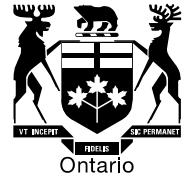


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BY E-MAIL

January 13, 2012

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

Dear Ms. Walli:

**Re: Orillia Power Distribution Corp.
2012 IRM3 Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0191**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Interrogatories in the above proceeding. Please forward the following to Orillia Power Distribution Corp. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Stephen Vetsis
Analyst – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories
2012 IRM3 Rate Application
Orillia Power Distribution Corp. (“Orillia”)
EB-2011-0191**

Retail Transmission Rates – Billing Determinants

Board Staff Interrogatory No. 1

Ref: Application, Manager’s Summary – pages 16 and 17

On page 16 of the Manager’s Summary, Orillia states:

OPDC prefers that any customer that is charged retail transmission network service charges on a demand basis and the customer demand can be measured between 7AM and 7PM, then that customer should be charged retail transmission network charges on the customer’s demand measured between 7AM and 7PM.

Orillia continues on page 17:

OPDC also proposes that it be expanded to more than just interval metered customers, this is, for all customers that are charged a demand rate for retail transmission network charges where the demand can be measured between 7 AM – 7 PM regardless of meter type.

OPDC is proposing to use the same rates as determined in 2012 RTSR Adjustment Work Form filed as part of this application for these customers. To reflect the proposed rates, OPDC has added appropriate wording and additional lines for the General Service 50 to 4,999 kW Classification and the Street Lighting Service Classification under MONTHLY RATES AND CHARGES – Delivery Component in the Tariff of Rates and Charges.

- a) Please provide the following information for customers in the GS 50 to 4,999 kW class if Orillia were to implement the proposed change in billing determinants:
 - i. The number of customers who billing determinants would change;
 - ii. The aggregate change in the kW billing determinant for the class;
 - iii. The difference in the total amount of funds that would be collected from the class, using the proposed rates.

- b) Please provide the following information for customers in the street lighting class if Orillia were to implement the proposed change in billing determinants:
 - i. The number of customers who billing determinants would change;
 - ii. The aggregate change in the kW billing determinant for the class;
 - iii. The difference in the total amount of funds that would be collected from the class, using the proposed rates.

- c) Has Orillia conducted any analysis on the impact of the proposed changes on balances (e.g. possible shortfalls) in account 1584? If so, please provide the analysis.
- d) What is Orillia's proposal for disposing of balances that would arise in account 1584 for the affected classes (e.g. allocate balances to all classes on basis of kWh consumed)?
- e) Please provide a table summarizing the difference, if any, between the Board's current approach for calculating and recovering RTSR rates and Orillia's proposed approach. Please reconcile any differences between the two approaches.
- f) If the Board were to approve Orillia's proposal, please confirm whether or not the street lighting class contribute towards retail transmission network charges in the summer months?
- g) Please confirm that only the GS 50 to 4,999 kW and street lighting classes would be impacted by the proposed change in billing determinants.

Disposition of Variance Account 1588 Global Adjustment

Board Staff Interrogatory No. 2

Ref: Application, Manager's Summary – pages 9 – 14

On page 10 of the Manager's Summary, Orillia states:

OPDC agrees in principle that the establishment of a separate rate rider that would be prospectively applied to non-RPP customers would be more reflective of cost causality. OPDC however prefers a different approach that used in Tab – 2012 IRM Rate Generator Model. The Rate Generator Model allocates the Global Adjustment amount to each rate class by kWh but for those customer that are billed a distribution rate on kW basis, the actual disposition rate is the allocated cost divided by the kW billing determinant of the class. For reasons discussed below, OPDC prefers to use kWh as the billing determinant for all classes.

On page 11, Orillia states:

OPDC is proposing to dispose of the global Adjustment Sub-Account 1588 by way of a rate rider to be shown as an adjustment to the monthly Provincial Benefit line on its bills to non-RPP customers.

While discussing the bill impacts on affected customers, Orillia states the following on page 12:

Although the amount collected by OPDC is not materially different, the proposed method provides enhanced cost causality compared to the 2012 IRM Model method.

Orillia continues on page 14:

OPDC's billing system is capable of applying a global adjustment rate rider to non-RPP customer via the Provincial Benefit Charge within the next billing cycle whereas the requirement to change its bills to be able to reflect different distribution rate riders within a rate class is more problematic. In addition, OPDC believes the proposed treatment of the Global Adjustment balance is more transparent and will be disposed of in a more equitable fashion than otherwise calculated in the 2012 IRM rate generator model.

- a) Please describe the circumstances that make using the delivery line for the Global Adjustment account rate rider "problematic." Please confirm whether or not it is possible for Orillia to include the global adjustment rate rider in the delivery line of their bills.
- b) Please explain, in further detail, why Orillia feels that using kWh as the billing determinant for the global adjustment rate rider for all classes is more "equitable"?
- c) Please explain why Orillia feels that changing the billing determinant from kW to kWh for the global adjustment rate rider for demand billed customers (e.g. GS 50 kW to 4,999 kW) is more "transparent" when the majority of the other charges on their tariff sheets are billed on a kW basis?

2012 Shared Tax Savings Workform

Board Staff Interrogatory No. 3

Ref: 2012 IRM3 Shared Tax Savings Workform – Sheet 5

A section of Sheet 5 "Z-Factor Tax Changes" from the 2012 IRM3 Shared Tax Savings Workform is reproduced below.

C	D	I	L	M
Summary - Sharing of Tax Change Forecast Amounts				
For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)		\$ -		
1. Tax Related Amounts Forecast from Capital Tax Rate Changes		2010	2012	
Taxable Capital		\$ -	\$ -	
Deduction from taxable capital up to \$15,000,000		\$ -	\$ -	
Net Taxable Capital		\$ -	\$ -	
Rate		0.150%	0.000	
Ontario Capital Tax (Deductible, not grossed-up)		\$ -	\$ -	
2. Tax Related Amounts Forecast from Income Tax Rate Changes		2010	2012	
Regulatory Taxable Income		\$ 904,437	\$ 904,437	
Corporate Tax Rate		27.52%	22.52	
Tax Impact		\$ 248,897	\$ 203,651	
Grossed-up Tax Amount		\$ 343,400	\$ 262,841	
Tax Related Amounts Forecast from Capital Tax Rate Changes		\$ -	\$ -	
Tax Related Amounts Forecast from Income Tax Rate Changes		\$ 343,400	\$ 262,841	
Total Tax Related Amounts		\$ 343,400	\$ 262,841	
Incremental Tax Savings			-\$ 80,551	
Sharing of Tax Savings (50%)			-\$ 40,281	

Board staff has been unable to reconcile the data provided in Sheet 5 with the Board approved values provided in the draft Rate Order filed by Orillia on March 22, 2010, in EB-2009-0273.

- a) Please provide evidence in support of the data provided on Sheet 5 of the 2012 IRM3 Shared Tax Savings Workform. If any data was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

Board Staff Interrogatory No. 4

Ref: 2012 IRM3 Shared Tax Savings Workform – Sheet 3

A section of Sheet 3 "Re-Based Bill Det & Rates" of the 2012 IRM3 Shared Tax Savings Workform 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	11,409	109,779,129		13.47	0.0162	
GSL150	General Service Less Than 50 kW	Customer	kWh	1,355	48,719,948		35.32	0.0157	
GSL750	General Service 50 to 4,999 kW	Customer	kWh	157	153,792,811	404,655	338.04		3.5554
USL	Unmetered Scattered Load	Connection	kWh	151	822,688		9.99	0.0090	
Sen	Sentinel Lighting	Connection	kWh	195	324,773	896	3.66		9.5758
SL	Street Lighting	Connection	kWh	3,556	2,560,651	7,098	2.76		9.1883
MA	Rate Class 7	MA	MA						

Board staff has been unable to reconcile the data entered in the columns labeled D, E and F with the monthly service charges and distribution volumetric rates present in Orillia's currently approved Tariff of Rates and Charges.

- a) Please provide evidence in support of the data provided in columns D, E and F of Sheet 3 of the 2012 IRM3 Shared Tax Savings Workform. If any data was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

2012 IRM3 Rate Generator Model

Board Staff Interrogatory No. 5

Ref: 2012 IRM3 Rate Generator Model – Sheet 6

A section of Sheet 6 "Current Rate_Riders" of the 2012 IRM3 Rate Generator Model is reproduced below.

Rate Description	Unit	Amount	Effective Until Date
General Service 50 to 4,999 kW			
Low Voltage Service Rate	\$/kW	0.22300	
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2011)	\$/kW	0.00940	April 30, 2012
Rate Rider for Tax Change	\$/kW	(0.00191)	April 30, 2012

The Rate Rider for Tax Change inputted on Sheet 6 of the 2012 IRM3 Rate Generator Model for the GS 50 to 4,999 kW class shows a credit of 0.00191 \$/kW. Orillia's current tariff of rates and charges shows a credit value of 0.0191 \$/kW for that same class. If the value was entered in error, please indicate the error and Board staff will make the appropriate changes to the model. If not, please provide evidence in support of the inputted rate rider.

Board Staff Interrogatory No. 6

Ref: 2012 IRM3 Rate Generator Model – Sheet 10

Ref: Draft Rate Order Comments, Orillia, EB-2009-0273 – page 3

A section of Sheet 10 "Billing Det. for Def_Var" of the 2012 IRM3 Rate Generator Model is reproduced below.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹
Residential	\$ kWh	109,779,129		15,490,708	-	3,622,573
General Service Less Than 50 kW	\$ kWh	48,719,948		7,834,383	-	1,339,206
General Service 50 to 4,999 kW	\$ kW	153,792,811	404,655	133,410,150	351,025	2,075,578
Unmetered Scattered Load	\$ kWh	822,688			-	25,506
Sentinel Lighting	\$ kW	324,773	896	88,892	245	17,144
Street Lighting	\$ kW	2,560,651	7,098	2,546,557	7,059	182,979
Standby Power – INTERIM APPROVAL	\$ kW				-	
Total		316,000,000	412,649	159,370,690	358,329	7,262,986

A table from page 3 of the response Orillia filed, on April 1, 2010, to comments on its draft Rate Order in its last Cost of Service application (EB-2009-0273) is reproduced below.

FOR 2010									
Class	Total Revenue Requirement - Cost Allocation	2010 Distribution Revenues Allocated based on Proportion of Revenue at Existing Rates	2010 Current Miscellaneous Revenue	2010 Rev Requirement Before Adjustment	Revenue to Cost Ratio	Check with Cost Allocation Model	Proposed Revenue to Cost Ratio	2010 Rev Requirement After Adjustment	Base Rev Requirement
Residential	\$4,203,450	\$3,618,797	\$355,812	\$3,974,609	93.2%	93.2%	93.23%	\$3,974,609	\$3,618,797
GS <50 kW	\$1,317,342	\$1,339,961	\$92,139	\$1,432,100	108.7%	108.7%	108.71%	\$1,432,100	\$1,339,961
GS >=50 kW	\$1,612,194	\$2,013,356	\$85,056	\$2,098,413	130.2%	130.2%	125.02%	\$2,015,598	\$1,930,542
Street Light	\$417,018	\$80,629	\$6,583	\$87,212	20.9%	20.9%	45.46%	\$189,562	\$182,979
Sentinel	\$24,350	\$17,144	\$1,020	\$18,164	74.5%	74.5%	74.47%	\$18,164	\$17,144
Unmetered Scattered Load	\$21,806	\$45,013	\$690	\$45,703	209.6%	209.6%	129.80%	\$26,167	\$25,477
TOTALS	\$7,656,200	\$7,114,900	\$541,300	\$7,656,200	100.0%	100.0%	BALANCED	\$7,656,200	\$7,114,900

Board staff has been unable to reconcile the distribution revenue requirements for each class, entered on Sheet 10 of the 2012 IRM3 Rate Generator Model, with the Board approved class revenue requirements from Orillia's last Cost of Service application.

- Please provide evidence in support of the class revenue requirements entered on Sheet 10 of the 2012 IRM3 Rate Generator Model. If any data was entered in error, please indicate the error and Board staff will make the appropriate changes to the model.

Account 1521 – Special Purpose Charge

Board Staff Interrogatory No. 7

Ref: 2012 IRM3 Rate Generator Model – Sheet 9

A section of Sheet 9 - "2012 Cont. Sched. Def_Var" of the 2012 IRM3 Rate Generator Model is reproduced below.

		rest on Dec-31-10 Balances		2.1.7 RRR	
Account Descriptions		Account Number	Projected Interest from January 1, 2012 to April 30, 2012 on Dec 31 -10 balance adjusted for disposition during 2011 ^{5,7}	Total Claim	Variance RRR v.s. 2010 Balance (Principal + Interest)
Group 1 Accounts					
23	LV Variance Account	1550	\$ 11	\$ 4,141	\$ -4,096
25	RSVA - Wholesale Market Service Charge	1580	\$ 7,187	\$ 1,409,432	\$ 1,470,882
26	RSVA - Retail Transmission Network Charge	1584	\$ 449	\$ 94,506	\$ 92,711
27	RSVA - Retail Transmission Connection Charge	1588	\$ 118	\$ 23,682	\$ 23,213
28	RSVA - Power (excluding Global Adjustment)	1588	\$ 787	\$ 171,004	\$ 167,857
29	RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ -	\$ -
30	Recovery of Regulatory Asset Balances	1590	\$ -	\$ 0	\$ -
31	Disposition and Recovery of Regulatory Balances (2008) ⁷	1595	\$ -	\$ -	\$ -
32	Disposition and Recovery of Regulatory Balances (2008) ⁷	1595	\$ -	\$ -	\$ -
33					
34	Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ 6,081	\$ 1,261,745	\$ 1,237,423
35	Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ 6,081	\$ 1,261,745	\$ 1,237,423
36	RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ -	\$ -
37					
38	Special Purpose Charge Assessment Variance Account	1521	\$ -	\$ 696	\$ 43,514
39					
40	Deferred Payments in Lieu of Taxes	1562	\$ 1,648	\$ 370,403	\$ 363,819
41					

- a) Please confirm Orillia's SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please complete the following table related to the SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Carrying Charges for 2012 (Jan 1 to April 30)	Total for Disposition (Principal & Interest)

Lost Revenue Adjustment Mechanism (LRAM)

Board Staff Interrogatory No. 8

Ref: Application, Manager's Summary - pages 17 and 18

Orillia notes that its understanding is that it will have an opportunity to submit a LRAM claim for lost revenue related to its 2006 to 2010 CDM programs in future applications for years beyond 2010. Orillia also notes that Section 3.4.2 of the Filing Requirements states that distributors that intend to file for recovery of CDM Programs funded by the OPA between 2005 and 2010 shall do so as part of their 2012 rate application filings. In addition, if a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.

- a) Please discuss why Orillia believes it will have an opportunity to submit a LRAM claim for lost revenue related to its 2006 to 2010 CDM programs for years beyond 2010 in future applications.

Board Staff Interrogatory No. 9

Ref: Application, Manager's Summary - pages 17 and 19

Ref: Application, Appendix VII, LRAM Recovery

Orillia has requested an LRAM recovery associated with 2006 to 2010 CDM programs for a total amount of \$52,650.

- a) Please confirm that Orillia has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- b) If Orillia did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- c) Please provide a table that shows the LRAM amounts Orillia has collected historically.
- d) Please confirm that Orillia has not received any of the lost revenues requested in this application in the past. If Orillia has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
- e) Please identify the CDM savings that were proposed to be included in Orillia's last Board approved load forecast for CDM programs deployed from 2006-2010 inclusive.
- 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

- g) Please discuss if Orillia had a third party review its LRAM claim for consistency with the Board's CDM Guidelines and the most current input assumptions. If Orillia has a report from third party on its LRAM claim, please provide it as an appendix to the application.

Disposition of Account 1562

Board Staff Interrogatory No. 10

Interest Expense

For the tax years 2001 to 2005:

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