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

VULNERABLE ENERGY CONSUMERS COALITION

INTERROGATORIES: POWERSTREAM INC.

April 29, 2009 Letter

VECC #6:

The referenced response (Staff #5) lists the areas of capital savings but does not explain why there are no avoided capital costs for the PowerStream Division.

Response:

The 2009 capital expenditures set out in Exhibit B1-4-2, Table 2 represent the amounts that are planned to be spent for the needs of the PowerStream rate zone. These amounts will not decrease as a result of the merger.

VECC #15:

The referenced response (Staff #4) does not address part (c) of the question which requested an explanation as to why all of the Discretionary- Urgency 1 projects need to be completed in 2009.

Response:

PowerStream prudently followed the classification and prioritization process outlined in Exhibit B1, Tab 2, Schedule 1, pages 25-30 to ensure that all projects were in fact Discretionary – Urgency 1, needing to be completed in 2009.

Each and every one of the 2009 projects, if delayed, is deemed to have an unacceptable (major or severe [lines 551,552]) impact on PowerStream and its customers in one or more of the following areas (a. Health & Safety, b. Regulatory Compliance, c. Customer Service, d. System Reliability, e. System Efficiency & Effectiveness, f. Financial Profitability, g. Environmental [lines 544]), which is why all of the Discretionary-Urgency 1 projects in the 2009 plan need to be completed in 2009.

VECC #28:

There appears to be an issue with the Smart Meter adder (I.e., $80.79 as opposed to $1.21) for the Large Use class as reported in Table VECC-28-1. Does this impact the values reported in Exhibit C1 or used in Exhibit I?

Response:

There is a typographical error in Table VECC-28-1 whereby the fixed rate for the Large Use class is incorrect. The correct approved rate (EB-2007-0850) is $8,979.30. The difference between the rate used in the calculations and this fixed rate is $1.21, the Smart Meter Adder. All revenue calculations are accurate; there are no impacts on Exhibit C1 or Exhibit I.

VECC #39:

The response to part (f) does not address the original question which was whether or not any of the resources used for 2009 Operations and Maintenance activities will be shared between the Barrie and PowerStream Divisions and sought additional details if the response was affirmative.

Response:

The response should have read:

Please refer to PowerStream's response to Staff-35 and SEC-3.

VECC #49:

A review of the Cost Allocation Study Update filed under Staff #60-1 and the response to VECC #50 h) appears to indicate that there are no O&M costs for underground feeders allocated to the Large Use class even though there are underground feeder assets directly allocated to class. It would helpful if PowerStream could confirm whether or not this is the case. If so, what would be an appropriate allocation?

Response:

This was omitted in error. These underground feeders are subject to scheduled maintenance every four years at an approximate cost of $1,400.00 or $350.00 per year.

VECC #50:

There appears to be an inconsistency between the responses to parts (a) and (c). In part (a) it appears that the rates used to establish the Large Use class revenues did not account for the fact that revenues would be lower by virtue of the transformer ownership allowance. However, the response to part (c) states that Power Stream did exclude the transformer ownership allowance revenues from the cost allocation model. If there is discrepancy (i.e., the Large Use class revenues have note been reduce for the transformer allowance discount) please re-do the allocation as requested in part (d).

- The response to part (k) does not address the original question.

Response:

PowerStream took the following steps to ensure that the transformer allowance amount did not affect the allocation of revenue to customer classes or the cost allocation results.

In determining its 2009 base revenue requirement and allocating this revenue among the customer classes, PowerStream excluded the transformer allowance amount. There was no "bump up" to revenue for the estimated transformer allowance amount.

The revenue allocated to each customer class was based on the approved 2008 rates. The 2008 rates are based on the 2006 cost of service EDR in which the OEB 2006 EDR rate model included the transformer allowance "bump up" to revenue. In the 2006 EDR rate model this was allocated among the classes in the same proportion as the base revenue requirement before the transformer allowance "bump up" amount. Accordingly the resulting revenue allocation percentages were not changed by this pro-ration of the transformer allowance amount among the classes in 2006.

PowerStream used the OEB cost allocation model ("CAM") and updated it with 2009 amounts. In the CAM, PowerStream entered the revenues by class as indicated in Table VECC 50-1 in the initial response to this IR. The revenue amount and allocation was determined before any consideration of the transformer allowance amount, either as a cost or as a revenue reduction that would be need to be recovered.

PowerStream's costs do not include the cost of customer owned transformation. In the CAM, actual costs are allocated based on the use of PowerStream's assets. The line transformer NCP is lower than the Primary NCP for the General Service greater than 50 kW and Large Use classes due to the fact that some of the load is serviced by customer owned transformers.

The CAM compares the revenue allocated based on 2008 rates with the fully allocated costs. Both the revenue allocated and the costs exclude any revenues or costs related to the transformer allowance. PowerStream checked for class revenue to cost ratios outside of the Board approved ranges and made the necessary adjustments to bring them to the threshold.

PowerStream then allocated the cost of the transformer allowance to the two classes that receive it, namely the

Large Use and the GS>50 kW. The transformer allowance represents the costs saved by PowerStream by not providing the transformation. The transformer allowance amount was divided by the total kWs billable for the two classes and added to the rates for these classes so that the rate included the full cost of transformation for the class. Those customers who provide their own transformation then receive the transformer allowance.

Part k:

It is PowerStream's understanding that Net Fixed Assets directly allocated to Large Use class were included in the Allocation Base used to pro-rate "General Plant" costs to customer classes. PowerStream used the OEB cost allocation model and did not make any modification or adjustments to its allocation calculation. It should be noted that the Net Fixed Assets directly allocated to the Large Use class are $100,089 and represent 0.02% of the total Net Fixed Assets of $459,051,009.