

Board Staff Interrogatories

2012 IRM3 Electricity Distribution Rates COLLUS Power Corporation (“COLLUS Power”) EB-2011-0161

2012 Shared Tax Savings Workform

1. Ref: A portion of Sheet “3. Re-Based Bill Det & Rates” of the workform is reproduced below.

Last COS Re-based Year was in 2009

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 kW F
RES	Residential	Customer	kWh	13,011	121,128,423		8.96	
GSLT50	General Service Less Than 50 kW	Customer	kWh	1,588	45,443,663		17.89	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	128	147,855,660	342,721	113.45	2.6267
USL	Unmetered Scattered Load	Connection	kWh	68	455,702			
SL	Street Lighting	Connection	kW	3,051	2,061,143	6,087	3.13	13.9358

- a) Board staff is unable to reconcile the re-based billed kWh for the General Service Less Than 50 kW, General Service 50 to 4,999 kW and Street Lighting rate classes and the re-based billed kW for the General Service 50 to 4,999 kW rate class with COLLUS Power’s 2009 cost of service application. Please provide evidence supporting these figures. If necessary, Board staff will make the corrections.
- b) Please explain why rates in columns D and F are not identical with COLLUS Power’s current Board approved rates. If this is an error, Board staff will make the relevant corrections.

2. Ref: Sheet “5. Z-Factor Tax Change” of the workform is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2009	2012
Taxable Capital	\$ 1,289,243	\$ 1,289,243
Deduction from taxable capital up to \$15,000,000		\$ -
Net Taxable Capital	\$ 1,289,243	\$ 1,289,243
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 2,901	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2009	2012
Regulatory Taxable Income	\$ 613,723	\$ 613,723
Corporate Tax Rate	26.86%	20.75%
Tax Impact	\$ 164,862	\$ 127,346
Grossed-up Tax Amount	\$ 164,862	\$ 160,689
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 2,901	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 164,862	\$ 160,689
Total Tax Related Amounts	\$ 167,763	\$ 160,689
Incremental Tax Savings		-\$ 7,074
Sharing of Tax Savings (50%)		-\$ 3,537

- a) Board staff is unable to reconcile the amount entered into the regulatory taxable income and tax impact amounts with COLLUS Power’s 2009 Revenue Requirement Workform. Please provide evidence supporting these amounts. If necessary, Board staff will make the corrections.
- b) With respect to part a), staff has made the corrections that it believes are necessary and has come up with a shared tax savings amount of \$42,714 to be returned to ratepayers, as compared to the amount of \$3,537 to be returned to ratepayers as calculated by COLLUS Power.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2009	2012
Taxable Capital	\$ 1,289,243	\$ 1,289,243
Deduction from taxable capital up to \$15,000,000		\$ -
Net Taxable Capital	\$ 1,289,243	\$ 1,289,243
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 2,901	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2009	2012
Regulatory Taxable Income	\$ 448,861	\$ 448,861
Corporate Tax Rate	26.86%	15.50%
Tax Impact	\$ 120,576	\$ 69,573
Grossed-up Tax Amount	\$ 164,862	\$ 82,335
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 2,901	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 164,862	\$ 82,335
Total Tax Related Amounts	\$ 167,763	\$ 82,335
Incremental Tax Savings		-\$ 85,427
Sharing of Tax Savings (50%)		-\$ 42,714

Please state whether or not COLLUS Power agrees with Board staff's calculation. If not, please provide a copy of COLLUS Power' 2010 tax return.

3. Ref: Sheet “6. Calc Tax Chg RRider Var” of the workform is reproduced below.

Ref: Manager’s Summary, Page 2 of 13

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / \$H	Total Z-Factor Tax Change\$ by Rate Class C = \$I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	\$3,446,013.0687	61.78%	-\$2,185	121,128,423	0	\$0.0000	
General Service Less Than 50 kW	\$849,881	15.24%	-\$539	45,443,663	0	\$0.0000	
General Service 50 to 4,999 kW	\$1,074,484	19.26%	-\$681	147,855,660	342,721		-\$0.0020
Unmetered Scattered Load	\$8,020	0.14%	-\$5	455,702	0	\$0.0000	
Street Lighting	\$199,423	3.58%	-\$126	2,061,143	6,087		-\$0.0208
	\$5,577,822	100.00%	-\$3,537				

Chapter 3 of the Filing Requirements for Transmission and Distribution Applications, dated June 22, 2011, Page 17 stated the following: “A shared tax saving workform will include a schedule for a distributor to complete, which will calculate a volumetric rate rider. Occasionally, the calculated rate adders or rate riders for one or more rate classes may be negligible. In the event that the calculation of one or more rate classes’ rate rider results in energy-based kWh rate riders of \$(0.0000) when rounded to the fourth decimal place and demand-based kW rate riders of \$(0.00) when rounded to the second decimal place, or is negligible, the distributor may apply to record the amount to be recovered or refunded in USOA 1595 disposition in a future rate setting.”

- a) If COLLUS Power agrees with Board staff’s revised tax sharing amount of \$42,714, please indicate if the rate riders for one or more rate classes are negligible. If COLLUS Power does not agree with these calculations, please state how COLLUS Power believes the resulting rate riders should be dealt with.

2012 RTSR Adjustment Workform

4. Ref: Sheet “4. RRR Data” of the workform is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential	kWh	113,534,884	
General Service Less Than 50 kW	kWh	45,733,455	
General Service 50 to 4,999 kW	kW	151,204,805	295,894
Unmetered Scattered Load	kWh	451,170	
Street Lighting	kW	2,133,258	5,993

- a) Board staff is unable to reconcile the non-loss adjusted metered kWh for all the rate classes and the non-loss adjusted metered kW for the General Service 50 to 4,999 kW rate class with COLLUS Power's 2.1.5 RRR Report for 2010. Please provide evidence supporting these amounts. If necessary, Board staff will make the corrections.

5. Historical Wholesale Transmission

A portion of Sheet “6. Historical Wholesale” of the workform is reproduced below.

HYDRO ONE	Network			Line Connection			Transformation Connection		
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount
January	56,288	\$0.00		4,557	\$0.00		56,288	\$0.00	
February	52,753	\$0.00		4,210	\$0.00		52,753	\$0.00	
March	47,554	\$0.00		3,362	\$0.00		47,554	\$0.00	
April	39,707	\$0.00		2,838	\$0.00		39,707	\$0.00	
May	45,072	\$0.00		2,782	\$0.00		45,072	\$0.00	
June	43,859	\$0.00		2,723	\$0.00		43,859	\$0.00	
July	50,773	\$0.00		3,467	\$0.00		50,773	\$0.00	
August	53,281	\$0.00		3,939	\$0.00		53,281	\$0.00	
September	54,758	\$0.00		3,939	\$0.00		54,758	\$0.00	
October	42,117	\$0.00		2,824	\$0.00		42,117	\$0.00	
November	48,124	\$0.00		3,307	\$0.00		48,124	\$0.00	
December	56,608	\$0.00		4,201	\$0.00		56,608	\$0.00	
Total	590,894	\$ -	\$ -	42,149	\$ -	\$ -	590,894	\$ -	\$ -

A portion of Sheet “5. UTRs and Sub-Transmission” of the workform is reproduced below.

Hydro One Sub-Transmission Rates	Unit	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012
Rate Description		Rate	Rate	Rate
Network Service Rate	kW	\$ 2.65	\$ 2.65	\$ 2.65
Line Connection Service Rate	kW	\$ 0.64	\$ 0.64	\$ 0.64
Transformation Connection Service Rate	kW	\$ 1.50	\$ 1.50	\$ 1.50
Both Line and Transformation Connection Service Rate	kW	\$ 2.14	\$ 2.14	\$ 2.14

- a) With respect to the first exhibit, Board staff notes that COLLUS Power did not enter data in the rate columns in the first exhibit in the Network, Line Connection and Transformation Connection with corresponding data in the second exhibit. Please provide the amounts and Board staff will make the necessary corrections.

2012 IRM3 Rate Generator

6. Ref: A portion of Sheet "9. Cont. Sched. Def_Var" from the Rate Generator Model is reproduced below.

Ref: 2010 IRM Decision and Order EB-2009-0220, page 11

Board staff notes that COLLUS Power did not enter any amounts approved in the 2010 IRM application (EB-2009-0220) for disposition of Group 1 Accounts.

		2010				
Account Descriptions	Account Number	Opening Principal Amounts as of Jan-1-10	Board-Approved Disposition during 2010	Board-Approved Disposition during 2010	Adjustments during 2010 - other ³	Closing Interest Amounts as of Dec-31-10
Group 1 Accounts						
LV Variance Account	1550	\$ -				\$ 5,775
RSVA - Wholesale Market Service Charge	1580	\$ -				\$ 10,703
RSVA - Retail Transmission Network Charge	1584	\$ -				\$ 9,692
RSVA - Retail Transmission Connection Charge	1586	\$ -				\$ 12,380
RSVA - Power (excluding Global Adjustment)	1588	\$ -				\$ 16,781
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -				\$ -
Recovery of Regulatory Asset Balances	1590	\$ -				\$ -
Disposition and Recovery of Regulatory Balances (2008) ⁷	1595	\$ -				\$ -
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595	\$ -				\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ -	\$ -	\$ -	\$ -	\$ 10,219
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ -	\$ -	\$ -	\$ -	\$ 10,219
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ -	\$ -	\$ -	\$ -
Special Purpose Charge Assessment Variance Account	1521				\$ 40,729	\$ 40,587
Deferred Payments in Lieu of Taxes	1562	\$ -				\$ -
Group 1 Total + 1521 + 1562		\$ -	\$ -	\$ -	\$ 40,729	\$ 50,806
The following is not included in the total claim but are included on a memo basis:						
Board-Approved CDM Variance Account	1567					\$ -
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	1592					\$ -
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592					\$ -
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account	1592	\$ -				\$ -
Disposition and Recovery of Regulatory Balances ⁷	1595	\$ -				\$ -

- a) If this is an error, please provide the missing information and Board staff will make the necessary corrections.

7. Ref: A portion of Sheet “9. Cont. Sched. Def_Var” from the Rate Generator Model is reproduced below.

		Projected Interest on Dec-31-10 Balances			2.1.7 RRR	
Account Descriptions	Account Number	Projected Interest from Jan 1, 2011 to December 31, 2011 on Dec 31 -10 balance adjusted for disposition during 2011 ⁵	Projected Interest from January 1, 2012 to April 30, 2012 on Dec 31 -10 balance adjusted for disposition during 2011 ^{6,7}	Total Claim	As of Dec 31-10 ⁴	Variance RRR vs. 2010 Balance (Principal + Interest)
Group 1 Accounts						
LV Variance Account	1550	-\$ 1,418	-\$ 472	92,554		\$ 90,664
RSVA - Wholesale Market Service Charge	1580	-\$ 7,949	-\$ 2,649	561,999		\$ 551,401
RSVA - Retail Transmission Network Charge	1584	-\$ 1,356	-\$ 452	103,724		\$ 101,916
RSVA - Retail Transmission Connection Charge	1586	-\$ 627	-\$ 209	55,874		\$ 55,038
RSVA - Power (excluding Global Adjustment)	1588	-\$ 3,187	-\$ 1,063	751,785		\$ 747,535
RSVA - Power - Sub-Account - Global Adjustment	1588			547,484		\$ 547,484
Recovery of Regulatory Asset Balances	1590			\$ -		\$ -
Disposition and Recovery of Regulatory Balances (2008) ⁷	1595			\$ -		\$ -
Disposition and Recovery of Regulatory Balances (2009) ⁷	1595			\$ -		\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		-\$ 14,537	-\$ 4,845	1,018,452	\$ -	\$ 999,070
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		-\$ 14,537	-\$ 4,845	1,565,936	\$ -	\$ 1,546,554
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ -	547,484	\$ -	\$ 547,484
Special Purpose Charge Assessment Variance Account	1521	\$ -	\$ -	2,489		\$ 2,489
Deferred Payments in Lieu of Taxes	1562			\$ -		\$ -
Group 1 Total + 1521 + 1562		-\$ 14,537	-\$ 4,845	1,015,963	\$ -	\$ 996,581
The following is not included in the total claim but are included on a memo basis:						
Board-Approved CDM Variance Account	1567			\$ -		\$ -
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	1592			\$ -		\$ -
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592			\$ -		\$ -
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Contra Account	1592			\$ -		\$ -
Disposition and Recovery of Regulatory Balances ⁷	1595			\$ -		\$ -

COLLUS Power did not enter any amounts in the 2.1.7 RRR balance column.

- a) Please confirm that \$0 balances entered in the 2.1.7 RRR column in the rate generator model is an entry error. Please provide the amounts and Board staff will make the corrections.
- b) If COLLUS Power is of the view that this is not an entry error, please provide rationale for not entering the RRR information.

8. Account 1521 – Special Purpose Charge (“SPC”)

Board Staff notes that in the Rate Generator Workform, COLLUS Power has reported a debit balance of \$2,489 in account 1521 but did not request disposition in its Manager’s Summary.

- a) Please confirm whether or not COLLUS Power is applying to dispose of Account 1521.
- b) Please provide COLLUS Power’s SPC assessment amount and a copy of the original SPC invoice.
- 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 December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan.1 to Apr.30)	Total for Disposition (Principal & Interest)

Lost Revenue Adjustment Mechanism (LRAM)

9. Ref: Manager’s Summary, Page 4-6

COLLUS Power has requested an LRAM recovery associated with 2006 to 2010 CDM programs for a total amount of \$66,095.

- a) Please confirm that COLLUS Power has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- b) If COLLUS Power 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 COLLUS Power has collected historically.
- d) Please confirm that COLLUS Power has not received any of the lost revenues requested in this application in the past. If COLLUS Power 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 COLLUS Power'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

- g) Please discuss if COLLUS Power is applying for carrying charges on the LRAM amounts requested in this application.
- h) If COLLUS Power 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 \$

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

- j) Please discuss what comprises the \$126,532.51 lost revenue amount found in Appendix 1, Attachment C. Please discuss if COLLUS Power is seeking recovery of the entire amount or only the \$66,095 related to 2010 lost revenues

Account 1562 – Deferred PILs

PILs Recoveries

10. Reference: PILs continuity schedule

- 1) The 2004 RAM sheet 7 calculated the rate slivers associated with the 2004 PILs proxy amount approved by the Board for recovery from customers. The Board changed the rate recovery allocation to 100% based on the variable charge as of the 2004 rate year.

However, it appears that from April 1, 2004 to March 31, 2005, COLLUS Power continued to use the fixed charge in its PILs recoveries worksheet. In addition, Board staff was unable to verify the variable charge rates used in the recoveries worksheet with the rate slivers in the Board-approved 2004 RAM for all rate classes.

- a) Please record the rate classes from the 2004 rate order and the associated variable rate slivers from the 2004 RAM sheet 7 in the PILs recovered worksheets from April 1, 2004 to March 31, 2005 and update the PILs recoveries worksheets and PILs continuity schedule.
- 2) The calculated PILs amounts recovered from customers in each year seem to be lower than might have been expected. The sheets in the application models for 2002, 2004 and 2005 that calculated the PILs rate slivers used historical billing determinants for 2001, 2002 and 2003.
 - a) Please explain briefly what happened to customer counts, demand and energy deliveries in COLLUS Power's service area during the years 2001 to 2006 with reference to the billing determinant statistics contained in the applications for 2002, 2004 and 2005 rate adjustments compared with the statistics used in the PILs recovery worksheets.
 - b) Did local economic factors reduce demand in the period 2001 to 2006?

- c) Are the billing determinant data used for PILs recovery consistent with the load forecast data contained in COLLUS Power's last cost of service application? Please provide the energy and demand statistics by year contained in the load forecast from the most recent cost of service application that includes 2001 through 2006.

3. Ref: 2001 to 2005 SIMPIL Models Income Tax Rates

The three applicants in the combined PILs proceeding EB-2008-0381 were all subject to the maximum blended income tax rate. That proceeding was a combined proceeding, not a generic proceeding. Each distributor must justify the income tax rates used to calculate the true-up variances based on its own tax facts as evidenced in its tax returns.

In the SIMPIL models for 2001 through 2005, COLLUS Power chose the maximum blended income tax rates. However, COLLUS Power's tax evidence indicates that it was eligible for a small business deduction in those tax years and therefore, would have been subject to a lower income tax rate. Using the maximum tax rates in the SIMPIL models creates recoveries from ratepayers that are not supported by COLLUS Power's PILs account 1562 disposition evidence.

In its rate applications for 2002 and 2005, COLLUS Power chose the tax rates that lay between the maximum and minimum blended tax rates as indicated in the application filing instructions.

- a) Please explain why COLLUS Power did not use the blended income tax rate for each year based on its own tax evidence.
- b) For the years in which COLLUS Power experienced a tax loss or utilized loss carry forwards, did COLLUS Power consider using the Board-approved application income tax rate in absence of actual taxable income for the year?
- c) Please make copies of the 2001 to 2005 SIMPIL models and insert the tax rates based on COLLUS Power's own tax evidence in sheet TAXCALC in the 2001 to 2005 SIMPIL models. Please ensure that the blended income tax rate includes the surtax of 1.12% to calculate the tax impact, and excludes the 1.12% to compute the grossed-up taxes.
- d) Please update the PILs continuity schedule for the variances created by the changed income tax rates.

Interest Expense

4. Reference: 2001 to 2005 SIMPIL models

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

1562 Balance Reported in RRR

5. Reference: PILs Continuity Schedule

COLLUS Power reported a debit balance in account 1562 of \$95,510 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 \$279,352 consisting of principal of \$211,905 and interest of \$67,447.

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