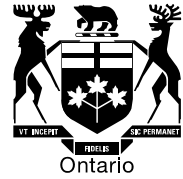


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BY E-MAIL

February 8, 2012

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

Dear Ms. Walli:

**Re: Westario Power Inc. ("Westario")
2012 IRM3 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0205**

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

In addition please advise West Coast Huron that responses to interrogatories are due by February 24, 2012.

Yours truly,

Original Signed By

Birgit Armstrong
Advisor – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories
2012 IRM3 Electricity Distribution Rates
Westario Power Inc.
EB-2011-0205**

Shared Tax Savings

1) Ref: 2012 IRM Shared Tax Savings Workform,

Sheet 3 – Rebased Billing Determinant and Rates on the 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	18,875	197,649,413		11.22	0.0141	
GSLT50	General Service Less Than 50 kW	Customer	kWh	2,365	70,476,543		20.55	0.0091	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	252	161,192,485	448,543	237.63		2.2138
USL	Unmetered Scattered Load	Connection	kWh	69	501,647		11.18	0.0417	
Sen	Sentinel Lighting	Connection	kW	6	16,635	17	2.51		12.9428
SL	Street Lighting	Connection	kW	6,077	4,144,560	11,037	3.84		3.2257

Preamble: The Workform requests to enter 2011 Base Monthly Fixed Charge and Distribution Volumetric Charge into columns labeled "Rate ReBal Base Service Charge" and "Rate ReBal Base Distribution Volumetric Rate kWh/kW" respectively.

Question:

- a) Board staff is unable to reconcile some of the unit rates provided in Sheet 3 to Westario's existing Tariff of Rates and Charges. Please provide the evidence supporting the data entered in Columns D through F for all rate classes. If this is an error, Board staff will make the necessary changes.

2) Ref: 2012 IRM Shared Tax Savings Workform,

Sheet 5 – Z-factor Tax Changes. An excerpt of the tax change calculation is reproduced below.

2. Tax Related Amounts Forecast from Income Tax Rate Changes

	2009	2012
Regulatory Taxable Income	\$ 890,980	\$ 890,980
Corporate Tax Rate	30.09%	22.46%
Tax Impact	\$ 268,140	\$ 200,123
Grossed-up Tax Amount	\$ 383,578	\$ 258,094

Preamble: Board staff notes that Westario Power has entered a corporate tax rate of 30.09% for 2009. Board staff is unable to verify this rate.

Question:

- a) Please provide the evidence supporting the data entered in cell G38. If this is an error, Board staff will make the necessary change.

RTSR**3) Ref: 2012 IRM RTSR Workform,**

Sheet 4 – RRR data

Rate Class	Unit	NOI+LOSS Adjusted Metered kWh	NOI+LOSS Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	200,772,983		1.0788		216,593,894	-
General Service Less Than 50 kW	kWh	61,366,559		1.0788		66,202,244	-
General Service 50 to 4,999 kW	kW	178,306,768	472,060		51.77%	178,306,768	472,060
Unmetered Scattered Load	kWh	294,625		1.0788		317,841	-
Sentinel Lighting	kW	17,963	23		107.56%	17,963	23
Street Lighting	kW	8,263,258	13,871		81.65%	8,263,258	13,871

Preamble: Board staff is unable to reconcile the volumetric data cited above with the 2010 RRR data reported to the Board.

Question:

- a) Please reconcile the above cited data with the 2010 RRR data reported to the Board and state whether this data has been adjusted for losses. If necessary, Board staff will make adjustments to the appropriate workforms.

Rate Generator**4) Ref: 2012 IRM Rate Generator**

Sheet 5 – Current Distribution Volumetric Rates (DVR) are reproduced below:

Rate Description	Unit	Amount
Residential	\$/kWh	0.01410
General Service Less Than 50 kW	\$/kWh	0.00910
General Service 50 to 4,999 kW	\$/kW	2.21780
Unmetered Scattered Load	\$/kWh	0.04180
Sentinel Lighting	\$/kWh	12.96610
Street Lighting	\$/kW	3.23150

Preamble: Board staff notes that Westario Power used \$/kWh units for the Sentinel customer class. Westario Power's tariff of rates and charges shows kW as a billing unit.

Question:

- a) Please confirm that units of KW should be used in cell D92. If so, Board staff will make the necessary adjustments to the Rate Generator.

5) Ref: 2012 IRM Rate Generator

Sheet 10 – Billing Determinants for D/V accounts are reproduced below:

In the green shaded cells, enter the most recent Board Approved volumetric forecast. If there is a material difference between the latest Board-approved volumetric forecast and the most recent 12-month actual volumetric data, use the most recent 12-month actual data.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹	1590 Recovery Share Proportion*	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	200,772,983		24,672,317	-	4,543,177			
General Service Less Than 50 kW	\$/kWh	61,366,559		14,866,363	-	1,276,314			
General Service 50 to 4,999 kW	\$/kW	178,306,768	472,060	161,329,416	427,113	1,886,930			
Unmetered Scattered Load	\$/kWh	294,625		63,189	-	23,596			
Sentinel Lighting	\$/kW	17,963	23	-	-	386			
Street Lighting	\$/kW	8,263,258	13,871	5,241,163	8,798	294,605			
Total		449,022,156	485,954	206,172,448	435,911	8,025,008	0%	0%	0%

Preamble: Sheet 10 requests the Applicant to enter the most recent Board approved volumetric forecast. If there is a material difference between the latest Board-approved volumetric forecast and the recent 12-month actual volumetric data the Board allows the use of the recent actual data. Board staff is unable to verify the billing determinants used by Westario in the calculation of the D/V account rate riders.

Question:

- a) Please explain the source of the volumetric data entered in Column F, G and H and provide the rationale for the data used. Please state if the data entered in Columns F through H is non-loss adjusted volumetric data. If necessary, Board staff will make adjustments in the relevant models.

LRAM

6) Ref: 2012 IRM Rate Generator and Manager's Summary, p. 9

Customer Class	2010 RRR	Units	LRAM	Proposed Rate Rider
Residential	100,000,000	kWh	\$291,841.07	0.0029
General Service Less Than 50 kW	50,000,000	kWh	\$48,029.68	0.0010
General Service 50 to 4,999 kW	25,000	kW	\$18,066.29	0.7227
Total			<u>\$357,937.04</u>	

Preamble: Board staff is unable to reconcile the above cited 2010 RRR volumetric data with the 2010 RRR data reported to the Board.

Question:

- a) Please reconcile the volumetric data cited in the table above with the 2010 RRR data listed in the 2010 yearbook and provide the rationale for using this data to calculate the LRAM rate rider.
- b) Please provide a LRAM rate rider calculation based on the RRR data as reported to the Board as of December 31, 2010.

7) Ref: Elenchus LRAM Report, October 4, 2011

Westario Power has requested an LRAM recovery associated with 2006 to 2010 CDM programs for a total amount of \$357,937.04.

- b) Please confirm that Westario Power used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
- c) If Westario Power did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
- d) Please confirm that Westario Power has not received any of the lost revenues requested in this application in the past. If Westario 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 included in Westario Power'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				
	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
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- g) Please discuss if Westario Power is applying for carrying charges on the LRAM amounts requested in this application.
- h) If Westario 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 \$

Special Purpose Charge

8) Ref: Manager's Summary, p.11

Preamble: According to the Board letter of April 23, 2010 on the Special Purpose Charge:

"In accordance with section 9 of the SPC Regulation, recovery of your SPC assessment is to be spread over a one-year period, starting from the date on which you begin billing to recover your assessment. 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."

Question:

- a) Please provide a copy of the original invoice of the amount Westario paid with respect to the SPC Assessment.
- b) Please confirm Westario's beginning and ending billing dates to customers for the SPC Assessment
- c) Please complete the following table related to the SPC.

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

PILs

9) Ref: Continuity Schedule and PILs recovery calculations - PILs Recoveries

Preamble: The calculated PILs amounts recovered from customers in each year seem to be lower that 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.

Question:

- Please explain briefly what happened to customer counts, demand and energy deliveries in Westario'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.
- It appears that in the PILs recovery worksheets residential, GS<50 and GS>50 rate classes saw a decrease in customer count and billed kWh from March 2002 to May 2006. Please explain.
- Did local economic factors reduce demand in the period 2001 to 2006?
- Are the billing determinant data used for PILs recovery consistent with the load forecast data contained in Westario'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.

10) Ref: 2001 to 2005 SIMPIL models - Interest Expense

Preamble: 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.

Question:

For the tax years 2001 to 2005:

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

11) 1562 Balance Reported in RRR

Preamble: Westario reported a balance in account 1562 of \$ 186,346 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 \$430,385 consisting of principal of \$280,595 and interest of \$149,790.

Question:

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