

**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 Brant County Power Inc. for an order approving just and reasonable rates and other charges for electricity distribution.

**BRANT COUNTY POWER INC.**

**RESPONSE TO BOARD STAFF**

**TECHNICAL CONFERENCE QUESTIONS**

**Brant County Power Inc.  
EB-2010-0125  
Technical Conference Responses**

**TCQ -1**

**Harmonized Sales Tax**

In response to Bard staff interrogatory 2, Brant County has indicated that it adjusted the Test Year revenue requirement to account for reductions to OM&A expenses and capital expenditures arising from the elimination of the provincial Sales Tax and replacing it with the Harmonized Sales Tax. Please provide the estimated reductions separately for OM&A and capital expenditures.

**Response:**

Brant County Power ("BCP") believes that the impact on of the implementation of the HST on its OM&A expenses and capital expenditures (due to savings on the PST portion of the HST) is not material. Many of its OM&A expenditures did not attract PST originally. With that in mind the estimated savings is expected to be \$ 25,000 for OM&A and \$ 25,000 for capital expenditures.

**TCQ - 2**

**Affiliate Relationship Code**

In response to Board staff interrogatory 3, Brant County stated that it may not have been compliant in the past with ARC, but has taken steps to correct for this, and mentions now using time sheets and separating the two billing systems

- (a) Please file the Service Agreement specified in section 2.2.1 of the Affiliate Relationship Code ("ARC")
- (b) How was Brant County Power out of compliance in the past?
- (c) Is Brant County fully in compliance now with the ARC?
- (d) If the answer to c) is no, please explain the elements that are out of compliance and steps that are being taken to correct the infraction.
- (e) Has Brant County communicated the non-compliance with anyone at the Board.
- (f) If the answer to e.) is yes, please file all documents between Brant County and the Board on the non-compliance issue.

**Response:**

- (a) Please see attached.
- (b) BCP did not have a formal process for establishing cross charges from BCP to BCPSI for management and staff spent on BCPSI functions. This has been rectified through a formal time sheet process. In addition, BCP's power bill including billings for BCPSI services including rental of hot water heaters and water softeners. These billings have now been separated.
- (c) BCP has taken steps to become compliant with the ARC, however we believe that we are technically still not 100% compliant. For example, all BCPSI services calls are routed through the front counter, however we believe this to be a very small amount and would not adjust our front counter staff in any way should this function ever be removed.
- (d) See part b of this question.
- (e) BCP does not believe this has been communicated formally to the OEB.
- (f) N/A.

**TCQ - 3**

**Depreciation**

In response to Board staff interrogatory 5, and in reference to Exhibit 4 Tab 7 Schedule 1, Brant County states that it is using original book value for rate base, however, is using fair market value assessment for the purposes of depreciation. Board staff sees this resulting in either an under or over recovery of the original investments used for rate base through its depreciation expenses

- (a) Please state what Board Order or Policy, or any Generally Accepted Accounting Principal ("GAAP") or Generally Accepted Regulatory Principal ("GARP"), that allows for this.
- (b) Please recalculate the fixed asset continuity exhibits and the 2011 depreciation expense based on the original book value. When performing this recalculation, please make the adjustment requested in 5 b) below.

**Response:**

- (a) To be discussed at Technical Conference
- (b) To be discussed at Technical Conference

**TCQ – 4**

**Costs of Power and Working Capital Allowance**

In response to Board staff interrogatory 26, Brant County filed the RTSR Adjustment Work Form.

- (a) Please update the RTSR Adjustment Work Form for the January, 2011 UTS rates approved by the Board.
- (b) Please update the Cost of Power ("COP") provided in response to Board staff interrogatory 6.
- (c) Please provide the working capital allowance using the full 2011 year's expenses.

**Response:**

- a) See attached.
- b) Please see revised EP IR # 6 table below:

	Billing Determient	Original Rates		Update Rates		Difference	Rate Base Impact (15%)
		RPP	Rate	Cost	RPP Rate		
Residential	80,122,583	0.0694	5,560,507	0.06350	5,087,825	- 472,683	
GS < 50 kW	39,095,551	0.0694	2,713,231	0.06350	2,482,587	- 230,644	
GS 50 to 4,999 kW	151,750,742	0.0694	10,531,501	0.06350	9,636,249	- 895,252	
Unmetered Load	493,370	0.0694	34,240	0.06350	31,329	- 2,911	
Sentinel Lights	215,167	0.0694	14,933	0.06350	13,663	- 1,269	
Street Lights	1,707,054	0.0694	118,470	0.06350	108,399	- 10,071	
<b>Total</b>			<b>18,972,882</b>		<b>17,360,052</b>	<b>- 1,612,830</b>	<b>- 241,924</b>
RPP Rate for 2011	0.06504						
Non-RPP Rate for 2011	0.0625						
Utilized Blended Rate	0.06350						

Cost of Power is adjusted by \$1,612,830 (from original application) and Rate base is reduced by \$241,924.

Please note the EP IR # 6 indicated these values to be COP = \$1,465,341 and Rate Base = \$219,801.

BCP used retail rates and load to derive the total COP (including transmission/connections and low voltage costs). BCP is providing retails rates and associated revenues for Transmission, Connection and LV charges (that are increased by the same % as the wholesale approvals) below:

Customer Class	Billing Determinent		Network Service Costs					Difference
	kWh	kW	Original Rate	Original \$	Updated Rate	Updated \$		
Residential	80,122,583		0.0052	416,637.43	0.0065	522,012.66	105,375.23	
GS < 50 kW	39,095,551		0.0048	187,658.64	0.0060	235,120.95	47,462.30	
GS 50 to 4,999 kW	151,750,742	388493	1.9188	745,440.37	2.4041	933,975.87	188,535.50	
Unmetered Loads	493,370		0.0048	2,368.18	0.0060	2,967.13	598.96	
Street Lights	1,707,054	4783	1.4472	6,921.96	1.8132	8,672.65	1,750.69	
Sentinel Lights	215,167	574	1.4544	834.83	1.8222	1,045.97	211.14	
<b>Total</b>				<b>1,359,861.40</b>		<b>1,703,795.22</b>	<b>343,933.82</b>	

Retail Transmission Adjustment Factor	
2011 Rate	3.22
2010 Rate	2.57
Factor	1.253

Customer Class	Billing Determinent		Line & Transformer Connection					Difference
	kWh	kW	Original Rate	Original \$	Updated Rate	Updated \$		
Residential	80,122,583		0.0039	312,478.07	0.0043	344,803.39	32,325.32	
GS < 50 kW	39,095,551		0.0034	132,924.87	0.0038	146,675.72	13,750.85	
GS 50 to 4,999 kW	151,750,742	388493	1.4110	548,163.62	1.5570	604,870.20	56,706.58	
Unmetered Loads	493,370		0.0034	1,677.46	0.0038	1,850.99	173.53	
Street Lights	1,707,054	4783	1.0908	5,217.30	1.2036	5,757.02	539.72	
Sentinel Lights	215,167	574	1.1137	639.26	1.2289	705.39	66.13	
<b>Total</b>				<b>1,001,100.59</b>		<b>1,104,662.72</b>	<b>103,562.13</b>	

Retail Transmission Adjustment Factor	
2011 Rate	2.56
2010 Rate	2.32
Factor	1.103

Customer Class	2009 LV Rates	2011 Billing Determinents	2011 Draft Revenue (current rates)	2011 LV Expense	2011 Proposed LV Rates	2011 LV		2011 Adjusted LV Revenue
						Proposed Revenue	2011 Adjusted LV Rates	
Residential	0.0007	80,122,583	56,085.81		0.0023	184,281.94	0.0025	202,209.822
GS < 50	0.0007	39,095,551	27,366.89		0.0023	89,919.77	0.0025	98,667.61796
GS > 50	0.3196	388,493	124,162.36		1.0364	402,634.15	1.1372	441,804.4353
Street Light	0.2394	4,783	1,145.05		0.7763	3,713.04	0.8518	4074.266531
Sentinel Light	0.2048	574	117.56		0.6641	381.19	0.7287	418.2778258
Unmetered	0.0007	493,370	345.36		0.0023	1,134.75	0.0025	1245.145328
<b>Total</b>			<b>209,223.02</b>	<b>678,455.00</b>		<b>682,064.84</b>		<b>748,419.57</b>

New Hydro One LV Rates - Adjustment Factor	
Previous Retail Rate (to end of 2010)	0.442
New Retail Rate (Starting Jan 1, 2011)	0.485
Difference	0.043
% Increase	9.73%

Customer Class	2011 Billing		2011 WMS		2011
	Determinants	Proposed WMS Rates	Proposed Revenue	Adjusted WMS Rates	Adjusted WMS Revenue
Residential	80,122,583	0.0052	416,637.43	0.0065	520796.7895
GS < 50	39,095,551	0.0052	203,296.87	0.0065	254121.0815
GS > 50	388,493	0.0052	2,020.16	0.0065	2525.2045
Street Light	4,783	0.0052	24.87	0.0065	31.0895
Sentinel Light	574	0.0052	2.98	0.0065	3.731
Unmetered	493,370	0.0052	2,565.52	0.0065	3206.905
<b>Total</b>			<b>624,547.84</b>		<b>780,684.80</b>

- c) The full year working capital allowance value is \$4,073,972 and is \$39,249 difference from the ½ year value contained in the original application (\$4,034,723). Please note, all of these values can be found in the original application at Exhibit 2, Tab 1, Schedule 2, Page 1.

**TCQ - 5**

**Meters**

In response to Board staff interrogatory 8 a), Brant County stated that some smart meter assets were included in rate base, however Brant County said that would remove them.

- (a) Please state the costs of these assets by year that are included in rate base, and a description of the nature of these items.
- (b) Please update the net book value for 2011 by excluding these items. This update is to be joined with the update requested in 3 b) above.

**Response:**

See Response to EP-TCQ#5 which is reproduced below.



**Energy Probe 5**

- a) 2010 Smart Meter Capital Expenditure (included in rate application) = \$1,337,547  
 2011 Smart Meter Capital Expenditure (included in rate application) = \$51,000  
 2011 Smart Meter Rate Base Impact (does not include ½ year rule) = \$1,388,547
  
- b) Please see requested changes to 2011 key application values

<b>Rate Base</b>	<b>Original</b>	<b>Revised</b>	<b>Difference</b>
Gross Assets	28,545,689	27,157,142	- 1,388,547
Depreciaton	10,036,965	9,901,510	- 135,455
Net Fixed Assets	18,508,724	17,255,632	- 1,253,092
Working Capital Allowance	4,034,723	4,034,723	-
Rate Base	22,543,447	21,290,355	- 1,253,092
<b>Cost of Capital Savings</b>	<b>Allocation</b>	<b>Rate of Return</b>	<b>Return Value</b>
Debt (short term)	- 701,731.52	2.07%	- 14,525.84
Debt (long term)	- 50,123.68	5.68%	- 2,847.03
Equity	- 501,236.80	9.85%	- 49,371.82
Total	- 1,253,092.00		- 66,744.69
<b>Amortization Expense</b>	<b>Original</b>	<b>Revised</b>	<b>Difference</b>
	896,214	805,344	- 90,870
<b>Income Taxes</b>	<b>Original</b>	<b>Revised</b>	<b>Difference</b>
	101,117	45,995	- 55,122

Note: the income tax value includes all CCA adjustments from EP IR's and TCQ's as well as BS IR # 20.

- c) BCP is not requesting a change in Smart Meter rate adder
  
- d) BCP has not included any Smart Meter expenses in the revenue requirement

**TCQ - 6**

**Brant Renewable Energy**

In response to Board staff interrogatory 16, Brant County identified its new division, Brant Renewable Energy ("BRE"), and a new staff position within it.

- (a) Please explain the corporate relationship of BRE with Brant County Power Inc.
- (b) What is the purpose of BRE?
- (c) Please describe how BRE is related to the core business of distributing electricity.
- (d) What are the duties and responsibilities of the new position?

In response to Board staff interrogatory 18, Brant County stated that some of the BRE OM&A costs are for advertising.

- (e) Are any of the advertising costs incurred for the primary purposes of promoting corporate branding or image?

Brant County state that the expenses for running BRE are more than offset by revenues of \$135,000.

- (f) Please provide the details of the \$135,000 in revenue that is forecasted?

**Response:**

- (a) BRE is a wholly owned division of Brant County Power.
- (b) BRE promotes and advocates the use of renewable energy. The vision of BRE is to capitalize on Brant County Power's brand by focusing on protecting the environment— and future generations— by promoting, educating and facilitating renewable energy projects. For more information on BRE please visit the website [www.brantrenewable.ca](http://www.brantrenewable.ca).
- (c) The Green Energy and Green Economy Act, introduced by provincial government, places new responsibility on local distribution companies that now require us to facilitate investments in renewable energy and the smart grid. Our board of directors takes this responsibility seriously and the best way to facilitate an investment is to lead the way with a new division born from a trusted company that is well established in the local community.
- (d) The responsibilities of the new position are to promote and market the BRE division.

- (e) Som of the advertising costs would be used to promote BRE's corporate branding and image.
- (f) Pending.

**TCQ - 7**

**OM&A**

In response to Board staff interrogatory 16, Brant County provided a table of employee positions.

- (a) Are any of the costs for the Smart Meter Data Analyst also included in accounts 1555 and/or 1556?
- (b) Is the hiring of a CDM Communications Coordinator part of a CDM Plan?
- (c) If the answer to b) is no, please provide justification for the position.

In response to Board staff interrogatory 17, Brant County states that it will address the OMERS increases through IRM applications.

- (d) Since the first OMERS increase is for 2011, why is Brant County not requesting its costs in the 2011 revenue requirement?
- (e) IRM is an incentive rate setting mechanism and not a cost based mechanism. How does Brant County plan to incorporate the increased costs in an IRM application?

**Response:**

- (a) BCP capitalized ~ \$62,000 of labour and OH costs related to the smart meter data analyst which was approximately one year of labour plus burden during the startup phase of the smart meter project.
- (b) Yes – the hiring of the CDM position is part of a CDM plan. This person's main responsibility is to coordinate and oversee all aspects of CDM regulations and guidelines required by the regulatory bodies.
- (c) N/A
- (d) Pending
- (e) Pending

**TCQ - 8**

**PILs**

Brant County updated its evidence for the correct tax rates, in response to Board staff interrogatory 20. However, it appears that this update does not include the change Brant County provided as a result of the new 2011 CCA reported in response to Energy Probe interrogatory 26. Please update Board staff interrogatory 20 for the change from the new CCA.

**Response:**

Please see requested response below (note this still includes the Smart Meter capital items contained in original application).

<b>Brant County Power PILS Determination</b>	
	<b>2011 Test</b>
<b>Determination of Taxable Income</b>	
Regulatory Net Income (before tax)	\$888,212
<b>Book to Tax Adjustments</b>	
<b>Additions to Accounting Income:</b>	
Depreciation and amortization	\$896,214
Other Additions	
<b>Total Additions</b>	<b>\$896,214</b>
<b>Deductions from Accounting Income:</b>	
Capital Cost Allowance	\$1,504,414
Cumulative eligible capital deductions	\$96,345
Other Deductions	
<b>Total Deductions</b>	<b>\$1,600,759</b>
<b>Regulatory Taxable Income</b>	<b>\$183,667</b>
<b>Corporate Income Tax Rate</b>	<b>15.50%</b>
<b>Regulatory Income Tax</b>	<b>\$28,468</b>
<b>Calculation of Utility Income Taxes</b>	
Income Taxes (prior to gross-up)	\$28,468
Ontario Capital Tax	\$24,718
Large Corporation Tax	\$0
<b>Total Taxes</b>	<b>\$53,187</b>
<b>Gross UP factor (1-tax rate)</b>	<b>84.50%</b>
<b>Taxes after Gross-up</b>	
Income Taxes	\$33,690
Ontario Capital Tax	\$0
Large Corporation Tax	\$0
<b>Total taxes with Gross up</b>	<b>\$33,690</b>

**TCQ – 9**

**Cost Allocation Model**

In response to VECC 7, Brant County states that they have reworked the cost allocation model. Please file that model in Excel format.

**Response:**

Please see requested CA model in excel format filed in response to Undertaking JTas an attachment to these responses.

8182491.1

Agreement made the      day of

**BETWEEN**

*The Brant County Power Services Incorporated*

**AND**

*Brant County Power Incorporated*

For Brant County Power Incorporated ("BCP") to provide billing, collecting and related customer services on behalf of Brant County Power Services Incorporated ("Power Services Inc") for Water, Sewage, Sentinel Light Rental, and Water Heater Rental charges.

**BCP** shall provide in a timely and diligent manner, resources for the processing, verification, printing, and mailing of water, sewage, sentinel light rental, and water heater rental bills on a monthly basis or as required.

**BCP** shall set up and maintain Customer accounts and billing information for water, sewage, sentinel light rental, and water heater rental services.

**BCP** shall perform the regular collection and processing of water, sewage sentinel light rental, and water heater rental payments. The follow up of Customer accounts in arrears and every reasonable attempt to collect the said amounts due will be employed

**BCP** shall provide other customer service duties such as answering Customer billing inquiries and letters of arrears inquiries from third parties.

**BCP** shall remit to **Power Services Inc**, revenues for water, sewage, sentinel light rental and water heater rental amounts collected from the Customer by the 10<sup>th</sup> of the month following the paid month. Amounts remitted shall be net of service charges incurred during the same period for **BCP**.



**Power Services Inc** shall provide in a timely manner, information pertaining to new sentinel light and/or water heater rental Customers, additions or changes, so as to allow processing of the said changes within a reasonable time frame.

**Power Services Inc** shall provide changes to sentinel light rental and water heater rental billing rates to **BCP** within 45 days of implementation.

**Power Services Inc** shall provide, by way of an agreement with the Corporation of the County of Brant, information pertaining to new water and/or sewage Customers, connections, and metering additions or changes in a timely manner, so as to allow processing of the said changes within a reasonable time frame.

**Power Services Inc** shall provide, by way of an agreement with the Corporation of the County of Brant, changes to Water and Sewage billing rates to **BCP** within 45 days of implementation.

### **Application of Payments**

Partial payments made on the Customer's utility account where multiple services are included on the bill shall be first applied to any late penalty outstanding. Any remaining balance of the payment shall then be applied in the following order:

- Hydro services charges in arrears, or due;
- Water and wastewater charges in arrears or due;
- Rental equipment charges in arrears or due; and,
- Other outstanding charges.

In the event that all internal and external methods of collection have been exhausted, the Customer's account shall be written off as a bad debt with the amount outstanding allocated on a pro-rata basis to each service. Uncollectable amounts for water and sewage will be charged back to the County of Brant. Uncollectable amounts for sentinel light or water heater rental will be charged back to **Power Services Inc**.

Late penalty charges collected on behalf of the Customer's water, sewage, sentinel light rental, and water heater rental arrears shall be applied against the collection costs incurred by **BCP** for collection of said amounts.

**Charges**

**Water and Sewage - Billing, Collecting, Customer Service and Meter Reading**

- Effective January 1, 2003, a flat charge of \$2.39 per bill issued will apply, as amended from time to time:

**Sentinel Light Rental and Water Heater Rental – Billing, Collecting, Customer Service**

- Effective January 1, 2003, the fee for providing sentinel light rental and water heater rental billing, collecting, and customer service be established at 10% of the rental revenues billed per month, as amended from time to time.

Any change in rates, and amendment, change, or modification to this Agreement or any of the terms herein contained shall be binding upon the parties hereto or either of them only if such amendment, change or modification is in writing and duly executed by each of the parties.

IN WITNESS WHEREOF the parties hereto have affixed their respective corporate seals, attested by the hands of their respective officers duly authorized in that behalf as of the day and year first above written.

BRANT COUNTY POWER INCORPORATED

Per Carl Kunkel

Per [Signature]

BRANT COUNTY POWER SERVICES INCORPORATED

Per [Signature]

Per Carl Kunkel