

**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 Algoma  
Power Inc. for an Order or Orders approving or fixing just  
and reasonable distribution rates and other charges, to be  
effective July 1, 2010 and January 1, 2011.

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

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**July 30, 2010**

**ALGOMA POWER INC.  
2010 RATES REBASING CASE  
EB-2009-0278**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Issue 1  
Rate Base for the Test Years**

**Ref: Exhibit 2, Tab 1, Schedule 1, Appendix A**

**Interrogatory # 1**

**Page 1 and 2 of the exhibit describe the 34.5 kV system. Lines 6-8 of Page 2 state:**

**“The feeders are normally operated radially; however, the system contains many normally open feeder interties, allowing load transfers between feeders and providing alternate supplies to many of the distribution substations.”**

- a) Are these intertie points equipped with remotely operable switches?**
- b) If not, what is the approximate travel time for a crew to reach the intertie point to manually switch between the circuits?**

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

**Interrogatory # 2**

**Page 8 refers to the Electrical Safety Code as the source for the company’s 9 m right of way width.**

**Please provide a copy of the code provisions referred to.**

**Ref: Exhibit 2, Tab 4, Schedule 2 – Capital Projects 2007**

**Interrogatory # 3**

**Page 4 describes the trend toward underground secondary services and the need for a pad mounted transformers inventory.**

- a) Please describe API's conditions of service as it applies to overhead and underground secondary service.**
- b) How many different primary voltages are stocked in the pad mounted transformer inventory.**
- c) Given the rural nature of API's system and its predominantly overhead system, what is driving the increased interest by customers in underground secondary service?**

**Interrogatory # 4**

**Page 4 of the exhibit describes the requirements for the AM/FM system.**

- a) Please explain why API opted for mapping software that requires custom programming.**
- b) What other options did the company have for its AM/FM system?**
- c) Is the custom programming provided by in-house staff or is it contracted?**

**Ref: Exhibit 2, Tab 4, Schedule 2 – Capital Projects 2008**

**Interrogatory # 5**

**Pages 4-5 describe the rebuild of Wawa DS. Contractor costs are noted as \$394,755.**

- a) Was this project competitively tendered?**
- b) If yes, how many bids were received and how was the successful contractor selected?**
- c) If no, please describe API's policy for tendering major work.**

- d) Major equipment includes an “imbiber”. Please explain what this piece of equipment is.

**Ref: Exhibit 2, Tab 4, Schedule 2 – Capital Projects 2009**

**Interrogatory # 6**

**Page 10 describes the purchase of transport and work equipment:**

- a) For the 6 pickup trucks at a cost of \$266,363, please provide details of the kind of pickup trucks purchased and why they cost approximately \$44,000 each.
- b) For the two snow machines please provide details of the kind of snow machine purchased and why they cost approximately \$12,000 each.
- c) For the two trailers please provide details of the kind of trailers purchased and why they would have a total cost of \$11,518.
- d) Were all of these purchases competitively tendered? If yes, how many bids were received and how were the successful bidders determined?

**Ref: Exhibit 2, Tab 4, Schedule 2 – Capital Projects 2010**

**Interrogatory # 7**

**Page 15 describes the purchase of transport and work equipment including:**

- a) A new line truck to replace an existing 2002 model with high mileage. Did API consider replacing just the chassis and reusing the boom and ancillary equipment on the truck?
- b) If yes, how did this option compare with the replacement option? If no, why was rechassing the truck not considered a viable option?
- c) Please describe API’s policy for disposing of old equipment. How much did API receive for the old line truck?
- d) Please describe the miscellaneous equipment at \$13,909’

**Interrogatory # 8**

**Page 15 describes the replacement of HVAC equipment in the Sault Ste Marie office.**

**Please describe the size of the office and explain why the HVAC equipment costs will be \$213,780.**

**Interrogatory # 9**

**Page 16 describes the Richmond Mines Upgrade project for \$116,340.**

**Please provide the economic evaluation referred to in the description.**

**Interrogatory # 10**

**Page 16 describes the Buttermilk Ski Hill Line Relocation at a cost of \$91,558.**

- a) Was the line in place prior to the ski hill being built?**
- b) Was a capital contribution required from the ski hill owners to relocate the line? If yes, how was the capital contribution amount arrived at? If no, please explain why no capital contribution was required.**

**Ref: Exhibit 2, Tab 4, Schedule 2 – Capital Projects 2011**

**Interrogatory # 11**

**Page 17 describes the need for new transport and work equipment including:**

- a) A new line truck for \$299,055. Please provide details of the old truck and API's replacement criteria.**
- b) Was replacing the chassis on the existing truck considered instead of buying a new one? If yes, please provide details. If no, why was rechassing not considered a viable option?**
- c) Please provide details of the other equipment for \$163,121 including replacement criteria where applicable.**

- d) **Does API own a trailer capable of carrying the off road RBD? If no, how will API move the unit around?**

**Ref: Exhibit 2, Tab 4, Schedule 4 – Capitalization Policy**

**Interrogatory # 12**

**Starting at Line 31, Page 1 of the exhibit describes the capitalization methodology for administrative costs as follows:**

**“Overhead costs will be capitalized for the administrative departments based on the ratio of unionized labour costs between capital and operating expenditures”**

- a) **Please explain why unionized labour costs are an appropriate basis on which to allocate administrative costs to capital and operating.**
- b) **What other methodologies were considered by API for capitalizing administrative costs?**

**Ref: Exhibit 2, Tab 5, Schedule 1 – Asset Management Process**

**Interrogatory # 13**

**Page 1 contains a description of the measures taken to determine the condition of poles. Line 32-33 states:**

**“Over the next eight years (2010-2017), API plans to extend this testing to all poles that have been in service for more than ten years.”**

- a) **Please provide a table showing the age distribution of poles in the API system.**
- b) **Please explain why testing poles as young as 10 years old is necessary for asset management.**

**Interrogatory # 14**

**Page 6 contains a table of forecast capital costs over the period 2010-2012 including “Business Systems and SCADA”.**

**Please describe API’s plans for implementing a SCADA system.**

**Issue 2**

**Operating Revenue for the Test Years**

**Ref: Exhibit 3, Tab 3, Schedule 2, Appendix 2-D**

**Interrogatory # 15**

**Page 1 of the exhibit shows revenue offsets including:**

- a) Gains on disposition of property are shown as zero in 2010 and 2011 despite plans to replace transport and work equipment. Does API expect to recover any value for disposal of line trucks in these periods? If so, would that amount be recorded as a gain/loss on disposition?**
- b) Losses on disposition of property are shown in 2007, 2008 and 2009. Please describe what property was disposed of and how the losses arose.**

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

**Interrogatory # 16**

**Page 6 of the exhibit refers to dissolved gas analysis of transformers and notes that this is carried out annually on all power transformers “whether inservice or spare”.**

- a) Please explain how dissolved gases are formed in a power transformer.**
- b) Why would a spare transformer generate dissolved gases?**

**Interrogatory # 17**

**Page 7 describes thermographic scanning of substation equipment and notes that it is performed annually.**

- a) Please describe the number (in percentage terms) of components that are identified annually as needing maintenance using this technique.**
- b) Has API evaluated the effect of moving to a longer cycle for thermographic scanning? Please describe the results of the evaluation.**

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

**Interrogatory # 18**

**Page 3 presents a table of vegetation maintenance costs over the period 2009-2011.**

- a) Demand work is forecast to increase from \$83,000 in 2009 to \$100,000 in 2011. The narrative on page 5 reports that “The demand work program is based on historical expenditures and number of reports.” Please explain why the program cost is increasing if it is based on historical costs.**
- b) Conditions assessment costs are forecast to increase from \$15,000 in 2009 to \$30,000 in 2011. Please explain why these costs will increase by 100% over the two years.**

**Ref: Exhibit 4, Tab 1, Schedule 2 – Departmental Overview**

**Interrogatory # 19**

- a) Please provide the number of full time and part-time API employees in each department.**
- b) Please provide total compensation for each department for 2009, 2010 and 2011.**



## **Interrogatory # 20**

The exhibit on Page 6, beginning at Line 15, states:

**“API has participated in a number of energy conservation and demand management programs in conjunction with provincial programs.”**

- a) **Please point to the details in the prefiled evidence on the energy conservation and demand management programs mentioned that API has participated in during the last couple of years?**
- b) **Does API believe that they were successful beyond demonstrating community involvement?**
- c) **Are you planning to participate in similar programs in the test year?**

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

## **Interrogatory # 21**

**Page 5 shows the \$507 k increase in management and administration costs from 2007 to 2010 and provides reasons for the increase:**

- a) **Lines 4-5 cite an “increase in FTE’s and corresponding compensation costs associated with the split from the transmission business” as a reason for some of the cost increase. Please provide details of the number of additional FTE’s required, their function and how much of the \$507 k increase is attributed to them.**
- b) **Lines 5-6 cite an “an increase in FTE’s as a result of bringing contracted work in-house” as a reason for some of the cost increase. Please provide details of the number of FTE’s brought in-house, their function and how much of the \$507 k increase is attributed to them.**
- c) **Line 6 cites “increased wages and employee benefit costs” as a reason for some of the cost increase. Please provide details of what wages and benefit costs increased, the reasons for the increase and the amount by which the increases contributed to the \$507 k total increase.**
- d) **Lines 9-10 cite “removal of Ontario Operations Allocation from Brookfield Renewable Power” as an offsetting savings. Please provide details of how much the allocation from Brookfield was and what services it covered for the years 2007-2009.**

**Interrogatory # 22**

**Page 6 of the exhibit refers to “Administrative Expense Transferred/Credit”. The total transferred to capital is \$821,003.**

**If this expense transfer is not approved by the Board, will the amounts in the table at the top of page 5 for administrative expenses increase by a corresponding amount?**

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

**Interrogatory # 23**

**Page 1 of the exhibit discusses Base Pay Compensation for non-union employees. The following statement appears at lines 20 “Salary increases for 2010 and 2011 were based on market information”.**

- a) Please provide the market information used for salary increases in 2010 and 2011.**
- b) Please provide details of what the salary increases are for 2010 and 2011.**
- c) Does API benchmark its non-union compensation against other distributors in the province? If so please provide the benchmarking comparison. If not, please explain why this would not be an appropriate comparison to make.**

**Interrogatory # 24**

**Page 2 describes the Short Term Incentive plan. Lines 31-32 contain the following statement “There is no payout if performance falls below the 50% target level.”**

**Please clarify what this means.**

**Interrogatory # 25**

**Lines 7-8 on Page 5 of the exhibit state that “API budgets for incentive payments at target payment levels”.**

- a) Please confirm that “incentive payments at target payment levels” is included in revenue requirement in this application.**
- b) What proportion of target payment levels have been paid on average in the Fortis companies in each of the past five years?**

**Interrogatory # 26**

**Line 13 on Page 5 of the exhibit refers to “share purchase plan benefits”.**

- a) Please describe the share purchase plan as it applies to the various employee groups.**
- b) What is the average annual cost to the company of providing this share purchase plan?**
- c) Please explain why the costs of this plan should be recoverable from ratepayers?**

**Interrogatory # 27**

**Line 13 on Page 5 of the exhibit refers to “vehicle benefits and interest benefits”.**

- a) Please describe the vehicle benefits plan as it applies to the various employee groups.**
- b) Please describe the interest benefits plan as it applies to the various employee groups.**
- c) What is the average annual cost to the company of providing the vehicle benefits plan and the interest benefits plan?**
- d) Please explain why the costs of these plans should be recoverable from ratepayers?**

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

**Interrogatory # 28**

**Lines 3-4 on Page 1 of the exhibit contain the following statement:**

**“API provides certain health, dental, and life insurance benefits, under unfunded defined benefits plans, on behalf of its retired employees.”**

- a) Please explain what is meant by “unfunded defined benefits plans” and its relevance to post retirement benefits provided to employees.**
- b) Are post retirement benefits provided at no cost to retirees? If not, please provide details of how costs are shared.**
- c) How many retired employees are presently enrolled in the post retirement benefit plan.**
- d) Are benefits under the plan time limited or do they continue for the life of the retired employee?**
- e) Are survivors of deceased retired employees eligible to receive continuing benefits under the plan? Please provide details.**

**Ref: Exhibit 4, Tab 5, Schedule 1**

**Interrogatory # 29**

**Lines 22-30 describe corporate services for:**

**“...costs incurred related to the listing of Fortis shares on the Toronto Stock Exchange, investor reporting costs, charges related to the administration of share purchase plans, and other miscellaneous costs”.**

**Consumers are said to benefit from these services:**

**“...by providing API with access to capital which supports the required capital investment in the API’s distribution system to ensure reliable and safe distribution of electricity.”**

- a) Please provide the annual cost of providing these services for the last 5 years and the allocation that API will receive in the test years.**

- b) **Is it API's position that without these services, it would be unable to access sufficient capital to support its distribution system?**
- c) **Are these costs reflected in the FortisOntario allocation or the Fortis Inc allocation in the tables on page 3?**
- d) **If the former, what is the Fortis Inc allocation for?**

**Ref: Exhibit 4, Tab 5, Schedule 1, Appendix – BDR Study of Affiliate Service Costs and Cost Allocation**

**Interrogatory # 30**

**Pages 6-7 of the report discuss the Executive allocation to API from FortisOntario. This is shown as 19.4%.**

- a) **Please provide the dollar amount represented by the 19.4%.**
- b) **Please provide the percent allocations to the other FortisOntario affiliates.**
- c) **According to the report, the allocation was based on “the percentage of time spent on each of the business units in a representative period”. What period of time was the representative period in API's case?**
- d) **Was there any adjustment to account for greater time required at startup of API?**
- e) **Will BDR be asked to update the report after API is fully integrated into the FortisOntario operations?**

**Ref: Exhibit 4, Tab 6, Schedule 2**

**Interrogatory # 31**

**Pages 1-2 of the exhibit show purchased services.**

- a) **Some of the contracts are noted as an “Annual Agreement”. Please explain how the annual agreement is arrived at.**

- b) Some of the contracts are noted as “Agreement Renewal”. Please explain when and why an agreement renewal is used instead of retendering.**
- c) Some of the contracts are noted as “Contract Renewed”. Please explain when and why a contract is renewed instead of being retendered. What distinguishes an “Agreement Renewal” from a “Contract Renewed”?**

**Issue 8  
Rate Design**

**Ref: Exhibit 8, Tab 7, Schedule 1 – Street Light Billing - Discussion**

**Interrogatory # 32**

**Was a request by API to include Street Lighting into the RRRP funding by classifying these customers as Residential put to the Board in a previous proceeding? If yes, what was the Board’s ruling?**

**Issue 9  
Smart Meter Overview**

**Ref: Exhibit 10, Tab 1, Schedule 1**

**Interrogatory # 33**

**Please advise when API expects to file audited smart meter cost information.**

**No Evidence Reference**

**Interrogatory # 34**

**The Ministry of the Environment has made recent changes to soil and groundwater standards?**

- a) Has API developed or is it in the process of developing plans to be compliant with those changes?**
- b) If yes, please provide details. If not, please explain why not.**