

**Ontario Energy
Board**

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**Commission de l'Énergie
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BY EMAIL

February 29, 2007

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Brantford Power Inc. EB-2007-0698
2008 Electricity Distribution Rates Application**

Dear Ms. Walli:

Please see attached Board Staff Interrogatories for the above proceeding. Please forward the attached to Brantford Power Inc. and all intervenors in this proceeding.

Yours truly

Original signed by

Christie Clark
Case Manager

Board Staff Interrogatories
2008 Electricity Distribution Rates
Brantford Power Inc.
EB-2007-0698

1 OPERATING EXPENSES

OM&A EXPENSES - OVERALL

1.1 Ref: Exhibit(s)Exhibit 4

Brantford Power has indicated that a new capitalization policy was approved by its Board in 2006.

- a) Please state whether or not this new policy has resulted in Brantford Power making changes to the company's accounting policies in respect to capitalization of operation expenses and/or making significant changes to accounting estimates used in allocation of costs between operations and capital expenses post fiscal year end 2006.
- b) If confirmed, please provide a discussion highlighting the impact of the changes.

1.2 Ref: Exhibit(s)Exhibit 4/Tab 1/Schedule 2 page 1

Board Staff Table 1 below was prepared to review Brantford Power's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

Table 1

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
OM&A Expenses				
Operations	580,929	793,192	1,176,926	1,090,412
Maintenance	2,006,136	1,521,089	1,870,016	1,884,681
Billing & Collecting	905,817	1,900,231	2,145,847	2,302,509
Community Relations	446,549	326,422	190,140	139,091
Administrative and General Expenses	3,437,561	1,984,087	2,634,367	2,783,384
Total Controllable Expenses	7,376,992	6,525,021	8,017,296	8,200,077
Low Voltage				
CDM		-	-	-
Taxes other than income	162,777	9,635	12,459	12,298
Amortization Expense	2,476,213	2,556,007	2,781,345	3,027,657
Total Distribution Expenses	10,015,982	9,090,663	10,811,100	11,240,032
LCT, OCT & Income Taxes	1,676,871	2,690,785	2,571,188	1,889,507
Total Operating Costs	11,692,853	11,781,448	13,382,288	13,129,539

Board Staff Table 2 below was created to review Brantford Power's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions. The indicated percentages are the proportions of the total variance that each line item contributes. By way of example, 4.6% of the 25.7% variance between 2006 and 2008 is from Operations.

Table 2

	2006 Board Approved	Variance 2006/2006	2006 Actual	Variance 2007/2006	2007 Bridge	Variance 2008/2007	2008 Test	Variance 2008/2006
OM&A Expenses								
Operations	580,929	212,263 2.9%	793,192	383,734 5.2%	1,176,926	-86,514 -1.1%	1,090,412	297,220 4.6%
Maintenance	2,006,136	-485,047 -6.6%	1,521,089	348,927 4.7%	1,870,016	14,665 0.2%	1,884,681	363,592 5.6%
Billing & Collecting	905,817	994,414 13.5%	1,900,231	245,616 3.3%	2,145,847	156,662 2.0%	2,302,509	402,278 6.2%
Community Relations	446,549	-120,127 -1.6%	326,422	136,282 -1.8%	190,140	51,049 -0.6%	139,091	187,331 -2.9%
Administrative and General Expenses	3,437,561	-1,453,474 -19.7%	1,984,087	650,280 8.8%	2,634,367	149,017 1.9%	2,783,384	799,297 12.2%
Total Controllable Expenses	7,376,992	-851,971	6,525,021	1,492,275	8,017,296	182,781	8,200,077	1,675,056 25.7%
		-11.5%		22.9%		2.3%		

- a) Please confirm that Brantford Power agrees with the two tables prepared by Board Staff above. If Brantford Power does not agree

with any table, please advise why not. If Brantford Power determines that the tables require modification due to the difference reconciliation resulting from Board staff Table 1 above, please provide amended tables with full explanation of changes made.

- b) Please provide a table identifying and explaining the key cost drivers that are contributing to the overall increase of 25.7% over 2006 Historical relative to 2008.

1.3 Ref: Exhibit(s)Exhibit 4/Tab 1/Schedule 2

On page 1 of the above schedule, Brantford Power discloses the following information for "Taxes other than income taxes".

Table 3

	2006 Board Approved	2006 Actual	Variance
Taxes other than income	162,777	9,635	153,142

Please provide an explanation for the variance noted in Table 3 above of \$153,142.

1.4 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedules 1 to 3

In Schedule 1, Brantford Power presents their OM&A Costs Table and in the following two schedules, various breakdowns and explanations of these numbers. In Table 4 below, Board staff has identified variances between 2006 actual and the 2008 test year for certain operating costs where the percent changes are significant. Please provide additional explanation for the changes.

Table 4

Operations (Working Capital)	2006 Actual	2008 Test Year	Variance	% Increase
5005-Operation Supervision and Engineering	\$ 205,800	\$ 266,919	\$ 61,119	30%
5010-Load Dispatching	\$ 9,292	\$ 17,887	\$ 8,595	92%
5012-Station Buildings and Fixtures Expense	\$ 28,746	\$ 39,832	\$ 11,086	39%
5014-Transformer Station Equipment - Operation Labour	\$ 591	\$ 6,778	\$ 6,187	1047%
5015-Transformer Station Equipment - Operation Supplies and Expenses	\$ 51,541	\$ 55,950	\$ 4,409	9%
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	\$ 8,145	\$ 15,081	\$ 6,936	85%
5035-Overhead Distribution Transformers- Operation	\$ 4,625	\$ 16,167	\$ 11,542	250%
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	\$ 11,471	\$ 20,669	\$ 9,198	80%
5065-Meter Expense	\$ 359,201	\$ 494,376	\$ 135,175	38%
5070-Customer Premises - Operation Labour	\$ 806	\$ 6,531	\$ 5,725	710%
5085-Miscellaneous Distribution Expense	\$ 96,962	\$ 129,239	\$ 32,277	33%
Maintenance (Working Capital)				
5105-Maintenance Supervision and Engineering	\$ 245,710	\$ 306,914	\$ 61,204	25%
5125-Maintenance of Overhead Conductors and Devices	\$ 190,931	\$ 212,429	\$ 21,498	11%
5130-Maintenance of Overhead Services	\$ 196,674	\$ 219,810	\$ 23,136	12%
5135-Overhead Distribution Lines and Feeders - Right of Way	\$ 328,908	\$ 364,402	\$ 35,494	11%
5145-Maintenance of Underground Conduit	\$ 51,871	\$ 72,896	\$ 21,025	41%
5150-Maintenance of Underground Conductors and Devices	\$ 82,796	\$ 121,982	\$ 39,186	47%
5155-Maintenance of Underground Services	\$ 171,741	\$ 222,899	\$ 51,158	30%
5160-Maintenance of Line Transformers	\$ 71,971	\$ 173,973	\$ 102,002	142%
Billing and Collections				
5305-Supervision	\$ 127,741	\$ 147,522	\$ 19,781	15%
5310-Meter Reading Expense	\$ 383,430	\$ 405,512	\$ 22,082	6%
5315-Customer Billing	\$ 443,457	\$ 509,848	\$ 66,391	15%
5320-Collecting	\$ 283,868	\$ 327,828	\$ 43,960	15%
5330-Collection Charges	\$ 666	\$ 2,459	\$ 1,793	269%
5335-Bad Debt Expense	\$ 157,089	\$ 200,000	\$ 42,911	27%
5340-Miscellaneous Customer Accounts Expenses	\$ 503,980	\$ 709,340	\$ 205,360	41%
Administrative and General Expenses				
5605-Executive Salaries and Expenses	\$ 377,446	\$ 429,070	\$ 51,624	14%
5610-Management Salaries and Expenses	\$ 598,244	\$ 723,218	\$ 124,974	21%
5620-Office Supplies and Expenses	\$ 36,138	\$ 52,654	\$ 16,516	46%
5630-Outside Services Employed	\$ 44,693	\$ 179,500	\$ 134,807	302%
5645-Employee Pensions and Benefits	\$ 49,204	\$ 110,367	\$ 61,163	124%
5655-Regulatory Expenses	\$ 88,064	\$ 215,000	\$ 126,936	144%
5665-Miscellaneous General Expenses	-\$ 112,105	\$ 187,617	\$ 299,722	-267%

For the accounts in Table 4 that are above a materiality threshold of 0.2% of total distribution expenses before taxes:

- Please provide a more detailed explanation, identifying the cost drivers, for each of the variances sufficient to allow for a full understanding as to the reasons for the variances. Please show the calculation for the determination of the materiality threshold.
- For the Account 5665 variance noted above, on page 10 of Schedule 3, Brantford Power has already provided the following explanation:

“For greater clarity and to substantiate the standard fleet charges used to recover actual fleet costs, the accounting treatment for these costs was substantially revised in 2007 through the creation of Fleet Business Unit, which collects all costs related to fleet. Those costs are subsequently charged to specific direct and capital costs through standard fleet charges. As a result, vehicle-related costs are not booked to

Account 5665 beginning in 2007. The variance reflects the impacts of this change from 2006 to 2007”

If, as stated above, vehicle-related costs are not booked to Account 5665 beginning in 2007, please clarify why the amount charged to this account is increasing to the extent of \$284,723 for 2007 and provide a full explanation of this variance.

SHARED SERVICES

1.5 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 4

On page 1 of this schedule, Brantford Power discusses its shared services arrangements. Please provide an overview of these arrangements in the following format for each of the 2006 historical, 2007 bridge and 2008 test years:

- a) Total dollar amount of expenses paid to affiliates for services rendered and the percentage amount this represents of total expenses and a breakdown between the relevant services,
- b) Total dollar amount of revenue received from affiliates for services provided and the percentage amount this represents of total revenue and a breakdown between the relevant services, and
- c) Total dollar amount of expenses incurred related to the provision of services to affiliates and the percentage amount this represents of total expenses and a breakdown between the relevant services.

1.6 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 4

On page 1, Brantford Power states that “it is undertaking a review of transfer pricing methodologies and intra-company cost allocations.”

- a) Please describe the scope of this review and why it is being undertaken.
- b) Please state when it is anticipated this review will be completed.

1.7 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 4

On page 3 of this Exhibit, cost allocators for “Property Management – Use and Maintenance of facilities” are stated as “actual square footage” for properties at 84 Market Street Square and 400 Grand River Avenue and “actual square footage occupied” for properties at 220 Colborne and 100 Wellington Square. Please clarify whether or not there is any difference between these two cost allocators and if so, explain the difference and why it occurred.

1.8 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 4

On page 5, it is stated that “As the newest company within the Energy group of companies, Brantford Generation Inc. was incorporated in October 2007 and as the company is in its developmental stage, shared service costs have not been allocated to it in 2008.”

- a) Please state whether or not Brantford Power would agree that the non-allocation of shared service costs to Brantford Generation Inc. would mean that shared service costs associated with Brantford Generation Inc. would be over-recovered from Brantford Power in the three-year period until Brantford Power's next cost of service application. If Brantford Power does not believe this to be the case, please state why.
- b) Please provide Brantford Power's views on whether or not the Board should be concerned about this potential subsidy and if not, why not. If Brantford Power believes the Board should have concerns in this area, please propose any potential remedies that would be acceptable to Brantford Power.

1.9 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 4

On page 5, a reference is made to services being shared among “the Energy group of companies.” Please state which group of companies is being referred to and whether this group also includes the Corporation of the City of Brantford.

1.10 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 4

Table 4.2.4-1 provides cost allocation percentages for intra-company cost allocations.

- a) Please state which entities are included under the heading “Energy”.
- b) The description of some of the cost allocators in the Table does not appear to be consistent with those outlined in the preceding pages of the Exhibit. For instance, Records Management is described as allocated based on “% of Total Assets” in the Table, but “cubic foot volume of corporate records in storage as a percentage of overall record holdings” on page 1 of the Exhibit. Insurance and Risk Management Services similarly is described as “% of Total Assets” in the Table, but “Administrative service costs allocated on basis of a percentage of the value of insurance premiums” on page 2 of the Exhibit. Please review for each of the shared services the consistency of the definitions between the text of the Exhibit and the Table. If Brantford Power believes the definitions are consistent, please explain

why. If not, please make any necessary corrections and explain the rationale.

- c) Please provide Brantford Power's position on whether or not the allocation outlined in this Table, which sees 80% of overall costs allocated to Brantford Power is reasonable and, if so, why

EMPLOYEE COMPENSATION

1.11 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 3

On Page 6, Brantford Power provides a breakdown of its General and Administrative Salary Expenses.

- a) For non-executive employees, please state how costs charged to Brantford Power are determined and what types of costs are included, i.e. salaries, pension, benefits, incentives, etc.
- b) For each employee category: Executive, Management, Non-Unionized and Unionized, please state the aggregate costs for Brantford Power in 2006, including Historical Board Approved and Actual, 2007 and 2008.

1.12 Ref: Exhibit(s) Exhibit 4/Tab 2/Schedule 3

Please provide a breakdown of the total number of employees who work for, or provide services to Brantford Power, for each employee category: Executive, Management, Non-Unionized and Unionized, for the 2006 Board approved year, 2006 actual year, 2007 bridge, and 2008 test year.

GENERAL – REGULATORY COSTS

1.13 Ref: Exhibit(s) Exhibit 4

Please provide a cost breakdown for actual and forecast, where applicable, for the 2006 Board approved, 2006 actual, 2007 bridge year, and 2008 test year regarding the following regulatory costs and present it in the following table format:

Table 5

Regulatory Cost Category	Ongoing or One-time Cost?	2006 Board Approved	2006 Actual	2007 (as of Dec 07)	% Change in 2007 vs. 2006	2008 Forecast	% Change in 2008 vs. 2007
1. OEB Annual Assessment							
2. OEB Hearing Assessments (applicant initiated)							
3. OEB Section 30 Costs (OEB initiated)							
4. Expert Witness cost for regulatory matters							
5. Legal costs for regulatory matters							
6. Consultants costs for regulatory matters							
7. Operating expenses associated with staff resources allocated to regulatory matters							
8. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources)							
9. Other regulatory agency fees or assessments							
10. Any other costs for regulatory matters (please define)							

- a) Under “Ongoing or One-time Cost”, please identify and state if any of the regulatory cost is “One-time Cost” and not expected to be incurred by the applicant during the impending two year period when the applicant is subject to 3rd Generation IRM process or it is “Ongoing Cost” and will continue throughout the 3rd Generation of IRM process.
- b) Please state the utility’s proposal on how it intends to recover the “One-time” costs as a part of its 2008 rate application.

2 REVENUE OFFSETS AND SPECIFIC SERVICE CHARGES

2.1 Ref: Exhibit(s)Exhibit 3/Tab 3/Schedule 2 page 1

Account 4235 - Miscellaneous Service Revenue states as follows:

“Commencing in June 2006, the Collection of Accounts charge has been applied when collection activities leading to disconnection commence with the hand-delivery of a disconnection notice”.

Please provide the rationale for why this change was made in June 2006.

2.2 Ref: Exhibit(s)Exhibit 3/Tab 3/Schedule 2

The following two tables are taken from the evidence on interest and dividend income.

Account	2006 Actual	2007 Bridge	Variance
4405. Interest and Dividend Income	\$479,721.00	\$283,954.00	(\$195,767.00)

Table 6

Table 7

Account	2007 Bridge	2008 Test	Variance
4405. Interest and Dividend Income	\$283,954.00	\$439,000.00	\$155,046.00

For each of the indicated years:

- Please provide the principal balance on which the interest has been calculated.
- Please separate the interest on deferral and variance accounts from other sources of interest.
- Please provide the sources of the interest income, specifically stating whether any of this interest relates to regulatory assets.
- Please provide calculations and assumptions to show how the variance of \$155,046.00 for the 2008 Test versus the 2007 Bridge year

results from a projected increase in interest rates, as stated in the evidence.

3 RATE BASE

3.1 Ref: Exhibit(s) General

- a) Please provide Brantford Power's Code of Business Conduct.
- b) For the years 2002 to 2008 inclusive, please provide a table listing the following information (actual dollars where available, or expected, planned or projected dollars, or % where indicated):
 - i Net income;
 - ii Actual Return on the Equity portion of the rate base (%);
 - iii Allowed Return on the Equity portion of the rate base (%);
 - iv Retained Earnings;
 - v Dividends to Shareholders;
 - vi Sustainment Capital Expenditures excluding smart meters;
 - vii Development Capital Expenditures excluding smart meters;
 - viii Operations Capital Expenditures;
 - ix Smart meters Capital Expenditures;
 - x Capital Expenditures (identify);
 - xi Total Capital Expenditures including and excluding smart meters;
 - xii Depreciation;
 - xiii Construction Work in Progress;
 - xiv Number of customer additions by class;
 - xv Rate Base.

3.2 Ref: Exhibit(s) Exhibit 2/Tab 1/Schedule 2

With reference to page 1 of this Exhibit, the Rate Base Summary Table and the associated detailed tables:

- a) For Year 2006: Board-Approved Gross Assets versus Actuals, please provide a table reconciling the cost differences and the reasons for the difference between the Board-approved Asset Value at Cost totalling \$52,875,117 versus an actual of \$64,875,909.

- b) For Year 2006: Board-Approved Accumulated Depreciation versus Actuals, please provide a table reconciling the differences and the reasons for the difference between a Board-approved Depreciation amount of \$7,319,594 against an actual of \$12,626,782.

3.3 Ref: Exhibit(s)Exhibit 2

- a) For the years 2002 to 2006 inclusive, please complete the following table including actual CAPEX dollars and % where indicated. Please identify the cost drivers, as indicated in the table. Examples of cost drivers are: replacement of aging or low capacity power lines, system expansions, etc. Please identify the type and amount of any one-time, unusual expenditure that may have occurred in any particular year and caused a change outside the given threshold, as provided in the table. Please exclude any smart meters from the dollar amount for the capital expenditure figures used in the table.

Table 8

A	B	\$ Change (A-B)	% Change (\$Change/B)	Cost Drivers for the change (increase or decrease) if the % change is either less than zero or more than 10%
2003	2002			
2004	2003			
2005	2004			
2006 Actual	2005			
2006 Actual	2006 Board Approved			
2007 Bridge Year	2006 Actual			
2008 Test Year	2007 Bridge Year			

- b) On page 11 of Exhibit 2/Tab 2/Schedule 1, Account 1835 – Overhead Conductors and Devices – Opening Balance Net Book Value is shown as \$14,085,803 for 2006 versus \$5,407,610 for 2007. Please provide an explanation for this change, as well as any associated changes that may have been made elsewhere in the rate base.
- c) Please provide similar explanations for the changes in net book value for accounts 1840 and 1845 as shown on pages 3 and 4 of the same Schedule between the 2006 actuals and 2007 bridge year.

3.4 Ref: Exhibit(s)Exhibit 2/Tab 3

This exhibit is entitled "Capital Budget by Project." In regards to carryover projects and their costs:

- a) Please identify carryover projects where applicable, for the 2006 actual, 2007 bridge year, and 2008 test year. Please provide the information on these carryover projects, on an individual basis, i.e., one project at a time, including the dollar amount carried over from one year to another, and present it in the format outlined in the following Table 9.

Table 9

Type of Carryover Project (e.g. power line replacements, pole replacements, smart meters, etc.)	\$ Carryover from 2005 to 2006	% Carryover from 2005 to 2006 to total 2006 Capital expenditure	\$ Carryover from 2006 to 2007	% Carryover from 2006 to 2007 to total 2007 Capital expenditure	\$ Carryover from 2007 to 2008	% Carryover from 2007 to 2008 to total 2008 Capital expenditure
1.						
2.						
3.						
4.						
5.						

- b) Please provide an explanation for each project as to why the project was carried over, or is expected to be carried over from one year to another and present it on Table 10 below. Please specify if the project is one-time or an ongoing project.

Table 10

Type of Carryover Project (e.g. Underground cable replacement, smart meters, etc.)	One-time or ongoing project?	Reasons for the Carry Over
1.		
2.		
3.		
4.		
5.		
6.		

- c) Please provide Brantford Power's most recent long term Capital Project or Asset Management Plan or equivalent which Brantford Power may be using for long term capital planning.
- d) Please indicate if Brantford Power has utilized any asset condition study in developing its asset management plan. Please file the study, if any, with the Board.
- e) With reference to page 28 of this Exhibit, "New Subdivisions & Townhomes," please provide:
 - i The economic evaluation calculation for the aggregate of these expansion projects that total \$1,067,023;
 - ii The Profitability Index (PI) and the total capital contributions contained within the \$1,067,023; and
 - iii As to whether or not the capital contributions have already been paid to Brantford Power and if not, when such payment is expected.
- f) With reference to page 31 of this Exhibit, "Rebuild of Existing Lines and Equipment," please provide the following information on service reliability indicators recorded and used by Brantford Power:
 - i A listing of all the Service Reliability Indicators maintained and used, and their actual values for each of the years 2002 through 2007;
 - ii Whether or not Brantford Power has maintained the reliability performance for the three year period 2003 to 2005 in 2006, and if not, why not. Please identify the drivers that caused the 2006 performance to either improve or deteriorate from the historical performance;
 - iii Brantford Power's 2008 reliability improvement targets, if any, for the SAIDI, SAIFI and CAIDI; and
 - iv If Brantford Power has established 2008 service reliability improvement targets, a copy of the plan that identifies programs or projects that Bradford Power will undertake to achieve these targets.

3.5 Ref: Exhibit(s)Exhibit 2/Tab 3/Schedule 4

This schedule discusses "Capitalization and Related Policies." On page 1, Policy 19 – Accounting Policy - Capitalization and Policy 20 – Accounting Policy – Deferred Charges are referenced:

- a) Re: Policy 19, and Indirect and Overhead Costs, Brantford Power's policy change of September 2006 allowed such charges to be ascribed partially to capital projects (and hence rate base) and partially to operating expenses. For each of the years 2004 through 2008, please provide a table giving the dollar amounts of Indirect and Overhead Costs (actual or projected) as allocated to capital and the operating expenses.
- b) In addition, please provide a calculation showing the quantitative effect of this policy change on an average residential bill for 2008.

3.6 Ref: Exhibit(s)Exhibit 2/Tab 4/Schedule 1

This Exhibit discusses Brantford Power's proposed Working Capital Allowance of 15%. On page 4, it is shown that for the 2007 bridge year as compared to the 2008 test year, the major contributor to operating expense (and hence Working Capital) is the Cost-of-Power, which increases from \$56,160,826 (2006 actual) to \$59,218,767 for 2007, a rise of 5.4%. Please provide the values for the components that make up the cost of power: the volume of energy, and the unit cost of power.

3.7 Ref: Exhibit(s)Exhibit 1/Tab 3/Schedule 4 page1
Exhibit 2/Tab 3/Schedule 4

- a) Is Brantford Power using the Board-prescribed interest rate, as per the Board's letter to LDCs dated November 28, 2006, for construction work in progress (CWIP) since May 1, 2006?
- b) If not, what interest rate has Brantford Power been using for CWIP?
- c) If not using the Board-prescribed interest rates, what would the impact on rate base, revenue requirement, and CWIP be if Brantford Power did use the prescribed interest rates?

4 COST OF CAPITAL

4.1 Ref: Exhibit(s)Exhibit 6/Tab 1/Schedule 2

In the table "Capital Structure", Brantford Power has shown a short-term debt rate (under "Cost Rate") of 4.77% for the 2008 Test Year. *The Board Report on Cost of Capital and 2nd Generation Incentive Regulation Mechanism for Ontario Electricity Distributors*, issued December 20, 2006 (the "Board Report") states the following in section 2.2.2:

"The Board has determined that the deemed short-term debt rate will be calculated as the average of

the 3-month bankers' acceptance rate plus a fixed spread of 25 basis points. This is consistent with the Board's method for accounting interest rates (i.e. short-term carrying cost treatment) for variance and deferral accounts. The Board will use the 3-month bankers' acceptance rate as published on the Bank of Canada's website, for all business days of the same month as used for determining the deemed long-term debt rate and the ROE.

For the purposes of distribution rate-setting, the deemed short-term debt rate will be updated whenever a cost of service rate application is filed. The deemed short-term debt rate will be applied to the deemed short-term debt component of a distributor's rate base. Further, consistent with updating of the ROE and deemed long-term rate, the deemed short-term debt rate will be updated using data available three full months in advance of the effective date of the rates." [Emphasis in original]

- a) Please provide the derivation of the 4.77% short-term debt rate estimate showing the calculations, data used and identifying data sources.
- b) Please confirm if Brantford Power is proposing that the deemed short-term debt rate would be updated based on January 2008 Consensus Forecasts and Bank of Canada data, in accordance with the methodology documented in section 2.2.2 of Board Report.
- c) If Brantford Power is not proposing that the methodology in the Board Report be followed, please provide Brantford Power's reasons for varying from the methodology in the Board Report.

4.2 Ref: Exhibit(s)Exhibit 6/Tab 1/Schedule 1, and Exhibit 6/Tab 1/Schedule 4

Brantford Power states that it is requesting a Return on Equity ("ROE") of 8.68% per the Board's formulaic approach as documented in Appendix B of the Board Report, with the final ROE for 2008 rate-setting purposes to be established based on January 2008 Consensus Forecasts and Bank of Canada data per the methodology in the Board Report (as stated in Exhibit 1/Tab 2/Schedule 1). The table "Return on Equity" shown on page 4 of Exhibit 6/Tab 1/Schedule 4 provides a summary of the calculation of the 8.68%. Please provide the source data used in the calculation and identify

the specific data series, data sources and the date(s) of the data used in that table.

4.3 Ref: Exhibit(s) Exhibit 6/Tab 1/Schedule 3

Brantford Power provides data on its cost of debt in Exhibit 6/
Tab 1/Schedule 3 in the table labelled "Cost of Debt".

- a) In its 2006 EDR application filed under Board file number RP-2005-0020/EB-2005-0342, Brantford Power provided the following table in Sheet 3-4 of the 2006 EDR model:

Table 11

Schedule 5-1: Weighted Debt Cost								
		Size of Utility	Small	<i>Small</i>	<i>Medium-Small</i>	<i>Medium-Large</i>	<i>Large</i>	
		<u>Deemed Debt Rate</u>						
		prior to 2000	actual rate	<i>actual rate</i>	<i>actual rate</i>	<i>actual rate</i>	<i>actual rate</i>	
		2000 to 2005	7.25%	<i>7.25%</i>	<i>7.00%</i>	<i>6.90%</i>	<i>6.80%</i>	
		2006	6.25%	<i>6.25%</i>	<i>6.00%</i>	<i>5.90%</i>	<i>5.80%</i>	
No.	Description	Debt Holder	Is the Debt Holder Affiliated with the LDC? (Y/N)	Date of Issuance of Debt (Date)	Principal (\$)	Term (Years)	Actual Rate (%)	Debt Rate Used for Weighted Debt Rate Cost
1	Promissory Note	Corp. of the City of Brantford	Y	1-Feb-2006	\$ 24,189,168	5	6.25%	6.25%
2	Transformer Station	RBC	N	28-Feb-2006	\$ 5,900,000	15	5.51%	5.51%
3	Tier 2 Rate Base Adjustment borrowing		N		\$ 2,809,000		6.00%	6.00%
Total					\$ 32,898,168			
Weighted Average Debt Cost							6.10%	6.10%

Please reconcile the debt rate (carrying costs [rate]) shown for the 2006 Board Approved year in the current application in Exhibit 6 Tab 1 Schedule 3 with the rates shown above, for i) the Note Payable to the Shareholder; and ii) Transformer Station.

- b) The debt instrument labelled “Tier 2 Rate Base Adjustment Borrowing”, with a principal of \$2,809,000 is shown only under 2006 Board-approved. As noted in a) above this amount was applied and approved by the Board in Brantford Power’s 2006 EDR application. Please provide an explanation as to why this debt does not appear in 2006 actual or in a subsequent year.
- c) Please provide a table as below covering all debt instruments listed in Exhibit 6 Tab 1 Schedule 3:

Table 12 Debt Instruments								
Description	Owed to	Is Debt holder affiliated with Brantford Power? (Yes/No)	Date of Issuance	Term of loan	Principal	Rate	Is the rate fixed or variable?	

- d) Note 6 of Brantford Power’s 2006 Audited Financial Statements, filed in Exhibit 6/Tab 3/Schedule 1 Appendix A (page 15), states the following:

6. Long-Term Debt

	2006 \$	2005 \$
Note payable , bearing interest at 6.25%, repayable to the City, interest only payable annually - due February, 2011	24,189,168	24,189,168
Royal Bank non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2009	5,900,000	5,100,000
Royal Bank non-revolving term facility with interest at prime repayable in quarterly instalments due November, 2011	1,200,000	-
	31,289,168	29,289,168
Less current portion	308,000	-
	30,981,168	29,289,168

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$ 100 per common share.

The Company entered into a swap agreement with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

The Company entered into a second swap agreement with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of \$ 1,200,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.97% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by general security agreement over all assets of the Company and an assignment of related fire insurance.

- i Please provide a copy of the Promissory Note to the City of Brantford referenced in the above;
- ii Please indicate what, if any changes, have been made to the terms of the Promissory Note. Indicate also when and why changes were made. Please indicate if the rate of the Promissory Note changed.
- iii Please indicate under what terms the City of Brantford has to extend the maturity date. Are the interest rate and other terms negotiable should the City of Brantford exercise this option?
- iv It would appear that the "swap agreements" entered into with the Royal Bank correspond with the debt labelled "Transformer Station" and "Tier 1 Phase 1 Term Loan".
 - a. Please state if this is correct.
 - b. Please explain the differences between, or document the relationship between, the rates shown for these instruments (5.51% and 5.66%) in Exhibit 6 Tab 1

Schedule 3 versus those shown in Note 6 (4.71% and 4.97%).

- e) Please describe the purpose(s) of the capital projects for which Brantford Power incurred the debt labelled as “Unspecified Borrowing” with a principal of \$846,000 in the 2007 bridge year.
- f) Please describe the purpose(s) of the capital projects, and identify the capital projects if possible, for which Brantford Power forecasts that it will incur debt financing associated with the debt labelled “Unspecified Borrowing 2008”. Please provide the basis for the forecasted debt rate shown as 6.00%.
- g) If necessary, please provide an update to Exhibit 6 Tab 1 Schedule 3, the Cost of Debt calculation in Exhibit 6 Tab 1 Schedule 4 and to the Capital Structure tables in Exhibit 6 Tab 1 Schedule 2.

5 SMART METERS

Brantford Power is not one of the thirteen licensed distributors authorized by Ontario Regulation 427/06 to conduct discretionary metering activities with respect to smart meters. In its decision on Brantford Power’s 2007 IRM application (EB-2007-0510), the Board confirmed its understanding that Brantford Power would not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007.

5.1 Ref: Exhibit(s)Exhibit 2/Tab 3/Schedule 1

Exhibit 1/Tab 3/Schedule 2/Appendix A

On Exhibit 2/Tab 3/Schedule 1 page 23, section “12. Smart Metering Project Planning” for 2007, Brantford Power states:

“As an essential and nondiscretionary capital project, Brantford Power Inc. is working towards full-scale deployment of smart meters in 2009. In preparation for that deployment, Brantford Power Inc. has engaged a consultant to assist with evaluation of technologies and provide market and legislative intelligence. Brantford Power Inc. notes that while this project has been included in the 2007 Capital Budget, costs and revenues are booked to Deferral Account 1555.”

On the same page, Brantford Power provides a table, indicating that the 2007 “enhancement” cost for the Smart Metering Project Planning will be \$60,000 and charged to USoA account 1555.

On Exhibit 1/Tab 3/Schedule 2/Appendix A page 1, under the table "Pro Forma Financial Statements at December 31, 2007", Brantford Power indicates that the December 31, 2007 balance for the account "1555-Smart Meter Capital Variance Account" is a credit of \$150,152 and for the account "1556-Smart Meters OM&A Variance Account" a debit of \$11,801.

- a) In light of its "un-named" status, please explain under what authority Brantford Power is undertaking smart meter activities. Please provide copies of any authorization Brantford Power has received to undertake smart meter activities.
- b) Please indicate the number of smart meters that Brantford Power is planning to install in each of 2008 & 2009 and provide the associated capital cost for each year. Please provide also a breakdown of the number of installations and costs by customer classes for each year.
- c) Please provide a breakdown of costs for the 2007 capital budget of \$60,000 which is charged to account 1555.
- d) Please provide a reconciliation of the December 31, 2007 credit balance of \$150,512 for USoA account 1555 with the 2007 cost of \$60,000 and the collection of the smart meter adder revenue from customers.
- e) Please explain the nature of the smart meter OM&A costs of \$11,801 for December 31, 2007 which is charged to USoA account 1556, and provide an itemized cost breakdown of these costs.

5.2 Ref: Exhibit(s)Exhibit 2/Tab 3/Schedule 1

Exhibit 1/Tab 3 /Schedule 2 /Appendix B

On Exhibit 2/Tab 3/Schedule 1 page 33, under "11. Smart Metering Project Planning" for 2008, Brantford Power states:

"As an essential and nondiscretionary capital project, Brantford Power Inc. is working towards full-scale deployment of smart meters in 2009. In 2008, Brantford Power will:

- Identify and repair unsafe meter bases in its service territory;
- Purchase, install and commission an automated meter change upgrade to its existing Customer Information System;
- Continue working with a consultant to assist in evaluation of technologies and provide market and legislative intelligence; and
- Obtain legal advice on AMI contracts, meter installation contracts and old meter disposal contracts."

On the next page, Brantford Power provides a table, indicating that the 2008 “enhancement” cost for the Smart Metering Project Planning will be \$140,000 which is charged to USoA account 1555.

On Exhibit 1/Tab 3 /Schedule 2/Appendix B page 1, under the table “Pro Forma Financial Statements at December 31, 2008”, Brantford Power indicates that the December 31, 2008 balance for the account “1555-Smart Meter Capital Variance Account” is a credit of \$141,548 and for the account “1556-Smart Meters OM&A Variance Account” a debit of \$12,306.

- a) Please provide a breakdown for the 2008 capital budget of \$140,000 for the cost categories identified by Brantford Power above in Exhibit 2/Tab 3/Schedule 1 starting at page 33.
- b) Please provide a reconciliation of the December 31, 2008 credit balance of \$141,548 for USoA account 1555 with the 2008 cost of \$140,000 and the collection of the smart meter adder revenue from the customers, starting with the opening credit balance of \$150,512 for January 1, 2008.
- c) Please confirm whether \$505, the difference between \$12,306 for December 31, 2008 and \$11,801 for December 31, 2007, represents the carrying charges in 2008 for USoA account 1556. If not, please explain.

5.3 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 3

On page 9, under the title “2006 Actual to 2007 Bridge Year”, Brantford Power provides a table for account “5065-Meter Expense” where a variance of \$186,726, between \$544,927 for 2007 bridge year and \$359,201 for 2006 actual, is reported and explained as follows:

- “Typical change in business unit work plans and priorities from year to year resulting in increase in labour and material costs from 2006 Actual to 2007 Bridge Year;
 - Increases in standard fleet charges for vehicles used by Meter Technicians.”
- a) Please confirm whether the correct amount for 2007 bridge year meter expense is \$545,927, instead of the \$544,927 as reported above.
 - b) Please explain the 2007 increase of \$186,726, (52.0% increase) from the 2006 actual for meter expense and state whether any is associated with smart metering activities. If any is smart metering associated costs, please explain these smart meter costs in full and provide their dollar impact.

5.4 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 1

On page 1, under “OM&A Cost Table”, Brantford Power shows a negative variance of \$51,551for “5065-Meter Expense”., Please explain whether any of the 2008 decrease of \$51,551, for meter expense is associated with smart metering activities; if so, please explain these smart meter costs in full and provide their dollar impact.

5.5 Ref: Exhibit(s)Exhibit 2/Tab 2/Schedule 1 Page 10,

The following table is a partial representation from the evidence for Account 1995, Contributions and Grants –Credit:

Table 13

	2006 Actual Gross Asset Value	Accumulated Depreciation	Net Book Value
1995-Contributions and Grants - Credit- Adjustments	0	0	0
1995-Contributions and Grants - Credit-Closing Balance	(1,015,463)	65,273	(950,190)
Average	(70,948)	3,910	(67,038)
Total	(2,030,926)	130,546	(1,900,380)

(Please note that the figures for “Total” are exactly double of those under title “Balance”).

- What are the meanings or definitions of line titles “Average” and “Total” for A/C No. 1995?
- Please demonstrate how the figures for “Average” are calculated.
- Please demonstrate how the figures for “Total” are calculated and why these figures are double those shown under “Balance”.
- Please identify what the figures under “Average” and “Total” represent.
- What are their effects on the rate base? Please demonstrate with an example.

5.6 Ref: Exhibit(s)Exhibit 2 /Tab 3 /Schedule 1

On page 34, Brantford Power provides a table, indicating that the 2008 “enhancement” cost for the Smart Meter Project Planning will be \$140,000 which is charged to USoA account 1555.

- Please confirm whether Brantford Power is requesting to maintain its current Smart Meter Rate Adder of \$0.28 per month per metered

customer which was approved by the Board on April 12, 2007 in EB-2007-0510;

- b) If not, what is the amount of the Smart Meter Rate Adder that Brantford Power is proposing for 2008? Please provide justification for the amount of this Smart Meter Rate Adder.
- c) If Brantford Power is intending to recover these costs other than through the Smart Meter Rate Adder, please explain.

6 CONSERVATION AND DEMAND MANAGEMENT

6.1 Ref: Exhibit(s)Exhibit 5/Tab 1/Schedule 3 Appendix page 4

Please confirm that the 2006 result for "TRC Net Benefit" should be \$458,182 and not \$456,683.

7 PILS

7.1 Ref: Exhibit(s)General

- a) For the 2006 tax year, please provide the following:
 - i Actual federal T2 tax return and supporting schedules filed with the Ontario Ministry of Finance – signed original and any returns that were subsequently amended and re-filed;
 - ii Actual Ontario CT23 tax return and supporting schedules filed with the Ministry of Finance – signed original and any returns that were subsequently amended and re-filed. Please do not include any personal information for any individuals involved in apprentice training, etc.;
 - iii Financial statements that were submitted with the tax returns to the Ministry of Finance;
 - iv Notices of Assessment, and any Notice(s) of Re-assessment, including Statement of Adjustments, received from the Ministry of Finance for the 2006 tax year; and
 - v Any correspondence between the Ministry of Finance and Brantford regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review.
- b) Brantford used a combined income tax rate of 34.5% in its application for 2008. On December 14, 2007 federal Bill C-28 received Royal Assent. The federal tax rate for the applicant is now 19.5% effective

January 1, 2008. Will the applicant use the new enacted income tax rates when it files its draft rate order?

- c) Please provide the calculation of the Cumulative Eligible Capital deduction amount for 2006, 2007 and 2008.

7.2 Ref: Exhibit(s)Exhibit 4/Tab 3/Schedule 1 pages 1-2 Ontario Capital Tax (OCT) PILs

- a) Please provide the calculation of OCT, and explain the source of the taxable capital amount, the exemption deducted, and the tax rate selected.

7.3 Ref: Exhibit(s)Exhibit 4/Tab 3/Schedule 1

- a) The regulatory net income reported for 2006 Actual is \$4,445,802, 2007 Bridge \$3,375,450, and 2008 Test \$2,843,537. Please explain the significant decline in net income from 2006 to 2007. Please explain the decline from 2007 to 2008.
- b) The depreciation and amortization numbers used to calculate PILs are not supported by the information on the following exhibits:
Exhibit 4/Tab 1/Schedule 2 page 1; Exhibit 4/Tab 2/Schedule 7 page 1;
Exhibit 1/Tab 3/Schedule 2 App A page 7; Exhibit 1/Tab 3/Schedule 2 App B page 7.
 - i Please provide a table that shows the calculation of the amortization amounts that were used to calculate income tax PILs.
 - ii Please explain how the numbers agree, or disagree, with other aspects of depreciation and amortization shown in this application.
- c) For "Other" additions shown in 2006, 2007 and 2008, please provide a table that identifies each item included in the respective totals of \$2,680,126, \$4,903,079, and \$1,831,333 and explains the following:
 - i Why it should be allowed as an addition.
 - ii If any of the addition items relates to regulatory asset recoveries, the regulatory precedent that would allow this specific addition.
- d) For "Other" deductions shown in 2006, 2007 and 2008, please provide a table that identifies each item included in the respective totals of \$92,020, \$1,462,555, and \$254,102. Please explain the reasons for each deduction.

7.4 Ref: Exhibit(s)Exhibit 4/Tab 3/Schedule 3 pages 3-8.

- a) Please provide a table that shows the categories of capital expenditures applied for in this application, totals for each year 2006, 2007, 2008, and how these amounts were allocated to the additions column in the capital cost allowance (CCA) schedules for 2006, 2007 and 2008.
- b) Please provide a table showing the movement in construction work in progress (CWIP) from 2006 to 2008.

8 FORECASTING

8.1 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 1 page 1

On page 1, Brantford Power states that the weather normalization that was generated was performed by Hydro One. Please provide the Hydro One report and any spreadsheets containing data supporting the calculation of the normalized historical load.

8.2 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2

In pages 1 to 5 Brantford Power explains how it developed its 2008 load forecast. While some details are missing, the essential approach used for the weather sensitive loads appears to be that Brantford Power:

- c) Determined the 2008 forecasted customer count for each customer class,
- d) Determined the weather-normalized retail energy for each customer class for 2004,
- e) Determined the 2004 retail normalized average use per customer ("retail NAC") for each class by dividing each of the weather-normalized retail energy values by the corresponding number of customers/connections in each class existing in 2004,
- f) Applied the 2004 retail NAC for each class to the 2008 Test Year without modification, and
- g) Determined the 2008 Test Year energy forecast for each customer class by multiplying the applicable 2004 retail NAC value for each class by the 2008 forecasted customer count in that class.

Please:

- h) Confirm that the above is the essence of Brantford Power's load forecasting methodology for weather sensitive loads,

- i) Differentiate the approach used for weather sensitive loads from that used for non-weather sensitive loads, and
- j) Fully correct any errors in the above explanation.

8.3 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2 pages 3 - 5

In page 3, Table 3.2.2-3, Brantford Power shows the calculation of the retail NAC for the three customer classes it considers to be weather sensitive. As described in the previous interrogatory, it appears that Brantford Power then applied the 2004 retail NAC for each weather sensitive class to the 2008 Test Year (and the 2007 Bridge Year) without modification. In page 5, Table 3.2.2-4, Brantford Power appears to multiply the retail NAC by the forecasted customer count for 2007 and 2008 to obtain the respective kWh load values. While the foregoing is Board staff's understanding of the calculation that Brantford Power employed, Board staff is not able to replicate the values in the tables mentioned.

For each of the three weather sensitive classes, please:

- a) Show the detailed calculation of the "Weather Normal Wholesale kWh (2004)" values shown in Table 3.2.2-3,
- b) Show the detailed calculation of the "Retail NAC" values shown in Table 3.2.2-3,
- c) Show the detailed calculation of the "kWh" values shown in Table 3.2.2-4,
- d) Re-file Table 3.2.2-3, Table 3.2.2-4 and any other tables in the application as may be necessary to correct any calculation errors or changes, and
- e) Provide any additional information necessary to clarify the calculations made by Brantford Power with respect to items a) to d) above.

8.4 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2 page 3

Brantford Power outlines on page 3 the method used for determining the class loss factors. Please provide:

- a) The rationale and detailed description of this process, and
- b) Supporting source values and calculations.

8.5 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2 page 4

Brantford Power notes on page 4: "Billed kW is estimated based on a load factor calculated using a ratio of historical billed kW to historical retail kWh, by class." Please provide:

- a) The rationale and detailed description of this process, and
- b) Supporting source values and calculations.

8.6 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2 page 1

Exhibit 3/Tab 2/Schedule 5 page 1

In Exhibit 3/Tab 2/Schedule 2 page 1 Table 3.2.2-1, the 2006 number of customers in various customer classes differ from the corresponding number in the table on Exhibit 3/Tab 2/Schedule 5 page 1.

Please:

- a) Clarify which numbers are correct, and
- b) Re-file any tables in the application that may require to be updated as a result of the clarification.

8.7 Ref: Exhibit(s)Exhibit 3/Tab 2/Schedule 2

Brantford Power explains how it determined the 2004 retail normalized average use per customer ("retail NAC") for each class and apparently used this value for other years also. This does not appear to adequately weather-normalize the energy usage in historical years and does not allow for the possible change in energy usage per customer over the 2002 – 2008 period due, for example, to Conservation and Demand Management. The minimal amount of weather normalization and the constant retail energy assumption could potentially lead to forecasting errors.

- a) Please file a data table for the historical years 2002 to 2006 (and for the year 2007 if the actual values are available) that shows:
 - i the actual retail energy (kWh) for each customer class in each year,
 - ii the weather normalized retail energy (kWh) for each customer class in each year (where, for the customer classes that Brantford Power has identified as weather sensitive, the weather normalization process should, as a minimum, involve the direct conversion of the actual load to the weather normalized load using a normalization factor for that year and not rely on results for any other year),
 - iii the values of the weather normalization factors used,

- iv the customer count for each class in each year,
 - v the retail normalized average use per customer for each class in each year based on the weather corrected kWh data in item ii. above, and
 - vi as a footnote to the table, the source(s) of the weather correction factors.
- b) Please file a data table for the 2002 to 2008 period that:
- i Utilizes the retail normalized average use per customer values for each class in each year obtained in a) v. above for the historical years 2002 to 2006,
 - ii Includes 2007 and 2008 actuals/projections for the retail normalized average use per customer values (where, for each of the weather-sensitive classes, this is based on trends in the data) for each class, and
 - iii Includes a footnote to the table, for each of the weather-sensitive classes that describes in detail the trend analysis performed in ii. above.
- c) Please file an updated version of the historical/forecast table in Exhibit 3/Tab 2/Schedule 2 page 5, Table 3.2.2-4, utilizing the weather corrected data determined in b) above.

9 LOSS FACTORS:

9.1 Ref: Exhibit(s)Exhibit 4/Tab 2/Schedule 8 Page 1

Exhibit 1/Tab 1/Schedule 2, Appendix A, Page 2

Tariff of Rates and Charges, Effective May 1, 2006, pages 3 & 4 (RP-2005-0020, EB-2005-0342)

Exhibit 4/Tab 2/Schedule 8 Page 1 provides a calculation of actual distribution loss factors (DLF) for 2002 to 2006 and the proposed DLF, total loss factors (TLF) and Supply Facility Loss Factor (SFLF) for 2008.

Exhibit 1/Tab 1/Schedule 2, Appendix A, Page 2 provides the proposed TLF for 2008. The Tariff of Rates and Charges, Effective May 1, 2006, pages 3 & 4 (RP-2005-0020, EB-2005-0342) provides the approved TLF for 2006.

- a) In the 1st reference, please confirm if the figures provided in row H titled "Distribution Loss Adjustment Factor" for years 2002 to 2006 are the approved TLF figures related to secondary metered customers greater than 5,000 kW for the respective years:

- i If this is correct, please re-word the row title.
 - ii If this is not correct, please explain the purpose of the row H figures as distribution loss adjustment factors are addressed in row G. Please also explain the calculation method used to obtain the row H figures.
- b) Please provide the loss factors in rows G and H of Exhibit 4/Tab 2/Schedule 8 page 1 with 4 decimal places rather than 2 decimal places.
- c) In light of the downward trend of Brantford Power's DLF as shown in row G in Exhibit 4/Tab 2/Schedule 8 Page 1:
 - i Please explain the rationale for proposing that the TLF for 2008 for secondary metered customers < 5,000 kW be 1.0409 rather than some lower factor such as 1.0370 which is the approved TLF for 2006.
 - ii Please describe any steps that are contemplated to sustain the downward trend of DLF.

10 COST ALLOCATION

Revenue Offset – Revenue from the Embedded Distributor

10.1 Ref: Exhibit(s) Exhibit 1/Tab 1/Schedule 12

- a) Please provide a brief description of Brantford Power's facilities that are used totally or in part by the embedded distributor Brant County Power Inc
- b) Please provide a history, beginning in 2004 if applicable, of energy delivered to Brant County Power Inc. as an embedded distributor.
- c) Please provide information on revenue received from Brantford County Power Inc. as an embedded distributor
- d) Please confirm that any revenue from Brant County Power Inc. is used as a revenue offset, to determine the base revenue requirement to be collected from Brantford Power's distribution customers, and indicate how that calculation is made in this application.

Cost Allocation Mechanics

10.2 Ref: Exhibit(s) Exhibit 8/Tab 1/Schedule 2

Please file the "rolled-up" public version of Run 2 of the Informational cost allocation model EB-2007-0001 as an official part of the record of this

application. The hard copy reply needs to include only the Manager's Summary, input tables (Sheet I3 – I8), and output tables Sheets O1 and O2. The electronic reply should include all worksheets.

**10.3 Ref: Exhibit(s) Informational Filing EB-2007-0001 / Sheet O1
'Revenue to Cost Summary worksheet'**

- a) Please describe the nature of the costs that are allocated to the Embedded Distributor customer category by Brantford Power in its Informational filing, which add up to a class revenue requirement of approximately \$300,000 in the Informational Filing.
- b) Considering that the revenue to cost ratio for the Embedded Distributor class is 5.84% in the Informational filing, virtually all of the apparent revenue in 2004 was an allocation of Miscellaneous Revenue which may in actuality have been collected from all the other customer groups assumed in the model. Please describe any studies or other steps that Brantford Power has taken since to ensure that its distribution customers are treated fairly relative to the embedded distributor. In particular, has Brantford Power sought approval of rates to be paid by the Embedded Distributor class for the wheeling service provided through its facilities?

11 RATE DESIGN

Issue 11.1 Streetlighting

**11.1 Ref: Exhibit(s) Exhibit 8/Tab 1/Schedule 2/ page 2,
Exhibit 9/Tab 1/Schedule 9 Appendix A page 12**

- a) Please provide the justification for increasing the distribution rates for Streetlighting by only the same percentage as all other classes, considering that it has a revenue to cost ratio of less than 37%, and that the total bill impact for Streetlighting in the application is -15.3%
- b) Please provide an alternative set of revenue to cost ratios, in which rates and revenues from Streetlighting are increased to yield a revenue to cost ratio of 70%, and revenue is decreased by an equal amount from one or more of the classes that have a ratio above 100%.

Issue 11.2 Retail Transmission Service Rates

**11.2 Ref: Exhibit(s) Exhibit 1/Tab 1/Schedule 12,
Exhibit 9/Tab 1/Schedule 3 page 1**

Please provide a description of how the changed cost of wholesale transmission delivered to the Brantford Transformer Station pursuant to the Ontario Uniform Transmission Rate Order EB-2007-0759 is reflected in the Retail Transmission Service rates described in Exhibit 9, and how the changed cost will be reflected in the Applicant's settlement with the Embedded Distributor.

12 DEFERRAL AND VARIANCE ACCOUNTS

12.1 Ref: Exhibit(s) Exhibit 5/Tab1/Schedule 2 page1 & 2,
Exhibit 5/Tab1/Schedule 3

- a) Please identify the specific dates for the opening balance, carrying charges, net accruals, adjustments and ending balance columns referred to in this exhibit.
- b) Please provide allocations and rate rider calculations, by individual account, for regulatory deferral and variance accounts being requested for disposition.

12.2 Ref: Exhibit(s) Exhibit 1/Tab1/Schedule 5 pages 4-5
Exh5/Tab1/Sch2&3

Brantford Power is requesting disposition of its deferral and variance accounts as at April 30, 2008.

- a) Please provide, for each deferral and variance account, the balances including principal and interest as at December 31, 2006 plus interest from January 1, 2008 to April 30, 2008
- b) Please provide allocations and rate rider calculations, by individual account, using balances as at December 31, 2006 plus interest from January 1, 2007 to April 30, 2008.
- c) Exh5/Tab1/Sch2/Pg1&2 does not state the date of the balances nor does it differentiate between accounts that are proposed to be disposed and those that are not to be disposed. Please revise this schedule to detail which accounts will be cleared and the time period that the schedule refers to.

Note: Please provide the volume used (kWh, kW, customers, etc.) when calculating the rate riders – please refer to Interrogatory 12.2 and 12.3.

12.3 Ref: Exhibit(s) Exhibit 1/Tab 1/Schedule 5 page 4,
Exhibit 5/Tab 1/Schedule 3 page 3

The APH states that carrying charges are not permitted in accounts 1565 – CDM Expenditures and Recoveries and 1566 – CDM Contra Account after February 28, 2005. However from the calculation of deferral and variance account balances by account in Exhibit 5/Tab1/Schedule 2 pages 1 & 2, it is not clear whether carrying charges are incurred on the accounts after this date.

- a) Is Brantford Power calculating carrying charges on these accounts after February 28, 2005?
- b) If yes, please restate the balances on the attached continuity schedule spreadsheet in interrogatory 12.8 and Exhibit 5/Tab1/Schedule 2

12.4 Ref: Exhibit(s) Exhibit 1/Tab3/Schedule 2 Appendices A & B
Exhibit 5/Tab1/Schedule 2 pages 1-2

The accounting guidelines in the December 2005 FAQ #3 of the APH require that an accounting entry in Account 1565 is offset by an entry in Account 1566. In the 2007 and 2008 pro forma financial statements and in Exhibit 5/Tab1/Schedule 2 page 1, the balances of Account 1565 do not equal the balances in Account 1566. Please explain why.

12.5 Ref: Exhibit(s) Exhibit 5/Tab1/Sch1 page 8

In the 2006 EDR, Brantford Power requested disposition of the balance of account 1571 based on the unadjusted 2004 balance. Subsequent to the 2006 EDR Decision and Order Brantford Power had an independent review on their accounts and reallocations were made that affected the balance of this account.

- a) Please provide a schedule detailing all the accounts adjusted to support the restatement of account 1571.
- b) Please explain in detail the reasons for this adjustment.
- c) Were there any other accounts adjusted from 2006 EDR approved balances. Please explain the reasons for these adjustments.
- d) What is the regulatory precedent for the Board approving these prior period adjustments?
- e) Please provide a schedule detailing all adjustments that were made to any of the 2006 EDR approved balances.

12.6 Ref: Exhibit(s) Exhibit 5/Tab1/Schedule1 pages 8-9

Brantford Power is requesting that the definition of Account 1592 be expanded to record such items as the impacts to PILs and taxes arising from

non discretionary changes in generally accepted accounting principles (GAAP) or in changes in the provisions of the APH. There are also other changes requested.

- a) What is the regulatory precedent for the collection of these costs in this deferral account?
- b) What is the justification for the change to this account?
- c) What are the journal entries to be recorded?
- d) When does Brantford Power plan to ask for its disposition?
- e) How does Brantford Power plan to allocate this amount by rate class?
- f) Are these costs known? If yes, please identify the costs.
- g) If not, what would be the basis of the approval to record these amounts in this deferral account?
- h) What new or additional information is available, since the original filing this application that would improve the Board's ability to make a decision to approve the recording of these costs or fees in this deferral account?

12.7 Ref: Exhibit(s) Exhibit 5/Tab1/Schedule 3 pages 1-3

Brantford Power stated that its Low Voltage Variance is captured in account 1551 on Exhibit 5/Tab1/Schedule 3. The account descriptions for deferral and variance accounts on this schedule did not list which accounts were used to capture this variance before May 1, 2006 and after May 1, 2006.

- a) Should Account 1550 in Exhibit 5/Tab1/Schedule 3 page 1 be used instead of Account 1551 for the Low Voltage Variance Account?
- b) For low voltage costs from Hydro One before May 1, 2006, what account was used?
- c) What account did Brantford Power use after May 1, 2006 what account was used?

12.8 Ref: Exhibit(s) Exhibit 5/Tab1/Schedule 3

Brantford Power is requesting disposition of regulatory variance accounts in this exhibit. Most of the totals do not agree to totals reported to the Board under element .2.1.1 of the Reporting and Record Keeping Requirements for the period ending December 31, 2006. Please provide the necessary information in the attached excel spreadsheet continuity schedule for all regulatory assets and provide a further schedule reconciling the continuity

schedule with the amounts requested for disposition on Exhibit 5/
Tab1/Schedule3. Please note that forecasting principal transactions beyond
December 31, 2006 and the accrued interest on these forecasted balances
and including them in the attached continuity schedule is optional.