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February 6, 2008

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-2007-0928**  
**Erie Thames Powerlines Corp. – 2008 Rates Rebasing Application**  
**Interrogatories of Energy Probe**

Attached please find two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) pursuant to Procedural Order No. 1, issued by the Board on January 15, 2008. An electronic version of this communication will be forwarded in PDF and Word formats.

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

Yours truly,

David S. MacIntosh  
Case Manager

cc: Chris White, Erie Thames Powerlines Corp. (By email)  
Graig Pettit, Erie Thames Powerlines Corp. (By email)  
Randy Aiken, Aiken & Associates (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, Sched. B, as amended;

**AND IN THE MATTER OF** an Application by Erie Thames  
Powerlines Corp. for an Order or Orders approving or fixing  
just and reasonable distribution rates and other service charges  
for the distribution of electricity as of May 1, 2008.

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

**February 6, 2008**

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**ERIE THAMES POWERLINES CORP.  
2008 - 2010 RATES CASE  
EB-2007-0928**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

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

**Please confirm that the reference to Exhibit 9, Tab 1, Schedule 9 for the typical impacts on customers should be to Exhibit 9, Tab 1, Schedule 8.**

**Interrogatory # 2**

**Ref: Exhibit 1, Tab 2, Schedule 1, page 6**

**How does ETPL currently recover its costs to provide electricity to the embedded electricity distributor?**

**Interrogatory # 3**

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

**Please provide an update for 2007 showing actual capital additions.**

**Interrogatory # 4**

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

**A number of the 2008 system expansion projects relate to the elimination of Long Term Load Transfers off of Hydro One's Distribution System.**

- a) Does ETPL currently pay LV or any similar charges to Hydro One Distribution? Please explain.**
- b) Will the 2008 system expansion projects indicated reduce the cost to ETPL from services received from Hydro One? Please explain.**

- c) If the costs are reduced, please indicate where these cost reductions are included in the evidence.

#### **Interrogatory # 5**

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

- a) Please update the cost of power component of the working capital allowance for 2008 to reflect the recently approved transmission rates that will be in place for 2008.
- b) Please provide the cost of power assumption and calculations used to forecast the 2007 and 2008 power purchased cost (account 4705). What is the source of these assumptions? If the source for these assumptions has been updated since the forecast was prepared, please update the power purchased cost to show the most recent assumptions and prove the corresponding assumptions used.
- c) Please provide the actual level of customer deposits for 2006, the forecast or actual for 2007 and the forecast for 2008.

#### **Interrogatory # 6**

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

- a) Please confirm that the \$8,160,190 figure referenced should be \$8,162,970.
- b) If revenue has been calculated using the most recently approved rates, please explain why 2008 revenues are impacted in any way by the change in the debt equity split, a reduction in operating expenses, the change in PILS revenue and/or the embedded distribution rate?

#### **Interrogatory # 7**

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

- a) Please provide, by rate class, the five years of customer numbers used by ETPL to derive its customer forecast, i.e from 2002 through 2006.

- b) Please reconcile the statement that for the GS >50 to 5000 customer classes an annual growth rate of 0% was assumed for 2007 and 2008 with the growth rate of 2.22% in 2007 and 2.17% in 2008 for the GS >50 to 999 customer class.
- c) How was the growth rate for the GS >50 to 999 class determined?
- d) Why are there 2 embedded distributor customers? Are they both Hydro One? If yes, why are they counted as separate customers?

#### **Interrogatory # 8**

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

- a) Please confirm that an implicit assumption for the residential, GS < 50 and GS > 50 to 999 customer classes is that the normalized average consumption per customer remains at the estimated 2004 level throughout the forecast.
- b) Please update the table on page 5 to reflect actual and normalized actual 2007 customers, kWh and kW for each customer class.

#### **Interrogatory # 9**

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

**Other distribution revenue is forecast to increase by only 3.7% in 2008 (\$512,971 to \$531,702) after increasing by nearly 30% in 2007 (\$512,971 from \$394,989).**

- a) Please explain the significant reduction in the growth rate of other distribution revenue in 2008 as compared to 2007.
- b) What were the drivers of the increase in 2007 – changes in rates charged or amount of activity, etc.?
- c) For each line item shown in the schedule, please indicate how the forecast for 2007 and 2008 was derived and provide any and all historical information used to generate these forecasts.
- d) Please update the schedule to reflect 2007 actual or projected actual revenues using the most recent information available.

## Interrogatory # 10

Ref: Exhibit 3, Tab 3, Schedule 4

- a) Please explain why the 2007 Bridge – Normalized table on page 2 shows different revenues but the same consumption levels.
- b) Please provide the rates used to calculate normalized revenues for 2007 and 2008 and the kWh/kW and customer numbers (billing units) used in the calculations.
- c) Please explain why the unit revenue in 2008 is higher than in 2007 for some rate classes but lower for others.
- d) Please provide the rates referred to in Exhibit 3, Tab 3, Schedule 1 that are currently in place and have been used to calculate the 2008 revenues.

## Interrogatory # 11

Ref: Exhibit 3, Tab 3, Schedule 4

- a) Please confirm the accuracy of the figures in the following table.

### Normalized Distribution Revenues

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2007 vs</u> <u>2006</u>	<u>2008 vs</u> <u>2007</u>
Residential	3,658,505.98	3,750,800.18	4,051,170.36	92,294.20	300,370.18
GS < 50	1,089,902.32	1,113,744.49	775,919.34	23,842.17	(337,825.15)
GS > 50 to 999	797,155.84	1,358,057.92	1,052,149.85	560,902.08	(305,908.07)
GS > 1000 to 2999	666,208.45	914,533.22	621,506.91	248,324.77	(293,026.31)
GS > 3000 to 4999	107,961.17	173,142.09	119,653.04	65,180.92	(53,489.05)
Large use	170,604.81	393,495.91	466,190.21	222,891.10	72,694.30
USL	34,147.80	29,906.28	11,660.62	(4,241.52)	(18,245.66)
Sentinel Lighting	12,175.61	15,603.57	30,646.37	3,427.96	15,042.80
Street Lighting	34,131.07	34,551.65	283,600.31	420.58	249,048.66
Embedded Dist.	<u>0.00</u>	<u>0.00</u>	<u>218,771.36</u>	<u>0.00</u>	<u>218,771.36</u>
Total	6,570,793.05	7,783,835.31	7,631,268.37	1,213,042.26	(152,566.94)

- b) Based on the above table, or a corrected version thereof, please explain the following:
  - i) the substantial increase in residential revenue in 2008 as compared to the increase in 2007 despite similar volume growth in both years;

- ii) the substantial decrease in GS < 50 revenues in 2008 despite an increase in volumes and customers in 2008 from the 2007 level;
- iii) the substantial decrease in the GS >50 – 999 customer class in 2008 despite an increase in kWh, kW and customers in this class in 2008 as compared to 2007;
- iv) the substantial decrease in the GS >1000 – 2999 customer class in 2008 despite no change in kWh, kW or customers in 2008 as compared to 2007;
- v) the substantial decrease in the GS > 3000 – 4999 customer class in 2008 despite no change in kWh, kW or customers in 2008 as compared to 2007;
- vi) the increase in the large use customer class despite no change in kWh, kW or customers in 2008 as compared to 2007;
- vii) the reduction in the USL revenues in 2008 despite no change in kWh and customers in 2008 as compared to 2007;
- vii) the increase in sentinel lighting revenues in 2008 despite no change in kWh, kW and customers in 2008 as compared to 2007;
- viii) the substantial increase in street lighting revenue in 2008 despite only moderate growth in the kWh, kW and customers in 2008 as compared to 2007.

**Interrogatory # 12**

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

- a) Please reconcile the operating costs shown in this schedule with the test year column and application test year column figures shown in Exhibit 1, Tab 2, Schedule 5.
- b) Please explain the differences in the LCT, OCT and Income tax figures shown in Schedule 2 and the figures detailed the last paragraph of Exhibit 4, Tab 1, Schedule 1.

### **Interrogatory # 13**

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

- a) Please explain why the figures for accounts 4714 (Charges NW) and 4716 (Charges CN) on page 5 do not match the figures used Exhibit 2, Tab 4, Schedule 1, page 3 in the calculation of the working capital allowance. Please revise the evidence to reflect the use of consistent forecasts for 2008.**
- b) Please reconcile the significant differences for 2007 and 2008 figures for Operation, Maintenance and Administrative and General Expenses as compared to the figures provided in Exhibit 4, Tab 1, Schedule 2.**
- c) Please update the schedule to reflect actual, or projected actual figures for 2007 based on the most recent information available.**

### **Interrogatory # 14**

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

- a) On page 4, the explanation for the increase of \$173,595 related to Management Salaries and Expenses in 2008 is the addition of a corporate lawyer and finance personnel and that outside services are reduced to offset. However, in Exhibit 4, Tab 2, Schedule 1, the outside services employed are reduced by only \$102,000. Please reconcile the additional increase of more than \$70,000 that has not been offset by a reduction in outside services employed.**
- b) On page 3, the 2007 bridge year increases related to maintenance of buildings and fixture distribution stations and maintenance of poles, towers and fixtures (\$68,865 and \$94,168, respectively) are explained as 'allocation of expenditures is being completed by work order results from 2006 on'. Please provide a further explanation of what this means and entails. Why are these level of expenditures maintained for 2008?**

### **Interrogatory # 15**

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

**The electronic version of the evidence does not appear to include an Exhibit 4, Tab 2, Schedule 2. If such evidence exists, please provide it.**



#### **Interrogatory # 16**

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

- a) Please provide a detailed explanation of the significant increase in Executive Services costs between 2006 and 2007 and between 2007 and 2008 paid to Erie Thames Power Corporation.**
- b) Please provide the utilization and all other data used to arrive at these figures for 2006, 2007 and 2008.**
- c) Did the Executive Services in 2007 and/or 2007 include any utilization of a corporate lawyer? If yes, please separate this cost out of the total for each of 2006, 2007 and 2008.**
- d) Does, or will, ETPL receive payment for any services or personnel, including the corporate lawyer, provided to any affiliate? If yes, please provide the actual/forecast revenues from the affiliates and indicate where this revenue/cost reduction has been reflected in the evidence.**
- e) For each category of shared services please show the allocated costs to ETPL and each of the affiliates that receive an allocation.**

#### **Interrogatory # 17**

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

- a) This schedule appears to show the accumulated depreciation rather than the depreciation expense for each year. Please revise this schedule to show the depreciation expense for each category of asset for 2006, 2007 and 2008.**
- b) Please provide the calculations and figures used to calculate depreciation expense in 2008 for each category of assets. If the gross asset value used in the calculations is different than that shown in Schedule 8, please provide an explanation for the differences.**

### **Interrogatory # 18**

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

- a) Please provide a schedule showing the determination of the Regulatory Net Income (before tax). For each figure used in the calculation, please provide a cross-reference to the evidence where the specific figure can be found in the evidence.**
- b) Please provide an explanation and calculations (including cross-reference to where in the evidence these figures can be found) for the Other Additions line under Additions to Accounting Income.**
- c) Please provide details as to how the corporate tax rate of 28.77% for 2008 was calculated. In particular, please show the derivation of the provincial tax rate and indicate what federal tax rate was used.**
- d) The federal and provincial governments have recently changed corporate income tax rates for 2008. Please update the tax calculation to reflect these lower tax rates, and provide the tax rates used in the calculation.**
- e) The Ontario Capital Tax rate for 2008 was recently lowered to 0.225% from 0.285%. If this reduction has not been reflected in the forecast for 2008, please update the tax calculation to reflect this change.**
- f) Where has the deemed interest expense of \$792,683 shown in Exhibit 4, Tab 3, Schedule 2 been deducted in the calculation of the income taxes for 2008?**

### **Interrogatory # 19**

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

**Please provide the calculations used to arrive at the actual and deemed interest expense for 2007 and 2008. Please reconcile all figures used with the rate base figures, the actual and deemed capital structure ratios and the actual and deemed interest rate figures used.**

### **Interrogatory # 20**

**Ref: Exhibit 4, Tab 3, Schedule 3**

- a) Please explain why the 2006 additions of \$1,860,475 for distribution system assets were added to Class 1 rather than to Class 47 for post 22-Feb-2005 assets.**

- b) Please re-calculate the CCA for 2006, 2007 and 2008 assuming the assets noted above were included in Class 47 in 2006.**
- c) What is the impact on income taxes of using the CCA calculated in (b) above in 2008 in place of the estimate used?**

**Interrogatory # 21**

**Ref: Exhibit 6, Tab 1, Schedule 1**

**Please confirm that the ROE of 8.68% requested will be adjusted to reflect the Board approved formula adjustments that reflect the January Consensus Forecasts and the actual 10 and 30 year Government of Canada bond data as set out in the OEB's Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006.**

**Interrogatory # 22**

**Ref: Exhibit 6, Tab 1, Schedule 2**

**How has the short term debt rate of 4.77% been determined?**

**Interrogatory # 23**

**Ref: Exhibit 7, Tab 1, Schedule 2**

**Please provide the evidence reference for each figure used in this schedule. If a figure does not directly correspond to any evidence, please provide a reconciliation that shows the determination of the figure in the schedule. For example, Other Operating Revenue (net) is shown as \$477,013, while the corresponding figure in Exhibit 3, Tab 1, Sch. 1 appears to be \$531,701.80. The reconciliation would tie these two figures together.**

**Interrogatory # 24**

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

- a) Are any of the street light customers, for which a subsidization is proposed from all other rate classes, related to ETPL? Please explain.**

- b) Given that street light customers have been heavily subsidized for a long period of time, as reflected in a R/C ratio of less than 15% based on the 2006 CA RC Ratio, why is it appropriate for this class of customers to continue to be subsidized any longer?**
- c) The evidence states that with a 70% R/C ratio the street light customers would face an increase of 66% in their rates, while using a 100% R/C ratio the impact would be a 68% increase. Given this small difference, why is any subsidization required?**
- d) Assume that the R/C ratio for the residential customer class is capped at 100% and that the reduction in revenues is recovered only from the street light class. Please provide the revenue to cost ratio that would be required for the street light class to maintain the same overall level of distribution revenue to ETPL. Please also provide the increase in the street light rate comparable to the 66% increase associated with a revenue to cost ratio of 70%.**

**Interrogatory # 25**

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

- a) Please confirm that the actual 2006 net fixed asset value of \$16,403,819 shown in Exhibit 2, Tab 1, Schedule 2 matches the corresponding figure in Exhibit 2, Tab 2, Schedule 2.**
- b) Please explain the difference in the 2007 figure for accumulated depreciation between the two schedules.**
- c) Please explain how the rate base calculation for 2008 shown in Exhibit 2, Tab 1, Schedule 2 was done in relation to the figures shown in Exhibit 2, Tab 2, Schedule 2.**