues from customers based on the cost adders in Tab 8.5. Based on the current model, it is assumed that the revenue will be treated as Distribution revenue. Preference would be to handle similar to the treatment of Regulatory Assets.

- d) **Would it be more appropriate to consider the account a variance account similar to RSVA's?**

Yes.

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

Not applicable.

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)?**

There have been no material bad debt occurrences that met the materiality threshold as defined by the Rate Handbook.

- 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.**

Practice is provided in part b) below.

- b) **If not, please outline what the Applicant’s practice is.**

Overdue accounts are turned over to 3rd parties for collection approximately two months after the due date. Overdue accounts are written off annually if they have been with the collection agency for at least one year with no payments made or have gone bankrupt. Security deposits are applied to the final total bill. Any subsequent recoveries are credited to the bad debt provision in the year they are recovered.

- 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?**

The following amounts were recovered after bad debt was written off and were applied to the bad debt provision:

| | |
|------|---------|
| 2002 | \$1,320 |
| 2003 | \$1,571 |
| 2004 | \$1,231 |

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?**

Yes.

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

Not applicable. There are no material bad debts which are included in the model filed.