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BY E-MAIL

September 14, 2012

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

Dear Ms. Walli:

**Re: Kenora Hydro Electric Corporation Ltd.
2012 IRM Rate Application
Board Staff Interrogatories
Board File No. EB-2011-0177**

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

As a reminder, Kenora Hydro Electric Corporation Ltd.'s responses to interrogatories are due by September 28, 2012.

Yours truly,

Original Signed By

Daniel Kim
Analyst – Applications & Regulatory Audit

Encl.

**Kenora Hydro Electric Corporation Ltd. (“Kenora Hydro”)
2012 IRM Rate Application
Board Staff Interrogatories**

RTSR Adjustment Work Form

1. Ref: A portion of Sheet 4 “RRR Data” is reproduced below.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	38,358,021		1.0430		40,007,416	-
General Service Less Than 50 kW	kWh	23,209,579		1.0430		24,207,591	-
General Service 50 to 4,999 kW	kW	42,340,220	104,670		55.44%	42,340,220	104,670
Unmetered Scattered Load	kWh	165,518		1.0430		172,635	-
Street Lighting	kW	1,511,074	4,741		43.68%	1,511,074	4,741

Kenora Hydro noted in its manager’s summary that the most recent RRR billing determinants are taken from the 2010 RRR filing. Kenora Hydro noted that the total 2010 kWh delivered, without losses and with an adjustment for unbilled kWh, is the 2.1.5 “Delivery” amount, 105,584,412 kWh. Kenora Hydro also noted in its manager’s summary that the amounts reported in the “Customers, Demand and Revenues” table in the 2010 RRR filing included the kWh uplifted for line losses.

- a) Board staff has been unable to reconcile the “Loss Adjusted Billed kWh” with the reported amounts in Kenora Hydro’s 2.1.5 RRR (as at December 31, 2010). Please provide detailed calculations and reconcile the differences for the Residential, General Service Less Than 50 kW and Unmetered Scattered Load rate classes. If this is an error, Board staff will make the necessary changes to the model.

2. Ref: A portion of Sheet 5 “UTRs and Sub-Transmission” is reproduced below.

Uniform Transmission Rates		Unit	January 1, 2010	January 1, 2011	January 1, 2012
Rate Description			Rate	Rate	Rate
Network Service Rate		kW	\$ 2.97	\$ 3.22	\$ 3.22
Line Connection Service Rate		kW	\$ 0.73	\$ 0.79	\$ 0.79
Transformation Connection Service Rate		kW	\$ 1.71	\$ 1.77	\$ 1.77
Hydro One Sub-Transmission Rates		Unit	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012
Rate Description			Rate	Rate	Rate
Network Service Rate		kW	\$ 2.65	\$ 2.65	\$ 2.65
Line Connection Service Rate		kW	\$ 0.64	\$ 0.64	\$ 0.64
Transformation Connection Service Rate		kW	\$ 1.50	\$ 1.50	\$ 1.50
Both Line and Transformation Connection Service Rate		kW	\$ 2.14	\$ 2.14	\$ 2.14
Hydro One Sub-Transmission Rate Rider 6A		Unit	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012
Rate Description			Rate	Rate	Rate
RSVA Transmission network - 4714 - which affects 1584		kW	\$ 0.0470	\$ 0.0470	\$ 0.0470
RSVA Transmission connection - 4716 - which affects 158		kW	-\$ 0.0250	-\$ 0.0250	-\$ 0.0250
RSVA LV - 4750 - which affects 1550		kW	\$ 0.0580	\$ 0.0580	\$ 0.0580
RARA 1 - 2252 - which affects 1590		kW	-\$ 0.0750	-\$ 0.0750	-\$ 0.0750
Hydro One Sub-Transmission Rate Rider 6A		kW	\$ 0.0050	\$ 0.0050	\$ 0.0050

On December 20, 2011, the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268), which adjusted the uniform transmission rates (“UTRs”) effective January 1, 2012, as shown in the following table:

Uniform Transmission Rates	Jan. 1, 2012
Network Service Rate	\$3.57
Line Connection Service Rate	\$0.80
Transformation Connection Service Rate	\$1.86

Please confirm that Kenora Hydro agrees that these rates should have been entered in the model. If so, Board staff will make the necessary changes to the model.

2013 IRM Rate Generator

- Ref: A portion of the Residential rate class on Sheet 4 “Current Tariff Schedule” is reproduced below

Rate Description	Unit	Amount	Effective Until Date
Residential			
Service Charge	\$	18.77	April 30, 2012
Rate Rider for Smart Meter Variance Account Disposition	\$	3.55	April 30, 2012
Rate Rider for Recovery of Stranded Meter Assets	\$	3.12	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.20	April 30, 2012
General Service Less Than 50 kW			
Service Charge	\$	36.86	April 30, 2012
Rate Rider for Smart Meter Variance Account Disposition	\$	3.55	April 30, 2012
Rate Rider for Recovery of Stranded Meter Assets	\$	3.12	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.37	April 30, 2012
General Service 50 to 4,999 kW			
Service Charge	\$	509.19	April 30, 2012
Rate Rider for Smart Meter Variance Account Disposition	\$	3.55	April 30, 2012
Rate Rider for Recovery of Stranded Meter Assets	\$	3.12	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	5.16	April 30, 2012
Unmetered Scattered Load			
Service Charge (per connection)	\$	15.60	April 30, 2012
Street Lighting			
Service Charge (per connection)	\$	4.92	April 30, 2012
Rate Rider for Recovery of Late Payment Penalty Litigation Costs	\$	0.06	April 30, 2012

The purpose of this worksheet is to include all the current monthly fixed charges on a distributor's tariff of rates and charges. The Service Charge, also known as the monthly service charge, should not have a sunset date. The model will carry forward the current monthly service charge for each rate class and apply the GDP-IPI (on sheet 17).

Please confirm that the Service Charge for each rate class should not have a sunset date. If necessary, Board staff will make the necessary corrections to the model.

4. Ref: A portion of Sheet 10 "Billing Det. For Def_Var" is reproduced below.

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	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	39,677,024		7,098,219	-	1,610,270	36%		
General Service Less Than 50 kW	\$/kWh	24,025,485		2,883,058	-	463,061	22%		
General Service 50 to 4,999 kW	\$/kW	43,595,864	112,043	27,325,887	70,229	588,203	40%		
Unmetered Scattered Load	\$/kWh	145,633		2,893	-	6,313	0%		
Street Lighting	\$/kW	1,819,870	5,775	-	-	51,141	2%		
Total		109,263,876	117,818	37,310,057	70,229	2,718,988	100%	0%	0%

Board staff has been unable to confirm the distribution revenue for the General Service 50 to 4,999 kW rate class with the Board-approved distribution revenue in Kenora Hydro's 2011 cost of service application. Please provide evidence supporting this amount. If necessary, Board staff will make corrections to the model.

Account 1521 – Special Purpose Charge

5. *Ref: Manager's summary, page 4*

Kenora Hydro has noted that it will not be disposing of Account 1521 – Special Purpose Charge ("SPC") in this application, as collections were in progress during 2011.

In accordance with Section 8 of the SPC Regulation¹, 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. The Filing Requirements also set out the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

- a) Please confirm Kenora Hydro's SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please complete the following table related to the SPC:

SPC Assessment (Principal Balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amounts recovered from customers in 2011	Carrying charges for 2011	December 31, 2011 Year End Principal Balance	December 31, 2011 Year End Carrying Charges Balance	Forecasted Carrying Charges for 2012 (Jan 1 to Oct 31)	Total for disposition (Principal & Interest)
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)

- c) Please confirm the principal amounts recorded in the above table have been audited.

Lost Revenue Adjustment Mechanism ("LRAM")

6. *Ref: Manager's summary, page 7 – 8*

Kenora Hydro has requested an LRAM recovery for a total amount of \$80,961.96 for lost revenues incurred from 2006 through 2010 for CDM programs implemented between 2006 and 2010.

¹ Section 8 of *Ontario Regulation 66/10, Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs*

- a) Please discuss the rationale for assuming and applying 2006 – 2009 historical kWh savings in the 2010 year.
- b) Please discuss why Kenora Hydro did not use the final OPA 2006 – 2010 evaluation results in the preparation and calculation of its LRAM claim.
- c) Please update the LRAM request with the final OPA 2006 – 2010 evaluation results.
- d) Please confirm that Kenora Hydro has not received any of the lost revenues requested in this application in the past. If Kenora Hydro has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
- e) 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. Please use the table below as an example and continue for all the years LRAM is requested:

Program Years	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

- f) Please discuss if Kenora Hydro is applying for recovery of any carrying charges related to its LRAM claim.
- g) If Kenora Hydro is applying for carrying charges, please provide a table that shows the monthly LRAM principal 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. Please use the table below as an example:

Year	Month	Monthly Lost Revenue	Closing Balance	Interest Rate	Interest \$
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- h) Please provide detailed rate rider calculations for each rate class for the updated LRAM claim.

Account 1562 – Deferred PILs

7. Ref: PILs Continuity Schedule and 2001 and 2002 SIMPIL Models, PILs Proxy Entitlements

In its PILs 1562 continuity schedule, Kenora Hydro recorded its entitlement to the 2001 PILs proxy starting on October 1, 2001 and the 2002 PILs proxy on January 1, 2002.

On February 4, April 2 and April 4, 2002, Kenora Hydro submitted revised 2002 rate applications. Due to its amended applications for rate adjustments, the effective date of the 2002 rates including the 2001 and 2002 proxies was delayed to May 1, 2002 at the request of Kenora Hydro.

- a) What regulatory reference supports starting the PILs entitlements earlier than May 1, 2002? Please explain.
- b) Did Kenora Hydro consider that its entitlement to the 2001 and 2002 PILs proxy (including the variance adjustments calculated in the SIMPIL models) should not begin before May 1, 2002 given the delay caused by filing a revised application?
- c) The sum of the 2001 PILs proxy of \$55,592 and the 2002 PILs proxy of \$158,629 is \$214,221. The rates were determined based on a 12-month rate year which implies a monthly PILs proxy amount of \$17,852 (\$214,221/12) for the period from May 1, 2002 to March 31, 2004, or 23 months. Using this monthly entitlement, the total for the period shown is \$410,590 (\$17,852 x 23). Does Kenora Hydro consider Board staff's PILs proxy calculation to reflect fairly the 2002 Board decision? If Kenora Hydro disagrees, please explain Kenora Hydro's rationale for selecting a different amount.
- d) Kenora Hydro has shown recoveries of \$401,014 for the same period May 1, 2002 to March 31, 2004 in its continuity schedule. The monthly PILs calculated above was used to determine the proxy amounts in the following table:

Recoveries in Rate Period	Amount of Recoveries	PILs Proxy
2002 - billings for 8 months only	\$132,198	\$142,816
2003	\$210,885	\$214,224
2004 – Jan.1 – Mar. 31	\$57,931	\$53,556
Sum	\$401,014	\$410,596

Would this approach to determine the PILs proxy for the period from May 1, 2002 be fair to both the utility and its ratepayers? Please explain and include a discussion of the notion of potential “harm” to Kenora Hydro.

8. Ref: 2001 through 2005 SIMPIL models, Interest Expense

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.

In the Manager’s Summary, Kenora Hydro provided a table for the years 2001 to 2005 that shows all of the components of Kenora Hydro’s interest expense and the amount associated with each type of interest.

For the tax years 2001 to 2005:

- a) Did Kenora Hydro include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation? Interest on consumer deposits should be excluded from interest expense in the true-up calculations based on recent Board decisions related to disposition of the balances in Account 1562 deferred PILs.
- b) Did Kenora Hydro include interest expense on IESO prudentials in interest expense? If prudential costs have been recorded elsewhere, please provide a table that shows by year the amount of IESO and other prudential charges and stand-by fees by letter of credit or line of credit.
- c) Did Kenora Hydro include interest carrying charges on regulatory assets or liabilities in interest expense? Interest on deferral and variance accounts should be excluded from interest expense in the true-up calculations based on recent Board decisions related to disposition of the balances in Account 1562 deferred PILs.

- d) Please make revisions to the excess interest true-up calculations based on the response to the interrogatories above and file revised SIMPIL models, updated PILs continuity schedule and final balance for disposition in MS Excel format.

9. Ref: Volumetric Billing Determinants

The volumetric billing determinants for 8 months of 2002 appear to be lower than the full year statistics would indicate. Board staff pro-rated the 2002 statistics as filed in the 2006 EDR application and compared the pro-rated volumes with those used in the PILs recovery calculations.

- a) Please explain, from the table below, 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 May 1/02 to Dec 31/02	2002 Statistics Filed in 2006 EDR	Prorated 2002 Statistics Filed in 2006 EDR (8/12)
Residential	kWh's	20,629,650	40,435,653	26,957,102
General Service < 50 KW	kWh's	14,348,941	28,299,522	18,866,348
General Service > 50 KW	kW's	80,583	75,979	50,653
USL	kWh's	103,544	181,936	121,291
Street lights	kWs	3,496	4,405	2,937

- b) The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003 to 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows Kenora Hydro's evidence for the full years from 2003 to 2005 and the 2006 partial year.

Please explain why the PILs proxies in rates were greater than the PILs recoveries in 2003 as shown in the table below.

PILs Proxies vs. Recoveries	2003	2004	2005	2006 partial
PILs Proxies in Rates	214,221	172,527	90,727	22,698
PILs Recovery Calculations	210,885	173,757	99,771	30,582
Difference	3,336	-1,230	-9,044	-7,884

- 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 MS Excel format.

Miscellaneous

10. Ref: 2012 IRM Rate Generator

On October 19, 2011 the Board issued an updated version (version 1.4) of the 2012 IRM Rate Generator Model for distributors to complete as part of their 2012 rate applications.

Please complete the attached updated version of the 2012 Rate Generator Model.