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BY EMAIL

December 1, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Orangeville Hydro Limited
2012 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0190**

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

In addition please remind Orangeville Hydro Limited that its Interrogatory Responses are due by December 15, 2011.

Yours truly,

Original signed by

Sunny Swatch
Analyst, Applications & Regulatory Audit

Encl.

Board Staff Interrogatories
2012 IRM3 Electricity Distribution Rates
Orangeville Hydro Limited
EB-2011-0190

Shared Tax Savings

- 1) **Ref: 2012 IRM3 Shared Tax Savings Workform, Sheet 5**
Ref: EB-2009-0272, Decision, Appendix A, p.5

Summary - Sharing of Tax Change Forecast Amounts

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-	
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2012	
Taxable Capital	\$ 17,626,594	\$ 17,626,594	
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000	
Net Taxable Capital	\$ 2,626,594	\$ 2,626,594	
Rate	0.150%	0.000%	
Ontario Capital Tax (Deductible, not grossed-up)	\$ 1,954	\$ -	
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2010	2012	
Regulatory Taxable Income	\$ 756,168	\$ 756,168	
Corporate Tax Rate	28.31%	21.79%	
Tax Impact	\$ 214,071	\$ 164,737	
Grossed-up Tax Amount	\$ 298,607	\$ 210,622	
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 1,954	\$ -	
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 298,607	\$ 210,622	
Total Tax Related Amounts	\$ 300,560	\$ 210,622	
Incremental Tax Savings		-\$ 89,938	
Sharing of Tax Savings (50%)		-\$ 44,969	

Board staff was unable to reconcile the figures for Regulatory Taxable Income and Corporate Tax Rate entered in Sheet 5 of the Shared Tax Savings Workform with figures approved by the Board in Orangeville's last COS application (EB-2009-0279). Orangeville entered \$756,168 for Taxable Income instead of \$748,118 as was established in Orangeville's last COS application. Also, Orangeville entered 28.31% for Corporate Tax Rate instead of 28.26% as was established by the Board in Orangeville's last COS application.

- a) Please confirm that the correct Taxable income to be entered in the Shared Tax Savings Workform is \$748,118. If Orangeville confirms Board staff will make the necessary correction.
- b) Please confirm that the correct Corporate Tax Rate to be entered in the Shared Tax Savings Workform is 28.26%. If Orangeville confirms Board staff will make the necessary correction.
- c) If Orangeville does not consider these to be errors then please provide support for using figures that diverge from those established in EB-2009-0279.

Revenue to Cost Ratios

- 2) **Ref: 2012 IRM3 Revenue to Cost Ratio Adjustment Workform, Sheet 6**
Ref: EB-2010-0105, Decision and Order, p. 6

Rate Class	Direction	Current Year	Transition	Transition	Transition	Transition	Transition
		2011	Year 1 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016
Residential	Rebalance	108.64%	tbd	tbd	tbd	tbd	tbd
General Service Less Than 50 kW	No	102.48%	102.48%	102.48%	102.48%	102.48%	102.48%
General Service 50 to 4,999 kW	No	80.59%	80.59%	80.59%	80.59%	80.59%	80.59%
Unmetered Scattered Load	No	102.65%	102.65%	102.65%	102.65%	102.65%	102.65%
Sentinel Lighting	Change	51.59%	60.80%	70.00%	70.00%	70.00%	70.00%
Street Lighting	Change	48.92%	59.46%	70.00%	70.00%	70.00%	70.00%

Board staff was unable to reconcile the Revenue to Cost Ratios for Sentinel Lighting and Street Lighting Customer Classes for the current year with those established in Orangeville's 2011 IRM application (EB-2010-0105). Board approved Revenue to Cost Ratios of 52.22% for Sentinel Lighting and 49.62% for Street Lighting for Year 2011.

- a) Please confirm that the Revenue to Cost Ratios entered by Orangeville for Sentinel Lighting and Street Lighting were errors and the figures entered should be those that were approved by the Board in Orangeville's last IRM application. If Orangeville confirms Board staff will make the necessary corrections to the model.
 - b) If Orangeville does not consider these to be errors please provide support for using Revenue to Cost Ratios that diverge from those established in EB-2010-0105.
- 3) **Ref: 2012 IRM3 Revenue to Cost Ratio Adjustment Workform, Sheet 8**
Ref: Manager's Summary, Revenue to Cost Ratio
Ref: EB-2009-0279, E8, T1, S1, p.8-9
Ref: EB-2010-0105, Final Models

Rate Class	Transformer Allowance In Rate	Transformer Allowance A	Transformer Allowance kW's C	Transformer Allowance Rate E	Volumetric Distribution Rate F	Billed kW's G	Adjusted Volumetric Distribution Rate I = (F * (G - C) + (F - E) * C) / G
Residential	No						
General Service Less Than 50 kW	No						
General Service 50 to 4,999 kW	No						
Unmetered Scattered Load	No						
Sentinel Lighting	No						
Street Lighting	No						
		B	D			H	

In the Manager's Summary, Orangeville states it has not entered a transformer allowance for General Service 50 to 4999 kW customer class in Sheet 8 of the Revenue to Cost Ratio Adjustment Workform (as seen above).

Board staff notes that a transformer allowance for the aforementioned customer class of \$90,119 and a transformer allowance rate of \$0.60 per kW were established in Orangeville's previous COS application. Further, the final Revenue to Cost Ratio Workform in Orangeville's 2011 IRM application included theses figures for transformer allowance.

- Please confirm this is an entry error. If Orangeville confirms Board staff will enter the established transformer allowance figures in the model.
- If not, please provide a justification for why Orangeville has not included the transformer allowance in the Revenue to Cost Ratio Adjustment Workform.

Rate Generator

4) Ref: 2012 IRM3 Rate Generator, Sheet 9

19			Projected Interest on Dec-31-10 Balances			2.1.7 RRR							
20													
21	Account Descriptions		Account Number	Projected Interest from Jan 1, 2011 to December 31, 2011 on Dec 31 -10 balance adjusted for disposition during 2011 ⁶		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 ⁴	Variance RRR vs. 2010 Balance (Principal + Interest)			
22													
23	Group 1 Accounts												
24	LV Variance Account		1550	-\$	2,915	-\$	972	-\$	204,153	-\$	200,267	-\$	0
25	RSVA - Wholesale Market Service Charge		1580	-\$	4,631	-\$	1,544	-\$	320,186	-\$	314,010	-\$	1
26	RSVA - Retail Transmission Network Charge		1584	-\$	1,533	-\$	511	-\$	106,577	-\$	104,533	-\$	0
27	RSVA - Retail Transmission Connection Charge		1586	-\$	815	-\$	272	-\$	53,893	-\$	52,807	-\$	0
28	RSVA - Power (excluding Global Adjustment)		1588	-\$	1,857	-\$	619	-\$	134,219	-\$	130,241	-\$	1,502
29	RSVA - Power - Sub-Account - Global Adjustment		1588	\$	3,709	\$	1,236	\$	255,786	\$	252,342	\$	1,501
30	Recovery of Regulatory Asset Balances		1590					\$	0			-\$	0
31	Disposition and Recovery of Regulatory Balances (2008) ⁷		1595						-			-\$	-
32	Disposition and Recovery of Regulatory Balances (2009) ⁷		1595						-			-\$	-
33													
34	Group 1 Sub-Total (including Account 1588 - Global Adjustment)			-\$	4,328	-\$	1,443	-\$	294,804	-\$	289,034	-\$	1
35	Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)			-\$	8,037	-\$	2,679	-\$	550,590	-\$	541,376	-\$	1,502
36	RSVA - Power - Sub-Account - Global Adjustment		1588	\$	3,709	\$	1,236	\$	255,786	\$	252,342	\$	1,501
37													
38	Special Purpose Charge Assessment Variance Account		1521	\$	467	\$	156	\$	32,678	\$	32,054	\$	-
39													
40	Deferred Payments in Lieu of Taxes		1562	\$	3,187	\$	1,079	\$	302,174	\$	56,420	-\$	241,488
41													
42	Group 1 Total + 1521 + 1562			-\$	673	-\$	208	\$	40,048	-\$	200,560	-\$	241,488
43													

- Please provide an explanation for the variances between the respective RRR filings and The 2010 Balance for Account 1588 excluding Global Adjustment (-\$1502) and Account 1588 Sub-Account-Global Adjustment (\$1501) as seen above.

- b) Please provide an explanation for the variances between the RRR filing and the 2010 Balance for Account 1562 (-\$241,488) as seen above.

5) Ref: 2012 IRM3 Rate Generator, Sheet 10
Ref: EB-2009-0272, Cost Allocation Study, O1
Ref: EB-2009-0272, Decision

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹
Residential	\$/kWh	85,739,256		15,872,031	-	3,154,030
General Service Less Than 50 kW	\$/kWh	38,644,867		6,146,063	-	812,424
General Service 50 to 4,999 kW	\$/kW	123,337,329	294,391	118,258,039	282,267	928,374
Unmetered Scattered Load	\$/kWh	374,473		-	-	14,621
Sentinel Lighting	\$/kW	129,053	357	9,001	25	6,384
Street Lighting	\$/kW	1,787,017	5,069	1,682,166	4,772	47,858
Total		250,011,995	299,817	148,113,363	287,064	4,963,691

Board staff was unable to reconcile the allocation of Distribution Revenue across the rate classes as well as the Total Distribution Revenue entered in Sheet 10 of the Rate Generator Model with that established in Orangeville's last COS (EB-2009-0272). The Board approved a Distribution Revenue of \$4,857,816 in Orangeville's COS application.

- a) Please confirm that the figures entered by Orangeville for Distribution Revenue were errors. If Orangeville confirms Board staff will enter the correct information in accordance with Orangeville's last COS application.
- b) If Orangeville does not consider these to be errors please provide support for using figures that diverge from those established in EB-2009-0272.

Account 1521 – Special Purpose Charge Variance

6) Ref: Manager's Summary, p.48

- a) Please confirm Orangeville'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 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)

Lost Revenue Adjustment Mechanism (LRAM)

7) Ref: Manager's Summary, pg. 50

Orangeville noted that upon reviewing the claim that was incorporated into its 2011 rates it found an error in the class that the lost revenue was collected and an error in the formula that calculated the recovery. In Table 1, Orangeville provided an excerpt of the 2011 LRAM claim pertaining to the third tranche that was submitted in its 2011 rate application (EB-2010-0122).

- a) Please provide a complete version of Table 1, as it appears the results for 2009 and the total values were cut off from the page.
- b) Please discuss in detail what the specific error was that Orangeville made in how it recovered its approved 2011 LRAM claim from the requested rate classes.
- c) Please discuss the corrective efforts Orangeville proposes to take. Will the amount Orangeville appears to propose to refund back to the General Service Greater than 50 kW rate class (\$21,261.81) need to be recovered from another rate class or was this only an over collection?
- d) Please discuss in detail the error in the formula that Orangeville used in calculating the 2011 LRAM claim.
- e) Please discuss what steps Orangeville Hydro has taken to ensure that these same errors were not repeated in this application.

8) Ref: Manager's Summary, pg. 50

Orangeville noted that it retained the services of Burman to review the foregone revenue relating to its third tranche savings and the total claim for the third tranche foregone revenue.

- a) Please indicate whether Burman has provided Orangeville with a detailed review (Third Party Review) of program results.
- b) If the answer to a) is yes, please provide a copy of the Third Party Review conducted by Burman.
- c) If the answer to a) is no, please provide the rationale for not having a Third Party Review completed and for not filing a Third Party Review.

9) Ref: Manager's Summary, pg. 51-52

Table 3 and Table 4 indicate that Orangeville LRAM claim is for 2010 and 2011. Orangeville notes that although final 2010 results from the OPA were used, there may

be changes in these results from the OPA. Orangeville also notes that it has estimated the consumption reduction for 2011, and will update the values when they are received from the OPA.

- a) Has Orangeville received the updated and final 2010 program results from the OPA?
- b) If the answer to a) is yes, please discuss how Orangeville proposes to update its LRAM amount to reflect the final results.
- c) Please confirm when Orangeville's last load forecast was approved by the Board.
- d) Please identify the CDM savings that were included in Orangeville's last Board approved load forecast for CDM programs deployed from 2006 to 2010 inclusive.

Account 1562 – PILs

10) Ref: Amounts Billed to Customers - Schedule B- PILs Slivers – Orangeville pages 63-65; Grand Valley – pages 70-72

The monthly fixed charge component of the rate is used to calculate part of the PILs recoveries from customers. In 2002, 2003, 2004 and the 2005 period up to March 31, 2005, Orangeville has not used the customer counts shown elsewhere in the evidence.

- a) Please provide a table that explains how the customer numbers were calculated for PILs recoveries.

11) Ref: Amounts Billed to Customers - Schedule B- PILs Slivers – Orangeville pages 63-65; Grand Valley – pages 70-72

The monthly fixed charge component of the rate is used to calculate part of the PILs recoveries from customers. In 2002, 2003, and the 2004 period up to March 31, 2004, Grand Valley has not used the customer counts shown elsewhere in the evidence.

- a) Please provide a table that explains how the customer numbers were calculated for PILs recoveries.

12)Ref: Amounts Billed to Customers - Schedule B- PILs Slivers – Orangeville pages 63-65; Grand Valley – pages 70-72

The fixed charge recovery of PILs ceased on April 1, 2004 when the 2001 fourth quarter PILs proxy was removed from distribution rates. Orangeville continued to calculate a fixed charge PILs sliver recovery from customers from April 1, 2004 to March 31, 2005. However, in the Grand Valley evidence the amounts billed to customers did not include the fixed charge PILs recovery for this same period.

- a) Please explain why Orangeville believes it should recover PILs on the fixed charge for this period.

13) Ref: Amounts Billed to Customers - Schedule B- PILs Slivers – Orangeville pages 63-65; Grand Valley – pages 70-72

In the 2004 RAM¹, sheet #7 was used to calculate the PILs volumetric rate sliver to be used to determine the amounts billed to customers starting on April 1, 2004. The Board ordered the change from fixed and variable charge recovery to variable charge only as part of the 2004 application process.

The Board also decided that it should maintain the fixed charges at the same level as in the previous rates. This was during the Bill 210 period. In order to accomplish this adjustment, the total volumetric rate was reduced by an amount by rate class that would allow the fixed charge by rate class to remain the same.

Orangeville has not used the rate slivers that appear on 2004 RAM Sheet #7 in the calculations of the amounts billed to customers. However, in the Grand Valley evidence the rate slivers from sheet #7 have been used.

- a) Please explain the inconsistencies and why the PILs rate slivers from sheet #7 were not used.
- b) Please provide another set of tables in Excel format to calculate the recoveries from customers for both Orangeville and Grand Valley using the average customer numbers by rate class for the appropriate periods and the PILs recovery rate slivers from the correct sheets of the respective RAMs.

14) Interest Expense

For the tax years 2001 to 2005:

- a) Did Orangeville have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- b) Did Orangeville 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 Orangeville include interest expense on customer security deposits in interest expense?
- d) Did Orangeville include interest income on customer security deposits in interest expense?

¹ Rate Adjustment Model used in the 2002, 2004 and 2005 applications filed as Appendix 6.

- e) Did Orangeville include interest expense on IESO prudentials in interest expense?
- f) Did Orangeville include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did Orangeville include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- h) Did Orangeville deduct capitalized interest in deriving the interest expense disclosed in its financial statements?
- i) Please provide Orangeville's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
- j) Please provide a table for the years 2001 to 2005 that shows all of the components of Orangeville's interest expense and the amount associated with each type of interest.