

**BOARD STAFF INTERROGATORIES**  
**INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED (“IHDSL”)**  
**2013 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES**  
*January 9, 2013*

**General**

**1.0-Staff-1 – Responses to Letters of Comment**

Following publication of the Notice of Application, the Board received one letter of comment. Please confirm whether a reply was sent from the applicant to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author’s contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if the applicant intends to respond.

**1.0-Staff-2 – Conditions of Service (CoS)**

- a) Please identify any rates and charges that are included in the applicant’s conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.
- b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2012 bridge and 2013 test years.
- c) Please explain whether in the applicant’s view, these rates and charges should be included on the applicant’s tariff sheet.

**1.0-Staff-3 – Updated RRWF**

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

### **1.0-Staff-4 – Updated Appendix 2-W, Bill Impacts**

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

### **1.0-Staff-5 – Updated Revenue Requirement**

Upon completion of responses to all interrogatories, please identify any adjustments to the proposed service revenue requirement that the applicant wishes to make relative to the original application.

## **Exhibit 2 – Rate Base**

### **2.0-Staff-6 – Rate Base MIFRS**

Ref: Exhibit 2/Tab 1/Schedule 1, p. 1, Table 2.1 and Table 2.2 and Exhibit 2/Tab 5/Schedule 4, p. 3

- a. Please update table 2.1 – Summary of Rate Base and table 2.2 – Summary of Working Capital to include a column showing the 2013 test year under MIFRS.

### **2.0-Staff-7 – New Office Building 2147 Innisfil Beach Rd. – Land purchase**

Ref: Exhibit 2/Tab 1/Schedule 1 p. 3-5, Exhibit 2/Tab 1/Schedule 2, Appendix 3 and Exhibit 2/Tab 2/Schedule 1 p. 10

On page 3 of E2/T2/S1 IHDSL states that “A purchase agreement was developed to sell 2.07 acres at the existing IHDSL site for \$925k and purchase 3.5 acres at the Old Town hall site for \$650k. All transactions are set at full appraised values”.

The appraisal provided in Appendix 3 of E2/T1/S2 show property values for the continued use of the existing building in the amount of \$650,000 and for redevelopment in the amount of \$470,000.

- a. Page 1 of Appendix 3 provides two value estimates. The first for continued use of the building in the amount of \$650,000 and a second for redevelopment in the amount of \$470,000. Please confirm which value

has been included in rate base and provide further justification for the purchase price, given that the site is being redeveloped.

- i. Board staff noted an addition of \$465,000 under account 1805 Land in the 2012 test year. Please confirm that this addition is related to the land purchase for the new office building. If not, please explain the addition and clarify under which account IHDSL has included the purchase of 2147 Innisfil Beach Rd.
- b. Please clarify if the existing purchase agreement includes the sale of the 2061 and 2073 Commerce Park Drive property. If so, please identify if the property is being sold to the town, an affiliate or a third person and identify the closing date. Please file the purchase agreement.
- c. Please state if the value of \$925,000 remains in IHDSL's 2013 rate base. If so, please explain why the old building should remain in rate base until IHDSL's next rebasing.

## **2.0-Staff-8 – New Office Building 2147 Innisfil Beach Rd. – Facilities & Buildings**

Ref: Exhibit 2/Tab1/Schedule 1, p. 3

IHDSL noted that in 2009, an investigation was commissioned to McKnight Sharron Laurin Architects, which took an investigation of five options.

- a. Please file reports or cost estimates for all alternatives including the option chosen.

## **2.0-Staff-9 – Facilities & Buildings**

Ref: Exhibit 2/Tab 2/Schedule 1, p. 9-11

In account 1908 – Building and Fixtures, IHDSL is showing an addition of \$2,025,000 in the 2012 test year and \$5,127,500 in the 2012 test year.

- a. Please provide a breakdown of the cost and time table for the new head office.
- b. Please comment on the status of the new site.
- c. Please provide the cost per square foot as well as the square foot per employee.
- d. Please confirm that the building will be used and useful in the 2013 test year.

- e. Please explain if any portion of the new building will be in use in the 2012 bridge year. If not, please explain the \$2,025,000 addition to account 1908 in the 2012 bridge year.

**2.0-Staff-10 – New Office Building 2147 Innisfil Beach Rd.**

Ref: Exhibit 2/Tab 1/Schedule 1 p. 3-5

IHDSL noted on p. 5 of E2/T1/S1 that the “bottom floor is earmarked to be leased out as a medical centre and the top floor for a business development centre”. HHDSL furthermore states that the Town of Innisfil has provided a letter of intent to lease five truck parking bays at the appraised value.

- a. Please explain how this rental income for the medical and business development centres has been accounted for in this application.
- b. Please provide the estimated in service date for the garage area. Provide the forecasted rental income for the five truck parking bays and explain how this income has been reflected in other revenues.

**2.0-Staff-11 – TS Land**

Ref: Exhibit 2/Tab3/Schedule1, p. 17

IHDSL noted that \$465,000 capital expenditures for the purchase of land under the 13M3 tower line for a future Transformer Station.

- a. Please confirm that this land purchase is in addition to the 2147 Innisfil Beach Rd. property.
- b. What is the expected in service date for this transformer station?
- c. Is this land currently in use for any other purpose, or is this property vacant.
- d. Please provide further explanation why this property should be considered used and useful.

**2.0-Staff-12 2012 Capital Projects – Smart Meter true-up**

Ref: Exhibit 2/Tab 3/Schedule 1, p. 17 and Exhibit 2/Tab 2/Schedule 1, p. 10

IHDSL has included \$93,156 under the General Plant category and \$74,400 under Distribution Plant.

- a. Please confirm that the addition in account 1860 – Smart Meters of \$74,240 shown in the E2/T2/S1 p. 10 was approved as part of EB-2011-0435 Smart Meter Application. If not, please explain.
- b. Please explain the inclusion \$93,156 and confirm that this amount was approved in IHDSL Smart Meter application. If not, please explain.

## **Capital Expenditures**

### **2.0-Staff-13**

Ref. Exhibit 2/Tab 3/Schedule 1, p. 16

- a. Please provide a table similar to the table on page 16 and list up-to-date capital expenditures for the 2012 bridge year including all capital contributions and provide the 2011 capital expenditures for the corresponding time period.

### **2.0-Staff-14 – 27kV Extension 20<sup>th</sup> SR, BBPt to 13<sup>th</sup> Line**

Ref: Exhibit 2/Tab 3/Schedule 1, p. 19 (p.20)

IHDSL shows a capital expenditure of \$724,294 for a 27kV Extension 20<sup>th</sup> SR, BBTt to 13<sup>th</sup> Line.

- a. Please provide further information on the need and prudence for this project.
- b. Please provide an estimated timeline and in-service date for the development of the 27.6kV Station in Big Bay Point.

### **2.0-Staff-15 – Utility Relocates**

Ref: Exhibit 2/Tab 3/Schedule 1, p. 19 (p.21)

IHDSL shows a capital expenditure of 68,074 for utility relocates.

- a. Please provide a table showing the actual relocates each year for the last four years.

### **2.0-Staff-16 – Base**

Ref: Exhibit 2/Tab 3/Schedule 1, p. 17 and Exhibit 2/Tab 3/Schedule 1, p. 19 (p.21)

IHDSL included \$583,370 for the 2012 bridge year, which is an approx. 43% increase over the 2011 rate year and \$615,376 for the 2013 test year, which is an approx. 50% increase over the 2011 rate year.

- a. Please provide a more detailed explanation and list the type of expenses that are included in this category.
- b. Provide the actual spending in the 2011 and 2012 rate years.
- c. Please provide an explanation for the increases in the 2012 bridge and the 2013 test year.

## **GREEN ENERGY PLAN**

### **2.0-Staff-17 – Feeder Capacities to Connect Generation**

Ref: Exhibit 2/Appendix C – Green Energy Plan, p. 10-12

The reference states the following: “We have a design threshold to limit connected DG power to 50% of our calculated average minimum load of each feeder, which is determined to be 15% of the average maximum load on the respective feeder.”

The Table on page 8 provides the connected or pending Distributed Generators (DG) on each feeder and the remaining capacities. The Table on page 9 shows the available DG capacity

- a. Please indicate the source and provide the rationale for limiting the DG to 50% of the calculated average minimum load of each feeder.
- b. Does the above-noted limit apply to the load and DG on the portion of the feeder that is within the IHDSL system or does it consider the entire feeder including the Hydro One portion? Please explain.
- c. Please provide a Table similar to that on page 8 but with the Connected or Pending DG capacity broken down into Connected DG and Pending DG.
- d. Are the Max DG Capacity and Remaining Capacity shown on the Table on page 8 based on preliminary assessments by IHDSL and Hydro One or do these need to be confirmed before new DG is connected? Are these values dependent on any other DG that may be connected on the IHDSL or Hydro One sub-transmission feeders. Please explain.
- e. How does IHDSL plan to address the one feeder where the Connected or Pending DG exceeds the Max DG Capacity and potentially the feeders that are nearing capacity for DG connection?

- f. Are the Available DG Capacity values shown on the Table on page 9 based on preliminary assessments by IHDSL and Hydro One or do these need to be confirmed before new DG is connected? Please explain.
- g. Do the Available DG Capacity values shown on the Table on page 9 represent values for the IHDSL portion of the feeders or are they totals for the feeders including the Hydro One portions. Please explain.

## **2.0-Staff-18 – Challenges Related to IHDSL’s Distribution System**

Ref: Exhibit 2/Appendix C – Green Energy Plan, p. 13

Page 10 of the reference states that “It is very likely that our aging infrastructure would need to be upgraded to accommodate the anticipated DG connection applications.....In the interim as we continue to expand our in-house technical capabilities..... it is imperative that we have the opportunity to employ an additional technician starting in 2013 to adequately support these efforts.”

- a. For the five distribution feeders that have already reached maximum capacity or are nearing their maximum capacity for DG connectivity, please indicate the capacity and timing of the pending DG.
- b. For the five feeders in (a), please indicate the expected infrastructure upgrades that will likely be required to accommodate the expected new DG.
- c. Are there infrastructure upgrades anticipated for the other feeders as well in order to accommodate the expected new DG? Please explain.
- d. Is the proposed additional technician position to start in 2013 a permanent position or temporary? If temporary, please indicate the timeframe that the position will be required.
- e. What is the annual cost of the proposed additional technician position.
- f. Does IHDSL expect that the additional technician is required solely to carry out work associated with implementation of IHDSL’s Green Energy Act Plan? If not please indicate the portion of time to be spent on the Green Energy Plan and the portion for other work.

## **2.0-Staff-19 – Identification of Expenditures**

Ref: Exhibit 2/Appendix C – Green Energy Plan, p. 14-16

Table 8 and Table 9 on page 12 of the reference provide IHDSL’s proposed expenditures in 2012/2013 – 2017 for Substation & Distribution System Upgrade (Table 8) and Investment in Personnel and Enterprise Architecture (Table 9).

- a. Please confirm whether the contents of Table 8 and 9 in the reference pertain to requirements under IHDSL's Green Energy Act Plan. If not all part of the Green Energy Act Plan, please indicate the portions that are and those that are not. Please explain.
- b. Please explain why the costs highlighted in green are in addition to IHDSL's forecast Capital and OM&A budgets and why the others are included in the budgets.
- c. Please explain if and how the values shown in Tables 8 and 9 relate to the GEA Incremental Revenue Requirement Calculation shown in Appendix F, page 1.

## 2.0-Staff-20 – Smart Grid Development

Ref: Exhibit 2/Appendix C – Green Energy Plan, p. 19

In the reference, it is stated that IHDSL “worked on the AMI project which included installation of approximately 15,000 meters; upgraded SCADA system; and is planning to replace its old SCADA system”.

- a. Please provide a Table showing the timing and expenditures for the work described in the reference and summarized above. Are these costs incremental to cost recovered through the GEA funding adder? If so, how does IHDSL plan to recover these costs?

## 2.0-Staff-21 – GEA Funding Justification

Ref: Exhibit 2/Appendix E – GEA Funding Justification

Sections 1., 2., 3., 5., 6., and 8. (part), contain Tables listing year by year 2013-2017 budget expenditures for works that are said to be “funded through the 5 year capital plan”. The expenditures listed in these sections are summarized in the Table below:

Description	\$						Total
	2012	2013	2014	2015	2016	2017	
1. Recloser Automation, Replacement, & Line recloser Maintenance (4 year cycle)		223,300	232,000	248,500	265,900	253,200	<b>1,222,900</b>
2. 44kV SCADA Controlled Load Interrupting Gang Switches		160,100	166,300	178,200	190,600	203,000	<b>898,200</b>



3. 27.6kV SCADA Controlled Load Interrupting Gang Switches		253,200	263,100	281,700	301,500	321,000	<b>1,420,500</b>
5. Fault Current Indicators		38,400	39,900	42,700	45,700	48,700	<b>215,400</b>
6. Smart Grid/Green Energy Engineer		100,000	103,000	106,100	109,270	112,550	<b>530,920</b>
8. New SCADA System - Phase 1	200,000						<b>200,000</b>
<b>TOTAL</b>	<b>200,000</b>	<b>775,000</b>	<b>804,300</b>	<b>857,200</b>	<b>912,970</b>	<b>938,450</b>	<b>4,487,920</b>

- a. Please confirm which of these projects are part of IHDSL GEA plan and are incremental to funding requested under IHDSL's capital budget for the 2013 test year.

## 2.0-Staff-22 – GEA Funding Justification

Ref: Exhibit 2/Appendix E – GEA Funding Justification

Sections 4., 7., 8. (part), 9. and 10. contain Tables listing year by year 2013-2017 budget expenditures for works that are said to require funding. The expenditures listed in these sections are summarized in the Table below:

Description	(\$)					
	2013	2-14	2015	2016	2017	Total
4. Implementation of Automated Sectionalization and Restoration (ASR)	250,000	250,000	250,000	250,000	250,000	<b>1,250,000</b>
7. Support Technician for Smart Grid/Green Energy Projects	75,000	77,250	79,600	82,000	84,460	<b>398,310</b>
8. New SCADA System - Phase 2	250,000					<b>250,000</b>
9. Software Upkeep	10,000	10,300	10,600	10,900	11,500	<b>53,300</b>
10. Radio / WAN6 / Automation Hardware Installation & Commissioning	200,000					<b>200,000</b>

<b>TOTAL</b>	<b>785,000</b>	<b>337,550</b>	<b>340,200</b>	<b>342,900</b>	<b>345,960</b>	<b>2,151,610</b>
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- a. Please elaborate as to why/how each of the works shown in the above Table should be considered under IHDSL's Green Energy plan.
- b. Please provide in-depth justification on a per project basis to why either these projects should be considered for GEA funding.
- c. Please confirm that these costs are incremental to funding requested through IHDSL capital budget. If not, please explain why not.
- d. Please update IHDSL GEA Funding Adder calculation if required.

## 2.0-Staff-23 – GEA Funding Justification

Ref: Exhibit 2/Appendix E – GEA Funding Justification, Exhibit 8/Schedule 3  
pp. 1-4

IHDSL provided the following GEA Funding Adder Calculations:

GEA Incremental Revenue Requirement Calculation						
	2013	2014	2015			
Net Fixed Assets	\$ 710,000	\$ 710,000	\$ 710,000			
OM&A	\$ 75,000	\$ 77,000	\$ 80,000			
WCA	13.0%	13.0%	13.0%			
Rate Base	\$ 719,750	\$ 727,010	\$ 721,400			
Deemed ST Debt	4%	4%	4%			
Deemed LT Debt	56%	56%	56%			
Deemed Equity	40%	40%	40%			
ST Interest	2.08%	2.08%	2.08%			
LT Interest	5.11%	5.11%	5.11%			
ROE	8.01%	8.01%	8.01%			
	\$ 44,256	\$ 46,602	\$ 46,688			
OM&A	\$ 75,000	\$ 77,000	\$ 80,000			
Amortization	\$ 25,278	\$ 23,333	\$ 23,889			
Grossed-up PILs	\$ 2,371	\$ 17,161	\$ 15,689			
Revenue Requirement	\$ 142,163	\$ 129,774	\$ 139,887			
Direct Benefit						
OM&A	\$ 75,000	\$ 77,000	\$ 80,000			
Capital	\$ 67,163	\$ 52,774	\$ 59,887			
Direct Benefit % on capital	0.00%	55.25%	41.00%			
Direct Benefit on capital	\$ -	\$ 29,156	\$ 24,552			
Total Direct Benefit	\$ 75,000	\$ 106,156	\$ 104,552			
Total # of Customers (Residential, GS<50)	15,165	15,165	15,165			
GEA Rate Adder	\$ 0.4121	\$ 0.5833	\$ 0.5745			3 year average \$ 0.5233
Provincial Rate Protection	\$ 67,163	\$ 23,619	\$ 35,335			
Monthly Adder Amount Paid by IESO	\$ 5,597	\$ 1,968	\$ 2,945			

Table 6.1

Average Net Fixed Assets	Direct Benefit %	2012	2013	2014
Renewable Connections Capital - Expansions	17%	\$ -	\$ -	\$ -
Renewable Connections Capital - Renewable Enabling Improvements	8%	\$ 123,611	\$ 368,056	\$ 606,944
Feeder Automation Projects	100%	\$ -	\$ 405,000	\$ 360,000
		\$ 123,611	\$ 773,056	\$ 966,944
Direct Benefit		\$ 7,417	\$ 427,083	\$ 396,417
Weighted Average Direct Benefit %		0.00%	55.25%	41.00%

- a. Board staff noted that the excerpt of table 6.1 shows funding for the years 2012-14. Please confirm that the excerpt of table 6.1 should correspond to the 2013-15 timeframe in the first table.
- b. Please provide an itemized list of the direct benefit calculation of \$427,083 and \$396,417. Please reconcile with the total direct benefit calculation of \$75,000 in 2013, \$106,156 in 2014 and \$104,552 in 2015 shown above.
- c. Explain how IHDSL arrived at the weighted average calculation of 55.25% and 41.00% direct benefit.
- d. On page 4 of E8/S3 IHDSL states that it proposes to recover \$285,708 of this amount from its customers as a direct benefit through a fixed monthly funding adder of \$0.5233 per customer. Please reconcile this statement this with the excerpt of table 6.1.

## MIFRS

### 2.0-Staff-24

Ref: Updated evidence filed Oct. 22, 2012, Exhibit 1, Tab 6, Schedule 5,  
Page 6

Please reconcile the IFRS useful lives by UsoA provided in the application to the useful lives of the assets in the Kinetrics Study in which IHDSL has adhered to for 2012 and 2013.

### 2.0-Staff-25

Ref: Exhibit 2/Tab 1/Schedule 2, Page 1

Per the 2012 and 2013 MIFRS schedules IHDSL filed in the rate application:

- a. Please confirm that the amounts in Table 2.1 Summary of Rate Base for 2012 and 2013 are MIFRS balances and not CGAAP balances as indicated by the title of the columns in the table.

- b. If the amounts for 2012 and 2013 are CGAAP balances in Table 2.1, please revise the balances to MIFRS and recalculate rate base accordingly.

## 2.0-Staff-26

Ref: Exhibit 2, Tab 2, Schedule 1, Pages 8, 11; Exhibit 1, Tab 3, Schedule 1, Appendix E, 2011 Financial Statements Updated Evidence: 2013 Balance Sheet

Board Staff summarized the references to PP&E and noted the following discrepancies as listed in Tables 1 and 2 below. For the following differences noted in Tables 1 and 2 below:

- a. Please explain and reconcile the differences.
- b. Please revise the applicable schedules and appendices, such as Fixed Asset schedules, rate base calculation, depreciation schedules and amount recorded in PP&E deferral Account 1575, Revenue Requirement Workform etc., as appropriate.

Table 1:

Differences in balances between the 2011 ending balance on the financial statements and 2011 ending balance in Appendix 2-B

Reference	Exhibit 1, Tab 3, Schedule 1, Appendix E, 2011 Financial Statements, Note 5, 6	Exhibit 2, Tab 2, Schedule 1, Page 8	
	<b>2011 Financial Statements</b>	<b>Appendix 2-B, 2011 CGAAP Ending Balance</b>	<b>Difference</b>
Net Book Value	24,330,475	24,219,855	110,620

Table 2:

Differences in 2013 IFRS net book value between Appendix 2-B and pro-forma balance sheet.

	Exhibit 2, Tab 2, Schedule 1, Page 11	Updated Evidence: 2013 Balance Sheet	
	<b>Appendix 2-B</b>	<b>Pro-forma*</b>	<b>Difference</b>
2013 IFRS Ending Net book Value	37,742,555	37,709,343	33,212

\*This is the sum of Distribution Plant, General Plant, Other Capital Assets

and Accumulated Amortization

## 2.0-Staff-27

Ref: Exhibit 2, Tab 2, Schedule 1, Pages 9, 10 and Exhibit 2, Tab 2,  
Schedule 4, pages 3, 4

The following differences were noted in the additions for Account 1908 Buildings and Furniture.

	2012	2013
2012 CGAAP, 2012 MIFRS, 2013 MIFRS Fixed Asset Continuity Schedule 2012 CGAAP Depreciation Schedule	2,025,000	5,127,500
2012 MIFRS and 2013 MIFRS Depreciation Schedule	25,000	7,127,500
Difference	2,000,000	- 2,000,000

- a. Please explain and reconcile the difference in additions in the schedules listed in the table above.
- b. Please revise the applicable schedules and appendices, such as Fixed Asset schedules, rate base calculation, depreciation schedules and amount recorded in PP&E deferral Account 1575, Revenue Requirement Workform etc., as appropriate.

## 2.0-Staff-28 PP&E Deferral Account

Ref: Filing Requirements For Electricity Transmission and Distribution Applications, EB-2006-0170, June 28, 2012, Pages 53-54  
Appendix 2-EB - IFRS-CGAAP Transitional PP&E Amounts, 2013 Adopters of IFRS for Financial Reporting Purposes  
Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012, page 15  
Updated evidence filed Oct. 22, 2012, Exhibit 1, Tab 6, Schedule 5, Page 4  
Exhibit 2, Tab 2, Schedule 4, Page 4  
Revenue Requirement Workform

The Filing Requirements For Electricity Transmission and Distribution Applications, EB-2006-0170, June 28, 2012, states:

Account 1575 – IFRS-CGAAP Transitional PP&E Amounts  
The applicant must propose a disposition period to “clear” the PP&E deferral account through a one-time adjustment to rate base to capture

and remove the impact of the accounting policy changes as caused by the transition from CGAAP to MIFRS.

Appendix 2-EA or 2-EB states:

Consistent with the 4 year normal rate cycle, the model is using a 4 year amortization period as a default selection to "clear" the PP&E deferral account through a one-time adjustment to rate base to capture and remove the impact of the accounting policy changes as caused by the transition from CGAAP to MIFRS.

The Report of the Board – Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, October 18, 2012, states:

The Board has determined that the term for 4th Generation IR will be five years (rebasing plus 4 years).

- a. The Board may consider a five-year disposition period to "clear" the PP&E deferral account. Please update and file with the Board Appendix 2-EB, Appendix 2-CH (Depreciation and Amortization Expense), Revenue Requirement Work Form, and any other applicable evidence to reflect a five-year disposition period for the clearance of the PP&E deferral account. Please outline the Applicant's approach and its reasons if the Applicant disagrees with a five-year disposition period.

## **2.0-Staff-29 – Depreciation**

Ref: Revenue Requirement Workform; Exhibit 2, Tab 2, Schedule 1, Page 11  
Updated evidence filed Oct. 22, 2012, Exhibit 1, Tab 6, Schedule 5, Page 4  
Exhibit 2, Tab 2, Schedule 4, Page 4

The following were noted with regards to depreciation:

- a. The amount of depreciation included in the Revenue Requirement Workform is \$1,451,988. The depreciation per the 2013 MIFRS Fixed Asset Continuity Schedule is \$1,611,954. The depreciation per the 2013 Depreciation schedule is \$1,142,890. Please explain and reconcile the difference in depreciation.
- b. Per Appendix 2-EB, the disposition period was 4 years. Annual amortization is (\$159,966). However, the adjustment to depreciation included in the Depreciation schedule is (\$639,864), the total depreciation for the 4 year period. In relation to Board Staff IR 2.0-Staff-28, please revise Depreciation schedule to reflect an annual amortization adjustment based on a 5 year period.

## Exhibit 3 – Load Forecast and Operating Revenues

### 3.0-Staff-30

Ref: Exhibit 3/Tab 2/Schedule 1/pages 6-7 – Load Forecasting

IHDSL documents that it has used a multivariate regression model to estimate purchased system kWh based on the following exogenous variables:

- Constant
  - Heating Degree Days (“HDD”) as measured at Pearson International Airport
  - Cooling Degree Days (“CDD”) as measured at Pearson International Airport
  - Number of Days in the Month;
  - Spring/Fall Binary Flag; and
  - Number of customers in the three main customer classes (Residential, GS < 50 kW, and GS > 50 kW).
- a) What is the basis for selecting Pearson International Airport as the source for HDD and CDD for meteorological data typical of IHDSL’s service territory? Were other locations considered? If so, which ones, and why were these rejected?
  - b) What other variables were tried to account for market size or for economic activity in IHDSL’s service territory? If other variables were tried, what were the results and why were they omitted from the preferred model?
  - c) Did IHDSL try any variables to account for CDM impacts in the regression period?
    - i. If yes, please identify the variable(s) tried, the data and data source, the results, and why such variables were omitted from the proposed model.
    - ii. If no CDM variables were tried, please explain why not.

### 3.0-Staff-31

Ref: Exhibit 3/Tab 2/Schedule 1/page 5/Table 3-4 – Load Forecasting

In Table 3-4, IHDSL documents the average consumption per customer by class and over time.

- a) For each class, what was the average annual consumption per customer based on 2012 actuals?

- b) What is the rationale for the decline in average annual consumption per customer for Residential customers of 3.0% for the 2012 bridge year and 2.2% for the 2013 test year?
- c) What is the explanation for the decline in average annual consumption per street lighting connection of 9.2% in 2011, and further forecasted declines of 1.2% per annum for the 2012 bridge and 2013 test years?
- d) What is the explanation for the decline in average annual consumption per sentinel lighting connection of 15.6% in 2011, and further forecasted declines of 5.4% for the 2012 bridge year and 5.3% for the 2013 test year?
- e) What is the explanation for the forecasted increases in average annual consumption per Unmetered Scattered Load connection of 12.4% for the 2012 bridge year and 12.3% for the 2013 test year?

**3.0-Staff-32**

Ref: Exhibit 3/Tab 2/Schedule 1/page 19 – Load Forecasting

- a) Please provide a graph similar to that shown on page 19 of this exhibit but with the monthly actual and forecasted values for the regression period from January 2002 to December 2011.
- b) Please provide the Mean Absolute Percentage Error over the period January 2002 to December 2011 of the residuals based on the monthly data results.

**3.0-Staff-33**

Ref: Exhibit 3/Tab 2/Schedule 1/page 15/Table 3-15 – Load Forecasting and CDM Adjustment

In Table 3-15, IHDSL provides the data for the adjustment of “gross” to “net” CDM impacts for the adjustment of the load forecast for 2012 and 2013 CDM impacts. This is replicated below:



	OPA 2006- 2010 Final CDM Results (Gross)	OPA 2006- 2010 Final CDM Results (Net)	# Difference	% Difference of Net
2006	1,644,593	1,472,589	172,004	11.7%
2007	4,964,101	2,455,329	2,508,772	102.2%
2008	5,013,598	3,143,863	1,869,735	59.5%
2009	7,236,399	4,589,194	2,647,205	57.7%
2010	6,830,132	4,029,540	2,800,593	69.5%
2011	6,668,005	3,859,190	2,808,815	72.8%
2012	6,394,406	3,742,776	2,651,631	70.8%
2013	6,307,311	3,698,822	2,608,489	70.5%
Total	45,058,546	26,991,303	18,067,243	66.9%

- a) Please update Table 3-15 to reflect the final 2011 CDM results as issued by the OPA in the fall of 2012.
- b) IHDSL has estimated a “net-to-gross” conversion factor of 66.9%, which is based the overall difference of “net” to “gross” results over the total period from 2006 to 2011, and including the estimated persistence of 2006 to 2011 CDM programs on 2012 and 2013 demand.
  - i. Why should the estimated results for 2012 and 2013, which are forecasts, be taken into account in calculating the conversion factor?
  - ii. In the alternative, if reliance should be placed on these as being the OPA’s final estimates of the persistence of CDM programs up to 2011 on 2013 consumption in IHDSL’s service territory, then why should not the 2013 data, with a factor of 70.5%, be the suitable measure for the 2013 test year load forecast.

### 3.0-Staff-34

Ref: Exhibit 3/Tab 2/Schedule 1/page 16/Table 3-16 – Load Forecasting and CDM Adjustment

On page 16 and in Table 3-16. IHDSL documents its methodology for estimating the manual adjustment to account for 2012 and 2013 CDM programs on the 2013 load forecast. Board staff understands IHDSL’s methodology as follows:

- Assuming that 2011 CDM programs achieved 6.4% of IHDSL’s target of 9,200,000 kWh based on the OPA results, IHDSL would need to achieve a further 12.4% of the target in each of 2012, 2013, and 2014 to achieve 100% of the target on a cumulative basis over the four years.
- 12.4% of 9,200,000 kWh equates to 1,138,364 kWh.
- Thus, in addition to 2011 CDM results which are reflected in the 2011 actuals and hence would influence the load forecast before the CDM

adjustment, the adjustment for 2012 and 2013 CDM programs should be  
 $1,138,364 \text{ kWh} \times 2 \text{ years} \times 1.667 \text{ net-to-gross conversion factor} =$   
 $3,800,708 \text{ kWh}.$

Board staff understands that the results as reported by the OPA are “annualized” (i.e. assume that all CDM programs, including the current year’s program, are in effect for the full year, from January 1 to December 31). While the full year effect for persistence of prior year CDM programs would be in place for the full year, CDM programs implemented in a given year would not have the full impact in the first year, due to timing.

The measured “full year” results, as measured by the OPA, will be used for the basis of the LRAMVA amount. However, the “full year” results in the first year of a CDM program, will overstate the actual results unless the program was implemented on January 1 of that year.

In the absence of any other information, a “half-year” rule (i.e. assuming that half of the incremental impact of programs introduced in a year is actually realized in the calendar year of introduction) may be a proxy for the actual impact, ignoring all other factors (i.e. seasonality).

- a) Please provide IHDSL’s understanding of the results as published by the OPA (i.e. are the full year or do they only reflect the period that a CDM program is in place in its first year).
- b) If a “half-year” rule is used to account for the fact that 2013 CDM programs will not have a full year impact on 2013 actual consumption, please provide IHDSL’s perspective that the adjustment for the 2012 and 2013 CDM programs on 2013 demand would be estimated as  $1,138,364 \text{ kWh} \times 1.5$  (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013)  $\times 1.667 = 2,847,979 \text{ kWh}.$  (Alternatively, the net-to-gross conversion factor, as discussed in the preceding interrogatory, could be used).
- c) While the above is to adjust the load forecast which is on an “actual” year basis, the LRAMVA is based on the measured OPA results reported on a full year basis. Please confirm that the LRAMVA threshold would continue to be based on the “full year” CDM results of 592,454 kWh (i.e. persistence of 2011 CDM)  $+ 1,138,364 \times 2$  (i.e. persistence of 2012 and impact of 2013 CDM) results, for a total of 2,689,182 kWh, as documented further on page 17 of this exhibit. In the alternative, please explain IHDSL’s proposal for the kWh used to derive the threshold for the LRAMVA for 2013.

### 3.0-Staff-35

Ref: Exhibit 3/Tab 2/Schedule 1, p.3, table 3-2 and Exhibit 1/Tab 1,  
Appendix H – Asset Management Plan, Exhibit 2/Tab1/Schedule1, p.

1

In the Asset Management Plan – E1/T1, Appendix H IHDS describes the projected population growth for Innisfil, including a projection of 1,600 units as well as commercial load due to the Big Bay Point development. Please explain how this population and load growth has been reflected in IHDSL's load and customer forecast. If it has not been reflected, please explain why.

## **Other Revenues**

### **3.0-Staff-36 – PP&E adjustment in other revenues**

Ref: Exhibit 3, Tab 3, Schedule 3, Pages 1, 3 and APH FAQ July 2012, Question 18

IHDSL recorded a reduction to Other Revenue in 2012 in Account 4305 Regulatory Debit for \$639,864 due to the "one-time adjustment for excess depreciation done in 2012". Per the APH FAQ July 2012 Question 18,

For the years following the changeover date...the recording of the offsetting entry to Account 1575 would be recorded in regulatory income statement Account 4305, Regulatory Debit or Account 4310, Regulatory Credit..

IHDSL's changeover date is January 1, 2013. There are no "years following the changeover date" before the current cost of service MIFRS rate application.

- a. Please explain why IHDSL is not following the APH FAQ July 2012 and recorded an amount in Account 4305.
- b. Please remove the amount of \$639,864 from Account 4305 and revise the application as appropriate.

### **3.0-Staff-37**

Ref: Exhibit 3/Tab3/Schedule 3, p. 1, table 3.3.9

Please provide 2012 actual other revenues in the detail shown in table 3.3.9.

### **3.0-Staff-39 – Non-utility income/expenses**

Ref: Exhibit 3/Tab3/Schedule 3, p. 1-3 and Exhibit 1/Tab1/Appendix H, p. 10

- a. Please provide the service agreements for all non-utility services provided by IHDSL.
- b. Please provide a detailed cost allocation methodology underpinning charges to the Town of Innisfil, i.e. water and waste water billing.
- c. Please provide a breakdown of utility versus non-utility costs based on IHDSL's cost allocation methodology.

## **Exhibit 4 – Operating Costs**

### **Compensation – FTE**

#### **4.0-Staff-40 – FTE's**

Ref: Exhibit 4/Tab1/Schedule 1, pp. 5-9 and Exhibit 1/Tab1/Appendix H, p. 10

Please reconcile the Human Resources Five Year Plan in Appendix H, p. 10-11 with the Justification/Drivers provided for the 4.5 FTE's in Exhibit 4/Tab1/Schedule 1, pages 5-9.

#### **4.0-Staff-41 – FTEs**

Ref: Exhibit 4/Tab1/Schedule 1, p. 2

IHDSL stated that one of the cost drivers for a 17.9% increase in OM&A in the 2013 test year over the 2012 bridge year is the requirement of 4.5 FTE's in 2013.

- a. Please state if any of these positions were filled in 2012. If so, please provide the date of hire.
- b. Please provide the expected hiring date for the remaining positions.

#### **4.0-Staff-42 – Procurement and Inventory Officer**

Ref: Exhibit 4/Tab 1/Schedule 1, p. 7 and Exhibit 1/Tab 1/Appendix H, p. 10

On page 10 of E1/T1/Appendix H, IHDSL noted that the position of Purchaser/Stock Keeper "is required for back-up to the one incumbent and for custodianship of the new building".

- a. Please provide further explanation as to the above statement.

- b. Please provide a time allocation for the various responsibilities, in particular as it relates to the custodianship for the new building.
- c. Please explain why this position needs to be filled in 2013 given that the new office building will not be in service until the end of December 2013.

#### **4.0-Staff-43 – Maintenance cost for Office building**

Ref: Exhibit 4/Tab 2/Schedule 2 pp. 1-3

Please detail which maintenance cost relate to the old office building and which cost relate to the new building. Please state which, if any costs have been offset to account for the move to the new headquarters in December of 2013.

#### **4.0-Staff-44 Pensions and OPEBs**

Ref: Exhibit 4/Tab2/Schedule 4, pp. 1-2

- a) Please provide details of employee benefit programs, including pensions and other costs charged to OM&A for the last Board-approved rebasing application, Historical, Bridge and Test Years.

#### **4.0-Staff-45 – Regulatory Costs**

Ref: Exhibit 4/Tab 1/Schedule 1, p. 11

On page 11, table 4.5 IHDSL shows that in the \$115,000 of total regulatory costs it has included \$16,000 for expert witness costs for regulatory matters. Please provide further detail as to the nature of these costs and the serviced received.

#### **4.0-Staff-46 – Operating Expenses**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 1, table 4.6 – 4.10

Please provide the actual operating expenses for the 2012 test year in the same detail as found in table 4.6

#### **4.0-Staff-47 – 5065 Meter Expense**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 1, table 4.6

IHDSL is showing an increase in meter expenses of 65% in 2013 over 2012 and 338% in 2013 over 2011 actual. Please provide further explanation for this increase given the completion of IHDSL's smart meter initiative.

**4.0-Staff-48 – 5085 Miscellaneous Distribution Expenses**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 1, table 4.6

IHDSL is showing a 30% increase in Miscellaneous Distribution Expenses in the 2013 test year over 2011 Actual. Please provide a breakdown of these expenses and explain the increase in more detail.

**4.0-Staff-49 – 5120 Maintenance of Poles, Towers and Fixtures**

Ref: Exhibit 4/Tab 1/Schedule 2, p. 2, table 4.7, Exhibit 4/Tab 2/Schedule 3, p. 6 and Exhibit 1/Tab 1/Appendix H, p. 46-49 – Asset Management Plan

IHDSL is showing the following maintenance expense for Poles, Towers and Fixtures:

2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year	2013 Test Year
\$32,833	\$2,423	\$1,671	\$5,550	\$19,340

- a. Please provide the 2009 Board-approved amount for maintenance in this category.
- b. Please confirm the amount shown above are actual spending on poles, towers and fixtures maintenance.
- c. On page 48 of the Asset Management Plan, and E4/T2/S3, p. 6 IHDSL stated that a maintenance program has not been budgeted before in the past, however with an Annual Pole Maintenance Program, IHDSL would be able to address the issues raised by our contractor and remediate potential hazards to the public and staff. The annual maintenance cost of \$13,440 has been included in account 5120 in the 2013 budget.
  - i. Please reconcile the amounts shown in E4/T1/S2, table 4.7 and the amounts provided in the Asset Management Plan and E4/T2/S3 page 6.
  - ii. Please elaborate on the conditions of poles if IHDSL had applied a consistent maintenance program since its last rebasing application.

- iii. Please provide an explanation as to why this maintenance was not provided.

#### **4.0-Staff-50 – 5125 Maintenance of Overhead Conductors and Devices**

Ref: Exhibit 4/Tab 1/Schedule 2, p. 2, table 4.7

IHDSL is showing an increase of 111.5% in the 2013 test year over 2011 Actuals in account 5125. Please explain.

#### **4.0-Staff-51 – Office Supplies and Expenses**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 3

IHDSL is showing a 23% increase in the 2013 test year over 2011 Actuals in account 5620 Office Supplies and Expenses. Please provide an explanation for this increase.

#### **4.0-Staff-52 – 5630 Outside Services Employed**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 3, table 4.10

IHDSL is showing a 46% increase in account 5630 Outside Services. Please provide an explanation for this increase.

#### **4.0-Staff-53 – 6205 Donations/Sub-account LEAP**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 3, table 4.10 and Exhibit 4/Tab 1/Schedule 1, p. 12

On page 12 of E4/T1/S1 IHDSL states that it has included LEAP funding in the amount of \$11,304. Table 4.10 does not show any entry for LEAP under account 6205. Please explain.

#### **4.0-Staff-54 – 6205 Donations/Sub-account LEAP**

Ref: Exhibit 4/Tab 2/Schedule 2, p. 3, table 4.10 and Exhibit 4/Tab 1/Schedule 1, p. 12

On page 12 of E4/T1/S1 IHDSL states that it has not included any charitable donations. Table 4.10 shows an entry of \$1,000 under account 6205, Donations. Please explain.

## Exhibit 5 – Cost of Capital

### 5.0-Staff-55 – Long-term debt

Ref: Exhibit 5/Tab 1/Schedule 2, pp. 2-5

Please confirm that IHDSL included its \$8M demand loan at a rate of 5% in its calculation of the long-term debt rate. Please provide the basis for this rate and confirm the date as January 1, 2013.

## Exhibit 7 – Cost Allocation

### 7.0-Staff-56 – Weighting Factors

Ref: Exhibit 7/Schedule 1/pp. 2-3

IHDSL has provided the following utility-specific weighting factors:

#### Services (Account 1855)

Rate Class	Services Weighting Factor
Residential	1
General Service < 50kW	1.5
General Service ≥ 50 kW	2
Street Light	0
Sentinel Light	0
Unmetered Scattered Load	0

- a. Please provide further explanation why IHDSL has applied a 0 weighting factor service for Street Light, Sentinel Light and USL customer classes.

### 7.0-Staff-57 – Weighting Factors

Ref: Exhibit 7/Schedule 1/pp. 2-3

#### Billing and Collection (Accounts 5315 – 5340, except 5335)

Rate Class	Billing Weighting Factor
Residential	1
General Service < 50kW	.10
General Service ≥ 50 kW	.06
Street Light (per connection)	0
Sentinel Light	0.01
Unmetered Scattered Load	0



- b. Please explain the 0 billing weighting factor for the Street and USL customer classes.
- c. Please provide further explanation for the weighting factors assigned to the GS<50kW and GS>50kW customer classes.
- d. Please explain why billing for Street Lights customer classes is per connection rather than per customer.

## **Exhibit 8 – Rate Design**

### **8.0-Staff-58 – GEA Funding Adder**

Ref: Exhibit 8/Tab 8/Schedule 3, p. 1

IHDSL proposed an average rate adder of \$0.5233 per customer per month over three years. Please explain why IHDSL requested average GEA rate adder, given that the required funding adder year over year was calculated as part of the GEA Incremental Revenue Requirement Calculation.

## **Exhibit 9 – Deferral and Variance Accounts**

### **9.0-Staff-59**

Ref: Exhibit 9, Tab 2, Schedule 1, Page 6 and Exhibit 9, Tab 2, Schedule 1, Page 1

IHDSL is seeking the disposition of a debit balance of Account 1508 for \$308,464 as at December 31, 2011.

- a. Please indicate if any One Time Incremental IFRS Transition Costs recorded in Account 1508 have been included in the 2013 OM&A.
- b. If yes, please remove the costs from OM&A.

### **9.0-Staff-60**

Ref: Exhibit 9, Tab 2, Schedule 1, Page 11  
APH FAQ December 2010, Question 4  
Exhibit 9, Tab 2, Schedule 2, Page 1  
Exhibit 9, Tab 2, Schedule 3, Page 1  
EB-2006-0170 - Filing Requirements For Electricity Transmission and Distribution Applications

IHDSL is requesting disposition of a credit balance for \$43,209 for Account 1592 – Sub-account HST for the balance as at December 31, 2011.

- a. As required in the EB-2006-0170 Filing Requirements, Page 52, please provide detailed schedules, similar to Table 1 and Table 2 of Question 4 of the December 2010 APH-FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the periods of:
  - i. July 1, 2010 to December 31, 2010;
  - ii. January 1, 2011 to December 31, 2011; and
  - iii. January 1, 2012 to December 31, 2012
  - iv. January 1, 2013 to April 30, 2013
- b. If IHDSL has not calculated HST savings from January 1, 2012 to April 30, 2013, please calculate the amount using the APH FAQ December 2010 guidelines and request to clear the amount in the current application as well
- c. Since the calculation of the HST savings in Question 4 of the December 2010 APH-FAQs for OM&A costs and capital expenditures is based on a proxy using 2009 spending, has IHDSL experienced actual spending which were materially different for the above-noted periods in part a)? If so, please explain the basis for the differences and provide detailed schedules for the HST savings for each period.
- d. IHDSL indicated “IHDSL requests the Board to allow account 1592 to remain open, pending Board approval to discontinue tracking costs, and until such time as IHDSL files its 2014 IRM rate application at which time IHDSL will apply to the Board for an order to clear any audited debit or credit balance remaining in account 1592 Sub-account HST”.

Page 52 of EB-2006-0170 Filing Requirements indicate that “No more amounts should be recorded in Account 1592...for the Test Year and going forward, as the impact of the HST and associated ITS on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement.

- i) Please explain why IHDSL is requesting to deviate from the Filing Requirements and have Account 1592 to remain open.
- e. Per Tables 9.4, and 9.5, Account 1592 was not included in the “Total Claim” column requested for disposition. Please confirm that IHDSL is requesting the disposition of a credit balance of \$43,209 in this rate application and update the tables accordingly.

**9.0-Staff-61**

Ref: Exhibit 9, Tab 2, Schedule 1, Page 9

IHDSL is requesting dispositions of a debit balance for \$85,638 in Account 1548 – Retail Settlement Variance Account – Service Transaction Request.

- a. Please identify the drivers for the balances in Account 1548.
- b. Please provide a schedule identifying all revenues and expenses, listed by Uniform System of Account (USoA) number, that were used to calculate the variances recorded in Account 1548.
- c. Please confirm whether or not the applicant has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1548.
- d. Please confirm that the all costs incorporated into the variances reported in Account 1548 are incremental costs of providing retail services and not included in the revenue requirement.

**9.0-Staff-62**

Ref: Exhibit 9, Tab 2, Schedule 1, Page 10

IHDSL is requesting the disposition of a debit balance for \$83,141 for Account 1582 – Retail Settlement Variance Account – One-time Wholesale Market Service.

- a. Please provide further details explaining the nature of the transactions recorded in this account.
- b. Please indicate the charge type on the IESO invoice that is mapped to this account.

**9.0-Staff-63**

Ref: Exhibit 9, Tab 2, Schedule 1, Page 10

2013 EDDVAR Deferral and Variance Account Continuity Schedule

IHDSL is requesting the disposition of a credit balance for \$98,782 in Account 2425 Other Deferred Credits.

- a. Please provide further details explaining the nature of the transactions recorded in this account.
- b. Board Staff notes that in the RRR 2.1.7 IHDSL filed with the Board, Account 2425 shows a credit balance of \$37,368. In the Deferral and Variance Account Continuity Schedule in the rate application, the RRR 2.1.7 column showed a balance of \$96,899 for Account 2425.
  - i. Please explain and reconcile the \$59,531 difference between the RRR amounts on the continuity schedule and the amount reported to the Board.
  - ii. Please revise the amount requested for disposition as appropriate.

#### **9.0-Staff-64 – PILS**

Ref: Income Tax/PILS Workform for 2013 Filers  
Exhibit 4, Tab 4, Appendix B 2011 Federal & Ontario Tax Returns, Page 84  
EB-2006-0170 - Filing Requirements For Electricity Transmission and Distribution Applications

In IHDSL's Income Tax/PILS Workform for 2013 Filers, the calculation of Taxable Income for the Test Year includes an addition and a deduction of \$81,910 for reserves from financial statements. As per IHDSL's 2011 tax return, this amount relates to the reversal of settlement variance.

Pages 33 and 34 of the *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, June 28, 2012, state the following:

Regulatory assets (and regulatory liabilities) should generally be excluded from PILs calculations both when they were created, and when they were collected, regardless of the actual tax treatment accorded those amounts.

- a. The \$81,910 addition and deduction to the 2013 taxable income represents regulatory assets and regulatory liabilities. Regulatory assets and regulatory liabilities should be excluded from PILs calculations. Please update the PILs evidence and other related evidence to exclude this amount from all calculations of regulatory taxable income and all PILs calculations
- b. Please provide the Notice of Assessment for the 2011 tax year, if available.

### 9.0-Staff-65

Ref: Exhibit 9/Tab3/Schedule 1, pp. 1-3; EB-2011-0435 Decision and Order, May 17, 2012

In proceeding EB-2011-0435 upon completion of its Smart Meter initiative, IHDSL proposed a net book value of \$334,627.68 as of December 31, 2012. This value was accepted by the Board in its Decision and Order issued on May 17, 2012.

On page 1 of E9/T3/S1, IHDSL states that as of December 31, 2012 the NBV of the stranded meters for IHDSL is \$359,195. On page 3 of E9/T3/S1, table 9.11 IHDSL shows total net book value of \$359,195 which is inclusive of 2013 depreciation of \$14,177.

- a. Please explain the increased net book value and confirm the actual total net book value as of December 31, 2012.
- b. On page 2 IHDSL notes that the pooled residual net book value of the stranded meters as of April 2012 is forecasted to be \$359,195. Please confirm that this should read April 2013. Please explain why IHDSL has included 2013 depreciation expenses, given that stranded meters should be removed from gross book value and accumulated depreciation as of December 31, 2012.
- c. Please update the evidence as necessary.

### 9.0-Staff-66 – Stranded Meters

Ref: Exhibit 9/Tab 3/Schedule 1, p. 3 – Stranded Meter Allocation

IHDSL has proposed a SMRR of \$0.83 per month for Residential and \$3.53 GS< 50 kW customers applicable for two year. In *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* (“Guideline G-2011-0001”), issued December 15, 2011, the Board states its expectation that proposals for the SMRR would reflect an allocation of the stranded meter costs reflecting the net book value of the conventional meters stranded by replacement by smart meters. In Section 3.7, page 22, of Guideline G-2011-0001, the Board states:

The distributor should determine and support its proposed allocation, based on the principles of cost causality and practicality. The stranded meter NBV should be recovered through rate riders for applicable customer classes. A distributor must outline the manner in which it intends to allocate the stranded meter costs to the applicable customer rate classes and the rationale for the selected

approach. If a distributor has recorded the NBV of the stranded meters by customer class, it should propose class-specific rate riders for each applicable class (Residential, GS < 50 kW and any other classes approved by the Board for smart meter deployment). If the NBV is not known on a class-specific basis, a distributor should propose an allocation between the affected metered customer classes and support its proposal.

- a) Please describe the allocation methodology used by IHDSL.
- b) Please provide a copy of Sheet I7.1 from IHDSL's 2008/9 Cost Allocation Informational Filing.