IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being Schedule B to the *Energy Competition Act, 1998* S.O. 1998, C. 15;

AND IN THE MATTER OF an application by Norfolk Power Distribution Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other Service charges for the distribution of electricity as of May 1, 2011.

Norfolk Power Distribution Inc. (NPDI)
Responses to Energy Probe Research Foundation
Interrogatories on the Preliminary Issue

INTERROGATORY #1

Ref: Exhibit 1, Tab 2, Schedule 1, pages 2-4

Do the forecasted results shown in the evidence for the 2010 bridge year include any actual data? If yes, please explain how many months of actual data are reflected in capital expenditures, OM&A costs and distribution and other revenues.

RESPONSE – INTERROGATORY #1

The forecasted results for 2010 shown in the evidence are based on June 30th 2010 actual data. Six months of actual data were considered, plus estimates for the remainder of the year, for capital expenditures, OM&A costs, distribution revenue and other revenues.

INTERROGATORY #2

Ref: Exhibit 1, Tab 2, Schedule 1, page 2 &
Exhibit 6, Tab 1, Schedule 1, Table 1.1 &
2009 Yearbook of Electricity Distributors

a) Please expand Table 1.1 in Exhibit 6, Tab 1, Schedule 1, to show the deemed equity for 2011 and the projected return on equity based on exiting rates as separate line items under the existing rates column.

RESPONSE - INTERROGATORY #2(a)

	2011 Test - Existing Rates
Revenue	
Distribution Revenue	10,906,382
Other Revenue	467,122
Total Revenue	11,373,504
Operating Expenses	
Administrative & General, Billing & Collecting	2,676,525
Operation & Maintenance	2,250,600
Depreciation & Amortization	2,857,192
Property Taxes	37,500
Deemed Interest	1,907,542
Total Expenses	9,729,359
Income Before Taxes	1,644,145
Corporate Income Taxes	333,789
Capital Tax	0
Income After Tax	1,310,355
Actual Return on Rate Base	
Rate Base	58,392,759
Interest Expense	1,907,542
Net Income	1,310,935
Total Actual Return on Rate Base	3,218,477
Return on Debt (Weighted Average)	5.44%
Return on Equity	9.85%
Deemed Interest Expense	1,907,542
Deemed Return on Equity	2,300,675
Total Deemed Return	4,208,217
Revenue Deficiency/(Sufficiency) After Tax	989,740
Tax Rate	27.86%
Revenue Deficiency/(Sufficiency) Before Tax	1,371,990
Deemed Equity (40% of Rate Base for 2011)	23,357,103
Return on Equity	5.61%

INTERROGATORY #2 (cont'd)

b) Please add columns for 2009 and 2010 based on actual 2009 and the 2010 bridge year forecast included in the evidence to the table requested in part (a) above, showing the same level of detail, including the 2009 return on deemed equity and the forecasted 2010 return on deemed equity.

RESPONSE – INTERROGATORY #2(b)

(see next page)

	2011 Test - Existing Rates	2010 Bridge Year Forecast	2009 Actual (Audited Financial Stmts)
Revenue			
Distribution Revenue	10,906,382	10,997,878	11,015,769
Other Revenue	467,122	324,000	428,240
Total Revenue	11,373,504	11,321,878	11,444,009
Operating Expenses			
Administrative & General, Billing & Collecting	2,676,525	2,722,663	2,450,982
Operation & Maintenance	2,250,600	2,215,900	2,086,375
Depreciation & Amortization	2,857,192	2,663,890	2,517,025
Property Taxes	37,500	68,000	34,481
Interest Expense	1,907,542	1,753,264	1,270,618
Total Expenses	9,729,359	9,423,717	8,359,481
Income Before Taxes	1,644,145	1,898,161	3,084,528
Corporate Income Taxes	333,789	506,068	912,000
Capital Tax	0	39,406	84,500
Income After Tax	1,310,355	1,352,687	2,088,028
Actual Return on Rate Base			
Rate Base	58,392,759	52,540,668	48,124,042
Interest Expense	1,907,542	1,753,264	1,270,618
Net Income	1,310,935	1,352,687	2,088,028
Total Return on Rate Base	3,218,477	3,105,951	3,358,646
Cost on Debt (Weighted Average)	5.44%	5.56%	6.35%
Deemed ROE	9.85%	8.57%	8.57%
Deemed Interest Expense	1,907,542	1,753,264	1,733,514
Deemed Return on Equity	2,300,675	1,801,094	1,785,792
Total Deemed Return	4,208,217	3,554,358	3,519,306
Revenue Deficiency/(Sufficiency) After Tax	989,740	448,407	160,660
Tax Rate	27.86%	31.00%	33.00%
Revenue Deficiency/(Sufficiency) Before Tax	1,371,990	649,865	239,791
Deemed Equity (40% of Rate Base for 2011 & 2010; 43.3% for 2009)	23,357,103	21,016,267	20,837,710
Return on Equity	5.61%	6.44%	10.02%

INTERROGATORY #2 (cont'd)

c) Please explain any significant difference between the 2009 actual return on deemed equity calculated in (b) above and the "Financial Statement Return on Equity" of 7.88% shown in the 2009 Yearbook of Electricity Distributors.

RESPONSE – INTERROGATORY #2(c)

The main factor contributing to the difference in the "Financial Statement Return on Equity" compared to the 2009 Return on Equity produced in the response to Question #2(b) is using Actual Equity (per financial statements) of $26,490,170 versus using Deemed Equity of $20,837,711 as the denominator in the calculation. These have been summarized in the below.

	2009 Electricity Yearbook	**2009 Return on Deemed Equity**
Actual Net Income	$2,088,028	$2,088,028
Equity*	$26,490,170	$20,837,710
Return on Equity	7.88%	10.02%

*** Deemed Equity Calculation:**	
Rate Base	$48,124,042
Equity Portion of Rate Base	43.3%
Deemed Equity	$20,837,710

INTERROGATORY #3

a) Would Norfolk Power qualify for the use of the incremental capital module for its 2011 IRM application? Please provide all the relevant calculations and assumptions used to determine the response to the question.

RESPONSE – INTERROGATORY #3(a)

NPDI has calculated the Incremental Capital Module (ICM) threshold to be $3,387,531 as shown below. NPDI's 2011 capital budget includes $4,003,500 non discretionary capital projects that also meet the Need and Prudence criteria as outlined on page 20 of the Chapter 3 of the Filing Requirements for Transmission and Distribution Applications, July 9 2010. NPDI would therefore have qualified to use the incremental capital module.

In addition if NPDI were to file the ICM in 2011, further complexity would have been added due to the transformer station completed in 2010, which NPDI would also have included as part of the 2011 ICM application. While the ICM may be viewed as prospective in nature, NPDI notes there has not been any indication that a retroactive application would be denied. NPDI believes this is in line with the purpose of the Module to address the treatment of incremental capital investment which is outside of distribution rates.

Incremental Capital Module - Threshold Test

Threshold Value ***= 1 + (RB/d) * (g + PCI * (1 + g)) + 20%***

Where:

RB	**= rate base included in base rates ($)**
D	**= depreciation expense included in base rates ($)**
G	**= distribution revenue change from load growth (%)**
PCI	**= price cap index (% inflation less productivity factor less stretch factor)**

The values for "RB" and "d" are the Board-approved amounts in the distributor's base year rate decision

The value for "g" is the % difference in distribution revenues between the most current complete year and the base year.

2009 Actual Distribution Revenue	$11,073,817
2008 Base Year Distribution Revenue	$11,539,379
Growth	-4.03%

As the growth calculation above produces a negative value, NPDI has use 0% for the growth rate.

<u>NPDI's Values:</u>

RB	$ 48,151,801
D	$ 2,754,090
g *	0%
PCI	0.18%

(Based on 2010 IRM Decision)

Threshold Value	***= 1 + (RB/d) * (g + PCI * (1 + g)) + 20%***
Threshold Value	**123%**

Approved 2008 Depreciation	$2,754,090
Increased by 123%	$3,387,531

NPDI calculates the materiality threshold to be $3,387,531.

<u>INTERROGATORY #3 (cont'd)</u>

b) ***Would Norfolk Power have qualified to use the incremental capital module for its 2010 IRM application? Please provide all the relevant calculations and assumptions used to determine the response to this question.***

<u>RESPONSE – INTERROGATORY #3(b)</u>

Norfolk would have qualified to use the incremental capital module for its 2010 IRM application. In 2010 NPDI completed $8,784,039 of non discretionary capital additions, exceeding the threshold of $3,387,531 (as calculated in Response 3(b) above). The $8,784,039 includes $5,472,039 of 2009 capital expense, for the transformer station. This amount was held in a work in progress account until the asset was completed and put into service in 2010.

Given that the formula for calculating the threshold includes a growth rate of 0% for NPDI it is possible NPDI may qualify for the ICM in every year. NPDI is cognizant of the Board's warning against turning the ICM into a special feature allowing distributors "to adjust rates on an on-going, as-needed basis to accommodate increases in rate base". NPDI does not wish to apply for an ICM each year and has submitted one Cost of Service application instead.

<u>INTERROGATORY #4</u>

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

Norfolk Power contends that any IRM application would have had to include a retail transmission rate application, an LRAM/SSM application and an application for cost recovery in relation to smart meters and would be overly complex.

For <u>each of these three applications</u> please provide the following:

a) Is the application a mandatory component of an IRM application?
b) Could the application be deferred for one year until the cost of service application scheduled for 2012? If not, please explain why not?

c) Did Norfolk Power have a similar application as part of its EB-2009-0238 2010 IRM application?
d) Please provide details on the added complexity related to each application.
e) Please explain whether any of the three applications noted above would be required or applied for as part of the "more mechanistic" IRM application for 2012 if the Board approves a cost of service application for 2011.

<u>RESPONSE – INTERROGATORY #4</u>

Please note that NPDI's response to this interrogatory is set out as follows: NPDI has responded to parts (a), (b), (c) and (e) for each of the three types of applications referred to in the question (Retail Transmission Rates; LRAM/SSM; and smart meters). The response to part (d) of the interrogatory is set out as a single response following the responses related to the individual types of applications, and is applicable to all of the potential additional applications.

Retail Transmission Rate Application

a) The IRM application requires a retail transmission rate component to adjust the rates based on approved changes to the Uniform Transmission Rates. The IRM application process, including the model provided by Board Staff, adjusts for rates using historical expenses and revenues. With the completion of the transformer station NPDI has experienced, and will continue to experience, a change in volume of kW attracting the transformation connection charge. NPDI proposes to adjust rates on a forward basis in order to charge customers an appropriate rate and minimize variances held in USoA account 1586 - RSVA Retail Transmission Connection Charge Account. This would require a departure from the typical IRM application, requiring additional scrutiny from the Board, Board Staff and Intervenors, adding to the cost and complexity of the application.

b) Delaying the application one year is possible but as a result of the completion of the transformer station this would result in overcharging customers for transmission rates during that time period. With the completion of the transformer station, NPDI is no longer embedded in relation to Haldimand County Hydro, eliminating transformation connection service charges which were included in rates charged by Haldimand.

c) As part of the 2010 IRM application (EB-2009-0238) NPDI applied for a change in retail transmission rates following the standard IRM application process described in part a) above.

d) See below.

e) Based on the current IRM application process NPDI expects that a 2012 IRM application will require a retail transmission rate application. However a 2012 application would follow the board staff model and be fairly mechanistic compared to the 2011 application required to adjust rates due to the completion of the transformer station.

LRAM/SSM Application

a) The LRAM/SSM application is not a mandatory component of an IRM application, but it is permitted and contemplated by the Board in Chapter 3 of the Filing Requirements for Transmission and Distribution Applications, page 15 (July 9, 2010).

b) The application could be delayed, but NPDI does not believe it would be appropriate to defer this application until 2012. NPDI submitted an LRAM/SSM application as part of its 2010 IRM application. NPDI withdrew its SSM application, and the Board denied the LRAM component of the application because NPDI "did not provide adequate evidence to support its revised LRAM claim in time for parties to test the evidence during the discovery phase of the proceeding". In its Decision on that application, the Board stated: "The Board invites Norfolk to re-apply at the next opportunity for the disposition of its LRAM and SSM amounts." (Decision and Order, April 6 2010, EB-2009-0238 p16).

While it may be argued that an invitation to re-apply is not a requirement to do so, NPDI believes when invited by the regulator to submit an application "at the next opportunity" it is both reasonable and appropriate to do so. An application for 2011 distribution rates is NPDI's next opportunity to make an application for recovery of LRAM/SSM-related amounts. The current Application contains comprehensive evidence in support of the LRAM and SSM amounts claimed by NPDI.

NPDI has carried out CDM related activities in good faith and with the understanding that it would be permitted to recover the resultant lost revenue. This amount has now accumulated for five years and NPDI believes it is fair that it proceed with recovery at this time instead of delaying the recovery further. The LRAM/SSM value has now grown to $426,289 or almost 4% of NPDI's distribution revenue requirement. Delaying this recovery further will result in an increased amount applied for, further increasing the impact on customer rates.

c) See b.

d) See below.

e) NPDI would likely apply for recovery of LRAM/SSM-related amounts as part of a 2012 IRM application. However this application would only be for one year of lost revenue compared to the current application that covers a period of 5 years.

Smart Meter Rate Application

a) The Smart Meter application is not a mandatory component of the IRM application, but it is permitted and contemplated by the Board in G-2008-0002 Guideline – Smart Meter Funding and Cost Recovery (October 22, 2008). On page 11 of that document it explains:

> "When rates are adjusted using either a 2nd or 3rd generation incentive regulation mechanism ("IRM"), there is no re-evaluation of rate base or of the revenue requirement for the purpose of setting distribution rates. Where the Board approves smart meter capital and operating costs outside of a cost of service proceeding, a smart meter disposition rider is calculated."

b) Delaying the application could be deferred one year but NPDI does not believe it is appropriate to do so. Delaying the recovery of appropriate capital and operating expenses will cause greater rate volatility when they are finally included in rates and also delays recovery of expenses the distributor has legitimately incurred.

c) NPDI did not have a similar application as part of its 2010 IRM application.

d) See below.

e) NPDI would not have this application as part of a 2012 IRM application.

Response to Part d):

In its Application, NPDI stated:

> "NPDI recognizes that the IRM application contemplates the possibility of an incremental capital module to help address the increased capital spending. However the IRM application would have become complex. " (NPDI COS Application, October 28 2010, EB-2010-0139 E1/T2/S1/P.4)

The IRM application would have been complex due to the inclusion of each of the LRAM/SSM, Transmission Rate, and Smart Meter applications and an Incremental Capital Module. The transmission rate application adds complexity due to its departure from the standard IRM application process. The Incremental Capital Module adds complexity on its own, as it is not necessary with a cost of service application. NPDI notes that previous ICM applications have resulted in an oral hearing, and believes it is likely an oral hearing would be required if it filed an ICM application for 2011. This would be a complex and costly process. In addition, each individual application itself may not be overly complex, but all of them combined increase the complexity of what is intended to be a mechanistic IRM application. NPDI believes that it is more cost effective and efficient to account for all of these applications now within a single cost of service application, followed by a simple mechanistic IRM application in 2012, rather than to address these as part of a complex IRM application, or separate applications in addition to the IRM application, followed by a cost of service application in 2012.

<u>INTERROGATORY #5</u>

Ref: OEB April 20, 2010 Letter re Early Rebasing Applications

a) Please confirm that Norfolk Power was one of the four distributors that indicated they intended to file cost of service applications for 2011 rates rather than as scheduled for 2012 noted in the Board's Letter.

<u>RESPONSE – INTERROGATORY #5(a)</u>

NPDI cannot confirm that it is one of the four distributors noted in the Board's letter, because the Board did not list the four distributors in that letter. However, NPDI does believe that this is the case as NPDI had previously notified the Board of its intention to file an early application (see paragraph (b), below). Also, NPDI is on a list of distributors that the Board anticipated would be filing cost of service applications for rates effective May 1, 2011. That list can be found on the Board's "2011 Electricity Distribution Applications" web page, at the following address:

http://www.oeb.gov.on.ca/OEB/Industry/Regulatory+Proceedings/Applications+Before+the+Board/Electricity+Distribution+Rates/2011+Electricity+Distribution+Rate+Applications

In addition, the Board noted in its April 6, 2010 Decision on NPDI's 2010 IRM application (EB-2009-0238) that NPDI had stated that it intended to file a 2011 cost of service application (see NPDI's response to Interrogatory #7(b), below).

INTERROGATORY #5 (cont'd)

b) If this cannot be confirmed, please confirm that Norfolk Power notified the OEB of its intention to submit a cost of service application for 2011 rates prior to the issuance of the April 2011, 2010 Letter.

RESPONSE

NPDI confirms that it notified the Board prior to the issuance of the April 20, 2010 letter. NPDI first notified the Board via letter on February 19, 2010. A copy of that letter has been provided in Appendix A of this document. Additionally, as discussed below in NPDI's response to Interrogatory #7, NPDI indicated in its February 22, 2010 reply submission in its 2010 IRM application that it intended to file a 2011 cost of service application, and as noted in response to question 5(a) above, that intention was acknowledged by the Board in its April 6, 2010 Decision on NPDI's 2010 IRM application.

INTERROGATORY #6

Ref: Exhibit 5, Tab 1, Schedule 2

a) Please confirm that Norfolk Power has been able to obtain long term debt financing in 2009 and/or 2010 from third parties.

RESPONSE – INTERROGATORY #6(a)

NPDI confirms that it has been able to obtain long term debt financing in 2009 and 2010 from third parties.

INTERROGATORY #6 (b)

b) Did Norfolk Power have to pay any premium over market rates on this debt as a result of concerns of the financial well being of the utility being expressed by the lenders? If so, please provide details.

RESPONSE – INTERROGATORY #6(b)

NPDI did not pay any premium over market rates.

INTERROGATORY #7

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

With respect to the EB-2009-0238 2010 IRM application and Decision:

a) Please indicate when in the EB-2009-0238 proceeding that Norfolk Power indicated to the Board and intervenors in that proceeding of its intention to submit a cost of service application for rates effective May 1, 2011. In particular, was this intention communicated in the evidence filed in the proceeding, or was the intention included in the final submission of the company?

RESPONSE – INTERROGATORY #7(a)

As indicated in its response to Interrogatory #5(b) above, NPDI advised the Board of its intention to submit a cost of service application for the 2011 rate year by a letter dated February 19, 2010. NPDI included information regarding its intention to submit a cost of service application for rates effective May 1, 2011 in its February 22, 2010 final submission in its 2010 IRM application (EB-2009-0238). Specifics of the submission are set out below in NPDI's response to Interrogatory #7(b).

INTERROGATORY #7 (cont'd)

b) Please provide the specific wording from the Decision dated April 6, 2010 that supports Norfolk Powers' belief that the Board approved an early rebasing application for 2011 rates.

RESPONSE – INTERROGATORY #7(b) As part of its final submission of its 2010 IRM application, NPDI provided details of its intention to file a cost of service application later in that year for rates effective May 1, 2011. In their submission, Board Staff had recommended a one year disposition of NPDI's regulatory asset account balances (representing a credit to its customers):

> "Board staff submits that a disposition period no longer than one year would be appropriate." (Board Staff Submission, EB-2009-0238, February 1, 2010, p10).

In its February 22, 2010 reply, NPDI provided additional information on its intention to file the 2011 cost of service application (as noted above, NPDI advised the Board of its intention to submit a cost of service application for the 2011 rate year by a letter dated February 19, 2010), including a rough estimate on the impact on distribution rates and how a significant decrease in rates due to a one year disposition of regulatory accounts in 2010, followed in 2011 by a significant increase in distribution rates from a cost of service application, would create significant rate volatility for customers. NPDI suggested an alternative of disposing of 25% of the regulatory account balances in 2010 and 75% in 2011, which would help mitigate the increase from the 2011 cost of service application. Specifically, NPDI stated (at pages 6-7 of the reply):

> "NPDI notes that the balance requested for disposition is approximately $1.4M or 13% of NPDI's $11.2M revenue requirement. As Board staff indicated, these amounts have accumulated over four years. Repaying this amount over one year will have a significant impact on NPDI's cash flow. NPDI wishes to note that as part of its 2008 rate application it requested disposition of these accounts and was denied leaving the length of time holding these funds outside of its control.
>
> Also, as Board Staff indicated volatility in electricity bills will result if the disposition is carried out over one year. NPDI recently notified the OEB of its intention to submit a Cost of Service application later this year for rates effective May 2011. It is expected that this application will result in an increase in distribution rates as a result of an expected increase in the proposed 2011 rate base of 15%, compared to the approved 2008 rate base which was based on a cost of service application in that year. Also as part of the application NPDI will be seeking approval to recover a return on its installed smart meters, which exceeds 95% completion at the time of this submission, as well as approval to recover stranded assets of approximately $1.3M. NPDI submits that disposing of the Group 1 accounts over one year in 2010, followed by a rate increase in 2011, which may also include the recovery of stranded assets, will create considerable volatility in customer's rates.
>
> NPDI submits a more practical approach may be to use a two year disposition plan with 25% of the Group 1 accounts being disposed of in 2010 and the remaining 75% being disposed of in 2011 which would be a Cost of Service year for NPDI. This would assist in mitigating the rate increases occurring in that year while returning funds to customers in a shortened time period from that originally applied for." (NPDI Final Submission, EB-2009-0238, February 22, 2010 p6-7).

In its Decision dated April 6, 2010, the Board agreed in principle with Board Staff's submission that a one year disposition period is appropriate unless compelling evidence is provided to lengthen the period. However the Board accepted NPDI's rationale for extending the disposition period and approved the delay of 75% of the regulatory asset balance to be disposed in 2011.

> "Norfolk's requested the disposition of its Group 1 account balance over a four year period. Board staff submitted that a disposition period no longer than one year would be appropriate for all Group 1 account since these balances have been accumulating over the last four year period and to delay any immediate action would not be in the interest of all parties. In its reply submission, Norfolk stated that refunding the Group 1 account balance over one year would have a significant impact on its cash flow. Norfolk also expressed concerns about rate volatility. Norfolk stated that it intends to file a 2011 cost of service application and anticipates upward pressure on rates due to rate base increase and approval to recover stranded meter costs. Norfolk submitted that if the Board were to disapprove a four year disposition period, the Board may wish to consider approving a two year disposition plan where 25% of the Group 1 account balances would be refunded in 2010 and the remaining amount in 2011.The Board accepts in principle Board staff's rationale for a disposition period of one year and adopts it subject to any compelling evidence that the disposition period should be lengthened. The Board finds that Norfolk's rationale for proposing to extend the disposition period is reasonable but is of the view that a four year disposition period is too long. The Board will accept Norfolk's alternative proposal to dispose 25% of the Group 1 account balances in 2010 and the remaining 75% in 2011. The Board will reflect these findings in Norfolk's draft Rate Order." (Decision and Order, April 6 2010, EB-2009-0238 p14).

As part of the 2010 IRM Decision and Order the Board approved specific rate riders for both 2010 and for 2011 (effective May 1 2011 to April 30, 2012), to reflect this Decision. The specific rate riders for 2011 can be found on NPDI's Tariff's of Rates and Charges (EB-2009-0238) under each applicable customer class.

NPDI believes that this decision to set aside the accepted principle of a one year disposition period, due to rate fluctuations from the early 2011 cost of service application, represents acknowledgement that NPDI would be making the application. NPDI believes the 2011 rates were specifically set by the Board, as NPDI requested, to help mitigate the fluctuation in rates coming from its intended cost of service application. Moreover given that the Board set aside its accepted principle, and adjusted the rates, based on NPDI's stated intention to file the COS application, NPDI believes it now has an obligation to file the application. Given that that the 2011 disposition rate riders are already approved, if NPDI were to wait until 2012 to file a cost of service application, it would again be faced with significant rate volatility from decreased rates in 2011 and increased rates in 2012, and this would appear inconsistent with both NPDI's rationale in proposing the two-year disposition and the Board's rationale in approving the two-year disposition.

Appendix A

Notification Letter - 2011 Cost of Service Application

IN BUSINESS TO SERVE.

February 19, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Norfolk Power Distribution Inc – Cost of Service Application

Norfolk Power Distribution Inc (NPDI) wishes to inform the Ontario Energy Board of its intention to file a Cost of Service rate application in August 2010, for new rates effective May 1st 2011.

NPDI is not scheduled to file a Cost of Service application until 2012. However with the recent completion of phase two of NPDI's transformer station and other major capital projects, NPDI's fixed assets have increased significantly since its 2008 Cost of Service application. As some of these assets are now in service, and the remainder will be in service before year end, NPDI wishes to begin recovery of these and their associated expenses through rates as soon as reasonable.

If any further information is required please feel free to contact me at any time.

Sincerely,

B Randall

Brad Randall, P.Eng.
President and CEO
Norfolk Power Distribution Inc.
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