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November 27, 2009

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2009-0143**  
**Essex Powerlines Corporation – 2010 Cost of Service Application**  
**Energy Probe Interrogatories**

Pursuant to Procedural Order No. 1, issued by the Board on November 17, 2009, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0143 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Richard Dimmel, Essex Powerlines Corporation (By email)  
Michelle Soucie, Essex Powerlines Corporation (By email)  
Andrew Taylor, Ogilvy Renault LLP (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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**Energy Probe Research Foundation** 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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**Ontario Energy Board**

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

**AND IN THE MATTER OF** an application by Essex  
Powerlines Corporation for an order approving just and  
reasonable rates and other charges for electricity  
distribution to be effective May 1, 2010.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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November 27, 2009

**ESSEX POWERLINES CORPORATION  
2010 RATES REBASING CASE  
EB-2009-0143**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

**Ref: Exhibit 2 & Exhibit 4**

**The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:**

- a) Please confirm that Essex Powerlines has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.**
- b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.**
- c) Please provide the amount of provincial sales tax paid by Essex Powerlines in each of 2006, 2007, 2008 and 2009 on OM&A expenses.**
- d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Essex Powerlines to comply with two separate sets of tax rules?**
- e) Please confirm that Essex Powerlines has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.**
- f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.**
- g) Please provide the amount of provincial sales tax paid by Essex Powerlines on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**

- h) If Essex Powerlines is unable to quantify the impact of the removal of the provincial sales tax, is Essex Powerlines agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?**

**Interrogatory # 2**

**Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 1**

**Are any of the costs associated with the Board of Directors of Essex Power Corporation, Essex Power Services or Essex Energy Corporation included in the costs of Essex Powerlines Corporation for recovery through the revenue requirement? If yes, please identify and quantify these costs.**

**Interrogatory # 3**

**Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 2**

- a) Please list the officers of the Applicant corporation indicating who they report to and their own direct reports with Essex Powerlines.**
- b) Please update the Essex Powerlines organizational chart to include the officers of the Applicant corporation and their reporting relationships as part of the organization structure.**

**Interrogatory # 4**

**Ref: Exhibit 1, Tab 2, Schedule 3, Attachment 2**

- a) For each of the positions shown in red as being employees of EPC, please indicate how the costs associated with the position are allocated to EPL and to other affiliates.**
- b) Please provide all the information and data used to derive the allocations.**

**Interrogatory # 5**

**Ref: Exhibit 1, Tab 2, Schedule 4, page 2**

**Please provide a list of all the assets transferred from Essex Power Services into EPL.**

**Interrogatory # 6**

**Ref: Exhibit 1, Tab 2, Schedule 4, Attachment 1, pages 32-38**

**The agreement as amended in 2009 includes a requirement for an insurance policy in an amount of not less than \$20 million in respect of the services performed by Essex Powerlines.**

- a) Please provide the cost of this insurance to Essex Powerlines.**
- b) How much of the cost of this insurance is directly recovered from Essex Power Services? Please explain how the proportion recovered has been derived.**
- c) Please explain the drivers associated with the significant reduction in labour overhead, material, accounts payable and inventory overhead and trucks and equipment overhead percentages shown in Schedule A – Electrical Services Costs of the 2009 amended agreement as compared to Schedule A in the 2008 agreement.**
- d) What is the impact on the proposed revenue requirement as a result of the new overhead percentages in the 2009 agreement?**

**Interrogatory # 7**

**Ref: Exhibit 1, Tab 2, Schedule 4, Attachment 1, page 38 & Exhibit 2, Tab 2, Schedule 1, page 2**

- a) Please provide a table that compares the overhead rates shown in Exhibit 2, Tab 2, Schedule 1, page 2 (including administrative) with the figures shown in Schedule A – Electrical Services Costs of the 2009 amended agreement in Attachment 1 of Exhibit 1, Tab 2, Schedule 4.**
- b) Please provide the rationale for the difference in the overhead rates.**
- c) If the overhead rates used in Attachment 1 of Exhibit 1, Tab 2, Schedule 4 were adjusted to match those on page 2 of Exhibit 2, Tab 2, Schedule 1 what would be the impact on the revenue requirement of Essex Powerlines? Please show all calculations.**

**Interrogatory # 8**

**Ref: Exhibit 2, Tab 3, Schedule 3, pages 7-9**

- a) Please confirm that the Ret./Other shown for 2008, totaling \$3,162,914 is all related to the assets transferred to Essex Powerlines from an affiliate. If this cannot be confirmed, please provide details of any amounts not associated with the transfer.**
- b) Please explain the net reduction to accumulated depreciation shown for meters and transportation equipment. Are these reductions associated with the assets transferred from the affiliate?**

**Interrogatory # 9**

**Ref: Exhibit 2, Tab 3, Schedule 3, pages 4-15 & Exhibit 2, Tab 2, Schedule 3**

**The evidence at Exhibit 2, Tab 2, Schedule 3 indicates that when specifically identifiable items are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts.**

- a) Please identify which accounts include specifically identifiable items.**
- b) Please explain why no adjustments are shown for 2007, 2008, 2009 or 2010 related to the retirement or disposal of specifically identifiable items. Are any such assets fully depreciated?**

**Interrogatory # 10**

**Ref: Exhibit 2, Tab 3, Schedule 3, pages 10-15**

**The capital additions for 2009 total \$3,204,200. The 2010 the additions total \$4,191,045.**

- a) Please indicate when this forecast was prepared.**
- b) Has Essex Powerlines updated its capital addition forecasts for either 2009 or 2010 since then? If yes, please provide the updated forecasts in the same level of detail as shown in the continuity schedules.**

- c) What is the current projection for capital additions in 2009 based on the most recent year-to-date information available and projections for the remaining months in 2009? Please provide this projection in the same level of detail as in the continuity schedule.

**Interrogatory # 11**

**Ref: Exhibit 2, Tab 4, Schedule 1**

- a) Has Essex Powerlines experienced any slowdown in capital additions resulting from the economic slowdown? Please elaborate.
- b) What is the gross, net and contributed capital amounts included in the 2009 forecast associated with the large distributed generation expansion (page 9)?
- c) Has/will this large distributed generation expansion be in service by the end of 2009? If not, when is it now expected to be in service?
- d) Does Essex Powerlines have any updated information related to the GEGEA related generation capital contributions? If yes, please explain what impact this would have on the 2009 forecast.
- e) Please confirm that all of the transactions shown in the table on page 39 were conducted at net book value. If this cannot be confirmed, please provide details on how the values were determined.
- f) Please provide more details of the affiliate under recovery allocation of \$58,135 to account 1845 in 2007. Why were these additional costs not expensed?
- g) The evidence at page 45 indicates that a number of vehicles are to be replaced in 2010? Are these vehicles fully depreciated? If not, what is their net book value forecast to be when they are replaced? What is the scrap value of these vehicles?
- h) What are the expenditures shown for 2009 and 2010 for buildings and fixtures shown in the table on page 42 related to?
- i) Does Essex have any updated information on the need to and costs related to the new facility discussed at pages 46-47?

- j) **The potential costs for a new facility are estimated to be in the \$4 to \$6 million range. Please identify, by account, the assets related to the building, land, etc. that would be removed from rate base if a new facility were utilized. Please also provide an estimate of the reduced OM&A costs associated with the current leasing activities and any other reduction in costs that result.**
- k) **What amount included in the \$795,144 shown for software on page 50 is related to IFRS compliance?**
- l) **Are any of the costs related to IFRS compliance eligible to be included in the deferral account that the Board indicated it would establish for incremental one-time administrative costs related to the transition to IFRS in the EB-2008-0408 Report of the Board on Transition to International Financial Reporting Standards dated July 28, 2009? If so, please quantify the amount and provide details on the component costs.**
- m) **If Essex Powerlines is proposing to include IFRS related costs in its 2010 revenue requirement rather than in the deferral account, does it agree that there should be a variance account established around the forecast amount? If not, why not?**

**Interrogatory # 12**

**Ref: Exhibit 2, Tab 5, Schedule 1, Attachment 1 & Exhibit 3, Tab 1, Schedule 3, Attachment 1**

**The power supply expenses shown in Attachment 1 of Exhibit 2, Tab 5, Schedule 1 of \$48,056,490 are shown in more detail in Exhibit 3, Tab 1, Schedule 3, Attachment 1.**

- a) **Does Essex Powerlines propose to update the working cash allowance to reflect any update rates that may be available to reflect transmission – network, transmission – connection or low voltage charge information that may be available? If not, why not?**
- b) **Is the \$0.06072 rate used to calculate the cost of power shown in Attachment 1 of Exhibit 3, Tab 1, Schedule 3 based on the April 15, 2009 Regulated Price Plan Price Report? If not, what is it based on?**
- c) **Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of \$.06215 per kWh.**



- d) Has Essex Powerlines reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?
- e) Please provide the percentage of the total kWh represented by the non RPP kWh based on actuals for 2008 and if available, for the 2010 forecast.
- f) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (e) above using the RPP price of \$0.06215 per kWh and a price of \$0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of \$0.03326 per kWh and the forecasted global adjustment of \$0.02494 per kWh for the RPP year).
- g) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.
- h) What rates has Essex Powerlines used to determine the low voltage charge component of the power supply expenses? Are these the current rates?

#### **Interrogatory # 13**

**Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1 & Exhibit 2, Tab 4, Schedule 1, page 6**

**Please explain why the increase in residential customers forecast for 2009 and 2010 (128 & 129, respectively) are substantially less than the number of lots/units shown in the residential expansion table on page 5 of Exhibit 2, Tab 4, Schedule 1. In particular, please explain the lower residential customer addition forecast than lots/units in 2009 and 2010 in comparison to 2008 when there were 113 lots/units, but an increase of 137 residential customers.**

#### **Interrogatory # 14**

**Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1**

**Please provide the number of customers/connections for each rate class shown based on the most recent month of actual data available for 2009. Please provide the corresponding number of customers by rate class for the corresponding month in 2008.**

**Interrogatory # 15**

**Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 9**

**Please provide the most recent year-to-date kW and kWh's for 2009 associated with the one customer in the intermediate class (excluding the January to March 2009 consumption shown in footnote 5). Please also provide the corresponding year-to-date figures for the customer in 2008.**

**Interrogatory # 16**

**Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 10**

- a) Please provide the annual consumption for the two of the three points that is available for 2007 and 2008 and please also provide the normalized volumes for each of those years.**
- b) Please explain the increase in the normal kWh forecast from 9,127,982 to 9,674,620. What is driving this increase of nearly 6%?**
- c) For the third ED delivery point, please provide the actual and normalized kWh figure for the most recent 12 month period available.**

**Interrogatory # 17**

**Ref: Exhibit 3, Tab 1, Schedule 2, Elenchus Report, page 14 & Exhibit 3, Tab 1, Schedule 1, Attachment 1**

- a) Please explain the difference in average customers/connections for the Sentinel Lighting and Street Lighting figures for 2010 as shown in the two schedules referenced.**
- b) Please explain the difference in the kWh forecast for 2010 in the street lighting class as shown in the two schedules referenced.**

**Interrogatory # 18**

**Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1**

**Please provide the most recent year-to-date figures for 2009 and the corresponding figures for 2008 for each of the four major Other Operating Revenues sources shown at the bottom of the table, along with the total of the four categories.**

**Interrogatory # 19**

**Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 2**

- a) **Please explain why the margin associated with revenues (account 4375) and expenses (account 4380) related to the EPS Street Light Services are forecast to drop from more than \$58,000 in 2008 to just over \$21,000 in each of 2009 and 2010.**
- b) **Please explain why the margin associated with revenues (account 4375) and expenses (account 4380) related to the Work for Others are forecast to decline from a gain \$57,000 in 2008 to a loss of \$24,000 in each of 2009 and 2010.**

**Interrogatory # 20**

**Ref: Exhibit 3, Tab 3, Schedule 4, Attachment 1**

- a) **Please explain why no revenues from account 4375 and expenses from account 4380 have been included in the test year revenue offsets.**
- b) **Is Essex Powerlines aware of any Board Decisions related to the 2008 and/or 2009 cost of service applications where the Board has explicitly excluded the net revenues from accounts 4375 and 4380 from the calculation of the revenue offsets? If yes, please provide complete details.**

**Interrogatory # 21**

**Ref: Exhibit 4, Tab 1, Schedule 1, page 1**

**Please confirm that based on the OM&A expenses shown in the table on page 1 of Exhibit 4, Tab 1, Schedule 1, but excluding the taxes other than income taxes, the 2010 total is virtually identical to the actual 2006 cost.**

**Interrogatory # 22**

**Ref: Exhibit 4, Tab 1, Schedule 3, page 1**

- a) **What would be the impact on the 2010 revenue requirement if the labour increase for management was limited to 2% in 2010?**

- b) What would be the impact on the 2010 revenue requirement if the labour increase for management was limited to 2% in both 2009 and 2010?

**Interrogatory # 23**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2 & 3**

- a) Attachments 1 & 2 do not appear to reconcile. For example, Attachment 2 shows a regulatory expense increase in 2010 of approximately \$100,000 but Attachment 3 does not show any increase in 2010 relative to 2009. Similarly, an increase of \$18,000 in community relations shown in Attachment 2 does not appear in Attachment 3. Please comment.
- b) Is the \$50,000 related to IFRS shown in Attachment 3 as a driver in the increase in 2009 a one-time cost or is this an increase in the ongoing costs associated with IFRS? Please identify what this cost is related to.

**Interrogatory # 24**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2 & Exhibit 9, Tab 3, Schedule 2**

**Essex Powerlines is forecasting that it will install nearly 16,000 smart meters in 2009.**

- a) Is Essex Powerlines on schedule to install the nearly 16,000 smart meters as originally forecast in 2009? If not, what is the number now expected to be in service by the end of 2009?
- b) Given the significant number of new smart meters forecast to be installed by the end of 2009, please explain the significant increase in account 5175 – Maintenance of Meters forecast for 2009 and 2010 relative the actual expenditures in 2006 through 2008.

**Interrogatory # 25**

**Ref: Exhibit 4, Tab 2, Schedule 3**

- a) Does the total cost associated with the 2010 cost of service application include costs associated with an oral (technical conference and/or hearing) component of the rates application? If yes, please provide the amount by component that is associated with an oral component to the application.

- b) What are the current year-to-date costs incurred for each of consulting costs, legal costs and labour costs related to rate rebasing?

**Interrogatory # 26**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 4**

**Please explain the significant increase in 2010 for regulatory costs associated with Staff Resources Allocated to Regulatory Matters. Is this increase related to the 2010 rates application and, if so, has it been amortized over 4 years? If this increase, or a portion of it, is related to the addition of a regulatory manager position, please identify the total cost of this position included in this amount.**

**Interrogatory # 27**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 5 & EB-2006-0268**

**In the Comparison of Ontario Electricity Distributors Costs (EB-2006-0268) Peer Groups per PEG Report, Essex Powerlines was included in the Mid-Size Southern Medium-High Undergrouding peer group. This group had an average OM&A per customer cost averaged over 2005, 2006 and 2007 of \$208. The corresponding Essex Powerlines figure was \$221, or more than 6% above the group average.**

- a) Please confirm that these figures are correct. If more recent information is available using 2008 costs, please provide the detail for the group that includes Essex Powerlines.
- b) Please explain why the figures for 2006 and 2007 shown in Exhibit 4, Tab 2, Schedule 1, Attachment 5 are different, and higher, than the figures shown in the PEG Report.

**Interrogatory # 28**

**Ref: Exhibit 4, Tab 2, Schedule 2**

- a) Are the any of the forecasted conversion costs related to IFRS of \$200,000 eligible to be included in the deferral account that the Board indicated it would establish for incremental one-time administrative costs related to the transition to IFRS in the EB-008-0408 Report of the Board on

**Transition to International Financial Reporting Standards dated July 28, 2009? If so, please quantify the amount and provide details on the component costs. If not, please provide details on the \$200,000 estimated cost and indicate why some or all of these costs would not be eligible for inclusion in the deferral account.**

- b) If Essex Powerlines is proposing to include any costs in its 2010 revenue requirement rather than in the deferral account, does it agree that there should be a variance account established around the forecast amount? If not, why not?**
- c) Will any of the affiliates of Essex Powerlines benefit from the work being done for the conversion to IFRS? How many of the affiliate companies, other than Essex Powerlines will need to transition to IFRS? Have any costs related to the conversion to IFRS been allocated to the affiliates? If not, why not?**

#### **Interrogatory # 29**

**Ref: Exhibit 4, Tab 2, Schedule 4**

**On September 28, 2009 the OEB issued a letter providing a status update on the LEAP initiative. As part of that letter the Board indicated that the Minister of Energy and Infrastructure requested that the Board not proceed to implement new support programs for low-income energy consumers in advance of a ministerial direction.**

- a) Please confirm that there are no other costs associated with LEAP, other than then \$25,000 shown on page 3 of the evidence.**
- b) In light of the Minister's letter, does Essex Powerlines agree that the \$25,000 should be removed from the revenue requirement for 2010? If not, why not?**

#### **Interrogatory # 30**

**Ref: Exhibit 4, Tab 2, Schedule 5**

- a) Please provide the total cost associated with the addition of 2 employees to comply with the effects of the Green Energy and Green Economy Act.**

- b) Have the costs associated with these 2 employees been included in the 2010 revenue requirement or is Essex Powerlines proposing that these costs be included in the requested deferral accounts?

**Interrogatory # 31**

**Ref: Exhibit 4, Tab 3, Schedule 1, page 7 &  
Exhibit 4, Tab 2, Schedule 1, Attachment 4**

**Please reconcile the statement in Exhibit 4, Tab 3, Schedule 1, page 7 that the \$250,000 related to the rate rebasing application are split over 4 years (2010-2013) with the apparent inclusion of some rate rebasing costs in 2009 as shown in Attachment 4 of Exhibit 4, Tab 2, Schedule 1.**

**Interrogatory # 32**

**Ref: Exhibit 4, Tab 4, Schedule 1**

- a) Why did the management increase of 2.5% for 2009 not also consider the Statistics Canada report data related to Management Occupations (1.6%) or Occupations unique to processing, manufacturing and utilities (-1.6%)?
- b) The Hay Group and Watson Wyatt reports provided appear to be based on information from 2008 for 2009. Please update these reports to reflect the 2010 outlook based on current information.
- c) With regards to the new position of Manager, Regulatory Affairs, please indicate:
- i) Has Essex Powerlines failed to meet any regulatory requirements in the past 2 years? If so, please indicate what these failures were.
  - ii) Why Essex Powerlines believes it needs to provide input on new regulatory issues directly, rather than through the Electricity Distributors Association.
  - iii) Would the Manager, Regulatory Affairs be the actual position that collects the data, makes year to year comparisons, does the load forecast modeling and ensures the accuracy of the data maintained?
  - iv) Given that management at Essex Powerlines is now aware of the ongoing requirements for proper and accurate data, why is an annual expenditure of more than \$80,000 required to achieve this?

- d) With regards to the new position of Distribution Engineer, please:
- i) Indicate the proportion of this positions time related to GEGEA;
  - ii) Indicate the expected proportion of the costs associated with this position that would be capitalized as part of GEGEA investments.
- e) The Board has initiated a proceeding (EB-2009-0349) to determine the direct benefits related to the connection of a “renewable energy generation facility” and to recognize that some portion of the costs of distribution system investments related to these connections should be shared among the province’s ratepayers. Based on this, please indicate:
- i) Has Essex Powerlines incorporated any of the potential direct benefits into the revenue requirement calculation for 2010 associated with the connection of renewable energy generation (for example, lower distribution system losses, lower transmission charges, etc.)?
  - ii) How does Essex Powerlines propose to deal with the uncertainty currently surrounding which costs will be borne by individual utility ratepayers as opposed to those costs shared among the province’s ratepayers?
  - iii) Would it be appropriate, in the view of Essex Powerlines, to include any costs associated with the Distribution Engineer in a deferral account and recover any portion of those costs not shared among the province’s ratepayers once the rules has been established? If not, why not?
- f) The evidence states that Essex Powerlines believes that distributors “should also be equipped to participate and provide leadership as generators” (page 11). Does Essex Powerlines believe that any costs associated with generation should be recovered through regulated distribution rates? If yes, please explain why.
- g) Has Essex Powerlines investigated the possibility of joining with other distributors in the area to share the costs associated with a Distribution Engineer and/or a Special Customers Accounts Manager rather than hiring these positions by itself? If not, why not?



**Interrogatory # 33**

**Ref: Exhibit 4, Tab 5, Schedule 1, Appendix 2-M, Chart 10 & Exhibit 3, Tab 3, Schedule 1, Attachment 2**

**All of the figures shown in Chart 10 of Appendix 2-M in Exhibit 4, Tab 5, Schedule 1 match the figures shown in Attachment 2 of Exhibit 3, tab 3, Schedule 1 except for the costs related to other third party services. Please reconcile the \$222,158 shown in Chart 10 with the \$263,142 shown in Attachment 2.**

**Interrogatory # 34**

**Ref: Exhibit 4, Tab 7, Schedule 1, Attachment 1, page 3 & Exhibit 2, Tab 3, Schedule 3**

**Page 3 of Attachment 1 to Exhibit 4, Tab 7, Schedule 1 shows additions in 2008 of \$2,931,971 plus transferred assets in the amount of \$4,259,752. However, the figures shown in Exhibit 2, Tab 3, Schedule 3 for 2008 are \$2,912,675 and \$3,262,040, respectively. Please reconcile these differences and explain why the figures are different.**

**Interrogatory # 35**

**Ref: Exhibit 4, Tab 7, Schedule 1, page 1 & Attachment 1, page 5**

**It is stated at lines 7-8 that “In the year of addition a full year of amortization is recognized”. However, page 5 of Attachment 1 appears to calculate depreciation based on the opening balancing less fully depreciated assets plus one half of the additions in 2010.**

**Please confirm that Essex Powerlines has used the half year rule in the calculation of the depreciation expense.**

**Interrogatory # 36**

**Ref: Exhibit 4, Tab 1, Schedule 1, page 1**

- a) Please provide a breakdown of the Taxes Other Than Income Taxes line for 2006 through 2010 into capital taxes, property taxes and any other tax component that may be included in this line.**

- b) Please provide an explanation for any taxes that are not capital taxes or property taxes.
- c) Please provide an explanation for any significant changes in property taxes.

**Interrogatory # 37**

**Ref: Exhibit 4, Tab 8, Schedule 3**

- a) Please explain why there are no tax credits such as apprenticeship or education tax credits in the 2010 calculation for PILS.
- b) Does Essex Powerlines have any apprentices forecast for 2010?
- c) If the response to part (b) is yes, please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of \$10,000 per position and extending the eligibility period from 36 months to 48 months. Please show the number of positions eligible for the credit and the amount that can be claimed for each in 2010.
- d) Does Essex Powerlines have any positions that qualify for the education tax credit in 2009?
- e) If the response to part (d) is yes, please provide a calculation that reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of \$3,000. Please show the number of positions eligible for the credit and the amount that can be claimed for each in 2010.

**Interrogatory # 38**

**Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1**

- a) Please explain why Essex Powerlines has not used the full \$15 million for the exemption in the calculation of the Ontario Capital Tax (page 15 of 16).
- b) Please re-calculate the Ontario Capital Tax using the full \$15 million exemption.

**Interrogatory # 39**

**Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1**

- a) Please explain how Essex Powerlines has derived a combined income tax rate of 33.73% (page 16). Please include in this explanation the federal tax rate used and the provincial tax rate used.
- b) Please provide a copy of sheet Y1 that is referred to on page 16.

**Interrogatory # 40**

**Ref: Exhibit 8, Tab 4, Schedule 3, Attachment 1, page 16**

- a) Based on the following assumptions, please recalculate the Income Tax Payable and the Total PILs Expense:
  - i) Federal income tax rate is 18.0%;
  - ii) Provincial income tax rate on taxable income is 13.0% (based on current rate of 14.0% and rate of 12.0% effective July 1, 2010); and
  - iii) Provincial small business tax rate of 5.0% on the first \$500,000 of taxable income and a 2.125% surtax on taxable income over \$500,000 and below \$1,500,000.
- b) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first \$500,000 of taxable income and eliminated the 4.25% surtax on taxable income over \$500,000, also effective July 1, 2010.
- c) Please confirm that the 2010 provincial tax savings resulting from the above change is \$20,975, the difference between the following calculations on the first \$1,395,291 of taxable income:

* 13% x \$1,395,291	= \$181,388	and
* 5% x \$500,000	= \$25,000	
13% x \$895,291	= \$116,388	
2.125% x \$895,291	= <u>\$19,025</u>	
Total	= \$160,413	

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

**Interrogatory # 41**

**Ref: Exhibit 4, Tab 8, Schedule 2, Attachment 2 &  
Exhibit 2, Tab 3, Schedule 3**

**There appear to be problems with how Essex Powerlines has calculated its CCA in 2008, and possibly in previous years. These problems may impact on the CCA available in the bridge and test years.**

- a) Please explain why the total cost of acquisitions shown in the 2008 CCA schedule of \$4,609,721 does not equal the value of the additions of \$2,912,675 plus Ret./Other of \$3,262,040 less the value of land included in this amount of \$191,700 (for a total of \$5,983,015) as shown in Exhibit 2, Tab 3, Schedule 3.**
- b) Please explain how the half year rule figures shown in column 6 of the 2008 CCA schedule have been calculated, as they do not appear to reflect one-half of the additions in the year, or one-half of the additions less disposals in the year.**
- c) Please provide copies of the CCA schedules used for PILs purposes for 2007, 2006 and 2005.**
- d) Please explain why distribution assets have continued to be included in CCA Class 1 rather than CCA Class 47 which is to be used for post February 22, 2005 distribution assets.**
- e) Please explain why computer assets appear to be included in CCA Class 10, rather than in Class 50 (for computer equipment acquired after March 18, 2007).**
- f) Please recalculate the undepreciated capital cost at the end of 2008 assuming that distribution assets acquired after February 22, 2005 were placed in Class 47 and computer equipment acquired after March 18, 2007 was placed in Class 50, and the half year rule was properly implemented. Please include any changes that may be required in years prior to 2008 to correct the placement and calculation of amounts flowing into the 2008 calculation. Please provide all calculations.**

**Interrogatory # 42**

**Ref: Exhibit 4, Tab 8, Schedule 3, Attachment 1 &  
Exhibit 2, Tab 3, Schedule 3**

**Please provide a mapping for each of 2009 and 2010 that shows the amount by account number shown in Exhibit 2, Tab 3, Schedule 3 to the CCA classes shown in Exhibit 4, Tab 8, Schedule 3, Attachment 1.**

**Interrogatory # 43**

**Ref: Exhibit 4, Tab 8, Schedule 3, Attachment 1**

**There appear to be problems with how Essex Powerlines has calculated the CCA for the 2009 bridge and 2010 test years.**

- a) **Please make the following changes in the calculation of the CCA for 2009 and 2010 and provide complete CCA schedules for 2009 and 2010 in the same format as provided in Attachment 1:**
  - i) **Distribution assets included in Class 1 included in Class 47. Please identify any assets that Essex Powerlines should be added to Class 1 rather than to Class 47 in 2009 and 2010.**
  - ii) **Computer equipment added to Class 52 (100% CCA rate and no application of the half year rule);**
  - iii) **Computer software added to CCA Class 12 rather than wherever it is current included; and**
  - iv) **any other changes that may be identified by Essex Powerlines as a result of the responses to Interrogatory # 41 above.**
- b) **Based on the above changes, please provide revised CCA schedules for 2009 and 2010 using the UCC balances at the end of 2008 as currently shown in Attachment 1.**
- c) **Based on the above changes, please provide revised CCA schedules for 2009 and 2010 using the UCC balances at the end of 2008 as calculated based on the response to Interrogatory # 40 above.**

**Interrogatory # 44**

**Ref: Exhibit 5, Tab 1, Schedule 2**

- a) **Please provide the current rate for a 20 year loan from Infrastructure Ontario. Please provide a copy of the page on the Infrastructure Ontario website showing the rates available to local distribution companies.**
- b) **What is the current rate that Essex Powerlines could obtain from a bank for a 10 year loan?**
- c) **Why has Essex Powerlines not considered a 10 year loan from Infrastructure Ontario? What is the current Infrastructure Ontario rate for a 10 year loan?**
- d) **Please explain how the rates of 7.05% and 5.94% for the TD Bank/TD Securities Interest Swaps are determined. Do these rates change over time and if so, how do they change? Please provide the mechanism and/or calculations used to set the rates of 7.05% and 5.94%.**
- d) **If applicable, please update the calculations used to determine the rates for the TD Bank/TD Securities Interest Swaps based on current interest rates.**

**Interrogatory # 45**

**Ref: Exhibit 7, Tab 2, Schedule 2**

**Please provide a version of Table 2 that has a total bill impact of 10% for the GS < 50 kW class and reduces the proposed 2010 EDR ratios down for the rate classes that are still above the prescribed range. What is the resulting revenue to cost ratio for the GS < 50 kW class, given the 10% total bill impact cap?**

**Interrogatory # 46**

**Ref: Exhibit 9, Tab 1, Schedule 2, Table 1-1**

- a) **What interest rates has Essex Powerlines used to calculate interest in 2009 and 2010?**
- b) **If the interest rates used were different than the following, please update the total claim amounts to reflect the following interest rates: 2009 Q1 2.45%, 2009 Q2 1.00% and 2009 Q3 through 2010 April 30 0.55%.**

**Interrogatory # 47**

**Ref: Exhibit 9, Tab 1, Schedule 2, Attachment 1 & Exhibit 9, Tab 2, Schedule 1, Attachment 1**

**Please explain, on an individual line by line basis, the difference in the Total Claim amounts shown on page 5 of Exhibit 9, Tab 1, Schedule 2, Attachment 1 and the amounts shown as the Total Recovery Amount in Exhibit 9, Tab 2, Schedule 1, Attachment 1.**

**Interrogatory #48**

**Ref: Exhibit 9, Tab 3, Schedule 2, page 5**

- a) Please explain why a CCA rate of 4% has been used, when the CCA Class 47 has a CCA rate of 8%.**
- b) Please explain why computer equipment has been included in CCA Class 10 with a rate of 30% when for 2007 and 2008 the appropriate CCA rate was 55% and for 2009 the appropriate rate is 100% with no half year rule.**
- c) Please explain why computer software has been included in CCA Class 10 with a rate of 30% when it should be included in CCA Class 12 with a rate of 100%.**