October 21, 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-2011-0272
Norfolk Power Distribution Inc. – 2012 Cost of Service Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1, issued by the Board on October 7, 2011, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2011-0272 proceeding.

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

Yours truly,

David S. MacIntosh
Case Manager

cc: Brad Randall, Norfolk Power (By email)
Jody McEachran, Norfolk Power (By email)
James Sidlofsky, Border Ladner Gervais LLP (By email)
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EB-2011-0272

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 Norfolk Power Distribution Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2012.

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

October 21, 2011

NORFOLK POWER DISTRIBUTION INC.
2012 RATES REBASING CASE
EB-2011-0272

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory #1

Ref: Exhibit 1, Tab 1, Schedule 2, page 2

Please confirm that the rate order sought by Norfolk in this application is for rates effective May 1, 2012, not May 1, 2011 as stated at the bottom of page 2.

Interrogatory #2

Ref: Exhibit 1, Tab 1, Schedule 4, page 2

Has Norfolk started paying a charge to the IESO for the provincial MDM/R in the 2011 rate year? If not, what is the current expectation of when these payments will commence?

Interrogatory #3

Ref: Exhibit 1, Tab 1, Schedule 13

Are any costs associated with the Board of Directors of Norfolk Energy Inc. and/or Norfolk Power Inc. or any other affiliate included in the Norfolk revenue requirement? If so, please quantify.

Interrogatory #4

Ref: Exhibit 1, Tab 3, Schedule 2

a) **Please explain why property taxes have been removed from the OM&A expense in 2009, as shown in Table 1.3.**

b) **With respect to the adjusting entry related to the use of the half-year depreciation rule for 2007, 2008 and 2009, please indicate and provide references to how the depreciation expense was calculated in the 2008 cost of service application for the test year. In particular, did the Board approved**

revenue requirement include depreciation based on the application of the half-year rule for assets added in the current year, or was it based on the application of the full year methodology that Norfolk appears to have used for 2007, 2008 and 2009?

Interrogatory #5

Ref: Exhibit 2, Tab 2, Schedule 1, Table 2.4

a) **Please break out the Disposals/Adjustments column to Accumulated Depreciation to reflect by account the adjustment for 2007 through 2009 cumulative effect of adopting the half year rule, and the adjustments related to the Disposals/Adjustments to gross assets made in 2010.**

b) **For any account in Table 2.4 where the Disposals/Adjustments related to the removal of gross assets is greater than that associated Disposals/Adjustments for accumulated depreciation, please confirm that the asset was not fully depreciated and explain why the asset was removed.**

Interrogatory #6

Ref: Exhibit 2, Tab 2, Schedule 1, Tables 2.1-2.6 &
Exhibit 2, Tab 5, Schedule 1, Tables 5.1-5.2 & 5.7

a) **Please confirm that Tables 2.1, 2.2 and 2.3 use the full year rule with respect to the calculation of depreciation for assets added in the current year and that this has been accounted for in Table 2.4 for 2010.**

b) **Please provide revised Tables 2.4 and 2.5 (for 2010 and 2011) assuming there is no adjustment made in 2010 for the cumulative effect of adopting the half year rule in 2007 through 2009 and that for 2010 and 2011, the full year methodology remains in place.**

c) **Based on the response provided in part (b) above, please provide a revised Table 2.6 (2012 CGAAP) that reflects the use of a full year of depreciation for assets added in the current year up to and including 2011, but reflects the half year rule in 2012.**

d) **Please provide revised Tables 5.1 and 5.2 to reflect Table 2.5 in the response to part (b) above and Table 2.6 in the response to part (c) above. In other words, please provide the 2011 and 2012 MIFRS based continuity schedules assuming the half year rule is only applied to 2012.**

e) **What is the impact on Table 5.7 on the MIFRS - CGAAP variance for 2011 if 2011 reflects use of the full year depreciation on assets added in the current year for 2007 through 2011?**

Interrogatory #7

Ref: Exhibit 2, Tab 2, Schedule 3, page 1 &
Exhibit 2, Tab 2, Schedule 1, Table 2.4

Please reconcile the disposals of gross assets of $7,752,475 shown in Table 2.4 with the $13,142,235 noted at line 16 of page 1 of Exhibit 2, Tab 2, Schedule 3.

Interrogatory #8

Ref: Exhibit 2, Tab 2, Schedule 5 &
Exhibit 2, Tab 2, Schedule 1, Table 2.4

The evidence states that the total fully depreciated assets written off in 2010 were $13,142,235. Based on the figure of $13,475,419 shown in Table 2.4, please explain what the remaining $333,184 of the adjustment to accumulated depreciation is related to. Is all of this remaining amount related to the 2007 to 2009 adjustment?

Interrogatory #9

Ref: Exhibit 2, Tab 3, Schedule 1, Table 3.1

Please update Table 3.1 to reflect the most recent year-to-date actual capital expenditures for 2011, along with the current forecast for the expenditures on projects that will be completed and put into service by the end of 2011.

Interrogatory #10

Ref: Exhibit 2, Tab 3, Schedule 2, pages 42-48

Please confirm that each of the projects described on these pages is still forecast to be completed and in service by the end of 2011. If this cannot be confirmed, please provide details on the projects that will not be in service by the end of 2011.

Interrogatory #11

Ref: Exhibit 2, Tab 3, Schedule 2, pages 51-54

Please confirm that each of the general plant additions described on these pages is still forecast to be completed and in service by the end of 2011. If this cannot be confirmed, please provide details on the expenditures that will not take place or not be in service by the end of 2011.

Interrogatory #12

Ref: Exhibit 2, Tab 3, Schedule 2, pages 57-60

Are all of the projects described on these pages still forecast to be completed in 2010? If not please provide details.

Interrogatory #13

Ref: Exhibit 2, Tab 3, Schedule 2

a) Please provide a table that shows the 2008 through 2012 actual and forecast expenditures related to Customer Demand for Subdivision Development and New Services and Service Upgrades.

b) Are the figures requested above net of any capital contributions received? If not, please add lines to the table requested in part (a) above to reflect the capital contributions associated with each of Subdivision Development and New Services and Service Upgrades for each year.

c) Please explain the significant increase in capital expenditures in 2011 and 2012 as compared to previous years for New Services and Service Upgrades when the evidence indicates that these amounts are consistent with prior years.

d) Please explain why the 2012 budget for New Services and Service Upgrades is essentially the same as the 2011 forecast when the evidence indicates both include a budget for 6 commercial/industrial services requiring three phase pad mount transformers, but 2011 includes 175 new services and 2012 only includes 100 new services.

Interrogatory #14

Ref: Exhibit 2, Tab 5, Schedule 1

a) **Are the depreciation rates shown in Tables 5.1 and 5.2 the depreciation rates use under MIFRS for 2011 and 2012?**

b) **Has Norfolk taken into account assets that become fully depreciated in the year in the calculation of the depreciation expense?**

c) **Please explain why there is no disposals for accumulated depreciation in Table 5.1 for the three accounts that show disposals of gross assets.**

Interrogatory #15

Ref: Exhibit 2, Appendix B

a) **Please confirm that the RPP and non-RPP cost of power forecast for 2012 is based on the April 2011 Regulated Price Plan Price Report.**

b) **Please update the cost of power forecast for 2012 shown in Appendix A to reflect the RPP and non-RPP prices from the October, 2011 Regulated Price Plan Price Report.**

Interrogatory #16

Ref: Exhibit 3, Tab 2, Schedule 1, Table 2.5

a) **Please confirm that Norfolk did not use 29 days for February, 2012 in its forecast.**

b) **Please confirm that use of the additional day in February, 2012 would increase the total system purchases excluding large use forecast for 2012 from 364.5 GWh to 365.1 GWh and the weather normalized billed energy forecast would be 345.9 GWh.**

Interrogatory #17

Ref: Exhibit 3, Tab 2, Schedule 1, Tables 2.6 & 2.8

a) Are the customer/connection numbers shown in Table 2.6 the year end number of customers, or the average number of customers for the year?

b) Please provide the actual number of customers/connections by each class shown in Table 2.8 for the most recent month available in 2011, along with the corresponding figure for the same month in 2010.

Interrogatory #18

Ref: Exhibit 3, Tab 2, Schedule 1, page 17

What is the most recent year-to-date actual consumption for 2011 supplied by Norfolk to Hydro One? What was the year-to-date consumption for the same period in 2010?

Interrogatory #19

Ref: Exhibit 3, Tab 3, Schedule 1, Table 3.1

a) Please indicate where the MicoFit revenue has been recorded and show the actual and forecast figures for each year shown and how these revenues tie back into the expected number of connections.

b) Please explain the decreased forecast for Account 4235 shown between 2010 and 2011.

c) Please provide a table that shows the actual year-to-date revenue for the most recent period available in 2011, along with the corresponding amount recorded over the same period in 2010, in the same level of detail as shown in Table 3.1.

Interrogatory #20

Ref: Exhibit 4, Tab 1, Schedule 1, Table 1.6

Please provide a table in the same level of detail as Table 1.6 that shows the most recent year-to-date actual expenditures for 2011 and the amounts for the corresponding period in 2010.

Interrogatory #21

Ref: Exhibit 4, Tab 2, Schedule 3, Table 2.7 &
Exhibit 4, Tab 1, Schedule 1, Table 1.2

a) Please explain why the Special Purpose Charge is shown as a cost driver in Table 2.7.

b) Please indicate where the Special Purpose Charge has been included in Table 1.2 of Exhibit 4, Tab 1, Schedule 1.

c) Please provide a revised Table 1.2 that excludes the Special Purpose Charge.

Interrogatory #22

Ref: Exhibit 4, Tab 2, Schedule 4

What is the impact on total compensation, total compensation charged to OM&A and total compensation capitalized, in 2012 if the 2.5% increase in 2011 and the 3.0% increase in 2012 forecast for management was reduced to 1.5% in each of 2011 and 2012?

Interrogatory #23

Ref: Exhibit 4, Tab 2, Schedule 5 &
Exhibit 3, Tab 3, Schedule 1, Table 3.1

a) Please explain why no revenues are shown in Table 2.27 for Street Light & Sentinel Light Services between NPDI and NEI even though the evidence at page 6 indicates that NPDI provides these services to NEI.

b) Are the costs incurred by Norfolk to provide services to its affiliates, as shown in Table 2.27 included in the OM&A expense or as expense offsets to the revenues shown in Table 3.1 of Exhibit 3, Tab 3, Schedule 1?

c) Please provide a reconcile between the revenues and costs shown in Table 2.27 and the revenues and expenses shown in Table 3.1. Please explain any differences.

Interrogatory #24

Ref: Exhibit 4, Tab 2, Schedule 7, Tables 2.35 & 2.36 &
Exhibit 2, Tab 5, Schedule 1

Please provide similar tables for 2011 and 2012 based on MIFRS. Please ensure that the Depreciation Expense Per Continuity Schedule match the figures provided in Tables 5.1 & 5.2 in Exhibit 2, Tab 5, Schedule 1.

Interrogatory #25

Ref: Exhibit 4, Tab 4, Schedule 2, Table 4.2 &
Exhibit 4, Tab 2, Schedule 7, Tables 2.36 & 2.36

a) **For each of 2011 and 2012, please provide a table that shows the GAAP amortization period, the IFRS amortization period, the GAAP depreciation expense and the IFRS depreciation expense.**

b) **Please explain any anomalies that arise as part of the comparison above, including, but not limited to the following 2011 examples:**

   i) **Account 1808 - The amortization period does not change, but there is an increase in the IFRS depreciation expense relative to the GAAP expense.**

   ii) **Account 1815 - The amortization period declines from 40 to 20 years under IFRS but the depreciation expense only increases from $223,000 to $232,000.**

   iii) **Account 1820 - The amortization period declines from 30 to 20 years under IFRS but the depreciation expense increases from $89,000 to $161,000.**

   iv) **Account 1908 - While there is no change to the amortization period, the GAAP depreciation expense of $34,000 increases to $101,000.**

   v) **Account 1920 - The amortization period declines from 10 years to 4 under IFRS, but the IFRS depreciation amount is less than GAAP expense in 2011.**

   vi) **Account 1995 - While there is no change to the amortization period, the GAAP depreciation expense of ($356,000) changes to ($194,000).**

Interrogatory #26

Ref: Exhibit 4, Tab 3, Schedule 1, Table 3.2

a) Please confirm that Norfolk has only 1 position eligible for Ontario apprenticeship training tax credit.

b) Does Norfolk have any positions eligible for the Ontario Co-Operative Education Tax Credit?

c) Does Norfolk have any positions eligible for the federal training tax credit?

d) Did Norfolk have any federal apprenticeship job creation, Ontario co-operative education or Ontario apprenticeship training tax credits in 2010? If yes, please identify the number of eligible positions for each of the tax credits.

Interrogatory #27

Ref: Exhibit 4, Tab 4, Schedule 3, Tables 4.4 & 4.5

a) Why has Norfolk included $30,000 in 2011 and $40,000 in 2012 associated with computer hardware in CCA Class 10 rather than Class 50?

b) Please provide revised Tables 4.4 & 4.6 reflecting the additions of computer hardware to CCA Class 50 instead of Class 10. What is the impact on the CCA for 2012?

Interrogatory #28

Ref: Exhibit 4, Tab 4, Schedule 3, Table 4.8

a) Please confirm that the 2012 tax rate of 23.20% used includes a federal rate of 15.0% and a provincial rate of 8.20%.

b) Please confirm that the provincial tax rate of 8.20% reflects a rate on the first $500,000 of taxable income of 4.5% and a rate of 11.25% on taxable income in excess of $500,000.

c) Is Norfolk aware that the federal tax rate on the first $500,000 of taxable income is 11.0%, with no claw back?

d) **Please calculate the taxes shown in Table 4.8, including the effective tax rate of using a federal small business tax rate of 11.0% on the first $500,000 of taxable income and 15.0% on taxable income in excess of $500,000.**

e) **What is the impact on the income taxes for 2012 of the change requested in part (d)?**

Interrogatory #29

Ref: Exhibit 5, Tab 1, Schedule 1

a) **Is the weighted average rate of 4.39% referenced on page 2 as the current indicative Infrastructure Ontario rate for a 25 year loan based on a serial or amortizer loan?**

b) **What is the current Infrastructure Ontario rate for a 25 year loan for a serial and for an amortizer loan?**

Interrogatory #30

Ref: Exhibit 5, Tab 1, Schedule 2, Tables 1.1 & 1.3

a) **Please explain why Norfolk has included the new debt forecast for 2012 for the full year in the calculation of the average rate even though it is not forecast to be issued until June 30, 2012?**

b) **Does Norfolk still expect to complete the new financing by June 30, 2012?**

c) **Please recalculate the weighted debt cost rate for 2012 using the appropriate rate from Interrogatory #19, part (b), and including the principal and interest cost in 2012 for six months only.**

d) **What is the impact on the deemed return on long-term debt shown in Table 1.1 for 2012 of using the rate calculated in part (c) above in place of the 5.51% used?**

Interrogatory #31

Ref: Exhibit 6, Tab 1, Schedule 1, Table 1.1

a) **Please confirm that Table 1.1 is based on MIFRS.**

b) Please provide a version of Table 1.1 that is based on CGAAP.

c) Please provide the actual property taxes for 2008 through 2010, and the forecast for 2011. If actual 2011 property taxes are now known, please provide the amount.

Interrogatory #32

Ref: Exhibit 7, Tab 1

Has the cost allocation shown in Tab 1 of Exhibit 7 been done based on the MIFRS based rate base, OM&A, depreciation, return on capital and income taxes?

Interrogatory #33

Ref: Exhibit 8, Schedule 1

The evidence indicates that the OEB indicated that for the time being, it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for MSC.

a) As shown in Table 8-5, Norfolk is proposing to move the residential MSC to a level that is above the corresponding ceilings shown in Table 8-4. Please explain.

b) Norfolk is proposing to increase the MSC for rate classes where the current charge is already in excess of the MSC (GS < 50, GS 50-4999, Embedded Distributor). Please explain.

c) Norfolk is proposing to decrease the MSC for the USL class. Please explain.

Interrogatory #34

Ref: Exhibit 8, Schedule 1

Please confirm that the reference to 2004 to 2008 on line 5 should read 2006 to 2010.