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**BY E-MAIL**

December 16, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Ottawa River Power Corp.  
2012 IRM3 Rate Application  
Board Staff Interrogatories  
Board File No. EB-2011-0192**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Interrogatories in the above proceeding. Please forward the following to Ottawa River Power Corp. and to all other registered parties to this proceeding.

Yours truly,

*Original signed by*

Stephen Vetsis  
Analyst – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories  
2012 IRM3 Rate Application  
Ottawa River Power Corp. (“Ottawa River”)  
EB-2011-0192**

**2012 Revenue/Cost Ratio Model**

**Board Staff Interrogatory No. 1**

Ref: 2012 Revenue/Cost Ratio Model – Sheet 6

Ref: Decision and Order, EB-2009-0165, pages 23 and 24

A section of Sheet 6 “Decision Cost Revenue Adj” of the 2012 Revenue/Cost Ratio Model is reproduced below.

	Rate Class	Direction	Current Year 2011	Transition Year 1 2012	Transition Year 2 2013	Transition Year 3 2014	Transition Year 4 2015	Transition Year 5 2016
22	Residential	Rebalance	109.00%	tbd	tbd	tbd	tbd	tbd
23	General Service Less Than 50 kW	No Change	88.00%	88.00%	88.00%	88.00%	88.00%	88.00%
24	General Service 50 to 4,999 kW	No Change	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%
25	Unmetered Scattered Load	No Change	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
26	Sentinel Lighting	No Change	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
27	Street Lighting	Change	50.00%	70.00%	70.00%	70.00%	70.00%	70.00%

In the Board’s Decision and Order from Ottawa River’s prior Cost of Service application (EB-2009-0165), the Board approved a two-year phase-in period to increase the revenue-to-cost ratios for the Street Lighting rate class to the bottom of the Board’s target range. The costs would be rebalanced between the Street Lighting and Residential classes. Ottawa River did not file an IRM application for 2011.

- a) The Board’s Decision and Order from the previous cost of service application approved a two phase-in period for RC ratio adjustments. The RC ratio of 70% entered for Transition Year 1 represents the approved end point for the RC ratio transition. Please indicate if the 70% ratio was entered in error for Transition Year 1 and Board staff will adjust the ratio to 60% (the halfway point of the transition) in the model.
- b) If the entry, discussed in a) was not entered in error, please explain Ottawa River’s rationale for performing the entirety of the phase-in for RC ratio adjustments in one year instead of the two years approved by the Board.

**Board Staff Interrogatory No. 2**

Ref: 2012 Revenue/Cost Ratio Model – Sheet 3

A section of Sheet 3 “Re-Based Bill Det & Rates” of the 2012 Revenue/Cost Ratio Model is reproduced below.

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Current Tariff Service Charge D	Current Tariff Distribution Volumetric Rate kWh E	Current Tariff Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	8,895	79,547,654		10.95	0.0149	
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,391	36,098,055		22.41	0.0103	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	144	79,345,026	211,781	369.56		0.6331
USL	Unmetered Scattered Load	Connection	kWh	73	437,952		22.41	0.0020	
Sen	Sentinel Lighting	Connection	kW	216	265,370	760	2.54		7.6910
SL	Street Lighting	Connection	kW	2,653	2,414,487	6,853	1.48		8.1426
NA	Rate Class 7	NA	NA						

Ottawa River's current tariff of rates and charges, effective May 1, 2011, show a Service Charge (per customer) of \$6.10 for the Unmetered Scattered Load class.

- a) Please provide evidence in support of the \$22.41/connection service charge provided for the USL class in column D of Sheet 3 of the 2012 Revenue/Cost Ratio Model. If the value was entered in error, please confirm and Board staff will make the appropriate changes to the model.

### Board Staff Interrogatory No. 3

Ref: 2012 Revenue/Cost Model – Sheet 7

Ref: Revenue Requirement Work Form (RRWF), Draft Rate Order, EB-2009-0165 – Sheet 2

A section of Sheet 7 "Revenue Offsets Allocation" of the 2012 Revenue/Cost Ratio Model is reproduced below.

Rate Class	Informational Filing		Allocated Revenue	
	Revenue Offsets	Percentage Split	Offsets	
	A	C = A / B	E = D * C	
Residential	2,338,929	54.10%	2,338,929	
General Service Less Than 50 kW	939,983	21.74%	939,983	
General Service 50 to 4,999 kW	776,310	17.96%	776,310	
Unmetered Scattered Load	8,489	0.20%	8,489	
Sentinel Lighting	19,680	0.46%	19,680	
Street Lighting	239,860	5.55%	239,860	
	4,323,251	100.00%	4,323,251	
	B		D	

A section of Sheet 2 "Utility Income" of the RRWF filed with the draft Rate Order for Ottawa River's last CoS application is reproduced below.

		Utility income		
Line No.	Particulars	Application	Adjustments	Per Board Decision
<b>Operating Revenues:</b>				
1	Distribution Revenue (at Proposed Rates)	\$3,955,284	\$ -	\$3,955,284
2	Other Revenue	(1) \$367,968	\$ -	\$367,968
3	Total Operating Revenues	<u>\$4,323,252</u>	<u>\$ -</u>	<u>\$4,323,252</u>
<b>Operating Expenses:</b>				
4	OM+A Expenses	\$2,600,768	\$ -	\$2,600,768
5	Depreciation/Amortization	\$791,805	\$ -	\$791,805
6	Property taxes	(\$29,915) a	\$ -	(\$29,915)
7	Capital taxes	(\$27,750) b	\$ -	(\$27,750)
8	Other expense	\$ -	\$ -	\$ -
9	Subtotal	\$3,334,908	\$ -	\$3,334,908
10	Deemed Interest Expense	\$477,411	\$ -	\$477,411
11	Total Expenses (lines 4 to 10)	<u>\$3,812,319</u>	<u>\$ -</u>	<u>\$3,812,319</u>
12	Utility income before income taxes	<u>\$510,933</u>	<u>\$ -</u>	<u>\$510,933</u>
13	Income taxes (grossed-up)	\$56,893	\$ -	\$56,893
14	Utility net income	<u>\$454,040</u>	<u>\$ -</u>	<u>\$454,040</u>
<b>Notes</b>				
(1)	<b>Other Revenues / Revenue Offsets</b>			
	Specific Service Charges	\$47,325		\$47,325
	Late Payment Charges	\$45,000		\$45,000
	Other Distribution Revenue	\$84,643		\$84,643
	Other Income and Deductions	\$191,000		\$191,000
	Total Revenue Offsets	<u>\$367,968</u>		<u>\$367,968</u>

- a) It appears to Board staff that Ottawa River has mistakenly entered the Operating Revenues instead of the Revenue offsets from Ottawa River's last CoS application on Sheet 7 of the 2012 Revenue/Cost Ratio Model. If this is the case, please confirm and Board staff will make the appropriate changes to the model.
- b) If the values were not entered in error, please provide evidence in support of the revenue offsets entered on Sheet 7 of the Revenue/Cost Ratio Model.

## 2012 RTSR Adjustment Work Form

### Board Staff Interrogatory No. 4

Ref: 2012 RTSR Adjustment Work Form – Sheet 6

A section of Sheet 6 "Historical Wholesale" of the 2012 RTSR Adjustment Work Form is reproduced below.

IESO											
Month	Network			Line Connection			Transformation Connection			Total Line	
	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount	
January	1,986	\$2.12	\$ 4,200		\$0.00			\$0.00		\$ -	
February	3,762	\$2.12	\$ 7,957		\$0.00			\$0.00		\$ -	
March	5,082	\$2.12	\$ 10,748		\$0.00			\$0.00		\$ -	
April	5,976	\$2.12	\$ 12,639		\$0.00			\$0.00		\$ -	
May	4,548	\$2.12	\$ 9,619		\$0.00			\$0.00		\$ -	
June	4,350	\$2.12	\$ 9,200		\$0.00			\$0.00		\$ -	
July	1,986	\$2.12	\$ 4,200		\$0.00			\$0.00		\$ -	
August	1,896	\$2.40	\$ 4,541		\$0.00			\$0.00		\$ -	
September	1,212	\$2.40	\$ 2,903		\$0.00			\$0.00		\$ -	
October	2,316	\$2.40	\$ 5,547		\$0.00			\$0.00		\$ -	
November	-	\$2.40	\$ -		\$0.00			\$0.00		\$ -	
December	-	\$2.40	\$ -		\$0.00			\$0.00		\$ -	
<b>Total</b>	33,114	\$ 2.16	\$ 71,555	-	\$ -	\$ -	-	\$ -	\$ -	\$ -	

  

HYDRO ONE											
Month	Network			Line Connection			Transformation Connection			Total Line	
	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount	
January	32,708	\$2.24	\$ 73,266	32,708	\$0.60	\$ 19,625	32,708	\$1.39	\$ 45,464	\$ 65,089	
February	29,180	\$2.24	\$ 65,363	29,283	\$0.60	\$ 17,570	29,283	\$1.39	\$ 40,703	\$ 58,273	
March	23,596	\$2.24	\$ 52,855	23,640	\$0.60	\$ 14,184	23,640	\$1.39	\$ 32,860	\$ 47,044	
April	20,909	\$2.24	\$ 46,837	20,708	\$0.60	\$ 12,425	20,708	\$1.39	\$ 28,784	\$ 41,209	
May	30,380	\$2.65	\$ 80,507	30,380	\$0.64	\$ 19,443	30,380	\$1.50	\$ 45,570	\$ 65,013	
June	26,975	\$2.65	\$ 71,484	26,975	\$0.64	\$ 17,264	26,975	\$1.50	\$ 40,463	\$ 57,727	
July	33,526	\$2.65	\$ 88,844	33,526	\$0.64	\$ 21,457	33,526	\$1.50	\$ 50,289	\$ 71,746	
August	33,322	\$2.65	\$ 88,303	33,322	\$0.64	\$ 21,326	33,322	\$1.50	\$ 49,983	\$ 71,309	

- a) Please provide the rationale for why Ottawa River has only provided IESO billing details for Network service charges but none for Line Connection and Transformation Connection service charges.
- b) Please explain why no data has been provided for IESO billed Network service charges in the months of November and December. If the data has been omitted in error, please provide an updated 2012 RTSR Adjustment Work Form with the missing information.

## 2012 IRM3 Rate Generator Model

### Board Staff Interrogatory No. 5

Ref: 2012 IRM3 Rate Generator Model – Sheet 9

Ref: Draft Rate Order, EB-2009-0165 – Appendix D, page 2

In the Board's Decision and Order for Ottawa River's last CoS application, the Board approved a credit of Group 1 deferral and variance account balances to customers of \$ 4,457,340. A section of the table outlining the approved balances with carrying charges for each Group 1 account provided in Ottawa River's draft Rate Order is reproduced below.

RateMaker 2009 release 1.1 © Elinchus Research Associates

C7 Rate Riders		
Deferral / Variance Account	Total Recovery Amount	Allocation Basis
1508-Other Regulatory Assets	132,167	Distribution Revenue (existing rates)
1550-LV Variance Account	312,214	kWh's
1572-GLOBAL ADJUSTMENT		2009 Non-RPP, Non-MUSH kWh's
1580-RSVAWMS	-2,102,927	kWh's
1584-RSVANW	-299,894	kWh's
1586-RSVACN	-1,500,786	kWh's
1588-RSVAPOWER	-1,260,518	kWh's
<b>Sub-Total for recovery</b>	<b>-4,719,744</b>	
1590-Recovery of Regulatory Asset Balances (residual)	-126,222	2006 EDR Approved Recoveries
<b>Total Recoveries Required (2.34 years)</b>	<b>-4,845,967</b>	
<b>Annual Recovery Amounts</b>	<b>-2,070,926</b>	
Annual Volume		
Proposed Rate Rider per		

1 per sheet C6

A section of Sheet 9 "2012 Cont. Sched. Def\_Var" from the 2012 IRM3 Rate Generator Model is reproduced below.

Account Descriptions	Account Number	2010													
		Closing Interest Amounts as of Dec-31-09	Opening Principal Amounts as of Jan-1-10	Transactions Debit (Credit) during 2010 excluding interest and adjustments *	Board-Approved Disposition during 2010	Other * Adjustments during Q1 2010	Other * Adjustments during Q2 2010	Other * Adjustments during Q3 2010	Other * Adjustments during Q4 2010	Closing Principal Balance as of Dec-31-10	Opening Interest Amounts as of Jan-1-10	Interest Jan-1 to Dec-31-10	Board-Approved Disposition during 2010	Adjustments during 2010 - other *	Closing Interest Amounts as of Dec-31-10
<b>Group 1 Accounts</b>															
LV Variance Account	950	22,253	209,829	34,777	209,829					34,777	22,253	277	22,784		254
RSVA - Wholesale Market Service Charge	950	63,234	1,036,094	516,653	1,356,094					516,653	63,234	4,006	66,634		556
RSVA - Retail Transmission Network Charge	950	57,520	243,903	66,269	243,903					66,269	57,520	672	57,862		136
RSVA - Retail Transmission Connection Charge	950	77,957	1,428,054	295,445	1,623,664					295,445	77,957	2,945	80,322		760
RSVA - Power (including Global Adjustment)	950	66,682	1,071,888	473,94	1,071,888					473,94	66,682	3,773	68,838		1625
RSVA - Power - Sub-account - Global Adjustment	950	24,241	478,322	473,94	478,322					473,94	24,241	90	26,190		60
Recovery of Regulatory Asset Balances	950	16,294	16,294		16,294								16,294		
Disposition and Recovery of Regulatory Balances (2008)*	955														
Disposition and Recovery of Regulatory Balances (2009)*	955														
Group 1 Sub-Total (including Account 958 - Global Adjustment)		347,883	4,908,063	1,023,757	4,908,063					1,023,757	347,883	6,065	352,221		627
Group 1 Sub-Total (excluding Account 958 - Global Adjustment)		302,524	4,582,796	1,025,262	4,582,796					1,025,262	302,524	6,375	309,949		759
RSVA - Power - Sub-Account - Global Adjustment	958	34,241	478,322	503,641	478,322					503,641	34,241	100	26,190		60
Special Purpose Charge Assessment Variance Account	9521			30,627					26,387	4,000					
Deferred Payments in Lieu of Taxes	9542			26,889						26,889			16,875		16,875
Group 1 Total - 9521 - 9542		347,883	4,908,063	1,055,000	4,908,063				26,387	1,055,000	347,883	16,940	352,221		1,050
The following is not included in the total claim but are included on a memo basis:															
Board-Approved GDM Variance Account	951														
PLS and Tax Variance for 2008 and Subsequent Years (includes sub-account and notes associated)	952														
PLS and Tax Variance for 2009 and Subsequent Years	Sub-952														
Account HISTORAT Regr Tax Credits (TCs)	952														
PLS and Tax Variance for 2008 and Subsequent Years	Sub-952														
Account HISTORAT Credits Account	952														
Disposition and Recovery of Regulatory Balances*	955														

Board staff is unable to reconcile the approach taken by Ottawa River in completing the continuity schedule in Sheet 9 of the 2012 IRM3 Rate Generator Model.

- a) Please explain the distinction between the "Board Approved Disposition during 2010" amounts provided in columns BE and BM of Sheet 9 of the 2012 IRM3 Rate Generator Model.

**Account 1521 – Special Purpose Charge (SPC)**

## Board Staff Interrogatory No. 6

Ref: Application, Exhibit 1/Tab3/Schedule 2 – Pages 1 and 2

In Exhibit 1/Tab3/Schedule 2 of the Application, Ottawa River proposes to dispose of a balance of \$4,050 in Account 1521. This amount is identified as the billed amounts to customers in 2011.

- a) Please confirm Ottawa River's SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please complete the following table related to the SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charge Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charge Balance	Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)

## Deferral and Variance Account Balances

### Board Staff Interrogatory No. 7

Ref: Application, Exhibit 1/Tab 3/Schedule 4 – Page 1

On page 1 of Exhibit 1/Tab3/Schedule 4 of the Application, Ottawa River provides the following table summarizing the Group 1 Deferral and Variance account balances to be credited to customers as well as the corresponding rate riders.

#### Rate Rider for Deferral/Variance Account Disposition (2012)

Effective Until April 30, 2016

Rate Class	Group 1	1521	1562	Total	per	Rate Rider
Residential	\$(452,154)	\$1,626	\$(44,061)	\$(494,588)	kWh	\$(0.0016)
General Service Less Than 50 kW	\$(205,184)	\$738	\$(13,665)	\$(218,110)	kWh	\$(0.0015)
General Service 50 to 4,999 kW	\$(451,002)	\$1,622	\$(17,322)	\$(466,702)	kW	\$(0.5509)
Unmetered Scattered Load	\$(2,489)	\$9	\$(491)	\$(2,972)	kWh	\$(0.0017)
Sentinel Lighting	\$(1,508)	\$5	\$(141)	\$(1,644)	kW	\$(0.5409)
Street Lighting	\$(13,724)	\$49	\$(956)	\$(14,630)	kW	\$(0.5337)
<b>Total</b>	<b>\$(1,126,061)</b>	<b>\$4,050</b>	<b>\$(76,635)</b>	<b>\$(1,198,646)</b>		

Ottawa River proposed to dispose of these balances over a period of four years "to allow smoothing of rate impacts by avoiding a large fluctuation in rates when this rate rider is terminated."

- a) Has Ottawa River considered other periods of disposition or methods of rate mitigation? If so, please explain the rationale that was used in selecting the four year period of disposition over other methods/periods of recovery.
- b) Please provide rate riders and estimated bill impacts for each class using the following periods of disposition:
  - i. 1 year;
  - ii. 2 years;
  - iii. 3 years;

## **Disposition of Account 1562**

### **Board Staff Interrogatory No. 8**

Ref: Continuity Schedule – ORPC\_ED Disposition 1562 Balance\_20111028.xls

#### **Tabs C1.1 to C1.7 - Amounts Billed to Customers**

- a) Unmetered Scattered Load (USL)

Unmetered scattered load is listed as one of the components of the billing and recovery in the Excel spreadsheet. However, while billing determinants have been entered, no rates have been entered. In the Board's decisions for 2002, 2004 and 2005 the approved rates for USL were identified as being the same as GS<50kW rates which have associated PILs rate slivers.

Please explain why Ottawa River did not use the Board-approved USL rates in the calculations of recoveries from customers. Please update the Excel worksheets.

- b) Tabs C1.1 to C1.3 PILs Recovered

- i. Rate Slivers Used in 2002 to March 2004

The rate slivers used to calculate the amounts billed to customers do not agree with the rate slivers that appear on sheet #6 and sheet #8 of the 2002 RAM model.

Please explain why Ottawa River used different PILs rate slivers. Please update the Excel worksheets.

- ii. Customer Counts



Customer count statistics appear on sheets #6 and #8 in the 2002 application RAM model. However, the customer counts used to calculate the PILs recoveries from customers in 2002, 2003 and the period up to March 31, 2004 are very different.

Please explain why and correct the Excel workbook if necessary.

c) Tabs C1.4 and C1.6 PILs Recovered

The volumes used to calculate amounts billed to customers for the periods April to December 2004 and April to December 2005 appear to be much lower than the similar period in 2002.

Did Ottawa River experience a decline in load in 2004 and in 2005 when compared to 2002? Please explain why and correct the Excel workbook if necessary.

d) Tabs C1.4 and C1.6 PILs Recovered

The volumes used to calculate recoveries from customers for the period January to March 31, 2005 are much lower those volumes used for the same period in 2004.

Please explain why and correct the Excel workbook if necessary.

e) Billing Frequency

- i. Did Ottawa River bill monthly or bi-monthly during the period from 2002 to 2006?
- ii. Why are the billing statistics for PILs recoveries for customer counts, kWh and kW so low for 2002?
- iii. How were the numbers of customers determined in each of the years 2001 to 2006 in the recovery worksheets?

c) Unbilled Revenue Accrual

Ottawa River stated in Exh.1/Tab3/Sch.3/pg2/ln9-13 that,

*"Collections from customers have been defined as the amounts billed to customers. Ottawa River confirms that amounts which at the time would have been included in unbilled revenue accruals have now been included in collections."*

Please explain how Ottawa River determined the PILs amounts associated with unbilled revenue accrual as at April 30, 2006 and how this was included in the various Excel worksheets.

**Tab E1.1 Disp of 1562 Balance**

The true-up and deferral account variances were entered on the worksheet in the column for the year to which the variance applied. However, the SIMPIL models were not completed and filed under RRR until the year after the fiscal year. Tax returns for the fiscal year would have been filed with the tax authorities sometime in June of each year for the prior year.

- d) Please explain why Ottawa River entered the variances in the fiscal year rather than in the following year?
- e) When did Ottawa River actually record the variances in its general ledger for the years 2001 to 2006?

#### **2001 SIMPIL**

The 2001 fourth quarter is a short tax year. As such, the tax items must be pro-rated by 92/365. The 2001 PILs proxy reflects the pro-ration. However, the pro-rations required for the true-up variance calculations for Ontario capital tax (OCT) and large corporation tax (LCT) were not made in the cell range TAXCALC E150-E174. This results in an incorrect true-up to ratepayers of \$1,740 for LCT and \$13,570 for OCT.

According to Ottawa River's 2002 application 2001 PILs proxy model, Ottawa River was not subject to LCT and did not have LCT included in its 2001 PILs proxy. The LCT true-up variance should be zero.

- f) Please correct the formulas for the necessary pro-rations and resubmit the 2001 SIMPIL.

#### **2002 SIMPIL**

Interest expense of \$404,973 appears on the income statement but no actual interest was entered on sheet TAXCALC. According to Ottawa River's financial statements, interest expense consists of interest on long-term debt and interest and bank charges.

- g) Please explain why actual interest was not entered for the true-up calculation on TAXCALC and correct the SIMPIL model.

#### **2004 SIMPIL**

According to Ottawa River's 2004 Ontario CT23 tax return, it was eligible for the small business deduction but failed to claim it. Consequently, the income tax rate used in the SIMPIL true-up calculations is higher than it should be. Ottawa River did not file a Notice of Reassessment or Statement of Adjustments for the 2004 tax year and Board staff cannot determine if the Ministry of Finance made corrections to the 2004 tax returns as filed.

Based on the 2004 tax information filed in this case, Board staff calculated that an appropriate tax rate would be 29.7% rather than the tax rate of 36.12% used in the 2004 SIMPIL model.

h) Please explain Ottawa River's actual tax filing position in 2004.

**Interest Expense - Interest Portion of True-up – 2001 to 2005 SIMPIL - TAXCALC**

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

i) For the tax years 2001 to 2005:

1. Did Ottawa River have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
2. Did Ottawa River net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.
3. Did Ottawa River include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
4. Did Ottawa River include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
5. Did Ottawa River include interest expense on IESO prudentials in interest expense?
6. Did Ottawa River include interest carrying charges on regulatory assets or liabilities in interest expense?
7. Did Ottawa River include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Ottawa River also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
8. Did Ottawa River deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Ottawa River back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

9. Please provide Ottawa River views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
10. Please provide a table for the years 2001 to 2005 that shows all of the components of Ottawa River interest expense and the amount associated with each type of interest.

### **Treatment of Regulatory Assets and Liabilities in the Tax Returns**

It appears from the evidence that Ottawa River retained regulatory assets and liabilities on the balance sheet and did not adjust the tax returns for the annual movements or changes in the balances of regulatory assets and liabilities.

- j) Please explain why the Ministry of Finance allowed this tax treatment for Ottawa River.

### **Tax Years – Statute-barred**

- k) Please confirm that all tax years from 2001 to 2005 are now statute-barred.

### **1562 Balance Reported in RRR**

Ottawa River reported the balance in account 1562 to be a credit of (\$155,140) at the end of December 2010 in its RRR filing 2.1.7. The 2010 balance according to the PILs continuity schedule tab E1.1 is a credit balance of (\$76,635) consisting of principal of (\$65,960) and interest of (\$10,675).

- l) Please explain the reasons for the differences between the 2010 RRR balance and the evidence filed in this case.