

**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
Norfolk Power Distribution Inc. for an Order or
Orders approving or fixing just and reasonable
rates and other charges for the distribution of
electricity commencing May 1, 2008.**

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. Loss Factor

Ref a: Ex 1/T1/S5

Ref b: Ex 1/T1/S13

In Ref a, NPDI's total loss factor for secondary metered customers is 1.0560 in both 2007 & 2008.

In its letter to the OEB subsequent to the Decision and Order dated April 26, 2006, NPDI has listed details of strategies and line loss programs to reduce its line losses and has commented that its goal is to approach the 5% target reflecting a technically efficient distribution system for a large rural utility.

Please comment on the effectiveness of the various line loss programs mentioned in NPDI's letter.

2. Rate Base

a. Ref: Ex 2/T2/S3/pg1

	2006 Approved	2006 Actual	Variance
#1830-Poles, Towers and Fixtures	\$20,800,394	\$16,915,729	(\$3,884,665)
#1835-Overhead Conductors and Devices	\$9,581,701	\$8,333,597	(\$1,248,104)

NPDI has explained that for 2005 and 2006 actual, it had additions of \$2,552,000 consisting of line conversions, upgrades, new construction and rebuilding existing distribution plant. An overhead distribution plan write-off was also mentioned in the Evidence.

Please provide further details explaining the less than expected spending for Account #1830 and #1835 in 2006 (separately provide the amount of the write-off).

b. Ref: Ex 2/T2/S3/pg3

	2006 Approved	2006 Actual	Variance
#1930-Transportation Equipment	\$2,027,745	\$1,300,157	(\$727,588)

NPDI has explained that for 2005 and 2006 actual, it had additions of \$441,000 consisting of new passenger vehicle and pick-up truck. Fully depreciated vehicles were written off in 2006.

Please provide further details explaining the less than expected spending for Account #1930 (separately provide amount of the write-off).

c. Ref: Ex 2/T2/S3/pg3

	2006 Approved	2006 Actual	Variance
#1940-Tools, Shop and Garage Equipment	\$532,899	\$212,866	(\$320,033)

NPDI has explained that for 2005 and 2006 actual, it had additions of \$77,000 consisting of tools and equipment. Fully depreciated tools and equipment were written off in 2006.

Please provide further details explaining the less than expected spending for Account #1940 (separately provide amount of the write-off).

d. Ref: Ex 2/T2/S3/pg4

2006 Actual vs. 2007 Bridge variances, for Account # 1820, #1830, #1835, #1840, #1845, #1850, #1855, #1860.

NPDI has stated that the variance for the above-mentioned accounts is the result of “several projects planned for 2007”.

Please provide more details explaining the variances, for instance, type of projects, project start and end date, project costs and benefits.

e. Ref: Ex 2/T2/S3/pg4

Account # 1815: 2008 test year vs. 2007 bridge year variance is \$322,000. NPDI has stated that this is due to a deposit for a second 115KV transformer to be installed.

Fund set aside for the future installation of the transformer should be recorded as a reclassification of the current asset rather than an addition to the gross capital asset. Please justify NPDI's treatment.

f. Ref: Ex 2/T2/S3/pg4

Account #1820: 2008 test year vs. 2007 bridge year variance is (\$575,255).

NPDI has stated that the variance is the net result of several projects planned for 2008 and the write-off of fully depreciated assets.

Please provide the amount of the write-off and the projects separately, and provide details on the projects (for instance, type of project, start and end date, project costs and benefits).

g. Ref: Ex 2/T2/S3/pg4

Account #1820, #1830, #1835, #1840, #1845, #1850, #1855, #1860.

The figures listed under column "2007 Bridge" and "2008 Test" are actually 2006 Actual and 2007 Bridge year amounts.

Please update the table using the correct data and provide detailed explanations on all material variances. For project related variances, please list type of project, project start and end date, project costs and benefits in the explanation.

3. Capital Budget

a. Ref: Ex 2/T3/S3/pg2/Table 1

Please confirm that column "2006 Budget" in Table 1 "Distribution Plant Capital 2006-2008 Total by Type" refers to 2006 actual rather than 2006 budget.

b. Ref: Ex2/T3/S3

	2006 Budget	2007 budget	2008 Budget
Distribution Plant			
<i>Customer Service Work-Residential & Commercial</i>			905,000
<i>Subdivision Development</i>			600,000
<i>Roadway Relocations</i>			36,000
<i>Upstream and Enhancement Projects</i>			300,000
Customer Demand	1,948,000	1,747,000	1,841,000
<i>Wood Pole Replacement</i>			240,000
<i>Proactive overhead transformer replacement</i>			124,000
<i>proactive underground transformer replacement</i>			168,000
<i>overhead renewal</i>			863,000
<i>underground renewal</i>			282,000
Renewal	1,593,000	1,429,000	1,677,000
Capacity	-	520,000	432,000
Stations	165,000	954,000	1,207,000
Subtotal	3,706,000	4,650,000	5,157,000
Customer Connections			
Meter Verification and Asset Mgmt	111,634	99,000	99,000
Wholesale Meter	84,320	97,000	100,000
IESO Compliance Meter Upgrade	52,336	104,500	104,500
Smart Metering	25,185	49,000	4,251,000
Other Projects under \$100K	13,416	3,500	22,900
Subtotal	286,891	353,000	4,577,400
Computer Hardware			
Computer Software			
Vehicle and Related Equipment Replacement			
Vehicles	323,000	90,000	80,000
Equipment and Tools	15,000	5,000	15,000
Subtotal	338,000	95,000	95,000
Tools and Equipment			
Tools and Garage Equipment	49,500	33,000	32,000
Measurement and Testing Equipment	25,400	22,000	25,500
Misc. Equipment	33,000	17,000	22,500
Subtotal	107,900	72,000	80,000
SCADA	102,500	44,000	92,000
Buildings and Fixtures	20,000	167,000	108,400
Total Capital Budget	4,561,291	5,381,000	10,109,800

Data in the table above was extracted from Ex 2/T3/S3/pg2-16.

The Applicant has stated (Ex2/T3/S3/pg1) that its overall capital budget for 2008 is \$6,245,800 reflecting an increase of \$529,800 over 2007.

- a.) Please provide the figures for Computer Hardware and Computer Software, update the table and confirm the total capital budget amount for both 2007 & 2008.
- b.) Please confirm that no projects will be added to rate base before they are commercially in service.

4. OM&A Costs – Materiality Analysis

Ref: Ex 4/T2/S2/pg1

For Account # 5020 and Account # 5040, NPDI's 2006 actual spending was higher than 2006 approved level. The Applicant has explained that these accounts were reviewed at year-end and a re-allocation was made to capital.

- a. Re-allocation to the capital accounts should lead to a decrease in OM&A spending. Please explain.
- b. Please explain whether the re-allocation to the capital accounts reflects any change in NPDI's capitalization policy.

5. Wages and Salaries

Ref: Ex 4/T2/S7

It appears that NPDI has not charged any wages and salaries costs to OM&A. Please confirm and explain.

6. Deferral and Variance Accounts

Ref a: Ex 5/T1/S2/pg5

Ref b: Ex 3/T2/S1/pg5

The sum of the selected deferral and variance accounts to be disposed of should be assigned to the proper allocator.

In Ref a, Table "Test Year Forecast", the number of customers shown in column "# Customers" does not correspond to the numbers presented in column "Test Year Normalized Forecast 2008" in Ex 3/T2/S1/pg5.

# Customers	Ref a: Ex 5/T1/S2/pg5	Ref b: Ex 3/T2/S1/pg5
GS>50	170	166

Small Scattered Load	48	51
Street Lighting	3892	3091

Please confirm the correct figures to be used and revise the calculation of the disposition of NPDI's deferral and variance accounts if necessary.

7. New Deferral Account

NPDI has requested approval to establish a deferral/variance account on May 1, 2008 for capital works during non-rebasing years to collect revenue requirement costs associated with the cost of construction. (Ex 1/T1/S8)

Revenues for non-rebasing years will be based on the 3rd Generation Incentive Regulation Mechanism ("3GIRM). Please explain why NPDI requires a revenue requirement adjustment during non-rebasing years that is in addition to that produced by the 3GIRM process.

8. Smart Meters

What portion of NPDI's revenue deficiency is due to smart meter expenditures? In answering that question, so please isolate:

- the impact on OM&A (2008 versus 2007, and 2008 versus 2006)
- the impact on rate base and cost of capital;
- the impact on depreciation and amortization.