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BY E-MAIL

July 6, 2012

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

Dear Ms. Walli:

**Re: Entegrus Powerlines Inc. – Chatham-Kent
Disposition of Account 1562 – Deferred PILs
Board Staff Interrogatories
Board File No. EB-2012-0097**

In accordance with the Notice of Application and Hearing and Procedural Order No. 1, please find attached Board Staff Interrogatories in the above proceeding.

As a reminder, Entegrus Powerlines Inc. – Chatham-Kent's responses to interrogatories are due by July 20, 2012.

Yours truly,

Original Signed By

Georgette Vlahos
Analyst – Applications & Regulatory Audit

Encl.

Entegrus Powerlines Inc. – Chatham-Kent Hydro (CKH)
Disposition of Account 1562 – Deferred PILs
Board Staff Interrogatories

Interrogatory #1

Ref: Appendix 25 PILs Recovery Worksheet

Ref: PILs Recoveries from Customers

A standard RAM provides the rate slivers associated with the PILs proxy amount approved by the Board for recovery from customers. CKH did not file a standard 2002 and 2004 RAM. The RAM provided separate rate slivers for each distribution area by rate class. Board staff was unable to verify the fixed and volumetric rate slivers used in the PILs revenue recovery sheets with the corresponding rate slivers from the Board-approved RAM.

CKH stated in the Manager's Summary that:

“During the 2001 to 2006 period when PILs rates were in effect, CKH had up to 11 different rate zones per rate class, with each rate zone having a different distribution rates per rate class. However, the billing determinants for that time period are available internally only in aggregate. For this reason, CKH has adopted a weighted average approach to each rate class. Specifically, a weighted average PILs sliver rate was determined for each rate class and applied to the aggregate billing determinants corresponding to each rate class.”¹

Appendix 26 Rate Calculation Support provides the calculation of approved PILs in rates in PDF. Board staff was unable to confirm that the Board-approved service charge and variable rates calculated in the 2002, 2004 and 2005 RAM were used.

(A) Please provide a rate calculation model in active Excel format that shows how the weighted average rates were calculated using the Board-approved service charge and variable rates for the 11 distribution service areas from the RAM.

In the application evidence filed in 2002, 2004 and 2005, CKH provided statistics of demand data. In 2006 EDR, CKH also provided statistics for 2002-2004. The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. PILs rates slivers were derived in 2002 using billing determinants estimated for the 2001 fiscal year. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows CKH's evidence from 2002 to 2006.

¹ Entegrus Powerlines Inc. – Chatham-Kent. Manager's Summary. March 30, 2012. Page 7.

PILs Proxies vs. Recoveries	2002 partial	2003	2004	2005	2006 partial
PILs Proxies in Rates	1,497,696	1,979,328	1,618,104	1,660,188	571,451
PILs Recovery Calculations	1,664,343	1,986,025	1,540,603	1,693,936	562,759
Difference	-166,647	-6,697	77,501	-33,748	8,692

(B) Please explain why the PILs recoveries are much lower than one would expect in each year 2003 through 2006 as seen in the table below.

In the 2006 EDR, CKH also provided statistics for 2002-2004. The volumetric billing determinants for 10 months of 2002 appear to be lower than the full year statistics would indicate. Board staff prorated (10/12) the 2002 statistics as filed in the 2006 EDR application and compared the prorated volumes with those used in the PILs recovery calculations. The volumetric billing determinant statistics for 2003 and 2004 used in the recovery calculations do not agree with the statistics provided in previous applications.

Customer Class	Billing Parameter	Billed Consumption Mar. 1/02 to Dec 31/02	Prorated 2002 Statistics Filed in 2006 EDR	2002 Statistics Filed in 2006 EDR
Residential	kWh's	196,330,750	211,374,603	253,649,524
General Service < 50 KW	kWh's	85,095,554	94,780,059	113,736,071

Customer Class	Billing Parameter	Billed Consumption 2003	2003 Statistics Filed in 2006 EDR
Residential	kWh's	237,293,717	248,336,123
General Service < 50 KW	kWh's	102,379,732	113,875,682
General Service > 50 KW (inc. Interval)	kW's	1,011,896	1,024,013

Customer Class	Billing Parameter	Billed & Unbilled Consumption Jan 1/04 to Mar 31/04	Billed Consumption Apr 1/04 to Dec 31/04	Total Actual 2004	2004 Statistics Filed in 2006 EDR
Residential	kWh's	66,625,171	169,385,847	236,011,018	246,887,434
General Service < 50 KW	kWh's	26,883,447	75,080,743	101,964,190	113,339,502
General Service > 50 KW (inc. Interval)	kW's	246,115	782,577	1,028,691	1,043,301

- (C) Please explain why the volumes shown as billed in 2002 are much lower than pro-rated actual volumes for the entire 2002 year.
- (D) Please explain why CKH did not use the actual data filed in previous applications in the calculations of recoveries in this account 1562 PILs application for 2003 and 2004.
- (E) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule in active Excel format.

Interrogatory #2

Ref: 2001 through 2005 SIMPIL models

Ref: Gains on Disposals of Fixed Assets, Taxable Capital Gains and Terminal Loss

CKH included its fixed assets in the calculation of rate base for the 2000 -2001 application. The Board approved the rate base for use in the determination of distribution rates. CKH continued to receive the return on these assets from ratepayers even though it may have disposed of assets during the period 2001 through 2005.

- (A) Please explain why the variances caused by disposals of fixed assets that CKH input on TAXREC sheet and TAXREC2 sheet should true up to ratepayers in the 2001 through 2005 SIMPIL models.
- (B) Please explain why the variances caused by taxable capital gains that CKH input on TAXREC2 sheet should true up to ratepayers in the 2003 and 2005 SIMPIL models.
- (C) Please explain why the variances caused by the terminal loss that CKH input on TAXREC2 sheet should true up to ratepayers in the 2005 SIMPIL model.
- (D) If CKH agrees that it should not true up to ratepayers, please move the fixed asset transactions to the SIMPIL model TAXREC3 sheet and update the PILs continuity schedule and final balance for disposition.