



1 Greendale Drive, Caledonia, ON, N3W 2J3 Tel: (905) 765-5344 Fax: (905) 765-5316

November 30, 2011

Delivered By Courier and RESS

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: Haldimand County Hydro Inc.
2012 IRM3 Electricity Distribution Rate Application (EB-2011-0170)
Responses to Interrogatories**

Dear Ms. Walli:

Haldimand County Hydro Inc. filed an application with the Ontario Energy Board (the "Board") on September 30, 2011 seeking approval for changes to distribution rates and other charges to be effective May 1, 2012.

Pursuant to the *Notice of Application and Hearing for an Electricity Distribution Rate Change*, issued October 14, 2011, Board Staff and Intervenors filed interrogatories on November 16 and 17, 2011 respectively. Haldimand County Hydro was required to file responses by December 1, 2011.

Two hard copies of Haldimand County Hydro's complete responses to all interrogatories are now enclosed. An electronic copy in PDF format was submitted through the Board's *Regulatory Electronic Submission System* ("RESS").

In addition, an electronic copy in PDF format was forwarded via email to the intervenors of record in the previous cost of service rate application proceeding EB-2009-0265.

These responses to interrogatories are respectfully submitted for the Board's consideration.

Yours truly,
HALDIMAND COUNTY HYDRO INC.

Original signed by

Jacqueline A. Scott
Finance Manager

**Haldimand County Hydro Inc.
2012 Electricity Distribution Rates
EB-2011-0170
Board Staff
Interrogatory Responses**

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 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	44,342
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2012
Taxable Capital	\$ 40,215,213	\$ 40,215,213
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 25,215,213	\$ 25,215,213
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 18,756	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2010	2012
Regulatory Taxable Income	\$ 1,755,065	\$ 1,755,065
Corporate Tax Rate	29.79%	24.33%
Tax Impact	\$ 522,820	\$ 382,595
Grossed-up Tax Amount	\$ 681,487	\$ 505,583
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 18,756	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 681,487	\$ 505,583
Total Tax Related Amounts	\$ 700,243	\$ 505,583
Incremental Tax Savings		-\$ 194,660
Sharing of Tax Savings (50%)		-\$ 97,330

The Tax Impact in 2010 on Sheet 5 shows \$522,820. The Tax Impact in Haldimand’s 2010 cost of service decision EB-2009-0265 shows \$478,478. Board staff notes that the difference is equal to the tax credits of \$44,342 (cell

I20). Please confirm that the "Tax Impact" line includes the tax credits. If this is the case as the tax credits should not be included in this line, Board staff will make the necessary correction.

Response

The "Tax Impact" line correctly does not include the tax credits of \$44,342.

The \$522,820 represents the "Total Income Taxes" from Haldimand County Hydro Inc.'s ("HCHI") 2010 Cost of Service ("COS") EB-2009-0265, calculated as \$1,755,065 X 29.79%. The "Grossed-up Tax Amount" of \$681,487, also from HCHI's 2010 COS, is a calculation of the total income taxes less any tax credits and then divided by 70.21%.

i.e. $\$522,820 - 44,342 = \$478,478$

Tax Rate = 29.79%

Gross Up = $1 - 29.79\% = 70.21\%$

$\$478,478 / 70.21\% = \$681,487$

HCHI does not believe that any correction is required.

[illegible]

Lost Revenue Adjustment Mechanism (LRAM)

3. Ref: Manager's Summary Page 10-11 of 32

Haldimand mentions that in its 2010 COS application, an amount of energy savings on account of 2005, 2006, and 2007 CDM program load reductions was factored into the 2010 load forecast as part of 2010 Test Year Board-approved revenue requirement.

Haldimand later notes that the energy savings from its 2010 COS rate application differed slightly from the actual energy savings on account of the 2005 through to 2007 CDM programs. This resulting difference was attributable to the 2008 CDM programs and has consequently reduced the LRAM claim from \$409,354 to \$240,831 resulting in a total LRAM claim of \$249,145 including carrying charges of \$8,314.

- a) Please explain what Haldimand means when it says that the “resulting difference was attributable to the 2008 CDM programs”.

Response

HCHI would like to clarify the entire paragraph referenced in Board Staff's IR #3 by explaining the process it took to amend (reduce) its LRAM claim to ensure that it did not include energy savings from 2008, 2009, and 2010 programs that had already been included in its 2010 COS load forecast.

HCHI's 2010 load forecast, which was forecast for May 1 2010 onwards, considered the impact of CDM programs from 2005, 2006, 2007, 2008, 2009, and 2010. The 2010 load forecast was reduced by a total of 6,411,912 kWh on account of these programs. The breakdown of the load forecast is shown in Table 2 below.

Table 2 – 2010 Load Forecast Reduction for CDM Programs

	2010 Rate Year (May 1, 2010 to Apr.30, 2011)	2011 Rate Year (May 1, 2011 to Apr.30, 2012)
	(kWh)	(kWh)
Contributions from 2005, 2006, and 2007 Programs	3,080,024	2,310,146
Contributions from 2008, 2009, and 2010 Programs	3,331,888	4,101,766
Total Impact of CDM Programs on the Load Forecast	6,411,912	6,411,912

Note: At the time that the load forecast was generated, actual results for 2008, 2009 and 2010 programs were not available. As such, they were estimated.

The “Contributions from 2008, 2009, and 2010 Programs” is what HCHI was referring to as the “resulting difference attributable to the 2008 CDM programs” on pages 10-11 of the Manager’s Summary.

The LRAM being claimed for the 2010 rate year and the 2011 rate year does not include programs from 2005, 2006, and 2007. However, programs from 2008, 2009, and 2010 are included. To ensure that LRAM is not being claimed on energy savings from 2008, 2009, and 2010 programs that were already considered when generating the 2010 load forecast, the “Contributions from 2008, 2009, and 2010 Programs” in Table 2 were subtracted from the actual OPA-verified 2008, 2009, and 2010 programs’ energy savings in the 2010 and 2011 rate years as shown in Table 3 below.

**Table 3 – Remaining Energy Savings for 2008, 2009, and 2010 Programs
Used to Calculate 2010 and 2011 Rate Year LRAM Claim**

	2010 Rate Year (May 1, 2010 to Apr.30, 2011)	2011 Rate Year (May 1, 2011 to Apr.30, 2012)
	(kWh)	(kWh)
Total OPA-verified Energy Savings from 2008, 2009, and 2010 Programs	5,494,461	5,468,822
Portion included in the 2010 Load Forecast from 2008, 2009, and 2010 Programs	3,331,888	4,101,766
Energy Savings Remaining for 2008, 2009, and 2010 Programs in LRAM Claim	2,162,573	1,367,056

Table 3 shows that HCHI will remain revenue neutral in the 2010 and 2011 rate years with respect to 2008, 2009, and 2010 programs only if it claims LRAM on the 2,162,573 kWh and 1,367,056 kWh energy savings on account of the 2010 and 2011 rate years respectively, that were not included in the 2010 load forecast.

The intent of LRAM is to protect Local Distribution Companies (“LDCs”) from lost revenue associated with participation in CDM programs. Not allowing for a collection of LRAM on programs whose final results are unavailable at the time that new rates are being set by the Board would act as a major disincentive towards CDM for LDCs. LDCs would be in a position where they would be first unable to accurately account for the impacts of such programs when preparing a load forecast and then denied the ability to claim LRAM on any differences between estimated and final program results. LDCs would no longer be guaranteed protection from lost revenues from these programs.

- b) Please confirm that only energy savings attributable to CDM Programs from 2005-2007 were included in Haldimand's 2010 load forecast.

Response

HCHI's 2010 load forecast included energy savings from CDM programs launched before January 1, 2010 and not just programs from 2005, 2006, and 2007.

- c) If part b) is confirmed, please provide a table that shows a detailed comparison of the load reductions included in Haldimand's 2010 load forecast and the actual energy savings for CDM Programs from 2005-2007.

Response

IR #3 b) was not confirmed. See response to IR #3 d).

- d) If part b) is not correct, please provide a table that includes all the CDM program year actual results to the amount included in Haldimand's 2010 load forecast.

Response

HCHI's 2010 load forecast did not account for CDM on a program-specific basis. However, Table 4 below provides the energy savings on a program-specific basis that would have been available to HCHI at the time the 2010 load forecast was generated.

Note: Final results for 2008, 2009, and 2010 programs were not available at the time the 2010 load forecast was generated. Hence, only estimates for these program years would have been possible.

Table 4 – Program-Specific Energy Saving in HCHI’s 2010 Load Forecast

CDM Program	Energy Savings for the 2010 Rate Year (May 1, 2010 to April 30, 2011) (kWh)
2005 Lighten your electricity bill	209,853
2006 Secondary Refrigerator Retirement Pilot	26,579
2006 Cool & Hot Savings Rebate	74,807
2006 Every Kilowatt Counts	219,504
2007 Great Refrigerator Roundup	258,332
2007 Cool & Hot Savings Rebate	181,279
2007 Every Kilowatt Counts	742,498
2007 Summer Savings	371,338
2007 Aboriginal	736,200
2007 Co-branded mass market	130,727
2007 Social Housing	77,760
2007 Social Housing Pilot	50,285
2007 Energy Efficiency Assistance for Houses Pilot	862
2008-2010 program estimates	3,331,888
Total Impact of CDM on the 2010 Load Forecast	6,411,912

As explained in response to Board Staff IR #3 a), an LRAM was claimed for 2008, 2009, and 2010 programs for the difference between the estimated energy savings considered in the 2010 load forecast and the actual energy savings determined using the OPA-verified program results. No LRAM was claimed for 2005, 2006, and 2007 programs for the 2010 rate year or beyond.

4. Ref: Appendix J / IndEco Third Party Review / Page 3

IndEco notes that its review includes savings between January 1, 2008 and April 30, 2012 from Haldimand's involvement in OPA programs from 2008, 2009 and 2010.

- a) Please confirm that Haldimand is requesting recovery of lost revenues estimated to April 30, 2012 for programs undertaken in 2008, 2009 and 2010.

Response

Yes, HCHI is requesting recovery of lost revenues estimated to April 30, 2012 for programs delivered in 2008, 2009, and 2010. However, it is not requesting lost revenues associated with any programs delivered in 2011.

- 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.

Response

HCHI is not requesting recovery of lost revenue associated with unverified programs delivered in 2011 or unverified programs delivered between January 1 and April 30, 2012. The requested lost revenues in 2011 and the first four months of 2012 are associated with verified energy savings arising from programs that were delivered in 2008, 2009, and 2010.

A distinction must be made between lost revenue in 2011 due to programs delivered in 2011 and lost revenue in 2011 due to programs delivered in years prior to 2011. A program will lead to energy savings and thus lost revenues that will persist over the lifetime of the program's measures. For example, if a 2009 program consists of a measure with a lifetime of three years, the program will lead to lost revenues each year until the end of 2011. This would be unrelated to lost revenue due to a program delivered in 2011.

Table 5 below provides the verified results that were used to calculate HCHI's LRAM claim for 2008, 2009, and 2010 programs.

Note: No programs delivered in 2011 were included in the LRAM claim.

Table 5 - Verified Results Used to Calculate HCHI's LRAM Claim for 2008, 2009, and 2010 Programs

Lost revenues for 2008, 2009, and 2010 programs are requested for the following verified program results:					
	2008	2009	2010	2011	January 1 to April 30, 2012
Programs Delivered in 2008	Verified results	Verified results	Verified results	Verified results	Verified results
Programs Delivered in 2009		Verified results	Verified results	Verified results	Verified results
Programs Delivered in 2010			Verified results	Verified results	Verified results

Note 1: When a program's results are verified, this verification extends over the entire lifetime of the measures within the program.

Note 2: Lost revenues in the 2010 rate year and beyond are being claimed for 2008, 2009, and 2010 programs only on the difference between OPA-verified results and the magnitude of energy savings that were considered when preparing the annual load forecast in 2010.

The use of a program's verified results that extend over multiple years is standard for the calculation of an LRAM claim. This approach is consistent with numerous Board-approved LRAM claims, including the following:

- ***Burlington Hydro Inc.'s LRAM claims part of EB-2010-0067, Decision and Order dated March 17, 2011, and EB-2009-0259, Decision and Order dated March 1, 2010;***
- ***Middlesex Power Distribution Corporation's LRAM claim part of EB-2010-0098, Decision and Order dated March 17, 2011;***
- ***Norfolk Power Distribution Inc.'s LRAM claim part of EB-2011-0049, Decision and Order dated May 6, 2011; and***
- ***Hydro One Brampton Network Inc.'s LRAM claim part of EB-2010-0132, Decision and Order dated April 4, 2011.***

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

Response

An LRAM amount exclusive of estimated lost revenues past December 31, 2010 is provided in Table 6 below. HCHI feels that this LRAM amount of \$231,541 including carrying charges would not be the appropriate amount. HCHI's requested LRAM claim is \$249,145, including carrying charges. The difference of \$17,604 (\$249,145 - \$231,541), representing revenues lost between January 1, 2011 and April 30, 2012 from programs delivered in 2008, 2009, and 2010, would be unaccounted for.

Table 6 - LRAM Claim up to December 31, 2010 Only

Rate class	LRAM up to December 31, 2010	Carrying Charges	Total LRAM Claim
Residential	\$159,373	\$6,145	\$165,518
G/S Less than 50 kW	\$34,972	\$1,091	\$36,064
G/S 50 to 4,999 kW	\$29,032	\$928	\$29,960
Total	\$223,377	\$8,164	\$231,541

The reason that the G/S Less than 50 kW rate class LRAM amount up to December 31, 2010 is actually higher than the LRAM claim for the G/S Less than 50 kW rate class up to April 30, 2012 is that HCHI overestimated the impacts of 2008, 2009, and 2010 G/S Less than 50 kW programs in its 2010 load forecast. As a result, the LRAM period between January 1, 2011 and April 30, 2012 produced a negative LRAM amount in the G/S Less than 50 kW rate class.

**Haldimand County Hydro Inc.
2012 Electricity Distribution Rates
EB-2011-0170
Board Staff
Interrogatory Responses**

APPENDIX A

Account 1521 – Special Purpose Charge Assessment (“SPC”)

1. Copy of Original SPC Invoice

Revised Invoice
Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Haldimand County Hydro Inc.
1 Greendale Drive
Caledonia, ONN3W 2J3
Attn: Lloyd Payne, President & CEO

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.
Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Customer No./No du client 472577
Customer Site No./ N° d'emplacement du client 1060824
Invoice Date/Date de la facture JUNE 18 / 10 April 16, 2010
Invoice No./ N° de la facture 50028
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 163,046

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.