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Ontario

BY E-MAIL ONLY

August 31, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, 27th Fl
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Great Lakes Power Transmission Inc. ("GLPT")
Application for 2013 and 2014 Transmission Rates
Board File No. EB-2012-0300

Pursuant to the Notice of Application and Hearing and Procedural Order No. 1, dated August 2, 2012, attached is a file containing Board staff interrogatories for the above proceeding for distribution to the applicant and all parties in this proceeding.

Yours truly,

Original Signed By

Nabih Mikhail
Project Advisor, Electricity Facilities & Infrastructure

BOARD STAFF INTERROGATORIES

Great Lakes Power Transmission LP

Transmission Rate Application
(Test Years 2013 & 2014)

EB-2012-0300

August 31, 2012

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I. METHODOLOGY CHANGE- IFRS

Interrogatory 1 – IFRS – Methodology and Changes

Reference:

Ref: (a) Exh.1/Tab 2/Sch.3/p.5;
Ref: (b) IAS 16 of CICA Handbook;
Ref: (c) June 28, 2012, OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.5.2.3; Appendix 2-D;
Ref: (d) Q&A #C3, July 19, 2012 Webinar on Review of MIFRS Filing Requirements for 2013 COS Applications, pp. 36-39

Preamble:

IAS 16 disallows the capitalization of training costs but allows the capitalization of overhead when they are directly attributable to bringing assets to their location and working conditions related to their intended use.

Historically GLPT capitalized its training costs under CGAAP. GLPT stated that its capitalization of training costs has been historically very low and is not forecasting significant training activities in the test year that would have been historically capitalized under CGAAP. In addition, GLPT has not made an adjustment to its 2013 or 2014 test OMA to reflect the IFRS changed related to training costs.

The 2013 COS filing requirements prescribe the completion and submission of Appendix 2-D for self-constructed assets.

In addition the July 19, 2012, #C3 Q&A, the Webinar on Review of MIFRS Filing Requirements for 2013 COS Applications provided guidance on the use of Appendix 2-D on capitalization of overhead on self constructed assets in MIFRS and CGAAP.

Questions:

(i) Please confirm that GLPT will follow IAS 16 of the CICA Handbook and not capitalize training costs moving forward.

(ii) As per Q & A # C3 in the above webinar and 2013 COS filing requirements, please complete and submit Appendix 2-D if GLPT has any overhead costs in self-constructed assets.

(iii) Please identify the burden rates related to the capitalization of costs of self-constructed assets. Furthermore, if the burden rates were changed since the last rebasing application, the applicant must identify the burden rates:
- Prior to the change
- After the change

Interrogatory 2 – IFRS – GLPT's Amortization and Depreciation Policy

Reference:

Ref: (a) Exh.4/Tab 2/Sch.6/pp.1-8;
Ref: (b) June 28, 2012 OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.7.7

Preamble:

The 2013 Board COS filing requirement expects applicants to provide a copy of their amortization/depreciation policy. GLPT's IFRS changeover is January 1, 2013. GLPT did not provide the written amortization/depreciation policy in its application.
Board staff notes that GLPT has developed some changes to its depreciation practices.

Questions/Requests:

(i) Please provide GLPT's formal capitalization policy under IFRS if GLPT has developed such a policy.

(ii) Please provide GLPT's written amortization/depreciation policy under IFRS if GLPT has developed such a policy.

II. COST OF SERVICE

Interrogatory 3 – IFRS – GLPT's Amortization and Depreciation Policy

Reference:

Ref: (a) June 28, 2012, OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.3.4

Preamble:

In the 2013 COS filing requirements, MIFRS applicants must provide a summary of the dollar impacts of MIFRS to each component of the revenue requirement (e.g. rate base, operating costs.. etc), including the overall impact on the proposed revenue requirement. Accordingly, the applicants must identify financial differences and resulting revenue requirement impacts arising from the adoption of MIFRS accounting.

Questions/Requests:

(i) Please confirm if GLPT followed S.2.3.4 of the 2013 COS filing requirements.
(ii) If the answer to part a is "no" please provide a summary of the financial differences between CGAAP and MIFRS and impact on the proposed revenue requirement (i.e. Rate base, OM&A depreciation, rate of return, etc…).

Interrogatory 4 – IFRS – GLPT's Amortization and Depreciation Policy

Reference:

Ref: (a)	Exh.4/Tab 2/Sch.6/pp. 6-8, Tables 4-2-6, E- G
Ref: (b)	June 28, 2012, Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.7.7,and Appendices 2-CE to 2-CH
Ref: (c)	Exh.1/Tab 2/Sch. 3/P2

Preamble:

Under the 2013 Board filing requirements, the applicant must perform a recalculation to determine the average remaining life of the opening balance of assets on the transition date to IFRS (i.e. excluding the transition year capital additions.

In addition, the 2013 COS filing requirements also require an applicant to provide the details for depreciation/amortization by asset group for the historical, bridge and test years including the asset amount and rate of depreciation and should tie back to the depreciation additions in the Fixed Assets continuity schedules. The filing requirements also provided that if the applicant chooses to adopt IFRS for financial reporting in 2013, the applicant must complete Appendices 2-CE to 2-CH with respect to depreciation. Note that GLPT stated in Exh.1/Tab 2/Sch. 3/p.2 that its IFRS changeover date is January 1, 2013.

GLPT provided the depreciation expenses for 2010 to 2014 at a summary level in Exh.4/Tab 2/Sch.6/pp. 6-8, tables 4-2-6 E-G, without the supporting calculations how the amounts were derived.

Questions/Requests:

(i) Please confirm if GLPT followed the Board's 2013 filing requirement concerning the required recalculations to determine the average remaining life of the opening balance of assets on the transition date to IFRS. Please provide reference to the evidence.

(ii) If the answer is no in part (i), please provide the required recalculations in part a and please complete and submit Appendices 2-CE to 2-CH under MIFRS.

(iii) Please tie the depreciation expenses per year to the "Additions" column of the Accumulated Depreciation under the Fixed Asset Continuity Schedule under CGAAP and MIFRS.

Interrogatory 5 – Summary of Operating Costs and OM&A Overview

Reference:

Ref: (a) Exh. 4/Tab 1/Sch. 1/ p. 1/ Table 4-1-1 A
Ref: (b) Exh. 4/Tab 2/Sch. 1/ p. 3/ Table 4-2-1 B

Preamble:

At Ref (a), Table 4-1-1 A is recast below as table titled "GLPT's OM&A – 2013/2014 COS/Tx. Rates" to show the % [OM&A] over (Dep. & Amortization);

At Ref (b), Table 4-2-1 B is recast below as a table titled "Percentage Increases (Year over Year) for Operations, Maintenance and Administration"

GLPT'S OM&A - 2013/2014 COS/Tx. Rates

	2010 Actual	2011 Approved	2011 Actual	2012 Approved	2012 Forecast	2013 Test Year	2014 Test Year
OM&A	$9,491.00	$9,225.00	$9,325.60	$9,455.60	$9,455.60	$10,715.70	$11,173.40
Depreciation & Amortization	7,356.00	7,720.50	7,538.90	8,408.50	8,439.40	9,185.20	9,229.80
% [OM&A] over (Dep&Amort'n)	29.00%	19.50%	23.70%	12.50%	12.00%	16.70%	21.10%

Percentage Increases (Year over Year) for Operations, Maintenance and Administration

	2010 Actual	2011 Approved	2011 Actual	2012 Approved	2012 Forecast	2013 Test Year	2014 Test Year
Operations	$3,446.90	$3,919.70	$3,821.70	$4,017.70	$3,856.10	$4,351.10	$4,457.70
% Increase (Year over Year)		13.72%	-2.50%	5.13%	-4.02%	12.84%	2.45%
Maintenance	2,153.30	2,084.80	2,014.90	2,136.90	2,265.30	2,489.60	2,553.00
% Increase (Year over Year)		-3.18%	-3.35%	6.05%	6.01%	9.90%	2.55%
Administration	3,890.80	3,220.50	3,488.90	3,301.00	3,334.30	3,875.00	4,162.70
% Increase (Year over Year)		-17.23%	8.33%	-5.39%	1.01%	16.22%	7.42%

Questions:

(i) With reference to the first recast table above, please comment on the view that the percentage ratio of [OM&A] over (Depreciation and Amortization] of 16.7% for Test Year 2013 and 21.1% for Test Year 2014 are considered very high compared to the corresponding approved level for 2012 of 12.5%.

(ii) With reference to the second recast table above, please comment on the view that the percentage increase for the Test Year 2013 over 2012 Forecast for all three components is very high being:

- 12.84% (2013 over 2012 Forecast) for Operations
- 9.9% (2013 over 2012 Forecast) for Maintenance
- 16.22% (2013 over 2012 Forecast) for Administration

(iii) With reference to the second recast table above, please comment on the view that the percentage increase for the Test Year 2014 over Test Year 2013 Forecast for all three components is considered very high given that these increases follow a large increases in Test Year 2013 over 2012 Forecast. The percentage increase for the Test Year 2014 over Test Year 2013 Forecast being:

- 2.45% (Test Year 2014 over Test Year 2013) for Operations
- 2.55% (Test Year 2014 over Test Year 2013) for Maintenance
- 7.42% (Test Year 2014 over Test Year 2013) for Administration

Interrogatory 6 – OM&A Overview

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 1/ p. 3/ Table 4-2-1 B
Ref: (b) Exh. 4/Tab 2/Sch. 1/ p. 4/ lines 5-10
Ref: (c) Exh. 4/Tab 2/Sch. 3/Appendix B/p. 31

Preamble:

At Ref (a), Table 4-2-1 B shows the OM&A by the three functional areas, and is reproduced below for convenience:

Table 4-2-1 B – OM&A Expenses by Functional Areas

($000's)	2010 Actual	2011 Approved	2011 Actual	2012 Approved	2012 Forecast	2013 Test Year	2014 Test Year
Operations	$3,446.9	$3,919.7	$3,821.7	$4,017.7	$3,856.1	$4,351.1	$4,457.7
Maintenance	2,153.3	2,084.8	2,014.9	2,136.9	2,265.3	2,489.6	2,553.0
Administration	3,890.8	3,220.5	3,488.9	3,301.0	3,334.3	3,875.0	4,162.7
Total OM&A	**$9,491.0**	**$9,225.0**	**$9,325.6**	**$9,455.6**	**$9,455.6**	**$10,715.7**	**$11,173.4**

At Ref (b), it is indicated that the inflation factor of 3.1 % is justified being based on GLPT's collective agreement, and GLPT stated that:

> Consistent with the "top down" approach, GLPT then used the 2012 OM&A re-allocation as the baseline for its 2013 and 2014 budgets. GLPT applied to this baseline an inflation factor of 3.1%, which is based on the rate used in GLPT's

collective agreement (attached at Exhibit 4, Tab 2, Schedule 3, Appendix B) and equal to the percentage change in all-items CPI for Ontario[1] for the twelve months ending December 31, 2011. This accounts for increases in OM&A of $322,200 and $335,960 for 2013 and 2014, respectively.

At Ref (c), it is indicated under section 21.4 (reproduced below for convenience) that adjustment to the "payment as a per cent of gross earnings" would be 0.50 % if the "percentage change in CPI" is ">=3.00<3.5", which is applicable in this case for a CPI of 3.1%.

21.4 Cost of Living Adjustment

If the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2011 is greater than the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2010, a one time lump sum payment will be made prior to March 31, 2012 based on the following table:

PERCENTAGE CHANGE IN CPI	PAYMENT AS A PER CENT OF GROSS EARNINGS
<3.00	0.00
>=3.00<3.50	0.50
>=3.50<4.00	1.00
>=4.00<4.50	1.50
>=4.50	2.00

Questions:

(i) Using Table 4-2-1 B at Ref (a), please provide for 2012 forecast the following information:

1) the split of the forecast of $3,856,100 under "Operations" between third party contracts; and GLPT labour. For the amounts provided under third party contracts please also provide a summary of these contracts and evidence showing the percentage increase in "2012 Forecast" over the 2011 actual.

2) the split of the forecast of $3,334,300 under "Administration" between third party contracts; and GLPT labour. For the amounts provided under third party contracts please also provide a summary of these contracts and evidence showing the percentage increase in "2012 Forecast" over the 2011 actual.

(ii) For the 2012 Forecast under "Maintenance" of $2,265,300, please provide the break down split between labour and Material, and further for labour

[1] http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09g-eng.htm

provide a further breakdown between GLPT labour and third party contracts. Please also provide a summary of these third party contracts and evidence showing the percentage increase in “2012 Forecast” over the 2011 actual.

(iii) Please comment on the view that portions of “Operations”, “Maintenance”, and “Administration” for 2013 and 2014 that were carried out by GLPT’s labour or staff should in general reflect increases, as prescribed in Ref: (c), and outlined in the Preamble above, not exceeding 0.5% for each of the two Test Years 2013 and 2014.

(iv) Please provide evidence in regard to use of appropriate escalation for “Material” that is provided by Statistics Canada that would be appropriate to apply to the portion of Maintenance in Table 4-2-1 B in order to reflect a general increase from 2011 Actual to corresponding amounts for the two Test Years 2013 and 2014.

Interrogatory 7 – First Quartile Report

Reference:

Ref: (a)	Exh. 4/Tab 2/Sch. 1/Appendix B – First Quartile Consulting Benchmarking Report/p. 8 – Panel of 11 companies listed
Ref: (b)	Proceeding EB-2010-0291/ Exh 10/Tab 2/Sch. 2/Appendix B/ Listing of Companies (part of Response to Board staff IR 15)

Preamble:

Ref (a) displays a list of companies used by the 1QC study as “The Comparison Panel” filed in this proceeding

Ref (b) shows a list of companies that were used by 1QC study as the “Comparison Panel” filed in proceeding EB-2010-0291. In that list there are two columns, each showing a list of Comparison Panel, and narratives explaining the reasons for changing the mix of companies constituting the Comparison Panel for the second report.

Questions:

(i) What was the cost of the 1QC study dated June 21, 2012, identified at Ref (a).

(ii) Did GLPT record the cost of the noted 1QC study in its “2012 Forecast”, and if so, did it post that amount in USofA account 5630 as it did in the previous study?

(iii) Please provide the reasons for requesting a new 1QC study for this application?

(iv) Please provide a description of the companies which were removed from the 2010 study and description for the companies added to the 2012 study filed in this proceeding, and the reasons why the 2010 Comparison Panel was not maintained.

(v) Please highlight the results of the 2012 study, and how it contrasts and compares to the 2010 study.

(vi) Assuming that the information is available, please use the same “Comparison Panel” used in the 2010 1QC, to recalculate the results of the 2012 study.

Interrogatory 8 – First Quartile Report

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 1/Appendix B – First Quartile Consulting Benchmarking Report

Questions:

(i) Please comment on the view that GLPT’s proposed O&M increases in 2013 and 2014 are fairly high and that shows by examining Figure 1, page 2, and Figure 2, page 3 at Ref (a):

- In that Figure 1, GLPT’s Percentage of (O&M+AG) per Gross Assets (Transmission Lines & Substations) show a marked increase over the Q1 group for the years 2013 and 2014.

- In that Figure 2, GLPT's Percentage of (O&M) per Gross Assets show a marked increase over the Q1 group for the years 2013 and 2014.

Interrogatory 9 – OM&A Variance Analysis (General)

Reference:

Ref: (a) Exh. 4/Tab 2/Sch.2/p1-2/Test Year Approach
Ref: (b) Exh. 4/Tab 2/Sch.1/Table 4-2-1C OM&A Costs by Uniform System of Accounts

Preamble:

At Ref (a) GLPT describes its approach to create the 2013 and 2014 test years OM&A budgets, highlighting a two-step process, where step one consists of applying a 3.1% inflation factor to the 2012 approved OM&A envelope ("top-down" approach).

At the same Ref (a), GLPT further highlights that "the inflation factor was applied given that over 95% of GLPT's OM&A expenditures occur because of third party contracts, materials and supplies or internal labour, all of which are subject to either inflation or wage and benefit changes."

At Ref (a), GLPT states in part that it "has revised its 2012 OM&A forecast (on an account by account basis) by re-allocating its Board Approved 2012 OM&A envelope to address GLPT's needs and requirements without sacrificing safety, reliability or the environment."

At Ref (b), GLPT provides a year over year comparative table of OM&A costs by USoA from 2010 to 2014. Board staff has tabulated below the variance related to these costs for 2012 relative to approved and forecast expenditures.

USofA	Description	2012 Approved	2012 Forecast	Variance
	Transmission Expenses - Operation			
4805	Operation Supervision and Engineering	390.6	521.1	130.5
4810	Load Dispatching	1,569.0	1,341.0	(228.0)
4815	Station Buildings and Fixtures Expense	852.8	871.8	19.0
4820	Transformer Station Equipment - Labour	384.7	261.3	(123.4)
4825	Transformer Station Equipment - Supplies and Expense	86.3	99.7	13.4
4830	Overhead Line Expense	164.9	216.2	51.3
4845	Miscellaneous Transmission Expense	484.4	475.2	(9.2)
4850	Rents	85.0	69.8	(15.2)
	Transmission Expenses - Maintenance			
4910	Maintenance of transformer station buildings and fixtures	96.5	71.8	(24.7)
4916	Maintenance of transformer station equipment	452.6	642.0	189.4
4930	Maintenance of poles towers and fixtures	19.4	11.7	(7.7)
4935	Maintenance of overhead conductors and devices	192.1	163.5	(28.6)
4940	Maintenance of overhead lines - ROW	1,260.8	1,262.4	1.6
4945	Maintenance of overhead lines - roads and trails repairs	115.6	113.9	(1.7)
	Administrative & General Expenses			
5605	Executive Salaries and Expenses	957.3	771.0	(186.3)
5615	General Administrative Salaries and Expenses	972.6	1,188.8	216.2
5620	Office Supplies and Expenses	179.4	230.1	50.7
5630	Outside Services Employed	742.1	670.0	(72.1)
5635	Property Insurance	222.2	250.0	27.8
5655	Regulatory Expense	164.9	164.9	0.0
5665	Miscellaneous General Expenses	38.3	38.3	0.0
5680	Electrical Safety Authority Fees	24.2	21.0	(3.2)
	Total OM&A	9,455.6	9,455.6	0.0

Questions:

(i) Please indicate whether the application of a single inflation index across the board is a methodology used in prior GLPT transmission rate filings.

(ii) Please indicate whether the re-allocation of a historical or bridge year approved OM&A envelope to future test years is a methodology that has been used in prior GLPT transmission rate filings.

(iii) Please provide an explanation for the negative variances at Board staff table above.

(iv) Please provide an explanation for the positive variances at Board staff table above and describe whether or not these costs were unanticipated at the time of the 2012 rate application.

(v) Please clarify whether any of the additional costs forecast for 2012 are discretionary?

(vi) Given the statement at Ref (a) regarding the impact of inflation, please comment on the relative exposure to inflation for each of the accounts at Ref (b).

Interrogatory 10 – OM&A Variance Analysis (General)

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p3
Ref: (b)	Exh 4/Tab 2/Sch.2/p4-35
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C
Ref: (d)	Exh 4/Tab 2/Sch.1/Appendix C/p28 /Table 1

Preamble:

With respect to cost drivers, Ref (a) states in part that "GLPT has included a cost driver labeled "Inflation & Other", which is representative of the 3.1% CPI increase for each year."

With respect to Ref (b), though "cost driver" figures might differ greatly for test years 2013 and 2014, the inflation rate applied to both these years is identical.

In addition, inflation is usually accounted for in a "bottom-up" fashion, normally it should be part of the building blocks of the major components of each separate cost driver.

Ref (c) tabulates OM&A costs by USofA for the 2010 to 2014 period.

At Ref (d) GLPT provides a breakdown of regulatory costs for 2013 and 2014.

Questions/Requests:

(i) Please confirm that "Inflation & Other" as per Ref (a) strictly accounts for inflation.
(ii) Please confirm that entries left blank at Ref (b) equal to zero.

(iii) Please file cost driver figures for the 2010-2012 period for all the accounts at Ref (b).

(iv) To ensure that there is no duplication, please review all the accounts at Ref (b), and where inflation is already likely accounted for, as in third party long-term service agreements, leaseholds, agencies fees, other contractual agreements such insurance, or where all or a majority of "cost drivers" show a reduction from 2013 to 2014, adjust the entries where reasonable. Where inflation is specifically included in price formulae with third parties, please file these documents. In particular please revise and adjust where applicable entries to accounts: 4805; 4815; 4820,4825 and 4916; 4830, 4930, and 4935; 4845; 4850; 4910; 4940; 4945; 5605; 5615; 5630; 5635; 5655; 5680.

Interrogatory 11 – OM&A Variance Analysis – Account 4805

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p.3
Ref: (b) Exh 4/Tab 2/Sch.2/pp. 4-5
Ref: (c) Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), Account 4805 shows that in spite of a decrease in two of the cost drivers, there is an overall increase of 39.6% in 2013 over 2012, and another 11.6% increase in 2014 over 2013. This account also indicates that in 2013 internal labour will increase by $110,401. $60,000 are also incurred in relation to various standards bodies and professional groups.

Question:

(i) With respect to Account 4805, please provide further detail on the Internal Labour Allocations, particularly the nature of the heightened maintenance and planning. Also please:

- indicate how many equivalent FTEs are involved in the shift in work programs.
- list the various standards bodies and professional groups, their value, and their respective costs.
- comment on the upward trend for this account as displayed at Ref(c).

Interrogatory 12 – OM&A Variance Analysis – Account 4810

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p.3
Ref: (b) Exh 4/Tab 2/Sch.2/pp. 6-8
Ref: (c) Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), Account 4810 reflect various initiatives in electricity industry and indicates that one of the cost drivers is the Compliance Program. GLPT further notes that in 2013 it "will engage a third party consultant to complete a review of all existing and upcoming standards […] and further develop a comprehensive compliance program. […] costs in 2014 will only be related to maintenance of the new program and fees related to compliance audits.

Question:

(i) With respect to Account 4810, please indicate what the current compliance program consists of and elaborate on the "comprehensive compliance program" and the subsequent type of maintenance associated with the program, commenting in particular on the respective dollars amount for the two test years.

Interrogatory 13 – OM&A Variance Analysis Account 4815

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p.3
Ref: (b)	Exh 4/Tab 2/Sch.2/p.5
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), in Account 4815, the forecast related to maintenance of the road reveals a decrease in cost for 2013 and 2014, yet there is an increase over $27,000 in each of the test years reflecting general inflation of 3.1%.

Question:

(i) What are the cost items that justify an increase of 3.1% for maintenance of Station Buildings and Fixtures?

Interrogatory 14 – OM&A Variance Analysis – Accounts 4820, 4825, 4916

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p.3
Ref: (b)	Exh 4/Tab 2/Sch.2/pp. 10-12
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), Accounts 4820,4825 and 4916, show that the forecast related to these accounts indicate a decrease in two of the cost drivers, yet the overall increase is identical at 6.6% for both test years.

Question:

(i) In regard to maintenance cycle please provide more details, and contrast your answer with the maintenance cost of the replaced equipment.

Interrogatory 15 – OM&A Variance Analysis – Account 4845

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p.3
Ref: (b)	Exh 4/Tab 2/Sch.2/pp. 15-17
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), Account 4845 indicates that contract costs “are expected to increase by approximately $67,000 related to preventative maintenance provided by third parties for the new SCADA system in 2013 and remain consistent for 2014. Also, entries show that there is an overall increase at 32.4% in 2014 even though the only cost driver, a leasehold, remains constant.

Question:

(i) With respect to Account 4845 please provide more details on the maintenance cycle of the new SCADA system. In particular please elaborate on whether or not maintenance costs are expected to decrease once commissioning is completed and the teething period of new SCADA system ends..

Interrogatory 16 – OM&A Variance Analysis – Account 4850

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p.3
Ref: (b) Exh 4/Tab 2/Sch.2/p. 18
Ref: (c) Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Question:

(i) Please comment on the view that the inflation in this account is not justified even though shelter is a major component of the consumer price index, it is believed leases do not necessarily follow CPI.

Interrogatory 17 – OM&A Variance Analysis – Account 4910

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p.3
Ref: (b) Exh 4/Tab 2/Sch.2/p. 19
Ref: (c) Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), Account 4910 presents an overall increase of 10.3% year over year whilst the major cost driver over that period, maintenance, has died out. However GLPT notes that annual preventative maintenance amounts to $5,000 on an annual basis.

Question:

(i) Please comment on the maintenance cycle and confirm whether $5,000 in preventative maintenance is on an annual basis or on another schedule e.g., on biennial basis.

Interrogatory 18 – OM&A Variance Analysis –Account 4945

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p3
Ref: (b)	Exh 4/Tab 2/Sch.2/p. 21
Ref: (c)	Exh 4/Tab 2/Sch.3/Appendix B/p.31

Preamble:

At Ref (b), Account 4945 indicates for roads and trails maintenance that inflation at 3.1% is a driver.

Question:

(i) Please provide further detail regarding this account indicating whether . roads and trails maintenance is carried out by GLPT's staff or outsourced to a third party.

(ii) If the answer to (i) is that the road and trail maintenancee is carried out by GLPT's staff, please explain why an inflation rate of 3.1% is justified in light of the fact that GLPT's collective agreement at Ref. (c) allows only an increase of 0.5% for 2012 if the CPI is between 3 and 3.5%.

(iii) If the answer to (i) above is that the road and trail maintenance is outsourced to a third party, please provide a summary of the contract terms.

Interrogatory 19 – OM&A Variance Analysis – Accounts 5615 & 5630

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p3
Ref: (b)	Exh 4/Tab 2/Sch.2/pp. 27-28 for (Account 5615) & pp. 30-31 for (Account 5630)
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b), pages 27-28 under "Cost Driver 1 – IT Admin" for Account 5615 , it indicates that additional $19,000 will be spent in 2013 for technical support related to a new GIS. Also, in 2014 though there are no other cost drivers, overall all increase are to grow at 10%.

At Ref (b), pages 30-31, under "Cost Driver 2 – Admin Programs" for Account 5630, also presents costs related to professional services for the new GIS system.

Question:

(i) Please confirm that the $19,000 GIS technical support at Account 5615 are in addition to the professional services required to maintain and service the GIS system at Account 5630. If there are duplication, please adjust accounting entries accordingly including Table 4-2-1 C at Ref.(c)..

Interrogatory 20 – OM&A Variance Analysis – Accounts 5655 & 5630

Reference:

Ref: (a)	Exh 4/Tab 2/Sch.2/p3
Ref: (b)	Exh 4/Tab 2/Sch.2/p.33 (Account 5655) & pp. 30-31 (Account 5630)
Ref: (c)	Exh 4/Tab 2/Sch.1/Table 4-2-1 C
Ref: (d)	Exh 4/Tab 2/Sch.1/Appendix C/p.28 /Table 1

Preamble:

Account 5655 related to regulatory expenses shows general inflation of 3.1% as the driver for year over year increases. Ref (d), Appendix C provides a more complete breakdown of regulatory costs, where it indicates that the OEB annual Assessment, Consultant Costs for Regulatory Matters, the Canadian Electricity Association fees, and intervenor costs all increase at the same pace as economic inflation. It also displays a 150.7% increase in Legal Costs for Regulatory Matters for 2014.

Question:

(i) Why is the increase in legal costs for regulatory matters not regarded as a cost driver in Account 5655 instead of in Account 5630 where it is listed as "Cost Driver 1 – Regulatory Applications"?

Interrogatory 21 – OM&A Variance Analysis – Account 5680

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p3
Ref: (b) Exh 4/Tab 2/Sch.2/p.35
Ref: (c) Exh 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

At Ref (b) for Account 5680 related to the ESA fees reflects an inflation rate of 3.1% applied to both 2013 and 2014.

Question:

(i) Please provide the ESA fees paid by GLPT for the last 5 years ending with the ESA fees for 2011.

Interrogatory 22 – OM&A Variance Analysis _Account 4940 Maintenance of Overhead Lines

Reference:

Ref: (a) Exh 4/Tab 2/Sch.2/p20
Ref: (b) Exh 4/Tab 2/Sch.1/Table 4-2-1 C
Ref: (c) EB-2009-0408, Exh 4/Tab 2/Sch.1/p20-21 and EB-2010-0291, Exh 4/Tab 2/Sch1/p5/Table 4-2-1 C

Preamble:

At Ref (c) pertaining to ROW maintenance, in a previous transmission rates application, EB-2009-0408, GLPT has stated that:

> For 2009, while GLPT maintained its level of managing vegetation on the ROW floor in accordance with its 6-year cycle, as a cost cutting measure GLPT reduced its activities associated with encroachments and buffer zones relative to 2008. **It was decided that, for reliability purposes, GLPT needs to restore its prior levels of activity in these areas for 2010 and beyond.** (Emphasis added)

GLPT corroborated the above in EB-2010-0291 where it continued reduced activities with respect to the ROW maintenance.
Based on Ref (b) and Ref (c), Board staff has tabulated the expenditures below for account 4940:

USofA	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Forecast	2013 Test Year	2014 Test Year
4940 ($000's)	1,400.8	1,121.7	1,169.6	1,217.1	1,262.4	1,301.5	1,341.9

At Ref (a), for Account 4940, GLPT indicated that it intends to continue its six year Right of Way maintenance cycle with no material variances forecast for 2013 or 2014. Yet under the same account, inflation is a factor and continues to grow at 3.1% year over year though parts and labour would normally already encompass such an increase.

Questions:

(i) Please provide information on the ROW maintenance cycle anchoring your answer along the continuum of the previous two transmission rate applications as per Ref (c). In particular, has GLPT experienced any increased vegetation related outages in the years of reduced spending, and/or on service reliability?

(ii) Does GLPT intend to restore its level of activity to the 2008 level?

Interrogatory 23 – OM&A Variance Analysis - Account 5605 Executive Salaries and Expenses

Ref: (a) Exh 4/Tab 2/Sch.2/pp. 22-26
Ref: (b) EB-2011-0140 Notice of Proceeding and Decision & Order of July 12, 2012, p18

Preamble:

With respect to Account 5605 relative to Executive Salaries and Expenses, GLPT states in part that analysis (based on Navigant's benchmarking study) "indicates that a corporate cost allocation to GLPT of $469,717 for 2013 and $484,278 for 2014 is reasonable."

GLPT also indicates that "GLPT's management team spent a portion of its time on development-related activities in 2010, 2011 and 2012, and in doing so allocated some of its time and expenses to GLPT's green energy deferral account, approved in EB-2009-0409."

GLPT further adds that "GLPT's management team allocated costs to its green energy deferral account in 2010, 2011 and 2012. [noting that] These costs were related to the East-West Tie Line proceeding (EB-2011-0140). […] these costs are the responsibility of EWT LP, and as a result they have been removed from GLPT's approved deferral account and will be recovered by GLPT from EWT LP."

With respect to Ref (b), Board staff notes that the Notice of Proceeding to Designate a Transmitter to Carry out Development Work for the East-West Tie Line (EB-2011-0140) was issued on February 2, 2012. The Decision and Order on Phase 1 of the East-West Tie designation proceeding expressly addressed cost recovery as follows:

> ***Issue 14:*** *Should the designated transmitter be permitted to recover its prudently incurred costs associated with preparing its application for designation? If yes, what accounting mechanism(s) are required to allow for such recovery?*
>
> The Board finds that the designated transmitter will be permitted to recover from ratepayers its prudently incurred costs associated with preparing its application for designation, with one restriction. Cost recovery will be restricted to costs incurred on or after the date that the Board gave notice of the proceeding, February 2, 2012. This date represents the beginning of the proceeding and therefore is a date after which the designated transmitter could reasonably expect to recover its costs.
>
> Applicant transmitters should identify the costs already incurred to prepare an application, as well as an estimate of the costs required to complete the designation proceeding, as part of their budgeted development costs. The Board will establish a deferral account for the designated transmitter in which the budgeted development costs, including amounts incurred after February 2, 1012 for the preparation of the application for designation, will be recorded for future recovery. As noted earlier in this decision, an applicant transmitter can choose not to seek recovery of all its costs, as a way to reduce the costs of its proposal to ratepayers.

At Ref (a), GLPT states in part that:

> GLPT's assumption for the 2013 test year is that a significant amount of its senior employees' time will be spent on the EWT Line project. Specifically, GLPT expects that its Vice President/General Manager, Vice-President, Regulatory and Legal, and its Director of Administration will allocate approximately one third of their time, while its Vice President, Project Development will allocate 100% of available time to EWT Line activities. In addition, GLPT anticipates that there are incremental travel, consulting and administrative costs of approximately $100,000 that will be allocated to EWT LP. The collective impact of these

> allocations results in a net reduction to 2013 core OM&A of approximately $550,000. […]
> GLPT is anticipating that in 2014, the services of its Vice President / General Manager, Vice-President, Regulatory and Legal, and its Director of Administration will no longer be required for the EWT Line initiative. GLPT is forecasting that these employees will return their attention to GLPT in full.
> […] Specifically, to the extent that GLPT allocates more or less than $550,000 and $340,000 to EWT LP in 2013 and 2014, respectively, GLPT would record the variance in the proposed account.

In 2014 costs have to a large extent declined yet it reflects an overall 36% increase.

Questions:

(i) Please give details on the corporate services provided to GLPT, and reconcile the amounts cited at the reference from Navigant's study and the current allocation for years 2013 and 2014 of $263,517 in 2013 and zero in 2014.
(ii) Are there any anticipated "Labour & Related Costs" for 2014?
(iii) Has GLPT ensured that only costs, as per the EB-2011-0140 Decision & Order of July 12, 2012, incurred as of February 2, 2012 are passed on to EWT LP, and the balance remaining in GLPT's approved deferral account? Please file a revised statement with regards to this matter for Cost Driver 3.
(iv) On what basis can GLPT confirm that these four executives will return their attention in full in 2014?

Interrogatory 24 – Employee Compensation Breakdown

Reference:

Ref: (a) Exh. 4/Tab 2/Sch.3/Table 4-2-3 A
Ref: (b) Exh. 4/Tab 2/Sch.3/Appendix B/pp. 31-32
Ref: (c) Exh. 4/Tab 2/Sch.1/p4
Ref: (d) Exh. 4/Tab 2/Sch.1/Appendix D
Ref: (e) Exh. 4/Tab 2/Sch.1/Table 4-2-1 C

Preamble:

Ref (a) displays employee compensation from 2010 to 2014, distinguishing between unionized and non-unionized functions.

Ref (b) relative to cost of living adjustment shows how the various percentage changes in CPI would affect wages and the corresponding adjustment GLPT would make. It is noted in various parts that the Collective Agreement would be renegotiated and a new agreement would be effective as of January 2013.

At Ref (c), GLPT states in part that it “applied to [the] baseline an inflation factor of 3.1%, which is based on the rate used in GLPT’s collective agreement […]”.

At Ref (d) OM&A cost per FTE, is presented as illustrated below:

	2010 Actual	2011 Actual	2012 Approved	2012 Forecast	2013 Test Year	2014 Test Year
Total OM&A ($000's)	$9,491.0	$9,325.6	$9,455.6	$9,455.6	$10,715.7	$11,173.4
Number of FTE's	48.6	50.7	53.7	52.4	52.4	53.4
OM&A Cost per FTE ($000's)	**$195.3**	**$184.0**	**$176.1**	**$180.5**	**$204.6**	**$209.2**

Ref (e) tabulates OM&A costs by USofA for the 2010 to 2014 period.

Questions:

(i) Please provide, by completing the Table below, the salary distribution of all FTEs by salary bracket ($20K bins), and the year over year progression from 2010 to 2014, separating executive salaries from the general administrative ones. Use table below as a guide. And if applicable, please provides comments on any salient upward or downward trend insofar as operational impact is concerned.

(ii) Please reconcile Ref(b) and Ref(c) in regard to the applicable adjustment to salaries.

(iii) Please explain the large variance in OM&A per FTE at Ref (d), and comment on the view that the cost per FTE is increasing at a fast rate where it shows year over year of 13.4 % increase in Cost per FTE in Test Year 2013 over 2012 Forecast; followed by 2.3 % increase in Cost per FTE in Test Year 2014 over Test Year 2013 Forecast

(iv) Please comment on the general trend of Accounts 5605 and 5615 as per Ref (e).

	TOTAL FTEs (General Administrative)							
SALARY (Wages+Benefit)	**30-49k**	**50-69k**	**70-89k**	**90-109k**	**110-129k**	**130-149k**	**150-169k**	**>170k**
2010								
…								
…								
2014								

Interrogatory 25 – Shared Services – Office Complex

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/pp. 2 – 3

Preamble (1):

At Ref: (a), page 2, lines 4-7 it is stated that:

> "The annual rent that GLPT pays GLPL is in the middle of the range of fair market rentals for triple net leases as assessed by an independent appraiser. GLPT's net rental cost of the building and property is forecast to be $172,800 for 2013 and $178,200 for 2014, with the increases due to inflation."

Question:

(i) Does GLPT have a contract with GLPL that specifies that the rent will increase by inflation? If so please file such a contract, given that the Operations and maintenance is covered by a separate cost item.

(ii) Please file evidence to justify an increase of 4.45% in the O&M costs for the Office Complex in Test Year 2013 of ($401,700) over the corresponding amount in the 2012 Forecast ($384,600), followed by another increase of

3.1% in the O&M costs in Test Year 2014 over the corresponding amount in Test Year 2013.

Preamble (2):

At Ref: (a), page 2, lines 7-13 it is stated that:

> "If GLPT's share of the estimated net book value of the property were included in GLPT's rate base (approximately $2.6 million), the estimated overall cost to rate payers would be over $260,000 in each of 2013 and 2014 (assuming a depreciation rate of 2.5% and a cost of capital rate of 7.5%). Accordingly, the lease structure that GLPT has been utilizing and will continue to utilize in the 2013 and 2014 test years is consistent with prudent planning and has resulted in demonstrable avoided costs."

The rental arrangement is advantageous to both GLPL and GLPT, and to view that increases not based on costs are justified because GLPT is still better off, is missing the point that the space occupied by GLPT is not readily rentable, and therefore sharing space needs to be based on cost increases supported by evidence.

Questions:

(iii) Please provide evidence that GLPL is facing costs, other than O&M costs, that are increasing to justify two successive 3.1% increases in Rent faced by GLPT in each of the Test Years 2013 and 2014.

Interrogatory 26 – Shared Services – Fiber Optic System

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/p. 4/lines 7 – 12

Questions:

(i) Please provide the cost basis and the details of the calculation to justify the added depreciation costs of $35,000 (plus inflation) in each of2013 and 2014.
(ii) Please a copy of the Agreement and identify the sections of the Agreement between GLPL and GLPT that justify increasing the O&M costs by 3.1% successively for each of the two years 2013 and 2014.

Interrogatory 27 – Shared Services – Fiber Optic System

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/p. 5/lines 4 – 11

Preamble:

At Ref.(a), it is indicated that the annual revenue that GLPT will receive for this pole rental in the test years is estimated to be $35,200 for each of 2013 and 2014. Because this represents a fibre optic cost for GLPL, 41% of the $35,200 is billed back from GLPL to GLPT in accordance with the fibre optic agreement. Therefore, GLPT's annual net benefit is reduced by 41%, leaving a total of $20,800. This net benefit is captured as net rent from electric property in Exhibit 3, Tab 1, Schedule 2 of this Application, but for illustrative purposes has also been included in *Table 4-2-4 A* as an offset to the Fibre Optic System's operating costs in each year displayed in the table.

Question:

(i) Please show where in Table 4-2-4 A is the amount of $20,800 is shown as an offset.

Interrogatory 28 – Shared Services – Radio Systems

Reference:

Ref: (a)	Exh. 4/Tab 2/Sch. 4/ p. 6/lines 4 – 8
Ref: (b)	Exh. 4/Tab 2/Sch. 4/p. 2 Table 4-2-4 A Current Shared Services
Ref: (c)	Exh 3/Tab 1/Sch. 2/Table 3-1-2 A – Summary of Other Income

Preamble:

At Ref. (a), it is stated that:

> "GLPL pays GLPT a licence fee which is cost based and based on the percentage of radios in use on the overall system. The total annual depreciation cost for the radio system is approximately $13,000, of which approximately half is passed on to GLPL. In addition, approximately $50,000 in operating and maintenance costs are incurred at radio tower sites, of which half again is passed on to GLPL."

At Ref.(b) In Table 4-2-4 A the costs to GLPT for "Radio System Costs", shows amounts of $32,000 in 2013 and $33,000 for 2014, however the amounts considered as revenue from GLPL are not shown at Ref. (c) in Table 3-1-2 A

Question/Request:

(i) Please recast Table 3-1-2 A, showing as other income from Radio System Services to GLPL, the same amounts of $32,000 in 2013 and $33,000 in 2014.

Interrogatory 29 – Corporate Cost Allocation

Reference:

Ref: (a) EB-2010-0291/Exh. 10/Tab 2/Sch. 1/GLPT's response to Board staff Interrogatory 9, Question (i), January 7, 2011

Ref: (b) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012

Preamble:

At Ref (a), GLPT provided the total Corporate Cost Allocation ("CCA") for the two years 2011 and 2012 as follows:

Table 9.2 – CCA charged, by account

USoA Account #	2010 forecast CCA charged	2011 test CCA charged	2012 test CCA charged
5605	$0	$100,000	$200,000
TOTAL	**$0**	**$100,000**	**$200,000**

At Ref (b), the Navigant study indicated that:

- On page 6 Table 3 it is indicated that the Total Allocation of Shared Services to GLPT is $203,558 for 2013, and $209,868 for 2014;
- On page 7 it is indicated that the Executive Oversight Expense to GLPT is $2066,159 for 2013 and $274,410 for 2014.
- The addition of the two components (the Total Allocation of Shared Services to GLPT Plus the Executive Oversight Expense to GLPT) results in a Total CCA of:
  - $469,717 for 2013;
  - $484, 278 for 2014

The total CCA of $469,717 in 2013 represent more than 230 % increase over the CCA level of $200,000 in 2012, followed by another 3.1% increase in the CCA level in 2014 over the CCA level in 2013.

Question:

(i) Please comment on the view that the increase in CCA of more than 230 % in 2013 over the CCA level in 2012 is a major burden on GLPT's transmission rate payers to bear.

Interrogatory 30 – Corporate Cost Allocation

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012/p. 3, Table 1 – Electric Utility Group Corporate Budget

Preamble:

At Ref (a) it is stated that:

Navigant was provided the budget for the Electric Utility Group of Brookfield for the years 2013 and 2014. Table 1 below details this information.

Table 1 - Electric Utility Group Corporate Budget

Expense Category	2013 Budget	2014 Budget
Information Technology	$18,558	$19,133
Equity Resourcing	$111,348	$114,800
Tax	$37,116	$38,267
Human Resources	$18,558	$19,133
Finance	$1,135,425	$1,170,623
sub-total	$1,321,005	$1,361,956
Executive Oversight	$1,485,706	$1,531,763
Total	$2,806,711	$2,893,719

Question:

(i) Please provide the documents, and justification to support the budgets basis for the 2013 and 2014 listed on the noted Table 1.

Interrogatory 31 – Corporate Cost Allocation

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012/pp. 10-11 – Appendix A Corporate Structure Brookfield

Ref: (b) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012/p. 21 – Table 3 Allocation of Shared Services Costs to GLPT

Preamble:

At Ref (a) a listing of five companies is provided with a narrative describing the assets for each. The following companies comprise the "Brookfield Electric Utility Group":

- Great Lakes Power Transmission
- Gross-Sound Cable Company, LLC
- Transelec
- Wind Energy Transmission of Texas
- EBSA, Colombia

At Ref (b) the percentage allocation to GLPT is shown in Table 3 and reproduced below for convenience:

Table 3 provides a summary of the allocator and percentage, as well as the resulting Shared Service allocation amount to GLPT by function for 2013 and 2014.

Table 3 - Allocation of Shared Service Costs to GLPT

Category	Allocator	Percentage Allocation to GLPT	2013 Allocated Corporate Shared Service Costs to GLPT	2014 Allocated Corporate Shared Service Costs to GLPT
Information Technology	Revenue	13	$2,354	$2,427
Equity Resourcing	Revenue	13	$14,124	$14,562
Tax	Assets	16	$5,875	$6,057
Human Resources	Employees	8	$1,474	$1,520
Finance	Assets	16	$179,730	$185,302
Total			$203,558	$209,868

Questions:

(i) Please produce five new Tables, one for each of the five Corporate Shared Services (shown at Ref (b), Table 3, and reproduced above), where in each Table, the percentages and amounts allocated for 2013 and 2014 are shown for each of the five companies listed at Ref (a) (and listed in the preamble above).

(ii) With each of the Tables please provide the details of the calculations leading to the allocated percentages for each of five companies.

(iii) At Ref (a), related to the Cross Sound Cable, were the amounts allocated in 2013 and 2014 to that company for the five Corporate Shared Services been reviewed by US Federal Energy Regulatory Commission ("US FERC)"? If not please indicate what amounts for these five Corporate Shared services for the Cross Sound Cable and for which years have the US FERC reviewed and approved such amounts.

(iv) At Ref.(a), related to the Transelec, please indicate the name of the Regulatory Authority that approves the transmission rates Transelec. Did that Regulatory Authority review and approve the amounts allocated in 2013 and 2014 to Transelec for the noted five Corporate Shared Services? If not did that Regulatory Authority review these five Corporate Shared services for Transelec and what were the amounts approved and for which years?

(v) Was construction of WEIT granted by the Public Utility Commission of Texas? If so, please indicate when WEIT is expected to file its first rate application for its transmission services.

(vi) At Ref.(a), related to EBSA please indicate the name of the Regulatory Authority that approves EBSA's distribution rates Tran. Did that Regulatory Authority review and approve the amounts allocated in 2013 and 2014 to EBSA for the noted five Corporate Shared Services? If not did that Regulatory Authority review these five Corporate Shared services for EBSA and what were the amounts approved and for which years?

Interrogatory 32– Corporate Cost Allocation

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012/p. 7 – Approaches to Allocate Executive Oversight Expense to GLPT

Preamble:

At Ref (a), it is indicated in the noted report that the Electric Utility Group budgeted cost for this function for is $1,485, 706 in 2013 and $1,531,763 in 2014.

The Report further indicated that:

- Certain minimum level of effort is required by Brookfield regardless of the size of the investment labeled as the Fixed Executive Oversight, which includes activities such as quarterly reporting, monthly meetings, policy development and initiatives, equity market communications and other reporting related responsibilities. Navigant estimates that 50% of the Executive Oversight Expenses ($742,853 in 2013, $765,882 in 2014) are Fixded Executive Oversight.
- The balance of the Executive Oversight Expenses, labeled *Variable Executive Oversight*, is for costs driven by the size of the investment and whether or not Brookfield takes an active role in the day-today management or is relegated to the role of a shareholder. The second step in the process is to allocate these two expense categories to each member of the Electric Utility Group.

Questions:

(i) Did Navigant apply or is aware of a similar approach to the Fixed/Variable approach proposed at Ref. (a), to allocate Executive Oversight Expenses for any group of companies that has a similar corporate structure and relationship of the Electric Utility Group to the Brookfield Asset Management (BAM)? If so please file such information.

(ii) Based on 100% Variable Executive Oversight, please recalculate the for each of the following two "Allocator Options", amounts to each of the five members of the "Brookfield Electric Utility Group: For each of the two options below, please show all the ownership adjustments to arrive at the amounts allocated to each of the five companies.

- Allocator Option 1

  $1,485, 706 in 2013 and $1,531,763 in 2014 are allocated based upon assets and adjusted for ownership interest. .
- Allocator Option 2

  $1,485, 706 in 2013 and $1,531,763 in 2014 are allocated based upon Revenue and adjusted for ownership interest.

Interrogatory 33 – Corporate Cost Allocation

Reference:

Ref: (a) Exh. 4/Tab 2/Sch. 4/Appendix B –Navigant Study, June 13, 2012/p. 8 – Benchmarking of Results to Other Ontario Utilities

Preamble:

At Ref. (a) it is stated that:

> "Navigant benchmarked the Corporate Shared Services of other electric utilities in Ontario who are privately held. The utilities in the sample included:
> 1. Algoma Power Inc.;
> 2. CNPI - Eastern Ontario Power;
> 3. CNPI - Port Colborne;
> 4. CNPI - Fort Erie;
> 5. CNPI-Transmission.
>
> The benchmarking analysis compared the level of Corporate Shared Services cost allocated to each utility to the total revenue requirement approved by the OEB in that utility's last rate request. Table 4 below summarizes our findings:"

Table 4 - Benchmarking of Corporate Shared Service Costs Transferred to Ontario Electric Utilities

Utility	OEB Docket No.	Corporate Shared Service Costs	Total Revenue Requirement	Corporate Shared Service Costs as a Percentage of the Revenue Requirement
Algoma Power Inc.	EB-2009-0278	$428,538	$20,452,136	2.10%
CNPI – Eastern Ontario Power	EB-2008-0222	$99,000	$2,359,136	2.80%
CNPI – Port Colborne	EB-2008-0224	$199,000	$5,969,947	3.30%
CNPI – Fort Erie	EB-2008-0223	$346,000	$9,827,418	3.50%
CNPI - Transmission	EB-2011-2068	$454,444	$4,612,444	9.90%
Average of Peers		$1,526,982	$43,221,684	3.53%
Great Lakes Power Transmission	2013 Budget	$469,717	$35,247,807	1.33%

Great Lakes Power Transmission is requesting a level of Corporate Shared Service costs which is less than one-half the weighted average of the other utilities. Furthermore, the percentage level of Corporate Shared Service costs requested by GLPT is the lowest of the peer group.

Questions:

(i) Please confirm that the five companies listed above as a peer group for benchmarking are affiliate of one another and partly or wholly owned Fortis Ontario Inc.

(ii) Please provide details in regard to the Corporate Services provided by Fortis Ontario Inc. to each of the 5 companies listed above, making sure to differentiate between “Executive Oversight Expenses”, and other services such as Information Technology, Human Resources, Finance…etc.

(iii) Please comment on the rationale for the Navigant report in choosing one parent company such as Fortis Ontario Inc. and its 5 affiliates as a peer group for benchmarking purposes, instead of a larger peer group, of say six parent companies which are investor owned utilities operating in North America, and each has a number of affiliates.

III. RATE BASE AND CAPITAL INVESTMENTS

Interrogatory 34 – IFRS – Capitalization Policy

Reference:

Ref: (a) Exh.2/Tab 1/Sch. 1/p. 22
Ref: (b) IAS 16; June 28, 2012
Ref: (c) OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.5.2.2

Preamble:

The 2013 COS filing requirements prescribes that the applicant must provide its capitalization policy including changes to that policy since the last rebasing application filed with the Board.

Board staff notes that GLPT has developed some changes to its capitalization practices.

Questions:

(i) In addition, if the applicant has changed its capitalization policy since the last rebasing application, regardless of whether the applicant has filed the application under MIFRS, USGAAP, or an alternate accounting standard, the applicant must explain the reason for these changes and whether they are a result of adhering to the IFRS capitalization accounting requirements. The changes must be identified, (e.g. capitalization of indirect costs, etc.) and the causes of the changes must also be identified.

(ii) Please provide GLPT's formal capitalization policy under IFRS if GLPT has developed such a policy.

Interrogatory 35 – IFRS – Fixed Asset Continuity Schedule

Reference:

Ref: (a) Exh.2/Tab 2/Sch. 1/pp. 4 – 9

Preamble:

In the Fixed Asset Continuity Schedules in E2T2S1PP4 TO 9 for both CGAAP & MIFRS for 2010 to 2014, GLPT showed two lines dedicated to Account 1715, Station Equipment. The 2nd line at the bottom left of the Fixed Asset Continuity schedules showed negative opening cost balance with additions in accumulated depreciation.

Questions:

(i) Please explain the nature of the transactions in Account 1715 found in the 2nd line at the bottom left of Fixed Asset Continuity schedules for both CGAAP & MIFRS for 2010 to 2014.
(ii) Please confirm if GLPT has any contributions and grants.
(iii) If the answer in part (ii) is "yes", update all related evidence showing the contributions and grants.

Interrogatory 36 – IFRS – Capitalization Policy

Reference:

Ref: (a) Exh.2/Tab 1/Sch. 1/p. 22
Ref: (b) IAS 16; June 28, 2012
Ref: (c) OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.5.2.2

Preamble:

The 2013 COS filing requirements prescribes that the applicant must provide its capitalization policy including changes to that policy since the last rebasing application filed with the Board.

Board staff notes that GLPT has developed some changes to its capitalization practices.

Questions:

(i) In addition, if the applicant has changed its capitalization policy since the last rebasing application, regardless of whether the applicant has filed the application under MIFRS, USGAAP, or an alternate accounting standard, the applicant must explain the reason for these changes and whether they are a result of adhering to the IFRS capitalization accounting requirements. The changes must be identified, (e.g. capitalization of indirect costs, etc.) and the causes of the changes must also be identified.

(ii) Please provide GLPT's formal capitalization policy under IFRS if GLPT has developed such a policy.

Interrogatory 37 – IFRS – Fixed Asset Continuity Schedule

Reference:

Ref: (a) Exh.2/Tab 2/Sch. 1/pp. 4 - 9

Preamble:

In the Fixed Asset Continuity Schedules in E2T2S1PP4 TO 9 for both CGAAP & MIFRS for 2010 to 2014, GLPT showed two lines dedicated to Account 1715, Station Equipment. The 2nd line at the bottom left of the Fixed Asset Continuity schedules showed negative opening cost balance with additions in accumulated depreciation.

Questions:

(i) Please explain the nature of the transactions in Account 1715 found in the 2nd line at the bottom left of Fixed Asset Continuity schedules for both CGAAP & MIFRS for 2010 to 2014.
(ii) Please confirm if GLPT has any contributions and grants.
(iii) If the answer in part (ii) is "yes", update all related evidence showing the contributions and grants.

Interrogatory 38 – 2013 Capital Expenditures

Reference:

Ref: (a) Exh. 2/Tab 1/Sch. 1/pp.4 – 6 / Algoma Lines Wood Structure Replacements - $1,710,400

Preamble:

Ref (a) indicates that a number of wood pole structures will be replaced with steel or fibreglass poles with steel arms and epoxy insulators at a marginally higher cost and that this would and that this would increase the useful life of the lines and reduce maintenance costs.

Questions/Requests:

(i) Please provide the estimated cost of this project if wood pole structures were used instead of steel or fibreglass structures and an explanation of the differences in cost and in useful life of the lines.

Interrogatory 39– 2013 Capital Expenditures

References:

Ref: (a) EB-2010-0291/Exh. 10/Tab 2/Sch. 1/pp.46 / Interrogatory Responses
Ref: (b) Exh. 2/Tab 1/Sch. 1/pp.7-9 / Master SCADA System Replacement - $886,000

Preamble:

Ref (a) indicates that GLPT anticipates that the total estimated cost of to the Master SCADA System Replacement will be in the range of $4,300,000 of which $3,818,500 reflects the rate base addition in 2012 leaving $481,500 to be incurred in 3013. Ref (b) indicates that the cost to be incurred in 2013 for this project is $886, 000.

Questions/Requests:

(i) Please provide the currently estimated cost of the Master SCADA System Replacement to be incurred in 2012 and in 2013.
(ii) If the total of the 2012 and 2013 expenditures in (i) exceeds $4,300,000, please explain the difference.

Interrogatory 40– 2013 Capital Expenditures

Reference:

Ref: (a) Exh. 2/Tab 1/Sch. 1/pp.9-11/Watson TS Oil Containment Modifications - $249,000

Preamble:

Ref (a) indicates that the existing oil containments at Watson TS were engineered to applicable standards and installed in 1997 and that recent testing indicates that the existing containments will leak in the event of a transformer failure.

Questions/Requests:

(i) Please provide a summary of the condition of the existing oil containments at other GLPT transformer stations including any testing being carried out or planned.

(ii) Please provide a schedule and approximate year by year costs of any further oil containment work anticipated.

Interrogatory 41– 2014 Capital Expenditures

References:

Ref: (a) Exh. 2/Tab 1/Sch. 1/pp.11 / Algoma Lines Wood Structure Replacements - $3,183,500
Ref: (b) Exh. 2/Tab 1/Sch. 1/pp.4 - 6 / Algoma Lines Wood Structure Replacements - $1,710,400

Preamble:

Ref (a) indicates that in 2014, GLPT is forecasting to replace 16 tangent structures and 2 dead end structures with a total cost of $3,183,500 to be added to rate base in the year. Ref (b) indicates that in 2013, GLPT is forecasting to replace 12 tangent structures and 1 dead end structure with a total cost of $1,710,400 to be added to rate base in the year.

Questions/Requests:

(i) Please explain the seemingly large difference in estimated costs between the work proposed for 2013 and that proposed for 2014 based on the number of structures being replaced.

Interrogatory 42– Previously Approved Capital Projects

Reference:

Ref: (a) Exh. 2/Tab 1/Sch. 1/pp.12-22 / Previously Approved Capital Projects

Preamble:

Page 12 of Ref (a) indicates that the overall spending for 2010 to 2012 is

$3,921,500 higher than the previously approved spending, representing incremental spending of approximately 9.4% over the approved amount and that GLPT is seeking the incremental spending of $3,921,500 to be incorporated in the calculation of rate base for 2013 and 2014.

<u>Questions/Requests:</u>

(i) Page 17 of Ref (a) states that an incremental capital expenditure of $318,000 is needed for a Fibre Optic Upgrade that was not part of the initial scope or budget of the Third Line Redevelopment Project. Please explain why the existing fibre optic cable locations would no longer be available.

(ii) Pages 17 & 18 of Ref (a) indicate that a previously approved 2012 capital expenditure of $489,000 for the Goulais TS Civil Refurbishment project will be deferred to a future year but GLPT did not reduce spending for 2012 on an overall envelope basis. Please explain why GLPT did not reduce spending for 2012 on an overall envelope basis.

(iii) Page 19 of Ref (a) indicates that a previously approved 2012 capital expenditure of $387,900 for the Work Management System Conversion project will be deferred to a future year but GLPT did not reduce spending for 2012 on an overall envelope basis. Please explain why GLPT did not reduce spending for 2012 on an overall envelope basis.

(iv) Page 21 of Ref (a) indicates that GLPT was required to pay a land transfer tax amount of $1,450,000 in 2011 because GLPT and GLPL had ceased to be affiliates of one another for the purposes of the *Land Transfer Tax Act*. Please provide an explanation with appropriate organizational charts which demonstrate that the entities having control over GLPT do not have control over GLPL.

Interrogatory 43 – Rate Base –Working Capital

Reference:

Ref: (a)	Exh. 2/Tab 4/Sch. 1/Table 2-4-1 A
Ref. (b)	Exh. 1/Tab 1/Sch. 8/Appendix A – Settlement Agreement, January 21, 2011 (EB-2010-0291), page 11
Ref. (c)	Exh. 4/Tab 1/Sch. 1/Table 4-1-1 A

Preamble:

A summary of the working for GLPT is shown in the Table below for Bridge and the two Test Years 2013 and 2014

	2011 $000's	**2012 $000's**	**2013 Proposed $000's**	**2014 Proposed $000's**
OM&A [Ref. (c)]	9,325.6 (Actual)	9,456.6 (Forecast)	10,715.7	11,173.4
Working Capital **("WC")** [Ref. (a) & Ref.(b)]	371.1	263.8	89.6	109.4
Materials and Supplies **("M&S")** [Ref. (a) & Ref.(b)]	250.0	250.0	350.0	350.0
Total [WC + M&S]	621.1	513.8	439.6	459.4
Percent of (WC + M&S) of OM&A	6.7%	5.4%	4.1%	4.1%

The decrease in working capital from the levels in 2011 and 2012 is consistent with the evidence which indicates that the level of investment in development projects are decreasing substantially in the two test years 2013 and 2014. This is largely attributable to completion of the Third Line TS 115 kV Redevelopment Project.

There is no detailed explanation to the increase in Materials and Supplies from the $250,000 in 2011 and in 2012 to the $350,000 in each of the two test years

2014 and 2015. The only explanation for the increase is found at Ref (a), page 4, where GLPT states that "The increase in inventory is related is related to stocking of additional parts related primarily to poles, structures and line assets."

The table above shows that percentage of Working Capital plus Materials and Supplies to the OM&A in the Test Years 2013 and 2014 appear reasonable. However this is premised on the assumption that the proposed OM&A levels for these two years are justified. To the extent that the OM&A levels would be reduced, the percentages shown would be increased.

<u>Questions:</u>

(i) Please explain in details the need for the stocking of the additional parts in the test period, identifying:
    a. Additional amounts of stocked system element over the 2012 levels (poles, transformers, etc…).
    b. The price per unit of items identified in a.
    c. The maintenance program that requires that increase.

(ii) Please explain if there is a relationship between the level of transmission system assets in service and the level of materials and supplies inventory proposed.

(iii) Please provide any available comparisons of the level of materials and supplies inventory as related to transmission system assets in service (i.e. consultant's reports, data from other transmitters, etc.)

(iv) Please comment on the view that Intuitively, the level of "Materials and Supplies" for 2013 and 2014 should be maintained at the levels of 2011 and 2012, given the much lower investment levels in capital projects, but addressing the expectation that some increase in maintenance activities would occur.

IV. REVENUE AND CHARGE DETERMINANT FORECAST

Interrogatory 44 - **Transmission Revenue Streams**

Reference:

Ref: (a) Exh. 8/Tab 1/Sch. 1

Request:

(i) For the monthly revenues remitted to GLPT for the 12 months of 2011, and for the available months of 2012, please provide the monthly charge determinant by pool, which the IESO provides indicating the actual charge determinant by pool.

Interrogatory 45 - **Transmission Revenue Streams**

Reference:

Ref: (a) Exh. 8/Tab 2/Sch. 1

Request:

(i) Please compute the transmission revenues available to each transmitter for 2013 and 2014 under the scenario: **where the rates are not changed**, the Charge Determinant Forecasts for 2013 and 2014 are relied upon, and GLPLT recovers its 2013 and 2014 revenue requirements respectively.

(ii) Please compute the revenues allocated to each transmitter for 2013 and 2014 assuming that rates are changed as proposed for 2013 and 2014 respectively, and the Charge Determinants Forecast for 2013 and 2014 are relied upon and that revenues are shared in accordance with the Board approved allocation as of January 1, 2012.[2]

[2] Revenue Requirement and Charge Determinant Order Arising from the EB-2011-0268 Decision with Reasons (November 23, 2011), and the 2012 Uniform Electricity Transmission Rate Order, issued December 20, 2011

V. DEFERRAL AND VARIANCE ACCOUNTS

Interrogatory 46 – Deferred & Variance Account Balances

Reference:

Ref: (a) Exh.9/Tab 3/Sch.1/p.5, Table 9-3-1 A
Ref: (b) Exh.9/Tab 4/Sch. 1/pp.3-4
Ref: (c) June 28, 2012, OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.12.5

Preamble:

GLPT is requesting the disposition of DVA accounts in Table 9-3-1 A at Ref.(a) for accounts 1508 and its subaccounts, 1574, 1575, 1592 and 1595. The amounts requested for disposition includes the 2011 audited balances as well as the 2012 forecast transactions and 2013 forecast carrying charges.

The DVA balances requested for disposition in 2013 in Table 9-3-1A are different from the balances in the 2013 DVA Continuity Schedules. Furthermore, GLPT did not segregate the principal balances from the carrying charges balances at December 31, 2011, as well as the segregation of the forecasted 2012 carrying charges.

The 2013 COS Filing requirements prescribes that the DVA balances requested for disposition are the balances in the last Audited Financial Statements (AFS) and that if they are different, the applicant must provide explanations for any variances.

Questions:

(i) Please explain why the balances requested in Table 9-3-1A at Ref. (a) are different from the balances requested in the DVA Continuity Schedules in 2013.

(ii) In addition, please explain why GLPT is seeking disposition based on forecasted DVA balances instead of the audited balances based on the most recent AFS given that the Board clears balances based on most recent AFS and does not clear forecasted balances.

(iii) Please update all related evidence to reflect the adjustments.

(iv) Please provide the principal DVA balances, carrying charges balances for December 31, 2011 and the 2012 forecasted carrying charges for each DVA account requested for disposition.

(v) Please state what period do the 2013 forecasted carrying charges cover, i.e. from month x to month z.

Interrogatory 47 – Deferred & Variance Account Balances

Reference:

Ref: (a) Exh. 9/Tab 3/Sch. 1/p. 5, Table 9-3-1 A
Ref: (b) Exh. 9/Tab 4/Sch. 1/pp. 3-4

In table 9-3-1A at Ref.(a), GLPT provided the 2011 audited balances of the DVA accounts listed in the table which included both principal and carrying charges. GLPT, however, did not separate the principal from carrying charges as of December 31, 2011.

In addition, GLPT should show separately the DVA forecasted carrying charges if any, for 2012 and 2013. GLPT did not show the carrying charges for 2012 and 2013 separately in Table 9-3-1A.

Questions/Requests:

(i) In the light of the above, please update Table 9-3-1A at Ref.(a), to show separately for December 31, 2011, the principal and carrying charges as well as the 2012 carrying charges and 2013 carrying for each DVA,

(ii) In addition, please tie the carrying charges to the respective DVA schedules.

Interrogatory 48 – Account 1508, Sub Account IFRS Transition Costs

Reference:

Ref: (a) Exh.9/Tab 3/Shd.1/p.5, Table 9-3-1A
Ref: (b) Exh.9/Tab 4/Sch.1/pp.2-5, 2013 DVA Continuity Schedule
Ref: (c) June 28, 2012, OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.12.3; Appendix 2-U

Preamble:

GLPT is requesting the disposition of Account 1508, sub account IFRS Transition Costs in the total amount of $288,055 including carrying charges.

The 2013 Board COS filing requirements is expecting the applicants to provide a breakdown of the costs recorded in Account 1508, sub account Deferred IFRS Transition Costs or Account 1508, Other Regulatory Assets, sub-account IFRS Transition Costs Variance through Appendix 2-U. GLPT has not filed Appendix 2-U.

Questions:

(i) Please confirm if GLPT followed S2.12.3 of the 2013 COS filing requirements.
(ii) If the answer to part a is "no", please complete and submit Appendix 2-U for the balance of $288,055 under Account 1508 as per 2013 COS filing requirements.

Interrogatory 49 – Account 1508, Sub Account Green Energy Initiatives and Preliminary Planning Costs

Reference:

Ref: (a) Exh.9/Tab 3/Sch.1/p. 1, Table 9-3-1A
Ref: (b) Exh.9/Tab 1/Sch.3/pp. 2-5
Ref: (c) Board Decision EB 2009-0409

Preamble:

At Ref (c), in EB 2009-0409, the Board approved the establishments of 2 sub accounts under this sub account, one to capture OM&A expenses and another to capture capital costs. GLPT has not recorded any transactions in the sub account related to capital costs.

GLPT is requesting the disposition of Account 1508 – Sub account Green Energy Deferral, a sub account related to OMA in the amount of $257,094 which is made up of $141,500 costs relating to discussions with the First Nations and $113,718 for incremental costs related to consulting related to reviewing/assessing specific OPA FIT projects plus carrying charges.

GLPT emphasized that the costs that will be recorded are incremental costs, which relate to the development of GLPT's Transmission Plan. As the Transmission Plan is implemented, costs will relate to establishing feasibility and development of all or parts of the Transmission Plan, in particular environmental assessment and leave to construct approvals. GLPT explained that these activities would include, to name a few:

- Engaging with local stakeholders and Aboriginal peoples over acceptability of transmission alternatives;
- Working with OPA to determine need and to understand capability of the existing system

Questions/Requests:

(i) Please provide evidence that $141,500 are incremental OMA costs incurred in engaging local stakeholders and Aboriginal peoples over acceptability of transmission alternatives as per EB 2009-0409.

(ii) In addition, please provide evidence that the $113,718 costs are incremental consulting costs relating to assessing OPA FIT projects

Interrogatory 50 – Account 1508, Sub Account Legal Claim (Comstock)

Reference:

Ref: (a) Exh.9/Tab 1/Sch.3/p.6, Table 9-1-3A
Ref: (b) Exh.9/Tab 3/Sch.1/p.5, Table 9-3-1A
Ref: (c) Exh. 1/Tab 1/Sch. 8/Appendix A – Settlement Agreement, January 21, 2011 (EB-2010-0291), S6.2

Preamble:

Account 1508, sub account Legal Claim (Comstock) was approved by the Board in EB 2010-0291 Settlement Agreement, S6.2 to record costs incurred and to be incurred with respect of the Comstock claim.

At Ref (b), in Table 9-3-1A, GLPT is requesting disposition of Account 1508 sub account Legal Claim (Comstock) variance in the amount of $1,805,349, carrying charges included.

At Ref (a), in Table 9-1-3A, GLPT provided the Comstock cost accruals and carrying charges from 2010 to 2011 totalling $1,792,177, the audited December 31, 2011 balance of Account 1508 sub account Legal Claim (Comstock).

Accounting practice calls for reversals of accruals subsequent to the year the costs were accrued and are to be replaced by actual costs incurred.

Questions:

(i) Please confirm if GLPT adjusted the accruals to actual costs in the subsequent year after the accruals were made in the prior year e.g. 2011 balance in this sub account being adjusted to actuals
(ii) Please provide the supporting actual costs incurred in 2010 and 2011 for the Account 1508 sub account legal claim in Comstock and compare them to the costs accruals for the same period .Are the 2012 and 2013 forecast transactions in this sub account also accrued costs?
(iii) Please explain why GLPT is requesting for disposition based on accrual costs and not on actuals costs.
(iv) What are GLPT's total actual legal costs incurred to date (2012)?
(v) Are there other DVA accounts balances with accrued costs instead of actual costs which the Board needs to know?
(vi) If the answer is "yes" to part (vi), please identify them and please provide the actual costs incurred to date for disposition purposes.

Interrogatory 51- Account 1575, IFRS-CGAAP Transitional PP&E Deferral

References:

Ref: (a) Addendum to Report of the Board, dated June 3, 2011, pp.9-14
Ref: (b) Exh.9/Tab 3/Sch.1/p.5, Table 9-3-1A
Ref: (b) Exh.9/Tab 1/Sch.5/p.1, Table 9-1-5A
Ref: (c) June 28, 2012, OEB's Ch. 2, Appendices 2-CH & 2-EB of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.12.4
Ref: (d) Staff Discussion Paper: Transition to IFRS, March 31, 2011, Appendix A

Preamble:

At Ref (a), in Appendix A, the Staff Discussion Paper: Transition to IFRS an example was provided showing the detailed calculation of the PP&E deferral account in relation to the PP&E components in the rate base.

At Ref (b) in table 9-3-1 A, GLPT is requesting disposition of Account 1575, IFRS-CGAAP Transitional PP&E Amounts in the amount of $308,769, carrying charges included. The total DVA amount requested for disposition to be refunded to customers is $439,210 over a year, including the $308,769 balance of account 1575. GLPT proposed that the total DVA of $430,210 credit be offset against the base revenue requirement.

Account 1575 is not a conventional account and cannot be aggregated with other DVAs as per Addendum to the Report dated June 13, 2011. On page 11 of the Addendum, the Board stated:

> "The Board therefore authorizes a generic deferral account to capture PP&E differences arising only as a result of the accounting policy changes caused by the transition from CGAAP to MIFRS. It is for use by utilities to record PP&E differences arising during the period since their last rebasing under CGAAP up to their first rebasing under MIFRS, including utilities using IRM rate-setting methodology" [emphasis added]."

Questions:

(i) Why is the balance of account 1505 included in the calculation in Table 9-1-5-A of the PP&E Deferral balance? This is not consistent with the Board guidelines on the PP&E in the Addendum to Report of the Board, dated June 3, 2011, pp.9 -14.

(ii) Please confirm if GLPT followed the procedures for calculating the PP&E deferral account in Appendix A, Staff Discussion Paper: Transition to IFRS, March 31, 2011 when GLPT made its calculation in Table 9-1-5A.

(iii) If the answer in part (ii) is "no", please recalculate the PP&E Deferral balance using Appendix A example and please complete and file Appendix 2-EB and update all related evidence.

(iv) The depreciation schedules in Exh.4/Tab 2/Sch.6/pp.6-8 for 2013 do not show the depreciation. adjustment resulting from the amortization of Account 1575 as required by the 2013 COS filing requirements in Appendix 2-CH. Please complete and file Appendix 2-CH.

(v) Please identify the rate of return associated with the deferred PP&E balance at Weighted Average Cost of Capital (WACC). Please refer to Note 3 of Appendix 2-EB.

(vi) Please show the upward or downward adjustment in the Revenue Requirement Work Form as per 2013 COS filing requirements including the return on rate base associated with deferred PP&E balance.

(vii) In regard to Account 1575, Please update all related evidence and agree to remove the balance of account 1575 from Table 9-3-1A.

Interrogatory 52- Account 1592, Changes in Tax Legislation

References:

Ref: (a) Exh.9/Tab 3/Sch.1/p.5: Table 9-3-1A
Ref: (b) Exh.9/Tab 4/Sch.1/pp.3-4
Ref: (c) June 28, 2012, OEB's Ch. 2 of the Filing Requirements for Electricity Transmission & Distribution Applications, S2.12.1

Preamble:

The 2013 COS filing requirements expects applicants to complete and file Appendix 2-T for Account 1592.

GLPT is requesting disposition of Account 1592, Changes in Tax Legislation in the amount of $16,593, carrying charges included. However, GLPT did not provide the detailed calculation of the balance in Account 1592 as well as the submission of Appendix 2-T for 1592 Tax Variance as required by the 2013 COS filing requirements.

Questions/Requests:

(i) Please provide the detailed calculation of the $16,593 requested amount for disposition.
(ii) In addition, please complete and submit Appendix 2-T for Account 1592.

Interrogatory 53- Interest Rates Re DVA Balances

References:

Ref: (a) Exh.9/Tab 3/Sch.1/p.5, Table 9-3-1A
Ref: (b) Exh.9/Tab 4/Sch.1/pp.2-5
Ref: (c) June 28, 2012, OEB's Ch. 2, 2013 COS Filing Requirements, S2.12

Preamble:

GLPT provided the 2013 forecast carrying charges in Table 9-3-1A but did not provide the interest rates as required by the 2013 COS Filing Requirements, S2.12.

Question/Request:

(i) Please provide the interest rates used and the detailed calculations of the 2011 to 2013 carrying charges using the most updated balances in the DVA accounts.

Interrogatory 54- New Sub-account "Bulk Electricity System" within Account 1508

References:

Ref: (a) Exh.9/Tab 2/Sch.1/pp.1-2

Preamble:

GLPT is requesting a new sub account within Account 1508, sub account Bulk Electric System (BES) Deferral.

GLPT is seeking approval from the Board to establish a deferral account to track and record prudently incurred costs related to addressing changes to the BES definition.

At Ref (a), GLPT stated that:

> "The IESO has indicated in the context of the SE-100 Stakeholder Engagement that the definition of the BES, as defined by the North American Electric Reliability Corporation ("NERC"), is expected to change and be adopted by the IESO in the test period. The definitional change may have the effect of deeming GLPT's 115 kV transmission facilities to be part of the BES for NERC/IESO regulatory purposes. However, given the uncertainty still surrounding the definition change, GLPT is not able to 1 assess the full impact that this definition change will have on its operations. Consequently, GLPT is not able to accurately forecast the cost that will be incurred in the test period to ensure compliance is maintained.
>
> […] Given this uncertainty, GLPT is seeking approval from the Board to establish a deferral account to track and record prudently incurred costs related to addressing changes to the BES definition. The costs incurred are expected to include identifying BES assets, defining the impacts, documenting new requirements, developing and executing a plan for addressing the requirements, and defining all activities required for ongoing compliance. GLPT is seeking approval of two sub-accounts under this deferral account: one to capture OM&A expenses and one to capture capital expenses."

Questions:

(i) What reliability standards would apply to the 115kV line if it is defined as BES that do not apply now?

(ii) What types of projects does GLPT anticipate which might be required to bring it to meet these standards?

(iii) What level of costs would such projects typically incur?

(iv) Does GLPT anticipate any overlap with the implementation with smart grid technology?

(v) If they have a deferral account for smart grid investments, how does GLPT intend to insure that they aren't double counting?

Interrogatory 55- New Account - "Incumbent Transmitter Deferral Account" within Account 1508

References:

Ref: (a) Exh.9/Tab 2/Sch.1/pp.2-4
Ref: (b) Board Decision and Order, July 12, 2012 for Proceeding EB 2012-0180 Re application by Hydro One Networks Inc. to Establish a Deferral Account Related to the East-West Tie Line Proceeding (EB-2011-0140)

Preamble:

On March 22, 2012 Hydro One Networks Inc.("HONI") applied to the Board requesting approval to establish a deferral account to be effective January 3, 2012 titled "East West Tie deferral account (EWTDA") with three sub-accounts to record expenses related to the East-West Tie Line proceeding (EB-2011-0140). The three sub-accounts to address three main categories of costs:

(i) OEB Allocated Proceeding Costs;
(ii) Support Costs for OEB Designation
(iii) Development Work Associated with Stations and Other Supporting Asset Expenditures. HONI proposes that the EWTDA be made effective as of January 3, 2012.

At Ref (a), GLPT stated that:

> GLPT submitted comments in the proceeding indicating that to the extent that the Board finds it appropriate for HONI to establish the requested account for purposes of recording costs under points (i) and (ii) above, the Board should also provide for the establishment of an equivalent deferral account for GLPT…..,. Consequently, GLPT in this application requests approval to establish a new deferral account, effective as of January 3, 2012, for the purpose of recording expenses relating to the East West Tie proceeding (EB-2011-0140), particularly with respect to (i) the cost of the proceeding apportioned to GLPT by the Board to be recovered through the Uniform Transmission Rates; and (ii) the costs incurred by GLPT to support the Board through the designation process.

At Ref (b), the Board Decision and Order dated July 12, 2012 stated in part that:

> For the reasons set out below, **the Board denies HONI's request for a deferral account for the cost category titled OEB Allocated Proceeding Costs**, and the Board grants, with conditions, HONI's request for the other two cost categories: Support Costs for OEB Designation Process; and Development Work Associated with Stations and Other Supporting Assets. HONI may record these costs in the following new deferral sub-accounts, effective March 22, 2012:
>
> - Account 1508, Other Regulatory Assets, Sub-account EWTDA – Support Costs for OEB Designation Process; and
> - Account 1508, Other Regulatory Assets, Sub-account EWTDA - Development Work Associated with Stations and Other Supporting Asset Expenditures.[emphasis added]

In regard to the "Sub-account EWTDA – Support Costs for OEB Designation Process", the July 12 Decision stated in part that:

> "The Board does not expect that HONI will seek to recover any costs related to the provision of information by the company to date in the Designation Proceeding, including the information which the Board ordered HONI to produce."

In that July 12 Decision the Board in response to GLPT's noted submission stated that:

> "In regard to GLPT's request that Board grant GLPT the same relief that it grants HONI (with respect to Support Costs for OEB Designation Process), **it is not clear to the Board whether the information requested of GLPT during the Designation Proceeding would be of sufficient magnitude to warrant a deferral account.** Moreover, in any event, the Board will not consider granting such a request in the absence of having received an application from GLPT."[emphasis added]

<u>Questions:</u>

(i) Please acknowledge that GLPT's application for the Sub-account (OEB Allocated Proceeding Costs) has already been decided in proceeding (EB-2012-0180), where the Board denied the request for the first Sub-account (OEB Allocated Proceeding Costs) for HONI, which is applicable to all licensed transmitters including GLPT.

(ii) Please acknowledge that the third Sub-account (Development Work Associated with Stations and Other Supporting Asset Expenditures) is not relevant to GLPT.

(iii) In regard to the Sub-account (Support Costs for OEB Designation), please consider the July 12 Decision at Ref. (b) and the portions quoted in the Preamble, in listing the activities going forward and the estimated costs (from July 12, 2012), to give rise to incremental costs material enough to warrant establishing a Sub-account for (Support Costs for OEB Designation).

(iv) Please comment on the view that the next phase of the designation process in proceeding (EB-2011-0140) is related to the definition of the transmission proposals by the various applicants which conceivably would involve HONI, and the IESO, but very unlikely GLPT.

Interrogatory 56- New- East West Tie Initiative Variance Account

References:

Ref: (a) Exh.9/Tab 2/Sch.1/pp.4-5
Ref:(b) Exh.4/Tab 2/Sch. 2/pp. 24-26

Preamble:

At Ref (a), GLPT is seeking approval from the Board to establish a sub-account of account 1508 to track and record variances between certain forecasted amounts that have been removed from GLPT's test year OM&A and the actual amounts transferred to a company, EWT LP, engaged in the ongoing East-West Tie Line proceeding (EB-2011-0140).

At Ref (b), dealing with OM&A Variance Accounts, under "Account 5605 – Executive Salaries and Expenses", it is stated in part that:

> "GLPT's assumption for the 2013 test year is that a significant amount of its senior employees' time will be spent on the EWT Line project.[…] The collective impact of these allocations results in a net reduction to 2013 core OM&A of approximately $550,000. […]"

GLPT indicated that the sub-account is necessary to track the variances, given the limited information in establishing the forecasted amounts. According to GLPT, it would not be reasonable for the ratepayer to bear the risk that these amounts would themselves be approved without a variance account. To the extent that senior employees of GLPT allocate more time and expense to EWT LP than the forecasted amounts, the ratepayer will be reimbursed; and to the extent that management spends less than forecasted, then GLPT will be reimbursed.

In reviewing an application for the approval of a deferral or variance account, the Board generally considers the following criteria: causation, materiality, and reasonableness. The Board generally considers causation in terms of whether the amounts to be recorded in the account are clearly outside of the base upon which base rates were derived and whether the costs to be recorded in the account relate directly to the purpose of the account. The Board generally consider materiality in terms of whether the amount of the costs to be recorded in the account is sufficiently high to justify establishing the account. The forecast amounts should exceed the Board-defined materiality threshold and be likely to have a significant influence on the operation of the utility. Finally, the Board generally considers the reasonableness of the forecast costs and whether the proposed expenditures are cost-effective.

Questions:

(i) As causation is a criterion for considering applications for variance accounts, please clarify how GLPT would be managed if significant portions of key executives and management will be focused for fairly long periods of time on the activities related to EWT LP instead of those related to GLPT, especially if a major event occurs to GLPT's transmission system?
(ii) Please confirm that GLPT and EWT LP are not affiliates.
(iii) Please provide the aggregate total amount of the annual salaries of the four executives.