



Board Secretary  
Ontario Energy Board  
2300 Yonge St  
27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

February 1, 2012

Dear Ms. Walli,

**Re: Halton Hills Hydro Inc. Technical Conference Responses to OEB Board Staff in proceeding EB-2011-0271**

Halton Hills Hydro Inc. ("HHHI") hereby submits its responses to OEB Board Staff Technical Conference Questions to the Ontario Energy Board ("the Board").

Please find attached to this cover letter:

- 2 paper copies of the Technical Conference Responses to OEB Board Staff in proceeding EB-2011-0271;
- 1 electronic copy of the Technical Conference Responses to OEB Board Staff in proceeding EB-2011-0271.

A copy of the Technical Conference Responses to OEB Board Staff has also been filed through the Web Portal and electronic copies forwarded to all intervenors in EB-2011-0271.

In the event of any additional information, questions or concerns, please contact David Smelsky, Chief Financial Officer, at [dsmelsky@haltonhillshydro.com](mailto:dsmelsky@haltonhillshydro.com) or (519) 853-3700 extension 225, or Tracy Rehberg-Rawlingson, Regulatory Affairs Officer, at [tracyr@haltonhillshydro.com](mailto:tracyr@haltonhillshydro.com) or (519) 853-3700 extension 257.

Sincerely,

*(Original signed)*

David J. Smelsky, CMA  
Chief Financial Officer  
Halton Hills Hydro Inc.

Cc: Arthur Skidmore, President & CEO, HHHI  
Richard King, Counsel to HHHI  
Intervenors in proceeding EB-2011-0271

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**Halton Hills Hydro Inc.  
EB-2011-0271  
Responses to Ontario Energy Board Staff  
Technical Conference Questions**

**1. Smart Meter Disposition Rate Rider**

Ref: Responses to Board Staff Interrogatories # 76 and #77

Board staff has reviewed the Smart Meter model version 2.17 submitted by HHHI in response to its interrogatory # 76, and has produced a revised model which is being forwarded electronically to HHHI. The main modification made by Board staff is to trigger a calculation of interest on the Deferred Revenue Requirement to December 2011 and revenue from the Smart Meter Funding Adder to April 2012. This modification is found on worksheet 9, 'SMIRR SMDR SMFA'. Staff has also substituted the previous cost of capital parameters in place of HHHI's updated (lower) parameters in worksheet 3 'Cost of Service Parameters', as these previous values were applicable during the period in question. Finally a minor modification on worksheet 9 is to suppress the calculation of an extended funding adder and the incremental rate rider (SMIRR) that might apply in an IRM application but not a cost-of-service application such as this one.

- a) Please inspect the model to verify that the modifications made by Board staff are consistent with other recent Board decisions. If the modified model is acceptable to HHHI, please make any additional modifications or updates that may be necessary and submit it for the record.
  - b) Please review the response to Board staff interrogatory #77, in which Smart Meter costs are allocated to customer classes, to make any updates to be consistent with part (a).
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- a) HHHI accepts all the modifications to the model made by Board staff. Please be advised that HHHI has further revised the "Asset Type" on Sheet 2 of the Smart Meter Model.
  - b) HHHI has updated the HHHI response to Board Staff Interrogatory question #77 to be consistent with part a). The updated table is presented below as OEB TC-1.

**Table OEB TC-1 : Revised Smart Meter Costs and True-Up (Class Specific)**

	Amount	Residential	GS<50kW	GS 50-999 kW	GS 1000-4999	Street Light	Sentinel	Unmetered Scattered Load
<i>Installed Costs</i>	3,779,873	3,403,529	376,345	-	-	-	-	-
% - Allocation		90%	10%	0%	0%	0%	0%	0%
Deemed Interest	\$ 243,885	\$ 219,602	\$ 24,283	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Equity	\$ 241,397	\$ 217,363	\$ 24,035	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	\$ 666,518	\$ 600,156	\$ 66,362	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>\$ 1,151,800</b>	<b>\$ 1,037,121</b>	<b>\$ 114,680</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Number of Meter Installed	20,461	19,085	1,376					
% - Allocation	100%	93%	7%					
<b>OM&amp;A</b>	<b>\$ 1,129,107</b>	<b>\$ 1,053,175</b>	<b>\$ 75,932</b>					
<b>Revenue Requirement before Pils</b>	<b>\$ 2,280,907</b>	<b>\$ 2,090,296</b>	<b>\$ 190,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation % - Based on Revenue Requirement		92%	8%	0%	0%	0%	0%	0%
<b>Pils</b>	<b>\$ 84,983</b>	<b>\$ 77,881</b>	<b>\$ 7,102</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Revenue Requirement</b>	<b>\$ 2,365,890</b>	<b>\$ 2,168,176</b>	<b>\$ 197,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
% Cost Allocated to Customer Class	100%	92%	8%	0%	0%	0%	0%	0%
Funding Adder	\$ 1,118,136							
Smart Meter True-up	\$ 1,247,754							
Carrying Charges	\$ 34,822							
Allocate Smart Meter True Up	\$ 1,282,576	\$ 1,175,393	\$ 107,183	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Customer in Class	21,224	19,530	1,694	0	0			
<b>Smart Meter Rate Disposition Rider - 4 Year Period</b>	<b>1.26</b>	<b>1.25</b>	<b>1.32</b>	<b>-</b>	<b>-</b>			

## 2. Test Year Revenue at Current Rates

Ref: Response to Energy Probe Interrogatory #64(f)

Please show the detailed inputs (rates and number of customers in each class) and the calculations that lead to the final column, Distribution Revenue, of Table EP 2-10, which is shown totalling \$9,131,351.

HHHI has updated its load forecast to reflect the correct customer count number as per VECC Technical Conference question #1. The revised load forecast reflects the June 30, 2011 actual customer count per HHHI response to Board Staff Interrogatory question #64 e). As a result the 2012 Test Year revenue base

on current rates have changed. HHHI has updated the detail calculation of the 2012 Test Year revenue base on the current rates and is presented below as Table OEB TC-2.

**Table OEB TC-2 : Revised Calculation of 2012 Revenue Base at Current Rates**

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	207,913,097		234,360		3,032,616	2,515,748	5,548,365		5,548,365	60.59%
GS < 50 kW	53,691,970		20,331		574,960	477,859	1,052,818		1,052,818	11.50%
GS >50 to 999 kW	116,388,314	325,642	2,111		160,816	1,105,196	1,266,012	57,229	1,208,783	13.20%
GS 1000 to 4,999 kW	107,977,878	293,326	151		26,118	1,057,588	1,083,706	150,229	933,477	10.19%
Sentinel Lights	380,342	810		2,099	5,605	8,182	13,787		13,787	0.15%
Street Lighting	2,778,881	7,820		53,684	123,472	243,529	367,002		367,002	4.01%
USL	838,540			2,101	26,660	7,044	33,704		33,704	0.37%
	489,969,023	627,597	256,953	57,884	3,950,249	5,415,145	9,365,394	207,458	9,157,936	100%

### 3. Green Energy Initiative

Ref: Exhibit 2 / 2 / 7; Response to VECC Interrogatory # 35; Response to Energy Probe Interrogatory # 56(a)

- a) Should the forecast cost of \$11,760 (VECC IRR # 35) be added to the revenue requirement of \$92,359 (EP IRR # 56)?
- b) Are there other expense items, such as insurance, cleaning, etc that HHHI foresees that should be added to the response to EP 56?
- c) Please be prepared to discuss HHHI's experience to date with the Green Energy Initiative equipment, such as the effort required to install the equipment, any repairs or indications of premature failure.

a) The forecast cost of \$11,760 (refer to HHHI response to VECC Interrogatory question #35) will be added to the revenue requirement of \$92,359 (refer to HHHI response to Energy Probe Interrogatory question #56).

b) No.

c) HHHI's experience to date with the Green Energy Initiative is:

- Installation of equipment takes approximately thirty (30) minutes;
- The pilot project has been installed since January 2010;
- No repairs have been required since installation;
- There is no indication of premature failure.

#### 4. OM&A Comparitors

Ref: VECC Interrogatory # 34

HHHI has submitted a list of comparitors rural service areas, in which HHHI's 2010 OM&A per customer is fourth from lowest amongst eleven. Has HHHI's ranking within this group changed over the period that statistics are available, and if so, how has it changed?

HHHI has improved from sixth lowest among the eleven in 2008, to fourth lowest in both 2009 and 2010. Please refer to Table OEB TC-3 for rankings in 2008, 2009 and 2010.

**Table OEB TC-3 : Historical Rankings for Comparitors**

	2010		2009		2008	
Comparable Distributors	OM&A per customer	Ranking	OM&A per customer	Ranking	OM&A per customer	Ranking
Bluewater Power Distribution Corporation	\$287.35	9	\$ 285.13	8	\$ 251.50	7
Canadian Niagara Power Inc.	\$281.52	8	\$ 302.63	9	\$ 284.92	9
Erie Thames Powerlines Corporation	\$308.70	10	\$ 308.71	10	\$ 338.01	10
Grimsby Power Incorporated	\$175.41	1	\$ 172.75	1	\$ 177.72	1
Haldimand County Hydro Inc.	\$325.37	11	\$ 332.30	11	\$ 338.07	11
Halton Hills Hydro Inc.	\$210.67	4	\$ 209.03	4	\$ 244.11	6
Milton Hydro Distribution Inc.	\$191.91	2	\$ 195.08	2	\$ 201.65	2
Norfolk Power Distribution Inc.	\$259.72	6	\$ 239.85	6	\$ 279.51	8
North Bay Hydro Distribution Limited	\$205.27	3	\$ 208.44	3	\$ 235.78	5
PUC Distribution Inc.	\$264.30	7	\$ 241.85	7	\$ 222.84	4
Whitby Hydro Electric Corporation	\$223.49	5	\$ 214.00	5	\$ 209.23	3

#### 5. Unamortized Gains and Losses

Ref: Board Staff Interrogatories #34

HHHI confirmed that it has unamortized actuarial gain and loss and past service costs at the date of transition and that HHHI's unamortized gains and losses were not recorded at the date of transition. HHHI also stated that the unamortized gains/losses were included in revenue requirement to the extent of

the amortization of these amounts over the estimated benefits expense and accrued benefit obligation. In addition, HHH also stated that it had not early adopted the changes in IAS 19 and so there has been no change in revenue requirement.

- a) Please confirm that the projected amount of unamortized past service (gain) and loss for 2010 is \$51,490 credit based on Appendix OEB 1-D. If not, please provide the proper amount.
  - b) If the actual figures for year 2010 for unamortized past service gain or loss are currently available, please provide them.
  - c) Please confirm that HHHI has not been materially affected by the differences in Pension and Other Post-Employment Benefits ("P&OPEB") costs for the unamortized actuarial gains and losses and past service costs at the date of transition (January 1, 2011) due to the changes associated with IFRS.
  - d) Please confirm that HHHI is not applying to the Board for a deferral account for its unamortized actuarial gains and past service costs at the date of transition. Please explain why not.
  - e) How much is the amortization of the unamortized gains and losses included in the 2012 revenue requirement? Please provide the calculation and describe the details for the calculations.
  - f) What regulatory accounting treatment is HHHI proposing regarding the unamortized past service gains or losses?
- 
- a) Based on Appendix OEB 1-D, the projected unamortized past service gain for 2010 is \$96,810.
  - b) Not available.
  - c) Based on past experience, HHHI has not been materially affected.
  - d) HHHI is requesting a deferral account for its unamortized actuarial gains and past service costs at the date of transition to IFRS as per HHHI response to Board Staff Interrogatory question #71 e).
  - e) The estimated amount of \$13,972 of unamortized gains and losses is included in the 2012 revenue requirement. This amount is included in the labour burden rate.
  - f) Please refer HHHI response to Board Staff Interrogatory question #34 c).

## 6. Special Purpose Charge

Ref: Board Staff Interrogatories #44; Energy Probe Interrogatory #45

In its response to the Board staff interrogatory #44, HHHI stated the following:

The obligation on distributors in section 8 of the SPC Regulation is to make application to the Board by April 2012. If the Board will allow disposition on non-audited balances, HHHI would be willing to include the balance of Account 1521, including projected carrying costs to April 30, 2012 in our DVA disposition request.

In its response to the Energy Probe interrogatory #45, HHHI stated the following:

HHHI has requested to clear balances in its deferral and variance accounts as of December 31, 2010, because these amounts have been audited. HHHI is not proposing to clear the final balance in the SPC account **until 2013** because it will not be audited until the first quarter of 2012 as part of HHHI 2011 audit.  
[emphasis added]

Chapter 2, Section 2.12.3 of the Filing Requirements states:

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub account 2010 SPC Assessment Variance. The Board expects that requests for disposition of the balance in Subaccount 2010 SPC Assessment Variance and associated carrying charges will be addressed as part of the proceedings to set rates for the 2012 rate year. Exceptions may apply in cases where this approach would result in non-compliance with the timeline set out in section 8 of the SPC Regulation. [emphasis added]

The request for disposition of the balance in "Sub-account 2010 SPC Variance" and "Sub-account 2010 SPC Assessment Carrying Charges" should be made after that one-year period has come to an end, and all bills that include amounts on account of that assessment have come due for payment. [emphasis added]

Board staff notes that the Chapter 2, Section 2.12.3 of the Filing Requirements does not require the principal balance of Account 1521 at the time of completion of the distributor's SPC program and the forecasted carrying charges as of April 30, 2012 be audited.

- a) Please confirm that the HHHI's SPC program has come to an end starting from the date on which HHHI began billing to recover its assessment. If yes, please confirm the date of completion of the program.

- b) Please confirm that the principal balance in Account 1521 "Sub-account 2010 SPC Variance" at the date of completion of the HHHI's program is a credit balance of (\$15,398.48). If not, please provide the appropriate amount.
  - c) If the answer to the part "a" above is yes, why is HHHI not asking for disposition of Account 1521 balance as of date of completion of the program plus the applicable carrying charges as of April 30, 2012 per Chapter 2, Section 2.12.3 of the Filing Requirements?
- a) HHHI has completed the SPC program effective August 2011.
- b) The principal balance as at December 31, 2011 is (\$16,237) with carrying charges of \$724 for a balance of (\$15,513) as at April 30, 2012.
- c) HHHI has revised its deferral and variance account disposition request in Supplemental Interrogatories and has included the balance of Account 1521 at December 31, 2011 and carrying charges as of April 30, 2012.

## **6. Asset Management**

Ref: Board Staff Interrogatories #73

Please confirm that the Asset Management Costs are one time incremental administrative IFRS and are not ongoing compliance costs or impacts on revenue requirement arising from changes in the timing of the recognition of expenses.

Confirmed.

## **Transition to MIFRS**

7. Ref: Board Staff Interrogatories #48

In Table OEB-1-22: PP&E Deferral Account Calculations, HHHI is showing the calculations for the PP&E deferral account to be included in 2012 revenue requirement.

- a) Please confirm that the balance for PP&E Deferral Account is a credit balance of \$1,384,586, which is the cumulative difference between closing net PPE of the CGAAP and MIFRS as shown by HHHI in its calculations for the PP&E deferral account.

- b) Please confirm that HHHI is proposing a period of 4 years as the amortization period for the credit balance of \$1,384,586 in the PP&E deferral account.
- c) Please confirm that HHHI is proposing to include the PP&E deferral account credit balance of \$441,821 in its 2012 revenue requirement per Appendix A of the *Staff Discussion Paper – Transition to IFRS* ([http://www.ontarioenergyboard.ca/OEB/Documents/EB-2008-0408/Discussion\\_paper\\_Transition\\_to\\_IFRS\\_20110331.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/EB-2008-0408/Discussion_paper_Transition_to_IFRS_20110331.pdf)).
- d) Please confirm that the 4 year amortization period for the credit balance of \$1,384,586 will result in a refund of \$441,821 to the customers in 2012 including the return on the rate base.
- e) Is there a need to update the 2012 revenue requirement by taking into consideration of the PP&E deferral account credit balance of \$441,821.
- f) Please confirm that HHHI is proposing to include the credit amount \$441,821 for PP&E deferral account in the rates for the 3 more years per Table OEB-1-22: PP&E Deferral Account Calculations.

HHHI will undertake to provide a response.

**8. Ref: Board Staff Interrogatories #24**

In response to Board Staff Interrogatory #24, HHHI stated the following:

It is confirmed that HHHI used the revised useful lives, and calculated the depreciation expense based on revised service lives. The depreciation expense for 2011 and 2012 based on the revised useful lives are presented in Exhibit 4, Tab, Schedule 7, Tables 4 - 22 and 4 – 23.

- a) Please confirm that HHHI has continued treating the customer contributions and grants as an offset to PP&E (recorded as a separate line item within PP&E) for rate making purposes and as revenue offset for IFRS financial and regulatory reporting purposes.
- b) Please confirm that HHHI has amortized the customer contributions to income over the life of the facilities to which they relate.
- c) From an accounting perspective, please confirm if HHHI used the asset remaining useful lives in calculation of the depreciation expenses and accumulated depreciation.
- a) It is confirmed that HHHI has recorded customer contributions and grants as an offset to PP&E (recorded as a separate line item within PP&E) for rate making purposes. For financial reporting, HHHI will record customer contributions and grants as per IFRS rules.

- b) The customer contributions are recorded and amortized as an offset to PP&E depreciation expenses for rate making purposes.
- c) For accounting purposes, HHHI has used the revised asset useful lives based on the HHHI specific Kinetics study (presented in HHHI response to Energy Probe Interrogatory question #5) in calculation the depreciation expenses and accumulated depreciation for 2011 and 2012.

**9. Ref: Board Staff Interrogatory #2 (a)**

HHHI stated:

Under IFRS, HHHI will capitalize all costs, including burdens, when the costs are directly attributable to bringing the item of PP&E to the location and condition necessary for it to be capable of operating in the manner intended by management. Any general and indirect administrative support costs currently included in the various burden rates under CGAAP will not be capitalized under IFRS.”

Because the application is filed under “Modified” IFRS, please confirm that the statement above concerning IFRS applies equally to MIFRS, in other words that HHHI did not capitalize any general and the indirect administrative support costs currently included in the various burden rates for the bridge year and the test year.

Confirmed.

**10. CGAAP Financial Information**

Ref: Table OEB 1-9: 2011 Fixed Asset Continuity Schedule (CGAAP)  
Table OEB-1-22: PP&E Deferral Account Calculations

Page 14 of the July 2009 *Report of the Board, Transition to IFRS* stated:

The Board agrees that regulated net book value should be used as the basis for setting opening rate base values upon the adoption of IFRS accounting, and that historical acquisition cost should be used as the basis for reporting PP&E for regulatory purposes going forward.

For financial reporting purposes, on the date of transition to IFRS, the December 31, 2010 net book value becomes the January 1, 2011 gross value for PP&E (with accumulated depreciation set to zero). However, the Board has stated that the integrity of the December 31, 2010 gross value and accumulated

depreciation values should be preserved for regulatory purposes and carried forward to January 1, 2011 values.

Please confirm that HHHI will maintain the historical information for the gross costs of capital assets and accumulated depreciation values as at the closing December 31, 2010 and closing December 31, 2011 as HHHI is moving

Confirmed.