

Board Staff Interrogatories

Oshawa PUC Networks Inc.

2012 Electricity Distribution Rates Application

EB-2011-0073

As identified in the Procedural Order No. 3 issued on August 31, 2011, the Board has set September 28, 2011 for the date on which Technical Conference Questions are to be submitted for Oshawa PUC Networks Inc.'s ("Oshawa") 2012 cost of service rebasing application, EB-2011-0073. The following are Board staff's Technical Conference Questions.

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

1 Reference: Board Staff Interrogatory # 18

It appears that there may be a typo in the part e) of the referenced interrogatory. The 2011 Unplanned OH/UG Cable Replacement stated in Exhibit 2 page 51 is \$374,058, while in response e) Oshawa stated the expense to be \$374,958. Please state the correct expense amount.

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

2 Reference: Energy Probe # 16
EB-2007-00710 Decision March 19, 2008

In response to part a), Oshawa provided a table that reflects the actual expenditures in the Bridge Year up to June 30, 2011 of \$3,589,000 with a full year projection of \$10,740,059. Board staff points out the following CAPEX performance of Oshawa:

- 2008 Board Approved = \$10,99 million
- 2008 Actual = \$6,724,404 per Exhibit 2 p 35 Table 7
- 2009 Actual = \$6,253,710 per Exhibit 2 p 39 Table 8
- 2010 Actual = \$4,685,736 per Exhibit 2 p 43 Table 9

- a) Please explain how the year end estimate was made; and
- b) Please explain, given historical delivery of CAPEX, how Oshawa can complete over \$7 million in capital works in the last six months of 2011 while historically it has aspired but never achieved that level.

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

3 Reference: Board Staff Interrogatory # 21

In response to a), Oshawa provided a status report as of June 30, 2011, showing that there are still outstanding installations to be made.

- a) Please update the status of installations to the most recent date possible.
- b) Please provide an estimate of remaining installations as of on December 31, 2011.
- c) Please state when all installations are scheduled to be completed.

Oshawa, in response to c) provided the variances between the budgeted and actual costs for smart meters.

- d) Please provide a line by line explanation of the variances.
- e) Please break out the budgeted and actual meter counts and average capital costs by rate class.

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

4 Reference: Board Staff Interrogatory # 33

Board staff is seeking clarification to part c) of the referenced interrogatory. Other than for LEAP, are there any amounts in the forecast test year for legacy programmes that provide assistance to customers in paying their bills?

5 Reference: Board Staff Interrogatory # 35
Board staff Interrogatory # 37
Shareholder Declaration
Affiliate Relationship Code

In Part b i) of Board Staff Interrogatory # 35, Oshawa stated that the OSHAWA Board of Directors is composed of 7 members. Section 2.1.2 of the Affiliate Relationship Code states that at least one-third of a distributor's Board of Directors is to be independent from any affiliate.

- a) Please explain the discrepancy between the Shareholder Declaration that stipulates a board of directors for WiresCo to consist of eight members and the response that there are seven members.
- b) Please confirm that Oshawa is in compliance with the Affiliate Relationship Code.
- c) If Oshawa is not in compliance, please state why it is not in compliance, and what steps will be taken to bring it into compliance in the test year.

In part b) of Board Staff Interrogatory # 37, Oshawa states that four members of the Oshawa's Board are members of Oshawa's Board. The Shareholder Declaration stipulates that HoldCo shall consist of three members.

- d) Please explain the apparent discrepancy.

Section 10 of the Shareholder Declaration concerns director compensation. For the test year:

- e) Please state the maximum compensation for directors;
- f) Please provide the individual levels of compensation; and
- g) Please state the compensation levels for those on the OSHAWA Board and the OPUC Board.

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

6 Reference: Board Staff Interrogatory # 41

In response to part a) Oshawa is proposing to depreciate its assets on the basis of straight line remaining life, and to employ the ½ year rule.

- a) Is Oshawa assuming that the average useful life is equal to the remaining life?
- b) Oshawa is planning to replace assets in its test year, such as investing \$4.9 million for station transformers and equipment. This new equipment will have a useful life presumably longer than the transformers being replaced. Did Oshawa consider that its replacing older plant, which existed when the Metsco assessment was made, with new plant would result in longer remaining lives?

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

7 Reference: Board Staff Interrogatory # 42

Oshawa has provided a table showing the determination of its forecast of the OMERS premium. While the rates for “up to CPP limit” and “balance” are appropriate for 2011 and 2012, Board staff would like to see the determination of the blended rates. Please provide the calculation of the blended rates.

8 Reference: Board Staff Interrogatory # 43

In response to the referenced interrogatory, Oshawa stated that the last valuation was at December 31, 2009, and that the estimate used by Oshawa in the Application was based on the updated assessment provided by AON. Please provide that update and how it was used to derive the increases in bridge year and test year costs for post retirement benefits found on Exhibit 4, Table 16.

Issue 4.7 Is the Test Year Forecast of PILs appropriate?

9 Reference: Board Staff Interrogatory # 44
Exhibit 10, Table 2

The closing December 31, 2010 UCC balances as per the 2010 tax return do not agree to the opening January 1, 2011 UCC balances as per Table 37 Exhibit 4 page 72. In particular the closing 2010 Class 47 and Class 95 balances on the tax return do not tie to the opening 2011 balances in the pre-filed evidence.

- a) Please update Table 37 Exhibit 4 page 72 and Table 39 Exhibit 4 page 73 so that the closing UCC balances as per the 2010 tax return correctly flow through the UCC Continuity Schedules in the application and generate the correct CCA. Please explain any differences. Please update Table 36 Exhibit 4 page 71 with the updated CCA for the test year.
- b) Please update Oshawa's evidence where appropriate with the revised PILs provision.
- c) What does CCA Class 95 on the 2010 tax return represent? Why is there 0% CCA rate on this class?
- d) As per Table 2, Exhibit 10, the PILs expense for the test year was forecasted to be \$1,240,000 under CGAAP, and \$1,285,000 under MIFRS. The \$1,240,000 for the PILs provision ties to the pre-filed evidence PILs provision. The filing requirements require PILs calculated under both CGAAP and MIFRS.

The determination of PILs under CGAAP should be based on CGAAP for the historical, bridge and test years. The calculation of PILs under MIFRS should be based on CGAAP for the historical year and MIFRS for the Bridge and Test Years.

1. Please update the PILs provision for the test year prepared under solely CGAAP in Table 2, Exhibit 10. Please provide the detailed PILs calculation.
2. Please update the PILs provision in Table 2, Exhibit 10, and other supporting schedules in the application, for the test year under MIFRS. (E.g. include the add back of depreciation expense to taxable income under MIFRS of \$5,115,000 rather than \$5,262,000.) Please provide the detailed PILs calculation.

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

10 Reference: Board Staff Interrogatory # 52

In part f) Oshawa included Account 1521 Special Purpose Charge Assessment Variance in Table 5 from Exhibit 9.

- a) Please update the table provided in Board Staff Interrogatory 52 f) with the principal balance in Account 1521 as at December 31, 2010 with carrying charges forecast to December 31, 2011. Please update Table 7 on Exhibit 9 page 17 of the pre-filed evidence with Account 1521 accordingly.
- b) Please update the table provided in Board Staff Interrogatory 52 f) with the principal balance in Account 1521 as at June 30, 2011 with carrying charges

forecast to December 31, 2011. Please update Table 7 on Exhibit 9 page 17 of the pre-filed evidence with Account 1521 accordingly.

- c) In addition to adding Account 1521 to the table provided in Board Staff Interrogatory 52 f) as described in part a) of this question, please add the forecasted principal balance in Account 1592 sub-account HST/OVAT ITCs as at December 31, 2011, with carrying charges also forecasted to December 31, 2011. Please provide another version of Table 7 on Exhibit 9 page 17 of the pre-filed evidence with Account 1521 and Account 1592 accordingly.
- d) In addition to adding Account 1521 to the table provided in Board Staff Interrogatory 52 f) as described in part a) of this question, please add the principal balance in Account 1592 sub-account HST/OVAT ITCs that should have existed as at December 31, 2010, with carrying charges also forecasted to December 31, 2011. Please provide another version of Table 7 on Exhibit 9 page 17 of the pre-filed evidence with Account 1521 and Account 1592 accordingly.

11 Reference: Board Staff Interrogatory #53
Exhibit 1 Appendix D page 214, 2010 Audited Financial Statements

In the referenced response Oshawa shows that \$563,734 was added to revenue reported for regulatory purposes of \$98,133,904. This addition was done to support the total revenue recorded in the audited financial statements of \$98,697,638 (for financial reporting purposes).

| | |
|--|------------------|
| Total Revenue for Regulatory Purposes | \$98,133,904 |
| Smart Meter Revenue Included in Audited Financial Statements | <u>\$563,734</u> |
| Total Revenue for Audited Financial Statements | \$98,697,638 |

- a) Please state in which Uniform System of Account number the \$563,734 of smart meter revenue is recorded.
- b) Please explain why there is a discrepancy between the total revenue recorded for financial reporting purposes and the total revenue recorded for regulatory purposes when the balances reported in RRR 2.1.7 as at December 31, 2010 for Account 1555 and Account 1556 agree to the total smart meter variance account balances disclosed in Note 4 of the 2010 audited financial statements.

| | |
|--|------------------|
| 1555 Smart Meter Capital and Recovery Offset Variance | 4,369,828 |
| 1556 Smart Meter OM&A Variance | <u>76,929</u> |
| Total Smart Meter Variance Accounts Reported in RRR 2.1.7 | 4,446,757 |
| Total Smart Meter Variance Accounts Reported in Audited Financial Statements | <u>4,447,000</u> |
| Discrepancy (due to rounding differences) | 243 |

12 Reference: Board Staff Interrogatory # 58

- a) Please explain how OSHAWA has followed the December 2010 FAQs when the balance submitted in the response to the referenced response is a debit and not a credit balance. Please provide any new balance with supporting calculations.
- b) The December 2010 FAQs states that the balance for Account 1592 sub-account HST/OVAT ITCs is to be recorded from July 1, 2010 through to the year prior to the year which the distributor is to rebase. Please provide the appropriate balance.
- c) In part c) of the reference, OSHAWA confirmed that zero amounts will be recorded in this sub-account for the Test Year and forward. Please explain why OSHAWA has recorded balances through to December 31, 2012.
- d) Please confirm that OSHAWA has not recorded in the sub-account HST/OVAT ITCs received on items such as legal and audit fees, which were not previously subject to PST but now are subject to HST and eligible to receive ITCs. These items were not previously subject to PST, they are therefore not incremental ITCs to be recorded in the sub-account.
- e) Please confirm that OSHAWA has not recorded in the sub-account HST/OVAT ITCs the incremental HST on items not previously subject to PST, (e.g. natural gas and electricity utility costs that became subject to the HST.)

13 Reference:Account 1562 Board Staff Interrogatory # 60

In looking at the billing determinants (kWh and kW) in the attached PILs Revenue Worksheets for 2002-2006, and comparing it to the energy and demand numbers filed in 2006 EDR, 2008 EDR, and 2012 EDR for the historical periods of 2002-2006 found in the attached PDF file, there appears to be inconsistencies. As a result, the PILs Revenue amounts in the Account 1562 Continuity Schedule may need to be updated.

- a) Please reconcile the volumetric data used in the PILs Revenue Worksheets with the rate application data.
- b) Please update the volumetric data and PILs Revenue in the PILs Revenue Worksheets.
- c) Please update the PILs revenue amounts in the Account 1562 Continuity Schedule.