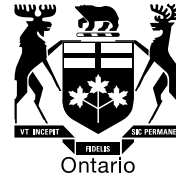


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BY E-MAIL

December 19, 2014

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

Dear Ms. Walli:

**Re: Halton Hills Hydro Inc.
Application for 2015 Distribution Rates
Board File Number: EB-2014-0079**

In accordance with Procedural Order No. 1, please find attached Board staff Interrogatories in the above proceeding. The attached document has been forwarded to Halton Hills Hydro Inc.

Halton Hills Hydro is reminded that its responses to interrogatories are due on or before January 16, 2015.

Yours truly,

Original Signed By

Martha McOuat
Project Advisor

Encl.

Halton Hills Hydro Inc. (EB-2014-0079)
Board staff Interrogatories

Interrogatory #1

Ref: IRM Rate Generator, Tab 11 – STS – Tax Change

Ref: EB-2011-0271, Revised Revenue Requirement Workform, June 27, 2012

Board staff notes that Halton Hills Hydro has entered a Corporate Tax Rate for 2012 of 7.65% and 2012 Tax Credits of \$31,000. Board staff also notes that Halton Hills Hydro has calculated a Grossed-Up Tax Amount for 2012 of \$25,413, which does not include the Tax Credits within the calculation. The resulting 50% Sharing of Tax Savings calculated using this 2012 information is \$2,913.

- a) Please confirm that the use of a 7.65% tax rate recorded for 2012 is intended to incorporate the \$31,000 tax credits within the grossed up tax amount. If this is not the case, please explain the derivation of the 7.65% tax rate.
- b) Please confirm that the Grossed-Up Tax Amount calculated at Sheet 6 of the 2012 Revenue Requirement Workform (revised June 27, 2012) is \$28,979, and that this amount is incorporated into the Revenue Requirement calculation underlying 2012 rates at Sheet 11 of the RRWF.
- c) Please confirm that the Grossed-Up Tax Amount for 2012, as contained in the 2015 Shared Tax Savings worksheet at Tab 11, should be consistent with the Grossed-Up Tax Amount underlying Halton Hills Hydro's 2012 rates. If Halton Hills agrees, Board staff will make the necessary correction to the model. If Halton Hills Hydro does not agree, please provide an explanation.
- d) In the event that the correction to the model results in volumetric rate riders which are not negligible, would it be Halton Hills intention to return this amount to its ratepayers, rather than record the balance in Account 1595, as originally proposed?

Interrogatory #2

Ref: IRM Rate Generator, Sheet 15, RTSR – UTRs and Sub-Tx

Board staff notes that Halton Hills Hydro has entered amounts for the Hydro One Sub-Transmission Rate Rider 9A in the column for 2015 rates. Board staff notes that the Hydro One Sub-Transmission Rate Rider 9A expires on December 31, 2014 and that these amounts should be removed.

- a) Please confirm that Halton Hills Hydro is in agreement with this change. If so, Board staff will make the necessary adjustments to the model.

Interrogatory #3

Ref: IRM Rate Generator, Sheet 8, Calculation of Deferral and Variance Account Rate Riders

Chapter 3 of the Filing Requirements notes that distributors must establish separate rate riders to recover the balances in the RSVA from Wholesale Market Participants (“WMPs”) who must not be allocated the RSVA account balances related to charges for which the WMPs settle directly with the IESO (e.g. wholesale energy, wholesale market services).

Chapter 3 of the Filing Requirements also notes that “distributors who serve Class A customers per O.Reg 429/04 (i.e. customers greater than 5 MW) must propose an appropriate allocation for the recovery of the global adjustment variance balance based on their settlement process with the IESO.

In calculating Deferral and Variance Account rate riders for sub-groups of customers within a class (e.g. WMPs and non-WMPs), distributors have used two approaches.

- Rate riders grouped by the nature of the deferral and variance accounts (i.e. one set of rate riders for accounts related to transmission (e.g. 1584 and 1586) and another set of rate riders for accounts related to power (e.g. 1580 and 1588). For an example, see the EnWin Utilities Ltd. Final 2014 Tariff of Rates and Charges (EB-2014-0156).
 - Sets of rate riders calculated on the basis of the customer group to which they would apply (i.e. one rate rider for WMPs and one rate rider for non-WMPs). For an example, see Bluewater Power Distribution Corp.’s 2014 IRM application (EB-2013-0112).
- a) Please confirm whether or not Halton Hills Hydro serves any consumers that are WMPs. If so:
- i. Have these consumers been WMPs throughout the entire time over which variances accumulated in the RSVA accounts proposed for disposition?
 - ii. Please confirm that RSVA account balances have not been allocated to WMP customers since they settle these charges directly with the IESO.
 - iii. If required, please provide an alternative calculation of 2015 Deferral and Variance Account Rate riders, eliminating the allocation of RSVA balances to WMPs, using either of the approaches outlined above.
- b) Please confirm whether or not Halton Hills Hydro serves any class A consumers that settle energy charges directly with Halton Hills Hydro. If so:

- i. please explain if and how balances in Account 1589 (Global Adjustment) have been allocated to these consumers.
- ii. Please provide alternative calculations if required, using either of the approaches outlined above.

Interrogatory #3

Ref: Board Letter of March 2, 2012: Cost of Capital Parameter Updates for 2012 Cost of Service Applications

Ref: Board Letter of March 7, 2008: Cost of Capital Parameter Updates for 2008 Cost of Service Applications

Ref: Chapter 3 of the Filing Requirements for Electricity Distributors Rate Applications for Price Cap Incentive Rate-Setting and Annual Incentive Rate-Setting Index dated July 25, 2014 (page 13)

Ref: EB-2014-0211, Halton Hills Hydro response to Board staff IR14a)

Ref: EB-2011-0271, Revised Revenue Requirement Workform, June 27, 2012

Chapter 3 of the Filing Requirements states:

“For each of the Board’s three rate-setting options, a regulatory review may be triggered if a distributor’s earnings are outside of a dead band of +/- 300 basis points from the Board-approved return on equity. The Board monitors results filed by the distributors as part of their reporting and record-keeping requirements and determines if a regulatory review is warranted. Any such review will be prospective, and could result in modifications, termination or the continuation of the respective Price Cap IR or Annual IR Index plan for that distributor.

The Board reminds distributors that the filing of an application for an increase to base rates during the IR period or under the Annual IR index is the decision of the applicant; it is not a Board requirement. A distributor whose earnings are in excess of the deadband can refrain from seeking an adjustment to its base rates through a Price Cap IR or Annual IR Index plan [emphasis added]. If not, the level of earnings may be raised as an issue in the application.”

Halton Hills Hydro’s Board-approved return on equity for the years 2011 to 2013 was 8.57%, 9.12% and 9.12%, respectively. In response to Board staff interrogatory 14a) in Halton Hills Hydro’s EB-2014-0211 Z-factor application, Halton Hills provided the following explanation regarding its regulatory ROE:

HHHI revised achieved ROE are reported in Table IRR6.

Table IRR6 – HHHI Reported ROE

	2011	2012	2013
Reported ROE	9.14%	13.30%	14.97%

The 2013 Regulated net income includes a “One-Time” tax refund of \$977,797 relating to:

2010	\$ 37,523
2011	\$ 99,580
2012	\$840,694

The tax refunds are a result of accelerating certain expenses for tax purposes; the offset being the recognition of lower CCA in the future. This tax planning approach is a ‘Timing Issue’ – the current benefit, will be offset by future tax liability.

- Please confirm that Halton Hills Hydro’s reported ROE for 2012 and 2013 exceeds the 300 basis point deadband from the Board-approved ROE.
- Please identify the amount of earnings that is in excess of the deadband for 2012 and 2013.
- Please calculate the incremental revenues that would result from the applied-for increase to base rates using the most recently approved weather normalized forecast consumption and customer numbers.
- Please confirm that the tax amount as calculated in the EB-2011-0271 RRWF underlying Halton Hills Hydro’s 2012 approved rates, and currently being paid by Halton Hills Hydro’s ratepayers, is \$28,979.
- Please confirm that future increases in taxes payable, resulting from accelerating certain expenses for tax purposes in 2013, will be recoverable from Halton Hills Hydro’s ratepayers, beginning with its next cost of service application in 2016. If this is not the case, please explain why not. Please provide an estimate of the future tax increases that will be included in rates in 2016 relative to the alternative depreciation schedule.
- Under these circumstances, please explain why Halton Hills Hydro feels that it is reasonable for its customers to pay the increase to its base rates that the utility has applied for, given its pattern of over-earning.
- Please provide Halton Hills Hydro’s pro forma financial statements for the 2014 year.