

EB-2007-0696
2008 Distribution Rates
Halton Hills Hydro Inc.

Board staff comments on the draft Rate Order, April 10, 2008

Board staff has reviewed Halton Hills Hydro's draft Rate Order as submitted on April 10, 2008.

While certain information can be verified, there are a number of areas where more information is required to allow Board staff to fully determine that the draft Rate Order corresponds with the Board's EB-2007-0696 Decision. These areas are outlined below:

Rate Base

The Board's Decision accepted the Rate Base proposed by Halton Hills with some adjustments to working capital. However, Board staff is unable to confirm whether the original net fixed asset amount was used to determine the final rates as Halton Hills has not provided the detailed derivation of the revenue requirement – this is discussed further under Cost of Capital.

Capital Expenditures

The Board's Decision accepted the capital budget proposed by Halton Hills. However, Board staff is unable to confirm whether the original capital expenditure amount was used to determine the final rates as Halton Hills has not provided the detailed derivation of the revenue requirement – this is discussed further under Cost of Capital.

Working Capital Allowance

The Board directed Halton Hills to recalculate its working capital using the new transmission rates and updated supply cost of \$0.054/kWh as well as using an updated load forecast. Board staff confirms that the new transmission rates and supply unit cost have been updated; however Board staff is unable to confirm the consumption volumes used to determine the total cost of power, and whether or not these reflect the updated normalized load forecast per the Board Decision.

PILs Calculation

In Halton Hill's Reply Submission on pages 20-21, Halton Hills agreed not to include interest in the PILs calculations. The Board accepted this proposal on page 9 of the EB-2007-0696 Decision. In the draft Rate Order, page 4, Halton Hills shows the revised PILs calculation which includes interest just as before.

The addition is about \$150,000 higher than the deduction. In the revised 2008 PILs calculations there should be no interest addition or deduction. Neither should be included in the calculations.

Load Forecast

On page 3, Table 2 of the Draft Rate Order, the Revised Class Consumption shows the new kWh forecast the Applicant developed as a result of the changes identified in the Decision. It appears that for the General Service 50 – 999 kW class, the consumption should be 129,635,050 kWh rather than the 129, 035,050 kWh filed.

Cost of Capital

Under Item 6, Cost of Capital, shown on page 5 of the draft Rate Order material, Halton Hills Hydro states that the approved capital structure [and rates] shown on page 13 of the Board's Decision have been incorporated into the recalculated proposed rates.

Board staff is unable to confirm this, as Halton Hills Hydro has not provided an updated detailed derivation of the revenue requirement. Board staff submits that Halton Hills Hydro has not fully complied with the Board's Decision, as stated on page 25 under Implementation:

“In filing its Draft Rate Order, it is the Board's expectation that Halton Hills will not use a calculation of a revised revenue deficiency to reconcile the new distribution rates with the Board's findings in this Decision. Rather, the Board expects Halton Hills to file detailed supporting material, including all relevant calculations showing the impact of this Decision on Halton Hills' proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates. Halton Hills should also show detailed calculations of the revised retail transmission rates and variance account rate riders reflecting this Decision[.]” [Emphasis added]

Determination of Final Rates

In general, Board staff submits that it would be helpful for Halton Hills Hydro to file a summary exhibit which details the major components of the revenue requirement as adjusted for the Board's Decision, the allocation of this revenue requirement to the customer classes and how rates are derived for each class using the adjusted load forecast amounts.