

Response To Energy Probe Technical Conference Questions

1. General

Interrogatory #49

Ref: Exhibit J1, Tab 1, Schedule 1.0, SEC #2 & Attachment Board Staff #5-2

Please reconcile the depreciation increase shown in the first reference of \$1,569 with the figure of \$1,883 shown in Notes table under Appendix 2-C.

Response:

In responding to the interrogatories and performing the update filed August 31, 2012, PowerStream made corrections to the calculation of the additional half year depreciation on 2013 additions. These are summarized in Table EP#49-1 below.

Table EP#49-1: Change in 2013 Half Year Depreciation on Additions

Description	Amount
As filed May 4, 2012	\$ 1,569
Plus half year on software account 1611/1925	\$ 551
Less remove half year on Work in progress	\$ (237)
As filed August 31, 2012	\$ 1,883

In calculating the additional half year depreciation on 2013 additions, depreciation on account 1611 (formerly 1925) software was omitted in error and needs to be increased by \$551,000. In addition, the half year depreciation as calculated needed to be reduced for amounts deemed to be in work in progress at December 31, 2013, requiring a reduction of \$237,000.

Response To Energy Probe Technical Conference Questions

2.2 Is the Working Capital Allowance for Test Year 2013 Appropriate?

Interrogatory #50

Ref: Exhibit J1, Tab 2, Schedule 2.2, SEC #15

Which rate classes does PowerStream bill on a monthly basis and which are billed on a bi-monthly basis?

RESPONSE:

Only the Residential class is billed on a bi-monthly basis. All other classes are billed on a monthly basis.

Response To Energy Probe Technical Conference Questions

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

Interrogatory #51

Ref: Exhibit J1, Tab 3, Schedule 3.2, Energy Probe #15 b&c

Please provide the regression statistics along with the forecasts based on the equation shown as Model 5 in Table EP #15b in the same format as provided in Tables EP #15c-1 and #15c-2 where the equation excludes the Oct-03 variable and includes the Peak Hours variable.

Response:

Please refer to the tables below.

Table EP #51-1: Summary of Monthly Load Forecast Regression Model Using HDD18, Peak Hours (w/o Oct/03 as an outlier)

Dependent Variable: Monthly Energy Purchases grossed up by CDM Form: Multiple Regression Sample: 01/2002 - 12/2011 Included observations: 120 Degree of Freedom for Error: 110			
Variable	Coefficient	t-Statistics	Sig.
(Constant)	445,751,422	18.65	0.00%
Real GDP	34,097,403	28.29	0.00%
CDD18	1,244,071	42.91	0.00%
HDD18	151,842	26.46	0.00%
Peak Hours	227,601	3.34	0.12%
Feb	(37,638,271)	(9.10)	0.00%
Apr	(28,546,573)	(7.45)	0.00%
Adjusted R-squared	96.5%	MAD	8,116,050
Standard Error of regression	10,865,510	MAPE	1.2%
F-test	367.7	Durbin-Watson statistics	1.4

Response To Energy Probe Technical Conference Questions

Table EP #51-2: Total System Purchases, GWH using HDD18, Peak Hours (w/o Oct/03 as an outlier)

Year	Actual Gross	Model Predicted	Variance, Actual to Predicted, %	Weather-Normal (WN) 10-Year Actual Gross	Variance, WN Actual to Predicted, %
2002	7,866	7,900	-0.4%	7,711	-2.5%
2003	7,917	7,961	-0.6%	7,939	-0.3%
2004	8,135	8,056	1.0%	8,302	3.0%
2005	8,613	8,640	-0.3%	8,405	-2.8%
2006	8,555	8,554	0.0%	8,598	0.5%
2007	8,781	8,801	-0.2%	8,705	-1.1%
2008	8,673	8,652	0.2%	8,782	1.5%
2009	8,406	8,409	0.0%	8,623	2.5%
2010	8,774	8,728	0.5%	8,725	0.0%
2011	8,827	8,844	-0.2%	8,769	-0.9%
2012 Bridge - Forecast		8,905			
2013 Test - Forecast - Normalized 10-year		9,003			

Response To Energy Probe Technical Conference Questions

4.1 Is the overall; Test Year 2013 OM&A forecast appropriate?

Interrogatory #52

Ref: Exhibit J1, Tab 4, Schedule 4.1, Energy Probe #24

Please indicate where in the evidence the original Table 6 was located.

Response:

We regret that the reference to Table 6 provided in the Interrogatory Energy Probe #24 is incorrect. It was not a part of the evidence filed in the rate application process.

Interrogatory #53

Ref: Exhibit J1, Tab 4, Schedule 4.1, Energy Probe #25d

The response indicates the impact on OM&A is an increase of \$3.9 million due to having to record this amount as other revenue rather than as a reduction to OM&A. Please indicate where in Table 1 of Exhibit C2, Tab 1, Schedule 1 this increase is shown.

Response:

These revenues are from non-rate regulated activities and therefore are recorded in account 4375 "Revenues from non-regulated utility operations". Consequently, they are not included in Table 1 of Exhibit C2, Tab 1, Schedule 1, as this table includes only other revenues from regulated activities, i.e. "revenue offsets" to be used in the calculation of revenue requirement. Similarly the associated cost of providing the services is also excluded from the OM&A costs included for rate setting.

The revenues from non-rate regulated activities are included on the "Other Income" line of PowerStream's consolidated Income Statement.

Response To Energy Probe Technical Conference Questions

Interrogatory #54

Ref: Exhibit J1, Tab 4, Schedule 4.1, Appendix D, page 2

- a) Please provide the most recent year-to-date figures for bad debt, customer billing and collections expenses available for 2012, along with the corresponding figures for the same period in 2011.**
- b) Please explain the reduction in the cost of joint services in 2012 and 2013 relative to 2011.**

Response:

- a) For 2011 PowerStream did not convert monthly data from CGAAP to MIFRS. June YTD 2011 figures are under CGAAP while the 2012 are under MIFRS. PowerStream does provide a response to the question in the table below, however, caution should be exercised as to the direct comparability of the numbers cited.

Table EP#54 – Year to date Billing and Collection Costs

	Bridge Year	
	June 2011 YTD Actual	June 2012 YTD Actual
Billing and Collecting		
5305 Supervision	663,012.76	711,231.78
5310 Meter Reading Expense	1,061,580.06	909,917.27
5315 Customer Billing	1,573,910.18	2,703,169.98
5320 Collecting	1,372,305.88	1,548,813.73
5325 Collecting- Cash Over and Short	(184.10)	780.21
5330 Collection Charges	27,698.76	23,422.42
5335 Bad Debt Expense	985,311.60	1,151,515.98
5340 Miscellaneous Customer Accounts Expenses		
Total Billing and Collection	5,683,635.14	7,048,851.37

- b) As of the fall 2011, PowerStream no longer provides water and waste water billing & collection services on behalf of the City of Barrie. As a result, the cost of joint services in 2012 and 2013 was reduced relative to 2011.

Response To Energy Probe Technical Conference Questions

4.3 Is the Test Year 2013 forecast of PILs appropriate?

Interrogatory #55

Ref: Exhibit J1, Tab 4, Issue 4.3, Energy Probe #34

Please provide the SR&ED tax credits for each of the historical years that are used to forecast the 2012 and 2013 investment tax credits.

Response:

Table EP#55: Past SR&ED Tax Credits and Average for Forecast

Year	Amount
2005	\$ 207,503
2006	\$ 308,961
2007	\$ 292,078
2008	\$ 662,512
2009	\$ 633,320
2010	\$ 605,688
2011	\$ 601,332
Average	\$ 473,056

Response To Energy Probe Technical Conference Questions

Interrogatory #56

Ref: Exhibit J1, Tab 4, Issue 4.3, Energy Probe #37

Please explain the source of the \$904,600 SR&ED deductions shown in tables EP#37-1 and 2 and reconcile these figures with the \$473,100 shown in Table EP#34-1 of \$473,100.

Response:

**Table EP#56-1: Calculation of average ITC Capital Deduction Amount
For Use in Forecast**

Year	Amount
2005	\$ -
2006	\$ -
2007	\$ -
2008	\$ 1,788,943
2009	\$ 1,260,933
2010	\$ 2,094,408
2011	\$ 1,187,607
Average	\$ 904,556

The ITC Capital Deduction amount has been deducted from the capital cost allowance schedules as required by tax regulation. Please note that this amount has also been deducted on the calculation of taxable income schedule in the PILs model thereby reducing regulatory taxable income and income tax.

Response To Energy Probe Technical Conference Questions

4.5 Are the 2013 compensation costs and employee levels appropriate?

Interrogatory #57

Ref: Exhibit J1, Tab 4, Schedule 4.5, Energy Probe 45

The response to part b indicates that under MIFRS, the percent in OM&A of total compensation in 2011 is 67.3%. Please explain the increase in this percentage to 70% in the 2013 test year.

Response:

The 67.3% was based on the actual OM&A and Capital cost split in the total compensation for 2011 under MIFRS. The 2013 percent of total compensation in OM&A versus capital is 70% which is dependent on the 2013 capital budget. The approximate split of 30% & 70% between Capital and OM&A is reasonable.

Response To Energy Probe Technical Conference Questions

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

Interrogatory #58

**Ref: Exhibit J1, Tab 6, Schedule 6.1, Energy Probe #46 &
Exhibit E, Tab 1, Schedule 1, page 12**

Please provide updated tables for 2012 and 2013 found on page 12 of Exhibit E, Tab 1, Schedule 1, showing the calculation of the long term debt rate based on the response to the interrogatory related to the \$125 EDFIN debenture at a rate of 3.958%.

Response:

Please refer to Table EP#58-1 below. Please note the rate of 3.99% used in the calculation of long-term debt for EDFIN is an effective rate, which includes issuance costs.

Response To Energy Probe Technical Conference Questions

Table EP#58-1: Updated Wiegthed Debt Cost

LONG -TERM DEBT
 WEIGHTED DEBT COST - Bridge Year 2012

No.	Description	Debt Holder	Is the Debt Holder Affiliated with the LDC? (Y/N)	Date of Issuance of Debt (Date)	Principal (\$)	Term (Years)	Actual /Forecasted Rate (%)	Debt Rate Used for Weighted Debt Rate Cost
1	Promissory Note	City of Vaughan	Y	1-Jun-2004	\$ 78,236,285	20	5.58%	5.58%
2	Promissory Note	Town of Markham	Y	1-Jun-2004	\$ 67,866,202	20	5.58%	5.58%
3	EDFIN Debenture	EDFIN	N	15-Aug-2012	\$ 125,000,000	10	7.01%	4.41%
4	Deferred interest	Markham	Y	1-Oct-2006	\$ 954,515	7	5.58%	5.58%
5	Deferred interest	Vaughan	Y	1-Oct-2006	\$ 1,100,367	7	5.58%	5.58%
6	Deferred interest	Markham	Y	1-Jan-2007	\$ 3,786,934	6	5.58%	5.58%
7	Deferred interest	Vaughan	Y	1-Jan-2007	\$ 4,365,585	6	5.58%	5.58%
8	Deferred interest	Markham	Y	1-Jan-2008	\$ 2,842,794	5	5.58%	5.58%
9	Deferred interest	Vaughan	Y	1-Jan-2008	\$ 3,277,179	5	5.58%	5.58%
10	Bank loan	TD	N	26-Feb-2008	\$ 50,000,000	5	5.08%	5.08%
11	Promissory Note	City of Barrie	Y	1-Jan-2009	\$ 20,000,000	16	5.58%	5.58%
12	New debt	Bonds	N	30-Jul-2012	\$ 200,000,000	30	3.990%	3.99%
13								
		Total			\$ 557,429,860			
Weighted Average Debt Cost - 2012							5.29%	4.70%

LONG -TERM DEBT
 WEIGHTED DEBT COST - Test Year 2013

No.	Description	Debt Holder	Is the Debt Holder Affiliated with the LDC? (Y/N)	Date of Issuance of Debt (Date)	Principal (\$)	Term (Years)	Actual /Forecasted Rate (%)	Debt Rate Used for Weighted Debt Rate Cost
1	Promissory Note	City of Vaughan	Y	1-Jun-2004	\$ 78,236,285	20	5.58%	5.58%
2	Promissory Note	Town of Markham	Y	1-Jun-2004	\$ 67,866,202	20	5.58%	5.58%
3	New Debt	Bonds	N	15-Aug-2012	\$ 200,000,000	30	3.990%	3.99%
4	Deferred interest	Markham	Y	1-Oct-2006	\$ 954,515	7	5.58%	5.58%
5	Deferred interest	Vaughan	Y	1-Oct-2006	\$ 1,100,367	7	5.58%	5.58%
6	Deferred interest	Markham	Y	1-Jan-2007	\$ 3,786,934	6	5.58%	5.58%
7	Deferred interest	Vaughan	Y	1-Jan-2007	\$ 4,365,585	6	5.58%	5.58%
8	Deferred interest	Markham	Y	1-Jan-2008	\$ 2,842,794	5	5.58%	5.58%
9	Deferred interest	Vaughan	Y	1-Jan-2008	\$ 3,277,179	5	5.58%	5.58%
10	Bank loan	TD	N	26-Feb-2008	\$ 50,000,000	5	5.08%	5.08%
11	New debt	TBD	N	1-Aug-2012	\$ 45,000,000	5	4.41%	4.41%
12	Promissory Note	City of Barrie	Y	1-Jan-2009	\$ 20,000,000	16	5.58%	5.58%
					\$ 477,429,860			
Weighted Average Debt Cost - 2013							4.75%	4.75%