Board Staff Supplemental Interrogatories for Newmarket – Tay Power Distribution Ltd. Regarding the 2008 Electricity Distribution Rates Application for its Newmarket Service Area EB-2007-0776

As identified in the Procedural Order No. 2, issued on January 30, 2009, the Board has determined that further discovery is required. The following Board Staff supplemental interrogatories are questions that relate specifically to the interrogatory responses provided by the Applicant. In addition, as it is now the end of February 2009, some of the questions seek actual 2008 data and request explanations of the differences between the data provided in the original filing and interrogatory responses and the actual 2008 data. These requests are to test the reasonableness of the forecast data submitted by Newmarket-Tay Power Distribution (NTPD).

The numbering carries on from the original set of interrogatories.

General – Economic Assumptions

39. Impact of current economic situation

a) Since the initial filing of the application and the subsequent filing of interrogatory responses, given the current economic situation, has NTPD 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?

Response:

Following the initial filing, the Magna Corporation announced it will be closing of a number of plants by the end of June 2009 in the Province of Ontario. One of these facilities, Rimply in Newmarket, accounts for approximately 2 percent of the LDC's revenue. Rimply has a load of 5 megawatts per month and annual revenues of $212,512.

Since the Applicant has advance notice of this, bad debts will not be directly affected by this closure. However, the spin-off affect of approximately 500 employees being out of work will potentially impact bad debts and consumption. The applicant expects that other related manufacturing plants could also close.

The GS>50 class customers have decreased their load by 4.5 percent over the past four months ending January 31, 2009 and compared to the same period in the prior year. In addition to the potential loss of commercial load, there is the potential for an increase in bad debts and a decrease in residential usage due to the state of the economy. A further decrease in residential load may occur as residents continue to conserve energy. Also, the decrease of the interest rate paid on deposits will affect the interest revenue of many LDC's.

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

Response:

The closure was announced in the Toronto Star on November 26, 2008. The following is a link to the article: http://www.thestar.com/article/543579 .
The closure is expected in June 2009. The distribution revenue billed to this customer in 2008 amounted to $212,512 at current rates.

Capital Related

40. Ref: Board staff interrogatory #3

The table requested in the response has been cut off in the columns on the left and the right. Please provide the full table properly printed in landscape format.

Response:

Please see re-formatted response on the following pages.

Class		2006			2007 Bridge (actual)		
Description	US of A	Additions	Write-offs and Retirements	Total	Additions	Write-offs and Retirements	Total
Distribution – Land	1805	1,002,269	0	2,460,709	51,481	0	2,512,190
Distribution – Land Rights	1806	0	0	0	0	0	0
Mun Trans Stn < 50kW	1820	251,794	0	7,802,679	170,980	0	7,973,659
Dist Lines – o/h Poles	1830	485,363	0	10,817,893	593,497	0	11,411,390
Dist Lines – o/h Cable	1835	798,005	0	13,538,608	662,239	0	14,200,847
Dist Line Conduit	1840	50,953	0	6,703,409	386,509	0	7,089,918
Dist Lines u/g Cable	1845	746,379	0	21,777,586	720,238	0	22,497,824
Services	1855	824,912	0	3,030,338	1,140,348	0	4,170,687
Distribution Transformers	1850	680,397	0	13,240,544	943,393	0	14,183,937
Distribution Meters	1860	419,433	0	6,501,175	389,000	0	6,890,175
Smart Meters	1860	294,833	0	294,833	3,296,111	0	3,590,944
Leasehold Improvements	1910	42,303	0	390,216	29,019	0	419,236
Office Equipment	1915	11,302	0	236,679	38,555	0	275,235
Computer Equipment	1920	136,932	0	585,881	66,612	0	652,493
Computer Software	1925	321,695	0	944,826	193,978	0	1,138,804
Rolling Stock & Equip.	1930	250,268	(159,877)	2,802,289	139,883	0	2,942,172
Stores Warehouse Equipment	1935	4,592	0	140,871	1,227	0	142,099
Misc. Tools & Equip.	1940	10,195	0	403,794	15,932	0	419,726
Measurement & Test Equipment	1945	51,176	0	88,488	14,047	0	102,535
System Supervisory Equipment	1980	7,018	0	734,556	4,479	0	739,035
Sentinel Lighting Units	1985	0	0	13,085	0	0	13,085
Contributed Capital	1950	(1,536,492)	0	(12,548,042)	(1,354,200)	0	(13,902,242)
Total Fixed Assets		4,853,327	(159,877)	79,960,419	7,503,328	0	87,463,747
Accumulated Depreciation		(3,571,475)	140,588	(40,005,861)	(3,708,810)	0	(43,714,671)
Net Fixed Assets		1,281,852	(19,289)	39,954,557	3,794,519	0	43,749,076

Class		2008 Test			Annual % Change in Capital Additions less Write-offs/Retirements			
Description	US of A	Additions	Write-offs and Retirements	Total	2006 vs. 2005	2007 vs. 2006	2008 vs. 2007	Average 2008 over 2005
Distribution – Land	1805	0	0	2,512,190	68.72%	2.09%	0.00%	72.25%
Distribution – Land Rights	1806	400,000	0	400,000				
Mun Trans Stn < 50kW	1820	981,700	0	8,955,359	3.33%	2.19%	12.31%	18.60%
Dist Lines – o/h Poles	1830	1,671,173	0	13,082,563	4.70%	5.49%	14.64%	26.62%
Dist Lines – o/h Cable	1835	2,068,927	0	16,269,774	6.26%	4.89%	14.57%	27.70%
Dist Line Conduit	1840	255,000	0	7,344,918	0.77%	5.77%	3.60%	10.41%
Dist Lines u/g Cable	1845	1,568,587	0	24,066,411	3.55%	3.31%	6.97%	14.43%
Services	1855	960,000	0	5,130,687	37.40%	37.63%	23.02%	132.64%
Distribution Transformers	1850	973,680	0	15,157,617	5.42%	7.13%	6.86%	20.68%
Distribution Meters	1860	401,640	0	7,291,815	6.90%	5.98%	5.83%	19.90%
Smart Meters	1860	1,696,019	0	5,286,963		1117.96%	47.23%	
Leasehold Improvements	1910	58,000	0	477,236	12.16%	7.44%	13.83%	37.17%
Office Equipment	1915	5,000	0	280,235	5.01%	16.29%	1.82%	24.34%
Computer Equipment	1920	17,900	0	670,393	30.50%	11.37%	2.74%	49.32%
Computer Software	1925	91,500	0	1,230,304	51.63%	20.53%	8.03%	97.44%
Rolling Stock & Equip.	1930	843,080	0	3,785,252	3.33%	4.99%	28.66%	39.58%
Stores Warehouse Equipment	1935	0	0	142,099	3.37%	0.87%	0.00%	4.27%
Misc. Tools & Equip.	1940	64,000	0	483,726	2.59%	3.95%	15.25%	22.90%
Measurement & Test Equipment	1945	26,600	0	129,135	137.16%	15.87%	25.94%	246.10%
System Supervisory Equipment	1980	20,000	0	759,035	0.96%	0.61%	2.71%	4.33%
Sentinel Lighting Units	1985	0	0	13,085	0.00%	0.00%	0.00%	0.00%
Contributed Capital	1950	(2,137,082)	0	(16,039,324)	13.95%	10.79%	15.37%	45.66%
Total Fixed Assets		9,965,724	0	97,429,471	6.24%	9.38%	11.39%	29.45%
Accumulated Depreciation		(4,337,658)	0	(48,052,329)	9.38%	9.27%	9.92%	31.38%
Net Fixed Assets		5,628,067	0	49,377,143	3.26%	9.50%	12.86%	27.62%

41. Ref: Board staff interrogatory #5 – Service Reliability

In part b) of the referenced interrogatory, NTPD was requested "to provide information on Newmarket - Tay's service reliability in the service area of Newmarket which supports and has been considered by Newmarket - Tay in deciding to and prioritizing the overhead and underground replacements documented from 2006 to 2008."

In response, NTPD referred to the response to part c), and also stated that the applicant reports reliability indices quarterly.

The response in part c) does not provide information on service reliability. Please provide a complete answer to Board staff IR #5 b) as originally posed.

Response:

NTPD Newmarket area statistics for 2005 through 2008 are:

	2005	2006	2007	2008
SAIDI	.571	.79	.18	.7365
SAIFI	.721	.52	.17	.3915
CAIDI	.793	1.51	1.05	1.881

Data for 2005 is included due to its affect on 2006 and future asset management decisions.

The documented replacements are supported by a combination of the following: asset inspection, individual asset performance, asset age, the technical feasibility of employing life-extending techniques and reliability statistics.

In relating reliability to asset replacement priorities, NTPD considers the following characteristics of its distribution system:

- Failure of one 44 kV feeder line interrupts approximately 20% of total system load

- Failure of a substation interrupts approximately 10% of total system load

- Failure of a 13.8 kV feeder line interrupts approximately 5% of total system load

- Overhead lines take hours to repair while underground cables take days

As a result, 44 kV assets receive highest priority followed by substations and 13.8 kV facilities. Underground cables are replaced in a systematic manner over time, once end of life indicators are present.

NTPD observes that the 4-year reliability statistics given correlate to the documented asset replacements. The 44 kV feeder insulator replacement project was the leading factor in the improvement of reliability from 2005 through 2007, followed by the 13.8 kV pole line rebuilds and the beginning of the underground cable replacement projects. The indices deteriorate in 2008 as integration of the first two Holland TS 44 kV feeders caused an increase in planned interruptions. This is expected to continue in 2009 as the second two 44 kV feeders are integrated into the system and existing 44 kV feeders at Armitage are re-routed to Powerstream's Aurora system.

At present, the reliability statistics tracked by NTPD are macro in nature. As more sophisticated equipment, such as smart meters, is implemented, we expect to be able to track reliability on a more granular level. Furthermore, NTPD has commenced development of a more detailed asset management plan to make prioritizing of projects more transparent.

Please confirm which regulatory agencies or industry groups NTPD reports service reliability, and the frequency with which the data are reported.

Response:

The applicant reports service reliability indices to the Ontario Energy Board (OEB) on an annual basis.

They are available through the following link:
http://www.oeb.gov.on.ca/OEB/About+the+OEB/Energy+Statistics+and+Maps/Energy+Statistics+and+Maps>"

42. Ref: Board staff interrogatory #7

The table requested in the response has been cut off in the columns on the right. Please provide the full table properly printed in landscape format.

Response:

Please see re-formatted response on the following pages.

	1999	2000	2001	2002	2003
Allowed Return on Equity (%) on the regulated rate base	9.88%	9.88%	9.88%	9.88%	9.88%
Actual Return on Equity (%) on the regulated rate base	1.27%	-1.66%	2.51%	4.06%	4.68%
Retained Earnings		-821,034	-244,275	105,845	777,151
Dividends paid to shareholders				258,000	
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 meter meters)	3,850,322	2,418,942	1,226,060	1,697,199	2,960,995
Total capital expenditures (excluding capital expenditures)	0	0	0	0	0
Depreciation expense	.	2,894,814	2,681,606	2,516,979	2,883,311
Construction Work in Progress	0	0	0	0	0
Rate Base (yr end)	49,063,827	47,332,037	44,938,197	42,465,542	43,661,466
Number of Customer Additions (total)	858	256	97	798	786
- Residential	676	268	74	759	733
- General Service < 50 kW	182	(12)	(246)	30	32
- General Service > 50 kW, Intermediate and Large Use			269	9	21
Number of Customers (total, December 31)	22,688	22,944	23,041	23,839	24,625
- Residential	19,862	20,130	20,204	20,963	21,696
- General Service < 50 kW	2,826	2,814	2,568	2,598	2,630
- General Service > 50 kW, Intermediate and Large Use			269	278	299

	2004	2005	2006	2007 actual	2008 test
Allowed Return on Equity (%) on the regulated rate base	9.88%	9.88%	9.88%	9.88%	8.57%
Actual Return on Equity (%) on the regulated rate base	5.24%	7.41%	10.27%	4.46%	8.29%
Retained Earnings	1,579,215	3,307,436	4,170,250		
Dividends paid to shareholders		200,000	2,400,000	5,340,000	
Sustaining capital expenditures (excluding smart meters)					
Development capital expenditures (excluding smart meters)					
Operations capital expenditures					
Smart Meters capital expenditures			294,833	3,296,111	1,696,019
Other capital expenditures (please specify)					
Total capital expenditures (including smart meter meters)	5,020,922	3,622,852	4,853,327	7,503,328	9,965,724
Total capital expenditures (excluding capital expenditures)	0	0	0	0	0
Depreciation expense	3,249,587	3,329,283	3,571,475	3,708,810	4,337,658
Construction Work in Progress	0	0	0	0	0
Rate Base (yr end)	45,920,476	47,699,388	48,365,665	52,242,553	58,152,029
Number of Customer Additions (total)	1,026	455	541	470	549
- Residential	989	433	529	422	500
- General Service < 50 kW	20	(27)	9	42	43
- General Service > 50 kW, Intermediate and Large Use	17	49	3	6	6
Number of Customers (total, December 31)	25,651	26,106	26,647	27,117	27,666
- Residential	22,685	23,118	23,647	24,069	24,569
- General Service < 50 kW	2,650	2,623	2,632	2,674	2,717
- General Service > 50 kW, Intermediate and Large Use	316	365	368	374	380

43. Ref: Board staff interrogatory #8 – Working Capital and Distribution Meter – Reverification Expenses

In the response to this interrogatory, NTPD provided the detailed calculation of the Working Capital Allowance.

Please indicate the commodity prices and RTS rates used for calculating the components of the Cost of Power for each of the 2006 and 2007 Actuals and the 2008 Test year.

Response:

The Applicant used actual costs for 2006 and 2007. The following chart depicts the rates used in the submission and the actual year-end rates for 2008:

	US of A	2006	2007	2008 Test	2008 Actual
Cost of Power $					
Power Purchased	4705	40,080,226	40,677,129	41,582,574	40,067,140
Charges - WMS	4708	3,542,199	3,509,348	3,587,463	4,055,139
One Time	4712	32,335	85,093	86,987	(13,476)
Charges - NW	4714	4,074,071	3,976,249	4,064,758	3,163,071
Charges - CN	4716	3,348,913	3,354,803	3,429,478	3,028,087
Total COP		**51,077,744**	**51,602,622**	**52,751,261**	**50,299,961**
mWh Purchased		707,635	717,120	733,083	707,580
Rate/Mwh					
Power Purchased		56.64	56.72	56.72	56.63
Charges - WMS		5.01	4.89	4.89	5.73
One Time		0.05	0.12	0.12	-0.02
Charges - NW		5.76	5.54	5.54	4.47
Charges - CN		4.73	4.68	4.68	4.28

a) Under the OM&A (or Controllable Expenses) shown, NTPD lists expenses for Account 5065 – Distribution Meters – Reverification of $126,658 for 2006, $156,875 for 2007 and $135,675 for 2008. NTPD is a utility named in regulation and authorized to deploy smart meters, and has been doing so. Its costs and plans were reviewed in the combined smart meter hearing conducted by the Board under File No. EB-2007-0063 during the summer of 2007. Please provide further explanation on the continuing costs for distribution meter reverification in light of NTPD's accelerated deployment of smart meters during this period.

Response:

The Applicant incurs other meter costs including costs of maintenance and verification on GS>50 as well as wholesale delivery point meters.

44. Ref: Board staff interrogatory #11, 2006 – Electricity Distribution Rate Handbook – Depreciation Expense

In the response to this interrogatory, NTPD provided calculations of its proposed 2008 depreciation expense by asset account. The calculations showed the depreciation expense calculated on gross fixed assets net of fully depreciated assets, and also for new additions coming into service in the 2008 year. For new additions, depreciation is reduced by 50% according to the general half-year rule. NTPD also indicates the average expected economic life for each class of assets.

In Appendix B of the *2006 Electricity Distribution Rate Handbook* (the "2006 EDRH"), the Board documented the standard or guideline amortization (or depreciation) rates by asset class and account. It is expected that a distributor would generally follow those rates unless it can support the use of a different rate.

a) Appendix B of the 2006 EDRH states that distribution lines and feeders – overhead, distribution lines and feeders – underground, and distribution transformers, have an expected economic life of 25 years. NTPD indicates that it uses an economic life of 21 years for accounts 1840, 1845 and 1855, and an economic life of 22 years for account 1850 – distribution transformers.
   i) Please provide the basis for NTPD's assumption of a 21-year expected economic life for underground distribution assets, and a 22-year expected economic life for distribution transformers. Please provide any studies supporting the use of such economic lives/amortization rates.

      Response:

      The Applicant depreciates these assets over 25 years.

   ii) However, staff observes that the depreciation expense on new additions in accounts 1840, 1845, 1850 and 1855 appear to assume the standard 25 year life, rather than the 21 or 22 years as stated by NTPD and after adjusting for the half-year rule. Please confirm or correct the calculation shown.

Response:

The Applicant depreciates these assets over 25 years

b) With respect to Account 1980 – System Supervisory Equipment, NTPD states that the expected economic life is 15 years, consistent with Appendix B of the 2006 EDRH. However, staff observes that the depreciation expense on new additions appears to be based on a 20-year life, after allowing for the half-year rule. Please confirm or correct the calculation shown.

Response:

A 15-year life is used for System Supervisory Equipment.

c) Please provide a calculation of the estimated depreciation expense based on the amortization rates as documented in Appendix B of the EDRH. Where Appendix B does not specify an amortization rate, please use the rate documented in the response to Board staff interrogatory #11.

Response:

	Asset Account		2008 Data	Avg Years for the Class	Depn Exp
1806	Distribution - Land Rights	Forward	0		
		Less Fully Depreciated	0		
		Net	0	30	0
		Additions	400,000		6,667
		Total 2008 Depreciation			6,667
1820	Mun Trans Stn<50kv	Forward	7,973,659		
		Less Fully Depreciated	1,350,000		
		Net	6,623,659	30	220,789
		Additions	981,700		16,362
		Total 2008 Depreciation			237,150
1830	Distribution Lines o/h Poles	Forward	11,411,390		
		Less Fully Depreciated	1,190,000		
		Net	10,221,390	25	408,856
		Additions	1,671,173		33,423
					442,279
1835	Distribution Lines o/h Cable	Forward	14,200,847		
		Less Fully Depreciated			
		Net	14,200,847	25	568,034

		Additions	2,068,927		41,379
					609,412
1840 & 1845 & 1855	Distribution Lines u/g & Services	Forward	33,758,429		
		Less Fully Depreciated			
		Net	33,758,429	25	1,350,337
		Additions	2,783,587		55,672
					1,406,009
1850	Distribution Transformers	Forward	14,183,937		
		Less Fully Depreciated			
		Net	14,183,937	25	567,357
		Additions	973,680		19,474
					586,831
1860	Distribution Meters	Forward	6,890,175		
		Less Fully Depreciated			
		Net	6,890,175	25	275,607
		Additions	401,640		8,033
					283,640
1860	Smart Meters	Forward	3,590,944		
		Less Fully Depreciated			
		Net	3,590,944	15	239,396
		Additions	1,696,019		56,534
					295,930
1910	Leasehold Improvements	Forward	419,236		
		Less Fully Depreciated	175,000		
		Net	244,236	5	48,847
		Additions	58,000		5,800
					54,647
1915	Office Equipment	Forward	275,235		
		Less Fully Depreciated	88,000		
		Net	187,235	10	18,723
		Additions	5,000		250
					18,973
1920	Computer Equipment	Forward	652,493		
		Less Fully Depreciated	475,000		
		Net	177,493	5	35,499
		Additions	17,900		1,790
					37,289

1925	Computer Software	Forward	1,138,804		
		Less Fully Depreciated	125,000		
		Net	1,013,804	5	202,761
		Additions	91,500		9,150
					211,911
1930	Rolling Stock & Equip.	Forward	2,942,172		
		Less Fully Depreciated	1,260,000		
		Net	1,682,172	7	240,310
		Additions	843,080		60,220
					300,530
1935	Stores Warehouse Equipment	Forward	142,099		
		Less Fully Depreciated	65,000		
		Net	77,099	10	7,710
		Additions	0		0
					7,710
1940	Misc. Tools & Equip.	Forward	419,726		
		Less Fully Depreciated	210,000		
		Net	209,726	10	20,973
		Additions	64,000		3,200
					24,173
1945	Measurement & Test Equipment	Forward	102,535		
		Less Fully Depreciated	44,000		
		Net	58,535	10	5,854
		Additions	26,600		1,330
					7,184
1980	System Supervisory Equipment	Forward	739,035		
		Less Fully Depreciated	70,000		
		Net	669,035	15	44,602
		Additions	20,000		667
					45,269
1985	Sentinel Lighting Units	Forward	13,085		
		Less Fully Depreciated	11,000		
		Net	2,085	10	209
		Additions	0		0
					209
1995	Contributed Capital	Forward	(13,902,242)		
		Less Fully Depreciated			

	Net	(13,902,242)	25	(556,090)
	Additions	(2,137,082)		(42,742)
				(598,831)
Total Depreciation Expense				3,976,981

The difference between the estimated depreciation using Appendix B of the EDRH and the depreciation in the applicant's filing is the result of a depreciation review completed by the applicant in 2006.

The review found that certain assets were being under amortized between 1983 and 1990. As a result, the applicant adjusted the depreciation rates to those contained in EDRH Appendix B to better reflect their life expectancy and consistency in regulatory treatment. The difference will reduce to zero in 2011.

The applicant believes the difference is a legitimate depreciation expense and as such, has included it in the rate filing.

45. Ref: Exhibit 1.1.4, Exhibit 5.1 / pages 128 and 130, Board staff interrogatory #16, VECC interrogatory #11, Board staff interrogatory #38

NTPD is requesting disposition of a December 31, 2007 balance of $49,914 for the conversion of 635 meter bases at $78.61 per meter (material only) due to installation of smart meters.

a) With respect to the response to VECC interrogatory #11, please confirm whether NTPD completed its smart meter installation by the end of December 2008. If not, please provide an explanation of work being done in 2009 and when it is expected to be completed.

Response:

The Time-of-Use (TOU) project for residential customers is expected to be completed by fiscal year end 2009. The Applicant has migrated 16,000 of its residential customers to TOU rates and will have all residential customers converted by the end of 2009. The Applicant is currently testing and preparing to integrate all of its residential customers over to the Provincial MDMR when it is ready. Work scheduled for 2009 and 2010 consists of installing smart meters on GS<50 class 3-phase services and conversion to TOU pricing. Current plans include all GS<50 customers converting to TOU by the end of 2010.

b) With respect to Exhibit 5.1 and response to Board staff interrogatory #38, NTPD shows $NIL for carrying charges related to the balance in account 1556, and states that there is a 0% interest rate for the Smart Meter OM&A account in its response to Board staff interrogatory #38 e). Please explain why NTPD does not believe that the Board's prescribed rate for deferral and variance accounts would apply to calculate carrying charges on the account 1556 balance.

Response:

The Applicant believed that it could not claim interest on Time-of-Use initiatives since it did not submit a Time-of-Use rate adder.

c) In Exhibits 1.1.4 and 5.1, NTPD is requesting disposition of the December 31, 2007 account balance of account 1556, but treats this account balance separately from other deferral and variance accounts for which it is seeking disposition, as documented in the response to Board staff interrogatory #38.

i) Please explain how NTPD is proposing or requesting that the account balance in 1556 be disposed of, and over what period of recovery (e.g. through a rate rider).

Response

The Applicant has treated the Time-of-Use (TOU) project as a regular capital project. The Applicant would suggest that all costs incurred by TOU rate implementation be recovered in a similar fashion to any other capital project. The Applicant has incurred time, effort and costs in conversion to, consumer education and billing of TOU rates. The Applicant has spent the last two years working with the IESO as LDC 1 in order to test the Provincial MDMR. The Applicant has not requested a Time-of-Use Rate Rider at this time, but reserves the right to do so.

ii) Please indicate whether NTPD has recorded any further entries in Account 1556 for meter base conversion or replacement after December 31, 2007. If so, please provide the account balance as of December 31, 2008, and indicate whether this is audited or not.

Response

The applicant has not recorded any additional entries.

46. 2008 Capital Related Data

d) Please provide 2008 actual year-end information (or, if not available, provide the latest actual information for each category that is available and identify the applicable date) in the same format as originally filed and compare this information against that originally filed for rate base (including working capital allowance and capital items by project).

Response:

The year-end values per the US of A account are shown in the following chart and compared to the submission values. The Fixed Asset Account values are actual while the accumulated depreciation is and estimate:

Class	2008 as Submitted		2008 Actual		Variance	
	Year-End GL Value	Average Year end value	Year-End GL Value	Average Additions year end value	Between Year-End between test and actual	Between Average
Distribution - Land	2,512,190	2,512,190	3,268,523	2,890,356	756,333	378,167
Distribution - Land Rights	400,000	200,000	0	0	(400,000)	(200,000)
Mun Trans Stn<50kv	8,955,359	8,464,509	8,358,889	8,166,274	(596,469)	(298,235)
Distribution Lines o/h Poles	13,082,563	12,246,976	12,410,041	11,910,715	(672,522)	(336,261)
Distribution Lines o/h Cable	16,269,774	15,235,310	14,755,661	14,478,254	(1,514,113)	(757,057)
Distribution Lines u/g Conduit	7,344,918	7,217,418	7,518,727	7,304,323	173,809	86,904
Distribution Lines u/g Cable	24,066,411	23,282,118	23,343,596	22,920,710	(722,816)	(361,408)
Services	5,130,687	4,650,687	5,240,026	4,705,356	109,339	54,669
Distribution Transformers	15,157,617	14,670,777	15,152,556	14,668,247	(5,061)	(2,531)
Distribution Meters	7,291,815	7,090,995	7,337,098	7,113,636	45,283	22,642
Smart Meters	5,286,963	4,438,953	4,590,509	4,090,727	(696,453)	(348,227)
Leasehold Improvements	477,236	448,236	456,691	437,963	(20,544)	(10,272)
Office Equipment	280,235	277,735	285,568	280,401	5,333	2,667
Computer Equipment	670,393	661,443	722,809	687,651	52,416	26,208
Computer Software	1,230,304	1,184,554	1,185,101	1,161,953	(45,203)	(22,601)
Stores Whse Equipment	142,099	142,099	144,863	143,481	2,764	1,382
Rolling Stock & Equip.	3,785,252	3,363,712	3,667,992	3,305,082	(117,259)	(58,630)
Misc. Tools & Equip.	483,726	451,726	444,028	431,877	(39,698)	(19,849)
Measurement & Test Equipment	129,135	115,835	102,535	102,535	(26,600)	(13,300)
System Supervisory Equip	759,035	749,035	742,641	740,838	(16,394)	(8,197)
Sentinel Lighting Units	13,085	13,085	13,085	13,085	0	0
Contributed Capital	(16,039,324)	(14,970,783)	(15,466,241)	(14,684,242)	573,083	286,541
Total Fixed Assets	97,429,471	92,446,609	94,274,698	90,869,222	(3,154,773)	(1,577,387)
Accumulated Amortization	(48,052,329)	(45,883,500)	(47,785,304)	(45,719,705)		
Net Fixed Assets	49,377,143	46,563,109	46,489,394	45,149,518		
Working Funds Allowance Base		58,499,238		56,011,339		
Working Funds Allowance @ 15%		8,774,886		8,401,701		
Rate Base		**55,337,995**		**53,551,218**		

Detailed information in the same format as the submission is not yet available.

The main reasons for variance between actual and the original submission are:

1. Work has commenced on the Holland Junction TS, but has been delayed due to land issues. The Applicant has a large amount of the material required for this job in Inventory and has been since the end of the fiscal year 2008. There is still another $2,000,000 to spend to complete the Holland Junction initiative. This project has been delayed due to unforeseen issues in obtaining all the necessary land and land rights, resulting in protracted negotiations. It is now anticipated this project will be completed by fall 2009.
2. The majority of the work on the two stations, Leadbetter and Boggartown has been postponed. The new transformer for Boggartown was purchased and preparation of the work has commenced on this project.
3. There have been delays in the production of the smart meter to be installed for GS<50 customers. The Applicant hopes to complete the Time-of-Use project for GS<50 customers by the end of 2010.

Operation and Maintenance Related

47. Ref: Board staff interrogatory #21

In response to Board staff's request to reconcile RRR filing to the evidence for 2006 OM&A Expenses, NTPD provided a table which included interest on customer deposits.

a) Are the customer deposits included in rate base for 2008?

Response:

Interest on customer deposits had been included in OMA costs as has the corresponding interest revenue on customer deposits which had been included in interest revenue. The Applicant has now netted the two in interest revenue and will make the necessary adjustments to the OMA at the end of the process. The Applicant believes that this accounting treatment goes against Generally Accepted Accounting Principles.

a) Please provide any regulatory instrument that directs utilities to include customer deposits in the revenue requirement.

b) If there is no regulatory instrument, please provide NTPD's rationale for inclusion of this expense.

Response:

Generally Accepted Accounting Principles suggests that expenses and revenues be presented grossed up, not netted. The Applicant has changed the classification and netted interest expense on customer deposits against interest revenue. This change will be reflected in the final model.

48. 2008 Operating Costs

e) Please provide 2008 actual year-end information (or, if not available, provide the latest actual information for each category that is available and identify the applicable date) and compare this information against that originally filed for each of the major expense categories as in Exhibit 4 (i.e. Operation, Maintenance, Billing and Collection, Community Relations, Administration and General, Taxes other than Income, Other Operating Costs, and Amortization). Board staff is aware that approved audited statements may not be available. Please explain any variances that exceed materiality.

Response:

Summary of Operating Costs by Major Category

	2008 Test	2008 Actual	Variance
Operations and Maintenance	$ 1,736,740	$ 1,862,557	$ 125,817
Billing and Collecting	$ 1,712,798	$ 1,403,981	$ (308,817)
Community Relations	$ 67,000	$ 55,252	$ (11,748)
Administration Expense	$ 1,966,490	$ 2,052,638	$ 86,148
Total OMA	$ 5,483,028	$ 5,374,428	$ (108,600)
Taxes other then income	$ 264,949	$ 239,949	$ (25,000)
Other Operating	$ 2,783,363	$ 2,783,363	$ -
Amortization	$ 3,998,721	$ 3,998,721	$ -
Total	$ 12,530,061	$ 12,396,461	$ (133,600)

Variances from Test to Actual 2008

OMA amounts are year end numbers other amounts are still budgeted

Operations and Maintenance increases can be explained by:

1) The Applicant hired additional Cambrian College Co-op students to assist with the expected extra workload during the summer of 2008.
2) There were additional locate expenses in 2008. Locates are normally performed by line staff. However, due to the predicted additional line work, it was deemed prudent to outsource some locating work.
3) There were some short-term disabilities among the outside staff, and retired staff members were contracted to return to assist.

Billing/Collecting decreases can be explained by:
1) Included in the billing and collecting test year are costs associated with the Provincial MDMR. As noted, this service was supposed to be active in 2008. It is still in production development.

Administration increases can be explained by:
1) Increased temporary staff to assist with organization, filing and preparation of the Applicants internal information.
2) An accounting Co-op student to assist with day-to-day activities within the Accounting Department.
3) As in 2007, staff did not get an opportunity to use their vacation allotment and thus was paid out.

Taxes other than PIL's
1) In the original model, the Applicant used the incorrect capital tax rate.

Forecasting Related

49. 2008 Load and Customer Data

Please provide 2008 actual year-end information (or, if not available, provide the latest actual information for each category that is available and identify the applicable date) in the same format as originally filed and compare this information against that originally filed for load and customer data (including by customer class: customer/connection count, kWh consumption and kW demand for those customer classes that use the kW charge determinant).

Response:

From 3.1.2
Summary of Operating Revenue Table
Distribution Revenue History

	2006	2007	2008	2008

	Actual	Actual	Estimate	Actual
	($)	($)	($)	($)
Residential	6,898,013	7,061,024	7,164,069	7,075,098
General Service	2,173,191	2,228,744	2,241,853	2,204,571
General service	4,069,643	4,087,028	4,126,807	4,110,524
Street lighting	46,956	46,225	54,640	50,228
Sentinel lights	11,174	11,148	11,556	11,439
USL			22,487	22487
Total	13,198,977	13,434,169	13,702,962	13,474,347

Consumption Historical Amounts

	2006 Actual	2007 Actual	2008 Estimate	2008 Actual
Residential	231,442,383	239,181,560	242,306,934	236,001,322
General Service <50 Consumption	88,265,456	91,102,385	92,373,021	90,153,061
General Service >50 Consumption	353,748,151	353,748,854	364,635,703	351,909,463
General Service >50 Consumption KW	865,283	863,096	863,096	854,982
USL	0	211,968	211,968	211,968
Street lighting	4,399,531	4,493,026	4,547,882	4,703,708
Sential Lights	309,923	309,346	309,346	308,943
Total kwh	678,165,444	689,047,139	704,384,854	683,288,465

Average consumption for classes on a per customer basis; based on a year end customer amount

	2006 Actual	2007 Actual	2008 Test	2008 Actual
Residential kWh	9,787	9,937	9,862	9,567
GS<50 kWh	33,535	34,149	34,967	33,982
GS>50 kWh	961,274	945,853	959,321	945,853
GS>50 kW	2,351	2,308	2,271	2268

USL			2,826	2826

Average consumption for classes on an average per customer basis per year

	2006 Actual	2007 Actual	2008 Test	2008 Actual
Residential kWh	9,898	10,025	9,964	9,685
GS<50 kWh	34,497	35,338	35,250	34,331
GS>50 kWh	972,860	953,501	967,203	937,176
GS>50 kW	2,384	2,326	2,289	2276
USL			2,826	2826

Customer Counts
Year End Actual

	2006 Actual	2007 Actual	2008 Test	2008 Actual
Residential kWh	23,647	24,069	24,569	24,667
GS<50 kWh	2,632	2,599	2,642	2,653
GS>50 kWh	368	374	380	377
USL			75	75

Customer Counts
Average for year

	2006 Actual	2007 Actual	2008 Test	2008 Actual
Residential kWh	23,383	23,858	24,319	24,368
GS<50 kWh	2,553	2,578	2,621	2,626
GS>50 kWh	367	371	377	376

USL			75	75

50. 2008 Operating Revenue Related Data

Please provide 2008 actual year-end information (or, if not available, provide the latest actual information for each category that is available and identify the applicable date) in the same format as originally filed and compare this information against that originally filed for operating revenue (including throughput revenue and other revenue).

Response:

2008 Rate Model

Base Data - 2008 Statistics @ Approved Rates & Revenue Shortfall

	2008 Test Year			2005 Rates w/o RA's		Base Revenue			
	kWh	kW	Avg Cust/Con	Fixed	Variable	Fixed	Variable	Total	%
Residential	242,306,934		24,319	13.34	0.0135	3,892,085	3,271,983	7,164,068	52.59%
GS<50	92,373,021		2,620	20.95	0.0171	658,739	1,583,114	2,241,853	16.46%
USL	211,968		75	20.95	0.0171	18,855	3,633	22,487	0.17%
GS>50	364,635,703	863,096	377	376.28	3.2075	1,702,511	2,768,377	4,470,888	30.30%
Street Lights	4,547,882	14,934	7,227	0.31	1.8466	27,062	27,577	54,640	0.40%
Sentinel Lights	309,346	945	416	1.74	3.0602	8,664	2,892	11,556	0.08%
Total	**704,384,854**					**6,307,917**	**7,657,576**	**13,965,492**	
GS>50 T/A		(688,163)			0.5000		(344,081)	(344,081)	
						6,307,917	**7,313,494**	**13,621,411**	100.00%
Distribution Revenue Shortfall	(From Rate Base Model)						**814,915**	814,915	
Revised Revenue Requirement						**6,307,917**	**8,128,409**	**14,436,326**	
% Shortfall							**10.64%**	**5.98%**	

Originally Filed Information

Adjusted for Actual year end data 2008

2008 Rate Model

Actual Average customers and actual consumption

	2008 Actual			2005 Rates w/o RA's		Base Revenue			
	kWh	kW	Avg Cust/Con	Fixed	Variable	Fixed	Variable	Total	%
Residential	236,001,322		24,368	13.34	0.0135	3,888,263	3,186,835	7,075,098	52.51%
GS<50	90,153,061		2,626	20.95	0.0171	659,504	1,545,068	2,204,571	16.36%
USL	211,968		75	20.95	0.0171	18,855	3,633	22,487	0.17%
GS>50	351,909,463	854,982	376	376.28	3.2075	1,706,378	2,742,351	4,448,729	30.51%

Street Lights	4,703,708	12,818	7,289	0.31	1.8466	26,559	23,669	50,228	0.37%
Sentinel Lights	308,943	945	430	1.74	3.0602	8,548	2,892	11,439	0.08%
Total	**683,288,465**					**6,308,106**	**7,504,447**	**13,812,553**	
GS>50 T/A		(676,410)			0.5000		(338,205)	(338,205)	
						6,308,106	**7,166,242**	**13,474,348**	100.00%

For other revenues please see Energy Probe IR 51

Cost Allocation & Rate Design

51. Cost Allocation

References:

i. Exhibit 8, Section 8.1, page 139 and 140
ii. Appendix 2, 2006 Cost allocation Informational Filing, Sheet O1
iii. Response to Board staff interrogatory #35

- The 1st reference provides a narrative on the removal of the Larger User rate class and a table of proposed Revenue to Expense ratios for each rate class.
- The 2nd reference comprises Sheet O1 of the revised Cost Allocation Informational Filing.
- The 3rd reference provides responses to Board Staff interrogatories related to cost allocation and rate design.

a. With respect to the removal of the Large User rate class as referenced in both the 1st reference and part 'b' of the 3rd reference; the Total of Total Revenue remains unchanged at $14,244,657 in the January 2007 Cost Allocation Informational Filing (part 'a' of 3rd reference) and revised Cost Allocation Informational Filing (2nd reference). Please account for the Total Revenue of $221,093 (part 'a' of 3rd reference) attributable to the Large User rate class in terms of which rate class or classes is it absorbed into.

Response:

General Service >50

b. Please provide a detailed calculation to explain the proposed Revenue to Expense ratios (Residential 93.02%, GS<50 98.45%, etc.) for each rate

class as provided in the 1st reference. Please specifically include both revenues and expenses (costs) for each rate class. For the GS>50 rate class, please provide revenue net of transformer allowance.

Response:

	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Revenue	14,244,657	7,346,636	2,609,367	4,190,090	67,991	5,478	25,095
Expense	12,140,421	6,832,832	2,248,521	2,425,256	606,732	11,538	15,541
Allocated Income	2,423,753	1,256,990	466,635	559,757	136,165	2,602	1,604
Revenue to Expense % per CA	97.81%	90.81%	96.10%	140.37%	9.15%	38.74%	146.37%
Gross up to 100%	**100.00%**	92.85%	98.26%	143.52%	9.36%	39.61%	149.65%
Transformer Allowance & Revenue Shift	**0**	13,319	5,131	-119,137	101,513	4,103	-4,929
Revised REV TO EXP %	97.81%	90.98%	96.29%	136.38%	22.82%	67.76%	117.62%
Gross up to 100%	100.00%	93.02%	98.45%	139.44%	23.33%	69.28%	120.25%

52. Loss Factors

References:

i. Exhibit 9, Section 9.1.4, page 152
ii. Response to Board staff interrogatory #37

- The 1st reference provides the current loss factor plus a calculation of actual total loss factors (TLF) for 2003 to 2007 and the weighted average for the 5-year period.
- The 2nd reference provides responses to Board Staff interrogatories related to loss factors.

a. With respect to the table provided in part 'a' of the 2nd reference:
   - § The table states that loss factors contained in the row populated with the 'C/F' calculation are TLF. In order for this to be the case, the kWh provided in row A would need to include losses captured by the Supply Facilities Loss Factor (SFLF), i.e. correspond to the defined meter point on the primary or high voltage side of the transformer and not the metering installation on the secondary or low voltage side of the transformer.
   - § Please confirm if this is correct.

Response:

This is confirmed.

- § If it is not correct, please re-label the C/F calculation row as distribution loss factor (DLF).

b. The values of TLF provided in this table for years 2003 to 2007 are different from those provided in the table in the 1st reference. Please indicate which set of values are correct.

c. The values of TLF provided in the table appear to have been derived by the summation rather than multiplication of the values provided in the same table for DLF and SFLF. Please re-submit the values based on multiplication as TLF is defined as DLF x SFLF.

d. Please explain the reason for the SFLF values provided in the table being different from the industry standard of 1.0045 for distributors directly connected to IESO controlled grid.

Response:

		2003	2004	2005	2006	2007	2008
A	"Wholesale" kWh (IESO)	659,301,476	685,456,915	727,741,286	707,635,390	717,120,320	707,580,426
B	"Wholesale" kWh for Large User (IESO)	0	0	0	0	0	
C	Net "Wholesale" kWh (A)-(B)	659,301,476	685,456,915	727,741,286	707,635,390	717,120,320	707,580,426
D	"Retail" kWh (Distributor)	636,823,652	661,514,842	700,635,236	681,601,671	695,700,606	691,336,183
E	"Retail" kWh for Large User (IESO)	0	0	0	0	0	
F	Net "Retail" kWh (D)-(E)	636,823,652	661,514,842	700,635,236	681,601,671	695,700,606	691,336,183
G	TLF Loss Factor [(C)/(F)]	1.03540	1.03632	1.03877	1.03828	1.03086	1.02350
	DLF	1.03077	1.03168	1.03412	1.03363	1.02624	1.01891
	SFLF	1.0045	1.0045	1.0045	1.0045	1.0045	1.0045
H	Total Loss Factor Adjustment (3 year average)			1.03678	1.03772	1.03588	1.03079
I	Total Loss Factor Adjustment (5 year average)					1.03583	1.03345

The Applicant has included 2008 actual purchases and sales in the above chart.

e. With respect to the TLF proposed for the Newmarket service area for 2008 for secondary metered customers < 5,000 kW
   - § Please indicate if it is the 3-year average value (1.03588) or 5-year average value (1.03583) provided in the table or 1.0346 provided in the table in the 1st reference.
   - § Please provide the actual TLF for 2008 and an explanation for any deviation from the proposed value indicated above.

Deferral/Variance Accounts

53. Deferral and variance Accounts

References:

i. Exhibit 5, pages 127-134
ii. Exhibit 9, Section 9.1.3, pages 151-152
iii. Exhibit 1, Section 1.1.4, pages 23-24, items l) and m).
iv. Response to Board staff interrogatory #38
v. A filing guideline related to applications for final recovery of regulatory assets for May 1, 2006 distribution rate adjustments issued by the Board to all electricity distribution utilities on July 12, 2005 (http://www.oeb.gov.on.ca/documents/electricity_regulatoryasset_filingguidelines_phase2_120705.pdf)

- The 1st reference provides an overview and account specific details on deferral and variance accounts.
- The 2nd reference provides a write-up on the integration of deferral account recovery in rate design.
- The 3rd reference provides currently approved and proposed rates and charges.
- The 4th reference provides responses to Board Staff interrogatories related to deferral and variance accounts.
- The 5th reference is a filing guideline related to applications for final recovery of regulatory assets for May 1, 2006 distribution rate adjustments issued by the Board to all electricity distribution utilities on July 12, 2005.

a. In part 'a' of the 4th reference, the Board staff interrogatory stated that under proposed recovery rates (decrease of 33% over current recovery rates), the recovery amount ($2,485,132) is less than the outstanding balance of $2,604,905 as of April 2008 (1st and 2nd references). Please provide specific details of NTPD's plans for full recovery following April 30, 2011 as the explanation provided in part 'a' of the 4th reference is not clear.

Response:

The Applicant has stated that the model should be updated and revised once the implementation date of the rates is known.

b. In part 'd' of the 4th reference, for the accounts listed in the continuity schedule for disposition, the Board issued Filing Guidelines for electricity distributors (dated July 12, 2005) specifying requirements for account dispositions (see 5th reference). NTPD is requested to file the supplemental disclosure information in accordance with the filing guidelines as outlined on pages 4 and 5.

Response:

Please see attached.

c. In part 'd' of the 4th reference, the continuity schedule provided shows for account 1508 (OMERS) an opening account principal balance as of January 1, 2005 of $57,115 (and additions in 2005 of $103,929 for a total principal balance of $161,043 in 2005). Please explain why $57,115 related to 2004 costs was recorded in the account although the Accounting Procedures Handbook in Article 220 (at page 16) specifies the period for recording costs in the account starting on January 1, 2005.

Response:

The $57,115 in question relates to incremental OEB costs from 2004.

d. In part 'd' of the 4th reference, the account balance for account 1562 included in the application for disposition was not listed in the continuity schedule and no explanation was provided for its exclusion. The Board has commenced a proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to account 1562 Deferred PILS (for the period October 1, 2001 to April 30, 2006). The results of this proceeding will impact the 1562 account balances for all distributors and may affect other accounts such as 1563 Contra - Deferred PILS, or 1592 PILS for 2006 and Subsequent Years. Does NTPD agree that the disposition of PILS account balances should not be included for disposition in this application?

Response:

The Application was written before the Board Proceeding. The Applicant will await the Board Decision.

e. With respect to the two new deferral accounts proposed to be created (3rd reference and part 'f' of 4th reference):
   - Are other electricity distributors subject to the same types of lost revenues associated with conservation related programs and Meter Data Management Repository costs proposed for recording in these accounts?

     Response:

     Please refer to the response from VECC #41.

- With NTPD not being able to forecast the costs to be recorded in the accounts or provide additional details, why should the Board approve these accounts without first having knowledge of the potential impacts of these costs on customers?

  Response:

  The Applicant has installed all residential time-of-use (TOU) meters and is planning to bill TOU for all those customers through the MDM/R before the end of fiscal 2009. The Applicant is currently one of the lead LDC's working with the IESO in MDM/R testing. It is expected that the MDM/R service will attract costs. The Applicant has been named in provincial legislation as a rapid deployment utility under Ontario Regulation 428/06 and has been allowed to incur costs in this manner under Ontario Regulations 233/08 and 426/06. The Applicant is implementing the Ontario Government's policy for implementation of TOU rates for its eligible consumers. Therefore, the Applicant is looking to be held harmless and contain these costs in a deferral account.

- Please provide examples of other electricity distributors having received Board approval to establish the proposed deferral accounts in the past.

  Response:

  Please refer to the above response.

f. Please provide a method of disposition of accounts and rate riders under the following two scenarios:
   - all accounts except accounts 1562, 1563, 1565 1566, 1590, 1592 and 1595
   - all accounts except accounts 1562, 1563, 1565, 1566 1518, 1548, 1580, 1582, 1584, 1586, 1588, 1590, 1592 and 1595

   Response:

   The Applicant used the same rates for each class as currently approved and reduced them by 35%. These have since been recalculated using the allocators provided in December 2004. Allocators were not provided for 1508, 1556 and 1562. The Applicant used kWh, residential and GS<50 customers and kWh for these respectively. The following chart shows the result; the rates are calculated to collect the actual April 2008 total of $2,654,819 over a 3 year period.

	Residential	GS<50	USL	GS>50	Street Lights	Sentinel Lights	To Be Recovered Annualy
Rate/kWh	0.00136	0.00123	0.00140				
Rate/kWh				0.50429	0.36336	0.43119	
Annual Recovery	330,212	113,349	297	435,248	5,426	407	884,940