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**BY E-MAIL**

November 3, 2011

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Hydro One Brampton Networks Inc.  
2012 IRM3 Distribution Rate Application  
Board Staff Interrogatories  
Board File No. EB-2011-0174**

In accordance with the Notice of Application and Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Hydro One Brampton Networks Inc. and to all other registered parties to this proceeding.

In addition, please advise Hydro One Brampton Networks Inc. that responses to interrogatories are due by November 10, 2011.

Yours truly,

*Original Signed By*

Martha McOuat  
Project Advisor, Applications  
Electricity Rates 1 Applications

Encl.

**Board Staff Interrogatories  
2012 Electricity Distribution Rates  
Hydro One Brampton Networks Inc. ("HOBNI")  
EB-2011-0174**

**Shared Tax Savings Rate Rider**

1. Ref: 2012 IRM3 Shared Tax Savings Workform  
Ref: Manager's Summary, page 4, Table 1

The Manager's Summary states: "The calculations included in Sheet 5 of the 2012 IRM3 Shared Tax Savings Workform have been updated as provided in the preceding Table 1 such that they correctly represent HOBNI's tax calculations and are consistent with its 2011 cost of service rate application."

- a) Please provide supporting evidence for the 2012 tax rate of 26.25% as shown in Table 1.
- b) Board Staff notes that using the 2012 tax rate of 25.61% as per the Tax Savings Workform results in increased tax savings of \$128,499. Under these circumstances, does HOBNI continue to propose to record the savings in account 1595 for future disposition, or would HOBNI amend its application to request disposition of this amount in 2012?

**Group 1 Deferral and Variance Accounts**

2. Ref: 2012 IRM3 Rate Generator Sheet 9, 2012 Continuity Schedule  
Ref: EB-2009-0199 Decision and Order
  - a) Please provide a reconciliation of the 2010 amount of (\$6,923,927) in Account 1595 with the amount of (\$8,840,808) approved by the Board for disposition of Group 1 Accounts in 2010 in EB-2009-0199.
  - b) Please confirm that the Board approved a disposition period of two years for HOBNI's Group 1 balances in EB-2009-0199, and that the resultant rate riders remain effective until April 30, 2012.
  - c) Please update Sheet 9 of the 2012 Rate Generator showing amounts disposed separately for 2010 and 2011 for these Group 1 Accounts, and the resulting adjustments to the December 31, 2010 and December 31, 2011 balances in Account 1595.

**Account 1592**

3. Ref: 2012 IRM3 Rate Generator Sheet 9, 2012 Continuity Schedule  
Ref: EB-2010-0132 Decision and Order

- a) Please confirm that the balance in Account 1592 was included with those in 1508, 1518, 1548, 1562, and 1582 in calculating the rate rider for deferral/variance account disposition (2011), as approved in EB-2010-0132.
- b) Please provide a reconciliation of the 2010 closing balance as shown in Sheet 9 of the 2012 IRM3 Rate Generator of (\$607,126) and \$0 for principle and interest respectively with the total balance approved for disposition in 2011 of (\$605,752).
- c) Please update Sheet 9 of the 2012 Rate Generator showing the amount disposed in 2011, and update the balance of this account as at December 31, 2011 to reflect the approved disposition of this account.

### **Special Purpose Charge Assessment Variance Account Rate Rider**

4. Ref: 2012 IRM3 Rate Generator, Sheet 9  
Ref: Manager's Summary, page 11

Board Staff is unable to reconcile the 2.1.7 RRR balance as at December 31, 2010 for Account 1521 with the 2010 Closing Principle and Interest Balances as reported in the Continuity Schedules at Sheet 9 of the IRM3 Rate Generator.

- a) Please complete the following table:

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principle Balance	Forecasted December 31, 2011 Carrying Charges Balance	Total for Disposition (Principal & Interest)

- b) Please provide a copy of the original SPC Assessment invoice.
- c) Please describe the adjustment to carrying charges discussed at page 7, line 12 in the Manager's Summary. Why was this adjustment of \$539 required?

### **Transformer Allowances**

5. Ref: Revenue/Cost Ratio Model  
Ref: 2012 IRM3 Rate Generator

Board Staff notes that the Board approved changes to HOBNI's Transformer Allowances in its 2011 Cost of Service Decision, and these have been included

in HOBNI's current and proposed tariff of rates and charges. HOBNI has not included these Transformer Allowances in its Revenue/Cost Ratio Model at page 8.

- a) Does HOBNI propose that the approved Transformer Allowances should continue to apply in 2012? If so, please make the required adjustments to the Revenue/Cost Ratio Model and IRM3 Rate Generator.
- b) If HOBNI proposes to discontinue the approved Transformer Allowances, please provide supporting evidence for this proposal.

### **LRAM Rate Rider**

#### **6. Ref: Tab 6 / IndEco Third Party Review / Page 3**

IndEco notes that its review examined the measures, energy savings, and equipment specifications for programs run under contract to the OPA in 2009 and 2010. It also notes that lost revenues associated with these programs are estimated through December 31, 2011.

- a) Please confirm that Hydro One Brampton is requesting recovery of lost revenues estimated to December 31, 2011 for programs undertaken in 2009 and 2010.
- b) If part a) is confirmed, please discuss the rationale for requesting recovery of estimated lost revenues until December 31, 2011 in the absence of verified program results for the 2011 program year.
- c) If part a) is confirmed, please provide an updated LRAM amount exclusive of estimated lost revenues past December 31, 2010.

#### **7. Ref: Tab 6 / IndEco Third Party Review / Page 3**

IndEco notes that since final 2010 OPA program results have yet to be provided by the OPA, the LRAM claim for the 2010 programs is based on savings estimates and is thus preliminary. It further states that the LRAM claim associated with 2010 OPA programs will be finalized once the OPA releases its final 2010 OPA program results.

- a) Please provide a status update on the 2010 OPA evaluation results.
- b) If the 2010 OPA evaluation results have been made available to Hydro One Brampton, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.

**Green Energy Act initiatives Funding Adder**

8. Ref: Manager's Summary, page 19  
Ref: EB-2010-0132 Draft Rate Order Appendix I

Board Staff notes that HOBNI has requested recovery of the incremental revenue requirement amount for its Green Energy Act Plan of \$167,655 from provincial rate payers.

- a) Please provide a status update of proposed 2012 activities and forecast Green Energy Plan costs.
- b) Does HOBNI propose to continue charging its current GEA Funding Adder of \$0.02?

**2012 Final Tariff Schedule**

9. Ref: 2012 IRM3 Rate Generator page 20

Board Staff notes that HOBNI has not included the required descriptions for each of its rate classifications in its final tariff of rates and charges.

- a) Please insert the required descriptions into the model as requested on page 20 of the model.

**Disposition of the Balance in Account 1562 Deferred PILs**

10. The following table displays the income tax rates used in the calculation of the SIMPIL true-up variances in Hydro One Brampton's PILs 1562 evidence:

**Income tax rates used in Hydro One Brampton's SIMPIL models**

		<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>APPLICATION PILS PROXY CALCULATION</b>	1. SIMPIL Tab TAXCALC Cell C53 (54): Blended income tax rate	40.62%	38.62%	38.62%	38.62%	36.12%
	2. SIMPIL Tab TAXCALC Cell C88 (89): Income tax rate used for gross-up (excluding surtax)	39.50%	37.50%	37.50%	37.50%	35.00%
<b>DECISION IN COMBINED PROCEEDING</b>	From page 17 of the Decision: Tax rate to calculate the tax impact	40.62%	38.62%	36.62%	36.12%	36.12%
	Tax rate to calculate the grossed-up tax amount	39.50%	37.50%	35.50%	35.00%	35.00%
<b>SIMPIL MODELS TAB TAXCALC</b>	3. Cell E122 (123): Calculation of true-up variance - income tax effect	39.50%	37.50%	35.50%	35.00%	35.00%
	4. Cell E130 (131): Income tax rate used for gross-up (excluding surtax)	39.50%	37.50%	35.50%	35.00%	35.00%
	5. Cell E138 (139): Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	40.62%	38.62%	36.62%	36.12%	36.12%
	6. Cell E175 (176): Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	39.50%	37.50%	35.50%	35.00%	35.00%

In the PILs combined proceeding, the Board indicated that the income tax impact will be calculated using the tax rate that includes the surtax rate expressed as 1.12%. The tax rate to calculate the true-up variance should exclude the surtax rate.<sup>1</sup> Hydro One Brampton did not use the tax rate that includes the surtax of 1.12% in calculating the tax impact.

<sup>1</sup> EB-2008-0381 Decision and Order, pages 17-19.

- a) Does Hydro One Brampton agree that the rate to calculate the tax impact should include the surtax rate of 1.12%? If not, please explain.

11. Hydro One Brampton submitted financial statement and tax evidence related to account 1562 in its rate rebasing proceeding EB-2010-0132. In that evidence and in evidence submitted in this proceeding EB-2011-0174, in determining the excess interest claw-back true-up variance each year, Hydro One Brampton compared the interest expense disclosed in its financial statements and tax returns with the Board-approved maximum deemed interest from its applications.

In its audited financial statements for 2002-2005, Hydro One Brampton disclosed the composition of interest expense. The components in different years have been interest on long-term debt, interest expense (other), amortization of deferred debt costs, interest income (deducted), capitalized interest on construction in progress (deducted), and interest capitalized on regulatory assets.

In its tax returns, Hydro One Brampton has dealt with the differences between the accounting numbers and the allowable tax amounts in reconciling net income for tax purposes. For example, the deferred debt costs are amortized over the life of the debt for accounting purposes and over five years for tax purposes.

- a) Please explain what caused the interest expense other than interest on long-term debt.
- b) Please explain whether this interest expense should be included in the true-up.
- c) Please explain what generated the interest income.
- d) Please explain whether the interest income should be deducted in determining the net interest expense used in the true-up calculations.
- e) Please confirm whether or not Hydro One Brampton included interest expense related to regulatory assets and liabilities in total interest expense.
- f) Please explain whether or not capitalized interest should be deducted in determining the interest expense for the true-up.
- g) Please explain whether or not the difference between the book and tax amounts for amortization of deferred debt costs should be included in the interest true-up.

- h) Please confirm whether or not Hydro One Brampton included interest expense related to IESO prudentials in interest expense. If so, please identify where it is disclosed.
- i) Please provide Hydro One Brampton's views on whether this interest expense should be included in the true-up.
- j) Please confirm whether or not Hydro One Brampton included interest expense related to customer security deposits in interest expense. If so, please identify where it is disclosed.
- k) Please provide Hydro One Brampton's views on whether this interest expense should be included in the true-up.
- l) Please confirm whether or not Hydro One Brampton included interest income related to customer security deposits in interest expense. If so, please identify where it is disclosed.
- m) Please provide Hydro One Brampton's views on whether this interest income should be included in the true-up.

12. Ref: Tab1/sch2.0/pg17/ln17-20 – Allocation to customer classes

Please provide the evidence reference in EB-2010-0132 that supports the percentages shown on sheet 11 of the 2012 IRM3 Rate Generator Model for allocating the refund balance in account 1562 of (\$2,819,109) to rate classes.