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March 30, 2009

BY EMAIL & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0244
PowerStream Inc. – 2009 Rates Rebasing Application
Interrogatories of Energy Probe

Pursuant to Procedural Order No. 2, issued by the Board on March 13, 2009, please find attached two hard copies of Interrogatories from Energy Probe Research Foundation (Energy Probe) in respect of the EB-2008-0244 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Paula W. Conboy, PowerStream Inc. (By email)
Colin A. Macdonald, PowerStream Inc. (By email)
Helen T. Newland, Fraser Milner Casgrain LLP (By email)
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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by PowerStream
Inc. for an order approving just and reasonable rates and other
charges for electricity distribution to be effective May 1, 2009.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

March 30, 2009

**POWERSTREAM INC.
2009 RATES REBASING CASE
EB-2008-0244**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit A2, Tab 1, Schedule 1, Table 1 (Updated)

Are the figures shown in the 2008 Bridge Year column all actual figures? If not, please update this table to show actual 2008 figures.

Interrogatory # 2

Ref: Exhibit B1, Tab 1, Schedule 1, Table 1 (Updated)

Please update Table 1 to reflect actual figures for 2008.

Interrogatory # 3

Ref: Exhibit B1, Tab 2, Schedule 1, page 1

- a) Please provide, when available, a copy of the 2009-2013 Five Year Capital Plan.**
- b) Given the change in economic circumstances since April 30, 2008 when the 2008-2012 Five Year Capital Plan was done, have any adjustments to the 2009 capital expenditure forecast been made? Please explain the rationale for any changes. If no changes have been made, please explain why.**

Interrogatory # 4

Ref: Exhibit B1, Tab 4, Schedule 2, Table 2

Please update Table 2 to reflect actual 2008 capital additions.

Interrogatory # 5

Ref: Exhibit B1, Tab 7, Schedule 1, page 16 – 23

- a) Please update the variance analysis for 2008 Bridge Year to 2007 Actual and the 2009 Test Year to 2008 Bridge Year to reflect actual 2008 figures.**
- b) Are any changes contemplated for 2009 capital additions based on different levels of additions in 2008 as compared to forecast? If so, please explain.**

Interrogatory # 6

Ref: Exhibit B1, Tab 7, Schedule 2

- a) Please updates each of the three continuity schedules to reflect 2008 actual figures.**
- b) Please explain the difference in gross asset retirements for Equipment (\$947,000) and the accumulated depreciation retirements for this category (\$410,000).**
- c) Please reconcile the gross asset additions shown on page 2 for 2007, 2008 and 2009 with the capital additions shown in Exhibit B1, Tab 4, Schedule 2, Table 1 and indicate the change in construction-work-progress for each year.**

Interrogatory # 7

Ref: Exhibit B2, Tab 1, Schedule 2, page 2 (Updated)

If available, please update the commodity component of the cost of power to reflect the April, 2009 Navigant forecast of HOEP.

Interrogatory # 8

Ref: Exhibit B2, Tab 1, Schedule 3 (Updated)

Do any of the OM&A expenses shown include any re-allocation of depreciation & amortization expenses? If yes, please indicate the amount of depreciation & amortization that has been re-allocated to OM&A in 2009.

Interrogatory # 9

Ref: Exhibit C1, Tab 1, Schedule 1

Please provide copies of the forecasts from the six major Canadian banks as of January 8, 2009 referred to in the evidence.

Interrogatory # 10

Ref: Exhibit C1, Tab 1, Schedule 2

- a) On what basis did PowerStream select Model 4 as the most accurate as indicated on page 4?**
- b) The graph in Table 5 appears to show clear trends in both HDD and CDD.
 - i) Please provide the forecasted HDD and CDD for 2009 based on the trend lines shown in the graph in Table 5.**
 - ii) Please provide the consumption, demand and revenue forecasts (shown in Tables 1 and 2 of Exhibit C1, Tab 1, Schedule 1) if the HDD and CDD forecasts provided in (i) above were used in the forecast.****
- c) Please provide the consumption, demand and revenue forecasts (shown in Tables 1 and 2 of Exhibit C1, Tab 1, Schedule 1) for each of Models 3, 5 and 6 shown in Table 3.**
- d) Please provide the consumption, demand and revenue forecasts (shown in Tables 1 and 2 of Exhibit C1, Tab 1, Schedule 1) for each of Models 3, 5 and 6 and the HDD and CDD forecasts from part (i) of (b) above.**
- e) Why did PowerStream use an equation to forecast total energy purchases rather than using individual equations to forecast total energy billed by rate class?**
- f) Please provide all the data used in estimating the various models shown in Table 3, including HDD, CDD, GDP index, peak hours, number of customers, personal disposable income, York population, energy price and total energy purchased in a live Excel spreadsheet.**
- g) Please recalculate the normalized actuals shown in Table 1 based a definition of normalized weather conditions being the ten year average of HDD and CDD ending the year before the year being normalized. For example, calculate the normalized actual figure for 1998 based on the average HDD and CDD for the 1988 through 1997 period.**

- h) Why has the proration of the OPA forecast of CDM for the Greater Toronto Area been based on population rather than actual energy consumption in the GTA?**
- i) Please recalculate the reductions in MWH and MW found in Table 14 if actual energy consumption by PowerStream customers relative the actual consumption in the GTA is used to prorate the CDM forecasts.**
- j) Please provide the estimated distribution and specific supply factor (SPP) losses referred to on page 18 and provide all assumptions and data used to generate these estimates.**
- k) Please provide a version of Table 16 that shows the historic kWh allocation by rate class for each class for each year 1998 through 2008.**
- l) Please provide a version of Table 17 that shows the historic relationship between billed kWh and kW demand by rate class for each rate class for each year 1998 through 2008.**

Interrogatory # 11

Ref: Exhibit C1, Tab 1, Schedule 3

- a) Did PowerStream review whether or not housing starts were a good predictor of customer growth? If not, why not?**
- b) Please provide the historical number of customers for each of the commercial classes over the period 2002 through 2008. Please also provide the forecast of customers for each class in 2009.**
- c) Table 1 shows net residential additions for 2008 of 6,046. If this is not the actual net residential additions for 2008, please provide the net additions for 2008.**
- d) Please provide the net commercial additions for 2008 for each rate class and compare these figures to the forecast net commercial additions by class for 2008.**
- e) Please update Table 2 to reflect actual figures for 2008.**

Interrogatory # 12

Ref: Exhibit C1, Tab 1, Schedule 4

- a) **Please update Table 1 to reflect actual and normalized actual revenues for 2008.**
- b) **The evidence states that distribution revenue in 2008 and 2009 is lower than historical levels as a result of decreased variable distribution revenue related to CDM initiatives. However, Table 1 shows that 2008 total distribution revenue is significantly higher than 2006 or 2007. Please reconcile.**
- c) **Please update Table 2 to reflect actual figures for 2008.**
- d) **Please provide all the data and assumptions used to calculate the normalized consumption (kWh/customer) shown for 2006 through 2009 for both the residential and GS < 50 kW classes shown in Table 7. If the 2008 figure is not based on actual and normalized actual information, please update Table 7 and provide the assumptions and data used to generate the actual figures for 2008.**
- e) **What is driving the significant reductions in average use in 2009 as compared to 2008?**
- f) **Does PowerStream have normalized average use figures for the residential and GS < 50 kW classes prior to 2006? If yes, please provide them in a table similar to Table 7.**
- g) **If the 2008 figures provided in Table 6 (customer count by class) is not based on actuals, please update this table to reflect 2008 actual figures.**

Interrogatory # 13

Ref: Exhibit C2, Tab 1, Schedule 1

Please update Table 1 to reflect actual figures for 2008.

Interrogatory # 14

Ref: Exhibit C2, Tab 1, Schedule 2

- a) Please update Table 1 to reflect actual figures for 2008.**
- b) Are there any interest revenues or costs associated deferral or variance or regulatory asset accounts included in the interest and dividend income for 2009 or for previous years? If so, please provide a break out of the interest associated with these accounts for each year and for the 2009 forecast.**
- c) Please update Table 3 to reflect actual revenues and transaction volumes for 2008.**

Interrogatory # 15

Ref: Exhibit D1, Tab 1, Schedule 1

- a) Please update Tables 1 & 2 to reflect actual expenditures in 2008.**
- b) Please provide the basis for the 3% annual increase in wages that has been applied for each of 2005 through 2009.**
- c) What has been the increase in the Canadian and Ontario Consumer Price Indices in each of the years 2005 through 2008?**
- d) What is the expected rate of inflation using the Ontario or Canadian CPI based on the forecasts from the six banks referred to in Exhibit C1, Tab 1, Schedule 1?**
- e) Has PowerStream applied for a variance account for the \$3.0 million forecast associated with IFRS? If not, why not?**
- f) Please update the 2009 vs. 2008 variance shown on pages 9 & 10 based on actual 2008 expenditures.**
- g) What is the impact on the 2009 revenue requirement of a reduction in the annual wage increase of 3.0% to 2.0%?**
- h) Does the OM&A expense forecast of \$45,098 for 2009 shown in Table 1 include any amount re-allocated from amortization expenses? If so, please identify the amount that has been re-allocated from amortization expense to OM&A expense in 2009.**

Interrogatory # 16

Ref: Exhibit D1, Tab 1, Schedule 3

- a) Please update Tables 1 through 4 to reflect 2008 actual figures.
- b) Please indicate where the costs associated with the 2009 rates rebasing application appear in Table 4.
- c) Please provide the total forecasted costs associated with the 2009 rates rebasing application as well as a breakdown of the costs into their major components such as legal, consulting, intervenors, etc.
- d) What proportion of the total forecasted costs identified in part (c) above has been included in the 2009 revenue requirement?
- e) When does PowerStream expect to file its next cost of service rebasing application (i.e. for what year)?
- f) Where are the property taxes included in Table 4?
- g) Please provide the actual 2006, actual 2007, actual 2008 and forecasted 2009 property taxes, along with an explanation of the changes between 2007 and 2008, and between 2008 and 2009.

Interrogatory # 17

Ref: Exhibit D1, Tab 1, Schedule 5

- a) For each asset group shown, please provide the calculations that result in the 2009 depreciation expense shown. Please tie in the calculations to the opening balances, additions and retirements shown in Exhibit B1, Tab 7, Schedule 2. Please include the depreciation rate used for each asset group.
- b) How much of the burden allocation amortization for 2009 of \$1,428,238 is allocated to OM&A expenses and how much is allocated to capital expenditures?

Interrogatory # 18

Ref: Exhibit D1, Tab 1, Schedule 6

- a) **Please provide any and all studies used to determine the fully-allocated costs referred to in the evidence.**
- b) **Do the fully allocated costs include any costs related to capital equipment such as computers, software, vehicles, etc. used in the provision of the services listed? If no, please explain why not. If yes, please explain how these assets have been reflected or removed from the distribution rate base.**
- c) **If any assets are used to provide the services listed, how has the amortization associated with these assets been removed from the cost of service for distribution customers?**
- d) **Lease payments associated with the premises leased from the Town of Markham are forecast to decline from \$120,000 in 2009 to \$0 in 2010 when PowerStream expects to relocate to a new operations centre. What incremental costs does PowerStream expect to incur in 2010 in place of the \$120,000 lease payment in 2009?**

Interrogatory # 19

Ref: Exhibit D1, Tab 1, Schedule 9, page 9 & 11

- a) **What is the impact on the revenue requirement in 2009 if the management/non-union salary increases were reduced from 3.0% to 0.0%?**
- b) **What is the impact on the revenue requirement in 2009 if the average yearly incentive values were reduced by 50%?**

Interrogatory # 20

Ref: Exhibit D2, Tab 1, Schedule 1 (Updated)

Please confirm that the Ontario Capital Tax for 2007 and 2008 should be 0.225%, not 0.285%.

Interrogatory # 21

Ref: Exhibit D2, Tab 1, Schedule 2 (Updated), Table 4

- a) Please provide the calculation of the 2009 taxable capital figure of \$602,520 and the 2008 figure of \$548,095.**
- b) Do these figures include any balances in deferral/variance/regulatory asset accounts? If yes, please identify the amount related to these accounts included in the 2008 and 2009 figures.**

Interrogatory # 22

Ref: Exhibit D2, Tab 1, Schedule 2 (Updated), Table 3 & Exhibit D2, Tab 1, Schedule 3, page 14 of 18

- a) Is the amount of \$112,000 shown in Table 3 of Exhibit D2, Tab 1, Schedule 2 as tax credits and adjustments for 2009 the grossed up value related to the \$75,000 shown as investment & miscellaneous tax credits in page 14 of Exhibit D2, Tab 1, Schedule 3?**
- b) Please show the calculation of the \$75,000 investment & miscellaneous tax credits shown including any components related to the apprenticeship training tax credit and the co-operative education tax credit. For each of these items, please provide the number of employee positions associated with these credits and the credits associated with these positions included in the forecast.**
- c) The 2007 tax return found in Exhibit A, Appendix 1, Schedule 22 shows tax credits for apprenticeship training in the amount of \$52,960 and for the co-operative education in the amount of \$34,956, for a total of \$87,916.
 - i) Please explain why the 2009 forecast is lower than the 2007 figures.**
 - ii) Please provide the actual 2008 figures for both of these tax credits.****
- d) The March 26, 2009 provincial budget increased the co-operative education tax credit from 10% on salaries and wages paid to a maximum credit of \$1,000 per work placement, to 25% and a maximum credit per placement of \$3,000. The apprenticeship training tax credit was increased from 25% on salaries and wages paid and a maximum credit of \$5,000, to a 35% rate and a maximum credit of \$10,000.**

Please update both of these tax credits to reflect the new rates and maximums. Please provide a calculation similar to that provided in the 2007 tax filing (excluding names).

Interrogatory # 23

Ref: Exhibit D2, Tab 1, Schedule 3, page 4 of 18

- a) The January 27, 2009 Federal Budget increased the CCA rate for computers and system software from 55%, with the half year applicable to the year of acquisition, to 100% with no half year rule applied. Based on the additions shown in class 45.1 of \$2,607,540, please calculate the impact of this change in CCA on the total CCA deduction available for tax purposes. Please show all calculations and assumptions.**
- b) Please reconcile the 2009 projected additions of \$82,028,099 shown in the UCC schedule with the total capital additions of \$85,241,000 shown in Table 1 in Exhibit B1, Tab 4, Schedule 2.**
- c) Exhibit B1, Tab 4, Schedule 2, Table 1 shows the inclusion of \$12,975,000 in 2009 capital expenditures related to smart meters. However, no additions are shown in the 2009 UCC schedule on the lines identified as smart meter related. Please explain.**
- d) Please explain why there is no change in the WIP from the 2007 closing balance in either 2008 or 2009.**

Interrogatory # 24

Ref: Exhibit E, Tab 1, Schedule 1

- a) Has the interest through to the end of April, 2009 been calculated using Board prescribed interest rates in Table 4?**
- b) If the answer to (a) is no, please recalculate the schedule in Table 4 using Board prescribed interest rates for the periods and indicate the impact on the total amount to be refunded to customers and provide updated Tables 1 through 3 based on the new totals. Please also provide any schedules/sheets in Exhibit E, Tab 1, Schedule 2 that need to be updated to reflect the prescribed interest rates.**
- c) What is the projected balance in the accounts shown in Table 3 at the end of 2008?**

Interrogatory # 25

Ref: Exhibit E, Tab 1, Schedule 1, page 2

Is PowerStream concerned about the potential confusion associated with rebating more than \$27 million to customers now and then recovering more than \$10 million at some future time related to PILS and smart meters? Did PowerStream consider any alternatives to balance the current proposed rebate with the future recovery of costs?

Interrogatory # 26

Ref: Exhibit E, Tab 1, Schedule 2, page 2

- a) **Please explain how the total recoveries of \$4,324,919 have been calculated.**
- b) **What is the impact of updating the total recoveries to reflect actual 2008 consumption?**

Interrogatory # 27

Ref: Exhibit F, Tab 1, Schedules 1 & 2

- a) **Please reconcile the statement on page 3 that the interest rate associated with the \$100 million EDFIN debenture is at a rate of 6.45% with the 7.01% shown in the tables on pages 3 & 4 of Exhibit F, Tab 1, Schedule 2.**
- b) **Has the new \$25 million debt forecast to be issued for 2009 been placed? If yes, please confirm the principal amount, the interest rate payable and the term of the loan. If no, please provide the estimated amount, interest rate and issuance date now associated with this debt issue.**
- c) **Will the deemed long term debt rate as established by the Board be applied to any of the debt held or forecast to be held by PowerStream? If yes, please explain and indicate where this is shown in the evidence.**
- d) **What is the impact on the revenue requirement of the cost of capital parameters as determined by the Board in its February 24, 2009 letter?**
- e) **Are the principal amounts shown on page 4 of Exhibit F, Tab 1, Schedule 2 for the weighted debt cost for the 2009 test year the opening principal, closing principal or average principal for the year?**

Interrogatory # 28

**Ref: Exhibit F, Tab 1, Schedule 2 &
Exhibit D2, Tab 1, Schedule 3**

- a) **Please show the calculation of the deemed interest expense associated with the updated rate base figure, the long term debt rate of 5.89% applied to 56% of the rate base and the short term debt rate of 3.67% applied to 4.0% of the rate base.**

- b) **If this figure is different from the figure of \$\$18,399,339 shown in Exhibit D2, Tab 1, Schedule 3 please provide an explanation for the difference.**

Interrogatory # 29

Ref: Exhibit B1, Tab 4, Schedule 2

Capital expenditures of \$1,086,000 are shown in Table 2 for 2009 as suite-metering costs. On page 19 these costs are described as being related to condominium and apartment type complexes covering the installation of individual unit metering equipment to replace bulk metering systems.

What is the impact, if any, on the capital expenditures forecast for 2009 and any other component of the revenue requirement from Compliance Bulletin 200901 dated March 24, 2009 related to the installation of sub-metering systems in residential complexes? Please explain fully.