Responses to Letters of Comment

1.

Following publication of the Notice of Application, did HHHI receive any letters of comment? If so, please confirm whether a reply was sent 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 HHHI intends to respond.

Rate Base Assets

2.

Reference: Exhibit 2 / 3 / 4 / p. 1

International Accounting Standard ("IAS") 16 'Property, Plant and Equipment' states that the cost of PP&E comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

IAS 23 states that directly attributable borrowing costs are capitalized on qualifying assets only. It also indicated that a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

HHHI stated at the referenced page:

> *HHHI does not capitalize interest on funds used during construction as capital projects are budgeted for and completed in the fiscal year. HHHI capitalizes, through internal cost allocations, any indirect administrative support costs such as Finance, Human Resources or Corporate Services.*

a) Please explain why HHHI capitalizes indirect administrative support costs such as Finance, Human Resources or Corporate Services when IAS 16 states that only "directly attributable" costs can be capitalized. Please identify if and when HHHI will change its policy and practices of capitalizing the indirect administration support costs. If not, why not.

b) It appears that HHHI does not capitalize interest on funds used during construction as capital projects are budgeted for and completed for a period of less than one year. Please confirm.

c) If answer to part "b" is yes, does HHHI concur that IAS 23 requires that directly attributable borrowing costs are capitalized upon qualifying assets that may take a substantial period of time to get ready for its intended use or sale? If so, does HHHI plan to change its capitalization policy for the attributable borrowing costs? If not, why not?

3.
References: Exhibit 2 / 3 / 4 / p. 1; Report of the Board *'Transition to International Financial Reporting Standards'* ("IFRS"), July 28, 2009 [EB-2008-0408]

The Board Report said at p. 15:

> *The utility will file a copy of its capitalization policy, identifying any updates to the policy, as part of its first rate filing after IFRS adoption. Revenue requirement impacts of any change in capitalization policy must be specifically and separately quantified.*

HHHI proposed that its test year be based on the Modified International Financial Reporting Standards ("MIFRS").

a) Please provide a copy of the capitalization policy from the adoption of MIFRS.
b) Please detail all changes to accounting policies arising from the adoption of MIFRS.
c) Please state the impact on the revenue requirement of the changes due to:
    i. Changes to the accounting policies due to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall dollar impact on the proposed revenue requirement,
    ii. Changes to the capitalization policies due to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall dollar impact on the proposed revenue requirement, and
    iii. Other changes to the capitalization since 2008 that are not related to MIFRS to each major component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall dollar impact on the proposed revenue requirement.

4.
References: Report of the Board *'Transition to International Financial Reporting Standards* ("IFRS"), July 28, 2009 [EB-2008-0408]; Exhibit 2 / 3 / 4 / p.1

The Board Report has stated at p. 15:

> *The Board will require utilities to adhere to IFRS capitalization accounting requirements for rate making and regulatory reporting purposes after the date of adoption of IFRS.*

IAS 16 Property, Plant and Equipment states that the cost of PP&E comprises of any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

IAS 23 states that directly attributable borrowing costs are capitalized upon qualifying assets only. It also indicated that a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The Board Report also stated at p. 40:

> *The Board will continue to publish interest rates for CWIP as it does now. Where incurred debt is acquired on an arms length basis, the actual borrowing cost should be used for determining the amount of carrying charges to be capitalized to CWIP for rate making during the period, in accordance with IFRS. Where incurred debt is not acquired on an arm's length basis, the actual borrowing cost may be used for rate making, provided that the interest rate is no greater than the Board's published rates. Otherwise, the distributor should use the Board's published rates.*

HHHI stated in its Capitalization Policy (Exhibit 2 / 3 / 4):

> *HHHI does not capitalize interest on funds used during construction as capital projects are budgeted for and completed in the fiscal year.*

With respect to the impact of MIFRS on capital expenditures:

a) Please confirm if the costs capitalized are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If not, please explain.

b) Has HHHI consulted with its external auditors or professional advisors regarding the change in capitalization of overhead within IFRS requirements? If yes, please provide supporting documentation. If not, please identify if there is any plan in the near future for such a consultation.

c) Please identify the burden rates related to the capitalization of costs of self-constructed assets:
    i. Prior to transition (from the last rebasing application to January 1, 2011), and
    ii. After transition (on or after January 1, 2011).

d) Please provide the following information in detail for overhead/burden costs on self-constructed assets for the bridge and test years.

Nature of the Overhead Costs	Dollar Impact Bridge Year	Test Year	Directly Attribut-able Yes/No	Reasons for Capitalization (MIFRS Principles)
1.				
2.				
3.				
4.				

e) Please identify the overall level of increase (decrease) in OM&A expense in the bridge and test year in relation to a decrease (increase) in capitalized overhead.

f) Please confirm that all borrowing costs that are directly attributable to the acquisition, construction, or production of PP&E costs are capitalized to PP&E and not expensed. If this is not the case, please explain.

g) Were the incurred debts (e.g. demand loan, smart meters, etc.) acquired on an arm's length basis?

h) Were the actual borrowing costs (in "d" above) capitalized for rate making purposes? If not, please explain.

i) If not acquired at arm's length, what are the actual interest rates and interest borrowing costs used? Were they greater than the Board's most recently published CWIP interest rates?

j) Please confirm that, if the interest rate used in "i" above is greater than the Board's most recently published CWIP interest rates, HHHI has used the Board's published rates to calculate borrowing costs included in the construction costs. If this is not the case, please explain.

k) Concerning HHHI's practice of not capitalizing interest on funds used during construction as capital projects are budgeted for and completed in the fiscal year, please state how many months in the fiscal year would the capital projects be completed.

l) How long do the interest rates on the borrowed funds used for construction in "g" above run for?

m) Please confirm that HHHI followed the standard in IAS 23. If not, please explain.

5.
Reference: Exhibit 2 / 2 / 1 / p.6

There is no entry in Table 2-11a 'Asset Continuity Schedule' for Communications Equipment (Smart Meters) under account 1955.

Where is the capital cost of the infrastructure associated with Smart Meters accounted for?

6.
Reference: Report of the Board *'Transition to International Financial Reporting Standards ("IFRS")* July 28, 2009 [EB-2008-0408];

IFRS requires certain assets to be recorded as intangible assets (e.g. computer software and land rights) that were previously included in PP&E.

The Board Report has said at p. 40:

> *Where IFRS requires certain assets to be recorded as intangible assets that were previously included in PP&E (e.g. computer software and land rights), utilities shall include such intangible assets in rate base and the amortization expense in depreciation expense for determining revenue requirement.*

HHHI did not present in Exhibit 2 the accounting policy change on asset reclassification from PP&E to intangible assets.

a) Has HHHI identified the accounting policy change on asset reclassification from PP&E to intangible assets? If so, please provide the accounting policy change and quantify the changes due to the adoption of IFRS for the test year and bridge year. If not, please provide the reasons and the plan when this is to be addressed.

b) For the assets identified in (a), please propose a regulatory treatment in accordance with the Board report.

7.
Reference: Exhibit 2 / 1 / 2, pp. 9 & 13

For underground switchgear, HHHI stated at p. 9:

> *Kinectrics identifies a useful life between 20 and 40 years, with a typical useful life of 30 years based on low mechanical stress and 4 electrical loading and high environmental factors. Environmental factor is high as the assets tend to rust as they sit at the side of the road, so the snow, debris, salt, etc. factor into the condition of the asset. The approximate age is 25 to 30 years; therefore HHHI has decided a useful life of 30 years is appropriate.*

At p. 13 'Table 2-4: PP&E Components and Estimated Useful Life', HHHI has proposed a useful life of 20 years instead of 30 years for underground switchgear.

> Please clarify the figure for the useful life of the underground switchgear that HHHI has decided is appropriate, and make any necessary changes to subsequent tables.

8.

Reference: Exhibit 2 / 1 / 2 / pp. 12-13

HHHI application has a life of 3 years and two years for computer hardware and software respectively. Hardware assets have had expected useful life of 5 years, and for software it has often been 3 – 5 years. Table 2-4 shows that HHHI has used a one-year period for software.

a) Please provide the basis for HHHI's proposal for 3 and 2 year useful lives.

b) For how long has HHHI used a one-year life for computer software?

9.

References: Exhibit 2 / 2 / 4 / p. 2; Exhibit 2 / 2 / 5 / p. 1

In Exhibit 2 / 2 / 5, HHHI states: "In 2009 and 2010, HHHI removed $869,000 and $367,000 respectively from accumulated depreciation for stranded meter costs as a result of the Smart Meter project." However, Table 2-19 shows variances that are much smaller than these amounts for Account 1860 - Meters.

Please provide a reconciliation between these two tables in these two exhibits.

10.

Reference: Exhibit 2 / 3 / 3 / p. 3

HHHI indicates that it is well underway toward completion of a formal Asset Management Plan.

When does HHHI expect to finalize its initial Asset Management Plan?

Gains and Losses on Retirements and Impairments

11.

Reference: Report of the Board *Transition to International Financial Reporting Standards* ("IFRS") July 28, 2009 [EB-2008-0408]

Under IFRS, asset retirement obligations include estimates of the cost of constructive obligations which was not required under CGAAP, and a revaluation of those obligations during the lives of the assets. HHHI did not present the accounting policy change on treatment of asset impairment.

The Board Report has stated as follows, at p 40:

> *Utilities shall identify separately in their rate applications the depreciation expense associated with amortizing asset retirement costs and the accretion expense associated with the amortization of the asset retirement obligations. The Board will*

assess these costs independently of other amortization costs to determine the portion, if any, of these costs that should be recovered in revenue requirement.

At p. 19:

Where a utility for financial reporting purposes under IFRS has accounted for the amount of gain or loss on the retirement of assets in a pool of like assets as a charge or credit to income, for reporting and rate application filings the utility shall reclassify such gains and losses as depreciation expense and disclose the amount separately. Where a utility for financial reporting purposes under IFRS has reported a gain or loss on disposition of individual assets, such amounts should be identified separately in rate filings for review by the Board.

At p. 41:

Where for financial reporting purposes under IFRS a utility has recorded an asset impairment loss, for rate application filings such losses shall be reclassified to PP&E and identified separately to allow consideration of whether and how such amounts are to be reflected in rates.

a) Please confirm whether or not HHHI has any Asset Retirement Obligations (“ARO”).
   i. If yes, please identify and provide a detailed breakdown of the major asset components.
   ii. If no, please provide a proposal for how the asset retirement obligations should be recovered in rates.

b) If HHHI has AROs, please confirm whether or not HHHI has identified the accounting change on AROs.
   i. If so, please provide the accounting change and quantify the changes due to the adoption of IFRS for the test year and bridge year.
   ii. If not, please provide the reasons and the plan when this is to be addressed.

c) For the AROs identified, please provide the depreciation expenses and accretion expenses and show how these expenses are currently included in the rate application.

d) Please confirm that HHHI has identified the gain or loss on the retirement of assets in a group of like assets. Please provide the treatment of the retirement for rate application purposes and disclose the amount. If the gains/losses are not charged to depreciation expense please state the reasons.

e) Please disclose any asset impairment loss recorded under IFRS which should be reclassified to PP&E. Please describe:
   i. the nature of the losses;
   ii. the amounts of the losses; and
   iii. whether and how such amounts are to be reflected in rates.

Service Reliability

12.

Reference: Exhibit 2 / 3 / 5 / pp. 2-3

The Reliability statistics in Table 2-28 for 2010 are identical, with and without consideration of loss of supply. However, Table 2-29 shows different statistics with consideration of the Hydro One system

Please explain how these tables can be reconciled; in other words why is the second part of Table 2-28 not more similar to Table 2-29, given that the latter excludes incidents that appear to be a loss of service?

FIT and microFIT Renewable Generation

13.

Reference: Exhibit 2 / Appendix D 'HHHI's Green Energy Plan' / pp. 6-9

Table 3.1 on page 6 of the above-noted Reference provides a Table of microFIT generators connected to HHHI's distribution system with nominal output rating of each generator. Tables 3-2-2 and 3.3 on pages 7-9 show renewable generation projects that are in the queue under the OPA's FIT or microFIT programs but are not yet connected to HHHI's distribution system.

Board staff wishes to get an update on the approval status and an indication of the expected total kilowatt ("kW") output of the generators listed in Tables 3.1 and 3-2-2.

a) Please provide an update on the approval status of the microFIT and FIT projects listed in Tables 3.2.2 and 3.3 and any new applications that are in the queue.

b) Please provide an indication of the expected total kW output of the generators listed in Table 3.1.

c) Please provide an indication of the expected total kW output of the generators listed in Tables 3-2-2 and 3.3 and any new applications that are in the queue.

HHHI's Renewable Generation Initiative

14.
References: Exhibit. 2 / Appendix D HHHI's Green Energy Plan' p. 9; Exhibit 2 / 3 / 7

HHHI indicates in its GEA Plan that in 2010 it undertook a pilot project to install pole-mounted solar photovoltaic panels at selected sites throughout its service territory.
In Exhibit 2 / 3 / 7 HHHI describes the Green Energy Initiative to install solar panels on 1400 utility poles in 2012 at a capital cost of $1.4 million proposed for inclusion in the rate base. Each installation includes a 220 - 280 watt solar panel, a Smart Energy Module with an inverter, two way wireless Smart Grid communicator, sensors, digital meter, and a pole mounting system to attach to existing utility poles. Based on the estimated total capital cost of $1.4 million, this works out to an average of $1000 per pole.

a) Please provide the results of any analysis carried out by HHHI with respect to its 2010 pilot project to install pole-mounted solar photovoltaic panels including costs, benefits, cost/benefit analysis etc.

b) Does the estimated average cost of $1000 per pole for the proposed 2012 solar panel initiative include all costs, e.g. materials, labour, engineering, commissioning, inspections etc? Please provide a breakdown of costs and explanation.

c) Is it HHHI's intention to implement the pole-mounted solar panel project within the context of other HHHI capital and operating programs?

d) What is HHHI's rationale for not considering the pole-mounted solar panel project as a capital project under the HHHI's Green Energy Plan?

Challenges Associated with Distributed Generation

15.
Reference: Exhibit. 2 / Appendix D / pp. 10-14

HHHI describes in this reference the various "challenges" associated with connecting distributed generation to HHHI's distribution system including: impact on special protections, short circuit issues, protection coordination, impact on faulted circuit indicators and issues with shared transformer stations. These are presented as potential issues with no specific solutions, expected costs or a plan to address the issues.

> What plan(s), if any, does HHHI have for addressing the potential issues described in the above-noted Reference in 2012 and beyond? Please provide details on scope, schedule, priority and costs.

Distribution System Enhancements for Smart Grid Development

16.
Reference: Exhibit. 2 / Appendix D / pp. 15 - 17

HHHI describes in this reference some proposed enhancements that would contribute to the Ontario government's smart grid objectives including modifications to feeder protections, extending three-phase circuitry into rural areas and consideration of distributed generation connections in the design of new transformer stations.

HHHI states that the estimated cost for the feeder protection changes is about $15,000 per feeder. It also states that, as instances arise, HHHI will extend the three-phase aerial circuitry based on a cost sharing arrangement with the generator, in accordance with the Transmission System Code. Based on that, HHHI bears the initial $90,000 per nameplate MW output of investment cost, with the balance borne by the generator.

a) Is HHHI planning to carry out the feeder protection changes on all its feeders or as needed to accommodate new generator connections? Please explain.

b) Please provide an estimate of the cost HHHI expects to incur and the timeframe for the feeder protection changes.

c) Please provide an estimate of the cost HHHI expects to incur and the timeframe for extending three-phase circuitry into rural areas.

d) Please explain HHHI's rationale for categorizing the above-noted enhancements as Smart Grid development and identify information on the Smart Grid technologies that are utilized.

e) If the estimated costs for the above-noted enhancements are not entirely Smart Grid related, please provide a breakdown that indicates the portion that is Smart Grid related and the portion that is related to connection of renewable generation.

Cost Recovery of Green Energy Plan Costs

17.
Reference: Exhibit. 2 / Appendix D / p. 19

HHHI states in this reference that it is not seeking to recover costs related to the connection of renewable generation in the form of a short term rate rider at this time.

Please explain why HHHI has chosen not to seek cost recovery of Green Energy Act Plan costs at this time.

Other Distribution Revenue

18.
References: Exhibit 3 / 3 / 1; Exhibit 4 / 1 / 1 / p. 13; Exhibit 4 / 2 / 4 / p. 2-3

a) Please confirm that the revenue shown in Table 3-23 account 4375 is the same as the inter-affiliate revenue derived in Table 4-14.

b) Please identify any allocation factors in Exhibit 4 / 2 / 4 / p. 2-3 that might vary substantially from year to year. If most of the allocators are stable, please explain why the forecast of account 4375 remains stable at $396,000 at the 2011 level, rather than increasing with OM&A costs (e.g. at 31.5% per Table 4-6).

c) Is revenue from microFIT generators included in one of the accounts in Table 3-23? If so, in which account is it included and how much revenue is gained?

Operation Maintenance and Administration

19.
References: Exhibit 4 / 1 / 1; Exhibit 4 / 2 / 1 / p. 5

In Tab 1, Tables 4-2, 4-3, 4-4, 4-5 and 4-6, HHHI provide the following with respect to Meter Reading Expenses (Account 5310):

Year	2008 Approved	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Test
Meter Reading Expense	$147,000	$134,104	$134,696	$131,177	$16,300	$206,840

On page 5 of Exhibit 4 / 2 /1, HHHI states:

Meter reading services have, historically, been contracted out to a non-affiliated third party under a service contract agreement. Effective June 1, *2011 HHHI started billing Residential and General Service less than 50 kW customers on a Time-of-Use basis using smart meters.*

a) Please confirm that the costs of the third party contract were recorded in account 5310 as shown in the above table.
b) Please explain the decrease in meter reading expenses in 2011 of $16,300 compared to approximately $135,000 per annum from 2008 to 2010.
c) Please explain the forecasted increase in Meter Reading Expenses for 2012, relative to:
   i. 2011; and
   ii. the historical norm of approximately $135,000 per annum.

20.
Reference: Exhibit 4 / 2 / 3 / p. 7

The increased cost of Billing and Collecting is due in part to "the addition of a Billing Clerk for succession planning purposes".

a) Please provide information on the expected length of time that there will be an overlap of the incumbent and the proposed new clerk, during the test year, and if applicable beyond the test year.

b) Assuming that the overlap is considerably less than the period of the IRM adjustments following this cost-of-service application, has HHHI considered applying an adjustment factor to the increase requested for the test year revenue requirement?

21.
Reference: Exhibit 4 / 2 / 3 / pp. 6-7

a) Please provide further explanation of the $76,000 identified for "smart meter communication costs" as a driver for the increase of $297,106 for Account 5315 – Customer Billings.
b) Is this a recurring cost, or one-time cost in 2012 only?

22.
Reference: Exhibit 4 / 2 / 3 / p. 7

The increased cost of Billing and Collecting includes $76,000 in Smart Meter communication costs.

a) Please provide a description and breakdown of these costs.
b) Are there any labour or other costs that will be reduced, immediately or in the foreseeable future, that would tend to offset this increased communication cost.

23.
References: Letter of the Board 'Use of Modified IFRS as a Basis for Filing Cost of Service Applications for 2012 Rates', March 15, 2011; Exhibit 4 / 1 / 1 / p. 1

HHHI stated in Exhibit 4 / 1 / 1, at p. 1:

> *The operating costs presented in this Exhibit represent the annual expenditures required to sustain HHHI's distribution operations. HHHI follows the Board's Accounting Procedures Handbook (the "APH") in distinguishing between operations and maintenance work. A summary of HHHI's operating costs for 2008 Board Approved, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Bridge Year and the 2012 Test Year and the variances year over year, in accordance with the Filing Requirements, is presented below. HHHI has provided the required 2008 Board Approved to 2010 Actual based on CGAAP and 2011 Bridge Year and 2012 Test Year based on Modified IFRS.*

In the March 2011 letter the Board provided a revised version of paragraph 9.1.2 of the Board Report:

> *Electricity distributors filing cost of service applications for rates for 2012 should make all reasonable efforts to provide the forecasts for the 2012 test year (and any other subsequent test years) in modified IFRS accounting format. In addition, the electricity distributor must provide the required actual years, the bridge year and the forecasts for the test year(s) in CGAAP-based format. Further, the electricity distributor must identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting. A distributor for whom the filing of the forecasts for the 2012 test year in modified IFRS is an unreasonable burden and that files under CGAAP must include in its rate application an explanation of the reason for filing under CGAAP and a plan for the transition to modified IFRS accounting as a basis for setting its rates.*

HHHI did not provide the bridge year and test years forecasts in CGAAP based format, as required by the Board.

a) Please provide all applicable schedules, e.g., operating costs, etc. for the bridge year and tests year under CGAAP similar to the ones reported under an IFRS regime

b) Please identify the financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

24.

References: Report of the Board *'Transition to International Financial Reporting Standards'* ("IFRS") July 28, 2009 [EB-2008-0408]; Exhibit 4 / 2 / 7 / p. 1

HHHI stated:

HHHI uses the pooling of assets for all fixed assets with the exception of Computer Equipment/Software, Automotive Equipment, Furniture & Equipment, Communication Equipment, and Capital Tools.

Useful lives for PP&E are to be reviewed at least at each financial year-end with MIFRS.

The Board's policy articulates that LDCs shall use the Board sponsored Kinectrics study or sponsor their own study to justify changes in useful lives. The typical useful lives (TUL) from the Kinectrics report is the recommended Reference point. The Board will no longer prescribe service lives for PP&E.

Salient points from the Board Report are as follows, at p. 21:

The Board will facilitate a joint depreciation study for electrical distribution utilities. The aim of the study will be to determine depreciation methodologies and rates that will be applied to all electrical distribution utilities for the purpose of setting rates and regulatory reporting. The study must give due weight to the IFRS requirements regarding depreciation, including componentization.

The Kinectrics Report provides information that the Board expects distributors will consider as they develop asset service lives suitable in their particular circumstances. The Board expects distributors to reflect their consideration of the information contained in the Kinectrics Report when they present an IFRS-based rates application to the Board.

For the bridge and test years, please confirm if HHHI :

a) used componentization for the underlying PP&E assets, including gross capital costs and accumulated depreciation values and not pooling of assets (i.e. pool assets is not permitted)

b) depreciated separately the significant parts or components of each item of PP&E.

c) used the revised useful lives, and calculated the depreciation expense based on revised service lives. In addition, please provide the calculation required.

d) if the answer in "c" above is "no", please explain and provide the changes in depreciation expenses and accumulated depreciation for the bridge and test years.

Low Income Energy Assistance Program (LEAP)

25.
References: Exhibit 3 / 1 / 1 / p. 1; Exhibit 4 / 2 / 3 / p. 9

The Board's Filing Requirements, dated June 22, 2011, section 2.7.2.3 state that a distributor should commit 0.12% of its distribution revenue requirement to emergency financial assistance, and clarifies that the revenue requirement is the forecasted service revenue requirement. HHHI has identified its service revenue requirement as $11,237,701 at the Reference in Exhibit 3. However, the revenue requirement used by HHHI is $10,714,114 and the LEAP provision is rounded up to $13,000.

a) Please provide an alternative calculation based on the service revenue requirement described in Exhibit 3.
b) Please state whether or not HHHI has included an amount in its 2012 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.

Charitable Donations

26.
References: Exhibit 4 / 2 / 2 / p. 2; Exhibit 4 / 2 / 3 / pp. 2 & 9

a) Please describe the forecasted charitable donations in detail, in particular whether they are designed to provide assistance to HHHI's customers for purposes described in the Board's Filing Requirements, June 22, 2011,section 2.7.2.5.
b) Please explain why HHHI's annual donations have fluctuated since 2008 over a range from less than $7000 up to nearly $30,000, and why the forecasted amount is at the top of this range.
c) Charitable donations are shown as $0 in the 2010 PILs return (Exhibit 4 / Appendix D) and in the test year PILs spreadsheet filed with HHHI's pre-filed evidence, but are shown as $6489 and $30,000 respectively in Table 4-9.

Should these entries be the same in both places, and if so which are the right numbers?

d) Table 4-10 (Exhibit 4 / 2 / 3 / p. 2) shows a $20,905 reduction in charitable donations as a cost driver, which is apparently inconsistent with the request for approval of $30,000. Please explain or correct this inconsistency.

Provision for PILs

27.
References: Excel file Test Year Income Tax, Sheet T 'PILs,Tax Provision'; Exhibit 4/3/1

a) Please confirm that the capital tax rate applicable to Capital Tax in 2010 in Table 4-24 should be 0.075%, i.e. half of 0.15%, rather than 0.75% as shown.

b) The tax rate assumed in the pre-filed Excel spreadsheet (item M in worksheet T) is 15.5%. The rate used in Table 4-24 in Exhibit 4 is 26.5%. Please reconcile these assumptions and/or provide an explanation of this apparent inconsistency.

c) Grossed-up PILs in the pre-filed Excel spreadsheet (item U in worksheet T) is $67,791. Income Tax in Table 4-24 in Exhibit 4 is $131,542. Please reconcile these assumptions and/or provide an explanation of this apparent inconsistency.

Smart Meter Entity

28.
References: Exhibit 4 / 2 / 3 / p. 6; Board Decision, Powerstream [EB-2010-0209], p. 14

HHHI has included a forecast cost of $135,000 for its cost from a fee from the IESO for the Smart Meter Entity.

a) Please describe the assumptions made by HHHI in formulating this amount.

b) Was HHHI aware of the referenced Board Decision denying Powerstream's request to cover a forecast MDM/R cost forecast on the basis that it was premature, at least until such time as the Board approves an IESO fee for the service?

Inflation Rate

29.
Reference: Exhibit 4 / 1 / 1 / p. 2

With Reference to the Statistics Canada source cited in the footnote to Table 4-1, it is not clear how the inflation index used by HHHI was derived from that source. Please provide additional information on the inflation index of 1.0%, used to prepare HHHI's test year forecast of expenditures.

Please explain

a) whether the index was applied for 12 months or only 6 months,
b) whether the index included all consumer-good categories or did it exclude some categories,
c) whether the index was seasonally adjusted.

Affiliate Transactions

30.

Reference: Exhibit 4 / 2 / 5 / p. 2; Exhibit 4 / Appendix B

Table 4-15 is titled **"**Purchases of Services from Non-Affiliate Suppliers". The preamble of each of the Service Agreements filed in Appendix B provides for the affiliate to "provide various services" to HHHI.

> Please confirm that the revenue requirement does not include a component of cost of any such services; otherwise please provide a table similar to Table 4-15 for the costs of services from affiliate suppliers.

Depreciation

31.

Reference: Exhibit 4 / 2 / 7 / p. 6

a) Total Depreciation in Table 4-23 is $1,834,363, and depreciation in the RRWF 'Revenue Requirement' is $1,624,165. Which amount is correct?

b) Several accounts do not have an asset life entered in column 'f' of Table 4-23, and the corresponding depreciation rate in column 'g' is also blank. Please provide the missing data, or an explanation of why it is missing.

c) Some of the accounts have no depreciation expense in column 'h', despite having a net fixed asset balance in column 'e', for example Account 1955.

Please provide amounts for column ‘h’ if there should be an amount, or an explanation of why it should be blank.

d) Some accounts have depreciation amounts in column ‘h’ that do not appear to be based on the formula, for example Account 1915. Please provide an explanation of how the formula was used or an explanation of when it is to be over-ridden.

Ontario Municipal Employees Retirement System Pension Costs

32.

Reference: Exhibit 4 / 2 / 6

HHHI has submitted in the reference, at p. 5, that it has

> *“anticipated an increase in OMERS pension costs regarding a 3-year, 1% per year increase in OMERS premiums beginning in 2011. OMERS estimates the 1% contribution rate increase in 2011 would increase the amount an employer contributes to OMERS by about 10-13%”*

HHHI has also provided Tables 4-16, 4-17 and 4-18 showing Compensation and Benefits, OMERS Pension Premiums, and Employee Future Benefits respectively.

Please explain how HHHI made its forecast of OMERS premiums in the test year (which is an increase of $160,000 or approximately 75% more than 2010 actual in Table 4-17), and relate this to the increase in its forecast of salary and wages (which is approximately 20% more than 2010 actual).

Treatment of Pensions and Other Post-Employment Benefits

33.

References: Exhibit 4 / 2 / 6 / p. 6 ; Exhibit 4 / Appendix C ‘Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits’

The cover sheet of the report filed as Appendix C notes that it is a draft version dated March 23, 2010.

a) Has the report been finalized in the meantime? Is there a signed version of p. 19? If not, why not?

b) If the report has been finalized, please provide any changes that were made to the draft that HHHI has filed.

c) If the actuarial report is used in formulating the information in Table 4-18, “Employee Future Benefits”, please indicate which results in the report are linked to HHHI’s actual or forecasted information in Table 4-18.

34.
References: IASB revisions to IAS 19, Employee Benefits, June 2011; Exhibit 4 / Appendix C 'Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits'

The IAS revisions are effective January 1, 2013, but early adoption is permitted. These revisions include the elimination of the option to defer recognition of gains and losses, known as the "corridor method".

a) Please confirm if HHHI has unamortized actuarial gains and losses and past service costs at the date of transition (January 1, 2011).

b) If yes, what is the accounting treatment of the unamortized actuarial gains and losses and past service costs at the date of transition (January 1, 2011)?

c) What is the proposed regulatory treatment of these amounts – are these amounts incorporated into the revenue requirement? Please explain.

d) Please confirm whether or not HHHI has adopted the revisions to IAS 19, Employee Benefits, and state whether the impacts of this early adoption are incorporated in the revenue requirement.

Cost of Capital

35.
Reference: Exhibit 5 / 1 / 1

a) Please provide a copy of the Promissory Note that is held by the Town of Halton Hills.

b) Have there been any changes to the note since it was first issued? If so please explain, and provide copies of the amendments.

c) Does the note have a fixed rate or is it variable or re-negotiated periodically? Please explain.

d) Please reconcile the information in Tables 5-2 through 5, which show a rate of 6.00%, with Table 5-7 which shows a rate of 6.25%.

Cost Allocation

36.
Reference: Exhibit 7 / 1 / 1 / p. 2; Board Report "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011 [EB-2010-0219]

The Board Report states, at p. 26

> *The Board is of the view that default weighting factors should be utilized only in exceptional circumstances….. [A]ny distributor that proposes to use those default values will be required to demonstrate that they are appropriate given their specific circumstances.*

Has HHHI adopted the default weighting factors as appropriate for itself. If so, please provide documentation as specified in the Board's Report. Alternatively, please provide descriptions and weighting factors for Services and Billing Costs, and a calculation of the impact on the respective class revenues.

37.
Reference: Exhibit 7 / Appendix A and B

Exhibit 7 / Appendix B consists of several worksheets from an alternative run of the cost allocation model, which appear to differ from the worksheets in Appendix A only with respect to Miscellaneous Revenue, with the total in Appendix B being larger by $50,000.

a) Please confirm that this is the only difference, and that the version in Appendix A is consistent with the remainder of the application.

b) Please explain which revenue account(s) differ between the two versions, and what assumptions have been made underlying both versions of the cost allocation model.

38.
Reference: Exhibit 1 / 1 / 11; Board Report "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011 [EB-2010-0219]

In HHHI's previous cost-of-service application the Board approved the situation in which HHHI would charge its General Service 1000-4999 kW rates to Hydro One at two delivery points (EB-2007-0696, Decision p. 18). The Decision noted that the situation was under review more generally and instructed HHHI to remain up-to-date on the matter. In this application, HHHI has stated that it is not a host distributor.

a) Does HHHI continue to provide power to Hydro One at the delivery points discussed in the previous proceeding? If not, in which year did this situation change?

b) Please confirm that there are no other similar delivery points to Hydro One or another distributor?

c) If HHHI continues to deliver power to Hydro One, does HHHI have a proposal that future treatment of Hydro One as an embedded distributor that would be consistent with changes in the Board's cost allocation policy at p. 32 of the referenced Report?

Total Loss Factor

39.
References: Exhibit 2 / Appendix C / p. 15; Exhibit 8 / 4 / 1

a) Please provide a calculation of the Total Loss Factor ("TLF")based on the most recent three-year history, together with an explanation of why the TLF being applied for should include the relatively high losses incurred in 2006 and 2007.

b) Has HHHI considered that its voltage conversion capital projects described in Exhibit 2 may decrease line losses? If so, does it expect that any improvements would reverse the trend of increased Distribution Loss Factor ("DLF") shown in row G, Table 8-9? If it has not considered the possibility of this favourable outcome in DLF, why not?

Retail Transmission Service Rates

40.
Reference: Exhibit 8 / 3 / 1; RTSR Adjustment Work Form

Worksheet '8 – Forecast Wholesale' shows that HHHI's wholesale cost includes a component of about 10% being established by the IESO's Uniform Transmission Rates. HHHI's evidence is that it is totally embedded, which would seemingly imply that only Hydro One's Sub-Transmission RTSRs would establish the wholesale cost.

Please provide an explanation of this apparent inconsistency, together with any additional evidence or corrections that may be necessary.

Retail Service Charges

41.
References: Exhibit 8 / 8 / 4 / p. 7; Exhibit 9 / 3 / 1 / p. 2

The balance in Account 1518 proposed for disposition in Exhibit 9 is $31,418 credit.

a) Please provide a description of the incremental costs that affect Account 1518, and a schedule of the approximate amount of incremental cost recorded in these accounts.

b) Please provide the approximate annual revenue from each of the Retailer Charges that affect Account 1518, i.e. charges for establishing a service agreement, monthly fixed and variable charges, and billing-related charges.

c) Please confirm that HHHI's accounting practices are consistent with Article 490 of the Accounting Procedures Handbook, with respect to offsetting entries of incremental cost amounts from operating accounts, for example from Account 5340 to the variance account.

d) Has HHHI considered a change to any of the retail service charges to more closely match the corresponding incremental cost?

Credit Card Convenience Fee

42.

Reference: Exhibit 8 / 8 / 4 / p. 6

a) HHHI's Conditions of Service, found on its web-site, identifies at p. 23 that a convenience fee will be charged on security deposits made by credit card. Please provide an explanation for the nature of the costs being recovered by this fee.
b) HHHI's Conditions of Service identifies at p. 26 that a Board-approved fee may be charged for certain requests for aggregated customer information. Please provide an explanation for the nature of the costs being recovered by this fee.
c) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet, for example amongst its proposed Specific Service Charges.

Deferral and Variance Accounts

43.
Reference: Exhibit 9, Tab 2, Schedule 1, Page 13; Exhibit 9, Appendix B-DVA Continuity Schedule Work Form; Chapter 2 of Filing Requirements

The Provincial Sales Tax ("PST") and the Federal Goods and Services Tax were harmonized into the Harmonized Sales Tax ("HST") effective July 1, 2010. As a result of this harmonization, applicants may benefit from an overall net reduction in costs in the form of Input Tax Credits ("ITCs"). This arises due to cost decreases from the receipt of additional ITCs on the purchases of goods and services previously subject to PST that become subject to the HST. These cost decreases may be partially offset by cost increases on certain items that were not previously subject to PST but become subject to the HST with no additional ITCs having been granted (i.e., these items are subject to recaptured ITC requirements).

During the 2010 IRM application process, the Board directed electricity distributors to record in Account 1592 PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits ("ITCs"), beginning July 1, 2010, the incremental ITCs received on distribution revenue requirement items that were previously subject to PST and became subject to HST.

The Board provided accounting guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities. [Frequently Asked Questions on the Accounting Procedures Handbook, December 23, 2010]

No additional amounts should be recorded in Account 1592 PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. For the 2012 Test Year for example entries to record variances in the sub-account of Account 1592 would cover the period July 1, 2010 to December 31, 2011 since the Test Year, which starts January 1, 2012 would include the HST impacts in it revenue requirement for 2012.

In Chapter 2, the Board expects distributors to file for disposition of account 1592 in their cost of service applications.

HHHI's application is as follows (Exhibit 9 / 2 / 1 / p. 13):

> *HHHI requests leave to discontinue tracking HST/OVAT/ITC as at April 30, 2012. HHHI also requests the Board allow that account 1592 remain open, pending Board approval to discontinue tracking costs effective April 30, 2012 and until such time as*

HHHI files its 2014 IRM rate application at which time HHHI will apply to the Board for an order to clear any audited debit or credit balance remaining in account 1592.

a) Please explain why HHHI is not requesting disposition of Account 1592.

b) Please complete and file Appendix 2-T Deferred PILs Account 1592 Balances from Chapter 2 of the Filing Requirements (June 22, 2011).

44.

Reference: Exhibit 9, Tab 2, Schedule 3, Page 4; Chapter 2 of the Filing Requirements: Section 2.12.3; Exhibit 9, Tab 2, Schedule 1, Page 8

According to the Board letter of April 23, 2010 on the Special Purpose Charge:

In accordance with section 9 of the SPC Regulation, recovery of your SPC assessment is to be spread over a one-year period, starting from the date on which you begin billing to recover your assessment. The request for disposition of the balance in "Sub-account 2010 SPC Variance" and "Sub-account 2010 SPC Assessment Carrying Charges" should be made after that one-year period has come to an end, and all bills that include amounts on account of that assessment have come due for payment.

Chapter 2, Section 2.12.3 of the Filing Requirements states:

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub account 2010 SPC Assessment Variance.

The Board expects that requests for disposition of the balance in Sub-account 2010 SPC Assessment Variance and associated carrying charges will be addressed as part of the proceedings to set rates for the 2012 rate year. Exceptions may apply in cases where this approach would result in non-compliance with the timeline set out in section 8 of the SPC Regulation.

HHHI stated:

HHHI established account 1521 Sub-account 2010 SPC Variance, and Sub-account 2010 SPC Assessment Carrying Charges in accordance with the Board's April 23, 2010 letter. HHHI's share of the Assessment for MEI Conservation and Renewable program of $189,128 was recognized in this account in April 2010, and customer billing for recoveries commenced May 1, 2010. As per the Board's instructions in the letter dated April 9, 2010, HHHI has recovered the SPC assessment over a one-year period on consumption after May 1, 2010 (pro-rated). As HHHI bills residential customers bi monthly, final SPC charges have been billed as of August 15, 2011. HHHI requests the Board allow that account 1521 remain open until such time as HHHI files its 2013 IRM rate application at which time HHHI will apply to the Board for an order to clear any audited debit or credit balance remaining in account 1521.

a) Please provide the most recent balance in account 1521, “Sub-account 2010 SPC Variance”.

b) Please provide the forecasted carrying charges in “Sub-account 2010 SPC Assessment Carrying Charges” as of April 30, 2011.

c) Please explain why HHHI is not seeking the disposition of the residual balances in account 1521 sub-account 2010 SPC Assessment Variance and sub-account 2010 SPC Assessment Carrying Charges in accordance with the Board’s April 23, 2919 letter and Section 2.12.3 of the Filing Requirements.

d) Is HHHI in non-compliance with the timeline set out in Section 8 of the SPC Regulation? Please explain.

45.
Reference: Exhibit 9, Tab 3, Sch. 2, Page 3

The proposed rate riders for non-RPP customers in the Residential and GS<50 kW classes in Table 9-13 appear to be inconsistent with the sub-account balances in Table 9-9 and the billing kWh amounts in Table 9-8.

Please verify the amounts in Table 9-8 and 9-9 and show the derivation of the non-RPP rate riders for those classes.

46.
References: Exhibit 8 / 7 / 1; Exhibit 9 / 3 / 2 / p. 3; Board Report *‘Electricity Distributor Deferral & Variance Account Review’* (EDDVAR) July 31, 2009; Exhibit 8 / Appendix A.

HHHI has requested a two-year period for the Deferral and Variance Account Disposition Rate Rider.

The EDDVAR Report states at p. 24:

… the default disposition period used to clear the Account balances through a rate rider should be one year. However, a distributor could propose a different disposition period to mitigate rate impacts or address any other applicable considerations, where appropriate.

a) On the Group 1 and Group 2 Deferral and Variance Account (DVA) rate rider and Non-RPP Global Adjustment rate rider by classes, please explain why HHHI is proposing 2 years instead of 1 year for the disposition period.

b) If the reason for proposing a 2-year recovery is based on a bill impact mitigation study, please provide the calculations.

c) Please re-calculate the rate riders and associated bill impacts using a disposition period of one year.

47.

Reference: Report of the Board *'Transition to International Financial Reporting Standards ("IFRS")* July 28, 2009 [EB-2008-0408]; *One-Time Administrative Costs of Transition to IFRS*, section 2.7.2; Exhibit 9 / 2 / 3 / p. 4; Exhibit 9 / Appendix B

The Report of the Board states, at p. 27:

> *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.*
>
> *The Board will not restrict the IFRS transition costs account by establishing a fixed start date for amounts to be recorded. However, the Board cautions distributors that the amounts in the account will be subject to a prudence review before disposition. The criteria of materiality, causation and prudence will be considered at the time of proposed disposition. Only costs that are clearly driven by the necessity of transitioning to IFRS and are genuinely incremental to costs that would have been otherwise incurred will be recoverable in rates. Any distributor that has IFRS related costs already approved in rates must record, in a variance account, the variances between the previously approved costs and actual costs of transitioning to IFRS.*

The Regulatory Assets Continuity Schedule for sub-account 1508, Deferred IFRS Transition Costs shows a balance of $260,671 as of December 31, 2010.

a) Please confirm the Deferred IFRS transition costs show a debit balance of $260,671 as of December 31, 2010. Otherwise, please identify the costs if it is different.

b) Please provide the breakdown of the costs recorded in the IFRS Deferral sub-account as of December 31, 2010. Please provide explanations for each category of costs recorded in the IFRS Deferral account and indicate how the costs recorded meet the criteria of one-time IFRS administrative incremental costs.

c) Please confirm that no capital costs were recorded in this deferral or variance account, One-Time Administrative Costs of Transition to IFRS. If this is not the case, please explain.

48.
Reference: *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment*, June 13, 2011; Exhibit 9 / 2 / 3; Staff Discussion Paper, "Transition to IFRS" March 31, 2011 / Appendix A

In the Addendum to the Board Report, Appendix A: "Summary of Board Policy", the Board stated at p. 31:

> *The Board authorizes the creation of a generic IFRS transition PP&E deferral account to record differences arising as a result of accounting policy changes caused by the transition from CGAAP to MIFRS.*

HHHI's request is as follows, at 9 / 2 / 3 / p. 1:

> *HHHI is requesting an Accounting Order to establish a Deferral and Variance account to track the difference relating to PP&E components of rate base as a result of transition to modified IFRS in 2012.*

Differences may arise with Property, Plant, and Equipment balances due to implementing IFRS. HHHI has not provided a calculation or balance in the Board approved PP&E Deferral Account

a) Please confirm if HHHI has performed a calculation or has provided a balance in the Board approved PP&E Deferral Account.

b) If the answer to part "a" above is no, please update the appropriate schedules and calculate a balance for the PP&E Deferral Account.

c) Please provide a breakdown of the amount that is to be recorded in the PP&E deferral account from the transition date to MIFRS that is, as of January 1, 2011. Please provide the supporting analysis of the amounts in this account.

d) Please provide an analysis similar to Appendix A of the *Staff Discussion Paper – Transition to IFRS*. (The paper is available on the Board's web-site *http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2008-0408/Discussion_paper_Transition_to_IFRS_20110331.pdf*

e) Please provide a proposal for the disposition of this deferral account and rationale, referring to the Addendum to the Report of the Board on IFRS.

Smart Meters

49.

Reference: Exhibit 9 / 4 / 1; Board Decision with Reasons, “Combined Smart Meter Proceeding”, Appendix A, August 7, 2007 [EB-2007-0063]

a) Please confirm that HHHI’s costs recorded in Account 1555 and Account 1556 are directly related to the smart meter program and are incremental costs. If this is not the case, please explain.

b) Please confirm that HHHI’s costs recorded in Account 1555 and Account 1556 are in accordance with the Board’s Decision in the Combined Smart Meter Proceeding, Appendix A.

50.

References: Exhibit 9 / 4 / 2 / pp. 1-10; Exhibit 9 / 4 / 3 / p. 2; Board Decision ‘Combined Smart Meter Proceeding [EB-2007-0063]; Board Guideline ‘Smart Meter Funding and Cost Recovery’ [G-2008-0002], October 22, 2008

The Board indicated in its Decision in the Combined Smart Meter Proceeding that certain costs that were considered “beyond minimum functionality” in relation to smart metering system costs can be recovered as part of future distribution rates. These costs may include web presentment, Customer Information System integration with the Meter Data Management/Meter Data Repository (MDM/R), consumer education, reengineering business practice and integration with retailers.

a) Please indicate if HHHI has recorded such costs and tracked them in separate sub-accounts of Account 1555 and separate sub-accounts of Account 1556 for capital expenditures and OM&A expenses, respectively. Please provide a breakdown by sub-account. If this is not the case, please explain and update the evidence.

b) Please confirm that HHHI did not include borrowing costs relating to money borrowed to finance smart meter installations, if any, as part of the Smart Meter Capital Account 1555 or Account 1556. Please identify which USoA account, if any, HHHI uses to record the borrowing costs.

c) As per the Board’s “Guideline: Smart Meter Funding and Cost Recovery” (G-2008-0002) (the “Guideline”), does HHHI use its normal capitalization policy for smart meters? If this is not the case, please provide an explanation.

d) Are the stranded meter costs recorded in Account 1555 comprised of the gross costs of the stranded meters, less any capital contributions, less the accumulated depreciation and less any proceeds from the disposition of the meters?

e) Please confirm that HHHI is not recording a return on smart meters in Account 1555 or Account 1556. Otherwise, please provide an explanation.

51.
Reference: Exhibit 9 / Appendix D

Please rerun and submit a revised version of the Smart Meter Model adjusting for the following two matters:

a) It appears the current (and recent models) calculate compounded interest on funding adder revenues. Please revise the model applying simple interest (i.e. interest on the opening monthly balance of the principal only) on funding adder revenues, and
b) Please revise the model to calculate simple interest expense on the opening monthly balance for OM&A and amortization expenses.

52.
Reference: Exhibit 9 / 4 / 3 / p. 4

Please re-calculate the smart meter disposition rider using the following methodology that is based on the approach approved by the Board in PowerStream's 2010 smart meter application (EB-2010-0209):

(i) Allocate the total revenue requirement for the historical years, as revised per the previous interrogatory, using the following cost allocation methodology:

- Allocate the return (deemed interest plus return on equity) and amortization based on the allocation of Account 1860 in the cost allocation model (CWMC in the cost allocation model)
- Allocate the OM&A based on the number of meters installed for each class
- Allocate PILs based on the revenue requirement allocated to each class before PILs

(ii) Sum the allocated amounts and calculate the percentages of costs allocated to customer rate classes.

(iii) Subtract the revenues generated from the smart meter funding adder from the overall revenue requirement.

(iv) Allocate the amount calculated in part (iii) by using the allocation factors derived in part (ii)

(v) To calculate the smart meter disposition rider, divide the allocated amount by rate class derived in part (iv) by the number of customers in each class, and then divide by 12.

(vi) If the proposed disposition period is greater than 1 year, divide the result of part (v) by the proposed number of years.

LRAM & SSM

53.
Reference: Exhibit 10 / 1 / 3 / p. 1

HHHI states that the results for OPA programs in 2010 are estimates, based on the number of installs or on methods of estimating program savings, and will be updated upon publication of the OPA final results which was expected to come in September 2011.

Please provide the final results for the 2010 OPA programs HHHI delivered. If the final results are not available, please indicate when HHHI expects to receive them.

54.
Reference: Exhibit 10 / 1 / 3 / p. 1

HHHI notes that the reduction in demand related to its CDM programs has been incorporated into the load forecast for May 1, 2012 onward. It further states however, that energy savings related to OPA programs delivered in 2011 have not been captured.

a) Please confirm that HHHI has not included any losses related to 2011 OPA programs in this LRAM application.

b) If part a) is not confirmed, i.e. if HHHI has included losses attributable to 2011 OPA programs, please discuss the rationale for doing so.

55.
Reference: Exhibit 10 / 1 / 3 / p. 4 Table 10-4

HHHI provides a table outlining its LRAM amounts by funding source.

a) Please confirm that HHHI has used the most recently published OPA Input Assumptions lists when calculating LRAM for Third Tranche programs.

b) If HHHI has not used the most recently published OPA Input Assumptions list when calculating LRAM for its Third Tranche programs, please discuss the rationale for not doing so.

56.
Ref: Exhibit 10 / Appendix A 'Third Party Review …'

IndEco notes in its third party review, at p. 6, that that energy savings for measures installed between 2006 and December 31, 2010 were calculated to April 30, 2012.

a) Please confirm that HHHI is requesting recovery of lost revenues estimated to April 30, 2012 for programs started between 2006 and December 31, 2010.

b) If part a) is confirmed, please discuss the rationale for requesting recovery of estimated lost revenues until April 30, 2012 in the absence of verified program results for both the 2011 program year and January 1, 2012 to April 30, 2012.

c) If part a) is confirmed, please provide an updated LRAM amount exclusive of estimated lost revenues past December 31, 2010.

Bill Impacts

57.
Reference: Exhibit 8 / Appendix A; Exhibit 9 / 3 / 2 / p. 3

a) HHHI prepared bill impact calculations, in consultation with Board staff, for use in the published Notice of Application that differ from the pre-filed calculations in Exhibit 8 and in the Revenue Requirement Work Form Excel spreadsheet. Please provide documentation of the revised bill impact calculations for a Residential customer using 800 kWh per month and a General Service customer in the 'less than 50 kW' class using 2000 kWh per month.
b) Impact calculations are included for customers outside the size range for the General Service 50 – 999 kW class (calculations for 2000 and 4000 kW customers), and for the General Service 1000 – 4999 kW class (calculations for 6500 kw – 13,900 kW). Please provide impact calculations for customers with

500 and 999 kW at rates in the smaller class, and for customers over a suitable range within the larger class.

c) Impact calculations are provided in the pre-filed evidence only for RPP customers. Please provide a parallel set of calculations for non-RPP customers, by combining the two proposed rate riders that would apply to the non-RPP customers in each class.

Requests for Accounting Orders

58.
References : Exhibit 1 / 1 / 7; Exhibit 9 / 2 / 3; Exhibit 9 / Appendix C

HHHI is requesting an accounting order to establish a deferral or variance account to track costs incurred in Tier 3 programs prior to Board approval. A prospective budget amount of $1,762,000 is provided in Appendix C “Addendum to Halton Hills CDM Strategy” Table A-2.

a) Please provide the expected timing of expenditures for Board-approved CDM programs and expected timing of Board review (and approval).

b) With reference to Board Frequently-Asked Questions about the Accounting Procedures Handbook, December 23, 2010, # 22, account 1567 appears to meet HHHI’s request for approval of an account. Has HHHI reviewed the description of account 1567, and if so, please provide clarification on HHHI’s request for approval of an additional account.

59.
References: Exhibit 1 / 1 / 4 / p. 2; Accounting Procedures Handbook, Frequently Asked Questions about the Handbook, December 23, 2010, #22.

HHHI’s request is as follows:

Approval to establish a Deferral and Variance account to track costs incurred in the preparation and implementation of Board-Approved Conservation and Demand Management Programs, prior to Ontario Energy Board approval of said programs.

The Board response to the FAQ states, at p. 25:

The account is Account 1567, Board-Approved CDM Variance Account. A *distributor should track its spending for its Board-Approved CDM Programs in this variance account, which should be used to record the difference between the funding awarded for Board-Approved CDM Programs and the actual spending incurred for these Programs.*

a) Please confirm if HHHI has received Board approval for its CDM Programs which HHHI plans to record in the proposed CDM Variance account.

b) Has HHHI incurred actual spending for these Programs?

Updated Revenue Requirement

60.

Reference: Exhibit 1 / 1 / 4 / p. 1

Upon completion of responses to all interrogatories, please identify any adjustments to the proposed base and service revenue requirements that the applicant wishes to make relative to the original application.

Updated RRWF

61.

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts, including documentation such as an explanatory note or a Reference to an interrogatory response. (Please show the revisions in the middle column of the applicable worksheets, leaving unchanged the leftward columns labelled ‘Initial Application’.)