

## West Perth Power – EB-2010-0121

### Board Staff Interrogatories

#### ***Exhibit 1 – Administration***

#### **1. Ref: Letters of Comment**

Following publication of the Notice of Application, did West Perth receive any letters of comment? If so, please confirm whether a reply was sent from the applicant to the author of the letter. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if West Perth intends to respond.

#### **2. Ref: E1/T1/S12**

- a) Please confirm whether West Perth is embedded (i.e. is provided power by another distributor) at low voltage (below 50 kV).
- b) Please confirm if Hydro One Networks Inc. is West Perth's host distributor. If not, please identify the host distributor providing low voltage services to West Perth.

#### **3. Ref: E1/T2/S13 and E1/T2/S14 – Corporate Structure**

Please update these exhibits reflecting the MAADs transaction approved by the Board in its Decision under Board File No. EB-2009-0156 and EB-2009-0157. Please also show any affiliated or subsidiary firms as defined under the *Ontario Business Corporations Act*.

#### **4. Ref: EB-2009-0156 and EB-2009-0157 – Share Purchase by ERTH of West Perth Power Inc. and Clinton Power Corporation**

In its Decision with Reasons<sup>1</sup> approving the applications by ERTH Corporation to purchase the share interest in West Perth and Clinton Power, the Board stated:

The Applicant's response to Board Staff Interrogatory #2 as to whether any of the parties intend to seek recovery of the transaction costs through rates is not clear. Consistent with the Board's other MAADs decisions<sup>2</sup>, the Board expects that all

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<sup>1</sup> Ontario Energy Board, Decision with Reasons, EB-2009-0156/EB-2009-0157, October 8, 2009, pp. 4-5.

<sup>2</sup> EB-2009-0282 (Application by FortisOntario Inc. for leave to acquire shares of Great Lakes Power Distribution Inc.) EB-2008-0339 (Application by Town of Cochrane for leave to acquire shares of Northern Ontario Wires Inc.)

transaction costs are to be borne by the shareholder of the acquirer and are not recoverable through rates.

Neither the Applicant nor any other party acting under its direction or control shall make an application to recover any portion of acquisition premiums paid in connection with these transactions. Similarly, neither the Applicant nor any other party acting under its direction or control shall make an application to recover any portion of any of the transactions costs incurred in connection with these transactions.

**THE BOARD ORDERS THAT:**

3. ERTH Corporation shall file a report on the costs borne by the ratepayer for these acquisitions with the next Cost of Service rate applications for West Perth Power Inc. and Clinton Power Corporation, delineating any acquisition premiums paid, and transaction costs incurred in connection with these acquisitions.
  - a) Please confirm whether or not ERTH Corporation filed this report. If no, please file the report from ERTH Corporation as directed by the Board in the Decision with Reasons EB-2009-0156/EB-2009-0157. In the absence of such a report, please provide a detailed explanation.
  - b) Please confirm that no transaction costs or purchase price premium related to the share purchase by ERTH of West Perth or Clinton Power is being sought for recovery through distribution rates in these applications.

**5. Ref: E1/T2/S1/pg. 1**

Please explain West Perth's statement: "West Perth is also presenting the historical actual information for fiscal 2006, 2007, 2008, and 2009 information for the **current approved test year (2006)**." [Emphasis added]

**6. Ref: E1/T2/S1/pg. 2**

In this exhibit, West Perth states:

The proposed changes to Residential are summarized below.

|                              | 2009 Board Approved | 2010 Proposed | % change |
|------------------------------|---------------------|---------------|----------|
| Service Charge               | \$13.37             | \$14.27       | 9.25%    |
| Distribution Volumetric Rate | \$0.0101            | \$0.0192      | 11.11%   |

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EB-2008-0339 (Application by Town of Cochrane for leave to acquire shares of Northern Ontario Wires Inc.)

In order to adjust the fixed cost recovery through the monthly fixed charge, West Perth proposing to increase the monthly customer charge by \$1.2370 in the 2010 test year.

The table shows an increase of \$0.90 (\$14.27 - \$13.37) between the current Board-approved fixed monthly charge of \$13.37 and the proposed fixed monthly charge of \$14.27. Please reconcile this with the subsequent statement that West Perth is proposing to increase the monthly customer charge by \$1.2370.

**Service Quality and Reliability**

**7. Ref: E1/T2/S5 – Service Quality and Reliability Indicators**

Please provide annual service quality and reliability performance data for each of the years 2006 to 2008.

**8. Ref: E1/T2/S5 – 2009 Reliability Performance**

a) It appears from the table shown that 2009 CAIDI was calculated as the sum of the monthly CAIDI, rather than as the ratio of annual SAIDI to annual SAIFI. Board staff has performed a calculation. Please confirm or correct the following table.

|              | All Outages    |             |                 |                 |                 | Excluding Loss of Supply |             |                 |             |                 |                 |                 |
|--------------|----------------|-------------|-----------------|-----------------|-----------------|--------------------------|-------------|-----------------|-------------|-----------------|-----------------|-----------------|
|              | Customer       | Total Cust  | Number of SAIDI | SAIFI           | CAIDI           | Customer                 | Total Cust  | Number of SAIDI | SAIFI       | CAIDI           |                 |                 |
| January      | 0              | 0           | 2037            | 0               | 0               | 0                        | 0           | 2037            | 0           | 0               |                 |                 |
| February     | 6801.6         | 2046        | 2037            | 2.749877        | 1.003927        | 2.73912                  | 6801.6      | 2046            | 2037        | 2.749877        | 1.003927        | 2.73912         |
| March        | 26             | 63          | 2037            | 0.012273        | 0.028019        | 0.471898                 | 26          | 63              | 2037        | 0.012273        | 0.028019        | 0.471898        |
| April        | 10958          | 2236        | 2037            | 6.378498        | 1.097202        | 4.902013                 | 180         | 198             | 2037        | 0.078647        | 0.097202        | 0.808081        |
| May          | 23.26          | 22          | 2037            | 0.011414        | 0.0108          | 1.068818                 | 23.26       | 22              | 2037        | 0.011414        | 0.0108          | 1.068818        |
| June         | 78.26          | 70          | 2037            | 0.037432        | 0.034364        | 1.089288                 | 78.26       | 70              | 2037        | 0.037432        | 0.034364        | 1.089288        |
| July         | 148.6          | 187         | 2037            | 0.072901        | 0.081983        | 0.889222                 | 148.6       | 187             | 2037        | 0.072901        | 0.081983        | 0.889222        |
| August       | 3143.6         | 2198        | 2037            | 1.643201        | 1.079038        | 1.430184                 | 88          | 181             | 2037        | 0.043201        | 0.079038        | 0.646684        |
| September    | 37.6           | 46          | 2037            | 0.018409        | 0.022091        | 0.833333                 | 37.6        | 46              | 2037        | 0.018409        | 0.022091        | 0.833333        |
| October      | 2009           | 2397        | 2037            | 0.988264        | 1.17873         | 0.838131                 | 390         | 180             | 2037        | 0.188649        | 0.088385        | 2.111111        |
| November     | 31             | 31          | 2037            | 0.016218        | 0.016218        | 1                        | 31          | 31              | 2037        | 0.016218        | 0.016218        | 1               |
| December     | 0              | 0           | 2037            | 0               | 0               |                          | 0           | 0               | 2037        | 0               | 0               |                 |
| <b>Total</b> | <b>22051.6</b> | <b>9283</b> | <b>2037</b>     | <b>10.82648</b> | <b>4.647374</b> | <b>2.3808</b>            | <b>8571</b> | <b>2972</b>     | <b>2037</b> | <b>3.228822</b> | <b>1.469008</b> | <b>2.210989</b> |

- b) From the above table, there appear to have been major interruptions in power delivered to West Perth in April, August, and October of 2009.
  - i. Please provide further information on the service interruptions due to loss of supply in April, August and October 2009.
  - ii. What, if any, efforts has West Perth made with its host distributor to reduce the incidence and severity of "Loss of Supply" interruptions.
- c) Please provide further information on the service interruptions excluding Loss of Supply that occurred in February 2009.

- d) The reliability statistics shown in the above table indicate that, including all causes, customers experienced about 4.5 service interruptions of at least 1 minute duration, and were out of service for 10 hours and 50 minutes during the year. Only considering service interruptions within West Perth's distribution system, customers experienced, on average about 1.5 interruptions in 2009 and were out of service about 3 hours and 12 minutes. The CAIDI statistic, as a proxy for restoration time, indicates that, on average, service restoration took over 2 hours.
- i. Please provide any information, such as customer complaints, on whether West Perth's customers consider service reliability adequate or not.
  - ii. Please identify capital or operating projects that West Perth has undertaken, or is proposing in this application, to address service reliability within its distribution system.

### ***Audited Financial Statements***

#### **9. Ref: E1/T3/S2 – Audited Financial Statements**

In its application, West Perth included copies of its 2007 Audited Financial Statements, and a copy of 2009 Audited Financial Statements, marked "Draft. For discussion purposes only. Subject to Adjustment." Please provide copies of West Perth's Audited Financial Statements, as signed off by its external auditor, for the years ending December 31, 2008 and December 31, 2009.

### ***Revenue Requirement Work Form***

#### **10. Ref: E1/T3/S2 – Revenue Requirement Work Form**

Please provide a copy of the Revenue Requirement Work Form in working Microsoft Excel format.

### ***Exhibit 2 – Rate Base***

#### **11. Ref: E2/T1/S2 – Rate Base Summary Table**

Please update to reflect 2009 actuals.

#### **12. Ref: E2/T1/S2 and E2/T2/S1 – Rate Base Summary Table**

The table shows that the increase in accumulated depreciation (i.e. depreciation expense) in each of 2007 and 2008 was significantly higher in absolute terms compared to the increase in gross fixed assets (i.e. capital additions net of removals). As a result, net fixed assets decreased year over year.

- a) Please confirm whether depreciation expense in 2006 was higher than capital additions in that year.
- b) For 2006, West Perth shows additions of \$207,141 and depreciation expense of (\$102,756) for Account 1850 – Line Transformers. In subsequent years, the depreciation expense for that account is less than \$50,000 per year. Please explain the depreciation expense for 2006.
- c) For 2007, for Account 1850 – Line Transformers, West Perth shows additions of (\$18,389). Please explain this negative entry for additions. If a removal, please explain why it is not shown as an adjustment.
- d) For the 2009 Bridge year, West Perth shows negative entries for Additions with respect to each of Account 1840 – Underground Conduit, Account 1860 – Meters and Account 1940 – Tools, Shop and Garage Equipment. Please explain these negative entries for additions.
- e) For Account 1845 – Underground Conductors and Devices, West Perth shows an annual depreciation expense of (\$9,759) for each of 2007 actual, 2008 actual, 2009 Bridge and 2010 Test years, despite the fact that there are additions in each year. Please explain why depreciation expense remains constant.
- f) For Account 1860 – Meters, West Perth shows depreciation expense increasing in magnitude each year, from (\$8,174) in 2006 to (\$30,353) in 2010 Bridge Year. The changes do not seem to match with additions to assets for this account. Please provide a detailed explanation for the changes in depreciation expense for this account.

**13. Ref: E2/T1/S2, E2/T4/S1 – Rate Base and Bucket Truck**

West Perth states:

“WPPI’s forecasted test year net fixed assets is actually \$2,385,746, however given to one time addition of a RBD [radial boom derrick bucket truck] with a value of \$280,000 WPPI has adjusted this amount as the capital spend in the 2010 test year is not a sustainable amount and artificially inflates the rate base requested by \$261,000 over the four years that the rates will be in place. Details of this change to the rate base can be found in WPPI’s rate base calculation table.”

In E2/T4/S1, under project ID #7, West Perth states that the bucket truck will be ordered in 2010 for delivery in 2011.

- a) Please confirm that the bucket truck is being ordered in the 2010 year, but is not expected to be in service until 2011.
- b) If that is the case, please explain why West Perth includes the bucket truck in its rate base and capital asset continuity schedules, and does not treat it as CWIP?

- c) If the bucket truck was being purchased and put into service in 2010, at a price of \$280,000, then the addition to average net fixed assets in 2010 is \$140,000 by application of the standard half-year rule. Please explain, and provide the calculations, supporting West Perth's statement that inclusion of the bucket truck results in an inflation of the rate base by \$261,000 over four years.
- d) Please update E4/T2/S5 to show 2009 actual depreciation expense and to remove the bucket truck from 2010 if the bucket truck will not be in-service in the 2010 test year.

#### **14. E2/T2/S1 – Capital Assets – Transportation**

At page 5 of E2/T2/S1, West Perth shows capital additions in 2009 of \$257,082 for Transportation Equipment. Please provide detailed explanations and prices for vehicles and rolling stock put in service in 2009. Please identify if these vehicles were replacements for older in service vehicles.

#### ***Amortization/Depreciation***

#### **15. E2/T2/S5 – Materiality Threshold on Accumulated Depreciation**

West Perth states:

For any rate base related variance exceeding the materiality threshold of 1%, a detailed explanation is required.

The changes in the accumulated depreciation associated with all USOA accounts follow the spending pattern in the gross asset description. West Perth has utilized the same capitalization practices and the same depreciation rates year over year and the resulting impact is a function of the gross assets to be depreciated.

A minor exception involves the purchase of 2 used vehicles in December 2008 from the Town. The vehicles are older than the normal depreciation life used. As a result these 2 vehicles have been depreciated over a 2 year period - 2009 and 2010.

- a) Please confirm whether West Perth uses the depreciation rates and economic lives as documented in Appendix B of the 2006 Electricity Distribution Rate Handbook. For any deviations, please identify the rate(s) used and the basis for the deviation.
- b) Please provide further explanation of the exception noted of two used vehicles purchased from the Municipality. Please identify when they were purchased, age at purchase, purchase price, and how West Perth has depreciated these vehicles. Please provide an explanation for why West

Perth purchased these vehicles if they were older than the normal depreciation life used.

### ***Long Term Load Transfers***

#### **16. Ref: E2/T2/S3 – Long Term Load Transfer**

Under 2009 capital projects, West Perth identifies Project ID #5 as relating to a long term load transfer (“LTLT”), and states that Hydro One Networks installed five poles allowing for joint use, while two poles were installed using new framing standards. West Perth indicates that it installed underground duct, one 50 kVA transformer, 60 meters of primary and secondary cable and 20 meters.

Please provide further details on the LTLT. In particular:

- a) Please confirm whether the LTLT involves the transfer of customers served by Hydro One Networks to be serviced by West Perth or vice versa. Please identify the number of customers involved.
- b) Does West Perth pay for support structure access on the Hydro One Networks poles? Please explain your response.

#### **17. Ref: E2/T2/S1 – Asset Continuity Schedule – Account 1855 – Line Transformers**

- a) For 2006 Actuals, West Perth shows an opening balance for gross fixed assets of \$1,014,732 and capital additions in the year of \$207,541, and depreciation expense of (\$102,756) in the year. Account 1850 assets would normally have an expected life of 25 years or a 4% depreciation rate, while the depreciation expense amounts to over 9% of Gross Book Value. Please explain the depreciation expense of (\$102,756).

### ***Working Capital Allowance***

#### **18. Ref: E2/T4/S1 – Working Capital Allowance**

Please document the commodity price, wholesale market service charge and uniform transmission prices used to determine the cost of power for the 2009 bridge and 2010 test years. Please show the calculations to derive the cost of power.

### **Exhibit 3 – Operating Revenues**

#### **Customer and Load Forecast**

##### **19. Ref: E3/T2/S2 – Load Forecast**

- a) In Table 2, are the monthly residential kWhs actuals? Please explain. If 2009 data are not actuals, please document the derivation of monthly amounts, showing all calculations.
- b) Please document, showing all calculations, the derivation of the monthly kWhs for all months in the 2010 test year.

##### **20. Ref: E3/T2/S2 – Load Forecast**

For each customer class:

- a) Please provide a detailed explanation outlining how the “% daily kWh/HDD” and “% daily kWh/CDD” are calculated.
- b) Please explain the significance of this percentage.

##### **21. Ref: E3/T2/S2 – Load Forecast**

Please identify the source from which West Perth obtained the five year average HDD and CDD.

##### **22. Ref: E3/T2/S2 – Load Forecast**

West Perth has stated that the projected growth in 2010 for the General Service > 50 kW class is 2%.

Please explain the derivation of the 2%.

##### **23. Ref: E3/T2/S2 – Load Forecast**

West Perth identifies the IESO 18 month outlook as of May 2010 as 1.3%.

Please explain how this was used in determining West Perth’s load forecast.

##### **24. Ref: E3/T2/S2 – Load Forecast**

West Perth’s kW load for 2008 and 2010 are 103,559 and 91,651 respectively.

Please provide the major drivers of the 11.5% decrease in load from 2008 to 2010.



**25. Ref: E3/T3/S4/P2 – Unmetered Scattered Load (USL)**

In the Board's 2006 Cost of Service Decision for West Perth, the Board stated the following:

"... West Perth Power has based its unmetered scattered load rate on a kilowatt billing determinant, in contrast to other distributors which use a kilowatt-hour billing determinant. The Board will accept the kilowatt billing determinant for determining 2006 rates but is concerned that this practice represents an unnecessary inconsistency in the application of rates among distributors. The Board seeks to minimize such inconsistencies, and therefore directs West Perth Power to structure an unmetered scattered load rate based on a kilowatt-hour billing determinant for its next rate application."

In West Perth's current application, rates for the USL class are based on kilowatts. Please provide an equivalent kilowatt-hour billing determinant for this application and update the relevant schedules to ensure that USLs rates are based on this.

**26. 18. Ref: E3/T2/S2 – Residential Customer Forecast**

E3/T2/S2/Table 1 shows a forecasted residential customer count of 1797 for the 2010 test year. E3/T2/S2/Figure 4 shows a graph of customer count against a linear regression model. The model is above the 2010 data point. Please provide the derivation of the forecasted residential customer count for 2010, showing all calculations.

**27. 19. Ref: E3/T2/S2 – Residential Average Consumption**

W3/T2/S2/Table shows the average monthly consumption per residential customer, ranging from 728 kWh/month for 2007, 734 kWh/month for 2008, to 722 kWh/month for each of the 2009 and 2010 test years.

- a) Board staff assesses these numbers as the annual weather-adjusted kWh shown in Tables 1 and 2, divided by the number of customers in the year multiplied by 12 months. Please confirm if this is the methodology used. In the alternative, please explain the derivation of the average kWh monthly consumption, showing all calculations.
- b) Please provide any documentation or data that West Perth is aware of supporting reductions in average consumption.

## **28. Ref: E3/T2/S4 – Actual and Projected Customer Count**

West Perth states:

2009 Bridge Year

Comparison to Fiscal 2008 Actual

West Perth has experienced an increase of 19 customers in the 2009 counts as well. The residential class is forecast to increase 17 customers, the GS < 50 class is to add 42 customers and the GS > 50 class is contributing no additional customers.

E3/T2/S2/page 4 shows an increase in the GS < 50 kW class of 2 customers for 2009 relative to 2008. Please confirm that 2009 increase is 2 and not 42 per the above quote.

### ***Operating Revenues***

#### **29. E3/T3/S4 – Distribution Revenue**

- a) In the tables shown for each year, the right-most column is labelled as “Unit Revenues \$/kWh”. Distribution revenues are recovered based on a fixed monthly service charge and a volumetric rate per kWh or per kW of consumption/demand. The numbers shown in the right-most column do not appear to correspond to West Perth’s Board-approved volumetric rates (or proposed rates for 2010) for each year. Please explain the unit revenues per kWh shown and the purpose of this.
- b) On page 2, the label for 2008 is “2008 Actual – Normalized”, while 2006 and 2007 Actuals are provided on page 1. Please explain what is meant by “2008 Actual – Normalized” and what is the purpose of presenting this data.
- c) Please update the tables showing 2008 Actual and 2009 Actual.

#### **30. E3/T3/S1 – Other Distribution Revenues**

- a) Please explain the increase in Retail Services Revenues from \$0 for 2006 Board-approved and \$304 for 2006 Actuals to over \$5,000 for each of 2007 and 2008 actual, 2009 Bridge and 2010 Test years.
- b) Please explain the year-over-year variances for Other Utility Operating Income, which is \$0 in 2006, \$7935 in 2007, \$2380 in 2008 and is forecast for \$0 in the 2009 Bridge and 2010 Test Years.

- c) Please explain the year-over-year variances in Other Electric Revenues, from \$0 in 2006, \$19,525 in 2007, \$0 in 2008, and around \$17,000 per year for each of the 2009 Bridge and 2010 Test years.
- d) Please provide an explanation of and detailed derivation of Miscellaneous Service Revenues, which vary from \$2,688 Board-approved to over \$40,000 for each of 2006, 2007 and 2008 actuals, and is forecast to increase to over \$57,000 for 2009 Bridge and over \$59,000 for the 2010 Test Year.
- e) Please update the table shown in E3/T3/S1 adding in 2009 actuals.

**Exhibit 4 – Operating Expenses**

**OM&A**

31. Ref: [http://www.oeb.gov.on.ca/OEB/\\_Documents/EB-2006-0268/Comparison\\_of\\_Distributors\\_with\\_2007\\_data.xls](http://www.oeb.gov.on.ca/OEB/_Documents/EB-2006-0268/Comparison_of_Distributors_with_2007_data.xls)

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements (“RRR”) initiative of the OEB. The figures are available on the OEB’s public website.

**Table 1**

|  | 2003              | 2004              | 2005              |
|--|-------------------|-------------------|-------------------|
| <b>Operation</b>                           | \$79,979          | \$138,385         | \$51,257          |
| <b>Maintenance</b>                         | \$86,137          | \$132,328         | \$51,547          |
| <b>Billing and Collection</b>              | \$155,442         | \$186,508         | \$67,420          |
| <b>Community Relations</b>                 | \$528             | \$0               | \$2,442           |
| <b>Administrative and General Expenses</b> | \$223,290         | \$34,233          | \$254,404         |
| <b>Total OM&amp;A Expenses</b>             | <b>\$ 545,376</b> | <b>\$ 491,454</b> | <b>\$ 427,070</b> |

Please confirm that West Perth is in agreement with the numbers for Total OM&A Expenses that are summarized in Table 1. If West Perth does not agree with any figures in the table, please explain why not and provide amended tables with a full explanation of all changes.

**32. Ref: E4/T1/S2/P1 – Operating Costs**

Board staff took the figures from the evidence provided in Exhibit 4 of the application and prepared Tables 2 and 3 below as a summary of West Perth’s OM&A expenses. Note that rounding differences may occur, but are not material to the questions that follow.

**Table 2**

|                                     | 2006 Board Approved | 2006 Actual      | 2007 Actual      | 2008 Actual      | 2009 Bridge Year | 2010 Test        |
|-------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
| Operation                           | \$138,357           | \$189,171        | \$155,933        | \$93,952         | \$123,327        | \$127,013        |
| Maintenance                         | \$132,328           | \$105,319        | \$199,234        | \$137,727        | \$102,872        | \$73,361         |
| Billing and Collection              | \$186,507           | \$185,274        | \$176,543        | \$219,695        | \$176,420        | \$202,594        |
| Community Relations                 | \$0                 | \$5,812          | \$0              | \$0              | \$2,912          | \$3,000          |
| Administrative and General Expenses | \$106,724           | \$67,116         | \$5,935          | \$155,210        | \$262,330        | \$395,236        |
| <b>Total OM&amp;A Expenses</b>      | <b>\$563,916</b>    | <b>\$552,692</b> | <b>\$537,645</b> | <b>\$606,584</b> | <b>\$667,861</b> | <b>\$801,204</b> |

**Table 3**

**West Perth Power Inc.**

|                                     | 2006 Board Approved | Variance 2006/2006 | 2006 Actual    | Variance 2007/2006 | 2007 Actual    | Variance 2008/2007 | 2008 Actual    | Variance 2009/2008 | 2009 Bridge    | Variance 2010/2009 | 2010 Test      | Variance 2010/2006 |
|-------------------------------------|---------------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| Operation                           | 138,357             | 50,814             | 189,171        | -33,238            | 155,933        | -61,981            | 93,952         | 29,375             | 123,327        | 3,686              | 127,013        | -62,158            |
|                                     |                     | 36.7%              |                | -17.6%             |                | -39.7%             |                | 31.3%              |                | 3.0%               |                | -32.9%             |
| Maintenance                         | 132,328             | -27,009            | 105,319        | 93,915             | 199,234        | -61,507            | 137,727        | -34,855            | 102,872        | -29,511            | 73,361         | -31,958            |
|                                     |                     | -20.4%             |                | 89.2%              |                | -30.9%             |                | -25.3%             |                | -28.7%             |                | -30.3%             |
| Billing & Collections               | 186,507             | -1,233             | 185,274        | -8,731             | 176,543        | 43,152             | 219,695        | -43,275            | 176,420        | 26,174             | 202,594        | 17,320             |
|                                     |                     | -0.7%              |                | -4.7%              |                | 24.4%              |                | -19.7%             |                | 14.8%              |                | 9.3%               |
| Community Relations                 | 0                   | 5,812              | 5,812          | -5,812             | 0              | 0                  | 0              | 2,912              | 2,912          | 88                 | 3,000          | -2,812             |
|                                     |                     | N/A                |                | -100.0%            |                | N/A                |                | N/A                |                | 3.0%               |                | -48.4%             |
| Administrative and General Expenses | 106,724             | -39,608            | 67,116         | -61,181            | 5,935          | 149,275            | 155,210        | 107,120            | 262,330        | 132,906            | 395,236        | 328,120            |
|                                     |                     | -37.1%             |                | -91.2%             |                | 2515.2%            |                | 69.0%              |                | 50.7%              |                | 488.9%             |
| <b>Total OM&amp;A Expenses</b>      | <b>563,916</b>      | <b>-11,224</b>     | <b>552,692</b> | <b>-15,047</b>     | <b>537,645</b> | <b>68,939</b>      | <b>606,584</b> | <b>61,277</b>      | <b>667,861</b> | <b>133,343</b>     | <b>801,204</b> | <b>248,512</b>     |
|                                     |                     | -1.99%             |                | -2.72%             |                | 12.82%             |                | 10.10%             |                | 19.97%             |                | 45.0%              |

- Please confirm that West Perth agrees with the figures presented in Table 2 and Table 3. If West Perth does not agree with any figures in the table please explain why not and provide amended tables with a full explanation of all changes.
- Please update the table to reflect 2009 Actuals.
- In E4/T2/S2/P8 West Perth has provided a cost driver table. However, the categories chosen are extremely high-level. Please complete Table 4 by identifying and listing the key cost drivers that are contributing to the overall increase of 45.0% in total 2010 OM&A expenses over 2006 historical actuals. Please add additional rows to Table 4 if there are more than four cost drivers. Some examples of specific cost drivers include items such as X% increase in staff compensation, hiring x staff, X% increase in cost of contractors, X% increase in inflation, etc.

For each year, a detailed explanation is required for each cost driver and associated amount.

**Table 4**

| OM&A            | 2006 Actual | 2007 Actual | 2008 Actual | 2009 Bridge | 2010 Test Year |
|-----------------|-------------|-------------|-------------|-------------|----------------|
| Opening Balance | 563,916     | 552,692     | 537,645     | 606,584     | 667,816        |
| Cost Driver #1  |             |             |             |             |                |
| Cost Driver #2  |             |             |             |             |                |
| Cost Driver #3  |             |             |             |             |                |
| Cost Driver #4  |             |             |             |             |                |
| Etc....         |             |             |             |             |                |
| Closing Balance | 552,692     | 537,645     | 606,584     | 667,816     | 801,204        |



- e) The increases from 2006 to 2010 appear to be largely concentrated in increases in Administrative and General Expenses. West Perth provides a general discussion of cost drivers for OM&A in E4/T2/S2, although the information is provided by different categories than the account categories shown in table XX above. Please provide a detailed description of the increases in Administrative and General Expenses for the 2008, 2009 bridge and 2010 test years.
- f) Please provide an explanation for the following variances in Table 6.

**Table 6**

| Account | Account Description                            | 2006 Actual | 2010 Test  | Variance   | Explanation |
|---------|--|-------------|------------|------------|-------------|
| 5005    | Operation Supervision and Engineering          | \$ 1,676    | \$ 6,988   | \$ 5,312   |             |
| 5065    | Meter Expense                                  | \$ 18,033   | \$ 33,535  | \$ 15,502  |             |
| 5085    | Miscellaneous Distribution Expense             | \$ 77,564   | \$ 69,417  | \$ -8,146  |             |
| 5096    | Other Rent                                     | \$ 86,505   | \$ -       | \$ -86,505 |             |
| 5114    | Maintenance of Distribution Station Equipment  | \$ 9,560    | \$ 12,568  | \$ 3,008   |             |
| 5120    | Maintenance of Poles, Towers and Fixtures      | \$ 4,313    | \$ 11,431  | \$ 7,118   |             |
| 5125    | Maintenance of Overhead Conductors and Devices | \$ 15,260   | \$ 11,390  | \$ -3,870  |             |
| 5130    | Maintenance of Overhead Services               | \$ 17,533   | \$ 7,468   | \$ -10,065 |             |
| 5155    | Maintenance of Underground Services            | \$ 20,725   | \$ 12,781  | \$ -7,944  |             |
| 5160    | Maintenance of Line Transformers               | \$ 13,414   | \$ 2,317   | \$ -11,097 |             |
| 6105    | Taxes other than Income Taxes                  | \$ 4,168    | \$ 391     | \$ -3,777  |             |
| 5310    | Meter Reading Expense                          | \$ 40,966   | \$ 31,391  | \$ -9,574  |             |
| 5315    | Customer Billing                               | \$ 111,246  | \$ 125,179 | \$ 13,934  |             |
| 5320    | Collecting                                     | \$ 446      | \$ 10,013  | \$ 9,567   |             |
| 5335    | Bad Debt Expense                               | \$ 23,535   | \$ 13,444  | \$ -10,091 |             |
| 5340    | Miscellaneous Customer Accounts Expenses       | \$ 9,627    | \$ 22,566  | \$ 12,939  |             |
| 5415    | Energy Conservation                            | \$ 5,276    | \$ -       | \$ -5,276  |             |
| 5605    | Executive Salaries and Expenses                | \$ 136      | \$ 90,570  | \$ 90,434  |             |
| 5610    | Management Salaries and Expenses               | \$ 2,832    | \$ 17,089  | \$ 19,922  |             |
| 5615    | General Administrative Salaries and Expenses   | \$ 404      | \$ 35,006  | \$ 34,602  |             |
| 5620    | Office Supplies and Expenses                   | \$ 4,564    | \$ 30,340  | \$ 25,777  |             |
| 5630    | Outside Services Employed                      | \$ 268      | \$ 128,520 | \$ 128,252 |             |
| 5635    | Property Insurance                             | \$ 1        | \$ 2,200   | \$ 2,201   |             |
| 5675    | Maintenance of General Plant                   | \$ 339      | \$ 33,000  | \$ 32,661  |             |

### 33. Ref: E4/T2/S2/P8 – Cost Drivers

West Perth has provided the following table identifying key cost drivers from 2006 to 2010 test year.

|                  | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Opening Balances | \$ 563,934.88        | \$ 552,691.16        | \$ 537,643.71        | \$ 606,584.54        | \$ 719,903.73        |
| Labour           | \$ 14,098.37         | \$ 13,817.28         | \$ 13,441.09         | \$ 60,164.61         | \$ 51,702.92         |
| Materials        | \$ 5,889.79          | \$ 7,103.33          | \$ 4,633.58          | \$ 4,523.98          | \$ 4,007.48          |
| Outside Services |                      |                      | \$ 41,635.66         | \$ 18,885.33         | \$ 67,999.01         |
| Office supplies  |                      |                      |                      | \$ 29,745.27         | \$ 594.91            |
| Other            | \$ (31,231.88)       | \$ (35,968.05)       | \$ 9,230.49          | \$ -                 | \$ (43,004.10)       |
| <b>Total</b>     | <b>\$ 552,691.16</b> | <b>\$ 537,643.71</b> | <b>\$ 606,584.54</b> | <b>\$ 719,903.73</b> | <b>\$ 801,203.95</b> |

For each of the years in the table above, please provide a listing and explanation for the costs that are accounted for in the "other" category.

**34. Ref: E4/T2/S2/P8 – Economic Assumptions for Increases to OM&A**

Please identify the inflation rate used for the 2010 OM&A forecast and the source document for the inflation assumptions.

**35. Ref: E4/T2/S2/P8 – Water and Sewer Services**

West Perth stated that, "In November 2008 WPPI ceased operations of the Water and Sewer department for the Municipality of West Perth. This initially increased overheads for WPPI in 2009."

- a) Please identify the services performed for the Municipality of West Perth.
- b) Please identify the dollar amounts of any revenues received from the Town of Mitchell for these services.
- c) Please identify the OM&A amount (\$) related to servicing the water billing business for the Municipality of West Perth for 2006, 2007 and 2008.
- d) With the cessation of the provisions of these services, please identify the new tasks that the designated employees will be assigned to.
- e) Please identify the OM&A increase (\$) due to the change in West Perth's 2010 capital program.
- f) Please identify what capital projects were put on hold from 2006 to 2008 due to operation of the water and sewer department for the Municipality of West Perth.
- g) Please explain why the cessation caused an initial increase in overheads for West Perth in 2009.

**36. Ref: E4/T2/S5/P1 – Purchase of Products and Services from Non-Affiliates**

From 2006 through 2010, please identify the portion of total OM&A expenses that is related to contracted services.

- a) For each of the years, 2006 through 2010 please identify the selection process for the contracted services.
- b) For each contracted service, please identify the year in which the selection process was used to select a particular contractor.
- c) Please provide examples of contracted services for the period of 2006 through 2010 in which West Perth negotiated cost savings or will contemplate to achieve costs savings.
- d) Regarding contracted services, please provide evidence, if any that demonstrates that West Perth has implanted cost efficiency initiatives or it is contemplating to undertake initiatives that help West Perth achieve savings at some future time.



**37. Ref: E4/T2/S3/P1 – Employee Compensation**

Please complete Table 7 below and provide explanations and justifications for year over year variances (include month hired for newly hired employees, inflation rates, collective agreement rates, etc);

*Note:* Where there are three or fewer employees in any category, the applicant may aggregate this category with the category to which it is most closely related. This higher level of aggregation may be continued, if required, to ensure that no category contains three or fewer employees.

**Table 7**

|   | Last Rebasing Year | Historical Year (Bridge Year -1) | Bridge Year | Test Year |
|---|--------------------|----------------------------------|-------------|-----------|
| <b>Number of Employees (FTEs including Part-Time)</b>     |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Number of Part-Time Employees</b>                      |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Total Salary and Wages</b>                             |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Total Benefits</b>                                     |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Total Compensation (Salary, Wages, &amp; Benefits)</b> |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Compensation - Average Yearly Base Wages</b>           |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Compensation - Average Yearly Overtime</b>             |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Compensation - Average Yearly Incentive Pay</b>        |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Compensation - Average Yearly Benefits</b>             |                    |                                  |             |           |
| Executive   |                    |                                  |             |           |
| Management  |                    |                                  |             |           |
| Non-Union   |                    |                                  |             |           |
| Union   |                    |                                  |             |           |
| Total   |                    |                                  |             |           |
| <b>Total Compensation</b>                                 |                    |                                  |             |           |
| <b>Total Compensation Charged to OM&amp;A</b>             |                    |                                  |             |           |
| <b>Total Compensation Capitalized</b>                     |                    |                                  |             |           |

**38. Ref: E1/T2/S1/P7 – Capitalization Policy**

West Perth states that it continues to expand and reinforce its distribution system.

- a) Please confirm that West Perth has not made changes to the company's accounting policies in respect of capitalization of operation expenses and/or has not made any changes to accounting estimates used in the allocation of costs between operations and capital expenses post fiscal year end 2004. If any accounting policy changes or any significant changes in accounting estimates have been made post 2004 fiscal year end, please explain the changes including the rationale. Provide all supporting documentation and a discussion highlighting the impact of the changes.
- b) Please explain West Perth's capitalization policy.

**39. Ref: E4/T2/S2/P6 – Account 5655 - Regulatory Costs**

West Perth has stated that it has increased account 5655 – Regulatory Expenses by \$43,000 for 2010 rate year and the following three years to cover the cost of the 2010 Cost of Service rate application and additional increased regulatory costs and workload related amendments to the Distribution System Code, Conditions of Service and other new compliance requirements.

- a) The total for 2010 and three years of IRM adjustments is \$172,000 (\$43,000 x 4). Please provide a breakout of the estimated regulatory expenses between: i) the 2010 Cost of Service Application; ii) Distribution System Code amendments; iii) Conditions of Service; and iv) other new compliance requirements.
- b) Please identify what aspects of reviewing and/or revising its Conditions of Service is driving forecasted increases in regulatory expenses.
- c) Please identify what "other new compliance requirements" West Perth is referring to driving, in part, increased regulatory expenses
- d) Please complete Table 8 below.

**Table 8: Regulatory Cost Schedule**

| <b>Regulatory Cost Category</b>                  | <b>USoA Account</b> | <b>USoA Account Balance</b> | <b>Ongoing or One-time Cost?</b> | <b>2006 Actual</b> | <b>2007 Actual</b> | <b>2008 Bridge Year</b> | <b>% Change in bridge year vs. last year of actuals</b> | <b>2009 Test Year</b> | <b>% Change in Test Year vs. Bridge Year</b> |
|--|---------------------|-----------------------------|----------------------------------|--------------------|--------------------|-------------------------|---|-----------------------|--|
| 1. OEB Annual Assessment                         |                     |                             |                                  |                    |                    |                         |   |                       |  |
| 2. OEB Hearing Assessments (applicant initiated) |                     |                             |                                  |                    |                    |                         |   |                       |  |
| 3. OEB Section 30 Costs (OEB initiated)          |                     |                             |                                  |                    |                    |                         |   |                       |  |
| 4. Expert Witness cost for regulatory matters    |                     |                             |                                  |                    |                    |                         |   |                       |  |
| 5. Legal costs for regulatory matters            |                     |                             |                                  |                    |                    |                         |   |                       |  |
| 6. Consultants costs for regulatory matters      |                     |                             |                                  |                    |                    |                         |   |                       |  |
| <b>Regulatory Cost Category</b>                  | <b>USoA Account</b> | <b>USoA Account Balance</b> | <b>Ongoing or One-time Cost?</b> | <b>2006 Actual</b> | <b>2007 Actual</b> | <b>2008 Bridge Year</b> | <b>% Change in bridge year vs. last year of actuals</b> | <b>2009 Test Year</b> | <b>% Change in Test Year vs. Bridge Year</b> |

|   |  |  |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|--|--|
| 7. Operating expenses associated with staff resources allocated to regulatory matters                                 |  |  |  |  |  |  |  |  |  |
| 8. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources) |  |  |  |  |  |  |  |  |  |
| 9. Other regulatory agency fees or assessments  |  |  |  |  |  |  |  |  |  |
| 10. Any other costs for regulatory matters (please define)  |  |  |  |  |  |  |  |  |  |
| 11. Intervenor Costs  |  |  |  |  |  |  |  |  |  |

**40. Ref: E4/T2/S2/P6 – OM&A Cost per Customer and FTEE**

To better understand the overall costs of operations and related trends, Board staff would like expenses standardized to cost per customers, and cost per full time employee and equivalent (“FTEE”). Please complete the following table.

**Table 9**

|                          | 2006<br>Actual | 2007<br>Actual | 2008<br>Actual | 2009 Bridge<br>Year | 2010 Test<br>Year |
|--------------------------|----------------|----------------|----------------|---------------------|-------------------|
| Number of Customers      |                |                |                |                     |                   |
| Total OMA                |                |                |                |                     |                   |
| OMA cost per<br>Customer |                |                |                |                     |                   |
| Number of FTEEs          |                |                |                |                     |                   |
| FTEEs/Customer           |                |                |                |                     |                   |
| OMA cost per FTEE        |                |                |                |                     |                   |

**41. Corporate Cost Allocation**

Corporate Cost Allocation is defined as an allocation of costs for corporate and miscellaneous shared services from the parent company to the utility (and vice versa). This is not to be confused with the allocation of the revenue requirement to rate classes for the purposes of rate design.

Note: The applicant must identify any Board of Director related costs for affiliates that are included in its costs.

- a) For each year, from 2006 to 2010, please complete Table 10 below. (Additional rows may be added if required)
- b) Please provide a variance explanation for each of the following:
  - i Test Year vs. Last Board Approved Rebasing Application; and
  - ii Test Year vs. Most Current Actuals.

**Table 10** YEAR \_\_\_\_\_

| Name of Company |    | Service Offered | Pricing Methodology | Price for the Service (\$) | Cost for the Service (\$) | % Allocation |
|-----------------|----|-----------------|---------------------|----------------------------|---------------------------|--------------|
| From            | To |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |
|                 |    |                 |                     |                            |                           |              |

**42. Ref: E4/T2/S2 – Billing and Collections**

While Clinton Power’s application documents its Billing and Collection services being handled by a service provider, Ecaliber, West Perth’s application suggests that West Perth provides its Billing and Collection services in-house. Only meter reading services are provided by a non-affiliated third party.

- a) Please confirm that West Perth’s billing and collection services are provided in-house.
- b) If West Perth’s billing and collection services are provided in whole or part under a service contract with a service provider, please provide a detailed description of the arrangement, the services provided, when this arrangement was established and the annual contract payments paid or to be paid for all historical years and the 2009 Bridge and 2010 Test years.
- c) If the service provider is affiliated with West Perth, please identify how the pricing of services is determined. Please confirm that the pricing of services complies with the Affiliate Relationships Code, and explain how compliance with ARC is achieved.

**43. Ref: E4/T2/S2 – One Time Costs**

Please identify all one-time costs included in the 2010 test year OM&A forecast.

***Depreciation Expense***

**44. Ref: E2/T2/S4 and E4/T2/S5 – Depreciation Expense**

Board staff has prepared the table comparing the depreciation expense for each year as shown in E4/T2/S5 compared to that shown in E2/T2/S4, where the depreciation expense, allowing for adjustments or retirements, is the difference between opening and closing accumulated depreciation expenses.

The tables correspond, with the exception of 2006 Actuals. Please reconcile E2/T2/S4 and E4/T2/S5 with respect to 2006 Actuals.



|                           | 2006                                |   |                    |                         | 2007                                |   |                    |                         | 2008                                |   |                    |                         | 2009 Bridge Year                    |   |                    |                         | 2010 Test Year                      |   |                    |                         |                    |                    |                    |                    |      |
|---------------------------|-------------------------------------|---|--------------------|-------------------------|-------------------------------------|---|--------------------|-------------------------|-------------------------------------|---|--------------------|-------------------------|-------------------------------------|---|--------------------|-------------------------|-------------------------------------|---|--------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|------|
|                           | E4/T2/S5<br>Depreciation<br>Expense | E2/T2/S4<br>Accumulated<br>Depreciation |                    | Depreciation<br>Expense | E4/T2/S5<br>Depreciation<br>Expense | E2/T2/S4<br>Accumulated<br>Depreciation |                    | Depreciation<br>Expense | E4/T2/S5<br>Depreciation<br>Expense | E2/T2/S4<br>Accumulated<br>Depreciation |                    | Depreciation<br>Expense | E4/T2/S5<br>Depreciation<br>Expense | E2/T2/S4<br>Accumulated<br>Depreciation |                    | Depreciation<br>Expense | E4/T2/S5<br>Depreciation<br>Expense | E2/T2/S4<br>Accumulated<br>Depreciation |                    | Depreciation<br>Expense |                    |                    |                    |                    |      |
|                           |                                     | Opening<br>Balance                      | Closing<br>Balance |                         |                                     | Net                                     | Opening<br>Balance |                         |                                     | Closing<br>Balance                      | Net                |                         |                                     | Opening<br>Balance                      | Closing<br>Balance |                         |                                     | Net                                     | Opening<br>Balance |                         | Closing<br>Balance | Net                | Opening<br>Balance | Closing<br>Balance | Net  |
|                           |                                     |   |                    |                         |                                     |   |                    |                         |                                     |   |                    |                         |                                     |   |                    |                         |                                     |   |                    |                         |                    |                    |                    |                    |      |
| Land and Buildings        | \$ -                                | \$ -                                    | \$ 1,408           | \$ 1,408                | \$ 1,408.00                         | \$ -                                    | \$ 1,408           | \$ 2,816                | \$ 1,408                            | \$ 1,408.00                             | \$ -               | \$ 2,816                | \$ 4,224                            | \$ 1,408                                | \$ 1,408.00        | \$ -                    | \$ 4,224                            | \$ 5,632                                | \$ 1,408           | \$ 1,491.33             | \$ -               | \$ 5,632           | \$ 7,123           | \$ 1,491           |      |
| TS Primary Above 50       | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -               | \$ -               | \$ -               | \$ -               | \$ - |
| DS                        | \$ 1,644.00                         | -\$ 39,117                              | -\$ 71,300         | -\$ 32,183              | \$ 1,981.50                         | -\$ 71,300                              | -\$ 73,282         | -\$ 1,982               | \$ 21.46                            | -\$ 73,282                              | -\$ 73,303         | -\$ 21                  | \$ 42.92                            | -\$ 73,303                              | -\$ 73,346         | -\$ 43                  | \$ 42.92                            | -\$ 73,346                              | -\$ 73,389         | -\$ 43                  | \$ 42.92           | -\$ 73,346         | -\$ 73,389         | -\$ 43             |      |
| Poles and Wires           | \$ 97,829.95                        | -\$ 1,257,595                           | -\$ 1,351,373      | -\$ 93,778              | \$ 98,226.64                        | -\$ 1,351,373                           | -\$ 1,449,599      | -\$ 98,226              | \$ 102,803.78                       | -\$ 1,449,599                           | -\$ 1,552,402      | -\$ 102,803             | \$ 105,908.00                       | -\$ 1,552,402                           | -\$ 1,658,310      | -\$ 105,908             | \$ 109,145.12                       | -\$ 1,658,310                           | -\$ 1,767,454      | -\$ 109,144             | \$ 109,145.12      | -\$ 1,658,310      | -\$ 1,767,454      | -\$ 109,144        |      |
| Line Transformers         | \$ 47,420.05                        | -\$ 541,654                             | -\$ 644,410        | -\$ 102,756             | \$ 49,279.57                        | -\$ 644,410                             | -\$ 693,690        | -\$ 49,280              | \$ 47,826.46                        | -\$ 693,690                             | -\$ 741,516        | -\$ 47,826              | \$ 52,282.96                        | -\$ 741,516                             | -\$ 793,799        | -\$ 52,283              | \$ 61,109.20                        | -\$ 793,799                             | -\$ 854,908        | -\$ 61,109              | \$ 61,109.20       | -\$ 793,799        | -\$ 854,908        | -\$ 61,109         |      |
| Services and Meters       | \$ 12,304.22                        | -\$ 175,656                             | -\$ 184,989        | -\$ 9,333               | \$ 16,620.30                        | -\$ 184,989                             | -\$ 201,609        | -\$ 16,620              | \$ 23,457.55                        | -\$ 201,609                             | -\$ 225,067        | -\$ 23,458              | \$ 28,512.43                        | -\$ 225,067                             | -\$ 253,580        | -\$ 28,513              | \$ 34,656.59                        | -\$ 253,580                             | -\$ 288,237        | -\$ 34,657              | \$ 34,656.59       | -\$ 253,580        | -\$ 288,237        | -\$ 34,657         |      |
| General Plant             | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -                                | \$ -                                    | \$ -               | \$ -                    | \$ -               | \$ -               | \$ -               | \$ -               | \$ - |
| IT Assets                 | \$ 23,767.19                        | -\$ 39,547                              | -\$ 108,535        | -\$ 68,988              | \$ 28,898.00                        | -\$ 108,535                             | -\$ 137,433        | -\$ 28,898              | \$ -                                | -\$ 137,433                             | -\$ 137,433        | \$ -                    | \$ -                                | -\$ 137,433                             | -\$ 137,433        | \$ -                    | \$ 200.00                           | -\$ 137,433                             | -\$ 137,633        | -\$ 200                 | \$ 200.00          | -\$ 137,433        | -\$ 137,633        | -\$ 200            |      |
| Equipment                 | \$ 4,618.89                         | -\$ 41,930                              | -\$ 82,909         | -\$ 40,979              | \$ 14,769.57                        | -\$ 82,909                              | -\$ 97,679         | -\$ 14,770              | \$ 7,523.76                         | -\$ 97,679                              | -\$ 105,203        | -\$ 7,524               | \$ 20,242.82                        | -\$ 105,203                             | -\$ 125,446        | -\$ 20,243              | \$ 39,650.37                        | -\$ 125,446                             | -\$ 165,096        | -\$ 39,650              | \$ 39,650.37       | -\$ 125,446        | -\$ 165,096        | -\$ 39,650         |      |
| Other Distribution Assets | -\$ 1,033.00                        | \$ 17,154                               | \$ 23,059          | \$ 5,905                | -\$ 9,319.16                        | \$ 23,059                               | \$ 32,378          | \$ 9,319                | -\$ 10,311.53                       | \$ 32,378                               | \$ 42,690          | \$ 10,312               | -\$ 11,303.90                       | \$ 42,690                               | \$ 53,994          | \$ 11,304               | -\$ 11,303.90                       | \$ 53,994                               | \$ 65,298          | \$ 11,304               | -\$ 11,303.90      | \$ 53,994          | \$ 65,298          | \$ 11,304          |      |
| <b>Total</b>              | <b>-\$ 186,551</b>                  |   | <b>-\$ 343,520</b> | <b>-\$ 201,864</b>      |                                     | <b>-\$ 201,865</b>                      | <b>-\$ 172,729</b> | <b>-\$ 197,093</b>      |                                     | <b>-\$ 172,728</b>                      | <b>-\$ 197,093</b> |                         | <b>-\$ 197,094</b>                  | <b>-\$ 197,094</b>                      | <b>-\$ 234,992</b> | <b>-\$ 234,992</b>      |                                     | <b>-\$ 234,992</b>                      |                    | <b>-\$ 234,992</b>      |                    | <b>-\$ 234,990</b> |                    | <b>-\$ 234,990</b> |      |

## **Loss Factors**

### **45. Ref: E4/T2/S6 and E4/T2/S7 – Loss Factors**

In E4/T2/S6, West Perth shows calculations to derive a distribution loss factor of 2.52%, and a corresponding Total Loss Factor of 3.14% for a secondary metered customer < 5000 kW. The calculation is based on data for 2005, 2007, 2008 and 2009. West Perth states that 2006 should be omitted due to “irregular sales quantities” in that year. In E4/T2/S7, West Perth states that the proposed loss factor is 2% above the OEB threshold of 5%, and that a 6.99% loss factor is not unreasonable given the size and vintage of its system.

- a) Please provide further explanation of the “irregular sales quantities” documented in 2006.
- b) Please confirm what are the Distribution and Total Loss Factors that West Perth is proposing in this application for the test year.
- c) If West Perth is proposing a Total Loss Factor above 6.99%:
  - i. Please provide a detailed derivation of the proposed loss factor. If possible, provide calculations in working Microsoft Excel spreadsheet format.
  - ii. Operating expenses documented elsewhere in Exhibit 4 show that Operations and Maintenance category expenses are relatively stable from 2006 to 2010. Please provide further explanation of capital and operating projects undertaken or planned by West Perth to reduce losses to less than 5%.
  - iii. Please describe any steps that are contemplated to decrease the loss factor during the test year (2010) and/or during a longer planning period.

### **46. Ref: E4/T2/S6/P1 – Loss Factor**

- a) Appendix 2-Q of the Board’s filing requirements for Distribution and Transmission Applications requests information pertaining to the determination of loss factors. Please provide the values for A1 and A2 as defined in the filing requirements.
- b) In order to enable selection of the correct SFLF, please clarify whether West Perth is:
  - Directly connected to the IESO controlled grid, or
  - Fully embedded in the Hydro One Networks Inc. (HONI) distribution system, or
  - Partially embedded in the HONI distribution system.

- c) Using the answer provided in the previous question and in light of the information provided below, please explain the reason for proposing a SFLF of 1.006 (i.e. losses of 0.6%, 1<sup>st</sup> reference) that is different from the industry standard.
- Directly connected; typically losses are 0.45% comprising losses in the transformer at the grid interface
  - Fully embedded; typically losses are 3.4% comprising losses of 0.6% in the transformer at the grid interface and losses of 2.78% within the HONI distribution system
  - Partially embedded, typically losses are a weighted average of the above.
- d) Please provide an explanation or rationale for proposing an average DLF of 1.0252 (years 2005, 2007, 2008, and 2009) rather than a lower factor such as the actual DLF for 2009 of 1.0121.

### **Taxes/PILs**

**47. Ref: E4/T3/S3 – CCA**

- a) For 2010, under Class 10.1 – Certain Automobiles, West Perth shows additions of \$280,000. Please confirm if these additions correspond to the bucket truck as documented under E2/T2/S3 and E2/T3/S1.
- b) If the bucket truck will not be delivered until 2011, as documented in E2/T3/S1, please explain how West Perth can claim CCA for the 2010 fiscal year.
- c) As appropriate, please update E4/T3/S3 to omit the \$280,000 for the bucket truck.

**48. Ref: E4/T3/S3 – Tax Schedules**

- a) Please provide Schedule 4 (Corporation Loss Continuity and Application) of West Perth's tax return for years 2001 to 2007.
- b) Please provide copies of West Perth's 2009 Tax Return including all schedules (both Ontario and Federal Returns).
- c) Please provide the Notice of Assessment, and Notice of Re-assessment (if applicable) for years 2001 to 2009.

**49. Ref: E4/T3/S3/P1 – PILs**

Why is West Perth applying non-capital losses from prior years to the 2010 test year, when the regulatory taxable income is already in a net loss position? (i.e.  $\$112,350 + \$234,992 - \$362,060 = -\$14,688$ )

**50. Ref: E4/T1/S2/P1 – LCT, OCT and Income taxes**

Please provide detailed explanations for the negative entries under LCT, OCT and Income Taxes for 2006 Actual, 2008 Actual, 2009 Bridge and 2010 Test years.

***Exhibit 5 – Cost of Capital***

**51. Ref: E5/T1/S1 – Capital Structure**

West Perth states:

West Perth Power has a deemed current capital structure of 46.67% debt, 53.33% equity, as approved by the Ontario Energy Board and a return on equity of 9.00%. West Perth Power is requesting Board approval of a deemed capital structure of 60% debt, 40% equity including an equity return of 9.85%.

- a) Please confirm that West Perth had distribution rates approved under the 2<sup>nd</sup> Generation Incentive Regulation Mechanism rate adjustment for 2008, under Board File No. EB-2007-0871, and for 2009, under Board File No. EB-2009-0255.
- b) Please confirm that the adjusted rates for 2008 and 2009 included adjustments for the K-factor to transition West Perth from the 50:50 deemed capital structure towards the common deemed capital structure.
- c) If the responses to a) and b) are in the affirmative, please explain why West Perth states that its current deemed capital structure is 50:50 and not 56.7% debt and 43.3% equity.

**52. Ref: E5/T1/S1 – Cost of Capital Parameters**

West Perth states that it is requesting a return on equity (“ROE”), deemed short-term debt rate and deemed long-term term debt rate of 9.85%, 2.07%, and 5.87% for its 2010 rates.

The percentages are taken from the Board’s letter of February 24, 2010, applying data for January 2010 per the methodology in the Board’s 2009 Cost of Capital Report, for rates

effective May 1, 2010. The methodology in the 2009 Cost of Capital Report states that the allowed cost of capital parameters will be based on information three months prior to the effective date for the rates.

If the Board were to approve an effective date different than July 1, 2010 as applied for, please confirm whether West Perth believes that the ROE, deemed short-term debt rate and deemed long-term term debt rate should be updated using economic data from the Bank of Canada, *Consensus Forecasts*, and Bloomberg LLP three months prior to the effective data, per the methodology documented in Appendix B, C, and D of the 2009 Cost of Capital Report.

**53. Ref: E5/T1/S1 and E5/T1/S2 – Capitalization**

Under “Cost of Debt” of E5/T1/S1, West Perth states:

West Perth Power’s debt is held by related 3rd parties and is therefore subject to the deemed return rates as summarized below.

|                         | <b>Debt Structure</b> | <b>Return %</b> |
|-------------------------|-----------------------|-----------------|
| <b>Long Term Debt</b>   | 56%                   | 5.87%           |
| <b>Short Term Debt</b>  | 4%                    | 2.07%           |
| <b>Weighted Average</b> | 60%                   | 5.62%           |

West Perth Power is aware that the deemed debt structure it is proposing in this application is significantly different than its actual debt equity structure of 40/60. West Perth Power notes that the deemed structure benefits the rate payer in terms of the lower rate of return, and that West Perth is undergoing an analysis of its debt structure in order to determine a plan to change its actual debt equity structure to more closely match its deemed for rate making purposes.

Under E5/T1/S2, West Perth documents a capitalization structure of close to 40% debt and 60% equity.

- a) Please explain what is the “Cost Rate” shown in E5/T1/S2.
- b) Please redo E5/T1/S2 showing West Perth’s capital structure and weighted average cost of capital for each of:
  - i. 2006 Board-approved;
  - ii. 2006 Actual;
  - iii. 2007 Actual;
  - iv. 2008 Actual;
  - v. 2009 Bridge Year;
  - vi. 2009 Actual; and
  - vii. 2010 Test Year.

Please display the information in the following format, Schedule 2-N of Chapter 2 of Filing Requirements for Transmission and Distribution Applications, issued June 29,

2010. Please file the tables in working Microsoft Excel format using the Excel template available on the Board’s website at [http://www.oeb.gov.on.ca/OEB/ Documents/Regulatory/filing\\_req\\_dist\\_trans\\_chapter2\\_Appendices\\_XLS.xls](http://www.oeb.gov.on.ca/OEB/Documents/Regulatory/filing_req_dist_trans_chapter2_Appendices_XLS.xls) .

**54. Ref: E5/T1/S1 and E5/T1/S2 – Long-Term Debt**

Under “Cost of Debt” of E5/T1/S1, West Perth states:

West Perth Power’s debt is held by related 3rd parties and is therefore subject to the deemed return rates as summarized below.

|                         | <b>Debt Structure</b> | <b>Return %</b> |
|-------------------------|-----------------------|-----------------|
| <b>Long Term Debt</b>   | 56%                   | 5.87%           |
| <b>Short Term Debt</b>  | 4%                    | 2.07%           |
| <b>Weighted Average</b> | 60%                   | 5.62%           |

- a) Please explain what is meant by “related 3<sup>rd</sup> parties”.
- b) Please file copies of West Perth’s executed debt instruments.
- c) Please identify if West Perth expects to incur new debt in the 2010 Test Year.
- d) Please provide a table documenting West Perth’s long-term debt for each of:
  - i. 2006 Board-approved;
  - ii. 2006 Actual;
  - iii. 2007 Actual;
  - iv. 2008 Actual;
  - v. 2009 Bridge Year;
  - vi. 2009 Actual; and
  - vii. 2010 Test Year.

For each instrument, show the principal, start date and maturity date, debt rate, interest expense in the year, and any transaction charges incurred.

- e) Please explain in detail what debt rate should apply to each of West Perth’s existing and forecasted debt instruments, in accordance with the guidelines documented in section 4.4.1 of the 2009 Cost of Capital Report. If West Perth is proposing treatment deviating from the guidelines, please explain and support West Perth’s proposed treatment.

**55. E5/T1/S1 – 2009 Cost of Capital Report**

If West Perth does not agree that the deemed short-term debt rate, long-term debt rate and ROE should be updated per the methodology in the 2009 Cost of Capital Report, please explain why.

**Exhibit 7 – Cost Allocation**

**56. Ref: E7/T1/S1 - Cost Allocation Methodology**

Given its inability to receive its load profile from Hydro One, West Perth decided to use Atikokan Hydro's load profile as it was the best fit with West Perth in terms of customer mix.

- a) Please confirm that customer mix was the only factor taken into consideration when choosing a load profile.
- b) Please comment on whether factors such as weather profile and appliance saturation were considered when selecting Atikokan's load profile in place of West Perth's own profile.

**57. Ref: E7/T1/S1 - Cost Allocation Methodology**

In order to test the validity of West Perth's cost allocation methodology,

- a) Please provide in live Excel format (i.e. not rolled-up format) an alternative run of the cost allocation model using the load profiles of Erie Thames Power.
- b) Please provide worksheets I8 and E2 from the cost allocation study submitted with the application and the alternative version submitted in response to part a), in a tabular format to enable a comparison of the two studies.

**58. Ref: Sheet I3 – Cost Allocation Model**

The table below identifies differences between the inputs entered into sheet I3 of the cost allocation model versus what was stated in the prior parts of the application.

|                                   | Sheet I3 of Cost Allocation Model | 2010 Cost of Service Application | Source      |
|-----------------------------------|-----------------------------------|----------------------------------|-------------|
| Proposed Target Net Income        | \$ 112,350                        | \$ 149,808                       | RRWF        |
| Proposed Specific Service Charges | \$ 95,894                         | \$ 59,064                        | E3/T1/S2/P1 |
| Proposed Revenue Requirement      | \$ 1,238,460                      | \$ 1,244,643                     | RRWF        |
| Proposed Rate Base                | \$ 3,112,207                      | \$ 2,851,534                     | E2/T1/S1/P1 |

- c) Please explain why the inputs into sheet I3 do not match the figures identified in the application or identify which one is correct.
- d) It appears that West Perth has included the cost of the transformer ownership allowance in its revenue requirement. The cost allocation filing guidelines instruct applicants not to include this cost. Please provide a rationale as to why this cost was included.
- e) Please update the model as necessary and submit it in live Excel format, ensuring that the revenue requirement does not include the transformer ownership allowance and that the revenue from each of the affected classes is calculated net of the transformer ownership allowance.

**59. Ref: Sheet O1 – Cost Allocation Model**

On Sheet O1, Total Revenues and Expenses equal \$1,138,087 and \$1,162,623 respectively. However, on page 4 of the revenue requirement work form total revenues and expense are stated as \$1,282,100 and \$1,132,292 respectively.

- a) Please identify the correct amounts for total revenues and total expenses.
- b) Please confirm whether the “Distribution Revenue” is calculated based on the proposed distribution rates and the forecast of billing quantities in the test year.
- c) If the answer to (c) is negative, please recalculate the revenue to cost ratios based on the steps mentioned in (c) and file the model in live Excel format.

**60. Ref: Sheet I7.1 – Cost Allocation Model**

- a) Please confirm that the number of meters for each class does not include smart meters.
- b) Is the cost of the predecessors of smart meters included in the cost allocation study?

***Exhibit 8 - Rate Design***

**61. Ref: E8/T1/S1 – Rate Design**

Please revise the table shown on page 1 of this exhibit showing the Smart Meter Funding Adder and the Low Voltage Rate Adder separate from the Monthly Service Charge.

**62. Ref: E8/T1/S1 – Rate Design**

Board staff has compiled the following table to compare West Perth’s current approved rates versus the proposed rates. For the existing rates, the Smart Meter Funding Adder of \$1.00 per month, for metered customer classes has been removed, although the LV recovery is still embedded in current rates but shown separately for proposed 2010 rates.



|  | Unit    | Existing<br>2009 | Proposed<br>2010 | Change<br>\$ | %        |
|--|---------|------------------|------------------|--------------|----------|
| <b>Residential</b>   |         |                  |                  |              |          |
| Service Charge   | monthly | \$ 11.37         | \$ 13.61         | \$ 2.2370    | 19.67%   |
| Distribution Volumetric Rate   | per kWh | \$ 0.0101        | \$ 0.0179        | \$ 0.0078    | 77.23%   |
| Smart Meter Funding Adder  | monthly | \$ 1.0000        | \$ 1.0000        | \$ -         | 0.00%    |
| Low Voltage Rate   | per kWh |                  | \$ 0.0012        | \$ 0.0012    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kWh |                  | -\$ 0.0008       | -\$ 0.0008   |          |
| Retail Transmission Rate – Network Service Rate                            | per kWh | \$ 0.0047        | \$ 0.0045        | -\$ 0.0002   | -4.26%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kWh | \$ 0.0080        | \$ 0.0041        | -\$ 0.0039   | -48.75%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge                               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |
| <b>General Service Less Than 50 kW</b>                                     |         |                  |                  |              |          |
| Service Charge   | monthly | \$ 9.86          | \$ 21.35         | \$ 11.4900   | 116.53%  |
| Distribution Volumetric Rate   | per kWh | \$ 0.0142        | \$ 0.0212        | \$ 0.0070    | 49.30%   |
| Smart Meter Funding Adder  | monthly | \$ 1.0000        | \$ 1.0000        | \$ -         | 0.00%    |
| Low Voltage Rate   | per kWh |                  | \$ 0.0008        | \$ 0.0008    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kWh |                  | -\$ 0.0003       | -\$ 0.0003   |          |
| Retail Transmission Rate – Network Service Rate                            | per kWh | \$ 0.0042        | \$ 0.0040        | -\$ 0.0002   | -4.76%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kWh | \$ 0.0071        | \$ 0.0037        | -\$ 0.0034   | -47.89%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge                               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |
| <b>General Service 50 to 4,999 kW</b>                                      |         |                  |                  |              |          |
| Service Charge   | monthly | \$ 185.22        | \$ 204.842       | \$ 19.6220   | 10.59%   |
| Distribution Volumetric Rate   | per kW  | \$ 2.3256        | \$ 3.1255        | \$ 0.7999    | 34.40%   |
| Smart Meter Funding Adder  | monthly | \$ 1.0000        | \$ 1.0000        | \$ -         | 0.00%    |
| Low Voltage Rate   | per kW  |                  | \$ 0.3062        | \$ 0.3062    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kW  |                  | -\$ 1.5086       | -\$ 1.5086   |          |
| Retail Transmission Rate – Network Service Rate                            | per kW  | \$ 1.7320        | \$ 1.6601        | -\$ 0.0719   | -4.15%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kW  | \$ 2.8421        | \$ 1.4621        | -\$ 1.3800   | -48.56%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge                               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |
| <b>Unmetered Scattered Load</b>  |         |                  |                  |              |          |
| Service Charge (per connection)  | monthly | \$ 0.27          | \$ 0.27          | \$ -         | 0.00%    |
| Distribution Volumetric Rate   | per kWh | \$ 1.5166        | \$ 3.7552        | \$ 2.2386    | 147.61%  |
| Low Voltage Rate   | per kWh |                  | \$ 0.3370        | \$ 0.3370    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kWh |                  | \$ 0.0831        | \$ 0.0831    |          |
| Retail Transmission Rate – Network Service Rate                            | per kWh | \$ 1.3062        | \$ 1.2520        | -\$ 0.0542   | -4.15%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kWh | \$ 1.4282        | \$ 1.1302        | -\$ 0.2980   | -20.87%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge (if applicable)               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |
| <b>Sentinel Lighting</b>   |         |                  |                  |              |          |
| Service Charge   | monthly | \$ -             | \$ -             | \$ -         |          |
| Distribution Volumetric Rate   | per kW  | \$ 1.7266        | \$ 12.0194       | \$ 10.2928   | 596.13%  |
| Low Voltage Rate   | per kW  |                  | \$ 0.3529        | \$ 0.3529    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kW  |                  | \$ 0.0824        | \$ 0.0824    |          |
| Retail Transmission Rate – Network Service Rate                            | per kW  | \$ 1.3129        | \$ 1.2584        | -\$ 0.0545   | -4.15%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kW  | \$ 2.2431        | \$ 1.1539        | -\$ 1.0892   | -48.56%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge (if applicable)               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |
| <b>Streetlighting</b>  |         |                  |                  |              |          |
| Service Charge   | monthly | \$ 0.26          | \$ 0.52          | \$ 0.2600    | 100.00%  |
| Distribution Volumetric Rate   | per kW  | \$ 1.5609        | \$ 32.6211       | \$ 31.0602   | 1989.89% |
| Low Voltage Rate   | per kW  |                  | \$ 0.3391        | \$ 0.3391    |          |
| Regulatory Asset Recovery Rate Rider                                       | per kW  |                  | \$ 0.0860        | \$ 0.0860    |          |
| Retail Transmission Rate – Network Service Rate                            | per kW  | \$ 1.3062        | \$ 1.2520        | -\$ 0.0542   | -4.15%   |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | per kW  | \$ 2.1971        | \$ 0.7347        | -\$ 1.4624   | -66.56%  |
| Wholesale Market Service Rate  | per kWh | \$ 0.0052        | \$ 0.0052        | \$ -         | 0.00%    |
| Rural Rate Protection Charge   | per kWh | \$ 0.0013        | \$ 0.0013        | \$ -         | 0.00%    |
| Regulated Price Plan – Administration Charge (if applicable)               | monthly | \$ 0.25          | \$ 0.25          | \$ -         | 0.00%    |

a) Please confirm or correct this table.

- b) Under West Perth's proposal, the volumetric rates for each customer class increase, percentage-wise, more so than do the monthly service charges. Elsewhere in the application, West Perth has commented on its belief that customer bills have become more heavily influenced by volumetric charges. Please explain why West Perth has made a proposal that augments the portion of a ratepayer's bill that is based on volumetric amounts.
- c) Has West Perth done any benchmarking analysis to compare their distribution rates against those of similar utilities? One potential peer group would be smaller distributors in Southwestern Ontario, including West Coast Huron, Middlesex Power, etc.
  - i. If yes, please provide any such studies.
  - ii. If no, please explain why not.

**63. Ref: E8/T1/S7 – Reconciliation of Proposed rates to revenue requirement**

Please provide a detailed table, in working Microsoft Excel format and showing all calculations, to provide the reconciliation of the proposed rates to the distribution revenue requirement, including LV recovery and recovery of the transformer ownership allowance.

**64. Ref: E8/T1/S9 – Rate Impacts**

- a) Please confirm whether the detailed rate impacts shown in this exhibit show the impact of taxes.
- b) If taxes are omitted, please provide a variation of E8/T1/S9 showing the calculation of taxes. For both current approved and proposed rates, please show the impact using the Harmonized Sales Tax of 13%.

**65. Ref: E8/T1/S9 – Rate Impacts – Unmetered Scattered Load**

The Board's Decision with Reasons for West Perth's 2006 EDR application, considered under Board File No. RP-2005-0020/EB-2005-0433, states:

The Board notes that West Perth Power has based its unmetered scattered load rate on a kilowatt billing determinant, in contrast to other distributors which use a kilowatt-hour billing determinant.

The Board will accept the kilowatt billing determinant for determining 2006 rates but is concerned that this practice represents an unnecessary inconsistency in the application of rates among distributors. The Board seeks to minimize such inconsistencies, and therefore directs West Perth

Power to structure an unmetered scattered load rate based on a kilowatt-hour billing determinant for its next rate application.<sup>3</sup>

- a) Please confirm that West Perth’s current Board-approved Tariff of Rates and Charges, based on its 2009 EDR application considered under Board File No. EB-2009-0255, still has volumetric rates for Unmetered Scattered Load (“USL”) based on per kW.
- b) However, in the bill impact for the USL class shown, the volumetric charge has been applied based on per kWh. Please confirm that West Perth is proposing an adjusted volumetric rate for the USL class that is based on per kW rather than per kWh.
- c) Please explain, in detail, why West Perth has to date or in this application, not complied with the Board’s direction to propose a per kWh volumetric rate for the USL class.
- d) Please derive a per kWh volumetric rate for the USL class. Please show all source data and calculations. Provide also a bill impact comparison showing the impact of changing from per kW, based on current (2009) approved rates, to proposed rates.

**Retail Transmission Rates**

**66. Ref: E8/T1/S5 and E8/T1/S10 – Retail Transmission Rates**

|                                 | <b>Network</b> | <b>Connection</b> | <b>Network</b> | <b>Connection</b> |
|---------------------------------|----------------|-------------------|----------------|-------------------|
| <b>Residential</b>              | \$ 0.0045      | \$ 0.0041         | \$ 0.0045      | \$ 0.0041         |
| <b>GS &lt; 50 kW</b>            | \$ 0.0040      | \$ 0.0037         | \$ 0.0040      | \$ 0.0037         |
| <b>GS &gt; 50 kW</b>            | \$ 1.6601      | \$ 1.4621         | \$ 1.6601      | \$ 1.4621         |
| <b>Streetlighting</b>           | \$ 1.2520      | \$ 0.7347         | \$ 1.2520      | \$ 1.1302         |
| <b>Sentinel Lighting</b>        | \$ 1.2584      | \$ 1.1539         | \$ 1.2584      | \$ 1.1539         |
| <b>Unmetered Scattered Load</b> | \$ 1.2520      | \$ 1.1302         | \$ 1.2520      | \$ 0.7347         |

The proposed Retail Transmission rates for the Streetlighting and Sentinel Lighting classes appear to be transposed between the two exhibits. Please confirm which are the correct proposed Retail Transmission rates.

**67. Ref: E8/T1/S10 – Retail Transmission Rates**

West Perth provides its derivation of proposed adjusted Retail Transmission Service Rates (“RTSRs”) in this exhibit. Board staff has prepared the following table based on the exhibit and reflecting the logic that West Perth seems to be using. The analysis attempts to adjust for certain errors or issues with West Perth’s evidence.

<sup>3</sup> Ontario Energy Board, Decision with Reasons, RP-2005-0020/EB-2005-0433, April 28, 2006, pg. 5

| Network      |            |            |            |              |
|--------------|------------|------------|------------|--------------|
|              | 2007       | 2008       | 2009       | 3-year total |
| Expenses     | \$ 317,519 | \$ 261,945 | \$ 251,314 | \$ 830,778   |
| Revenues     | \$ 345,768 | \$ 312,188 | \$ 265,220 | \$ 923,176   |
| Difference   | -\$ 28,249 | -\$ 50,243 | -\$ 13,906 | -\$ 92,398   |
| % Difference | -8.90%     | -19.18%    | -5.53%     | -11.12%      |

| Connection   |             |             |             |              |
|--------------|-------------|-------------|-------------|--------------|
|              | 2007        | 2008        | 2009        | 3-year total |
| Expenses     | \$ 312,914  | \$ 282,468  | \$ 232,660  | \$ 828,042   |
| Revenues     | \$ 484,244  | \$ 465,528  | \$ 443,301  | \$ 1,393,073 |
| Difference   | -\$ 171,330 | -\$ 183,060 | -\$ 210,641 | -\$ 565,031  |
| % Difference | -54.75%     | -64.81%     | -90.54%     | -68.24%      |

|               | 2008    | 2009    | % Change |
|---------------|---------|---------|----------|
| UTR - Network | \$ 1.88 | \$ 1.99 | 5.85%    |

|                          | 2009      | Adjustment Factors |              |        | Wholesale |
|--------------------------|-----------|--------------------|--------------|--------|-----------|
|                          |           | Wholesale          | Retail Trend | Net    |           |
| Residential              | \$ 0.0047 | 5.85%              | -11.12%      | -5.27% | \$ 0.0045 |
| GS < 50 kW               | \$ 0.0042 | 5.85%              | -11.12%      | -5.27% | \$ 0.0040 |
| GS > 50 kW               | \$ 1.7320 | 5.85%              | -11.12%      | -5.27% | \$ 1.6407 |
| Streetlighting           | \$ 1.3062 | 5.85%              | -11.12%      | -5.27% | \$ 1.2374 |
| Sentinel Lighting        | \$ 1.3129 | 5.85%              | -11.12%      | -5.27% | \$ 1.2437 |
| Unmetered Scattered Load | \$ 1.3062 | 5.85%              | -11.12%      | -5.27% | \$ 1.2374 |

|                  | 2008    | 2009    | % Change |
|------------------|---------|---------|----------|
| UTR - Connection | \$ 2.01 | \$ 2.24 | 11.44%   |

|                          | 2009      | Adjustment Factors |              |         | Wholesale |
|--------------------------|-----------|--------------------|--------------|---------|-----------|
|                          |           | Wholesale          | Retail Trend | Net     |           |
| Residential              | \$ 0.0080 | 11.44%             | -68.24%      | -56.79% | \$ 0.0035 |
| GS < 50 kW               | \$ 0.0071 | 11.44%             | -68.24%      | -56.79% | \$ 0.0031 |
| GS > 50 kW               | \$ 2.8421 | 11.44%             | -68.24%      | -56.79% | \$ 1.2280 |
| Streetlighting           | \$ 1.4282 | 11.44%             | -68.24%      | -56.79% | \$ 0.6171 |
| Sentinel Lighting        | \$ 2.2431 | 11.44%             | -68.24%      | -56.79% | \$ 0.9691 |
| Unmetered Scattered Load | \$ 2.1971 | 11.44%             | -68.24%      | -56.79% | \$ 0.9493 |

- a) In the table on page 2 of E8/T1/S10, for the Account 1586 trend analysis for Line and Connection Services, West Perth shows expenses of \$595,382 and revenues of \$949,772. These numbers appear to represent only 2007 and 2008. Please explain why West Perth excluded 2009 from this analysis, while including all three years in the trend analysis for Network services.
- b) Please confirm or correct Board staff's analysis shown above.
- c) On page 1 of E8/T1/S10, West Perth uses "Retail Trend" amounts of -10% for Network and -60% for (Line and) Connection. Please explain the basis for these adjustment factors.

- d) Please confirm that the Network and Connection expenses and revenues for 2009 are audited amounts and for the full year from January 1 to December 31. If not, please update.
- e) On page 1 of this exhibit, West Perth shows Wholesale Transmission rates of \$1.88 for 2008 and \$1.99 for 2009 for Network Services, and \$2.01 for 2008 and \$2.24 for 2009 for Line and Connection Services. Please confirm whether these rates are the Uniform Transmission rates or the RTSRs of a host distributor servicing West Perth.
- f) As necessary, please provide an update to E8/T1/S10 in accordance with section 2.9.2 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, issued June 29, 2010, and with Guideline G-2008-0001, Electricity Distribution Retail Transmission Service Rates, updated July 8, 2010.

### ***Low Voltage Rates***

#### **68. E8/T1/S11 – Low Voltage Rates**

- a) On the top half of page 2 of this exhibit, West Perth documents the 2009 load at the two delivery points at which it is serviced by its host distributor. West Perth shows expenses of \$95,657.24. However, in the trend analysis following, West Perth shows 2009 expenses of \$47,129. Please reconcile and explain the difference between then numbers.
- b) In the top half of page 2 of the exhibit, West Perth documents a variable rate of \$2.66 and a fixed charge of \$188.00 for Delivery Point 1, and a variable rate of \$0.633 and a fixed charge of \$188.00 for Delivery Point 2.
  - i. Please confirm which distributor is West Perth's host distributor.
  - ii. Please explain how West Perth is classified and charged for LV services by its host distributor.
  - iii. Please confirm that the rates charged to West Perth for LV services did not change in 2009 (i.e. was there a change effective May 1).
  - iv. Please identify if the rates charged to West Perth for LV services have changed for 2010. If so, please provide the new rates.
- c) In the trend analysis shown on page 2 of this exhibit, West Perth documents expenses of \$96,829 for 2007, \$91,858 for 2008, and \$47,129 for 2009. Please explain why the LV expenses for 2009 are significantly below the 2007 and 2008 LV expenses.
- d) West Perth documents LV revenues of \$58,016 for 2007, \$54,785 for 2008 and \$48,078 for 2009. Please explain and provide detailed calculations showing the derivation of LV revenues for each of these years.
- e) Please provide an update to E8/T1/S11 in accordance with section 2.9.3 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, issued June 29, 2010.

**Exhibit 9 – Deferral and Variance Accounts**

**69. Ref: Exhibit 1/Tab 3/Schedule 2 – 2008 Draft Financial Statements**

- a) West Perth has reported the following amounts on its 2008 Financial Statements. These amounts are different from those reported to the Board under RRR 2.1.7. Please explain the reasons for the differences.

|                               |                    |
|-------------------------------|--------------------|
| RSVAs                         | \$(446,191)        |
| Asset recovered through rates | \$ (16,488)        |
| Other                         | <u>\$ 263,408</u>  |
| Total:                        | <u>\$(199,271)</u> |

- b) State which value should be relied upon in this proceeding, and, if different from the value reported in the 2008 financial statements, explain why the Board should rely on such different values.

**70. Ref: Exhibit 9/Tab 1/Schedule 3, page 4 – Description of Deferral and Variance Accounts**

Account 1590 – West Perth states that a residual balance of \$42,229 remains in this account after the removal of the rate rider effective May 1, 2008.

- a) Please reconcile the amount reported in the audited financial statements for 2008 for this account and explain why this number is different from the number on West Perth's 2008 audited financial statements, which show a credit of \$16,488 for this account.
- b) Please state which value should be relied upon in this proceeding, and, if different from the value reported in the 2008 audited financial statements, explain why the Board should rely on such a different value.
- c) Please explain why West Perth is not seeking disposition of this account, in light of the fact that the rate rider has ended and audited financial statements are available.

**71. Ref: Exhibit 9/Tab 1/Schedule 3 – Continuity Schedule**

The account balances of the following accounts, as of December 31, 2008 on this Exhibit do not match West Perth's 2.1.7 filings. Please explain the differences.

- i. Account 1550
- ii. Account 1580
- iii. Account 1584

**72. Ref: Exhibit 9/Tab 1/Schedule 3 – Accounts Requested for Disposition and Method of Disposition, Description of Deferral and Variance Accounts**

Account 1588 – Global Adjustment (GA)

- a) The balance in account 1588 – West Perth is showing a credit balance in its GA of \$(326,800). This is not consistent with other distributors' balances. It also does not appear to be plausible, given that West Perth's evidence under the "Description of Deferral and Variance Accounts" section where the applicant states: "In the month of December 2008, the global adjustment charged on the IESO bill was \$13.37 per MWH. The rate charged to non-RPP consumers was \$3.90 per MWH". Such a directional discrepancy resulted in large debit balances being accumulated in other distributors' GA accounts. Please review the transactions in West Perth's GA account and confirm that the transactions in this account have been recorded in accordance with the APH.
- b) Please confirm that the GA principal balance proposed for disposition is based on the procedures identified by the APH. Please refer to the following web link regarding the regulatory accounting and reporting of account 1588 and its global adjustment sub-account.  
<http://www.oeb.gov.on.ca/OEB/Industry/Rules+and+Requirements/Regulatory+Audit+and+Accounting/Webinar+-+Account+1588>
- c) Please provide an allocation of the December 31, 2008 balance of the GA sub-account (plus interest to April 30, 2010) based on the 2008 kWh for non-RPP customers.
- d) Please calculate a separate rate rider for the recovery of the proposed GA balance using the allocated amounts and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant.
- e) Please provide a variation of rate rider calculations presented in "Method of Disposition" section of this Exhibit excluding the Power (GA) subaccount from the calculations.
- f) Please calculate a separate rate rider for the recovery of the proposed balance of subaccount Power – Global Adjustment of account 1588 using the amounts shown in 2010 and the 2010 non-RPP consumption data (kWh or kW as applicable) as

the billing determinant. If West Perth does not have a forecast for 2010 non-RPP consumption data, please use 2008 actuals to determine this rate rider.

- g) If West Perth were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide West Perth's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- h) If the answer to f) is negative, does West Perth have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the for the disposition of the account 1588 subaccount Power (Global Adjustment) Balance would apply?

**73. Ref: E9/T1/S3 – Deferral and Variance Account Disposition**

On page 1 of this exhibit, West Perth states:

West Perth Power would prefer to have the rate rider spread over the two year period, rather than the one year recommended in EDDVAR. As noted above, these balances represent 4 years of accumulated balances, so we would prefer to return to customers over a two year period at minimum. The RSVA balances in particular are very large and in the interest of mitigating rate impact we recommend returning to the customers over a four year period.

- a) Please confirm that West Perth is proposing a two-year period for recovery of the net D/V account balance of \$(300,544), rather than four years as indicated in the above quote.
- b) If the balances are a refund to customers, and given that West Perth's distribution rates will be subject to rate adjustments under the 3<sup>rd</sup> Generation Incentive Regulation Mechanism plan, please indicate why it would not be better to refund the amount over one year (i.e. the 2010 rate year) to mitigate bill impacts in this current Cost of Service application.
- c) The amounts shown in E9/T1/S3/page 4 under the table labelled "Accounts Requested for Disposition" do not appear to match with the amounts documented in the Deferral and Variance Account Continuity Schedule shown in the exhibit also labelled as E9/T1/S3, pages 2-4. As one example, the December 31, 2008 principal balance for Account 1580 is documented as \$106,627 in the table labelled "Accounts Requested for Disposition" but as \$113,322 in the Deferral and Variance Account Continuity Schedule. Other inconsistencies are apparent also.
  - i. Please reconcile the table shown in Exhibit 9 and confirm the Deferral and Variance Account balances for which West Perth is proposing disposition.
  - ii. Please confirm that the December 31, 2008 account balances for the deferral and variance accounts have been audited.



- iii. If West Perth has received its audited financial statements for 2009, please update Exhibit 9 to reflect balances as of December 31, 2009 and including including to April 30, 2010.
- d) Please provide, in working Microsoft Excel format, a continuity schedule of West Perth's D/V account balances from January 1, 2005 to December 31, 2009, in accordance with section 2.10.1 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, issued June 29, 2010. In particular, please separately show the continuity of Account 1588 excluding the Global Adjustment sub-account, and Account 1588 Global Adjustment sub-account separately. A blank copy of the Microsoft Excel spreadsheet is available on the Board's website at [http://www.oeb.gov.on.ca/OEB/Documents/Regulatory/Continuity\\_Schedule\\_E\\_DDVAR.XLS](http://www.oeb.gov.on.ca/OEB/Documents/Regulatory/Continuity_Schedule_E_DDVAR.XLS).

**74. Ref: E9/T1/S2 – Sections Description of Deferral and Variance Accounts, Accounts Proposed for Disposition, and Method of Disposition**

Account 1508 – Other Regulatory Assets, sub accounts OEB Cost Assessments and Pension Contributions

West Perth has indicated in the above-referenced evidence that these accounts will come to an end with its proposed disposition. However, when calculating the rate rider, West Perth has not used the balance in this account for allocating to customer classes or calculating the rate rider.

Please recalculate the rate rider including disposition of account 1508.

***Smart Meters***

**75. E9/T1/S3 and E9/T1/S4 – Smart Meters**

West Perth indicates that it intends to have smart meters deployed in the 2010 test year, with an estimated capital cost of \$2.5 million documented on page 3 of E9/T1/S3 or \$462,500 as documented in E9/T1/S4. West Perth also indicates that a copy of Appendix 2-S of the Filing Requirements is provided.

- a) Please confirm West Perth's estimated capital expenditures to fully deploy smart meters.
- b) Please indicate when West Perth started, or intends to start, deploying smart meters within its licensed service territory.
- c) Please provide a completed copy of Appendix 2-R of the Filing Requirements for Transmission and Distribution Applications, issued June 29, 2010. This is the same as Appendix 2-S of the previous version of the filing requirements.

- d) Please indicate if West Perth intends to incur smart meter costs beyond minimum functionality as defined in O.Reg. 425/06. If so, please provide further details on the nature of “beyond minimum functionality” capabilities, and the expected costs.
- e) How has or is West Perth accounting for the stranded costs of conventional meters replaced by smart meters?

### ***Miscellaneous***

#### **76. Harmonized Sales Tax**

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

- a) Please state whether or not the applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that the applicant may realize due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.
- b) The Board's decision on most 2010 IRM applications established a deferral account and directed applicants to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account until the effective date of the applicant's next cost of service rate order. Please provide a detailed explanation of how Clinton Power is currently tracking these amounts.

#### **77. International Financial Reporting Standards (IFRS)**

- a) Please confirm that the revenue requirement numbers for 2010 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.
- b) Please state whether or not the applicant has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

**78. Late Payment Penalty (LPP)**

Please state whether or not the applicant has included an amount for recovery of late payment penalty litigation costs in its 2010 Test Year application. If yes, please identify the amount and explain how the applicant is proposing to recover this amount.

**79. Low Income Energy Assistance Program (LEAP)**

Please state whether or not the applicant has included an amount in its 2010 Test year revenue requirement for the LEAP emergency assistance program.

- a) If yes, please identify the amount.
- b) If no, please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2010 Test Year.
- c) Please state whether or not the applicant has included an amount in its 2010 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.