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April 15, 2011

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2010-0141**  
**St. Thomas Energy Inc. – 2011 Cost of Service Application**  
**Energy Probe – Interrogatories**

Pursuant to Procedural Order No. 1, issued April 1, 2011, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2010-0141 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

*Original signed by*

David S. MacIntosh  
Case Manager

cc: Brian Hollywood, St. Thomas Energy (By email)  
Dana Witt, St. Thomas Energy (By email)  
Andrew Taylor, Energy Law (By email)  
Randy Aiken, Aiken & Associates (By email)  
Interested Parties (By email)

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Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: [EnergyProbe@nextcity.com](mailto:EnergyProbe@nextcity.com) Internet: [www.EnergyProbe.org](http://www.EnergyProbe.org)

**Ontario Energy Board**

**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 St. Thomas  
Energy Inc. for an order approving just and reasonable rates and  
other charges for electricity distribution to be effective May 1,  
2011.

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**April 15, 2011**

**ST. THOMAS ENERGY INC.  
2011 RATES REBASING CASE  
EB-2010-0141**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

**Ref: Exhibit 1, Tab 1, Schedule 4**

**Are there any costs associated with the Board of Directors of St. Thomas Holding Inc., St. Thomas Energy Services Inc., or any other affiliate of STEI included in the 2011 revenue requirement? If yes, please identify the amount and the associated affiliate.**

**Interrogatory # 2**

**Ref: Exhibit 1, Tab 2, Schedule 4, Attachment 1**

- a) The term of the Services Agreement indicates that it expired December 31, 2010. Has the existing Services Agreement been extended or replaced? If extended, please provide details of the extension. If replaced, please provide the new agreement.**
- b) The meter reading section of the agreement indicates that the meters of WIRECO's residential and general service customers shall be read in a timely manner with an Itron hand held meter-reading device. Please indicate how the movement to smart meters has or will impact meter reading, including the associated costs.**
- c) Please provide the amounts paid by WIRESCO to SERVCO based on section 5.01 of the agreement for 2005 through 2010 and the forecast for 2011. Please also provide the calculations based on the methodology provided in the Agreement.**

**Interrogatory # 3**

**Ref: Exhibit 1, Tab 4, Schedule 2, Attachment 3**

**Please provide the audited financial statements for the year ended December 31, 2010.**

**Interrogatory # 4**

**Ref: Exhibit 1, Tab 4, Schedule 1**

**Please update the revenue requirement work form to reflect the cost of capital parameters issued by the Board on March 3, 2011 for 2011 cost of service applications for rates effective May 1, 2011 (i.e. return on equity of 9.58%, short term debt rate of 2.46% and long term debt rate of 5.32%).**

**Interrogatory # 5**

**Ref: Exhibit 2, Tab 1, Schedule 1**

- a) Please update Table 2.1.1 H to reflect actual expenditures for 2010.**
- b) Please update Table 2.1.1 O to reflect actual expenditures for 2010.**
- c) Have there been any changes to the city plans with respect to the municipal road projects shown in Table 2.1.1 P as of the current time? If so, please provide and updated Table 2.1.1 P.**
- d) Please update Table 2.1.1 W to reflect actual expenditures for 2010.**
- e) Please update Table 2.1.1 AD to reflect actual expenditures for 2010.**
- f) Please confirm that the figure of \$386,436 shown on line 8 should be \$494,435. If this cannot be confirmed, please reconcile this figure with the figure shown in Table 2.1.1 AD.**
- g) Please update Table 2.1.1 AF to include actual 2010 capital expenditures.**

**Interrogatory # 6**

**Ref: Exhibit 2, Tab 1, Schedule 22, Attachment 1**

**Please update the rate base variance table shown on page 1 to reflect actual 2010 data.**

**Interrogatory # 7**

**Ref: Exhibit 2, Tab 2, Schedule 3 &  
Exhibit 2, Tab 3, Schedule 3, Attachment 1**

**The evidence indicates that full amortization is normally taken in the year of purchase.**

- a) Please confirm that this full year amortization methodology was used to set rates for 2006.**
- b) Please provide revised continuity schedules for 2010 and 2011 (pages 11 - 14 of Exhibit 2, Tab 3, Schedule 3, Attachment 1) assuming the full year amortization methodology is applied to 2010 and the half year methodology is applied to 2011 only. Please also reflect 2010 actual capital expenditures and amortization expenses.**
- c) What is the impact on the 2011 rate base of the methodology used in part (b) above?**

**Interrogatory # 8**

**Ref: Exhibit 3, Tab 1, Schedule 1, Attachment 1**

**Please confirm that the line labelled "Volumetric Trend Table" in each of the tables should be "Residential".**

**Interrogatory #9**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) Please update Table 1 to reflect 2010 actual data.**
- b) Please update Table 2 to reflect 2010 actual data.**
- c) Please update Table 3 to reflect 2010 actual data.**
- d) Please confirm that the customer connection figures shown in Table 2 are averages for the years and not year-end figures.**
- e) For each rate class in Table 2, please provide the 2010 year-end number of actual customers.**

**Interrogatory # 10**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) Please provide the historical data and regression analysis results discussed on page 2 of the Elenchus Report in a live Excel spreadsheet for rate classes for which an analysis was attempted.
- b) Please provide the historical data and regression analysis results discussed on page 4 of the Elenchus Report in a live Excel spreadsheet for each of the weather sensitive classes modelled.

**Interrogatory # 11**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) Please provide the historical data monthly wholesale purchases for the period January 2004 through May 2010 in a live Excel spreadsheet.
- b) Please provide the historical monthly consumption associated with the GS > 5000 kW class in the same spreadsheet requested in part (a) above.

**Interrogatory # 12**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) Please provide a copy of the CMHC London CMA Housing Market Outlook, Sprint 2010.
- b) Please explain how the figures provided in the CMHC Outlook have been translated into residential customer growth figures of 1.0% in 2010 and 0.9% in 2011.

**Interrogatory # 13**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1 &  
Exhibit 3, Tab 1, Schedule 1**

- a) Please provide the reductions to the ERA weather normal 2011 forecast shown in Table 5 for CDM results as per the results per its recently filed 4 year plan.

- b) Please confirm that in EB-2010-0215/EB-2010-0126 Decision and Order dated November 12, 2010, STE's four year GWh savings target is 14.92 GWh.
- c) Please confirm that the CDM adjustments applied to the ERA forecast are based on the target of 14.92 GWh noted in part (b) above. If this cannot be confirmed, please provide the target used to arrive at the CDM adjustments.

#### **Interrogatory # 14**

**Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1**

- a) Please update Table 6 to reflect 2010 actual data.
- b) Based on the updated Table 6 requested in part (a) above, please perform a regression analysis on each of the GS > 50-4999 and Street Light rate classes that has the kW/kWh ratio as the dependent variable and the explanatory variable is a simple time trend and provide the regressions results.
- c) For any regression analysis that is statistically significant at the 90% confidence level, please provide the forecast kW/kWh ration for the 2011 test year, the resulting kW forecast and the impact on distribution revenues at current rates.

#### **Interrogatory # 15**

**Ref: Exhibit 3, Tab 1, Schedule 3, Attachment 2**

- a) Please provide the actual 2010 split between RPP and non-RPP volumes.
- b) Please confirm that based on the October 18, 2010 Regulated Price Plan Price Report, the weighted average Ontario Electricity Market Price Forecast for the May, 2011 through April, 2012 period is \$62.50 per MWh calculated as follows based on the figures provided in Table 1 of the Price Report, along with the Global Adjustment shown in Table ES-1:

	Months	Price
May-Jul	3	35.20
Aug-Oct	3	37.57
Nov-Jan	3	37.87
Feb-Apr	3	33.85
Weighted Average		36.12
Global Adjustment		<u>26.38</u>
Non-RPP Price		62.50

- c) Please confirm that based on the October 18, 2010 Regulated Price Plan Price Report, the Average Supply Cost for RPP Customers for the May, 2011 through April, 2012 period is \$65.04 per MWh calculated as follows based on the figures provided in Table ES-1 of the Price Report, along with the weighted average Ontario Electricity Market Price Forecast calculated in (b) above:

Load Weighted Price for RPP Consumers	42.16
Forecast Wholesale Electricity Price	39.23
Ratio	1.074688
May-Apr Weighted Average	36.12
May-Apr Load Weighted Price for RPP Consumers	38.82
Global Adjustment	26.38
Adjustment to Address Bias	1.00
Adjustment to Clear Existing Variance	<u>-1.16</u>
RPP Price	65.04

- c) Please update the 2011 cost of power to reflect a Non-RPP price of \$62.50 and an RPP price of \$65.04 (as calculated in (b) and (c) above).
- d) If available, please update the commodity cost of power based on the RPP and non-RPP prices from the April 2011 Regulated Price Plan Price Report.

#### Interrogatory # 16

Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1

Please provide a table in the level of detail shown under the "Account Description" (i.e. accounts 4080 through 4405) that shows historical revenues for 2006 through 2010, along with the forecast for 2011.

#### Interrogatory # 17

Ref: Exhibit 4, Tab 1, Schedule 1

- a) Please update Table 1 to reflect actual data.
- b) Please explain why the \$76,014 associated with annual corporate governance training should be paid for by ratepayers rather than the shareholder.



- c) Is the office building/service centre for which the planned activities shown are scheduled owned by STEI or by an affiliate?
- d) Please update Table 2 to reflect actual data.

**Interrogatory # 18**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 2**

**Please update the table to reflect actual 2010 data.**

**Interrogatory # 19**

**Ref: Exhibit 4, Tab 2, Schedule 1, Attachment 4 & Exhibit 4, Tab 2, Schedule 3**

- a) Please provide all the assumptions used to determine the regulatory costs associated with the current cost of service application related to each of legal costs, consulting costs, staff resources allocated to regulatory matters and intervenor costs.
- b) Please reconcile the legal costs of \$18,750 shown in the first reference to the \$100,000 shown in the second reference.

**Interrogatory # 20**

**Ref: Supplemental Information dated March 25, 2011, Appendix 2-K**

- a) Please explain the significant increase in the average yearly base salaries and wages for the management category between 2009 and 2010.
- b) Please update Appendix 2-K to reflect actual figures for 2010.

**Interrogatory # 21**

**Ref: Exhibit 4, Tab 8, Schedule 1 & Exhibit 4, Tab 8, Schedule 3, Attachment 1**

- a) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first \$500,000 of taxable income was reduced to 4.50%.

- b) Has STEI included a tax reduction of \$36,250 related to the Ontario small business tax rate on the first \$500,000 in taxable income (calculated as \$500,000 times the difference between 11.75% and 4.50%)? If not, why not?

**Interrogatory # 22**

**Ref: Exhibit 5, Tab 1, Schedule 2**

- a) Has STEI investigated the possibility of obtaining debt from Infrastructure Ontario to finance smart meters and/or the capital expenditures for 2011? If not, why not?
- b) Please provide the current interest rates payable to Infrastructure Ontario for a 5 year loan.
- c) What was the Infrastructure Ontario 5 year loan rate when STEI entered into the loan agreement with its affiliate on November 15, 2010?
- d) Please explain how the effective interest rate of 9.43% was determined based on the 9.0% rate included in the loan agreement.
- e) Why did STEI enter into a 5 year loan at a rate of 9.0% when the market based rates were substantially below this level?

**Interrogatory # 23**

**Ref: Exhibit 7, Tab 2, Schedule 2, page 2 &  
Exhibit 7, Tab 2, Schedule 2, Attachment 2, page 3**

- a) Please reconcile the revenue to cost ratios for the residential rate class shown in the evidence of 1.05 in the first reference and 101% shown in the second reference.
- b) Please reconcile the revenue to cost ratios for the GS < 50 rate class shown in the evidence of 1.00 in the first reference and 110% shown in the second reference.
- c) Please reconcile the revenue to cost ratios for the GS > 50 rate class shown in the evidence of 1.00 in the first reference and 104% shown in the second reference.

- d) What would be the resulting residential revenue to cost ratio if the additional revenues generated from the proposed increases to the revenue to cost ratios in the street lighting and sentinel lighting classes were used to reduce the residential ratio assuming the GS < 50 and GS > 50 ratios remained at 99.92% and 94.57%, respectively, as shown in Table 7 of Attachment 1 of Exhibit 7, Tab 1, Schedule 1?**
- e) Please calculate the residential revenue to cost ratios for 2012 and 2013 assuming the increases proposed by STEI for the street lighting and sentinel lighting classes, but no changes for the GS < 50 and GS > 50 classes from the status quo ratios noted in part (d) above.**

**Interrogatory # 24**

**Ref: Exhibit 8, Tab 2, Schedule 1, Attachment 1**

**Please explain why the fixed rates shown as existing rates are different in the first table and the second table. For example, why is the residential fixed charge shown as \$10.93 in the first table and \$11.79 in the second table, both under the existing rates sections?**

**Interrogatory # 25**

**Ref: Exhibit 8, Tab 3, Schedule 2, Attachment 1**

**Please update the total loss factor table to reflect 2010 actual data.**

**Interrogatory # 26**

**Ref: Exhibit 8, Tab 4, Schedule 4, Attachment 2**

**Please provide revised schedules that reflect application of the HST.**

**Interrogatory # 27**

**Ref: Exhibit 9, Tab 2, Schedule 1**

**The evidence indicates that STEI is requesting disposition of the balances through rate riders that begin May 1, 2011 and will be in place for one year. Given that rates will not be implemented May 1, 2011, how does STEI propose that the balances be disposed of (for example over a period of less than 12 months)?**