August 17, 2012

Board Staff Interrogatories
Erie Thames Powerlines Corporation
2012 Electricity Distribution Rates
EB-2012-0121

EXHIBIT 1- ADMINISTRATIVE DOCUMENTS

Ref: E1

a) Please confirm whether there are audited financial statements for the year ended December 31, 2011 available.

b) If so please provide a copy and update the following tables/appendices with the actuals for 2011.
   - Rate Base Summary Table (E2-T1-S2)
   - Appendix 2B (E2-T2-S1)
   - Gross Asset Table (E2-T2-S2)
   - Summary of Operating Revenue Table (E3-T1-S3)
   - Distribution Revenue Data p.3 (E3-T3-S4)
   - OM&A Costs Table Combined Entity (E4-T2-S1)
   - Appendix 2J (E4-T2-S2)
   - Appendix 2K (E4-T2-S4)
   - The 2011 year end balances for the accounts that appear in the Deferral and Variance Account Continuity Schedule (E9-T1-S4)

2) Ref: E1-T1-S3

The Notice of Application indicates that the proposed rates are to be effective September 1, 2012.

a) Please clarify whether Erie Thames will be seeking the recovery of any foregone revenue for the period between September 1, 2012 and the date that the new rates are implemented.

b) If Erie Thames will seek the recovery of foregone revenue, will Erie Thames be requesting that the Board declare its existing rates interim?

3) Ref: E1-T1-S17

a) Please identify any rates and charges that are included in the applicant's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2012 bridge and 2013 test years.

c) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

4) Ref: E1-T2-S1 p.1
Erie Thames states that during the fall of 2011, the OEB Auditors completed an audit of the deferral and variance accounts for West Perth Power, with lessons learned being applied to Clinton Power and Erie Thames.

a) Have the D/V accounts for Clinton Power and Erie Thames been audited by the OEB since 2008? If so, when were they audited?
b) Please describe the lessons learned that are being applied to Clinton Power and Erie Thames.

5) Ref: E1
Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

6) Ref: E1-T2-S1 p.2 and E1-T3-S1
Erie Thames states at E1-T2-S1 p.2 that its capitalization policy has been IFRS compliant since its retrenchment of staff in 2009.

a) Does this mean that when Erie Thames adopts IFRS in 2013, all else being equal, there will be no change in the amount of operating costs that will be capitalized?
b) Is Erie Thames' capitalization policy as described in E1-T3-S1 par. 3.10 consistent with what would be described as IFRS compliant?

7) Ref. E1-T2-S5
Please complete the table below.

Total System

SERVICE QUALITY INDICATORS	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Erie Thames				
SAIDI				
SAIFI				
CAIDI				
West Perth Power				
SAIDI				
SAIFI				
CAIDI				
Clinton Power				
SAIDI				
SAIFI				
CAIDI				

Excluding Supply Loss

SERVICE QUALITY INDICATORS	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Erie Thames				
SAIDI				
SAIFI				
CAIDI				
West Perth Power				
SAIDI				
SAIFI				
CAIDI				
Clinton Power				
SAIDI				
SAIFI				
CAIDI				

EXHIBIT 2 - RATE BASE

8) <u>Ref: E2-T1-S1</u>

Erie Thames notes that it is focussing more on capital spending to reduce future OM&A costs and that this should assist in improving its O&M efficiency rating.

a) Please provide an estimate of the reduction in O&M costs for 2013, 2014, 2015 and 2016 that Erie Thames expects to realize as a result of the focus on capital spending.

9) Ref: E2-T3-S1Table 2-xx

Table 2-xx from E2-T3-S1 provides a summary of additions to Net Fixed Assets.

a) Please clarify what is meant by the term "net fixed assets" as used by Erie Thames i.e. is it gross plant less accumulated depreciation or is it gross plant?

b) Erie Thames indicates that amounts in Table 2-xx include the transfer of certain assets into Erie Thames from the former affiliate.

Please complete the table below and include a short description of the nature of the asset being transferred.

Summary of Additions to Fixed Net Assets

	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Test	Ave. 2008 to 2011
Amount(from Table 2-xx)	$ 2,490,833	$ 1,942,235	$ 3,617,615	$ 2,433,918	$ 2,840,000	$ 2,621,150
Transfers from affiliates						
Amount excluding transfers						

c) Please confirm that the "amounts from Table 2-xx" are the amalgamated (consolidated) amounts for Erie Thames, West Perth Power and Clinton Power.

d) Does Erie Thames interpret the "Amount excluding transfers" as representative of Erie Thames' Capital Expenditures for the indicated years? If not, please provide the amounts that Erie Thames views as representative of its pre-amalgamation capital expenditures.

10) Ref: E2-T3-S1

Please complete the table below.

Capital Expenditures	2008 Board Approved	2008 Actual	2009 Actual	2010 Board Approved	2010 Actual	2011 Bridge	2012 Test
West Perth Power							
Clinton Power							
sub total							
Erie Thames (stand alone)							
TOTAL (consolidated)							

11) Ref. E2-T1-S2 and E2-T3-S3

Board staff prepared the following table based on the evidence found in E2-T1-S2 with the understanding that all years, except for 2008 Board approved, reflect the amalgamated entity.

Rate Base	2008 Board Approved (only Erie Thames)	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Test
Gross Plant	$ 21,923,880	$ 29,811,592	$ 31,753,827	$ 35,371,442	$ 37,805,360	$ 39,225,360
Accumulated Dep'n.	$ 5,366,284	$ 9,029,842	$ 10,330,451	$ 11,847,726	$ 13,680,808	$ 14,687,643
Net Plant	$ 16,557,596	$ 20,781,750	$ 21,423,376	$ 23,523,716	$ 24,124,552	$ 24,537,717
Working Capital Allow.	$ 5,689,178	$ 5,985,951	$ 6,402,183	$ 6,892,145	$ 6,869,459	$ 6,402,308
RATE BASE	$ 22,246,774	$ 26,767,701	$ 27,825,559	$ 30,415,861	$ 30,994,011	$ 30,940,025

a) If this table is inaccurate please indicate any necessary corrections.

b) At E2-T3-S3 Erie Thames states that:
The large variance between 2008 Board Approved and 2008 Actual is simply related to the fact that the Board Approved amounts represents Erie Thames stand-alone approved 2008 gross assets, while the 2008 actual amounts include the gross assets of West Perth Power Corporation and Clinton Power Corporation. When you remove the Gross Asset cost of WPPI of $5,193,244 and $1,593,049 for CPC the remaining total change for Erie Thames is $539,938 which is related to (i) $215,000 for the capitalization of transformers in inventory at year end for financial statement purposes which was not included as part of the 2008 Cost of Service application; and (ii) the remainder is attributable to spending for each entity not included in rate base during the Cost of Service process.

Referencing the numbers in the table, please provide the calculation which results in “the remaining total change for Erie Thames is $539,938”.

12) Ref. E2-T3-S1

Erie Thames indicates that it has budgeted $150,000 for pole replacement and that the project is completed in the first quarter of every year.

a) Which months comprise the first quarter?

13) Ref. E2-T3-S3 and E2-T2-S1

Erie Thames attributes $1,750,000 of the $3,617,000 increase in Gross Assets between 2010 and 2009 as due to the repatriation of vehicles, from the affiliate to the utility. Transportation Equipment Gross Plant c/b (#1930) increased from $224,426 to $2,095,762. Board staff notes that the increase in Transportation Equipment accumulated depreciation c/b increased from $48,772 to $196,103.

a) Please explain why accumulated depreciation increases by a factor of about 4 while gross plant , and net plant, increases by a factor of about 9.
b) On what basis did Erie Thames set the value or price of the Transportation Equipment that was transferred from the affiliate to the utility? Did the price take the remaining tax value (UCC) into account?

14) Ref. E2-T3-S1 par. 6.1 and E2-T2-S1 Appendix 2-B

In paragraph 6.1 the 2012 Capital Program totals $3,325,000 and in E2-T2-S1 (Appendix 2-B Fixed Asset Continuity Schedule) 2012 additions total $2,840,000.

a) Please explain the difference. Is it due to Capital Contributions and Grants in the amount of $485,000 which are reflected in the $2,850,000?

15) Ref: E2-T3-S1 par. 6.2.2

Erie Thames 2012 Capital program shows $285,000 for New Service Connections and Upgrades while Residential and GS < 50kw customer numbers are to increase by 84.

a) Please break-out the $285,000 between new service connections and upgrades.

16) Ref: E2-T5-S1 (Asset Condition Assessment & Asset Management Plan p. 157) and E2-T3-S1 par. 6.2.21

At p. 157 Erie Thames states, regarding the Smart Grid studies and technologies, that “As these costs are unknown at this time, Erie Thames proposes that any future qualifying expenditure would be recorded in the Board approved Deferral Accounts and recovered at the more opport (sic). “

a) Please indicate if any of the $200,000 in the 2012 Capital Plan for SCADA and Smart Grid is for Smart Grid studies and technologies.

17) Ref: (i) *Filing Requirements* (Distribution System Plans-Filing under Deemed Conditions of Licence,EB-2009-0397,May 17, 2012 revision) Section 4.2.2.2, bullet 6 and (ii) E2-T5-S2 p.154 Table 3.0 (ii) E2-T5-S2 p153 (iii) E2-T5-S2 p. 155 Table 4.0 and *Filing Requirements*, Section 3.2.2, Information Exchange with Affected Distributors and Transmitters

Reference (i) points to the need to file the OPA letter of comment.
At reference (ii) a table displays the renewable generation proposed to be connected to Erie Thames' municipal stations.
At reference (iii) relative to the current state of the distribution system, Erie Thames indicates that it “is unable to confirm [that there are no constraints] for the D/S's due to the lack of available information from the Hydro One Capacity Tables”.

a) In accordance with the *Filing Requirements*, please file the OPA letter of comment.
b) Column 3 of the table should indicate kW values, please revise and file.
c) In accordance with the Filing requirements, please indicate whether Erie Thames provided HONI with a forecast of renewable generation and planned system investments to accommodate the projected distributed generation.
d) If warranted please, please update reference (iii) table 4.0.

18) Ref: (i) E2-T5-S2 p. 156-157 Development of Smart Grid Studies and Technology Projects (ii) E2-T5-S2 p.133-134 Asset Management Plan/Section 5.6 and p.130-132 Smart Grid Initiative (iii) *Filing Requirements*, Section 7.2, Smart Grid Development Deferral Account

With respect to smart grid, the GEA plan mentions at reference (i) the potential benefits of smart grid studies and/or developmental technology pilot projects and points out that because “costs are unknown [at this time], Erie Thames proposes that any future qualifying expenditure would be recorded in the Board approved Deferral Accounts”.
At reference (ii), Erie Thames specifies in the Asset mangement Plan that in 2013 it will conduct a small smart grid pilot project and provides some cost figure, stating in part that “capital budget of approximately $200,000 year over year will be required to procure equipment and implement the proposed smart grid pilot project.”
The smart grid pilot initiative at reference (ii) is not included in the GEA plan but is currently incorporated in Erie Thames' asset management plan, even

though smart grid pilot projects are considered eligible activities under the Filing Requirements.

a) Prior to the roll-out of the smart grid pilot, have any studies in connection with this initiative been undertaken?
b) If so, please indicate the accounting treatment of those expenditures.
c) Has the implementation of smart grid activities increased Erie Thames' labour requirements?
d) Are any follow-up studies, monitoring costs projected in connection with the smart grid pilot?
e) Please summarize CAPEX and OM&A related to smart grid activities in Erie Thames' forecasts over the 2012-2016 timeline.
f) Would Erie Thames be recording the expenditures associated with the pilot project initiative alongside planned studies in the designated deferral accounts at reference (iii), or would they be booked under a different account? Please explain, and cross reference where applicable.
g) In accordance with the Filing Requirements, please indicate whether and how Erie Thames plans to share and circulate the result of its pilot with other utilities.

19) Ref: (i) *Filing Requirements* Section 4.2.2.2, bullet 4 (ii) E2-T5-S2 p.156 Planned Development of Erie Thames System

Reference (i) pertains to: "the method and criteria that will be used to prioritize expenditures in accordance with the planned development of the system". At reference (ii), Erie Thames indicates that there are potentially 13 micro-FIT and 8 FIT projects in its service territory. Reference (ii) also left a placeholder for "FIT Project Requiring Capital Expansion"

a) In accordance with the Filing Requirements at reference (i), please provide the Board with Erie Thames' general strategy and prioritization methodology for connecting renewable generation.
b) If further data is available, please file information regarding "FIT Project Requiring Capital Expansion".
c) Please specify which renewable generation projects Erie Thames anticipates will be connected over the 2012-2016 timeframe. Using table below as a guide, please indicate the work Erie Thames will be undertaking, and the feeder associated with it.

PROJECT X	FEEDER	EXPECTED ONLINE DATE	ACTIVITY	COST ESTIMATE
			SYSTEM EXPANSION ACTIVITIES	
			Building a new line to serve the connecting customer	

			Rebuilding a single-phase line to three-phase to serve the connecting customer	
			Rebuilding an existing line with a larger size conductor to serve the connecting customer	
			Rebuilding or overbuilding an existing line to provide an additional circuit to serve the connecting customer	
			Converting a lower voltage line to operate at higher voltage	
			Replacing a transformer to a large MVA size	
			Upgrading a voltage regulating transformer or station to a larger MVA size	
			Adding or upgrading capacitor banks to accommodate the connection of the connecting customer	
			RENEWABLE ENABLING IMPROVEMENTS ACTIVITIES	
			Modifications to, or the addition of, electrical protection equipment	
			Modifications to, or the addition of, voltage regulating transformer controls or station controls	
			The provision of protection against islanding (transfer trip or equivalent)	
			Bidirectional reclosers	
			Tap-changer controls or relays	
			Replacing breaker protection relays	
			SCADA system design, construction and connection	
			Any other modifications or additions to allow for and accommodate 2-way electrical flows or reverse flows	
			Communication systems to facilitate the connection of renewable energy generation facilities	

20) Ref: (i) E2-T5-S2 p. 156 Planned Development of Erie Thames System (ii) *Filing Requirements*, Section 7.0, Capital and OM&A Deferral Accounts for Renewable Generation Connection or Smart Grid Development (iii) *Filing Requirements*, Section 2.4, Direct Benefits

At reference (i), Erie Thames provides a brief summary of activities it plans to undertake relating to the connection of renewable generation. The reference however does not include any OM&A costs associated with the processing of microFit and FIT applications and/or other works associated with the connection of renewable generation. At reference (i), Erie Thames indicates that it will book the cost of smart grid studies in the appropriate deferral accounts but does not indicate how it plans to recover costs associated with the implementation of the rest of the GEA plan. Reference (ii) points to the deferral accounts twinned with the GEA plan. Reference (iii) recognizes two distinct types of work related to the connection of renewable generation, namely Expansion and Renewable Enabling Improvements (REI) that give rise to specific cost recovery treatment from the distributor's ratepayers.

a) Please confirm that no additional human resources will be required to implement the GEA Plan.
b) Please indicate what OM&A expenditures, if any, will be associated with renewable generation capital expenditures.
c) In accordance with reference (ii), please outline Erie Thames' proposal for recovery of capital and initial OM&A costs associated with the connection of renewable generation.
d) Please indicate what percentage of expenditures will be deemed Expansion versus REI.
e) In accordance with the Direct Benefits methodology outlined at reference (iii), please provide an estimate of the direct benefits accruing to Erie Thames' ratepayers.

EXHIBIT 3 - OPERATING REVENUE

21) E3- T2- S1 Section 1-12 – Load Forecast & CDM Guidelines for Electricity Distributors (EB-2012-0003), Section 13.2

The Board's CDM Guidelines state at Section 13.2 that:

> "Distributors will generally be expected to include a CDM component in their load forecast in cost of service proceedings to ensure that its customers are realizing the true effects of conservation at the earliest date possible and to mitigate the variance between forecasted revenue losses and actual revenue losses."

a) Please confirm that Erie Thames has assumed the responsibility to achieve the CDM targets of both Clinton Power (0.320 MW and 1.380 GWh) and West Perth (0.620 MW and 2.990 GWh).
b) Does Eire Thames agree that the CDM targets apply to the 2011 to 2014 period?
c) Has Erie Thames included a CDM component in their proposed load forecast? If so please indicate the level or amount of target reflected in the load forecast and differentiate between the MW and GWh targets.
d) If Erie Thames has not included a CDM component in their proposed load forecast, please discuss why this has been omitted and reconcile with the above excerpt from the Board's CDM Guidelines.
e) If applicable, please update the proposed load forecast with a CDM component that takes into account Erie Thames' cumulative peak demand (5.220 MW) and energy consumption (22.970 GWh) for the CDM targets that includes both Clinton Power and West Perth's former targets.

22) Ref: E3-T2-S1 and E3-T2-S2 p.4

a) The 2012 total kWhs in the Load Summary shown in E3-T2-S1 is 465,565,406 while in E3-T2-S2 p.4 it appears as 464,736,166.
b) Please explain the difference.

23) Ref: E3-T3-S4 p.5 and E3-T2-S1
a) Please confirm that the consumption amounts shown in the table below (sourced from E3-T3-S4 p.5) are the consumption levels i.e. charge detriments used to calculate the proposed distribution rates for 2012.
b) If they are not, please populate the table with the charge determinants.

	2012 Test Using Proposed Rates			
	Customers	Consumption	Distribution Revenues	Unit Revenues
	(Year-End)	(kWh / KW)	($)	$/kWh
Residential	13,250	147,767,075	$5,105,794	$0.0346
GS<50	1,396	50,460,667	$1,234,833	$0.0245
GS>50 to 999 kW	138	139,988	$1,182,361	$8.4462
Greater than 1,000 to 4,999 kW	7	81,947	$442,385	$5.3984
Large Use	1	160,146	$288,569	$1.8019
Unmetered Scattered Load	105	618,341	$87,106	$0.1409
Sentinel Lighting	256	206	$31,077	$150.8495
Street Lighting	2,956	2,962	$379,194	$128.0232
Embedded Distributor	3	23,768	$169,394	$7.1268
TOTAL	18,113	199,281,804	$8,920,713.67	

c) Is Erie Thames' consumption forecast for 2012 presented in the table above based on the 2012 Load Forecast prepared by Stratadyne Group Inc. found at E3-T2-S1 of the evidence? If not, please identify the relevant evidence.
d) For other than the Residential, GS< 50, Large Use and Unmetered Scattered Load classes, please explain why the consumption amounts that appear in the table above differ from the Loads shown in the Stratadyne Group Inc.'s forecast (reproduced below).

Table 2 – 2012 Load Forecast Summary

Consumption	2012	2012	2010	2010
	KW	KWH	KW	KWH
Residential		147,767,075		148,114,381
General Service <50		50,460,667		50,456,016
GS > 50	143,211	44,453,178	139,928	43,335,594
GI > 50	84,710	33,395,845	82,948	32,698,642
General Service 1000-2999	96,900	59,000,000	93,487	57,741,953
General Service 3000-4999	26,704	10,200,000	29,135	11,691,664
Large user	160,146	97,146,783	152,704	92,434,594
Unmetered scattered load		618,341		605,495
Sentinel	772	284,787	772	284,787
Streetlights	13,507	4,979,730	10,754	3,964,612
Embedded Distributors	39,284	17,350,000	39,665	17,518,323
Total	**565,234**	**465,656,406**	**549,394**	**458,846,062**
Changes from 2010	2.9%	1.5%		

24) Ref: E3-T2-S1 Section 12a and E3-T2-S2 p.4

Section 12a provides an explanation of the load forecasting methodology for the Residential and GS < 50kw customer classes. The evidence notes that the same forecast methodology was used for the forecast of the Residential and General Service < 50kW classes for West Perth Power and Clinton Power.

a) Please provide a copy of the Residential and GS < 50kw customer classes load forecasts that were prepared for Clinton and West Perth.

b) The load forecast methodology presented in Section 12b-g does not indicate whether the numbers presented include or exclude Clinton Power and West Perth Power. Please confirm whether they do or do not.

c) If they do not, where applicable, please provide a copy of the load forecast calculations for West Perth Power and Clinton Power.

25) Ref: E3-T2-S1 Section 12.

a) What type of load measure is utilized in the load forecasting methodology described in Section 12 i.e. is it Purchased Energy or is it Consumption (billed) load?

26) Ref: E3-T2-S1

Erie Thames shows the Annual Coincident Peak kW as always corresponding to the Coincident Peak demand for the month of December in the year.

a) Please explain why the annual Coincident Peak in the year is in December, even if there is a higher Coincident Peak demand in another month and day of the year.
b) Please confirm that any error in the calculation of the Coincident Peak demand in the 2012 test year does not affect the determination of proposed 2012 rates.

27) Ref: E3-T2-S2

In tables shown in this exhibit, Erie Thames shows a historical and projected number of streetlighting “customers” of 4283.

a) Please confirm that these are connections for individual streetlights.
b) A number of Ontario distributors have confirmed that streetlighting is often arranged in a “daisy chain”, where there is a physical connection or demarcation point to a streetlight, which is then connected to a number of other streetlights in series. The streetlights and the conductor connecting them are owned by and the responsibility of the customer, typically the municipality or other government agency responsible for the road.

   Does Erie Thames employ daisy chains of streetlights within its service territory, or are all streetlights individually connected to Erie Thames’ distribution infrastructure?

c) If Erie Thames does employ daisy chained streetlighting arrays, what is the actual number of “connections”?

28) Ref. E3-T2-S1

a) For each class, please provide a brief description of each step, including the trail of numbers, that was used to generate the load forecast (billed/charge determinant volumes) for 2012.

EXHIBIT 4 - OPERATING COSTS

29) Ref: E4-T1-S1
   a) What projected rate of inflation is reflected in the proposed 2012 Test Year budget?
   b) What sources did Erie Thames use for the projection?

30) Ref: E4-T2-S4
Erie Thames indicates that it has a labour contract which expires on December 31, 2012.

   a) What is the term of the contract and what is the timing and % increase (s) provided for in the contract?
   b) Please provide the corresponding salary increases for non-union staff.

31) Ref: E4-T2-S3
OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

   a) Please state whether or not the applicant's proposed pension costs include this increase.
   b) If so, please provide the forecasted increase by years and the documentation to support the increases.
   c) If not, please state how the applicant proposes to deal with this increase.

32) Ref: E4-T2-S3
   a) Please identify whether or not the applicant has included any charitable or political donations as part of its forecast OM&A expense for the Test Year. If yes, please identify the amounts and the account in which the donations are recorded, and whether the amounts are compliant with Section 2.7.2.5 of the Filing Requirements.

33) Ref: E4-T2-S3
   a) Please provide details of employee benefit programs, including pensions and other costs charged to OM&A for the last Board-approved rebasing application, Historical, Bridge and Test Years.
   b) Please identify post-retirement benefit costs separately from current benefit costs.
   c) Please provide the most recent actuarial report(s).

34) Ref: E4-T2-S3

Please identify the increases (decreases) in OM&A expense for the test year, arising from other than from a decrease (increase) in capitalized overhead.

35) Ref. E4-T2-S5

a) Please provide a copy of the signed Service Agreements which underpin the service transactions identified in the table below.

Name of Company		Service Offered	Pricing Methdology	Cost for the Service
From	To			
ERTH Corp	Erie Thames Powerlines	Executive Management	Allocated Cost	$ 658,824.87
ERTH Corp	Erie Thames Powerlines	Human Resources	Allocated Cost	$ 103,143.79
ERTH Corp	Erie Thames Powerlines	Legal Service	Time and Materials	$ 63,750.00
ERTH Corp	Erie Thames Powerlines	IT Services	Time and Materials	$ 69,252.11
ERTH Corp	Erie Thames Powerlines	Rent	Cost Per Square Foot	$ 250,000.00
Ecaliber	Erie Thames Powerlines	Billing Service provider	Cost per bill	$ 108,375.65

b) Does Erie Thames have the underlying calculations which were used to generate the service costs shown in the above table? If so, please provide a copy.

36) Ref. E4-T2-S5 and E1-T2-S1 p.1

Erie Thames notes at E1-T2-S1 p.1 that it continues to rely on its affiliate Excaliber for its corporate/IT/HR services and at E4-T2-S5 Erie Thames indicates that all but Billing Services are provided by ERTH Corporation.

a) Please confirm which services are provided by Excaliber and which are provided by ERTH Corporation.

37) Ref: E4-T2-S1

Do any of the amounts shown in the Summary of Operating Costs table include Property Taxes? If so, please identify the line, account number and amount.

38) Ref: E4-T2-S1

Board staff prepared the table below using the information provided in E4-T2-S1-3.

OM&A	2008 Board Approved	2010 Board Approved	2010 Actual	2011 Bridge	2012 Test Year
Erie Thames	$ 4,222,000		$ 4,437,008		
Clinton Power		$ 515,263	$ 560,534		
West Perth Power		$ 522,410	$ 969,800		
TOTAL			$ 5,967,342	$ 5,733,118	$ 5,730,237

a) Does Erie Thames agree with the numbers presented in the table? If Erie Thames does not agree, please indicate which numbers need to be revised.

39) Ref: E4-T2-S1

a) Please state whether or not the applicant has included an amount in its 2012 Test year revenue requirement for the emergency financial assistance component of the Low Income Energy Assistance Program.
b) If yes, please identify the amount included for LEAP emergency financial assistance, and identify the percentage of total distribution rates.
c) If no, please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2012 Test Year.
d) Please state whether or not the applicant has included an amount in its 2012 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

40) Ref: E4-T2-S3

a) Please revise the table titled “OM&A Cost per Customer and per FTEE” and reflect the following:

- Do not include “connections” in the customer numbers;
- For comparability, please use “proxy FTE numbers i.e assume the repatriated employees were always employed by the utility and:
- In that the Test Year amounts represent the amalgamated utility, for comparability, ensure that the other years are presented on that basis as well.

41) Ref: E4-T2-S3 OM&A Cost Driver Table

Please update the Cost Driver Table such that the Opening Balance for any year is the Closing Balance of the previous year.

42) Ref: E4-T2-S4 (Appendix 2-K) and E1-T2-S1 p.2
The table below is an excerpt from Appendix 2-K and the % of Compensation Capitalized is a Board staff calculation.

	2009 Actual	2010 Actual	2011 Bridge	2012 Test Year
Total Compensation	$ 1,247,816	$ 3,519,863	$ 4,779,991	$ 4,959,005
Total Compensation Charged to OM&A	$ 1,247,816	$ 2,863,761	$ 3,889,001	$ 3,662,535
Total Compensation Capitalized	$ -	$ 656,102	$ 890,990	$ 1,296,470
% of Compensation Capitalized	0%	18.6%	19%	26%

At E1-T2-S1 p.2 Erie Thames states that its capitalization policy has been IFRS compliant since its retrench of staff in 2009.

a) Please indicate what proportion of the % of Compensation Capitalized is due (i) to staff retrenchment and (ii) IFRS reporting compliance.
b) Please explain the increase in the % of Compensation Capitalized between 2012 Test Year as compared to 2011 Bridge.

43) Ref: E4-T2-S7
a) Do the “actuals” in the Loss Adjustment Calculation reflect the amalgamated Erie Thames?
b) If they do not, please revise on an amalgamated basis.

44) Ref. E4-T3-S1-4 and E-9-T1-S1
Please provide the following PILs information as indicated in the table below.

	2001	2002	2003	2004	2005	Jan. 1 to April 30, 2006	May 1, 2006 to April 30, 2012
Excel Board-approved PILs proxy model (active)	x	x			x		
Signed Board decision		x		x	x		
Excel RAM model (active)		x		x	x		

Excel Continuity schedule (active) for 2001 to 2012 including true-up adjustments, PILs recoveries and interest carrying charge calculations				x			
Excel PILs Recoveries (active) - Worksheet showing PILs rate slivers from RAM multiplied by billing determinants (customer count, billed kW/kWh)				x			
T2 and CT23 Tax returns	x	x	x	x	x		
Notice of assessment	x	x	x	x	x		
Notice of reassessment and Statement of adjustments	x	x	x	x	x		
Financial statements submitted with tax returns	x	x	x	x	x		
Excel SIMPIL model with TAXREC3 (active)	x	x	x	x	x		

i. Excel 2001, 2002 and 2005 Board-approved PILs proxy models (active) that were filed with the respective applications.
ii. 2001, 2002 and 2005 signed Board decisions.
iii. Excel 2001/2002, 2004 and 2005 rate applications (RAM) (active).
iv. Excel continuity schedule for 2001 to 2012 including variance adjustments calculated from the 2001 to 2005 SIMPIL models and interest carrying charge calculations (active). The model filed in evidence contains major errors.
v. Excel PILs recoveries worksheet that shows the PILs rate slivers from RAM multiplied by billing determinants (customer count, billed kW/kWh) (active).
vi. 2001 to 2005 Federal T2 Tax returns.
vii. 2001 to 2005 Ontario CT23 Tax returns.
viii. Notices of assessment and notices of reassessment and statements of adjustments for 2001 to 2005.
ix. Financial statements submitted with tax returns for 2001 to 2005.
x. Excel 2001 to 2005 updated SIMPIL models with sheet TAXREC3 (active). The 2004 and 2005 SIMPIL model filed by Erie Thames did not include the sheet TAXREC3. Please see the updated SIMPIL models filed in PowerStream's 2012 IRM rate application EB-2012-0191 as examples. Sheet TAXREC3 is used to enter regulatory assets and liabilities, non-deductible items for tax purposes, non-utility business activities, pre-

October 1, 2001 income and expenses, tax items denied by auditors for the tax authorities, depreciation adjustments, capital cost allowance adjustments, Ontario capital tax, accounting and tax gains and losses on fixed assets, donations and many other items.

xi. Income tax rates must be based on Erie Thames' unique tax evidence as supported by its tax returns filed with the Ontario Ministry of Finance Corporation Tax Branch. Please refer to the tax tables contained in the Board's decision in the combined proceeding EB-2008-0381. Erie Thames 2002 rate base was $16,104,265. The tax rate to be used in the SIMPIL models should be more than the minimum income tax rates but will be less than the maximum income tax rates. Erie Thames must **input** the correct tax rates (i.e. over-ride the formulas) based on its specific tax facts in the cells in SIMPIL sheet TAXCALC. Please refer to the many decisions on Account 1562 deferred PILs that have been issued by the Board since December 2011.

45) <u>Ref. E4-T3-S1-4</u>

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

a) Please provide a table for the years 2001 to 2005 that shows all of the components of Erie Thames' interest expense and the amount associated with each type of interest.
b) Did Erie Thames have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
c) Did Erie Thames net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
d) Did Erie Thames include interest expense on customer security deposits in interest expense?
e) Did Erie Thames include interest income on customer security deposits in interest expense?
f) Did Erie Thames include interest expense on IESO prudentials in interest expense? Please provide the dollar amount of IESO or other prudential expense by year whether disclosed as interest, admin, or other type of expense category.
g) Did Erie Thames include interest carrying charges on regulatory assets or liabilities in interest expense?
h) Did Erie Thames include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
i) Did Erie Thames deduct capitalized interest in deriving the interest expense disclosed in its financial statements?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

46) Ref: E5-T1-S3 and RRWF p. 6

The RRWF at p.6 indicates 56% of 2012 rate base is deemed to be capitalized by Long Term Debt, totaling $17,326,414 with a cost rate of 4.41%. At E5-T1-S3 Erie Thames states that Long Term Debt is comprised of unrelated and related debt and long term capital leases. Related Long Term Debt is described as totalling $8,038,524 and mention is made of the capital lease obligations of five bucket trucks and a backhoe that were assumed by Erie Thames from CRU solutions.

a) Please confirm that the Related Long Term Debt and the Capital Leases total to about $8.6 M.
b) If so, please provide the particulars for the balance (i.e. $17.3 M less $8.6M) of Long Term Debt.

EXHIBIT 7- COST ALLOCATION

47) Ref: E6-S1-T2 and Cost Allocation Model Sheet I6.1

Please explain why the Cost Allocation Model uses a Revenue Deficiency of $753,265 while the Revenue Deficiency shown in E6-S1-T2 is $416,031.

48) Ref: Cost Allocation Model Sheet I6.1

Erie Thames appears to have used the default weighting factors for account 1855 and for billing and collecting.

a) On what grounds did Erie Thames conclude the default factors accurately reflect their circumstances?

49) Ref: Cost Allocation Model Sheet I7.2

a) Please confirm whether the old default values for meter reading weights have been retained in the model.
b) Assuming that GS < 50kW and GS > 50kW customers can be read remotely with the introduction of Smart Meters, please explain why it is appropriate to use the old default values.

50) Ref: E1-T1-S13 and Cost Allocation Model Sheet I8

Please confirm the number of supply points with Hydro One as an embedded customer and the respective voltages (primary or secondary).

51) Ref: E7-T1-S1
Please explain why Erie Thames utilizes Revenue to Cost ratio ranges which Erie Thames identifies as sourced from a Board staff discussion paper dated November 28, 2007.

52) Ref: E7-T1-S1
Please explain why Erie Thames includes 2 rate design revenue to cost ratios spreadsheets in E7-T1-S1 which appear to be exactly the same.

53) Ref: E7-T1-S2
Please complete the table below.

Revenue to Cost Ratios

	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
Residential				85-115
GS< 50				80-120
GS 50-999				80-120
GS 1000-4999				80-120
Large Use				85-115
Unmetered Scattered Load				80-120
Sentinel				80-120
Street Lighting				70-120
Embedded Distributors				

54) Ref: E1-T1-S13 'Host and Embedded Utilities'

Please explain the implication of Hydro One having deregistered meters with the IESO, including:

a) Is Erie Thames now required to provide meters that were previously provided by Hydro One?
b) Does Erie Thames have a larger requirement for working capital because it incurs additional commodity cost for load delivered through the deregistered meters?

55) Ref: E3-T2-S2 p.3 'Customer Forecast'; Cost Allocation Model Updated Classes, worksheet I 6.2 'Customer Data'

a) Please confirm that Erie Thames has 121 customers in the Unmetered Scattered Load class, equal to the number of connections shown in the cost allocation model, as distinct from a lower number of customers with 121 connections (i.e. more than one connection per customer.

b) If this is not the case, please provide the number of customers together with the number of bills issued annually by Erie Thames to the customers in this class.

56) Ref: E1-T2-S1 'Embedded Distributor'; Cost Allocation Model Updated Classes, worksheet O 2 'Fixed Charge'

a) Please confirm that the ceiling value calculated in the cost allocation model for the Embedded Distributor class in the referenced version is $100.75, and that this is typical of other versions of the cost allocation model.
b) Is the Embedded Distributor proposed Service Charge $2,219.86?
c) If so, please explain the statement in Exhibit 1 that the proposed Service Charge is well within the floor and ceiling rates.

57) Ref: Cost Allocation Model Updated Classes, worksheet I 8 'Demand Data' and worksheet O 1 'Revenue to Cost'

Erie Thames has input 15,131 kW as the Embedded Distributor's value of LTNCP4, i.e. the embedded customer load on line transformers provided by Erie Thames (and not including wholesale meters and not including line transformers belonging to the embedded distributor). This is the same input as for primary voltage lines.

a) Please confirm whether approximately 20% of the Embedded Distributor class' revenue requirement is caused by the allocation of line transformer costs (in other words, if LTNCP4 were input as 0 kW, the class revenue requirement would be decreased by approximately 20%).
b) Please confirm that Erie Thames has input an appropriate value for the embedded distributor's load on Erie Thames' line transformers. If not confirmed, please provide information on the proportion of the embedded distributor's load that is carried by line transformers provided by Erie Thames.

58) Ref: Cost Allocation Model Updated Classes, worksheet I 8 'Demand Data' and worksheet O 1 'Revenue to Cost'

Erie Thames has input that 15,131 kW as the Embedded Distributor's value of SNCP4, i.e. the embedded customer load on lines at secondary voltage.

a) Please confirm that approximately 30% of the Embedded Distributor class revenue requirement is caused by the allocation of secondary line costs (in other words, if SNCP4 were input as 0 kW, the class revenue requirement would be decreased by approximately 30%).

b) Please confirm that Erie Thames has input an appropriate value for the embedded distributor's load on Erie Thames' secondary voltage lines. If not confirmed, please provide information on the proportion of the embedded distributor's load that is carried Erie Thames' secondary voltage lines.

59) Ref: Cost Allocation Model Updated Classes
Please provide an updated run of the cost allocation model if the responses to IRs 55 and/or 57 and/or 58 cause a material change to the class revenue requirement of the USL class and /or the Embedded Distributor class,

EXHIBIT 8 - RATE DESIGN

60) Ref: E8-T1-S7 and Appendix 2-U
Please explain why the dollar amounts in the revenue reconciliation in E8-T1-S7 differ from those shown in Appendix 2-U.

61) Ref: E8-T1-S1 and Cost Allocation Model Worksheet O.2
Please explain the rationale for increasing the fixed charge for the GS 1000-4999 kW and Large Use classes even though the existing rate is 10 times to 20 times the ceiling as presented in Worksheet O.2.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

62) Ref: E9-T1-S3 & Clinton DVA Continuity Schedule, Account 1588
Based on the December 31, 2010 RRR 2.1.7 filed with the Board, Clinton Power reported $603,665 for Account 1588. Based on the DVA continuity schedule Clinton Power submitted as part of the evidence for the 2012 CoS application on June 1, the 2.1.7 RRR balance for Account 1588 is $630,765 ($999,866 for Account 1588 Power, excluding GA and -$369,101 for 1588 GA). This generates a discrepancy of $27,100.

a) Please reconcile the two RRR balances for Account 1588 and explain the nature of the discrepancy.

63) Ref: E9-T1-S3, Account 1521

The Board letter of April 23, 2010 regarding the Special Purpose Charge states:

> In accordance with section 9 of the SPC Regulation, recovery of your SPC assessment is to be spread over a one-year period, starting from the date on which you begin billing to recover your assessment. The request for disposition of the balance in “Sub-account 2010 SPC Variance” and “Sub-account 2010 SPC Assessment Carrying Charges” should be made after that one-year period has come to an end, and all bills that include amounts on account of that assessment have come due for payment.

a) Please provide the timing of the completion of the recovery period for Erie Thames, Clinton Power and West Perth Power.
b) Please explain why in E9-T1-S3 the principal balance as of Dec 31, 2010 is $0. Please provide the most recent balance in account 1521, “Sub-account 2010 SPC Variance” for Erie Thames, Clinton Power and West Perth Power.
c) Please explain why in E9-T1-S3the Interest Amount to Dec 31, 2010 is $0. Please provide the forecasted carrying charges in “Sub-account 2010 SPC Assessment Carrying Charges” as of April 30, 2012.

64) Ref: E9-T1-S3. Account 1592

a) The Board expects distributors to file for the disposition of account 1592 in their cost of service applications. Please complete and file Appendix 2-T from Chapter 2 of the Filing Requirements published on June 22, 2011 in support of the request to dispose of account 1592 for Erie Thames, Clinton Power and West Perth Power.
b) Please confirm that the Applicant has followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain why it hasn’t.
c) Please confirm that entries have been made to record variances in the sub-account of Account 1592 to cover the period starting from July 1, 2010 until the last month before the new rates take effective, since the new rate would include the HST impacts going forward. If this is not the case, please explain why.
d) Please confirm that zero amounts will be recorded in Account 1592, sub-account HST/OVAT ITCs for the start of the rate year and forward. If this is not the case, please explain why.
e) Please confirm that only the balance in Account 1592 “Sub-account HST / OVAT ITCs” is requested for disposition, and not the contra

account Account 1592 “HST/OVAT Contra Account”, which is used only for RRR reporting purposes. If this is not the case, please explain.

65) Ref: E9-T1-S3, Method of Disposition

a) Please explain why the determinant for Account 1588 GA disposition rate rider is not based on Non RPP kWh/kW. Please update the GA rate rider calculation based on Non RPP kWh/kW, if applicable.

66) Ref: E9-T1-S5 – Smart Meters

a) Please confirm that Erie Thames is seeking approval for its smart meter costs in this application and is proposing to recover smart meter costs through a Smart Meter Disposition Rider (“SMDR”) and Smart Meter Incremental Revenue Requirement Rate Rider.
b) Does Erie Thames believe that it has, in addition to Guideline G-2008-0002: Smart Meter Funding and Cost Recovery, issued October 22, 2008, complied with the updated guideline, Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition (“Guideline G-2011-0001”), issued on December 15, 2012. Guideline G-2011-0001 sets out the Board’s expectations with respect to applications seeking approval for disposition and recovery of capital and operating costs incurred for smart meter deployment in accordance with Government Regulations. If it has not complied, please explain why it hasn’t.
c) Please provide a copy of the letter of attestation from the Fair Commissioner referenced in E9-T1-S5.
d) Please provide a summary of contractual arrangements between Erie Thames and outside suppliers or vendors related to the procurement, deployment, and operating of smart meters and related systems (e.g. for meter reading, Time-of-Use (“TOU”) data management, web presentment, etc.). These contracts may be either completed or ongoing.
e) Please indicate if any of these contract arrangements are with affiliated parties. If yes, identify, and also identify the procurement process used and the basis for pricing of such affiliated contracts.
f) Please provide a breakdown of costs for minimum functionality, as defined in O.Reg. 425/06 and in Guideline G-2011-0001 and costs beyond minimum functionality.
g) Please confirm that at least 90% of the costs related to smart meter deployment and operation for which Erie Thames is seeking recovery in this application have been audited. In the alternative, please explain.
h) For costs beyond minimum functionality, please provide a breakout, with explanation of the need for and reasonableness of these costs beyond minimum functionality, in the three categories of “beyond

minimum functionality" costs, as defined in section 3.4 of Guideline G-2011-0001:

i. Costs for technical capabilities in the smart meters or related communications infrastructure that exceed those specified in O.Reg 425/06;
ii. Costs for deployment of smart meters to customers other than residential and small general service (i.e. Residential and GS < 50 kW customers); and
iii. Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.

67) Ref: E9-T1-S5 – SMDR

Erie Thames has proposed a uniform SMDR. Per Guideline G-2011-0001 the Board expects that the applicant distributor should address the allocation of costs and propose class-specific SMDRs where suitable data is available.

a) Please confirm the classes to which Erie Thames is proposing the uniform SMDR would apply.
b) A common approach for cost allocation is to do the following:
    - OM&A expenses have been allocated on the basis of the number of meters installed for each class.
    - The Return and Amortization have been allocated on the basis of the capital costs of the meters installed for each class.
    - PILs have been allocated based on the revenue requirement derived for each class before PILs.
    - SMFA revenues and interest on the principal first calculated directly for the Residential and GS < 50 kW classes, with then the residual SMFA revenues and interest collected from other metered customer classes (i.e., GS 50-4999 kW and Large Use) allocated 50:50 to the Residential and GS < 50 kW classes. This approach has been used and approved in some recent cost of service applications, including that for Guelph Hydro's 2012 rates application [EB-2011-0123].

    Using the attached spreadsheet taken from Guelph Hydro's draft Rate Order filing, please provide calculations for class-specific SMDRs using a more direct allocation of SMFA revenues. If smart meter deployment is for more than the residential and GS < 50 kW classes, Erie Thames should use a variation of this spreadsheet to account for the fact the smart meter costs and hence an SMDR apply to the GS > 50 kW class in addition to the Residential and GS < 50 kW customer classes. It will also mean that residential SMFA revenues and associated interest are allocated evenly to the three classes. Erie Thames' response should also reflect any and all revisions to Smart

Meter Model, Version 2.17 made as a result of Erie Thames' responses to interrogatories.

68) Ref: E9-T1-S5 – SMIRR

Erie Thames is proposing a uniform SMIRR of $1.47 per month.

a) Please explain why Erie Thames is proposing to establish a SMIRR in a cost of service application. Table 2 on pages 10-11 of Guideline G-2011-0001 provides the following description of the SMIRR:

Title	Acronym	Description
Smart Meter Incremental Revenue Requirement Rate Rider	SMIRR	• When smart meter disposition occurs in a stand-alone application, a SMIRR is calculated as the proxy for the incremental change in the distribution rates that would have occurred if the assets and operating expenses were incorporated into the rate base and the revenue requirement. • The SMIRR is calculated as the annualized revenue requirement for the test year for the capital and operating costs for smart meters. • The SMIRR should be calculated as a fixed monthly charge, similar to the SMDR. • The allocation for the SMIRR should generally be the same as for the SMDR. • The SMIRR ceases at the time of the utility's next cost of service application when smart meter capital and operating costs are explicitly incorporated into the rate base and revenue requirement.

b) Does Erie Thames' proposed revenue requirement for the 2012 Test Year include any operating and capital expenditures associated with the installation and operation of Smart Meters? If it does, please state the amounts and identify the expenditure or cost categories in which they are budgeted.

69) Ref. E1-T2-S4 and E9-T1-S5

Erie Thames states at E1-T2-S4 that additional requirements related to Smart Meters are a contributing factor to the increase in revenue requirement. At E9-T1-S5 Erie Thames proposes to recover Smart Meter costs by way of rate riders.

a) Are the Smart Meter costs outlined in E9-T1-S5 included in Erie Thames' revenue requirement proposed for 2012?
b) If so, how do they differ from the costs being recovered by way of rate riders?
c) If they are not, please describe what other Smart Meter costs Erie Thames is referring to in E1-T2-S4.

d) Please specify the classes to which Erie Thames is proposing the uniform SMIRR would apply.

70) <u>Ref: E9-T1-S1 – Stranded Meters</u>

In E9-T1-S1, Erie Thames states:

> In addition to the above deferral and variance accounts requested for disposition, Erie Thames Powerlines is requesting disposition of the balances in the 1555 – Smart Meter Capital (excluding Subaccount- Stranded Meter Cost) and 1556 - Smart Meter OM&A accounts, and inclusion in the rate base. Erie Thames is proposing to defer recovery of stranded meter costs (1555- subaccount Stranded Meter Costs) to a future rate proceeding.

> Per sections 3.5 and 4.7 of Guideline G-2001-0001, the expectation is that a distributor will propose a stranded meter rate rider to recover the net book value of conventional meters "stranded" by replacement by conventional meters.

a) In E9-T1-S5, Erie Thames states that it completed its smart meter deployment by May 1, 2011. Given that stranded meters have been fully replaced and are no longer "used and useful", what are Erie Thames' reasons for not proposing a stranded meter rate rider in this cost of service application?
b) Please state the audited net book value of stranded meters as of December 31, 2011. If available, please provide this by customer class.
c) Please confirm that stranded meters are not in Erie Thames' 2012 rate base and are removed from the 2012 Cost Allocation study. In the alternative, please explain Erie Thames' approach and the reasons for including stranded meters.
d) Please provide a proposal for (a) stranded meter rate rider(s), by customer class, to recover the net book value of stranded meters. Please describe the cost allocation methodology employed. Please state the proposed recovery period for the SMRR, taking into account the impacts on the bills of affected customers. Where possible, provide the supporting derivations and calculations in working Microsoft Excel spreadsheets.

71) <u>Ref: Smart Meter Model Version 2.17</u>

On Sheet "2. Smart_Meter_Costs", Erie Thames shows $8,076 for 2006 and $73,227 for 2007 for capital costs on row 54, "1.2.1 Collectors" which Erie Thames classifies under the asset class "Tools and Equipment". Erie Thames did not become authorized until at least mid-2008 for discretionary metering activities.

a) Please explain what these costs in 2006 and 2007 were, and how they are justified as part of Erie Thames' smart meter deployment program.
b) Please explain why these costs are classified under "Tools and Equipment".

72) Ref: Smart Meter Model Version 2.17

On Sheet "2. Smart_Meter_Costs", Erie Thames shows $23,206 for 2008 and (forecasted) $150,000 for 2012 for capital costs on row 64, "1.3.1 Computer Hardware" for the Advanced Metering Control Computer.

a) Please explain the costs of $23,206 in 2008.
b) Please explain the costs of $150,000 forecasted for 2012.

73) Ref: Smart Meter Model Version 2.17

On Sheet "2. Smart_Meter_Costs", Erie Thames shows $155,000 for 2011 for capital costs on row 105 "1.6.3 Costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R, etc.".

a) Please provide a complete description of the costs incurred.
b) Provide a breakdown of these costs by the categories listed in the description.

74) Ref: Smart Meter Model Version 2.17

On Sheet "2. Smart_Meter_Costs", Erie Thames shows $221,351 for total OM&A costs on row 148 "2.5.1 Business Process Redesign". This includes an amount of $185,751 for 2010 alone.

a) Please provide a full description and justification for the activities undertaken or services received under business process redesign, and how these were necessary and prudent as part of Erie Thames' smart meter program.

75) Ref: Smart Meter Model Version 2.17

On Sheet "2. Smart_Meter_Costs", Erie Thames shows $224,880 for 2010 and $35,415 for Maintenance costs on row 114 "2.1.1 Maintenance (may include meter reverification costs, etc.)" related to the Advanced Metering Communication Device.

a) Please provide a full description of the activities undertaken or services received to which these operating and maintenance costs relate.

76) Ref: Smart Meter Model, Version 2.17 – Cost of Capital Parameters

Erie Thames has input the following Cost of Capital Parameters on sheet 3 of the Smart Meter Model:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Deemed Short-term Debt Rate			4.47%	1.33%	2.07%	2.43%	2.08%
Long-term debt rate	6.25%	6.25%	5.92%	7.62%	5.87%	5.48%	4.41%
Return on Equity (ROE)	9.88%	9.88%	8.57%	8.01%	9.85%	9.66%	9.12%
Return on Preferred Shares							

Board staff observes that these parameters appear generally to correspond with the deemed Cost of Capital parameters issued by the Board for rates set through cost of service applications with rates effective May 1 in each year.

The standard policy and practice is that the Board-approved cost of capital parameters from a cost of service application apply in that year and subsequently until the distributor next rebases its rates through a cost of service application.

Board staff observes:

- In its 2006 EDR application (RP-2005-0020/EB-2005-0361), Erie Thames was approved a deemed debt rate of 7.25% and an ROE of 9.00%; and
- Erie Thames rebased its rates for the 2008 rate year (EB-2007-0928), with the Board approving the following Cost of Capital parameters:
    - Short-term debt of 4% of capital structure @ 4.47%
    - Weighted average long-term debt rate of 5.92%
    - Return on Equity of 8.57%.
- West Perth and Clinton, as separate utilities for licensing and rate regulation, rebased their rates in 2010 (EB-2009-0262 for Clinton Power and EB-2009-0121 for West Perth Power), with the following approved:
    - Short-term debt of 4% of capital structure @ 2.07%
    - Long-term debt of 56% of capital structure @5.87%
    - Return on Equity of 40% of capital structure @ 9.85%.

a) Please explain the cost of capital parameters chosen by Erie Thames for each year.
b) In the alternative, please update Erie Thames' Smart Meter Model, and the derived SMDRs and SMIRRs, to reflect the approved Cost of

Capital parameters applicable to Erie Thames. For such a scenario, Board staff notes that Erie Thames may have to calculate weighted average rates for each cost of capital parameter to reflect the approved cost of capital parameters for each of Erie Thames' legacy service territory, Clinton and West Perth for each year. Erie Thames should document its methodology and calculations.

77) Ref: Excel Smart Meter Model, Version 2.17, Sheet 3 – Taxes/PILs Rates
Erie Thames has used the default maximum taxes/PILs rates input on sheet 3, row 40, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012 and beyond**
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

a) Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by Erie Thames in each of the historical years, and that Erie Thames will pay for 2012. For historical years to 2011, these would be the aggregate rate derived for calculating the taxes/PILs included in the revenue requirement in cost of service applications, or as calculated in taxes/PILs calculations as part of IRM applications for each pre-amalgamated service area. In the alternative, please explain the tax rates input and their derivation.

78) Ref: Smart Meter Model Version 2.17, Sheet 3 and E4-T2-S6 – Depreciation Rates
On sheet 3 of the Smart Meter Model, Erie Thames documents a useful life of 8 years (12.50% depreciation rate) for general equipment, including tools and equipment. On E4-T2-S6, Erie Thames' documents a useful life of 10 years (10% depreciation rate) for classes of equipment, which corresponds with the default useful life and depreciation rate for the general class of tools and equipment as documented in Appendix B of the 2006 Electricity Distribution Rate Handbook.

a) Please explain Erie Thames' use of an 8 year depreciation rate for tools and equipment in the Smart Meter Model.

79) Ref: Smart Meter Model Version 2.17, Sheet 8
Please re-run the model zeroing out interest costs for May 2012 and beyond.

80) Ref: Smart Meter Model Version 2.17, Sheet 8A

a) Please explain why Erie Thames has not included the depreciation expense for all months in column L of this sheet, and this data should be available from the account entries for the sub-accounts of Account 1556.

b) Please update the Smart Meter Model with the monthly data.

EXHIBIT 10 – LRAM/SSM

81) Ref: E10- T1-S2

Erie Thames has requested a total LRAM claim of $333,514 for lost revenues from both OPA and Third Tranche CDM programs delivered in 2007, 2008, 2009, and 2010.

a) Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested. Please provide the total LRAM amount in one table, as well as subsequent tables that provides the LRAM amounts by year for Erie Thames, Clinton Power, and West Perth separately.

Program Years (Divided by rate class)	Years that lost revenues took place			
	2007	2008	2009	2010
2007	$xxx	$xxx	$xxx	$xxx
2008		$xxx	$xxx	$xxx
2009			$xxx	$xxx
2010				$xxx

b) Please discuss if Erie Thames is requesting carrying charges.

c) If Erie Thames is requesting carrying charges, please provide a table that shows the monthly LRAM balances, the Board-approved carrying charge rate and the total carrying charges by month for the duration of this LRAM request to support your request for carrying charges. Use the table below as an example:

Year	Month	Monthly Lost Revenue	Closing Balance	Interest Rate	Interest $

d) Please confirm that the programs contributing to the SSM amount all received approval from the Board through the Third Tranche CDM period. If any OPA or unapproved programs have been included in the calculation, please provide an updated SSM amount that does not include these programs.

82) Ref: E10- T1- S2 & Conservation and Demand Management ("CDM") Guidelines for Electricity Distributors (EB-2012-0003), Section 13.4

The Board's CDM Guidelines note at Section 13.4 on page 13 that:

> "At a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their Incentive Regulation Mechanism rate application, if the balance is deemed significant by the applicant."

Board staff acknowledges that the final, verified results for Erie Thames' 2011 OPA-Contracted Province-Wide CDM programs are not currently available.

a) Does Erie Thames plan to update its evidence to identify and/or seek disposition of variances between the final results of its 2011 CDM programs and the CDM savings reflected in Erie Thames' 2008 load forecast for the 2011 rate year in this proceeding after it has received the final results from the OPA?
b) What is Erie Thames' plan for disposing of its LRAMVA in future applications?

EXHIBIT 11- MITIGATION PLAN

83) Ref: E11-T1-S3

Are there any General Service > 50 -999kW Use customers in the former Clinton service area who will be impacted by the increase from $42.44 to $226.60 in the monthly service charge?

84) Ref: E11-T1-S2

Please explain why Erie Thames used a fixed monthly charge (applied to other-than-Clinton Power customers) rather than a variable rate (kW or kWh) charge or combination of the two in its mitigation plan