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BY EMAIL

June 24, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: West Perth Power Inc.
2009 Cost of Service Electricity Distribution Rates Application
Board File Number EB-2008-0234**

Dear Ms. Walli:

Please see attached Board Staff Interrogatories for the above proceeding. Please forward the attached to West Perth Power Inc. and all intervenor in the proceeding.

Yours truly,

Original signed by

Christie Clark
Case Manager

**Board Staff Interrogatories
2008 Electricity Distribution Rates
West Perth Power Inc.
EB-2008-0249**

As identified in Procedural Order No. 1 issued June 12, 2009, the Board has determined that the review of the Application will proceed in phases. The first phase is to determine the appropriate revenue requirement for West Perth Power Inc. ("West Perth"). The following Board staff interrogatories contain questions pertaining to the revenue requirement.

1 GENERAL

Issue 1.1 General Economic Condition

1.1 Ref: Exhibit(s) n/a

- a) Given the general economic condition in Ontario, has West Perth assessed the situation and identified any specific issues that may result in a material impact on its forecasts of load, revenue, and bad debt expense?
- b) If so, please provide the necessary evidence and an estimate of the timing of any update, including all necessary calculations.

1.2 Ref: Exhibit(s) Exhibit 1/Tab 2/Schedule 1, Page 5

- a) Please provide a list of criteria and the rationale that West Perth has used in the prioritization and selection of 2009 maintenance and capital projects in its application.
- b) Please individually identify maintenance and capital programs, if any, that West Perth may consider as a candidate for a deferral, cut, or partial adjustment. Please identify these programs, if any, in a ranking order that West Perth would consider, using a ranking of "1" as the first suitable candidate, ranking of "2" as the second suitable candidate, ranking of "3" as the third suitable candidate, etc.
- c) Please identify the rationale for the selection of these maintenance and capital programs and projects.
- d) Please describe the expected impacts on West Perth's revenue requirement, operations and service quality and reliability to

customers if the identified programs are reduced, deferred or cut during the economic downturn.

Issue 1.2 Revenue Requirement Work Form

1.3 Ref: Exhibit(s) http://www.oeb.gov.on.ca/OEB/Documents/2009EDR/2009_Rev_Req_Work_Form.xls

Board staff has posted the Revenue Requirement Work Form ("RRWF") at the above link on the Board's web site. Please provide, in Microsoft Excel format, a copy of the RRWF completed to conform to West Perth's application as filed. The RRWF may be found at the referenced link above.

Issue 1.3 Is West Perth an embedded distributor?

1.4 Ref: Exhibit(s) Exhibit 1/Tab 1/Schedule 12
Exhibit 3/Tab 1/Schedule 1

West Perth states that it "has neither embedded distributors nor any host distributors operating within [its] service territory". However, West Perth has factored Low Voltage cost recoveries (rate adders) in its proposed distribution rates. Also, on Exhibit 3 / Tab 1 / Schedule 1, West Perth states that distribution revenues include Low Voltage Wheeling revenues, implying that West Perth is embedded.

Please confirm that West Perth is an embedded distributor and indicate its host distributor (Hydro One Networks Inc. or another distributor).

Issue 1.4 Audited Financial Statements

Please provide a copy of West Perth's Audited Financial Statements for the year ending December 31, 2008.

2 RATE BASE

Issue 2.1 Are the proposed levels for rate base and capital expenditures appropriate?

2.1 Ref: Exhibit(s) Exhibit 2 – Rate Base and Capital Expenditures

Please provide information for the period 2006 to 2009 in the following table format:

	2006 Actual	2007 Actual	2008 Actual/ Bridge	2009 Test
Allowed Return on Equity (%) on the regulated rate base				
Actual Return on Equity (%) on the regulated rate base				
Retained Earnings				
Dividends paid to shareholders				
Sustaining capital expenditures (excluding smart meters)				
Development capital expenditures (excluding smart meters)				
Operations capital expenditures				
Smart Meters capital expenditures				
Other capital expenditures (please specify)				
Total capital expenditures (including smart meter meters)				
Total capital expenditures (excluding capital expenditures)				
Depreciation expense				
Construction Work in Progress				
Rate Base				
Number of Customer Additions (total)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				
Number of Customers (total, December 31)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				

Issue 2.2 Are the proposed levels of depreciation appropriate?

In Exhibit 2/Tab 2/Schedule 5 Page 1, West Perth states that “the changes in the accumulated depreciation associated with all USoA accounts follow the spending pattern in the gross asset description. West Perth has utilized the same capitalization practices and the same depreciation rates year over year and the resulting impact is a function of the gross assets to be depreciated”.

In the 2006 Electricity Distribution Rate Handbook (the “2006 EDRH”), Appendix B lists the Board’s guideline for amortization rates applicable to identified capital assets. Moreover, the 2006 EDRH states that “all rates are based on the straight line method of amortization” and that the “method of allocation should be reasonable and documented”.

Although West Perth's continuity schedule shows accumulated and annual amortization expense, Board staff requests, in the following interrogatories, further explanation on the assets and depreciation expense documented for several accounts. For the purpose of the following interrogatories the terms depreciation and amortization are used interchangeably.

2.2 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1,
Exhibit 1/Tab 3/Schedule 1 – Leasehold Improvements

In the Gross Asset (continuity) Tables, Account 1810; Leasehold Improvements shows an addition of \$7,040 in 2006 and this is carried forward to 2009. There is no accumulated depreciation expense shown for this account. The Accounting Procedures Handbook, at page 57, states that the "cost of the leasehold improvements shall be amortized over the term of the lease or the service life of the improvement, whichever is shorter".

- a) Please explain why no amortization expense has been recorded for the years 2007, 2008 and 2009.
- b) Please provide the amortization rate and accounting treatment, for this account, as used by West Perth.
- c) In Exhibit 1/Tab 3/Schedule 1/p.14 (Notes to Audited Financial Statements for 2007), under capital assets, West Perth lists \$185,721 in 2006 and \$212,598 in 2007 accumulated amortization for equipment and leasehold improvements. Please provide a breakdown of all accounts, and specifically identify the gross fixed assets and accumulated amortization associated with leaseholds and leasehold improvements.

2.3 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Distribution Station
Equipment

In the Gross Asset (continuity) Tables, West Perth shows capital additions in Account 1820; Distribution Station Equipment of \$864 in 2008. However, depreciation expense, per year, remains constant at (\$1,644) in 2009.

- a) Please explain why no correlated adjustment to depreciation expense and accumulated depreciation has been made for 2009 to reflect the 2008 capital additions.
- b) Please provide the amortization rate and accounting treatment, for this account, as used by West Perth.
- c) Please explain the negative net book values for 2008 and 2009.

2.4 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Underground Conduit

In the Gross Asset (continuity) Tables, West Perth shows capital additions in Account 1840; Underground Conduit of \$24,782 in 2006, \$8,505 in 2007 and \$13,104 in 2008. Despite these capital expenditures, the annual depreciation expense for this account declines in 2007 by \$4,317 to \$20,467, which is then held constant for 2008 bridge and 2009 test years.

- a) Please explain why the capital expenditures in 2006, 2007 and 2008 do not result in changes in annual depreciation expense in 2007, 2008 and 2009.
- b) Please provide the depreciation rate and the accounting treatment used for this asset and reconcile the adjustments to accumulated depreciation for the years 2007, 2008 and 2009.

2.5 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Underground Conductors and Devices

In the Gross Asset (continuity) Tables, West Perth shows annual capital additions in Account 1845; Underground Conductors and Devices of \$21,063 in 2006, \$812 in 2007, \$8,053 in 2008 and \$5,846 in 2009. However, the depreciation expense decreases in 2007 by \$2,058 to \$9,759, and then remains constant at that level for 2008 and 2009.

- a) Please explain why these capital expenditures do not result in a correlated adjustment to accumulated depreciation in 2007, 2008 and 2009.
- b) Please provide the depreciation rate and the accounting treatment used for this asset and reconcile the adjustments to accumulated depreciation for 2007, 2008 and 2009.

2.6 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Line Transformers

In the Gross Asset (continuity) Tables, West Perth shows capital additions/losses in Account 1850; Line Transformers of \$207,141 in 2006, (\$18,389) in 2007, \$38,230 in 2008 and \$144,761 in 2009. Despite these capital expenditures/losses, depreciation expenses in this accounts decline from (\$102,756) in 2006 to (\$47,826) in 2007. The depreciation expense continues at that level in 2008 and 2009.

- a) Please explain the 2006 adjustment to accumulated depreciation.
- b) Please explain why these capital expenditures do not result in a correlated adjustment to accumulated depreciation in 2007, 2008 and 2009.

- c) Please provide the depreciation rate and the accounting treatment for this asset and reconcile the adjustments to accumulated depreciation for 2007, 2008 and 2009.

2.7 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Meters

In the Gross Asset (continuity) Tables, Account 1860; Meters, West Perth shows an increase in depreciation expense of \$4,427 for 2009. However, the evidence shows no capital additions for 2009. Please explain the increase in the depreciation expense for the 2009 test year.

2.8 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Computer Hardware

In the Gross Asset (continuity) Tables, Account 1920; Computer Hardware West Perth shows capital additions/losses of \$5,243 in 2006, (\$40) in 2007 and \$40 in 2008 and corresponding depreciation expenses of \$14,002 in 2006, \$4,857 in 2007, \$5,233 in 2008 and \$6455 in 2009. It appears that the assets become fully depreciated during 2008. However, West Perth continues depreciating these assets, resulting in a negative net book value of (\$885) in 2008 and (\$7,340) in 2009.

- a) Please explain the accounting treatment for capital additions and losses, and depreciation expenses for this account.
- b) Please provide the rationale for continuing book depreciation expenses after the assets are fully depreciated.
- c) Please provide the depreciation rate and the accounting treatment used for this asset and reconcile the adjustments to accumulated depreciation.

2.9 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Computer Software

In the Gross Asset (continuity) Tables, Account 1925; Computer Software West Perth shows no capital additions in the 2007 actual, 2008 bridge and 2009 test year. However based on this table, the adjustments to accumulated depreciation increase by 8% for the 2008 bridge year and by 23% in the 2009 test year. Also, the assets are fully depreciated during 2008, but West Perth continues to book depreciation expense against these assets. This results in a negative net book value of (\$19,927) in 2008 and (\$45,277) in 2009.

- a) Please explain the accounting treatment for capital additions and losses, and depreciation expenses for this account.
- b) Please provide the rationale for continuing book depreciation expenses after the assets are fully depreciated.

- c) Please provide the depreciation rate and the accounting treatment used for this asset and reconcile the adjustments to accumulated depreciation.

2.10 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Transportation Equipment

In the Gross Assets (continuity) Table, West Perth shows \$nil for gross assets and accumulated depreciation in 2006 and 2007 actuals for Account 1930; Transportation Equipment.

- a) Please explain the \$nil entries for this account until 2008.
- b) Did West Perth not have any vehicles that it owned, or were its vehicles fully depreciated?

2.11 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Stores Equipment

In the Gross Asset (continuity) Tables, Account 1935; Stores Equipment West Perth shows capital additions to gross fixed assets of \$458 in 2006 actual. This gross fixed asset balance is carried forward to the 2009 test year. However, there is no depreciation expense shown for this account balance in either 2008 or 2009 test year. Please explain the absence of depreciation expense and accumulated depreciation for this asset account.

2.12 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Communication Equipment

In the Gross Assets (continuity) Tables, West Perth shows an addition to Account 1955; Communication Equipment of \$164 in 2008; this gross asset balance is carried forward to the 2009 test year. However, there is no depreciation expense shown for this account in either the 2008 bridge or 2009 test years. Please explain the absence of depreciation expense for this capital asset account.

2.13 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 1 – Other Tangible Assets

In the Gross Assets (continuity) Table, West Perth shows an adjustment to accumulated depreciation of (\$2,745) in Account 1990; Other Tangible Property in 2006, and this amount is carried forward to 2007 actual, 2008 bridge and 2009 test years. However, the gross asset balance for this account is \$nil in all years. Please explain the depreciation adjustment for this account in 2006 when there is no gross fixed asset balance, and the accounting treatment of this account in subsequent years.

Issue 2.3 Are the proposed levels of capital expenditures appropriate?

2.14 Ref: Exhibit(s) Exhibit 2/Tab 2/ Schedule 3 Page 4,
Exhibit 2/Tab 2/Schedule 5, and
Exhibit 2/Tab 2/Schedule 1

In Exhibit 2/Tab 2/Schedule 3 Page 4, West Perth states that “[t]wo used trucks were purchased from the Town of West Perth in 2008 ...” and shows a 2008 actual expenditure in Account 1930; Transportation Equipment of \$45,900.

In Exhibit 2/Tab 2/Schedule 5, West Perth states that it has used the same depreciation rates year over year, with the exception that the two used vehicles purchased from the Town of West Perth in December 2008. West Perth states that: “[t]he vehicles are older than the normal depreciation life used. As a result these 2 vehicles have been depreciated over a 2 year period; 2009 and 2010.”

- a) Please identify if the two used vehicles represent the total 2008 expenditures in account 1930 of \$45,900.
- b) Please provide further details on each of these vehicles, including the age, price paid, original capital cost of the vehicle, and a description of the vehicle.
- c) Please describe how the purchase price was determined for each vehicle, and how this purchase price determination complies with the Affiliate Relationships Code.
- d) Please identify the original expected life of each vehicle, and the basis by which West Perth determined that the remaining life of these vehicles should be depreciated over two years.
- e) The Gross Assets continuity schedule in Exhibit 2/Tab 1/Schedule 1 shows no accumulated depreciation in Account 1830 for 2008. Since West Perth states that the vehicles were acquired in December 2008, please explain why there is no depreciation expense related to the capital cost for these vehicles booked in 2008.

2.15 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 3 Page 4

West Perth is proposing to purchase a new bucket truck in 2009 with an estimated capital expenditure of \$285,000. This new bucket truck is to replace an existing vehicle.

- a) Please provide further details on the new bucket truck.
- b) Please provide information on the bucket truck that is being replaced, including the age of the vehicle.
- c) How is West Perth dealing with the disposal of the existing vehicle?

- i If there are any net proceeds, how is West Perth accounting for these proceeds?
- ii Are they being used to offset the purchase price of the new replacement vehicle? If so, please explain.

Issue 2.4 Has West Perth an appropriate Asset Management Plan?

2.16 Ref: Exhibit(s) Exhibit 2

In its Application, West Perth does not discuss in any detail its operational policies and practices for assessing the condition of its assets, how it plans its capital projects and budget, or how it takes into account asset conditions to prioritize capital projects.

- a) Please provide a discussion of West Perth's approach for developing and approving its capital programme.
- b) Please provide information on how West Perth assesses the conditions of its assets.
- c) Please describe how West Perth has taken account of asset condition and asset management in prioritizing capital projects undertaken in recent years, since 2006, and those planned for 2009.
- d) Please indicate what, if any, capital projects have been deferred past 2009 based on asset condition assessment and 2009 capital planning.
- e) If available, please provide estimates of West Perth's capital budgets projected for each of 2010, 2011 and 2012. If such information is not available, please provide an explanation.

Issue 2.5 Is the level for Working Capital Allowance appropriate?

2.17 Ref: Exhibit(s) Exhibit 2/Tab 4/Schedule 1

In controllable expenses used in the calculation of the Working Capital Allowance, West Perth includes, along with other accounts, the following:

- Account 5060; Street Lighting and Signal System Expense;
- Account 5186; Water Heater Rentals – Materials and Expenses; and
- Account 5660; General Advertising Expenses.

In Appendix A.3 of the 2006 EDRH, accounts 5060 and 5186 are listed as non-distribution expenses, and account 5660 is advertising expenses. Per the 2006 EDRH, none of these accounts are controllable expenses that may be included in the determination of the working capital base and hence the WCA.

For each of these accounts, please provide West Perth's reasons for including these accounts in its WCA calculation.

Issue 2.6 Is the determination of the depreciation expense appropriate?

2.18 Ref: Exhibit(s) Exhibit 2/Tab 2/Schedule 5, and
Exhibit 4/Tab 2/Schedule 4

- a) West Perth states that accumulated depreciation expense follows the spending pattern in the gross asset description and that West Perth has utilized the same capitalization practices and the same depreciation rates year over year. In Exhibit 4/Tab 2/Schedule 4, West Perth provides a table of depreciation expense, but without explanation, although rates are shown for most (but not all) general asset classes.
 - i Please identify the depreciation rates used, by asset class, by filling out the following table identifying the Board's guideline depreciation rates as documented in Appendix B of the 2006 EDRH.

Table 1

Account	Description	Appendix B, 2006 Electricity Distribution Rate Handbook		West Pert Power	
		Life-years	Rate	Life-years	Rate
1805	Land	Non-depreciable			
1806	Land rights				
1808	Buildings and Fixtures	50 and 25	2% and 4%		
1810	Leasehold Improvements	Over term of lease			
1820	Distribution Station Equipment	30	3.33%		
1830	Poles, Towers and Fixtures	25	4%		
1835	Overhead Conductors and Devices	25	4%		
1840	Underground Conduit	25	4%		
1845	Underground Conductors and Devices	25	4%		
1850	Line Transformers	25	4%		
1855	Services	25	4%		
1860	Meters	25	4%		
1908	General Plant – Buildings	50	2%		
1915	Office Furniture and Equipment	10	10%		
1920	Computer Equipment – Hardware	5	20%		
1925	Computer Software				
1930	Transportation Equipment	4, 5, 8	25%, 20% and 12.5%		
1935	Stores Equipment	10	10%		
1940	Tools, Shop and Garage Equipment	10	10%		
1945	Measurement and Testing Equipment				
1950	Power Operated Equipment	8	12.5%		
1955	Communication Equipment				
1960	Miscellaneous Equipment				
1990	Other Tangible Plant				
1995	Contributions and Grants				

- ii Where West Perth is using a depreciation rate different from that listed in Appendix B of the 2006 EDRH, please provide

further explanation and support for West Perth's used or proposed depreciation rate.

- b) In the table shown in Exhibit 4/Tab 2/Schedule 4, West Perth provides the depreciation expense and gross fixed assets for major asset classes for the years: 2006 Board-approved, 2006 actual, 2007 actual, 2008 Bridge and 2009 Test year.
- i Please explain why the table does not include depreciation expense for all asset classes. As an example Transportation and Rolling Stock and Office Equipment are not shown.
 - ii Board staff has analyzed the data in the table to determine the depreciation expense shown as a percentage of the gross asset value. This is summarized in the following tables, with Board staff's calculations shown in shading:
 - 1 Please confirm or correct the data shown in the tables;
 - 2 In several categories, the effective rate (the ratio of depreciation expense to gross fixed assets) differs from, and can exceed or be below the depreciation rate documented by West Perth in the table. For example, depreciation expense of (\$1033.00) for Other Distribution Assets works out to 0.44%, rather than the 4.00% rate documented. As another example, depreciation expense for IT assets ranges from 17.29% to 18.76% from 2006 actual to 2008 Bridge, but increases to 23.14% for the 2009 Test year; all of these rates differ from the 20% rate quoted. Please explain how the numbers in Exhibit 4 / Tab 2 / Schedule 4 were calculated, and reconcile with the depreciation rates that West Perth has documented.

Table 2

Depreciation Expense

	Rate	Year	2006 Board Approved			2006 Actual		
			GFA	Depreciation	%	GFA	Depreciation	%
Land and Buildings	0%		\$ 3,744.71	\$ -	0.00%	\$ 10,784.71	\$ -	0.00%
TS Primary Above 50 kW	3.33%		\$ -	\$ -	#DIV/0!	\$ -	\$ -	#DIV/0!
DS	3.30%		\$ 73,281.78	\$ 2,418.30	3.30%	\$ 73,281.78	\$ 1,644.00	2.24%
Poles and Wires	4.00%		\$ 2,355,973.67	\$ 94,238.95	4.00%	\$ 2,460,496.59	\$ 97,829.95	3.98%
Line Transformers	4.00%		\$ 1,014,731.80	\$ 40,589.27	4.00%	\$ 1,221,873.12	\$ 47,420.05	3.88%
Services and Meters	4.00%		\$ 329,073.90	\$ 13,162.96	4.00%	\$ 406,700.90	\$ 12,304.22	3.03%
General Plant	4.00%		\$ -	\$ -	#DIV/0!	\$ -	\$ -	#DIV/0!
IT Assets	20.00%		\$ 74,088.66	\$ 14,817.73	20.00%	\$ 137,433.31	\$ 23,767.19	17.29%
Equipment	10.00%		\$ 78,551.72	\$ 7,855.17	10.00%	\$ 105,758.12	\$ 4,618.89	4.37%
Other Distribution Assets	4.00%		-\$ 62,285.59	-\$ 2,491.42	4.00%	-\$ 232,979.00	-\$ 1,033.00	0.44%
Gross Asset Total			\$ 3,867,160.65	\$ 170,590.96		\$ 4,183,349.53	\$ 186,551.30	

	Rate	Year	2007 Actual			2008 Bridge		
			GFA	Depreciation	%	GFA	Depreciation	%
Land and Buildings	0%		\$ 10,784.71	\$ -	0.00%	\$ 10,784.71	\$ -	0.00%
TS Primary Above 50 kW	3.33%		\$ -	\$ -	#DIV/0!	\$ -	\$ -	#DIV/0!
DS	3.30%		\$ 73,281.78	\$ 1,644.00	2.24%	\$ 74,145.78	\$ 1,644.00	2.22%
Poles and Wires	4.00%		\$ 2,491,801.27	\$ 98,226.64	3.94%	\$ 2,682,250.73	\$ 102,803.78	3.83%
Line Transformers	4.00%		\$ 1,203,484.17	\$ 47,828.46	3.97%	\$ 1,241,714.04	\$ 47,826.46	3.85%
Services and Meters	4.00%		\$ 512,186.79	\$ 19,647.88	3.84%	\$ 551,701.67	\$ 23,457.55	4.25%
General Plant	4.00%		\$ -	\$ -	#DIV/0!	\$ -	\$ -	#DIV/0!
IT Assets	20.00%		\$ 137,393.31	\$ 23,929.51	17.42%	\$ 137,433.31	\$ 25,780.84	18.76%
Equipment	10.00%		\$ 106,764.89	\$ 5,509.68	5.16%	\$ 161,677.57	\$ 6,918.69	4.28%
Other Distribution Assets	4.00%		-\$ 232,979.09	-\$ 1,033.00	0.44%	-\$ 232,979.09	-\$ 1,033.00	0.44%
Gross Asset Total			\$ 4,302,717.83	\$ 195,753.17		\$ 4,626,728.72	\$ 207,398.32	

	Rate	Year	2009 Test		
			GFA	Depreciation	%
Land and Buildings	0%		\$ 10,784.71	\$ -	0.00%
TS Primary Above 50 kW	3.33%		\$ -	\$ -	#DIV/0!
DS	3.30%		\$ 74,145.78	\$ 1,644.00	2.22%
Poles and Wires	4.00%		\$ 2,866,770.17	\$ 105,908.06	3.69%
Line Transformers	4.00%		\$ 1,386,475.50	\$ 47,826.46	3.45%
Services and Meters	4.00%		\$ 574,428.72	\$ 28,512.43	4.96%
General Plant	4.00%		\$ -	\$ -	#DIV/0!
IT Assets	20.00%		\$ 137,433.31	\$ 31,805.13	23.14%
Equipment	10.00%		\$ 446,677.57	\$ 58,368.69	13.07%
Other Distribution Assets	4.00%		-\$ 232,979.09	-\$ 1,033.00	0.44%
Gross Asset Total			\$ 5,263,736.67	\$ 273,031.77	

- iii Please explain if West Perth adheres to the “½ year rule” regulatory standard with respect to the treatment of capital additions and associated depreciation expense. For greater clarity, the ½ year rule assumes that, on average, assets enter service mid-year (i.e. July 1) and add to the rate base for only one-half of the year that they enter service and, in addition, depreciation expense is allowed for six months of the year that assets enter service. If West Perth uses another approach for the rate base and depreciation expense treatment of new in-service capital additions, please explain.

Issue 2.7 Are the proposed smart meter expenditures appropriate?

2.19 Ref: Exhibit(s) Exhibit 9/Tab 1/Schedule 1

On page 1 of Exhibit 9 / Tab 1 / Schedule 1, West Perth states that it has updated the Smart Meter Adder, embedded in the Monthly Service Charge, to \$1.00 per metered customer on the basis that West Perth is an implementing LDC in 2009.

On October 22, 2008, the Board issued Guideline G-2008-0002: Smart Meter Funding and Cost Recovery. Section 1.4 of the Guideline specifies filing requirements for distributors when seeking a smart meter funding adder greater than \$0.30 per month per residential customer. Any such distributor must be authorized in accordance with the applicable regulations, and must have a clear intention on installing smart meters in the rate test year.

- a) Provide documentation (e.g. any letter from the Fairness Commissioner on West Perth's compliance with the London Hydro RFP and pre-authorized vendors of record) supporting that West Perth is authorized to deploy smart meters pursuant to O. Reg. 427/06 as amended on June 25, 2008 by O. Reg. 235/08.
- b) Please provide the following information in accordance with section 4 of the Guideline:
 - i the estimated number of smart meters to be installed in the rate test year;
 - ii the estimated costs per installed meter, and in total;
 - iii a statement as to whether West Perth has purchased or expects to purchase smart meters or advanced metering infrastructure whose functionality exceeds the minimum functionality adopted in O. Reg. 425/06, and an estimate of the costs for "beyond minimum functionality" equipment and capabilities; and
 - iv A statement as to whether West Perth has incurred, or expects to incur, costs associated with functions for which the Smart Metering Entity has the exclusive authority to carry out pursuant to O. Reg. 393/07, and an estimate of those costs.

3 COST OF CAPITAL

Issue 3.1 Is the proposed cost of capital appropriate?

3.1 Ref: Exhibit(s) Exhibit 6/Tab 1/Schedule 1

West Perth's evidence on its long-term debt is: "West Perth's debt is held by related 3rd parties and is therefore subject to the deemed return rates as summarized below."

- a) Please explain what is meant by a "related 3rd party".
- b) Please provide a copy of the promissory note documented in the table shown in Exhibit 6/Tab 1/Schedule 3. If applicable, provide copies of any predecessor document(s) and identify changes in the terms and conditions of the debt instrument. Please explain the reasons for any revisions to the terms and conditions of the debt instrument.
- c) Please provide a detailed explanation, with reference to the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, issued December 20, 2006. (http://www.oeb.gov.on.ca/documents/cases/EB-2006-0088/report_of_the_board_201206.pdf)

3.2 Ref: Exhibit(s) Exhibit 6/Tab 1/Schedule 1, and Exhibit 6/Tab 1/Schedule 2

- a) Please explain fully the tables shown in Exhibit 6/Tab 1/Schedule 2. Are the capital structures shown deemed or actual?
- b) Please explain the cost rate and return shown for long-term debt.
- c) Please explain why the cost rate on debt is 7.17% for 2006 Board-approved but 7.27% for 2007 actual to 2009 test years.
- d) Please explain the basis for the 7.18% return for long-term debt shown for the 2009 test year.

4 PILS AND OTHER TAXES

Issue 4.1 Are the proposed levels of PILS and Other Taxes appropriate?

4.1 Ref: Exhibit(s) Exhibit 4/Tab 3/Schedule 1

In the table labelled "Summary of Tax Calculations", West Perth shows a grossed-up PILs for the 2008 Bridge Year of \$7,905, despite applying a loss carry-forward amount of (\$51,069) to reduce tax liability.

- a) Please indicate the actual PILs paid by West Perth to the Ministry of Finance for the 2008 year.
- b) Please indicate why West Perth did fully eliminate its 2008 tax liability through application of available loss carry-forwards.
- c) Through application of a loss carry-forward of (\$117,792), West Perth estimates that it will have no PILs payable for the 2009 test year. For 2010, West Perth will have an available loss carry-forward of \$36,912.
- d) Please indicate whether West Perth believes it will face a non-zero PILs liability in 2010 and beyond.
- e) If so, please provide West Perth's plans to address the situation where its 2009 rates, which recover a revenue requirement without a PILs expense allowance, are used in subsequent IRM adjustments but do not cover actual taxes/PILs liability until the next cost of service rebasing.

5 OPERATING REVENUE

Issue 5.1 Is the load forecast appropriate?

5.1 Ref: Exhibit(s) Exhibit 3/Tab 2/Schedule 1 Page 1, and
Exhibit 3/Tab 2/ Schedule 2 Page 2

On page 1, West Perth displays the 2002-2008 weather-normalization factors it developed based on detailed IESO data. West Perth stated (page 2) that it subsequently used only the 2007 and 2008 values in developing its forecast. Board staff has concerns about the appropriateness of using any Province-wide weather-normalization factors to make weather corrections to a specific service area. In order to illustrate the possible weather-normalization effects on 2007 and 2008 data, please:

- a) Provide the year 2004 weather-normalization factors for the weather-sensitive classes developed for the Applicant by Hydro One as part of the 2006 Informational Filing and compare these values with the 0.20% value quoted in page 1,
- b) Rationalize the appropriateness of using the IESO-based values considering the results in a) above, and
- c) Provide any additional quantitative information that the Applicant may have that supports its position.

5.2 Ref: Exhibit(s) Exhibit 3/Tab 2/Schedule 2/ pages 1 and 3

On page 1, West Perth discusses the historical growths for some customer classes and then, apparently, extrapolates the growths to develop its 2008 and 2009 customer counts. To better understand the efficacy of this methodology, please:

- a) State the number of months of 2008 actual customer count data included in the 2008 Bridge year data on page 1,
- b) Provide the actual 2008 year-end customer count data by customer class,
- c) Provide the actual *monthly* 2009 year-to-date customer count data by customer class, and
- d) Verify that the 2006 customer count for Residential class on page 3 (i.e. 1,547) is the correct value or re-state as necessary.

5.3 Ref: Exhibit(s) Exhibit 3/Tab 2/Schedule 2/ pages 1-4

On page 2, West Perth appears to have extrapolated historical data to determine its forecast. Please:

- a) Explain how the Applicant's forecasting methodology is differentiated from a "rear view mirror" approach that relies solely on the future being an extrapolation of the past and ignores both broader economic effects that would impact the Province as a whole and energy consumption changes as a result of new CDM initiatives, and
- b) Compare the economic assumptions made in the application with economic forecasts prepared by national economic forecasting institutions (e.g. Canadian chartered banks) and regional equivalents (e.g. Boards of Trade or regional councils).

5.4 Ref: Exhibit(s) Exhibit 3/ Tab 2/ Schedule 2/ pages 1 to 4

Since West Perth provided only a brief description of its load forecasting methodology and analysis of its forecasting results, further details are essential to permit an independent review. Please:

- a) Verify that the load data used is billed (retail) load data and not purchased load data,
- b) Verify that the 2009 load forecast that West Perth is relying on for its rates application is 64,080,238 kWh and that the forecast value for the customer classes that utilize the kW charge determinant is 106,122 kW,

- c) Provide a detailed explanation why West Perth utilized only 2007 and 2008 data and include a detailed description of the data integrity problems that resulted from combining data from the two separate IT systems,
- d) Verify that based on the data on page 3,
 - i For the total load, the 2002-2008 average load growth is *negative* 0.7% p.a. and the 2008-2009 forecasted load growth is *positive* 7.3%, and
 - ii For the GS>50kW load, the 2002-2008 average load growth is *negative* 4.6% p.a. and the 2008-2009 forecasted load growth is *positive* 12.2%,
- e) Rationalize the results from d) above for both the total and GS>50kW load categories and, in particular, describe how the load increase is physically materializing in 2009 for the GS>50kW class and how this increased load is expected to continue to evolve for the balance of 2009,
- f) Describe in detail, the development of the 2008 and 2009 values in the “Normalized kW” table on page 3 and provide supporting analysis showing the calculation of any factors used (e.g. kWh to kW conversion factors),
- g) Provide a live Excel spreadsheet (i.e. one where the formulae are visible) showing, by steps, the development of the forecast from the “Non-Normalized Consumption History and Forecast (not-utilized)” on page 2 to the “Normalized Consumption History and Forecast (utilized)” and “Customer Counts (Historical and Projected)” on page 3, stating all assumptions, and
- h) Re-file any Schedule 2 tables that require to be updated as a result of changes in the Applicant’s evidence.

5.5 Ref: Exhibit(s) Exhibit 3/ Tab 2/ Schedule 2/ page 3

On page 3, West Perth presented its load and revenue forecasts. While there is no precise method to measure the accuracy of an applicant’s forecast until after the actual load has been met, the applicant’s forecasting track record may provide some indication of its forecasting accuracy. Please provide any data the Applicant has that illustrates the accuracy of its previous load forecasts.

5.6 Ref: Exhibit(s) Exhibit 3/Tab 3/ Schedule 4/ page 2

In the first table, “2008 Bridge – Normalized – based on existing rates”, West Perth redacted a section of the data. Please:

- a) Explain why the data has been redacted, and
- b) Either re-file the first table on page 2 without any redaction or file the missing data consistent with the Board's Practice Direction on Confidential Filings.

Issue 5.2 Is the forecast for Other Revenue appropriate?

5.7 Ref: Exhibit(s) Exhibit 3/ Tab 3/ Schedule 2/ page 1

On page 1 West Perth states: "Intervenors and Board Staff will no doubt see the decrease from 2007 actual to 2008 Bridge of \$10,315 in the "other Utility Operating Income". These values are not consistent and should be omitted." West Perth statement is followed by the table, it would appear, to which the Applicant is referring. However, the Other Utility Operating Income line has \$nil entries throughout suggesting that the \$10,315 amount has already been omitted. This raises the question if any other data have been omitted. Please:

- a) Re-file the page 1 table including all historical data, and
- b) Identify any data that appear to be erroneous, state the reason(s) for the data appearing to be erroneous and provide the correct values.

5.8 Ref: Exhibit(s) Exhibit 3

Some of West Perth's evidence may require to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories. Please re-file any Exhibit 3 information and tables that require to be updated as a result of changes in the Applicant's evidence.

5.9 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 2

West Perth states that they no longer provide service to the Town of Mitchell.

- a) Please show the revenues from the provision of these services from 2006 to 2009.
- b) In which account were these revenues entered?

5.10 Ref: Exhibit(s) Exhibit 1, Tab 2, Schedule 1, page 3-4

West Perth has provided a table of its specific service charges proposed for 2009. Please confirm that the proposed specific services charges as shown in the reference are identical to standard charges in Schedule 11-3 of the 2006 EDR Handbook.

6 OPERATING COSTS

Issue 6.1 Are the proposed operating costs appropriate?

6.1 Ref: Exhibit(s) [http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison of Distributors with 2007 data.xls](http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison%20of%20Distributors%20with%202007%20data.xls)

The figures in Table 5 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website.

	2003	2004	2005
Operation	\$79,979	\$138,385	\$51,257
Maintenance	\$86,137	\$132,328	\$51,547
Billing and Collection	\$155,442	\$186,508	\$67,420
Community Relations	\$528	\$0	\$2,442
Administrative and General Expenses	\$223,290	\$34,233	\$254,404
Total OM&A Expenses	\$ 545,376	\$ 491,454	\$ 427,070

Please confirm that West Perth is in agreement with the numbers for Total OM&A Expenses that are summarized in Table 5. If West Perth does not agree with any figures in the table, please explain why not and provide amended tables with a full explanation of all changes.

6.2 Ref: Exhibit(s) Exhibit 4/Tab 1/Schedule 1 Page 1

Board staff took the figures from the evidence provided in Exhibit 4 of the application and prepared Table 6 as a summary of West Perth's OM&A expenses. Note rounding differences may occur, but are not material to the questions that follow.

Table 4

	2006 Board Approved	2006 Actual	2007	2008 Bridge	2009 Test
Operation	\$138,375	\$189,171	\$155,933	\$102,477	\$154,994
Maintenance	\$132,328	\$105,319	\$199,234	\$90,242	\$174,720
Billing and Collection	\$186,507	\$185,274	\$176,543	\$218,341	\$243,532
Community Relations	\$0	\$5,812	\$0	\$961	\$0
Administrative and General Expenses	\$106,724	\$67,116	\$5,935	\$71,072	\$31,132
Total OM&A Expenses	\$ 563,934	\$ 552,692	\$ 537,645	\$ 483,093	\$ 604,378

Board Staff took the figures from the evidence provided in Exhibit 4 of the application and prepared Table 7 to review West Perth's OM&A forecasted expenses. Note rounding differences may occur, but are not material to the questions that follow.

Table 5

	2006 Board Approved	Variance 2006/2006	2006 Actual	Variance 2007/2006	2007 Actual	Variance 2008/2007	2008 Bridge	Variance 2009/2008	2009 Test	Variance 2009/2006
Operation	138,375	50,796	189,171	-33,238	155,933	-53,456	102,477	52,517	154,994	-34,177
		36.7%		-17.6%		-34.3%		51.2%		-18.1%
Maintenance	132,328	-27,009	105,319	93,915	199,234	-108,992	90,242	84,478	174,720	69,401
		-20.4%		89.2%		-54.7%		93.6%		65.9%
Billing & Collections	186,507	-1,233	185,274	-8,731	176,543	41,798	218,341	25,191	243,532	58,258
		-0.7%		-4.7%		23.7%		11.5%		31.4%
Community Relations	0	5,812	5,812	-5,812	0	961	961	-961	0	-5,812
		N/A		-100.0%		N/A		-100.0%		-100.0%
Administrative and General Expenses	106,724	-39,608	67,116	-61,181	5,935	65,137	71,072	-39,940	31,132	-35,984
		-37.1%		-91.2%		1097.5%		-56.2%		-53.6%
Total OM&A Expenses	563,934	-11,242	552,692	-15,047	537,645	-54,552	483,093	121,285	604,378	51,686
		-1.99%		-2.72%		-10.15%		25.11%		9.35%

- Please confirm that West Perth agrees with the figures presented in Table 7 and Table 6. If West Perth does not agree with any figures in the table please explain why not and provide amended tables with a full explanation of all changes.
- Please complete Table 8 by identifying and listing the key cost drivers that are contributing to the overall increase of 9.35% in total 2009 OM&A expenses over 2006 historical actuals. Please add additional rows to Table 8 if there are more than four cost drivers. Some examples of specific cost drivers include items such as X% increase in staff compensation, hiring x staff, X% increase in cost of contractors, X% increase in inflation, etc.

For each year, a detailed explanation is required for each cost driver and associated amount.

Table 6

OM&A	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Opening Balance	563,934	552,692	537,645	483,093
Cost Driver #1				
Cost Driver #2				
Cost Driver #3				
Cost Driver #4				
Etc....				
Closing Balance	552,692	537,645	483,093	604,378

c) Please provide a summary of OM&A expenses in the format of Table 9 below.

Table 7

[illegible]

d) Please provide an explanation for the following variances in Table 10.

Table 8

Account	Account Description	2006 Actual	2009 Test	Variance	Explanation
5085	Miscellaneous Distribution Expense	\$ 77,564	\$ 118,880	\$ 41,316	
5096	Other Rent	\$ 86,505	\$ -	\$ 86,505	
5114	Maintenance of Distribution Station Equipment	\$ 9,560	\$ 15,715	\$ 6,155	
5120	Maintenance of Poles, Towers and Fixtures	\$ 4,313	\$ 16,565	\$ 12,253	
5125	Maintenance of Overhead Conductors and Devices	\$ 15,260	\$ 36,967	\$ 21,707	
5135	Overhead Distribution Lines and Feeders - Right of Way	\$ 10,435	\$ 24,734	\$ 14,299	
5150	Maintenance of Underground Conductors and Devices	\$ 5,491	\$ 11,371	\$ 5,880	
5155	Maintenance of Underground Services	\$ 20,725	\$ 44,785	\$ 24,060	
5310	Meter Reading Expense	\$ 40,966	\$ 58,391	\$ 17,425	
5315	Customer Billing	\$ 111,246	\$ 164,100	\$ 52,854	
5630	Outside Services Employed	\$ 268	\$ 15,000	\$ 14,732	
5655	Regulatory Expenses	\$ 4,222	\$ 8,712	\$ 4,490	

6.3 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 2 Page 1

Water Services

West Perth indicated that the Town of Mitchell totally outsourced the water services business to a third party in late 2008.

- Please identify the services performed for the Town of Mitchell.
- Please identify the dollar amounts of any revenues received from the Town of Mitchell for these services.
- Please identify the OM&A amount (\$) related to servicing the water billing business for the Town of Mitchell for 2006, 2007 and 2008.
- With the cessation of the provisions of these services, please identify the new tasks that the designated employees will be assigned to.
- Please identify the OM&A increase (\$) due to the change in West Perth's 2009 capital program.

6.4 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 2 Page 1

Cost of Living

West Perth indicated that the increase in operations and maintenance do not reflect an increase in costs (other than a moderate cost of living labour increase) but rather a reallocation of costs.

- a) Please provide further clarification to the above statement.
- b) Please identify and justify the inflation rate(s) used for general OM&A and Wages/Benefits.

6.5 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 1 Page 1

Contracted Services

- a) From 2006 through 2009, please identify the portion of total OM&A expenses that is related to contracted services.
- b) For each of the years, 2006 through 2009 please identify the selection process for the contracted services.
- c) For each contracted service, please identify the year in which the selection process was used to select a particular contractor.
- d) Please provide examples of contracted services for the period of 2006 through 2009 in which West Perth negotiated cost savings or will contemplate to achieve costs savings.
- e) Regarding contracted services, please provide evidence, if any that demonstrates that West Perth has implanted cost efficiency initiatives or it is contemplating to undertake initiatives that help West Perth achieve savings at some future time.

6.6 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 2 p. 1

Employee Compensation

Please complete Table 11 below and provide explanations and justifications for year over year variances (include month hired for newly hired employees, inflation rates, collective agreement rates, etc);

Note: Where there are three or fewer employees in any category, the applicant may aggregate this category with the category to which it is most closely related. This higher level of aggregation may be continued, if required, to ensure that no category contains three or fewer employees.

Table 9

	2006	2007	2008 Bridge Year	2009 Test Year
Number of Employees (FTEs including Part-Time)				
Executive				
Management				
Non-Union				
Union				
Total				
Number of Part-Time Employees				
Executive				
Management				
Non-Union				
Union				
Total				
Total Salary and Wages				
Executive				
Management				
Non-Union				
Union				
Total				
Total Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Compensation (Salary, Wages, & Benefits)				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Base Wages				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Overtime				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Incentive Pay				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Compensation				
Total Compensation Charged to OM&A				
Total Compensation Capitalized				

6.7 Ref: Exhibit(s) Exhibit 1/Tab 2/Schedule 1 Page 5

Capitalization Policy

West Perth states that it continues to expand and reinforce its distribution system.

- a) Please confirm that West Perth has not made changes to the company's accounting policies in respect of capitalization of operation expenses and/or has not made any changes to accounting estimates used in the allocation of costs between operations and capital expenses post fiscal year end 2004. If any accounting policy changes or any significant changes in accounting estimates have been made post 2004 fiscal year end, please explain the changes including the rationale. Provide all supporting documentation and a discussion highlighting the impact of the changes.
- b) Please explain West Perth's capitalization policy.

6.8 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 2

Regulatory Costs

Board staff notes that the variance analysis makes no mention of the costs of regulation.

- a) Please complete Table 12 below.
- b) Please identify the regulatory costs associated with the preparation of the 2009 cost of service application and how such costs are to be recovered.

Table 10: Regulatory Cost Schedule

[illegible]

6.9 Ref: Exhibit(s) Exhibit 4/Tab 1/Schedule 1

OM&A Cost per Customer and FTEE

To better understand the overall costs of operations and related trends, Board staff would like expenses standardized to cost per customers, and cost per full time employee and equivalent ("FTEE"). Please complete the following table.

Table 11

	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Number of Customers				
Total OMA				
OMA cost per Customer				
Number of FTEEs				
FTEEs/Customer				
OMA cost per FTEE				

6.10 Ref: Exhibit(s) Exhibit 4/Tab 1/Schedule 1

Corporate Cost Allocation

Corporate Cost Allocation is defined as an allocation of costs for corporate and miscellaneous shared services from the parent company to the utility (and vice versa). This is not to be confused with the allocation of the revenue requirement to rate classes for the purposes of rate design.

Note: The applicant must identify any Board of Director related costs for affiliates that are included in its costs.

- a) For each year, from 2006 to 2009, please complete Table 14 below.
(Additional rows may be added if required)
- b) Please provide a variance explanation for each of the following:
 - i Test Year vs. Last Board Approved Rebasing Application; and
 - ii Test Year vs. Most Current Actuals.

Table 12 YEAR _____

Name of Company		Service Offered	Pricing Methodology	Price for the Service (\$)	Cost for the Service (\$)	% Allocation
From	To					

6.11 Ref: Exhibit(s) http://www.oeb.gov.on.ca/OEB/Documents/Regulatory/FilingReqs_Trans_Dist_Chapter_2.pdf

Purchase of Non-Affiliate Services

- c) Pursuant to section 2.5.6 Purchase of Non-Affiliate Services of the Filing Requirements for Transmission and Distribution Applications (see reference above), applicants are to file the following information

for each purchase of non-affiliate services for Historical (actuals), Bridge and Test Years:

- i Identity of each company transacting with the applicant subject to the applicable materiality threshold;
- ii Summary of the nature of the product or service that is the subject of the transaction;
- iii Annual dollar amount related to each company (by transaction); and
- iv A description of the specific methodology used in determining the vendor (including a summary of the tendering process/cost approach, etc.).

7 LOSS FACTORS

Issue 7.1 Are the proposed loss factors appropriate?

7.1 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 5 Page 1
Exhibit 1/Tab 1/Schedule 12 Page 1
Exhibit 9, /Tab 1/Schedule 3 Page 2

Board staff has concerns regarding the proposed levels for loss factors.

- a) In order to enable selection of the correct SFLF, please expand on the information provided in the 2nd reference and clarify whether West Perth is:
 - Directly connected to the IESO controlled grid, or
 - Fully embedded in the Hydro One Networks Inc. (HONI) distribution system, or
 - Partially embedded in the HONI distribution system
- b) Using the answer provided in the previous question and in light of the information provided below, please explain the reason for proposing a SFLF of 1.006 (i.e. losses of 0.6%, 1st reference) that is different from the industry standard.
 - Directly connected, typically losses are 0.45% comprising losses in the transformer at the grid interface
 - Fully embedded, typically losses are 3.4% comprising losses of 0.6% in the transformer at the grid interface and losses of 2.78% within the HONI distribution system
 - Partially embedded, typically losses are a weighted average of the above.

- c) Please provide an explanation or rationale for proposing an average DLF of 1.0635 (years 2005, 2007 and 2008) as provided in the 1st reference rather than a lower factor such as the actual DLF for 2005 of 1.0495.
- d) Please provide an explanation for the increasing trend in losses indicated by:
 - Increase in actual DLF from 1.0495 in 2005 to 1.0742 in 2007
 - Higher actual DLF of 1.0667 in 2008 than approved TLF of 1.0502 in 2008 (3rd reference).
- e) Please describe any steps that are contemplated to decrease the loss factor during the test year (2009) and/or during a longer planning period.

8 DEFERRAL AND VARIANCE ACCOUNTS

Issue 8.1 Is it appropriate to clear any Deferral and Variance Accounts?

8.1 Ref: Exhibit(s) Exhibit 5/Tab 1/Schedule 1 Page 1

West Perth state that it is not applying to recover or return any variance account balances in this application. The Board has undertaken a separate initiative for the disposition of deferral and variance accounts. This initiative will provide a framework for the review and the timing of the disposition of these account balances. As part of this initiative, a Board Staff Discussion Paper entitled "Electricity Distributors' Deferral and Variance Account Review Initiative" (EB-2008-0046), was issued on April 1, 2009. Staff's paper proposed that distributors who file cost-of-service rebasing rate applications should be required to include a proposal to dispose of all account balances (with a few exceptions such as PILs and CDM accounts). In this regard, Staff's interrogatories in this section would assist the Board in addressing the disposition of all account balances, if the Board finds it necessary to require this approach in this application.

- a) Please list and provide a brief description of all of West Perth's deferral and variance accounts as of December 31, 2008.
- b) Please confirm whether West Perth has complied with the Accounting Procedures Handbook for Electric Distribution Utilities with respect to the amounts West Perth has recorded in Board-approved deferral and variance accounts under the Uniform System of Accounts.

- c) Please provide the information shown in the attached continuity schedule (in excel format) for each deferral or variance account as of December 31, 2008. Please note that it is optional to forecast the principal balances beyond 2008 and the accrued interest on these forecasted balances in the attached continuity schedule.
- d) Please provide the interest rates that were used to calculate the carrying charges for each regulatory deferral and variance account for the period from January 1, 2005 to the date prior to disposition in rates (i.e. April 30, 2009).
- e) The attached continuity schedule (in excel format) provides a sub-total for the accounts: 1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1592, and 2425.
 - Please calculate a set of rate riders that would dispose of the net balance of these accounts (excluding account 1592), and specify how many years the rate rider is assumed to be in effect. Please identify whether the balances are taken at the end of 2008, or at some other time. If, as a result of the interrogatories on West Perth's volumetric forecast, the proposed 2009 volumes change, please use the final proposed forecast.
 - Please also provide details of how the individual balances would be allocated to customer classes, where possible using updated values of the same allocators as were used for the respective accounts in the 2006 model for regulatory asset recovery rate riders.
- f) Please provide a table and explanatory notes similar to part e), assuming that all deferral and variance accounts would be cleared, except Accounts 1555, 1556, 1562, 1563, 1565, 1566, 1590 and 1592. In providing this rate rider, please incorporate the request in part h) ii. below for Account 1588.
- g) The Accounting Procedures Handbook in article 220 states that the distributor shall stop recording amounts (except for carrying charges) in account 1508 sub-account OEB Cost Assessments and sub-account OMERS after April 30, 2006.
 - Please demonstrate that West Perth is not accruing and/or adjusting balances beyond April 30, 2006 in these sub-accounts.
 - What would the balance be in both sub-accounts if principal accruals ceased at April 30, 2006?

- h) Board staff recognize that West Perth is not seeking disposition of RSVA Power account (1588), nevertheless please respond to the following general questions:
- i For the RSVA Power account 1588, please provide separately the balance for this account with no global adjustment balance included and the Sub-account global adjustment balance, both as of December 31, 2008.
 - ii 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. For the power and global account balances separately, please provide the allocations attributable to customer classes, as described above, in the rate rider requested in part f. above.
 - iii Have you sought disposition of 1588 account in any other proceeding, if so please provide details?
 - iv Please complete the attached continuity schedule showing the account principal balance and interest charges separately, by quarter, since the last time the balance in the 1588 account was dispositioned (e.g. December 31, 2004 for 2006 EDR).
 - v Please provide a copy(s) of any Ministry of Finance audit reports pertaining to IESO form 1598. Are there any amounts in dispute between IESO and Distributor? If so what is the nature on form 1598 of the dispute and has it impacted the balances of the quarters?
 - vi Are there any Ministry of Finance audits that have been completed but not yet reported? Please provide a progress report.
 - vii Please provide a description of actions taken to remedy any concerns raised by the Ministry of Finance audit.
 - viii Please describe any adjustments out of the norm that have been processed in account 1588 (e.g. IESO adjustments, audit adjustments, etc.)
 - ix Have all entries to the 1588 account 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.
 - x Please provide a list of any IESO charge codes that were classified/ recorded in the 1588 account.

- xi Were any customer bad debt write-offs or provisions recorded in the 1588 account? If yes, please provide complete details.
- xii Are the guidelines outlined in the Regulatory Audit Bulletin, issued on September 11, 2007, regarding the reporting of the 1588 Sub-Account Global Adjustment, being followed?
- xiii Was the cash or accrual method used to account for the 1588 account? Was this method used consistently over the life of the 1588 account, if not explain?
- xiv Please provide the interest rates used to calculate carrying charges on the 1588 account for every quarter over the life of the account.
- xv Please provide applicable rate riders if the December 31, 2008 was cleared over:
 - 12 months
 - 24 months
 - 36 months
 - 48 months

Issue 8.2 Are the proposed Low Voltage Charges appropriate?

8.2 Ref: Exhibit(s) Exhibit 9/Tab 1/Schedule 11 Pages 1 and 2
EB-2008-0187, Appendix C, page 2, Hydro One Networks Inc. (HONI), Tariff of Rates and Charges for Sub-Transmission (ST) Class, Effective May 1, 2009
EB-2008-0238, page 24, Decision and Order, Westario Power Inc.

Board staff would like some clarification regarding West Perth's low voltage costs and charges.

- a) Please provide a forecast of West Perth's monthly LV costs for the period May 1, 2009 to April 30, 2010 for delivery points 1 and 2. The format for this forecast should be the same as the format provided in Exhibit 9/ Tab 1/Schedule 11 Pages 1 and 2 In arriving at these costs:
 - Please use the rates provided in the 2nd reference.
 - Please note that HONI has included a substantial rate rider credit for two years, whereas the LV rate rider to be established in this proceeding will likely be in place for the four years of the 3rd Generation IRM process. Therefore West Perth's forecast of LV costs should include the effect of

Rider # 4 (2nd reference) at one-half of its annual value as established in the Westario decision (3rd reference).

- b) In the 1st reference, with respect to delivery point 1:
- Please confirm that the rate provided in the variable rate column refers to the charge for High Voltage Distribution Station (HVDS) services.
 - Please confirm that costs related to the Common ST Line charge are excluded.
- c) In the 2nd reference, with respect to delivery point 2:
- Please confirm that the rate provided in the variable rate column refers to the Common ST Line charge.
 - Please confirm that the costs for HVDS services are excluded.

Issue 8.3 Are the proposed Retail Transmission Service Rates appropriate?

8.3 Ref: Exhibit(s) Exhibit 9, Tab 1, Schedule 10, pages 1 and 2
Guideline – Electricity Distribution Retail Transmission Service Rates (G-2008-0001)

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (“UTR”) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (“RTSR”) charged by distributors.

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

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

- a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts
- b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts