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May 20, 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 – Technical Conference Questions

Pursuant to Procedural Order No. 2, issued May 16, 2011, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in the EB-2010-0141 proceeding.

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

Yours truly,

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)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: 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.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

May 20, 2011

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

Question # 1

**Ref: Exhibit 11, Tab 2, Schedule 2 &
Exhibit 1, Tab 2, Schedule 4**

- a) Please confirm that the figures provided in Attachment 1 include actual 2010 figures. If this is not the case, please update Attachment 1 to reflect actual 2010 data.**
- b) The response provided to part (b) indicates that the meter reading is provided under the fixed fee (base financial consideration) and that the movement to smart meters is considered an additional regulatory cost and as such will be provided outside of the fixed fee arrangement and that a review will need to take place of the current and future meter reading activities to determine if an adjustment is required.**
 - i) Has STEI initiated such a review? If yes, please provide details.**
 - ii) Has STEI estimated the current meter reading costs included in the 2011 base financial consideration? If not, please provide such an estimate.**
 - iii) Would the additional regulatory cost associated with reading the smart meters be added to the Base Direct Cost or the LDC Direct Cost? If neither, please explain where this cost would be added.**
- c) There is a significant increase in the Base Direct Costs shown in Attachment 1. Please provide a table that shows the breakdown for each of 2006 through 2011 between the direct costs noted on page 11 in section 5.01 (b) of the Services Agreement in Attachment 1 of Exhibit 1, Tab 2, Schedule 4. Please also provide a breakdown of any other costs included in the Base Direct Costs not covered by the list provided in the Services Agreement.**

Question # 2

Ref: Exhibit 11, Tab 2, Schedule 4

The response indicates that the cost of long term debt is at the proposed level of 5.60%, however the RRWF in Attachment 1 shows a rate of 5.48%. Please reconcile and update the RRWF to reflect the proposed long term debt rate.

Question # 3

Ref: Exhibit 11, Tab 2, Schedules 10 & 11

- a) Please explain where in Attachment 1 of Exhibit 3, Tab 1, Schedule 2 the data is provided. Please provide a hard copy of the data referred to.**
- b) Please provide the live Excel spreadsheets as requested in parts (a) and (b).**
- c) Please provide the live Excel spreadsheet as requested in Energy Probe Interrogatory # 11.**

Question # 4

Ref: Exhibit 11, Tab 2, Schedule 13

Please provide the impact on the volumes, revenues, working capital, revenue deficiency and revenue requirement if the CDM adjustment is reduced from 3,730 MWh to 1,492 MWh. Please show all calculations.

Question # 5

Ref: Exhibit 11, Tab 2, Schedule 2, Attachment 1 & Exhibit 3, Tab 1, Schedule 1, Attachment 1

Please explain the derivation of the 0.944% increase in 2011 in the customer count change shown in the interrogatory response with a 0.85% increase in the customer count based on 21,314 in 2011 and 21,134 in 2010 shown in Exhibit 3.

Question # 6

Ref: Exhibit 11, Tab 2, Schedule 17

The answer provided to part (b) does not answer the question posed. Please provide a response to the question posed in part (b).

Question # 7

Ref: Exhibit 11, Tab 2, Schedule 21

- a) The response to part (a) is not complete. Please confirm that the claw back was eliminated on July 1, 2010 and the provincial tax rate on the first \$500,000 of taxable income is 4.5%.**
- b) The response part (b) refers to a "Tax Rates and Assumptions" page. Should this be the "Tax Rates and Exemptions" page?**
- c) Please turn to the "PILs, Tax Provision 2011 Test Year Final" page of Attachment 1, Exhibit 4, Tab 8, Schedule 3 with a regulatory taxable income figure of \$1,136,707. Please explain why there is small business deduction amount of \$500,000 shown in Box E. Please recalculate the tax provision for test year rate recovery reflecting this \$500,000 and the associated \$36,250 reduction provincial taxes for the small business deduction.**

Question # 8

Ref: Exhibit 11, Tab 2, Schedule 4

- a) Please show the calculation of the long term debt rate if a rate of 5.48% is used in place of the 5.87% proposed by STEI on the affiliate loan.**
- b) What is the impact on the revenue requirement of this change?**

Question # 9

Ref: Exhibit 11, Tab 2, Schedule 22

- a) Please explain why STEI did not obtain Infrastructure Ontario loans to finance the smart meter additions?**
- b) What were the Infrastructure Ontario rates available when STEI entered into the smart meter debt through the Bank of Nova Scotia?**

- c) Please confirm that the dollar amount drawn on this loan as the end of April 2011 was \$567,500 at a rate of 4.95%. If this cannot be confirmed, please provide the actual figures.

Question # 10

Ref: Exhibit 11, Tab 4, Schedule 12

Please provide Attachment 1 referred to in the response to part (c).

Question # 11

Ref: Exhibit 11, Tab 1, Schedule 11

Please explain why STESI sets the capital expenditure plans (lines 11 - 12) of page 2, rather than the regulated utility STEI.

Question # 12

Ref: Exhibit 11, Tab 1, Schedule 29

Please provide further details related to the vacant substation property and the obsolete transformer that are being disposed of including the following:

- i) net book value included in the 2011 rate base at the beginning of 2011 of the property;
- ii) net book value included in the 2011 rate base at the end of 2011 of the property;
- iii) forecasted disposal date of the property;
- iv) forecasted sale value excluding disposal costs for the property;
- v) net book value of the transformer included in the 2011 rate base at the beginning of 2011;
- vi) net book value of the transformer included in the 2011 rate base at the end of 2011;
- vii) forecasted disposal date of the transformer; and
- viii) forecasted scrap value of the transformer.

Question # 13

Ref: Exhibit 11, Tab 3, Schedule 8

Does STESI include any type of mark up on the cost related to the capital projects undertaken on behalf of STEI? If yes, please provide details on how this mark up is determined.

Question # 14

Ref: All Interrogatory Responses

- a) Please update the Revenue Requirement Work Form to reflect any changes proposed by STEI as a result of the interrogatory responses provided, including any changes resulting from corrections to the original filing, updates, or adoption of changes resulting from the interrogatory responses.**
- b) Please provide a tracking sheet that shows the impact of each change proposed by STEI.**