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BY EMAIL

November 14, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Whitby Hydro Electric Corporation
2012 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0025**

Please see attached Board Staff Interrogatories for the above noted proceeding.
Please forward the attached interrogatories to Whitby Hydro Electric Corporation and all intervenors in this proceeding.

Yours truly,

Original signed by

Sunny Swatch
Case Manager

Encl.

Board Staff Interrogatories
2012 IRM3 Electricity Distribution Rates
Whitby Hydro Electric Corporation
EB-2011-0206

Shared Tax Savings

- 1) Ref: 2012 IRM3 Shared Tax Savings Workform, Sheet 3.
Ref: EB-2009-0274, Exhibit 3, p.182

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C
RES	Residential	Customer	kWh	36,927	350,407,180	
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,909	75,150,446	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	435	414,547,692	966,330
USL	Unmetered Scattered Load	Connection	kWh	391	2,493,809	
Sen	Sentinel Lighting	Connection	kW	37	43,361	120
SL	Street Lighting	Connection	kW	11,478	9,090,771	24,361

Board staff was unable to reconcile the figures entered for the billing determinants for the Street Lighting class in Sheet 3 of the Shared Tax Savings Model with the forecasted figures approved by the board in Whitby's 2011 cost of service application (EB-2009-0274).

- Please confirm the Rebased Billing Connections, Billed kWh, and Billed kW numbers for the Street Lighting class are those established in EB-2009-0274.
- If not, please provide the rationale for using figures for the above stated billing determinants that diverge from the load forecast in EB-2009-0274.

- 2) Ref: 2012 IRM3 Shared Tax Savings Workform, Sheet 6
Ref: Manager's Summary, p.7
Ref: Filing Requirements for Transmission and Distribution Applications, Chapter 3, p. 17

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / SH	Total Z-Factor Tax Change\$ by Rate Class C = SI * 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	\$12,580,198.9980	63.77%	-\$55,949	350,407,180	0	-\$0.0002	
General Service Less Than 50 kW	\$1,911,497	9.69%	-\$8,501	75,150,446	0	-\$0.0001	
General Service 50 to 4,999 kW	\$4,784,682	24.25%	-\$21,279	414,547,692	966,330		-\$0.0220
Unmetered Scattered Load	\$118,855	0.60%	-\$529	2,493,809	0	-\$0.0002	
Sentinel Lighting	\$3,116	0.02%	-\$14	43,361	120		-\$0.1155
Street Lighting	\$329,408	1.67%	-\$1,465	9,104,235	26,227		-\$0.0559
	\$19,727,757	100.00%	-\$87,731				

In the Manager's Summary, Whitby notes that the Z-factor Tax Changes rate rider for General Service Less than 50kW derived by the model is found to be negligible and therefore requests to record the total amount to be refunded in account 1595 so that it can be disposed in the future.

- 2 -

- a) Board Staff notes that the rate rider in question is -\$0.0001 which is greater (in absolute value) than the \$0.0000 considered to be negligible according to the updated Filing Requirements. Does Whitby still intend to record the amount in Account 1595 to be disposed at a later date? If so, please provide justification for why this volumetric rate rider should be considered negligible.

Revenue to Cost Ratio Adjustment

- 3) Ref: 2012 IRM3 Revenue to Cost Ratio Adjustment, Sheet 4.
Ref: Manager's Summary, p. 10
Ref: EB-2009-0274, Decision, Appendix – Proposed Settlement Agreement, Appendix C

Rate Class	Current Tariff Service Charge A	Current Tariff Distribution Volumetric Rate kWh B	Current Tariff Distribution Volumetric Rate kW C	Service Charge Rate Adders D	Distribution Volumetric kWh Rate Adders E	Distribution Volumetric kW Rate Adders F
Residential	17.24	0.0141	0.0000	0.00	0.0003	0.0000
General Service Less Than 50 kW	19.00	0.0194	0.0000	0.00	0.0003	0.0000
General Service 50 to 4,999 kW	191.34	0.0000	3.9178	0.00	0.0000	0.1078
Unmetered Scattered Load	9.28	0.0302	0.0000	0.00	0.0003	0.0000
Sentinel Lighting	4.05	0.0000	10.9830	0.00	0.0000	0.0852
Street Lighting	1.36	0.0000	5.4070	0.00	0.0000	0.0834

In the Manager's Summary, Whitby notes that it has removed the Low Voltage (LV) cost recovery portion of volumetric rates in the Revenue to Cost Ratio Adjustment model. Board Staff found the LV rates entered in the model to be consistent with Whitby's last cost of service application.

- a) Please provide justification for why these volumetric amounts should be removed from the model.

Rate Generator

- 4) Ref: 2012 IRM3 Rate Generator, Sheet 10
Ref: EB-2009-0274, Exhibit 3, p. 182 – 183

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	350,407,180		37,493,568	-	6,458,704	42%		
General Service Less Than 50 kW	\$/kWh	75,150,446		11,422,868	-	1,046,759	9%		
General Service 50 to 4,999 kW	\$/kW	414,547,692	966,330	361,071,040	841,673	2,343,490	47%		
Unmetered Scattered Load	\$/kWh	2,493,809		-	-	44,457	0%		
Sentinel Lighting	\$/kW	43,361	120	-	-	1,393	0%		
Street Lighting	\$/kW	9,090,771	24,361	9,090,771	24,361	130,829	2%		
Total		851,733,259	990,811	419,078,247	866,834	10,025,632	100%	0%	0%
Total Claim (including Accounts 1521 and 1582)		-\$	2,553,367						
Total Claim for Threshold Test (All Group 1 Accounts)		-\$	1,537,392						
Threshold Test ³		-	0.00181						

- 3 -

Board staff was unable to reconcile the figures for Metered kWh and kW for Sentinal Lighting and Street Lighting with those in the last board approved forecast (EB-2009-0274). Board staff was also unable to reconcile Distribution Revenue with those in the approved forecast for all customer classes.

- a) Please confirm the figures for Metered kWh and kW for Sentinal Lighting and Street Lighting are those established in EB-2009-0274.
- b) Please confirm the figures for Distribution Revenue are those established in EB-2009-0274.
- c) If Whitby cannot confirm the figures for Metered kWh, Metered kW, and Distribution Revenue please provide the rationale for the figures provided.

Account 1521 – Special Purpose Charge (SPC)

5) Ref: Manager's Summary, p.8 - 9

- a) Please confirm Whitby's SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please complete the following table related to the SPC.

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 Principal Balance	Forecasted December 31, 2011 Carrying Charges Balance	Total for Disposition (Principal & Interest)

6) Ref: Manager's Summary, p.9

In the Manager's Summary, Whitby requests to continue using Account 1521 in order to record some small adjustments that may occur to Account 1521 in the future. Whitby proposes that Account 1521 be included in Group 1 Accounts and therefore processed as a Group 1 Account in future applications.

- a) When does Whitby anticipate the completion of transactions related to Account 1521?

Smart Meter Funding Adder (SMFA)

7) Ref: EB-2011-0206, Manager's Summary, p. 12 EB-2009-0274, Application, Exhibit 9

EB-2009-0274, Decision and Order
EB-2010-0083, Decision and Order

Whitby is proposing that the current SMFA remain unchanged and continue until December 31, 2012. The current SMFA would then be removed in conjunction with the approval of a smart meter cost recovery application, which Whitby plans to file in 2012.

In Whitby's previous cost of service application (EB-2009-0274), Whitby applied for a SMFA of \$2.13 based on costs forecasted for 2009 and 2010. The SMFA was deemed appropriate by all parties in the settlement agreement and was approved by the board.

Further, the following example is relevant to Whitby's request in this application. The Board's Decision and Order with respect to Festival's 2011 IRM Rates Application, issued April 21, 2011, states at page 5:

Since the deployment of smart meters on a province-wide basis is now nearing completion, the Board expects distributors to file for a final prudence review at the earliest possible opportunity following the availability of audited costs. For those distributors that are scheduled to file a cost of service application for 2012 distribution rates, the Board expects that they will apply for the disposition of smart meter costs and subsequent inclusion in rate base. For those distributors that are scheduled to remain on IRM, the Board expects these distributors to file an application with the Board seeking final approval for smart meter related costs. ***In the interim, the Board will approve the requested SMFA of \$1.52 per metered customer per month from May 1, 2011 to April 30, 2012. This SMFA adder will be reflected in the Tariff of Rates and Charges, and will cease on April 30, 2012.*** Festival Hydro's variance accounts for smart meter program implementation costs, previously authorized by the Board, shall be continued. [Emphasis added]

Similar wording was contained in the Board's decisions for many rates applications in 2011.

- a) Please explain, in detail, the circumstances that justify extension of the SMFA beyond April 30, 2012, in light of the Board's general policy as documented in the decisions in many 2011 rates applications.
- b) Whitby identifies that about 25% of its smart meter costs will occur in 2011, and thus are unaudited at this point.
 - i. What is the nature of the smart meter costs that Whitby is incurring in 2011?
 - ii. Are these costs for investments and operations expenses that are different than those Whitby has incurred prior to 2011? If so, please explain the differences.

- 5 -

- c) Whitby's existing SMFA of \$2.13 per month per metered customer was first approved effective January 1, 2011. By December 31, 2012, this SMFA will have been in effect for two years. The SMFA is not intended to be fully compensatory for the revenue requirement for installed smart meters in the historical period.
 - i. Please provide any evidence or analysis in Whitby's possession as to the appropriateness of the level of the SMFA of \$2.13 per month if it is continued from January 1, 2012 to December 31, 2012.
 - ii. If Whitby proposes an alternative SMFA, please provide detailed documentation on the derivation of its proposal. If the calculations are available through an Excel spreadsheet or model, please provide the spreadsheet or model in working Excel format.

Lost Revenue Adjustment Mechanism (LRAM)

8) Ref: Appendix K / Section: Overview

Section 3.4.2 of the Filing Requirements indicates that distributors shall file any outstanding LRAM or SSM applications funded between 2005 and 2010 as part of their 2012 CoS or IRM application. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity. Whitby Hydro noted that at this time, it does not intend to file a claim for SSM for the legacy period of 2005-2010.

- a) Please discuss whether Whitby Hydro intends to file a claim for SSM in a future rate application.
- b) If Whitby Hydro does intend on filing a claim for SSM in the future, please provide the rationale for Whitby Hydro not filing a claim for SSM in its 2012 rate application.

9) Ref: Appendix K / Section: Eligible Programs

Whitby Hydro noted that it has included persisting impacts from third tranche CDM programs and 2008 OPA and Whitby Hydro funded CDM programs in its LRAM calculation for the years not previously included in its last LRAM application.

- a) Please describe in detail the persisting impacts related to CDM activities which were included in the load forecast in Whitby Hydro's 2010 CoS application.
- b) Please confirm that Whitby Hydro's past CDM activity and future persisting savings associated with previously implemented CDM programs from 2005-2010 were included in Whitby Hydro's most recent load forecast.

- 6 -

- c) Please identify which persisting impacts related to Whitby Hydro's past CDM activities were not included in Whitby Hydro's 2010 CoS application.

10) Ref: Appendix L / Burman Energy LRAM Support Document / Section 2: Scope / Pg. 2

Burman noted that in lieu of OPA published evaluation results for 2010, 2009 program results were used as a best representative 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) Please provide a status update on the 2010 OPA evaluation results.
- b) If the 2010 OPA evaluation results have been made available to Whitby Hydro, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.

11) Ref: Manager's Summary, p.11

Whitby is proposing to combine the existing LRAM rate rider (2010) with the one it is currently applying for (2012) and assign this combined rate rider a sunset date of December 31, 2012. Whitby reasons that such a combined rate rider would minimise the number of rate riders which would be simpler for customers and reduce administrative effort for Whitby.

- a) Board staff notes that rate riders appear on the tariff schedule and not on the bills of customers. Please, elaborate on how a combined rate rider would be simpler for customers.
- b) Does Whitby expect material cost savings from the reduction of administrative effort if the two rate riders were combined?
- c) Would the appearance of two LRAM rate riders on Whitby's tariff schedule constrain the implementation of Whitby's billing process?

Account 1562 – Deferred Payments in Lieu (PILs)

12) Ref: 2012 IRM3 Rate Generator, Sheet 9

Account Descriptions	Account Number	Projected Interest on Dec-31-10 Balances			2.1.7 RRR	Variance RRR vs. 2010 Balance (Principal + Interest)
		Projected Interest from Jan 1, 2011 to December 31, 2011 on balance as of Dec 31-10	Projected Interest from January 1, 2012 to April 30, 2012 on Dec 31-10 balance adjusted for disposition during 2011 ^{6,7}	Total Claim	As of Dec 31-10 ⁸	
LV Variance Account	1550	\$ 10,577	\$ 402	\$ 736,606	\$ 795,702	\$ 0
RSVA - Wholesale Market Service Charge	1500	\$ 19,108	\$ 12,459	\$ 1,326,670	\$ 3,442,990	\$ 1
RSVA - Retail Transmission Network Charge	1504	\$ 12,090	\$ 7,775	\$ 837,024	\$ 499,700	\$ 2
RSVA - Retail Transmission Connection Charge	1586	\$ 6,770	\$ 8,095	\$ 472,717	\$ 1,859,158	\$ 1
RSVA - Power (excluding Global Adjustment)	1588	\$ 12,951	\$ 6,137	\$ 900,344	\$ 1,877,833	\$ 1
RSVA - Power - Sub-Account - Global Adjustment	1580	\$ 15,158	\$ 2,852	\$ 1,060,122	\$ 1,514,356	\$ 0
Recovery of Regulatory Asset Balances	1590	\$ -	\$ 7,655	\$ 2	\$ 506,210	\$ 3
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595					\$ -
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595					\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ 22,150	\$ 39,671	\$ 1,537,392	\$ 7,467,230	\$ 3
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ 37,308	\$ 42,523	\$ 2,597,514	\$ 8,981,595	\$ 3
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 15,158	\$ 2,852	\$ 1,060,122	\$ 1,514,356	\$ 0
Special Purpose Charge Assessment Variance Account	1521	\$ 104	\$ 113,294	\$ 8,546	\$ 104,544	\$ -
Deferred Payments in Lieu of Taxes	1562	\$ 11,734	\$ -	\$ 1,007,329	\$ 1,659,343	\$ 663,740
Group 1 Total + 1521 + 1562		\$ 33,780	\$ 73,623	\$ 2,553,367	\$ 9,022,037	\$ 663,745

- a) Please provide an explanation for the -\$663,748 amount in the Variance RRR vs. 2010 Balance column for Account 1562 – Deferred Payment in Lieu of Taxes in the Rate Generator Model.

13) Missing Evidence Ref: Appendix H

Please provide the following missing PILs evidence:

- Excel 2001, 2002 and 2005 Board-approved PILs proxy models (active) in 2003 Excel compatible format.
- Excel 2001/2002, 2004 and 2005 rate applications (active).
- Signed Board decisions for each year that an application was filed requesting PILs to be included in rates.
- Excel continuity schedule for 2001 to 2012 including interest carrying charge calculations (active).
- Excel PILs recoveries reconciliation and calculation of amounts billed showing rate slivers multiplied by monthly billing determinants (number of customers /kWh/kW) (active).

14) Income Tax Returns Ref: Appendix H

- a) Please confirm that all tax years 2001 to 2005 are statute-barred?

15) CDM expenses– 2005 SIMPIL model
Ref: Appendix H

Whitby's proxy amount for CDM expenses of \$438,000 appears on the 2005 SIMPIL model TAXCALC sheet row 45 cell C45. This row does not true-up to ratepayers in column E from rows 99 to 132.

However, actual CDM expenses of \$237,406 is recorded on row 26 cell E26 "Material additions from TAXREC" which trues up to ratepayers on row 107 cell E107. This creates a one-sided true-up to ratepayers.

- a) Can Whitby suggest a method to avoid a one-sided true-up to ratepayers?
- b) Why does the actual expense of \$237,406 not appear on the 2005 T2 schedule 1?

16) Interest Expense
Ref: Appendix H

For the tax years 2001 to 2005:

- a) Did Whitby have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- b) Did Whitby net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
- c) Did Whitby include interest expense on customer security deposits in interest expense?
- d) Did Whitby include interest income on customer security deposits in interest expense?
- e) Did Whitby include interest expense on IESO prudentials in interest expense?
- f) Did Whitby include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did Whitby include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- h) Did Whitby deduct capitalized interest in deriving the interest expense disclosed in its financial statements?
- i) Please provide Whitby's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

- 9 -

- j) Please provide a table for the years 2001 to 2005 that shows all of the components of Whitby's interest expense and the amount associated with each type of interest.