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

As identified in the Procedural Order No. 3, issued on February 24, 2009, the Board has determined that further discovery is required. The following Board Staff supplementary interrogatories are clarification questions that relate specifically to the interrogatory responses provided by the Applicant.

The numbering carries on from the original set of interrogatories (i.e. this set of questions starts at #45).

Exhibit 3 - Operating Revenue

45. Weather Normalization and Modelling

Ref: Response to Board staff interrogatory #18

In response to Board Staff Interrogatory #18, PDI provided a document entitled Attachment A: “Feed into OEB Cost Allocation Model …”. The Attachment does not provide any information that would assist in converting PDI’s actual load to its weather normalization load.

Please provide the originally requested information including, at a minimum, the 2004 weather correction factors by customer class as determined by Hydro One for PDI.

46. Re-filing evidence

Ref: Response to Board staff interrogatory #25

In response to Board Staff Interrogatory #25, PDI stated: “PDI’s evidence does not need to be adjusted in light of PDI’s responses to the preceding customer count, load and revenue forecasting interrogatories.”

However, in its responses to other forecasting interrogatories (e.g. Board staff interrogatories #17 and #21, and VECC interrogatory #3), PDI acknowledges that errors were made in its filed evidence.

Please:

a. Confirm that none of the recognized errors impact the forecast filed in Exhibit 3/Tab 2/ Schedule 2/ Page 3/ Table 3,
b. If part a. is addressed in the affirmative, confirm that the load forecast on which PDI will rely is that contained in Exhibit 3/Tab 2/ Schedule 2/ Page 3/ Table 3, filed October 9, 2008, and
c. If part a. is addressed in the negative, provide in the format of Exhibit 3/Tab 2/ Schedule 2/ Page 3/ Table 3, the load forecast on which PDI will rely.

Exhibit 4 - Operating Costs

47. OM&A Expenses

Ref: Response to Board Staff Interrogatory #27 c)

In response to interrogatory #27 c), PDI provided a table indicating the cost drivers from 2006 to 2009. Board staff would like some clarification of the drivers. The following table was developed from the table provided in the response. Column 7 is the percentage each driver contributes to the change from 2006 to 2009 with the exclusion of line 19 CDM.

		Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*
		2006	**2007**	**2008**	**2009**	**Total**	**09/06**	
1	Opening Balance	**5,969,514**	**6,649,095**	**6,554,147**	**6,451,734**			
2	Labour & Benefits	155,000	151,000	187,000	-23,000	470,000	470,000	42.4%
3	GIS Tech .5, 2008			30,000	33,000	63,000	63,000	5.7%
4	Storm Damage	437,000	-427,000		29,000	39,000	39,000	3.5%
5	Software & Equipment Rental	59,000		24,000	34,000	117,000	117,000	10.6%
6	Environmental Clean-up		168,000	-53,000	-115,000	0	0	0.0%
7	Unflation & other	29,000				29,000	29,000	2.6%
8	ESA	20,000				20,000	20,000	1.8%
9	Line Reframing		25,000	-25,000		0	0	0.0%
10	Wholesale meter charges		31,000	-31,000		0	0	0.0%
11	SCADA connestions	30,000				30,000	30,000	2.7%
12	Bad Debt		101,000	-98,000	55,000	58,000	58,000	5.2%
13	Conservation and PR		42,000	-50,000	10,000	2,000	2,000	0.2%
14	Failed meter sample group purchases		30,000			30,000	30,000	2.7%
15	PCB testing				100,000	100,000	100,000	9.0%
16	Tree trimming	15,000			15,000	30,000	30,000	2.7%
17	Pole inspections				20,000	20,000	20,000	1.8%
18	Rate Application				100,000	100,000	100,000	9.0%
19	CDM	-66,000	-400,000	-86,000		-552,000		
20	Sum lines 1 - 19	6,648,514	6,370,095	6,452,147	6,709,734		1,108,000	100.0%
21	Closing Balances per Exhibit 4	**6,649,095**	**6,554,147**	**6,451,734**	**6,711,606**			
22	Difference	581	184,052	-413	1,872			

a. Line 3, GIS, has increased $63,000 in two years.
    i. Will GIS continue to increase costs?
    ii. If costs continue to increase, what are the quantifiable benefits?
    iii. What are the expected costs for GIS for 2010 – 2012?

b. Line 5, Software & Equipment Rental, has a different impact than shown in Exhibit 4, Tab 2/Schedule4 page 13, Table 1. Please explain the differences.

c. Line 14, Failed meter sample group purchases, shows an increase of $30,000 in 2007. There is no offsetting reduction showing in the subsequent years. One would assume that a failed group would mean immediate replacement under the Electricity and Gas Inspections Act (R.S., 1985, C. E-4). Why is the $30,000 remaining in operating costs?

d. Line 15, PCB Testing, has $100,000 showing for 2009. Are these costs expected to continue at $100,000 per year through to 2012?

e. Line 22, Difference, is the difference between line 20 (the sum of lines 1 – 19) and line 21, Closing Balance per Exhibit 4. For Column 2, 2007 the difference is $184,052.

    i. Please explain these costs.
    ii. Why do they continue into 2008 and 2009, and perhaps past 2009?

48. OM&A Expenses – Smart Meter Operating Expenses

Ref: Response to Board Staff Interrogatory #28 c)

In its response to part iii), PDI states that one of the drivers in the increase in metering operating expenses from 2006 to 2009 test year is $47,000 related to anticipated smart meter activities. Please explain why PDI is including these in its operating expenses for inclusion in the revenue requirement rather than tracking these in deferral account 1556? Please provide further explanation of the smart meter activities for which these operating costs are being incurred.

49. Smart Meter Deferral Accounts balances

Ref: Response to VECC Interrogatory #18

In its response to this interrogatory, PDI states that the December 31, 2008 smart meter deferral account balance is $809,948. Please provide a breakout of this amount for: i) smart meter funding adder revenues (account 1555); ii) capital expenditures (account 1555); and iii) operating expenses (account 1556).

50. OM&A Expenses – Maintenance of Buildings and Fixtures Expenses

Ref: Response to Board Staff Interrogatory #28 d)

Board staff requested the cost for reframing that is the explanation for the $54,472 increase in Account 5110; Maintenance of Buildings and Fixtures in 2007. In its response, PDI stated that the reframing was estimated to be $25,000. Board staff interprets this to mean that the total cost for reframing was $25,000 for the estimate and $54,472 as over the estimate, a total of $79,472.

- i Is Board staff's interpretation correct?
- ii If correct, please explain the increase of over 200% from the estimate.
- iii If not correct, what was the cost of the reframing, and explain any variance from the actual.
- iv Why are these costs in this account and not a maintenance account for lines or feeders?

51. OM&A Expenses – Regulatory Expenses

Ref: Response to Board Staff Interrogatory # 29

In its response, PDI pointed out that Account 5655, Regulatory Expenses, is essentially the OEB Annual Assessment, Section 30 Costs and a minor amount of $2,000 for other, totalling $120,000. It also pointed out that in Account 5630, Outside Services Employed, is $260,021 which are costs associated with regulation.

a. For Account 5630, please complete the following table:

	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 Hearing Assessments (applicant initiated)									
2.	Expert Witness cost for regulatory matters									
3.	Legal costs for regulatory matters									
4.	Consultants costs for regulatory matters									
5.	Operating expenses associated with staff resources allocated to regulatory matters									
6.	Any other costs for regulatory matters (please define)									
7.	Operating expenses associated with other resources allocated to regulatory matters (please identify the resources)									
8.	Other regulatory agency fees or assessments									

b. Please explain any on-going costs and, in particular, the need for maintaining the same cost levels for the more formula approached IRM rate applications for years beyond this application.
c. Given that outside services require PDI staff's time for providing clean data, management information and assisting in developing the required evidence, has PDI made any business case/analysis for hiring and using its own expertise in order to reduce the cost of outside services? If so please file this information.

Exhibit 5 – Deferral and Variance Accounts

52. Deferral/Variance Accounts:

Ref: Response to Board Staff Interrogatory #39

a. In part 'a' of the response, with respect to the RSVA Power Account 1588, PDI has provided the balance including global adjustment as $1,052,187. Of this total, $632,681 represents the global adjustment (sub-account) balance and $419,506 represents the cost of power balance. However, the disposition of these balances impact customers differently in rates. The cost of power balance is attributable to all customers, whereas the global adjustment balance is attributable to only non-RPP customers. Please indicate whether the rate rider provided allocations to the account balances attributable to customers are on the basis described above. If not, please provide for each balance separately the appropriate allocations to customers in the rate rider.

b. Why is PDI not seeking disposition of RSVA Power Account 1588 at this time?
c. Notwithstanding your response to part b, please respond to the following general questions:
   i. Have you sought disposition of Account 1588 in any other proceeding and if so please provide details?
   ii. Please complete the continuity schedule provided with the original set of interrogatories showing the account principal balance and interest charges separately, by quarter, since the last time the balance in Account 1588 was dispositioned.
   iii. Please provide a copy of all Ministry of Finance audit reports pertaining to IESO form 1598. Are there any amounts in dispute between IESO and PDI? If so what is the nature on form 1598 of the dispute and has it impacted the balances of the quarters?
   iv. Are there any Ministry of Finance audits that have been completed but not yet reported? Please provide a progress report.
   v. Please provide a description of actions taken to remedy any concerns raised by the Ministry of Finance audit.
   vi. Please describe any adjustments out of the norm that have been processed in Account 1588 (e.g. IESO adjustments, audit adjustments, etc.).
   vii. Have all entries to Account 1588 been prepared in accordance with the approved procedures and methods authorized by the Board? If not, please explain all deviations, exceptions or variations used or where subsequent (to year-end) audit adjustments have modified original entries.
   viii. Please provide a list of any IESO charge codes that were classified/ recorded in Account 1588.
   ix. Were any customer bad debt write-offs or provisions recorded in Account 1588? If yes, please provide complete details.
   x. Are the guidelines outlined in the Regulatory Audit Bulletin, issued on September 11, 2007, regarding the reporting of the Sub-Account 1588 for Global Adjustment, being followed?
   xi. Was the cash or accrual method used to account for Account1588? Was this method used consistently over the life of Account 1588 and if not, explain?
   xii. Please provide the interest rates used to calculate carrying charges on Account 1588 for every quarter over the life of the account.
   xiii Please provide applicable rate riders if the December 31, 2008 account balance was to be cleared over:
      o 12 months
      o 24 months

- o 36 months
- o 48 months

Exhibit 6 – Cost of Capital and Rate of Return

53. Long Term Debt
Ref: Response to Board Staff Interrogatory #40

a. In response to Board Staff Interrogatory #40 part a, PDI has provided copies of the Promissory Notes payable to the Corporation of the City of Peterborough (the "City"). Board staff understands that these notes are, in effect, callable Demand Notes without fixed maturity and attracting an interest rate of the Royal Bank of Canada, termed the Prime Rate, less 1.25%. In each of the Promissory Notes, Clause 4 of the note states:

> "The Debtor may at any time, without penalty, repay in whole or in part the principal amount and interest owing under this Promissory Note. Any prepayment shall be applied first to interest until it has been paid in full and then to principal."

In its approved distribution rates, PDI is recovering amounts for both interest expenses (i.e. the interest expense on the deemed debt portion of its approved rate base) and on the principal, in the form of depreciation expense for capital assets funded through equity and debt financing.

Has PDI ever invoked Clause 4 of a Promissory Note to allow it to repay the debt, including replacing the debt with third-party debt. If so, please provide details. If not, please explain PDI's rationale for its debt treatment and how this is of benefit to ratepayers.

b. In the response to Board Staff Interrogatory #40 part d, PDI states that it has acquired additional long-term debt in December 2008. However, PDI has not updated its proposed cost of debt. Please provide an update of the proposed long-term debt rate, in the form of the following table, for each of 2006 actual, 2007 actual, 2008 bridge and 2009 test years:

(1)	(2)	(3)	(4)	(5)	(6)
Debt instrument (description)	Debt holder	Is the Debt holder affiliated with PDI?	Principal ($)	Debt Rate (%)	Interest Expense
Total					