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AUG 13 2012

ONTARIO ENERGY BD

August 9, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2012-0161
PowerStream Inc. – 2013 Cost of Service Application
Energy Probe – Interrogatories to PowerStream

Pursuant to Procedural Order No. 2 issued by the Board on July 25, 2012, attached please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of PowerStream Inc. in the EB-2012-0161 proceeding.

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

Yours truly,

David S. MacIntosh
Case Manager

cc: Tom Barrett, PowerStream Inc. (By email)
Colin Macdonald, PowerStream Inc. (By email)
James Sidlofsky, Border Ladner Gervais LLP (By email)
Randy Aiken, Consultant to Energy Probe (By email)
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Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by PowerStream
Inc. for an order approving just and reasonable rates and other
charges for electricity distribution to be effective January 1,
2013.

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

August 10, 2012

**POWERSTREAM INC.
2013 RATES REBASING CASE
EB-2012-0161**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

1. General

1.2 Is service quality, based on the Board specified performance indicators acceptable?

Interrogatory #1

Ref: Exhibit B4, Tab 1, Schedule 1

The Connection of New Services metric decreased from 97.60% in both 2009 and 2010 to 93.10% in 2011, a reduction of 4.5 percentage points. Please explain what was behind this reduction and whether or not the reduction appears to be continuing into 2012.

1.4 Is the proposed Green Energy Act Plan appropriate?

Interrogatory #2

Ref: Exhibit B2, Tab 1, Schedule 1

- a) Has PowerStream included the \$5,000 shown in Table 2 as the capital spending amount in the test year as a direct benefit to PowerStream customers in the test year rate base?**
- b) Has PowerStream included the \$650 shown in Table 1 in capital spending in the 2013 rate base calculation?**
- c) Has PowerStream included the \$388 shown in Table 1 of OM&A in the 2013 revenue requirement?**

2. Rate Base (Exhibit B)

2.1 Is the proposed Rate Base for Test Year 2013 appropriate? (B1)

Interrogatory #3

Ref: Exhibit B1, Tab 1, Schedule 3

- a) What was the impact on the 2009 NBV of the delay in the in-service date of Markham Transformer #4?
- b) Please provide more details on the several large purchases that were avoided as a result of the merger and show the impact on the 2009 NBV of those costs.
- c) Were the several large purchases noted avoided completely, or delayed to a future year? If the later, please provide details on each of the large purchases as to when they were actual made, or are forecast to be made.

2.2 Is the Working Capital Allowance for Test Year 2013 appropriate? (B3)

Interrogatory #4

Ref: Exhibit B3, Tab 1, Schedule 5

- a) Please confirm that the Commodity (Spot) figure for November and December shown in Table 4 was calculated by increasing the August through October rate by 7%.
- b) Please explain how the 7% average increase over the 2009 to 2011 period as described on page 1 was calculated? In particular, should the 7% increase to calculate the November and December commodity (spot) be applied to the November 2012 through January 2013 price of \$0.02464 shown as the HOEP price in the Navigant report noted in the evidence?

2.3 Is the proposed Capital Expenditures forecast for Test Year 2013 appropriate? (B1)

Interrogatory #5

Ref: Exhibit B1, Tab 1, Schedule 4

- a) Please provide a version of Table 1 that shows the actual and forecasted capital expenditures excluding the Markham TS #4, the head office building

at Cityview, the operations centre at Addiscott and the customer information system. Please add each of these projects on separate lines after the Total Capital Expenditure line in the table.

- b) The 2011 actual MIFRS capital expenditures are about \$11.2 million lower than the 2011 actual CGAAP figures. Please provide an estimate of the total 2012 and 2013 capital expenditures under CGAAP. Please provide all assumptions used.

Interrogatory #6

Ref: Exhibit B1, Tab 1, Schedule 4, page 4 &
Exhibit A3, Tab 1, Schedule 4, page 7

Please explain the statement that a large number of assets (such as poles and underground cable) that were installed in the early 1980's are greater than 30 years old and are at or near end of life with the increase in the useful life for these assets as shown in Exhibit A3, Tab 1, Schedule 4 (for example, poles and underground conduit useful lives have increased from 25 years to 40 years).

Interrogatory #7

Ref: Exhibit B1, Tab 1, Schedule 5, page 12

- a) What is the total revenue requirement in the 2013 test year associated with the capital lease treatment of the building portion of the lease? Please provide all calculations, such as return and PILs in the estimation of the revenue requirement.
- b) Please provide all the assumptions and calculations used to calculate the net present value of the lease payments associated with the building. In particular, what discount rate was used and how was it determined?

Interrogatory #8

Ref: Exhibit B1, Tab 1, Schedule 5, page 13 &
Exhibit A4, Tab 1, Schedule 1

- a) Will the new customer information system be used to provide any services related to the shared services discussed in Exhibit A4, Tab 1, Schedule 1? If yes, how will the associated increase in costs for this new system be recovered from the parties receiving the service?

- b) The evidence indicates that the new CIS system is expected to be in service by the end of the second quarter of 2014. Please confirm that PowerStream has not closed any of the CIS related costs to rate base in or before the 2013 test year. If this cannot be confirmed, please explain and show the amounts proposed to be included in rate base in 2013.

Interrogatory #9

Ref: Exhibit B1, Tab 1, Schedule 6

Please provide the most recent year-to-date capital expenditures available for 2012 and the corresponding figures for 2011 in the same level of detail as shown in Table 8.

Interrogatory #10

Ref: Exhibit B1, Tab 1, Schedule 8

- a) Please expand the table on page 2 to include the number of poles replaced and the resulting average cost per pole replaced for each year shown.
- b) What was the average age of each pole replaced in each year shown in the table on page 2?
- c) What is the status of the Flowervale Subdivision project shown on page 11?
- d) Please confirm if the in-service date shown on page 17 for planned station circuit breakers is still valid. If not, please provide the current projection of the in-service date.
- e) Please update the list of projects shown on pages 30 and 31 to reflect the most recent information available from the municipalities. Please show any impact of additions, deletions or deferrals in the annual figures shown on page 31.
- f) Please confirm that the expenditure shown for the New Sandringham MS (page 32) and Vaughn TS #4 Land Purchase (page 34) are not included in the 2013 rate base given that they have in-service dates after the end of the 2013 test year. If this cannot be confirmed, please explain why any portion has been included in the test year rate base.
- g) What is the current status of the Midhurst TS project shown on page 36? In particular, is Stage 1 still forecast to go into service by the end of 2012?

Interrogatory #11

Ref: Exhibit B1, Tab 2, Schedule 5, Appendix 1

- a) Please explain the significant drop in contributed capital from the levels of about \$23 to \$24 million in 2010 and 2011 (both CGAAP and MIFRS) to the levels of \$15 million in 2012 and \$17.7 million in 2013.
- b) Based on the most recent year-to-date information for 2012, what is the current level of contributed capital? Please also provide the corresponding figure for the same period in 2011.
- c) Please show the amount of gross capital expenditures related to road authority projects for 2007 through 2013, along with the contributions received related to the projects.

Interrogatory #12

Ref: Exhibit B1, Tab 2, Schedule 5, Appendix 1

- a) Does the continuity schedule for 2009 reflect the application of the half year rule for assets added to rate base in the current year?
- b) Did PowerStream use the half year rule for capital additions in the figures approved by the Board as part of the 2009 cost of service application?
- c) Did Barrie Hydro use the half year rule for capital additions in the figures approved by the Board as part of the 2008 cost of service application?
- d) Is the calculation of the depreciation expense for each of 2010 through 2012 consistent with the application of the half year rule (or not) used in 2009? If not, please explain what methodology was used for each of the years 2009 through 2012.
- e) Please confirm that the half year rule has not been used for the 2013 test year.
- f) Please provide a revised 2013 fixed asset continuity schedule that reflects both the use of the same methodology as approved by the Board for the 2009 cost of service application to 2009 through 2012 and the use of the half year rule for 2013.

3. Operating Revenue (Exhibit C)

3.1 Is the proposed forecast of 2013 Test Year Throughput Revenue appropriate? (C1)

Interrogatory #13

Ref: Exhibit C1, Tab 1, Schedule 1

- a) Does the increase in total distribution revenue shown in Table 1 between 2012 and 2013 reflect only the increase the number of customers and volumes in 2013 as compared to 2012? If not, what other factors are contributing to the increase in distribution revenues?
- b) Please provide the increase in revenues in 2013 that are the result of only the change in the number of customers and volumes forecast for 2013 (i.e. exclude the impacts of customers and volumes added part way through 2012). Please show the calculation of the change into customers, kWh's and kW's. Please reconcile the customers, kWh's and kW's with the 2013 forecast shown in the evidence.

3.2 Are the proposed customers/connections and class-specific load forecasts (both kWh and kW) for Test Year 2013 appropriate, including the impact of CDM and weather normalization? (C1)

Interrogatory #14

Ref: Exhibit C1, Tab 1, Schedule 2

- a) Are the historic CDM savings shown in Table 3 based on billed kWh savings or billed kWh savings grossed up for losses to represent the reduction in purchases due to CDM?
- b) Are the actual MWH figures shown in the first column of Table 4 based on purchases (i.e. billed plus losses)?
- c) Please confirm that all three columns of data shown in Table 4 are gross purchase figures in that they all reflect losses in the numbers.

Interrogatory #15

Ref: Exhibit C1, Tab 1, Schedule 2

- a) Please confirm that Environment Canada uses a heating degree day calculation based on a base of 18 degrees Celsius.
- b) Please provide the regression statistics for each of the models shown in Table 10 using a HDD variable based on 18 degrees Celsius in place of that used by PowerStream.
- c) For the model with the best fit, please provide the regression statistics, similar to that provided in Table 11, along with the forecast for 2012 and 2013, as provided in Table 6.
- d) Did PowerStream attempt to include the number of customers (excluding USL and street lights) as an explanatory variable in any of the models tested? If not, why not?
- e) Please provide a live Excel spreadsheet, similar to that provided in the original evidence, but with the HDD10 variable replaced with the HDD18 variable requested above. Please also include in the live Excel spreadsheet all the explanatory variables used in the various models shown in Table 10, including the forecast for each of these variables for the 2012 through 2013 period. Please also include the number of customers (excluding USL and street lights) for both the historical and forecast periods.

Interrogatory #16

Ref: Exhibit C1, Tab 1, Schedule 2

- a) Please explain why a three year period was used for the allocation of purchases to each of the rate zones as shown in Table 17 rather than some other length of time.
- b) Please explain why a three year period was used in Tables 18 through 21 rather than some other length of time.

Interrogatory #17

Ref: Exhibit C1, Tab 1, Schedule 2, page 25

- a) Please provide the loss factor used to convert energy purchases to billed energy and show the derivation of this loss factor or indicate where in the evidence this loss factor is calculated.**
- b) Please provide the calculations of the loss factor for each year 2002 through 2011, or for the maximum number of years over this period that are available.**

Interrogatory #18

Ref: Exhibit C1, Tab 1, Schedule 3

- a) Please provide the number of residential, GS < 50 and GS > 50 customers for the latest month available in 2012, along with the corresponding number of customers for each of these rate classes for the same month in 2011.**
- b) Are the customer figures shown in Table 3 year end numbers or averages for the year?**
- c) Please explain the increase in the Large Use customers from 1 in 2012 to 2 in 2013. Is this a new customer or a customer moving from the GS > 50 class?**
- d) Please explain how the volumetric forecast (both kWh and kW) for the Large Use class has taken into account this additional customer.**

Interrogatory #19

Ref: Exhibit C1, Tab 1, Schedule 4

Please provide versions of Tables 3, 4, 5, 6 and 7 that show the rate class for each line in the tables.

3.3 Is the proposed Test Year forecast of other revenues appropriate? (C2)

Interrogatory #20

Ref: Exhibit C2, Tab 1, Schedule 1

Please provide the most recent year-to-date figures available for 2012 in the same level of detail as shown in Table 1, along with the corresponding figures for the same period in 2011.

Interrogatory #21

Ref: Exhibit C2, Tab 1, Schedule 1

- a) Has PowerStream included revenues from the MicroFIT rate class in Table 1? If yes, please indicate where. If not, please indicate where these revenues have been included in the evidence.
- b) Please provide the number of MicroFIT customers at the end of 2009, 2010, 2011 and the forecasts for the end of 2012 and 2013.
- c) Based on the most recent information available, how many MicroFIT customers does PowerStream currently have?

Interrogatory #22

Ref: Exhibit C2, Tab 1, Schedule 2

- a) Please provide the most recent year-to-date figures available for 2012 in the same level of detail as shown in Table 5, along with the corresponding figures for the same period in 2011.
- b) Please explain the drop in account 4210 rent from electric property of more than \$70,000 shown between 2011 and 2012 after the significant increases shown in 2010 and 2011.
- c) Please provide a table that shows the 2009 through 2013 actual/forecast revenue in account 4210 (mainly pole rentals), the corresponding expenses related to pole rentals in account 5095, and the associated net revenue.
- d) Please provide the most recent year-to-date figures available for 2012 in the same level of detail as shown in Table 6, along with the corresponding figures for the same period in 2011.

- e) Please provide more details on the loss on disposition of \$532,500 shown for 2010 in Table 6. In particular, please provide details of the assets disposed of and their associated losses, along with any assets disposed of with a gain on disposition.
- f) Does PowerStream plan on replacing any vehicles in 2013? If yes, are these vehicles being replaced as part of the capital expenditures for the bridge and test years? Also, what will be the net present value of any vehicles replaced in 2013 when they are replaced?
- g) Please provide the average cash balance and interest rates used to forecast the 2012 and 2013 amounts in account 4405. Please also provide the average balance and interest rate for 2011.
- h) Please provide the actual amount of damage claims received in each of 2009 through 2011. Please confirm that in 2009 and 2010 any such amounts received were included in contributed capital.

Interrogatory #23

Ref: Exhibit C2, Tab 1, Schedule 3

- a) The sale of scrap averaged approximately \$245,000 in 2009 through 2011 and about \$280,000 in 2010-2011. Please explain the drop to \$200,000 in 2012 and 2013.
- b) What is included in the miscellaneous line of account 4390?
- c) The miscellaneous component of account 4390 averaged more than \$280,000 in 2009 through 2011. Please explain the drop to \$120,000 in 2012 and 2013.

4. Operating Costs (Exhibit D)

4.1 Is the overall Test Year 2013 OM&A forecast appropriate? (D1)

Interrogatory #24

Ref: Appendix 1, Schedule 8

- a) Does PowerStream pay any costs to MEC, VHI or BHHI as shown on the Corporate Entities Relationship Chart? If yes, please identify these costs.

- b) Does PowerStream pay any of the costs associated with the Board of Directors of MEC, VHI or BHHI? If yes, please quantify.
- c) What is the cost associated with the Board of Directors of PowerStream?

Interrogatory #25

Ref: Exhibit D1, Tab 1, Schedule 1

- a) Please confirm that the figures shown in Table 1 include the savings due to the merger and the transition costs associated with the merger. If the latter is confirmed, please provide a version of Table 1 that excludes all transition costs associated with the merger.
- b) Please confirm that in the absence of IFRS in the 2013 test year, the OM&A based on CGAAP would be \$12,441 lower based on the figures shown in Table 2.
- c) Table 2 shows an increase between 2009 and 2013 of \$2,731,000 for smart meters. Where there any smart meter costs included in the 2009 Barrie Actual or 2009 PowerStream South Approved costs? If yes, please quantify. If no, please quantify the 2009 OM&A costs related to smart meters that were included in a deferral account for recovery.
- d) Please quantify the increase related to the requirement to remove shared services revenue from OM&A and report it as other revenue. Please confirm that this amount is part of the \$12,441,000 IFRS impact.

Interrogatory #26

Ref: Exhibit D1, Tab 1, Schedule 1

What is the current status of negotiations for a new collective agreement to replace the one that ends March 31, 2013?

Interrogatory #27

Ref: Exhibit D1, Tab 2, Schedule 2

Please provide the most recent year-to-date figures available for 2012 and the figures for the corresponding period in 2011 in the same level of detail as shown in the table on page 1.

Interrogatory #28

Ref: Exhibit D1, Tab 3, Schedule 2

Please provide the most recent year-to-date figures available for 2012 and the figures for the corresponding period in 2011 in the same level of detail as shown in Table 1.

Interrogatory #29

Ref: Exhibit D1, Tab 5, Schedule 2, Appendix 2-K

- a) There do not appear to be any intervenor costs associated with the current application shown in the table. Have these costs been included in line 2 "OEB Hearing Assessments (applicant originated)?"**
- b) Please confirm that the total costs associated with the current application are \$270,000, as shown in line 13.**
- c) Has PowerStream amortized the current application costs over 4 years? If not, please explain why not and what period they are allocated to.**
- d) Please reconcile the total regulatory cost for 2013 shown on line 14 of \$2,388,002 with the figure of \$1,396,665 shown in Appendix 2-F of Exhibit D1, Tab 2-3.**

Interrogatory #30

Ref: Exhibit D1, Tab 2-3, Appendix 2-F

- a) Please provide the most recent year-to-date figures for account 6105 for 2012, along with the corresponding figures for 2011.**
- b) Please explain what type of penalties are included in account 6215 and why the forecasts for 2012 and 2013 are significantly higher than the actuals posted in previous years.**

Interrogatory #31

Ref: Exhibit D1, Tab 5, Schedule 3 &
Exhibit D1, Tab 2-3, Appendix 2-F

Please reconcile the 2013 donations of \$563,750 shown in the first reference with the \$350,000 shown in account 6205 in the second reference.

4.2 Is the proposed level of the Depreciation/Amortization expense for 2013 appropriate? (D1)

Interrogatory #32

Ref: Exhibit D1, Tab 4, Schedule 1

- a) The evidence states that the half year rule was applied for 2009 and 2012 (lines 6-7 on page 1). Please confirm that the half year rule was not applied to 2010 and 2011 because the amortization expense was calculated on a monthly basis once the assets were placed into service.
- b) Which amortization methodology did the rates approved for 2009 include (half year, full year, monthly, etc.)?
- c) Please provide a row to Table 2 that shows the methodology applied to each year.
- d) Please provide a version of Table 2 that calculates the depreciation expense for all years (and both CGAAP and MIFRS for 2011) if the depreciation expense had been calculated using the half year rule in all years.
- e) Please reconcile, if required, the \$1,569,000 difference in the 2013 test year noted on page 1 between the depreciation expense calculated using the full year rule and the half year rule requested in part (d) above for 2013.

4.3 Is the Test Year 2013 forecast of PILs appropriate? (D2)

Interrogatory #33

Ref: Exhibit D2, Tab 1, Schedule 1

Please update Table 2 to reflect the most current rates approved to be in place for 2012 and 2013.

Interrogatory #34

Ref: Exhibit D2, Tab 1, Schedule 2

- a) Do the tax credits shown in Tables 1 & 2 for 2011 correspond to the actual tax credits claimed in the 2011 tax filing? If not, please update Tables 1 & 2 to reflect actual tax credits claimed in the 2011 tax filing.
- b) Please show the number of positions eligible for the Ontario apprenticeship training tax credit in each of 2010, 2011, 2012 and 2013 and show the calculation of the credits shown in Table 2 for 2012 and 2013.
- c) Please show the number of positions eligible for the co-op credits in each of 2010, 2011, 2012 and 2013 and show the calculation of the credits shown in Table 2 for 2012 and 2013.
- d) Please expand Tables 1 and 2 to include data for 2010.
- e) Please file the 2011 tax return.
- f) Please explain why there are no federal job creation tax credits included in the forecast. Please provide the number of positions eligible for this tax credit in 2013.

Interrogatory #35

Ref: Exhibit D2, Tab 1, Schedule 3

Please explain why the PILs/Income Taxes Work Form is labelled as PowerStream Inc. - South. Please confirm that the tax calculations are for the merged entity.

Interrogatory #36

Ref: Exhibit D2, Tab 1, Schedule 3

- a) Please update the CCA schedules for the historical bridge and test years to reflect the actual 2011 CCA schedule for the historical year if this is not already reflected in the historical year data shown in Schedule 8. Please calculate the resulting impact on the test year tax calculation.
- b) Please update the 2011, 2012 and 2013 cumulative eligible capital schedules to reflect actual data for 2011 if this is not already reflected in the historical year data shown in Schedule 8. Please calculate the resulting impact on the test year tax calculation.

Interrogatory #37

Ref: Exhibit D2, Tab 1, Schedule 3 &
Exhibit B1, Tab 2, Schedule 5

- a) Please reconcile the CCA additions for the bridge year shown in Schedule 8 CCA - Bridge Year of Exhibit D2, Tab 1, Schedule 3 of \$69,066,620 with the additions of \$70,293,000 shown in the 2012 fixed asset continuity schedule in Exhibit B1, Tab 2, Schedule 5.
- b) Please reconcile the CCA additions for the test year shown in Schedule 8 CCA - Test Year of Exhibit D2, Tab 1, Schedule 3 of \$82,486,620 with the additions of \$84,702,000 shown in the 2013 fixed asset continuity schedule in Exhibit B1, Tab 2, Schedule 5.

4.4 Is the proposed allocation of shared services and corporate costs appropriate?
(A4)

Interrogatory #38

Ref: Exhibit A4, Tab 1, Schedule 1

- a) Please explain the reduction in the services provided to the Town of Markham for street lighting services shown in Table 4 for 2012 and 2013 as compared to 2011.
- b) Please show the most recent year-to-date figures available for 2012, along with the figures for the corresponding period in 2011 for each line item shown in each of the tables shown in Schedule 1.
- c) Please quantify the reduction in costs that have been reflected in 2012 and 2013 as a result of the services that were provided to the City of Barrie until the end of 2011. Please indicate how this reduction has been incorporated into the forecast for the bridge and test years.
- d) Please provide the revenues and costs associated with the services provided to the City of Barrie for each of 2009 through 2011.
- e) Are the figures shown in Table 5 the costs of providing the services or the revenues associated with the provision of the services? If the former, please provide the revenues associated with the provision of the services.

- f) Please explain how the costs and revenues associated with the shared services are accounted for in the calculation of the revenue requirement. For example, where are the revenues shown in the rates application, and where are the corresponding costs shown in the rates application?

Interrogatory #39

Ref: Exhibit A4, Tab 1, Schedule 2

- a) Please provide an executed copy of the Shared Services Agreement between PowerStream and the City of Vaughn.
- b) How was the 3% escalatory noted in Schedules A through E arrived at?

Interrogatory #40

Ref: Exhibit A4, Tab 1, Schedule 4

Please provide an executed copy of the Shared Services Agreement between PowerStream and the Town of Bradbury West Gwillimbury.

4.5 Are the 2013 compensation costs and employee levels appropriate? (D1)

Interrogatory #41

Ref: Exhibit A3, Tab 1, Schedule 1, page 5

- a) What is the impact on the revenue deficiency if the annual increase for union staff was capped at 2% for each of 2012 and 2013?
- b) What is the impact on the revenue deficiency if the annual increase for non-union staff was capped at 2% for each of 2012 and 2013?

Interrogatory #42

Ref: Exhibit D1, Tab 5, Schedule 4

- a) What is the impact on the figures in Table 5 if the 2012 and 2013 increase for employees covered under the collective agreement were reduced to 2.0% in both years?

- b) What is the impact on the figures in Table 5 if the 2012 and 2013 increase for management and non-union staff were reduced to 2.0% in both years?
- c) Please explain the 38% increase shown in Table 4 for the Board of Directors between 2011 and 2013.
- d) Please provide the most recent year-to-date figures available for 2012 and the corresponding figures for the same period in 2011 in the same level of detail as shown in Table 4.

Interrogatory #43

Ref: Exhibit D1, Tab 5, Schedule 5, Appendix 2-K

- a) Please provide a table that shows the performance incentive plan payments made to each group of employees for 2009 through 2011 and the forecast for 2012 and 2013 along with the total payments that could have been paid out in each of those years and the resulting percentage of the total potential payout actually paid out.
- b) Please confirm that the total compensation charged to OM&A and the amount capitalized shown for 2011 are based on CGAAP. Please provide the total compensation broken down into the amount charged to OM&A and the amount capitalized in 2011 under IFRS.
- c) Please explain why PowerStream believes that it requires 13 members of the Board of Directors.
- d) What is the impact on OM&A and capitalized costs if the number of FTEs included for 2013 was maintained at the 2012 level for each category of employees?

4.6 Have the savings due to the merger with Barrie Hydro been properly reflected in the test year? (D1)

Interrogatory #44

Ref: Exhibit D1, Tab 1, Schedule 1

- a) Please explain why there is no cost driver shown in Table 2 to reflect reductions in OM&A costs associated with the merger with Barrie Hydro in 2009.

- b) Please provide a cost driver table to reflect the OM&A savings that have resulted from the merger with Barrie Hydro between 2009 and the test year.

Interrogatory #45

Ref: Exhibit D1, Tab 1, Schedule 2

The Board approved OM&A cost per customer for Barrie (2008) is \$141.4 and for PowerStream (2009) is \$174.3.

- a) Please explain why the cost per customer for 2009 (combined) is higher than the figures noted above.
- b) Please explain why the 2009 combined figure of \$188.0 per customer is higher than the 2009 Board approved figure given that the Board approved figures for Barrie were lower.
- c) Please show where in Table 2 the savings due to the merger are reflected.

6. Cost of Capital (Exhibit E)

6.1 Are the proposed Test Year cost of capital parameters appropriate?

Interrogatory #46

Ref: Exhibit E, Tab 1, Schedule 1

- a) The evidence on page 2 indicates that the cost of capital parameters used have been taken from the OEB letter dated March 2, 2012 for rates effective May 1, 2012 and that "this calculation may require updating when the Board releases the Cost of Capital parameters for rates effective January 1, 2013". Please confirm that PowerStream will update the cost of capital parameters based on the letter that the Board is expected to release later this year for rates effective January 1, 2013.
- b) Has the refinancing of the \$125 million EDFIN debenture, which comes due in August 2012, been completed? If so, please provide the details including the applicable rate. If not, please provide an update as to when this refinancing is expected to be completed and provide the best forecast available at the current time for the associated rate.
- c) Has PowerStream attempted to obtain funding from Infrastructure Ontario? Please explain.

- d) What at the current rates available from Infrastructure Ontario for terms of 5, 10 and 20 years?
- e) PowerStream has a current bank loan of \$50 million at a rate of 5.08% that comes due in February 2013. What are the plans to replace this debt and what is the forecast rate for the replacement loan?
- f) PowerStream has a number of other loans that expire at the beginning of 2013 or in October 2013 (lines 4 through 9) in the long-term debt cost table for the 2013 test year shown on page 12. What are the plans to replace this debt and what is the current forecast of the rates to be used for this replacement debt?
- g) Please provide copies of the letters confirming that the shareholders intent not to demand payment within the next year that are referenced on page 5.

7. Cost Allocation (Exhibit G)

7.2 Are the revenue to cost ratios in the cost allocation for Test Year 2013 appropriate?

Interrogatory #47

Ref: Exhibit G, Tab 1, Schedule 2

- a) Please explain why PowerStream proposes to increase the Large Use revenue to cost ratio from 43.7% to 100.2 rather than to the bottom of the range of 85%.
- b) Please show the required changes in other revenue to cost ratios if the Large Use ratio is increased to 85%. In answering this, please leave the Street Lighting ratio at 118.9% and increase the ratios currently below 100% in tandem.

9. Rate Design (Exhibit H)

9.4 Are the proposed Total Loss Factors appropriate?

Interrogatory #48

Ref: Exhibit H, Tab 7, Schedule 1

- a) Please explain why PowerStream proposes to use 3 years of historical data rather than the 5 years that is preferred in the filing guidelines.**
- b) Please expand Appendix 2-P to reflect 2007 through 2011 data and the corresponding 5 year average.**