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Ontario

BY E-MAIL

April 11, 2012

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

Dear Ms. Walli:

Re: Rideau St. Lawrence Distribution Inc.
2012 Electricity Distribution Cost of Service Application
Board Staff Interrogatories
Board File No. EB-2011-0274

In accordance with Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Rideau St. Lawrence Distribution Inc. and to all other registered parties to this proceeding.

In addition please advise Rideau St. Lawrence Distribution Inc. that responses to interrogatories are due by May 1, 2012.

Yours truly,

Original signed by

Neil Mather
Project Advisor

Encl.

Rideau St. Lawrence Distribution Inc.
Cost-of-Service Distribution Rate Application
EB-2011-0274

Board Staff Interrogatories

Exhibit 1 -- Administrative Documents

1.

Responses to Letters of Comment

Following publication of the Notice of Application, did RSL receive any letters of comment? If so, please confirm whether a reply was sent to the author of the letter. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if RSL intends to respond.

Exhibit 2 - Rate Base Assets

2.

IFRS Depreciation Expense

References: Exhibit 2 / 8 / p. 27; Exhibit 2 / 5 / Tables 2.8 & Table 2.10

Under Accumulated Depreciation Table, RSL states:

> "RSL uses the straight line method of amortization to determine the depreciation expense for **pooled distribution assets** (emphasis added); "

Under Variance Analysis of Accumulated Depreciation, RSL states:

> "Changes in accumulated depreciation are directly affected by changes in fixed assets due to the addition of new investment in assets, the removal of fully depreciated assets **from the grouped asset classes** (emphasis added)."

Questions:

a) For the bridge and test years, please identify the PP&E assets that are shown on pooled basis in Tables 2.8 and 2.10. (Please note: Pooled assets are not allowed under IFRS.)

b) Please confirm that significant parts or components of each item of PP&E are being depreciated separately? Please explain.

c) Please confirm that RSL has identified the gain or loss on the retirement of assets in a group of like assets. Please provide the treatment of the retirement for rate application purpose and disclose the amount. Please state the reasons if the gains/losses are not charged to depreciation expense.

d) Please disclose any asset impairment loss recorded under IFRS which should be reclassified to PP&E. Please describe the nature of the losses, the amounts of the losses and the consideration whether and how such amounts are to be reflected in rates.

3.

Overhead – capitalized costs

References: Exhibit 2 / 5 & 7

Please confirm if the costs capitalized are directly attributable to bringing assets to the location and condition necessary to be capable of operating in the manner intended by management. If not, please explain.

4.

Decommissioning liabilities (asset retirement obligations)

References: Exhibit 2 / 5; 2 / 7 / 7; 2 / 8

a) Has RSL identified the accounting change on asset retirement obligations (AROs)?

   i If so, please provide the accounting policy change and quantify the changes due to the adoption of IFRS for the test year and bridge year.

   ii If not, please provide the reasons and the plan when this is to be addressed.

b) For the AROs identified, please provide the depreciation expenses and accretion expenses and how these expense are currently included in the rate application.

5.

IFRS -- Intangible Assets

Reference: Exhibit 2 / 5

a) Has RSL identified the accounting policy change on asset reclassification from PP&E to intangible assets? If so, please provide the accounting policy change and quantify the changes due to the adoption of IFRS for the test year and bridge year. If not, please provide the reasons and the plan when this is to be addressed.

b) For the assets identified in a), please propose the regulatory treatment in accordance with the Board report.

6.

IFRS -- PP&E

Reference: Exhibit 2 / 5 / p. 13

RSL stated:

> 2011 Fixed Asset Continuity Schedule for 2011 is shown in MIFRS in Table 2.8, and in CGAAP in table 2.9. 2012 Fixed Asset Continuity Schedule for 2012 is shown in MIFRS in Table 2.10, and in CGAAP in table 2.11. The deferral account variance caused by the 2011 restatement in MIFRS is $88,291 (CGAAP of $422,514 less MIFRS of $334,223).

RSL proposes to amortize this deferral account balance of $88,291 over the four year rebasing period, or a reduction of $22,073 in the depreciation expense for each year, starting in 2012. RSL's rate of return is 6.1%, and the RRR to be added is ($22,073 x 6.1%) $1,346.

Please recalculate and provide the impact on $88,291 of the 6.1% rate of return for RSL.

7.

Capital Budget -- Borrowing costs

Reference: Exhibit 2 / 5

IAS 23 states that directly attributable borrowing costs are capitalized upon **qualifying** assets only. It also indicated that a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Where incurred debt is acquired on an arms length basis, the actual borrowing cost should be used for determining the amount of carrying charges to be capitalized to CWIP for rate making during the period, in accordance with IFRS. Where incurred debt is not acquired on an arm's length basis, the actual borrowing cost may be used for rate making, provided that the interest rate is no greater than the Board's published rates. Otherwise, the distributor should use the Board's published rates.

a) Please confirm that borrowing costs that are directly attributable to the acquisition, construction, or production of PP&E are capitalized, with respect to incurred debt acquired on an arm's length basis. If not, please explain.

b) Where incurred debt is not acquired on an arm's length basis, are the actual borrowing costs used? Please explain. Please confirm that if the interest rate is greater than the Board's most recently published CWIP interest rates, RSL has used the Board's published rates to calculate borrowing costs included in the construction costs. If this is not the case, please explain.

c) Please confirm that the amount of borrowing costs capitalized in a period in total does not exceed the actual borrowing costs incurred. If this is not the case, please explain.

Exhibit 2 – Green Energy Plan

8.

Qualifying Costs

References:

- Exhibit 1/ 1 / 4 / p. 6;
- Exhibit 2 / 12 / p. 39 & Appendix A (sections 4.2 and 4.3);
- Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010.

In the first reference, RSL indicated that it is seeking approval of its Basic Green Energy Plan.

In the second reference at page 39, RSL indicated it is not seeking approval of any costs related to renewable generation. In Appendix A of the second reference, at section 4.2 RSL further indicated that it has not identified any specific Renewable Generation "RG" projects or expenditures that are known to be required in the five year planning horizon. Rather, RSL indicated that if and when such a project is identified, RSL will perform the appropriate CIA review and adjust this plan accordingly. Sprecifically, at Section 4.3 of Appendix A, RSL stated that:

> "Where costs may be recovered from provincial ratepayers, a calculation of the direct benefits accruing to the distributor's customers, consistent with the Board's policy, will be made."

Board staff is seeking clarification of RSL's procedures for tracking potential qualifying costs of connecting renewable generation and cost recovery with respect to its GEA Plan.

Questions:

a) Please confirm that it is RSL's understanding that, were the Board to approve RSL's Basic Green Energy Plan, it would only be agreeing that RSL's proposed procedures are appropriate in the event that some costs may be identified by RSL in the future as qualifying costs.

b) Please confirm that, in the event that qualifying costs occur in regard to connecting RG project:

   i. RSL will record costs in the deferral and variance accounts approved by the Board for this purpose as prescribed in the third reference;

   ii. RSL will provide the calculations for any qualifying costs recoverable from provincial ratepayers including determination of the direct benefits to RSL's ratepayers.

c) Please confirm that RSL would apply for cost recovery in the event that it incurs qualifying costs of its Green Energy Plan in its next cost of service application.

9.

FIT and MicroFIT Applications

References:

- Exhibit 2 / Appendix A / p. 9 / Table 3 "Renewable Connection Summary";
- Exhibit 2 / Appendix A / OPA Letter of Comment / p.1.

At the first reference, RSL provided a listing in tabular form that shows current and proposed RG applications consisting of 8 MicroFIT projects, and no FIT projects. According to the referenced Table 3, the 8 MicroFIT projects have a total capacity of approximately 63 kW.

The OPA reported in the second reference a much larger number of RG projects in its letter of August 29, 2011. A breakdown of the OPA description at p. 1 of the letter is summarized in the table below:

OPA Report	**MicroFIT**		**FIT**	
As of August 29, 2011	No of Projects	Total kW	No of Projects	Total kW
Projects Received **Size/Project**	50 (10 kW/Proj)	423 kW	3 (10 – 500 kW/Proj)	1,300 kW
Status of the noted 50 Projects	2 connected			
	20 terminated			
	21 to be connected	171 kW		
	7 under review			

The OPA concluded on page 2 of its report that the discrepancy between its information and those reported by RSL, is probably attributable to incorrect identification of the LDC name on the respective FIT and MicroFIT applications.

a) Has RSL undertaken since August 2011 to reconcile its record of 8 microFIT installations with the OPA list of 50 projects (or at least the 30 projects that have not been terminated)? If so, did it find that the difference was totally or primarily due to customer projects outside of RSL's service area, or did it find a problem within its own records concerning projects in its own area? If it has not undertaken to reconcile the records, why not?

b) Has RSL determined why the OPA has a record of 3 FIT projects whereas RSL's Green Energy Plan has no FIT projects?

c) If possible, please provide a revised forecast of the total connected capacity of microFIT and FIT installations.

10.

Capacity for Renewable Generation

References:

- Exhibit 2 / Appendix A / p. 7 / section 3.2 "Capacity Assessment Methodology";
- Exhibit 2 / Appendix A / p. 4 / Table 2 "Renewable Generation Capacity by Station/Feeder"

In the first reference RSL stated that:

> *Based on current information and industry practice, RSL has adopted a limit of 7% of the minimum feeder load for RSL owned 4.16kV and 8.32kV feeders. This is founded on the fact that most problems with reverse power flow will occur under light loading conditions. The relatively light load on most RSL feeders generates a limit of potential RG load of 20kW to 50kW per feeder.*

RSL then used the noted 7% criterion, and calculated the FIT Capacity (kW) on all its 4.16 kV and 8.32 kV feeders, and listed them in tabular form as shown in Table 2 of the second reference.

It is Board staff's understanding that Hydro One Networks ("HONI") has a criterion that is the lesser of: 7% of peak load or 33% of minimum load, provided that the ratio of minimum load for any feeder to its peak load is at least 20%. Board staff believes that this criterion is more reflective of many jurisdictions in the U.S. and of some other distributors in Ontario. It is also Board staff's understanding that the shorter the distribution feeder, the more suitable is that feeder for application of the noted criterion to establish the FIT Capacity.

Questions:

a) Please provide a revised version of Table 2, adding one column with 7% of peak load and another column with 33% of minimum load.

b) Please also include a column that provides the ratio of the minimum loading to the maximum loading for each feeder.

c) Please comment on whether RSL would consider the lesser capacity in the two new columns to be a reasonable limit for RG connections on the respective feeders.

11.

Reference: Exhibit 2 / Appendix A "Green Energy Plan" / p.7 / section 3.1.5, 3rd bullet; & section 3.1.6, 3rd bullet

At the noted reference, RSL indicated that the 8.32 kV systems serving both Williamsburg and Westport[1] were built about 15 years ago, and that both systems are in good condition to accommodate any small RG project less than 10 kW.

a) If possible please add data for the peak loads on the Westport and Williamsburg feeders. If precise data is not available please provide an estimate along with assunptions that is as accurate as possible,

b) Please comment on whether it might be appropriate to increase the criterion for these feeders to an amount larger than 10 kW.

Exhibit 4 - Operating Costs

12.

Meter Reading

References: Exhibit 4 / Schedules 1 and 5

RSL states in Schedule 1 (p.2) that Meter Reading costs have been reduced by $41,200 due to the Smart Meter system. In Schedule 5, Table 4.9, the 2012 cost from its affiliate "Utilities" is shown as $46,840, an increase from the previous year.

Please explain how these amounts are consistent, or alternatively please state which is correct.

[1] Exh. 2/Appendix A "Green Energy Plan"/p.7/section 3.1.5, 3rd bullet & section 3.1.6, 3rd bullet.

13.

Employee Compensation

Reference: Exhibit 4 / 4

RSL's number of employees was approximately constant during 2009 – 2011 at 13 1/2 FTEs, and is increased by 1 at 2012.

> Does RSL expect that the complement will remain constant at the 2012 level? If not, please describe the plan for the next 1 – 3 years, eg. overlaps in anticipation of retirement(s).

14.

Reference: Exhibit 4 / 4 / Table 4.8

RSL has reported employee compensation costs as a single amount, due to there being 3.0 FTE in Executive and all others in the Union category.

> Please confirm that there are only three positions that are not covered by the collective agreement between the union and RSL or its affiliate. If not confirmed, please provide a job description of any position(s) included in the "Union" category that have supervisory duties or are not covered by a collective agreement.

15.

Affiliate Transactions

Reference: Exhibit 4 / 4 & 5

RSL has submitted that its OM&A costs are determined by its actual labour costs plus an overhead rate of 54%.

a) Please describe how the overhead rate of 54% is determined by RSL and its affiliate(s). In particular, please explain whether the overhead rate includes the cost of MEARIE benefits.

b) Does the overhead rate include a provision for post-retirement benefits that will be incurred by RSL's affiliate RSL St Lawrence Utilities Inc.?

c) Does RSL obtain any of the components of its rate base from an affiliate (other than capitalized labour cost), and if so, what is the mark-up on any such parts of RSL's rate base?

16.

Depreciation under IFRS

Reference: Exhibit 4 / 7 (Tables 4.14 and 4.15)

It is not clear from Tables 4.14 and 4.15 if RSL has used the revised remaining useful lives for calculating the depreciation expense.

a) Please confirm that RSL has used the remaining useful life for calculation of the depreciation expenses for it PP& E for the bridge year and the test year.

b) For the bridge and test years under MIFRS, please provide a breakdown components of the line transformer USoA account 1850 , including gross capital cost and accumulated depreciation values, revised useful lives, and the calculation of the depreciation expense based on remaining service lives.

c) Please update the applicable schedules if RSL has not used the remaining useful life for calculation of the depreciation expenses for it PP& E for the bridge year and the test year.

17.

Exhibit 5 - Cost of Capital

References:

- Exhibit 5 / 1 / Tables 5.5 and 5.6;
- OEB Letter to Distributors and others, "Cost of Capital Parameter Updates for 2012 Cost of Service Applications for Rates Effective May 1, 2012", dated March 2, 2012

a) Please provide an update to the Deemed Return on Equity in Table 5.5, to be consistent with the OEB's updated parameters

b) Please provide a copy of the Promissory Notes that are held by the Township of Edwardsburgh/Cardinal and the Township of South Dundas.

c) Have there been any changes to either of the notes since it was first issued in 2001? If so please explain, and provide copies of the amendments.

d) Does the notes have a fixed rate, or is it variable or re-negotiated periodically? Please explain.

e) If the rate on affiliate debt is linked to the rates in the Board's letter dated March 2, 2012, please provide an update of the weighted long-term debt rate and 2012 interest cost in Table 5.6.

Exhibit 7 - Cost Allocation

18.

Unmetered Scattered Load Class

References: Excel spreadsheet ‘CA Model v2 20120229’ / worksheets ‘Customer Data’ and ‘Weighting Factors’

In the cases of some other distributors, the number of Unmetered Scattered Load connections is larger than the number of customers, and one customer would receive the bill for a number of connections. This situation might warrant a weighting factor for Billing that would be greater than 1.0. However, RSL has input an equal number of connections and customers, at 58, and 696 bills which is a monthly bill to each customer/connection, but has used a weighting factor of 5.0.

> Please explain why a high weighting factor is warranted for the USL class, or alternatively update the number of connections or customers.

19.
Default Weighting Factors
References:

- Exhibit 7 / 3 and Excel spreadsheet ‘CA Model v2 20120229’;
- Board Report “Review of Electricity Distribution Cost Allocation Policy”, March 31, 2011 [EB-2010-0219]

The Board Report states, at p. 26

> *The Board is of the view that default weighting factors should be utilized only in exceptional circumstances….. [A]ny distributor that proposes to use those default values will be required to demonstrate that they are appropriate given their specific circumstances.*

Has RSL adopted the default weighting factors as appropriate for itself, for the classes other than USL which is addressed in the previous interrogatory.

a) If adopting the default factors, please provide documentation as specified in the Board’s Report.

b) Alternatively, please provide descriptions and weighting factors for Services and/or Billing Costs that reflect RSL’s particular situation.

20.

Secondary Voltage System

References:

- Exhibit 7 / 2; Excel spreadsheet 'CA Model v2 20120229' / worksheet I8'Demand Data';
- Informational Filing worksheet I8 EB-2007-0003 submitted in support of cost-of-service application EB-2007-0762

In the Informational Filing Run 3, RSL had 70 customers in the GS>50 kW class, of which 50 used its secondary voltage facilities and 20 did not. The load of the latter group was relatively large, for example the load data for GS>50 SNCP (load of 50 customers on secondary voltage) was approximately 1/3 the amount of PNCP (70 customers using making use of the primary voltage).

In the spreadsheet submitted with the current application, there are 66 customers in the class, all shown as using the secondary voltage system – in other words,with identical load data for SNCP and PNCP (eg PNCP4 = SNCP4 = 34,161 in Exhibit 7 / Table 7.3).

Questions:

a) Please describe the changes that have occurred since 2007 with respect to how the larger customers in the GS>50 kW class are connected to RSL's system. Alternatively, please explain which load data assumption is more accurate, and if the former model is more accurate please update worksheet I8 and Table 7.3, and provide the results for comparison with the current Table 7.4

b) If necessary from the response to part (a), please update Table 7.6 'RSL's Proposed Revenue to Cost Ratios'

Exhibit 8 - Rate Design

21.

Fixed:Variable Ratio

Reference: Exhibit 8 / 1 / Tables 8.6 – 8.8

a) Please confirm that the Fixed and Variable Split of the GS>50 kW class in Table 8.6 is calculated with volumetric revenue net of the Transformer Ownership Allowance.

b) Please provide a calculation of the split for the GS>50 kW class before removing the Transformer Ownership Allowance, and a calculation of what the fixed service charge would be (comparable to Table 8.7) and volumetric charge (comparable to Table 8.8).

22.

LV Cost

References: Exhibit 8.6; Hydro One Subtransmission tariff (Rate Order EB-2009-0096 / Exhibit 3 / page 23)

Please provide a detailed calculation of RSL's LV cost, showing its forecast of load to be billed at the rate for Common ST Lines, the number of meters subject to Hydro One's meter charge, and any other charges that are applicable to RSL from its host distributor (other than Retail Transmission Service charges).

Exhibit 9 - Deferral and Variance Accounts

23.

Previous Approvals

Has RSL made any adjustments to deferral and variance account balances that were previously approved by the Board, subsequent to the balance sheet date that was cleared in the most recent rates proceeding? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

24.

Cost of Power

Reference: Exhibit 9 / 2

a) Please provide breakdown of energy sales and cost of power expense, as reported in the audited financial statements, by USoA account number. Please tie these numbers to the audited financial statements.

b) If there is a difference between the energy sales and cost of power expense reported numbers, please explain why the RSL is making a profit or loss on the commodity.

25.
Global Adjustment

Reference : Exhibit 9 / 2: 1588 RSVA Power and 1588 RSVA Sub-account Global Adjustment:

a) Does RSL pro-rate IESO Charge Type 146 Global Adjustment into the RPP portion and non-RPP portion? If not, why not. If so, please provide the supporting spreadsheet for the year 2010 which prorates the IESO Charge Type 146 Global Adjustment into RPP portion and non-RPP portion.

b) Is the RPP portion included in Account 4705 control account and then incorporated into the variance reported in Account 1588 control account? If not, why not. If so, please provide journal entries for the month of December 2010 to record the RPP portion of global adjustment in Account 4705 control account and incorporated into the variance reported in Account 1588 control account.

c) Is the non-RPP portion included in Account 4705 sub-account Global Adjustment and then incorporated into the variance reported in Account 1588 sub-account Global Adjustment? If not, why not. If so, please provide journal entries for the month of December 2010 to record the non-RPP portion of global adjustment in Account 4705 sub-account Global Adjustment and incorporated into variance reported in Account 1588 sub-account Global Adjustment.

d) If any of part “a”, “b”, or “c” in above is not followed, please make appropriate adjustments and file the updated evidence. Please provide explanations for the changes made by RSL, if any.

26.

Special Purpose Charge

References: Exhibit 9 / 6 / pp. 16-17; Exhibit 9 / 8 / Table 9.10

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.”

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.

Questions:

a) Has one-year recovery period for SPC ended? Please provide the timing of the completion of the recovery period.

b) Using the most current data, please provide the updated Table 9.7

c) Please provide an updated rate rider calculation in Table 9.10, with the “Total for Disposition” amount as updated in Table 9.7.

27.

PST / HST

Reference: Exhibit 9 / 5

The Provincial Sales Tax ("PST") and the Federal Goods and Services Tax were harmonized into the Harmonized Sales Tax ("HST") effective July 1, 2010. As a result of this harmonization, applicants may benefit from an overall net reduction in costs in the form of Input Tax Credits ("ITCs"). This arises due to cost decreases from the receipt of additional ITCs on the purchases of goods and services previously subject to PST that become subject to the HST. These cost decreases may be partially offset by cost increases on certain items that were not previously subject to PST but become subject to the HST with no additional ITCs having been granted (i.e., these items are subject to recaptured ITC requirements).

During the 2010 IRM application process, the Board directed electricity distributors to record in deferral account 1592 (PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits ("ITCs")), beginning July 1, 2010, the incremental ITCs received on distribution revenue requirement items that were previously subject to PST and became subject to HST.

In December 2010, as part of its Frequently Asked Questions on the Accounting Procedures Handbook for electricity distributors, the Board provided accounting guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities.

No additional amounts should be recorded in Account 1592 (PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. For the 2012 Test Year for example, entries to record variances in the sub-account of Account 1592 would cover the period from July 1, 2010 to December 31, 2011 since the Test Year, which starts May 1, 2012 would include the HST impacts in rates going forward.

Questions:

a) Please confirm that the RSL has followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain.

b) Please confirm that entries have been made to record variances in the sub-account account of Account 1592 to cover the period from July 1, 2010 to April 30, 2012 since the Test Year, which starts May 1, 2012 would include the HST impacts in rates going forward. If this is not the case, please explain.

c) Please confirm that zero amounts will be recorded in Account 1592, sub-account HST/OVAT ITCs for the Test Year and forward. If this is not the case, please explain.

d) Please confirm that only the balance in Account 1592 "Sub-account HST / OVAT ITCs" will be requested for disposition, and not the contra account Account 1592 "HST/OVAT Contra Account", which is used only for RRR reporting purposes. If this is not the case, please explain.

28.

Discontinuation of HST/OVAT/ITC Sub-account

References:

- Decision and Order EB-2009-0248;
- Exhibit 9 / 8 / p. 21 (Table 9.10);
- Exhibit 9 / 2 / p. 9, account 1592 HST Deferral Account,
- Exhibit 9 / 5 / p. 15 (Table 9.6)

a) In its application, RSL requests leave to discontinue tracking HST/OVAT/ITC as at December 31, 2011.

Please confirm that RS will discontinue tracking HST/OVAT/ITC as at April 30, 2012 rather than December 31, 2011 for PILs and Tax Variances, under Sub-account HST/OVAT ITCs.

b) On page 7 of the Board Decision and Order EB-2009-0248, the Board states:

> "The Board therefore directs that, beginning July 1, 2010. Rideau St. Lawrence shall record in deferral account 1592 (PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits (ITCs). The incremental ITC it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. **Tracking of these amounts will continue in the deferral account until the effective date of Rideau St. Lawrence's next cost of service rate order.** Fifty (50%) of the confirmed balances in the account shall be returnable to the ratepayers [emphasis added in bold]."

In addition, according to the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)* (EB-2008-0046)[2]

> "The Board agrees that at the time of rebasing, all Account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline."

Questions:

i. Why is RSL not proposing to dispose of the balance in account 1592?

[2] Page 13 – Annual Disposition and Review Process in a Rebasing Year

ii. In accordance with the EDDVAR report, please recalculate the rate riders in Table 9.10, with 50% of the balance in account 1592, as per the Decision and Order EB-2009-0248.

29.

IFRS Transition Costs

References:

- Exhibit 9 / 2 / p. 6 (Account 1508, Sub-Account IFRS Transition Costs);
- Exhibit 9 / 8 / p. 21 (Table 9.10)

As per the Board's EDDVAR report, all account balances should be disposed of at the time of rebasing. (Also, the transition period for IFRS is over, 2012 being the implementation year.)

Please update the rate rider calculations provided under Table 9.10, inclusive of the balance in account 1508, Sub-account IFRS Transition Costs.

30.

Explanation of Continuity Schedule Variances

Reference: Exhibit 9 / 3 / p. 11

In its application, RSL stated

"Two adjustments were made to the Audited 2010 Year End Balances and the RRR 2.1.7 Trial Balance reported numbers, before requesting disposition of the balances shown below.

RSL had an error in its billing system setup in 2010 for the Rate Rider for Global Adjustment Sub-account disposition – effective May 1, 2011, and applicable only to non RPP customers. The result was that instead of RSVA GA money collected going to GL 1595, it was added back into the GA Cost of Power Sub account, and the cost was claimed back from the IESO on the monthly power bill. The error was discovered in February 2011 as part of our year end work and analysis. Our 2010 monthly Revenue GL posting was corrected in 2010 prior to our Year End close. However as we had already settled with the IESO for the January 2011 power bill, we were not able to give the money back until the February Power bill was settled with the IESO - $237,267.02 was included in the $258,190.05 added to our February 2011 Power bill in line 142.

Because we have already returned the over collected amount, we have entered this amount in cell B129 in the 2012_EDVAR_Continuity Schedule, thus reducing the refund we would be providing for the GA Sub-account. In 2010 we should also have corrected the cost of power variance account for this same amount, but we did not. It was corrected when we posted the February 2011 power bill."

Questions:

a) Please clarify whether the balances reported in RSL's 2010 Audited Financial Statements and RRR 2.1.7 for 2010 are correct.

b) Please provide the 2010 GL monthly Revenue GL posting that was corrected in 2010 prior to RSL's Year End close.

c) What was the impact of the correction on the Global Adjustment balance?

d) What was the impact of the correction on account 1595?

e) Please provide all relevant entries including the initial recording in RSL's GL of the incorrect amounts in Global Adjustment and eventual correction of the error.

f) Are the proposals for disposition based on the adjusted balances for account 1588- sub-Account Global Adjustment and account 1588-Power?

31.

Global Adjustment

Reference: Exhibit 9 / 5 / Tables 9.4 (p. 10) & 9.6 (p. 15)

RSL's balance for account 1588 Global Adjustment, as reported under 2.1.1 filings for Q4, 2010 and adjusted for dispositions in calendar year 2011, differs from the proposed disposition under Table 9.6.

Board staff notes that the amounts shown under Table 9.4 match the audited financial statements of RSL.

Board staff has prepared the following table of information based on the evidence provided by RSL.

	2010 Balances per Table 9.4 (which matches 2.1.1 filing for Q4, 2010)	Disposition EB-2010-0113 (This includes projected interest not reflected in the balance as of Dec. 31, 2010)	Adjusted Balance	Balance for Disposition per Table 9.6
1588 GA	$24,726	$409,069	-$384,343	-$153,076

a) Please explain why the proposed disposition amount in Table 9.6 (i.e. -$153,076) differs from December 31, 2010 balances reported under RRR and adjusted for Board ordered disposition made after December 31, 2010 (i.e. -$384,343).

b) Please provide reasons for proposing an amount different from the audited numbers.

32.

Global Adjustment Rate Riders

References:

- Exhibit 9 / 8 / p. 21 (Table 9.10);
- Excel file "RideauStL_APPL_DVAD_Rider_Calculation_20120209.xls (tab labelled "Dec. 31, 2010 DVADs")"

RSL has used the Total kWh as the denominator when calculating the rate rider for Global Adjustment for the Residential and GS <50 kW classes of customers. RSL has not used the non-RPP kWh for those classes as denominator when calculating the rate riders. Global Adjustment rate rider applies to only the non-RPP customers, and the allocator for Global Adjustment as per the EDDVAR report is the kWh for non-RPP customers[3]

Please recalculate and provide the Global Adjustment rate riders for the residential and < 50 kW rate classes of customers.

Exhibit 9 – LRAM

33.

Derivation of LRAM Balance

Reference: Exhibit 9 / 7 / pp. 19-20

RSL has requested an LRAM recovery for a total amount of $31,149.47 for lost revenues incurred in 2010 and 2011 from CDM programs implemented between 2006 and 2010.

a) Please confirm that RSL has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.

[3] EB-2008-0046 Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), page 21.

b) If RSL 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 RSL has collected in the past.

d) Please confirm that RSL has not received any of the lost revenues requested in this application in the past. If RSL has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.

e) Please confirm that RSL is not requesting LRAM for any third tranche CDM programs.

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. Please provide separate tables for each rate class. Use the table below as an example and continue for all the years LRAM is requested:

Program Years	Residential – Years that lost revenues took place	
	2010	2011
2006	$xxx	$xxx
2007	$xxx	$xxx
2008	$xxx	$xxx
2009	$xxx	$xxx
2010	$xxx	$xxx

g) Please discuss if RSL is applying for recovery of any carrying charges related to its LRAM amount.

h) If RSL is applying for 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 confirm that RSL is not requesting any SSM amount.

34.

Prior Forecasts of LRAM

Reference: Exhibit 9 / 7 / p. 19

RSL notes that no forecast or other adjustment for the effects of CDM programs was made to the load quantities used in the preparation of RSL's rate cases in prior year.

Section 5.2 of the CDM Guidelines (EB-2008-0037) state that lost revenues are only accruable until new rates, based on a new revenue requirement and load forecast, are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time.

a) Please discuss why no CDM load reductions have been factored into the load forecast underpinning RSL's rates from 2006 to 2011.

b) Please identify the CDM savings that were proposed to be included in RSL's last Board approved load forecast. Please reconcile your response with section 5.2 of the CDM Guidelines.

Exhibit 10 - Disposition of Account 1562 Deferred PILs

35.

Income Tax Rates used for True-up Calculations

Reference: SIMPIL Models 2001-2005

The following table shows the income tax rates that appeared in RSL's PILs tax notes in the audited financial statements.[4] In the table the tax rates used in RSL's rate

[4] RSL Application/ Appendices 10.32, 10.33, 10.34, 10.35, 10.36, 10.37.

applications are also displayed.[5] Tax rates used in the SIMPIL models for the true-up calculations appear in the lower part of the table.[6]

Comparison of Income Tax Rates used in True-up Calculations					
	2001	**2002**	**2003**	**2004**	**2005**
Audited Financial Statements – PILs Tax Note	19.13%	19.13%	18.62%	18.62%	18.62%
Rate Applications	34.12%	34.12%		34.12%	18.62%
SIMPIL Models Sheet TAXCALC					
Cell E122 (or 123): Calculation of true-up variance -income tax effect	34.12%	34.12%	34.12%	34.12%	18.62%
Cell E130 (or 131): Income tax rate used for gross-up (excluding surtax)	33.00%	33.00%	33.00%	33.00%	17.50%
Cell E138 (or 139): Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	34.12%	34.12%	34.12%	34.12%	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)	33.00%	33.00%	33.00%	33.00%	17.50%

Question:

Why did RSL choose the income tax rate of 34.12% in its rate application for 2001 and 2002 PILs proxies when it would have known at the time that it would be subject to the minimum tax rates?

[5] RSL Application/ Appendices 10.3, 10.4, 10.10.
[6] RSL Application/ Appendices 10.12, 10.13, 10.14, 10.15, 10.16.

36.

Fairness to RSL Ratepayers

Reference: Exhibit 10 / 5 / p.7

RSL's Board-approved PILs proxies were $38,434 for 2001 and $150,438 for 2002, 2003 and 2004. In its 2005 application, the PILs proxy declined to $76,922. From the Notices of Assessment filed in this case[7] the highest amount that RSL was assessed for 2001 through 2005 was $35,504 for its 2004 tax year.

RSL made the following statements in section 5.3 under the heading of methodology.[8]

> "RSL believes the Proxy Rates are the proper rates to utilize in the true-up situations as they reflect the initial intent of the Board of the SIMPIL process and results in what RSL believes to be a fair methodology for both the customers and the LDC.
>
> To use any other higher or lower rate than the rate used when the initial Proxy was developed would result in harm to either the ratepayer or the utility since we are now more than five years past the PILs expiration date of April 30, 2006 (more than ten years past the initial PILs Proxy).

Question:

RSL, like all other distributors, has known since 2001 that account 1562 would be subject to filing evidence and examination by the Board. Since RSL collected so much more from ratepayers than its assessments disclose, how can this be fair to ratepayers?

37.

Minimum Income Tax Rates

The rate base used in RSL's 2001 through 2005 applications was $4,793,601. The Board has deemed rate base to be a proxy for taxable capital in the application instructions.[9] Corporate taxpayers are eligible for the full federal small business deduction when taxable capital is below $10 million. The small business deduction is phased out on a straight-line basis as taxable capital increases above $10 million, and is completely eliminated when taxable capital reaches $15 million.[10] The taxpayer pays a lower rate of income tax than the maximum rate as long as taxable capital remains below $15 million.

[7] RSL Application/ Appendices 10.19, 10.22, 10.25, 10.28, 10.31.
[8] RSL Application/ Exhibit 10/ Sch. 5/page 7.
[9] EB-2008-0381, Exhibit: 2002_Application_PILs_proxy_notes_180102, June 15, 2010, footnotes 16 & 19.
[10] Income Tax Act, section 125 (5.1)

In the Combined Proceeding the following table of minimum income tax rates was shown.[11]

Minimum Income Tax Rates in Percentages						
	2001 4th Quarter	**2002**	**2003**	**2004**	**2005**	**2006**
Federal	12.00	12.00	12.00	12.00	12.00	12.00
Federal Surtax	1.12	1.12	1.12	1.12	1.12	1.12
Ontario	6.00	6.00	5.50	5.50	5.50	5.50
Combined Rate	19.12	19.12	18.62	18.62	18.62	18.62
Gross-up Rate	18.00	18.00	17.50	17.50	17.50	17.50

Question:

Based on its own tax facts, why does RSL believe that it should not use the minimum tax rates to calculate the true-up variances to ratepayers?

38.

Federal T2 Tax Returns

References: Exhibit 10 / Appendices 10.17, 10.20, 10.23, 10.26, and 10.29**.**

It appears to Board staff that the NIL returns required to be filed with CRA have been filed in evidence rather than the T2 returns that were filed with the Ontario Ministry of Finance.

> Please file the T2 corporation income tax return (8 pages) and schedule 1 for each tax year 2001 through 2005 that were filed with the Ontario Ministry of Finance.

39.

PILs Continuity Schedule

Reference: Excel file 'RSL_PILs_10.1ContinuitySchedule_20120209.XLS'

In tabs monthly recovery for 2002, 2003 and January – March 2004, RSL did not use the PILs slivers from sheet 6 and sheet 8 of the 2002 RAM application model to calculate PILs recoveries from customers. RSL did not use the total rate from the rate schedule attached to the Board's decision dated February 26, 2002 either. PILs were recovered using both the fixed charge and the variable rate slivers found on sheets 6 and 8 of the 2002 RAM from March 1, 2002 through March 31, 2004.

[11] EB-2008-0381, Combined Proceeding, June 24, 2011, page 17.

The changed rates were implemented on April 1, 2004 in accordance with the Board's decision. The PILs rate slivers appear on sheet 7 of the 2004 RAM. PILs were recovered using only the variable rate from April 1, 2004. RSL continued to use the fixed and variable charge rates to calculate recoveries from customers after March 31, 2004. RSL did not use the rates from the 2004 RAM sheet 7, or from the rate schedule attached to the Board's decision.

Rates changed again on April 1, 2005. The PILs rate slivers from sheet 4 of the 2005 RAM, which were derived only for the variable rate, are to be used to calculate PILs recoveries from customers. RSL did not use the PILs rate slivers on sheet 4 of the 2005 RAM.

RSL applied for PILs proxies of $38,434 for 2001, $150,438 for 2002 and 2004, and $76,922 for 2005. However, in the PILs recovery worksheets, RSL shows PILs proxies of $58,797 for 2001, $257,376 for 2002 and 2004, and $243,906 for 2005. It appears to Board staff that RSL has used an Excel workbook created by another distributor but RSL has not updated the data from its own RAM and PILs proxy models.

Question:

Please file correct evidence using the correct PILs rate slivers from sheets 6 and 8 of the 2002 RAM, sheet 7 from the 2004 RAM, and sheet 4 from the 2005 RAM. RSL cannot allocate or pro-rate the PILs rate component in 2004 because the RAM was created to maintain the fixed charge by class at the same level as in the prior rate order. RSL must use the PILs volumetric rate slivers from sheet 7 in the 2004 RAM.

Instructions:

Please enter the PILs rate slivers by class from each RAM PILs sheet into separate cells in the PILs recovery worksheets so that Board staff can verify the rate slivers without having to verify the cell formulas.

The customer counts and volumetric billing determinants actually billed should be multiplied by the PILs rate slivers by class. All rate classes including unmetered scattered load (USL) must be used. RSL filed a separate 2002 RAM especially for the USL class.

Please ensure that the customer counts and volumetric data used to calculate PILs recoveries from customers for 2001-2006 agree with the data submitted in the 2002, 2004 and 2005 applications, and in RSL's 2006 EDR application tab 6-2 demand, rates (input). Volumetric billing determinants used to calculate 2005 and 2006 PILs recoveries must be reasonable and reliable when compared with 2006 EDR data.

40.

Interest Expense

Reference: Interest Portion of True-up – Excel Spreadsheets: 2001 to 2005 SIMPIL – TAXCALC worksheet

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.

Questions:

For the tax years 2001 to 2005:

a) Did RSL have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?

b) Did RSL 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 RSL include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?

d) Did RSL include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?

e) Did RSL include interest expense on IESO prudentials in interest expense?

f) Did RSL include interest carrying charges on regulatory assets or liabilities in interest expense?

g) Did RSL include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did RSL also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.

h) Did RSL deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did RSL add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

i) Please provide RSL'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 RSL's interest expense and the amount associated with each type of interest.

41.

Tax Years – Statute-barred

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

Exhibit 11 - Smart Meters

42.

Negative Data Entries

Reference: Smart Meter Model, Version 2.17 – Sheet 2

On Sheet "2. Smart_Meter_Costs", in row 92 ("1.5.6 Other AMI Capital), RSL shows entries of ($186) for 2010 and ($133) for 2011.

> Please explain these negative entries for smart meter capital costs.

43.

Professional Fees

Reference: Smart Meter Model, Version 2.17 – Sheet 2

On Sheet '2. Smart_Meter_Costs', in row 86 ("1.5.3 Professional Fees"), RSL shows $6,521 for 2006, $16,301 for 2007 and $16,424 for 2008. These costs prior to 2009, when RSL first started deploying smart meters, are about 35% of total Professional Fees of $107,488.

> Please provide further explanation of these costs incurred prior to when RSL started to deploy smart meters.

44.

Cost of Capital – Smart Meters

Reference: Smart Meter Model, Version 2.17 – Cost of Capital Parameters

On Sheet '3. Cost_of_Service_Parameters', RSL uses the default deemed debt rate of 6.25% for a utility of its size. This value is carried forward to the 2007 year as well. In its 2006 EDR application RP-2005-0020/EB-2005-0414, RSL proposed and was approved a long-term debt rate of 3.94%, as shown by its final 2006 EDR model.

> Please explain RSL's use of the 6.25% debt rate for 2006. In the alternative, please update the Smart Meter model.

45.

Monthly Input Data -- Smart Meters

Reference: Excel Smart Meter Model, Version 2.17 – Sheets 8A and 8B

In the Smart Meter Model Version 2.17 filed by RSL, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

Question:

a) Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. RSL should also take into account any revisions necessary as responded to in responding to other interrogatories.

b) If this is not possible, please explain.

46.

Installed Cost of Smart Meters

Reference: Excel Smart Meter Model, Version 2.17 – Sheet 2

Board staff has prepared the following table to calculate the average per meter cost for installed smart meters, on both a capital expenditures and total (capital and operating costs) basis.

a) Please confirm or correct the numbers in the following table:

	2006	2007	2008	2009	2010	2011	2012	Total
Capital	$ 6,521	$ 18,046	$ 20,348	$ 845,541	$ 252,324	$ 151,311		$ 1,294,091
OM&A				$ 3,200	$ 17,646	$ 87,857		$ 108,703
Number of Smart Meters				5192	453	130	0	5775

	Total	**Average per meter**
Total (capex + opex)	$ 1,402,794	$ 242.91
Capex only	$ 1,294,091	$ 224.09

b) In applications to date, smart meter costs have typically averaged below $200 per meter on a total cost (capex plus opex) basis. This is particularly so when smart meter deployment only involves the Residential and GS < 50 kW (i.e., there are no deployments "beyond minimum functionality" for other metered customer classes like GS > 50 kW). Please provide further explanation of RSL's circumstances that support its costs higher than average and of efforts that RSL took during its smart meter deployment to control its capital and operating costs for the program.

47.

Stranded Meter Costs

Reference: Exhibit 11 / 15

RSL documented its proposal for stranded meter cost recovery in Exhibit 11/Schedule 15. Table 15.3 documents the stranded meter costs from 2006 to 2011, derived the proposed net book value of $180,442 as of December 31, 2011 to be recovered through the proposed stranded meter rate rider.

Board staff has prepared the following table based on Table 15.3 to calculate the depreciation expense and the corresponding depreciation rate and typical useful life implicit in the documented data.

Stranded Meter Costs - Based on Table 15.3

	Gross Book Value	Accumulated Depreciation	Net Book Value	Depreciation Expense	Depr Expense/GBV	Average Useful Life
2006	$ 272,799	$ 59,178	$ 213,621			
2007	$ 276,582	$ 70,165	$ 206,417	$ 10,987	3.97%	25.17356876
2008	$ 276,582	$ 81,229	$ 195,353	$ 11,064	4.00%	24.9983731
2009	$ 280,066	$ 92,362	$ 187,704	$ 11,133	3.98%	25.15638193
2010	$ 295,772	$ 103,878	$ 191,894	$ 11,516	3.89%	25.68357068
2011	$ 295,772	$ 115,330	$ 180,442	$ 11,452	3.87%	25.82710444

Questions:

a) Please confirm or correct the data and calculations shown in the above table.

b) Data on Sheet 2 of the Smart Meter Model Version 2.17 shows that RSL did the majority of smart meter conversions in 2009. However, the above table showing increases in the gross book value of stranded meters suggests that there were capital additions to conventional meters in 2009 and 2010, at a time when RSL would have been installing smart meters for Residential and GS < 50 kW customers. Please explain the increase in the GBV of stranded meters in each of 2009 and 2010.

c) The analysis shown in the above table indicates some variation in the depreciation expense and the corresponding depreciation rate and typical useful life of the stranded conventional meters. While the data are close to the 25 year life historically used as the norm for meter assets, there is some deviation. Please explain how RSL has determined the depreciation expense of the conventional meters. In particular, with no change in the GBV of the stranded meters between 2010 and 2011, why does the depreciation expense change between the two years?

48.

Smart Meter Disposition Rider

References: Exhibit 2 / 4; Exhibit 11/17 / Table 16.1

In Exhibit 2, the cost of Smart Meters is listed as $92 for Residential and $252 for General Service. In Exhibit 11 (and in the cost allocation model) the cost of Residential Meters is shown at $982,520, which for 5005 (or 5016) customers is $196 per meter. Similarly the cost of GS meters is $311,570, which for 770 customers is $405 per meter.

Questions:

Please explain why these amounts differ in the two references.

a) If there are changes in the Smart Meter Model as a result of interrogatories from Board staff and intervenors, please provide an update to Table 16.1 showing the derivation of the corresponding class-specific Smart Meter Disposition Riders.

b) Please provide Table 16.1 in working Microsoft Excel format, if available.

49.

Updated Revenue Requirement

Reference: Exhibit 1 / 1 / 4 / p. 1

Upon completing all interrogatories from Board staff and intervenors, please identify any adjustments to the proposed base revenue requirement and/or service revenue requirement that the applicant wishes to make relative to the original application. Please include documentation such as an explanatory note or a reference to an interrogatory response.

50.

Updated RRWF

a) Please change revenue and cost inputs in the ‘Revenue Deficiency/Sufficiency’ worksheet in the two leftward columns headed Initial Application, to be consistent with the corresponding amounts found elsewhere in the application, for example in Exhibit 1 / 2 / Table 1.2

b) Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts to be consistent with the response to the previous interrogatory. Please show the revisions in the middle column(s) of the applicable worksheets, leaving the leftward columns labelled ‘Initial Application’ as corrected in part (a).