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September 28, 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 – Technical Conference Questions**

Pursuant to Procedural Order No. 3, issued by the Board on August 31, 2011, please find the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in respect of Oshawa PUC Networks in the EB-2011-0073 proceeding.

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)

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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.

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**TECHNICAL CONFERENCE QUESTIONS OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**September 28, 2011**

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

**ENERGY PROBE RESEARCH FOUNDATION  
TECHNICAL CONFERENCE QUESTIONS**

**Question #1**

**Ref: SEC Interrogatory #1, Appendix A**

- a) Please explain the need to expand the Board of Directors of from 5 members to 8.
- b) What is the incremental cost in the 2012 test year associated with 8 members of the Board of Directors as compared to 5 members?

**Question #2**

**Ref: Energy Probe Interrogatory #11 &  
Exhibit 2, Table 1 &  
Exhibit 10, Table 1**

The response to the interrogatory indicates that the 2012 rate base, which includes an average NBV of \$66,082,647 as shown in Table 1 of Exhibit 2 is based on MIFRS. However, Table 1 in Exhibit 10 shows a reduction in the average NBV included in rate base to \$64,713,000. Please reconcile these responses.

**Question #3**

**Ref: Energy Probe Interrogatory #12**

**How many customers will be connected in 2011 and 2012 and how have these additions been taken into account in the customer and load forecasts?**

#### **Question #4**

**Ref: Energy Probe Interrogatory #16**

- a) The response to part (a) indicates no change to the overall 2011 capital addition forecast. The response to part (b) indicates a reduction in the 2011 capital addition forecast for the projects that exceed the threshold by \$940,000. Please reconcile.**
- b) Is the reduction in the projected actual from the 2011 budget shown in the table in response to part (b) due to lower costs than forecast or to projects being delayed into 2012?**
- c) Does OPUCN have any more recent year-to-date information as compared to June 2011? If yes, please update the responses to parts (a) and (b).**

#### **Question #5**

**Ref: Energy Probe Interrogatory #17 & Exhibit 2, Tables 17 & 18**

- a) Given that the period for the cost of power forecast is January, 2012 through December, 2012, please explain why OPUCN used a weighted average price for the period January, 2011 through December, 2011 when forecasts were available for January, 2012 through April, 2012 in the October, 2010 Regulated Price Plan Report.**
- b) Please update the calculations shown in the response to part (a) to reflect the April 2011 Regulated Price Plan Price Report. In calculating the weighted average please use the 12 month period that most overlaps with calendar 2012 (i.e. Nov 11 through Oct 12). Please show the calculations in the same level of detail as shown in the interrogatory response.**
- c) Please show the increase in the cost of power that results from the use of the April 2011 Regulated Price Plan Report, including the figures calculated in part (b) above and provide updated Tables 17 & 18 from Exhibit 2.**
- d) What is the impact on the revenue requirement of the change in the cost of power forecast as requested in part (c) above?**

**Question #6**

**Ref: SEC Interrogatory #22**

**How does the recording as an expense of the post-retirement accrual affect OPUCN's cash flow?**

**Question #7**

**Ref: Energy Probe Interrogatory #20**

- a) The forecast cost approved by the Board in EB-2008-0205 for the Concrete Pole Replacement project was \$210,000. What was the actual amount spent by OPUCN on this project?**
- b) When did OPUCN spend the money on this project?**

**Question #8**

**Ref: Board Staff Interrogatory #22 & Exhibit 10, Table 1**

- a) Please confirm that the figures provided in part (b) of the interrogatory response are based on CGAAP for 2012.**
- b) Please confirm that the reduction in 2012 rate base of \$1,369 shown in Table 1 in Exhibit 10 would be in addition to the reduction of \$2,332 shown in the response to part (b) of the interrogatory response. If this cannot be confirmed, please provide a revised figure for Exhibit 10, Table 1.**
- c) Is OPUCN proposing a 4 year disposition period for the stranded meter costs?**

**Question #9**

**Ref: Energy Probe Interrogatory #27 & Exhibit 3, pages 15 & 17**

- a) Please confirm that the trend analysis for HDD and CDD actually used 8 years of data (2003 through 2010) and not 7 years.**

- b) Please provide a regression equation for each of HDD and CDD estimated over the 2003 through 2010 period against a linear trend variable (i.e. 1 in 2003, increasing by 1 in each year to a value of 8 in 2010). Please provide the regression statistics in the same format as shown on page 15 of Exhibit 3.

#### Question #10

Ref: Energy Probe Interrogatory #30 & Exhibit 3, Table 14

- a) For each of the GS>50, I2, Streetlights and Sentinel classes please show the calculations used to generate the 2012 kW forecasts using the forecasted kWh's and the average kW/kWh figures from Table 14 in Exhibit 3. For example, why is the GS>50 kW forecast not equal to  $352,691,494 \times 0.002553 = 900,421$  kW as to the 884,518 shown in the Revised Table 15?
- b) Please show the calculations used to arrive at the deficiency decrease of \$20,906 in part (c) of the interrogatory response. In particular, please show the additional revenue at existing rates for each rate class where the kW forecast has changed (showing the change in the kW forecast and the 2011 rate applicable), and any other changes that are reflected in the derivation of the change in the revenue deficiency. If any changes are made to the kW forecast as the result of part (a) above, please provide the response to this part based on the revised figures provided in part (a).

#### Question #11

Ref: VECC Interrogatory #10 & Energy Probe Interrogatory #27

- a) Please rerun the model from Scenario IV from VECC Interrogatory #10, but add the linear trend variable to the explanatory variables as was done in the response to Energy Probe Interrogatory #31. Please provide the regression statistics and if all individual coefficients are statistically significant at the 95% confidence level, please provide the forecast for 2012 that results.
- b) Using the equation noted in (a) above if all the coefficients are statistically significant at the 95% confidence level, or the equation estimated in Scenario IV if the coefficients in the equation from part (a) above are not all statistically significant at the 95 confidence level, please provide the forecast for 2012 using average HDD and CDD for the 2003 through 2010 period (Energy Probe Interrogatory #27).

**Question #12**

**Ref: VECC Interrogatory #14**

**Please explain what OPUCN defines as "cumulative energy savings" as used in the response to part (b).**

**Question #13**

**Ref: Energy Probe Interrogatory #36**

**Please confirm that the cumulative energy savings shown in the table provided in response to part (c) is 132,180 MWh over the 2011 through 2014 period.**

**Question #14**

**Ref: VECC Interrogatory #17**

**Please reconcile the CDM results shown in the table provided in response part (f) for 2013 and 2014 with the numbers provided in the response to part (h) for those two years. In particular, how does the 12.124 and 11.544 for 2013 and 2014 provided in part (h) relate to the figures of 44,244 and 52,240 shown in the table?**

**Question #15**

**Ref: Board Staff Interrogatory #47 &  
Exhibit 7, Table 3 &  
VECC Interrogatory #28**

- a) Please revise Table 3 in Exhibit 7 to reflect Version 2.01 of the cost allocation model.**
- b) In a manner similar to that requested in VECC Interrogatory #28, please reduce the revenue to cost ratios for all classes that are above the Board approved ranges to the top of those ranges and move any classes below the Board approved ranges to the bottom of those ranges, without making any adjustments to those ratios that are within the approved ranges. Please recover any revenue shortfall that exists by first increasing the ratio for the lowest class up to the level of the second lowest class and then moving these ratios up to the level of the third lowest class and so on until the revenue shortfall is eliminated. Please provide the resulting ratios for each rate class, similar to the "2012 Proposed Ratio" column in Table 3 of Exhibit 7.**

### **Question #16**

**Ref: Energy Probe Interrogatory #40**

- a) Please explain the significant increase in the forecasted fees for 2012 shown in the table in the response to part (a) of 50% over the 2011 level.**
- b) For the last three years of actual data (2008 through 2010) please provide the cost associated with the Board of Directors of the parent company that were allocated to OPUCN.**
- c) Please provide the total costs associated with the parent company Board of Directors for each year 2004 through 2010, along with the forecasts for 2011 and 2012.**
- d) Based on actual 2010 data, what percentage of the Board of Directors costs associated with the parent company were allocated to OPUCN?**

### **Question #17**

**Ref: Energy Probe #54 &  
Exhibit 4, Table 16**

- a) Please explain and illustrate how the general inflation affected expenses shown for 2011 and 2012 in the table provided in the response to part (b) are determined based on the previous year expense and the inflation dollars.**
- b) The response indicates that benefits costs are included in the base to which the inflation rate is applied. However, Table 16 has additional lines that show benefits as additional cost drivers. Please reconcile.**

### **Question #18**

**Ref: Energy Probe Interrogatory #40 &  
Exhibit 4, page 30**

**Please reconcile the management fee expense of \$720,000 in the interrogatory response with the figure of \$700,000 provided at page 30 of Exhibit 4.**



**Question #19**

**Ref: Energy Probe Interrogatory #45**

**If the reduction in OM&A from a reduction in the non-union wage increase in 2012 from 1% to 3% is \$50,000, please explain why the same reduction applied to both 2011 and 2012 results in a decrease in 2012 of only \$52,000.**

**Question #20**

**Ref: Energy Probe Interrogatory #56**

- a) Please explain why OPUCN has not claimed any federal apprenticeship job creation tax credits for 2012 when it has 3 eligible apprentices hired in 2011 and 2012.**
- b) Please confirm that these 3 apprentices qualify for the federal credit of \$2,000 per position. If this cannot be confirmed, please explain why they do not qualify.**

**Question #21**

**Ref: Energy Probe Interrogatory #58**

- a) Please indicate the amount of the SR&ED tax credit claimed in 2010.**
- b) Please provide the amount of any SR&ED tax credit claimed in 2008 or 2009.**
- c) What is the amount of any SR&ED tax credit forecast for 2012?**

**Question # 22**

**Ref: Exhibit 10, Tables 1 & 2**

- a) Please confirm that the rate base shown in Table 1 does not include the working capital allowance.**
- b) Please confirm that based on the items shown in Table 2, there is no impact on OM&A costs and the working capital allowance for OPUCN from converting from CGAAP to MIFRS.**

### **Question #23**

**Ref: Exhibit 10, Tables 9 & 10, & Exhibit 2, Tables 10 & 11**

- a) **For each of 2011 and 2012, please provide a table that shows the difference in gross additions for each account where there is difference between the corresponding tables.**
- b) **Please explain how the allocation of the contributions and grants has affected each of these line items. Please also explain if there has been a movement of amounts between accounts for reasons other than the allocation of contributions and grants.**
- c) **Please explain why the addition for 2011 for account 1940 increases from \$50,000 in CGAAP to \$96,829 under MIFRS.**
- d) **Please explain why the addition for 2011 for account 1808 decreases from \$326,927 in CGAAP to \$9 under MIFRS.**

### **Question #24**

**Ref: Exhibit 10, Table 10**

- a) **Please confirm that Account 1865 Other Installations on Customer's Premises should be Account 1860 Smart Meters.**
- b) **Please explain why no depreciation is shown in 2012 for Account 1865. If this depreciation has been included in the \$1,322,151 figure shown for Account 1860, please separate this amount between meters and smart meters and show the calculations for each account.**

### **Question #25**

**Ref: Exhibit 10, Table 3**

**Please explain how OPUCN has arrived at an IFRS useful life of 5 years for smart meters.**