PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Buonaguro
Counsel for VECC
(416) 767-1666

February 8, 2008

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2007-0928 Erie Thames Powerlines Corporation – 2008 Electricity Distribution Rate Application

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Erie Thames Powerlines Corporation (ETPL)

2008 Electricity Rate Application

Board File No. EB-2007-0928

VECC's Interrogatories

Question #1

Reference: i) Exhibit 1/Tab 1/Schedule 5
ii) Exhibit 9/Tab 1/Schedule 5

a) Please confirm that ETPL is requesting approval of the proposed rates as set out in Exhibit 9, Tab 1, Schedule 5.

b) Please confirm that ETPL has an approved Smart Meter Rate Adder for 2007? If yes, has it been recording the revenue in Deferral Account #1555? If not, why not? If yes, why is it not requesting approval to continue using this account?

Question #2

Reference: i) Exhibit 1/Tab 1/Schedule 12

a) When did Hydro One Networks deregister several of its wholesale meter points (between ETPL and itself) with the IESO?

b) Are any of the points where Hydro One receives power from ETPL (as a distributor embedded in ETPL) still registered with the IESO? If so, how many and what proportion of the deliveries to Hydro One are through "registered meters"?

c) Are any of ETPL's delivery points embedded in another distributor such as Hydro One Networks? If yes, why is that not disclosed here? If no, why is ETPL requesting approval to continue Deferral Account #1550 (per Exhibit 1, Tab 1, Schedule 5)?

Question #3

Reference: i) Exhibit 1/Tab 2/Schedule 1, pages 2 and 6

a) Please confirm that, under the proposed rates, the delivery component of the bill for a 1,000 kWh residential customer increases by 6.9% (i.e., $26.01 vs. $24.34) and not by 1.9% as suggested.

b) Does the 2007 Residential Service Charge used on page 2 include the 2007 Smart Meter Rate Adder and, if so, how much is it?

c) Please confirm that the 2008 Residential Service Charge set out on this page does not include a Smart Meter Rate Adder.

d) Please redo the bill impact calculation assuming the Board approved 2007 Smart Meter Rate Adder is continued for 2008.

e) As an embedded distributor within ETPL, does Hydro One Networks use ETPL's distribution facilities in order to receive delivery of power at its embedded service points?

f) If the response to part (e) is yes, why wasn't ETPL billing Hydro One Networks for Distribution Service in 2007 (even prior to the deregistration of Hydro One Network's wholesale meters) – see page 6 of Reference (i)?

Question #4

Reference: i) Exhibit 1/Tab 2/Schedule 5

a) Please provide a schedule that sets out the 2008 revenues based on currently approved rates for each customer class. In doing so, please include in the schedule both the 2007 rates and the 2008 billing quantities by customer class used in the calculation. (Note: For purposes of the calculation, please exclude the approved 2007 Smart Meter Rate Adder from the rates use in the calculation)

b) Please provide a schedule that sets out the individual components of the 2008 revenue requirement requested by ETPL and provide cross-references as to where each of the values can be found in the Application.

c) Please provide a schedule that shows the calculation of the Revenue Deficiency by setting out the following:
    - The results of part (a)
    - Plus Any Revenues from any other sources (e.g. Specific Service Charges)

- Less the results from part b).

Question #5

Reference: i) Exhibit 2/Tab 1/Schedule 2, page 1
ii) Exhibit 2/Tab 2/Schedule 1
iii) Exhibit 2/Tab 2/Schedule 2
iv) Exhibit 2/Tab 2/Schedule 4

g) The Gross Book Values reported in Reference (i) do not appear to be the same as those reported in Reference (ii). For example, for 2008 Reference (i) reports a value of $23,388,786; while Reference (ii) appears to report an average value of $22,598,681. Please reconcile the values reported in the two schedules for 2006 (actual), 2007 and 2008.

h) The Accumulated Depreciation values reported in Reference (i) do not appear to be the same as those reported in Reference (ii). For example, for 2008 Reference (i) reports a value of $5,831,190; while Reference (ii) appears to report an average value for the year of $5,396,704. Please reconcile the values reported in the two schedules for 2006 (actual), 2007 and 2008.

i) The Net Book Values reported in Reference (i) do not appear to be the same as those reported in Reference (ii). For example, for 2008, Reference (i) reports a value of $16,557,596; while Reference (ii) appears to report an average value of $17,202,179. Please reconcile the values reported in the two schedules for 2006 (actual), 2007 and 2008.

j) The total Gross Asset Values reported in Reference (ii) for 2008 do not appear to be consistent with those reported in Reference (iii). Please reconcile.

k) The Accumulated Depreciation values reported in Reference (ii) for 2008 do not appear to be consistent with those reported in Reference (iii). Please reconcile.

l) With respect to Reference (ii), please provide a schedule that just shows the Additions by Account (and in total) for each of the three years.

m) Do ETPL's capital additions in each of the three years equal its capital expenditures? If not please, provide a continuity schedule that sets out opening and closing gross book values, capital spending, capital additions and construction work in progress from 2006 to 2008.

Question #6

Reference: Exhibit 2/Tab 3/Schedule 1

a) Please provide the actual capital spending for 2006 by project, in a similar format to that set out for 2007 and 2008.

b) The 2007 spending includes $70,000 for serving new residential customers (Project 1058). How many new residential customers is this?

c) The 2008 spending includes $262,000 for serving new residential customers (Projects 1058, 1097, 1100 and 1105). How many new customers does this represent?

d) If the average capital spending (per new residential customer) in 2008 differs from that in 2007 by more than 10% please explain why.

e) The 2007 spending includes $80,000 to serve new C&I customers (Project 1059). How many new customers is this?

f) The 2008 spending includes $130,000 to service new C&I customers (Projects 1059 and 1094). How many new customers does this involve?

Question #7

Reference: Exhibit 2/Tab 3/Schedule 2

a) The discussion makes reference to a 27 kV voltage conversion project. Please provide a description of what the overall project entails, when it started, when it is to be completed and the annual spending. Please identify all individual 2007 and 2008 projects that are related to the voltage conversion project.

Question #8

Reference: i) Exhibit 2/Tab 4/Schedule 1, page 3

a) Please explain the basis for the 2007 and 2008 forecast values for each of the cost of power components presented on page 3.

b) Please explain why the 2008 charges for Network and Connection increase significantly in 2008, in light of the lower Wholesale Transmission rates approved by the OEB for 2008.

c) What was the average cost of power purchased (cents/kWh) used for the 2007 and 2008 projected Power Purchased values.

Question #9

Reference: Exhibit 3/Tab 3/Schedule 1

a) Please explain where the SSS Admin revenues are captured in the Other Distribution Revenue figures shown.

b) Please confirm whether or not ETPL receives revenues from any of its affiliates for services other than the sale of electricity at OEB approved rates. If yes, please undertake the following:
   - Indicate the services provided.
   - Indicate the revenues received for each service in 2006, 2007 and 2008.
   - Indicate where in the Application these revenues are accounted for.
   - Provide a copy of the Service Agreements

Question #10

Reference: i) Exhibit 3/Tab 1/Schedule 2
ii) Exhibit 7/Tab 1/Schedule 2

a) Reference (i) shows a total distribution revenue from approved rates of $7,631,268. However, Reference (ii) suggests that Distribution revenues of $6,918,858 (i.e., $7,402,936 - $484,078) are required to provide for revenue sufficiency. Please reconcile.

b) Please provide a schedule that sets out the derivation of the $7,402,936 forecast of 2008 distribution revenues at existing rates.

Question #11

Reference: i) Exhibit 3/Tab 2/Schedule 1, pages 1-4

a) With respect to the calculation of the Retail NAC by customer class (page 4), ETPL does not appear to have adjusted the wholesale loads by customer class for losses in determining this value. Please comment and indicate if any corrections to the filing are required.

b) Please provide the 2002 to 2006 customer counts by customer class (page 2) used to determine the average historical growth rate.

c) Please comment on any significant variances between the residential customer additions calculated in Exhibit 3 for 2007 and 2008 as compared to the additions indicated in response to Question #6 above.

d) Into what customer class do the new Aylmer Ethanol Plant and the Otterville Golf Course (both new 2007 customers) fall? If either is over 999 kW, please correct the forecast customer count and overall load forecast accordingly.

<u>Question #12</u>

Reference: i) Exhibit 4/Tab 1/Schedule 2

a) Please reconcile the 2008 Distribution Expenses and PILs values reported here with the values reported in Exhibit 1, Tab 2, Schedule 5.

c) Please reconcile the 2008 Distribution Expenses reported here (i.e., the sum of the first 6 lines) with the Distribution and O&M costs reported in Exhibit 7, Tab 1, Schedule 2 ($4,428,761).

d) Please reconcile the cost of power value reported her for 2008 with that reported at Exhibit 2, Tab 4, Schedule 1.

e) Please reconcile the Operation cost reported here for 2008 ($53,150) with the value reported in Exhibit 4, Tab 2, Schedule 1, page 1 ($34,756).

f) Please reconcile the Maintenance cost reported here for 2008 ($1,113,402) with the value reported in Exhibit 4, Tab 2, Schedule 1, page 2 ($1,461,897).

g) Please reconcile the LCT, OCT and Income Taxes reported here($338,270.08) with the value reported in Exhibit 4, Tab 3, Schedule 1 ($302,852).

h) Please reconcile the Amortization Expense shown here with that reported in Exhibit 4, Tab 2, Schedule 8, page 1.

<u>Question #13</u>

Reference: i) Exhibit 4/Tab 2/Schedule 1

a) With respect to the Maintenance costs reported on page 2, please explain how the change in reporting of expenses as of 2006 creates variances between 2006 and 2007 results as indicated for Accounts #5110 and #5120 in Exhibit 4, Tab 2, Schedule 3.

b) What are the actual additional work activities that account for the more than 10% increase in Maintenance costs between 2006 (actual) and 2007?

c) Please explain the reason for the bad debt expense increase in 2007 (over 2006).

d) Why is this high level of bad debt expense expected to continue for 2008?

Question #14

Reference: i) Exhibit 4/Tab 2/Schedule 3

a) On page 4 the Application states that the increase in Management Salaries and Expenses is due to an increase in staff and offset by a reduction in outside services. However, the increase shown for Management Salaries and Expenses is $173,595; while the decrease in Outside Services is only $102,000. Please reconcile.

Question #15

Reference: i) Exhibit 4/Tab 2/Schedule 4

a) Please provide copies of the Service Agreements between ETPL and Erie Thames Services Corporation and between ETPL and Erie Thames Power Corporation. In both cases, please include any schedules setting out the services provided and the associated pricing arrangements.

b) Please explain why the costs for Erie Thames Power Corporation's Executive Services have increased by over 70% between 2006 and 2008.

Question #16

Reference: i) Exhibit 4/Tab 3/Schedules 1 & 2

a) Please reconcile the Net Income reported here ($897,742) with that reported in Exhibit 7, Tab 1, Schedule 2 ($897,483).

b) Why wasn't the excess interest (per Exhibit 4, Tab 3, Schedule 2) deducted from Accounting Income consistent with the treatment in the 2006 EDR?

c) Please provide a schedule setting out the calculation of deemed interest expense.

d) Please reconcile the tax values reported here with those reported in Exhibit 7/Tab 1/Schedule 2 for income tax and capital tax..

Question #17

Reference: i) Exhibit 5/Tab 1/Schedule 2

a) For ETPL Deferral Account which has a non-zero balance as of December 31, 2006, please provide a continuity schedule that explains the basis for the annual in the account balance from December 31, 2004 to December 31, 2006.

b) Did ETPL's rates for 2006 include a rate rider for recovery of LV costs. If yes, were the associated revenues posted to the LV Variance account (#`1550)?

c) If the 2006 revenues from the LV Rate Adder were not included in the LV Charge Variance account balance determination, please undertake the following:
   - Provide a schedule setting out the revenues from the LV Rate Adder for 2006 based on the approved adder and the actual volumes by customer class.
   - Re-state the balance for the LV Variance account as of December 31, 2006 taking into account these revenues
   - Re-calculated the interest on the account up to April 31, 2008.

Question #18

Reference: i) Exhibit 6/Tab 1/Schedule 2

a) Please provide a schedule that sets out the calculation ETPL's 2008 weighted average cost of capital (in dollar terms) based on its deemed capital structure and proposed rate base, broken down as between interest cost and return on equity (net income).

Question #19

Reference: i) Exhibit 7/Tab 1/Schedule 2

a) Please explain what the line item “Net Adjustments Per 2008 PILs” is meant to represent and why it is included in the calculation.

b) Please provide a schedule that indicates where in the Application each of the cost entries (including taxes) were determined/can be found.

<u>Question #20</u>

Reference: i) Exhibit 8/Tab 1/Schedule 2, pages 1-3

a) Please provide a schedule that sets out how the derivation of the total 2008 Revenue Requirement of $7,592,989 (per page 2).

b) Please reconcile this $7,592,989 value for 2008 revenues required from distribution rates with the $6,918,858 value suggested in Exhibit 7, Tab 1, Schedule 2.

c) Please indicate which of the Cost Allocation Informational filing Runs submitted b ETPL best reflects its 2008 Rate Proposal.

d) Please confirm whether the Cost Allocation informational filing included LV Charges (i.e., were LV charges included as a "cost" in the filing and did the rates used to determine revenues include an allowance for LV Charge recovery?).

e) The Application indicates that the 2006 revenue proportions from the Cost Allocation Informational filing were used in Step 1 (pages 1-2) to establish an allocation of the 2008 Revenue Requirement consistent with the 2006 Revenue to Cost ratios. Please explain why these percentages are appropriate for 2008 when the customer count and loads forecast for each customer class have changed between 2006 (the year used in the Informational filing) and 2008.

f) Please recalculate the starting point for Step 1 (i.e., the revenue proportions consistent the revenue to cost ratios derived by the 2006 Cost Allocation Informational filing) as follows:
   - Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate Adder and the LV Cost recovery adder) and forecast 2008 billing parameters
   - Determine the revenue proportions based on the results of the preceding step.

   Please provide a schedule that sets out the associated input data and calculations and that provides an allocation of the 2008 revenue requirement to customers classes based on these proportions,

g) Please recalculate the Table at the top of page 2 following the same process as described in Step 1 of the Application – but using the results from part (e) as the starting point.

h) Please redo Step 1, but use the results from part (e) as the starting point and move the revenue to cost ratios for all customer classes to (just) within the ranges set out in the Board's November 28, 2007 Report – Application of Cost Allocation Results for Electricity Distributors.

i) The allocation of revenue requirement to customer classes does not appear to include any provision for recovery of the Transformer Allowance discount paid to certain customers. Please undertake the following:
   - Confirm whether any provision has been made in the Application for recovery of the Transformer Allowance and, if so, indicate where.
   - Provide an estimate of how much the total cost of the Transformer Alllowance will be for 2008, broken down by customer class.

j) Cost Allocation Informational Filing allocated the amount of the Transformer Allowance to all customer classes. Please provide an alternative version of the Cost Allocation Informational filing where:
   - The cost of Transformer Allowance is not allocated to customer classes (i.e. it is excluded from the allocation)
   - The Revenues reported for each customer class are net of any discounts received for Transformer Allowance.

k) Please confirm that the proposed rates do not include any provision for recovery of LV Costs charged by Hydro One Networks. If this is case, please explain why and provide an estimate of what the 2008 LV Rate Adder would be by customer class based on the same methodology as used in the 2006 EDR.

Question #21

Reference: i) Exhibit 9/Tab 1/Schedule 6

a) How exactly was the proposed $14.83 monthly customer charge for residential customers determined?

b) What is the fixed/variable revenue split for the residential class using 2008 billing quantities and 2007 approved rates (Excluding the Smart Meter Rate adder and the LV Rate adder). What would be the monthly service charge if this fixed revenue proportion was applied to the proposed residential revenue requirement ($4,366,939)?

Question #22

Reference: i) Exhibit 9/Tab 1/Schedules 1

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:

- Consume less than 100 kWh per month
- Consume 100 -> 250 kWh per month
- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month

Question #23

Reference: i) General

a) Please provide copies of all Board Decisions pertaining to ETPL's rates issued since December 31, 2004.

Question #24

Reference: i) Exhibit 9/Tab 1/ Schedule 3
ii) Exhibit 9/Tab 1/Schedule 5

a) ETPL's Application appears to include a proposed change in the Retail Transmission Rates (Network and Connection) charged to customers. For example, the Residential Retail Transmission Rate for Network Service is proposed to decrease from $0.0047/kWh to $0.0038/kWh. Please indicate where in the Application the derivation of the new rates is described. If not included in the Application, please provide.

Question #25

Reference: i) Exhibit 9/Tab 1/Schedule 7
ii) Exhibit 8/Tab 1/Schedule 2

a) Please reconcile total 2008 distribution revenue requirement allocated to customer classes set out in Reference (i) {$7,631,268.37} with the revenue figure set out in Reference (ii) {$7,592,989}.