October 8, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0132
Hydro One Brampton Networks Inc. – 2011 Cost of Service Application
Energy Probe – Technical Conference Questions

Pursuant to Procedural Order No. 1, issued by the Board on August 26, 2010, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in respect of Hydro One Brampton Networks Inc. in the EB-2010-0132 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Scott Miller, Hydro One Brampton Networks Inc. (By email)
Michael Engelberg, Hydro One Networks Inc. (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

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EB-2010-0132

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One Brampton Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2011.

TECHNICAL CONFERENCE QUESTIONS OF ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

October 8, 2010

HYDRO ONE BRAMPTON NETWORKS INC.
2011 RATES REBASING CASE
EB-2010-0132

ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS

Question # 1

Ref: Energy Probe Interrogatory # 5 & Appendix AX

Please confirm that the changes in rate base and depreciation expense noted in the response to the Energy Probe interrogatory are reflected in the changes shown in Appendix A to the September 2, 2010 letter. If this cannot be confirmed, please update Appendix AX to reflect these changes.

Question # 2

Ref: Energy Probe Interrogatory # 6 (d) & Appendix AX

a) **Please confirm that the revenue requirement shown in Appendix AX supersedes the revenue requirement shown in Appendix A and the Revenue Requirement Work Form attached to the September 2, 2010 letter.**

b) **Please confirm that the 2011 forecast of $12.4 million for contributions and grants was based on IFRS and that the GAAP figure now being used is $14.6 million.**

c) **Has the 2010 forecast utilizing GAAP of $11.6 million been reflected in the update provided in Appendix AX?**

Question # 3

Ref: Exhibit 2, Tab 5, Schedule 1.0, Table 1, Blue Page Update

The footnote on the updated table indicates that the above capital expenditures include $300,000 of borrowing costs.

a) **Please indicate which year or years the $300,000 relates to.**

b) **Please confirm that this $300,000 is related to CWIP interest.**

c) Please provide the interest rate used to calculate the borrowing costs in each year in which there are borrowing costs.

Question # 4

Ref: Energy Probe Interrogatory # 7 &
Appendix AX & Exhibit 2, Tab 1, Schedule 1.0, Table 1

a) Please confirm that the net book values shown in the response to the Energy Probe interrogatory have been reflected in the updated rate base figure of $332,782,939 in Appendix AX. If this cannot be confirmed, please explain why these figures are not reflected in the update.

b) Please update Table 1 in Exhibit 2, Tab 1, Schedule 1.0 to reflect the updates and the response to the Energy Probe interrogatory.

Question # 5

Ref: Energy Probe Interrogatory # 10 (c) &
Exhibit 2, Tab 4, Schedule 2.0, Table 2

a) Please provide the cost of power using the two adjustments noted in the response applied to the non-RPP volumes.

b) What is the impact on rate base of the updated cost of power in place of that shown in Table 2 of Exhibit 2, Tab 4, Schedule 2.0?

Question # 6

Ref: Energy Probe Interrogatory # 15

Please confirm that the road widening projects included in the 2010 capital expenditure forecast has been finalized and are close to the forecasts shown.

Question # 7

Ref: Energy Probe Interrogatory # 17 &
Exhibit 2, Tab 5, Schedule 7.0, Table 1

a) The response to parts (a) and (b) of the response refers to Energy Probe Question 7 in relation to Vehicle 76. Is this the correct reference?

b) **It is not clear if the 2010 capital expenditure of $137,198 is included in rate base at the end of 2010. Is this amount included in the $1,904,000 shown in Table 1 of Exhibit 2, Tab 5, Schedule 7.0? If yes, why is it not shown in the CWIP column as well?**

c) **Please confirm that the $139,356 shown as a capital expenditure shown for 2011 in part (a) of the response to the Energy Probe interrogatory will not be included in the 2011 rate base.**

Question # 8

Ref: Energy Probe Interrogatory # 19 (e)

The 2011 original column shows a total kW figure of 5,862,912. However, this does not appear to be the sum of the kW figures by rate class shown for 2011. If required, please provide a corrected table in the response to part (e).

Question # 9

Ref: Energy Probe Interrogatory # 19 &
Energy Probe Interrogatory # 21

Please provide and updated version of the table provided in response to part (e) of Energy Probe 19 (for 2011 only) that incorporates both the average growth forecast as shown in that response, with the impact of using the 10 year average for heating and cooling degree days discussed in Energy Probe # 21.

Question # 10

Ref: Energy Probe Interrogatory # 22

There still appears to be a mismatch between Tables 5 and 6 with respect to the USL and GS > 50 customers. For example, Table 5 shows 1,105 USL customers in 2003, while this figure is shown for GS > 50 customers in Table 6. Please provide a corrected version of the table(s).

Question # 11

Ref: Energy Probe Interrogatory # 22 (g)

Please explain why addition volumes and customers have no impact on the revenue deficiency. In particular, please explain why additional volumes and customers do not change the distribution revenue at current rates.

Question # 12

Ref: Energy Probe Interrogatory # 22 &
Exhibit 3, Tab 2, Schedule 3.0, Table 8

Please confirm that based on the original forecast of 123,660 residential customers for 2011 (an average for the year) that as of August 2010, HOBNI is only 354 customers below this level.

Question # 13

Ref: Exhibit 3, Tab 2, Schedule 3.0, Tables 5 - 8

It is not clear how the customer number forecasts shown in Table 8 for 2010 and 2011 were calculated based on the figures shown in Tables 5, 6 and 7.

For example, the growth in residential customers from 2010 to 2011 is approximately 1%, whereas the growth rate of the exponentially smoothed customer customers for 2009 shown in Table 7 is 2%.

Also, as an example, the implied growth rate from 121,041 actual residential customers in 2009 (Table 5) to the forecast level of 122,377 in 2010 is 1.1%.

For each rate class, please show the calculation of the number of customers for 2010, showing the starting point of 2009 actual customers and the growth rates used. If the growth rates to do not correspond to the 2009 figures shown in Table 7, please explain the meaning of the statement on lines 8-9 of page 8 of Exhibit 3, Tab 2, Schedule 3.0.

Question # 14

Ref: Exhibit 3, Tab 2, Schedule 3.1, Table 1 &
Energy Probe Interrogatory # 23

Please reconcile the 2009 heating degree days of 3,835.8 shown in the response to the interrogatory with the January through December 2009 figures shown in Table 1 of Exhibit 3, Tab 2, Schedule 3.1.

Question # 15

Ref: Energy Probe Interrogatory # 26

a) **Please explain why there is a reduction in revenue in part (c) of the response for the rate classes that have a higher kW forecast than in the original evidence. Did HOBNI change some other billing determinant in addition to the kW billing determinant? If yes, please explain.**

b) **Please show all the calculations used to calculate the difference in revenues provided in part (c) of the response. For example, please show how an increase in the kW forecast for the Intermediate rate class from 1,879,169 kW to 1,896,247 kW results in a decrease in revenue of $55,733.**

Question # 16

Ref: Energy Probe Interrogatories # 29 (c) and 17 (b)

a) **Please reconcile the market value of the vehicles to be replaced in 2011 of $138,500 shown in the response to interrogatory #17 with the statement in response to interrogatory #29 that the net gain or loss will be close to zero.**

b) **Has HOBNI recorded any revenues in account 4355 in 2010 year to date? If so, what is the amount recorded? How much of this is associated with the sale of vehicles being replaced?**

Question # 17

Ref: Energy Probe Interrogatory # 29 (e)

a) The response provided is not complete. Please provide the interest rate used to forecast the 2011 figure and the average balance to which it is applied to arrive at the forecast of $2,799. How is the interest rate determined?

b) What was the average interest rate and average balance in 2009 that resulted in interest revenue of $26,803?

Question # 18

Ref: Energy Probe Interrogatory # 29 (g) &
Exhibit 3, Tab 4, Schedule 1.1, Tables 1 & 2

a) Please explain where in Table 2 the revenue that was formerly shown in 'Miscellaneous Energy Charges (Was Bell Co)' is shown for 2011. If the revenue is not shown in Table 2, please indicate what account number this revenue is now shown in with reference to Table 1 of Exhibit 3, Tab 4, Schedule 1.1.

b) Please explain why there is a forecast of more than $57,000 shown for 2010 when there was no revenue shown for 2009.

Question # 19

Ref: Appendix AX & Exhibit 1, Tab 2, Schedule 3.1

Please explain why the distribution revenue shown in the Revenue Sufficiency/Deficiency sheet of $58,744,770 is higher than the $58,552,937 figure shown in the original filing at Exhibit 1, Tab 2, Schedule 3.1.

Question # 20

Ref: Exhibit 4, Tab 1,Schedule 1.0

a) How has HOBNI forecast the $0.8 million associated with the MFMR processing of meter read data?

b) Has HOBNI asked for a variance account around this amount included in the revenue requirement? If not, why not?

Question # 21

Ref: Appendix AX & Exhibit 2, Tab 2, Schedule 1.2, Blue Update

Please reconcile the depreciation figure shown in Appendix AX of $12,509,117 with the figures shown in the blue page update for 2011.

Question # 22

Ref: Energy Probe Interrogatory # 32

The forecast for 2010 shows an increase in OM&A of more than $2.5 million as compared to 2009. However, the year-to-date June figures show an increase of only $0.2 million. Please explain why the 2010 OM&A forecast is still relevant in light of this difference.

Question # 23

Ref: Energy Probe Interrogatory # 33 (e) &
Exhibit 4, Tab 2, Schedule 1.2, page 7 &
OEB Interrogatory # 23

The original evidence states that the $221,000 increase in Hydro One Corporate charges is related to IFRS implementation. The response to the Energy Probe interrogatory indicates that this is not the case and refers to OEB interrogatory # 23. Please explain where the $221,000 is contained in the response to the OEB staff interrogatory.

Question # 24

Ref: Energy Probe Interrogatory # 35 &
Exhibit 4, Tab 2, Schedule 1.3, Table 1

Please provide a revised Table 1 that reflects the changes from the September 2, 2010 letter and the corrections noted in parts (c) and (e) of the interrogatory response.

Question # 25

Ref: Appendix AX & Energy Probe Interrogatory # 43

a) **Please explain the different 2011 depreciation figures of $12,509,117 in Appendix AX and the $12,612,711 shown in the response to the interrogatory.**

b) **Please provide a version of the table showing the 2011 depreciation expense that is consistent with the figure shown in Appendix AX.**

Question # 26

Ref: Energy Probe Interrogatory # 46

a) **Please provide any material that HOBNI is relying on to claim that it is not eligible for the provincial small business deduction due to having taxable capital of more than $10 million.**

b) **How many positions does HOBNI forecast that it will have in 2011 that are eligible for the Ontario apprenticeship training tax credit, the federal apprenticeship job creation tax credit and the cooperative education tax credit?**

c) **Please provide the Ontario apprenticeship training tax credit, the federal apprenticeship job creation tax credit and the cooperative education tax credit claimed on the 2009 tax return.**

Question # 27

Ref: OEB Interrogatory # 36 &
Energy Probe Interrogatory # 48 (f)

HOBNI has not updated Table 3 as requested.

a) **Why has HOBNI assumed that the debt to be issued by its parent in both 2010 and 2011 is 30-year debt?**

b) **Please confirm that Hydro One Inc. issued debt in March of 2010. Was any of this debt for HOBNI?**

c) **Was any of the debt issued by Hydro One Inc. in September of 2010 allocated to HOBNI?**

d) **Please confirm that Hydro One Inc. forecasts to issue equal amounts of 5 year, 10 year and 30 year debt in both 2010 and 2011.**

<u>Question # 28</u>

Ref: Energy Probe Interrogatory # 48 (g)

The response indicates that CWIP is excluded from rate base and as a result there is no change impact on rate base of a change in the CWIP interest rate.

a) **Is HOBNI saying that there is no carrying cost associated with CWIP in 2010 or previous years that enters rate base either by the end of 2010 or at any time in 2011?**

b) **What is the amount of CWIP interest in 2010 that is forecast to be closed to rate base in 2010?**

c) **What is the amount of CWIP interest in 2010 that is forecast to be closed to rate base in 2011?**

d) **What is the amount of CWIP interest in 2011 that is forecast to be closed to rate base in 2011?**

<u>Question # 29</u>

Ref: Energy Probe Interrogatory # 50

Is the request for the deferral account related to IFRS? If yes, is HOBNI withdrawing the request for the deferral account now that the application is based on CGAAP?

<u>Question # 30</u>

Ref: Energy Probe Interrogatory # 53 & Appendix AX

a) **Please update the response to part (b) to reflect the information contained in Appendix AX.**

b) **Please update the response to part (c) to reflect the information contained in Appendix AX.**

c) **Please provide the revised capital cost allowance continuity schedules for 2010 and 2011 based on the information contained in Appendix AX.**

d) **Has HOBNI reflected the correction to the CCA calculation for Class 52 noted in the response to Energy Probe Interrogatory # 45 in the CCA schedules related to Appendix AX?**

e) **Please provide an updated Appendix A to the September 2, 2010 letter to reflect the results shown in Appendix AX.**

<u>Question # 31</u>

Ref: Energy Probe Interrogatory # 54 & Appendix AX

a) **If the $1 million increase in aggregate over the 2011 through 2013 period were to be amortized over the four year period for the IRM plan (2011 through 2014), resulting in an increase in the revenue requirement of $0.25 million, would a variance account still be required in the view of HOBNI?**

b) **Has HOBNI included any costs related to the $1 million incremental pension costs in the figures shown in Appendix AB?**

c) **If the proposal in part (a) to include an incremental $0.25 million in the revenue requirement for the test year were to be included, what would be the impact on the revenue deficiency calculated in Appendix AX?**

<u>Question # 32</u>

Ref: Energy Probe Interrogatory # 7

Please provide a copy of the September 30 letter referred to in the response.

<u>Question # 33</u>

Ref: Energy Probe Interrogatory # 33 (f)

a) **What is the level of the costs associated with the MDMR included in the 2011 revenue requirement?**

b) **Are the costs expected to remain at this level in 2012 and 2013?**

c) **How does HOBNI expect to reflect the reduction in costs in 2014 under IRM given that the SME costs will have been recovered by the end of 2013?**

Question # 34

Ref: OEB Interrogatory # 49

It is not clear from the response whether the elimination of the PST effective July 1, 2010 has resulted in lower OM&A and capital expenditure costs that have been included in the revenue requirement.

a) **Please confirm that HOBNI has reduced the OM&A cost forecast included in the revenue requirement for 2011 as a result of the elimination of the PST.**

b) **Please confirm that HOBNI has reduced the capital expenditure costs included in rate base for revenue requirement purposes for the second half of 2010 and 2011 as a result of the elimination of the PST.**

Question # 35

Ref: OEB Interrogatory # 55

With respect to the premature retirement of assets please explain how the deferral account would operate, as follows:

a) **In the example provided of storm damage, would HOBNI not bring forward an application to the Board for the recovery of the assets that were retired, but also for the change in rate base as a result of replacing the assets?**

b) **Are there any situations where an asset that is retired early would not be replaced?**

c) **Please explain the current treatment, for regulatory purposes, of the early retirement of an asset. In particular, are the gross asset value, accumulated depreciation and resulting net book value removed from rate base when the asset is retired?**

d) **Is HOBNI seeking any decision from the Board in this case as to how and when any balance in the deferral account would be disposed of?**

e) **If an asset is retired early, the depreciation expense associated with that asset would be eliminated. Would this reduction in depreciation expense be included as an offset in the deferral account to the net book value charged to the account? If not, why not?**

Question # 36

Ref: VECC Interrogatory # 57 &
Exhibit 4, Tab 1, Schedule 1.0

a) **Is the $0.8 million associated with MDMR processing of meter read data noted at page 1, lines 24-25 of Exhibit 4, Tab 1, Schedule 1.0 included in the 2011 test year revenue requirement?**

b) **If the answer to (a) is yes, is the variance account noted in the VECC response a variance account around the amount of $0.8 million? If not, please explain.**

Question # 37

Ref: Energy Probe Interrogatory # 23 (f) &
Exhibit 3, Tab 2, Schedule 3.0, Table 9

a) **Please explain the significant difference in average use for the USL class in the two references.**

b) **Please explain why the SL class average use declines in the interrogatory response when all the other classes have higher average use figures.**