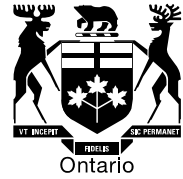


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BY E-MAIL

October 15, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Walli:

**Re: West Perth Hydro Inc. - 2010 Distribution Rate Application
Board Staff Interrogatories - Board File No. EB-2010-0121**

In accordance with Procedural Order No. 2, please find attached Board Staff supplemental interrogatories in the above proceeding. Please forward the following to West Perth Hydro Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Marc Abramovitz
Advisor – Applications & Regulatory Audit

Encl.

West Perth Power – EB-2010-0121

Board Staff Supplemental Interrogatories

1. Ref: Response to Board Staff Interrogatory 4 a)

In its Decision with Reasons¹ 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 decisions², the Board expects that all 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.

Please indicate when ERTH Corporation will be filing the report as directed by the Board in the Decision with Reasons EB-2009-0156/EB-2009-0157

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

² 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.)

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

2. Ref: Response to Board Staff Interrogatory 9

- a) Please provide copies of West Perth's Audited Financial Statements, as signed off by its external auditor, for the year ending December 31, 2009.
- b) Please provide an explanation as to why the preparation of West Perth's 2009 Audited Financial Statements has been delayed or taken so long to prepare.

3. Ref: Response to Board Staff Interrogatory 8 b) i)

- a) Please provide a detailed explanation for each of the following. With respect to each of the service interruptions documented in April, August and October 2009 under "Loss of Supply":
- b) Why was there a loss of supply from West Perth's host distributor, Hydro One Networks Inc.? Was it one or more service interruptions in the month?
- c) Was it due to severe weather, local storm, downed pole, etc.?
- d) Did the service interruption affect all or part of West Perth's service area in each case?

4. Ref: Response to Board Staff Interrogatory 12

Please provide updates of the Rate Base Summary Table from E2/T1/S2 and E2/T2/S1 to reflect the corrections noted in the response to Board Staff interrogatory 12.

5. Ref: Response to Board Staff Interrogatory 13

West Perth stated that it is still negotiating the delivery of the Radial Boom Derrick (RBD) truck with the supplier.

- a) What is the probability that the RBD truck will be in service by December 31, 2010?
- b) With respect to the response to Board Staff interrogatory 13 c), please provide the detailed calculations of how West Perth translated the \$280,000 for the bucket truck into a rate base impact of \$261,000.
- c) If the RBD truck is necessary and the expenditure prudent, and given that any capital expenditure is a significant expenditure for West Perth, how does West Perth propose that the capital-related and operating costs for the bucket truck will be recovered over the life of the asset if West Perth removes the asset from rate base?

6. Ref: Response to Board Staff Interrogatory 15

West Perth states that two older vehicles, a Radial Boom Derrick and a bucket truck, were purchased at a "nominal amount" to allow West Perth staff to continue operations until replacement vehicles could be acquired. West Perth also states that the \$45,000

purchase price for these vehicles was capitalized and amortized as any vehicles in the class would be.

- a) For each of these vehicles, please provide the individual purchase price, age, and market value at the time of purchase of each of these vehicles, as requested in the response to Board Staff interrogatory 15 b).
- b) Please provide details on how and for how long West Perth has amortized the purchase price of these vehicles.
- c) Please confirm whether each of these vehicles is currently in service.

7. Ref: Response to Board Staff Interrogatory 18

For 2009 and 2010, please provide the calculations that were used to derive the cost of power.

8. Ref: Response to Board Staff Interrogatory 30

- a) Please provide a detailed explanation for the forecasted increase in Other Electric Revenues for the 2009 Bridge and 2010 Test Years as requested in Board Staff interrogatory 30 c).
- b) Please provide a detailed explanation for the forecasted increase in Miscellaneous Service Revenues for the 2009 Bridge and 2010 Test Years as requested in Board Staff interrogatory 30 d).

9. Ref: Response to Board Staff Interrogatory 32

In response to Board Staff interrogatory 32 c) West Perth stated that it continues to work on the data and explanation for this request and will provide upon its completion.

- a) Please provide a completed response to Board Staff interrogatory 32 c).
- b) If a response is unavailable, please identify when the response will be submitted.

In response to Board Staff interrogatory 32 f) West Perth stated that it will endeavour to obtain the detail required to explain the changes over time and provide detailed responses to this question with the second round of interrogatories.

- c) Please provide a completed response to Board Staff interrogatory 32 f).
- d) If a response is unavailable, please identify when the response will be submitted.

10. Ref: Response to Board Staff Interrogatory 33

For each of the 2008, 2009 and 2010 years, please provide a listing and explanation for the costs that are accounted for in the "other" category.

11. Ref: Response to Board Staff Interrogatory 34

Please provide the dollar amount associated with inflation for the 2010 test year.

12. Ref: Response to Board Staff Interrogatory 37

- a) Please confirm that West Perth is capitalizing the total amount related to employee compensation. If so, please explain the significant increase in the general and administration category found in Board Staff interrogatory 32b.
- b) Please explain why West Perth has chosen to capitalize 100% of employee compensation.
- c) In Appendix 2-K, please indicate the current, accrued and total benefits for the Union category for the years 2006, 2008, 2009, and 2010.

13. Ref: Response to Board Staff Interrogatory 39

In E4/T2/S2P6, West Perth stated that it was requesting \$172,000 (\$43,000 x 4) 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 (DSC), Conditions of Service and other new compliance requirements.

In response to Board Staff interrogatory 39 a), West Perth has indicated that the cost to complete the 2010 Cost of Service application is estimated to be \$140,000 plus \$18,000 in intervener fees. As well, West Perth has included an amount of \$4,000 to cover the costs of updates to condition of service, DSC amendments and other new compliance requirements. This totals to an amount of \$162,000.

- a) Please reconcile the total amounts requested for regulatory costs as identified in the original application and in response to Board Staff interrogatory 39 a).
- b) Please provide a breakdown of the \$140,000 that West Perth has estimated for the preparation and processing of the 2010 Cost of Service application as follows:
 - i. Direct costs of West Perth staff;
 - ii. Legal costs;
 - iii. External consulting costs; and
 - iv. OEB costs.
- c) Please provide an explanation of the services being provided by external legal counsel and consultants.
- d) Please complete Board Staff interrogatory 39 d).

14. Ref: Response to Board Staff Interrogatory 40

- a) When does the term of the current contract with Ecaliber expire?

- b) Since the current contract has been in place since 2007, as documented in the response to Board Staff interrogatory 40 c), it is a multi-year contract.
 - i. Is there a price escalation factor built into the formula? If yes, please provide a detailed explanation of the escalator.
 - ii. Are there performance criteria built into the multi-year pricing contract? Please provide a detailed explanation.
- c) Are productivity or efficiency criteria factored into the multi-year pricing? Please provide a detailed explanation.

15. Ref: Response to Board Staff Interrogatory 46

- a) Please complete Board Staff interrogatory 46 a).
- b) Please revise and submit a final Appendix 2-P of the Board's filing requirements. Please ensure that the loss factor calculation includes the fully embedded SFLF of 3.4%.

16. Ref: Response to Board Staff Interrogatory 48

- a) Please explain why West Perth's 2009 tax return is not yet complete.
- b) Please explain why Notices of Assessment from the Canada Revenue Agency for years from 2001 to 2009 are not available.

17. Stranded Meter Costs

- a) Please describe the accounting treatment followed by the applicant on stranded meter costs for ratemaking and financial reporting purposes.
- b) Please provide the amount of the pooled residual net book value of removed meters, less any sale proceeds as of December 31, 2009.
- c) Please provide the estimated amount of the pooled residual net book value of removed meters, less any sale proceeds at the time when smart meters will have been fully deployed. Please provide the actual amount if smart meters have been fully deployed.
- d) Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts

18. Account 1592, PILs and Tax Variances for 2006 and Subsequent Years

Please identify whether the applicant has posted any amounts to account 1592 since April 2006. If yes, please respond to the following questions. If not, please explain why the applicant has not posted any amounts to account for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

- a) Please revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all the required information for transaction, adjustments, interest carrying charges, etc. for all the relevant years.
- b) Please describe each type of tax item that has been accounted for in account 1592.
- c) Please provide the calculations that show how each item was determined and provide any pertinent supporting evidence.
- d) Please confirm whether or not the Applicant followed the guidance provided in the July 2007 FAQ. If not, please explain why not.
- e) Please identify the account balance as of December 31, 2009 as per the 2009 audited financial statements. Please identify the account balance as of December 31, 2009 as per the April 2010 2.1.7 RRR filing to the Board. Please provide a reconciliation if the balances provided in the above are not identical to each other and to the total amount shown on the continuity schedule.
- f) Should the Board wish to dispose of this account at this time, please identify the following:
 - i. The allocator that in the applicant's view would be most appropriate to use in allocating the balance to the rate classes.
 - ii. The disposition period that the applicant would prefer if different from the period proposed for the remaining deferral and variance accounts and explain why.
 - iii. The billing determinant that in the applicant's view would be most appropriate to use.
- g) Please complete the following table based on the previous answers. Add rows as required to complete the analysis in an informative manner. If the applicant uses Excel to prepare the table, please submit the live Excel workbook.

Tax Item	\$ Principal As of [December 31, 2009]
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007	
Large Corporation Tax from 2005 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4 /12ths of approved grossed-up proxy) if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	

Ontario Capital Tax rate decrease and increase in capital deduction for 2008	
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from any prior application not recorded above.	
Insert description of next item(s)	
Insert description of next item(s) and new rows if needed.	
Total	

19. Ref: Response to Board Staff Interrogatory 54

- a) In response to Board Staff interrogatory 54 a), West Perth states that its sole debt is with its shareholder, the Municipality of West Perth. Please confirm whether the Municipality of West Perth is the shareholder of and affiliated to West Perth.
- b) The response to Board Staff interrogatory 54 c) does not answer the question posed. Please confirm whether West Perth is incurring or expects to incur any new debt in the 2010 test year.
- c) If the answer to b) is “yes”, then;
 - i. Please provide details of the new debt, including the principal, the debt rate, the date of issuance, and the term (length) of the new debt.
 - ii. Please identify what capital project(s) the new debt is being incurred for.
 - iii. If available, please provide copies of the documents for any new debt.

20. Ref: Sheet I3 – Cost Allocation Model Using ETPL Data

- a) West Perth has entered an amount of \$35,703 related to the proposed Transformer Ownership Allowance. For purposes of the cost allocation, please remove the amount.
- b) The revenue requirement calculated from Sheet I3 (cell G18) does not match the proposed revenue requirement (cell F18). Please provide a reconciliation.
- c) The rate base calculated from Sheet I3 (cell G20) does not match the rate base to be used in this model (cell F20). Please provide reconciliation.

21. Ref: Sheet I4 – Cost Allocation Model Using ETPL Data

Please explain why the absolute balance in cell C85 does not equal that of cell C89.

22. Ref: Sheet I6 – Cost Allocation Model Using ETPL Data

The total approved distribution revenue (cell B15) should be equal to West Perth's base revenue requirement for 2010.

Please update cell B15 and row 29.

23. Ref: Sheet I6 – Cost Allocation Model Using ETPL Data

Please explain why there is a kW value in cell L22 for unmetered scattered load.

24. Ref: Sheet I6 – Cost Allocation Model Using ETPL Data

Please update the loss factor in row 57 to reflect the proposed 2010 loss factor.

25. Ref: Sheet I7.1 – Cost Allocation Model Using ETPL Data

Please update the worksheet to reflect the number of smart meters West Perth has currently installed.

26. Ref: Sheet I8 – Cost Allocation Model Using ETPL Data

Please explain how the Erie Thames load profile was applied to West Perth's cost allocation model. Please provide a breakdown of the methodology and all calculations used.

27. Ref: Sheet O1 – Cost Allocation Model Using ETPL Data

- a) Please reconcile the amounts used for total distribution (distribution revenue plus revenue deficiency) and miscellaneous revenues with those on sheet 5 of the RRWF.
- b) Please explain why the revenue requirement in cell C35 does not match the total revenue in cell C20.

28. Ref: Cost Allocation Model

Please file an updated Cost Allocation Model, ensuring that all figures are consistent with the interrogatory responses, for each of the following:

- a) Using Atikokan's load profile
- b) Using Erie Thames load profile.

29. Ref: Response to Board Staff Interrogatory 68

In response to Board Staff interrogatory 68 c) West Perth stated that it will continue to research this issue and determine the nature of the change.

- a) Please provide a completed response to Board Staff interrogatory 68 c).
- b) If a response is unavailable, please identify when the response will be submitted.

In response to Board Staff interrogatory 68 e) West Perth stated that a response is to be determined.

- c) Please provide a completed response to Board Staff interrogatory 68 e).
- d) If a response is unavailable, please identify when the response will be submitted.

30. Ref: Response to Board Staff Interrogatory 71 and 73, VECC Interrogatory 27

Please provide updated and corrected continuity schedules as documented in the responses to Board Staff interrogatories 71 and 73.

31. Ref: Response to Board Staff Interrogatory 76 – Harmonized Sales Tax

- a) Please provide a detailed explanation of how West Perth is currently tracking the difference between HST and PST on its material purchases.
- b) Where is West Perth recording the difference between HST and PST on its material purchases?
- c) Please provide the total estimates of PST savings from July 1, 2010 to October 31, 2010.

- d) Does West Perth agree that prorating the amount identified in part c) for 12 months is an appropriate proxy to adjust the Test Year revenue requirement to account for OM&A and Capital expenditure reductions that may be realized due to the implementation of the HST?

32. Ref: Revenue Requirement WorkForm (RRWF)

Please file an updated RRWF reflecting all changes that West Perth has accepted through its responses to the first and second round of interrogatories,

33. Ref: Tariff of Rates and Charges

Please file an updated Tariff of Rates and Charges reflecting all changes that West Perth has accepted through its responses to the first and second round of interrogatories.