BOARD STAFF QUESTIONS FOR TECHNICAL CONFERENCE
June 1, 2011
ST. THOMAS ENERGY INC.
2011 COS RATES
EB-2010-0141

1. Ref: Response to Board staff IR No. 7
   a) Were STESI's purchases of goods and services subject to applicable provincial sales tax prior to July 1, 2010? If so, were these costs included in the MSA fee? If not, why not?
   b) Are STESI's purchases of goods and services subject to HST?
   c) Does STESI remit HST amount and/or claim Input Tax Credits?
      i.) If so, for 2010 what portion (and indicate the dollar amount) of incremental Input Tax Credits (i.e. for purchases that were previously subject to PST) are for St. Thomas related activities?
      ii.) If so, for 2011 what portion (and indicate the dollar amount) of the expected incremental Input Tax Credits (i.e. for purchases that were previously subject to PST) are for St. Thomas related activities?

2. Ref: Response to Board staff IR No. 9
   a) Does St. Thomas have audited statements for 2010?
   b) If so, what are the actual capital expenditures for 2010?
   c) If so, please update table 2-1-1-1A (Rate Base Additions Summary) found in Exhibit 2-1-1 p3, by replacing Bridge 2010 with Actuals for 2010.

3. Ref: Response to Board staff IR No.12
   a) Regarding spare part inventory, the IR response states that " When put into service it is charged at STESI's cost plus overhead to account for handling costs." Does STESI's cost mean the cost that STESI paid for the item? What is included in the overhead cost? Do the overhead costs include any STESI's financial carrying or cash flow costs for the inventory?
   b) Please reconcile the statement in the IR response that "The cost is not included in the fixed fee as the fixed fee relates to operation, maintenance and administration costs (OM&A); it is treated as a capital cost." with the statement in the prefiled evidence found at Exhibit 2-2-1 p.6 lines 25-27 that "The cost of STESI carrying this inventory on behalf of STEI is incorporated in the fixed fee identified in the Service Agreement included under the Exhibit 1, Tab 2, Section 4, Attachment 1."

4. Ref: Response to Board staff IR No.13
    a) Please explain why the capital contribution of $86,000, per the table 2 of the response, for the Parkside School project exceeds the capital expenditures for the project by $24,000.
    b) Please clarify whether there were capital contributions for the CASO project ($40,148) and the Sutherland Hydro One Load Transfer project ($45,076).

5. 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.

6. Ref: Response to Board staff IR No. 17

   The purpose of IR No. 17 was to gain a clear understanding, by tracking the ERA load forecast of the level of CDM target achievement reflected in St. Thomas's 2011 load forecast. The IR response refers to attachment 3 for the answer to part c of the IR. The information sought is not readily apparent in Attachment 3
    a) Please complete the table as requested in part c of the IR and answer, if appropriate, d, e and f of the original question.

	(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			

7. Ref: Response to Board staff IR No. 18
   The Revenue Offset for 2010 shown in the response totals $779,887. The total in Exhibit 3-3-1 attachment 1 is $728,234.
   a) Please explain the discrepancy.

8. Ref: Response to Board staff IR No. 19
   Part (d) of IR19, asked for 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. The IR response states that “All costs associated with administering the Master Services Agreement are included in the charges from STESI to STEI for a) and b) above and are administrative burdens.”

   a) Please clarify whether or not St. Thomas is stating that there are no additional or incremental costs due to the fact that a Master Service Agreement has to be managed and administered as compared to the case where St. Thomas itself were providing these services.

9. Ref: Response to Board staff IR No. 20
   a) What is the actual % margin factor charged [to St. Thomas] on fully allocated costs that is intended to generate a portion of earnings for the STESI fixed assets

10. Ref: Response to Board staff IR No. 24
    a) Please break out the Director of Regulatory Affairs cost of $247,000 into 2 components: (i) amount for Salary, Incentive and Benefits/Pension and (ii) amount for Administrative Burden.
    b) To the question “Will the Director of Regulatory Affairs provide any advice and/or support to St.Thomas’s affiliates?” the IR response is “The Director, Regulatory Affairs exists solely to serve the needs of STEI.” Please answer the original question.

11. Ref: Response to Board staff IR No. 27

Does St. Thomas agree that the projects listed in the original IR (for Office Building/Service Centre planned activities to : 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) have a future benefit lasting more than one 1 year?

12. Ref: Response to Board staff IR No. 29

   a) What value is ascribed to this property in rate base?
   b) Has St. Thomas included the proceeds of the sale in its Offsetting Revenue for 2011? If so please specify the amount and the account number which records it.
   c) If not, why should rate payers bear the costs associated with the sale of the property?

13. Ref: Response to Board staff IR No. 30

   a) Please confirm whether the capital structure and rates for 2011 shown in attachment 1 represents St. Thomas's latest proposal for its 2011 cost of capital (including any revisions to reflect capital parameters issued by the Board on March 3, 2011).
   b) If it does not, please update the table so that it does.

14. Ref: Response to Board staff IR No. 31

The response states that the guarantee indentified in the 2009 financial statements is no longer in effect in that a new banking arrangement was completed in 2010 and refers to Note 8 of the 2010 Financial Statements.

   a) Please clarify whether under the new arrangement St. Thomas's guarantee obligations are legally segmented such that it is not guaranteeing all or any of the loans/advances/indebtedness of its affiliates that draw from/are covered by the banking arrangement.

15. Ref: Response to Board staff IR No. 41

    a) Please elaborate as to what provisions in the Energy Consumer Protection Act would cause St. Thomas's bad debt expense to increase from an historical average of $81,000 during the 2000-2010 period to $202,000 by 2014.
    b) Please confirm that $81,000 is the amount of bad debt expense included in the 2011 Test Year OM&A.

16. Ref: Response to Board staff IR No. 44

    The Smart Meter Revenue Requirement calculation, sheet 4, attached to the IR response, shows $150,000 in 2010 and $300,000 for Operating Expenses.

    a) Please describe the nature of these expenses.

17. Ref: Response to Board staff IR No. 44

    St. Thomas indicates that 94.9% of applicable customers will have converted to smart meters in 2010 and this will rise to 100% in 2011.

    a) Would St. Thomas consider including smart meters capital costs (deferral account balances) as of the end of 2010 in 2011 rate base? If not, why not.
    b) If yes, would St. Thomas be able to quantify the net book value of the associated stranded assets which would be removed from rate base?