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?

RESPONSE:

a) The intertie locations are not equipped with remotely operable switches

b) It takes the line crews approximately 30 minutes to travel to each switch intertie.

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.

RESPONSE:

The code provisions are as follows: "Rule 75-326 Tree Trimming

(1) The owner of a private line shall provide complete protection to the line from trees and other forms of woody growth in compliance with a code or standard under a rule or by-law of the supply authority concerning tree trimming.
(2) Where there is no applicable code or standard under a rule or by-law of the supply authority concerning tree trimming, all trees and woody growth adjacent to the line shall be trimmed so that a minimum clearance to the nearest conductor horizontally under conductor swing and vertically at a maximum sag shall be:
    a. 1 m for secondary lines;
    b. 4 m for primary lines. "

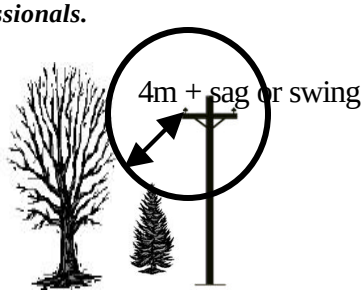
HIGH VOLTAGE CLEARANCE

CUSTOMER OWNED PRIMARY LINES—Up to 50 kV

TREE TRIMMING RESPONSIBILITY—(Rule 75-326)

- 4m distance plus conductor sag or swing is required from primary lines, including the neutral conductor, to woody growth, or,
- Trimming by the owner to the requirements of the supply authority rule or by-law, or,
- ESA will also accept a statement from the supply authority or distributor confirming they have a program to trim trees on customer owned primary lines to their standard

CAUTION: Life threatening hazards are present. If you decide to trim the trees yourself, arrange for a disconnection of the primary line. We strongly recommend that tree-trimming work be done by professionals.

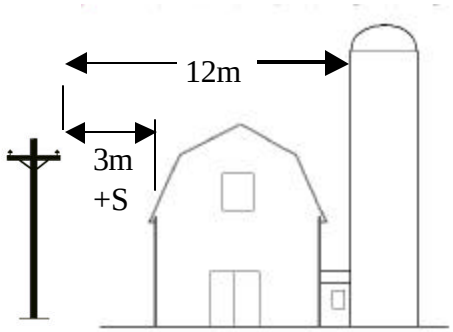


TREE CLEARANCES

Notes: *

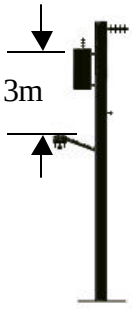
- A primary line is a distribution system and includes the primary neutral (Rule 75-310).
- The primary neutral is considered a secondary conductor for the purposes of ground clearance only, not for tree clearances. (Rule 75-310(3), 6-112(2)).

This regulation applies to all new and replacement primary lines/poles.



CLEARANCES TO OTHER STRUCTURES (Rule 75-312, 75-314, 75-602)

- Primary lines shall be kept at least 3m plus conductor swing, measured horizontal from a building.
- Primary lines shall not be installed closer than12m to silos or like structures.
- Primary lines shall not be installed over or near wells from which well rods might contact the line.
- Shall be sufficiently clear of flagpoles and antennae so they will not contact the line should they fall.
- Shall not be located within 6m horizontally from wind mills or like structures.
- At maximum sag shall have at least 3.1m clearance above fences
- Privately owned pole mounted lights shall be kept at least 3m below the high voltage conductors



UTILITY OWNED PRIMARY LINES

- Minimum clearances as per the standards of the supply Authority having jurisdiction
- Prior to the start of work adjacent to any Utility owned primary line, please contact the Utility having jurisdiction

OTHER INFORMATION

- Occupational Health & Safety Act.
- Ontario Building Code
- CAN/CSA C22.3 No. 1-M87 (1997) Standard.

***If the conductor swing is unknown a horizontal clearance of 4.8 m is acceptable.**

FOR FURTHER INFORMATION ON HOW TO CONTACT YOUR LOCAL INSPECTOR

Call 1-877-ESA-SAFE(372-7233) or (www.esasafe.com)

Distributor Safety Bulletin
Tree Trimming Obligations

Electrical Distribution Safety

GENERAL STATEMENT:

LDCs have a legal obligation set out in O. Reg. 22/04 to manage vegetation around all LDC owned overhead conductors including secondary. There have been a number of incidents and public safety concerns due to trees in direct contact with powerlines. One incident involved tree branches pushing the LDC owned secondary service against the eaves trough of a home, wearing away the service insulation and energizing the eaves trough. This resulted in the homeowner receiving an electric shock causing injury when a ladder was placed against the eaves trough. ESA is also concerned that the number of powerline contacts by DIY homeowners and arborist trimming trees near powerlines continues to increase.

O. Regulation 22/04 states:

- Section 4(4) "All overhead distribution lines, **including secondary distribution lines**, shall meet the following safety standards… (3) Energized conductors and live parts shall be barriered such that vegetation, equipment or unauthorized persons do not come in contact with them or draw arcs under reasonably foreseeable circumstances."

ESA RECOMMENDS:

- LDCs review and modify as necessary their Conditions of Service to ensure it aligns with O. Reg. 22/04
- Ensure LDC tree trimming practices and other measures be taken to meet the obligations set out in O. Reg. 22/04

ADDITIONAL INFORMATION: If you can provide additional information on this Bulletin or any other Utility issue, please contact ESA to share your experiences. Additional information requests, and follow-up information, may be directed to ESA. Please be prepared to quote Bulletin "".

Provincial Office 155A Matheson Blvd. West, Suite 200, Mississauga, Ontario L5R 3L5
Fax 905-507-4572
Website: www.esaeds.info E-Mail: Utility.Regulations@ElectricalSafety.on.ca

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?

RESPONSE:

a) In contrast with other Ontario LDC's, API's demarcation point is typically at the property line. As a result of the location of its demarcation point, API cannot install secondary service conductors on the customer's property. API therefore provides a credit to all customers for the equivalent of 30 metres of overhead secondary conductor, consistent with the Distribution System Code.

b) Four different primary voltages are stocked in the pad-mount transformer inventory.

c) Given that API's demarcation point is typically at the property line, the choice between overhead and underground secondary service, as well as the resulting cost implications are entirely at the customer's discretion. API does not collect information from customer's regarding their reasons for choosing 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?

RESPONSE:

a) API purchased the original AM/FM software and implemented the system in the early 1990s. At that time, this core AM/FM software had been similarly implemented by many Ontario utilities and was considered to be the most cost effective solution.

b) At the time of the purchase, there was no other software solution available that could provide the same functionality and remain cost effective for utilties of API's size.

c) A contractor is used to customize the software.

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.

RESPONSE:

a) Yes, this project was competitively tendered.

b) API received 3 bids for this project. The successful contractor was selected based on the fact that their bid was the lowest price of the 3 submitted bids and that they met all of API's tender requirements with regards to Health, Safety and Environmental qualifications and documentation.

c) N/A.

d) An Imbiber is a drain shut-off system used in oil containment drainage. It allows drainage of water during normal conditions. In the presence of oil, beads contained within the Imbiber unit will absorb the oil and swell to form a blocking seal, preventing hazardous material from escaping the containment pit.

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?

RESPONSE:

a) Details of the 6 pickup trucks are as follows:
- 2 x 2009 Dodge ¾ Ton, 4x4, 4-door (1 with 8 ft. box)
- 2 x 2010 Dodge ½ Ton, 4x4, 4-door
- 2009 Dodge 5500, 4x4, 4-door cab & chassis
- 2010 Ford 1 Ton, 4x4, 4-door, 8 ft. box

The purchase price of the above units, also includes the costs associated with corporate decaling and acquiring and installing safety equipment and corporate radio equipment results in a total cost of $266,363, which equates to an average cost of approximately $44,000 per truck. Given 3 trucks are in the heavy duty category, the average cost is in line with the market value for those models.

b) The 2 snow machines purchased were an Arctic Cat Bearcat and an Arctic Cat Bearcat XT. The purchase price of these units, in addition to the costs associated with corporate decaling and adding a winch to one unit results in a total cost of $24,619, which equates to an average cost of approximately $12,000 per unit. This price is in line with the market value for these model snow machines.

c) One trailer is a flat-bed utility trailer, which is wider than most other trailers to accommodate 6-wheel off road vehicles. The second trailer is an enclosed snowmobile trailer for the two new snow machines described in part b). These trailers cost $2,828 and $8,690, respectively, resulting in a total cost of $11,518.

d) Quotes were obtained from multiple vendors for the pickup trucks in order to ensure competitive pricing. The snow machines were not competitively tendered as there was only one local dealer that carried equipment meeting API's needs at the time. API sources snow machines from local dealers in order to ensure that parts and repair service are available locally when required. The trailers were purchased based on availability, however pricing was compared to similar past purchases to ensure that it was reasonable.

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'

RESPONSE:

a) This replacement is not like for like and is a configuration change within the API fleet whereby a radial boom derrick will be replaced with a single bucket material handler, consistent with current operational requirements.

b) N/A.

c) Old equipment has typically been disposed of through a bid process. The old line truck has not been sold at this time.

d) This item relates to the 2010 installation of accessories (required for tool/equipment storage and for hauling trailers) on certain trucks received late in 2009.

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.

RESPONSE:

The office is a two story building with approximately 14,000 sq feet of office space. The replacement cost will cover the roof top HVAC units and the control units for both the office and trade shop buildings.

Interrogatory # 9

Page 16 describes the Richmont Mines Upgrade project for $116,340.

Please provide the economic evaluation referred to in the description.

RESPONSE:

The economic evaluation is specific to one particular customer and in order to avoid a possible violation of the customer's privacy expectations, API offers the following description.

The project relates to an existing customer with two electricity delivery points on its site. The customer is planning to increase its electrical demand and has asked to combine the two existing delivery points into a single point of supply. The customer's load forecast indicates that the new single point of supply will result in additional billing demand in excess of the non-coincident demand of the two existing delivery points.

API performed an economic evaluation, as prescribed by the Distribution System Code, and determined that the project had a positive net present value. The new service was energized in early 2010.

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.

RESPONSE:

a) We are unable to confirm if the powerline, installed in 1966, pre-dates the Buttermilk Ski Hill operation.

b) Capital contribution from the customer was not requested as the power line was to be replaced under the Conductor Replacement Program.

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?

RESPONSE:

a) The truck to be replaced is a 2002 Altec bucket truck with 135,000 km. The replacement truck will be an elevator equipped bucket truck with a longer reach (75 feet versus 58 feet) and the elevator unit improves the operability for aerial trimming.

b) Since this is not a "like for like" switch of vehicles, replacing the chassis was not considered.

c) Four pickups will be replaced due to mileage and are detailed below;

Vehicle	Year and make	Current mileage	Estimated replacement cost
1/2 ton	2000 Ford	217,000	$38,000
1/2 ton	1998 Dodge	328,000	$38,000
3/4 ton	2001 Ford	200,000	$43,000
3/4 ton	2002 Ford	282,000	$43,000
			$162,000

d) The off road RBD comes with a trailer.

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?

RESPONSE:

a) The capitalized overhead represents the amount of overhead costs that are required to support capital projects in any given year. The unionized labour costs are operational employees. The allocation of unionized labour content is believed to be representative of the appropriate allocation of administrative costs between operating and capital.

b) The methodology is consistent with CNPI. No other methodologies were considered.

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.

RESPONSE:

a)

Vintage	# of Poles
Before 1950	14
1950 - 1959	560
1960 - 1969	5,847
1970 - 1979	7,244
1980 - 1989	5,873
1990 - 1999	3,664
2000 - 2009	3,936
2010	80

b) The life expectancy of a wooden pole is approximately 40 years. Testing poles as young as 10 years allows API to build a complete database and enables it to establish a baseline for all poles that are in service 10 years or longer. This information will allow API to develop a preventative maintenance program or replacement timelines.

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.

RESPONSE:

API plans to implement a SCADA system to achieve operational benefits such as reduced switching times, enhanced fault locating, and improved outage response times. The vast geographical nature of the API territory will make these benefits even more significant. A SCADA system will provide access to real-time system data that will facilitate system planning studies as well as enhance system operations. Moreover, a SCADA system will be an integral component of the eventual development of a Smart Grid network at API.

However, API recognizes that at present there is no SCADA on its distribution systems, and, therefore, the implementation of SCADA is a medium- to long-term initiative that must be undertaken in a systematic and pragmatic manner. API is presently collaborating with Canadian Niagara Power Inc. to develop a SCADA implementation plan for the Algoma territory. Among the key challenges to be addressed are; (a) the issue of what type of communications infrastructure will be used for the SCADA network, and (b) from what location will monitoring and control take place. From a system design perspective, API has decided that in the near future, any new or upgraded substations will incorporate modern protection and control equipment that can easily be integrated to a future SCADA system. In specific instances, some line protection equipment such as reclosers will also be similarly equipped.

Because the plan for SCADA implementation is still under development, only a small amount of funds has been earmarked in the near term for SCADA systems. No SCADA spending has been budgeted for 2011 and $25,000 is budgeted for 2012. The level of spending is expected to increase in years beyond 2012, depending on the speed of SCADA implementation that will be identified in the development plan.

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.

RESPONSE:

a) API expects to recover some value from the replaced equipment, which will be recorded as a gain/loss on disposition. However, the value is unknown at this time and is believed to be immaterial.

b) 2007
Meters, transformers, fleet vehicles, and IT equipment with remaining net book values that were deemed no longer useful, were removed from service and scrapped.

2008
Meters and a brush chipper with remaining net book values that were deemed no longer useful, were removed from service and scrapped.

2009
Meters, fleet vehicles, and IT equipment with remaining net book values that were deemed no longer useful, were removed from service and scrapped.

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 in service or spare".

a) Please explain how dissolved gases are formed in a power transformer.

b) Why would a spare transformer generate dissolved gases?

RESPONSE:

a) Dissolved gases are formed when transformer insulating oil is subjected to high thermal and/or electrical stresses, typically as a result of overloading or a fault condition.

b) A spare transformer would not generate dissolved gases. The term "dissolved gas analysis" in this context was used as a generic term for a process that involves collecting oil samples from transformers and performing a number of tests on these samples. The results of these tests can indicate potential problems that could arise in spare transformers due to exposure to moisture as well as deterioration of solid insulation or mineral oil as a result of normal aging.

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 themographic scanning? Please describe the results of the evaluation.**

RESPONSE:

a) Out of 12 stations scanned in 2008, the report identified items requiring maintenance at 6 stations (50%). A total of 13 issues were identified at these 6 stations. The report from 2009, resulting from a scan of the same stations identified four issues requiring maintenance at 3 of the 12 stations (33%).

b) Based on the fact that previous years scans have identified a number of items that could have resulted in forced outages to entire substations, API does not consider it prudent to move to a longer cycle at this time. Out of the 13 issues identified in 2008, 12 were corrected either without an outage or in conjunction with an outage that was planned for other reasons. In addition to confirming that these repairs were successful, the 2009 scan also identified that the one item that was not repaired due to customer impact had moved from a low priority to a high priority item and needed to be addressed. The 2009 scan also identified three other issues that were not apparent during the 2008 scan.

In the event that future scans fail to identify any high-priority items in substations, API would evaluate the impacts of moving to a longer cycle.

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.

RESPONSE:

a) The number of customer and public reports being processed under the demand work program is increasing. Presently, more reports occur in previously expanded areas where we have new back lines (right of way edge) and more customer and landowner education about tree hazards. As expected, after the expansion program is complete, the back line of the ROW is "weakened" and exposed to windfall in the short term. This occurs when smaller trees lean out towards the sunlight and do not have roots systems or support that a forest edge tree would normally have (industry term – heelers, fall-ins). API also believes that through education from our landowner work notification process, community outreach sessions and ESA safety programs and bulletins, the public is becoming more informed about tree and powerline hazards. Accordingly, they are reporting hazards because they are more knowledgeable.

b) As the ROW expansion program is near completion and the integrated vegetation management program moves to a fully functional maintenance program, there will be the need to perform a more detailed assessment of ROW conditions. The system's ROW characteristics will be broken down further based on but not limited to; on-road off-road areas, possible grubbing and seeding locations, herbicide exclusion zones, different herbicide treatment options, off cycle areas, number of trees requiring trimming or removal brush densities.

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.

RESPONSE:

a)

	2009			2010			2011		
	Full	Part		Full	Part		Full	Part	
Department	Time	Time	Total	Time	Time	Total	Time	Time	Total
Customer Service	4.94	2.07	7.01	5.06	1.44	6.51	5.06	1.44	6.51
Information Technology	1.61	0.72	2.32	1.00	0.94	1.94	1.00	0.94	1.94
Finance	4.61	1.46	6.07	5.10	1.23	6.33	5.10	1.23	6.33
Health, Safety & Environment	0.90	-	0.90	2.03	-	2.03	2.03	-	2.03
Lines Services	20.64	2.25	22.88	22.08	1.98	24.06	22.08	1.98	24.06
Forestry Services	4.70	2.36	7.06	5.50	2.08	7.58	5.50	2.08	7.58
Electrical & Metering Services	6.06	0.91	6.97	6.08	0.92	7.00	6.08	0.92	7.00
Engineering	5.69	0.08	5.76	8.05	-	8.05	8.05	-	8.05

b)

Department	2009	2010	2011
Customer Service	$ 565,370	$ 548,397	$ 565,644
Information Technology	$ 208,610	$ 129,341	$ 133,427
Finance	$ 496,664	$ 569,165	$ 595,545
Health, Safety & Environment	$ 105,125	$ 209,088	$ 216,161
Lines Services	$ 2,567,289	$ 2,779,128	$ 2,841,133
Forestry Services	$ 631,403	$ 679,633	$ 696,785
Electrical & Metering Services	$ 680,350	$ 718,093	$ 736,901
Engineering	$ 530,806	$ 767,817	$ 814,021

Note:
The total FTE's and compensation in the above tables will not compare directly to the compensation on Exhibit 4, Tab 4, Schedule 2. The departmental overview referenced in the question includes most but not all of API's human resources.

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?

RESPONSE:

a) API's involvement in provincial energy conservation and demand management programs are as follows:

- API participated in the Great Refrigerator Round-up in 2008 and 2009.
- API participated in Summer Savings Sweepstakes in 2008.
- API encouraged consumers to reduce their load by offering partial payment for customers who agreed to have energy audits conducted at their service location in 2009 under the community initiatives program.
- API provided wattage monitors to Libraries in its service areas that could determine the amount of usage appliances required and these could be borrowed by anyone with a library card.

b) API targets for the Great Refrigerator Round Up were not achieved in both 2008 and 2009. In 2010, API offered incentives to encourage participation and help achieve the targets. All other programs noted above are targeted directly at conservation and API believes they have had direct and meaningful conservation results. The community initiative was successful as 100 residential customers conducted energy audits. Overall, the programs are successful as customers are gaining awareness of conservation initiatives and how they can participate.

c) Yes, in 2010 API promoted the following provincial programs: ERIP, Power Savings Blitz, Great Refrigerator Round Up and Power Pledge.

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.**

RESPONSE:

a) There are approximately 3 additional FTE's in the areas of General Management, Health, Safety and Environment, and Finance, representing an increase of approximately $199,000.

b) There are approximately 1.5 FTE's as a result of bringing contracted work in-house in the areas of Finance and IT, representing and increase of approximately $88,000.

c) Wages and benefits costs represent an increase of approximately $252,000 primarily resulting from increased costs of providing an employee benefits plan. Other contributors are standard cost of living wage increases, as well as merit, progression, and job reclassifications increases.

d) The Ontario Operations Allocation from Brookfield Renewable Power covered corporate services including executive services, and health, safety and environment support. The allocated amounts were as follows:

2007	$213,000
2008	$133,000
2009	N/A

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?

RESPONSE:

No. The amounts shown in the table at the top of page 5 are gross administrative expenses booked to accounts 5610, 5615, 5620, and 5630. The Administrative Expense Transferred/Credit is shown in account 5625.

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.

RESPONSE:

a) Please refer to response to OEB IR 33.

b) The response to this question is in evidence at Exhibit 4, Tab 4, Schedule 2. The average yearly base wage increases for Union and Non-union in 2010 are 2.2% and 1.6% respectively, and the average yearly base wage increases for Union and Non-union in 2011 are 2.7% and 2.7% respectively.

c) API is implementing plans to use the Hay Guide Chart – Profile Method of position evaluation, which will facilitate benchmarking against the Hay reference community. The Hay Method of job evaluation is the most widely used job measurement system in the world. Position evaluations will be carried out for all non-unionized full time positions.

Upon implementation, API will use the reference community of participants in the Hay Compensation Comparison, which will be used to establish market rates for similar positions in Ontario. To attract and retain qualified staff, API will set midpoint salaries for these positions using a policy line recommended by HayGroup management consultants. Actual salaries will be set by reference to these recommendations and to corporate and individual performance. Management believes that this will result in an appropriate benchmark comparison.

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.

RESPONSE:

Please refer to response to SEC IR 23(c).

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?

RESPONSE:

a) API confirms that it has included in revenue requirement in this Application incentive payments at target payment levels.

b) On average payments have been slightly above the target payout but below the normal maximum payout amount.

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?

RESPONSE:

a) The Employee Share Purchase Plan offers eligible full-time employees the opportunity to invest in Fortis Inc. common shares. The shares can be purchased through advance payments or through an interest free employee loan, up to an aggregate amount in any year equal to 10% of the employee's salary. The employee loan may be repaid at any time but must be repaid within one year. API will deduct, in each bi-weekly pay period, one twenty-sixth of the loan amount from the employee's pay. Payroll deductions can also be used for accumulated advance payments. The price at which shares are acquired under the Plan is the Average Market Price which is calculated using the average of the high and low prices of the common shares on The Toronto Stock Exchange over a specified period. API contributes 10% of the price, enabling the employee to acquire the shares at 90% of the Average Market Price. Ninety percent of the common shares will be issued from treasury and the remaining ten percent will be purchased in the market.

b) The average annual cost is 10% of the total shares purchased within the year. The total costs for 2009 were $6,006.

c) The costs are part of the overall compensation for employees and the Plan is designed to attract and retain qualified personnel.

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?

RESPONSE:

a) The vehicle benefits plan refers to a company vehicle supplied only to the Regional Manager of API. This vehicle expense is calculated as a taxable benefit for this employee.

b) The interest benefit plan applies to those employees who choose to participate in the share purchase plan. Interest is calculated monthly on outstanding amounts of the original loan used to purchase shares. Interest is calculated as per rates set by the Canada Revenue Agency. The interest calculation is a taxable benefit to those employees who purchased shares with a interest free loan from the company.

c) The estimated annual average cost to provide the vehicle benefits plan and the interest benefit plan is approximately $31,000 which includes the cost of operating the vehicle for company use.

d) The costs are part of the overall compensation for employees and the plan is designed to attract and retain qualified personnel.

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.

RESPONSE:

a) API provides "funded" health benefits and life insurance for its retired employees. API pays monthly premiums to a third party, in order to provide these benefits. The dental and vision benefits are considered "unfunded" as they are a direct reimbursement from API. These benefits are paid by the employer as they are claimed.

b) Yes, there is no cost to the retiree. There is a taxable benefit to the retiree for life premiums. There is also a taxable benefit for reimbursement to the retiree for dental and vision expenses paid directly by the employer.

c) There are 26 retired employees currently enrolled in the post retirement benefit plan.

d) Benefits continue for the life of the employee.

e) Yes, the surviving spouses continue to receive health and dental benefits under the plan. There are currently eight surviving spouses under the plan.

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?

RESPONSE:

a) The allocation in the 2010 & 2011 Test Year are $56 thousand and $59 thousand, respectively. API does not know the amount of allocation in previous years to provide these services as the distribution system was a division of Great Lakes Power Limited.
b) API believes it would not be able to the support the growth and sustainment in its distribution system without access to capital. API receives greater access both to equity and debt markets due to its ownership by Fortis Inc.
c) The costs are reflected in the Fortis Inc. allocation.
d) n/a

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?

RESPONSE:

a) The dollar amount associated with the 19.4% is $373,000 and is provided in the Application at Exhibit 4 Tab 5 Schedule 1 page 3 in Appendix 2-M.

b) The allocations to other FortisOntario Affiliates are:

- Canadian Niagara Power Inc. – Distribution 32.1%
- Canadian Niagara Power Inc. – Transmission 9.9%
- Cornwall Electric 21.0%

The balance, 17.8%, remains in FortisOntario Inc.

c) In API's case the representative time period would have begun with the closing of the acquisition on October 8, 2009.

d) The management structure and operating strategy were prepared in anticipation of the closing of the acquisition. On site supervision was in place at API and therefore there was minimal additional time required.

e) While the allocation methodology remains constant, the allocations are reviewed periodically and particularly following significant changes to the corporate structure as was the case with the acquisition of API. FortisOntario reviews its allocation annually and adjustments are made in the event of significant organizational changes. FortisOntario regularly retains external resources to review its affiliate service costs and cost allocations. Any significant change in API or its reporting structure with FortisOntario or its affiliates would trigger a review of the allocations.

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"?

RESPONSE:

a) API has a number of specific services that it procures as needed throughout a fiscal year. The precise timing and projects varies. The terms of the agreement would include pricing and terms for services that would be applicable for the entire year.

b) An agreement is renewed under the following circumstances: i) when an annual agreement has been previously established and the provision of services for a specific project has continued into the following year, or ii) when specific services are required for the next fiscal year and the previously negotiated terms remain acceptable to both API and the contractor. Given the context described above, it is viewed appropriate not to tender for those services each fiscal year.

c) A contract is renewed under the following circumstances: i) when an annual contract has been previously established and the provision of services for a specific project has continued into the following year, or ii) when specific services are required for the next fiscal year and the previously negotiated terms remain acceptable to both API and the contractor. Given the context described above, it is viewed appropriate not to tender for those services each fiscal year. In some circumstances there are little to no alternative service providers available. In those instances API negotiates the best terms and pricing as possible. There is no difference between contract renewal and agreement renewal. One document is referred to as an agreement while the other is referred to as a contract.

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?

RESPONSE:

API did not request that Street Lighting be included in the RRRP funding in any previous proceeding.

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.

RESPONSE:

API expects to file audited smart meter cost information prior to the end of 2010.

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.

RESPONSE:

a) Yes.

b) As substations are being rebuilt, each substation design incorporates oil containment systems that meet the requirements of the soil and groundwater standards. For the substations that do not have oil containment, they are being reviewed and replacement plans will be developed.