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December 18, 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-2009-0263**  
**Festival Hydro Inc. – 2010 Cost of Service Application**  
**Energy Probe Interrogatories # 2**

Pursuant to Procedural Order No. 2, issued by the Board on December 7, 2009, please find two hard copies of the Second Round Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0263 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: William Zehr, Festival Hydro Inc. (By email)  
Debbie Reece, Festival Hydro Inc. (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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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 Festival  
Hydro Inc. for an order approving just and reasonable rates  
and other charges for electricity distribution to be effective  
May 1, 2010.

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

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**December 18, 2009**

**FESTIVAL HYDRO INC.  
2010 RATES REBASING CASE  
EB-2009-0263**

**ENERGY PROBE RESEARCH FOUNDATION  
SECOND ROUND INTERROGATORIES**

**Interrogatory # 41**

**Ref: Energy Probe Interrogatory # 1**

- a) Is Festival Hydro agreeable to the creation of a deferral or variance account into which the resulting savings or variance in savings would be placed and rebated to customers in the future? If not, why not?
- b) Based on the September figure of \$11,500 in PST costs, would Festival Hydro accept a reduction in OM&A costs of \$103,500 ( $\$11,500 \times 12 \times 75\%$ ) and a reduction in the capital expenditures of \$24,500 ( $\$11,500 \times 12 \times 25\%$ ) as an approximation for the impact in 2010, assuming the Board approved a variance account around these amounts? If not, why not?

**Interrogatory # 42**

**Ref: Energy Probe Interrogatory # 3 b**

- a) What is the impact on the rate base calculation of the change in the accounting practice of charging disposals to the accumulated depreciation account and now charging them directly to the applicable asset account?
- b) Please provide an example that shows the impact on gross assets, accumulated depreciation and net book value of each of the two approaches.
- c) What was the reason for the increase in customer driven projects of \$55,000 in the May 2009 approved budget?

**Interrogatory # 43**

**Ref: Energy Probe Interrogatory # 3 c**

**Is Festival Hydro requesting the Board include in its 2010 revenue requirement the increases related to the Board approved budget of May 2009? If yes, please provide further detail on the operating and maintenance expense increase of \$26,773 and the \$30,000 increase in administration expense to justify these additions.**

**Interrogatory # 44**

**Ref: Energy Probe Interrogatory # 10 d**

**Please provide the model that excluded the population variable. Please provide the regression statistics for this equation in the same format as shown in Table 4 in the original evidence. Please also provide the 2009 and 2010 kWh forecast in the format shown in Table 5 in the original evidence.**

**Interrogatory # 45**

**Ref: Energy Probe Interrogatory # 17 c**

- a) The requested table was not provided. Please provide the requested table for the period 2006 through 2010.**
- b) The response indicates that there is no margin built into the price. Do any of the capital and maintenance expenses incurred by Festival Hydro related to street lighting services get included directly or indirectly into the costs to be recovered through distribution rates? For example, are any OM&A costs included in the working capital component of rate base?**
- c) Please explain why Festival Hydro has no margin on street lighting maintenance, but does appear to have a positive margin associated with administration fees for City of Stratford water billing & collections. Please provide a table for the 2006 through 2010 period showing the revenues, costs and margins associated with this activity.**

**Interrogatory # 46**

**Ref: Energy Probe Interrogatory # 18**

- a) Please confirm that the interest expense on variance accounts and other regulatory assets should NOT be included in the revenue requirement. What is the amount included in the 2010 revenue requirement associated with interest expenses on variance accounts, deferral accounts and other regulatory asset accounts? Please reconcile this figure with those shown in the table prepared in response to part (b) of the response.
- b) Please explain how the figure of (266) shown as the interest expense for 2010 for acctg is derived from the figures provided in the table.
- c) Please reconcile the bank interest of \$24,000 shown in the table in response to part (b) with the figures of \$19,754 for 2009 and \$18,300 for 2010 shown in the table in Exhibit 3, Tab 3, Schedule 2, page 7.

**Interrogatory # 47**

**Ref: Energy Probe Interrogatory # 19 &  
Exhibit 3, Tab 2, Schedule 1, Tables 8 & 9**

Please confirm that the customer/connection data shown in Table 8 & 9 is based on the average for the year and not year-end figures. Please also confirm that the figures provided in response to the interrogatory are monthly figures for September in each year and not year-to-date averages for September.

**Interrogatory # 48**

**Ref: Energy Probe Interrogatory # 27**

Is the \$40,000 in costs that are charged directly to FHSI included in the total OM&A included in the revenue requirement for Festival Hydro?

**Interrogatory # 49**

**Ref: Energy Probe Interrogatory # 29**

Please confirm that the special rules related to computers and software is for systems software that is normally included with computer expenditures and is not intended to apply to software that is normally included in CCA Class 12.

## **Interrogatory # 50**

**Ref: Energy Probe Interrogatory # 32 f**

- a) Is the proposed treatment of the FMV reduction consistent with the direction provided by the OEB in the 2006 Electricity Distribution Rate Handbook? If not, what would be the impact on the 2010 revenue requirement if Festival Hydro treated the FMV as per the Handbook?**
- b) Please explain why the FMV adjustment has been applied to CCA Class 47 which is for distribution system assets acquired post Feb. 22, 2005. Did the FMV occur before or after this date? If after this date, should the FMV adjustment be applied to CCA Class 1 rather than Class 47? What is the impact on the 2010 revenue requirement if the FMV adjustment is made to Class 1 rather than Class 47?**
- c) The FMV adjustment shown is \$1,847,262. Is this the original FMV bump or the remaining UCC associated with the original amount? If the former, please explain why this amount has not been reduced over the years for CCA purposes.**

## **Interrogatory # 51**

**Ref: Energy Probe Interrogatory # 33 b &  
Energy Probe Interrogatory # 37**

- a) Please provide the calculation utilizing the 13% provincial income tax rate, as requested in part (b).**
- b) What is the basis for the Festival Hydro assertion that the savings on the first \$1.5 of taxable income are not retained by corporations with taxable incomes in excess of \$1.5 million? Please provide copies of any such materials relied upon.**
- c) In the response to Energy Probe Interrogatory # 37, Festival Hydro alludes to taxable capital being in excess of the threshold for the provincial small business tax rate. Please provide copies of any materials relied on to determine the taxable capital limited applicable to the Ontario small business deduction applicability.**

**Interrogatory # 52**

**Ref: Energy Probe Interrogatory # 35 a**

**Has Festival Hydro included the impact of the \$2,000 federal apprenticeship tax credit in its income tax calculation?**