

Tillsonburg Hydro Inc.
2012 IRM3 Electricity Distribution Rates
EB-2011-0198
Board Staff Interrogatories

Tax Savings Workform

Interrogatory #1

Ref: A portion of the Tax Savings Workform, Tab 3

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A
RES	Residential	Customer	kWh	5,942
GSLT50	General Service Less Than 50 kW	Customer	kWh	637
GSGT50	General Service 50 to 499 kW	Customer	kW	70
GSGT50	General Service 50 to 1,499 kW	Customer	kW	8
GSGT50	General Service Equal To Or Greater Than 1,500 kW	Customer	kW	3
USL	Unmetered Scattered Load	Connection	kWh	19
Sen	Sentinel Lighting	Connection	kW	79
SL	Street Lighting	Customer	kW	1

Board staff has been unable to verify the data in column A to Tillsonburg's previous cost of service draft Rate Order (EB-2008-0246).

- (A) If Tillsonburg believes the above figures are correct, please confirm, and provide evidence for the figures entered.
- (B) If changes are necessary, please confirm the correct number of customers or connections which reconciles with Tillsonburg's previous cost of service approved load forecast, and Board staff will make the necessary adjustments to the model.

Interrogatory #2

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

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

	2009	2012
Taxable Capital	\$ 9,053,092	\$ 9,053,092
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	-\$ 5,946,908	-\$ 5,946,908
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2009	2012
Regulatory Taxable Income	\$ 314,563	\$ 314,563
Corporate Tax Rate	16.50%	15.50%
Tax Impact	\$ 51,903	\$ 48,757
Grossed-up Tax Amount	\$ 62,159	\$ 57,701

Board staff has been unable to reconcile “Taxable Capital” and “Regulatory Taxable Income” with Tillsonburg’s previous cost of service Revenue Requirement Workform (“RRWF”) (EB-2008-0246).

Board staff notes that “Taxable Capital” in Tillsonburg’s previous RRWF was \$8,686,283; and “Regulatory Taxable Income” was \$314,555.

- (A) If Tillsonburg believes the figures entered are correct, please confirm, and provide evidence for the figures.
- (B) If the answer to (A) is no, please confirm, and Board staff will update the workform with the figures as found in Tillsonburg’s previous cost of service RRWF.

Interrogatory #3

Ref: Tax-Savings Workform, Tab 6

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	\$1,533,206.9712	50.55%	-\$1,127	49,583,434	0	\$0.0000	
General Service Less Than 50 kW	\$558,827	18.42%	-\$411	24,428,744	0	\$0.0000	
General Service 50 to 499 kW	\$278,292	9.17%	-\$205	0	101,127		-\$0.0020
General Service 50 to 1,499 kW	\$177,134	5.84%	-\$130	0	53,192		-\$0.0024
General Service Equal To Or Greater Than 1,500 kW	\$400,208	13.19%	-\$294	0	88,121		-\$0.0033
Unmetered Scattered Load	\$16,904	0.56%	-\$12	472,835	0	\$0.0000	
Sentinel Lighting	\$3,120	0.10%	-\$2	0	205		-\$0.0112
Street Lighting	\$65,478	2.16%	-\$48	0	3,783		-\$0.0127
	\$3,033,171	100.00%	-\$2,229				

Ref: Chapter 3 of the Filing Requirements for Transmission and Distribution Applications, dated June 22, 2011, Page 17

The IRM Filing Requirements 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) Please confirm that Tillsonburg wishes to record the entire tax-savings amount in USoA 1595 to be addressed in a future rate proceeding.

RTSR Workform

Interrogatory #4

Ref: RTSR Workform, Tab 4

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	51,280,434		1.0420		53,434,212	-
General Service Less Than 50 kW	kWh	22,982,511	44,662	1.0420		23,947,776	44,662
General Service 50 to 499 kW	kW	37,103,188	115,126		44.17%	37,103,188	115,126
General Service 50 to 1,499 kW	kW	35,959,364	89,531		55.05%	35,959,364	89,531
General Service Equal To Or Greater Than 1,500 kW	kW	37,147,050	83,401		61.05%	37,147,050	83,401
Unmetered Scattered Load	kWh	410,115		1.0420		427,340	-
Sentinel Lighting	kW	111,423	303		50.40%	111,423	303
Street Lighting	kW	1,422,827	3,831		50.90%	1,422,827	3,831

Board staff has been unable to reconcile the figures in the column “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” to those reported in Tillsonburg’s RRR 2.1.5 filings.

- If Tillsonburg believes the above figures are correct, please provide evidence supporting these figures.
- If Tillsonburg agrees that the data provided in RRR filing 2.1.5 should be used, please confirm, and Board staff will make the necessary adjustments to the workform.
- Please confirm whether or not Tillsonburg’s RRR 2.1.5 filings are non-loss adjusted.

Interrogatory #5

Ref: A portion of the RTSR Workform, Tab 6

HYDRO ONE	Network			Line Connection			Transformation Connection			Total Line
Month	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January		\$0.00			\$0.00			\$0.00		\$ -
February		\$0.00			\$0.00			\$0.00		\$ -
March		\$0.00			\$0.00			\$0.00		\$ -
April		\$0.00			\$0.00			\$0.00		\$ -
May		\$0.00			\$0.00			\$0.00		\$ -
June		\$0.00			\$0.00			\$0.00		\$ -
July		\$0.00			\$0.00			\$0.00		\$ -
August		\$0.00			\$0.00			\$0.00		\$ -
September		\$0.00			\$0.00			\$0.00		\$ -
October		\$0.00			\$0.00			\$0.00		\$ -
November		\$0.00			\$0.00			\$0.00		\$ -
December	240	\$2.65	\$ 635	240	\$0.64	\$ 154	240	\$1.50	\$ 361	\$ 514
Total	240	\$ 2.65	\$ 635	240	\$ 0.64	\$ 154	240	\$ 1.50	\$ 361	\$ 514

- (A) Please confirm that Tillsonburg is only billed UTR rates by the IESO and is not billed by Hydro One.
- (B) If the answer to (A) is no, please explain why the second portion of Tab 6 of the workform (as seen above) has not been populated from January to November.
- (C) Please confirm whether or not the single entry by Tillsonburg for the month of December under the Hydro One section was in error and Board staff will make the necessary adjustments.

Rate Generator

Interrogatory #6

Ref: A portion of the Rate Generator, Tab 10

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹
Residential	\$/kWh	49,583,434		8,843,966	-	1,529,768
General Service Less Than 50 kW	\$/kWh	24,428,744		4,724,908	-	558,522
General Service 50 to 499 kW	\$/kW	35,624,529	101,127	32,621,408	92,602	277,797
General Service 50 to 1,499 kW	\$/kW	24,500,614	53,192	40,177,605	87,227	176,817
General Service Equal To Or Greater Than 1,500 kW	\$/kW	45,716,514	88,121	33,140,442	63,880	399,490
Unmetered Scattered Load	\$/kWh	472,835		442,778	-	16,849
Sentinel Lighting	\$/kW	73,943	205	118,738	329	3,120
Street Lighting	\$/kW	1,310,738	3,783	753,335	2,174	65,361
Total		181,711,351	246,428	120,823,180	246,213	3,027,724

Board staff has been unable to reconcile the figures entered in the “Distribution Revenue” column to Tillsonburg’s previous cost of service draft Rate Order (EB-2008-0246).

- (A) Please provide evidence for the figures reported above.
- (B) If changes are required, please confirm distribution revenue amounts for each rate class which reconcile with Tillsonburg’s previous cost of service draft Rate Order, and Board staff will make the necessary adjustments to the model.

Interrogatory #7

Ref: A portion of the Rate Generator, Tab 19

Ref: Proposed Tariff of Rates and Charges, Effective and Implementation May 1, 2012

Other

Install/Remove load control device - after regular hours	\$	185.00
Service call - after regular hours	\$	185.00
Specific Charge for Access to the Power Poles \$/pole/year	\$	22.35

Board staff notes that the line item “Specific Charge for Access to the Power Poles \$/pole/year” does not appear on the proposed Tariff of Rates and Charges.

- (A) Please confirm whether or not this line item should appear on Tillsonburg’s proposed tariff sheet and Board staff will make the necessary adjustments.
- (B) If the answer to (A) is no, please provide an explanation as to why Tillsonburg is removing this line item from its tariff sheet.

Account 1521 - Special Purpose Charge

Interrogatory #8

Ref: Manager’s Summary, Page 7

- (A) Please confirm what amount Tillsonburg paid in regards to the SPC Assessment and provide a copy of the original invoice.
- (B) Please confirm Tillsonburg’s beginning and ending billing dates to customers for the SPC Assessment.
- (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	Carrying Charges for 2012 (Jan 1 to April 30)	Total for Disposition (Principal & Interest)

Smart Meter Funding Adder (“SMFA”)

Interrogatory #9

Ref: EB-2010-0116, Decision and Order, Page 5

The Board Decision with respect to Tillsonburg’s 2011 IRM Rates Applications states:

“Since the deployment of smart meters on a province-wide basis is now nearing completion, the Board expects distributors to file for a final prudence review at the earliest possible opportunity following the availability of audited costs. For those distributors that are scheduled to file a cost-of-service application for 2012 distribution rates, the Board expects that they will apply for the disposition of smart meter costs and subsequent inclusion in rate base. For those distributors that are scheduled to remain on IRM, the Board expects these distributors to file an application with the Board seeking final

approval for smart meter related costs. In the interim, the Board will approve the continuation of Tillsonburg Hydro's SMFA of \$2.17 per metered customer per month from May 1, 2011 to April 30, 2012.

This SMFA adder will be reflected in the Tariff of Rates and Charges, and will cease on April 30, 2012." [Emphasis added]

In its application, at page 17, Tillsonburg states:

... As THI has not completed implementation of its smart meter TOU program, it is not yet in a position to file for final disposition of costs.

THI has received approval (EB-2011-0247) for a TOU extension to January 15, 2012. THI proposes to continue the \$2.17 smart meter funding adder for the 2012 rate year to smooth the bill impact and minimize rate shock that would result without a Smart Meter Disposition Rate Rider and a Smart Meter Incremental Revenue Requirement Rate Rider ("SMIR") to replace it.

THI anticipates filing for disposition of its Smart Meter costs in a Standalone Application for a May 1, 2013 effective date, to coincide with its cost of service application for the 2013 rate year.

Based on Tillsonburg's application, it appears that TOU implementation seems to be the major activity for which the utility is requesting the continuation of its SMFA. As noted in the Board's Decision with Reasons EB-2007-0063 and reaffirmed in *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery* (issued October 22, 2008) and *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* (issued December 15, 2011), TOU implementation is a "beyond minimum functionality" aspect of smart meters.

- (A) With respect to deployment of Smart Meters to residential and GS<50 kW customers, please identify the number and percentage deployment to each class as of the following dates:
 - a. December 31, 2011;
 - b. April 30, 2012 (forecasted); and
 - c. December 31, 2012.
- (B) Please identify the costs incurred, or forecasted to be incurred with respect to Tillsonburg's smart meter program as of each of the following dates:
 - a. December 31, 2010 (audited actuals);
 - b. December 31, 2011 (unaudited actuals currently); and
 - c. December 31, 2012.
- (C) Please explain what aspects of Tillsonburg's smart meter program, other than TOU implementation, remain to be completed in 2012;

- (D) In recent decisions regarding smart meter cost disposition, and in Guideline G-2011-0001, the Board has considered that a utility may seek final disposition of smart meter costs, including forecasted amounts to program completion, if at least 90% of the requested costs are audited actuals. Has Tillsonburg incurred 90% of its total program costs to December 31, 2011? If so, why would it not be in a position for seek smart meter cost disposition through a stand-alone application once 2011 costs are audited, as anticipated in Guideline G-2011-0001? If 90% of Tillsonburg's costs will not be audited, please explain.
- (E) If its proposal to continue the SMFA to April 30, 2013 is approved, why is Tillsonburg proposing to dispose of its smart meter costs through a stand-alone application rather than through its expected cost of service rebasing application for 2013 rates?

Lost Revenue Adjustment Mechanism ("LRAM")

Interrogatory #10

Ref: Application and Summary, Page 9 of 20 / LRAM

Tillsonburg has requested an LRAM recovery for a total amount of \$58,030, including carrying charges, for lost revenues incurred from 2008-2010 based on CDM programs delivered from 2005-2010.

- (A) Please confirm that Tillsonburg has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- (B) If Tillsonburg 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 Tillsonburg has collected historically.
- (D) Please confirm that Tillsonburg has not received any of the lost revenues requested in this application in the past. If Tillsonburg 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 Tillsonburg's last Board approved load forecast for CDM programs deployed from 2005-2009 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				
	2006	2007	2008	2009	2010
2006	\$xxx	\$xxx	\$xxx	\$xxx	\$xxx
2007		\$xxx	\$xxx	\$xxx	\$xxx
2008			\$xxx	\$xxx	\$xxx
2009				\$xxx	\$xxx
2010					\$xxx

Payments in Lieu of Taxes (“PILS”) – Account 1562

Interrogatory #11

Ref: 2001 through 2005 SIMPIL Models

Ref: Income Tax Rates

In the Combined Proceeding EB-2008-0381, the three applicants were all subject to the maximum blended income tax rates based on the tax evidence they each submitted in the case. That proceeding was not a generic proceeding, and therefore the Board's findings on income tax rates do not apply to every distributor. Blended income tax rates determined from the applicants' own tax evidence are used to calculate the tax variances in SIMPIL models that form part of the entries in account 1562 deferred PILs.

Tillsonburg did not use income tax rates that are consistent with its tax evidence in completing the SIMPIL models for 2001-2005. Tillsonburg's tax evidence indicates that it was eligible for the federal and Ontario small business deductions in those tax years, and therefore, would have been subject to a lower income tax rate.

- (A) Please make electronic copies of the Excel SIMPIL models for 2001 through 2005 that Tillsonburg filed in evidence. In these SIMPIL models for 2001, 2002, 2003, 2004, and 2005 on sheet TAXCALC, please **enter** (over-ride the formula) the tax rates provided in the table below in the cells shown. Please file these revised SIMPIL models for 2001-2005 and provide an updated continuity schedule using the variances from these revised SIMPIL models.

SIMPIL Models - TAXCALC					
	2001	2002	2003	2004	2005
Cell E122 (or 123): Calculation of true-up variance -income tax effect	19.12%	19.12%	18.62%	18.62%	18.62%
Cell E130 (or 131): Income tax rate used for gross-up (excluding surtax)	18.00%	18.00%	17.50%	17.50%	17.50%
Cell E138 (or 139): Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	19.12%	19.12%	18.62%	18.62%	18.62%
Cell E175 (or 176): Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	18.00%	18.00%	17.50%	17.50%	17.50%

(B) Even for the years in which Tillsonburg experienced a tax loss or utilized loss carry forwards, Tillsonburg was eligible for the small business deductions in the tax years 2001 to 2005. Does Tillsonburg agree that the blended income tax rates shown in the above table are those that should be used to calculate its PILs 1562 variances in its evidence?

Interrogatory #12
Ref: Interest Expense

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 Tillsonburg have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?

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

Interrogatory #13

Ref: Treatment of Regulatory Assets and Liabilities in the Tax Returns

It appears from the evidence that Tillsonburg retained regulatory assets and liabilities on the balance sheet and did not adjust the tax returns for the annual movements or changes in the balances of regulatory assets and liabilities.

- (A) Is Tillsonburg aware of why the Ministry of Finance allowed this tax treatment for Tillsonburg?

Interrogatory #14

Ref: Tax Years – Statute-barred

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