EB-2009-0263

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

AND IN THE MATTER OF a review of an application filed by Festival Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution commencing May 1, 2010.

INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION

Cost of Capital

1. **Exhibit 5**, cost of debt: the evidence states that the loan from Infrastructure Ontario has a projected cost rate of 5.04% but that FHI has used a cost rate of 6% in the application, in order to allow "for some interest rate volatility between now and when the loan is drawn upon in 2010."

(a) Interest rate volatility can be both positive and negative. What allowance has FHI made for a decrease in interest rates between now and May 2010?

(b) The evidence also states that the loan was approved by Infrastructure Ontario in June 2007. What is the current status of the loan? Is the interest rate subject to change?

(c) Does FHI have any other information, other than that posted on the Infrastructure Ontario website, as to the projected cost rate for this loan?

Rate Base and Capital Expenditures

2. Ex. 2, Tab 2, Schedule 3: Capitalized Asset Transfers

(a) With respect to the Capitalized Asset Transfers in 2004, 2005, 2006, 2007, 2008 2009 and 2010, the evidence states that they represent the transfer of assets provided by the customer which were assumed by FHI upon the completion of the economic evaluation. Please:

(i) Provide explain whether FHI paid for the assets and if so, how much;

(ii) If FHI did not pay for the assets, then FHI should have recorded an offsetting capital contribution to reflect the fact that they were paid for by another party. Please explain whether that is the case and if not, why not.

3. Exhibit 2, Tab 2, Schedule 3, pg. 25: With respect to the Spare parts inventory reclassification ($648,253 increase in gross fixed assets in 2008), please explain how these assets were treated, for rate base purposes, prior to the reclassification.

4. Exhibit 2, Tab 2, Schedule 3, pg. 25: With respect to the Asset Disposal Reclassification ($968,310 increase in gross fixed assets in 2008), please provide a copy of the auditors' report that led to the reclassification.

5. Exhibit 2, Tab 3, Schedule 3: Stratford MS#1 Conversion

(a) This project is being completed over five years. Please provide the total cost of this project.

(b) Please provide any cost-benefit or net present value analysis or any other reports prepared in support of this project.

OM&A

6. Ex. 4: please provide the percentage of labour that was capitalized from 2006 to 2010.

7. Ex. 4, Tab 2, Schedule 3, p. 1: there appears to have been a spike in fuel costs in 2008. Please explain the reasons for the increase. Also, the 2010 forecasts appears to be higher than 2008. Please explain how the 2010 forecast was determined and why it remains higher than 2008.

8. Ex. 4, Tab 2, Schedule 3, p. 17: please explain how the $100,000 forecast for IFRS transition costs was determined. Please provide all assumptions made.

9. Ex. 4, Tab 2, Schedule 4: Charges to Affiliates

(a) Please provide a more detailed explanation of Table 3 on p. 3. It appears that the first row is the revenue derived from Water and Sewer Billing Revenue from the City of Stratford? Is this correct?

(b) The next row represents the cost of providing the water and sewer billing. However, what is not clear is whether these costs- $357,869 in 2010- are billed to the City of Stratford in addition to the $420,485? Please explain.

Cost allocation

10. Exhibit 7: the proposed revenue to cost ratio for Streetlighting in 2010 is 50.7%, up from 28.9%. Other LDC cost of service applications have proposed a similar movement for Streetlights, but with a plan to move to 70% in 2011. Please explain whether FHI has a similar intention and if not, why not.