

Waterloo North Hydro Inc. EB-2011-0201

Board Staff Interrogatories

Tax-Savings Workform

Interrogatory #1

Ref: Tax-Savings Workform, Tab 3

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	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	46,238	393,848,054		14.56	0.0184	
GSLT50	General Service Less Than 50 kW	Customer	kWh	5,428	179,687,810		30.63	0.0137	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	667	705,732,689	1,581,207	162.82		4.3073
LU	Large Use	Customer	kW	1	79,638,262	153,852	6,686.47		3.1991
USL	Unmetered Scattered Load	Connection	kWh	547	1,648,666		15.31	0.0190	
SL	Street Lighting	Connection	kW	13,259	7,792,006	21,835	0.33		8.3232
EMB	Embedded Distributor	Connection	kW	1	28,618,000	71,600			0.0120

Ref: EB-2010-0144, Appendix D

2011 Updated Customer Class Load Forecast

Description	Original As Per Application	As Per Settlement	Change
2011 Billed kWh	1,373,685,721	1,396,965,487	23,279,766
By Class			
Residential			
Customers	45,913	46,613	700
kWh	382,563,062	393,848,054	11,284,992
GS<50			
Customers	5,412	5,470	58
kWh	175,321,434	179,687,810	4,366,377
GS>50			
Customers	668	668	0
kWh	699,105,747	705,732,689	6,626,942
kW	1,566,291	1,581,207	14,915
Large User			
Customers	1	1	0
kWh	78,636,807	79,638,262	1,001,456
kW	148,593	153,852	5,259
Streetlights			
Connections	13,374	13,374	0
kWh	7,792,006	7,792,006	0
kW	21,547	21,835	289
USL			
Connections	551	551	0
kWh	1,648,666	1,648,666	0
Embedded Distributor			
Customers	1	1	0
kWh	28,618,000	28,618,000	0
kW	71,600	71,600	0

Board staff notes that the figures in column A do not match those reported in Waterloo's previous CoS Decision (EB-2010-0144).

- (A) If Waterloo agrees with Board staff, please confirm and Board staff will make the necessary adjustments to the model.
- (B) If Waterloo believes the above entered figures are correct, please provide evidence supporting these figures.

Interrogatory #2

Ref: A portion of the Tax-Savings Workform, Tab 5

Summary - Sharing of Tax Change Forecast Amounts

For the 2011 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #) \$ 136,997

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2011	2012
Taxable Capital	\$ -	\$ -
Deduction from taxable capital up to \$15,000,000	\$ -	\$ -
Net Taxable Capital	\$ -	\$ -
Rate	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -

Board staff cannot verify the tax-credits of \$136,997 entered by Waterloo as compared with the 2011 Revenue Requirement Workform (RRWF). Board staff also notes that there is missing data in the first portion of the tax-savings workform.

- (A) Please verify the tax-credits amount reported by Waterloo and ensure that it reconciles with the amount reported in its previous RRWF.
- (B) Please re-file tab 5 of the tax-savings workform ensuring to include the above missing data with those numbers reported in Waterloo's EB-2011-0144 final RRWF.

RTSR Workform

Interrogatory #3

Ref: RTSR Workform, Tab 4

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	393,848,054		1.0404		409,759,515	-
General Service Less Than 50 kW	kWh	179,687,810		1.0404		186,947,198	-
General Service 50 to 999 kW	kW	141,818,044	405,419		47.94%	141,818,044	405,419
General Service 50 to 999 kW - Interval Metered	kW	314,724,309	719,366		59.96%	314,724,309	719,366
General Service 1,000 to 4,999 kW - Interval Meters	kW	249,190,336	456,422		74.83%	249,190,336	456,422
Large Use	kW	79,638,262	153,852		70.95%	79,638,262	153,852
Unmetered Scattered Load	kWh	1,648,666		1.0404		1,715,272	-
Street Lighting	kW	7,792,006	21,835		48.91%	7,792,006	21,835
Embedded Distributor	kW	28,618,000	71,600		54.78%	28,618,000	71,600

Board staff notes that “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” does not match Waterloo’s most recently reported 2.1.5 RRR filings.

- (A) If Waterloo agrees, please confirm, and Board staff will make the necessary adjustments using those figures reported by Waterloo for its RRR 2.1.5 filings.
- (B) If the answer to (A) is no, please provide evidence for the numbers entered above.
- (C) Please confirm that Waterloo’s reported 2.1.5 RRR filings for column A are non-loss adjusted.

Rate Generator

Interrogatory #4

Ref: A portion of the 2012 IRM Rate Generator, Tab 6

Embedded Distributor

Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/kW	0.12970	April 30, 2014
Rate Rider for Global Adjustment Sub-Account (2011) – Applicable only for Non-RPP Customers	\$/kW	0.27956	April 30, 2014
Rate Rider for Deferral/Variance Account Disposition (2010)	\$/kW	(1.10630)	April 30, 2014
Rate Rider for Deferral/Variance Account Disposition (2011)	\$/kW	(0.06474)	April 30, 2014
Rate Rider for Foregone Incremental Revenue	\$/kW	0.00110	April 30, 2012
Rate Rider for Capital Gain	\$/kW	(0.00020)	April 30, 2014

Board staff notes that the line item charges for “Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers” and “Rate Rider for Deferral/Variance Account Disposition (2010)” for the Embedded Distributor rate class appear to have been transposed.

- (A) If Waterloo agrees, please confirm, and Board staff will make the necessary corrections to the model.
- (B) If the answer to (A) is no, please provide an explanation for the reported riders.

Interrogatory #5

Ref: A portion of the 2012 IRM Rate Generator, Tab 10

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 Proportion*	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	393,848,054		47,531,182	-	15,308,033			
General Service Less Than 50 kW	\$/kWh	179,687,810		27,737,012	-	4,381,714			
General Service 50 to 4,999 kW	\$/kW	705,732,689	1,581,207	679,930,260	1,523,396	7,515,601			
Large Use	\$/kW	79,638,262	153,852	82,967,618	160,284	572,427			
Unmetered Scattered Load	\$/kWh	1,648,666		434,100	-	131,778			
Street Lighting	\$/kW	7,792,006	21,835	7,693,361	21,559	234,246			
Embedded Distributor	\$/kW	28,618,000	71,600	31,983,034	80,019	857			
Total		1,396,965,487	1,828,494	878,276,568	1,785,257	28,144,657	0%	0%	0%

[illegible]

Smart Meter Funding Adder

Interrogatory #8

Ref: EB-2011-0201, Manager's Summary, Pages 38-41

The following example is relevant to Waterloo'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 provide the sunset date that Waterloo would propose for its Smart Meter Funding Adder ("SMFA").
- (B) Waterloo's existing SMFA of \$1.00 per metered customer was first approved effective May 1, 2009. By December 31, 2012, this SMFA will have been in effect for over 2 years. The SMFA is not intended to be fully compensatory for the revenue requirement for installed smart meters in the historical period. At the same time, the SMFA was envisioned as providing partial recovery for costs until such time as the utility made application for seeking the Board's approval for the disposition and full recovery of costs incurred for smart meter deployment. The SMFA has been allowed to increase in part to recognize the increase in the revenue requirement as smart meter have been deployed. An increased SMFA will also help to reduce the deferred revenue requirement that will remain to be recovered upon disposition.

- i. If its proposal to continue the SMFA past April 30, 2012 is approved, please provide Waterloo's views as to whether the current SMFA of \$1.00 is adequate as partial recovery of the revenue requirement for installed smart meters in order to avoid a significant deferred revenue requirement recovery when Waterloo makes application for disposition.
- ii. Please fill out the attached draft Board staff Smart Meter model to calculate an updated SMFA for the 2012 rate year.

Interrogatory #9

Ref: EB-2011-0201, Manager's Summary, Page 41

Year	Audited Actual or Forecast	Smart Meters Installed			Percentage of applicable customers converted in year (%)	Percentage of applicable customers converted cumulative (%)	Capital Expenditures ³	Operating Expenses ^{4 5}	Total for Year	Cumulative Total	% Audited
		Residential	GS < 50 kW	Total							
2006 ¹					0.0%	0.0%			-	-	
2007 ¹					0.0%	0.0%			-	-	
2008	Audited Actual	1,797	64		3.6%	3.6%	631,493		631,493	631,493	
2009	Audited Actual	18,356	571		36.5%	40.1%	4,318,190		4,318,190	4,949,683	
2010	Audited Actual	25,683	2,593		54.5%	94.5%	3,617,602		3,617,602	8,567,285	84.7%
2011 ²	Forecast	610	2,220		5.5%	100.0%	1,006,494	148,253	1,154,747	9,722,032	
2012	Forecast							388,586	388,586	10,110,618	
Total		46,446	5,448	51,894	100.0%	100.0%	9,573,779	536,839	10,110,618		

- (A) Please explain, in detail, what is the nature of the costs that Waterloo has left to incur (i.e. forecasted costs for 2011 and 2012), with respect to its smart meter implementation.
- (B) Are these costs different than those Waterloo has incurred prior to 2011? If so, please explain the differences.
- (C) In the above table, Waterloo documents that it will have 100% deployment. Board staff suggests that audited costs to December 31, 2010 represent about 88% of the total costs to 100% deployment of \$9,722,032 estimated for December 31, 2011. Please provide Waterloo's reasons for including the prospective 2012 operating expenses in its analysis.

Lost Revenue Adjustment Mechanism ("LRAM")

Interrogatory #10

Ref: Attachment Z, Burman Energy LRAM Report

Waterloo has requested recovery of \$161,037, related to lost revenues from OPA CDM Programs delivered from 2006-2010.

- (A) Please update the LRAM amount using the 2010 OPA final program results.
- (B) If Waterloo has not received the 2010 OPA final program evaluation results, please discuss when Waterloo expects to receive them and how it will update its LRAM claim.
- (C) Please discuss if Waterloo is requesting approval for the lost revenues that have persisted from prior year programs into 2010. Please provide a table that shows the persisting lost revenues from each year that are being claimed in this application.
- (D) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place. Use the table below as an example:

Program Years	Years that lost revenues took place			
	2008	2009	2010	2011
2006	\$xxx	\$xxx	\$xxx	\$xxx
2007	\$xxx	\$xxx	\$xxx	\$xxx
2008	\$xxx	\$xxx	\$xxx	\$xxx
2009		\$xxx	\$xxx	\$xxx
2010			\$xxx	\$xxx

- (E) Please confirm that Waterloo has not recovered any of the amounts associated with this LRAM claim in the past. If Waterloo has previously recovered amounts included in this application, please provide an updated LRAM amount with these amounts removed.
- (F) Please confirm when Waterloo's last load forecast was approved by the Board.
- (G) Please identify the CDM savings that were included in Waterloo's last Board approved load forecast for CDM programs deployed from 2006 to 2010 inclusive.
- (H) Please provide an updated table with an LRAM amount exclusive of any persisting CDM savings that take place in the year of Waterloo's last Board-approved load forecast and later years.

Payments in Lieu of Taxes – PILS 1562

Interrogatory #11

Ref: PILs recovery

Unmetered scattered load (USL) is not listed as one of the components of the billing and recovery in Waterloo_APPL_2012_PILs_1562_Carrying_Charge_PILs_Collected_20111026.xls, although the 2002, 2004, and 2005 Board decisions include USL as one of the rate categories. USL was billed using the GS<50kW rate which included PILs fixed and variable charge slivers.

- (A) Please explain why the USL connections and energy (kWhs) and the associated rate slivers classified under GS<50kW rate class were not used in the calculation of PILs recoveries from ratepayers.

Interrogatory #12

Ref: 1562 balance reported in RRR

- (A) Waterloo has reported the balance in account 1562 to be a credit of \$1,366,352 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 \$1,222,774. Please explain the reasons for the differences between the 2010 RRR balance and the evidence filed in this case.

Interrogatory #13

Ref: Interest Expense

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 Waterloo have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
- (B) Did Waterloo 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 Waterloo include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
- (D) Did Waterloo include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
- (E) Did Waterloo include interest expense on IESO prudentials in interest expense?
- (F) Did Waterloo include interest carrying charges on regulatory assets or liabilities in interest expense?
- (G) Did Waterloo include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Waterloo North also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
- (H) Did Waterloo deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Waterloo North add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
- (I) Please provide Waterloo'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 Waterloo's interest expense and the amount associated with each type of interest.

Smart Meter Model – Version 2.17

Changes and Instructions

Sheet 1

- Version number is now 2.17

Sheet 2

- For all Capital cost rows, there is an added Asset Type for “Applications Software” in the Drop-down List. This may be used if an LDC wants to distinguish from other Computer Software for UCC/CCA calculations only.
- Addition of Row 191 “Applications Software” to breakout this asset class’ capital costs from Computer Software (line 185).

Sheet 3

- Addition of Rows 66-67 for allow for a new CCA class for Applications Software. The utility should input the CCA class and rate (typically class 12) if used.
- Cell G30 is unlocked although it defaults to a formula. The utility can input the Board-approved Long-term Debt rate from its 2006 EDR application if appropriate and different from the size-related deemed debt rate.

Sheet 4

- In the calculation of Net Fixed Assets under Computer Software, the amounts include Applications Software (i.e. Computer Software and Applications Software are combined and treated the same for rate base and depreciation/amortization expense purposes).
- Rows for depreciation expense and average net fixed assets have been made open so that the utility can over-ride the average annual NFA and the depreciation expense, if applicable. This would only be done where the utility uses an approved approach such as calculating depreciation on a monthly basis (i.e. from the month that an asset enters service) rather than the standard ½ year rule. If more detailed accounting is used then it is expected that the average NFA would be similarly calculated rather than as the average of the starting and ending annual NFA. The utility may be expected to show its calculations for NFA and depreciation expense on separate sheets.

Sheet 6

- Rows 64-76 added to calculate the UCC and CCA for the new Applications Software Class

Sheet 7

- Row 27 added, for CCA – Applications Software
- On Row 38, Computer Software includes Applications Software for the calculation of Ontario Capital Tax.

Sheet 8

- Smart Meter Funding Adder (“SMFA”) revenues are entered as positive numbers.
- Column M calculates the simple interest on the monthly opening principal balance times the prescribed interest rate scaled to a monthly rate by dividing by 12 (i.e. number of months in the year). Day weighting is not used.
- Cell L99 is now unlocked although it contains a formula. If the current SMFA continues to April 30, 2012, the utility can enter the prescribed interest rate for Deferral and Variance accounts, currently 1.47%, for the months of January, February, March and April 2012). For January to March, the rate is entered in Cell B48; for April only it is entered into Cell L99.

Sheet 8A

- New sheet that calculates the simple interest on the monthly opening principal balance of OM&A and Amortization/Depreciation expenses. The utility should enter the data from its Account 1556 sub-account data.
- This sheet is an analog to Sheet 8, dealing with interest on OM&A and Amortization/Depreciation expenses instead of SMFA revenues.

Sheet 8B

- New Sheet. If the utility does not have the monthly data for filling out Sheet 8A, Sheet 8B calculates a proxy interest on OM&A and Amortization/Depreciation Expense in each year, based on the average cumulative OM&A and Amortization/Depreciation expense data shown on Sheets 2 and 6. Results from Sheet 8B are a proxy for, but less accurate, than the results from the detailed monthly data on sheet 8A, if that is available.

Sheet 9

- Changes to rows 32-44
- Row 32 adds the interest of OM&A and Amortization Expense from sheet 8A or 8B, depending on which is selected. (See below)

- Rows 35 and 37. The utility selects “X” from the drop-down list for either cell C35 or C37, depending on whether it used sheet 8A (preferred) or sheet 8B for calculating the Interest on OM&A and Amortization/Depreciation Expense. Cells C35 and C37 act as radio buttons – selecting “X” for one will de-select the “X” for the other. Sheet 8A should be used if possible because of the increased accuracy from the monthly data.
- Row 40 now shows the SMFA revenues (principal) for each year.
- Row 42 is added to show the simple monthly interest on SMFA revenues, for each year, from Sheet 8.
- Row 44: Net Deferred Revenues = (Revenue Requirement + Interest on OM&A and Amortization/Depreciation Expense) – (SMFA Revenues + SMFA Interest) for each year.
- Utilities select from drop down for applicability of SMFA (C22), SMDR (C24) and/or SMIRR (C26). For Cost of Service, on C24 (SMDR) should apply. For stand-alone application, C24 (SMDR) and C26 (SMIRR) should be checked. C22 (for a new or continued SMFA) should only be checked and used in justifiable circumstances.
- The utility should then click the “Update Spreadsheet: button in C28. This hides the unused parameters (from SMFA, SMDR and SMIRR)

General

- Cell widths have been revised – generally expanded – to allow for display of larger dollar amounts. (i.e. avoid “#####”)

November 16, 2011