2008 Electricity Distribution Rates
Board Staff Interrogatories
Erie Thames Powerlines Corporation (Erie Thames)
EB-2007-0928

SUPPLEMENTAL INTERROGATORIES

SHARED SERVICES

1. Ref: Exh 4 /Tab 2/ Sch 4

In its response to Board staff interrogatory #12 in Schedule 12 entitled "Affiliate Transactions", Erie Thames provided details of the transactions, summarized in the table below:

	2006 Actual	2007 Bridge	2008 Test
Erie Thames Service Corp.	$2,979,797	$3,030,390	$2,974,753
Erie Thames Power Corp.	$723,165	$848,003	$986,643
RDI Consulting Inc.	$35,406	$70,812	$72,228
Utilismart Corporation	$57,600	$115,200	$117,504
Total	$3,795,968	$4,064,405	$4,151,128

(i) Please confirm that Erie Thames agrees with the summary of Schedule #12 contained in the above table or, if not, please make any necessary corrections and provide explanations.

(ii) In response to Board staff interrogatory #13, Erie Thames provides Schedule #13, which includes a line item "Total Expenses Paid to Affiliates." These amounts are $3,576,432, $3,828,360, and $3,951,866 for 2006, 2007 and 2008 respectively. Please provide a reconciliation between these numbers and those contained in Schedule 12 and summarized above.

2. Ref: Exh 4 / Tab 2 / Sch 4

Erie Thames describes the cost allocator for OM&A services received from Servco as "Fixed Price Per Customer." These costs were also stated to "represent a 2% reduction in per customer costs."

(i) Board staff interrogatory # 14, part (a) asked Erie Thames to provide a detailed description of how the fixed price was determined. Erie Thames's response was that:

"The fixed price was determined during the onset of deregulation of the Ontario market and utilized the cost base from 1999 and determined a fixed price per customer based on

1999 customer counts. The fixed price is included in the MSA between Erie Thames and ETS."

(a) Please provide a detailed explanation of how the fixed price was determined including the components of the cost base for 1999 that were used and an illustrative calculation of how the fixed price would be determined using the 1999 customer counts and the charges outlined in Schedule B of the Master Services Agreement. Please also provide updated Schedule B calculations for years subsequent to 2003.

(b) Please discuss what provisions exist for updating the calculation for changes that may have occurred since 1999, or if no such provisions exist, please explain why Erie Thames does not consider them necessary.

(ii) Part b of the same interrogatory asked the Applicant to explain what was meant by the above-referenced 2% reduction in customer costs. Erie Thames's response was that:

"The 2% reduction referenced in this schedule relates to the actual fixed charge per customer billed to Erie Thames was reduced by 2% and has since reached its lowest point as per the MSA. There was an increase in this amount since the 2% reduction in the fixed charge as detailed in the MSA has completed and since this is a per customer charge the total amount has escalated with the addition of customers."

(a) Please provide a detailed explanation as to how the 2% reduction was determined and why it was considered to be reasonable

(b) Please state where in the Master Services Agreement the reduction is outlined

(c) Please clarify the interrogatory responses that this charge "has since reached its lowest point as per the MSA" and "There was an increase in this amount since the 2% reduction in the fixed charge as detailed in the MSA has completed."

3. Ref: Exh 4 / Tab 2 / Sch 4

Board staff interrogatory # 15a asked Erie Thames to provide a detailed explanation for the 74% increase in Executive Services costs in the 2006 to 2008 period. In its response, Erie Thames referred staff to its response to Board staff interrogatory # 1 which does not explain why these costs increased. Please provide the requested detailed explanation.

SERVICE RELIABILITY

4. Ref: Response to Board staff Interrogatory #26 – Service Reliability

In its response to the request for its reliability performance as measured by Service Reliability Indicators reported to the Board, Erie Thames provided a spreadsheet in

Schedule #26. The following annual performance results are summarized from Schedule 26 in the table below:

	SAIDI	SAIFI	CAIDI
2002	3.75232	0.63372	5.92112
2003	1.99239	0.51835	3.84374
2004	0.68405	0.05469	12.50842
2005	1.63168	0.84176	1.93842
2006	1.14667	0.61794	1.85562
2007	3.14182	2.07892	1.51128

Board staff observes from the data in the table that:

In 2005 the SAIFI figure exceeded the range of performance in the prior three years (2002-4).

In 2007 both the SAIDI and the SAIFI exceeded the range of performance in the prior five year period (2003-6).

a. Erie Thames responded to Board staff Interrogatory #26 c) stating that “Erie Thames does not have reliability improvement targets”. Please advise whether Erie Thames seeks, at minimum, to remain “within the range of its historical performance” as called for by the Board in the 2006 Electricity Distribution Handbook at sec 15.2.1?

b. If Erie Thames does not have internal, operational targets for service reliability, how does Erie Thames try to meet the Board requirement that they maintain reliability within the range of historical performance?

c. Please advise whether Erie Thames has identified the causes of its unsatisfactory 2007 reliability performance relative to recent history and, if so, please provide an explanation of the causes. If the causes have not been identified, please explain why they have not been identified and when it expects to do so.

d. Please advise which projects in the 2008 capital expenditure program are directed towards dealing with restoring reliability performance within the range of historical levels prior to 2007?

ASSET CONDITION ASSESSMENT

5. Ref: Response to Board staff interrogatory #25 – Asset Condition Assessment

a. In Schedule 25A, in a diagram explaining Erie Thames’s Asset Investment Strategy, there is no mention of reliability as a trigger for a needs assessment. Is the identification of low reliability a factor for determining and committing capital expenditures? Please explain.

b. Please provide copies of any Asset Condition Assessment studies done in support of capital expenditures undertaken or forecasted in the historical, bridge and test years (i.e. for 2006 to 2008).

RATE BASE

6. Ref: Response to Board staff interrogatory # 19 - Rate Base Summary and Continuity Statements

The following table lists the average Net Fixed Assets listed in Schedules 19A – Rate Base Summary, 19B – Gross Assets, 19C – Continuity Statements and 19D – Materiality Analysis Calculation, provided in response to Board staff interrogatory #19 c).

	Schedule				
	19A	**19B**	**19C**		**19D**
Gross Fixed Assets			Total	Average	
2006 Actual	$ 20,412,048	$ 20,412,048	$ 20,412,047	$ 19,517,752	$ 20,412,047
2007 Bridge	$ 21,362,380	$ 21,362,380	$ 21,362,380	$ 20,887,214	$ 21,362,380
2008 Test	$ 22,388,786	$ 22,485,380	$ 22,485,380	$ 21,923,880	$ 22,485,380
Accumulated Depreciation					
2006 Actual	-$ 4,008,229		-$ 4,008,229	-$ 3,596,609	-$ 4,008,229
2007 Bridge	-$ 4,897,426		-$ 4,898,481	-$ 4,453,355	-$ 4,898,481
2008 Test	-$ 5,833,035		-$ 5,833,036	-$ 5,365,758	-$ 5,833,035
Net Fixed Assets					
2006 Actual	$ 16,403,819		$ 16,403,819	$ 15,921,144	$ 16,403,818
2007 Bridge	$ 16,464,954		$ 16,463,899	$ 16,433,859	$ 16,463,899
2008 Test	$ 16,555,751		$ 17,326,292	$ 17,232,597	$ 16,652,345
Working Capital Allowance					
2006 Actual	$ 5,339,877				
2007 Bridge	$ 5,460,063				
2008 Test	$ 5,597,256				
Rate Base					
2006 Actual	$ 21,743,696				
2007 Bridge	$ 21,925,017				
2008 Test	$ 22,153,007				

Please confirm and reconcile the following numbers:

a) Accumulated Depreciation of ($4,897,426) for the 2007 Bridge Year in Schedule 19A versus ($4,898,481) shown in Schedules 19C and 19D;

b) Net Fixed Assets of $16,464,954 for the 2007 Bridge Year in Schedule 19A versus $16,463,899 shown in Schedules 19C and 19D;

c) Net Fixed Assets of $16,555,751 for the 2008 Test Year in Schedule 19A versus $17,326,292 in Schedule 19C and $16,652,345 in Schedule 19D.

d) The Total Closing Balance for 2008 Net Fixed Assets is shown as $17,326,292 in Schedule 19C. However, Board staff believes that, based on arithmetic calculation the total (closing balance) for 2008 should be $16,652,344 ($22,485,380 - $5,833,036). Please confirm and reconcile.

e) The Total average Balance for 2008 Net Fixed Assets is shown as $17,232,597 in Schedule 19C. However, Board staff believes that, based on arithmetic calculation the total average balance for 2008 should be $16,558,122 ($21,923,880 - $5,365,758). Please confirm and reconcile.

f) Based on the numbers provided in the Schedules, it appears that the Rate Base determination shown in Schedule 19A is based on 2008 total (i.e. year-end) numbers. Please confirm and explain why Erie Thames is not using average in-service assets to determine its rate base and revenue requirement.

LOAD FORECASTING

7. Ref: Exhibit 3/ Tab 2/ Schedule 1/ page 1

On page 1, Erie Thames states that the weather normalization that was generated was performed by Hydro One.

Please provide the Hydro One report and any spreadsheets *received from* Hydro One containing data supporting the calculation of the normalized historical load. In particular, please provide any *summary reports* that the Applicant received from Hydro One that show the weather correction factors by class (as distinct from raw unprocessed data).

8. Ref: Exhibit 3/ Tab 2/ Schedule 1/ page 3

Erie Thames outlines on page 3 the method used for determining the class loss factors.

Please provide:
a) a detailed description of this process, and
b) the supporting values and calculations.

9. Ref: Exhibit 3/ Tab 2/ Schedule 1/ page 4

Erie Thames 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.” In response to Board Staff interrogatory #36, Erie Thames stated that “This process was not properly represented in Exhibit 3, Tab 2, Schedule 1, page 4” and briefly explains that that the process was actually based on a "NAC kW' approach that had not been previously mentioned in the evidence.

Please provide:
a) a detailed description of this process, and
b) show the calculation of the of the NAC kW values that the Applicant provided in response to first round Board Staff interrogatory #36 b).

10. Ref: Exhibit 3/ Tab 2/ Schedule 1/ pages 1 to 5

First round Board Staff interrogatory #37 stated: "In pages 1 to 5, the Applicant 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 to Conservation and Demand Management, for example. The minimal amount of weather normalization and the constant retail energy assumption could potentially lead to forecasting errors."

Erie Thames did not provide responsive information in the first round Board Staff interrogatory #37. The interrogatory seeks to substantiate the Applicant's forecast, so it is very important that it be addressed fully. Please provide the information requested below.

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 the Applicant has identified as weather sensitive, the weather normalization process should, at a minimum, involve the direct conversion of the actual load to the weather normalized load using a multiplier factor for that year *and not rely on results for any other year*);

iii. the values of the weather conversion 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:

i. utilizing 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. including 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. as a footnote to the table, for each of the weather-sensitive classes describe 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 1/ page 5, utilizing the *weather corrected* data determined in b) above.

LV COSTS

11. Ref: Response to Board staff Interrogatory # 42(b)

a. Please provide a detailed accounting of Erie Thames's LV costs at each embedded supply point for a representative recent month. Please use the format in Schedule # 42, but if there is more than one supply point at which the Shared Line charge is levied by the host distributor, please show the Billing Determinant at each such point. Similarly, if there is more than one LVDS used by Erie Thames, please show the individual details.

b. If the cost of LV service for the month is not approximately 1/12 of the projected cost at $512,713, please provide an explanation of the annual projection.

c. Please provide a description of the location of the specific line or lines, if they comprise a part of the projected 2008 cost.

d. Please provide an alternative calculation of the cost of LV service based on the assumption that rates would be those applied for by Hydro One (Reference: EB-2007-0681 / Exhibit G1 / Tab 4 / Schedule 4 / Table 1), either for the year or for the month shown in part a). For convenience, the monthly cost of Shared Line would be $0.58 per kW, Shared LVDS would be $1.24 per kW, and Specific Line would be $729 per km.

CUSTOMER CLASSIFICATION

12. Ref: Exhibit 8 / Tab 1 / Schedule 1, and response to Board interrogatory 41(a)

Schedule #41 A was provided by Erie Thames in response to the referenced interrogatory which requested information on the energy and revenue delivered to Hydro One as an embedded distributor. Please provide additional documentation and a detailed breakdown in sufficient detail so as to permit a considerable understanding of the issue.

a. Do the amounts of revenue, totaling more than $1 million dollars per year, include commodity billing, and/or Retail Transmission Service, and/or amounts billed per approved distribution rates?

b. Do the two amounts in Schedule 41 A, one measured in kWh and the other in kW, correspond to the two separate deregistered meter points mentioned in response to Energy Probe interrogatory # 2, or are the two points aggregated together? If the former, why is one of them reported in terms of energy rather than both in kW?

c. Is the proposal to treat the two delivery points mentioned in response to the Energy Probe interrogatory as two separate customers, or as a single customer?

13. Ref: Board staff interrogatory # 41

a. Please confirm that the Erie Thames approved rates did not reflect any revenue offset for revenue due to wheeling electricity to an embedded distributor.

b. Did Erie Thames's application for 2006 electricity distribution rates include the Hydro One delivery points as a GS customer and a Large Use customer, or as some other class of customer, or not at all?

c. If the latter, is it correct to conclude that, with Hydro One deregistering two meter points in December 2005, Erie Thames gained revenue from two significant "customers" that were not reflected in the 2002 – 2004 customer data that formed the basis for the 2006 application?

14. Ref: Exhibit 9 / Tab 1 / Schedule 8, and response to Energy Probe interrogatory # 2

If the proposed embedded customer(s) are currently treated as a GS 3000 – 4999 kW customer and a Large User, please provide an estimate of the total bill impact reflecting the rates currently in effect as the base, compared to the same load with the proposed Embedded Customer rates.

COST ALLOCATION

15. Ref: Board staff interrogatory # 42

Please file the rolled-up version of Run 3 of the cost allocation model.

RATE DESIGN

16. Ref: Exhibit 9 / Tab 1 / Schedule 6, page 3, and Schedule 8, page 9

The first reference estimates the total bill impact on Streetlighting at 64% for delivery. The second reference shows an increase of 586% for distribution, and a minimal decrease for other delivery costs. The same calculation includes very low commodity usage, and a total bill impact of 192.6%. Please confirm which reference is more correct, and please provide an updated detailed calculation of the total bill impact in place of the one in Schedule 8.

DEFERRAL AND VARIANCE ACCOUNTS

17. Ref: Board Staff IR 49

In its response to Board Staff Interrogatory #49, Erie Thames stated that it accrued costs in accounts 1580, 1582, 1584, and 1586 for Phases I and II of Hydro One's regulatory asset recovery as approved by the OEB. However, total Hydro One charges for Phase I and II of Hydro One's regulatory assets must be accrued in accounts 1586 as per the APH and December 2005 Frequently Asked Questions #8 and #9. Erie Thames is applying for disposition of account 1586.

a. Please indicate whether Erie Thames followed Board Guidance issued in December 2005 FAQ #8 and #9 pertaining to Hydro One charges for Phase I and II of Hydro One's regulatory assets.

b. If it did not, please restate the balances of 1580, 1582, 1584, and 1586 to conform with Board guidance.

c. Please show the impact, if any, of the transfer of regulatory assets approved in the 2006 EDR to account 1590 from 1580, 1582, 1584, and 1586.

18. Ref: Board Staff IR 49

From the regulatory asset continuity schedule in the response to Board Staff Interrogatory #49, it is unclear whether the transfer to account 1590 for the regulatory assets approved for disposition in 2006 EDR, actually occurred. $4,286,637 of regulatory assets was approved for disposition in 2006 EDR, and this transfer is not shown in the continuity schedule.

a. Please update the continuity schedule in interrogatory #49 to show the account balance, including those accounts that are not being requested for disposition.

b. If the total transfers to 1590 do not equal $4,286,637 (which is the 2006 EDR Board approved amount of regulatory assets), please provide a reconciliation schedule that reconciles the amounts shown in the continuity schedule with the approved Board amount. Please include and explanation of the causes for the differences.

19. Ref: Board Staff IR 46

The response to Board Staff IR 46 was insufficient. It did not include any description of the accounts being used by Erie Thames. Provide a description of each account being used by Erie Thames, with the exception of account 1588, for which a description is not required.

PARTNERSHIP WITH WEST PERTH POWER

19. With respect to the CNW news release dated March 12, 2008 regarding the partnership agreement between Erie Thames and West Perth Power, please advise the Board how this development may affect Erie Thames' current application and the rates it is seeking for 2008.