BOARD STAFF INTERROGATORIES
KENORA HYDRO ELECTRIC CORPORATION LTD.
2011 COS RATES
EB-2011- 0135

Administration

1. Ref: Exhibit 1/Tab1/Schedule 2 p.4
Kenora Hydro is requesting that the proposed rates be effective May 1, 2011 or as soon as possible thereafter.

    a) Is Kenora Power intending to file a request that the Board declare its current rates interim, effective May 1, 2011, in the event that the rate order from this proceeding is issued after that date?

    b) If so, when will it file the request?

2. Ref: Exhibit 1/Tab 2/Schedule 1 p.9 and Exhibit 2/Tab 3/Schedule 2 p.1
Kenora Hydro states that it is nearing the end of its extensive five year plan to refurbish its aging substation infrastructure, as well as upgrades to meet IESO and OEB regulations, including upgrades to the ground grid and SCADA monitoring system. This appears to be reflected in the 5 year Capital budget which shows planned capital spending of about $1.060 M in 2010 and $1.284 M in 2011 dropping to $.848M, $.429 and $.329 in 2012, 2013 and 2014 respectively. During the 2012, 2013 and 2014 period, it is anticipated that Kenora Power's rates will be set under an IRM regime.

    a) In an IRM regime, a cost of service application that is filed once every few years establishes rates to recover costs of a "typical" year. All else being equal, please provide an estimate of any over-earnings, i.e revenue requirement sufficiency, that results in 2012, 2013 and 2014 due to this projected drop in capital spending.

3. Ref: Exhibit 1 /Tab 2/ Schedule 2 p.1
Kenora Hydro states that its capital budget forecast for 2010 and 2011 is influenced, among other factors, by Kenora Hydro's capacity to finance capital projects and that Working Capital has been depleted over the past several years, as the extensive substation rebuild project progressed. All proposed capital projects are assessed within the framework of its capital budget priority and are outlined in Exhibit 2/ Tab 2/ Schedule 2.

    Please describe the impact that Kenora Hydro's capacity to finance capital projects and depleted Working Capital has had on its capital spending in 2008, 2009 and 2010.

4. Ref: Exhibit 1/Tab1
    a) Please identify any rates and charges that are included in Kenora Hydro's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

    b) If the associated revenues are not otherwise included in the "Other Operating Income" found at Exhibit 3 Tab 3 Schedule1, please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2010 bridge and 2011 test years.

    c) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

Responses to Letters of Comment

5. Ref. Exhibit /1 Tab 1 / Schedule 2
   Following publication of the Notice of Application, did the applicant receive any letters of comment? If so, please confirm whether a reply was sent from the applicant to the author of the letter. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if the applicant intends to respond.

Harmonized Sales Tax

6. Ref: Exhibit 1 /Tab 2 /Schedule 2
   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 realized due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings 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 EB-2009-0200 decision, dated April 16, 2010, on the applicant's 2010 IRM application established a deferral account and directed the applicant 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. On December 23, 2010, the Board issued FAQ's that provided options for tracking amounts in the HST sub-account. Has the Applicant recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

International Financial Reporting Standards (IFRS)

7. Exhibit 1 Tab 1 Schedule 9
Kenora Hydro states it has not filed its financial information under the proposed International Financial reporting Standards (IFRS) and continues to follow the OEB prescribed principles.

    a) Please confirm that the revenue requirement numbers for 2011 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.

    b) Please state whether or not the applicant has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

Rate Base and Capital

8. Ref: Exhibit 2 /Tab 1 /Schedule 1 p.6 and Exhibit 2/Tab3/Schedule 3 p.1
Kenora Hydro states that (i) to date it has not had a formal asset management plan, relying instead on the extensive cumulative staff knowledge of the existing assets, their condition and the future required repairs or replacements and that (ii) an Asset Management Plan has been developed in-house which will be used as the base for future capital decisions. This plan is a work in progress, and will be developed over the next few years, providing support for future rate filings.

    Please confirm whether or not the (in-house developed) formal Asset Management Plan will be ready in time for the preparation of Kenora Hydro's next Cost of Service rates application.

9. Ref: Exhibit 2/ Tab 2/ Schedule 1 p.1 table 4
The evidence indicates that Kenora Hydro disposed $1.252 M in assets in 2006 (out of a plant opening balance of $10.828 M).

    a) Please confirm whether or not the realized value of the disposed plant was less than the net book value.

    b) If there is a differential, please indentify those specific disposals where there was a loss of $.05 M or more.

10. Ref: Exhibit 2 /Tab 2 /Schedule 2 p.8
    Please provide a copy of the calculation that was used to generate the Capital Contribution in the amount of $34,504 for the Coney Island customer connection project.

11. Ref: Exhibit 2 /Tab 2/ Schedule 2 p.16
    Please explain why the substation oil leak containment design costs of $25,933, completed by Hatch in 2009, were capitalized and not expensed.

12. Ref: Exhibit 2 /Tab 2/ Schedule 2 p.20-21
    The evidence shows that Kenora Hydro is planning to spend $52,000 for underground conduit and $60,000 for underground conductor due to the City of Kenora downtown revitalization project.

    a) Is the City of Kenora making any Capital Contributions toward Kenora Hydro's expenditures?

    b) If so, what is the amount?

    c) If not, please explain why the Kenora Hydro did not consider that a contribution was warranted.

13. Ref: Exhibit 2 and Exhibit 8/Tab/ 1/Schedule 5/Appendix C p.2
    Kenora Hydro's proposed rates for 2011 will increase the delivery costs for a typical residential customer consuming 800kWh monthly by about 33% or $9.45/mo.

    a) Please identify any capital expenditures in 2011 that could be deferred/delayed/ postponed to 2012 or 2013 in order to mitigate the projected increase in rates in 2011 which could be viewed by customers as excessive?

Operating Revenue
Load and Customer Forecasting

14. Ref. Exhibit 3 /Tab 2 /Schedule 1 p. 6
    Please explain why Kenora Hydro's system load is unavailable for the years prior to 2002?

15. Ref. Exhibit 3 /Tab 2 /Schedule 1 p. 7 and 17
    Exhibit 3 /Tab 2 /Schedule 17 Table 16 shows a CDM adjustment (reduction) totalling 1.23 GWh for the 2011 load forecast. The 2011-14 Net Cumulative Energy Savings Target set for Kenora Power in the EB-2010-0215/0216 decision and order, dated November 12, 2010, is 5.220 GWhs. The 2014 Annual Peak Demand Saving Target is 0.860 MW.

    a) Please provide the rationale and calculation which relates the 1.23GWh reduction with the 5.220 GWhs 2011-2014 target.

b) What assurance can Kenora Hydro provide that it has the underlying programs in place which will result in the actual realization of this forecasted reduction in 2011?
c) What is the impact on Kenora Hydro's Revenue Deficiency, shown at Exhibit 6/Tab1/Schdule1 p.2, for 2011 of $909,070 if the load forecast reflects only a 10% reduction (of the cumulative target) in 2011 i.e. 0.5220 GWHs?

16. Ref. Exhibit 3 /Tab 2 /Schedule 1 p. 11-12
Kenora Hydro is forecasting that the number of residential customers in 2011 will drop by 2.2% as compared to 2009 actual. i.e. from 4783 to 4674.

a) Please provide the underlying calculation for the geometric mean that Kenora Hydro applied to generate the forecast of 4674 residential customers.

b) What level of confidence does Kenora Hydro have in this forecast given that during the 2005-2009 period, residential customer numbers declined materially (for example more than 0.5%), only once (in 2008). Is there any support, other than the "geometric mean" calculation, for the 2011 forecast?

Other Distribution Revenue

17. Ref: Exhibit 3/ Tab 3/ Schedule 1 p.2
The evidence shows first time revenues of $43,000 and $44,250 for 2010 and 2011 in account 4220 (other electric revenues).

Please describe the nature of these revenues.

18. Ref: Exhibit 3/ Tab 3/ Schedule 1 p.2 and p.3 ln 11
The evidence states that Kenora Hydro has considered the net revenue from streetlight maintenance as forming part of the revenue offsets to its Revenue Requirement. Revenues of $75,000 and streetlight maintenance expenses $(69,000) are included as offsets in accounts 4325 and 4330 in the revenue requirement model.

Please confirm whether the revenue/expenses yearly amounts presented in Table 22, found at Exhibit 3 \Tab3\Schedule 1 p.2, reflect the aforementioned treatment.

19. Ref: Exhibit 3/ Tab 3/ Schedule 1 p.2 and Exhibit 1/Tab2/Schedule 4 p.3
Please explain why "other income and deductions" in the revenue requirement workform, found at Exhibit 1/Tab2/Schedule 4 p.3, shows $116,206 while Table 22 shows $112,166 for "other income and expenses".

Operating and Maintenance Expenses

20. Ref: Exhibit 1/Tab2/Schedule 2 and Exhibit 4 Tab 1 Schedule 1 p3.
Please identify the inflation rate used for the 2011 OM&A forecast and the source document for the inflation assumptions.

21. Ref: Exhibit 4/Tab2/Schedule 4 p.10

The evidence indicates that that the application does not include any costs associated with Low Income energy Assistance Programs.

a) Please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2011 Test Year.

b) 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.

22. Ref: Exhibit 4/Tab2/Schedule 7 p.6

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

a) Please state whether or not the applicant's proposed pension costs include this increase.

b) If so, please provide the forecasted increase by years and the documentation to support the increases.

c) If not, please state how the applicant proposes to deal with this increase.

23. Ref: Exhibit 4/Tab2/Schedule 4 p.3 table 5, p. 8 and p.10 table 7

Table 5, account 5655 (Regulatory Expenses) shows $15,737 for 2009 actual and $91,830 for 2011 test year. Table 7 breaks out the "Regulatory Costs" for 2010 and 2011. Kenora Hydro explains that $75,000 of the $76,093 increase between 2009 and 2011 in account 5655 is "… due to the 2011 cost of service filing and the completion of an asset management plan, the costs of which have been smoothed over a four year period…"

a) Please confirm whether or not the amounts shown in table 7 (shaded cells) are the total forecasted amounts for the 2011 proceeding and not the amount which would be amortized each year.

b) Does the $150,000 test year forecast shown in table 7 include any costs related to the "asset management plan"? If included, please specify the amount included.

c) Table 7 row 2 provides $38,000 for OEB Hearing Assessments (application initiated). What portion of this amount is for intervenor costs?

24. Ref: Exhibit 4/Tab 2/Schedule 5 p.2 table 8 and Exhibit 4/Tab 2/Schedule 4 p.4

Why do the billing costs for 2011allocated from the City of Kenora increase, as compared to 2010, even though the billing clerk function has been transferred from the City of Kenora to Kenora Hydro?

Shared Services

25. Ref: Exhibit 4 /Tab 2/ Schedule 5 p2 table 8
    Are there any service agreements between Kenora Hydro and the City of Kenora regarding the services listed in Table 8? If so please provide one copy of each.

26. Ref: Exhibit 4 /Tab 2/ Schedule 5 p.1
    Kenora Hydro indicates that it performs streetlight maintenance for the City of Kenora. For streetlight maintenance, actual cost including labour, labour burden, stores material, along with vehicle costs are charged and include a 20% profit mark up. As a result of recent changes to the Affiliate Relationships Code, Kenora Hydro is reviewing its provision of services in respect of Street Light Maintenance.

    a) Please indicate the change in the Affiliate Relationships Code that is causing its review of the Street Lighting Maintenance services it provides to the City of Kenora.

    b) When will the review be completed?

Cost of Capital and Capital Structure

27. Ref: Exhibit 5/ Tab 1/ Schedule 1
    Pursuant to The *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* [EB-2009-0084] dated December 11, 2009, does Kenora Power confirm that it will update its test year revenue requirement, when practical, to reflect the ROE and deemed debt rates, as applicable, for rates effective May, 1, 2011?

28. Ref: Exhibit 6/ Tab 1/ Schedule 1 p.2 and Exhibit 1/Tab2/Schedule 4 p.7
    The Revenue Deficiency Determination on p.2 shows a return on equity rate of 8.01% under the header "2011 Test-Required Revenue". Please clarify how the 8.01% relates to the rate of return on equity of 9.85% shown in Exhibit 1/Tab2/Schedule 4 p.7

Cost Allocation/Rate Design

29. Ref: Exhibit 7/Tab 1/Schedule 2 p.4
    Kenora Hydro states that in an effort to move the GS>50 kW class Revenue to Cost ratio closer to 100%, it is proposing a rate which moves the ratio from 128.44% to 124.52%.

    a) Please explain the rationale for using 124.52%, other than it is closer to 100% than is 128.44%.

Deferral and Variance Accounts

30. Ref: Exhibit 9/ Tab 1/ Schedule Table 1
    Table 1 presents the Regulatory Balances as at December 31, 2009 and shows a credit of $362,189 for "Balance in Future Income Tax Accrual".

    a) Please provide the account name/number that records this amount.

b) What is the basis for recording entries in this account?

c) What are the entries in this account?
d) Is this an account which can only be disposed of through an order of the Board?

31. Ref: Exhibit 9/Tab 1/Schedule 1 Table 1

Table 1 shows, as at December 31, 2009, Regulatory Assets for which clearance is requested totalling ($518,855) and Accounts for which clearance is not requested totalling $153,032.

Does the sum of these two amounts matches the amounts reported to the Board under RRR2.1.7? If not, please explain why.

32. Ref: Exhibit 9/Tab 1/Schedule 3
Kenora Hydro is seeking the disposition of a net credit in the amount of $521,517 as set out in Exhibit 9 Tab 1 Schedule 3. The included accounts are 1580, 1584, 1586, 1588, and1508.

a) Please confirm that Kenora Hydro has complied with and correctly applied the Board's accounting policy and procedures for the calculation of the final disposition balances.

b) If Kenora Hydro used other practices in the calculation, please describe them, including an explanation of why they were used.

c) Has Kenora Hydro reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?

33. Ref: Exhibit 9/ Tab 1/ Schedule 2 p. 3 and Exhibit 8/Tab1/Schedule 5/ Appendix C p. 2
Kenora Hydro is proposing to dispose of the deferral and variance account balance, a credit of $521,517, over 4 years since a one year disposition period would create a significant rate impact the following year when the credit is no longer applied to the bill. Kenora Hydro explains that a four year period would help reduce rate shock and still help with rate mitigation if applied over a four year period.

a) The residential bill impact (delivery @ 800kWh) of Kenora Hydro's proposed rates for 2011 is an increase of 31.76%. Please recalculate the residential bill impact, assuming a one year rate rider.

b) Holding all other variables constant, please calculate the residential bill impact that would occur on May 1, 2012 when a "one year" rate rider credit would terminate.

c) Please repeat a) and b) assuming a two year rate rider.

d) Please repeat a) and b) assuming a three year rate rider.

Loss Factors

34. Ref: Exhibit 8 /Tab 1/ Schedule 4
The evidence shows the 5 year average of the Distribution Loss Factor to be 1.0368. For 2009, the actual shown is 1.0192.

a) Is the 2009 reduction, wholly or materially in-part, due to the Kenora Hydro's station/substation, transformer and related capital investments and operating improvements over this period?

b) Although the Filing Requirements for Transmission and Distribution Applications, dated June 28, 2010, anticipates that the Distribution Loss Factor for the test year would be calculated using a 5 average, it is not necessarily appropriate in all cases. Given recent history, please explain why the 2009 experience should not be given a greater weighting in this application?

Late Payment Penalty (LPP) Litigation Costs

35. Ref: Exhibit 9 /Tab 3/ Schedules 1 & 2
Kenora Power indicates that it is seeking recovery of a one time expense of $16,378 related to the Late Payment Penalty class action settlement and which is expected to be paid on June 30, 2011. Kenora Hydro is proposing to recover this amount using a $0.25 rider/meter/month for one year. Board staff also note that there is a generic proceeding EB-2010-0295 on the matter of the recovery of LLP litigation costs.

a) Please explain why Kenora Hydro is proposing a rate which appears to collect $13,473, which is less that the amount it seeks to recover.

Smart Meters

36. Ref: Exhibit 9/ Tab 2/ Schedule 1 p. 1
Kenora Hydro is seeking approval to include smart meter capital deployed as of December 31, 2009 in the 2011 rate base and smart meter operation and maintenance expenses of $59,000 in the 2011 OM&A.

a) Please identify the amount in 2011 rate base that is attributable to smart meter capital deployed.

b) Please indicate where the amount for smart meter capital deployed appears or is included in the Fixed Asset Continuity Schedules shown at Exhibit 2/Tab 2/ Schedule 1 /Table 8 and Table 9.

37. Ref: Exhibit 1/ Tab 1/ Schedule 5 p. 2
Kenora Hydro is seeking approval to create a new variance account to track future charges from the IESO for smart meter entity and MDMR costs.

Please indicate whether Kenora Hydro's 2010 and 2011 OM&A includes a provision/amount for these charges. If so, please state the amount(s).

38. Ref: Exhibit 9/ Tab 2/ Schedule 1 p. 2
The evidence states that Kenora Hydro is not asking for recovery of the stranded meter costs, and has not removed any stranded meter assets from the rate base. Kenora Hydro indicates that the net book value of all conventional meters was $174,069, for purchases up to December 31, 2005; that the meters purchased from 2006 to 2008 had a net book value of $40,999 and; the amounts are all currently included in the rate base for this application.

Regarding the regulatory ratemaking treatment of stranded meter costs, some distributors have transferred the cost of stranded meters from Account 1860, Meters, to "Sub-account Stranded Meter Costs" of Account 1555, while in some cases distributors have left these costs in Account 1860. From the evidence it appears that the stranded meter costs are recorded in Account 1860. If so, please provide the following information (under "a"). If the costs are recorded in Account 1555, please provide the information set out under "b"

a) If the stranded meter costs remained recorded in Account 1860, Meters, please answer the following questions:

   i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.
   ii. Please provide the amount of the pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009.
   iii. Was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, provide the total depreciation expense amount for the period from the time the meters became stranded to December 31, 2009.
   iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, provide the total depreciation expense amount that would have been applicable for the period from the time the meters because stranded to December 31, 2009.
   v. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.
   vi. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.
   vii. In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

Table x - Summary the Residual Net Book Value of Stranded Meter Costs

Year	Gross Asset (A)	Accumulated Amortization (B)	Net Asset (C = A–B)	Proceeds on Disposition (D)	Contributed Capital (E)	Residual Net Book Value (F=C-D-E)
2006						
2007						
2008						
2009						
2010 (1)						
Total						

(1) For 2010, please indicate whether the amounts provided are on a forecast or actual basis.

b) If the stranded meter costs were transferred to "Sub-account Stranded Meter Costs" of Account 1555, answer the following questions:

i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes.
ii. Please provide the amount of the pooled residual net book value of the removed from service stranded meters, less any sale proceeds and contributed capital, which were transferred to this sub-account as of December 31, 2009.
iii. Since transferring the removed stranded meter costs to the sub-account, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.
iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009.
v. Were carrying charges recorded for the stranded meter cost balances in the sub-account, and if so, please provide the total carrying charges recorded to December 31, 2009.
vi. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount.
vii. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.

viii. In the outlined format of the table shown above (at the end of "a"), Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

39. Ref: Exhibit 9/ Tab 2/ Schedule 1 Table 10 and Schedule 3 Appendix B p.3
Kenora Hydro is seeking approval for a new rate rider of $2.09/mo./meter, to recover the revenue requirement and actual costs to December 31, 2010. Per the *Smart Meter Funding and Cost Recovery G-2008-0002* (dated October 22, 2008) guideline pages 11-12, utilities seeking smart meter cost recovery must base their request on costs already expensed (not forecast).

a) Please provide the rationale for including the "2010 revenue requirement" amount in the rate rider calculation (since there are no audited statements for 2010).

b) Please confirm whether the Incremental Revenue Requirement Calculation shown at Exhibit 9/Tab2/Schedule 3 Appendix B p.3 reflects Kenora Hydro's actual tax rate and Board-approved allowed rate of return in the revenue requirement calculations for 2008, 2009 and 2010.

PILS/Taxes

40. Ref: Exhibit 4/Tab 3/Schedule 2/Appendix A/Tax Return for 2009
Please provide the federal and Ontario Notice of Assessments, Notice of Re-assessments (if applicable), Statements of Adjustments, and any other correspondence with the CRA and Ministry of Finance regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review, for tax years 2007 to 2009.

41. Ref: Exhibit 9/ Tab 1/ Schedule 1
Table 1 presents the Regulatory Balances as at December 31, 2009.

A) Please identify whether Kenora Hydro has posted any amounts to account 1592 since April 2006. If yes, please respond to the following questions. If not, please explain why the applicant has not posted any amounts to account for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

a. Please revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all the required information for transactions, adjustments, interest carrying charges, etc. for all the relevant years.

b. Please describe each type of tax item that has been accounted for in account 1592.

c. Please provide the calculations that show how each item was determined and provide any pertinent supporting evidence.

d. Please confirm whether or not the Applicant followed the guidance provided in the July 2007 FAQ. If not, please explain why not.

e. Please identify the account balance as of December 31, 2009 as per the 2009 audited financial statements. Please identify the account balance as of December 31, 2009 as per the April 2010 2.1.7 RRR filing to the Board. Please provide a reconciliation if the balances provided in the above are not identical to each other and to the total amount shown on the continuity schedule.

f. Should the Board wish to dispose of this account at this time, please identify the following:
    i. the allocator that in the applicant's view would be most appropriate to use in allocating the balance to the rate classes.
    ii. the disposition period that the applicant would prefer if different from the period proposed for the remaining deferral and variance accounts and explain why.
    iii. the billing determinant that in the applicant's view would be most appropriate to use.

g. Please complete the following table based on the previous answers. Add rows as required to complete the analysis in an informative manner, or if the applicant considers that any of the rows are not applicable, please delete the rows and provide an explanation. If the applicant uses Excel to prepare the table, please submit the live Excel workbook.

Tax Item	**$** **Principal As of** [December 31, 2009]
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007	
Large Corporation Tax from 2005 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4 /12ths of approved grossed-up proxy) if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	
Ontario Capital Tax rate decrease and increase in capital deduction for 2008	
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR	

application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from any prior application not recorded above.	
Insert description of next item(s)	
Insert description of next item(s) and new rows if needed.	
Total	