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**BY E-MAIL**

September 21, 2012

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

Dear Ms. Walli:

**Re: Newmarket-Tay Power Distribution Ltd.  
2012 IRM Rate Application  
Board Staff Interrogatories  
Board File No. EB-2011-0184**

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

As a reminder, Newmarket-Tay Power Distribution Ltd.'s responses to interrogatories are due by October 5, 2012.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst – Applications & Regulatory Audit

Encl.

**Newmarket-Tay Power Distribution Ltd. (“Newmarket-Tay Power”)  
2012 IRM Rate Application  
Board Staff Interrogatories**

**Tax Sharing Work Form**

1. Ref: A portion of Sheet 3. “Re-Based Bill Det & Rates” is reproduced below.

Last COS Re-based Year was in 2011							
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	
RES	Residential	Customer	kWh	29,336	277,978,370		
GSLT50	General Service Less Than 50 kW	Customer	kWh	2,898	93,701,712		
GSGT50	General Service 50 to 4,999 kW	Customer	kW	402	309,550,101	770,221	
USL	Unmetered Scattered Load	Customer	kWh	115	374,072		
Sen	Sentinel Lighting	Connection	kW	418	310,359	866	
SL	Street Lighting	Connection	kW	8,453	5,230,133	14,578	

Board staff has been unable to reconcile the amounts entered into columns “A”, “B” and “C” with the Board-approved load forecast in Newmarket-Tay Power’s 2010 cost of service proceeding (EB-2009-0269). Please provide evidence supporting the input amounts. If necessary, Board staff will make corrections to the model.

2. Ref: A portion of Sheet 5. “Z-factor Tax Changes” is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2011 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
<b>1. Tax Related Amounts Forecast from Capital Tax Rate Changes</b>		
	<b>2011</b>	<b>2012</b>
Taxable Capital	\$ -	\$ -
Deduction from taxable capital up to \$15,000,000	\$ -	\$ -
Net Taxable Capital	\$ -	\$ -
Rate	0.000%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ -	\$ -
<b>2. Tax Related Amounts Forecast from Income Tax Rate Changes</b>		
	<b>2011</b>	<b>2012</b>
Regulatory Taxable Income	\$ 2,476,791	\$ 2,476,791
Corporate Tax Rate	28.25%	24.89%
Tax Impact	\$ 699,693	\$ 616,383
<b>Grossed-up Tax Amount</b>	<b>\$ 975,183</b>	<b>\$ 820,600</b>
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ -	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 975,183	\$ 820,600
<b>Total Tax Related Amounts</b>	<b>\$ 975,183</b>	<b>\$ 820,600</b>
Incremental Tax Savings		-\$ 154,582
Sharing of Tax Savings (50%)		-\$ 77,291

Board staff has been unable to reconcile the grossed-up tax amount with the Board-approved Revenue Requirement Work Form in Newmarket-Tay Power's 2010 cost of service proceeding.

- a) Please provide evidence supporting this amount. If necessary, Board staff will make corrections to the model.

### RTSR Adjustment Work Form

3. 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	267,733,185		1.0383		277,987,366	-
General Service Less Than 50 kW	kWh	90,245,316		1.0383		93,701,712	-
General Service 50 to 4,999 kW	kW		770,221		0.00%	-	770,221
Unmetered Scattered Load	kWh	374,072				374,072	-
Sentinel Lighting	kW		866		0.00%	-	866
Street Lighting	kW		14,578		0.00%	-	14,578

- a) Board staff has been unable to reconcile the “Loss Adjusted Billed kWh” with the reported amounts in Newmarket-Tay Power’s 2.1.5 RRR (as at December 31, 2010). Please provide a detailed calculation and reconcile the difference for the Residential rate class. If necessary, Board staff will make corrections to the model.
- b) Please also provide justification as to why no loss factor has been applied to the Unmetered Scattered Load rate class. If necessary, Board staff will make corrections to the model.
- c) Please also confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by Newmarket-Tay Power’s Board-approved loss factor.

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

Uniform Transmission Rates		Unit	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012
Rate Description			Rate	Rate	Rate
Network Service Rate	kW		\$ 2.97	\$ 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
<b>Hydro One Sub-Transmission Rates</b>		<b>Unit</b>	<b>Effective January 1, 2010</b>	<b>Effective January 1, 2011</b>	<b>Effective January 1, 2012</b>
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
<b>Hydro One Sub-Transmission Rate Rider 6A</b>		<b>Unit</b>	<b>Effective January 1, 2010</b>	<b>Effective January 1, 2011</b>	<b>Effective January 1, 2012</b>
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 Newmarket-Tay Power agrees that these rates should have been entered in the model. If so, Board staff will make the necessary changes to the model.

## 2012 IRM Rate Generator

5. Ref: A portion of the Sentinel Lighting rate class on Sheet 6 "Current Rate\_Riders" is reproduced below

Sentinel Lighting			
Rate Rider for global adj sub account disposition eff until april 30 2013 for non rpp Newmarket Cust only	\$/kWh	0.00200	April 30, 2013
Rate Rider for global adj sub account disposition eff until april 30 2013 for non rpp Tay Cust only	\$/kWh	(0.00440)	April 30, 2013
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kWh	0.25500	April 30, 2013
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kWh	(5.13070)	April 30, 2013

The purpose of this worksheet is to include all the current variable rate riders on a distributor's tariff of rates and charges. Please confirm that the unit for the "Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers)" and "Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers)" for the Sentinel Lighting rate class should be \$/kW and not \$/kWh. If necessary, Board staff will make the corrections to the model.

6. Ref: A portion of Sheet 9 "2012 Cont. Sched. Def\_Var" is reproduced below

2010													2011					Projected Interest on Dec-31-10 Balances		2.1.7 RRR			
Opening Principal Amount as of Jan-1-10	Transaction Credit/ (Chrg) during 2010	Board Approved Disposition during 2010	Other * Adjustments during Q1 2010	Other * Adjustments during Q2 2010	Other * Adjustments during Q3 2010	Other * Adjustments during Q4 2010	Closing Principal Balance as of Dec-31-10	Opening Interest Amount as of Jan-1-10	Interest during 2010	Board Approved Disposition during 2010	Adjustments during 2010 - other*	Closing Interest Amount as of Dec-31-10	Principal Disposition during 2011	Interest Disposition during 2011	Other * Adjustments during 2011	Closing Interest Balance as of Dec-31-11	Projected Interest on Dec-31-10 Balances for 2011 (December 31, 2010 unadjusted)	Projected Interest on Dec-31-10 Balances adjusted for disposition during 2011	Total Claims	As of Dec-31-10*	Variance RRR to 2010 Balance (Prin+Int - Interest)		
\$ 16,715	\$ -	\$ 18,786	\$ -	\$ -	\$ -	\$ -	\$ 4,083	\$ 22,849	\$ -	\$ 331	\$ 154	\$ -	\$ 485	\$ -	\$ -	\$ -	\$ 22,849	\$ 485	\$ 490	\$ 158	\$ 23,007	\$ 82,213	\$ 38,803
\$ 119,038	\$ -	\$ 866,200	\$ -	\$ -	\$ -	\$ -	\$ 646,200	\$ 2,889	\$ 1,786	\$ 2,068	\$ -	\$ 1,786	\$ -	\$ -	\$ -	\$ -	\$ 646,200	\$ 1,786	\$ 14,288	\$ 2,366	\$ 650,588	\$ 800,088	\$ 2,460
\$ -	\$ 148	\$ 613,230	\$ -	\$ -	\$ -	\$ -	\$ 613,230	\$ 4,966	\$ 2,220	\$ 4,966	\$ -	\$ 2,221	\$ -	\$ -	\$ -	\$ -	\$ 613,230	\$ 2,221	\$ 11,773	\$ 3,886	\$ 617,103	\$ 615,463	\$ -
\$ 271,088	\$ -	\$ 442,370	\$ -	\$ -	\$ -	\$ -	\$ 442,370	\$ 86,022	\$ 28	\$ 86,022	\$ -	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ 442,370	\$ 28	\$ 7,207	\$ 2,926	\$ 450,005	\$ 468,005	\$ -
\$ 73,700	\$ -	\$ 797,691	\$ -	\$ -	\$ -	\$ -	\$ 797,691	\$ 22,117	\$ 18,976	\$ 22,117	\$ -	\$ 18,976	\$ -	\$ -	\$ -	\$ -	\$ 797,691	\$ 18,976	\$ 2,286	\$ 608	\$ 774,441	\$ 254,532	\$ 538,075
\$ 1,340,036	\$ -	\$ 552,025	\$ -	\$ -	\$ -	\$ -	\$ 552,025	\$ 9,181	\$ 4,895	\$ 9,181	\$ -	\$ 4,895	\$ -	\$ -	\$ -	\$ -	\$ 552,025	\$ 4,895	\$ 20,173	\$ 6,795	\$ 511,003	\$ 527,800	\$ -
\$ 881,056	\$ -	\$ 220,082	\$ -	\$ -	\$ -	\$ -	\$ 220,082	\$ 18,443	\$ 3,885	\$ 18,443	\$ -	\$ 3,885	\$ -	\$ -	\$ -	\$ -	\$ 220,082	\$ 3,885	\$ 8,788	\$ 3,013	\$ 218,294	\$ 1,011,683	\$ 1,225,941
\$ 1,056,687	\$ -	\$ 481,189	\$ -	\$ -	\$ -	\$ -	\$ 481,189	\$ 4,372	\$ 4,850	\$ 4,372	\$ -	\$ 4,850	\$ -	\$ -	\$ -	\$ -	\$ 481,189	\$ 4,850	\$ 5,036	\$ 1,158	\$ 476,253	\$ 476,253	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,235,640	\$ -	\$ 121,981	\$ -	\$ -	\$ -	\$ -	\$ 4,083	\$ 126,064	\$ 14,737	\$ 10,461	\$ 14,943	\$ -	\$ 10,307	\$ -	\$ -	\$ -	\$ 126,064	\$ 10,307	\$ 22,506	\$ 6,418	\$ 86,863	\$ 1,555,712	\$ 1,671,469
\$ 113,396	\$ -	\$ 410,344	\$ -	\$ -	\$ -	\$ -	\$ 4,083	\$ 400,861	\$ 23,958	\$ 13,396	\$ 23,804	\$ -	\$ 13,202	\$ -	\$ -	\$ -	\$ 400,861	\$ 13,202	\$ 2,203	\$ 287	\$ 404,161	\$ 1,555,712	\$ 1,533,849
\$ 1,346,036	\$ -	\$ 932,625	\$ -	\$ -	\$ -	\$ -	\$ 4,083	\$ 932,625	\$ 9,181	\$ 4,895	\$ 9,181	\$ -	\$ 4,895	\$ -	\$ -	\$ -	\$ 932,625	\$ 4,895	\$ 20,173	\$ 6,795	\$ 911,003	\$ 1,555,712	\$ 1,533,849
\$ -	\$ -	\$ 158,838	\$ -	\$ -	\$ -	\$ -	\$ 158,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 125,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,485	\$ 112,807	\$ 3,001	\$ -	\$ -	\$ 111,806	\$ -	\$ -	\$ -	\$ -	\$ 125,485	\$ 111,806	\$ 1,846	\$ 3,846	\$ 17,281	\$ 153,813	\$ 153,813
\$ 1,110,155	\$ -	\$ 31,957	\$ 1,235,640	\$ -	\$ -	\$ -	\$ 4,083	\$ 91,611	\$ 97,810	\$ 94,405	\$ 14,943	\$ -	\$ 121,981	\$ -	\$ -	\$ -	\$ 281,940	\$ 121,981	\$ 20,681	\$ 4,573	\$ 55,251	\$ 1,678,463	\$ 1,644,173

Board staff notes that there are variances with the total claims (principal and interest) for Accounts 1550, 1580, 1588 – Power, 1588 – sub-account Global Adjustment, 1590 and 1595 with Newmarket-Tay Power's 2.1.7 RRR (as at December 31, 2010).

- Please provide reasons for the variance for each of the above mentioned accounts.
- Please also provide reconciliations of the above mentioned accounts with Newmarket-Tay Power's 2.1.7 RRR (as at December 31, 2010). If necessary, Board staff will make the corrections to the model.

7. 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 <sup>1</sup>	1590 Recovery Share	1595 Recovery Share Proportion (2008) <sup>2</sup>	1595 Recovery Share Proportion (2009) <sup>2</sup>
Residential	\$/kWh	277,978,370		36,943,326	-	9,148,384			56%
General Service Less Than 50 kW	\$/kWh	93,701,712		17,213,005	-	2,810,097			17%
General Service 50 to 4,999 kW	\$/kW		770,221	288,438,784	-	4,167,298			23%
General Service 50 to 4,999 kW – Interval Metered	\$/kW				-				
Unmetered Scattered Load	\$/kWh	374,072			-	31,602			0%
Sentinel Lighting	\$/kW		866		-	26,011			0%
Street Lighting	\$/kW		14,578		-	532,540			3%
<b>Total</b>		<b>372,054,154</b>	<b>785,665</b>	<b>342,595,115</b>	<b>-</b>	<b>16,715,932</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

- a) Please provide the evidence supporting the amounts entered in the “Metered kWh” and “Metered kW” columns.
- b) Please also provide the “Metered kWh” evidence for the General Service 50 to 4,999 kW, General Service 50 to 4,999 kW – Interval Metered, Sentinel Lighting and Street Lighting rate classes, if applicable.
- c) Please provide evidence supporting the amounts input into the “Distribution Revenue” column for each rate class.

8. Ref: A portion of Sheet 14 “Proposed Rate\_Riders” is reproduced below.

Rate Description	Unit	Amount	Effective Unit Date	Proposed Amount	Effective Unit Date
<b>Residential</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kWh	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kWh	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kWh	0.00130	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kWh	-0.0040	April 30, 2013		
<b>General Service Less Than 50 kW</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kWh	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kWh	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kWh	0.00010	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kWh	-0.0030	April 30, 2013		
<b>General Service 50 to 4,999 kW</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kWh	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kWh	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kW	0.1880	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kW	-3.12750	April 30, 2013		
<b>General Service 50 to 4,999 kW – Interval Metered</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kWh	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kWh	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kW	0.1880	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kW	-3.12750	April 30, 2013		
<b>Unmetered Scattered Load</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kWh	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kWh	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kWh	0.00000	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kWh	-0.0040	April 30, 2013		
<b>Sentinel Lighting</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kW	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kW	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kW	0.05500	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kW	-5.10070	April 30, 2013		
<b>Street Lighting</b>					
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Newmarket Cust only	\$/kW	0.0000	April 30, 2013		
Rate Rider for global and sub-account disposition eff until April 30 2013 for non-ipp Tay Cust only	\$/kW	-0.0040	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Newmarket Service area customers	\$/kW	0.11000	April 30, 2013		
Rate Rider for Deferral/Variance Account Disposition (2010) Effective until 2013 Applicable to Tay Service area customers	\$/kW	-1.82680	April 30, 2013		

Please confirm that the rate riders from the Tax Sharing Work Form should be input into this worksheet of the 2012 IRM Rate Generator model. If necessary, Board staff will make the corrections to the model.

9. Ref: A portion of Sheet 17 “GDP-IPI – X” is reproduced below.

Price Escalator	1.30%	Productivity Factor	0.72%	Price Cap Index	0.18%					
Choose Stretch Factor Group	II	Associated Stretch Factor Value	0.4%							
Rate Description	Unit	Current MFC	MFC Adjustment from R/C Model	Current Volumetric Charge	Unit	DVR Adjustment from R/C Model	Price Cap Index	Proposed MFC	Proposed Volumetric Charge	
Residential										
General Service Less Than 50 kW	\$	14.71		0.01430	\$/kWh	(0.00020)	0.180%	14.74	0.01413	
General Service 50 to 4,999 kW	\$	29.28		0.01910	\$/kWh	(0.00010)	0.180%	29.33	0.01903	
General Service 50 to 4,999 kW – Interval Metered	\$	132.77		4.58000	\$/kW	(0.02500)	0.180%	133.01	4.56320	
Unmetered Scattered Load	\$	132.77		4.70810	\$/kW	(0.02500)	0.180%	133.01	4.69153	
Sentinel Lighting	\$	16.90		0.01940	\$/kWh	(0.00040)	0.180%	16.93	0.01903	
Street Lighting	\$	3.12		11.93330	\$/kW	(0.13870)	0.180%	3.13	11.81583	
	\$	3.06		15.20850	\$/kW	(0.16870)	0.180%	3.07	15.06687	

- a) Please confirm that pursuant to the Board's decision in its 2010 decision (EB-2009-0269 and Settlement Agreement, dated February 4, 2011), that there are no revenue-to-cost ratio adjustments to be implemented by Newmarket-Tay Power for the 2012 rate year. Once confirmed, please explain why there are amounts in the "DVR Adjustment from R/C Model" column. If necessary, Board staff will make the corrections to the model.

### Account 1521 – Special Purpose Charge

10. Ref: Addendum to the Manager's summary dated December 14, 2011, page 5

In accordance with Section 8 of the SPC Regulation<sup>1</sup>, 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 Newmarket Tay'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)
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)

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

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

### **Lost Revenue Adjustment Mechanism (“LRAM”)**

*11. Ref: Addendum to Manager’s summary dated December 14, 2011 and Chapter 3 “Filing Requirements for Transmission and Distribution Applications”, June 22, 2011, page 21, Section 3.4.2 – Deadline for filing LRAM and SSM applications*

Newmarket-Tay Power has requested to defer the collection of its estimated LRAM balance of \$45,504 until its next cost of service application.

The Board noted in the Chapter 3 Filing Requirements for 2012 IRM applications that distributors intending to file an LRAM or SSM application for CDM programs funded through distribution rates, or an LRAM application for CDM programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost of service or IRM.

The Board further noted that if a distributor does not file for the recovery of LRAM or SSM in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.

- a) Please provide the rationale for not seeking to recover LRAM amounts from historic CDM programs in this application as directed by the Board in Chapter 3 Filing Requirements.
- b) If Newmarket-Tay Power has already engaged a third party to conduct a review of its LRAM amount, please provide this analysis.
- c) Please discuss Newmarket-Tay Power has received the final OPA 2006-2010 evaluation results.

In the event that the Board does not accept Newmarket-Tay Power’s request to defer disposition of its LRAM amount to its 2013 cost of service application, Board staff requests Newmarket-Tay Power to provide the following:

- d) Please provide a full LRAM request using the final OPA 2006-2010 evaluation results in accordance with the CDM Guidelines, March 28, 2008 (EB-2008-0037), Section 9.2.
- 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. 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 Newmarket-Tay Power will be applying for recovery of any carrying charges related to its LRAM amount.
- g) If Newmarket-Tay Power 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 \$

- h) Please provide detailed rate rider calculations for each rate class for Newmarket-Tay Power’s LRAM amount.

**Account 1562 – Deferred PILs**

Newmarket Hydro Ltd. (“Newmarket”)

Tay Hydro Electric Distribution Company Inc. (“Tay”)

Tay

12. Ref: Income Tax Rates

Tay has not used the minimum income tax rates consistently as shown on page 17 in the Decision in the combined proceeding<sup>2</sup>. Board staff has compared the tax rates in the table below. The distributor should input the correct income tax rates into the correct cells (i.e. over-ride the formulas) in SIMPIL model sheet TAXCALC in order to calculate the correct variance amounts.

<b>Comparison of Income Tax Rates used in True-up Calculations</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>DECISION IN COMBINED PROCEEDING</b>					
From page 17 of the Decision: Minimum tax rate to calculate the tax impact	19.12%	19.12%	18.62%	18.62%	18.62%
Tax rate to calculate the grossed-up tax amount	18.00%	18.00%	17.50%	17.50%	17.50%
<b>Tay's SIMPIL Models Sheet TAXCALC</b>					
<b>Cell E122 (or 123):</b> Calculation of true-up variance -income tax effect	34.12%	19.12%	19.12%	18.62%	18.62%
<b>Cell E130 (or 131):</b> Income tax rate used for gross-up (excluding surtax)	18.00%	18.00%	18.00%	17.50%	17.50%
<b>Cell E138 (or 139):</b> Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	34.12%	19.12%	19.12%	18.62%	18.62%
<b>Cell E175 (or 176):</b> Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	18.00%	30.75%	18.00%	17.50%	17.50%

- a) Please explain how the income tax rates used in the SIMPIL models were chosen.
- b) Please input the minimum income tax rates from the table in the Decision on the Combined Proceeding found on page 17 into the 2001, 2002 and

<sup>2</sup> EB-2008-0381

2003 SIMPIL models and file these revised active Excel workbooks with a revised continuity schedule.

*13.Ref: Continuity Schedule, Carrying Charges and Recoveries from Ratepayers, Binder 3, Tab 5.2*

- a) Delayed Implementation Proxy Entitlements from October 1, 2001 to May 31, 2002

In its PILs 1562 continuity schedule, Tay recorded its entitlement to the 2001 PILs proxy starting on October 1, 2001 and the 2002 PILs proxy on January 1, 2002. However, Tay applied for unbundled rates including PILs to become effective on May 1, 2002. In its continuity schedule<sup>3</sup> Tay has shown a small amount of recoveries in June 2002 which suggests that Tay did not start billing the new rates until sometime in June. Therefore, there is a question as to whether the Board-approved accounting guidance for distributors following the standard application timing should not apply given that Tay voluntarily requested delayed implementation. This alternative is consistent with decisions already made by the Board.<sup>4</sup>

Board staff suggests that the PILs proxy should be pro-rated for the period from May 1, 2002 (the effective date for 2002 rates) to March 31, 2004, or 23 months. The sum of the 2001 PILs proxy of \$29,311 and the 2002 PILs proxy of \$45,573 is \$74,884. The rates were determined based on a twelve month rate year which implies a monthly PILs proxy amount of \$6,240 (\$74,884/12) for the 23 months. Using this monthly entitlement, the total for the period shown is \$143,520 (\$6,240 x 23). Tay has used \$168,486 in the continuity schedule for the same time period.

Rate Period	PILs Proxy
2002 - billings for 8 months only	\$49,920
2003	\$74,880
2004 – Jan.1 – Mar. 31	\$18,720
<b>Total</b>	<b>\$143,520</b>

Board staff requests that Tay file an updated PILs continuity schedule with pro-rated PILs proxy entitlements starting May 1, 2002 in active Excel format as one alternative scenario for the Board to consider. This alternative takes into account that since the PILs proxy amounts were not included in rates until May 1, 2002, Tay should not record any PILs proxy amounts or variance adjustments in the continuity schedule prior to May 1,

<sup>3</sup> Tay, Binder 3, Tab 5.2

<sup>4</sup> Board Decisions: Thunder Bay, EB-2012-0212; St. Thomas, EB-2012-0248.

2002.

b) PILs Billed to Customers

Distributors in southern Ontario typically have shown a pattern where recoveries from customers exceed the PILs proxies due to growth in customer counts and load. While Tay's data demonstrate a similar pattern, the recoveries seem to be lower than one would expect in 2002 and 2004. Tay has recorded nothing as billed in May 2002 and about 1/3 of the "normal" amount for June 2002 when compared to June 2003.

Distribution rates changed on April 1, 2004. Prior to April 1, 2004 PILs were recovered using both the fixed and variable rate slivers. After this date PILs were recovered using only the variable rate. In April 2003, Tay calculated \$9,048 as the PILs recoveries. However, in April 2004 Tay calculated only \$1,376 as the PILs recoveries.

- I. Please verify the April 2004 PILs billed calculations and correct the continuity schedule as required.

Distribution rates changed on April 1, 2005 and PILs were again recovered using only the variable rate slivers. For the months of February, March and April 2005, Tay calculated PILs recoveries that seem lower than one might expect.

- II. Please verify the February, March and April volume data and the calculations of PILs billed for these months. Please correct the continuity schedule as required.

*14. Ref: 2001 to 2005 SIMPIL Models, Actual and Deemed Interest Expense for Tax Years 2001 to 2005 for True-up Calculations*

Tay's maximum deemed interest was \$147,800. Interest above this amount is treated as excess interest in the SIMPIL models and the variance is included as a deduction to the benefit of ratepayers.

- a) Please provide a table for the years 2001 to 2005 that shows all of the components of Tay's interest expense and the amount associated with each type of interest.
- b) Did Tay have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- c) Did Tay net interest income against interest expense in deriving the amount it shows as actual interest expense in the SIMPIL models? If yes,

please provide details to what the interest income relates and explain why interest income and expense should be netted to reduce the interest expense used in the true-up calculations.

- d) Did Tay include interest expense on customer security deposits in interest expense?
- e) Did Tay include interest income on customer security deposits in interest expense?
- f) Did Tay incur interest expense or standby fees or charges on IESO or other prudential requirements whether disclosed in OM&A or in interest? Please provide a table that lists all of the prudential costs by year for 2001-2005 with the amounts by type of charge.
- g) Did Tay include interest carrying charges on regulatory assets or liabilities in interest expense?
- h) Did Tay include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- i) Did Tay deduct capitalized interest in deriving the interest expense disclosed in its financial statements?

*15. Ref: 2001 to 2005 Tax Returns*

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

Newmarket

*16. Ref: Continuity Schedule, Carrying Charges, and Recoveries from Ratepayers, Binder 3, Tab 5.2*

a) PILs Billed to Customers

Distributors in southern Ontario typically have shown a pattern where recoveries from customers exceed the PILs proxies due to growth in customer counts and load. While Newmarket's data demonstrate a similar pattern, the recoveries seem to be lower than one would expect in March 2002. Newmarket has only recorded \$19,271 for the month of March 2002.

Please verify the calculations, explain the anomaly and correct the continuity schedule as required.

b) PILs Proxies for 2001, 2002 and 2004

Newmarket filed the signed Board decisions for its 2002 and 2004 applications. In the 2002 decision, on page 3, the Board identified the applied-for 2001 PILs proxy as \$512,987 and the 2002 PILs proxy as \$1,763,900. On page 5 of this same decision, the Board reduced the applied-for 2001 PILs proxy by \$6,456 and the 2002 PILs proxy by \$347,920 to correct for overstatements.<sup>5</sup> The reduced PILs proxies are: 2001 \$506,531 and 2002 \$1,415,980.

In the 2004 application,<sup>6</sup> Newmarket used \$1,763,900 as the 2002 PILs proxy rather than the reduced proxy of \$1,415,980.

- I. Please file a revised continuity schedule using the reduced PILs proxy amounts identified in the Board's 2002 decision for the period October 1, 2001 through March 31, 2005.

(To assist Newmarket, Board staff has provided the revised calculations using the reduced PILs proxies. Newmarket calculated a principal credit amount of \$115,486 and a debit interest carrying charge amount of \$102,496 which becomes a net credit amount of \$12,990. Board staff has calculated a principal credit amount of \$1,260,767, a credit carrying charge amount of \$309,489, for a total refund to customers of \$1,570,256. Please note that these amounts do not include any changes that might result from replies to other interrogatories.)

*17. Ref: 2001 to 2005 SIMPILS Models, Actual and Deemed Interest Expense for Tax Years 2001 to 2005 for True-up Calculations*

Newmarket's maximum deemed interest was \$1,778,564. Interest above this amount is treated as excess interest in the SIMPIL models and the variance is included as a deduction to the benefit of ratepayers.

- a) Please provide a table for the years 2001 to 2005 that shows all of the components of Newmarket's interest expense and the amount associated with each type of interest.
- b) Did Newmarket have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- c) Did Newmarket net interest income against interest expense in deriving the amount it shows as actual interest expense in the SIMPIL models? If

<sup>5</sup> Binder 1, Tab 1.3/ RP-2002-0080 EB-2002-0089, February 26, 2002.

<sup>6</sup> Binder 1, Tab 1.2/ RP-2004-0071 EB-2004-0057, March 12, 2004.

- yes, please provide details to what the interest income relates and explain why interest income and expense should be netted to reduce the interest expense used in the true-up calculations.
- d) Did Newmarket include interest expense on customer security deposits in interest expense?
  - e) Did Newmarket include interest income on customer security deposits in interest expense?
  - f) Did Newmarket incur interest expense or standby fees or charges on IESO or other prudential requirements whether disclosed in OM&A or in interest? Please provide a table that lists all of the prudential costs by year for 2001-2005 with the amounts by type of charge.
  - g) Did Newmarket include interest carrying charges on regulatory assets or liabilities in interest expense?
  - h) Did Newmarket include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
  - i) Did Newmarket deduct capitalized interest in deriving the interest expense disclosed in its financial statements? Did Newmarket add back capitalized interest to interest expense in the interest true-up calculations?

*18. Ref: 2001 to 2005 Tax Returns*

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

**Foregoing Net Increases**

*19. Ref: Addendum to the Manager's Summary dated December 14, 2011*

Newmarket-Tay Power has calculated a net amount of revenue to be collected from customer of \$37,330. This is based upon Newmarket-Tay Power's calculation of a Price Cap Index Adjustment of \$142,592; less the shared tax savings amount of \$77,219; less the amount in Account 1562 – Deferred PILs of \$17,642.58; less the over collection of Account 1521 – Special Purpose Charge of \$10,399.99 and deferring the recovery of its LRAM claim of \$45,504 to its next cost of service application.

- a) Please recalculate Newmarket-Tay Power's net revenue with, if applicable, any updated tax sharing amount, PILs amount, and Special Purpose Charge residual amount associated with responses to Board staff interrogatories. If the net amount of revenue is larger than \$37,330, does

that affect Newmarket-Tay's proposal to forgo this debit amount? What is the maximum amount that Newmarket-Tay is prepared to forgo?

- b) In addition to part a) of this interrogatory, please re-calculate the net amount of revenues assuming that the Board approves an effective date of November 1, 2012. If the net amount is a credit to ratepayers, does Newmarket-Tay agree that the new rates and riders would be calculated using the rate generator and other supporting models? If the net amount results in a credit to ratepayers, would that change Newmarket-Tay's position with respect to the deferral of its LRAM claim?