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BY EMAIL

January 10, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories for Brant County Power Inc.
EB-2010-0125**

Further to the Board's Procedural Order No. 1, dated December 24, 2010, please find attached Board Staff interrogatories on the cost of service rates application filed by Brant County Power Inc. on November 5, 2010.

Please forward the attached to Brant County Power Inc. and all intervenors in this proceeding.

Yours truly,

Original signed by

Christie Clark
Case Manager

Enclosure

Board Staff Interrogatories
Brant County Power Inc.
2011 Electricity Distribution Rates Application
EB-2010-0125

As identified in the Procedural Order No. 1 issued on December 24, 2010, the Board has set January 10, 2011 for the date on which Board staff is to file its interrogatories for Brant County Power Inc.'s ("Brant County" or the "Applicant") 2011 cost of service rebasing application, EB-2010-0125. The following are Board staff's interrogatories.

1.) Ref: The Application

Issue: Response to Notices

Brant County was directed to publish the Notice of Application and Hearing for public viewing.

- a) Following publication of the Notice of Application, did Brant County receive any letters of comment?
- b) If so, please file the letters with the Board.
- c) In addition, if so, please confirm whether a reply was sent from the Brant County to the author of the letter.
- d) If confirmed, please file that reply with the Board. If a reply was not sent, please explain why not and confirm if Brant County intends to respond.

2.) Ref: OM&A and Capital expenditures

Issue: Harmonized Sales Tax

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

- e) Please state whether or not Brant County has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that Brant County realized due to the implementation of the HST effective July 1, 2010.
- f) If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived.

- g) If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.

The Board directed Brant County to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST beginning July 1, 2010. Tracking of these amounts would continue in the deferral account until the effective date of the applicant's next cost of service rate order.

- h) Has Brant County recorded any HST Input Tax Credits or other HST related items in PILs account 1592?
- i) If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

3.) Ref: Exhibit 1 Tab 1 Schedule 8

Issue: Affiliate Relationships

Brant County states that certain of its management team provide executive management services to Brant County Power Services Inc. ("BCPS"). For these services it charges BCPS based on time. Brant County also states that it has recently introduced a time sheet system to assist in time tracking.

- j) How has Brant County reflected the revenues for services to BCPS in its 2011 forecast?
- k) How did Brant County estimate the 2011 revenues for these executive services to BCPS if there have not been time sheets kept in the past?
- l) Please show the details of the determination of the revenues for 2011.
- m) Does Brant County expect the same level of revenues for these services to BCPS over the IRM term commencing in 2012?
- n) Are these services provided in accordance with the Affiliate Relationship Code?

4.) Ref: Exhibit 1 Tab 2 Schedule 2

Issue: Budgeting

Brant County states that the Board of Directors are involved in setting the budget. Board staff is interested in whether the proposed rates are set on an approved budget.

- a) Did the Board of Directors approve the forecast in this 2011 COS application?

Board staff is interested in good asset management and quality of service. Brant County states that capital projects were assessed based on operational requirements and further growth.

- b) Did the Board of Directors turn down any proposed capital projects?
- c) If there were any projects not approved, what were the projects, for what reason was any project proposed, and why were any rejected?

5.) Ref: Exhibit 4 Tab 7 Schedule 1

Issue: Fair Market Assessment

Brant County states that a fair market assessment that was performed in 2000 on both Gross Assets and Accumulated Depreciation.

- a) Is Brant County using original cost or fair market value for its gross book value used for the purpose of determining rate base?
- b) Is the accumulated depreciation from the fair market assesment used to establish the net book value for rate base purposes? If not, please explain.

6.) Ref: Exhibit 2 Tab 1 Schedule 2

Issue: Working Capital Allowance

On the Rate Base Summary table, Brant County is proposing average annual balances for the working capital allowance.

- a) Please confirm that Brant County is requesting a working cash allowance determined based on the average of opening and closing balances for 2011, rather than on applying 15% to the annual OM&A as was done in the 2006 EDR.
- b) If Brant County is proposing to use the average of the opening and closing balances, please provide a rationale for this method.
- c) Please provide a table showing the details of the determination of the cost of power for the purposes of the working capital allowance. This table should use the proposed annual volumes for 2011 and the proposed rates, and compare them to the forecast costs for:
 - Commodity,
 - Transmission Network,
 - Transmission Connection,
 - Wholesale market Service,
 - Remote and Rural Rate Protection,
 - Debt Retirement Charge, and
 - Low Voltage Charge.

Please ensure that the Transmission charges and the LV charges fully reflect the EB-2009-0063 Decision; Brant County's Motion to review and vary Brantford's distribution rates,.

7.) Ref: Exhibit 2 Tab 1 Schedule 3

Exhibit 2 Tab 1 Schedule 1

Issue: Proceeds from Asset Dispositions

Board staff is interested in proceeds from disposed assets as seen on Exhibit 2 Tab 1 Schedule 3. Brant County is showing disposals for transportation equipment of \$365,717 in 2007 and \$484,348 for 2008.

- a) Were there any proceeds from the disposition of these vehicles? If not, why not.

- b) If Brant County receives proceeds from asset disposition, are there any proceeds forecast for 2011 – 2014?
- c) If there are expected proceeds from asset dispositions, how has Brant County recognized them in this application?

Issue: Reconciliation of Depreciation

On the schedules in Exhibit 2 Tab 1 Schedule 3 Brant County is showing reconciliations of the reported depreciation to the RRR filing. Board staff could not find any explanations.

- d) Are the reconciliations the differences between the depreciation calculated using Generally Accepted Accounting Principles (“GAAP”) and Generally Accepted Regulatory Principles (“GARP”) followed by the Ontario Energy Board?
- e) If the answer to d) is no, please explain the reconciliations.
- f) If the answer to d) is yes, please explain using GAAP depreciation to determine the net fixed assets for the purposes of rate base.

In Exhibit 2 Tab 1 Schedule 1 Brant County refers to non-competitive charges

- g) Please state the non-competitive charges included in the working capital allowance.

8.) Ref: Exhibit 2 Tab 5 Schedule 1

Issue: Smart Meters

- a) Are there any reported capital expenditures for smart meters that are included in rates base?
- a) If so, please file the evidence required in Section 1.5 of the guideline for smart meters Funding and Cost Recovery, G-2008-0002

9.) Ref: Exhibit 2 Tab 6 Schedule 1

Issue: Asset Management Plan

Board staff has noted that the Asset Management Plan is not dated.

- a) Is this a document that is used as part of the annual planning and operating cycle?
- b) How often is the Asset Management Plan reviewed and updated?

10.) Ref: Exhibit 3 Tab 1 Schedule 2

Exhibit 7 Tab 3 Schedule 1

Issue: Reconciliation of Distribution Revenues

Board staff notes that the 2011 distribution revenues reported on the two stated exhibits are not the same.

- a) Please provide a reconciliation or any correction to these exhibits.

11.) Ref: Exhibit 3 Tab 2 Schedule 2

Issue: Variance Analysis

Brant County has provided customer counts, kWhs and kW for its customer classes.

- a) Please update for 2010 actuals.
- b) Please explain the development of the forecasted customer counts.

12.) Ref: Exhibit 3 Tab 1 Schedule 3

Exhibit 3 Tab 3 Schedule 1

Issue: Other Utility Operating Income

On Exhibit 3 Tab 1 Schedule 3, Brant County states that there is an increase to other revenue of \$135,000 relating to Green Energy Act initiatives. On Exhibit 3 Tab 3 Schedule 1, Brant County shows for the test year Other Utility Operating Income of \$135,000.

- a) Is the \$135,000 in Other Utility Operating Income Exhibit 3 Tab 3 Schedule 1 for the Green Energy Act initiatives? If not please explain what the \$135,000 shown on the exhibit is and where the Green Energy Act initiatives are recorded.
- b) Please state what the initiatives are and show the determination of the \$135,000.

13.) Ref: Exhibit 3 Tab 2 Schedule 1

Issue: Volumetric Forecasting Model

Board staff would like more information on the volumetric forecasting model.

- a) Please provide the model's coefficients and the statistical parameters that describe behavioural characteristics (t-stats, p values, F stat).
- b) Please explain the large fluctuations in the loss factors found on page 5 of the exhibit.

14.) Ref: Exhibit 4 Tab 1 Schedule 1

Issue: Donations

Section 2.5.2 states the limits on donations expenses in the revenue requirement.

- a) Please identify whether or not Brant County has included any charitable or political donations as part of its forecast OM&A expense for the Test Year.
- b) If yes, please identify the amounts and the account in which the donations are recorded, and whether the amounts are compliant with Section 2.5.2 of the Filing Requirements.

15.) Ref: Exhibit 4 Tab 2 Schedule 1

Exhibit 4 Tab 2 Schedule 1 page 6

Issue: Administrative and General Cost Trends

Board staff notes some large changes in the administrative and general expenses for 2007 and 2009 on Exhibit 4 Tab 2 Schedule 1. While the Cost Driver table in Exhibit 4 Tab 2 Schedule 1 is of some help, the cost drivers are not grouped into the operating functions.

- a) Please explain the credit of \$646,875 for 2007 administrative and general expenses.
- b) Please explain the doubling of administrative and general expense from \$1.2 million in 2008 to 2.4 million in 2009.

16.) Ref: Exhibit 4 Tab 2 Schedule 1 page 6

Issue: Cost Drivers

Board staff notes that the number of employees has increased from about 27 in 2006 to 32 in 2011 while the number of customers has remained constant.

- a) Please state in which years and the number of employees Brant County hired.
- b) Please state the need for these additional hires.
- c) Were there any retirements during the period reported?
- d) Is Brant County anticipating any retirements for the period 2012 – 2014?
- e) If yes, what would the annualized cost impact be for the period 2011 to 2014 on employee expenses as they flow through to operations? Please show your calculation.
- f) Was one of the hires the smart meter data analyst?
- g) Are the smart meter data analyst's costs in OM&A in 2011?

Brant County states that the one-time cost of \$265,305 in 2009 is for Late Payment Penalty ("LPP") Costs.

- h) Please state whether or not Brant County has included an amount for recovery of late payment penalty litigation costs in its 2011 Test Year application.
- i) If yes, please identify the amount.

17.) Ref: Exhibit 4 Tab 4 Schedule 1

Issue: Employee Costs

Board staff notes that there are no executive expenses except for a current benefits entry in 2009.

- a) How does Brant County account for executive expenses?
- b) Why is there only the 2009 entry for executive benefits?

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

- c) Please state whether or not the applicant's proposed pension costs include this increase.
- d) If so, please provide the forecasted increase by years and the documentation to support the increases.
- e) If not, please state how the applicant proposes to deal with this increase.

18.) Ref: Exhibit 4 Tab 1 Schedule 1

Issue: Green Energy Act Initiatives

Brant County states that in 2010 it hired a CDM/Green Energy Coordinator.

- f) Are the costs for this coordinator included in the 2011 revenue requirement?
- g) Are there other Green Energy initiative costs in the 2011 revenue requirement?

Issue: Smart Meter Expenses

Brant County states that it hired Smart Meter Analyst in 2010.

- a) Are the costs for this analyst included in the 2011 revenue requirement?
- b) Are there other smart meter operating costs in the 2011 revenue requirement?

19.) Ref: Exhibit 4 Tab 7 Schedule 1

Issue: Depreciation Expense

Board staff notes that some of the depreciation rates submitted are not those approved by the Board for the 2006 EDR. The following anomalies in amortization periods have been noted:

- Buildings and fixtures are less than 50 years,
- Leasehold improvements should be per the lease term, and
- Distribution stations are not 40 years.

- a) Please correct or explain.

20.) Ref: Exhibit 4 Tab 8 Schedule 1 page 2

Issue: Income Taxes

BCP has used an incorrect income tax rate to calculate its PILs. In addition, an amount of \$24,718 is included as Ontario Capital Tax as part of the PILs determination. (Note: The Ontario Capital Tax was repealed effective July 1, 2010.)

- a) Please recalculate the PILs amount using the correct income tax rate from the Table below, and excluding the Ontario Capital Tax.

	January to June 30th	July 1st to December 31st	January to June 30th	July 1st to December 31st	January to June 30th	July 1st to December 31st
Income Range	\$0 to \$500,000	\$0 to \$500,000	\$500,001 to \$1,500,000	\$500,001 to \$1,500,000	> \$1,500,000	> \$1,500,000
Federal rate	11.00%	11.00%	16.50%	16.50%	16.50%	16.50%
Ontario rate **	4.50%	4.50%	4.50%	4.50%	12.00%	11.50%
Income Tax Rate	15.50%	15.50%	21.00%	21.00%	28.50%	28.00%
Blended Rate	15.50%		21.00%		28.25%	
Capital Tax Rate 1	Repealed					
Surtax 2	Repealed					
Ontario Capital Tax Exemption	Repealed					

- b) Please provide the Federal and Ontario Notice of Assessments, Notice of Reassessments (if applicable), Statement of Adjustments, and any other correspondence with the CRA and Ministry of Finance regarding any tax items, or tax filing positions that may be in dispute or under consideration or review, for tax years 2001 to 2009.

Brant County filed copies of the tax returns that are not very legible.

- c) If possible, please file legible copies.

21.) Ref: Exhibit 6 Tab 1 Schedule 1

Exhibit 4 Tab 7 Schedule 1

Issue: Sufficiency (Deficiency) calculation

Board staff notes that the depreciation expense calculated on Exhibit 4 Tab 7 Schedule 1 is \$1,146,066, while Brant County, in determining the net income on Exhibit 6 Tab 1 Schedule 1, uses \$896,214.

- a) Please explain the difference.
 b) If the proposed rates already take into account the transformer allowance, why is Brant County adjusting for the allowance?

22.) Ref: Exhibit 7 Tab 1 Schedule 1

Exhibit 7 Tab 2 Schedule 1

Issue: Updating for Transformer Ownership Allowance

Chapter 2 of the *Filing Requirements for Electricity Transmission and Distribution Applications* (the "Filing Requirements") updated June 28, 2010 states changes that are required to the cost allocation evidence for the Transformer Ownership Allowance ("TOA"). Brant County has not identified I8 as being changed to allocate the TOA costs based on the LTNCP factor.

- a) Has Brant County made the change to LTNCP as specified in the filing requirements?

23.) Ref: Exhibit 7 Tab 1 Schedule 1 p. 2

Issue: Embedded Service to Brantford

Board staff notes that Brant County has included Brantford Power Distribution Inc. ("Brantford") as a GS<50 customer.

- a) Please state why, with a demand of 1,067 kW, Brant County has included them in a class for customers with less than 50 kW demand?
- b) What is the forecast average Demand for the GS<50 class without Brantford included?
- c) At what distribution voltage is Brantford served?
- d) Does Brant County provide and maintain the meters for Brantford?

24.) Ref: Exhibit 7 Tab 1 Schedule 2 page 3

Exhibit 7 Tab 2 Schedule 2

Issue: Sheet O1

Board staff notes a warning that Rate Base does not equal output for either exhibit.

- a) Please either explain this warning or correct it.

25.) Ref: Exhibit 8 Tab 1 Schedule 2 page 2

Issue: Rate Class Classification Change

Brant County is requesting a change to its classification for General Service Rates. It states that the current definition refers to a monthly average demand. It is requesting to change this by adding the following text to the rate category: "The average monthly demand is determined by taking the average of the 5 highest monthly demands over the previous 12 months."

- a) Please state any problem that this is designed to correct.
- b) Please state any customer impacts this will create.
- c) Please state if such terms are standard in the industry.

26.) Ref: Exhibit 8 Tab 1 Schedule 3:

Issue: Retail Transmission Service Rates

Brant County is requesting not to change its Retail Transmission Service Rates ("RTSR") that it charges its customers. As a result of Brant County's Motion to review and vary Brantford's distribution rates, EB-2009-0063, Board staff would like more detail to ensure that the rates Brant County is proposing are reasonable.

- a) On August 20, 2010, the Board issued a letter to electricity distributors announcing the issuing of a Microsoft Excel workbook and instructions for distributors to

complete as part of their 2011 electricity rate applications. The workbook, 2011 RTSR Adjustment Workform.xls, can be found on the Boards web page *2011 Electricity Distribution Rate Applications*. Please complete and file the workbook.

27.) Ref: Exhibit 9 Tab 1 Schedule 2

Issue: Deferral and Variance Account Balances

Brant County is proposing to file December 31, 2010 audited deferral account balances.

- a) When does Brant County expect to file the December 31, 2010 balances?

28.) Ref: Exhibit 10 Tab 1 Schedule 1 page 3

Issue: OPA Programme Results

Brant Power notes that the results for the OPA programs in 2009 are preliminary, and will be updated once the OPA provides final results. In the Board's Guidelines for Electricity Distributor Conservation and Demand Management issued on March 28, 2008, it states at section 5.3 that when applying for LRAM, a distributor should ensure that sufficient time has passed to ensure that the information needed to support the application is available.

- a) When does Brant Power expect to receive the final 2009 program results from the OPA?
- b) Please provide the rationale for including preliminary program results in Brant Power's LRAM claim.
- c) Please describe the process for updating the information with the final 2009 program results Brant receives from the OPA.