

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

July 13, 2012

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

Dear Ms. Walli:

**Re: Entegrus Powerlines Inc. (former Middlesex Main service area)
Disposition of Account 1562 – Deferred PILs
Board Staff Interrogatories
Board File No. EB-2012-0098**

In accordance with the Notice of Application and Hearing, please find attached Board Staff Interrogatories in the above proceeding.

As a reminder, Entegrus Powerlines Inc.'s responses to interrogatories are due by July 27, 2012.

Yours truly,

Original Signed By

Daniel Kim
Analyst – Applications & Regulatory Audit

Encl.

Entegrus Powerlines Inc. (former Middlesex – Main service area) (“MPDC”)
Disposition of Account 1562 – Deferred PILs
Board Staff Interrogatories
EB-2012-0098

Reference: PILs Revenue Recovery Worksheet
Unmetered Scattered Load (USL)

- 1) Unmetered scattered load is not listed as one of the components of the billing and recovery in the Excel spreadsheet. In the Board’s decisions for 2002, 2004 and 2005, USL class fixed and volumetric rates were approved.
 - a) Please explain why MPDC has not included USL in the recovery calculations.
 - b) If a change needs to be made to the PILs recovery worksheets, please update the recovery calculations in active Excel format.

PILs Recoveries from Customers

- 2) In the application evidence filed in 2002, 2004 and 2005, MPDC provided statistics of demand data. In 2006 EDR, MPDC 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 MPDC’s evidence from 2002 to 2006.
 - a) Please explain why the PILs recoveries are so much lower than one would expect in the 2002 partial year.

PILs Proxies vs. Recoveries	2002 partial	2003	2004	2005	2006 partial
PILs Proxies in Rates	220,022	262,860	230,732	201,381	65,056
PILs Recovery Calculations	-213,631	-282,976	-239,430	-219,963	-66,408
Difference	433,653	545,836	470,162	421,344	131,464

- b) 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. Please explain why the volumes shown as billed in 2002 are much lower than pro-rated actual volumes for the entire 2002 year.

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	36,834,429	47,240,596	56,688,715
General Service < 50 KW	kWh's	14,977,047	32,291,802	38,750,162
General Service > 50 KW	kW's	154,038	175,451	210,541
Large Use	kW's	50,725	63,178	75,813
Sentinel Lights	kWs	79	98	118
Streetlight - TOU	kW's	2,826	3,532	4,238

- c) 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.

**Reference: 2001 through 2005 SIMPIL models
Interest Expense**

- 3) 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.

MPDC provided a table for the years 2001 to 2005 that shows all of the components of MPDC's interest expense and the amount associated with each type of interest. The table balances back to all of the interest expense listed in the audited financial statements. MPDC stated in its Manager's summary:

"Accordingly, the models submitted herein by MPDC include a line item (for instance, see "TAXCALC" line 202 of MPDC's 2005 model) to remove the interest on customer security deposits and other interest from the balance used as a basis for comparison in the true-up calculation."¹

Board staff notes that the interest expense used in the SIMPIL interest claw-back calculation included interest on customer security deposits and other interest and was not removed as stated in the Manager's summary.

¹ Entegrus Powerlines Inc. Manager's Summary, EB-2012-0098, March 30, 2012, Page 7

- a) Please file the revised 2001 through 2005 SIMPIL models that remove interest on customer security deposits and other interest from total interest expense for the excess claw-back calculations.
- b) Please provide a table for the years 2001 to 2005 that shows all of the components of MPDC's interest expense and the amount associated with each type of interest.
- c) Did MPDC have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- d) Did MPDC net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
- e) Did MPDC include interest expense on customer security deposits in interest expense?
- f) Did MPDC include interest income on customer security deposits in interest expense?
- g) Did MPDC include interest expense on IESO prudentials in interest expense? Please provide the dollar amount of IESO or other prudential expense by year whether disclosed as interest, admin, or other type of expense category.
- h) Did MPDC include interest carrying charges on regulatory assets or liabilities in interest expense?
- i) Did MPDC include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- j) Did MPDC deduct capitalized interest in deriving the interest expense disclosed in its financial statements?

Loss on Disposals of Fixed Assets

- 4) MPDC 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. MPDC 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 the disposal of fixed assets that MPDC input on TAXREC2 sheet should true up to ratepayers in the January 1 to June 30, 2005 SIMPIL model.
- b) If MPDC agrees that it should not true up to ratepayers, please move the fixed asset transactions to the SIMPIL model TAXREC3 sheet, re-submit the 2005 SIMPIL model and update the PILs continuity schedule and final balance for disposition.

PILs proxy amounts

- 5) The 2002, 2003 and 2004 SIMPIL models do not agree line-by-line with the 2002 application PILs proxy model details approved by the Board in decision RP-2002-0094/EB-2002-0103. The 2002 application PILs proxy model contains a regulatory adjustment in cell C24 of \$7,767 that should reverse in the SIMPIL model. The purpose of this adjustment is to reverse the tax impact of the regulatory assets and liabilities contained in the proxy calculations when compared to the actual tax values in 2002 to 2004.
 - a) The Board decided that the impact of regulatory assets and liabilities must be excluded in the determination of the variances that are entered in account 1562. Does MPDC agree that regulatory asset impacts from the proxy calculations should be reversed by entering the amount from the 2002 application PILs proxy model of \$7,767 in cell C24, maintaining the SIMPIL formulae as found in the evidence submitted in the Combined Proceeding, and allowing the reversal to be done by the formulae in TAXCALC cell range E100 to E133?
 - b) If yes, please file the 2002, 2003 and 2004 SIMPIL models that match line-by-line with the 2002 application PILs proxy model, and that reverse the tax impact on the 2002 PILs proxy of regulatory assets. Please update the PILs continuity schedule and final balance for disposition in active Excel format.
 - c) If MPDC does not agree that the formulae in the SIMPIL models, and the original PILs proxy data as filed in the 2002 application, should be used in the recalculation of the account 1562 PILs balance for disposition, please provide reasons and regulatory references in support of the stated positions.

**Reference: 2001 and 2003 Tax Returns
Federal Tax Returns – Schedule 1**

- 6)** Schedule 1 from the T2 Federal Tax Return was not filed as PILs evidence for 2001 and 2003. Please provide Schedule 1 from the T2 Federal Tax Return for 2001 and 2003.