



THE BOARD OF DIRECTORS

Chair, GAIL REGAN

President, Cara Holdings Ltd.

Secretary/Treasurer, ANNETTA TURNER

ANDREW ROMAN

Barrister & Solicitor, Miller Thomson

ANDREW STARK

Rotman School of Management, University of Toronto

GEORGE TOMKO

Resident Expert, PSI Initiative, University of Toronto

MICHAEL TREBILCOCK

Chair, Law & Economics, University of Toronto

MARGARET WENTE

Columnist, The Globe and Mail

President, PATRICIA ADAMS

MAX ALLEN

Producer, IDEAS, CBC Radio

ANDREW COYNE

National Editor, Maclean's

GLENN FOX

Professor of Economics, University of Guelph

IAN GRAY

President, St. Lawrence Starch Co.

CLIFFORD ORWIN

Professor of Political Science, University of Toronto

December 20, 2011

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2011-0271
Halton Hills Hydro Inc. – 2012 Cost of Service Application
Energy Probe – Second Round Interrogatories

Pursuant to Procedural Order No. 2, issued by the Board on December 15, 2011, attached please find the Second Round Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2011-0271 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Arthur Skidmore, Halton Hills Hydro (By email)
David Smelsky, Halton Hills Hydro (By email)
Richard King, Norton Rose LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Halton Hills
Hydro Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective May 1,
2012.

**SECOND ROUND INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 20, 2011

**HALTON HILLS HYDRO INC.
2012 RATES REBASING CASE
EB-2011-0271**

**ENERGY PROBE RESEARCH FOUNDATION
SECOND ROUND INTERROGATORIES**

Interrogatory # 47

**Ref: Energy Probe Interrogatory #6 &
Exhibit 4, Tab 3, Schedule 1, Tables 4-23 and 4-24 &
Exhibit 2, Tab 2, Schedule 1, Table 2-11b**

- a) Please provide a version of Table 4-24 in Exhibit 4, Tab 3, Schedule 1 that shows the calculation of the income tax for 2012 under both CGAAP and MIFRS that result in the income tax figures shown in Table EP 1-5.**
- b) Please explain the difference in the depreciation and amortization figure of \$2,908,516 shown in Table EP 1-5 with the figure of \$3,202,769 shown in Table 2-11b in Exhibit 2, Tab 2, Schedule 1**

Interrogatory # 48

Ref: Energy Probe Interrogatory #8b

Please confirm that the references to Table 2-15 in this response should be to Table 2-16.

Interrogatory # 49

Ref: Energy Probe Interrogatory #9

In the table provided in the response, there are a number of blank cells in the "In Date Service or Projected in Service Date" column.

- a) Please confirm that "Yes" indicates that the asset has been placed into service in 2011. If this cannot be confirmed, please indicate what this signifies.**
- b) Please confirm that the entry of "Dec-11" indicates that these assets are forecast to be in service by the end of December 2011.**

- c) For each blank entry in this column please explain when the asset or assets are forecast to be placed into service. If some of the assets are not expected to be in service until after the end of 2011, please provide a breakdown of the amount that will be in service by the end of 2011, the amount that will be placed into service in 2012 and the amount, if any, that will not be placed in service by the end of 2012.
- d) Please explain the significant drop in 2011 capital additions from that originally forecast of \$4,494, with the forecast of \$2,764,888 shown in Table EP 1-9.

Interrogatory # 50

Ref: Energy Probe Interrogatory #9 & #10

- a) What is the expected timing of the purchase of the land for the transformer station and distribution substation?
- b) What is the actual/expected cost of the each parcel of land associated with the transformer station and the distribution substation?
- c) Are these costs included in the revised 2011 capital addition forecast shown in the response to Energy Probe Interrogatory #9?
- d) Please confirm that neither land cost has been included in the calculation of the 2012 rate base.

Interrogatory # 51

Ref: Energy Probe Interrogatory #9 & #11

Given the reduction in the 2011 capital addition forecast shown in the response to Energy Probe Interrogatory #9, does HHHI still believe it will be able to have all the projects and expenditures shown in Table EP 1-10 completed and in service by the end of 2012? Please elaborate on the response.

Interrogatory # 52

Ref: Energy Probe Interrogatory #14

Please explain the derivation of the 6,000 figure shown in Table EP 1-11 in the "Installed at December 31, 2009" column for the 200 GS> 50 meters at \$300 each.

Interrogatory # 53

Ref: Energy Probe Interrogatory #16 & #5

- a) Please provide a version of Table EP 1-13 that fits completely on the page.
- b) Please calculate the difference in total capital expenditures between the CGAAP and MIFRS figures provided in the response.
- c) If the difference calculated in (b) above is different from the \$286,622 difference in operation and maintenance costs shown in the Table EP 1-5 provided in the response to Energy Probe Interrogatory #6, please explain the difference.

Interrogatory # 54

Ref: Energy Probe Interrogatory #17

Do the expenditures shown for 2013 through 2015 include any amounts related to the transformer station and/or the distribution substation noted on page 12 of Exhibit 2, Tab 2, Schedule 3? If not, what are the total costs associated with each of these projects?

Interrogatory # 55

Ref: Energy Probe Interrogatory #19

- a) Please provide all the calculations and assumptions used to generate the revenue requirement and deferral account offset figures shown in part (h) to the response.
- b) Does the inclusion of the panels on the 1400 poles result in any lost or potential lost revenue associated with pole rentals for other purposes?

Interrogatory # 56

Ref: Energy Probe Interrogatory #23

The response provided to part (d) indicates that the revenue at existing rates would increase by \$181,837 as a result of using the equation noted in the previous parts of the interrogatory. The response then indicates that the impact on the revenue deficiency is an identical amount of \$181,837. Please re-estimate the impact on the revenue deficiency by taking into account the higher kWh forecast and the resulting increase in the working capital allowance component of rate base.

Interrogatory # 57

Ref: Energy Probe Interrogatory #29

If available, please provide an updated Table EP 1-29 that includes year-to-date information for 2011 and 2010 beyond September.

Interrogatory # 58

Ref: Energy Probe Interrogatory #29, parts (e) and (f)

- a) What is the basis for only allocating 50% of the gains on disposals in the revenue offset?
- b) What assets are forecast to be disposed of in 2012 for a net gain of \$25,000?
- c) What is the project level of average excess cash that could be invested in 2012 and what is the interest rate currently available on short term GICs?

Interrogatory # 59

Ref: Energy Probe Interrogatory #33

The response indicates an increase related to smart meters of \$462,710 which is broken down by account in part (e) of the response. The table provided in response to part (a) of the question provides the 2010 actual expenditures in these accounts. Please indicate what costs from 2010 in these three accounts (5305, 5310, 5315) have been reduced due to the movement to smart meters.

Interrogatory # 60

Ref: Energy Probe Interrogatory #34

If HHHI cannot provide the year-to-date figures requested in the same level of detail as shown in Table 4-1, then please provide the total OM&A expenditures for the most recent year-to-date period available in 2011 and the corresponding figure for the same period in 2010.

Interrogatory # 61

**Ref: SEC Interrogatory #5 &
Energy Probe Interrogatory #21b**

Please update the response to Energy Probe Interrogatory #21b to reflect the Uniform Transmission Rates found in the EB-2011-0268 2012 Rate Order.

Interrogatory # 62

Ref: SEC Interrogatory #13 & #14

- a) Please provide the forecasted amount(s) expected to be borrowed by HHHI in 2012 from the TD Commercial Bank loan and indicate the expected interest rate to be charged for 2012.**
- b) Please provide more details on discussions that took place with Infrastructure Ontario and the rates that were available at the time of the discussions.**
- c) What are the current rates available from Infrastructure Ontario for terms of 5, 10, 15, 25 and 50 year terms?**

Interrogatory # 63

**Ref: VECC Interrogatory #5 &
Exhibit 2, Tab 2, Schedule 3**

The response to both parts (b) and (c) of the interrogatory refer to Appendix VECC 1-A. However, there is only one set of projects shown for each year in that appendix.

- a) Please confirm that the tables provided in the appendix reflect the proposed projects in each year.
- b) Please confirm that the comparable list of projects and associated costs on an actual basis for these years are Table 2-14 (2008), Table 2-15 (2009), Table 2-16 (2010) and Table 2-17 (2011) in Exhibit 2, Tab 2, Schedule 3. If this cannot be confirmed, please provide a table for each of 2008 through 2011 that is a comparable list of projects actually completed to those shown in the appendix to the interrogatory response.
- c) Please explain why there are a number of capital projects shown in Table 2-17 for 2011 that are not included in the 2011 capital project list shown in the appendix to the interrogatory response.
- d) Please provide a list of the 2012 projects that were proposed by the Manager of Engineering and Operations. Please explain any difference from those shown in Table 2-18.

Interrogatory #64

**Ref: VECC Interrogatory #12 &
Energy Probe Interrogatory #25b &
Exhibit 3**

- a) Please confirm that the actual customers shown in the VECC response are directly comparable to the forecast shown in the Energy Probe response in that both are based on June 2011 figures.
- b) Please explain the significantly higher GS<50 and GS >50 actual customers as compared to forecast.
- c) Please provide the actual number of GS>50 to 999 customers and the actual number of GS>1000 to 4999 customers included in the 218 actual GS>50 customers.
- d) Please explain the significantly lower residential, USL, streetlighting and sentinel actuals as compared to forecast.
- e) Please provide a revised 2012 customer forecast as shown in Table 3-12 if the HHHI methodology is applied, but is based on the June 30, 2011 customer counts as the starting point.

- f) What is the impact on the revenue at current rates of the 2012 customer forecast generated in part (e) above? Please provide a column showing the revenues at current rates in the same level of detail as shown in revised Table 3.1 shown in the response to Energy Probe Interrogatory #22a.

Interrogatory # 65

**Ref: VECC Interrogatory #13g &
Exhibit 3, Table 3-23**

The response to the VECC interrogatory indicates the forecasted interest in account 4405 is \$161,013 in 2011 and \$110,956 in 2012. Table 3-23 in Exhibit 3 does not include any figures for the bridge and test years shown in account 4405.

- a) Please explain this difference.
- b) How much of the interest forecast in 2011 and 2012 is associated with deferral and variance accounts?
- c) Please explain the significant reduction forecast for 2012 relative to 2011 and the large increase in 2011 relative to the \$38,259 shown for 2010.
- d) Please provide a table that shows the various component of the interest and dividend income in account 4405 for the period 2008 through 2012.

Interrogatory # 66

Ref: Energy Probe Interrogatory #33

Part (b) of the response states that \$286,621 of the increase in OM&A expense between 2010 and 2012 is due solely to the movement to MIFRS. The table immediately preceding this response shows an amount of \$493,040. Please reconcile.

Interrogatory # 67

**Ref: VECC Interrogatory #18 &
Exhibit 4, Tab 2, Schedule 6, Table 4-16**

- a) Please provide specific details about the predetermined performance targets in terms of what they relate to and the amount of the potential incentive payments associated with each individual target.**
- b) The forecast for the incentive payment in 2012 is \$77,376 as shown in Table 4-16. Please indicate what the total potential incentive payment is for 2012.**
- c) For each of 2008, 2009 and 2010, please indicate what percentage of the total potential incentive was actually paid out.**

Interrogatory # 68

**Ref: Board Staff Interrogatory #28 &
Exhibit 4, Tab 2, Schedule 3, Table 4-10**

- a) HHHI indicates that it will remove \$135,000 related to MDMR costs from the 2012 revenue requirement. Was this amount included in the smart meter expenses line shown as a cost driver in Table 4-10 of Exhibit 4, Tab 2, Schedule 3? If not, please indicate which driver the MDMR costs are included in.**
- b) Please provide an updated Table 4-10 to reflect the removal of the MDMR costs and any other changes that result from the interrogatory responses.**

Interrogatory # 69

Ref: Board Staff Interrogatory #34c

- a) What is the amount included in the revenue requirement?**
- b) Where in the evidence is this amount shown?**

Interrogatory # 70

**Ref: Board Staff Interrogatory #37 &
Exhibit 7, Tab 1, Schedule 2, Table 7-4 &
VECC Interrogatory #21**

- a) Please provide an updated Table 7-4 that reflects the updated cost allocation study noted in the response to Board Staff Interrogatory #37. Please also update the Table to reflect proposed revenue to cost ratios.**
- b) Please update the response to VECC Interrogatory #21.**

Interrogatory # 71

**Ref: Board Staff Interrogatory #60 &
Energy Probe Interrogatories #39 - #42**

- a) Please explain why HHHI proposes to include the land in rate base that will be purchased for transformer and distribution substations that will not be in service until well after the 2012 test year.**
- b) Please explain why HHHI has not accepted the increase in the CCA noted in the response to Energy Probe Interrogatory #39, parts (b) and (c).**
- c) Please indicate how the \$123,301 figure related to the response to Energy Probe Interrogatory #42a has been calculated. Please show all assumptions.**
- d) Please indicate why the reduction in PILS noted in the response to Energy Probe Interrogatory #41 has not been accepted by HHHI.**
- e) Please show the derivation of the tax credit decrease on the revenue requirement of \$23,169 based on the \$31,000 in tax credits noted in Energy Probe Interrogatory #40.**

Interrogatory #72

Ref: Board Staff Interrogatory #60

- a) Please provide a list of all changes in the format of a tracking sheet (see attached example from Waterloo North) that HHHI proposes to make to the calculation of the revenue requirement and/or revenue deficiency as a result of the responses provided to interrogatories, second round interrogatories or**

updated/revised evidence. Please include a brief description of the change and the impact on the revenue deficiency.

- b) Please provide an updated RRWF reflecting any changes listed in the response to part (a).**
- c) Please provide a list of a changes that HHHI proposes to make to any non-revenue requirement areas such as deferral & variance accounts, cost allocation, rate design, smart meters, etc. as a result of responses to interrogatories, second round interrogatories or updated/revised evidence.**

Supplementary Questions for Technical Conference - Energy Probe

- b) Please provide a tracking sheet that shows the impact of each change proposed by WNH.***

Please see the table below.

Supplementary Questions for Technical Conference - Energy Probe

Table TCQ # 27 (b) – Summary of Proposed Changes

Summary of Proposed Changes

Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
	Original Submission August 2010	\$10,824,124	7.08%	\$152,808,317	\$125,598,185	\$18,839,728	\$7,816,331	\$1,212,310	\$10,183,838	\$30,036,603	\$28,980,640	\$5,012,440
OEB IR# 24 (a) & (b)	Adjust Infrastructure Ontario Debt to 1 Day Change	\$11,168,599 \$344,475	7.31% 0.23%	\$152,808,317 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,816,331 \$0	\$1,212,310 \$0	\$10,183,838 \$0	\$30,381,077 \$344,475	\$29,325,115 \$344,475	\$5,356,914 \$344,475
	PILs Correction - Input Error - Bldg amount in Class 1b Change	\$11,168,599 \$0	7.31% \$0	\$152,808,317 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,816,331 \$0	\$1,213,484 \$1,175	\$10,183,838 \$0	\$30,382,252 \$1,175	\$29,326,289 \$1,175	\$5,358,089 \$1,175
EP IR# 13 (e)	AFUDC Rate on Capitalized Interest Change	\$11,196,054 \$27,455	7.31% \$0	\$153,183,959 \$375,642	\$125,598,185 \$0	\$18,839,728 \$0	\$7,823,920 \$7,589	\$1,213,336 -\$148	\$10,183,838 \$0	\$30,417,147 \$34,896	\$29,361,185 \$34,896	\$5,392,984 \$34,896
EP TCQ # 9 & EP IR # 19 (a)	Adjust Purchase kWh for CDM Adjmts Change	\$11,196,054 \$0	7.31% \$0	\$153,183,959 \$0	\$125,598,185 \$0	\$18,839,728 \$0	\$7,823,920 \$0	\$1,213,336 \$0	\$10,183,838 \$0	\$30,417,147 \$0	\$29,361,185 \$0	\$5,279,238 -\$113,746
EP TCQ # 9 & VECC TCQ # 1 (b) & (c)	Adjust Purchase kWh for CDM Adjmts @ Application Power Rates Change	\$11,204,832 \$8,778	7.31% \$0	\$153,304,058 \$120,099	\$126,398,846 \$800,661	\$18,959,827 \$120,099	\$7,823,920 \$0	\$1,215,199 \$1,863	\$10,183,838 \$0	\$30,427,788 \$10,641	\$29,371,826 \$10,641	\$5,289,879 \$10,641
EP IR # 11 (b) & VECC TCQ # 1 (a)	Adjust Oct 15/10 Navigant Numbers, Power, GA & \$68.38 RPP Rates Change	\$11,202,097 -\$2,735	7.31% \$0	\$153,266,641 -\$37,417	\$126,149,397 -\$249,449	\$18,922,410 -\$37,417	\$7,823,920 \$0	\$1,214,619 -\$580	\$10,183,838 \$0	\$30,424,473 -\$3,315	\$29,368,510 -\$3,315	\$5,286,564 -\$3,315
VECC TCQ # 1 (b) & (c)	Adjust NW & CN kW for Purchase & CDM Adjmts Change	\$11,212,740 \$10,642	7.31% \$0	\$153,412,249 \$145,608	\$127,120,117 \$970,720	\$19,068,018 \$145,608	\$7,823,920 \$0	\$1,216,877 \$2,259	\$10,183,838 \$0	\$30,437,374 \$12,901	\$29,381,412 \$12,901	\$5,299,465 \$12,901
Decision EB-2010-0002	Adjust NW & CN kW for IESO & HONI January 1, 2011 Price Increases Change	\$11,221,588 \$8,848	7.31% \$0	\$153,533,306 \$121,057	\$127,927,161 \$807,044	\$19,189,074 \$121,057	\$7,823,920 \$0	\$1,218,755 \$1,878	\$10,183,838 \$0	\$30,448,100 \$10,726	\$29,392,137 \$10,726	\$5,310,191 \$10,726
OEB IR # 21	OMERS increase for 2012 & 2013 Change	\$11,222,972 \$1,384	7.31% \$0	\$153,552,243 \$18,938	\$128,053,411 \$126,250	\$19,208,012 \$18,938	\$7,823,920 \$0	\$1,219,049 \$294	\$10,310,088 \$126,250	\$30,576,028 \$127,928	\$29,520,065 \$127,928	\$5,438,118 \$127,928
EP IR 23 (c) / 29 (a) & (b) EP TCQ 14 (a)	Removal of Street Light Return & PILs Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,219,049 \$0	\$10,310,088 \$0	\$30,576,028 \$0	\$29,586,071 \$66,006	\$5,504,124 \$66,006
EP IR 40 & EP TCQ 21 (a)	PILs - Computer Hardware to Correct CCA Account Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,193,531 -\$25,518	\$10,310,088 \$0	\$30,550,510 -\$25,518	\$29,560,553 -\$25,518	\$5,478,606 -\$25,518
EP IR 41 / EP TCQ 21(b)	PILs - Land Rights CCA Change	\$11,222,972 \$0	7.31% \$0	\$153,552,243 \$0	\$128,053,411 \$0	\$19,208,012 \$0	\$7,823,920 \$0	\$1,192,976 -\$555	\$10,310,088 \$0	\$30,549,955 -\$555	\$29,559,998 -\$555	\$5,478,051 -\$555

Supplementary Questions for Technical Conference - Energy Probe

Summary of Proposed Changes

Reference	Item	Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
EP TCQ 17	PILs - Adjust Apprentice & Co-op Tax Credits	\$11,222,972	7.31%	\$153,552,243	\$128,053,411	\$19,208,012	\$7,823,920	\$1,117,432	\$10,310,088	\$30,474,411	\$29,484,454	\$5,402,507
EP TCQ 20 (b)	Change	\$0	\$0	\$0	\$0	\$0	\$0	-\$75,544	\$0	-\$75,544	-\$75,544	-\$75,544
EP IR 38 (b)	PILs - Reduction of Ontario Surtax Clawback	\$11,222,972	7.31%	\$153,552,243	\$128,053,411	\$19,208,012	\$7,823,920	\$1,066,909	\$10,310,088	\$30,423,888	\$29,433,931	\$5,351,984
	Change	\$0	\$0	\$0	\$0	\$0	\$0	-\$50,523	\$0	-\$50,523	-\$50,523	-\$50,523
EP TCQ # 9	Adjust Purchase kWh for WMS	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$847	\$0	\$11,592	\$77,282	\$11,592	\$0	\$180	\$0	\$1,027	\$1,027	\$1,027
OEB IR 29 (e)	Cost Allocation - Adjustment of Street Light Connections	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$847	\$0	\$11,592	\$77,282	\$11,592	\$0	\$180	\$0	\$1,027	\$1,027	\$1,027
BS IR 8 (b)	Adjustment of RTSR for Updated Quantity & Pricing Changes	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VECC IR 29	Adjustment of LRAM/SSM	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EB-2010-0295 Decision	Late Payment Penalty Rate Rider	\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011
	Change	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proposed at March 1, 2011		\$11,223,819	7.31%	\$153,563,835	\$128,130,693	\$19,219,604	\$7,823,920	\$1,067,089	\$10,310,088	\$30,424,915	\$29,434,958	\$5,353,011