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BY E-MAIL

October 22, 2013

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

Dear Ms. Walli:

**Re: Hydro 2000 Inc.
2014 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2013-0138**

In accordance with the Notice of Application and Hearing, please find attached Board Staff interrogatories in the above proceeding. Please forward the following to Hydro 2000 Inc. and to all other registered parties to this proceeding.

In addition please advise Hydro 2000 Inc. that responses to interrogatories are due by November 7, 2013.

Yours truly,

Original Signed By

Christiane Wong
Information Administrator – Applications & Regulatory Audit

Encl.

**Hydro 2000 Inc. (“Hydro 2000”)
2014 IRM Rate Application
EB-2013-0138
Board Staff Interrogatories**

1. Ref: Manager’s Summary, Page 4 of 114, Line 22

Page 4 of Line 22 states that “The Applicant requested that this IRM3 Application be disposed of by way of a written hearing”.

- a) Please indicate whether that Hydro 2000’s application is being made under the 4th Generation IR or Annual IR Index rate setting method.

2. Last Cost-of-Service Re-based Year

Ref: RTSR Adjustment Work Form

Ref: Revenue-to-Cost Ratio Work Form

A portion of Sheet “1. Info” from the RTSR Work Form is reproduced below.

| | |
|------------------------|------------------------------------|
| Utility Name | Hydro 2000 Inc. |
| Service Territory | Villages of Alfred and Plantagenet |
| Assigned EB Number | EB-2013-0138 |
| Name and Title | Rene C. Beaulne, Manager |
| Phone Number | 613-679-4093 |
| Email Address | aphydro@hawk.igs.net |
| Date | 20/08/2013 |
| Last COS Re-based Year | 2011 |

A portion of Sheet “1. Info” from the Revenue-to-Cost Ratio Work Form is reproduced below.

| | |
|------------------------|------------------------------------|
| Utility Name | Hydro 2000 Inc. |
| Service Territory Name | Villages of Alfred and Plantagenet |
| Assigned EB Number | EB-2013-0138 |
| Name and Title | RENE BEAULNE MANAGER |
| Phone Number | 613-679-4093 |
| Email Address | APHYDRO@HAWK.IGS.NET |
| Date | 21/08/2013 |
| Last COS Re-based Year | 2011 |

Board staff notes that the “Last COS Re-based” year indicated in two workforms above is 2011 while Board staff believes that Hydro 2000’s last cost-of-service re-basing was in 2012 under proceeding EB-2011-0326¹.

- a. Please state whether or not the input in the above work forms is an error. If so, Board staff will make the relevant corrections. If not, please explain.

¹ <http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/351960/view/>

3. Ref: RTSR Workform, Sheet 4 “RRR Data”
 Ref: Final Tariff Sheets, 2013

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 | 13,740,547 | | 1.0772 | | 14,801,317 | - |
| General Service Less Than 50 kW | kWh | 4,407,443 | | | | 4,407,443 | - |
| General Service 50 to 4,999 kW | kW | 4,462,192 | 11,338 | | 53.94% | 4,462,192 | 11,338 |
| Unmetered Scattered Load | kWh | 18,284 | | | | 18,284 | - |
| Street Lighting | kW | 348,331 | 969 | | 49.27% | 348,331 | 969 |

- a) Please confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by Hydro 2000’s Board-approved loss factor.
- b) Please explain why no loss factors have been entered in the above table for the “General Service <50 kW” and “Unmetered Scattered Load” rate classes. If a loss factor should be entered for these two classes, please state what it should be and Board staff will make the necessary correction.

4. 2014 Revenue-to-Cost Ratio Work Form

Ref: A portion of Sheet 12 of the Manager's Summary is reproduced below.

| Customer Class | 2011 Ratios | Current Ratios | Proposed 2013 Ratios | Board Target Range | 2014 |
|------------------------|--------------------|-----------------------|-----------------------------|---------------------------|-------------|
| Residential | 79.55% | 85.00% | 94.36% | 85%-115% | 95% |
| GS < 50 kW | 189.11% | 160.00% | 120% | 80%-120% | 120% |
| GS > 4999 kW | 192.12% | 180.00% | 120% | 80%-120% | 120% |
| Street Lights | 101.21% | 110.00% | 110% | 70%-120% | 110% |
| USL | 103.11% | 103.00% | 103% | 80%-120% | 103% |

Below is a table Hydro 2000's 2013 IRM Decision and Order dated April 4, 2013 (EB-2012-0133) which identifies the approved 2013 Revenue-to-Cost ratios.

| Rate Class | Current 2012 Ratio | Proposed 2013 Ratio |
|---------------------------------|---------------------------|----------------------------|
| Residential | 0.85 | 0.89 |
| General Service Less Than 50 kW | 1.60 | 1.40 |
| General Service 50 to 4,999 kW | 1.80 | 1.60 |
| Unmetered Scattered Load | 1.10 | 1.10 |
| Street Lighting | 1.03 | 1.03 |

Board staff notes that the 2013 approved revenue-to cost ratio for the Residential rate class is 0.89, for General Service Less than 50 kW is 1.40 and for General Service 50 to 4,999 kW is 1.60 as referenced in the above table. Board staff further notes that in the Manager's Summary, Hydro 2000 depicts a revenue-to-cost ratio of 0.85 for the Residential rate class, 1.60 for the General Service Less than 50 kW rate class and 1.80 for the General Service >4,999 kW under "Current Ratios".

- a) Please explain the discrepancies.
- b) For the table reproduced above from Sheet 12 of the Manager's Summary, please state what the difference is between the columns "Proposed 2013 Rates" and "2014". Please re-submit the table from Sheet 12 of the Manager's Summary with the corrections, where applicable.

2014 IRM Rate Generator

5. Ref: A portion of Sheet 5 "2014 Continuity Schedule" from the Rate Generator Model is reproduced below

| Account Descriptions | Account Number | 2012 | | | | | | | | | | |
|--|----------------|--|--|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|---|-----------------------------|--|
| | | Opening Principal Amounts as of Jan-1-12 | Transactions Debit / (Credit) during 2012 excluding interest and adjustments 2 | Board-Approved Disposition during 2012 | Other 1 Adjustments during Q1 2012 | Other 1 Adjustments during Q2 2012 | Other 1 Adjustments during Q3 2012 | Other 1 Adjustments during Q4 2012 | Closing Principal Balance as of Dec-31-12 | Opening Interest Amounts as of Jan-1-12 | Interest Jan-1 to Dec-31-12 | Board-Approved Disposition during 2012 |
| Group 1 Accounts | | | | | | | | | | | | |
| LV Variance Account | 1550 | (33,442) | 73,010 | (1,093) | | | | | 40,661 | (751) | 41 | |
| RSVA - Wholesale Market Service Charge | 1580 | (53,918) | 40,145 | (1,155) | | | | | (12,618) | (806) | (485) | |
| RSVA - Retail Transmission Network Charge | 1584 | (26,316) | 22,784 | (969) | | | | | (2,663) | (525) | (173) | |
| RSVA - Retail Transmission Connection Charge | 1586 | (20,572) | 17,504 | (710) | | | | | (2,358) | (427) | (158) | |
| RSVA - Power (excluding Global Adjustment) | 1588 | (254,792) | (364,806) | (1,997) | | | | | (617,701) | (5,016) | (6,638) | |
| RSVA - Global Adjustment | 1588 | 248,357 | 342,748 | 1,399 | | | | | 588,706 | 5,340 | 6,533 | |
| Recovery of Regulatory Asset Balances | 1590 | 0 | | | | | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2008) ³ | 1595 | 0 | | | | | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2009) ³ | 1595 | 0 | | | | | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2010) ³ | 1595 | 0 | | | | | | | 0 | 0 | | |
| Disposition and Recovery/Refund of Regulatory Balances (2011) ³ | 1595 | 0 | | | | | | | 0 | 0 | | |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment) | | (140,683) | 131,285 | (4,425) | 0 | 0 | 0 | 0 | (4,973) | (2,185) | (880) | 0 |
| Group 1 Sub-Total (excluding Account 1589 - Global Adjustment) | | (389,040) | (211,463) | (5,824) | 0 | 0 | 0 | 0 | (594,679) | (7,525) | (7,413) | 0 |
| RSVA - Global Adjustment | 1589 | 248,357 | 342,748 | 1,399 | 0 | 0 | 0 | 0 | 588,706 | 5,340 | 6,533 | 0 |
| Deferred Payments in Lieu of Taxes | 1562 | 0 | | | | | | | 0 | 0 | | |
| Total of Group 1 and Account 1562 | | (140,683) | 131,285 | (4,425) | 0 | 0 | 0 | 0 | (4,973) | (2,185) | (880) | 0 |
| Special Purpose Charge Assessment Variance Account ⁴ | 1521 | | | | | | | | 0 | 0 | | |
| LRAM Variance Account ⁵ | 1568 | 0 | | | | | | | 0 | 0 | | |
| Total including Accounts 1562 and 1568 | | (140,683) | 131,285 | (4,425) | 0 | 0 | 0 | 0 | (4,973) | (2,185) | (880) | 0 |

Board staff notes that the Board approved amounts for disposition in Hydro 2000's previous rates proceeding (EB-2011-0326 COS Decision and Order, page 20) were as follows:

Account Balances for Disposition

| Account # | Account Description | Disposition Amount |
|------------|--|--------------------|
| 1521 | Special Purpose Charge Assessment Variance Account | \$998 |
| 1550 | LV Variance Account | (\$45,088) |
| 1562 | Deferred Payments in Lieu of Taxes | (\$26,060) |
| 1580 | RSVA – Wholesale Market Service Charge | (\$41,667) |
| 1584 | RSVA – Retail Transmission Network Charge | (\$28,583) |
| 1586 | RSVA – Retail Transmission Connection Charge | (\$22,567) |
| 1588 – Pwr | RSVA – Power (excluding Global Adjustment) | (\$25,428) |
| 1588 – GA | RSVA – Power – Sub account -Global Adjustment | \$33,659 |
| 1592 – ITC | PILs/Taxes Variance, Sub-account HST/OVAT Input Tax Credit | (\$198) |
| | Total Proposed for Disposition | (\$154,934) |

Board staff has been unable to reconcile the amounts entered in columns "BY" and "CG" in Hydro 2000's continuity schedule to the figures approved for disposition in Hydro 2000's previous rates proceeding (EB-2011-0326).

Board staff believes that the amounts entered in columns "BY" and "CG" should be those in the above table. However, the amounts entered in "BY" do not agree with the amounts in the table and there are no amounts entered in "CG".

a) Please confirm and re-file the Rate Generator models with the figures approved for disposition, noted in the table above.

b) If Hydro 2000 disagrees, please provide an explanation.

6. Ref: A portion of Sheet 5 “2014 Continuity Schedule” from the Rate Generator Model is reproduced below

| Account Descriptions | | Projected Interest on Dec-31-12 Balances | | |
|--|-------------|--|--|---|
| | | Account Number | Projected Interest from Jan 1, 2013 to December 31, 2013 on Dec 31 -12 balance adjusted for disposition during 2013 ³ | Projected Interest from January 1, 2013 to April 30, 2013 on Dec 31 -12 balance adjusted for disposition during 2013 ³ |
| Group 1 Accounts | | | | |
| LV Variance Account | 1550 | 598 | | 40,548 |
| RSVA - Wholesale Market Service Charge | 1580 | (185) | | (14,094) |
| RSVA - Retail Transmission Network Charge | 1584 | (39) | | (3,400) |
| RSVA - Retail Transmission Connection Charge | 1586 | (35) | | (2,978) |
| RSVA - Power (excluding Global Adjustment) | 1588 | (9,080) | | (638,435) |
| RSVA - Global Adjustment | 1589 | 8,669 | | 610,248 |
| Recovery of Regulatory Asset Balances | 1590 | 0 | | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2008) ⁵ | 1595 | 0 | | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2009) ⁵ | 1595 | 0 | | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2010) ⁵ | 1595 | 0 | | 0 |
| Disposition and Recovery/Refund of Regulatory Balances (2011) ⁵ | 1595 | 0 | | 0 |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment) | | (73) | 0 | (8,111) |
| Group 1 Sub-Total (excluding Account 1589 - Global Adjustment) | | (8,742) | 0 | (618,359) |
| RSVA - Global Adjustment | 1589 | 8,669 | 0 | 610,248 |
| Deferred Payments in Lieu of Taxes | 1562 | 0 | 0 | 0 |
| Total of Group 1 and Account 1562 | | (73) | 0 | (8,111) |
| Special Purpose Charge Assessment Variance Account⁴ | 1521 | | | |
| LRAM Variance Account⁶ | 1568 | | | |
| Total including Accounts 1562 and 1568 | | (73) | 0 | (8,111) |

Board staff notes that the column pertaining to the Projected Interest from January 1, 2014 to April 30, 2014 is unpopulated.

- a) If the omission of this interest is an error, Board staff will make the relevant correction.
- b) Please confirm if the total claim continues to not exceed the disposition threshold when the carrying charges are applied to these accounts. It will not be necessary to provide a new IRM model. This will automatically update with Board staff’s adjustments from (a) above.
- c) If the disposition threshold as calculated by Hydro 2000 in part (b) above exceeds the threshold, please confirm if Hydro 2000 will seek disposition of its Group 1 Deferral and Variance Account balances.

7. A portion of Sheet 5 “2014 Continuity Schedule” is reproduced below

| | | 2.1.7 RRR |
|--|----------------|------------------|
| Account Descriptions | Account Number | As of Dec 31-12 |
| Group 1 Accounts | | |
| LV Variance Account | 1550 | 39,951 |
| RSVA - Wholesale Market Service Charge | 1580 | (13,909) |
| RSVA - Retail Transmission Network Charge | 1584 | (3,361) |
| RSVA - Retail Transmission Connection Charge | 1586 | (2,943) |
| RSVA - Power (excluding Global Adjustment) | 1588 | (629,355) |
| RSVA - Global Adjustment | 1589 | 601,579 |
| Recovery of Regulatory Asset Balances | 1590 | |
| Disposition and Recovery/Refund of Regulatory Balances (2008) ⁵ | 1595 | |
| Disposition and Recovery/Refund of Regulatory Balances (2009) ⁵ | 1595 | |
| Disposition and Recovery/Refund of Regulatory Balances (2010) ⁵ | 1595 | |
| Disposition and Recovery/Refund of Regulatory Balances (2011) ⁵ | 1595 | |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment) | | (8,038) |
| Group 1 Sub-Total (excluding Account 1589 - Global Adjustment) | | (609,617) |
| RSVA - Global Adjustment | 1589 | 601,579 |
| Deferred Payments in Lieu of Taxes | 1562 | |
| Total of Group 1 and Account 1562 | | (8,038) |
| Special Purpose Charge Assessment Variance Account ⁴ | 1521 | |
| LRAM Variance Account ⁵ | 1568 | |
| Total including Accounts 1562 and 1568 | | (8,038) |

Board staff has been unable to reconcile the amount recorded in column “CQ” for Account 1550 with the amounts in Reporting and Record-keeping Requirements (“RRR”) report 2.1.7 Trial Balance.

- a) Please explain the reason for the differences between the RRR balance and the evidence filed in this case.

If this is an error, Board staff will make the relevant correction.

8. A portion of Sheet 10 “Other Charges and LF” is reproduced below

| ALLOWANCES | | |
|---|--|--------|
| Transformer Allowance for Ownership - per kW of billing demand/month | | (0.60) |
| | | |
| | | |
| Primary Metering Allowance for transformer losses – applied to measured demand and energy | | (1.00) |

a) Board staff notes that Hydro 2000 did not enter the units for “Transformer Allowance for Ownership – per kW of billing demand/month” and “Primary Metering Allowance for transformer losses – applied to measures demand and energy”. Board staff believes the correct unit is “\$/kW” for “Transformer Allowance for Ownership – per kW of billing demand/month” and “%” for “Primary Metering Allowance for transformer losses – applied to measures demand and energy”. If this is an error, Board staff will make the correction.

9. A portion of Sheet 10 “Other Charges and LF” is reproduced below

| Non-Payment of Account | | |
|-------------------------------|---|-------|
| Late Payment – per annum | % | 19.96 |

a) Board staff notes that the rate for “Late Payment – per annum” does not match Hydro 2000’s current Tariff of Rates and Charges. Staff believes the correct rate is “\$19.56” instead of “% 19.96”. If this is an error, Board staff will make the correction.

2014 Tax Sharing Work Form

10. Ref: A portion of Sheet 3 “Re-Based Bill Det and 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 | Rate ReBal Base Service Charge D | Rate ReBal Base Distribution Volumetric Rate kWh E | Rate ReBal Base Distribution Volumetric Rate kW F |
| RES | Residential | Customer | kWh | 1,061 | 14,578,597 | | 12.87 | 0.0129 | |
| GSLTS0 | General Service Less Than 50 kW | Customer | kWh | 142 | 4,672,050 | | 28.85 | 0.0125 | |
| GSGT50 | General Service 50 to 4,999 kW | Customer | kW | 12 | 4,632,461 | 11,847 | 120.73 | | 2.0893 |
| USL | Unmetered Scattered Load | Connection | kWh | 6 | 18,329 | | 14.75 | 0.0416 | |
| SL | Street Lighting | Connection | kW | 368 | 343,757 | 969 | 1.16 | | 6.8609 |

Board staff notes that the data entered in columns D, E and F do not reconcile to Hydro 2000’s current Tariff of Rates and Charges.

- a) Please provide an explanation for the data entered in columns D, E and F.
- b) If this is an error, Board staff will make the necessary corrections to the model.

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

| Summary - Sharing of Tax Change Forecast Amounts | | | |
|---|-----------|--------------|-----------------|
| For the 41508 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #) | | \$ | - |
| 1. Tax Related Amounts Forecast from Capital Tax Rate Changes | | | |
| | | 2011 | 2014 |
| Taxable Capital | \$ | 973,452 | \$ 973,452 |
| Deduction from taxable capital up to \$15,000,000 | \$ | 973,452 | \$ 973,452 |
| Net Taxable Capital | \$ | - | \$ - |
| Rate | | 0.000% | 0.000% |
| Ontario Capital Tax (Deductible, not grossed-up) | \$ | - | \$ - |
| 2. Tax Related Amounts Forecast from Income Tax Rate Changes | | | |
| | | 2011 | 2014 |
| Regulatory Taxable Income | \$ | 7,033 | \$ 7,033 |
| Corporate Tax Rate | | 15.50% | 15.50% |
| Tax Impact | \$ | 1,090 | \$ 1,090 |
| Grossed-up Tax Amount | \$ | 1,290 | \$ 1,290 |
| Tax Related Amounts Forecast from Capital Tax Rate Changes | \$ | - | \$ - |
| Tax Related Amounts Forecast from Income Tax Rate Changes | \$ | 1,290 | \$ 1,290 |
| Total Tax Related Amounts | \$ | 1,290 | \$ 1,290 |
| Incremental Tax Savings | | | \$ 0 |
| Sharing of Tax Savings (50%) | | | \$ 0 |

Ref: A portion of Sheet 5 of the Revenue Requirement Work Form is reproduced below

| Line No. | Particulars | Application | | Per Board Decision |
|--|--|-------------|---------|--------------------|
| <u>Determination of Taxable Income</u> | | | | |
| 1 | Utility net income before taxes | \$36,920 | \$ - | \$35,512 |
| 2 | Adjustments required to arrive at taxable utility income | (\$7,872) | \$ - | (\$34,488) |
| 3 | Taxable income | \$29,048 | \$ - | \$1,024 |
| <u>Calculation of Utility Income Taxes</u> | | | | |
| 4 | Income taxes | \$4,502 | \$4,502 | \$158 |
| 6 | Total taxes | \$4,502 | \$4,502 | \$158 |
| 7 | Gross-up of Income Taxes | \$826 | \$826 | \$29 |
| 8 | Grossed-up Income Taxes | \$5,328 | \$5,328 | \$187 |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | \$5,328 | \$5,328 | \$187 |
| 10 | Other tax Credits | \$ - | \$ - | \$ - |
| <u>Tax Rates</u> | | | | |
| 11 | Federal tax (%) | 11.00% | 11.00% | 11.00% |
| 12 | Provincial tax (%) | 4.50% | 4.50% | 4.50% |
| 13 | Total tax rate (%) | 15.50% | 15.50% | 15.50% |

- a) Board staff has been unable to confirm the amount entered in for “Regulatory Taxable Income”, “Tax Impact” and the “Grossed-up Tax Amount” with the Board approved amount from Hydro 2000’s 2012 cost of service revenue requirement Work Form (EB-2011-0326). Please provide evidence supporting this amount. If this amount was entered in error, Board staff will make any necessary updates to the model.