



West Coast Huron Energy Inc
57 West Street
Goderich, ON
N7A 2K5

July 19, 2013

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Response to Board Staff Supplementary PIL's IR's EB-2012-0175

Dear Ms. Walli:

West Coast Huron Energy Inc. hereby files its response to Board Staff Supplementary PIL's IR's:
9 Staff 68s, 9 Staff 69s, and 9 Staff 70s.

This document is being filed pursuant to the Board's e-Filing Services.

Yours Truly,

West Coast Huron Energy Inc.

9 Staff 68s Account 1562 PILs

Reference: 9 VECC 42 Appendix 21

Appendix 21 shows that the evidence is for Erie Thames. Please explain the purpose of filing this evidence.

WCHE Response:

WCHE would suggest these files were included in error.

9 Staff 69s Account 1562 PILs

Reference: Letter of the Board, September 13, 2011 re: Disposition of Account 1562 deferred PILs

The Board, in its letter of September 13, 2011 established that the evidence required for a stand-alone PILs 1562 application consists of:

- Rate models from 2002, 2004 and 2005 applications.
- Board decisions and rate orders for 2002, 2004 and 2005 and any others that may have been issued during this period.
- PILs proxy models from the 2002 (for 2001 & 2002) and 2005 applications.
- Federal T2 and Ontario CT23 tax returns with supporting schedules for the 2001 through 2005 tax years.
- Notices of assessments, reassessments and statements of adjustments.
- Audited financial statements for 2001-2005 that were sent with the tax returns or were used in the preparation of the tax returns.
- SIMPIL models for 2001 through 2005 tax years that compare the PILs proxy data supporting the Board's 2002, 2004 and 2005 decisions with the data from the tax returns filed with the tax authorities.

Please file the missing evidence.

WCHE Response:

In response to 9 Staff 70s h) WCHE has accepted that the PILs proxy is zero for 2001, 2002, 2003 and the period up to April 1, 2004, and \$18,000 for the remainder of 2004. Therefore WCHE should only be required to file the following detail:

- Rate models from 2005 applications.
- Board decisions and rate orders for 2005 and any others that may have been issued during this period.
- PILs proxy models from the 2005 applications.
- Federal T2 and Ontario CT23 tax returns with supporting schedules for the 2004 through 2005 tax years.
- Notices of assessments, reassessments and statements of adjustments for the 2004 through 2005 tax years.
- Audited financial statements for 2004-2005 that were sent with the tax returns or were used in the preparation of the tax returns.
- SIMPIL models for 2005 tax years that compare the PILs proxy data supporting the Board's 2005 decisions with the data from the tax returns filed with the tax authorities.



File Number: EB-2012-0175

Tab: 1

Schedule: 2

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1 With this response WCHE hereby file the following missing evidence:

2 RP-2004-0111,EB-2004-0097_WCH_final2004RAM_rate schedule.xls

3 RP-2005-0013,EB-2005-0092_WCH_final2005RAM_rate schedule.xls

4

5 WCHE believes that it has filed all the required evidence and that no other evidence
6 remains outstanding.

7

9 Staff 70s Account 1562 PILs

Reference: 9 VECC 42 Appendix 21

In Appendix 21 for the PILs 1562 continuity workbook, WCHE has used \$197,248 as the 2001 PILs proxy and \$155,069 for 2002, 2003 and 2004 PILs proxies. In the Board's 2002 Decision and Order the Board approved a 2001 PILs proxy of \$16,728 and a 2002 PILs proxy of \$155,069.

- a) Please explain why WCHE did not use the PILs proxy amount stated in the Board's Decision and Order for 2001.

WCHE Response:

Please reference response h) below and accepts that the PILs proxy is zero for 2002, 2003 and the period up to April 1, 2004.

In the Board's 2002 Decision and Order the Board also reduced the claim for interim transition cost recovery from \$195,582 to \$10,533.61.

- b) Please explain why WCHE did not use the approved interim transition cost amount of \$10,533.61 in the 2002 SIMPIL.

WCHE Response:

Please reference response h) below and accepts that the PILs proxy is zero for 2002, 2003 and the period up to April 1, 2004.

On January 14, 2003 the Board issued an order which rescinded its decision and order in RP-2002-0063/EB-2202-0072. The Board advised WCHE that the rates in effect were the rates as set out in Appendix B of the rate order issued in RP-2000-0263/EB-2000-0563. Board staff has filed these decisions and the orders to assist WCHE to reply to the interrogatories.

- c) Please confirm that WCHE complied with this order.

WCHE Response:

WCHE confirms that it did comply with this order.

- d) Please confirm which rates WCHE used to bill its customers for the period from November 16, 2001 through April 1, 2004.

1 **WCHE Response:**

2 **WCHE that the rates that were in effect were the rates as set out in Appendix B of the**
3 **rate order issued in RP-2000-0263/EB-2000-056.**

4 Since the date of rates when PILs were first approved to be collected from customers
5 was April 1, 2004, WCHE did not have the entitlement to bill, nor the ability to collect
6 PILs from its customers.

7 In its compendium, staff has included the following decisions to assist WCHE in
8 answering staff's interrogatories.

- 9 ○ EB-2011-0146 Fort Frances Power Corporation
- 10 ○ EB-2011-0187 North Bay Hydro Distribution Ltd.
- 11 ○ EB-2012-0061 Veridian Connections Inc.
- 12 ○ EB-2012-0197 Thunder Bay Hydro Electricity Distribution
- 13 ○ EB-2012-0196 St. Thomas Energy Inc.

- 14
- 15 e) Is WCHE familiar with the Board's many decisions on the subject of delayed
16 implementation of rates with respect to the recalculation of PILs 1562 balance?

17 **WCHE Response:**

18 **WCHE is familiar with the Board's many decisions on the subject of delayed**
19 **implementation of rates with respect to the recalculation of PILs 1562 balance.**

- 20 f) Does WCHE believe that it should comply with previous decisions of the Board in
21 other proceedings?

22 **WCHE Response:**

23 **WCHE does believe that it should comply with previous decisions of the Board in other**
24 **proceedings.**

- 25 g) If WCHE believes it should not comply with previous decisions of the Board in other
26 proceedings, please provide the regulatory reasons with references supporting
27 WCHE's position.

28 **WCHE Response:**

29 **WCHE does believe it should comply.**

30 The PILs proxy approved by the Board at WCHE's request in its 2004 application was
31 only \$18,000 and this amount was included in rates. In Appendix WCHE has used
32 \$197,248 as the 2001 PILs proxy, \$155,069 for 2002, 2003 and 2004, and \$46,689 as
33 the 2005 PILs proxy.

1 In the rate adjustment model ("RAM") filed by WCHE in 2004 the following note appears
2 on sheet 7.

3 "Enter the 2002 PILs proxy amount as approved by the OEB in 2002 and shown on your
4 2002 RAM model at Sheet 8. \$18,000

5 Due to delays caused by a motion made in 2001 by Sifto Canada Inc., for a rate hearing
6 on the Large User Rates, 2002 RAM Rates although approved in principle, by the OEB,
7 for West Coast to recover 2nd year MARR, transition costs and PILs for 2001 and 2002
8 PILs Proxy, were not approved as a rate freeze was legislated by the Province on Dec.
9 9, 2002. West Coast has paid PILs to Dec. 31, 2002 of \$28,500 but was erroneously
10 identified in 2002 Financials. This will be adjusted in 2003 financials as a Regulatory
11 Asset. PILs Proxy for 2004 is expected to be the same as 2002 actual of \$18,000."

12 h) Does WCHE accept that the PILs proxy is zero for 2002, 2003 and the period up to
13 April 1, 2004, \$18,000 for 2004 and \$46,689 for 2005?

14 **WCHE Response:**

15 **WCHE accepts that the PILs proxy is zero for 2002, 2003 and the period up to April 1,**
16 **2004, \$18,000 for 2004 and \$46,689 for 2005.**

17 i) If WCHE disagrees, please explain the regulatory reasons for WCHE's disagreement
18 and provide the supporting documents and references.

19 **WCHE Response:**

20 **WCHE's has no disagreement.**

21 In the 2005 SIMPIL it shows that WCHE used the minimum income tax rate of 18.62%
22 in its 2005 rate application. However, in the SIMPIL true-up section of sheet TAXCALC
23 WCHE has used 33.28% and 32.16% in different places.

24 WCHE's rate base for that period was \$5,186,158. Rate base is a Board approved
25 proxy for taxable capital. When taxable capital is below \$10,000,000 the taxpayer is
26 eligible to claim the small business deductions.

27 j) Please explain how WCHE calculated the tax rates of 33.28% and 32.16%.

28 **WCHE Response:**

29 **WCHE submits it used the wrong rates in error. WCHE hereby files with this submission**
30 **the corrected 2005 SIMPIL model.**

31 k) Please explain why the minimum income tax rate of 18.62% should not be used.
32 Please provide regulatory references to support WCHE's position.

33 **WCHE Response:**

34 **WCHE agrees the minimum income tax rate of 18.62% should be used**

l) Please refer to the table of minimum tax rates on page 17 of the Decision in the Combined Proceeding and note that the tax rate to calculate the tax impact is different than the tax rate used to gross up the tax impact. The gross-up tax rate is derived by deducting 1.12% from the combined tax rate.

WCHE Response:

WCHE agrees with the above.

In its 2004 application, WCHE requested a PILs recovery of only \$18,000 based its own tax forecast. A PILs proxy model was not used to calculate the PILs amount.

m) Since a PILs proxy model was not used, does WCHE agree that there can be no true-up calculations between the amount included in rates and the tax returns?

WCHE Response:

WCHE would agree that there can be no true-up calculations between the amount included in rates and the tax returns.

In 2005 WCHE had a loss for tax purposes of \$391,776. WCHE carried this loss back and recovered taxes paid in 2004, 2003 and 2002.

n) Does WCHE agree that it paid no income taxes for the period 2001 through 2005?

WCHE Response:

WCHE would agree that it paid no income taxes for the period 2001 through 2005.

Staff has prepared a continuity schedule based on staff's understanding of the prior Board decisions and WCHE's evidence as filed in its applications.

o) Please provide comments on staff's approach.

WCHE Response:

WCHE agrees with Board staffs approach and has reflected that methodology into it final disposition model submitted with this response.

WCH has amended its request for disposition as shown below:

Request for Disposition of 1562 Balance

Principal as of August 31, 2013	-898
Interest as of August 31, 2013	70
Amount Requested for Disposition of 1562 Balance	-828



File Number: EB-2012-0175

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Schedule: 3
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1 Please describe how WCHE has reflected the unbilled revenue accrual as at April 30,
2 2006 in its calculations. Please refer to Issue #6 in the Settlement Agreement of the
3 Combined Proceeding EB-2008-0381.

4 **WCHE Response:**

5 For ease of calculation WCHE has used the 2006 final billing determinants and factored
6 4/12's as the billing determinants up to April 30, 2006. The 2006 final billing determinants
7 would include unbilled revenue amounts in the final total. WCHE would suggest it has
8 therefore reflected the unbilled revenue accrual in the calculation of PILS revenue up April
9 30, 2006.