Board Staff Interrogatories for Peterborough Distribution Inc. 2009 Electricity Distribution Rates Application EB-2008-0241

As identified in the Procedural Order No. 1 issued on December 1, 2008, the Board has determined that the review of this application will begin with a series of interrogatories or questions to the applicant arising from its pre-filed evidence. The following Board Staff interrogatories contain questions relating to specific aspects of the application.

General – Economic Assumptions

1. Updates to evidence

a) Since the filing of the application, given the current economic situation, has Peterborough Distribution (PDI) assessed the situation and identified any specific issues that would have a material impact on its load and revenue forecasts and bad debt expense forecast?

b) If so, can PDI provide the necessary evidence and an estimate of the timing of any update including supporting facts and calculations?

Exhibit 2 - Rate Base

2. Rate Base and Capital Expenditures – Ref: Exhibit 2

Please provide information for the period 2006 to 2009 in the following table format with respect to PDI's distribution operations:

	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Allowed Return on Equity (%) on the regulated rate base				
Actual Return on Equity (%) on the regulated rate base				
Retained Earnings				
Dividends paid to shareholders				
Sustaining capital expenditures (excluding smart meters)				
Development capital expenditures (excluding smart meters)				
Operations capital expenditures				
Smart Meters capital expenditures				
Other capital expenditures (please specify)				
Total capital expenditures (including smart meters)				

Total capital expenditures (excluding smart meters)				
Depreciation expense				
Construction Work in Progress				
Rate Base				
Taxes/PILs paid/forecasted				
Number of Customer Additions (total)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				
Number of Customers (total, December 31)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				

3. Continuity Schedule – Ref: Exhibit 2 / Tab 2 / Schedule 1

In the tables for continuity of gross fixed assets, depreciation and net fixed assets in the referenced evidence, PDI shows no accumulated depreciation (credit) related to account 1995 – Contributions & Grants. Please explain in detail, with reasons, PDI's accounting treatment related to this account.

4. Continuity Schedule – Ref: Exhibit 2 / Tab 2 / Schedule 1

In the referenced evidence, PDI shows no disposals or adjustments to gross fixed assets in any of 2006 and 2007 actual, 2008 bridge and 2009 test years.

a) Please confirm that PDI had no, or does not plan to have in 2009, disposal or other adjustments to assets.

b) PDI experienced significant damage to its Peterborough service area distribution system due to storms in 2006, such that it applied for and was approved Z-factor treatment in its 2007 IRM distribution rate application. Please explain PDI's accounting treatment for distribution assets not fully depreciated but written off or disposed of as a result of the 2006 storms and subsequent storm recovery.

5. Miscellaneous Equipment – Ref: Exhibit 2 / Tab 2 / Schedule 1

In the referenced evidence, PDI shows an opening balance in 2006 of $NIL, an addition to gross fixed assets of $82,385 and a depreciation expense of $16,477 in 2006. The continuity schedules show similar depreciation expenses in 2007 actual, 2008 bridge and 2009 test years, with no additions or disposals to gross fixed assets to this account. Board staff interpret this to mean that a full year's depreciation expense was applied for the $82,385 of assets added in 2006. The usual treatment is to apply the ½-year rule when assets are added to rate base.

a) Please confirm whether PDI applied a full-year depreciation expense related to this account in 2006. If so, please explain the reasons for so doing.
b) Please confirm whether PDI applies the ½-year rule for calculating the depreciation expense related to capital assets in the year of addition.
c) If PDI does not apply the ½-year rule as described in b) above, please explain.

6. Work in Progress – Ref: Exhibit 2 / Tab 2 / Schedule 1

In the referenced evidence, for Work in Progress, PDI shows a 2006 opening balance of $1,684,823 and an addition of $1,133,943, with no disposals. For 2007, there is an opening balance of $2,816,766 with a "negative addition" of ($719,979) that year, leaving a 2007 year-end balance of $2,098,787. The balance is unchanged for the 2008 bridge and 2009 test years.

Board staff understand Work in Progress as relating to capital expenditures where the assets are not in-service (i.e. not "used and useful") at the end of the calendar/fiscal year. It would be usual to expect additions and disposals to work in progress annually as assets are completed and put in progress while new projects carry over to the following year. Major projects, such as a major station build or rebuild, may carry-over more than one year, but most Work in Progress would be completed the following year.

a) Please provide a detailed explanation of the accounting treatment for Work in Progress, for all years, as shown in the continuity schedule.

b) Please provide a description of all major projects covered by Work in Progress for each year's balance and additions. Please indicate which projects are multi-year (more than one year in duration).

7. Meters – Ref: Exhibit 2 / Tab 2 / Schedules 1 and 3

In the referenced evidence, PDI shows the following as annual capital additions for meters.

		2006 actual	2007 actual	2008 bridge	2009 test
Meters - Account 1860	Additions	$ 646,439	$ 163,463	$ 125,000	$ 225,000

Exhibit 2 / Tab 2 / Schedule 3 explains that $498,098 of the 2006 meter capex was for wholesale meter points, per regulatory requirements, with $115,267 for new electric meters for customer connections. PDI provides no description of meter capex for 2007 actual and 2008 bridge years. With respect to 2009 test year, PDI indicates, on page 6 of Exhibit 2 / Tab 2 / Schedule 3, that $100,000 is for new General Service customers and $25,000 for wholesale metering. This leaves $100,000 in proposed 2009 metering capex unexplained.

a) Please provide descriptions of meter capital expenditures in 2007, 2008 and 2009 not already provided in evidence.

b) In its application, PDI is seeking an increased smart meter funding adder of $1.00 and indicates that it is authorized for smart meter deployment. PDI states that it is intending to begin deploying smart meters in 2009. What, if any, efforts will PDI take in 2009 or has taken in recent years to minimize the costs for replacing conventional meters unless necessary? Has PDI investigated or requested extensions for meters whose seals are about to expire until the meters are replaced?

8. Asset Management – Ref: Exhibit 2 / Tab 3 / Schedule 4, Exhibit 2 / Tab 3 / Schedule 4 / Appendix A, Exhibit 2 / Tab 3 / Schedule 2, Exhibit 4 / Tabs 1 and 2

Asset management consists of processes and systems that help evaluate, prioritize, and select the distributor's maintenance and capital plans to maximize the benefits to its customers and shareholder.

For the purpose of providing the information regarding its maintenance and capital plans, PDI should use its identified materiality threshold items.

a) In regards to PDI's 2009 capital plans:

   i) Please provide a list of criteria and rationale that PDI has utilized in prioritization and selection of its 2009 capital projects.

   ii) Please complete the following table and provide ranking and the description of the identified material capital projects. Please note that the rating "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.

   iii) Please explain and file with the Board necessary evidence, if any, how the priorities of these capital projects are determined by PDI's management using the criteria identified in part "a(i)", e.g. asset condition study, system planning, regulatory compliance, etc.

2009 Capital Projects

Priority Ranking	Project Name	Description of Project	Type of Program	Capital Investment ($)	Discretionary Or Non-discretionary	Start Date of Project	Date In Service	Rationale for Priority Selection
1								
2								
3	e.g. New 27.6 kV	This project is to build a new U/G feeder from Station ABC	Addition of a new asset	$	Non-discretionary	June 09	Dec. 09	To relief the overloading of the existing underground feeders and meet the load growth of x% forecasted in the next y years.
4								
….								
….								
Total $ for Prioritized Programs				$$$				
Total $ Prioritized Programs as a % of Overall Total 2009 CAPEX				%				
Discretionary Programs as % of Total Prioritized Programs				%				
Non-discretionary Programs as % of Total Prioritized Programs				%				
Replacement Programs as % of Total Prioritized Programs				%				
Rehabilitation Programs as % of Total Prioritized Programs				%				
Upgrade Programs as % of Total Prioritized Programs				%				
New Additions as % of Total Prioritized Programs				%				

Notes:

1. Type of program can be replacement, rehabilitation, or upgrade of an existing asset, or an addition of a new asset.

2. Non-discretionary – a "must do" project or related directly to the core infrastructure (e.g. Stations, feeders, etc.), or the need for which is determined beyond the control of the Applicant, e.g. regulatory or Government initiatives.
3. Discretionary – the need is determined at the discretion of the Applicant and the program can be deferred.
4. Some programs may have the same priority ranking.

b) In regard to PDI's 2009 maintenance plans:

i) Please provide a list of criteria and rationale that PDI has utilized in prioritization and selection of its 2009 maintenance projects.

ii) Please complete the following table and provide ranking and the description of the identified material maintenance projects. Please note that the rating "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.

iii) Please explain and file with the Board necessary evidence, if any, how the priorities of these maintenance projects are determined and their expenditures are justified by PDI's management using the criteria identified in part "b(i)", e.g. reliability statistics, customer complaints, cost information, etc.

2009 Maintenance Programs or Projects

Priority Ranking	Name of Program or Project	Ongoing or One-time	Type of Program	Description of Project	Maintenance Expenditure ($)	Rationale for Priority Selection
1						
2	e.g. Tree trimming	Ongoing	Preventive	This project is to perform tree trimming based on a three-year cycle	$	To enhance system reliability and maintaining SAIDI <X, SAIFI < Y, and CAID < Z and reduce outages to the customers
3						
4						
….						
….						
Total Prioritized					$$	

Programs			
Total Prioritized Programs % of Overall 2009 Maintenance Programs		%	

Notes:

1. Type of program can be Reactive, Preventive, or Predictive.
2. The need for implementing reactive programs may not occur, but be budgeted based on utility's business practice and based on past experience related to equipment failure or defects.
3. Some programs may have the same priority ranking.

9. Asset Management Report – Ref: Exhibit 2 / Tab 3 / Schedule 4 / Appendix A

In Table 3 on page 5 of the referenced evidence, PDI indicates a total replacement cost of $30,720,000 for 384 km of overhead distribution. In Table 8 on page 11, PDI documents total expenditures of $90,464,500 over a 50-year plan for 384.4 km of overhead. Differences for other asset categories are apparent comparing Table 3 to other tables within the Asset Management Plan.

Please explain the differences between the replacement costs shown in Table 3 and those shown elsewhere under the discussion for each major asset category.

10. Asset Management Report – Ref: Exhibit 2 / Tab 3 / Schedule 4 / Appendix A

Table 13 on page 19 of the Asset Management Report appears to differ with tables elsewhere in the report. Board staff has prepared the following table based on selected information in tables of the Asset Management Report.

Annual Replacement Costs

Year	Poles		Stations / Breaker Stations		
	Table 4	Table 13	Table 6		Table 13
			Total cost over 5 years	Average annual cost	Annual Replacement Cost
2008	$ 151,200	$ 117,000	$ 5,049,048	$ 1,009,810	$ -
2013	$ 184,500	$ 156,600	$ 4,558,998	$ 911,800	$ 1,009,810
2018	$ 612,000	$ 254,700	$ 6,078,664	$ 1,215,733	$ 911,800
2023	$ 402,300	$ 357,300	$ 1,519,666	$ 303,933	$ 1,215,733
2028	$ 650,700	$ 603,000	$ 1,683,016	$ 336,603	$ 303,933
2033	$ 755,100	$ 620,100	$ 3,202,682	$ 640,536	$ 32,670
2038	$ 701,100	$ 569,700	$ 6,242,014	$ 1,248,403	$ 640,536
2043	$ 1,190,700	$ 991,800	$ -	$ -	$ 1,248,403

2048	$ 1,420,200	$ 1,309,500	$ -	$ -	$ -
2053	$ 1,373,400	$ 1,236,600	$ -	$ -	$ -
2058	$ 1,102,500	$ 1,046,700			$ -

a) Please describe which numbers and tables are a better indication of PDI's current expected capital plans to maintain and replace its existing distribution infrastructure (i.e. absent customer and load growth) under its Asset Management Plan.

b) Please provide further discussion on how the Asset Management Report links to and supports the capital programs and proposed capital expenditures for which PDI is seeking approval for setting 2009 distribution rates.

11. Asset Management Report – Ref: Exhibit 2 / Tab 3 / Schedule 4 / Appendix A – Poles

On page 7 of the referenced evidence, PDI states:

> "In any event anticipating a maximum pole replacement scenario of 2% per year it is clear that our present rate of replacement (0.4%) as a response to accidents or condition assessment, is unsustainable and a ramping up of expenditures on pole replacements will be necessary over the medium term. Specifics of the replacement rate and associated annual costs will be established once the pole testing program is underway and assumptions can be confirmed or clarified by the data obtained."

a) Please provide the basis for PDI's current pole replacement rate of 0.4% per annum.

b) Please provide further information on the current status of the pole testing program, and on what PDI intends to do in 2009. Please indicate the forecasted 2009 costs for the pole testing program.

12. Asset Management Report – Ref: Exhibit 2 / Tab 3 / Schedule 4 / Appendix A – Overhead Wires

In Table 3 on page 5 of the referenced evidence, PDI indicates a total replacement cost of $30,720,000 for 384 km of overhead distribution. In Table 8 on page 11, PDI documents total expenditures of $90,464,500 over a 50-year plan for 384.4 km of overhead. Differences for other asset categories are apparent comparing Table 3 to other tables within the Asset Management Report.

a) Please explain the differences between the replacement costs shown in Table 3 and those shown elsewhere under the discussion for each major asset category.

b) Please describe which numbers are a better indication of PDI's current expected capital plans to maintain and replace its existing distribution infrastructure (i.e. absent customer growth) under its Asset Management Plan.

13. Asset Management Report – Ref: Exhibit 2 / Tab 3 / Schedule 4 / Appendix A – Operations and Maintenance

On page 16 of the referenced evidence, PDI states:

> "In addition to the end of life replacement of the infrastructure that has been discussed thus far, maintenance and refurbishment play an important role in ensuring a safe and reliable electrical delivery system. A well planned and specific maintenance program can extend the usable life of some components of the system. Expenditures on maintenance can be viewed several ways, first are the proposed maintenance activities devised and organized in a fashion which allows management to measure their effectiveness and report on their impact on reliability and safety? Second, is the utility spending optimized in terms of the life of the asset, would spending more money on items extend their life, or would less money spent have the same impact? At this point in time the utility has no reliable measurement tools that can answer these two questions effectively. Part of the ongoing asset management strategy will attempt to better address these issues."

a) Please indicate PDI's efforts to date, and its plans for 2009, to address how it can better understand when, how and how much should be spent on maintenance to extend the life of assets as opposed to when it becomes more cost effective and enhances reliability performance by replacing assets?

b) Please indicate the 2009 and ongoing operating expenditures PDI expects to spend to address the above issue.

14. Working Capital Allowance – Ref: Exhibit 2 / Tab 1 / Schedule 1 and Exhibit 2 / Tab 4 / Schedule 1

For the 2009 test year, PDI shows an Administration & General Expenses forecast of $1,378,334 in Table 2 of Exhibit 2 / Tab 1 / Schedule 1 of the referenced evidence and $1,328,334 in the detailed calculation of the working capital allowance in Table 1 of Exhibit 2 / Tab 4 / Schedule 1. The difference

seems to relate to the estimate for Account 5630 – Outside Services Employed, which is estimated as $210,021 for 2009 test year in the latter table, but is shown as $260,021 in the pro forma 2009 financial statements in Exhibit 1 / Tab 2 / Schedule 3 / Appendix B.

Please confirm the forecasted 2009 expenses for account 5630 and the working capital base and working capital allowance for which PDI is seeking approval in this application.

15. Depreciation Expense – Ref: Exhibit 4 / Tab 2 / Schedule 7 and Exhibit 2 / Tab 2 / Schedule 1

PDI provides only a summary description of depreciation expense treatment in Exhibit 4 / Tab 2 / Schedule 7, and refers to the spreadsheets in the Continuity Schedules of Exhibit 2 / Tab 2 / Schedule 1. The Continuity Schedule provides depreciation expense numbers by account, but does not provide information on the derivation of annual depreciation expense.

a) For each account listed in Exhibit 2 / Tab 2 / Schedule 1, please indicate the amortization/depreciation rate and the expected useful life for amortization/ depreciation purposes.

b) Please confirm that PDI complies with the Board's guideline amortization rates as documented in Appendix B of the *2006 Electricity Distribution Rate Handbook*. Where PDI deviates from the amortization rate documented therein, please provide an explanation for PDI's adopted amortization rate for each such account.

16. Smart Meters – Ref: Exhibit 9 / Tab 1 / Schedule 1

On pages 8-9 of Exhibit 9 / Tab 1 / Schedule 1, PDI states that it is requesting an increased smart meter rate adder of $1.00. It states that it is authorized to deploy smart meters pursuant to O.Reg. 427/06 and that it intends to do so in mid- to late-2009 assuming completion of contract negotiations with the selected vendor. PDI states that it expects to incur capital expenses around $5.6 million.

On October 22, 2008, the Board issued Guideline G-2008-0002 on "Smart Meter Funding and Cost Recovery". Section1.4 of the Guideline specifies filing requirements for distributors when seeking a smart meter funding adder greater than $0.30 per month per residential customer. Any such distributor must be authorized in accordance with the applicable regulations, and must have a clear intention on installing smart meters in the rate test year.

a) Please provide documentation supporting that PDI is becoming authorized to deploy smart meters pursuant to O.Reg. 427/06 as amended on June 25, 2008 by O.Reg. 235/08.

b) Please provide the following information in accordance with section 4 of the Guideline:

   i) the estimated number of smart meters to be installed in the rate test year;
   ii) the estimated costs per installed meter, and in total;
   iii) a statement as to whether PDI has purchased or expects to purchase smart meters or advanced metering infrastructure whose functionality exceeds the minimum functionality adopted in O.Reg. 425/06, and an estimate of the costs for "beyond minimum functionality" equipment and capabilities; and,
   iv) a statement as to whether PDI has incurred, or expects to incur, costs associated with functions for which the Smart Metering Entity has the exclusive authority to carry out pursuant to O.Reg. 393/07, and an estimate of those costs.

Exhibit 3 - Operating Revenue

17. Distribution Revenue – Ref: Exhibit 3 / Tab 1 / Schedule 2; Exhibit 3 / Tab 2 / Schedule 8; Exhibit 9 / Tab 1 / Schedule 8

In Exhibit 3 / Tab 1 / Schedule 2 / page 1, PDI shows the 2009 "Distribution Revenues – Sub-Total" to be $13,627,922. In Exhibit 3 / Tab 2 / Schedule 8 / page 2, PDI shows the 2009 "Distribution Revenues $" to be $13,650,410. In Exhibit 9 / Tab 1 / Schedule 8 / page 1, it shows the 2009 "Total Distribution Revenue" to be $14,627,850.

a) Using the Exhibit 9 / Tab 1 / Schedule 8 / page 1, value of $14,627,850 as the reference point, please explain what each of the other values represent and reconcile the differences among the various values, and

b) Please show the calculations that arrive at the $13,627,922 and the $13,650,410 values.

18. Weather Normalization and Modelling – Ref: Exhibit 3 / Tab 2 / Schedule 2

On page 1 of the referenced evidence, PDI indicates that the weather normalization that was generated was performed by Hydro One.

Please provide the Hydro One report and any spreadsheets received from Hydro One containing data supporting the calculation of the normalized historical load. (Any *summary reports* that PDI received from Hydro One that show the weather correction factors by class (as distinct from raw unprocessed data) are particularly requested.)

19. Weather Normalization and Modelling – Ref: Exhibit 3 / Tab 2 / Schedule 2

In pages 1 to 3 of the referenced evidence, PDI explains how it developed its 2009 load forecast for the weather-sensitive classes. While some details are missing, the essential approach used appears to be that PDI:

- determined the 2009 forecasted customer count for each customer class,
- determined the weather-normalized retail energy for each customer class for 2004,
- determined the 2004 retail normalized average use per customer ("retail NAC") for each class by dividing each of the weather-normalized retail energy values by the corresponding number of customers/connections in each class existing in 2004,
- applied the 2004 retail NAC for each class to the 2009 Test Year *without modification*, and
- determined the 2009 Test Year energy forecast for each customer class by multiplying the applicable 2004 retail NAC value for each class by the 2009 forecasted customer count in that class.

a) Please confirm that the above is the essence of PDI's load forecasting methodology,

b) Please differentiate the approach used for weather sensitive loads from that used for non-weather sensitive loads, and

c) Please fully correct any errors in the above explanation.

20. Expected Future Changes – Ref: Exhibit 3 / Tab 2 / Schedule 2 and Exhibit 3 / Tab 2 / Schedule 4

In Exhibit 3 / Tab 2 / Schedule 2 / page 1, PDI states: "The 2008 and 2009 customer numbers are forecast based on the average compounding growth rate for the period from 2002 to 2007." and, on pages 1 and 2, PDI appears to have assumed that the consumption per customer by customer class remains constant from 2004 to 2009. In Exhibit 3 / Tab 2 / Schedule 4 / page 2, PDI notes the expected reclassification of eleven GS>50kW class customers to the GS<50kW class.

a) Please explain how PDI's forecasting methodology is differentiated from an approach that would rely solely (or substantially when considering the inclusion of the expected reclassification) on the simple extrapolation of the past and which would ignore both broader economic effects that would impact the Province as a whole and energy consumption changes as a result of CDM, and

b) Please compare the economic assumptions made in the application with economic forecasts prepared by national economic forecasting institutions (e.g. Canadian chartered banks) and regional forecasters (e.g. Boards of Trade or regional councils).

21. kW and Revenue Forecast – Ref: Exhibit 3 / Tab 2 / Schedule 2

On page 2 of the referenced evidence, PDI provides a table titled "…Wholesale kWh … and Retail NAC".

a) Please explain the process PDI used to convert from wholesale kWh to retail kWh,
b) Please describe any loss factor assumptions made, and
c) Please document the establishment of the loss factor value(s) used.

22. kW and Revenue Forecast – Ref: Exhibit 3 / Tab 2 / Schedule 2 / page 2

On page 2 of the referenced evidence, PDI notes: "Specific classes are billed on demand charges…and require an estimate of billed kW. Billed kW is estimated based on using a ratio of historical billed kW to historical kWh, by class."

Please provide:
a) a detailed description of the process used to develop the class kWh to kW conversion factors, and

b) the supporting values and the calculations to determine the class kWh to kW conversion factors.

23. Customer Count, kWh load, kW load and Revenue – Ref: Exhibit 3 / Tab 2 / Schedule 2

On page 1 of the referenced evidence, PDI provides the 2002 to 2007 historical customer and connections data by class. On page 2, it provides the 2004 weather normalized load for three specific classes. On page 3, it provides historical data for 2006 and 2007. With this minimal amount of basic data for the 2002 to 2007 period, an independent assessment of PDI's calculations is not possible.

On pages 1 and 2, PDI explains how it determined the 2004 retail normalized average use per customer ("retail NAC") for certain classes and apparently used this particular value for other years also. This does not appear to adequately weather-normalize the energy usage in historical years and does not allow for the possible change in energy usage per customer over the 2002 – 2009 period due, for example, to Conservation and Demand Management. The minimal amount of weather normalization and the constant retail energy assumption could potentially lead to forecasting errors.

a) Please file a data table for the historical years 2002 to 2007 that shows:

   i. the actual retail energy (kWh) for each customer class in each year,
   ii. the *weather normalized* retail energy (kWh) for each customer class in each year (where, for the customer classes that PDI has identified as weather sensitive, the weather normalization process should, as a minimum, involve the direct conversion of the actual load to the weather normalized load using a multiplier factor for that year *and not rely on results for any other year*),
   iii. the values of the weather correction factors used,
   iv. the customer count for each class in each year,
   v. the retail normalized average use per customer for each class in *each year* based on the *weather corrected* kWh data in item ii. above, and
   vi. as a footnote to the table, the source(s) of the weather correction factors.

b) Please file a data table for the 2002 to 2009 period:

   i. utilizing the retail normalized average use per customer values for each class in each year obtained in a) v. above for the historical years 2002 to 2007,
   ii. including 2008 and 2009 projections for the customer count and the retail normalized average use per customer values (where these future values are based on economic or other relevant trends or, as a minimum, trends in the data) for each class, and
   iii. as a footnote to the table, for each of the classes describe in detail the projection logic employed in ii. above.

c) Please file an updated version of the historical/forecast table filed in Exhibit 3 / Tab 2 / Schedule 2 / page 3, utilizing the *weather corrected* data determined in b) above.

24. Customer Count, kWh load, kW load and Revenue – Ref: Exhibit 3 / Tab 2 / Schedule 2

In pages 1 to 3 of the referenced evidence, PDI has developed its load and revenue forecasts. While there is no precise method to measure the accuracy of

an applicant's forecast until after the actual load has been met, the applicant's forecasting track record may provide some indication of its forecasting accuracy.

Please provide any data PDI has that illustrates the accuracy of its previous load forecasts.

25. Re-filing evidence – Ref: Exhibit 3

Some of PDI's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any Exhibit 3 tables that require to be updated as a result of changes in the evidence.

26. Other Revenue – Ref: Exhibit 1 / Tab 2 / Schedule 4 and Exhibit 3 / Tab 3 / Schedule 1

In Exhibit 1 / Tab 2 / Schedule 4 / page 1, for 2009 PDI shows the "Other Operating Revenue (Net)" to be $1,618,851 and in Exhibit 3/ Tab 3 / Schedule 1 / page 1 it shows the "Other Distribution Revenue" to be $1,530,851.

Please reconcile these two values.

Exhibit 4 - Operating Costs

27. OM&A Expenses – Ref: Exhibit 4 / Tab 1 /Schedule 1

The figures in the following table are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website.

		Col. 1	*Col. 2*	*Col. 3*
		2003	**2004**	**2005**
1	**Operation**	$606,142	$554,522	$640,777
2	**Maintenance**	$1,572,206	$1,596,006	$1,790,016
3	**Billing and Collection**	$1,439,588	$2,062,759	$1,940,253
4	**Community Relations**	$68,803	$84,274	$609,056
5	**Administrative and General Expenses**	$1,199,462	$1,029,667	$989,413
6	**Total OM&A Expenses**	$4,886,201	$5,327,227	$5,969,514

a) Please confirm PDI's agreement with the numbers for Total OM&A Expenses that are summarized in the table.

Board staff prepared the following table to review Peterborough's OM&A expenses. Note that rounding differences may occur, but are immaterial to the questions below.

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
		2006 Bd Appr.	**2006 Actual**	**2007**	**2008 Bridge**	**2009 Test**
1	**Operation**	$554,522	$745,477	$910,111	$947,319	$956,517
2	**Maintenance**	$1,596,006	$2,395,581	$2,249,757	$2,175,251	$2,350,052
3	**Billing and Collection**	$2,098,572	$1,870,894	$1,915,268	$1,982,546	$2,026,703
4	**Community Relations**	$0	$485,827	$85,988	$0	$0
5	**Administrative and General Expenses**	$1,129,188	$1,151,315	$1,393,022	$1,346,618	$1,378,334
6	**Total**	$5,545,424	$6,786,819	$6,661,145	$6,575,734	$6,836,846

Board Staff prepared the following table 3 to review PDI's OM&A forecasted expenses from the evidence provided in Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

Peterborough Distribution Incorporated

	2006 Board Approved	Variance 2006/2006	2006 Actual	Variance 2007/2006	2007 Actual	Variance 2008/2007	2008 Bridge	Variance 2009/2008	2009 Test	Variance 2009/2006
Operation	554,522	190,955	745,477	164,634	910,111	37,208	947,319	9,198	956,517	211,040
		34.4%		*22.1%*		*4.1%*		*1.0%*		***28.3%***
Maintenance	1,596,006	799,575	2,395,581	-145,824	2,249,757	-74,506	2,175,251	174,801	2,350,052	-45,529
		50.1%		*-6.1%*		*-3.3%*		*8.0%*		***-1.9%***
Billing & Collections	2,098,572	-227,678	1,870,894	44,374	1,915,268	67,278	1,982,546	44,157	2,026,703	155,809
		-10.8%		*2.4%*		*3.5%*		*2.2%*		***8.3%***
Community Relations	0	485,827	485,827	-399,839	85,988	-85,988	0	0	0	-485,827
		-		*-82.3%*		*-100.0%*		-		***-100.0%***
Administrative and General Expenses	1,129,188	22,127	1,151,315	241,707	1,393,022	-46,404	1,346,618	31,716	1,378,334	227,019
		2.0%		*21.0%*		*-3.3%*		*2.4%*		***19.7%***
Total OM&A Expenses	**5,378,288**	**1,270,806**	**6,649,094**	**-94,948**	**6,554,146**	**-102,412**	**6,451,734**	**259,872**	**6,711,606**	**62,512**
		23.63%		-1.43%		-1.56%		4.03%		***0.94%***

b) Please confirm that PDI agrees with the three tables prepared by Board staff presented above. If PDI does not agree with any table please advise why not and provide amended tables with full explanation of changes made. Please complete the tables for 2006 Board Approved and 2006 Actual.

c) Please complete the following table by identifying the key cost drivers (increase or decrease) that are contributing to the overall increase of 2006 Historical relative to 2009 cost levels.

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*
		2006	**2007**	**2008**	**2009**
	Opening Balances	**$5,969,514**	**$6,786,819**	**$6,661,145**	**$6,575,734**
1	Cost Driver 1				
2	Cost Driver 2				
3	Cost Driver 3				
4	Cost Driver 4				
…	Etc.				
	Closing Balances	**$6,786,819**	**$6,661,145**	**$6,575,734**	**$6,836,846**

28. OM&A Expenses – Ref: Exhibit 4 / Tab 2 /Schedule 3

This Schedule contains a variance analysis for OM&A. Board staff are interested in more detailed explanations for the following variances:

a) It appears that some of the variances are incorrect. Please review the table for accuracy of data and variance calculations and provide a corrected version.

b) Account 5010, Load Dispatching, a seemingly fixed cost of distribution, has historical variances from a low $197K in 2004 to a peak of $348K in 2007, a variance of 75%. Other years also display large year to year swings. Please explain the basis for the swings.

c) Account 5065, Meter Expenses has increased 100% from $92K in 2006 to $185K for the 2009 test year.

   i. Please explain the drivers for this increase.

   ii. Please define the acronym “MSP” found at page 8 of 13.

   iii. Are any of these costs related to smart meters?

d) Account 5110, Maintenance of Buildings and Fixtures for 2007 has an explanation on page 8 of 13 stating that the variance from 2006 is due to Reframing to correct a clearance problem at MS 29 Feeder #2. Please define “reframing”. What was the cost of the reframing?

e) Account 5125, Maintenance of Overhead Conductors and Devices is explained on page 12 as being based on the 2007 actuals. The increase from 2007 to 2009 is $85,000, a 15.6% increase. Please provide details for the increase.

f) Account 5130, Maintenance of Overhead Services decrease by $203,810 in 2007 compared to 2006. Please explain.

g) Account 5135, Maintenance Overhead Distribution Lines and Feeders includes costs for tree trimming. On page 6, PDI states that tree trimming is on a three year basis. In its application before the Board, EB-2007-0681,

Hydro One Networks Inc. stated that it was intending to reach an optimum cycle of eight years for their vegetation management programme.

i. Has PDI assessed its 3-year programme relative to other cycle periods?

ii If so, what were the results?

iii If not, would a longer cycle period not provide sufficient vegetation management to protect plant at a lower annual cost?

h) Account 5310, Meter Reading for 2008 and 2009 has no costs for billing. Where are these costs reported?

i) Account 5315, Customer Billings increased by $71,695 or 8.3% in 2008 compared to 2007. The explanation provided states that:

"Increased IT support to Customer Service as well as an increased allocation of the PUSI Customer Service department of $117K. The Peterborough Group of companies discontinued Collection Agency and Utility Billing Services activities. Both of these activities shared in Customer Service allocations from PUSI. The result is a smaller allocation base and increased cost to PDI and its affiliates."

i. Please show how a reduction from eliminating costs in one function, results in increased allocations of $117K.

ii. If the "Peterborough Group" no longer provided billing services, are the costs of the billing service provider included in Account 5315?

iii. What are the net savings from changing to a billing service provider in 2008 and forecast 2009?

iv. If the billing service provider also provides services to affiliates of PDI, are the bills separate?

v. If the bills in iv. are not separate, how are the billed expenses allocated?

j) Account 5320, Collecting increased by $63,578 or 8.3% in 2008 compared to 2007. The explanation given is similar to that for Account 5315.

i. Please show how a reduction from eliminating costs in one function, results in increased allocations of $117K.

ii. If the "Peterborough Group" no longer provided collection services, are the costs of the collection service provider included in Account 5320?

iii. What are the net savings from changing to a collections service provider in 2008 and forecast 2009?

iv. If the collections service provider also provides services to affiliates of PDI, are the bills separate?

v. If the bills in iv. are not separate, how are the billed expenses allocated?

k) Account 5660, General Advertising Expenses decrease by $51,334 for 2008 compared to 2007. These costs then rise $10,000 for 2009.

i Please explain the variances.

ii What are the general advertising expenses for 2008 and 2009?

l) Account 5670, Rent increases between 2006 and 2007 by $167,692. It appears that Rent decreases by $143,200 from 2007 to 2008, and then rises by $34,000 for 2009. Please explain these variations.

29. OM&A Expenses – Ref: Exhibit 4 / Tab 2 /Schedule 3

The summary table on page 1 of the referenced evidence indicates for Account 5655, Regulatory Expenses are $120,000 for 2008 and 2009.

a) Please provide the breakdown for actual and forecast, where applicable, for the "2006 Board approved", 2006 actual, 2007 actual, 2008 bridge year, and 2009 Test Year regarding the following regulatory costs and present it in the following table.

b) Under "Ongoing or One-time Cost", please identify and state if any of the regulatory costs are "One-time Cost" and not expected to be incurred by the applicant during the impending period when the applicant is subject to the 3rd Generation IRM process or it is "Ongoing Cost" and will continue throughout the 3rd Generation of IRM process.

c) Please state PDI's proposal on how it intends to recover the "One-time" costs as part of its 2009 rate application if it is not included in the 3rd Generation IRM process two year amortization.

Regulatory Cost Category	Ongoing or One-time Cost?	2006 Board Approved	2006 Actual	2007 Actual	% Change in 2007 vs. 2006	2008 (As of Sept 2008)	% Change in 2008 vs. 2007	2009 Test Year	% Change in 2009 vs. 2008
1. OEB Annual Assessment									
2. OEB Hearing Assessments (applicant initiated)									
3. OEB Section 30 Costs (OEB initiated)									
4. Expert Witness cost for regulatory matters									
5. Legal costs for regulatory matters									
6. Consultants costs for regulatory matters									
7. Operating expenses associated with staff resources allocated to regulatory matters									
8. Any other costs for regulatory matters (please define)									
9. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources)									
10. Other regulatory agency fees or assessments									

30. OM&A Expenses – Ref: Exhibit 4 / Tab 2 / Schedule 1

On page 3 of the referenced evidence PDI itemizes the costs by account for the functional areas of the Company for OM&A expenses.

a) For the 2009 forecast test year, please identify and describe any one time costs other than those explained for regulatory costs in the previous question.

b) Are there any one time costs that were inadvertently carried forward from previous years?

c) Are there any expenses for charitable donations in the 2009 forecast? If there are please identify them.

d) Are there any costs in the forecast for conversion due to the adoption of International Financial Reporting Standards? If there are please itemize the costs and the rational of the drivers of the costs.

e) Does PDI partake in any Winter Warmth or other programs to assist low income customers? If so what are the programs and their costs for 2009?

f) Please identify any programs in the 2009 forecast that are specifically aimed at productivity and efficiency improvements.

g) What inflation rate is used for 2009 and what is the source document for the inflation assumptions.

31. Corporate Cost Allocation used to allocate Shared Services – Ref: Exhibit 4 / Tab 2 / Schedule 4

a) The five principles listed below formed the basis of the Board's acceptance of Enbridge's corporate cost allocations:

i) The service is specifically required by the utility;
ii) The level of service provided is required by the utility;
iii) The costs are allocated based on cost causality and cost drivers;
iv) The cost to provide the service internally would be higher and the cost to acquire the service externally on a stand-alone bases would be higher; and
v) There are economies of scale.

Please comment in how PDI's corporate cost allocations policy meets each of these principles.

b) It appears to Board staff that the activity based cost system that allocates costs from Peterborough Utilities Services Inc. ("PUSI") to affiliates is job based. Further, all services provided to all of the affiliates by PUSI are based on three fundamental drivers; labour, equipment, and material. The costs of these drivers are accumulated by jobs. To these costs are added the allocated departmental, administrative, and general expenses.

Please confirm if Board staff's interpretation as stated is correct. If not, please clarify.

c) Has the costing methodology developed by Corporate Renaissance Group been reviewed by an independent third party to ensure appropriate Board approved principles have been followed and applied as stated above in a) and those found in the Affiliate Relationship Code? If yes, please provide a copy of the report. If no, then please provide the following, preferably in tabular format:

i. Please itemize, by major expense category (Operations, Maintenance, Billing, etc.) the jobs acquired by PDI from PUSI. The itemization can be in a general way, overhead lines maintenance, meter repair, etc.
ii. For each itemization in i. please describe the overheads and the allocator to the jobs.
iii. If there are secondary allocations, such as departmental costs, administrative costs, etc. allocated to the overheads (e.g. human

resources costs to IT personnel), please explain those overheads and the allocators.

d) On page 2 of the referenced evidence, Overhead 2 is described as the cost of capital recovery on direct labour. Please explain.

e) On page 2, PDI describes two inventory charge-out codes, code 1 for internal jobs, and code 2 for external jobs. Are code 2 charge-outs always equal to or greater than code 1?

f) On page 5, PDI indicates that affiliate transactions from Peterborough Utilities Inc. are at market rates.

   i. Please explain how market rates are established.
   ii. Is there a mark-up applied to the market rates?

32. The "PUSI Service Agreement with PDI" – Ref: Exhibit 4 / Tab 2 / Schedule 4 / Appendix A

PDI has filed in the referenced evidence a copy of the "PUSI Service Agreement with PDI". On page 7, Article Three, Section 3.1, the Term of the Agreement is defined to be in effect until June 30, 2007. Section 3.1 also allows automatic renewal for successive five year periods.

a) Has the agreement renewed itself automatically?

b) If no, is a new agreement being negotiated and what is the status of the negotiations?

33. The proposed levels for 2009 Shared Services and other O&M spending – Ref: Exhibit 4 / Tab 2 / Schedule 4

Table 1 on page 13 of the referenced evidence provides a summary of PUSI shared services with PDI. Board staff have created the following table from the data provided in Table 1 to asses the increases in shared services costs in total.

		col. 1	*col. 2*	*col. 3*	*col. 4*	*col. 5*	*col. 6*	*col. 7*	*col. 8*
		Year to Year Change ($)				**Year to Year Change (%)**			
		07/06	**08/07**	**09/08**	**09/06**	**07/06**	**08/07**	**09/08**	**09/06**
1	Electric Distributor Operations	-197,958	260,429	7,154	69,625	10.5%	15.4%	0.4%	3.7%
2	Engineering Services	174,540	53,079	17,242	244,861	23.1%	5.7%	1.8%	32.5%
3	Field Technical Operations	46,076	136,873	33,743	216,692	11.9%	31.5%	5.9%	55.8%
4	Customer Service	-4,915	116,175	-31,485	79,775	-0.4%	9.0%	-2.2%	6.1%
5	Administration	122,420	-37,504	73,644	158,560	33.7%	-7.7%	16.4%	43.6%
6	Corporate & Regulatory Services	19,652	27,524	13,085	60,261	8.1%	10.5%	4.5%	24.8%
7	Finance	-7,887	4,799	2,014	-1,074	-4.3%	2.8%	1.1%	-0.6%
8	Information Technology	4,692	49,245	20,642	74,579	0.8%	8.7%	3.4%	13.3%
9	Human Resources	80,642	22,156	23,073	125,871	46.5%	8.7%	8.4%	72.6%
10	Purchasing	5,521	10,428	1,514	17,463	10.1%	17.4%	2.1%	32.0%
11	Vehicles	10,450	-54,540	25,000	-19,090	2.5%	12.7%	6.6%	-4.5%
12	Building Rent	173,456	-136,348	-255	36,853	36.4%	21.0%	0.0%	7.7%
13	Software & Equipment	-5,765	-6,857	34,285	21,663	-2.9%	-3.6%	18.5%	11.0%
14	**Total**	420,924	445,459	219,656	1,086,039	6.0%	6.0%	2.8%	15.5%

a) Please confirm that PDI agrees with the table prepared by Board Staff. If PDI does not agree with the table please advise why not and provide an amended table with a full explanation of changes made.

b) Board staff note that in most cases the total year over year increases are greater than those for the Operations, Maintenance and Administration expenses outlined in Question 27. Please explain the reasons for the operations budget experiencing different increases.

c) Has PDI changed its capitalization policy since 2004?

d) Table 2 on page 14 is a summary of the 2009 intra-company cost allocations, expressed as percentage. A total for all allocations has not been shown. Board staff are interested in the percentage of total costs allocated to all affiliates. Please provide the percentage distribution of the total costs allocated to the affiliated companies stated in the table.

e) Please complete the following table. Total compensation includes wages, benefits, incentive pay, and overtime.

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*
		2006 BAP	**2006Act.**	**2007**	**2008**	**2009**
1	Total Compensation					
2	Less Capitalized Amount					
3	Less Billable					
4	Less Other					
5	Compensation charged to OMA&G					

34. 3rd Party Purchased Services – Ref: Exhibit 4 / Tab 2 / Schedule 5

In the referenced evidence, PDI has provided tables of 3rd party purchased services for 2006 and 2007 for purchases over $10,000.

a) Please provide similar tables for 2008 and forecast 2009 for purchases over $50,000.

b) Please provide the total of 3rd party purchases under $50,000 for 2006 through to 2009 inclusive.

c) For all purchases from 2006 to 2009, please indicate whether they are tendered, negotiated, or sole sourced.

35. The 2009 Human Resources related costs – Ref: Exhibit 4 / Tab 2 / Schedule 6

The referenced evidence states that labour is charged through the shared services fees. No description exists of manpower planning and productivity incentives.

a) Please describe the process for ensuring development planning and safety training.

b) Does PDI have an incentive/performance pay plan?

   i. If yes, what productivity and efficiency goals are set for a) executive, b) management, and c) salaried employees?
   ii) If yes, are quantifiable goals set, and how are they measured?
   iii) If yes, are any incentives awarded for improved return to shareholders?
   iv) If there is no incentive/performance pay, what incentive is there to strive for productivity and efficiency improvements?

36. Determination of Loss Adjustment Factors
References:

i. Exhibit 4 / Tab 2 / Schedule 8, page 1
ii. Exhibit 4 / Tab 2 / Schedule 8, page 2
iii. Exhibit 1 / Tab 1 / Schedule 12, page 1

- The 1st reference provides a calculation of actual distribution loss factors (DLF) and total loss factors (TLF) for 2005 to 2007 and the average for the 3-year period.
- The 2nd reference provides a calculation of actual supply facility loss factors (SFLF) for 2005 to 2007 and the average for the 3-year period.
- The 3rd reference provides an explanation of host and embedded utilities.

a) With respect to the table in the 1st reference, please provide an explanation or rationale for proposing an average (of years 2005 to 2007) DLF (1.0413) for the test year 2009 rather than a lower DLF such as the actual DLF for 2006 (1.0319).

b) The industry standard for SFLF related to a distributor that is:
   - directly connected to the IESO controlled grid, is 1.0045
   - fully embedded within host distributor Hydro One, is 1.0340
   - partially embedded as in the case of Peterborough (3rd reference), is a weighted average of the above.
   -

   In order to enhance the Board's understanding of the proposed SFLF of 1.0071 as provided in the 2nd reference, please provide a breakdown of Wholesale kWh (row A in the table in the 1st reference) that flow into PDI's distribution system (Asphodel-Norwood, Lakefield and Peterborough service areas), (i) directly from the IESO grid, and (ii) via the Hydro One distribution system.

c) Please describe any steps that are contemplated to decrease the loss factor in the PDI service area during the test year (2009) and/or during a longer planning period.

37. Taxes / PILs – Ref: Exhibit 4 / Tab 3 / Schedule 1

Please provide a revised Table 1 – Tax Calculations including 2006 actual and 2007 actual year calculations in addition to 2006 Board-approved, 2008 bridge and 2009 test years.

38. Taxes / PILs – Ref: Exhibit 4 / Tab 3 / Schedule 1

Please explain the adjustments to rate base of $7,587,642 for 2008 bridge and $11,443,278 for 2009 test years shown in the calculation of the Ontario Capital tax allowance.

Exhibit 5 – Deferral and Variance Accounts

39. Deferral/Variance Accounts:
References:

i. **Exhibit 5 / Tab 1 / Schedule 1, page 1**
ii. **Exhibit 5 / Tab 1 / Schedule 2, pages 1-2**

- The 1st reference provides a description of deferral and variance accounts.
- The 2nd reference provides information on methods of disposition of accounts.

a) Please list and provide a brief description of all PDI's deferral and variance accounts that have account balances as of December 31, 2007.

b) PDI is requesting the disposition of regulatory deferral and variance accounts 1508 and 1550. Please provide the information shown in the attached continuity schedule (in excel format) for each of the regulatory accounts requested for disposition in rates. Please note that it is optional to forecast the principal balances beyond 2007 and the accrued interest on these forecasted balances in the attached continuity schedule.

c) Please provide the interest rates that were used to calculate the carrying charges for each regulatory deferral and variance account for the period from January 1, 2005 to the date prior to disposition in rates (i.e. April 30, 2009).

d) The spreadsheet provides a sub-total for the accounts: 1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1592, and 2425.

- Please calculate a set of rate riders that would dispose of the net balance of these accounts (excluding account 1592), and specify how many years the rate rider is assumed to be in effect. Please identify whether the balances are taken at the end of 2007, or at some other time.
- Please also provide details of how the individual balances would be allocated to customer classes, where possible using updated values of the same allocators as were used for the respective accounts in the 2006 model for regulatory asset recovery rate riders.

e) Please provide a table and explanatory notes similar to part d., assuming that all deferral and variance accounts would be cleared, except Accounts 1555, 1556, 1562,1563,1565,1566,1590 and 1592.

e) The Accounting Procedures Handbook in article 220 states that the distributor shall stop recording amounts (except for carrying charges) in account 1508 sub-account OEB Cost Assessments and sub-account OMERS after April 30, 2006.

f)

- Why is PDI accruing and/or adjusting balances beyond April 30, 2006 in these sub-accounts?
- What would the balance be in both sub-accounts if principal accruals ceased at April 30, 2006?

Exhibit 6 – Cost of Capital and Rate of Return

40. Long Term Debt – Ref: Exhibit 6 / Tab 1 / Schedule 1 and Exhibit 1 / Tab 3 / Schedule 1 / Appendix A

In Exhibit 6 / Tab 1 / Schedule 1, under "Cost of Debt: Long Term", PDI documents that it has two long-term debt instruments, consisting of a Long Term Loan with a principal of $21,657,680, and a Demand Loan of $1,500,000 with City of Peterborough. Board staff has summarized these debt instruments and the documented rates in the following table:

Long-term Debt

		Amount	Rate
Long-term Loan with City of Peterborough	$	21,657,680	6.10%
Demand Loan	$	1,500,000	4.85%
			6.02%

Further documentation on these loans are contained in Note 6 of PDI's 2006 Audited Financial Statements and Note 7 of the 2007 Audited Financial Statements (both in Exhibit 1 / Tab 3 / Schedule 1 / Appendix B). The Notes to the Audited Financial Statements state that the debt of $21,657,680 had a rate of 7.25% to April 30, 2006 and 6.25% thereafter. Further, the demand loan of $1,500,000 attracts a rate of bank prime less 1.25%. It states that there are no specific terms for repayment of either of the demand loans.

a) Please provide copies of each of these loan documents. In addition, please state the starting date and term to maturity of each of these loans.

b) Please describe PDI's basis for proposing a rate of 6.10% for the Demand Loan due to the City of Peterborough Holdings Inc. with a principal of

$21,657,680. Please support PDI's basis with respect to the policy guidelines for long-term debt rates as documented in section 2.2.1 of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, issued December 20, 2006.

c) Please confirm the current rate due on the Demand Loan of $1,500,000 and how frequently this rate is updated.

d) Please confirm that PDI does not currently, nor does it plan to acquire in 2009, additional affiliated or third-party debt.

e) If PDI does plan on acquiring new debt, with due to an affiliated or third-party, please provide information on the reason for the debt, the forecasted principal, interest rate and term.

Exhibit 8 – Cost Allocation; Exhibit 9 - Rate Design

41. Cost Allocation & Rate Design:
References:

i. Exhibit 8 / Tab 1 / Schedule 2, pages 3 to 4
ii. Exhibit 8 / Tab 1 / Schedule 2 / Appendix A, Sheet O1
iii. Exhibit 8 / Tab 1 / Schedule 2 / Appendix A, Sheet O2
iv. Exhibit 9 / Tab 1 / Schedule 1, page 1
v. Exhibit 9 / Tab 1 / Schedule 9 / Appendix A
vi. Exhibit 9 / Tab 1 / Schedule 5, pages 1 to 7
vii. Exhibit 9 / Tab 1 / Schedule 7, pages 1 to 3
viii. Exhibit 9 / Tab 1 / Schedule 1, page 3

- The 1st reference provides amended cost allocation informational filing and proposed (2009) revenue-to-cost ratios.
- The 2nd reference provides amended cost allocation informational filing revenue requirement and revenue-to-cost ratios.
- The 3rd reference provides amended cost allocation informational filing Customer Unit Cost per month – Avoided Cost and Customer Unit Cost per month – Minimum System.
- The 4th reference provides the base revenue requirement for 2009.
- The 5th reference provides bill impact calculations.
- The 6th reference provides the existing rate schedule.
- The 7th reference provides the proposed (2009) rate schedule.
- The 8th reference provides information on fixed/variable revenue proportions.

a) Please refer to the following table. With respect to the monthly service charge for the USL rate class:

	Monthly Service Charge (5th reference)				
	Peterborough Service Area - 2008	Lakefield Service Area - 2008	Asphodel-Norwood Service Area - 2008	Harmonized – 2009	Minimum System Cost (3rd reference)
USL	$26.15	$28.71	$20.22	$292.53	$7.58

- Please explain the reason for the significant increase in the monthly service charge from 2008 to 2009.
- The existing monthly service charge for the Asphodel-Norwood and Lakefield Service Areas are provided on a per customer basis (6th reference), whereas both the existing service charge for the Peterborough Service Area and the proposed (2009) harmonized service charge do not explicitly state they are on a per customer basis (6th and 7th references).

  - Please explain the reason for this inconsistency.
  - Please provide the average, lowest and highest number of connections per customer.

- Please explain the reason for the Monthly Service Charge proposed for 2009 being significantly higher than the Customer Unit Cost per month – Minimum System.

b) Please refer to the following below. With respect to the Large Use rate class, the change in the monthly charge and volumetric rate from the current to the proposed rate schedule is respectively 86% and 79%.

Please reconcile this unequal change in the fixed and variable components of revenue with the statement that PDI is maintaining the same fixed/variable revenue proportions assumed in the current rates to all customer classifications (8th reference).

	6th and 7th references	
Large Use	Monthly Charge	Volumetric Rate
Current	$4493.94	$0.9502
Proposed (2009)	$3869.28	$0.7526
Change – Current to Proposed	86% decrease	79% decrease

c) Please file an electronic copy of Run 2 of the Amended Cost Allocation Informational Filing to be a part of the record of this application.

42. Specific Service Charges – Ref: Exhibit 1 / Tab 1 / Schedule 2 / Appendix A, pages 2-3

Please confirm that the proposed specific services charges as shown in the referenced evidence are identical to standard charges in Schedule 11-3 of the 2006 EDR Handbook.

43. Retail Transmission Rate:
References:

i. **Exhibit 9 / Tab 1 / Schedule 3, pages 1-2**
ii. **Guideline – Electricity Distribution Retail Transmission Service Rates (G-2008-0001)**

- The 1st reference states that PDI is proposing to harmonize retail transmission rates based upon the weighted average of the current Board Approved Retail Transmission Rates for Asphodel-Norwood, Lakefield and Peterborough Service Areas.

- The 2nd reference provides electricity distributors with instructions on the evidence needed, and the process to be used, to adjust retail transmission service rates to reflect changes in the Ontario Uniform Transmission Rates.

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors. Given that PDI is partially embedded within Hydro One Distribution, its wholesale cost of transmission service is affected by the approved UTRs change.

On October 22, 2008, the Board issued its Guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

PDI is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts

b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts

44. Rural or Remote Electricity Rate Protection ("RRRP")

By letter dated December 17, 2008, the Board informed the electricity distributors of the approval it has given to the IESO regarding the level of charge the IESO may apply to its Market Participants for the Rural or Remote Electricity Rate Protection (RRRP) program. In that letter, the Board stated: "Distributors that currently have a rate application before the Board shall file this letter as an update to their evidence along with a request that the RRRP charge in their tariff sheet be revised to 0.13 cents per kilowatt-hour effective May 1, 2009."

If PDI has not done so, please file the required addition to the evidence as outlined in the December 17th letter.