



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 Energy Probe Research  
Foundation (EP) in proceeding EB-2011-0271**

Halton Hills Hydro Inc. ("HHHI") hereby submits its responses to EP 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 EP in proceeding EB-2011-0271;
- 1 electronic copy of the Technical Conference Responses to EP in proceeding EB-2011-0271.

A copy of the Technical Conference Responses to EP 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 Energy Probe  
Technical Conference Questions**

**Question #1**

Ref: Energy Probe IR #49 &  
Exhibit 2, Tab 2, Schedule 1 &  
Energy Probe IR #50

- a) Please provide updated fixed asset continuity schedules for 2011 and 2012, in both CGAAP and IFRS (Tables 2-10a, 2-10b, 2-11a and 2-12a as shown in Exhibit 2, Tab 2, Schedule 1) that reflect the actual capital expenditures in 2011 (Table EP 2-2 shown in EP IR #49), along with the current capital expenditure forecast for 2012 based on the carryover to 2012 shown in Table EP 2-2 and any other changes Halton Hills is proposing for 2011 and 2012 (such as including the land in rate base as noted in Energy Probe IR #50).
- b) Please provide similar schedules as requested in (a) above, but excluding the land for the transformer station and distribution substation.

a) HHHI will undertake to provide a response.

b) HHHI will undertake to provide a response.

**Question #2**

Ref: Energy Probe IR #55

- a) What is the life of the panels used for depreciation purposes?
- b) What is the CCA deduction available in 2012 associated with the panels? Please show the calculation, including the CCA rate used.
- c) The PILS figure of \$11,926 shown in Table EP 2-4 appears to be 26.25% of the regulated return on capital, which includes debt costs. Please explain why the PILS calculation is not based on taxable income based on the return on equity (\$25,717), increased by depreciation and reduced by the available CCA? Please calculate the PILS based on this approach.

- a) The life of the panels used for accounting depreciation purposes is 20 years with the half year rate rule in year 1.
- b) The CCA class shown in Table 4-27 should be shown as CCA class 49 with a corresponding CCA value of \$56,000.

$$\begin{array}{rclclcl} \text{CCA Expense} & = & [\text{Capital Cost}] & \times & [\text{CCA Rate}] & \times & [\text{Half-year rate rule}] \\ \$56,000 & = & [\$1,400,000] & \times & [8\%] & \times & [50\%] \end{array}$$

- c) The updated PILs calculation is presented below as Table EP TC-1.

**Table EP TC-1 : Updated PILs Calculation**

Capital Expenditure	1,400,000
Depreciation Expense	35,000
Net Book Value	1,365,000
Fixed Assets Opening Balance 2012	-
Fixed Assets Closing Balance 2012	1,365,000
<b>Average Fixed Asset Balance for 2012</b>	682,500
Working Capital Allowance	-
<b>Rate Base</b>	682,500
Regulated Rate of Return	6.66%
<b>Regulated Return on Capital</b>	45,433
Deemed Interest Expense	19,716
Deemed Return on Equity	25,717
Regulated Return on Capital	45,433
Depreciation Expense	35,000
	80,433
Pils	1,679
Revenue Requirement	82,111
CCA (1,400,000 x 8% x 50%)	56,000
Pils	25,717
Add Depreciation	35,000
Less CCA	- 56,000
	4,717
Pils	1,238
Gross Up - Pils	\$ 1,679

### Question #3

Ref: Energy Probe IR #57

Does Table EP 2-6 reflect the full year for 2010 and 2011 or does it reflect a shorter year-to-date period? If it reflects a period shorter than the full year, please indicate how many months are included for each year.

[Please see HHHI response to VECC Technical Conference question #5.](#)

### Question #4

Ref: Energy Probe IR #33 & #59

- a) What costs were included in 2010 related to the OM&A associated with meters, other than smart meters?
- b) Where has the reduction for the removal of OM&A expenses associated with meters, other than smart meters, been reflected in the comparison of 2010 to 2012 expenses?
- a) [\\$131,177 as per HHHI response to Energy Probe Interrogatory question #33, Table EP 1-30 USoA 5310.](#)
- b) [Comparable meter reading expenses for 2012 is calculated by taking \\$206,840 from Table EP 1-30 USoA 5310 and reducing it by \\$190,300 for as shown in HHHI response to Energy Probe Interrogatory question #33 part e\).](#)

### Question #5

Ref: Energy Probe IR #60 &  
Exhibit 4, Tab 1, Schedule 1

- a) Please explain why the YTD actual for November 2010 shown in Table EP 2-7 is higher than the full year amount shown in Table 4-1 of Exhibit 4, Tab 1, Schedule 1.
- b) Does Halton Hills now have full year information available for 2011, either on an actual basis or on a preliminary actual basis? If yes, please provide.

a) The YTD actual for November 2010, shown in Table EP 2-7, were based on internal Financial Statements and were preliminary numbers that were not yet adjusted as a result of the 2010 Year End Audit.

b) No.

#### **Question #6**

Ref: Energy Probe IR #62

a) Does Halton Hills currently have a loan from the TD Commercial Bank, or any other third party lender?

b) If so, what is the amount, interest rate and term of the loan?

c) If not, when does Halton Hills expect to enter into a loan agreement with the third party, and what term of the loan will Halton Hills be seeking?

a) Yes.

b) The amount is at December 31, 2011 \$3,943,430 and an interest rate of 2.13% with a term of one (1) year.

c) Not applicable.

#### **Question #7**

Ref: Energy Probe IR #68 &  
Exhibit 4, Tab 2, Schedule 3

a) Please reconcile the increase of \$52,606 in other OM&A Costs shown for the 2012 Test Year in Table EP 2-12 with the figure of (\$18,994) as shown in Table 4-10.

b) Please confirm that if this change did not take place, the Closing Balance in Table EP 2-12 for the 2012 Test Year would be \$6,185,661 and with the removal of \$30,000 in charitable donations this figure would be \$6,155,661, which matches the figure shown in the updated RRWF.

a) The total of 2012 OM&A shown in Table 4-10 should have shown \$6,397,261 as per Exhibit 5, Tab 1, Schedule 2, page 6 resulting in other OM&A cost of \$57,606 which is consistent with Table EP 2-12.

- b) The charitable donations of \$30,000 have not been included in the 2012 Revenue Requirement.

### Question #8

Ref: Energy Probe IR #71 & #72

The response to part (b) of Energy Probe Interrogatory #71 indicates that Halton Hills will accept the changes resulting from Energy Probe Interrogatory #39 b) and c). Similarly, part (d) of the response indicates that Halton Hills will accept the changes resulting from Energy Probe Interrogatory #41. These changes do not appear to be reflected in the tracking sheet provided in response to Energy Probe Interrogatory #72. Please explain.

Table EP 2-15 does reflect Energy Probe Interrogatory #71 b) and d).

### Question #9

Ref: Energy Probe IR #72

The tracking sheet provided in the response in Table EP 2-15 shows that the gross revenue deficiency declines from \$929,610 to \$555,540 based on changes accepted by Halton Hills. The updated RRWF provided in the same response shows a change in the revenue deficiency from \$929,610 to \$682,054.

- a) Please explain why the two figures are different.
  - b) Please provide a revised tracking sheet and/or RRWF such that gross revenue deficiency is the same using both sources. Please include any additional changes accepted by Halton Hills that result from the responses to the technical conference questions.
- a) HHHI agrees with Table EP 2-15. The RRWF is not updated with this information.
- b) HHHI will undertake to provide a response.

### Question #10

Ref: VECC IR #36 &  
Exhibit 3, Appendix A

It appears that the data in the "Number of Customers" column in Appendix A of Exhibit 3 is not correctly aligned with the other data in the table. For example, the number of customers shown for January 2010 is 24,904, which, according to the VECC IR response is the actual number of customers for January 2008.

- a) Please confirm that the regression equation use to forecast power purchases has been incorrectly estimated based on the error in the customer data.
  - b) Please re-estimate the power purchase equation using the correct number of customers for each month. If any variables of the re-estimated equation of a t-stat less than 2.0, please re-estimate the equation excluding the associated explanatory variable. Please provide an updated Table 3-6 and Table 3-7 from Exhibit 3.
  - c) Please provide the 2011 and 2012 forecast that results from this corrected equation.
  - d) Please provide the corrected version of the live Excel spreadsheet for the weather normalized regression model.
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- a) [Please see HHHI response to VECC Technical Conference question #1.](#)
  - b) [Please see HHHI response to VECC Technical Conference question #1.](#)
  - c) [Please see HHHI response to VECC Technical Conference question #1.](#)
  - d) [Please see HHHI response to VECC Technical Conference question #1.](#)

### Question #11

Ref: VECC IR #42c &  
Exhibit 8, Tab 4, Schedule 1, Table 8-9

The response to the VECC IR indicates that the distribution loss factor should be 1.0336. However, Table 8-9 shows a distribution loss factor of 1.0253. Please reconcile and, if necessary, provide an updated Table 8-9.

An updated Table 8-9 is presented below as Table EP TC-2. Please note the distribution loss factor has been updated to 103.23%.

**Table EP TC-2 : Updated Total Loss Factor**

		Historical Years					5-Year Average
		2006	2007	2008	2009	2010	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	493,166,269	512,386,673	507,787,443	499,800,409	520,540,577	506,736,274
A(2)	"Wholesale" kWh delivered to distributor (lower value)	476,949,970	495,538,368	491,090,370	483,365,966	503,424,156	490,073,766
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)	-	-	-	-	-	-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	476,949,970	495,538,368	491,090,370	483,365,966	503,424,156	490,073,766
D	"Retail" kWh delivered by distributor	462,856,926	482,846,076	480,192,790	472,272,010	491,761,405	477,985,841
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						-
F	Net "Retail" kWh delivered by distributor = D - E	462,856,926	482,846,076	480,192,790	472,272,010	491,761,405	477,985,841
G	Loss Factor in Distributor's system = C / F	103.75%	103.33%	102.97%	103.05%	103.07%	103.23%
Losses Upstream of Distributor's System							
H	Supply Facilities Loss Factor	1.027	1.027	1.027	1.027	1.027	1.027
Total Losses							
I	Total Loss Factor = G x H	106.55%	106.12%	105.75%	105.83%	105.85%	106.02%