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September 07, 2012

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2012-0300

Great Lakes Power Transmission Inc.
2013-14 Revenue Requirement and Rates

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Great Lakes Power Transmission Inc. (GLPT) – EB-2012-0300
Interrogatories of the Vulnerable Energy Consumers' Coalition

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1. General

1.2 Is the overall increase in 2013 and 2014 revenue requirement reasonable?

1.2-VECC-#1

Reference: Exhibit 1, Tab 2, Schedule 1, page 3, and footnote1

Preamble: The referenced page states that "*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 Ontario1 for the twelve months ending December 31, 2011.*"

a) Please confirm that the Statistics Canada table referenced in the footnote shows that the All-items Ontario CPI was 110.8 in 2007 and 120.1 in 2011.

b) Please confirm that an increase from 110.8 in 2007 to 120.1 in 2011 would occur if the annual increase in the CPI were 2.035% in each year (i.e., compounded).

c) Please confirm that the year-over-year increase of 3.1% in 2011 over 2010 shown in the Statistics Canada table is the highest year-over-year percentage increase for the period 2007-2011 inclusive.

d) Please explain why the Ontario CPI <u>for All-items</u> is an appropriate basis on which to project cost escalation for a transmission utility.

e) Please provide the percentages of GLPT's 2013 and GLPT's 2014 total OM&A costs that will be escalated under the provisions of the collective agreement.

f) Please provide the % increases allowed for 2013 and 2014 under the collective agreement.

g) Please explain why the other components of OM&A – i.e., the OM&A costs not subject to escalation under the collective agreement – for example materials, services provided to GLPT that are not covered by the collective agreement, supplies, third-party contracts, etc., are expected to escalate at the rate of 3.1%.

h) With respect to any and all existing contracts with third parties that will be in effect for 2013 or 2014, please provide a list of all such contracts, identify which ones have an inflationary adjustment, and provide details of the inflationary adjustment.

2. Rate Base

2.1 Is the proposed rate base for 2013 and 2014 appropriate?

2.1-VECC-#2

Reference: Exhibit 2, Tab 1, Schedule 1, pages 4-6 and page 14

a) Please provide an update with respect to the Algoma Lines Wood Structures Replacements Project and include the actual amount spent in 2012 on a year-to-date basis.

b) Please explain why GLPT did not foresee the need to start this project in 2012 at its last revenue requirement filing.

2.2 Is the working capital allowance for 2013 and 2014 appropriate?

2.2-VECC-#3

Reference: Exhibit 2, Tab 4, Schedule 1, page 2, Tables 2-4-1 B and 2-4-1 C

a) Please provide the corresponding working capital calculation summary tables underpinning the previous application for 2011 and 2012 and provide a rationale for any significant changes in the current application.

2.3 Is the capital expenditure forecast for 2013 and 2014 appropriate?

2.3-VECC-#4

Reference: Exhibit 2, Tab 1, Schedule 2, page 1, Table 2-1-2 A – Capital Expenditures

a) Is the actual 2012 capital expenditure on track with the 2012 forecast at this point?

b) Please provide the most recent, available 2012 year-to-date actual capital expenditures along with the actual 2011 capital expenditures over the same period in 2011. For example, if the most recent, available actual 2012 capital expenditures are for the period January-July 2012, please provide the actual 2011 January-July capital expenditures.

3.3 Are Other Revenues forecasts appropriate?

3.3-VECC-#5

Reference: Exhibit 3, Tab 1, Schedule 2, page 1, Table 3-1-2 A – Summary of Other Income

a) Please provide separately the 2012 actual year-to-date Revenues from Merchandising, Jobbing, Etc., and the Expenses of Merchandising, Jobbing, Etc.

b) Please provide separately the 2011 actual year-to-date Revenues from Merchandising, Jobbing, Etc., and the Expenses of Merchandising, Jobbing, Etc. corresponding to the same period in 2011 as was used for 2012 in the previous part a).

4. Operations, Maintenance & Administration Costs

4.1 Are the overall OM&A forecast in 2013 and 2014 appropriate?

4.1-VECC-#6

Reference: Exhibit 1, Tab 2, Schedule 4

a) Please provide the most recent, available 2012 year-to-date actual OM&A expenses along with the actual 2011 OM&A spent over the same period in 2011. For example, if the most recent, available actual 2012 OM&A is for the period January-July 2012, please provide the actual 2011 January-July OM&A.

b) Please provide the most recent, available 2012 year-to-date actual Revenue from Other Sources along with the actual 2011 Revenue from Other Sources over the same period in 2011. For example, if the most recent, available actual 2012 Revenue from Other Sources is for the period January-July 2012, please provide the actual 2011 January-July Revenue from Other Sources.

4.1-VECC-#7

Reference: Exhibit 1, Tab 2, Schedule 7

a) Please provide the sensitivity of the 2013 and 2014 revenue requirements to a 1% decrease in OM&A costs.

4.1-VECC-#8

Reference: Exhibit 4, Tab 2, Schedule 1, Appendix B, 1QC Operation Cost Analysis

a) On page 1 of this report, it states that it had to allocate A&G expenses "for just transmission lines & substations." The allocator used was "(transmission O&M expense/(transmission + distribution + customer service expense))*total A&G expense = transmission portion of A&G expense." Do the expenses in the denominator of the left hand side of the equation, i.e., (transmission + distribution + customer service expense), correspond to transmission <u>O&M</u> expenses plus distribution <u>O&M</u> expenses and customer service <u>O&M</u> expenses?

b) Does 1QC have any empirical or theoretical basis for assuming that the allocator referred to in part a) is a reasonable allocator?

c) Please set out the reasons, theoretical and empirical, why comparisons based on OM&A per gross asset is of practical use.

d) Please explain why the panel of companies used as comparators was thought to be appropriate comparators for GLPT.

e) Referring to page 1, did 1QC use data from <u>all</u> "companies who have provided that data during detailed annual benchmark studies of North American transmission utilities as a basis for comparison against GLPT, augmented by information filed by the companies with FERC" or did 1QC only select a subset of these companies: if the latter, please explain.

f) From Appendix B to the 1QC report, it appears that there were 11 US comparator entities. Please explain why the regression results shown on pages 6 and 7 show more than 12 data points?

g) Please explain why no Canadian transmitters were included in the comparator panel.

h) Were any operating costs analyses done using the same comparator group used by Navigant in its report at Exhibit 4, Tab 2, Schedule 4, Appendix B, page 8?

i) Are any other analyses using the comparator panel available, e.g., comparing OM&A costs per FTE?

4.1-VECC-#9

Reference: Exhibit 4, Tab 2, Schedule 1, Appendix C, Table 1 – 2013 Test Year and 2014 Test Year Regulatory Costs

a) Please explain why GLPT expects the OEB Annual Assessment costs to increase by 3.1% in 2014 over 2013.

b) Please augment the referenced table by adding in the 2011 and 2012 forecast (per application) and actual 2011 costs and projected 2012 costs for each regulatory cost category.

c) Please explain how the 2013 and 2014 costs for legal costs, consultant costs, and intervenor costs were forecasted.

d) Please explain why GLPT expects consultant costs to increase by 3.1% in 2014.

e) Please explain why GLPT expects other regulatory agency fees to increase by 3.1% in 2014.

f) Please explain why GLPT expects intervener costs to increase by 3.1% in 2014.

4.2 Are the proposed spending levels for Share Services and other costs in 2013 and 2014 appropriate?

4.2-VECC-#10

Reference: Exhibit 4, Tab 2, Schedule 2, page 23, lines 7-8, and Exhibit 4, Tab 2, Schedule 4, Appendix B (Navigant Report), page 6, Table 3 and page 7.

a) Please reconcile the figures provided on the first referenced page ($469,717 and $484,278) with the figures shown in the Navigant Report.