



PUBLIC INTEREST ADVOCACY CENTRE
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March 31, 2009

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2008-0244
PowerStream Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*;
S.O. 1998, c.15, Schedule B, as amended;

AND IN THE MATTER OF an Application by PowerStream
Inc. for an Order, or Orders approving or fixing just and
reasonable distribution rates for 2009.

**PowerStream Inc.
2009 Electricity Distribution Rates**

Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

GENERAL

Question #1

Reference: Exhibit A1/Tab 4/Schedule 1, page 5

- a) Please redo-Table 3 but exclude the impact of any rate riders related to the disposition of deferral/variance account balances.

Question #2

Reference: Exhibit A2/Tab 1/Schedule 1, page 7

- a) Please confirm whether the values set out in Table 1 for 2008 are forecast values or actual 2008 values.
- b) With respect to Table 1, for those years based on actual results, please clarify the basis on which the "target net income" value was determined (i.e., is it based on the deemed equity portion of the actual rate base x the allowed ROE?).

Question #3

Reference: Exhibit A2/Tab 1/Schedule 1, page 13

- a) For each customer class set out in Table 5 please indicate the average kWh per customer use forecast for 2009.

Question #4

Reference: Exhibit A2/Tab 1/Schedule 2, page 1

- a) Please confirm whether the revenue deficiency calculation excludes the costs and current rate adders related to HON's LV charges.

Question #5

Reference: Exhibit A2/Tab 2/Schedule 1, page 1

- a) Has PowerStream prepared and/or is PowerStream in the process of preparing a two-year OM&A budget for the period 2009-2010?
- b) If the response to part (a) is no please explain why given the "good business practice" reference on lines 4-5.
- c) If answer to part (a) is yes please provide the following:
 - The current status of the budget's preparation and approval
 - Copy of the 2009-2010 Budget Guidelines
 - If the budget has been approved by PowerStream's Board of Directors, a copy of the approved budget and the material presented to the Board.
 - If the budget has not been approved by the Board of Directors but budget recommendations have been provided to PowerStream's Audit and Finance Committee, please provide.

Question #6

Reference: Exhibit A2/Tab 3/Schedule 1, pages 2-3

- a) Please describe the timeframe over which the \$4.7 M in capital spending savings and the increase of \$2.4 M in OM&A costs are expected to occur (e.g., are they both for 2009?).
- b) Please explain why all the expected capital savings are avoided costs for the Barrie Division.
- c) Please describe what degree of integration between the PowerStream and Barrie Divisions is expected to occur during 2009. For example, by the end of 2009 what process/business activities will be integrated and shared by the two Divisions?

- d) Are all of the costs and savings set out in Table #1 (page 3) related to 2009. If not please re-do the table including just 2009 costs and savings.
- e) With respect to Table #1, please provide greater details regarding the transition costs of \$4.3 M.

RATE BASE AND CAPITAL SPENDING

Question #7

Reference: Exhibit B1/Tab 1/Schedule 1, page 2

- a) Please update Table #1 for the 2008 actual values.

Question #8

Reference: Exhibit B1/Tab 2/Schedule 1, page 2

- a) Has PowerStream prepared and/or is PowerStream in the process of preparing a five year capital plan for 2009-2013 and two year capital budget for 2009-2010?
- b) If the response to part (a) is yes, please indicate the current status and provide copies, if either are effectively completed (i.e., has been forwarded to either PowerStream's full Board or a sub-committee of the Board).

Question #9

Reference: Exhibit B1/Tab 2/Schedule 1, pages 1 & 4

- a) Per page 1 (lines 3-4), please provide the measures and expected outcomes for 2008 associated with each of the goals set out on page 4. Please indicate whether or not each of the 2008 goals were met.
- b) Is the Distribution System Planning Report a separate document from the Five Year Capital Plan? If so, please provide a copy of the Distribution System Planning Report that informed the proposed capital spending included in the Application. Also, if a more recent/updated version of the Distribution System Planning Report has been prepared, please provide it as well.

Question #10

Reference: Exhibit B1/Tab 2/Schedule 1, pages 15-16

- a) Please provide copies of the Phase 1 and Phase 2 Asset Condition Reports.
- b) Please also provide a copy of the Phase 3 Asset Condition Report, if completed. If not completed, please indicate when PowerStream expects the report to be completed.
- c) How frequently does PowerStream plan on redoing its Asset Condition Reports?

Question #11

Reference: Exhibit B1/Tab 2/Schedule 1, pages 18 and 26-27

- a) With respect to the budget and capital planning process outlined on these pages please confirm whether the capital expenditure envelop is:
 - An input to the process such that revenues and associate rate levels are an output, or
 - An output of the process wherein assumptions are made regarding rate levels and revenues.

If the former, please indicate if/how customer bill impact considerations are taken into account in the budget process.

If the later, what input assumptions are made regarding future rate levels in the development of the capital envelop?

- b) The description of the capital budget process on pages 26-27 only appears to deal with “base capital requirements” – as defined in Figure 5. How are the capital requirements for Special Projects (per pages 17 & 19) factored into the budgeting process?
- c) With respect to PowerStream’s preparation of the 2009 Budget and Capital Plan please indicate the following:
 - What was the original base capital envelop provided by Corporate Finance (per page 26) and what was the associated rate increase underlying this envelop.
 - How does the spending level in the proposed capital budget for 2009 compare to the original base capital envelop?
 - Does the 2009 proposed capital spending budget contain any projects that are not considered Non-Discretionary or Discretionary – Urgency

One? If yes, please provide a schedule that sets out these projects and the associated 2009 capital spending for each.

Question #12

Reference: Exhibit B1/Tab 3/Schedule 1, pages 1 and 7-12

- a) Please confirm that the new burden rates were used for 2008 such that the 2008 and 2009 capital spending amounts are reported on a comparable basis.
- b) Overall, did the new burden rates tend to increase or decrease reported capital spending levels? If possible, please provide an indication as to the percentage impact the change in burden rate has on reported capital spending in 2008 and 2009.

Question #13

Reference: Exhibit B1/Tab 3/Schedule 1, pages 5-6

- a) Please indicate where PowerStream's amortization rates differ from those set by the OEB and what the differences are.

Question #14

Reference: Exhibit B1/Tab 4/Schedule 1, page 1

- a) This section uses the terms "capital spending" and "capital additions" interchangeably. Please confirm whether for the 2006-2009 period all capital spending is declared in in-service the same year it is reported as spent. If not, please provide a continuity schedule that reconciles capital spending and capital in-service additions over this period.

Question #15

Reference: Exhibit B1/Tab 4/Schedule 2, page 2

- a) Please provide a schedule that, for 2009, breaks the spending for each line item down into: i) Non-Discretionary; ii) Discretionary – Urgency One and iii) Discretionary – Urgency Two.

- b) With respect to the response to part (a), please explain why the “Non-Discretionary” portion of each line item is considered to be such.
- c) With respect to the response to part (a), please explain why the “Discretionary-Urgency One” portion of each line item must be completed in 2009.

Question #16

Reference: Exhibit B1/Tab 4/Schedule 2, page 5

- a) What are the current loading levels on the PowerStream’s ten transformer stations and when does PowerStream expect that additional in-service capacity will be required to address capacity constraints at these stations?

Question #17

Reference: Exhibit B1/Tab 4/Schedule 2, pages 7-8

- a) Apart from the areas listed on page 8 are there other areas of the PowerStream Division’ service area that are currently operating at voltages below 27.6 kV. If yes, what are PowerStream’s longer term plans for their conversion and why were the listed areas given priority?

Question #18

Reference: Exhibit B1/Tab 4/Schedule 2, pages 10-11

- a) The 2009 budget for Load Transfers (Item 1 g) is zero. Is this because all work related to load transfers will be completed by 2008? If not, please explain.

Question #19

Reference: Exhibit B1/Tab 4/Schedule 2, pages 12 and 15-16

- a) Please identify those distribution stations that are currently exceeding or approaching (by 2010) acceptable loading levels. In the context of this response please explain what PowerStream considers to be an acceptable “loading level”.

Question #20

Reference: Exhibit B1/Tab 4/Schedule 2, pages 13-14

- a) Please provide the load forecast (page 13, lines 296-297) underlying the development capital spending proposed for 2009.
- b) Please provide the actual loads for 2007 and 2008 on comparable basis to those in the forecast from part (a).
- c) The discussion on page 13 (lines 303-308) suggests that not all capital spending comes “in-service” the year it is spent. Please reconcile this discussion with the response provided to Question #14.

Question #21

Reference: Exhibit B1/Tab 4/Schedule 2, page 19

- a) Please provide greater details regarding PowerStream’s Suite Metering program.
 - Provide the 2008 and 2009 suite metering costs and # of units.
 - Indicate the breakdown between condominiums (covered under existing regulations) and rental units
 - Does PowerStream have a sub-metering affiliate/related party? If so provide details.
- b) Is the Suite Metering program considered a CDM program? If so, please provide the results of the TRC test and supporting assumptions. If not, please provide the business case supporting PowerStream undertaking the program.
- c) Please explain how the recent Compliance Bulletin issued by the OEB (Bulletin 200901- Installation of Sub-Metering Systems in Residential Complexes) impacts on this program.

Question #22

Reference: Exhibit B1/Tab 4/Schedule 2, page 20

- a) Please describe what the Smart Grid funding requested for 2009 (\$505,000) is for.
- b) Does PowerStream plan on completing its Smart Grid Strategy prior to making any of the capital investments discussed at lines 491-496?

- c) Does PowerStream plan on preparing a business case to demonstrate the cost-effectiveness of its Smart Grid Strategy? If yes, when will this be completed?

Question #23

Reference: Exhibit B1/Tab 5/Schedule 4, pages 9-13

- a) The discussion at page 9, lines 190-195 indicates that PowerStream discarded the Buttonville Expansion option prior to an assessment of costs or any of the other factors listed on page 10. Please explain why it is so important for PowerStream to own and operate its own transformer stations that this option would be discarded prior to any such assessment.
- b) Please provide a status update on the schedule for Markham TS#4. Is it still expected to be fully in-service by December 2009?

Question #24

Reference: Exhibit B1/Tab 7/Schedule 1, pages 4-5

- a) Table 4 indicates that fixed assets at cost have increased by \$189.6 M from 2006 Actual to 2009 Forecast. Capital spending over the same period is reported as \$219.1 M (per Exhibit B1/Tab 4/Schedule 2, page 2). Please explain why the two values don't reconcile.

Question #25

Reference: Exhibit B1/Tab 7/Schedule 2, page 3

- a) Please provide an expanded continuity schedule for net fixed assets that shows annual additions and depreciation separately.
- b) Please explain the \$537,000 of Retirements shown for both 2008 and 2009.

Question #26

Reference: Exhibit B2/Tab 1/Schedule 2, page 2

- a) This page makes reference to an October 2008 Navigant Consulting Report prepared for the OEB. However, Exhibit A1/Tab 4/Schedule 1, page 1 makes reference to a November 2008 Navigant Consulting Report prepared for the IESO. Please clarify if there are two reports or whether a correction is required to the filing.
- b) If there is a separate Navigant Report that has been prepared for the IESO on which PowerStream's Application is relying, please provide a copy.

Question #27

Reference: Exhibit B2/Tab 1/Schedule 3, page 2

- a) At Exhibit B1/Tab 7/Schedule 1, page 1 the \$459,051,000 Net Fixed Asset value for 2009 is defined as the year-end value. Why is this value used in determining rate base for 2009 as opposed to the average of 2009 opening and closing balances for net fixed assets?

LOAD FORECAST/THROUGHPUT REVENUE

Question #28

Reference: Exhibit C1/Tab 1/Schedule 1, page 1

- a) Please provide a schedule that sets out the determination of the 2009 revenue at current rates for each class, showing the rates used and the billing determinants.
- b) If different from part (a) please provide a schedule that sets out the 2009 revenues at current rates by customer class (including rates and billing determinants by class) determined as follows:
 - Exclude the LV rate adder used to recover Hydro One Networks' LV costs
 - Account for the lower revenues due to the transformer ownership allowance discount.

Question #29

Reference: Exhibit C1/Tab 1/Schedule 1, page 2

- a) Please provide a revised version of Table 2 where 2006, 2007 and 2008 values are weather normalized.
- b) For 2008 the kWh sales decrease slightly from 2007 levels. However, the kW demand for 2008 is higher. Please explain why for 2009 the kWh sales are higher than for 2008 but the kW demand goes down.

Question #30

Reference: Exhibit C1/Tab 1/Schedule 2, page 1

- a) When was the current load forecasting model used by PowerStream developed and first used for budgeting purposes?
- b) Please provide the load forecast(s) that was used in preparation of the approved 2008-2009 Capital Plan and the related annual budgets (per Exhibit B1/Tab 2/Schedule 1, pages 2 & 11).
- c) Please contrast PowerStream's current load forecast with the load forecasts used for purposes of preparing the Capital Plan and Budget.

Question #31

Reference: Exhibit C1/Tab 1/Schedule 2, pages 4-14

- a) Please explain more fully why Model #4 is preferred over #5.
- b) Please provide the equivalent of Table 7 (page 9) based on Model #5.
- c) Please provide the GDP forecasts from the major financial institutions relied on to develop the forecast GDP values used for the load forecast and show how the GDP values set out in Table 8 were derived.
- d) Please prepare a forecast of purchased energy for 2009 based on Model #5.

Question #32

Reference: Exhibit C1/Tab 1/Schedule 2, pages 14-17

- a) The data 1998-2008 data used develop PowerStream's load forecasting model will reflect CDM activities undertaken by its customer until the end of 2008.
 - Does PowerStream agree that this results in the estimated model including some trend effects for CDM? If not, why not?
 - Since the model includes 2008 use already, why is it necessary to include a separate adjustment for the 2008 impact of the OPA's CDM programs?
- b) Please confirm that the OPA energy conservation savings in Table 2 are taken from the OPA's IPSP Application, Exhibit D/Tab 4/Schedule 1/Attachement 1, page 5 – Table 6. If not, what is the source?
- c) The footnote to the OPA's Table 6 (per part (b)) states that conservation savings are measured at the "generator".
 - What loss assumption has PowerStream used in its analysis of determining the impact at the customer level?
 - Please explain where in PowerStream's analysis these losses were taken into account.

Question #33

Reference: Exhibit C1/Tab 1/Schedule 2, page 19

- a) Given that past and future customer count growth may vary by class why is it reasonable to assume that the average kWh allocation over the 2006-2008 period is a reasonable forecast of what the allocation of 2009 kWh sales will be?
- b) Please provide the supporting data used to determine Table 16. Please confirm whether the kWh values used were actual or weather normalized values.
- c) Please provide a schedule that sets out the historical sales by customer class from 2002 to 2008. If not provided in response to part (b), please also include in the schedule the normalized sales by customer class for 2006-2008. For customer classes that are demand billed please include both kWh and kW.

Question #34

Reference: Exhibit C1/Tab 1/Schedule 3, pages 1-4

- a) Since the forecast methodology of total purchased kWh does not include number of customers as an explanatory variable, how can PowerStream be assured that there is consistency between its forecast of kWh and its customer count forecast for 2009?
- b) Please confirm whether the customer count values shown in Table 2 are year end value or average annual values. Please reconcile the total number of customers reported in Table 2 with the values shown for 2006-2009 at Exhibit C1/Tab 1/Schedule 4, page 7.
- c) Please provide a revised version of Table 2 that shows the historical and projected customer count by customer class. Please include in the schedule the growth rate used for each commercial class to project 2008 and 2009 customer count.

Question #35

Reference: Exhibit C1/Tab 1/Schedule 4, pages 1-9

- a) The headings used in Table 4 indicate that the kWh and kW values shown are weather normalized. Please explain how PowerStream calculated the historic weather normalized use by customer class.
- b) Are the 2008 values shown in Table 4 projected or actual values?
- c) Please provide a schedule that sets out the actual sales per customer for each customer class for 2002-2008 and also include the forecast average use per customer for 2009. For customer classes that are demand billed please include both kWh and kW.
- d) Please expand Table 7 to include all customer classes. Please also provide a similar table for demand billed customers showing kW/customer.
- e) Please provide the actual 2008 customer count by class, including both the year end and average annual values.
- f) With respect to page 9, please explain why the kW eligible for the transformer discount are increasing in 2009 (versus 2008) when Exhibit C1/Tab 1/Schedule 1, page 2 shows that totally billed kW are declining in 2009 relative to 2008.

- g) What were the actual 2008 kW's eligible for the transformer discount?

Question #36

Reference: Exhibit C2/Tab 1/Schedule 1

- a) Where are the SSS Admin charge revenues reported?
- b) Please provide a brief description of the sources of "Other Distribution Revenue".
- c) Please confirm that PowerStream excludes interest on regulatory assets from the determination of Other Revenue. If not, where is it included and how much is included for 2009.

OM&A

Question #37

Reference: D1 Tab 1 Schedule 1, page 1

- a) With regard to benchmarking PowerStream's historic OM&A costs, please confirm/correct the data for 2005 and 2007 shown in the file "Comparison of Distributors (EB-2006-0268)" found on the OEB web site:
http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison_of_Distributors_with_2007_data.xls

| 2007 | 2006 | 2005 |
|--------------|--------------|--------------|
| \$42,993,553 | \$38,591,483 | \$41,838,918 |

Please indicate the correct data for 2005-2007 and reconcile with Exhibit 1/Tab2/Sch1, Appendix B & Exhibit 3/Tab2/Schedule 1, Table 2

- b) Please reconcile the 2006 and 2007 values in part (a) with those reported in Schedule 1.
- c) Provide 2006-2009 (forecast) OM&A per kWh distributed.
- d) Please discuss the high year to year variation in OM&A per customer and per kWh from 2006-2009.

- e) Compare and discuss the position of PowerStream within the Cohort of comparable utilities.

Question #38

**Reference: Exhibit A2/Tab 1/Schedule 1, page 8, lines 127-135
Exhibit D1/Tab 1/Schedule 1, pages 1-10**

- a) What are the total labour costs included in each year's OM&A from 2006 actual to 2009 forecast?
- b) Per page 3, lines 45-51, please provide a schedule that sets out the customers/employee ratio for 2006 to 2009. Please include in the schedule the employee and customer counts used in the calculation and reference where they can be found in the Application.
- c) Please confirm that the increased costs attributed to "Staff" in Table 3 do not include the 3 new cable locators (per page 4, lines 66-73).
- d) Please provide the basis for the estimated \$3 M expenditure on IFRS (page 5) and details regarding the planned \$750,000 spending included in 2009 rates.
- e) With respect to Table 3, why are there no reductions in OM&A expense attributed to productivity improvements over the period?
- f) With respect to Table 4, please indicate which of the listed factors can be considered one-time non recurring items as opposed to ongoing items.
- g) With respect to Table 5 does the fact the updated burden rates increase OM&A by \$2 M mean that less costs are capitalized under the new burden rates? If not, please explain the basis for the \$2 M.
- h) The dollar amounts attributed to the explanations provided in these pages (pages 7-10) do not appear to align with the dollar amounts attributed to the various factors in Table 3. Please provide a similar schedule to Table 3 (D1/1/1) that explains the contribution of each of these major cost drivers (and any other deemed to be relevant) to the year over year changes in total OM&A from 2006 actual to 2009 forecast.

Question #39

Reference: Exhibit D1/Tab 1/Schedule 3, pages 1-12

- a) Please provide a schedule that sets out the actual OM&A expenses for 2008 broken down as per Table 1.
- b) Please provide a schedule that sets out the actual Operations and Maintenance expenses for 2008 broken down as per Tables 2 &3.
- c) What was the basis for the decision that increased maintenance was required on Transformer Stations in 2007 and subsequent years relative to 2006 spending levels (per page 7)?
- d) What was the basis for the decision that increased maintenance was required on Distributor Stations in 2007 and subsequent years relative to 2006 spending levels (per page 4)?
- e) What was the basis for the decision that increased lines inspection was required for 2007 and subsequent years (per page 7)?
- f) Are there any Operations or Maintenance activities where, for 2009, resources will be shared between the Barrie and PowerStream Divisions? If so, please provide a schedule that identifies these areas and provide the following:
 - The total costs shared costs incurred by the Barrie and PowerStream Divisions
 - The amount charged to the PowerStream Division and the basis for it determination.

Please confirm where the amounts charged to the PowerStream Division for each activity are reported (e.g. which USOA account).

Question #40

Reference: Exhibit D1/Tab 1/Schedule 3, pages 13-19

- a) Please provide a schedule that sets out the actual Administration expenses for 2008 broken down as per Table 4.
- b) Are there any costs included in either 2008 or 2009 with respect to the 2009 Rate Application? If yes, please indicate the amounts by year and provide details as to what the expenses are for.
- c) What is the cost of the MEARIE Bad Debt insurance for 2009 and is this the first year PowerStream has purchased this insurance (per page 19)?

- d) Why is it reasonable to use bad debt history from a period when there was no Bad Debt insurance purchased to estimate bad debt costs for 2009 – a year where PowerStream has bad debt insurance?
- e) Please provide a break down of 2006 (actual) to 2009 (forecast) annual Administrative and General costs by the OEB's USOA accounts.
- f) Are there any Administrative & General activities where, for 2009, resources will be shared between the Barrie and PowerStream Divisions? If so, please provide a schedule that identifies these areas and provide the following for each:
- The total costs incurred by the Barrie and PowerStream Divisions
 - The basis for determining the amount to be charged to the PowerStream Division.
- Please confirm where the amounts charged to the PowerStream Division for each activity are recorded (e.g., which USOA account).

Question #41

Reference: Exhibit D1/Tab 1/Schedule 4, pages 1-4

- a) Please provide a schedule that sets out the total payments for purchases services and products for 2006-2009 broken down by USOA account.

Question #42

Reference: Exhibit D1/Tab 1/Schedule 5, pages 1-2

- a) Using the TS Primary <50 asset group, please provide a sample calculation of how 2009 depreciation expense was determined.

Question #43

Reference: Exhibit D1/Tab1/Schedule 6, page 1 and Schedules 7 and 8

- a) Provide a copy of PowerStream's Corporate/affiliate relationships chart.
- b) Provide copies of the executed signature pages of Schedules 7 and 8 and the executed copies of the Service Schedules for 2009.
- c) Provide a consolidated Schedule that shows 2008 actual and forecast 2009 and 2010 amounts for inbound and outbound services for each of Vaughan and Markham. Indicate for which services, pricing is market based and for which pricing is based on the cost of the service provider.

- d) Are services provided by Vaughan or Markham to any other affiliates except the City/town Departments? If so indicate how the costs are allocated between affiliates/related parties and provide copies of the Coat Allocation methodology.
- e) Are services provided by PowerStream to any affiliates/related parties other than Vaughan/Markham City/Town departments? If so indicate how the costs are allocated between affiliates/related parties and provide copies of the Coat Allocation methodology.

Question #44

Reference: Exhibit D1/Tab 1/Schedule 9

- a) Please provide an organization chart for the PowerStream division.
- b) Using the chart, please indicate business unit areas where services/activities are shared with the Barrie Division.
- c) With respect to Table 1, please provide a schedule that sets out the functional areas for the 64 new staff (e.g., Billing and Collecting, Operations, etc.).
- d) With respect to Table 1 and the response to part (c), please provide more details as to the new requirements that increased staff by 45 and how growth triggered the need for 19 additional staff.
- e) With respect to Table 2, please break the Unionize head count for each year down between "outside" and "inside" workers (per page 4).
- f) Provide a comparison of the increase in total customers and revenue and total compensation from 2006-2009 (forecast) (page 6, Table 4).
- g) Provide a copy of the latest compensation comparison study for Senior Management and Management (per page 8).

Question #44

Reference: Exhibit D1/Tab 1/Schedule 10

- a) Does PowerStream have any explanation for the higher than average actual loss factor in 2007?

Question #45

Reference: Exhibit D2/Tab 1/Schedule 3, page 4

- a) Please update the 2009 CCA calculations (and subsequent tax calculations) to reflect the revision in CCA rates introduced in the 2009 Federal Budget.

DEFERRAL AND VARIANCE ACCOUNTS

Question #46

Reference: Exhibit E/Tab 1/Schedule 1, pages 1-5

- a) Please confirm that the balance in Account #1590 which is proposed for disposition includes rate rider revenues up to April 30, 2008.

COST OF CAPITAL AND RATE OF RETURN

Question #47

Reference: Exhibit F/Tab 1/Schedule 1

- a) Please provide an update regarding the planned new debt issue for 2009 in terms of anticipated principal amount and interest rate (per page 3).
- b) Provide a copy of the EDFIN Debenture (or term sheet). If not included explain how
 - i. the annual rate is established
 - ii. The issue costs and how these are recovered from PowerStream and the other participants
- c) Provide a copy of the Term Sheet for the TD loan. If not included, explain how
 - iii. the annual rate is established
 - iv. the issue and any other costs are recovered

Question #48

Reference: Exhibit F, Tab1 Schedule 2 page 5

Preamble: The OEB has updated its cost of capital parameters for 2009

- a) Please update the 2009 values for the various schedules on page 5.

COST ALLOCATION

Question #48

Reference: Exhibit H/Tab 1/Schedule 1

- a) Please describe more fully the work undertaken by Hydro One Networks.
- b) Did Hydro One Networks prepare any weather normalized load profiles for PowerStream? If so, please provide Hydro One Networks estimate of weather normalized use per customer (kWh) for each customer class.

Question #49

Reference: Exhibit H/Tab 1/Schedule 2

- a) Please provide a copy of the Cost Allocation Study Update for 2009.
Note: Please provide hard copies of Sheets I6 and O2 as well as an electronic copy of the Excel Model results.
- b) Please provide a "line diagram" illustrating the supply arrangements to the Large Use customer, including any facilities that could be used to supply the customer in the event the main feeder facilities were out of service (per page 2). Using this "line diagram" please describe the assets that were directly allocated to the Large Use class.
- c) Please provide a schedule that sets out the relative kWh's by customer class as forecast in Exhibit C1 and as used in the Cost Allocation Update (per page 4).

Question #50

Reference: Exhibit H/Tab 1/Schedule 3

- a) Please explain how the Distribution Revenue by Customer class (as set out in Exhibit I/Tab 1/Schedule 1, page 2) was determined for purpose of preparing the Cost Allocation Update. Please provide supporting schedules setting out the actual derivation of the distribution revenues used in the Cost Allocation for each rate class.

- b) Based on Exhibit C1/Tab 1/Schedule 4, page 9, it appears that under the currently approved rates the Large Use customer receive the transformer discount. Please confirm if this is the case.
- c) Please confirm whether the revenues reported for the Large Use customer (\$215,920) and the GS>50 class (\$39,193,181) have been reduced by the respective transformer discounts for each class.
- d) If the revenues for either the Large Use or GS>50 class have not been reduced to account for the transformer discount please re-do the Cost Allocation run using revenues for each of these classes that are net of the transformer discount. Please provide the resulting Sheet O1.
- e) Please confirm that PowerStream followed the Board's direction regarding the allocation of General and Administrative Costs.
- f) Please breakdown Power Stream's G&A Expenses (\$22,628,209) between:
- Property Insurance
 - Community Safety Programs
 - Remaining G&A Expense
- g) Please provide a schedule that sets out the allocation of each of these components to customer classes and the allocation factors used. (Note: For the allocation factors please describe each allocation factor and provide the absolute values by customer class as well as the percentages).
- h) Please provide a schedule that shows the expenses directly allocated to the Large Use class (Total = \$9,267) by USOA account. For each USOA account please describe how the directly allocated costs were identified.
- i) Please confirm that the O&M costs directly allocated to Large Use class were included in the Allocation Base used to pro-rate the "Remaining A&G" costs from part (f) above to customer classes. If this is not the case, please provide an alternate Cost Allocation Run where remaining A&G costs are pro-rated to customer classes based on the O&M costs allocated to classes (including directly allocated O&M).
- j) Please provide a schedule that shows the net fixed assets directly allocated to the Large Use class (Total = \$100,089) by USOA account. For each USOA account please describe how the directly allocated costs were identified.
- k) Please confirm that the Net Fixed Assets directly allocated to Large Use class were included in the Allocation Base used to pro-rate "General

Plant” costs to customer classes. If this is not the case, please – as part of the response to part (i) - provide an alternate Cost Allocation Run where General Plant costs are pro-rated to customer classes based on the Net Fixed Distribution Assets allocated to classes (including directly Net Fixed Assets).

RATE DESIGN

Question #51

Reference: Exhibit I/Tab 1/Schedule 1

- a) Please explain more fully the fixed rate mitigation adjustment that Power Stream deemed was required for the one customer in the Large Use class (per page 2, lines 33-35).
- b) Please provide a schedule that demonstrates that proposed rates for each customer class (net of LV and Smart Meter adders) yield the allocated revenue requirement for the class.
- c) Please explain why the unit rate for the transformer discount adder is the same (\$0.2483) for the Large Use and GS>50 class.
- d) Please confirm that the Cost Allocation Update does not allocate any transformer costs to the Large Use class.
 - If this is the case, why is it necessary to offer this class a transformer discount as opposed to simply basing its rates on the results of the cost allocation – following the adjustment of the revenue to cost ratios
 - Alternatively, if the class is to receive a discount why isn't the cost of the discount received by the class (i.e., \$49,685 per Exhibit C1/Tab 1/Schedule 4) assigned directly to the class?
- e) Why isn't the transformer ownership rate adder for the GS>50 class calculated so as to recover the cost of providing the discount to the customers in that class (i.e., \$2,501,422 per Exhibit C1/Tab 1/Schedule 4)

LRAM/SSM

Question #52

**References: Exhibit I/Tab2/Schedule 1, page 5
Exhibit I/Tab 2/Schedule 1, Table 8B, page 11 - line 1**

- a) Confirm that the 2006 Co-branded Mass Market measures summarized at line 1 were OPA-funded Every Kilowatt Counts (EKC) measures, not 3rd tranche MARR-funded measures.
- b) Explain in detail the total costs charged to/recovered from OPA for these measures relative to the costs of \$292,919.00 shown at line 1 for utility program costs.
- c) Explain why an independent audit of the results of OPA-funded CDM programs is not required. Provide a copy of the report to OPA on the 2006 EKC and Keep Cool programs.
- d) Provide the EKC program calculator for the 2006 OPA EKC spring/summer and fall campaigns.
- e) Provide a comparison in tabular form of the input assumptions- free ridership, cost and savings (kWh) for the OPA EKC Program calculator to those used by PowerStream to calculate its SSM and LRAM claims for 2006 for the following measures:
 - i. CFL 11W and 13w screw in
 - ii. P Stats (heating and cooling)
 - iii. SLED replacement
- f) Explain why PowerStream is eligible for an SSM of \$207,447 that includes OPA-funded EKC Residential programs?
- g) Calculate the LRAM for 2006 Residential Co-branded Mass Market measures using the OPA EKC assumptions provided in response to part (e) and compare this with the amount of \$202,594 shown in Table 7B page 8 of the Exhibit.
- h) Revise the LRAM and Rate rider calculation using the following assumptions
 - i. No SSM available for OPA-funded 2006 programs
 - ii. LRAM based on savings using 2006 OPA EKC calculator assumptions for the three measures listed in part e) above

Question #53

References: Exhibit I/Tab2/Schedule 1, page 5
Exhibit I/Tab 2/Schedule 1, Tables 7C and 8C line 1 /2

Preamble: The Board's Guidelines for ED CDM state:

7.3 (page 26)

LRAM

"The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5. [emphasis added]

For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again".

- a) For the 2007 Co-Branded Mass Market residential program listed in Tables 7C and 8C, indicate in detail why PowerStream did not participate in the OPA Every Kilowatt Counts (EKC) campaigns for the comparable measures (e.g. CFL distribution)?
- b) Why did PowerStream proceed with CFL distribution even though the net TRC was negative (per Table 8C)?
- c) Provide a Copy of the 2007 EKC calculator issued by OPA for its campaigns.
- d) For 2007 Residential Programs funded by PowerStream, provide a Schedule that compares the Free ridership, unit Energy Savings (kWh and kW) and measure life assumptions used by PowerStream to the OPA 2007 Every Kilowatt Counts (EKC) Calculator for its 2007 campaigns.
 - i) CFL 11W and 13w screw in
 - ii) P Stats (heating and cooling)
- e) Compute the gross and net savings using OPA 2007 EKC Calculator assumptions and compare the result to the equivalent savings shown in Tables 7C and 8C.
- f) Revise the 2006 and 2007 LRAM and rate rider calculations using the 2007 OPA EKC calculator savings assumptions for the Co-branded Mass Market measures listed in Table 3. Take into account the carrying charges as calculated in Table 6.
Provide the result in the form of revised Tables 3 and 1.

SMART METERS

Question #54

Reference: Exhibit I/Tab3/Schedule 2, page 2 Table 1

- a) Confirm that the Board approved Weighted Average Cost of Capital (Exhibit F Tab1 Schedule 2, pg 5) and Working Capital allowance(s) were used to derive the SM return on Rate Base and revenue requirement for 2006 and 2007. If not see part b).
- b) Provide the details of the calculation of Return on Rate base and Revenue requirements for 2006 and 2007
- c) Provide the details of the calculation of Carrying costs

Question #55

Reference: Exhibit I/Tab 3/Schedule 3, pages 1-10 Sheets 2-6

- a) Provide the 2008 Actual # meters installed and capital cost.
- b) If materially different from the 57,000 forecast, please update Sheets 2-6 to reflect 2008 actuals and revised 2009 and 2010 Forecasts.
- c) Provide the Calculation of the \$1.04 Future Cost Offset rate adder taking into account any changes resulting from 2008 actuals.

GENERAL

Question #55

Reference: Exhibit I/Tab6/Schedule 3, page 3

- a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
 - Consume less than 100 kWh per month
 - Consume 100 -> 250 kWh per month
 - Consume 250 -> 500 kWh per month
 - Consume 500 -> 750 kWh per month
 - Consume 750 -> 1000 kWh per month
 - Consume 1000 -> 1500 kWh per month
 - Consume > 1500 kWh per month

Question #56

Reference: Exhibit G/Tab1/Schedule 2, page 1-4

- a) Please provide a schedule that sets out the all corrections to the Application and changes PowerStream has agreed to as result of the Interrogatory process. For each, please indicate how it will impact each of the following:
- Fixed Asset portion of Rate Base
 - Working Capital portion of Rate Base
 - Weighted Average Rate of Return (%)
 - Total Return (\$)
 - Amortization
 - PILS
 - OM&A
 - Service Revenue Requirement
 - Base Revenue Requirement
 - Revenue Deficiency
- b) Based on the response to part (a), please update the 2009 values for Tables 1-4.