

**Board Staff Interrogatories**  
**2012 IRM3 Electricity Distribution Rates**  
**Thunder Bay Hydro Electricity Distribution Inc.**  
**EB-2011-0197**

**General**

- 1) **Ref: 2012 Shared Tax Savings Workform, Sheet 3**  
**Ref: 2012 Revenue to Cost Ratio Workform, Sheet 3**  
**Ref: 2012 IRM3 Rate Generator, Sheet 4, Sheet 5**  
**Ref: EB-2010-0115, Revised Rate Order**

Rate Group	Rate Class	Fixed Metric	Vol Metric	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	9.78	0.0123	
GSLT50	General Service Less Than 50 kW	Customer	kWh	17.71	0.0129	
GSGT50	General Service 50 to 999 kW	Customer	kW	240.10		1.3508
GSGT50	General Service 1,000 to 4,999 kW	Customer	kW	2,775.16		2.2159
USL	Unmetered Scattered Load	Connection	kWh	8.85	0.0129	
Sen	Sentinel Lighting	Connection	kW	6.35		5.0994
SL	Street Lighting	Connection	kW	2.14		12.9704
NA	Rate Class B	NA	NA			

Board staff was unable to reconcile the service and distribution volumetric rates entered by Thunder Bay Hydro Electricity Distribution Inc. (“Thunder Bay”) in the Tax Sharing (reproduced above for illustrative purposes), Revenue to Cost Ratio, and Rate Generator models with those established in the 2011 Revised Rate Order.

Board staff notes that the rates established in the 2011 Revised Order are the ones in the table below:

Rate Class	Service Rate	kWh Volumetric Rate	kW Volumetric Rate
Residential	\$9.88	\$0.0124	
GS<50	\$17.89	\$0.0131	
GS 50 – 999	\$239.67		\$1.3484
GS 1000 – 4999	\$2,547.21		\$2.0339
USL	\$8.93	\$0.0130	
Sentinel Lighting	\$6.42		\$5.1511
Street Lighting	\$2.14		\$12.9471

- a) Please confirm that the rates entered by Thunder Bay were errors and the correct figure should be those established in the 2011 Revised Rate Order. If Thunder Bay confirms Board staff will make the necessary corrections.
- b) If Thunder Bay does not confirm, please provide support for using rates currently entered in the above referenced models.

**Revenue to Cost Ratio Adjustment**

- 2) **Ref: 2012 Revenue to Cost Ratio Adjustment Workform, Sheet 6**

**Ref: EB-2008-0245, Decision, p.35**

Rate Class	Direction	Current Year	Transition	Transition	Transition	Transition	Transition
		2011	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016
Residential	Rebalance	112.11%	tbd	tbd	tbd	tbd	tbd
General Service Less Than 50 kW	Rebalance	115.55%	tbd	tbd	tbd	tbd	tbd
General Service 50 to 999 kW	No Change	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
General Service 1,000 to 4,999 kW	Change	66.28%	73.14%	80.00%	80.00%	80.00%	80.00%
Unmetered Scattered Load	Rebalance	114.91%	tbd	tbd	tbd	tbd	tbd
Sentinel Lighting	Rebalance	109.17%	tbd	tbd	tbd	tbd	tbd
Street Lighting	No Change	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%

The Board decision stated that the additional revenues received from the GS 1000 – 4999 kW class as a result of revenue to cost ratio adjustment should be directed exclusively to the Residential class. Board staff notes that Thunder Bay has set the Revenue to Cost Ratio Adjustment Workform to allocate this additional revenue to Residential, GS <50 kW, USL, and Sentinel Lighting Classes.

- a) Please provide support for allocating additional revenue from the GS 1000 – 4999 kW class ratio adjustment to Residential, GS <50 kW, USL, and Sentinel Lighting Classes rather than only to Residential class as per the Board decision.

**RTSR Adjustment Workform**

- 3) **Ref: 2012 RTSR Adjustment Workform**  
**Ref: EB-2011-0268, Rate Order**

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

**Table 1: 2012 Uniform Transmission Rates**

Uniform Transmission Rates	Jan 1, 2012
Network Service Rate	\$3.57
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.80
Transformation Connection Service Rate	\$1.86

Board staff notes that the RTSR Adjustment Workform used by Thunder Bay in this application has not been updated to reflect these new UTRs. This adjustment results in the following RTSR rates:

Rate Class	Unit	Proposed RTSR Network	Proposed RTSR Connection
Residential	kWh	\$ 0.0064	\$ 0.0049
General Service Less Than 50 kW	kWh	\$ 0.0061	\$ 0.0046
General Service 50 to 999 kW	kW	\$ 2.4300	\$ 1.7458
General Service 50 to 999 kW - Interval Metered	kW	\$ 2.5777	\$ 1.9295
General Service 1,000 to 4,999 kW - Interval Meters	kW	\$ 2.5777	\$ 1.9295
Unmetered Scattered Load	kWh	\$ 0.0061	\$ 0.0046
Sentinel Lighting	kW	\$ 1.8420	\$ 1.3779
Street Lighting	kW	\$ 1.8325	\$ 1.3496

- a) Please confirm that the 2012 UTRs in the above table and the resulting RTSR rates are correct. If Thunder Bay confirms Board staff will make the necessary adjustment.

**Rate Generator**

- 4) Ref: 2012 IRM3 Rate Generator, Sheet 10  
Ref: EB-2008-0245, Draft Rate Order, Revenue Requirement Workform

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue <sup>1</sup>	1590 Recovery Share
Residential	\$/kWh	336,657,888		40,211,170	-	9,933,606	104%
General Service Less Than 50 kW	\$/kWh	132,889,380		20,951,736	-	2,633,057	28%
General Service 50 to 999 kW	\$/kW	285,923,735	757,533	246,393,337	652,800	2,317,760	40%
General Service 1,000 to 4,999 kW	\$/kW	176,938,725	533,066	176,955,476	533,116	1,134,112	-69%
Unmetered Scattered Load	\$/kWh	1,952,259		379,431	-	98,936	0%
Sentinel Lighting	\$/kW	64,650	378	-	-	16,462	0%
Street Lighting	\$/kW	12,433,088	31,551	11,195,962	28,412	498,053	-3%
<b>Total</b>		<b>945,859,725</b>	<b>1,322,528</b>	<b>496,087,112</b>	<b>1,214,328</b>	<b>16,631,986</b>	<b>100%</b>

Board staff was unable to reconcile the total distribution revenue entered in Sheet 10 of the Rate Generator with the figure established in Thunder Bay's last COS application. Board staff notes that total distribution revenue established in Thunder Bay's last COS was \$16,288,920 instead of \$16,631,986.

- a) Please provide support for the use of total distribution revenue of \$16,631,986 and its allocation across rate classes instead of the figure established in Thunder Bay's last COS application.

**5) Ref: 2012 IRM3 Rate Generator, Sheet 18  
Ref: EB-2010-0115, Revised Rate Order**

Loss Factors	Current
Secondary Metered Customers - Customers < 5,000 (RS, GU, GC, GS, G3, G8, M:	4.4800
Primary Metered Customers - Customers < 5,000 (GP, G1, G2, G9, M1, M2)	3.4300

Board staff was unable to reconcile the loss factors entered on Sheet 18 of the Rate Generator with those in Thunder Bay's last IRM application (EB-2010-0115). Board staff notes that the loss factors in Thunder Bay's last IRM were 1.0448 for Secondary Metered Customer and 1.0343 for Primary Metered Customer.

- a) Please confirm that the loss factors entered in Sheet 18 of the Rate Generator were entry errors and the figures entered should be those that coincide with those in Thunder Bay's last IRM application. If Thunder Bay confirms Board staff will make the necessary corrections.
- b) If Thunder Bay does not consider these to be errors then please provide support for the use of loss factors that diverge from those in its last IRM application.

**Lost Revenue Adjustment Mechanism**

**6) Ref: Manager's Summary, Page 7**

Thunder Bay has requested an LRAM recovery associated with 2005 to 2010 CDM programs for a total amount of \$242,551.

Section 7.5 of the CDM Guidelines – EB-2008-0327 (March 28, 2008) state that where a distributor is making a claim for LRAM in relation to programs funded by the OPA, or where the distributor is making a claim for LAM and/or SSM in relation to programs funded through distribution rates, distributors should engage an independent third party review.

- a) Please discuss why Thunder Bay has not included an independent third party review of its LRAM claim.
- b) Please provide an independent third party review in accordance with Section 7.5 of the CDM Guidelines.

**7) Ref: Board’s Decision on Horizon Utilities LRAM request (EB-2009-0192)**

In its decision on Horizon’s application (EB-2009-0192) for LRAM recovery, the Board noted that distributors should use the most current input assumptions available at the time of the third party review when calculating a LRAM amount.

- a) Please update the LRAM calculations using the OPA’s most recent Measures and Assumptions List for all programs, both Third Tranche and OPA, Thunder Bay is requesting LRAM recovery for.
- b) Please confirm that Thunder Bay has relied on the final 2010 program evaluation results from the OPA to calculate its LRAM amount for OPA Programs.
- c) If Thunder Bay did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.

**8) Ref: Manager’s Summary, Page 8**

- a) Please confirm that Thunder Bay has not received any of the lost revenues requested in this application in the past. If Thunder Bay has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
- b) Please discuss the CDM savings that were proposed for inclusion in Thunder Bay’s 2009 load forecast in its 2009 cost of service application. Please discuss if the Board specifically allowed future LRAM claims on the persisting LRAM amounts that were proposed to be included in Thunder Bay’s 2009 load forecast.
- c) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

Program Years (Divided by rate class)	Years that lost revenues took place				
	2006	2007	2008	2009	2010
2006	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx
2007		\$xxx	\$xxx	\$xxx	\$xxx



**Account 1562 – Deferred Payments in Lieu**

**10) Ref: PILs Continuity Schedule, PILs Proxy Entitlements**

In its PILs 1562 continuity schedule, Thunder Bay recorded its entitlement to the 2001 PILs proxy starting on October 1, 2001 and the 2002 PILs proxy on January 1, 2002.

On February 21, 2002, Thunder Bay submitted a revised 2002 rate application. Due to its amended application for rate adjustment, the effective date of the 2002 rates including the 2001 and 2002 proxies was delayed to May 1, 2002 at the request of Thunder Bay. This request for delayed implementation appears in the cover letter to the application dated February 21, 2002 and signed by Larry Hebert, General Manager & Secretary.

The sum of the 2001 PILs proxy of \$576,475 and the 2002 PILs proxy of \$1,389,804 is \$1,966,279. The rates were determined based on a twelve month rate year which implies a monthly PILs proxy amount of \$163,857 (\$1,966,279/12) for the period from May 1, 2002 to March 31, 2004, or 23 months. Using this monthly entitlement, the total for the period shown is \$3,768,701 (\$163,857 x 23).

- a) What regulatory reference supports starting the PILs entitlements earlier than May 1, 2002? Please explain.
- b) Did Thunder Bay consider that its entitlement to the 2001 and 2002 PILs proxy should not begin before May 1, 2002 given the delay caused by filing a revised application?
- c) Does Thunder Bay consider Board staff’s PILs proxy calculation to reflect fairly the 2002 Board decision? If Thunder Bay disagrees, please explain Thunder Bay’s rationale for selecting a different amount.
- d) Thunder Bay has shown recoveries of \$3,810,182 for the same period of May 1, 2002 to March 31, 2004 in its continuity schedule. The monthly PILs proxy calculated above was used to determine the proxy amounts in this table.

<b>Recoveries in Rate Period</b>	<b>Amount of Recoveries</b>	<b>PILs Proxy</b>
2002 - billings for 8 months only	1,308,312.80	1,310,852.67
2003	2,001,495.57	1,966,279.00
2004 – Jan.1 – Mar. 31	500,373.89	491,569.75

	\$3,810,182	\$3,768,701

- e) Would this approach to determine the PILs proxy for the period from May 1, 2002 be fair to both the utility and its ratepayers? Please explain and include a discussion of the notion of potential “harm” to Thunder Bay.

**11) PILs Recoveries**  
**Ref: 2002 RAM Model**

The 2002 application rate adjustment model (“RAM”) provided two sheets (sheet 6 and 8) that calculated the rate slivers associated with the 2001 and 2002 PILs proxy amounts approved by the Board for recovery from customers. These rate slivers had both fixed customer charge and volumetric charge elements. In order to correctly determine the amounts recovered from customers, the Applicant must multiply the rate slivers by the appropriate billing determinants.

- a) Please provide the PILs recoveries calculation worksheet that uses the rate classes from the 2002 rate order including unmetered scattered load, number of customers, kWh/kW billed and the associated fixed and variable rate slivers from the 2002 RAM in the PILs recovered worksheets from Thunder Bay’s effective date of May 1, 2002 to March 31, 2004.

**12) PILs Recoveries**  
**Ref: 2004 RAM Model**

The 2004 RAM sheet 7 calculated the rate slivers associated with the 2004 PILs proxy amount approved by the Board for recovery from customers. The Board changed the rate recovery allocation to 100% based on the variable charge.

- a) Please provide the PILs recoveries calculation worksheet that uses the rate classes from the 2004 rate order and number of customers, kWh/kW billed and the associated variable rate slivers from the 2004 RAM in the PILs recovered worksheets from April 1, 2004 to March 31, 2005.

**13) PILs Recoveries**  
**Ref: 2005 RAM Model**

The 2005 RAM sheet 4 calculated the rate slivers associated with the 2005 PILs proxy amount approved by the Board for recovery from customers.

- a) Please provide the PILs recoveries calculation worksheet that uses the rate classes from the 2005 rate order and number of customers, kWh/kW



billed and the associated variable rate slivers from the 2005 RAM in the PILs recovered worksheets from April 1, 2005 to March 31, 2006.

**14) Ref: PILs Continuity Schedule, Carrying Charge Calculations**

The PILs continuity schedule shows carrying charges calculations up to December 31, 2006. The total principal and carrying charges balance of account 1562 as of December 31, 2006 was \$494,780.

- a) The continuity schedule submitted in the initial application does not show the calculations of the final balance for disposition of \$500,023 as stated in the Manager's Summary. Please provide the total principal balance and carrying charge calculations up to April 30, 2012 in the revised PILs continuity schedule.

**15) Ref: Large Corporations Tax (LCT)**

The federal large corporation tax (LCT) was repealed retroactively in 2006 with effect from January 1, 2006. However, both the 2005 and 2006 rates contained LCT since the repeal was issued after the Board's decisions were issued. Distributors have to account for the refund to ratepayers and were instructed to use both PILs account 1562 and account 1592 for this purpose.

- a) Did Thunder Bay include the repeal of the large corporations tax (LCT) in account 1562 for the period January 1, 2006 to April 30, 2006 in accordance with FAQ July 2007?
- b) If the answer is no, did Thunder Bay record the LCT amount related to this period in account 1592?
- c) Has Thunder Bay requested disposition of account 1592 since May 1, 2006, and did the balance include the LCT amount related to the period January 1, 2006 to April 30, 2006?

**16) Ref: 2001 Q4 SIMPIL, Income Tax Rates**

In the SIMPIL models for 2002 through 2005, Thunder Bay chose the maximum income tax rates since their tax evidence indicates that Thunder Bay was not eligible for the federal and Ontario small business deduction.

In its 2002 application, Thunder Bay used the income tax rate of 40.62% to calculate the 2001 fourth quarter PILs proxy. In the revised 2001 Q4 SIMPIL, Thunder Bay used the following income tax rates in the table below to calculate true-up variances. The income tax rates chosen for 2001 Q4 did not conform to

the Board's decision and order in the Combined Proceeding for a utility that is subject to the maximum tax rates.

		<b>2001</b>
<b>APPLICATION PILS PROXY CALCULATION</b>	SIMPIL TAXCALC Cell C53: Blended income tax rate	40.62%
	SIMPIL TAXCALC Cell C88: Income tax rate used for gross- up (excluding surtax)	39.50%
<b>DECISION IN COMBINED PROCEEDING</b>	From page 17 of the Decision: Tax rate to calculate the tax impact	40.62%
	Tax rate to calculate the grossed-up tax amount	39.50%
<b>2001 Q4 SIMPIL MODEL TAXCALC SHEET</b>	Cell E122: Calculation of true-up variance -income tax effect	<b>18.00%</b>
	Cell E130: Income tax rate used for gross-up (excluding surtax)	39.50%
	Cell E138: Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	40.62%
	Cell E175: Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	<b>18.00%</b>

- a) How did Thunder Bay select the income tax rates for 2001 Q4? Please provide the calculations.
- b) If Thunder Bay agrees that it should be subject to the maximum income tax rate in 2001 Q4, please make the adjustment and re-file the revised 2001 Q4 SIMPIL model and PILs continuity schedule.

**17) Ref: 2001 to 2005 SIMPIL models, Interest Expense**

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.

For the tax years 2001 to 2005:

- a) Did Thunder Bay have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
  - b) Did Thunder Bay 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.
  - c) Did Thunder Bay include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
  - d) Did Thunder Bay include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
  - e) Did Thunder Bay include interest expense on IESO prudentials in interest expense?
  - f) Did Thunder Bay include interest carrying charges on regulatory assets or liabilities in interest expense?
  - g) Did Thunder Bay include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Thunder Bay also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
  - h) Did Thunder Bay deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Thunder Bay add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
  - i) Please provide Thunder Bay's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
  - j) Please provide a table for the years 2001 to 2005 that shows all of the components of Thunder Bay's interest expense and the amount associated with each type of interest.
- 18) Tax Years – Statute-barred  
Ref: 2001 to 2005 Tax Returns**
- a) Please confirm that all tax years from 2001 to 2005 are now statute-barred.