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January 18, 2010

BY EMAIL & 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-2009-0143
Essex Powerlines Corporation – 2010 Cost of Service Application
Energy Probe Second Round Interrogatories

Pursuant to Procedural Order No. 2, issued by the Board on January 8, 2010, please find attached two hard copies of the Second Round Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0143 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: Richard Dimmel, Essex Powerlines Corporation (By email)
Michelle Soucie, Essex Powerlines Corporation (By email)
Andrew Taylor, Ogilvy Renault LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (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 Essex Powerlines Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2010.

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

January 18, 2010

**ESSEX POWERLINES CORPORATION
2010 RATES REBASING CASE
EB-2009-0143**

**ENERGY PROBE RESEARCH FOUNDATION
SECOND ROUND INTERROGATORIES**

Interrogatory # 49

Ref: Energy Probe Interrogatory # 1

- a) **The answer provided in part (e) of the response indicates that Essex spends a specific dollar amount each year with respect to capital projects and that if the cost to do the current projects listed were reduced due to the elimination of the 8% provincial sales tax it would simply add projects to the list to keep capital spending at the amount approved for year. Please confirm that any additional projects that Essex would add to the 2010 capital expenditures would be discretionary in nature. If this cannot be confirmed, please explain why these projects are not included in the current 2010 capital project list.**

- b) **Please explain why the estimated amount of provincial sales tax is \$90,000 for both 2009 and 2010 despite capital expenditures of nearly \$4.2 million in 2010 as compared to \$3.2 million in 2009.**

- c) **In the response to part (h) Essex indicates that it does not agree that a deferral account related to any potential savings connected to the elimination of the provincial sales tax.**
 - i) **Is Essex in favour of the establishment of a variance account to record any variance in the savings resulting from the elimination of the provincial sales tax from the \$4,500 in OM&A costs and the \$45,000 in capital expenditures if the Board were to use the Essex forecasts in its Decision to reduce the revenue requirement? If not, why not?**

 - ii) **Does Essex also believe that no deferral/variance account should be set up if there are additional costs associated with the HST such as restrictions on the claim of input tax credits for certain expense items? If the response to this question is different from that provided in the response to part (h), please explain.**

Interrogatory # 50

Ref: Energy Probe Interrogatory # 3 (b) and Exhibit 1, Tab 2, Schedule 3, page 2 & Attachment 2

The evidence indicates that the positions of General Manager, Information Systems Manager and Finance & Operations Analyst are positions that are provided by Essex Power Corporation, yet they do not appear to report to anyone in Essex Power Corporation.

Is this correct? If not, please describe the reporting relationship of the three positions noted above.

Interrogatory # 51

Ref: Energy Probe Interrogatory # 6 (b)

- a) The response provided does not explain how the proportion recovered from Essex Power Services has been derived. Please provide the specific allocation factors used. If no specific allocation factors have been used, please explain how Essex Powerlines can conclude that \$1,700 out of \$49,495.32 is an appropriate amount to be recovered from the affiliate?**
- b) What are the expected 2009 revenues for Essex Power Services?**

Interrogatory # 52

Ref: Energy Probe Interrogatory # 7 (b) & (c)

- a) The response to part (b) indicates that revenues reduced by \$23,000 would be received from EPS and any other third party customers. However, it is not clear what assumptions have been used.**
 - i) Please confirm that the reduction in revenues of \$23,000 would be the result if the overhead rates applicable were changed to 14% for material, 46% for labour and 24% for equipment. If this cannot be confirmed, please provide the proper figures upon which this estimate is based.**

- ii) The response to Energy Probe Interrogatory # 6 (d) indicates that a change in the overhead percentages would not have any impact on the revenue requirement. Please confirm that the loss of the \$23,000 in revenues would have no impact on the revenue requirement. If this cannot be confirmed, please reconcile with the response to Energy Probe Interrogatory # 6 (d).

- b) Is the response to part (c) based on the assumption that the internal capital burdens and overhead rates are adjusted to the third party rates (i.e. 15% for material, 52% for labour and 21% for equipment)? If not, please provide the proper figures upon which these estimates are based.

Interrogatory # 53

**Ref: Energy Probe Interrogatory # 8 (b) &
Energy Probe Interrogatory # 5 & Exhibit 2, Tab 3, Schedule 3, Attachment 1**

- a) The figure shown for transportation equipment in the response to Energy Probe Interrogatory # 5 shows an asset transfer of \$509,368, while the ret/other shown in Attachment 1 of Exhibit 2, Tab 3, Schedule 3 for 2008 is \$465,910. The difference is \$43,458, which is the reduction in accumulated depreciation. Please confirm that the gross asset transfer of \$509,368 for transportation equipment was reduced by the same amount as the reduction in accumulated depreciation for rate base purposes. If this cannot be confirmed, please explain the accounting adjustments made.

- b) Please reconcile the asset transfer of \$226,915 for meters shown in the response to Energy Probe Interrogatory # 5 with the ret/other entry of \$456,582 shown in Attachment 1 of Exhibit 2, Tab 3, Schedule 3. In this reconciliation, please explain how the reduction in accumulated depreciation of \$55,667 has been accounted for in the gross assets.

- c) Beyond the differences noted above, please reconcile the total asset transfer \$4,054,133 provided in the response to Energy Probe Interrogatory # 5 with the ret/other figure in Attachment 1 of Exhibit 2, Tab 3, Schedule 3 of \$3,162,914.

Interrogatory # 54

Ref: Energy Probe Interrogatory # 11 (m)

The response provided did not answer the question of whether or not it would agree that a variance account should be established based on the \$50,000 being included in the revenue requirement or in a specific rate rider in lieu of a deferral account and not including any costs in the revenue requirement or in a rate rider. If the Board includes the \$50,000 in the revenue requirement, does Essex agree that a variance account around this amount is appropriate?

Interrogatory # 55

Ref: Energy Probe Interrogatory # 12 (a)

Please explain the relevance of a variance account in relation to the working cash allowance forecast included in a cost of service application.

Interrogatory # 56

Ref: Energy Probe Interrogatory # 16 (b)

The response indicates that the most recent normal volume for Can-Detroit is 6,765,079 kWh. Please provide the figure that was included in the original forecast.

Interrogatory # 57

Ref: Energy Probe Interrogatory # 25 (b)

The year-to-date November 30, 2009 costs incurred for the cost of service application total approximately \$141,000 out of the \$200,000 forecast (excluding intervenor costs). Assuming no oral component to the hearing, but a second round of interrogatories and written argument, what is the current projection for these costs as compared to the \$200,000 forecast?

Interrogatory # 58

Ref: Energy Probe Interrogatory # 28 (c)

How has Essex determined the \$200,000 associated with only the regulated company portion of the IFRS conversion costs? What is the amount of the costs allocated to the three affiliates?

Interrogatory # 59

Ref: Energy Probe Interrogatory # 29

- a) Please confirm that Essex would agree the LEAP funding should be removed from the revenue requirement if the Board provided another mechanism (if necessary) to fund the program following such direction from the Government.**
- b) Please reconcile the \$18,002.80 cost shown in part (b) of the response with the figure of \$25,000 provided in the evidence and in the response to part (a) of Energy Probe Interrogatory # 29.**

Interrogatory # 60

Ref: Energy Probe Interrogatory # 32 (d)

- a) Please provide the total cost included in the 2010 revenue requirement associated with each of the Distribution Engineer and the Special Customer Accounts Manager.**
- b) Based on the response to part (d) what would be the impact on the revenue requirement if Essex capitalized a portion of the costs associated with these positions at the rates stated?**

Interrogatory # 61

**Ref: Energy Probe Interrogatory # 40 &
Board Staff Interrogatory # 18 (a)**

- a) Please confirm that the Section 2368.05 provided in the response to Board Staff deals with the federal small business deduction eligibility and does not impact on the eligibility for the provincial small business deduction.**

- b) Based on the above, does Essex now believe that the provincial small business tax rate shown in Energy Probe Interrogatory # 40 (b) is applicable to Essex? If not, please provide copies of any information that Essex is relying on to be ineligible in relation to the provincial small business deduction.
- c) Assuming applicability, please confirm the calculations provided in part (c) of Energy Probe Interrogatory # 40, or provide supporting calculations for a different value.

Interrogatory # 62

Ref: Energy Probe Interrogatory # 41

Is the exclusion of the non CCA items shown in the response to part (a) for such items as transformer inventory transfer, meter inventory transfer and inventory reclassified into meter cap acct based on these assets already being included in the opening CCA for tax purposes? If not, please provide more details on the exclusion of these amounts to the CCA additions in 2008.

Interrogatory # 63

Ref: Board Staff Interrogatory # 21

- a) The response indicates that the \$6 million fixed rate loan from TD Bank that was issued on November 9, 2009 is for a term of 20 years. However, the weighted average cost of debt table shows this loan with a term date of 9-Nov-2019. Please reconcile.
- b) Please also confirm that the rate of 6.00% shown for this loan in the second part of the table should be 4.99%, but that the interest cost already reflects this correct rate.

Interrogatory # 64

**Ref: Board Staff Interrogatory # 22 &
Energy Probe Interrogatory # 44 (d)**

- a) Has TD Bank increased the current stamping fee from 0.5% to 1.75%? If not, when is this increase now expected?

- b) The response to the Energy Probe interrogatory indicates that the BA rate is a fluctuating short term rate and that the swap rate for the \$3 million loan is 5.3% and for the \$3.3 million loan is 4.19%. Please indicate how these numbers were determined and what they were based on.
- c) If the swap rates were to be updated based on current BA rates, what would the 5.3% and 4.19% figures be?

Interrogatory # 65

Ref: SEC Interrogatory # 6 (b)

The response provided indicates wage-related increases of 3% for union employees, 2.5% for management employees and non-wage related increases of 2%. For each of these three items, please provide the corresponding dollar increase in 2010 based on these percentage increases.

Interrogatory # 66

Ref: VECC Interrogatory # 6 (b)

The commercial table provided in the response is fully shown. Please provide the entire table.

Interrogatory # 67

**Ref: Energy Probe Interrogatory # 12 (e) & (f) and
VECC Interrogatory # 10 (b)**

The response to the Energy Probe interrogatory indicates that based on the last 12 months of historical data, about 34% of total kwhr sales are for non-RPP customers. The response to the VECC interrogatory indicates that based on the same data, about 54% of total kwhr sales are for RPP customers.

- a) Please reconcile these figures, as they do not add to 100%.
- b) Based on the reconciled percentages for RPP and non-RPP volumes, please correct, if necessary, the response to Energy Probe interrogatory # 12, part (f). Please show the cost of power calculations.

Interrogatory # 68

Ref: VECC Interrogatory # 13 (c)

- a) What is the basis for the assertion that at least one of the towns will not be contracting for billing services from Essex and reducing the margin by the \$100,000 noted in the response?**
- b) Please provide any correspondence with any of the towns that relate to this possible change in contracting for services.**