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February 1, 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)
Notice of Intervention: EB-2007-0931
PUC Distribution Inc. – 2008 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

PUC Distribution Inc. (PUCD)

2008 Electricity Rate Application

Board File No. EB-2007-0931

VECC's Interrogatories

Question #1

Reference: i) Exhibit 1, pages 31-32

a) Please indicate where in the Application PUCD has provided an explanation as to the reasons for each of the three new variance accounts it is requesting. If not provided as part of the current Application, please provide the following for each of the new accounts requested:
   - A description as to the purpose of the account (i.e., why is it needed)
   - An explanation as to precisely what costs/revenues will be recorded in the account
   - A draft accounting order for the account.

b) Please clarify whether PUCD is seeking approval of a deemed debt/equity structure of 53/47 as quoted here or 53.33/46.67 as set out in Exhibit 6.

c) Exhibit 5 sets out the December 31, 2006 balances for the deferral and variance accounts that PUCD is proposing to clear as part of this Application. Does PUCD have non-zero balances in any of the other deferral and variance accounts it is seeking to continue after May 1, 2008. If yes please provide:
   - A continuity schedule that sets out the balance of the account and the annual changes from December 31, 2004 to December 31, 2006
   - An explanation as to why PUCD is not seeking to clear the December 31, 2006 balances.

Question #2

Reference: i) Exhibit 1, page 33

a) Please confirm whether or not PUCD has been authorized (as yet) to undertake Smart Meter installations by the provincial government. If it has, please provide a copy of the authorization. If not, does PUCD have any indication as to when such authorization will be provided?

<u>Question #3</u>

Reference: i) Exhibit 1, pages 42-43

a) Please provide a copy of the Service Agreement between PUC Distribution and PUC Services (per page 115). In doing so, please ensure any schedules describing the services to be provided by PUC Services and the pricing arrangements are also included.

b) Is PUC Energy considered to be a "customer" of PUCD? If so, what customer class is it included in and is it treated as a single customer for purposes of establishing customer counts by class? If not, are the individual sentinel light customers considered to each be customers of PUCD?

c) Please explain why PUC Energy Inc. is not considered a retailer if it purchases energy from PUDC and resells it to sentinel light customers.

d) Does PUC Telecom provide services to PUCD? If yes, please provide a copy of the Service Agreement.

e) Does PUCD provide any services (for example, facilities, office space, etc.) to any of its affiliates? Note: The 2006 Financial Statements (page 12) indicate that it does. If so, please provide the following:
- A list of the services provided and the affiliates receiving them
- The revenues received for such each of such services for 2006 (actual), 2007 and 2008.
- Copies of the relevant Service Agreements
- A description of how the charges for each of the services was determined.
- An indication of where the revenues are accounted for in this Application (i.e., are they part of Other Revenue in Exhibit 3 and, if so, precisely where are they included?)

<u>Question #4</u>

Reference: i) Exhibit 1,page 118

a) Please confirm that the Distribution Revenue value ($12,091,138) was calculated by applying the approved 2007 rates (excluding any smart meter rate adder) to the forecast 2008 billing quantities for each class.

b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:
- The 2007 rates used for each customer class
- The 2008 billing quantities for each customer class

- The total revenues by customer class

c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule per part (b).

d) Please confirm that the $992,559 value for Other Operating Revenues is the 2007 anticipated revenues and not the anticipated revenues for 2008.

e) Please confirm that the calculation of required return ($3,516,476) is arithmetically consistent with the reported Rate Base and Weighted Average Cost of Capital.

f) Based on the results of parts (d) and (e), please re-do the Deficiency Schedule as necessary.

<u>Question #5</u>

Reference: i) Exhibit 2, pages 3 and 14

a) The average net fixed asset balances reported on the two pages are slightly different for 2006 (actual) and 2007. Please explain why.

<u>Question #6</u>

Reference: i) Exhibit 2, pages 3 and 167

a) Please explain the basis for the 2007 and 2008 forecast values for Power Purchased Expenses. What were the wholesale purchases (MWh) and average cost of power used in each case? What was the basis for the 2007 and 2008 average cost of power value used?

b) Please explain why there are no Transmission Charges or WMS Charges included for 2008 (i.e., #4708 and #4714).

<u>Question #7</u>

Reference: i) Exhibit 2, pages 14 and 28

a) Please reconcile the 2006 actual capital addition figure reported on page 14 ($2,920,785) with the 2006 capital expenditure figure reported on page 28 ($3,356,044).

<u>Question #8</u>

Reference: Exhibit 2, pages 25-27 and pages 70-71

a) Please provide the actual values for the last five years for the reliability performance measures shown graphically on page 71.

b) Please re-state the value on page 71, excluding impacts of any outages upstream on Brookfield's transmission system.

Question #9

Reference: i) Exhibit 2, pages 28-33

a) How many new service connections are associated with the spending on Services in 2006, 2007 and 2008?

b) How many wood poles are replaced in each of the three years as a result of the spending shown for "Replace Wood Poles"?

Question #10

Reference: i) Exhibit 2, page 33 and pages 34-36
ii) Exhibit 1, page 31

a) Why is PUCD including the capital cost of smart meters in its Rate Base for 2008 as opposed to recording the revenue requirement impacts in Accounts #1555 and #1556 (both of which it is seeking to continue)?

b) Why is PUCD proposing to have all its required Smart Meters installed by year-end 2008, as opposed to over a longer period?

c) Is it realistic for PUCD to receive the necessary approvals, undertake the necessary procurement, take delivery of and then physically install all its required Smart Meters by year-end 2008? Please provide a detailed timeline for the project.

d) Please indicate the number of Smart Meters PUCD will be required to install and reconcile this number with its forecast number of metered customers for 2008.

e) Please reconcile the number of Smart Meters PUCD will be required to install with the cost per meter of $215 and the total capital cost of $6,737,612.

Question #11

Reference: i) Exhibit 2, page 55

a) Please provide the in-service date for PUCD's SCADA System.

b) What is the basis for the $1.5 M Average Annual Plant Addition figure?

c) Are the various dollar values quoted on page 55 all in 2006 $ or quoted on some other basis?

Question #12

Reference: i) Exhibit 2, page 75

a) What is PUCD's current level of spending on Vegetation Management? What is the annual spending that would be required to support an appropriate vegetation management cycle and what would an appropriate vegetation management cycle be (i.e., # of years)?

Question #13

Reference: i) Exhibit 2, pages 78-79

a) With respect to Figure 24, please indicate the number of existing staff that were in each area in 2005.

b) Please confirm that since the staffing needs "ramp-up" during the six years (Figure 25), the annual incremental OM&A cost in the earlier years (i.e., 2008 and 2009) will be less than $700,000. If not, please explain.

Question #14

Reference: i) Exhibit 3, page 3

a) Please provide a schedule that sets out the calculation of the 2008 Test Year revenues by customer class, showing both the fixed and variable billing quantities and rates.

b) Did the rates used to calculate the 2007 and 2008 revenues for each class include the Smart Meter rate adder? If so, please recalculate excluding the adder.

Question #15

Reference: i) Exhibit 3, pages 6-8
ii) Exhibit 2, pages 49 and 56

a) The discussion on both pages 49 and 56 regarding new services suggests that growth in 2007 and 2008 will be greater than that experienced in the preceding years. Please reconcile these comments with the forecasts for

2007 and 2008 customer additions which are based on historical growth rates over the 2002-2006 period.

b) Please specifically address why there is a negative growth rate for the GS<50 class for 2007.

c) Please specifically explain the decrease in customer count in 2007 for the GS>50 class and why the associated growth rate is positive.

<u>Question #16</u>

Reference: Exhibit 3, pages 9-12

a) Please explain why the loss factors are different for the residential and GS<50 classes (page 9).

<u>Question #17</u>

Reference: Exhibit 3, page 15

a) Please explain the reduction in STR revenues for 2008.

b) Where is the revenue from the SSS Admin charge reported and how much is it forecast to be for 2008?

<u>Question #18</u>

Reference: Exhibit 4, pages 10-16

a) Please provide a schedule that lists all of the OM&A accounts and show the impact on each one in 2008 as a result of implementing the Full Absorption Cost Allocation Study.

b) Please provide a schedule that lists all of the OM&A accounts and shows the 2007 and 2008 impacts of implementing the staffing strategy set out in Exhibit 2, page 79. Please provide a cross reference between the cost increases in the various accounts and the specific new positions identified in Figure 25.

c) What is the overall impact on 2008 OM&A of implementing the staff plan set out in Figure 25?

d) With respect to Account #5136, what are the incremental line clearing contractor costs in 2008?

e) With respect to Account #5315, please reconcile the 2008 Smart Metering costs ($413,390) with the number of Smart Meters installed and PUDC's assumption regarding the increased operating cost of Smart Meters ($1.00 / month).

f) What is the basis for the $1.00 / month increase operating cost for Smart Meters?

g) Why is there no reduction in Meter Reading costs (Account #5310) as result of the installation of Smart Meters in 2008?

h) Why are the incremental OM&A costs associated with Smart Meters recorded as an OM&A expense as opposed to being recorded in Deferral/Variance Account #1556?

i) Please calculate what the Smart Meter Rate Adder for 2008 would be based on:
   - The incremental 2008 operating costs associated with the 2008 Smart Meters in-service
   - The incremental 2008 depreciation, return and PILs associated with the 2008 Smart Meters in-service
   - Using the 2007 Smart Meter adder revenues as a cost offset.
   - The number of metered customers in 2008.

Question #19

Reference: Exhibit 4, pages 18-20

a) Please confirm that for 2008, 31% of the Administrative charges from PUC Services were capitalized (per page 19). If this is not the case, please explain.

b) Are the Administrative expenses shown on page 20, the total Administrative expenses allocated to PUCD by the Service Company or just the portion that was expensed?

c) Please indicate in which OM&A accounts each of the cost items reported on page 20 is included.

d) Please provide a schedule that indicates how much of change in shared costs allocated to PUCD in 2008 vs. 2007 (see page 20) was due to the change in allocation methodology as opposed to a change in the level of service received from PUC Services.

Question #20

Reference: i) Exhibit 4, pages 63 & 66

a) Page 66 indicates that actual interest expense will exceed deemed interest expense in 2008. Please explain why the 2008 tax calculation (page 63) did not use deduct the difference between actual and deemed interest expense in determining Net Income for Tax Purposes similar to what was done in the 2006 EDR (see Board Report RP-2004-0188, pages 59-59).

Question #21

Reference: Exhibit 4, page 67

a) Is any of the planned smart meter investment for 2008 related to computer software or equipment? If so, how much and please confirm which CCA class(es) it has been assigned to.

b) The March 2007 federal budget introduced new CCA classes for computer equipment and buildings (after March 2007). Do any of PUCD's capital additions in 2007 and 2008 qualify and, if so, please adjust the CCA calculation accordingly.

Question #22

Reference: Exhibit 5, page 4

a) For each of the deferral/variance accounts listed on page 4 please provide a continuity schedule that sets out the annual balance of the account and the reasons for the annual changes from December 31, 2004 to December 31, 2006.

b) Please explain what the costs in the "Other Regulatory Assets" account are based on (i.e., is it OEB assessments or something else?).

c) Please explain how the residual balance in Account #1590 as of April 30, 2008 was determined. Why is PUCD proposing to clear this "forecast" balance now as opposed to waiting until after April 31, 2008 and dealing with the "actual" balance at that time?

d) Please explain why # of customers is the appropriate allocator for Account 1584 – Retail Transmission Network charges when the charges to customers are based on volumes? Why isn't kWhs a more appropriate allocator?

Question #23

Reference: Exhibit 8, pages 2-8

a) Please provide a copy of PUCD's Cost Allocation informational filing Run 1.

b) Please provide an alternative version of the Cost Allocation informational filing where:
   - Revenues by customer class are net of any transformer ownership allowance discount.
   - The transformer ownership allowance discount is not included as a cost to be allocated to customer classes.

   In conjunction with this Run please indicate the total cost of for the transformer ownership allowance included in PUCD's Run #1 and whether all of it is associated with the GS > 50 class.

Question #24

Reference: Exhibit 8, pages 9-11

a) Please explain why PUCD is proposing each of the following Revenue to Cost ratio changes for 2008:
   - Why is the Sentinel Light ratio only increasing from 38% to 40%?
   - Why is the USL ratio not be increased at all?

b) Please explain plain how the revenue proportions set out in the table on page 9 under the columns "Cost Allocation" and "Existing Allocation" were determined.

c) If the response to part (b) indicates the revenue proportions are based on the revenues and costs from the Cost Allocation Informational filing then 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.

d) Please recalculate the revenue proportions associated with the "Existing Allocation" as follows:
   - Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate 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.

e) Please explain how the “Proposed Allocation” percentages on page 9 were derived and why they are consistent with the proposed revenue to cost ratios.

Question #25

Reference: Exhibit 9, pages 1-2

a) The Base Revenue Requirement ($16,218,490) derived by PUCD (see pages 2-3) does not appear to provide for the recovery of the transformer ownership allowance discount:
   - What is the forecast “cost” of the discount for 2008?
   - Please provide a breakdown of the forecast “cost” by customer class – i.e. is it all associated with the GS > 50 class.

Question #26

Reference: Exhibit 9, pages 4-9

a) Please provide a schedule that sets out the calculation of the “Percentage of Current Class Revenue from Current Monthly Fixed Charge Table” on page 4.

b) If not done so in the Application, please recalculate the “Percentage of Current Class Revenue from Current Monthly Fixed Charge” basing the fixed charge revenue on the 2007 approved monthly fixed charge (excluding the Smart Meter Rate Adder).

c) Please recalculate Table shown on page 5 based on the results of part (b) above.

Question #27

Reference: i) General

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

Question #28

Reference: i) Exhibit 9

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

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