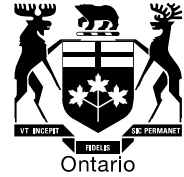


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BY E-MAIL

December 30, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Questions for the Technical Conference
Norfolk Power Distribution Inc.
2012 Electricity Distribution Revenue Requirement and Rates
Board File No. EB-2011-0272**

In accordance with Procedural Order No. 2, please find attached Board staff questions indicating Board staff's areas of interest to be pursued in the Technical Conference to be held on Thursday January 12, 2012. Please forward the attached to Norfolk Power Distribution Inc. and to all intervenors in the proceeding.

Yours truly,

Original signed by

Harold Thiessen
Case Manager

Attachment

Norfolk Power Distribution Inc.
EB-2011-0272
Board Staff Technical Conference Questions
December 22, 2011

Board staff is requesting further clarification and information regarding the following Norfolk Power interrogatory responses.

MIFRS

1. Depreciation
Ref: Board Staff Interrogatory #17

As per the July 8, 2010 Letter from the Board, "Depreciation Study for Use by Electricity Distributors, Consultant Final Report EB-2010-0178 – Transition to International Financial Reporting Standards", distributors are to have identified asset service lives that meet the International Accounting Standards Board (IASB) requirements.

Has Norfolk Power's external auditor agreed that the useful lives as proposed by Norfolk Power for MIFRS purposes meet the IASB requirements? Please explain and provide support.

2. PP&E Deferral Account
Ref: Board Staff Interrogatory #76 & Energy Probe Interrogatory #6e
Exhibit 9/Tab7/Sch1
EB-2008-0408 Addendum to Report of the Board:
Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment

Regarding the PP&E Deferral Account, on page 32 of the Addendum, the Board stated:

"Amortization of the adjusting amount, up or down, shall be reflected in any applicable rate application as an adjustment to depreciation expense (the refund or recovery of the amount of the adjustment over time) and the return on rate base calculation on the unamortized balance shall be included in applicable revenue requirement calculations..."

- a) Please update Norfolk Power's evidence to clear the PP&E Deferral Account as an adjustment to depreciation expense in the test year, rather than through a rate rider, as per the balance in the PP&E Deferral Account calculated:

- I. In the response to Board Staff Interrogatory #76, updated with the return on rate base calculated on the balance in the PP&E Deferral Account (difference in net book value CGAAP vs MIFRS) instead of on the average balance in the PP&E Deferral Account
- II. In the response to Energy Probe Interrogatory #6e, updated with the return on rate base calculated on the balance in the PP&E Deferral Account (difference in net book value CGAAP vs MIFRS) instead of on the average balance in the PP&E Deferral Account
- III. Through any other updates to Norfolk Power's evidence from other responses to Technical Conference Questions or interrogatories that impact depreciation, opening PP&E, additions, etc. on both a MIFRS and CGAAP basis

3. Employee Benefits

Ref: Board Staff Interrogatory #62

- a) Please provide the full actuarial valuation report as at January 1, 2011 which was expected to be completed in December 2011 or January 2012. Please confirm if Norfolk Power's external auditors have audited the report. Please provide supporting documentation.
- b) What is the accounting treatment of the unamortized actuarial gains and losses and past service costs at the date of the transition (January 1, 2011)? What is the proposed regulatory treatment of these amounts – are these amounts incorporated anywhere in the revenue requirement? Please explain.
- c) How were unamortized actuarial gains and losses treated under CGAAP and in rates in Norfolk Power's prior rate applications?
- d) If Norfolk is electing to use the IFRS 1 exemption for employee future benefits for first time adoption, please explain in detail why it is necessary for Norfolk to use the exemption under IFRS 1 for employee future benefits. Please explain the implications if the election is not used by Norfolk Power.
- e) What is the employees' average remaining service life?

Deferral and Variance Accounts

4. Account 1572 – Extraordinary Event Costs

Ref: Board Staff Interrogatory #70 Exhibit 9/Tab4/Sch1 Exhibit 9/Appendix B

a) General

- i) If the Board does not approve recovery of the principal amount of \$232,235 (plus carrying charges) for extraordinary event costs, or approves a different amount to be recovered in rates, how does Norfolk Power plan to record the disallowed costs in the Uniform System of Accounts? Please explain.

- ii) Does Norfolk Power agree that:
 - a. \$0 should be recorded in Account 1572 if the Board does not approve recovery of the requested extraordinary event costs? Please explain.
 - b. A different number rather than \$232,235 (plus carrying charges) should be recorded in Account 1572 if the Board approves recovery of a partial amount? Please explain.
- iii) Why is Norfolk Power proposing clearance of Account 1572 over 1 year period? Please explain.
- iv) Did Norfolk Power consider a longer recovery period such as 2 or 3 years or longer for recovery of Account 1572? If not, why not? If so, what are the rate impacts?

b) Prudence

- i) As per Exhibit 9, Appendix B, page 2, what does Norfolk Power mean by "regular labour deemed non-incremental" which is subtracted from the total labour costs included in the balance requested in Account 1572?
- ii) As per Exhibit 9, Appendix B, page 2, why is Norfolk Power including 136.5 overtime hours for management? Please explain.
- iii) Why does Norfolk Power believe it is prudent to seek recovery of overtime hours for management? Please explain.

c) Materiality

- i) Please demonstrate that Norfolk Power has been adversely impacted from a cash flow perspective from incurring \$232,235 in extraordinary event costs. Please explain.
- ii) If Norfolk Power has been adversely impacted from a cash flow perspective, please provide supporting cash flow statements.
- iii) Please state how the extraordinary event costs were financed. Please explain.

d) Causation

- i) Please confirm the following. If the following is not the case, please explain.
 - a) \$41,228 of Material costs were incurred in the Extraordinary Event Costs balance requested for recovery of \$232,235.
 - b) There were no other Material costs incurred and included in the Extraordinary Event costs balance requested for recovery of \$232,235.
 - c) \$140,831 of "LDCs and Outside Contractors costs" were incurred in the Extraordinary Event Costs balance requested for recovery of \$232,235. No Material costs were included in this balance of \$140,831.
 - d) The \$41,228 of Material costs were related to overhead conductors, overhead wires, poles which are considered to be capital assets.

- ii) Please comment on the physical condition of the assets shown in Exhibit 9, Appendix B, page 2. Please provide information on the age of these assets that were exposed to the storm and were subsequently replaced. Please provide detail on the following:
- a) If the assets were fully depreciated, please explain why Norfolk Power is seeking recovery of such assets which were going to be replaced nevertheless. Please explain and provide dollar amounts.
 - b) If the assets were partially depreciated, please propose a mechanism for recovery of the asset, based on the portion of the asset that has not yet been depreciated. Please explain and provide dollar amounts.
 - c) If the assets were new, please explain and provide dollar amounts.

5. Conditions of Service

Ref: Board Staff Interrogatory #2

In this response, Norfolk Power indicates that the Conditions of Service may reference that other charges/tariffs may be applicable, depending on the condition, but Norfolk Power doesn't publish any specific rates. Please provide specific examples of these references and also indicate what these other charges/tariffs may be.

6. Miscellaneous Overhead Projects

Ref: Board Staff Interrogatory #9

In this response, Norfolk Power indicates that it is difficult to quantify the degree of plant which is replaced via the "run to failure" strategy. Is it possible to provide a broad estimate of this percentage?

7. Green Energy Plan Investments for 2011/2012

Ref: Board Staff Interrogatory #20

Can Norfolk Power provide an update to this table including the final results for 2011? Will the final results for 2011 affect the plans/targets for 2012 as shown at Exhibit 2/Tab3/Sch 2/ page 56?

8. Subdivision Development Investment for 2012

Ref: Board Staff Interrogatory #21

Can Norfolk Power provide a further update to this response, considering that 2011 is now complete? Is further clarification available on the level of subdivision development in 2012 and the related capital contributions?

9. Reliability Indices

Ref: Board Staff Interrogatory #29

In this response Norfolk Power provides an update to its SAIDI and SAIFI results for 2011. It appears that the 2011 Targets will not be met.

- a) Please provide the main reasons for not meeting the targets.

- b) Can Norfolk Power provide the 2011 year-end results? If so, please provide.
- c) The response indicates that the 2012 targets will not be set until a Norfolk Power December Board meeting. Please provide the targets and any background information on the targets for 2012.

10. Load Forecast

Ref: Board Staff Interrogatory #41

In this response Norfolk Power provides Actual purchased power figures for the January to August period. Please provide an update to the table for year-end 2011. Does Norfolk Power believe the current 2012 forecast is still viable?

11. CDM Savings

Ref: Board Staff Interrogatory #43

Please provide an update to the kWh savings achieved in 2011. Does Norfolk Power believe that the 2012 target is still viable?

12. Customer Numbers

Ref: Board Staff Interrogatory #44 & Energy Probe Interrogatory #17

Please provide an update to customer connection growth achieved in 2011 by updating the table found in the Energy Probe Interrogatory response. Does Norfolk Power believe that the 2012 forecast is still viable? Why or why not?

13. Late Payment Charge Revenues

Ref: Board Staff Interrogatory #46

Please provide an update to the Late Payment Charge Revenue expected in 2011. Does Norfolk Power believe that the 2012 target of \$138,000 is still viable?

14. Operating Costs

Ref: Board Staff Interrogatory #49

Please provide an update to the table shown in this response for year-end 2011 amounts. Please explain significant variances from forecast and how the forecast Operating Costs for 2012 may be affected.

- end-