

Phase 2 Review and Recovery of Regulatory Assets Remaining LDCs

Regulatory Asset Recovery Worksheet, Version 2.0 Documentation

The Board has developed an Excel worksheet to assist distributors in their regulatory asset applications to simplify the submission of data and the allocations of costs to classes. The worksheet is intended to make the preparation of the application by the distributors less onerous and will also assist in streamlining the information submitted.

The worksheet has been developed in a logical step by step format. Distributors should input data throughout the worksheet only in the cells highlighted in yellow. All other cells, whether coloured or not, will contain automatically generated data.

The Board recommends that distributors follow the general methodology outlined in the worksheet. However, if a distributor deems it necessary to deviate from this methodology or make any changes to the worksheet, it should highlight these deviations or changes and provide a clear explanation in the Manager's Summary. As an example, if a utility has non-standard rate classes, it should highlight changes made to the rate classes and any corresponding changes to the formulas.

Sheet 1 - December 31, 2004 Regulatory Assets

Distributors should input all their relevant information at the top of this sheet. This information will be automatically linked to the information boxes on top of all subsequent sheets.

Please ensure that the name of the utility is entered accurately and that the file numbers are correct.

Just below the information box, the utility should enter the relevant data for the regulatory asset amounts for each account. For transition costs, this includes the total amount claimed and not necessarily the balance in account 1570 (which would reflect any interim recoveries). The amounts associated with carrying charges should be shown separately. The carrying charges should be separated into the three time periods shown on the worksheet (i.e. to Dec.31-04, from Jan.1-05 to Dec31-05 and from Jan1-06 to Apr.30-06).

Distributors embedded within Hydro One's distribution system should enter their allocated charges in the column named "Hydro One charges (if applicable) to Dec31-03". These amounts should be entered in their corresponding accounts (as per the

Board's January 10, 2005 Order) including Hydro One's environmental costs which should be entered in account 1525 or cell K28. The charges associated with Low Voltage charges should be entered in account 1586 or cell K20 as per section 9.0.8 of the Board's Decision.

Any carrying charges associated with the Hydro One charges should be entered separately in the column named "Interest on Hydro One charges - Apr.1-05 to Apr30-06". Distributors should provide an explanation in the Manager's Summary as to the methodology used in determining these carrying charges.

The worksheet contains a placeholder for Hydro One charges to embedded distributors for the time period January 1, 2004 to April 30, 2006. The placeholder is located in column "M" named, "Hydro One charges (if applicable) Jan. 1-04 to Apr. 30-06" from cells M17 to M20 inclusive. The relevant amounts should be entered in their corresponding accounts. The charges associated with Low Voltage charges should be entered in account 1586 or cell M20 as per section 9.0.8 of the Board's Decision. Embedded distributors should only enter the appropriate data once they have received a communication from the Board regarding their respective amounts. Until that time, cells M17 to M20 should remain blank

If a distributor has not received its allocated Hydro One amounts from the Board by the time it is required to file its 2006 EDR application, cells M17 to M20 should remain blank (as placeholders) and the distributor should submit the worksheet without the relevant data. The Board Staff analyst assigned to each application will then enter the appropriate Hydro One charges (once they become available) and will communicate the results, along with the revised worksheet, to the distributor.

There is no provision for carrying charges associated with these amounts as Hydro One, pending approval from the Board, will not begin to charge distributors their allocated amounts before May 1, 2006.

Distributors should note that the amounts in cells K28 and L28 (Hydro One's environmental costs plus interest) will be allocated separately from the remaining amount in account 1525 (rebate cheques) since the allocation to the customer classes will be by distribution revenue shares as per the Board's decision for Hydro One in section 5.0.25 of the Decision.

In cell E44, distributors should enter the interest rate used in calculating all carrying charges, which should correspond to the utility's debt rate as approved in the initial unbundling application in 2001. The model will automatically generate the monthly interest rate in cell E45.

Review Selection

The utility should enter its chosen review process by selecting from the drop-down list. The list is located in the box on the middle of the page in cell E40. For further clarification on the requirements for each review process, distributors should refer to the June 16, 2005 Regulatory Asset Filing Guidelines for the remaining distributors.

The utility should also enter the appropriate data for the 2004 kW, kWhs, customer numbers, distribution revenue and customer numbers receiving rebate cheques in the yellow cells in the box named "2004 Data By Class". The appropriate shares, which will be used to allocate the regulatory asset amounts to the customer classes, will automatically appear in the box named "Allocators" at the bottom of the page.

Customer numbers, for the purposes of thresholds for review/sign-off and for the customer education component, are reported in cell D42 and are defined as year-end 2004 total customers in the conventional classes only (Residential, General Service, Intermediate and Large User).

For allocation purposes (i.e. transition costs and RCVAs), numbers for street lights, sentinel lights and un-metered scattered loads are defined by customer numbers (not connections).

Once all the relevant data in the yellow cells has been entered, a "Grand Total Claimed" will appear in either cell N44 or N46 (depending on the type of review selected).

If a minimum review is selected, revised totals for claimed transition costs (cell N40) and \$/customer of transition costs (cell N42) will be generated. Therefore, the amount in cell N40 will be the transition cost amount allocated to the customer classes. This amount will appear in cell C27 of Sheet 2.

If a comprehensive review is selected, there will be no amounts generated in cells N40 and N42. The amount of transition costs allocated to the customer classes will be the reported amount in cell N36. This amount will appear in cell C27 of Sheet 2.

The total amounts in all other accounts (N17 to N32) will be allocated to the customer classes regardless of the type of review selected.

Sheet 2 – Rate Riders Calculation

Just below the information box, the worksheet allocates the amounts in each account to the customer classes using the approved allocators. As noted above, Hydro One's environmental costs are separated from the amounts associated with rebate cheques in account 1525 since they are allocated differently. Also, the amount in account 1571 is allocated only to the non-TOU classes including the small scattered load class (if

applicable).

If a utility is claiming amounts in accounts 1508, 1572, 1574 or 2425, it must enter the appropriate allocator in the column named "Allocator" and make the necessary adjustments to the formulas in order to generate the proper allocations. Any changes should be noted on the worksheet and in the Manager's Summary. In addition, as per the Filing Guidelines, both the quantum and proposed allocator should be supported by evidence included in the application.

If a utility is claiming amounts in account 1525 (other than amounts for rebate cheques and Hydro One's environmental costs) whose proposed allocator is something other than distribution revenue, the utility should create a separate line item in the column named, "Regulatory Asset Accounts:" in order to differentiate the amounts claimed, in account 1525 from Sheet 1, and to create the appropriate allocation to the classes.

Recoveries

Period 1: Interim Transition Costs (Mar. 01, 2002 to Mar. 31, 2004 – if applicable)

The recoveries associated with each of the relevant classes should be entered in cells E32 to M32 while the credit interest associated with the recovery period should be entered in cells E33 to M33. (Please see documentation for Sheet 3 below for instructions.) The model will automatically generate the credit interest applicable for the time period Apr. 1-04 to Apr. 30-06 for each class in cells E34 to M34. Also, the model will automatically generate the total recoveries and the interest offset respectively, from Mar.1-02 to Mar.31-04 in cells C32 and C33 while the total interest for the period Apr. 1-04 to Apr. 30-06 will be automatically generated in cell C34. The totals automatically generated in cells C35 and N35 should match exactly.

Note: Distributors that directly netted their interim transition cost recoveries against account 1570 (as per the Board's transition cost guidelines) should also include credit interest in order to offset the debit interest applied to the total transition cost amount on Sheet 1.

Period 2: Phase 1 – 1st Interim Reg. Asset Recovery (Apr. 1, 2004 to Mar. 31, 2005)

The recoveries associated with each of the relevant classes should be entered in cells E38 to M38 while the credit interest associated with the recovery period should be entered in cells E39 to M39. (Please see documentation for Sheet 4 below for instructions.) The model will automatically generate the credit interest applicable for the time period Apr. 1-05 to Apr. 30-06 for each class in cells E40 to M40. Also, the model will automatically generate the total recoveries and the interest offset respectively, from

Apr. 1, 2004 to Mar. 31, 2005, in cells C38 and C39 while the total interest for the period Apr. 1-05 to Apr. 30-06 will be automatically generated in cell C40. The totals automatically generated in cells C41 and N41 should match exactly.

Period 3: Phase 1 – 2nd Interim Reg. Asset Recovery (Apr. 1, 2005 to Apr. 30, 2006)

The recoveries associated with each of the relevant classes should be entered in cells E43 to M43 while the credit interest associated with the recovery period should be entered in cells E44 to M44. (Please see documentation for Sheet 5 below for instructions.) Also, the model will automatically generate the total recoveries and the interest offset respectively, from Apr. 1, 2005 to Apr. 30, 2006, in cells C43 and C44. The totals automatically generated in cells C45 and N45 should match exactly.

Once this is done, the total recovered amount will be generated in cell C48 and the corresponding amounts recovered from each class will be generated in cells E48 to M48. The balance remaining for recovery (or to be refunded) will then be automatically generated in cell C51. The corresponding amounts remaining to be recovered (or refunded) by each class will be automatically generated in cells E51 to M51.

Rate Riders

Finally, the balance remaining for recovery (or to be refunded) in each of the next 2 years will be automatically generated in cell C53. The corresponding amounts remaining to be recovered or refunded by each class will be automatically generated in cells E53 to M53. These amounts are then divided by the corresponding kWhs or kW (as applicable) to generate the appropriate rate riders in cells E59 to M59.

The rate riders, as generated in cells E59 to M59, should be entered on the regulatory assets rider page of the 2006 EDR model.

Sheet 3 – Interim Transition Cost Recovery (if applicable) – Period 1

Sheet 3 has been provided to aid distributors in their reporting of their interim transition cost recoveries between March 1, 2002 and March 31, 2004 and the offsetting interest during this period. Distributors should enter the actual monthly consumption data and customer numbers in the relevant cells. In addition, distributors should enter the class specific volumetric and fixed charge rate adders from Sheet 13 of their approved 2002 RAM. The worksheet will then generate the monthly amounts recovered per class including the appropriate credit interest as applied on the cumulative monthly balance. The interest rate used will be the rate generated in cell E45 of Sheet 1. This last step should be done regardless of whether the distributor credited the recoveries directly to account 1570 during this period. (Note: Sheet 1 requires that debit interest be reported

for the total transition cost amount claimed.)

Once all the data has been entered, the worksheet will calculate the total principal and interest amounts recovered per class. These amounts should then be entered in the appropriate cells on Sheet 2. Sheet 3 provides the specific cell references.

Sheet 4 – 1st Interim Reg. Asset Recovery – Period 2

Sheet 4 has been provided to aid distributors in their reporting of their first interim regulatory asset recoveries between April 1, 2004 and March 31, 2005 and the offsetting interest during this period. Distributors should enter the actual monthly consumption data in the relevant cells. In addition, distributors should enter the class specific volumetric rate adders from Sheets 3 and 5 (if applicable) of their approved 2004 RAM. The worksheet will then generate the monthly amounts recovered per class including the appropriate credit interest as applied on the cumulative monthly balance. The interest rate used will be the rate generated in cell E45 of Sheet 1.

Once all the data has been entered, the worksheet will calculate the total principal and interest amounts recovered per class. These amounts should then be entered in the appropriate cells on Sheet 2. Sheet 4 provides the specific cell references.

Sheet 5 – 2nd Interim Reg. Asset Recovery – Period 3

Sheet 5 has been provided to aid distributors in their reporting of their second interim regulatory asset recoveries between April 1, 2005 and April 30, 2006 and the offsetting interest during this period. Distributors should enter the actual monthly consumption data to June 2005 in the relevant cells. Distributors should enter the estimated monthly consumption data from July 2006 onward in the relevant cells and provide an explanation in the Manager's Summary for the methodology used in projecting this data. In addition, distributors should enter the class specific volumetric rate adders from Sheets 7 and 8 (if applicable) of their approved 2005 RAM. The worksheet will then generate the monthly amounts recovered per class including the appropriate credit interest as applied on the cumulative monthly balance. The interest rate used will be the rate generated in cell E45 of Sheet 1.

Once all the data has been entered, the worksheet will calculate the total principal and interest amounts recovered per class. These amounts should then be entered in the appropriate cells on Sheet 2. Sheet 5 provides the specific cell references.

Any inquiries regarding the worksheet should be forwarded to Ted Antonopoulos at 416-440-8137.