Board Staff Interrogatories
2011 Electricity Distribution Rates
Hydro One Brampton Networks Inc. (“Hydro One Brampton”)
EB-2010-0132

Administration

1. Ref: Exhibit 1 / Tab 3/ Schedule 3 – IFRS Implementation

On page 2, it states: “Depending on the outcome of the IASB project and their final decision, there could still be more changes that Hydro One Brampton may have to make as a result of IFRS. The subject of these changes is addressed in the proposed IFRS Variance Account….”

Please advise whether Hydro One Brampton foresees changes to its application based on any recent IASB project or decision that has not been included in this application.

2. Ref: Exhibit 1 / Tab 3/ Schedule 3 – IFRS Implementation

Please explain how Hydro One Brampton’s treatment of gain and loss on early retirements of assets and the application of the full yearly rate of the useful life is consistent with the Board report on IFRS.

Rate Base

3. Ref: Exhibit 2 / Tab 2/ Schedule 1 – Continuity Statement

In the Fixed Asset Continuity Schedules Forecasts 2010 and 2011, it appears that the Opening Balances for 2010 have been restated. Please explain why the Opening Balances have been restated and the methodology used.

4. Ref: Exhibit 2 / Tab 4/ Schedule 2 – Working Capital

In Table 1, Working Capital by Account 2006-2011, the Power Purchased for 2010 and 2011 are $272,204,756 and $270,083,728 respectively. These represent approximately an 18% increase as compared to 2009 actual ($229,144,070). Please explain the reason(s) for the increase of the Power Purchased in 2010 and 2011.

Capital Expenditures

5. Ref: Exhibit 2/ Tab 5/ Schedule 7.0 – 2010 Capital Expenditures

On pages 6 it states: “The 2010 budget includes $1,952,709 for the installation of electrical underground distribution facilities for new Developments within the City of Brampton inclusive of a contributed capital component from developers. City of Brampton projections for new residential lots in 2010 total 4000 units.”

a) Please provide the number of units, of the total 4000 units, that have already been connected to Hydro One Brampton’s distribution system.
b) For the remaining units that have not been connected to Hydro One Brampton’s distribution system, please indicate the month and year of the expected completion of the connection.
c) Please identify the total capital contributions received by Hydro One Brampton reflected in the 2010 capital budget.

6. Ref: Exhibit 2/ Tab 5/ Schedule 8.0 – 2011 Capital Expenditures

On pages 17 it states: “The 2011 budget is based on City of Brampton projections for the connection of 4,500 residential services in 2011. This work includes the installation of underground electrical distribution facilities for new developments within the city, inclusive of a contributed capital component from Developers.”

a) Please advise whether all 4,500 units would be connected to Hydro One Brampton’s distribution system by the end of 2011.
b) If the answer in (a) is negative, please provide the forecasted completion date of the connection of the 4,500 residential units in 2011.

7. Ref: Exhibit 2/ Tab 5/ Schedule 8.0 – 2011 Fleet Maintenance

On pages 18, it states: “The replacement of one V76, a 1992, 19-year old single bucket truck with high mileage and age, by a new 55 ft single bucket truck;…..” In reference to Exhibit 2/ Tab 6 / Schedule 1.1/ Appendix E, Hydro One Brampton filed a Fleet Assessment to outline the condition of Hydro One Brampton’s fleet. Staff could not identify the fleet condition for V76 in the Fleet Assessment report. Please provide the condition, replacement schedule and replacement value for the V76.

8. Ref: Exhibit 2/ Tab 5/ Schedule 8.2 – 2011 Fleet Maintenance

On page 86 the proposed business case indicated the costs for One Double Bucket Truck is $773,000. And this truck is scheduled to replace a 1993 unit. In reference to Exhibit 2/ Tab 6 / Schedule 1.1/ Appendix E, Hydro One Brampton filed a Fleet Assessment to outline the condition of Hydro One Brampton's fleet. The report provided the market value for #79, 1993 INT, Double Buckets was $588,640. Please explain the difference of the values for the Double Bucket Truck.

9. Ref: Exhibit 2/ Tab 5/ Schedule 8.0 – 2011 Fleet Maintenance

On pages 18-19, it states: "The replacement of V09, a 1999, 12-year old compact car, by a vehicle with better safety features and more reliability;….." In reference to Exhibit 2/ Tab 6 / Schedule 1.1/ Appendix E, Hydro One Brampton filed a Fleet Assessment to outline the condition of Hydro One Brampton's fleet. The report however commented that "Many of cars in the pool fleet have low kilometres for their age. I have included these in the replacement schedule but would suggest decreasing the size of this car fleet and renting as needed for students etc. These vehicles are parked for considerable time during the year, which creates rust in exhaust and brakes, and require unnecessary maintenance due to outside storage."

a) Based on the comment from the report, has Hydro One Brampton considered renting instead of purchasing?
b) According to the Fleet Assessment report, car #9, 1999 Escort, scheduled to be replaced in 2012. Please explain why Hydro One Brampton proposes to replace it in 2011.

10. Ref: Exhibit 2/ Tab 5/ Schedule 1.0 – Capital Expenditures

On page 2, Table 1 provides capital expenditures for the period from 2006 to 2011 based on IFRS.

a) Please use the same format as Table 1 to provide the expenditures based on CGAAP.
b) Please use the same format as Table 1 to provide the expenditures based on CGAAP and exclude Smart Meter related costs.
c) In the bottom of Table 1, there is a note stating: "Above Capital Expenditures exclude $300,000 of borrowing costs which are included in the total in Exhibit 2, Tab 6, Schedule 9." Please explain what type of borrowing costs this statement is referring to.

11. Ref: Exhibit 2/ Tab 6/ Schedule 1.1/ Appendix E – Asset Management Plan

On page 12 & 13 of its Asset Management Plan, Hydro One Brampton provides the Demand and Energy forecast for the period from 2010 – 2019. Tables 2 and 3 are not readable from the evidence. Please re-produce Tables 2 and 3.

Load and Customer Forecasting

12. Ref: Exhibit 3 / Tab 2/ Schedule 2.0/ page 3 – Load Forecasting assumption

On page 3, it states: "The annual CDM impact for 2010-2012 submitted in the IPSP by the OPA to the Ontario Energy Board in August 2007 was adjusted to account for the recent economic recession and its impact on industrial customers and the new CDM target for LDCs for the 2011-2014 period. Table 1 summarizes the adjusted annual provincial CDM impact assumed by Hydro One Brampton for 2008-2012."

Table 1: Provincial CDM Impact (in GWh)

Provincial CDM Impact (in GWh)

	Provincial CDM Impact Assumed in 2007 IPSP		Provincial CDM Impact Assumed in this Rate Case	
	Incremental	Cumulative since 2008	Incremental	Cumulative since 2008
2008	814	814	814	814
2009	1,146	1,960	1,146	1,960
2010	4,908	6,868	3,416	5,376
2011	1,885	8,753	2,386	7,762
2012	1,909	10,662	2,900	10,662

Note 1: CDM impact is presented at generation station level, weather normal

Note 2: Cumulative CDM impact of 10,662 GWh remains the same by 2012

a) Hydro One Brampton explained that the CDM impact accounted for the recent economic recession and its impact on industrial customers. Please explain the reason(s) for the increase of the incremental CDM impact from 1,885 to 2,386 GWh in 2011 and from 1,909 to 2,900 GWh in 2012.

b) Please provide the details on how Hydro One Brampton is planning to achieve the incremental CDM target as stated in Table 1 for 2010, 2011, and 2012.

13. Ref: Exhibit 3/ Tab 2/ Schedule 3.0 – Load Forecast

On pages 3, it states: “Historic and forecast population data for the city of Brampton was taken from the City of Brampton’s planning report as published in April of 2009.”

Please file the City of Brampton’s planning report identified above.

14. Ref: Exhibit 3/ Tab 2/ Schedule 3.0 – Load Forecast

On pages 5, it states: “The weather normalized quantities for the Bridge and Test Years is determined by using 2010 and 2011 independent variables in the prediction formula on a monthly basis along with the average monthly heating degree days and cooling degree days which has occurred from January 2003 to December 2009.”

Using a similar method to develop the weather normalized forecast for 2010 and 2011, please provide the following scenarios.

a) Instead of using the average monthly heating degree days (HDD) and cooling degree days (CDD) from 2003 to 2009, please develop the weather normalized forecast for 2010 and 2011 by using average monthly HDD and CDD from 2000 to 2009. Please calculate the variance and percent variance from the 2010 and 2011 proposed weather normalized forecast.

b) Instead of using the average monthly heating degree days (HDD) and cooling degree days (CDD) from 2003 to 2009, please develop the weather normalized forecast for 2010 and 2011 by using a trend of monthly HDD and CDD from 2000 to 2009. Please calculate the variance and percent variance from the 2010 and 2011 proposed weather normalized forecast.

Other Revenues

15. Ref: Exhibit 3 / Tab 4 / Schedule 1.1 / Page 1 – Interest and Dividend Income

Please provide a breakdown of the interest income for 2008, 2009, 2010 and 2011 that is related to:

I. Monthly interest earned in the bank account
II. Interest on Regulatory assets/ Liabilities
III. Interest earned on loans Hydro One Brampton has made to its affiliate businesses
IV. All other sources.

Operating Expenses

16. Ref: Exhibit 4 / Tab 2 / Schedule 1.1 – Summary of OM&A Expenses

On Page 1, Table 1 provides a summary of OM&A expenses for the period from 2006 to 2011.

a) Please use the same format as shown in Table 1 to provide the OM&A expenses based on CGAAP.
b) Please use the same format as shown in Table 1 to provide the OM&A expenses based on CGAAP and exclude Smart Meter related costs.

17. Ref: Exhibit 4 / Tab 2 / Schedule 1.3 / Page 11 – Meter Maintenance

In the above reference provided for the explanation of the cost drivers in relation to 2010 meter maintenance, it states: "The increase is mainly associated with Hydro One Brampton's smart metering program. Throughout the implementation of this program, it was decided to focus on installing meters on customers in the parts of the city that would present the least amount of failed meter bases and failed equipment. All questionable areas, those areas that were expected to have a high failure rate, were postponed and will be completed in 2010. As a result, an additional $400,000 was budgeted to cover off theses costs in 2010. It is also expected that Hydro One Brampton will be paying approximately $320,000 in software costs associated with the smart metering program once the installation project is completed. There were no costs for this in 2009."

However in reference to Exhibit 9/ Tab 3/ Schedule 1.1/ page 6, it states: "Hydro One Brampton is requesting an ongoing rate funding adder to cover additional investments in Smart Meters in 2010 and 2011 as well as the revenue requirement for the 2010 Bridge Year for investments to the end of 2009."

Please clarify whether the meter maintenance costs in relation to Smart Meters are included in 2010 OM&A or remain recorded in the smart meter deferral account.

18. Ref: Exhibit 4 / Tab 2 / Schedule. 3.0 - Regulatory Costs

On page 2, it states: "Hydro One Brampton is requesting that the total amount associated with the 2011 Cost of Service Rate Application of $70,000 be recovered in one year."

Please provide the rationale for recovering the costs over a one year period.

19. Ref: Exhibit 4 / Tab 4 / Schedule 1.0 / Page 2 – Average Compensation per FTEE

a) Table 1 indicates that the average compensation per FTEE for 2011 is $94,129. This represents a 4.6% increase as compared to 2010 ($89,948). In reference to Exhibit 4/ Tab 4/ Schedule 3.0/ page 1, Hydro One Brampton projected the base wage adjustment for both Union, and Executive, Management and Non-union staff are 0%. Please explain the reason for the increase in average compensation given the 0% base wage adjustment.

b) Table 1 indicates that the average compensation per FTEE for 2010 is $89,948. This represents a 1.2% decrease as compared to 2009 ($91,045). In reference to Exhibit 4/ Tab 4/ Schedule 3.0/ page 1, Hydro One Brampton indicated that the base wage adjustment for Union is a 3% increase, and Executive, Management and Non-union staff is an average 2% increase. Please explain this apparent inconsistency.

20. Ref: Exhibit 4 / Tab 4 / Schedule 9.1 / Page 1 – Employee Costs

Please include 2006 actuals, 2007 actuals, and 2008 actuals employee costs and FTEE to Table 1 listed in the above reference.

21. Ref: Exhibit 4 / Tab 4 / Schedule 7 / Page 1 – Compensation Cost Reconciliation

Table 1 provided the Total Compensation Reconciliation from 2006 Board Approved to forecast Test Year 2011, please use the same format as Table 1 to provide a yearly reconciliation of the compensation from 2006 actual to 2011.

22. Ref: Exhibit 4 / Tab 4 / Schedule 8.0 / Page 1 – Hiring Schedule

In the above reference, Hydro One Brampton provided a Hiring schedule for 2010 and 2011. The schedule indicates that 11 out of the total 18 hires would be added as of Q2 of 2010. Please provide an update of the Hiring schedule for 2010 and changes, if any, for 2011.

23. Ref: Exhibit 4 / Tab 5 / Schedule 1.0 / Page 1 – Shared Services / Corporation Cost Allocation

In Table 1, Hydro One Brampton provided the Common Corporate functions and Services. Hydro One Brampton indicates that the costs for Finance for 2010 is $499,000 which represents a 68% increase as compared to 2009 actual ($297,000). Please explain the reason(s) for this increase.

24. Ref: Exhibit 4 / Tab 7 / Schedule 1.0 / Page 2 – Depreciation Review

On page 2, it states: "As part of its transition to IFRS, Hydro One Brampton conducted a review to ensure that the accounting treatment of the Company's property, plant and equipment and intangible assets was in accordance with IAS 16. This review was carried out in consultation with the Company's external IFRS advisors and with Foster Associates Inc." Please provide the results of the review and any report that may have been prepared by Foster Associates Inc.

25. Ref: Exhibit 4 / Tab 7 / Schedule 1.2 – Depreciation Expense Breakdown

In Table 4, Depreciation Expense – 2009, the calculation of the "Total for Depreciation" column is taken into account of 50% of the "Additions" (column d). However, in Table 5 & 6, Depreciation Expense - 2010 & 2011, it appears that the calculation of the "Total for Depreciation column" included 100% of the "Additions" (column d). Please explain this apparent inconsistency.

26. Ref: Exhibit 4 / Tab 8 / Schedule 1.0 / Page 4 – Summary of Income Taxes

In Table 2, Hydro One Brampton provides its summary of income taxes for 2006 Board Approved, 2010 Bridge and 2011 Test. Please expand Table 2 to include the income taxes for the period from 2006 (actual) to 2009 (actual) into Table 2.

27. Ref: Exhibit 4/ Tab8/ Schedule 3.0 – Property Tax
Exhibit 1 / Tab 2 / Schedule 3.1 – Revenue Requirement Work Form

Please clarify whether the forecasted 2011 property tax amount is included as part of OM&A or Income taxes in the revenue requirement work form.

Green Energy Plan

28. Ref: Exhibit 4 / Tab 2 / Schedule 5.1/ Appendix G – Green Energy Plan

a) In its Green Energy Plan, Hydro One Brampton states that the Green Energy Spending for 2010 and 2011 is $1,033,000 and $1,050,000 respectively. Please confirm whether these costs have been included in the revenue requirement.
b) If the Green Energy spending is not included in the revenue requirement, please explain how Hydro One Brampton proposes to recover the spending.

c) Please provide the latest update of the spending in 2010.
d) Please clarify whether there are costs related to Expansion and Renewable Enabling Improvement that Hydro One Brampton has included in the Green Energy Plan. If so, please provide amounts for these two types of costs.

29. Ref: Exhibit 4 / Tab 2 / Schedule 5.1/ Appendix G / Page 3;

***Report of the Board: Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09*, issued June 10, 2010 [EB-2009-0349];**

***Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence*, issued March 25, 2010 [EB-2009-0397]**

With respect to the filed GEA Plan:

a) Is the plan filed a "Basic" or "Detailed" GEA Plan, within the definition of the *Filing Requirements*?
b) Has Hydro One Brampton consulted with its host distributor and upstream transmitter when preparing its GEA plan?
c) Has Hydro One Brampton participated in planning meetings with the OPA?

The following applies to parts (d) and (e) of this question. The *Filing Requirements* state that, "Distributors should submit no less than 30 days in advance of the date the distributor needs to receive the OPA letter for inclusion in the cost of service application." Further, at page 7 of the *Filing Requirements*, the Board indicates for GEA plans, that, "the OPA comment letter must be filed with the GEA plan, and any response to the letter from the distributor must be included in the application or reflected in the GEA plan as filed."

d) It is a requirement that the OPA letter be filed with the Board.
    I. When did Hydro One Brampton file its Plan with the OPA?
    II. Please file the letter of comment from the OPA, or
    III. If Hydro One Brampton cannot provide the letter of comment, indicate reasons given and when Hydro One Brampton expects to receive the letter of comment.
e) Hydro One Brampton indicates at page 3 of Appendix G that the plan is in alignment with Hydro One Brampton's corporate strategy. Please provide details as to which area of Hydro One Brampton's corporate strategy applies in this fashion.

30. Ref: Exhibit 4 / Tab 2 / Schedule 5.1/ Appendix G / Page 8 and 12– Green Energy Plan - Distributor's current and future system capacity

a) Has Hydro One Brampton provided a list of all feeders that are directly connected to a transformer station that is directly connected to a transmission system or a host distributor system?
b) Please provide a list of all feeders for which the OPA has received one or more applications from renewable generators under the FIT program.
c) At page 12 of Appendix G, Hydro One Brampton indicates that, "connection requests that are in excess of <u>available system capacity</u> will be assessed with respect to whether they can be enabled with economic additions to wires facilities." Does Hydro One Brampton consider the figure at page 8 of Appendix G of 719.5MW as the available system capacity, or does Hydro One Brampton use a lower figure to account for feeders that will not be able to accept connections? Has this adjustment already been made?
d) At page 10 of Appendix G, for the 12 new feeders proposed as part of the plan, does Hydro One Brampton have any indication of the number of applications and total kW installed capacity of application with the OPA that are associated with these proposed feeder lines?

31. Ref: Exhibit 4 / Tab 2/ Schedule 5.1/ Appendix G/ Page 11 – Green Energy Expenditures under GEA Plan – List of FIT Applications

Hydro One Brampton provided a map of FIT applications at Page 11 of its GEA Plan, and Hydro One Brampton notes in evidence that October 21, 2009 is the date associated with cost-responsibility rules as set out in the DSC and thus under the provincial recovery mechanism as set out in section 79.1 of the *OEB Act*.

a) Were <u>all</u> FIT and micro-FIT project applications filed on or after the October 21, 2009 date? If not, please indicate which projects were filed prior to October 21, 2009, and under what scheme (e.g. RESOP)

b) Please provide a table, and provide the following information in column form for <u>each</u> FIT project as noted in the figure at the bottom of page 11 of Appendix G (Hydro One Brampton's GEA plan):
   I. Final approval from OPA? (Y/N)
   II. Nameplate capacity of project
   III. Available capacity? (Y/N)
   IV. Feeder connection (e.g. M22, etc.), MW, and voltage level
   V. Expected completion or in-service date

32. Ref: Exhibit 4 / Tab 2/ Schedule 5.1/ Appendix G/ Page 3,15,18,22; *Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence*, issued March 25, 2010 [EB-2009-0397]

Green Energy Expenditures under GEA Plan – Smart Grid

The *Filing Requirements* state that, "At the present time, smart grid development activities and expenditures should be limited to smart grid demonstration projects, smart grid studies or planning exercises and smart grid education and training… …the Board does not expect distributors to be engaging in the research and development activities related to smart grid development at this time."

a) Hydro One Brampton indicates at page 15 of 24 of its plan that, "Investments in [the generation connections] area allow HOBNI to undertake further research and development to understand and address the complexities associated with generation connections and the development of new standards for generation connections". Please explain why these amounts should not be characterized as research and development, and thus excluded from costs recoverable through Hydro One Brampton's GEA plan.

b) Similar to the above, at page 18 of 24 of its GEA Plan, please explain for "research and pilot projects" why research to "test and prove new and emerging technologies" should be allowed for recovery in the context of the *Filing Requirements*.

c) At page 22 of Hydro One Brampton's GEA Plan, a Smart Grid budget is presented with one line item. Please provide a breakdown of what comprises the $733,000 in 2010, and amounts in subsequent years in the table. Please do not classify items as "other" unless they amount to less than $50,000 for a particular budgeted item.

33. Ref: Exhibit 4 / Tab 2/ Schedule 5.1/ Appendix G/ Page 4,7; *Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence*, issued March 25, 2010 [EB-2009-0397]; Ontario Energy Board -- *Distribution System Code – Appendix F: Process and Technical Requirements for Connecting Embedded Generation Facilities*

Green Energy Expenditures under GEA Plan – Feeder limitations and system capacity and expansion estimates

a) At page 4 of the GEA Plan, please provide further explanation as to why Bramalea TS, and its "EZ bus" are unable to accommodate any renewable facilities connections. Please include details regarding current short circuit fault level at Bramalea TS on feeders M43, M44, M47, and M48.

b) At page 7 of the GEA Plan Hydro One Brampton has provided an explanation of each planning criteria and why these must be observed (e.g. p.u. bus voltages, bus voltage swing, line loading as % of thermal rating and rated kVA. Please confirm that Hydro One Brampton is meeting the requirements as set out in the Distribution System Code with respect to the criteria applied.

c) What limits renewable connections from connecting to the existing 8.32 kV and 4.36 kV systems <u>other</u> than that these systems will become obsolete?

d) Regarding the last 4 bullets on page 7 indicating short circuit (SC) limitations Please confirm that the following items are the available SC capacities and are <u>strictly limited by the applicable bus</u> on Hydro One Brampton's system:

    I. SC not to exceed 20kA at the HONI 44/27.6 kV bus
    II. SC not to exceed 20kA for the 27.6kV bus at Jim Yarrow TS
    III. SC not to exceed 20kA for the HOBNI MS
    IV. SC not to exceed 16kA for load modules and customer breakers

e) Please explain why M21 is not suitable for connection of renewable facilities.

34. Ref: Exhibit 4 / Tab 2/ Schedule 5.1/ Appendix G/ Page 3;
<u>Report of the Board</u>**:** ***Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09*****, issued June 10, 2010 [EB-2009-0349], Executive Summary and Page 15, footnote 9.**

Green Energy Expenditures under GEA Plan – Relief Sought and Contribution Factors

In the *Report of the Board* under the Executive Summary section, the Board states that, "Distributors that file a Basic GEA Plan will be permitted to undertake a basic (i.e., standardized) direct benefit assessment, while essentially all distributors required to file a Detailed GEA Plan will be required to undertake a detailed direct benefit assessment based on the principles and criteria set out in this Report. Further at page 15, footnote 9 of the *Report of the Board* the Board provided an example, that, "For example, based on the provisionally approved methodology and allocation (i.e., dollar amounts) proposed by Hydro One as part of its 2010 and 2011 distribution rates application, those dollar amounts represent 6% for REI [Renewable Enabling Improvement] investments and 17% for Expansion investments."

a) What specific relief, if any, is Hydro One Brampton seeking with respect to its Green Energy plan in 2011? Please include a direct benefit assessment calculation.

b) Please identify the components and proportions of the plan that Hydro One Brampton is expecting to be borne by their own ratepayers, the provincial ratepayers, and the shareholder(s). Please specifically indicate the approximate percentages that Hydro One Brampton intends to recover at this time with respect to REI investments and expansion investments from provincial ratepayers.

35. Ref: Exhibit 4 / Tab 2/ Schedule 5.1/ Appendix G/ Page 15 – Generator Connection Capital Spending

A table of generator Connection Spending has been provided for the years 2010-2015 at Page 15 of Hydro One Brampton's GEA Plan, which is a composite of tables for generator Connections and Smart Grid and OM&A, provided later in the report.

a) Is the basis for the forecast estimate of capital for Generator Connections the 25 MicroFIT and 75 FIT project application received for the period Nov 29, 2009 to present date, as mentioned on page 11?
b) Should it be understood that the 28 FIT and 70 microFIT projects listed in evidence involves spending applied in 2010? Or are these actual applications applicable to the 2011 year?
c) Is it assumed that the same number of applications (as in part "a" of this question i.e. 25 and 75 respectively) is received each year? What is the basis of the expenditure in each year?
d) Please indicate the number of Generator Connections that Hydro One BramptonI is aware of actually being required on the basis of FIT or MicroFit applications, or by whatever indications there are, for each year.
e) Please provide voltage, MW, type and connection point of the known FIT or MicroFit projects in the Hydro One Brampton service area.
f) What is the typical lead time, MW/kW size, and time to complete the average project? What is the range of expected lead times to complete these projects?
g) "Expansion (capital)" spending is shown in the table on page 15 and is described as being based on various criteria shown on Page 16. Please indicate what are the specific projects and assumptions that have been made in deriving row "Expansions (Capital)" in the table in each year.

Cost of Capital and Rate of Return

36. Ref: Exhibit 5 / Tab 1/ Schedule 2.0 – Long-term Debt

On page 2, it states: "At the end of 2009 HOBNI had $143 million of long-term debt with Hydro One Inc. at an annual interest rate of 6.95%. HOBNI proposes to add $10 million of new long-term debt with Hydro One Inc. in 2010, and another $47 million in 2011. This new debt has an assumed 30 year term at an annual interest rate of 5.71% and 6.41% respectively."

a) Please advise whether the 2010 new debt has been executed. If so, what is the actual debt rate? Please provide the terms of the agreement.
b) When is the new debt for 2011 expected to be issued?
c) Please provide the updated interest rate assumption for the new 2011 debt instrument and explain how the rate was determined

37. Ref: Exhibit 5 / Tab 2/ Schedule 1.0 – Capital Structure

a) Please confirm whether the transition of the capital structure started in 2008.
b) If the answer to (a) is affirmative, please update the capital structure for 2007 and 2008 in Table 3 and 4.

Cost Allocation

38. Ref: Exhibit 11 / Tab 1/ Schedule 2.0 – 2011 Cost Allocation Model

a) In Sheet I6, under the row of 'Number of Bills', indicates that the number of bills for the Street Light class is 505,899. Please confirm whether Hydro One Brampton is issuing bills to the Street Light class by connections or customers.

b) Please note that in Sheet I6, under the row of Weighting Factor - Billings, it indicates that the weighting value for Street Light class is 1.0 the same as a Residential customer. Based on the response in (a), please indicate whether the Weighting Factor for Street Light should be modified (eg. 12 bills to a single customer, but with a Weighting Factor larger than 1.0).

39. Ref: Exhibit 7 / Tab 2/ Schedule 1.0 – 2006 Cost Allocation Ratios

Based on the 2006 Cost Allocation Ratios, please provide a calculation of the revenue to cost ratio for each customer class that would be net of any transformer ownership allowance. In particular the following steps should be taken:

- Remove the “cost” associated with transformer ownership allowance from the revenue requirement (Worksheet I3);
- Calculate the revenue from each class at the 2006 approved rates, net of the transformer ownership allowance where applicable, and enter the revenues on worksheet I6, row 29; and,
- File Sheet O1 before and after removal of the transformer ownership allowance.

40. Ref: Exhibit 7 / Tab 2/ Schedule 1.0 – 2011 Cost Allocation Ratios before Rebalancing

Please provide a calculation which uses the most recent approved distribution rates and the forecast of billing quantities in the test year. Provide an alternative calculation of 2011 revenue for each class, based on this calculation and prorated upwards or downwards (as applicable) to match the 2011 proposed revenue requirement. Enter the 2011 class revenues on worksheet I6, row 29, and file the model in excel format.

Rate Design

41. Exhibit 8 / Tab 2/ Schedule 1.0 – Fixed and Variable Revenue Allocation

In Table 1, Hydro One Brampton is proposing to maintain the same fixed/variable proportions (17.6%/82.4%) that are currently in effect for Large User class. In Table 3, Monthly Service Charge Analysis, the monthly service charge for Large User class has been increased from $4,722.21 to $5,207.66. However the proposed volumetric charge for Large User class was reduced from $2.9023/kW to $2.5225/kW. It appears that these proposed changes would alter the fixed/variable proportions for the Large User class, especially since the changes are in opposite directions. Please explain this apparent inconsistency.

42. Ref: Exhibit 8 / Tab 6/ Schedule 4.0/ Page 2 – Bill Impact
Exhibit 7/ Tab 2/ Schedule 1.0

a) The Total Bill Impact for Street Lights is 48.72% as compared to 2010. Please explain why Hydro One Brampton did not propose a phase-in approach to mitigate the bill impacst for the Street Light class.

b) Please provide a calculation of the revenue to cost ratio for the GS 700 – 4999 kW class that would result if the ratio for the Street Light class is lower than proposed, such that the revenue to cost ratio for the Street Light class is 45%, and the rate for the GS 700 - 4999 kW class is higher than proposed so that it compensates for the lower revenue from the Street Light class.

c) Please provide a calculation of the bill impacts for the Street Light class and a representative customer in the GS 700 – 4999 kW class resulting from the hypothetical rates in part b.

43. Ref: Exhibit 8 / Tab 3/ Schedule 1.0/ Page 1 – Retail Transmission Service Rates (RTSR)

In its Revised Guideline G-2008-0001, issued on July 8, 2010, the Board has described the evidence required for RTSRs, which includes completion of a model that was provided by Board staff on August 20, 2010. Please complete and file the model. If the rates that result from the model are different from the ones proposed by Hydro One Brampton in the original application, please clarify which rates Hydro One Brampton wishes to propose and why.

Loss Factors

44. Ref: Exhibit 8/ Tab 5/ Schedule 1.1/ Page 2 / Table 1

The Applicant calculates the Supply Facilities Loss Factor (SFLF) based on the Wholesale kWh delivered to distributor values A1 and A2 in Table 1. With respect to A1 and A2, please confirm and explain whether:

a) The A1 value refers to the defined/deemed metering point on the primary side of Hydro One's Transmission's transformer; and

b) The A2 value refers to the physical metering installation on the secondary side of Hydro One's Transmission's transformer.

Further in Exhibit 8/ Tab 5/ Schedule1/ page 1, the Applicant states that Hydro One Brampton is supplied from delivery points on the transmission system with the exception of one feeder whereby Hydro One Brampton is an embedded LDC from a supply perspective. Please explain whether or not the embedded aspect has been factored in the calculation of the SFLF in Table 1.

45. Ref: Exhibit 8/ Tab 5/ Schedule 1.1/ Page 3 / Table 2

The Applicant provides distribution loss factors (DLF) and total loss factors (TLF) in Table 2 for customers less than 5,000 kW and greater than 5,000 kW. In deriving the TLFs from the DLFs , the Applicant uses a SFLF of 1.0025 for customers less than 5,000 kW, and a SFLF of 1.0045 for customers greater than 5,000 kW.

Please explain why two different SFLFs have been used for customers greater than and less than 5,000 kW rather than one SFLF for all customers per industry practice.

Smart Meters

46. Ref: Exhibit 9 / Tab 3 / Schedule 1.0 – Smart Meter

Please confirm whether all the smart meter costs incurred to the end of December 2009 as stated in this application have been audited. If not, please explain why.

47. Ref: Exhibit 9 / Tab 3 / Schedule 1.1 – Total Cost per Smart Meter

On page 4 Table 2, the Total Cost per Smart Meter for the period from 2006 to 2009 is $175.69. On the same page Table 3, the Total Cost per Smart Meter for the period from 2006 to 2011 is $252.05.

Please provide an explanation for the increase in total cost per smart meter for the smart meters to be deployed in 2010 & 2011 compared with the costs of smart meters installed from 2006 to 2009.

48. Ref: Exhibit 9 / Tab 3 / Schedule 1.1 – Proposed Disposition Rate Rider

Board staff notes that in the Board's Decision (EB-2007-0882), it stated that "Hydro One Brampton requested a -$0.09 per metered customer per month rate rider to true-up the 2006 and 2007 revenue requirement (i.e., cost of capital and depreciation) associated with the approved smart meter expenditures (EB-2007-0063) with amount collected by its smart meter rate adder from May 2006 through April 2007."

In Exhibit 9/ Tab 3/ Schedule 1.1/ page 5, Hydro One Brampton is requesting a disposition rate rider of $0.36 per customer, per month to recover the difference between the revenue entitlement and the amount collected to the end of 2009.

a) Please clarify the relationship between the proposed disposition rate rider and the $0.09 rate rider reference above.
b) Please recalculate the proposed disposition rate rider by excluding any costs that previously have been approved by the Board.

Miscellaneous

49. Ref: Harmonized Sales Tax

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

a) Please state whether or not the applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that the applicant may realize due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.

b) The Board's decision on most 2010 IRM applications established a deferral account and directed applicants to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account until the effective date of the applicant's next cost of service rate order. Please provide a detailed explanation of how Hydro One Brampton is currently tracking these amounts.

50. Ref: Low Income Energy Assistance Program (LEAP)

Please state whether or not the applicant has included an amount in its 2011 Test year revenue requirement for the LEAP emergency assistance program.

a) If yes, please identify the amount.

b) If no, please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2011 Test Year.

c) Please state whether or not the applicant has included an amount in its 2011 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

51. Ref: Ontario Municipal Employees Retirement System Pension Costs

Hydro One Brampton filed a letter, dated September 2, 2010, providing certain updates to its application. In the letter, Hydro One Brampton stated that a recent announcement by OMERS an increase to pension plan contributions. for the years, 2011, 2012, and 2013. Hydro One Brampton also stated that the increases in contributions are material and expected to be approximately $1.0 million for this time period. Please provide the forecasted increase of the OMERS expense by years and the documentation to support the increases.

52. Ref: Exhibit 1, Tab , Schedule 3.1 – Revenue Requirement Work Form

a) Based on the responses to the interrogatories from all parties, please submit an updated Microsoft Excel file containing the revenue requirement work form.
b) Please provide a listing of all changes made to Hydro One Brampton’s original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

53. Ref: Responses to Letter of Comment

a) Following publication of the Notice of Application, did Hydro One Brampton receive any letters of comment?
b) If so, please confirm whether a reply was sent from Hydro One Brampton to the author of the letter. If confirmed, please file that reply with the Board.
c) If not confirmed, please explain why a response was not sent and confirm if Hydro One Brampton intends to respond.

Deferral and Variance Accounts

54. Ref: Exhibit 9/ Tab 1/ Schedule 3.0/ Page 1-9 – New Account request

Hydro One Brampton is requesting a new deferral and variance account for Costs Subsequent to IFRS Implementation.

The Board report EB-2008-0408 dated July 28, 2009 “Transition to International Financial Reporting Standards” (Appendix 2, article 8.2) states:

“The Board will establish a deferral account for distributors for incremental one-time administrative costs related to the transition to IFRS. This account is exclusively for necessary, incremental transition costs, and is not to include ongoing compliance costs or impacts on revenue requirement arising from changes in the timing of the recognition of expenses."

a) Is the proposed account expected to record any costs specifically excluded in the Board report EB-2008-0408 (i.e. ongoing compliance costs or impacts on revenue requirement arising from changes in timing of the recognition of expenses)?
b) What is the regulatory precedent for costs proposed to be included in this deferral account?
c) What is the justification for this account?
d) What account number does Hydro One Brampton propose to use in the USoA?
e) What are the journal entries to be recorded?
f) Please provide Hydro One Brampton's estimate of the quantum of the costs that would be recorded in this account.
g) If the costs are not known, what would be the basis of the approval to record these amounts in a deferral account?
h) What new or additional information is available since the June 30, 2010 filing of this application that would improve the Board's ability to make a decision on this request?

55. Ref: Exhibit 9/ Tab 1/ Schedule 3.0/ Page 1-9 – New Account request

Hydro One Brampton is requesting a new deferral and variance account for Losses on Early Retirements.

a) Please provide an estimate of the costs that would be recorded in this account.
b) Please provide an estimate of the impact on the revenue requirement going forward indicating at a minimum the directional impact, based on historical experience and other analysis.
c) If the costs are not known, what is the basis for the approval to record these amounts in a deferral account?
d) What account number does Hydro One Brampton propose to use in the USoA for this account?
e) What are the journal entries to be recorded?
f) What is the justification for this account?
g) What is the regulatory precedent for costs proposed to be included in this deferral account?
h) Is there any new or additional information since the June 30, 2010 filing of this application that would assist the Board in assessing this request?

56. Ref: Exhibit 9/ Tab 1/ Schedule 1.0/ Page 1-7 – Account 1562 and 1592

Hydro One Brampton is requesting to dispose its PILs accounts 1562 and 1592.

The March 3, 2008 letter of the Board relating to the combined PILs proceeding (EB-2008-0381) stated the following:

“Going forward, it is the Board’s expectation that the decision stemming from the combined proceeding will be used to determine the final account balances with respect to account 1562, Deferred PILs for the remaining distributors. The Board intends to proceed with the review and disposition of the account 1562, Deferred PILs balances for the remaining distributors subsequent to the completion of the combined proceeding.”

Why is Hydro One Brampton requesting to dispose of the balances in accounts 1562 and 1592, given that the PILs proceeding to determine the methodology to be used for calculation and disposition of the PILs account balances has not yet concluded?

Preamble to remaining interrogatories on Hydro One Brampton’s request for disposition of Accounts 1562 and 1592:

If Hydro One Brampton wishes to continue with the review and disposition of accounts 1562 and 1592 as part of the instant proceeding, responses to the following interrogatories will be required in order to assess the quantum of the accounts and compliance with the Board’s established methodology. The interrogatories are numerous as the quantum in account 1562 is the result of accounting entries and calculations dating back to 2001. The interrogatories examine Hydro One Brampton’s entries in its PILs proxy model for each year from 2001 to 2005 as well as reconciling those entries with Hydro One Brampton’s tax filings and rate applications for each of the subject years.

57. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Corporate Tax Returns- Federal T2 and Ontario CT23

a) Please provide copies of the signed original and amended federal T2 tax returns (T2 jacket and supporting schedules) and the Ontario CT23 tax returns for the 2001 through 2006 tax years that were filed with the tax authorities. Please do not file any forms containing confidential information such as employee names and social insurance numbers.

b) Please provide the financial statements that were attached to the tax returns.

c) Please provide all of the Notices of Assessment, Reassessment and Statements of Adjustments for the tax years 2001 through 2009.

58. Ref: Exhibit 9 / Tab 1/ Schedule 5.0/ Page 4 / Table 1 – PILs 1562 True-up Summary 2001 to 2006

a) Please provide the Board decisions and Orders, rate application models, and PILs proxy models for 2002 through 2005 that support the PILs rate proxy entitlement shown in this summary continuity schedule.

b) Please provide the live Excel worksheets that show how Hydro One Brampton calculated the PILs proxy entitlement for each year shown in the summary continuity schedule.

c) Please provide the live Excel worksheets that Hydro One Brampton used to calculate the amounts billed to customers for the years 2002 through 2006.

d) Please explain why no PILs proxy amount appears in the 2001 column.

e) The RRR SIMPIL filings were made in the summer following the applicable tax years 2001-2005 after the tax returns had been prepared and filed with the tax authorities. Please explain why Hydro One Brampton has shown the true-up and deferral account variances in the applicable tax year rather than in the following year.

f) Please explain why Hydro One Brampton has not shown interest carrying charges on the summary continuity schedule.

g) Hydro One Brampton has referred to an interest amount to be collected related to the balance in 1562 [Ref: Exhibit 9/ Tab 1/ Schedule 1/ Pages 4 and 5]. How was the interest recalculated after Hydro One Brampton amended its treatment of the interest claw-back? That is, by month, average annual or some other method.

h) Hydro One Brampton has stated on Exhibit 9/ Tab 1/ Schedule 1/ Page 1 that it used 0.55% for the period January 1 to December 31, 2010.

    I. What rates of interest did Hydro One Brampton use to accrue interest from April 1, 2006 to December 31, 2009?

    II. What rate of interest did Hydro One Brampton use to calculate interest for the period August 1, 2001 to April 30, 2006?

i) Large Corporation Tax (LCT) was repealed with effect from January 1, 2006. Has Hydro One Brampton included the proportional amount of LCT for the period January 1 to April 30, 2006 in its summary continuity schedule? If not, please explain.

j) Did Hydro One Brampton use the final tax items in the original, amended, assessed or reassessed tax returns for purposes of calculating the SIMPIL/ PILs true-up amounts for 2001 to 2005?

59. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Stand-alone Principle

a) How has Hydro One Brampton applied the stand-alone principle in its evidence? That is, were the Large Corporation Tax and Ontario Capital Tax thresholds/ exemptions pro-rated among regulated and non-regulated companies in the corporate group or were they allocated 100% for regulatory purposes?

b) Was this treatment specifically approved by the Board in its decisions on Hydro One Brampton's applications for 2002 and subsequent years?

60. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Accounts Used

a) In Hydro One Brampton's opinion, does the balance in account 1562 establish the obligation to, or the receivable from, the distributor's ratepayers?

b) If Hydro One Brampton used the 1563 contra account, how should its balance be cleared in conjunction with the disposition of the 1562 control account? If Hydro One Brampton did not use account 1563, does it have an opinion on the disposition methodology of 1563?

61. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Compliance with APH and Related FAQs

a) Has Hydro One Brampton correctly applied the true-up variance concepts established by the Board's guidance?

b) How did Hydro One Brampton calculate or determine the PILs tax amounts billed to customers for the period 2001 - 2006?

c) How did Hydro One Brampton treat unbilled revenue in the amounts recorded in 1562 relating to billings to customers? If information was not available to calculate unbilled revenue as at April 30, 2006 please identify where in its evidence for this proceeding has Hydro One Brampton provided this information?

d) Does Hydro One Brampton's liability for post-employment benefits relate only to people directly employed by Hydro One Brampton?

e) Did Hydro One Brampton use a materiality threshold to determine true-up items in the models? If yes, how did Brampton determine the materiality threshold that it used for each year 2001-2005?

62. Ref: Exhibit 9 / Tab 1/ Schedule 5.0/ Page 4 / Table 1 – Treatment of Short Tax Years or Stub Periods

<u>2001 PILs Proxy (also termed 2001 Deferral Account Allowance)</u>

a) In Table 1, how did Hydro One Brampton recognize and record the continued collection of the 2001 PILs proxy amount in rates from 2002 through the removal of the 2001 proxy from rates in 2004?

b) How many times has Hydro One Brampton recorded true-up items related to the 2001 PILs amount included in 2002 rates in account 1562? Has Hydro One Brampton provided evidence supporting this treatment? If yes, please identify where the evidence can be found.

c) Should the 2001 PILs amount be trued up to specified items from tax filings and recorded in the period after the 2002 rate year until the 2001 deferral account allowance was removed from rates in 2004?

<u>January 1 to April 30, 2006</u>

d) For the period January 1 to April 30, 2006 what variances did Hydro One Brampton consider for true-up? Please explain.

63. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Tax Impacts of Movements in Regulatory Asset and Liability Balances

a) How did Hydro One Brampton deal with tax impacts of regulatory asset and liability movements, and collections of same, from the 2001 to 2005 tax years in the SIMPIL/ PILs true-up model reconciliations? Regulatory assets and liabilities refer to the established range of accounts plus the new 1590 and 1595 accounts.

b) Did Hydro One Brampton follow the guidance in the 2004 and 2005 RRR SIMPIL filing guidelines concerning regulatory asset movements being excluded in the determination of true-up amounts?

c) Did Hydro One Brampton follow the guidance provided in Chapter 7, page 61, of the Report of the Board on 2006 EDR Handbook regarding movements in regulatory assets?

d) Since Hydro One Brampton has collected the regulatory asset amounts (other than 1562 and 1592), and has received the benefit of declining income tax rates during the period 2001 to 2009, should the movement in these deferral and variance accounts be used to determine additional true-up amounts from ratepayers in the SIMPIL/ PILs calculations? Please explain.

64. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Tax Rates Used for True-up Calculations

For each year 2001 through 2005, please describe how Hydro One Brampton calculated and selected the income tax rate that it used to calculate the true-up amounts which were included in the reconciliation of the Account 1562 balance.

65. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Interest Claw-back

a) Did Hydro One Brampton use the maximum amount of deemed interest from its 2002 and subsequent applications as the threshold to determine the excess interest claw-back?

b) Does Hydro One Brampton agree that the interest claw-back has been a feature of the Board's PILs/ SIMPIL methodology since 2001-2002?

c) Was the actual debt outstanding for the period 2001 through 2005 borrowed from third parties, Hydro One Inc., or other associated or affiliated companies?

d) Please provide an analysis of the amounts borrowed and applicable interest rates for each type of debt instrument with each of third parties, Hydro One Inc. and associated/ affiliated companies for the period 2001-2005.

e) Please complete the attached Excel worksheet for the analysis of Hydro One Brampton's actual balance sheets from 1999 through 2009.

66. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – 2001 PILs Models

Evidence Indentified as PILs Files 2001-2005. These are the Excel models that generated the true-up entries for account 1562. The following questions are related to the Excel model named "Hydro One Brampton PILs-2001_EB-2008-0381_20100429 CEC & RA Adj.xlsm".

a) TAXCALC initial estimate column C does not agree with the models submitted in the 2002 RAM application. The tax rates and other numbers are different. Please correct to agree with the 2001-2002 application evidence and resubmit the evidence.
b) TAXREC
    I. Cell C109: Capitalized interest is interest and should be added to interest expense for purposes of the claw-back calculations.

II. The Ontario tax rate of 13.10% shown in cell C150 is higher than the maximum statutory rate of 12.5% for the fourth quarter 2001. Please explain why and show the calculations.

c) TAXREC2 – Row 98 – Combined amount of $390,694.

I. Do prospectus and underwriting fees relate to debt issued, and what is the amount?

II. Did Hydro One Brampton disclose these fees for GAAP purposes as financing charges in its financial statements?

III. Should Hydro One Brampton consider financing charges as interest for purposes of the interest claw-back calculations?

IV. How much is the capital tax expense in the combined amount?

V. It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?

d) Tax Rate Tables: Upon refilling, please ensure that the correct income tax rates are used.

67. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – 2002 PILs Models

Evidence Indentified as PILs Files 2001-2005. These are the Excel models that generated the true-up entries for account 1562. The following questions are related to the Excel model named "Hydro One Brampton PILs-2002_EB-2008-0381_20100324 CEC & RA Adj.xlsm".

a) Tax and Accounting Reserves

I. Are the regulatory reserves of $144,843 shown in cell C60 related to regulatory assets?

II. Should movements in regulatory assets true-up to the ratepayers? Please explain.

b) TAXREC2 – Row 98 – Combined amount of $155,404.

I. Do prospectus and underwriting fees relate to debt issued, and what is the amount?

II. Did Hydro One Brampton disclose these fees for GAAP purposes as financing charges in its financial statements?

III. Should Hydro One Brampton consider financing charges as interest for purposes of the interest claw-back calculations?

IV. How much is the capital tax expense in the combined amount?

V. It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?

68. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – 2003 PILs Models

Evidence Indentified as PILs Files 2001-2005. These are the Excel models that generated the true-up entries for account 1562. The following questions are related to the Excel model named “Hydro One Brampton PILs-2003_EB-2008-0381_20100429 CEC & RA Adj.xlsm”.

a) Tax and Accounting Reserves
    I. Are the regulatory reserves of $144,843 shown in cell C48 and $353,625 in cell C61 related to regulatory assets?
    II. Should movements in regulatory assets true-up to the ratepayers? Please explain.

b) TAXREC2 – Row 98 – Combined amount of $194,605.
    I. Do prospectus and underwriting fees relate to debt issued, and what is the amount?
    II. Did Hydro One Brampton disclose these fees for GAAP purposes as financing charges in its financial statements?
    III. Should Hydro One Brampton consider financing charges as interest for purposes of the interest claw-back calculations?
    IV. How much is the capital tax expense in the combined amount?
    V. It is staff’s understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?

69. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – 2004 PILs Models

Evidence Indentified as PILs Files 2001-2005. These are the Excel models that generated the true-up entries for account 1562. The following questions are related to the Excel model named “Hydro One Brampton PILs-2004_EB-2008-0381_20100429 CEC & RA Adj.xlsm”.

a) Tax and Accounting Reserves
    I. Are the regulatory reserves of $353,625 shown in cell C48 and $3,485,134 in cell C61 related to regulatory assets?
    II. Please provide a table that compares the reserves on the audited balance sheet with the reserve amount of $3,485,134. Please explain.
    III. Should movements in regulatory assets true-up to the ratepayers? Please explain.

b) TAXREC2
    I. Other additions in cell C41 in the amount of $198,431. What items does this amount represent? Should they true-up under the methodology? Please explain.
    II. Capital tax addition in C42 in the amount of $44,351. It is staff’s understanding that capital tax should not true-up to ratepayers for

income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?

III. Depreciation expense cell C43 in the amount of $172,973 should not true up under the methodology and should be included with the amount shown in TAXREC cells C43 and C61. Please explain why Hydro One Brampton believes the amount should true up to ratepayers.

IV. Row 100 RSVA in the amount of $39,748. Should regulatory asset movements be trued up to ratepayers? Please explain.

V. Row 101 – Combined amount of $154,606.
    - i) Do prospectus and underwriting fees relate to debt issued? If yes, please identify the amount.
    - ii) Did Hydro One Brampton disclose these fees for GAAP purposes as financing charges in its financial statements?
    - iii) Should Hydro One Brampton consider financing charges as interest for purposes of the interest claw-back calculations?
    - iv) How much is the capital tax expense in the combined amount?
    - v) It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?

70. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – 2005 PILs Models

Evidence Indentified as PILs Files 2001-2005. These are the Excel models that generated the true-up entries for account 1562. The following questions are related to the Excel model named "Hydro One Brampton PILs-2005_EB-2008-0381_20100324 CEC & RA Adj.xlsm".

a) TAXCALC initial estimate column C does not agree with the models submitted in the 2005 RAM application. The tax rates and other numbers are different. Please correct to agree with the 2005 application evidence and resubmit the evidence.

b) Tax and Accounting Reserves

I. Are the regulatory reserves of $3,485,134 shown in cell C48 and $7,221,831 in cell C61 related to regulatory assets?

II. Please provide a table that compares the reserves on the audited balance sheet with the reserve amount of $7,221,831. Please explain.

III. Should movements in regulatory assets true-up to the ratepayers? Please explain.

c) TAXREC2

I. Capital tax addition in C42 in the amount of $795,058. It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?
II. Depreciation expense cell C43 in the amount of $236,715 should not true up under the methodology and should be included with the amount shown in TAXREC cells C43 and C61. Please explain why Hydro One Brampton believes the amount should true up to ratepayers.
III. Row 98 capital tax in the amount of $829,705. Capital tax also appears in row 101 as part of the combined amount of $154,606. Please explain why. It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?
IV. Row 99 Other deductions in the amount of $130,279.What items does this amount represent? Should they true-up under the methodology? Please explain.
V. Row 100 RSVA in the amount of $1,183,521. Should regulatory asset movements be trued up to ratepayers? Please explain.
VI. Row 101 – Combined amount of $154,606.
    i) Do prospectus and underwriting fees relate to debt issued? If yes, please identify the amount.
    ii) Did Hydro One Brampton disclose these fees for GAAP purposes as financing charges in its financial statements?
    iii) Should Hydro One Brampton consider financing charges as interest for purposes of the interest claw-back calculations?
    iv) How much is the capital tax expense in the combined amount?
    v) It is staff's understanding that capital tax should not true-up to ratepayers for income tax purposes under the methodology since capital taxes are expense and part of net income. Why does Hydro One Brampton believe that capital taxes should true up for income tax purposes?
VII. The Materiality Level has been set to zero. The model has segregated and classified the amounts listed as deductions into material and non-material categories. Non-material deductions do not true up if materiality is set to more than zero. Please explain why the model has not trued up all of the deductions.

d) Tax Rate Tables: Upon refilling, please ensure that the correct income tax rates are used.

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71. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – PILs model update

After correcting the models for the years 2001 through 2005, please make copies and rename the models to indicate that one set shows the interest claw-back and the other set of models does not.

a) In the set labeled "Without interest claw-back" please insert zero (0) in the appropriate cell in TAXCALC section V) Interest Portion of True-up. This is cell E206 in the models for 2002-2005. Please ensure that zero now appears in cell E112 after adjusting cell E206.

b) Please provide a revised summary table similar to Exhibit 9/ Tab 1/ Schedule 5.0/ Page 4/ Table 1 for the set of models labeled "With interest claw-back" and another summary for the set "Without interest claw-back". It might be easier not to recalculate carrying charges for this comparison.

c) Please compare the results and explain where they differ from the pre-filed evidence.

72. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – PILs Account 1592

a) Please describe each type of tax item that has been accounted for in account 1592.
b) Please provide the calculations of how each item was determined and provide any pertinent supporting evidence.
c) Did Hydro One Brampton follow the guidance provided in FAQ July 2007?

73. Ref: Exhibit 9 / Tab 1/ Schedule 5.0 – Disposition Methodology

In Exhibit 9/ Tab 1/ Schedule 1/ Page 1, Hydro One Brampton stated that it allocated balances to rate classes based on the default cost allocation methodology in the EDDVAR report. For account 1595 EDDVAR indicates on page 21, *"Residual Account balance to be allocated to rate classes <u>in proportion to the recovery share</u> as established when rate riders were implemented."* For accounts 1562 and 1592, EDDVAR indicates, *"Case-by-case basis".*

a) Since accounts 1562 and 1592 have not been cleared for the majority of distributors, and no rate riders have been set, on which recovery share has Hydro One Brampton relied?

PILs were recovered in 2002, 2003 and up to March 1, 2004 using the fixed and variable charges. PILs amounts were allocated to rate classes based on the distribution revenue shares from the 2001 unbundling application. The 2006 EDR allocations were also based on these same distribution revenue shares. PILs for 2004, 2005 and up to April 1, 2006 were recovered on the variable charge.

b) Has Hydro One Brampton allocated the PILs 1562 and 1592 balances to the rate classes in a consistent manner to that followed when the rates were originally created from 2001 through 2005?
c) Could Hydro One Brampton use the cost allocation shares from its 2008 cost of service application?
d) Could Hydro One Brampton use the cost allocation shares that it has applied for in its 2011 rates application?

e) What billing determinant(s) should be used to recover the final amount in accounts 1562 and 1592? That is, by the fixed and variable charges, fixed charge only, or variable charge only?

f) Should the final balances in accounts 1562 and 1592 that will be approved for disposition be transferred to account 1590 Recovery of Regulatory Asset Balances or account 1595? If there are separate disposition rate riders for PILs, would it make sense to transfer the balance to 1590 or 1595?

g) Should the disposition of accounts 1562 and 1592 be made final in this proceeding? How, and if at all, should subsequent tax reassessments for the period 2001 through 2005 from the tax authorities be handled in the future?