

**Board Staff Interrogatories**  
**2012 IRM3 Electricity Distribution Rates**  
**Hydro Hawkesbury Inc.**  
**EB-2011-0173**

## **Z-factor Claim**

1. Ref: E1/T2/S3 and E1/T2/S3, Appendix 1

Preamble: Reference (1) indicates that Hydro Hawkesbury is seeking a Z-Factor amount of \$712,909 and is intended for the purchase of a replacement transformer for its 44 KV substation and site preparations. It is further stated that this transformer is required to assure electricity supply to Hydro Hawkesbury's customers in case of failure of the existing transformer and to provide redundancy.

Reference (2) indicates that "Hydro One advised that if faced with a situation where a transformer has failed, they may not provide an MUS facility even if one was available".

Question:

- a. Please provide official confirmation from Hydro One that if Hydro Hawkesbury is faced with a situation where a transformer has failed, they may not provide an MUS facility even if one was available over the next 2-3 years.

2. Ref: 2012 IRM Incremental Capital Workform\_44kV and E1/T2/S3 – Z-factor Claim

Preamble: On page 10 of E1/T2/S3 Hydro Hawkesbury indicated that a Materiality Threshold of \$50,000 was applied in the Z-factor calculation and that Hydro Hawkesbury's expected expenditures of \$713k exceeds this threshold.

On page 4, Hydro Hawkesbury stated that "Hydro Hawkesbury receives its electricity at two delivery points, a substation at 110KV with two distribution transforms...and a 44KV station". Hydro Hawkesbury noted that both distribution transformers are 45 years old.

Board staff notes that Hydro Hawkesbury filed an Incremental Capital Model\_44KV to calculate the Z-factor rate rider. The threshold test according to this model is \$ 37,844.

Question:

- a. Please confirm that Hydro Hawkesbury intended to file a Z-factor application as part of its 2012 IRM application for the amount of \$713K.
  - i. If so, please provide further explanation as the differentiation of this capital expenditure as a Z-factor rather than Incremental Capital as defined in the *Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors*, issued July 14, 2008.
  - ii. Please provide further rationale as to why the replacement of the transformer for the 44kV substation should be considered an unforeseen event given the age of the asset.

**3. Ref: 2012 IRM Incremental Capital Workform\_44kV and 25MVA, Rate Generator, Sheets 13 & 14 and E1/T2/S3 – Z-factor Claim**

Preamble: In E1/T2/S3 Hydro Hawkesbury provided a discussion regarding the rate rider calculation and listed the following steps in calculating the Z-factor rate rider:

1. HHI allocated the costs to rate class on the basis of the 2010 RRR. Non-adjusted kWh's and customer count.
2. Half of the capital expense to be recovered through a fix charge and the other half through a variable charge; both riders over a period of 120 months.
3. The fixed rider was calculated as per connection based over 120 months.
4. The variable rider was calculated on 2010 consumption, over 10 years.

Board staff notes that the Z-factor rate adder calculation is based on the ICM module\_44KV.

Question:

- a. Hydro Hawkesbury noted that its rate rider calculation is based on a recovery period of 120 month.
  - i. Please provide the detailed calculations, in an Excel format, supporting the derivation of the proposed Z-factor rate riders.
  - ii. Please provide further justification as to why a recovery period of 10 years is being proposed.
  - iii. Please indicate if Hydro Hawkesbury considered a scenario where the rate riders would be in effect until its next cost of service application. If not, why not?
  - iv. Board staff noted that Hydro Hawkesbury did not include a sunset date in the Rate Generator. Please confirm that Hydro Hawkesbury intends April 30, 2022 to be the sunset date for the Z-factor rate rider. If yes, Board staff will make the necessary adjustments to the Rate Generator.
  - v. Similarly, Hydro Hawkesbury did not provide a sunset date for the ICM rate rider in the Rate Generator. Please provide the sunset date for the ICM rate rider and enter it in the Rate Generator.

**4. Ref: Incremental Capital Workform\_44kV and E1/T2/S3 – Z-factor Claim**

Preamble: Hydro Hawkesbury noted that the Z-factor costs are allocated to rate classes on the basis of the 2010 RRR non-adjusted kWh's and customer count.

Question:

- a. Board staff notes that the billing determinant applied in the ICM Workform used to calculate the Z-factor rate rider are based on Hydro Hawkesbury's re-based billing determinant. Please reconcile the above statement with the cost allocation methodology employed in the ICM Workform.

**5. Ref: E1/T2/S3 – Z-factor Claim**

Preamble: Hydro Hawkesbury noted in E1/T2/S3 – Z-factor claim, that Hydro Hawkesbury submitted its purchase order in August of 2011 and that the manufacturing period for this transformer is expected to be approximately 32 weeks. Delivery is expected for January 2012.

Question:

- a. Please provide the current expected delivery date for the transformer and state when the asset will be in service.
- b. Please provide up-to-date spending on this asset.
- c. Please provide a breakdown between capital and OM&A.

**6. Ref: E1/T2/S2 - Incremental Capital Module, E1/T2/S3 - Z-Factor Claim, and Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment**

Preamble: Issue 1 from the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (EB-2008-0408), dated June 13, 2011, indicates information supporting rate adjustments during an IRM period should be provided in the same basis of accounting as the information upon which the rates were set. This means that if rates were set on CGAAP, the financial information supporting the adjustment must be provided under CGAAP, and the adjustment to rates will be made on the basis of the CGAAP filing.

In addition, a reconciliation of the CGAAP-based financial information to the relevant information in the last annual RRR reporting under modified IFRS is required. Where the distributor has adopted IFRS for financial reporting but has not yet made an annual RRR reporting under modified IFRS, the financial information mentioned above must be provided in both CGAAP and modified IFRS format, and a reconciliation provided between the two accounting standards.

Question:

- a. On what basis was the Incremental Capital Module and Z-Factor adjustments prepared, CGAAP or modified IFRS? If the accounting basis to support the Incremental Capital Module and Z-Factor was not based on CGAAP, please explain what accounting basis was used and why.
- b. Please confirm when Hydro Hawkesbury plans to adopt IFRS for financial reporting purpose.
- c. Please confirm when Hydro Hawkesbury plans to file its RRR reporting under modified IFRS.
- d. Please provide the Incremental Capital Module and Z-Factor claims in both CGAAP and modified IFRS formats and provide a reconciliation between the two accounting bases and explanations for the differences.

## **Incremental Capital Claim**

**7. Ref: Incremental Capital Workform\_25MVA, Sheet E3.1 and Incremental Capital Workform\_44kV, Sheet E3.1**

## Sheet E3.1 IC Workform\_25MVA

Number of ICPs

1

Project ID #	Incremental Capital Non-Discretionary Project Description	Incremental Capital CAPEX	Amortization Expense	CCA
ICP 1	Replacement of 110kV with 25MVA to feed entire service area	1,517,813	30,356	121,425
		1,517,813	30,356	121,425

## Sheet E3.1 IC Workform\_44kV

Number of ICPs

1

Project ID #	Incremental Capital Non-Discretionary Project Description	Incremental Capital CAPEX	Amortization Expense	CCA
ICP 1	Replacement of 44kV	712,909	14,258	57,033
		712,909	14,258	57,033

Preamble: Board staff noted that Hydro Hawkesbury filed two Incremental Capital Model, for two transformers (25MVA and 44KV). The threshold test according to these models is \$ 37,844.

Board staff further notes that Hydro Hawkesbury did not provide the accompanying project Worksheet for either of the ICM models, thus Board staff is unable to verify whether the data on Sheet E3.1 is correct in either of the ICM Workforms.

### Question:

- Please refile an Incremental Capital Model Workform including both transformer stations. Please enter the aggregate incremental capital expenditure (total capital expenditure minus threshold amount) in cell F24 on sheet E3.1 of the ICM Workform.
- Please provide the associated Worksheet (see blank Worksheet below) for each of the capital projects, including the capital expenditure of \$713K for the 44kV transformer station as incremental capital.



2012 Incremental  
Capital Project Works

## 8. Ref: Incremental Capital Workform\_25MVA, E1/T2/S2 – Incremental Capital Module and Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673) – Appendix B – Amended Filing Guidelines

Preamble: Hydro Hawkesbury did not provide all the filing requirements included as Appendix B to the Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673).

Question:

- a. Please indicate whether continued expenditure levels could trigger another Incremental Capital Request before the end of the IR term.
- b. Please provide a description of the actions that the distributor will take in the event that the Board does not approve the Incremental Capital Request.

**9. Ref: E1/T2/S2, table 1, E1/T2/S3, table 1 and Hydro Hawkesbury EDR COS Application E2/T4/S5 (Asset Management Plan)**

Preamble: In E1/T2/S2, table 1 Hydro Hawkesbury has presented the Capital Spending for 2012 related to the 110 kV distribution transformers with a 25MVA transformer in the amount of \$1.52M.

In E1/T2/S3, table 1 Hydro Hawkesbury presented the Capital Spending related to the 44kV distribution transformer in the amount of \$712,909.

Question:

- a. Please confirm that none of the capital costs (\$1.52M and \$713K respectively) have previously been included in rate base.
- b. Please confirm that none of the projects included in the 2012 Capital Budget are discretionary in nature.

**10. Ref: E1/T2/S2**

Preamble: In the reference, Hydro Hawkesbury requests approval of rate riders to recover the cost of replacing an existing 110 kV distribution transformer with a new 25MVA transformer. On page 6, Hydro Hawkesbury states that following an inspection and oil analysis of the existing transformers, both transformers would need an overhaul to extend their life expectancy and reliability. Hydro Hawkesbury further states that the overhaul would be very costly but no estimate is given.

Question:

- a. What is the estimated cost of overhauling the existing transformers at the 110 kV station?
- b. What would be the expected life of the transformers after overhauling?
- c. Could a partial overhaul be carried out to extend the operability of the transformers for some period of time? Please provide details.

**11. Ref: Manager's Summary – Use of Actual vs Forecasted  
Ref: 2012 ICM Workform\_25MVA, Sheet C1.1  
Ref: 2012 ICM Workform\_44kV, Sheet C1.1  
Ref: Rate Generator, Sheet 10**

Preamble: In the Manager's Summary Hydro Hawkesbury stated in "this Application HHI applied the actual kWh from 2010 year end. The rationale behind the decision is that in HHI's CoS the kWh's used came from a Cost Allocation Study performed by Elenchus following the loss of the only large user. HHI feels that the data from the study is less representative than the 2010 actual data. HHI seeks Board approval to utilize real kWh data as of December 31, 2010.

Board staff is unable to verify this data in that it differs from the audited RRR data as of December 31, 2010.

Question:

- a. Please provide further explanation as to the variance between the billing determinants used by Hydro Hawkesbury in this application and the 2010 forecast load in Hydro Hawkesbury's last COS. Please provide further rationale for the data provided in this application.
- b. Please reconcile the data provided as 2010 actual data with RRR data as of December 31, 2010 as reported to the Board.
- c. Please expand the table (2010 forecast CoS vs. 2010 actual data) provided in the Manager's Summary to include the 2011 actual data. If audited numbers are not available, please use unaudited numbers.
- d. If necessary, Board staff will make adjustments in the relevant models.

**12. Ref: Incremental Capital Workform\_25MVA, Sheet B1.2 and Incremental Capital Workform\_44kV, Sheet B1.2**

Sheet B1.2

On sheets B1.2 of the Incremental Capital Workform 25MVA and 44KV Hydro Hawkesbury entered the following rate adder amounts:

<b>Service Charge Rate Adders</b>	<b>Distribution Volumetric kWh Rate Adders</b>	<b>Distribution Volumetric kW Rate Adders</b>
<b>D</b>	<b>E</b>	<b>F</b>
1.53		0.0000
1.80	(0.0070 )	0.0000
5.89	(0.0022 )	0.1082
0.05	(0.0022 )	(0.7541 )
0.02	(0.0022 )	(1.4519 )
(0.32 )	(0.0077 )	0.0000

Preamble: Sheet B1.2 intends to remove any rate adders that are embedded in the base service rate as well as the base volumetric rate.

Board staff notes that Hydro Hawkesbury entered the Smart Meter funding adder and the Rate Rider for Recovery of Foregone Revenue in Column D as well as the volumetric rate riders for Recovery of Foregone Revenue, Global Adjustment Sub-Account Disposition and

Deferral/Variance Account Disposition in Column E and F. These rate riders and rate adders are listed separately on the tariff sheet, not embedded in base rates.

Question:

- a. Please explain why these amounts should be removed from base rates in the calculation of re-based base service charges and volumetric rates. Please provide supporting documentation.
- b. If these amounts have been entered in error, Board staff will make the necessary adjustment.

**13. Ref: Incremental Capital Workform\_25MVA, Sheet E3.1, Manager's Summary, E1/T2 Incremental Capital Module, Table 1 and Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673)**

Sheet 3.1

Number of ICPs

1

Project ID #	Incremental Capital Non-Discretionary Project Description	Incremental Capital CAPEX	Amortization Expense	CCA
ICP 1	Replacement of 110kV with 25MVA to feed entire service area	1,517,813	30,356	121,425
		1,517,813	30,356	121,425

Preamble: Board staff noted that Hydro Hawkesbury included the total capital cost of \$1,517,813 in the calculation of incremental revenue requirement in the ICM Workform. Table 1 of the E1/T2/S2 (Incremental Capital Module) shows this amount to be the 'Incremental Capital Project Expenditures'. On Sheet E2.1 of the ICM Workform Hydro Hawkesbury calculated a threshold amount of \$ 37,844. Board staff further noted that Hydro Hawkesbury did not provide a ICM Worksheet (see Appendix A) with its Incremental Capital Workform\_25MVA.

On page 31 of the Supplemental Report, the Board stated that "the incremental capital for which the Board may provide rate relief is the new capital sought in excess of the materiality threshold".

In the Decision and Order (EB-2010-0104)<sup>1</sup> the Board that the eligible incremental capital amount for recovery is the difference between non-discretionary capital expenditures and the threshold value.

Question:

- a. Please confirm that Hydro Hawkesbury did not calculate incremental new capital in excess of the materiality threshold, but rather calculated the incremental revenue requirement based on the total capital costs for the new 25MVA transformer.
- b. If yes, please explain why.
- c. Please adjust the amount entered in cell F24 of Sheet E3.1 of the ICM Workform by subtracting the threshold amount from the total capital costs sought for recovery.

<sup>1</sup> Decision and Order, Oakville Hydro Electricity Distribution Inc., EB-2010-0104, p. 17-18

- d. Please file a 2012 Incremental Capital Project Worksheet (see below)



2012 Incremental  
Capital Project Works

## Rate Generator

### 14. Ref: Rate Generator, Sheet 4

#### Sheet 4\_Current MFC

##### Unmetered Scattered Load

Rate Rider for Recovery of Late Payment Penalty Litigation Costs  
Service Charge (per account)

\$ 0.75  
\$ 6.26

April 30, 2012

Preamble: Board staff noted that Hydro Hawkesbury did not enter a monthly fixed charge for the USL customer class

#### Question:

- a. Please explain why. If these amounts were omitted in error, Board staff will update the Rate Generator and enter the monthly fixed service charges as per Hydro Hawkesbury's latest tariff of rates and charges.

### 15. Ref: Rate Generator, Sheet 9 - Continuity Schedule

Preamble: Board Staff noted that in variance column (column BX) of the continuity schedule, there is a debit balance of \$505,329 for 1588 RSVA – Power (excluding GA) and a credit balance of \$505,329 for 1588 RSVA – GA.

Board Staff also noted the followings from the Board Decision EB-2010-0090:

The Board noted in its April 29, 2011 Partial Decision and Order that there is an issue with respect to the amounts that were approved for disposition in Account 1588 – RSVA – Power (including the global adjustment sub-account) in Hydro Hawkesbury 2010 cost of service application (EB-2009-0186). In Hydro Hawkesbury's 2010 cost of service proceeding (EB-2009-0186), the Board approved the disposition of a credit balance in Account 1588 (excluding the global adjustment sub-account) of \$144,324 and a credit balance in the global adjustment sub-account of \$252,664. The total amount approved for disposition for account 1588 was a credit balance of \$396,988. The Board noted that Hydro Hawkesbury indicated that the balances that should have been disposed in 2010 are as follows:

Account 1588 (global adjustment sub-account) – debit balance of \$252,664;  
Account 1588 (excluding global adjustment sub-account) – credit balance of \$649,652.

The Board has determined that Board staff's proposed methodology for correcting the balances in Account 1588 is appropriate since it is prospective in nature and easier to understand. Therefore, the Board directs that the balances in Account 1588 be corrected using Board staff's methodology. The Board notes that in order to correct the error in



Account 1588 on a prospective basis, the opening principal balances for 2009 (as of January 1, 2010) must reflect the 2008 closing balances net of the amounts that were disposed related to those balances (as ordered by the Board in EB-2009-0186) whether or not the disposition amounts were correct. This allows the balances in Account 1588 to self-correct.

Question:

- a. Please explain the nature of the variances of \$505,329 for 1588 RSVA – Power (excluding GA) in cell BX 28 and \$(505,329) for 1588 RSVA – GA in cell BX 29.

## **Special Purpose Charge**

### **16. Ref: E1/T3/S2 - Special Purpose Charge and Manager's Summary**

Preamble: On April 23, 2010, the Board issued a letter to all licensed electricity distributors authorizing account 1521, Special Purpose Charge Assessment Variance Account. Any difference between the amount remitted to the Ministry of Finance for the SPC assessment and the amount recovered from customers was to be recorded in "Sub-account 2010 SPC Assessment Variance" of account 1521.

The letter also indicated, in accordance with section 8 of the SPC regulation, electricity distributors are required to apply to the Board no later than April 15, 2012 for an order authorizing them to clear any debit or credit balance in the "Sub-account 2010 SPC Variance". The Board expected that requests for disposition in "Sub-account 2010 SPC Variance" and "Sub-account 2010 SPC Assessment Carrying Charges" would be addressed as part of the proceedings for the 2012 rate year, except in cases where this approach would result in non-compliance with the timeline set out in section 8 of the SPC Regulation. In addition, the letter indicated in accordance with section 9 of the SPC Regulation, recovery of the SPC assessment is to be spread over a one-year period.

Hydro Hawkesbury stated that Hydro Hawkesbury seeks Board approval to recuperate the residual balance of \$13,776.76 in this rate application. The variance with RRR vs. 2010 balance in the amount of \$37,889.33 is caused by the 2011 recoveries from January 1 to June 30, 2011, recorded in CEL BI 38 of Sheet 9 of the 2012 IRM Rate Generator Model since the model did not permit to record any activities for that account in 2011.

Question:

- a. Please confirm Hydro Hawkesbury's SPC assessment amount and provide a copy of the original SPC invoice.
- b. Please confirm the start date of when Hydro Hawkesbury began charging the SPC to its customers and the end date of when Hydro Hawkesbury stopped charging the SPC.
- c. 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 April 30, 2012 Carrying Charges Balance	Total for Disposition (Principal and Interest)

- d. Please confirm that the amount for disposition of account 1521, "Sub-account 2010 SPC Variance" amount is \$ 12,415.41. If the amount is different, please explain the reason for the difference, if any.

## Shared Tax Savings

### 17. Ref: 2012 IRM Shared Tax Savings Workform – Sheet 3

Sheet 3 is reproduced below:

**Last COS Re-based Year was in 2010**

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	4,817	50,277,839		5.89	0.0079	
GSLT50	General Service Less Than 50 kW	Customer	kWh	593	19,562,613		13.60	0.0054	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	86	80,745,583	209,711	95.66		1.5288
USL	Unmetered Scattered Load	Connection	kWh	5	242,514		6.26	0.0021	
Sen	Sentinel Lighting	Connection	kW	21	105,383	311	1.60		3.1724
SL	Street Lighting	Connection	kW	1,180	1,156,976	3,197	0.61		6.6567

#### Preamble:

Sheet 3 - Column A request that the Applicant enters rebased customers or connection data. In column B and C rebased load data is requested. Board staff noted that Hydro Hawkesbury entered 2010 RRR data in column A. Board staff cannot verify the data entered in column B and C.

#### Question:

- Please explain why 2010 RRR was used to populate column A. If this was done in error Board staff will make the necessary adjustments.
- Please provide supporting material to verify the data used in columns B and C.
- Please provide further justification for using the cited data.
- Please provide the 2011 actual load data, if audited data is unavailable used unaudited data.

### 18. Ref: 2012 IRM Shared Tax Savings Workform – Sheet 3

Sheet 3 is reproduced below:

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	4,817	50,277,839		5.89	0.0079	
GSLT50	General Service Less Than 50 kW	Customer	kWh	593	19,562,613		13.60	0.0054	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	86	80,745,583	209,711	95.66		1.5288
USL	Unmetered Scattered Load	Connection	kWh	5	242,514		6.26	0.0021	
Sen	Sentinel Lighting	Connection	kW	21	105,383	311	1.60		3.1724
SL	Street Lighting	Connection	kW	1,180	1,156,976	3,197	0.61		6.6567

Preamble: In column D Hydro Hawkesbury entered a fixed monthly charge of \$6.26 for the USL customer class. Board staff notes that on the tariff of rates and charges, the monthly fixed service charge for this customer class is \$6.28.

Question:

- Please confirm that the monthly fixed service charge should be \$6.28. If so, Board staff will make the necessary adjustments.

## 19. Ref: 2012 IRM RTSR Workform – Sheet 4

Sheet 4 is reproduced below:

In the green shaded cells, enter the most recent reported RRR billing determinants. Please ensure that billing determinants are non-loss adjusted.

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 Regular	kWh	50,277,839		1.0446		52,520,231	-
General Service Less Than 50 kW	kWh	19,562,613		1.0446		20,435,106	-
General Service 50 to 4,999 kW	kW	80,745,583	209,710		52.77%	80,745,583	209,710
Unmetered Scattered Load	kWh	242,514		1.0446		253,330	-
Sentinel Lighting	kW	105,383	311		46.44%	105,383	311
Street Lighting	kW	1,156,976	3,197		49.60%	1,156,976	3,197

Preamble: This sheet request non-load adjusted 2010 RRR billing determinants. Board staff is unable to verify the data used.

Question

- Please reconcile the above data with the RRR data reported to the Board and confirm that the volumes contained in column F, G and H do not include losses. If necessary, Board staff will update the Rate Generator to the 2010 RRR data.

## LRAM

## 20. Ref: Manager's Summary, pg. 5-6 and Elenchus 2006 to 2012 LRAM Report

Preamble: Elenchus notes that the LRAM claim includes energy and demand savings that result from 2006 to 2010 programs, some of which continue through to the end of the filing period, which is April 30, 2012.

Question

- Please confirm whether the LRAM claim is for \$48,918.88 or for \$49,918.88, and if the amount includes carrying charges.
- If HHI is requesting carrying charges, please provide a table that shows the monthly LRAM balances, the Board-approved carrying charge rate and the total carrying charges by month for the duration of this LRAM request to support your request for carrying charges. Use the table below as an example:

Year	Month	Monthly Lost Revenue	Closing Balance	Interest Rate	Interest \$

- c. Please confirm that HHI has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- d. If HHI did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- e. Please identify the CDM savings that were proposed to be included in HHI's last Board approved load forecast.
- f. 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, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

Program Years (Divided by rate class)	Years that lost revenues took place			
	2009	2010	2011	2012
2006	\$xxx	\$xxx	\$xxx	\$xxx
2007	\$xxx	\$xxx	\$xxx	\$xxx
2008	\$xxx	\$xxx	\$xxx	\$xxx
2009	\$xxx	\$xxx	\$xxx	\$xxx
2010		\$xxx	\$xxx	\$xxx

## PILs

### 21. Ref: Exhibit 3 – 1562 Deferred PILs

Preamble: Board staff noted that the evidence is missing the following information.

Question:

- a. Excel 2001, 2002 and 2005 Board-approved PILs proxy models (active) that were filed with the respective applications in 2003 Excel compatible format.
- b. Excel 2001/2002, 2004 and 2005 rate applications (active).
- c. Excel continuity schedule for 2001 to 2012 including interest carrying charge calculations (active).
- d. Excel PILs recoveries worksheet (active).
- e. Notices of assessment and notices of reassessment and statements of adjustments for 2001 to 2005.
- f. Financial statements submitted with tax returns for 2001 to 2005.

- g. Excel 2001 to 2005 updated SIMPIL models (active).

## **PILs Proxy Amounts**

### **22. Ref: E3/T1/S1**

Preamble: The 2001 Board-approved PILs proxy model calculated the PILs entitlement for 2001 to be \$27,981. This amount does not agree with the 2001 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2001 RAM Decision".

Question:

- a. Please provide the corrected 2001 updated SIMPIL model that agrees with the 2001 application PILs proxy model on a line-by-line basis as approved by the Board.

### **23. Ref: E3/T1/S1**

Preamble The 2002 Board-approved PILs proxy model calculated the PILs entitlement for 2002 to be \$51,569. This amount does not agree with the 2002, 2003 and 2004 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2002 RAM Decision".

Question:

- a. Please provide the corrected updated 2002, 2003 and 2004 SIMPIL models that agree with the 2002 application PILs proxy model on a line-by-line basis as approved by the Board.

### **24. Ref: E3/T1/S1**

Preamble The 2005 Board-approved PILs proxy model calculated the PILs entitlement for 2005 to be \$48,859. This amount does not agree with the 2005 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2005 RAM Decision".

Question:

- a. Please provide the corrected updated 2005 SIMPIL model that agrees with the 2005 application PILs proxy model on a line-by-line basis as approved by the Board.

## **Income Tax Rates**

### **25. Ref: E3/T1/S1 and Continuity Schedule – Elenchus ED Disposition 1562 Balance Model**

Preamble: In the SIMPIL models for 2001 through 2004, Hydro Hawkesbury selected the minimum income tax rates since its tax evidence indicated that Hydro Hawkesbury was eligible for the federal and Ontario small business deduction.

In its 2005 application, Hydro Hawkesbury used the minimum income tax rate to calculate the 2005 PILs proxy. In the revised 2005 SIMPIL, Hydro Hawkesbury used the following income tax rates in the table below to calculate true-up variances.

		2005
<b>APPLICATION PILS PROXY CALCULATION</b>	Blended income tax rate	18.62%
	Income tax rate used for gross-up	18.62%
<b>2005 SIMPIL MODEL TAXCALC SHEET</b>	Cell E122: Calculation of true-up variance -income tax effect	20.41%
	Cell E130: Income tax rate used for gross-up (excluding surtax)	19.29%
	Cell E138: Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	20.41%
	Cell E175: Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	19.29%

Question:

- a. How did Hydro Hawkesbury select the income tax rates for 2005? Please provide the calculations.
- b. If Hydro Hawkesbury agrees that it should be subject to the minimum income tax rate in 2005, please make the adjustment and re-file the revised 2005 SIMPIL model and PILs continuity schedule.

**26. Ref: Elenchus ED Disposition 1562 Balance Model - Amounts Billed to Customers - Unmetered Scattered Load (USL) Rate Class**

Preamble: Unmetered scattered load is listed as one of the components of the billing and recovery in the Excel spreadsheet. However, while billing determinants have been entered, no rates have been entered. The approved rates for USL were identified in the Board's decisions for 2002, 2004 and 2005 as the GS<50kW rate which has associated PILs slivers.

Question:

Please explain why Hydro Hawkesbury did not use the Board-approved USL PILs rate slivers in the calculations of recoveries from customers. Please correct the PILs recovered worksheets.

**27. PILs Continuity Schedule - Elenchus ED Disposition 1562 Balance Model -Deferral Account Variance Adjustments from SIMPIL Models**

Preamble: Any deferral account variance adjustments and true-up variance adjustments calculated in the SIMPIL models should be recorded on the PILs continuity schedule in the year subsequent to the tax year since tax returns and the applicable SIMPIL model were not filed until the following summer. Entries related to the variances would not have been made in the general ledger until the following year.

The deferral account variance adjustment of - \$1,100 calculated in the 2003 SIMPIL model should appear as an adjustment in 2004 on the PILs continuity schedule.

The deferral account variance adjustment of - \$1,100 calculated in the 2004 SIMPIL model should appear as an adjustment in 2005 on the PILs continuity schedule.

The deferral account variance adjustment of \$3,282 calculated in the 2005 SIMPIL model should appear as an adjustment in 2006 on the PILs continuity schedule.

Question:

Please re-file the PILs continuity schedule and carrying cost calculation worksheets with the SIMPIL deferral account variance adjustments for 2003, 2004 and 2005 entered in 2004, 2005 and 2006 respectively.

**28. Ref: E3/T1/S1**

Preamble: 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.

Question:

For the tax years 2001 to 2005:

- a. Did Hydro Hawkesbury have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?
- b. Did Hydro Hawkesbury 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 Hydro Hawkesbury include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?
- d. Did Hydro Hawkesbury include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
- e. Did Hydro Hawkesbury include interest expense on IESO prudentials in interest expense?
- f. Did Hydro Hawkesbury include interest carrying charges on regulatory assets or liabilities in interest expense?

- g. Did Hydro Hawkesbury include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Hydro Hawkesbury also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.
- h. Did Hydro Hawkesbury deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Hydro Hawkesbury add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
- i. Please provide Hydro Hawkesbury'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 Hydro Hawkesbury's interest expense and the amount associated with each type of interest.

**29. Ref: 1562 Balance Reported in RRR**

Preamble: Hydro Hawkesbury reported a balance in account 1562 of - \$ 59,858 at the end of December 2010 in its RRR filing 2.1.7. The 2010 balance according to the PILs continuity schedule is a debit balance of \$4,086 consisting of principal of \$2,575 and interest of \$1,511.

Question:

Please explain the reason for the differences between the 2010 RRR balance and the evidence filed in this case.

**30. Ref: E3/T2/S1 - Tax Years – Statute-barred**

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