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**BY EMAIL**

December 8, 2011

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

Dear Ms. Walli:

**Re: Renfrew Hydro Inc.  
2012 IRM Distribution Rate Application  
Board Staff Interrogatories  
Board File No. EB-2011-0195**

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

In addition please remind Renfrew Hydro Inc. that its Interrogatory Responses are due by December 22, 2011.

Yours truly,

*Original Signed By*

Sunny Swatch  
Analyst, Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories**  
**2012 IRM3 Electricity Distribution Rates**  
**Renfrew Hydro Inc.**  
**EB-2011-0195**

**Shared Tax Savings**

- 1) Ref: Shared Tax Savings Workform, Sheet 6  
 Ref: EB-2011-0195, E1-T2-S5-p1  
 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 / \$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	\$1,060,947.5890	55.75%	-\$1,331	31,881,465	0	\$0.0000	
General Service Less Than 50 kW	\$343,389	17.71%	-\$423	12,958,689	0	\$0.0000	
General Service 50 to 4,999 kW	\$457,194	23.58%	-\$563	52,616,773	142,778		-\$0.0039
Unmetered Scattered Load	\$14,070	0.73%	-\$17	142,827	0	-\$0.0001	
Street Lighting	\$43,212	2.23%	-\$53	1,121,141	3,110		-\$0.0171
	<u>\$1,938,812</u>	<u>100.00%</u>	<u>-\$2,387</u>				
	H						

In the current application, Renfrew notes that one or more of the Z-factor Tax Changes rate riders are found to be negligible and therefore proposes that the entire amount to be refunded be recorded in a USoA account for future disposition.

Board Staff notes that a rate rider less than \$0.0000 (in absolute value) is considered to be negligible according to the updated Filing Requirements. The rate riders for Residential class and GS<50 class as calculated by the Shared Tax Savings Model are negligible according to the Filing Requirements. However, the rate riders for all other rate classes are greater than \$0.0000 and therefore are not negligible.

- Does Renfrew still intend to record the Total Z-factor Tax Changes (-\$2,386) amount in USoA accounts to be disposed at a later date? If so, please provide justification for why volumetric rate riders for GS>50, USL, and Street Lighting classes should be considered negligible.
- Does Renfrew intend to record the credit amount in Account 1595? If Renfrew does not intend to use 1595 please state which USoA account Renfrew proposes to use and provide justification for the resulting choice.

## RTSR Adjustment

2) **Ref: RTSR Adjustment Workform, Sheet 4**  
**Ref: 2010 RRR 2.1.5**

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	30,305,144		1.0810		32,759,861	-
General Service Less Than 50 kW	kWh	12,427,065		1.0810		13,433,657	-
General Service 50 to 4,999 kW	kW	51,703,213	141,997		49.91%	51,703,213	141,997
Unmetered Scattered Load	kWh	150,176		1.0810		162,340	-
Street Lighting	kW	116,726	3,098		5.16%	116,726	3,098

Board staff was unable to reconcile Metered kWh for Street Lighting Class entered in Sheet 4 of the RTSR Adjustment Workform with the most recent RRR filings (2010 RRR 2.1.5). The figure in 2010 RRR 2.1.5 is 1,116,726 kWh instead of 116,726 kWh as entered by Renfrew.

- a) Please confirm that the correct Metered kWh to be entered for Street Lighting class is 1,116,726 kWh and that the currently entered 116,726 kWh is an entry error. If Renfrew confirms, Board staff will make the necessary corrections.

3) **Ref: EB-2011-0195, E1-T2-S5-p2**  
**Ref: RTSR Adjustment Workform, Sheet 13**  
**Ref: EB-2010-0112, Decision and Order**

Rate Class	Unit	Proposed RTSR Network	Proposed RTSR Connection
Residential	kWh	\$ 0.0051	\$ 0.0029
General Service Less Than 50 kW	kWh	\$ 0.0047	\$ 0.0027
General Service 50 to 4,999 kW	kW	\$ 1.9073	\$ 1.0405
Unmetered Scattered Load	kWh	\$ 0.0047	\$ 0.0027
Street Lighting	kW	\$ 1.4384	\$ 0.8043

In the application, Renfrew proposes an increase of 0% in the Network Transmission Rates and an increase of 0% in the Line and Transformation Connection Service Rates for all rate classes. Board staff notes that the RTSR Adjustment Workform has calculated RTSR rates for GS>50 and Street Lighting classes that have changed from the current rates. The current RTSR rates for GS>50 are \$1.9081/kW for Network and \$1.0393 for Connection. The current RTSR rates for Street Lighting are \$1.4390/kW for Network and \$0.8034/kW for Connection.

- a) Does Renfrew still propose a 0% change in the RTSR rates for GS>50 and Street Lighting classes given that the model has calculated a none zero change in these rates from the current rates?
- b) If the answer to a) is yes please provide rationale for not changing the RTSR rates.

## Rate Generator

### 4) Ref: IRM3 Rate Generator V1.3, Sheet 6

enter the WMSR or RRRP Rate below. These rates will appear automatically on the final Tariff of Rates and Charges.			
Rate Description	Unit	Amount	Effective Until Date
<b>Residential</b>			
Low Voltage Service Rate	\$/kWh	0.00110	April 30, 2012
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kWh	0.00170	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kWh	(0.00510)	April 30, 2013

Renfrew has entered a sunset date of April 30, 2012 for the Low Voltage Service Rate for all rate classes (Residential class reproduced above for illustrative purposes). Board staff notes that the current Low Voltage Service Rate was established in Renfrew's 2010 COS application with no sunset date and was continued with no sunset date in Renfrew's 2011 IRM application. The Low Voltage Service Rate will likely not be considered for a change until Renfrew's next COS application for 2014 rates.

Please provide rationale for applying a sunset date for the Low Voltage Service Rate considering that the Low Voltage Service Rate has not had any sunset dates on the tariff schedule previously. In particular, why has Renfrew chosen the sunset date of April 30, 2012? If this was an entry error Board staff will remove the sunset date from the Low Voltage Service Rate in Renfrew's Rate Generator model.

### 5) Ref: IRM3 Rate Generator V1.3, Sheet 9 Ref: 2010 RRR 2.1.7 Trial Balance

Account Descriptions	Account Number	Projected Interest from Jan 1, 2011 to December 31, 2011 on balance adjusted for disposition during 2011 <sup>5</sup>	Projected Interest from January 1, 2012 to April 30, 2012 on Dec 31, 10 balance adjusted for disposition during 2011 <sup>5,7</sup>	Total Claim	As of Dec 31-10 <sup>4</sup>	Variance RRR vs. 2010 Balance (Principal + Interest)
<b>Group 1 Accounts</b>						
LV Variance Account	1550	-\$ 304	-\$ 100	20,982	20,578	\$ 0
RSVA - Wholesale Market Service Charge	1580	-\$ 3,343	-\$ 1,108	235,125	230,674	\$ 0
RSVA - Retail Transmission Network Charge	1504	\$ 412	\$ 137	27,202	26,653	\$ -
RSVA - Retail Transmission Connection Charge	1586	\$ 340	\$ 113	21,540	21,087	\$ -
RSVA - Power (excluding Global Adjustment)	1500	-\$ 3,401	-\$ 1,120	236,431	231,902	\$ 0
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 1,040	\$ 345	73,405	72,020	\$ -
Recovery of Regulatory Asset Balances	1590			-		\$ -
Disposition and Recovery of Regulatory Balances (2008) <sup>7</sup>	1595			-		\$ -
Disposition and Recovery of Regulatory Balances (2009) <sup>7</sup>	1595			-		\$ -
<b>Group 1 Sub-Total (including Account 1588 - Global Adjustment)</b>		-\$ 5,256	-\$ 1,741	370,391	363,394	\$ 0
<b>Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)</b>		-\$ 6,296	-\$ 2,086	443,796	435,414	\$ 0
<b>RSVA - Power - Sub-Account - Global Adjustment</b>	1588	\$ 1,040	\$ 345	73,405	72,020	\$ -
<b>Special Purpose Charge Assessment Variance Account</b>	1521	\$ 97		2,267	20,112	\$ 17,842
<b>Deferred Payments in Lieu of Taxes</b>	1562			272,066		\$ -

Renfrew did not enter any amount in the 2.1.7 RRR balance column for Account 1562 in the Rate Generator model. Board staff notes that the RRR 2.1.7 filing shows a credit balance of \$65,460 for 1562.

- a) Please confirm that \$0 balance entered in the 2.1.7 RRR column in the rate generator model for Account 1562 is an entry error. If Renfrew confirms this Board staff will enter a credit of \$65,460 for the 2.1.7 RRR balance for 1562 in the Rate Generator model.
- b) If Renfrew is of the view that this was not an error please provide rationale for not entering the RRR information for 1562.

**6) Ref: IRM3 Rate Generator V1.3, Sheet 10**  
**Ref: EB-2009-0146, RateMaker model**

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue <sup>1</sup>
Residential	\$/kWh	30,305,144	-	2,378,006	-	1,080,948
General Service Less Than 50 kW	\$/kWh	12,427,065	-	2,031,209	-	343,389
General Service 50 to 4,999 kW	\$/kW	51,703,213	141,997	55,058,612	-	457,194
Unmetered Scattered Load	\$/kWh	150,176	-	-	-	14,070
Street Lighting	\$/kW	116,726	3,098	1,211,953	-	43,212
<b>Total</b>		<b>94,702,324</b>	<b>145,095</b>	<b>60,679,780</b>	<b>-</b>	<b>1,938,812</b>

Board staff was unable to reconcile the Distribution Revenue entered by Renfrew in Sheet 10 of the Rate Generator Model with the Distribution Revenue established in Renfrew's last COS application. Renfrew entered \$1,938,312 for Distribution Revenue while the \$1,877,960 was established in EB-2009-0146.

- a) Please confirm that the use of \$1,938,312 for Distribution Revenue is an entry error and the amount to be entered should be \$1,877,960. If Renfrew confirms Board staff will make the necessary corrections.
- b) If Renfrew is of the view that this was not an entry error please provide the rationale for using an amount for Distribution Revenue that diverges from its last COS application.

**Lost Revenue Adjustment Mechanism ("LRAM")**

**7) Ref: Exhibit 1, Tab 1, Schedule 3**

Renfrew has requested recovery of \$58,257.82, related to lost revenues from OPA CDM Programs delivered from 2006-2010.

- a) Please confirm that Renfrew has used the 2010 OPA final program results when calculating its LRAM amount.
- b) If Renfrew has not used the 2010 OPA final program evaluation results to calculate its LRAM amount, please update the amount by using the 2010 final evaluation results.

- c) Please provide a table that shows the portion of Renfrew's LRAM claim that is attributable to carrying charges.
- d) Please confirm that Renfrew has not recovered any of the amounts associated with its LRAM claim in the past. If Renfrew has recovered amounts included in this application, please provide an updated LRAM amount with these amounts removed.
- e) Please confirm when Renfrew's last load forecast was approved by the Board.
- f) Please identify the CDM savings that were included in Renfrew's last Board approved load forecast for CDM programs deployed from 2006 to 2010 inclusive.
- g) Please provide an updated table with an LRAM amount exclusive of any persisting CDM savings that take place after Renfrew's last Board-approved load forecast.

#### **Account 1562 – Deferred PILs**

##### **8) Missing Evidence**

- a) Please file the 2005 application Excel RAM model (active).
- b) Please file the 2001, 2002 and 2005 application Excel PILS proxy models (active).

##### **9) PILs Proxy Amounts**

The PILs amount calculated on the 2002 SIMPIL model is \$172,227. This does not agree with the Board approved amount of \$170,782.

- a) Please provide corrected 2002, 2003 and 2004 SIMPIL models that agree with the 2002 application PILs proxy model details approved by the Board in decision RP-2002-0064/EB-2002-0073.

##### **10) CDM Incremental OM&A Expenses - 2005 SIMPIL Model**

In the 2005 SIMPIL model TAXCALC worksheet cell C44 there is an amount of \$25,000 related to CDM. There is no actual amount entered on the TAXCALC worksheet in cell G44 and this causes an asymmetrical true-up in the 2005 SIMPIL.

The Board issued a letter dated September 13, 2011 regarding 2012 EDR – Disposition of account 1562 deferred PILs that states:

“In the 2005 EDR, a deduction for CDM expenses was made in the PILs proxy model. The applicant should ensure that there is a corresponding tax (accounting) amount recorded on the same row in SIMPIL to determine the appropriate true-up”.

- a) Please provide the dollar amount of actual CDM expense incurred in 2005 to compare to the proxy amount so that a reasonable true-up will be calculated and enter it in the TAXCALC worksheet in cell G44 and submit a revised SIMPIL model, PILs continuity schedule and EDDVAR continuity schedule.

# 11) Income Tax Rates

The following table displays the income tax rates used in prior applications and in the calculation of the SIMPIL true-up variances in Renfrew Hydro's PILs 1562 evidence.

		2001	2002	2003	2004	2005
APPLICATION PILS PROXY CALCULATION	1. SIMPIL Tab TAXCALC Cell E122&138 : Blended income tax rate	34.12%	34.12%	34.12%	34.12%	18.62%
	2. SIMPIL Tab TAXCALC Cell E130&175: Income tax rate used for gross-up (excluding surtax)	34.12%	34.12%	34.12%	34.12%	18.62%

		2001	2002	2003	2004	2005
SIMPIL MODELS TAB TAXCALC	3. Cell E122 (123): Calculation of true-up variance -income tax effect	32.12%	34.12%	23.92%	22.50%	18.77%
	4. Cell E130 (131): Income tax rate used for gross-up (excluding surtax)	31.00%	33.00%	22.80%	21.38%	17.65%
	5. Cell E138 (139): Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	32.12%	34.12%	23.92%	22.50%	18.77%
	6. Cell E175 (176): Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	31.00%	34.12%	22.80%	21.38%	17.65%

- a) Please explain how Renfrew chose the income tax rates of 32.12% for the true-up calculation and 31.00% for the gross-up calculation for 2001, since the utility incurred a net loss in that year. Please explain the methodology used in arriving at the rate(s) used.
- b) Please explain how Renfrew chose the income tax rates of 34.12% for the true-up calculation and 33.00% for the gross-up calculation for 2002, since the utility's tax rate as shown in the TAXREC tab of the 2002 SIMPIL model shows tax rates of 19.12% (with surtax) and 18.00% (without surtax). Please explain the methodology used in arriving at the rate(s) used.
- c) Please explain how Renfrew chose the income tax rates of 23.92% for the true-up calculation and 22.80% for the gross-up calculation for 2003, since the utility's tax rate as shown in the TAXREC tab of the 2003 SIMPIL model shows tax rates of 18.62% (with surtax) and 17.50% (without surtax). Please explain the methodology used in arriving at the rate(s) used.
- d) Please explain how Renfrew chose the income tax rates of 22.50% for the true-up calculation and 21.38% for the gross-up calculation for 2004, since the utility's tax rate as shown in the TAXREC tab of the 2004 SIMPIL model shows tax rates of 18.62% (with surtax) and 17.50% (without surtax). Please explain the methodology used in arriving at the rate(s) used.
- e) Please explain how Renfrew chose the income tax rates of 18.77% for the true-up calculation and 17.65% for the gross-up calculation for 2005, since the utility's tax rate as shown in the TAXCALC tab of the 2005 proxy calculation shows tax rates of 18.62% (with surtax) and 17.50% (without surtax). Please explain the methodology used in arriving at the rate(s) used.

**12) 1562 Balance Reported in RRR**

Renfrew Hydro has reported the balance in account 1562 to be a credit of \$71,021 at the end of December 2005 and a credit of \$65,460 at the end of December 2010 in its RRR filing 2.1.7. The 2010 balance according to the PILS disposition sheet (exclusive of interest), is a credit balance of \$122,709.

- a) Please explain the reasons for the differences between the 2010 RRR balance and the evidence filed in this case.

**13) Interest Expense**

**Ref: Interest Portion of True-up – 2003, 2004, 2005 SIMPIL - TAXCALC**

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.



For the tax years 2001 to 2005:

- a) Did Renfrew Hydro have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
- b) Did Renfrew Hydro net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.
- c) Did Renfrew Hydro include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
- d) Did Renfrew Hydro include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
- e) Did Renfrew Hydro include interest expense on IESO prudentials in interest expense?
- f) Did Renfrew Hydro include interest carrying charges on regulatory assets or liabilities in interest expense?
- g) Did Renfrew Hydro include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Renfrew also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
- h) Did Renfrew Hydro deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Renfrew add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
- i) Please provide Renfrew Hydro'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 Renfrew Hydro's interest expense and the amount associated with each type of interest.

**14) Tax Years – Statute-barred**

- a) Please confirm that all tax years from 2001 to 2005 are now statute-barred.