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August 16, 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-2011-0073
Oshawa PUC Networks Inc. – 2012 Cost of Service Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1 issued by the Board on July 22, 2011, please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of Oshawa PUC Networks in the EB-2011-0073.

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

Yours truly,

David S. MacIntosh
Case Manager

cc: Philip Martin, Oshawa PUC Networks (By email)
James Sidlofsky, Borden Ladner Gervais LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Interested Parties (By email)

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

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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 Oshawa
PUC Networks Inc. for an order approving just and
reasonable rates and other charges for electricity
distribution to be effective January 1, 2012.

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

August 16, 2011

**OSHAWA PUC NETWORKS INC.
2012 RATES REBASING CASE
EB-2011-0073**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Issue 1.1 Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?

Interrogatory # 1

Ref: Exhibit 1, page 143

- a) Have the budgeted figures for 2011 and 2012 which are used in the application to calculate the revenue requirement been approved by the Board of Directors? If so, please indicate when this approval was received.**
- b) Have there been any changes to the various budgets since the approval was received from the Board of Directors? If so, have these changes been reviewed by the Board of Directors?**
- c) If the response to part (b) is yes, there have been changes, please provide a summary of the changes from the budgets used in the cost of service application.**

Issue 1.2 Is service quality, based on the Board specified performance indicators, acceptable?

Interrogatory # 2

Ref: Exhibit 2, pages 32-33

The evidence indicates that the telephone accessibility has been lower than the OEB Minimum Standard in both 2009 and 2010 and that OPUCN has installed an IVR system and will be hiring additional staff in 2011 to mitigate these challenges.

- a) Has OPUCN hired all of the additional staff in 2011 that was planned? If not, why not?**

- b) Based on the most recent information available, what was the telephone accessibility percentage in 2011?**
- c) Why didn't OPUCN hire additional staff or install an IVR system in 2010 rather than waiting until 2011?**
- d) What is the total cost in the 2012 test year associated with the additional staff forecast to be hired in 2011?**
- e) Smart meters were given as one of the reasons for the lower performance in 2009 and 2010. Given that smart meters have been in place in OPUCN for a number of years now, has OPUCN made any allowance for a reduction in the additional staff needed in 2012? If not, why not?**

Issue 1.3 Is the proposed revenue requirement appropriate?

Interrogatory # 3

Ref: Exhibit 1, page 134

How many months of actual information has been incorporated into the 2011 bridge year forecast for each of the capital expenditures, OM&A expenses, depreciation and load forecasts?

Interrogatory # 4

Ref: Exhibit 1, Table 3 and RRWF

Please reconcile the '2012 Test Existing Rates' and '2012 Test Required Revenues' columns shown in Table 3 with the 'Initial Application' columns in the Revenue Sufficiency/Deficiency sheet in the RRWF. Please provide an updated Table 3 and/or RRWF (live Excel) that are consistent with one another. (Please note that the RRWF appears to be missing the cost of power component of the working capital allowance on the data input sheet).

Interrogatory # 5

Ref: Exhibit 1, Table 2

Please provide a version of Table 2 that shows the impact in dollars and percent on each of the rate classes for the distribution only component of rates, consistent with 'Sub-total A - Distribution' in the RRWF.

Issue 2.1 Are the Applicant's asset planning assumptions (e.g. asset condition, economic conditions, etc.) appropriate?

Interrogatory # 6

Ref: Exhibit 2, page 8

- a) When was the 2011 bridge year budget presented to the Board of Directors and when was it approved?**
- b) When was the 2012 test year budget presented to the Board of Directors and when was it approved?**
- c) Have there been any changes made to either the 2011 or 2012 capital budget since receiving Board approval? If yes, please provide a summary of the changes. If yes, have these changes been presented to the Board of Directors?**

Interrogatory # 7

Ref: Exhibit 2, page 9

- a) The evidence indicates that increased demand of existing customers over time can result in the need for capacity improvements. Does OPUCN also take into account decreased demand of existing customers through CDM measures over time that could result in the need for less capacity? If not, why not? If yes, please explain how this is done.**
- b) Does OPUCN take into account the decreased demand of lost customers or customers that have decreased in size due to changing economic conditions? If not, why not? If yes, please explain how this is done.**

Issue 2.2 Is the Applicant's capitalization and depreciation policy appropriate?

Interrogatory # 8

Ref: Exhibit 2, page 61

- a) What methodology was used to determine the depreciation expense in the 2008 rates proceeding?**
- b) Has this same methodology been applied to 2008 through 2010 actuals and to the 2011 bridge year in the calculation of the depreciation expense that flows into the calculation of rate base? If not, please explain any differences and when they have been applied.**

Interrogatory # 9

Ref: Exhibit 2, page 13

What is the impact on the 2012 capital expenditures and OM&A expenses of the change in the capitalization policy of adopting IFRS?

Issue 2.3 Are the capital expenditures appropriate?

Interrogatory # 10

Ref: Exhibit 2, page 5

Please expand the table shown on page 5 to include actual capital investments for 2006 through 2010.

Interrogatory # 11

Ref: Exhibit 2, page 13

- a) Please confirm that for the 2012 test year, OPUCN has used modified IFRS accounting in the estimation of the 2012 capital expenditures and the resulting test year rate base.**
- b) Please provide an estimate of the reduction in capital expenditures in 2012 as a result of the overhead costs which are not directly attributable to construction activity and will no longer be capitalized.**
- c) Please confirm that for 2011, OPUCN has used CGAAP accounting in the estimation of the 2011 capital expenditures and the resulting bridge year rate base.**

Interrogatory # 12

Ref: Exhibit 2, pages 13-14

- a) Does LTLT refer to long term load transfer? If not, please describe what LTLT customers are.**
- b) Are there any plans to transfer some or all of these customers from Hydro One's distribution system to OPUCN over the 2012 through 2015 period? If yes, please provide details and indicate the impact on the test year revenue requirement.**

Interrogatory # 13

Ref: Exhibit 2, Tables 7, 8, 9, 10, & 11

- a) Please provide a table the shows the additions to gross assets for each year 2008 through 2012, in the same level of detail as shown in Tables 7 through 11.**
- b) Please explain why there are no disposals shown in Table 10 for the 2011 bridge year. Are there any identifiable capital assets that are being retired or replaced, such as vehicles and computer hardware, in the bridge year?**
- c) Please explain why there are no disposals shown in Table 11 for the 2012 test year. Are there any identifiable capital assets that are being retired or replaced, such as vehicles and computer hardware, in the test year?**

Interrogatory # 14

Ref: Exhibit 2, page 49

Please confirm that the \$295,000 forecast for Durham Region or City of Oshawa initiatives represents OPUCN's 50% share of the total costs.

Interrogatory # 15

Ref: Exhibit 2, pages 55-58

- a) Please confirm that the \$365,000 forecast for Durham Region or City of Oshawa initiatives represents OPUCN's 50% share of the total costs.**
- b) Please explain the significant increase in the cost of the annual pole replacement program in the test year as compared to previous years.**
- c) What is the net book value of the vehicles being replaced in 2012 expected to be when they are actually replaced?**
- d) What is the expected sale value of the vehicles being replaced in 2012?**

Issue 2.4 Are the in-service dates accurate for projects closed prior to the Test Year and are they appropriate for proposed projects?

Interrogatory # 16

Ref: Exhibit 2, pages 47-48

- a) Please provide an update to Table 10 that reflects actual expenditures to date in 2011 along with current projections for the remainder of the year.**
- b) Please provide an update to the table on the top of page 48 that reflects actual expenditures to date in 2011 along with current projections for the remainder of the year.**
- c) Are any of the additions shown to close to rate base in 2011 in Table 10 now expected to close to rate base in 2012? If yes, please provide the amounts and details of these additions.**
- d) Why has OPUCN not included any forecast for contributions and grants in 2011? What is the current amount received in 2011 for contributions and grants and what is the current projection for the end of the year?**

Issue 2.5 Is the working capital allowance for the test year appropriate?

Interrogatory # 17

Ref: Exhibit 2, page 63 & Table 17

- a) Please provide a copy of the relevant pages of the April 2011 Regulated Price Plan Report that was used to determine the RPP and non-RPP prices. Please also provide any calculations, if required, to show how the RPP and non-RPP prices shown in Table 17 were arrived at.**
- b) Please confirm that the rates used in the calculations shown in Table 17 for the non-commodity costs are all based on current rates. If this cannot be confirmed, please update Table 17 to reflect rates for the non-commodity charges.**

Issue 2.6 Is the proposed rate base for the test year appropriate?

Interrogatory # 18

Ref: Exhibit 2, Tables 10 & 11

- a) Please confirm that the difference in the closing balance in costs for 2011 (Total before Work in Progress) shown in Table 10 of \$144,756,999 and the opening balance shown for 2012 of \$151,141,741 is all related to the inclusion of smart meters in rate base at the beginning of 2012.
- b) Please show the amount of costs and accumulated depreciation that are being added to the continuity schedule at the beginning of 2012 related to smart meters.

Interrogatory # 19

Ref: Exhibit 2, Tables 1, 8 & 12

- a) Please confirm that the OPUCN did not achieve a closing net book value in excess of the amount approved by the OEB for 2008 until sometime in 2011.
- b) Please explain why the closing NBV in 2008 was more than \$3.8 million lower than the Board approved figure.
- c) Table 8 shows that the additions closed to rate base in 2008 totalled \$6,253,710. What was the forecast for additions in 2008 as part of the 2008 rates proceeding?

Interrogatory # 20

Ref: Exhibit 2 & EB-2007-0673 Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008

At page VII of Appendix B: Amended Filing Guidelines of the EB-2007-0673 Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated September 17, 2008 there are specific reporting requirements related to the Incremental Capital Module.

- a) Please confirm that OPUCN was approved to use the ICM in EB-2008-0205.

- b) Please provide copies of the annual reports to the Board that are required of distributors that receive rate relief through the module.**
- c) Please identify where in the evidence in this proceeding is the information that will allow for the prudence review as required in the Supplemental Report of the Board. If such evidence has not been filed, please provide it.**
- d) Please provide evidence and calculations that show the difference between the forecast and actual capital spending during the IR plan term.**
- e) How does OPUCN propose to deal with any overspending or under spending?**

Issue 2.7 Is the accounting for smart meters in rate base appropriate?

Interrogatory # 21

Ref: Exhibit 2, Table 11

Are the stranded meter costs and accumulated depreciation included in the figures shown for meters in Table 11? If yes, please provide the amount of costs and accumulated depreciation included in the table for smart meters at the beginning of the 2012 test year.

Issue 2.8 Is the accounting for stranded meters appropriate?

Interrogatory # 22

Ref: Exhibit 1, page 142

- a) What is the current net book value of all of the stranded meters?**
- b) Is the net book value of the stranded meters included in rate base in each of 2008 through 2010?**
- c) Is the net book value of the stranded meters included in the forecasted rate base for the 2011 bridge and 2012 test years?**

Issue 2.9 Is the basic Green Energy Plan appropriate?

Interrogatory # 23

Ref: Exhibit 1, page 142

With respect to the Green Energy Act Plan, has OPUCN determined the portion of the costs that should be recovered from its own ratepayers and what portion should be recovered from provincial ratepayers? If not, why not?

Interrogatory # 24

Ref: Exhibit 2, page 191-201

- a) Please provide the forecasted capital expenditures and OM&A expenses associated with the basic GEA plan in the test year.**
- b) Please provide the forecasted capital expenditures and OM&A expenses associated with the basic GEA plan beyond the test year.**
- c) Has OPUCN met the filing requirements noted in Sections 2.3.4, 2.5.2.3 and 2.7.9 of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011? If not, please provide additional evidence to ensure these filing requirements have been met.**
- d) Please identify the period for which OPUCN is seeking a prudence review and approval.**
- e) What is OPUCN's proposal for how the approved GEA plan costs are to be recovered?**

Issue 3.1 Is the load forecast methodology including weather normalization appropriate?

Interrogatory # 25

Ref: Exhibit 3, Table 1 & Exhibit 1, Table 3

Please explain why the distribution revenue and other operating revenue (net) shown in the 2010 Actual and 2011 Bridge Year Estimate columns in Table 3 of Exhibit 1 do not match the 2010 Actual and 2011 Bridge column in Table 1 of Exhibit 3. Which set of figures is correct?

Interrogatory # 26

Ref: Exhibit 3, Table 1 & Exhibit 1, Table 3

- a) Please add a column to Table 1 that shows the 2012 Test Year revenues at existing rates.
- b) If the figures provided in response to part (a) are different than those shown in Table 3 of Exhibit 1, please explain the difference.

Interrogatory # 27

Ref: Exhibit 3, Table 8

Please add rows showing the 2011 and 2012 forecasts if the HDD and CDD explanatory variables were based on the 2003 through 2010 average rather than the linear trend used.

Interrogatory # 28

Ref: Exhibit 3, page 18

- a) What information did OPUCN use to select the rate applied shown in Table 10 for customer/connection growth that is different from the geometric mean also shown in Table 10?
- b) What is the impact on the number of residential customers if the geometric mean was used in 2011 and 2012 rather than the rate applied of 101.00%?

Interrogatory # 29

Ref: Exhibit 3, Tables 11 & 12

- a) Please explain how the geometric mean shown in Table 12 for a number of rate classes is less than 100% even though the average use in 2010 is higher than the average use in 2003.
- b) Please indicate which years were used to calculate the geometric mean in Table 12. Please explain why any years shown in Table 12 were not included in the geometric mean.

- c) Please re-calculate the geometric mean shown in Table 12 using all years from 2003 through 2010. What is the impact on the revenue deficiency if the rate applied is equal to the geometric mean calculated in part (b) above, with the exception of the large use class? Please provide the relevant tables showing the forecasted average use per customer figures, the non-normalized weather figures and the weather normalized figures.

Interrogatory # 30

Ref: Exhibit 3, pages 22-23

- a) The evidence states that the average ratios found in Table 14 were applied to the kWh forecasts to arrive at the kW forecasts. However, the table found immediately below Table 14 appears to show that the actual 2010 ratios were used, not the average ratios calculated in Table 14. Please confirm that the actual 2010 ratios were used to calculate the kW billing determinants shown in Table 15.
- b) Please provide a version of Table 15 that results from the use of the average kW/kWh ratios calculated in Table 15 for each of the applicable rate classes.
- c) Based on the result in part (b), what is the impact on the revenue at existing rates, at proposed rates and on the overall revenue deficiency?

Interrogatory # 31

Ref: Exhibit 3, Table 8 & Appendix A

- a) Please add a linear trend variable to the explanatory variables used in the predicted purchases regression equation and provide the results of the regression.
- b) If the trend variable is statistically significant at the 95% confidence level, please provide a revised Table 8 that shows the 2011 and 2012 forecast under the linear trend as used by OPUCN, the average of 2003 through 2010 as requested elsewhere, and the 2012 forecast using the 10 year and 20 year averages.

Interrogatory # 32

Ref: Exhibit 3, Table 8

Assuming "weather normal" means the average of HDD and CDD over the 2003 through 2010 period, please:

- a) Provide a schedule that sets out for the years 2003 through 2010 the difference in each year between the actual and "weather normal" HDD and CDD values.**
- b) The products of these differences for HDD and CDD and the respective coefficients for HDD and CDD as determined in the regression analysis.**
- c) The estimation of the weather normal purchases for each year determined by adjusting actual purchases by the results calculated in part (b) above.**

Issue 3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?

Interrogatory # 33

Ref: Exhibit 3, Table 1

- a) How many months of actual data are included in the bridge year forecast?**
- b) Please update Table 1 to reflect the most recent year-to-date actual figures available for the bridge year, along with the forecast for the remaining months in the bridge year.**

Interrogatory # 34

Ref: Exhibit 3, Table 3 & 4

- a) Are the figures shown in Table 3 by rate class the average for the year or the year-end number of customers/connections?**
- b) Please provide the actual number of customers/connections for each rate class for the latest month available in the 2011 test year, along with the corresponding number of customers for the same month in 2010.**

- c) Are the figures shown in Table 4 actual billed consumption or normalized billed consumption?
- d) Please update the 2011 bridge year forecast shown in Table 4 to reflect the most recent year-to-date figures available, along with the forecast for the remaining months.

Interrogatory # 35

Ref: Exhibit 3, page 20

Please explain how the customer/connection figures shown on page 20 have been derived as they do not appear to match the figures provided in the Oshawa Weather Normalized Regression Model spreadsheet.

Issue 3.3 Is CDM appropriately reflected in the load forecast?

Interrogatory # 36

Ref: Exhibit 1, page 138

- a) Please explain how the estimated CDM results of 16 million kWh were calculated.
- b) Is this estimate based on cumulative savings between 2010 and 2012, or is the 16 million kWh the reduction in 2012 as compared to 2011 as a result of CDM? If not, please indicate what time period the 16 million kWh is in reference to. Please also provide the estimated CDM savings for each year for which OPUCN has estimates and the estimated savings for the bridge and test years. Please also provide the accumulated savings over this period for each year.
- c) How does the 16 million kWh in estimated CDM savings correspond to the 52.240 GWh figure shown as the cumulative energy savings target in Appendix A of the RB-2010-0215/EB-2010-0216 Decision and Order dated November 12, 2010?

Issue 3.4 Are the revenues from the microFIT customers appropriate?

Interrogatory # 37

Ref: Exhibit 3 & Exhibit 8, page 3

- a) What is the forecasted revenue associated with MicroFit Generator service class in the 2012 test year?**
- b) Where has this revenue been reflected in Exhibit 3?**
- c) Has OPUCN included the revenue arising from the MicroFit charge as "Other Revenue" as directed on page 11 of June 22, 2011 "Chapter 2 of the Filing Requirements for Transmission and Distribution Applications"?**

Issue 3.5 Are the proposed revenue offsets appropriate?

Interrogatory # 38

Ref: Exhibit 3, Table 16

- a) Please provide the most recent year-to-date figures available for the 2011 bridge year in the same level of detail as shown in Table 16. Please also provide the corresponding year-to-date figures for 2010 in the same level of detail.**
- b) Please explain why there is no revenue shown in account 4355. Where has OPUCN recorded the proceeds from the sale of vehicles that will be replaced in 2011 and 2012?**
- c) What amount has been recorded to date in 2011 associated with the vehicles that have been replaced in 2011?**
- d) Please explain what revenues are included in account 4375 and why there are no corresponding expenses shown in account 4380.**
- e) Please explain what revenues are included in account 4390.**

Interrogatory # 39

Ref: Exhibit 3, page 31

- a) The evidence indicates that the company removed LRAM/SSM recoveries from its forecast for the 2012 test year. Please indicate which account these recoveries have been removed from and indicate the amounts, if any, included in 2011 and previous years in this account for LRAM/SSM.**
- b) Please provide a table in support of the reduction to specific service charges that shows for each year 2008 through 2012 the actual (or forecasted) number of transactions for each of the service charges.**

Issue 4.1 Is the overall OM&A forecast for the test year appropriate?

Interrogatory # 40

Ref: Exhibit 1, page 22

- a) Please provide the historical and forecasted fees paid by OPUCN to its parent company for management services and Board of Directors governance. Please provide a breakdown of the fees for each management service and for the Board of Directors of the parent company.**
- b) Please provide the historical and forecast cost of the OPUCN Board of Directors.**

Interrogatory # 41

Ref: Exhibit 4, Table 1

- a) Please confirm that the test year column shown in Table 1 is based on MIFRS while the 2011 and previous columns are based on CGAAP. If this cannot be confirmed, please indicate the accounting methodology used to determine the figures shown in each year in Table 1.**
- b) Please provide the 2012 test year based on the same accounting methodology used for the 2011 bridge year so that these years can be compared on the same basis.**
- c) Please provide the year-to-date actual figures for 2011 and the corresponding figures for the same year-to-date period in 2010 at the same level of detail as shown in Table 1.**

Interrogatory # 42

Ref: Exhibit 4, page 14

Please provide the annual tree trimming costs based on a four year cycle and the corresponding costs based on a three year cycle. Please explain how this new approach to tree trimming is less costly.

Interrogatory # 43

Ref: Exhibit 4, Tables 11 - 15

For each account shown in these tables, please provide the increase (decrease) in the 2012 test year relative to the 2011 bridge year forecast that is due solely to the change from CGAAP to MIFRS accounting.

Interrogatory # 44

Ref: Exhibit 4, Table 16

- a) Please explain why there is no variance attributable to the change in accounting from CGAAP to MIFRS.**
- b) Please show how the figures on the General Inflation line were calculated, including the rate of inflation used each year and the base to which these inflation rates were applied. Does the base to which the inflation rate is applied include any salary, wage or benefit costs? If yes, please explain why changes associated with these items are not being double counted in the table.**

Interrogatory # 45

Ref: Exhibit 4, pages 27-30

- a) Please provide the most recent year-to-date bad debt figure available for the 2011 bridge year, along with the corresponding amount for the same period in 2010.**
- b) Please provide a detailed breakdown of the \$700,000 in management fees to show the services received from the parent company.**

- c) What is the impact on the test year OM&A if the non-union staff increase is reduced from 3% to 1% in 2012? What is the impact on the test year OM&A if the non-union increase is reduced from 3% to 1% in both 2011 and 2012?

Interrogatory # 46

Ref: Exhibit 4, page 39

- a) Please provide a detailed breakdown of the \$400,000 in regulatory costs associated with the 2012 rate application into its component parts such as legal, intervenor, consulting, etc.
- b) Please provide an estimate of the number of hours related to the legal and consulting costs noted above to arrive at the forecast.

Issue 4.2 Are the methodologies used to allocate shared services and other costs appropriate?

Interrogatory # 47

Ref: Exhibit 1, pages 23-24

Given that OPUCN provides accounting services to its affiliates, how have the costs associated with the conversion to IFRS been allocated between OPUCN and its affiliates? In particular, is the allocation any different than the other accounting costs that are allocated?

Interrogatory # 48

Ref: Exhibit 4, Table 18

Please provide all analysis and evidence used to support the increase in the percent allocation to OPUCN from OPUC for the management fees from 62.5% in 2010 and 61.7% in 2011 to 87.5% in 2012.

Issue 4.3 Is the proposed level of depreciation/amortization expense for the test year appropriate?

Interrogatory # 49

Ref: Exhibit 4, page 62

- a) Did OPUCN calculate the depreciation expense in the 2008 cost of service application (EB-2007-0710) using the half year rule for additions in 2008? If yes, please provide references to the evidence that reflect this.**
- b) Please confirm that OPUCN has not used the half year rule for additions in the current year for 2008, 2009 or 2010.**
- c) Has OPUCN commissioned a depreciation study for IFRS purposes? If not, why not?**

Interrogatory # 50

Ref: Board Letter dated Jul 8, 2010 - "Depreciation Study for Use by Electricity Distributors, Consultant Final Report EB-2010-0178 - Transition to International Financial Reporting Standards"

In the above noted letter, the Board indicated that it will no longer prescribe service lives for PP&E recorded in the accounts of the distributors. The letter also indicated that distributors were to have identified asset service lives that meet the International Accounting Standards Board (IASB) requirements.

- a) OPUCN is not proposing any changes to depreciation rates. Are these rates in compliance with the IASB requirements? If yes, please provide all correspondence with auditors, etc. that indicate this.**
- b) Please update the 2012 depreciation expense to be consistent with the Kinetrics Report referred to in the Board's letter.**

Interrogatory # 51

Ref: Exhibit 4, Tables 28-32

- a) Please confirm that the column labelled "Total for Depreciation" in Tables 28, 29 and 30 are incorrect in that the 0.5 factor was not used.**

- b) Please provide a revised Table 31 for the 2011 bridge year that does not use the half year rule for capital additions in that year (i.e. calculate the depreciation in the same manner as done in 2008 through 2010).
- c) Please provide a revised Table 32 for the 2012 test year that reflects the revised table for the bridge year requested in part (b) above, but maintains the half year rule as applied to the test year.
- d) What is the impact on the test year rate base of the results from parts (b) and (c)?

Issue 4.4 Are the 2012 compensation costs and employee levels appropriate?

Interrogatory # 52

Ref: Exhibit 4, Table 23 & page 47

- a) Please show the number of employees (FTEs including part time) as of the current time in 2011.
- b) Please provide the total cost of the incentive plan to non-union staff included in the 2012 revenue requirement. Please also provide the maximum cost if all non-union staff were to achieve their maximum payout.
- c) Please provide the percentage of the maximum payout actually paid out in incentives to non-union staff in 2008, 2009 and 2010 and the projection for 2011.

Interrogatory # 53

Ref: Exhibit 4, page 196

- a) Please provide OPUCN's policy with respect to the Refundable Employee Expenses shown under item 5.0 in Appendix B.
- b) Please provide historical figures for 2008 through 2010 and forecasts for 2011 and 2012 for each of the items shown under this Refundable Employee Expenses category.

Issue 4.5 Has the Applicant demonstrated improvements in efficiency and value for dollar associated with its costs of operations?

Interrogatory # 54

Ref: Exhibit 4, Table 8

- a) Please add a column to Table 8 showing the calculations for the 2012 test year using the same accounting methodology as shown for the 2011 bridge year. If both of these years reflect the same accounting methodology, then please provide the 2011 and 2012 estimates using the same accounting methodology as for the 2010 historical year.
- b) Please confirm that the row labelled FTEEs/customer is actually customers/FTEE.

Issue 4.6 Is the test year forecast of property taxes appropriate?

Interrogatory # 55

Ref: Exhibit 2, Table 3

If now available, please provide the actual property taxes for 2011. If not yet available, please indicate when the final 2011 property tax figure will be available.

Issue 4.7 Is the test year forecast of PILs appropriate?

Interrogatory # 56

Ref: Exhibit 4, Table 36

- a) Please explain how the tax credit adjustment of -0.62% has been calculated. If this a proxy for the \$30,000 in apprenticeship tax credits?
- b) Please show the calculations that result in the \$30,000 apprenticeship tax credits, including the number of positions eligible in 2012. Are these credits associated with staffing additions in 2012, or do they also reflect eligible additions in previous years?
- c) Why has OPUCN not claimed any federal apprenticeship job creation tax credits?
- d) Does OPUCN have any positions that will qualify for the Ontario Co-Operative Education Tax Credit? If yes, why has no credit been claimed?

- e) Please confirm that the provincial tax on the first \$500,000 of taxable income is 4.5%, not 11.25%, resulting in a reduction in provincial taxes of \$33,750 (i.e. $\$500,000 \times 11.25\% - \$500,000 \times 4.5\%$). If this cannot be confirmed, please explain why not.

Interrogatory # 57

Ref: Exhibit 4, Tables 37 & 39

- a) Please explain why computer hardware has been added to CCA Class 10 rather than to CCA class 50.
- b) Please provide revised Tables 37 & 39 reflecting the movement of the computer hardware additions in 2011 and 2012 from Class 10 to Class 50.

Interrogatory # 58

Ref: Exhibit 4, page 12

- a) Please indicate where in the evidence the 2010 Federal T2 return has been included.
- b) If not included in the evidence, please provide the 2010 federal and provincial tax returns and indicate in them any tax credits claimed.

Issue 5.2 Is the cost of debt appropriate?

Interrogatory # 59

Ref: Exhibit 5, page 3

- a) Please confirm that the return on long term debt of 5.21% is based on the application of the deemed long term debt rate of 5.32% to the \$23,064,000 unsecured note from OPUC.
- b) Please provide a copy of the unsecured note.
- c) The actual long-term debt of OPUCN is approximately \$30 million, while the deemed amount is nearly \$46 million. Does OPUCN plan on obtaining any additional long-term debt in 2012? If not, please explain how it plans to finance capital expenditures totalling nearly \$23 million in the bridge and test years. If yes, please provide details, including timing, amount and rates.

Issue 6.1 Is the calculation of Revenue Deficiency accurate?

Interrogatory # 60

Ref: Exhibit 1, Table 3

Please update Table 3 to reflect actual data for 2008 and 2009.

Interrogatory # 61

Ref: Exhibit 6, Table 1

- a) Please confirm that the 2010 and 2011 revenue sufficiency and deficiency shown are based on the deemed capital structure and deemed interest rates and deemed return on equity applicable to that year. Please also confirm that the PILS calculations are based on the deemed figures in the same manner as calculated for the test year.**
- b) Please expand Table 1 to include actual 2008 and 2009 results (based on deemed capital structure, interest rates, return on equity and PILS).**

Interrogatory # 62

Ref: Exhibit 6, Table 1 & RRWF

Please reconcile the '2012 Test Existing Rates' and '2012 Test Required Revenues' columns shown in Table 1 with the 'Initial Application' columns in the Revenue Sufficiency/Deficiency sheet in the RRWF. Please provide an updated Table 1 and/or RRWF (live Excel) that are consistent with one another. (Please note that the RRWF appears to be missing the cost of power component of the working capital allowance on the data input sheet).

Issue 7.1 Is the Applicant's cost allocation appropriate?

Interrogatory # 63

Ref: Exhibit 7, Table 3

Please confirm that the transformer ownership allowance has been removed from the costs allocated in the 2012 study and that the revenue to cost ratios shown in Table 3 do not reflect either costs or revenues associated with the transformer ownership allowance.

Issue 7.2 Are the proposed revenue-to-cost ratios appropriate?

Interrogatory # 64

Ref: Exhibit 7, Table 3

- a) Please explain why OPUCN is proposing to reduce the revenue to cost ratio for the GS 50 to 999 class from 93.4% to 90% when it is already within the Board approved range.
- b) Please explain why OPUCN is proposing to increase the street lighting revenue to cost ratio from 76.7% to 82.5% when it is already within the Board approved range.
- c) Please explain why OPUCN is proposing to increase the USL revenue to cost ratio from 94.8% to 100% when it is already within the Board approved range.
- d) Please explain why OPUCN is proposing to increase the sentinel lights revenue to cost ratio from 44.6% to 82.5% rather than to the bottom of the Board approved range of 70%.
- e) Please assume that the revenue to cost ratios for the classes that are within their Board approved ranges remain unchanged (i.e. GS 50 to 999, street lighting, USL), that sentinel lights are increased to the bottom of the Board approved range (70%) and that the ratios are reduced, as proposed, for the GS < 50, GS 1,000 to 4,999 and Large Use classes. What is the resulting revenue to cost ratio required for the residential class in order to balance to the overall revenue requirement?

Issue 8.1 Are the customer charges and the fixed-variable splits for each class appropriate?

Interrogatory # 65

Ref: Exhibit 8, Tables 4, 6, 7, & 8 & Appendix A

- a) Please provide revised Tables 6, 7 & 8 if the current fixed variable splits are maintained for all rate classes.
- b) Please provide a revised Appendix A showing the bill impacts for the customer profiles shown based on the fixed and variable rates that result from part (a).

Issue 9.1 Are the account balances, cost allocation methodology and disposition period appropriate?

Interrogatory # 66

Ref: Exhibit 9, page 14

- a) Has OPUCN included costs in the 2012 revenue requirement related to the MDM/R costs? If yes, please identify the quantum of the costs included and indicate where in the evidence this cost is discussed.**
- b) Please confirm that while O. Reg. 453/06 permits the IESO to recover its costs of the MDM/R, it must be through a Board order.**
- c) Has the IESO filed an application that would permit it to recover its costs of the MDM/R?**

Issue 11.1 Does Oshawa meet the Board's requirements for modified IFRS applications as set out in Report of the Board Transition to International Financial Reporting Standards, July 28, 2009 [EB-2008-0408], the Addendum to Report of the Board, June 13, 2011 [EB-2008-0408] and related documents?

Interrogatory # 67

Ref: Exhibit 1, pages 146-147 & Chapter 2 of Filing Requirements for Transmission and Distribution Applications dated June 22, 2011

Section 2.3.5 of the Filing Requirements states that utilities are required to identify in their rates application the financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

- a) Please confirm that the 2010 and 2011 figures shown in Table 3 are based on CGAAP, while both of the 2012 columns are based on modified IFRS accounting. If this cannot be confirmed, please indicate the accounting methodology behind the numbers in each column.**
- b) Please provide a version of Table 3 that includes two versions of each of the 2012 columns, one which is based on CGAAP and the other based on modified IFRS.**
- c) Has OPUCN updated its depreciation rates to reflect a depreciation study that is consistent with modified IFRS? If not, why not?**