

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

RATE BASE

1. Ref: Exhibit C/ Schedule 3/ Tab 3

- a. Does 'Land' in this table refer to acquisition of land for a parking lot, as identified in the note on Exhibit C Schedule 3 Tab 7 p2?
- b. Please provide details of the need for, and the cost-benefit study for the \$2.5 million capital expenditure for Land.
- c. Please provide, for each of the years from 2002 through the present, the inventory for each category of "rolling stock and equipment", and where there is an increase please provide an explanation and justification for the increase, including any changes in policy.

2. Ref: Exhibit C/ Schedule 3/ Tab 4

Please revise the table titled "2008 Capital expenditures" so that the amounts related to Smart Meters are clearly identified in the categories of "Metering & Customer Additions" and "Wholesale Metering" and other categories in which there might be a component relating to Smart Meters.

3. Ref: EHM – Project Business Cases/ Sec 3.3/ page 47 of 68

Underground Cable and Splice Replacement is indicated as the highest and second highest causes of customer outage time.

- a. Please indicate if the replacement of cable and splices is on a planned basis or on an "as-required basis"
- b. If on a planned basis, has an audit or asset assessment process been used, and if so please provide details of the process?

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- c. Is the replacement/rehabilitation activity for cables and splices appropriate (excessive or insufficient) in the light of reliability indices?
 - d. Please provide information on the process for and reliability of the cable rehabilitation process and why cable might not be amenable to replacement.
 - e. Cable Replacement is also mentioned as an item under Subdivision rebuilds, on page 40 of 68. How is this distinguished from the Underground Cable Replacement on page 47?
- 4. Ref: Exhibit D, Schedule 2, Tab 8.1
 - a. What is the life (in years) and depreciation rate for Substation and other distribution transformers?
 - b. Are transformers included in the other "Municipal Distribution Equipment", and is this appropriate?
 - c. Revise the table to identify the depreciation for transformers
- 5. Ref: System Capacity Report, prepared September 2006/ (pages 513-618)
 - a. Has a System Capacity Report been produced in 2007, similar to that produced in September 2006 and provided at page 513 of the Application?
 - b. If so, please provide the updated report.
- 6. Ref: Exhibit C/Schedule 3/Tab 3

Please provide a similar table to the reference, or expand the table in the reference, to show the Schedule of Capital Additions for 2006 Actual compared with the 2007 Budget year

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

7. Ref Exhibit C/p513/ System Capacity Report

Please provide an updated table showing actual or projected connections to residential, commercial and industrial customers for the historic, bridge and test years

8. Ref: Filing Guidelines s2.3 and Exhibit C schedule 3 Tab 7 p1,2

- a. Please provide written explanations for all rate base information where the cost is greater than or equal to 1% of fixed assts.
- b. Please revise the tables at Exhibit C schedule 3 Tab 7 p1,2 to include columns for the Historical Board Approved 2006 and the Historical Actual, also for 2006.

9. Ref: System Capacity Report

For each of the capital addition projects please provide starting dates and in-service dates.

10. Ref: None:

Please confirm if Enersource has any leave to construct projects which require an application under the section 92 of the Ontario Energy Board Act requirement, as part of this application.

11. Ref: Filing Guidelines s2.3:

Please provide written explanations for all rate base information where the variance between the Historical Board Approved for 2006 and the Historical Actual, also for 2006 (as listed in the tables in Exhibit C schedule 3 Tab 7 p1, 2 and revised per Board Staff Interrogatory 8 (b) above, is greater than or equal to 1% of the total fixed assets.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

12. Ref: Filing Guidelines s2.3:

For Accumulated Depreciation please provide, for the Historic Actual, Bridge and Test years:

- a. A summary and breakdown by asset account;
- b. A detailed calculation of the depreciation amount of each account indicating the years over which depreciation occurs;
- c. Continuity statements by asset account, which should be reconcilable to calculated depreciation costs and presented by asset account.

13. Ref: Filing Guidelines s2.3 item 3 (Allowances for Working Capital) and Exhibit C Schedule 3 tab 5

For Allowance for Working Capital, please

- a. State whether a 15% formula is being used for O&M accounts, and
- b. Provide the calculation for each account.

Where 15% is not being used for Allowance for Working Capital, provide a detailed calculation (including the calculation of the average of the opening and closing year balances) for each of the Historic Actual, Bridge and Test years, for:

- c. Supplies and Materials,
- d. Prepaid expenses,
- e. Miscellaneous accounts receivable,
- f. Working cash allowance (Test year),
- g. Security Deposits; and
- h. Other items itemized individually.

14. Ref: Exhibit C

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

For each of the years 2002 through 2008 please provide the following listing actual dollars in years where available (and if not then using expected or planned or projected), or percentages as indicated:

(\$)	Historic					Bridge	Test
	2002	2003	2004	2005	2006	2007	2008
Net Income							
Approved Return on Equity (%)							
Actual Return on Equity (%)							
Retained Earnings							
Dividends to Shareholders							
Sustainment Cap Ex							
Development Cap Ex							
Operations Cap Ex							
Other Cap Ex (Specify)							
Total Cap Ex							
Depreciation							

OPERATING REVENUE

15. Ref: Exhibit A/ Schedule 13/ Tab 1/ page 2

At Exhibit A/Schedule 13/Tab 1/page 2, the applicant states:

“Enersource has elected to rely on the three year actual weighted average monthly price for 2004-2006 to forecast the Cost of Power”.

a. Please provide a table showing Enersource's:

- I) Actual Cost of Power (years 2002-2006),
- II) Weather-corrected Cost of Power (years 2002-2006) and

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

III) Bridge year (2007) and Forecast year (2008) forecasted Cost of Power,

- b. Please explain in detail the reasons why Enersource has used a simple historical average to provide a forecast for this component.
- c. Provide an alternative Cost of Power forecast for the years 2007 and 2008 utilizing the change in Cost of Power that Enersource has experienced over time (e.g. a trend rather than a 3-year average), and explain the rationale used in establishing these new values.

16. Ref: Exhibit B/ Schedule 2/Tab 1/page 1; Exhibit B/ Schedule 2/ Tab 2/ page 1& 2; Exhibit B/ Schedule 2/Tab 3/page 1; Exhibit B/ Schedule 2/Tab 5a; Exhibit B/ Schedule 2/Tab 5b; Exhibit B/ Schedule 2/Tab 6

Please re-file the tables listed above and:

- a. Include historical data for the years 2002-2006 and, provide for these years, (i) actual data and (ii) weather normalized data (where appropriate), and
- b. Identify the data values that incorporate the effects of the Applicant's CDM programs.

17. Ref: Exhibit B/ Schedule 2/Tab 1/page 2/ Line 4

In Tab 1, page 2, in describing how the forecast of the Number of Customers was developed, the Applicant notes: "A specific adjustment has been made to the number of residential customers to take into account the number of new customers residing in condominium units...."

- a. Please describe the specific adjustment that was made and illustrate this with the values used to make the adjustment.

18. Ref: Exhibit B/ Schedule 2/Tab 2/page 1; Ref: Exhibit B/ Schedule 3/Tab 2/page 5

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

In Schedule 2, Tab 2, page 1, the Applicant provides a table showing Energy Deliveries; a note on the table states: "2008 data includes Conservation and Demand Management." The table in Schedule 3, Tab 2, page 5, also shows energy delivery but the value for 2006 is different from that in the previously-referenced table. The extent to which CDM and weather normalization has been included in these tables is unclear. Without unnecessary duplication of the information already provided in the Applicant's responses to Board staff interrogatory No. 15 above, please explain:

- a. Whether the effects of CDM have been included in the table in Schedule 2, Tab 2, page 1, for 2006 and 2007,
- b. If the CDM effects in (a) have not been included for 2006 and/or 2007, then what is the Applicant's estimate of the potential variance that may have been introduced by mixing data that includes CDM effect with data that does not,
- c. Whether the effects of CDM have been included for the applicable years in the table in Schedule 3, Tab 2, page 5, and
- d. To what extent the inclusion/exclusion of weather normalization accounts for the differences in the two tables.

19. Ref: Exhibit B/ Schedule 2/Tab 2/page 2

In Tab 2, page 2, the Applicant provides a table showing energy consumption per customer and, at the bottom of the table, provides a total of the preceding values for each column. This total does not take into account the relative number of customers in each class (i.e. it is un-weighted). Please provide the following:

- a. Clarify if any of these totals are used in the subsequent development of the forecast.
- b. If the totals are used as in (a) above, carefully explain and show by example how the totals are used, and

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- c. Please explain how the data in the “3 Yr Avg.” column subsequently used in the development of the forecast.

20. Ref: Exhibit B/ Schedule 2/Tab 2/page 2; Exhibit B/ Schedule 2/Tab 2.1

In Tab 2, page 2, the Applicant notes that the forecast for energy savings is provided in Exhibit B/Schedule 2/Tab 2.1. In Tab 2.1 a table of values is presented without explanation. Also, in the table in Tab 2.1, the same values are shown for various groups of months; i.e. the same values are shown for January to April, a different value is shown for May, values shown for June and July are the same, and the values for August to December are the same.

- a. Please explain the development of the 2008 CDM Savings forecast in Tab 2.1 and provide the historical values that the forecast is based on. Please explain in detail the reasons for the similarity of the many values in the body of the table.

21. Ref: Exhibit B/ Schedule 2/Tab 2/page 2; Exhibit B/ Schedule 3/Tab 2/page 21 and 22

In Schedule 2, Tab 2, page 2, the Applicant provides a table of the annual energy consumption per customer for the years 2006, 2007 and 2008; a note on the table states: “2006 data represents actual weather”. However, in Schedule 3, Tab 2, pages 21 and 22, the Applicant presents a table displaying, from January 1997 to December 2004, both the energy and peak weather normalized values by month. Please clarify in detail, the following:

- a. If the energy consumption forecasts for 2007 and 2008 are based on actual (i.e. non-weather normalized data) or weather-corrected data or a combination of both,

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- b. If the forecasts are not based solely on weather normalized data, then what is the magnitude of the variance the Applicant estimates has been introduced into the forecast, and
- c. Clarify the number of years of data (specifying, by year, if these are weather normalized or otherwise) used as a basis to forecast the future years; i.e. was only 2006 non-weather-corrected data used, or 2002 to 2006 non-weather-corrected data used, or 1997 to 2004 weather-corrected data used, etc?

22. Ref: Exhibit B/ Schedule 2/Tab 2/page 1, 2; Exhibit B/ Schedule 3/Tab 1/page 3

In Schedule 2, Tab 2, pages 1 & 2, Enersource discusses its weather-normalization process and notes: "The time period of the past actual data utilized in creating the model was 10 years starting from 1996." In further discussion of the weather-normalization process in Schedule 3, Tab 1, page 3, Enersource notes that a second step in the process is: "Creating a Normal Weather Scenario based on 35 years of weather data". Evidently, there are two time periods involved in the Applicant's weather-normalization process.

- a. Please explain in detail the respective roles played by the 35-year-period data and the 10-year-period data in the weather-normalization process.

Revenue Offsets and Specific Service Charges

23. Ref: Exhibit B/Schedule 2/Tab 5a

- a. Please provide a breakdown of 2006 Board Approved Other Revenue and an explanation of the changes.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

OPERATING COSTS

24. Ref: Exhibit A/ Schedule 14/ Tab 1

Please state whether or not Enersource incurs any distribution expenses through the purchase of services or products. If Enersource does incur such expenses, please provide: (i) the identity of each company transacting with the applicant, (ii) a summary of the nature of the activity transacted, (iii) the annual dollar value in aggregate of transactions and (iv) a description of the specific methodology used in determining the price (e.g. summary of tendering process/summary of cost approach).

25. Ref: Exhibit D/ Schedule 1/ Tab 11

On Page 1 of 6, Enersource states that it “forecasts a management fee of \$8.243 million in the 2008 Test Year and seeks to recover this amount through rates.” This is related to the provision of corporate functions by Enersource Corporation to Enersource. Please provide for all shared services: (i) a description of the type of service (e.g. IT, office space, etc.), (ii) total annual expense by service, (iii) rationale and the cost allocators used for shared costs, for each type of service (e.g. square footage, computers, headcount, etc.) and (iv) a detailed description of the assumptions underlying the allocation of corporate costs, including documentation of Enersource’s overall methodology and policy in this area.

26. Ref: Exhibit D/ Schedule 2/ Tab 5 and Exhibit D/ Schedule 2/ Tab 6

These tables provide OM&A variance analysis for 2008 vs. 2007 and 2007 vs. 2006 respectively. Please provide a similar variance analysis for Historical Board Approved data for 2006 vs. Historical Actual data for 2006.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

27. Ref: Exhibit D/ Schedule 2/ Tab 1

Please provide a breakdown of total Full Time Employees (FTE); total Part-Time Employees, Total Salaries & Wages and Benefits, and Salaries and Wages and Benefits charged to O&M by employee type (i.e. management, analyst, non-unionized and unionized). Please include total compensation by group and average level per group as well as details on any incentive programs including how employee performance is measured and how the incentive level is determined. Please provide the requested information for 2006 Board approved, 2006 historical, 2007 bridge and 2008 test years.

28. Ref: Exhibit D/ Schedule 1

Please provide the status of Enersource's pension fund and all assumptions used in the analysis, including summary data on the age distribution of the workforce and a forecast of retirements by employee category from 2007 to 2010.

29. Ref: Exhibit D/ Schedule 2/ Tab 1

Please prepare a detailed reconciliation of Enersource's 2006 Audited Financial Statements to the 2006 Historical Actual data reported in Exhibit D Schedule 2 Tab 1. In particular please include an explanation for the credit of \$438,000 with the description "Non-Distribution Expense/Revenue Reclass".

30. Ref: Exhibit D/ Schedule 2/ Tab1

Please provide a detailed variance analysis for Enersource's 2006 EDR OEB approved OM&A expenses below to Enersource's 2006 Actual OM&A Expenses as reported on Exhibit D Schedule 2 Tab 1.

Board Staff Interrogatories
 Enersource Hydro Mississauga Inc. - EB-2007-0706
 2008 Electricity Distribution Rates Application

Utility	Enersource Hydro Mississauga
---------	---------------------------------

Distribution Expense	2006 Approved
Description	Total
Operation (Working Capital)	\$11,077,429
Maintenance (Working Capital)	\$2,048,004
Billing and Collection (Working Capital)	-\$151,449
Community Relations (Working Capital)	\$0
Community Relations - CDM (Working Capital)	\$1,525,000
Administrative and General Expenses (Working Capital)	\$14,642,838
Insurance Expense (Working Capital)	\$799,851
Bad Debt Expense (Working Capital)	\$958,885
Advertising Expenses	\$0
Charitable Contributions	\$10,757
Amortization of Assets	\$29,965,918
Other Distribution Expenses	\$0
Grand Total	\$60,877,233
Motion to Vary - New personnel Oct 3, 2006	\$1,131,601
OEB 2006 EDR Approved Dist Expenses	\$62,008,834

31. Ref: Exhibit D/ Schedule 1/ Tabs 2 to 6 inclusive, and 11 and Exhibit D/, Schedule 2/, Tab 1

For each of Enersource's "Cost of Service" detail by work unit, please provide budget amounts for the 2006 Actual, 2007 Bridge and 2008 Test years (reference Exhibit D, Schedule 2, Tab 5 for example of structure). With each budget please provide a variance analysis for changes and summary details with incremental values to account for changes.

Each work unit summary should isolate and address issues such as the following:

- Current labour changes/adjustments
- Staffing changes due to economic changes (i.e. customer growth, call growth)

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- Staffing changes due to changes other than economic changes (i.e. new project)
- Change in external labour usage (outsourcing, consulting, contracting etc.)
- Current contractual changes other than labour
- New contractual changes other than labour
- One time charges expected, reversed or maintained as contingency

32. Ref: Exhibit D/ Schedule 1/ Tabs 2 to 6 inclusive, and 11 and Exhibit D/ Schedule 2/ Tab 1

Please provide details with amounts included in the individual work units for all smart meter related expenditures (reference Exhibit D, Schedule 1, Tab 1 Schedule I page 2 for example). Please provide any necessary distinction as to if the amount identified and budgeted is related to the minimum system requirement reporting as determined in the 2006 Combined Smart Meter decision or is incidental to these charges.

33. Ref: Exhibit D/ Schedule 1/ Tab 11/ Page 1

With reference to the discussion on Management Fees/Recoveries, please provide a detailed explanation for the source of \$7.485 million in recoveries which offsets the \$8.243 million in management fees.

34. Ref: Exhibit D/ Schedule 2/ Tab 1

With reference to Management Fees/Recoveries shown in this table, please provide the amount included and reported as Management Fees and the related recoveries for each year. Also identify the amount of Management Fees that would have been included in the OEB approved 2006 EDR OM&A Expenses and the related recoveries.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

Using variance analysis please provide a summary with amounts detailing the incremental changes for each year.

35. Ref: Exhibit D/ Schedule 2/ Tab 1

With reference to the line item Amortization of Regulatory Assets shown on this table, please explain why this amount is to be included in Enersource's distribution expenses.

36. Ref: Exhibit D/ Schedule 2/ Tab 2

Please provide a copy of the minutes supporting Enersources Board of Directors final approval of the 2007 OM&A budget. Please reconcile the 2007 OM&A budget to the 2007 Forecast year values as presented on Exhibit D/ Schedule 2/ Tab 2. If the values reconciled are materially different please discuss what actions Enersource have taken to notify the Board of Directors of the differences, providing any Board of Directors minutes discussing the differences.

37. Ref: Exhibit D/ Schedule 1/ Tab 1

In Enersource's 2006 EDR Application Model, Sheet "7-2 ALLOCATION - LV-Wheeling", Cell L120 has included an amount of approximately \$590,000 for Low Voltage charges. This Low Voltage charge was handled as a pass through charge in the 2006 EDR model. It was included into rates as a rate adder on the above referenced worksheet and accounted for as General and Administrative expense (or more intentionally as a revenue offset). Please confirm if Enersource has included a budget amount in the 2008 Cost of Service or OM&A budget for low voltage. If yes, then please state reasons for including and identify the amounts included, including detailed calculations. If no, please provide a confirmation that no amounts have been included in Cost of Service or OM&A for Low Voltage.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

38. Ref: Exhibit D/ Schedule 1/ Tab 6

Please provide compensation levels paid to Enersource's board members and executives including all benefits and expenses for the 2006 Actual year and an explanation and justification of these compensation levels. Please provide similar projections and explanations for the 2007 Bridge and 2008 Test years.

Taxes

39. Ref: Exhibit D/Schedule 2/Tab 7

For the 2006 tax year, please provide the following:

- I) Actual federal T2 tax return and supporting schedules filed with the Ministry of Finance;
- II) Actual Ontario CT23 tax return and supporting schedules filed with the Ministry of Finance;
- III) Financial statements that were submitted with the tax returns to the Ministry of Finance;
- IV) Any amended T2 or CT23 tax returns that may have been filed subsequent to the initial tax filing for 2006;
- V) Notices of Assessment, and any Notice(s) of Re-assessment, including Statement of Adjustments, received from the Ministry of Finance for the 2006 tax year; and
- VI) Any correspondence between the Ministry of Finance and Enersource regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review.

40. D/S2/T7.1 - Capital Tax

In Exhibit A/S12/T7 rate base for 2007 is shown as \$487,241 and \$505,404 for 2008. Enersource did not use rate base in the calculation

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

of capital tax. Instead it used \$520,758 for 2007 and \$534,122 for 2008 in the calculation of capital taxes.

- a. Please explain the source of these amounts used and how the numbers were calculated.
- b. Please explain why rate base was not used to represent taxable capital in the calculation of capital taxes.

41. D/S2/T7.2. – Payments in Lieu of Taxes

- a. The 2006 EDR Board Report, Chapter 7, page 61 specifically identified the recovery of regulatory assets and indicated that no tax provision is necessary in the regulatory calculation of the tax proxy to be included in rates. Gas utilities do not include movements of regulatory asset and liability balances in the calculation of regulatory taxes. The preparation of the company's actual tax return may require treatments of issues that are different than regulatory practice requires.
 - I) What regulatory instrument or practice has Enersource relied on to support its request to allow an addition to regulatory taxable income for the recovery of regulatory assets and amortization of regulatory assets?
 - II) Did Enersource expense regulatory assets to reduce the PILs tax proxy in prior applications? If not, please explain.
- b. Please provide a continuity schedule to explain the various items in the lines entitled "Reserves from financial statements". Please explain each type of reserve and why it should be used in the regulatory tax calculation.
- c. Please provide the tax schedule S8 calculations for undepreciated capital cost (UCC) and capital cost allowance (CCA) for the Historic, Bridge and Test Years by class using the 2006 tax return schedules as the format.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- d. Please provide the application capital expenditure exhibit references for the additions to UCC in the S8 calculations requested above for Historic Bridge and Test Years.
- e. Please provide the calculation of the cumulative eligible capital deduction for the Historic, Bridge and Test Years.
- f. Please provide a tax forecast for the 2007 Bridge Year similar to that for the 2008 Test Year as shown in D/S2/T7.2.
- g. Please provide a table and explanations for the amounts shown as “Other additions” of \$468 for 2008. Please provide explanations for similar items in the 2007 Bridge Year calculations.
- h. If any of these “other additions” relate to non-deductible expenses for tax purposes, please explain why these non-deductible expenses would not be to the account of the shareholder only?
- i. Please provide a table and explanations for the amounts shown as “Other deductions” of \$250 for 2008. Please provide explanations for similar items in the 2007 Bridge Year calculations.
- j. Please provide the application section reference for the AFUDC amount of \$302. If the calculations are not provided elsewhere in this application, please provide the detailed calculations of the AFUDC dollar amount including the applicable capital expenditures and the interest rate used.
- k. Please show the calculation of the income tax rate used in the calculation of 2008 PILs income taxes.
- l. Please explain why Enersource did not use the known tax rate of 34.5% for the 2008 Test Year.

Deferral and Variance Accounts

42. Ref: ExG/Sch2/Tab3/p1

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

Please provide a brief description, describing the component entries, of all outstanding individual deferral and variance accounts being applied for disposition in this application.

43. Ref: ExG/Sch2/Tab3/Pg1

- a. Are you currently using account 1590?
- b. If the answer to (a) is no, then please explain in detail why?
- c. If so, have you transferred previous Board-approved amounts for regulatory asset recovery to 1590?
- d. Please update the appropriate schedules to reflect any necessary adjustments to incorporate account 1590.

44. Ref: ExG/Sch2/Tab3/Pg1

Enersource is applying for disposition of regulatory variance accounts as per schedule Exhibit G/Schedule 2/Tab 3. These totals do not correspond to totals in reported to the Board as per 2.1.1 of the Reporting and Record Keeping Requirements for the period ending December 31st, 2006. Please complete the attached continuity schedule and provide a further schedule reconciling the continuity schedule with the amounts requested for disposition on ExG/Sch2/Tab3/Pg1.

45. Ref: ExG/Sch2/Tab4/Pg1

Enersource has provided some aggregated information on the accounts being applied for disposition, but no individual account numbers or balances have been listed.

- a. Please state which accounts, individual balances, and the composition of those balances, that are being applied for disposition?

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- b. Please provide an un-aggregated detailed method of recovery, including bill impact, for each account that is being applied for disposition. For example, account 1592 has a balance of \$xx, will be allocated to rate classes via xx, which will have an impact of xx.

46. Ref: ExG/Sch2/Tab4/Pg1

- a. Please explain the unforeseen cost associated with the Ontario Price Credit administration cost being requested for disposition?
- b. What period does it relate to?

47. Ref: ExG/Sch2/Tab3/Pg1

What are the interest rates being used to calculate carrying charges for each regulatory deferral and variance account for the period from January 1, 2005 to present?

Loss Factors

48. Ref: Exhibit D, Schedule 1, Tab 9.2 and Exhibit H, Schedule 4, Tab 1, Page 2 of 2

The table titled "Total Loss Factor - per OEB 2006 EDR Handbook" the 1st reference provides "Loss Factor" for 2002 to 2006. The 2nd reference provides total loss factors for secondary and primary customers for customers <5,000 kW and >5,000kW.

- a. In the 1st reference, with respect to "Loss Factor":
 - I) Please indicate whether this refers to Total Loss Factor (TLF) as implied by the table's title or Distribution Loss Factor (DLF). If it is the former, please provide values for the underlying DLF for 2002 to 2006, and if it is the latter, please provide values for the corresponding TLF for 2002-2006. In

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

either case, please provide the Supply Facilities Loss Factor (SFLF) used to convert DLF to TLF.

- II) Please explain the calculation method to obtain this factor for 2002-2006.
 - III) Please provide an explanation for the 2006 increase in this factor and its 3-year moving average.
- b. Please indicate which of the four factors for 2008 provided in the 2nd reference is comparable to the loss factor provided in the 1st reference.

Conservation and Demand Management

49. Ref: Exhibit D /Tab 10 /Schedule 1 /Pages 1 to 6

The Board's "Filing Requirements for Transmission and Distribution Applications" issued on November 14, 2006, outlines on Page 39 the information that is required when filing an application for LRAM or SSM. Please provide the following:

- a. kW or kWh impacts net of free riders for each program and each rate class;
- b. Verification of participation levels; and
- c. Duration of the programs in years and months.

50. Ref: Exhibit D/Tab 10/Schedule 1/Pages 1-6

Please identify any distribution rate funded residential, commercial, or industrial program(s) where load impacts were not calculated using the measure-specific values in the Board's Total Resource Cost ("TRC") Guide. For any program that did not use the measure-specific values in the TRC Guide, please provide the supporting documentation on how these load impacts were calculated.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

51. Ref: Exhibit D/Tab 10/Schedule 1/Page 4

- a. Please explain why Enersource Hydro Mississauga Inc. (“Enersource”) did not adjust the Lost Revenue Adjustment Mechanism (“LRAM”) amounts for free riders, given that the Board’s EB-2007-0096 Decision and Order, issued September 11, 2007, confirmed that free riders must be included in the calculation of the LRAM.
- b. Please provide the calculations, inputs and assumptions that were used to determine the LRAM amount.

52. Ref: Exhibit D/Tab 10/Schedule 1/Page 3

- a. Please explain why Enersource finds it appropriate to gross-up the Shared Savings Mechanism (“SSM”) amount for taxes, given that the Board’s EB-2007-0096 Decision and Order confirmed that it was not appropriate to do so.
- b. Please provide the calculations, inputs and assumptions that were used to determine the SSM amount.

53. Ref: Exhibit D/Tab 10/Schedule 1/Pages 1-6

Please confirm if any programs were jointly sponsored with other regulated distributors. If so, please identify those programs, and confirm that the apportioned savings are in accordance with the TRC Guide and the Board’s EB-2005-0523 Decision.

54. Ref: Exhibit D/Tab 10.3/Schedule 2

In its Report of the Board on the 2006 EDR Handbook, issued May 11, 2005, the Board stated:

“There has been considerable discussion in this proceeding as to whether CDM expenditures on the utility side should be differentiated

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

from customer-side expenditures. The Board recognizes that conservation programs should have a balance between the two. It is important to recall however, the Board's earlier finding that the SSM incentive does not apply to utility-side investments. The Board previously ruled with respect to the 2005 SSM that the inclusion of capitalized assets into rate base provides sufficient incentives. The Board continues to hold that view."

- a. Please confirm if Enersource is claiming SSM amounts for utility-side programs.
 - l) If the answer to a) is yes, please provide a revised SSM amount with SSM amounts for utility-side programs removed.
- b. Given the Board's statement that the "SSM incentive does not apply to utility-side investments" and "inclusion of capitalized assets into rate base provides sufficient incentives", please explain why Enersource finds it appropriate to include smart meter calculations in the SSM amount?

Smart Meters

55. Ref: Exhibit G /Schedule 2 /Tab 6 /Page 3

In the first paragraph of page 3, Enersource Hydro Mississauga Inc. ("Enersource") states "Consistent with the Decision [with Reasons in EB-2007-0063], Enersource proposes to calculate the revenue requirement for Smart Meters as they are installed on an ongoing basis effective May 1, 2008 through a sub-account within account 1555 – Smart Meter Variance Account. Enersource also proposes to recognize the return on a monthly basis by adjusting USoA accounts 1555 to 4080. Enersource also seeks to recover a 2008 Smart Meter Rate Adder ("2008 SMRA") of \$0.57/metered-customer/month."

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- a. Please confirm that the smart meter investment amounts for smart meter installations which formed the basis for the calculation of the revenue requirement for smart meters are not incorporated into the fixed asset accounts and the rate base.

In the second paragraph of page 3, Enersource states “The derivation of Enersource’s proposed 2008 Smart Meter revenue requirement is provided at ExG/Sched2/Tab7. It has been developed to support the recovery of Enersource’s investment in Smart Meters for the 2008 Test Year and to return the over-recovery of revenue through the 2006 and 2007 SMRA. The proposed 2008 SMRA of \$0.57 is the difference between, a rate adder of \$1.32/metered-customer/month and a return of \$0.75/metered-customer/month.”

- b. Please confirm that Enersource proposes to recover all of its smart meter costs through the proposed 2008 SMRA which is expected to be effective May 1, 2008, without incorporating any smart meter costs into its permanent distribution rate base.

56. Ref: Exhibit G /Schedule 2 /Tab 8

On the first line of Exhibit G /Schedule 2 /Tab 8 (table “Smart Meter Rate Calculation”), Enersource provides the values for Net Fixed Assets with respect to smart meter installations for the years 2006 through 2008.

- a. Please provide the Gross Fixed Asset amounts and the associated number of smart meter installations for the years 2006 through 2008.
- b. Please confirm whether the investment amounts for smart meters during these years will meet or exceed the “minimum functionality” criteria which formed the basis in the Board’s August 8, 2007 Decision with Reasons in EB-2007-0063 to allow the recovery of

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

smart meter capital costs. In that Decision, the Board determined that there were fourteen cost categories in relation to “minimum functionality” that were set out in Appendix “A”. Are any of the investment costs outside of these fourteen cost categories, if so please describe these costs and why Enersource is seeking to recover them. If any of Enersource’s proposed smart meter expenditure items are beyond the “minimum functionality” criteria, please provide, for each year from 2006 to 2008, the investment cost breakdowns for “minimum functionality” and “beyond minimum functionality” cost categories.

Retail Transmission Rates (RTR)

57. Ref: Retail Transmission Rates

The Wholesale Network Transmission Rate will decrease 28% effective November 1 2007.

- I) For each rate class, please provide a revised RTR – Network Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the revised RTR – Network Service Rate for each rate class should equal the amount paid for the Wholesale Transmission Rate.)

The Wholesale Connection Transmission Rate will decrease 18% and the Wholesale Transformation Connection Transmission Rate will increase 7% effective November 1 2007.

- II) For each rate class, please provide a revised RTR – Line and Transformation Connection Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the RTR - Line and Transformation Connection Service Rate for each rate class

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

should equal the amount paid for the Wholesale Connection
Transmission Rate and the Wholesale Transformation
Connection Transmission Rate.)

Deferral and Variance Accounts 1584 & 1586

Utilities have been required to provide information on Account 1584 RSA NW and 1586 RSVA CN to the Board as part of the quarterly RRR filings. The Board may need confirmation of the actual balances in these accounts in order to set a rate rider for the RTS rates.

- III) What are your current balances for Accounts 1584 RSA NW and 1586 RSVA CN?
- IV) Please explain how your balances in Accounts 1584 RSA NW and 1586 RSVA CN have trended or fluctuated since January 1 2005.
- V) Assuming your RTR – Network Service Rate for each rate class is revenue neutral, please provide the rate riders you would recommend beginning May 1 2008, and the duration in months for each rate rider, to reduce the balance in Account 1584 RSVA NW to a \$0 balance. Please provide an explanation for the recommended duration of the rate riders.
- VI) Assuming your RTR - Line and Transformation Connection Service Rate for each rate class is revenue neutral, please provide the rate riders you would recommend beginning May 1 2008, and the duration in months for each rate rider, to reduce the balance in Account 1586 RSVA CN to a \$0 balance. Please provide an explanation for the recommended duration of the rate riders.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

COST OF CAPITAL

58. Ref: Exhibit E/Schedule 1/Tab 1 – Short-Term Debt

Enersource states: “Enersource’s proposed deemed capital structure does not include a short term debt component. This is because Enersource’s actual capital structure does not rely on short term debt and because Enersource’s actual capital structure is appropriate for rate making purposes.”

Section 2.1.1 of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation Mechanism for Ontario’s Electricity Distributors (the “Board Report”) states that: “The Board has determined that short-term debt should be factored into rate setting, and that a deemed amount should be included in the capital structures of electricity distributors. **The short-term debt amount will be fixed at 4% of rate base.**” [Emphasis in Original]

- a. Please provide Enersource’s reasons for proposing that the Board should use its actual capital structure rather than a deemed capital structure in accordance with the guidelines documented in the Board Report.
- b. Please re-estimate the weighted average Cost of Capital including a short-term debt component of 4% and a short-term debt rate of 4.59%, as published for 2007 Q3 on the Board’s web site under “Prescribed Interest Rates for Approved Accounts of Gas Utilities and Electricity LDCs and Other Rate-Regulated Entities Approved by the Board”
http://www.oeb.gov.on.ca/html/en/industryrelations/rulesguidesandforms_regulatory_prescribedinterestrates.htm).
- c. Please provide the variance analysis of the return on rate base and revenue requirement comparing Enersource’s proposal excluding

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

the short-term debt component versus the scenario contemplated in b).

59. Re: Exhibit E/Schedule 3/Tab 1 – Forecasts of Government of Canada Bond Yields by the Conference Board of Canada and the Royal Bank of Canada

Please provide copies of the source documents for the Conference Board of Canada, December 2006 and Royal Bank of Canada Economic Forecasts, July 2007, forecasts of 2008 economic data that Enersource has relied on to estimate its proposed ROE.

60. Re: Exhibit E/Schedule 1/Tab 1 – Return on Equity

Enersource states that it “proposes a 9.00 per cent rate of return for rate making purposes in the 2008 Test Year, based on the average of estimates for 2008 based on applying the Board ROE formula to economic forecast data from the Conference Board of Canada (December 2006) and the RBC Economic Report (July 2007)”.

- a. Is Enersource proposing that the 9.00% should be used instead of updating the ROE with January 2008 data from Consensus Forecasts and the Bank of Canada, in accordance with the methodology documented in Appendix B of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation (the “Board Report”), issued December 20, 2006?
- b. If the answer to a) is that Enersource is not proposing to update the ROE in accordance with the Board Report, please state the rationale for departing from the methodology in the Board Report?
- c. Please explain, with reasons, if Enersource believes that the two sources of economic forecasts used are more reliable and accurate than Consensus Forecasts, and hence should be preferred for setting Enersource’s ROE for rate-making purposes for 2008.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

COST ALLOCATION

61. Ref: Ex G /S1/T1

a. Please produce a cost allocation study based on the 2008 test year by incorporating the following changes to the Informational Filing

Run 1:

- I) Updated versions of Sheets I3 'Trial Balance Data' and I4 'Break Out Assets' in sufficient detail to reflect significant differences between the inputs to the Informational Filing model and the corresponding inputs to 2008 expenses and rate base respectively;
- II) An update to Sheet I6 'Customer Data' row 29 (Ref: Exhibit G / Schedule 1 / Tab 1 / Page 1)
- III) An update to Sheet I6 'Customer Data' rows 33 – 47 using forecast numbers of customers, connections and bills;
- IV) An update to Sheet I8 ' Demand Data' using the class load profiles supplied by Hydro One together with the Applicant's forecast energy amounts (Ref: Informational Filing Page 9, and Exhibit B / Schedule 2 / Tab 2 / Page 1)
- V) Any other updates or refinements to input sheets that the Applicant may choose to make to the Informational Filing, together with a list and brief description of such changes

In addition to the worksheets identified above, the response must include Sheets 01 'Revenue to Cost RR', 02 'Fixed Charge / Floor / Ceiling', and E2 'Allocators'. (Please note that an exact reconciliation of 100% in Sheet 01 cell C 70 is desirable but not necessary for the response to this interrogatory.)

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

RATE DESIGN

62. Ref: Exhibit G / Schedule 2 / Tab 3

Please confirm that the return of \$5.118 million is effected by means of rate riders applied to the volumetric charge determinant of each class, and not by means of any adjustment to the monthly fixed charge of any class.

63. Ref: Exhibit H/Schedule 1 /Tab 1 /Page 1 and Exhibit H/Schedule 5

- a. In Schedule 5, please confirm that the percentage increase in the volumetric charge is nearly uniform across all of the classes (except for Streetlighting) at an amount ranging from 13.23% to 13.51%.
- b. In Schedule 5, please confirm that the percentage increase in the monthly service charge is not uniform across the same classes, ranging from 6.00% to 13.12%.
- c. Please reconcile the responses in parts a) and b) with the statement in Schedule 1 that the Applicant “proposes to maintain the current rate design”.

64. Ref: Exhibit G/ Schedule 2/Tab 5/ Table 1, and Exhibit H/Schedule 5

The following questions refer to revenue to cost ratios found in the Informational Filing. If the results of the cost allocation study based on the 2008 test year are substantially different from the ratio amounts referenced below, please reference the updated results as appropriate.

- a. Please provide a justification for increasing rates to the Small Commercial class in nearly the same proportions as all other classes, in light of its already high revenue to cost ratio of approximately 150%.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- b. Please provide a justification for increasing the Monthly Service Charge by 13.12%, the largest proportion of all classes except for Streetlighting, in light of its already high revenue to cost ratio of approximately 137%.
- c. Please provide a justification for increasing the rates for Streetlighting by a percentage very little more than all other classes, in light of its low revenue to cost ratio of approximately 25%.

65. Ref: Exhibit H, Schedule 5

The three tables for “Small Commercial and USL” in the Bill Impact section, show the monthly distribution (kWh) charge as follows:

Monthly Consumption (kWh)	Monthly Distribution (kWh) Charge – 2007 Bill	Monthly Distribution (kWh) Charge – 2008 Bill
15,000	385.50	436.50
40,000	1028.00	1164.00
100,000	257.00	291.00

Please explain why the monthly distribution charge for consumption 100,000 kWh/month is 25% of the same charge for consumption 40,000 kWh/month and 67% of the same charge for consumption 15,000 kWh/month.

66. Ref: Exhibit H/Schedule 5 and Exhibit H /Schedule 3 /Tab 1 / Page 1

The table for “Streetlights” in the Bill Impact section in the 1st reference shows the distribution rate for 2008 as \$3.2376/kW and monthly service charge as \$0.42. The table titled “Proposed Base Distribution Rates” in the 2nd reference shows the distribution rate for 2008 for “Street Lighting” as \$3.1067/kW and monthly service charge as \$0.41.

Board Staff Interrogatories
Enersource Hydro Mississauga Inc. - EB-2007-0706
2008 Electricity Distribution Rates Application

- a. Please indicate which of the two distribution rates (\$3.2376/kW vs. \$3.1067/kW) for streetlights is correct.
- b. Please indicate which of the two monthly service charges (\$0.42 vs. \$0.41) for streetlights is correct.

- End of Document -