

Board Staff Interrogatories

2012 IRM3 Electricity Distribution Rates Niagara-on-the-Lake Hydro Inc. ("NOTL") EB-2011-0186

2012 Shared Tax Savings Workform

1. Ref: Sheet "5. Z-Factor Tax Changes" of the workform is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2009	2012
Taxable Capital	\$ 21,163,511	\$ 21,163,511
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 6,163,511	\$ 6,163,511
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 13,868	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2009	2012
Regulatory Taxable Income	\$ 1,028,155	\$ 1,028,155
Corporate Tax Rate	24.72%	22.97%
Tax Impact	\$ 217,933	\$ 236,130
Grossed-up Tax Amount	\$ 289,506	\$ 306,529
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 13,868	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 289,506	\$ 306,529
Total Tax Related Amounts	\$ 303,373	\$ 306,529
Incremental Tax Savings		\$ 3,156
Sharing of Tax Savings (50%)		\$ 1,578

Board staff has been unable to verify the amounts entered into the taxable capital, regulatory taxable income, corporate tax rate and grossed-up tax amounts with NOTL's 2009 Revenue Requirement Workform. Please provide evidence supporting these amounts. If the reported amounts are in error, Board staff will make the necessary corrections to the model.

Ref: Sheet “6. Calc Tax Chg RRider Var” of the workform is reproduced below.

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / \$H	Total Z-Factor Tax Change\$ by Rate Class C = \$I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	\$2,272,800.3777	49.39%	\$779	66,607,551	0	\$0.0000	
General Service Less Than 50 kW	\$1,127,105	24.49%	\$386	34,497,593	0	\$0.0000	
General Service 50 to 4,999 kW	\$1,005,006	21.84%	\$345	0	208,072		\$0.0017
Unmetered Scattered Load	\$25,440	0.55%	\$9	302,169	0	\$0.0000	
Street Lighting	\$171,035	3.72%	\$59	0	2,900		\$0.0202
	\$4,601,386	100.00%	\$1,578				

The total amount related to tax changes is \$(1,578), which results in a volumetric rate rider less than four decimal places for the Residential and General Service Less Than 50 kW rate classes. The Board has previously directed applicants to record immaterial amounts (as a result of tax changes) into account 1595 for future disposition. Please indicate whether NOTL has any issues with recording this amount in account 1595 for future disposition.

2012 IRM3 Rate Generator

2. Ref: A portion of Sheet “6. Current Rate_Riders” of the rate generator is reproduced below.

Street Lighting			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kW	(0.03450)	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2009)	\$/kW	0.09650	April 30, 2013
Rate Rider for Deferral/Variance Account Disposition (2011)	\$/kW	(1.55230)	April 30, 2012
Rate Rider for Tax Change	\$/kW	(0.69500)	April 30, 2012

Please confirm the “Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers” selected from the drop-down menu should be “Rate Rider for Global Adjustment Sub-Account (2011) – Applicable only for Non-RPP Customers”. If confirmed, Board staff will make the relevant correction.

3. Ref: A portion of Sheet “10. Billing Det. for Def_Var” of the rate generator is reproduced below.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹	1590 Recovery Share	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	63,529,367		4,249,930	-	2,273,080	67%		
General Service Less Than 50 kW	\$/kWh	33,919,641		3,906,025	-	1,127,345	18%		
General Service 50 to 4,999 kW	\$/kW	74,700,317	194,671	65,250,483	170,044	1,050,873	14%		
Unmetered Scattered Load	\$/kWh	202,191		4,537	-	25,440	0%		
Street Lighting	\$/kW	1,124,575	2,864	1,023,824	2,607	101,261	0%		
Total		173,476,091	197,535	74,434,799	172,652	4,577,999	100%	0%	0%

Board staff is unable to verify the metered kWh and metered kW with NOTL’s 2011 cost of service decision and/or 2.1.5 RRR report. Also, Board staff is unable to verify the distribution revenue inputted in for each rate class with NOTL’s last cost of service application. Please provide evidence supporting these amounts.

Lost Revenue Adjustment Mechanism (LRAM)

4. Ref: Burman Energy LRAM Support Document, Sept. 6, 2011, Pg. 2, Section 2: Scope

Burman noted that in lieu of OPA published evaluation results for 2010, 2009 program results were used as a best estimate for 2010 program year results. It further states that adjustments to these estimates may be required to accurately reflect final OPA program evaluation results for 2010 programs.

- a) If the 2010 OPA evaluation results have been made available to NOTL, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.

5. Ref: Manager's Summary, Pg. 7 Ref: Burman Energy LRAM Support Document, Attachment A & B

NOTL contracted Burman Energy Consultants Group Inc. to prepare and critically assess an additional LRAM claim for program results to the end of 2010.

In Appendix A & B of the Burman LRAM Report there are two tables. Appendix A shows the CDM load impacts by class and program for both 2010 and 2011 and Appendix B shows the foregone revenue by class and program for both 2010 and 2011.

- a) Please provide the rationale for applying for recovery of 2011 lost revenues prior to the 2011 programs being completed and evaluated.
- b) Please discuss what evaluation results were used in calculating and verifying the foregone losses for the 2011 program year.
- c) Please provide all supporting documentation Burman Energy Consultants used in calculating the 2011 load impacts and foregone revenues.

Z-Factor Request for Recovery of Storm Costs

6. Ref: Manager's Summary, 2011 Wind-Storm Disaster Costs table, Pg. 16

- a) Please provide the method used to determine the level of incremental internal labour costs including the method for tracking overtime hours and labour rates. Please provide the breakdown by departments (ex. Line crews, engineering department, front office staff, management, etc.).

- b) For each of the cost claims, please indicate whether NOTL intends to capitalize these costs or treat them as OM&A.

7. Ref: Manager's Summary, Pg. 17

- a) Please confirm that the distribution overhead lines, poles, and transformers under Note 2 (material costs), relates to the replacement value of the damaged assets that are no longer used and useful following the storm, and exclude the value of stranded assets.
- b) Please provide information supporting the choices made with respect to the procurement of external contractors for all costs included in Note 3.
- c) Please explain the nature of the costs included in the vehicles/safety amount of \$10,275. Please also explain why these costs are incremental.

8. Ref: Manager's Summary, Pg. 19

- a) Please provide a copy of the Mutual Aid Agreement.

Z-Factor Request for Recovery of Storm Costs and International Financial Reporting Standards

9. Ref: Manager's Summary, Pg. 18

Issue 1 from the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (EB-2008-0408), dated June 13, 2011, indicates that information supporting rate adjustments during an IRM period should be provided in the same basis of accounting as the information upon which the rates were set. This means that if rates were set on CGAAP, the financial information supporting the adjustment must be provided under CGAAP, and the adjustment to rates will be made on the basis of the CGAAP filing.

In addition, a reconciliation of the CGAAP-based financial information to the relevant information in the last annual RRR reporting under modified IFRS is required. Where the distributor has adopted IFRS for financial reporting but has not yet made an annual RRR reporting under modified IFRS, the financial information mentioned above must be provided in both CGAAP and modified IFRS format, and a reconciliation provided between the two accounting standards.

- a) On what basis was the Z-Factor adjustment prepared, CGAAP or modified IFRS? If the accounting basis to support the Z-Factor was not based on CGAAP, please explain why.

[illegible]