BOARD STAFF INTERROGATORIES
ST. THOMAS ENERGY INC.
2011 COS RATES
EB-2010-0141

Administration

1. Ref: Exhibit 1/Tab1/Schedule 2 p.2
   St. Thomas filed its Cost of Service application for 2011 rates on February 10, 2011 and is requesting that the proposed rates be effective May 1, 2011.
   a) Please explain why St. Thomas believes that a May 1 effective date is appropriate given that it filed its application about 5 months later than is normally expected for a Cost of Service Application that anticipates an effective date of May 1, 2011 for the new rates.

2. Ref: Exhibit 1/Tab1/Schedule 2 p.2
   St. Thomas is seeking approval for a 2011 Base Revenue Requirement of $6,561,411. The Base Revenue Requirement (titled Distribution Revenue at Proposed Rates) shown in the Revenue Requirement Work Form at Exhibit 1-4-9 attachment 1 p. 4 is $6,561,820.
   a) Please explain the discrepancy and identify which of the 2 amounts St. Thomas views as correct.

3. Ref: Exhibit 8/Tab4/Schedule 4 attachment 2
   The Bill Impact schedules do not appear to include HST.
   a) Why did St. Thomas not include HST in the calculation as is expected pursuant to the Board's 2011 COS filing requirements?
   b) Please confirm that going forward St. Thomas will include HST in the Bill Impact calculations.

4. Exhibit 1/Tab4/Schedule 4 attachment 1
   The entry for account 3650 (Billing & Collecting) shows an adjustment of $157,517 (which reduced the Regulatory Statement as compared to the Audited Statement) and was described as "additional charges for accounts sent to collection agency".

   a) Please explain the nature and purpose of this adjustment.

5. Ref: Exhibit 1/Tab1
   a) Please identify any rates and charges, excluding those pertaining to contributed capital, that are included in St. Thomas's conditions of service,

but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

b) If the associated revenues are not otherwise included in the "Other Revenue Offsets" found at Exhibit 3 Tab 3 Schedule 6 attachment 1 p.3, please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2010 bridge and 2011 test years.

c) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

Responses to Letters of Comment

6. Ref. Exhibit /1 Tab 1 / Schedule 1

   Following publication of the Notice of Application, did the applicant receive any letters of comment? If so, please confirm whether a reply was sent from the applicant to the author of the letter. If confirmed, please file that reply with the Board. If not confirmed, please explain why a response was not sent and confirm if the applicant intends to respond.

Harmonized Sales Tax

7. Ref: Exhibit 1 /Tab 4 /Schedule 5

   The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

   a) Please state whether or not St. Thomas has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that St. Thomas realized due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.

b) The Board's EB-2009-0208 decision and order, dated March 29, 2010, on the applicant's 2010 IRM application established a deferral account and directed the applicant to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account [1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs))] until the effective date of the applicant's next cost of service rate order. On December 23, 2010, the Board issued FAQs that provided options for tracking amounts in the HST sub-account. Has the applicant recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

International Financial Reporting Standards (IFRS)

8. <u>Exhibit 1 Tab 4 Schedule 2 attachment 2</u>
The Auditor's Report for the year ended 2009 indicates that St. Thomas's financial statements were prepared on a CGAAP, and not an International Financial Reporting Standards (IFRS).

    a) Please confirm that the revenue requirement numbers for 2011 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis with the Board. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.
    b) Please state whether or not the applicant has included an amount for IFRS transition costs, other than the $60,000 mentioned in Exhibit 4 Tab2 Schedule 7, in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

Rate Base and Capital

9. <u>Ref: Exhibit 1/Tab4/Schedule 2 attachment 3</u>

St. Thomas's interim 2010 statements, for the period ended September 30, 2010, show that its actual "Capital Expenditures" of $837,520 are about 26% less than the year to date budget.

a) Please prepare a similar calculation for just the "regulated" portion, if applicable, of the Capital Expenditures.
b) Please elaborate whether any/or all of the year-to-date variance shown in the response to a) will reverse by the end of the year so that the full year actual vs budget variance will be minimal, i.e +/- 2%.

10. Ref: Exhibit 2/Tab5/Schedule 1
The Allowance for Working Capital (WCA) calculation in the pre-filed evidence reflects input amounts as known at the time the evidence was prepared.

a) Please confirm that St. Thomas intends at the appropriate time in this proceeding to update the WCA calculation with the then current information.

11. Ref: Exhibit 2/Tab1/Schedule 1
Board staff prepared the table below using information from the pre-filed evidence and added (i) a calculated average annual expenditure for the 2006-2010 period and (ii) the variance between the proposed 2011 and the calculated amount. The comparison shows a $609,000 or 45% increase.

Capital Expenditures	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year	(i) Average 2006-2010	(ii) 2011 vs Average
Non-Discretionary	$ -	$ -	$ -	$ -	$ -	$ -		
New Services	$ 553,991	$ 417,356	$ 858,298	$ 186,707	$ 336,713	$ 447,926	**$ 470,613**	**-$ 22,687**
Municipal Road Rebuild	-$ 5,628	$ 353,502	$ 76,809	$ 22,292	$ 81,689	$ 148,126	**$ 105,733**	**$ 42,393**
Subtotal	$ 548,363	$ 770,858	$ 935,107	$ 208,999	$ 418,402	$ 596,052	**$ 576,346**	**$ 19,706**
Sustainment								
Pole Replacement Pgm.	$ 285,253	$ 341,419	$ 482,901	$ 402,216	$ 188,410	$ 400,000	**$ 340,040**	**$ 59,960**
Voltage Conversion Pgm	$ 613,741	$ 188,144	$ 337,195	$ 225,125	$ 494,435	$ 866,913	**$ 371,728**	**$ 495,185**
Emergency Replacement Pgm.	$ 39,374	$ 28,366	$ 76,166	$ 3,096	$ 80,000	$ 80,000	**$ 45,400**	**$ 34,600**
subtotal	$ 938,368	$ 557,929	$ 896,262	$ 630,437	$ 762,845	$1,346,913	**$ 757,168**	**$ 589,745**
TOTAL	$ 1,486,214	$ 1,328,787	$ 1,831,370	$ 1,000,750	$1,101,247	$1,942,961	**$ 1,333,514**	**$ 609,447**
source: Exhibit 2-2-1 p.3 table 2-1-1-A								

The most significant increases occur in the pole replacement and voltage conversion programs. St. Thomas provided its Asset Management Plan and explains that the 2011 planned expenditures are supported by the Asset Condition Assessment Study prepared in 2010 by Kinectrics. The Asset Management Plan forecasts capital expenditures to range between $1.947 million and $2.127 million during 2012 to 2015.

a) When setting its capital expenditure plans and priorities did St. Thomas consider the impact on rates that the $600,000 increase in 2011, as compared to the average expenditures between 2006 and 2010, would have on rates?

a) Does St. Thomas have any evidence quantifying the impact on operations if the completion of the $3,000,000 pole replacement and voltage conversion programs took place over 7 rather than 5 years?

b) If St. Thomas had to ration its 2011 capital budget to no more than $1.3 million, please list and rank the projects and/or specific items St. Thomas would eliminate or delay in order to remain within the $1.3 million envelope.

12. Exhibit 2 /Tab 2 /Schedule 1 p.8

St. Thomas notes that its spare part inventory is held by STESI, the cost of which is incorporated in the MSA fixed fee.

a) What are the components of the cost and how is it calculated?

b) How is the amount in the fee calculated?

13. Ref: Exhibit 2 /Tab 1 /Schedule 1 p.8

Please provide a copy of the capital contribution calculation for the CASO station and the Parkside School.

Operating Revenue

Load and Customer Forecasting

14. Ref. Exhibit 3 /Tab 1 /Schedule 1

St. Thomas notes that the historic residential customer count over the 2005 to 2008 period increased at an average of 2.25% per year. Forecasted 2010 compared to 2009 actual shows a 0.95% increase and forecasted 2011 compared to forecasted 2010 shows a 0.9% increase. The lower rate of increase was attributed to the economic downturn.

a) Please calculate the average annual increase, since 2005, that includes 2009 actuals.

b) If available, please calculate the average annual increase, since 2005, including 2010 actuals.

c) Does St. Thomas have a factual analysis or study which supports the contention that the economic downturn will result in a lower rate of increase in average residential customer growth than historically experienced since 2005? If so, please provide it.

15. Ref. Exhibit 3 /Tab 1 /Schedule 2 attachment 1 p.8 table 5

The table below shows the 2010 and 2011 load forecast as prepared by Elenchus Research Associates for St. Thomas. For each Rate Class please provide the operands and quantities which generated the 2010 and 2011 forecast e.g. average use per customer of XXXX times YYYY customers.

Table 5

St. Thomas Hydro – Class Retail kWh, Actual, Normalized & Forecast

Rate Class	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	110,094,131	112,424,151	115,189,635	115,189,635	120,231,413	121,286,143	122,438,963	123,529,530
GS<50	38,610,948	38,647,608	38,957,180	40,429,683	40,926,628	40,912,371	40,912,371	40,961,251
GS>50-4999	172,035,175	176,216,393	174,069,461	170,744,600	151,470,639	127,173,724	128,576,170	129,249,343
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0	0
Street Light	2,874,586	2,903,745	2,938,634	2,977,270	2,998,494	3,047,943	3,078,422	3,109,206
Sentinel Light					53,774	56,665	56,665	56,665
Total	360,896,187	368,567,520	368,092,110	362,592,344	344,055,376	298,981,670	295,062,590	296,905,995

16. Ref. Exhibit 3 /Tab 1 /Schedule 2 attachment 1 p.8

For the GS < 50kW rate class, the "2004-2009 average use per customer" is shown as 24,440 kWh and the "2004 Hydro One Retail NAC" is 25,217 kWh. The "2004-2009 average use per customer" is about 3% less than the "2004 Hydro One Retail NAC".

a) Please confirm that St. Thomas used the "2004-2009 average use per customer" to prepare the load forecast.
b) Please explain what accounts for the 3% difference.

17. Ref. Exhibit 3 /Tab 1 /Schedule 1

St. Thomas notes that that the 2011 weather normalized Test Year load forecast for the Residential, General Service less than 50kW and General Service greater than 50kW classes prepared by Elenchus Research Associates ("ERA") did not take CDM into account. The forecast for revenue requirement purposes does take it into account in that the ERA forecast was reduced to reflect St. Thomas's forecast Conservation and Demand Management results per its recently filed 4 year plan.

a) Please provide a copy of the referenced 4 year plan.
b) Please confirm that St Thomas's CDM targets, pursuant to the Board's EB-2010-0215/EB-2010-0216 Decision and Order dated November 12,

2010, are (i) 3.940 MW for the 2014 Annual Peak Demand Savings and (ii) 14.920 GWh for the 2011-2014 Net Cumulative Energy Savings.

c) Please complete the following table.

	(a)	(b)	(a)- (b)
2011 LOAD FORECAST (kWh)	**2011 forecasted by ERA**	**2011 CDM Adjustment**	**2011 load forecast for Revenue Requirment**
Residential			
GS< 50 kW			
GS >50 kW			
Total			

d) Please provide the calculation, including achievement assumptions, St. Thomas used to derive the 2011 CDM (kWh) adjustment that will populate column (b) in the table above.

e) If St. Thomas made a separate CDM adjustment for its 2011 kW 2011 load forecast please complete a table similar to the table in question c).

f) If a table is provided in the response to question e), please provide the calculation, including achievement assumptions, St. Thomas used to derive the 2011 CDM (kW) adjustment that will populate column (b) in the requested table.

Other Distribution Revenue

18. <u>Ref: Exhibit 3/ Tab 3/ Schedule 1</u>
Please complete the table below. It is similar to the summary part of the form found in Appendix 2-C in *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications*, dated June 28, 2010. For 2011, please explain the difference, if any, between the “Other Distribution Revenue” Total and the Revenue Requirement Offset reflected in the Base Revenue Requirement.

Other Distribution Revenue	2006 Board approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
Specific Service Charges							
Late Payment charges							
Other Distributing Revenues							
Other Income and Expenses							
TOTAL							
year-on-year % change							
Revenue Requirement Offset							$ 802,797

Affiliate Transactions

19. Ref: Exhibit 1/Tab 2/Schedule 4 p.2

St. Thomas states that the fixed fee (under original Master Service Agreement ("MSA") charged by St. Thomas Energy Services Inc. ("STESI") is allocated to the different key financial accounts of St. Thomas based on the underlying activities tracked in STESI.

a) Please provide a copy of the allocation calculations that were used for the 2009 actuals and for the 2011 test year amounts.
b) What mechanism is used to allocate non-MSA variable expenses and regulatory and capital expenditures payments?
c) Has St. Thomas undertaken any studies or analyses to ensure that the cost allocation criteria currently used are appropriate? If so, please provide a copy of any such study or analyses.
d) Please provide an estimate of the additional or incremental costs that are incurred to manage and administer the fees, charges and payments associated with the STESI -St. Thomas arrangement regarding the provision of goods and services.

20. Ref: Exhibit 1/Tab 2/Schedule 4

What steps has St. Thomas undertaken to assure itself that the MSA fees, the non-MSA expenses payments and the capital and regulatory expenditures payments charged by STESI are no more than market?

Operating and Maintenance Expenses

21. Ref: Exhibit 1/Tab4/Schedule 2 attachment 3

St. Thomas's interim statements, for the period ended September 30, 2010, show that its actual "Expenses" of $4,146,039 are about 6.5% less than the year-to-date 2010 budget.

a) Please prepare a similar calculation for just the “OM&A” portion of “Expenses”.
b) Please indicate and explain whether, and to what extent, the year-to-date variance shown in the response to a) will reverse by the end of the year so that the full year actual vs budget variance will be minimal, i.e +/- 2%.

22. Ref: Exhibit 1/Tab2/Schedule 2 and Exhibit 4 Tab 1 Schedule 1 p3.
Please identify the inflation rate used for the 2011 OM&A forecast and the source document for the inflation assumptions.

23. Ref: Exhibit 4/Tab2/Schedule 1 attachment 4 and Exhibit 4/Tab2/Schedule3
The evidence shows the following amounts in Account 5655 (Regulatory Services): 2009 actual - $70,888; 2010 bridge - $60,346 and; 2011 test - $175,896 (of which about $72,000 is ongoing and $103,000 is ¼ of the projected costs of $412,000 for this proceeding). St. Thomas breaks-out (see below) the anticipated costs for this proceeding.

2011 Rate Rebasing Application
STEI expects to incur $412,400 of costs to file and defend its 2011 Rate Rebasing application. This amount consists of:

- Deferred costs incurred in 2010 to prepare the 2011 Cost of Service rate application by a newly created position - $62,400
- Provision of third party consulting services
  - LRAM SSM support - $12,000
  - General Regulatory Support - $158,000
- Provision of legal services - $100,000
- An allowance for intervenor costs - $75,000
  - Assuming 3 active intervenors who claim an average of $25,000 each
- The costs of publishing and serving the Notice of Application - $5,000

a) Are Salaries and Wages costs limited to the position mentioned in the first bullet?
b) For each bulleted activity, please indicate the known costs incurred to date.

24. Ref: Exhibit 4/Tab1 /Schedule 1 & Exhibit 4/Tab 2 /Schedule 7
St. Thomas explains that about $338,000 of the increase in OM&A between 2010 and 2011 is due to 3 new positions.

- Director of Regulatory Affairs (1 FTE) created in 2010: $247,000
- Financial Analyst (.4 FTE) filled in November 2010: $60,000
- Chief Information Officer (.2 FTE) to be filled mid 2011: $36,000

a) Re: Director of Regulatory Affairs

i.) Does the 2010 OM&A presented in evidence include any costs related to this position? If so please specify.

ii.) What costs, in addition to salaries, benefits, pension, and incentive, are included in the $247,000?

iii.) Will the Director of Regulatory Affairs provide any advice and/or support to St. Thomas's affiliates?

iv.) Does St. Thomas expect its ongoing consultant costs for regulatory type services to decline as a result of this new position?

b) Re: Financial Analyst

i.) Please provide the allocation calculation that supports the 40% cost allocation to St. Thomas.

ii.) Does the 2010 OM&A presented in evidence include any costs related to this position? If so please specify.

iii.) What expenses, in addition to salaries, benefits, pension, and incentive, are included in the $60,000?

iv.) The analyst is to complete the IFRS conversion and work on process re-engineering. Are there any reasons, other than those mentioned in the pre-filed evidence, for not recording the Financial Analyst costs in the deferral account set up for this purpose? Are any re-engineering savings reflected in the test year OM&A?

c) Chief Information Officer

i.) Please provide the allocation calculation that supports a 20% cost allocation to St. Thomas.

ii.) Does the 2010 OM&A presented in evidence include any costs related to this position? If so please specify.

iii.) What expenses, in addition to salaries, benefits, pension, and incentive, are included in the $36,000?

25. <u>Ref: Exhibit 4/Tab 3 /Schedule 1 attachment 1.</u>

St. Thomas explains that about $180,000 of the increase in OM&A between 2011 and 2010 reflects the full year return of one employee from the Smart Meter project to normal customer service activities and the full year costs of an additional employee hired in 2010 to work on Smart Meters who, in 2011, will work in customer service to meet service demands associated with LEAP, CDM and Distribution System Code Changes.

a) During 2010 how, without incurring costs, did St. Thomas meet the Customer Service workload requirements normally handled by the employee assigned to Smart Meters?
b) Regarding the new position added in 2010:
    i.) How did St. Thomas handle CDM related workload before the new position became available?
    ii.) Does St. Thomas view the anticipated workload related to LEAP, CDM and DSC changes staying at the same level beyond 2011?

26. Ref: Exhibit 4/Tab1 /Schedule 1 p.2

With respect to the increase in OM&A between 2011 and 2010, St. Thomas explains that "$76,014 …primarily reflects STEIs Board of Directors' annual costs for corporate governance training. This training will be provided annually for the next four years."

a) Please confirm that the costs of the said training will total $304,056 over 4 years.
b) How many directors will be participating in the training program? Are any of these directors also directors of St. Thomas's affiliates?
c) Please provide the cost elements and/or services that comprise an expenditure of $76,000.

27. Ref: Exhibit 4/Tab1 /Schedule 1 p.2

With respect to the increase in OM&A between 2011 and 2010, St. Thomas explains that $67,053 that can be attributed to the Office Building/Service Centre for the following planned activities: i. replace end-of-life HVAC equipment to address heating, cooling and air quality issues; ii. replace defective access gates to address security concerns (inventory was stolen in 2010);iii. install attic firewall separation to meet fire regulations (inspection was done in 2010); and iv. paving of outside parking areas to comply with accessibility legislation.

a) Please explain why these expenditures are being expensed to OM&A rather than charged to capital?

28. Ref: Exhibit 4/Tab2/Schedule 1

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

a) Please state whether or not the proposed pension costs include this increase.
b) If so, please provide the forecasted increase by years and the documentation to support the increases.
c) If not, please state how the applicant proposes to deal with this increase.

29. Ref: Exhibit 4/Tab3/Schedule 1 attachment 1

St. Thomas indicates that $20,220 of the increase in OM&A between 2011 and 2010 is due to costs associated with disposing of one obsolete transformer.

a) Does the 2011 rate base include any net plant value for this transformer?

Cost of Capital and Capital Structure

30. Ref: Exhibit 5/ Tab 1/ Schedule 1

Please complete the form found in Appendix 2-N in *Chapter 2 of the Filing Requirements for Transmission and Distribution Applications*, dated June 28, 2010 for each of 2006 Board-approved, 2009, 2010, and 2011.

31. Ref: Exhibit / Tab 4/ Schedule 2 attachment 2 p.14 par.13

St. Thomas's 2009 audited financial statements indicate that St. Thomas has guaranteed the bank indebtedness of a related company, St. Thomas Energy Services Inc, to a maximum of $1,100,000.

a) What is the current status of this guarantee? i.e. is the guarantee still in effect, has the maximum changed and are there similar guarantees for other affiliates?
b) All else being equal is St. Thomas's financial risk negatively impacted by this guarantee?
c) Are there any direct or indirect costs to St. Thomas because of this guarantee, or put another way, would St. Thomas's cost of doing business be lower if it did not guarantee the debt of its affiliate?

d) Does St. Thomas believe that its financial capacity to operate and invest, as a regulated distributor of electricity, would not be constrained if it were required to make good the debt on behalf of its affiliate. If so, please explain why.

32. Ref: Exhibit 5/ Tab 1/ Schedule 1 & 2
The information presented in the following table is from or an extrapolation from Exhibit 5-1-1 Attachment 1.

2011 Cost of Capital					
	Rate Base Amount	Weight	Rate	Weighted Rate	Cost
Long Term Debt	$ 13,402,591	56.00%	5.48%	3.07%	$ 734,462
Short Term Debt	$ 957,328	4.00%	2.43%	0.10%	$ 23,263
Total Debt	$ 14,359,919				$ 757,725
Equity	$ 9,573,280	40.0%	9.66%	3.86%	$ 924,779
Total	$ 23,933,199	100.00%		**7.03%**	$ 1,682,504
Source: Exhibit 5-1-1 attachment 1					

Please confirm that it accurately captures St. Thomas' cost of capital and capital structure underpinning its proposed 2011 revenue requirement found in the pre-filed evidence. If it doesn't please correct where appropriate.

33. Ref: Exhibit 5/ Tab 1/ Schedule 1 and Schedule 2 Attachment 2.
On November 15, 2010 St. Thomas amended and restructured its promissory note in the amount of $7,714,426 at an interest rate of 9% [in the cost of capital calculation St. Thomas uses a deemed rate in the 5.5% range] with the city of St. Thomas (the "city"). The amended note calls for $100,000 in re-structuring fees and $125,000 in set-up fees. The note is repayable in full on the earlier of (i) the maturity date, November 15, 2015, and (ii) the date which is 366 days from the date on which the Holder [city] makes written demand to the Debtor [St. Thomas] for payment.

a) Are any or all of the costs for the fees associated with the restructuring and set-up of the amended note included in St. Thomas' 2011 proposed revenue requirement? If so, please specify the amount.
b) Does St. Thomas view the amended promissory note with its affiliate as a "new" debt instrument?

c) Do the terms and conditions of the note preclude the Holder from requiring repayment of the principal at any time during 2011 (calendar year)?

d) Does St. Thomas agree that there is increased variability risk inherent in a debt instrument which may have to be repaid at the option of the Holder versus one which has a fixed term?

34. Ref: Exhibit 5/ Tab 1/ Schedules 1 and 2, and Schedule 2 Attachment 2.

In the weighted cost of capital calculation shown in the pre-filed evidence, St. Thomas used a deemed Long Term Debt rate of 5.48% [Board deemed debt rate for Jan 1, 2011 rates]. St. Thomas indicated that it would be filing a revised rate [5.6%] to reflect its actual debt instruments, being the amended note and a term credit facility with a bank and provided the following calculation.

St. Thomas Energy Inc.
Weighted Average Cost of Debt

Long Term Debt	Amount	Rate Used		Weighted Average
Shareholder Promissory Note	7,714,426.00	5.87%	*	4.04%
Term Facility - Bank	3,500,000.00	5.00%	**	1.56%
	11,214,426.00			5.60%

* *Represents the rate OEB perscribed long term debt rate for May 1, 2010 rate applicatons.*

** *Represents budget rate used.*

a) Will St. Thomas update at the appropriate time during this proceeding its cost of capital calculations consistent with the rates set out in the Board's letter of March 3, 2011? In particular, please confirm what rate it will use for the Shareholder Promissory Note shown in the table above.

b) Has St. Thomas increased its Term Facility draw from $2.5 million to $3.5 million? If so, when did this occur, and at what rate? If not, when will it occur?

c) Please confirm that the draw (of $3.5 million) is/will be for a fixed five year period. Please confirm whether the interest rate is subject to change during the five years?

d) What actual interest rate was St. Thomas charged for the Term Facility in 2009 and 2010?

e) Briefly explain how the rate is established at the time that the Term Facility is struck? Is there a more current rate, than the 5% indicated in the pre-filed evidence?

Cost Allocation and Rate Design

35. Ref: Exhibit 7/Tab 1/Schedule 1 attachment 1 table 8 and Exhibit 7 /Tab 1/Schedule 2 p.1

St. Thomas provides two versions of the class revenue requirements. The "by class revenues requirements" break-outs appear to differ in each version. Please indicate which version is applies to the 2011 rates proposed by St. Thomas.

36. Ref: Exhibit 7/Tab 2/Schedules 2 attachment 2 p.3

For 2012 and 2013, St. Thomas is proposing to increase the revenue-to-cost ratios for Street lighting and Sentinel classes. While not specifying what the impact on the other rate classes will be, St. Thomas notes that it will attempt to keep the other ratios within the prescribed ranges.

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2011	2012	2013	
	%	%	%	%
Residential	101%			85 – 115
GS < 50 kW	110%			80 – 120
GS > 50	104%			80 – 180
Streetlights	40%	55%	70%	70 – 120
Sentinel Lights	50%	60%	70%	70 – 120

a) Please specify the expected resulting impacts on the other rate classes.

37. Ref: Exhibit 3/Tab 1/Schedules 2 attachment 1 pp. 8-9

Please provide the specific calculations, including the identification and description of the input numbers, which generate the revenue to cost ratios shown in the table below.

REVENUE TO COST RATIOS			
	2011 Status Quo	2011 Proposed	Board Target
Residential	108.49	101.00	85-115
GS< 50 kWh	99.92	110.00	80-120
GS >50 kWh	94.57	104.00	80-180
Street lighting	10.31	40.00	70-120
Sentinel	32.65	50.00	70-120
Source: Ex 7-1-1 attach 1 p.13 and Exhibit 7-2-2-attach.2 p.3			

38. Ref: Exhibit 8/Tab 2/Schedule 1 attachment 1

St. Thomas is proposing to increase the monthly fixed charge for General Service > 50 kW from $72.91 to $93.52. St. Thomas also indicates that the minimum and maximum range (cost allocation based) is $35.50 (or 6.04% of the costs) and $78.52 (or 13.35% of the costs) respectively. Applying the existing fixed/variable ratio (15.24%) to the 2011 class Revenue Requirement results in a monthly fixed charge of $89.64.

a) Please explain why St. Thomas is increasing the charge beyond $89.64, which itself is already beyond the ceiling?

Deferral and Variance Accounts

39. Ref: Exhibit 9/ Tab 1/ Schedule1 p6

St. Thomas seeks the Board's approval to establish a new variance account to track future charges from the IESO for smart meter entity and MDMR costs.

a) Has St. Thomas incurred any costs to date for these types of charges?
b) Does St. Thomas's proposed 2011 revenue requirement include a provision for these anticipated charges? If so, what is the amount?

40. Ref: Exhibit 9/ Tab 1/ Schedule1 p6

In the PowerStream decision, EB-2010-0209, at page 9 the Board concluded, regarding a request to establish a new variance account to track future charges from the IESO for smart meter entity and MDMR costs, that "In terms of tracking the MDM/R costs it is open to the Applicant to do so should these costs arise in advance of PowerStream's next rate application, but the Board will not establish a formal deferral account at this time."

a) Is St. Thomas aware of any additional certainty subsequent to the PowerStream decision regarding the timing and magnitude of Smart Meter entity charges for both the historical and future periods?

41. Ref: Exhibit 9/ Tab 1/ Schedule1 p6

St. Thomas seeks the Board's approval to establish a deferral account to record additional costs related to the implementation of the Energy Consumer Protections Act, 2010.

a) When does St. Thomas expect to start incurring, at a material level, these additional costs?

b) Please provide the best estimate, and underlying calculation, of what these costs will be. Please break out the estimated amount into OM&A expenses and Capital expenditures by year.

42. Ref: Exhibit 9/Tab 2/Schedule 2 attachments 1 and 2

St. Thomas is seeking the disposition of a net credit in the amount of $4,320 for accounts 1508, 1580, 1582, 1584, 1586, 1588 (main account) and of a debit of $397,887 for account 1588 (global adjustment sub account).

a) Please confirm that St. Thomas has complied with and correctly applied the Board's accounting policy and procedures for the calculation of the final disposition balances.

b) If St. Thomas used other practices in the calculation, please describe them, including an explanation of why they were used.

c) Has St. Thomas reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?

LRAM / SSM

43. Ref: Exhibit 10/Tab 1/ Schedule 1, attachment 1 p.6

Burman Energy notes that it used the Board's Assumptions and Measures List when calculating LRAM for St. Thomas for programs/projects from 2006-2008. In the Board's decision on LRAM in the Horizon Utilities Corp. application (EB-2008-0192), the Board noted that distributors are to be kept whole for revenues they have forgone as a direct consequence of implementing CDM programs. The Board has also noted in recent LRAM decisions, e.g. Burlington Hydro Inc.'s recent 2011 IRM (EB-2010-

0067), that it views the most current OPA Measures and Assumptions List, as updated by the OPA from time to time, as representing the best estimate of losses associated with a distributor's CDM programs.

a) Please discuss the rationale for using the Board's Assumptions and Measures list for calculating LRAM for programs from 2006-2008 in light of the recent Board decisions directing utilities not to do so.
b) Please recalculate the total LRAM claim using either final OPA program results, as received from the OPA (e.g. 2006-2008 final program results) and/or the most recent OPA Measures and Assumptions list, where applicable.
c) Please provide a table that lists all inputs used in both the LRAM and SSM calculations and the sources of those inputs.

Smart Meters

44. Ref: Exhibit 9/ Tab 3/ Schedules 1 & 2

St. Thomas proposes to increase its Smart Meter Adder by $2.72 from $0.52 to $3.29 and does not seek disposition of the balances recorded in the smart meter deferral accounts 1555 and 1556. St. Thomas notes (in Appendix 2-R) that as of the end of 2010 it will have installed 14,301 residential smart meters and 1,031 GS< 50kW smart meters with 177 and 654 respectively to follow in 2011. St. Thomas noted that 4.9% of applicable customers will have converted in 2010 rising to100 % in 2011. Capital expenditures (deferral account 1555) will total $3,500,000 in 2011 of which $2,096,855 will have been spent in 2010. Operating Expenses (deferral account 1556) are $61,725 in 2010, rising to $450,000 in 2011.

a) Please explain how the 4.9% was calculated?

b) Please provide a copy of the calculation which underpins the 2010 and 2011 Rate Year Entitlement (Revenue Requirement) of $336,790 and $758,840 respectively which St. Thomas uses in its calculation of the $3.29 Smart Meter Funding Adder.

c) Per the Smart Meter Funding and Cost Recovery G-2008-0002 (dated October 22, 2008) guideline page 10, a utility requesting a utility-specific smart meter funding adder is to support its request with the following.

   - *a detailed smart meter plan which includes the number of meters proposed to be installed and an installation schedule for each month during which the proposed smart meter funding adder is expected to be in effect*

- *the actual or estimated costs in total and on a per meter basis for:*
  - *procurement and installation of the components of the AMI system*
  - *customer information system*
  - *incremental operating and maintenance activities*
  - *changes to ancillary systems*
  - *stranded meters*

- *a business plan justification for any smart meter or AMI costs that are incurred to support functionality that exceeds the minimum functionality adopted in O. Reg. 425/06, and an estimate of those costs*
- *a statement as to whether the distributor has incurred, or expects to incur, costs associated with functions for which the SME has the exclusive authority to carry out pursuant to O. Reg. 393/07, and an estimate of those costs*

Please confirm that St. Thomas has met these informational requirements. If not, please provide any missing information.

d) From the pre-filed evidence it appears that St. Thomas will have installed 100% of its smart meters in 2011. When will St. Thomas expect to file an application, either stand-alone or as part of another filing, to dispose the Smart Meter deferral account balances, including stranded meters?

e) In recent IRM decisions, the Board has limited increases to smart meter funding adders to $2.50 per metered customer per month. Please identify any implications arising from a funding adder of $2.50.

45. <u>Ref: Exhibit 9/ Tab 1/ Schedule 1</u>

The pre-filed evidence presents deferral and variance account balances as of December 31, 2009.

A) Please indicate whether St. Thomas has posted any amounts to account 1592 since April 2006, with the exception of the HST sub-account. 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 transactions, 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 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, or if the applicant considers that any of the rows are not applicable, please delete the rows and provide an explanation. 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	