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January 17, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2012-0146/EB-2012-0380 - London Hydro 2013 Rates Rebasing Application – LPMA Interrogatories

Please find attached the interrogatories of the London Property Management Association in the above noted application.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Mike Chase, London Hydro Inc. (e-mail)
James Sidlofsky, Borden Ladner Gervais (e-mail)

EB-2012-0146

Ontario Energy Board

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

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

INTERROGATORIES OF
LONDON PROPERTY MANAGEMENT ASSOCIATION
("LPMA")

January 17, 2013

LONDON HYDRO INC.
2013 RATES REBASING CASE
EB-2012-0146

LONDON PROPERTY MANAGEMENT ASSOCIATION
INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

LPMA #1

Ref: OEB #2

In the response to part (a) of the question, London Hydro shows only one change in the Log of Proposed Corrections and Adjustments (Table). That change is an increase in OM&A of $200,000 related to a correction for water billing services recovery. However, in the Revenue Requirement Work Form (Amended) provided in response to part (b) of the question, there are a number of other changes from that originally submitted.

a) Please explain the reduction in Gross Fixed Assets of $471,922 shown on the Rate Base and Working Capital sheet of the RRWF. Please indicate the interrogatory response that gives rise to this change.

b) Please explain the increase in Depreciation/Amortization of $117,981 shown on the Utility Income sheet of the RRWF. Please indicate the interrogatory response that gives rise to this change.

c) Please explain the reduction in the Adjustment to Return on Rate Base associated with Deferred PP&E balance as a result of transition from CGAAP to MIFRS of $85,626 shown on the Utility Income sheet of the RRWF. Please indicate the interrogatory response that gives rise to this change.

d) Please explain why Income Taxes (line 4) increased as a result of the interrogatory responses despite a reduction in Taxable Income (line 3) as shown on the Taxes/PILs sheet of the RRWF. Please indicate the drivers of this increase despite a decrease in taxable income.

e) Please explain the increase of $5,789 shown at line 2 of the Revenue Deficiency/Sufficiency sheet of the RRWF in the At Proposed Rates column.

LPMA #2

Ref: Exhibit 1, page 15

Please confirm that despite the opportunity to defer the adoption of IFRS to January1, 2014, London Hydro has adopted IFRS as of January 1, 2013. If this cannot be confirmed, please explain.

LPMA #3

Ref: Exhibit 1, page 38

How many months of actual data are included in each of the 2012 forecasts for revenues (distribution and other), OM&A, and capital expenditures?

EXHIBIT 2 – RATE BASE (CGAAP)

LPMA #4

Ref: Exhibit 2, pages 2-5

a) Please update Tables 2-1 through 2-4 to reflect actual capital expenditures closed to rate base in 2012. If actual data is not yet available for all of 2012, please update the noted tables to reflect the most recent year-to-date information available for 2012 along with an estimate of the remaining months in 2012.

b) At page 4, lines 3-5, the evidence indicates that for 2013 the renewable generation equipment has been excluded from the rate base calculation. Please confirm that there is no renewable generation equipment included in the figures in Tables 2-1 through 2-4 in 2007 through 2012.

c) Please explain what the donations shown in Table 2-5 are related to, and if they are not LEAP related, please explain why they have been included in the calculation of the working capital allowance.

LPMA #5

Ref: Exhibit 2, page 10

Please provide an updated version of Tab 2-8 that includes actual data for 2012. If actual data is not yet available for all of 2012, please update the table to reflect the most recent year-to-date information available for 2012 along with an estimate of the remaining months in 2012.

<u>LPMA #6</u>

Ref: Exhibit 2, page 14

The table on the bottom of page 14 grosses up actual capital additions, at historical cost, by the Consumer Price Index ("CPI").

a) Please explain why the CPI was used rather than the Gross Domestic Product Implicit Price Index Final Domestic Demand "("GDPIPIFDD"). Please confirm that the GDPIPIFDD has been used by the OEB for incentive regulation.

b) Please provide a version of the table at the top of page 14 based on the GDPIPIFDD measure of inflation.

c) Were the actual capital additions shown in the table on the bottom of page 14 adjusted to reflect that some years included the provincial sales tax in the actual capital addition costs? If not, please adjust the table to reflect the removal of the provincial sales tax from those years in which it was paid and included in the capital cost.

<u>LPMA #7</u>

Ref: Exhibit 2, pages 18-19

a) Please update Table 2-10 to reflect actual capital expenditures and capital additions closed to rate base in 2012. If actual data is not yet available for all of 2012, please update the noted tables to reflect the most recent year-to-date information available for 2012 along with an estimate of the remaining months in 2012.

b) Please explain the difference between Cost Recoveries and Capital Contributions shown in Table 2-11.

<u>LPMA #8</u>

Ref: Exhibit 2, page 47

a) In Table 2-19 please identify which of the line items the capital contributions are related to. If of assistance, please use the line items shown in Tables 2-23 and/or 2-24.

b) Based on the response to part (a) above, please provide a table that shows the percentage of capital contributions relative to the gross expenditures in the line

items that attract capital contributions for each of the years shown. Please include actual data for 2012. If actual data is not yet available for all of 2012, please update the table to reflect the most recent year-to-date information available for 2012 along with an estimate of the remaining months in 2012.

c) Please explain any significant changes in the ratios calculated in part (b) above between 2013 and the previous years.

<u>LPMA #9</u>

Ref: Exhibit 2, Appendix 2J

a) Please show how the weighted average payment processing lag of 1.40 days was determined based on the four payment processing methods described on page 6. In particular, please show the percentages of the payments made using each of the methods noted.

b) Please provide the data and show the calculation of the collection lag of 30.29 days using the 2010 data.

c) Has London Hydro made any changes since 2010 that would have impacted on the collection of accounts from customers? If yes, please explain.

d) As shown in Exhibit 3, Table 3-1, London Hydro received approximately 94.3% of its service revenue in 2010 from distribution revenue with the remaining 5.7% received from other distribution revenue such as late payment charges and specific service charges. Have these other distribution revenues been included in the calculation of the retail revenue lag shown on page 5? If not, why not and what is the revenue lag associated with these other distribution revenues?

<u>EXHIBIT 3 – OPERATING REVENUE</u>

<u>LPMA #10</u>

Ref: OEB #17 & Exhibit 3, page 10

The response to the OEB interrogatory indicates that the customer and connection counts in Table 3-3 represent annual averages. Exhibit 3, page 10, at lines 17-18 indicate that customer and connections are on a mid-year basis.

Please confirm which of the following methodologies, or some other methodology, London Hydro has used to calculate the number of customers and connections: average of opening and closing numbers; average of month end figures for year; or June month end number of customers.

LPMA #11

Ref: Exhibit 3, pages 2-4

a) Please explain what London Hydro means by normalized distribution revenues in Table 3-2.

b) Please explain why the distribution revenues by rate class for some classes are identical in Tables 3-1 and 3-2 while they are different for other classes.

LPMA #12

Ref: Exhibit 3, page 11

Please explain what drove the decrease in residential and GS < 50 customers shown in Table 3-5 in 2009 and 2011.

LPMA # 13

Ref: Exhibit 3, page 13

Please explain why London Hydro estimates an equation to forecast purchased energy and then adjusts it to reflect the historical loss factor to produce a billed energy forecast instead of adjusting the actual purchases for the actual loss factors and then using this data to estimate an equation to forecast total billed energy directly.

LPMA #14

Ref: Exhibit 3, page 16 & Appendix 3A

The evidence states on page 16 that the impact of 2012 and 2013 CDM programs have not been included in the CDM activity variable used in the regression analysis. Please explain the changes in the CDM activity variable shown in Appendix 3A for 2011, 2012 and 2013. In particular, please explain why the CDM activity variable declines from a peak value in December, 2011 throughout 2012 and then increases beginning with January, 2013.

LPMA # 15

Ref: Exhibit 3, pages 19-20

a) Please explain how the annual number of customers/connections have been calculated in Table 3-10 and provide an example that shows the calculation of the number of residential customers for each of 2010 and 2011.

b) Please update Table 3-10 to reflect actual customers/connections for 2012.

c) Please confirm that only data for 2000-2011 was used to calculate the geometric means shown in Table 3-11. If this cannot be confirmed, either provide a table that shows the full range of data used, or provide a revised Table 3-11 that only uses the data for 2000-2011 to calculated the geometric mean.

d) For the GD <50 class shown in Tables 3-10 and 3-11 please confirm that the annual compound growth rate between 11,354 customers in 2000 and 11,941 customers in 2011 is 0.46% per year. Please reconcile this figure with the 0.1% shown in Table 3-11.

e) Please explain the significant drop in the number of customers in the GS >50 class between 2000 and 2001.

LPMA #16

Ref: Exhibit 3, pages 26-27

Please update Tables 3-22 and 3-23 to reflect actual data for 2012.

LPMA #17

Ref: Exhibit 3, page 34

Please update Table 3-26 to reflect actual data for 2012. If actual data is not available for all of 2012, please provide the most recent year-to-date figures for 2012 in the same level of detail as shown in Table 3-26, along with the figures for the corresponding year-to-date period in 2011.

LPMA #18

Ref: Exhibit 3, pages 34-37

Has London Hydro ensured that the number of customers and bills used to forecast SSS admin fees in account 4080b reflects the movement of customers from retailers

to standard supply service that is reflected in the calculation of the revenues shown in account 4082?

LPMA #19

Ref: Exhibit 3, page 41

a) Please confirm that the gain on disposal referred to in the May 11, 2005 Report of the Board on the 2006 Electricity Distribution Rate Handbook (RP-2004-0188) at page 28 applies to non-depreciable assets.

b) Please confirm that the $128,000 gain forecast for 2013 is all from depreciable assets (transformers and vehicles).

LPMA #20

Ref: Exhibit 3, pages 40 & 42

a) Please confirm that London Hydro has included $667,000 in account 4235 for the 2013 test year and has reflected a cost of $667,000 in account 5330 in OM&A.

b) Please confirm that London Hydro has recorded the supplier discounts in account 4390 rather than as a reduction to OM&A costs. Do any of the supplier discounts apply to expenditures that are capitalized? If yes, what percentage is OM&A related and what percentage is capital related in the 2013 test year?

c) Please provide the actual revenue associated with the sale of scrap in 2012.

d) Please confirm that the sale of scrap of $150,000 shown for 2013 is 100% of the revenue received, and not 50%, as has been used for transformers and vehicles.

LPMA #21

Ref: Exhibit 3, page 43

a) What is the interest charged on the funds provided for the capital expenditures for the non-distribution renewable generation operations? What is the term of the agreement? Please provide a copy of the agreement.

b) Please provide the average monthly balances associated with bank deposits for 2011, along with the forecast for 2012 and 2013, and the interest rate applicable to each year.

c) Please provide the actual average monthly bank deposit balance for 2012 and the actual interest rate applicable to these funds in 2012.

EXHIBIT 4 – OPERATING COSTS

LPMA #22

Ref: Exhibit 4, page 16 & October 26, 2013 Responses to Board Staff Letter of October 22, 2013

a) Please update Table 4-8 to reflect actual costs for 2012. If actual data is not yet available for all of 2012, please provide the most recent year-to-date actual data for 2012 in the same level of detail as shown in Table 4-8. Please also provide the actual figures for the corresponding year-to-date period in 2011.

b) Are there any one-time costs incurred in 2012 (on an actual basis) that will not be incurred in 2013? If yes, please provide a description of these expenditures and provide that associated amount spent in 2012.

c) Please confirm that based on the October 26, 2013 Addendum #3, that the total OM&A forecast for 2013 based on MIFRS is $34,044,563, including LEAP funding, and based on CGAAP is $33,708,563, again including LEAP funding. If either of this figures are incorrect, please provide the correct figures.

LPMA # 23

Ref: Exhibit 4, pages 22-28

Please update Tables 4-12 and 4-13 to reflect actual data for 2012. If actual data for all of 2012 is not yet available, please update both tables to reflect the most recent year-to-date actual data for 2012, along with an estimate for the remaining months of 2012.

LPMA # 24

Ref: Exhibit 4, pages 41, 56-57 & Table 4-64

a) Please show how many apprentices London Hydro had for each of 2009 through 2012 and the forecast for 2013. If available, please also provide the forecast for 2014 and 2015.

b) Please show the calculation of the 2012 apprentice tax credit of $62,300 and the 2013 apprentice tax credit of $30,700.

c) Please reconcile the 2012 apprentice tax credit of $62,300 and the 2013 apprentice tax credit of $30,700 noted on page 57 with the figures shown in Table 4-64.

LPMA #25

Ref: Exhibit 4, pages 60-61

a) Please provide the actual level of bad debt expenses recorded in 2012. If data for all of 2012 is not yet available, please provide the most recent available year-to date figure for 2012, along with the figure for the corresponding period in 2011.

b) Please provide a table that shows the property tax and insurance costs as separate line items for each of 2009 through 2012 on an actual basis and the forecast for 2013.

LPMA #26

Ref: Exhibit 4, page 73

a) Please provide a list of the organizations for which London Hydro pays a corporate membership fee.

b) Please provide a table that shows for 2009 through 2013 the costs associated with each individual corporate membership.

c) Are membership fees for the Electricity Distributors Association ("EDA") included in the Corporate Membership Fees shown in Table 4-36? If yes, please ensure they are shown as a separate line item in the response to part (b) above. If not, please indicate which account in Appendix 2-G these costs are in and provide the fees paid for each of 2009 through 2012 and the forecast for 2013.

LPMA #27

Ref: Exhibit 4, page 94

The evidence states that the 2012 bridge year and proposed 2013 test years assume that new employees will be hired in January of each year.

a) Does this assumption mean that there is a full year of salaries, wages and benefits in the forecasted compensation costs for 2012 and 2013 for all new employees? Please explain fully.

b) For 2012, please show the number of new employees hired in each month. For hires in each month, please show the total compensation costs associated with all employees hired in that month for 2012, along with the annualized compensation costs for those new employees.

c) How many new employees is London Hydro forecasting to hire in 2013? How many new employees have been hired at the current time since the beginning of the year?

LPMA #28

Ref: Exhibit 4, pages 94-97

a) For each group shown in Table 4-45 as receiving incentive pay, please show for each of 2009 through 2013, the percentage of the total potential incentive pay received.

b) Please update Table 4-45 to reflect actual FTEs and compensation costs for 2012.

c) What type of employees are included in the non-permanent group? For example, does it include co-op students and/or contract employees? What other types of employees are included here? Please provide a breakout for 2012 and 2013 of the number of FTEs in each of these sub-groups.

LPMA #29

Ref: OEB #38 & Exhibit 4, Table 4-55

Has the transfer of $726,773 in depreciation expense to OM&A expenses as shown in Table 4-55 for 2013 under MIFRS been reflected in the calculation of the working capital allowance? In other words, is the $726,773 included in the OM&A costs used in the calculation of the WCA?

LPMA #30

Ref: Exhibit 4, page 112 & Tables 4-55 & 4-57

a) Please confirm that London Hydro's last rebasing application for 2009 also used the half year rule for depreciation. If this cannot be confirmed, please indicate what methodology was used.

b) Please confirm that on an actual basis, London Hydro starts recording depreciation expense when the assets are put into service, and that this is done on a quarterly basis. If this cannot be confirmed, please explain when depreciation begins to be recorded.

c) Please provide a table that shows for each of 2009, 2010, 2011, and, if actual data is available, 2012, the actual total depreciation expense recorded (as shown in Table 4-55) and the depreciation expense that would have been recorded if the depreciation expense associated with additions within the year had been calculated using the half year rule.

d) Please reconcile Note 1 in Table 4-57 and the statement at lines 6-8 on page 112.

LPMA #31

Ref: Exhibit 4, Tables 4-60 & 4-62

a) Please show the derivation of the 2013 MIFRS addition to accounting income related to depreciation of $16,633,200 in Table 4-62 with the figures shown in Table 4-60.

b) If the difference in part (a) is related to the amortization of account 1575 PP&E deferral account, please explain why this amount should be added back to accounting income for PILs purposes.

LPMA #32

Ref: Exhibit 4, Table 4-62 & Exhibit 3, page 55

Please explain why only one-half of the gain on disposal of assets of $128,000 shown on page 55 of Exhibit 3 has been included as a deduction from accounting income in Table 4-62.

LPMA #33

Ref: Exhibit 4, Table 4-64

a) Please explain why the first two eligible apprentices shown under the apprenticeship tax credit are $7,000 rather than the cap of $10,000 per position. Is this $7,000 based on the salary or on the timing of the hiring of these positions? Please also confirm that London Hydro has used 35% of the eligible salaries and wages to a maximum of $10,000 per eligible position.

b) Please confirm that for the co-operative education tax credit, London Hydro has based the estimates on 25% of the salaries and wages to a maximum of $3,000 per position.

c) Please explain why the third eligible apprentice shown under job creation tax credits does not qualify for the full $2,000. Is this due to the salary paid or the timing of the creation of this job?

LPMA #34

Ref: Exhibit 4, page 133 & Appendix 4F

a) If now available, please provide the Notice of Assessment for the 2011 taxation year.

b) Please confirm that the CCA calculated in Appendix 4F for 2013 based on MIFRS also reflects a CCA calculation for 2012 based on MIFRS.

c) Please explain why the 2013 MIFRS UCC prior year ending balance should not be the UCC based on CGAAP for 2012.

d) When London Hydro files its 2012 PILs calculation will the CCA calculation be based on CGAAP of MIFRS?

e) Please recalculate the 2013 CCA under MIFRS using the 2012 CGAAP UCC ending balance as the opening balance for 2013.

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

LPMA #35

Ref: Exhibit 5, Table 5-1 & page 4

As shown in Table 5-1, London Hydro has actual levels of long-term debt that are significantly below the deemed level of 56%.

a) Please update Table 5-1 to reflect actual data for 2012.

b) Please explain why, in a time with historically low long term debt rates, London Hydro is not proposing to bring its actual long-term debt levels more in line with the deemed ratio of 56%.

c) Has London Hydro approached any financial institutions or Infrastructure Ontario about the interest rates available for additional long-term debt instruments

in the last 18 months? If not, why not? If yes, please provide the results of those enquiries.

LPMA #36

Ref: Exhibit 5, page 3

a) Please explain why London Hydro decided to renew the affiliate debt that had an expiry date of October 31, 2010 on September 30, 2009, rather than waiting and renewing the debt at the original expiry date.

b) What was the Board approved deemed long-term debt rate as of October 31, 2010?

EXHIBIT 7 – COST ALLOCATION

LPMA #37

Ref: Exhibit 7, page 17 & OEB #40

Please explain the difference in the revenue to cost ratios shown on page 17 of Exhibit 7 in Output Sheet O-1 and the ratios shown on page 90 of the OEB interrogatory responses in the O1 Rev to Cost RR table shown as "Original Application Filing".

LPMA #38

Ref: Exhibit 7, page 8 & OEB #40

Please provide a revised Table 7-8 from Exhibit 7 that reflects the corrections that resulted from the response to OEB #40.

LPMA #39

Ref: Exhibit 7, page 8

a) If London Hydro reduced the revenue to cost ratio for the GS 50 to 4999 (Cogeneration) class to 120%, the Large Use ratio to 115% and increased the revenue to cost ratio for the USL class to 80% and the Standby Power class to 80%, what would be the net impact on revenues, assuming no other changes to the ratios for the other rate classes?

b) Assuming that there is a revenue shortfall as a result of the response to part (a) above, please increase the classes with the lowest revenue to cost ratio until it reaches the next lowest class and them increase these ratios until they reach the next lowest and so on, until the revenue shortfall is eliminated. Please provide the resulting Table 7-8 that results from this stepwise approach.

<u>LPMA #40</u>

Ref: Exhibit 7, pages 3-5

a) Other than the changes noted in Tables 7-2 through 7-5, what other improvements has London Hydro made to the cost allocation study from that filed in the previous cost of service application?

b) Approximately what percentage of the total revenue requirement has been impacted by the changes noted in Tables 7-2 through 7-5?

<u>EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS</u>

<u>LPMA #41</u>

Ref: Exhibit 8, pages 34-35 & OEB #42-55

Please provide an updated version of Table 8-21 on page 34 of Exhibit 8, along with an updated version of the table found on page 35 of the same exhibit based on the changes that result from the OEB interrogatories and accepted by London Hydro. Please also provide a brief summary of the changes accepted by London Hydro and the impact on the rate riders.

<u>EXHIBIT 10 - TRANSITION TO MIFRS</u>

<u>LPMA #42</u>

Ref: OEB #58

a) The response to part (b) of the question states that London Hydro has chosen to defer IFRS implementation to the new mandated transition date of January 1, 2014. In view of this, is London Hydro, therefore, requesting that the Board approve just and reasonable rates for 2013 based on CGAAP and not MIFRS?

b) If the response to part (a) above is that the revenue requirement for the test year is to be calculated based on CGAAP, please confirm that London Hydro:

i) Does not require the P&OEB account for 2013;

ii) Does not require the PP&E deferral account (1575) for 2013;

iii) Will have a higher CCA deduction for 2013; and

iv) Will continue to use existing depreciation rates for 2012 and the new depreciation rates for 2013 for the calculation of the test year rate base;

c) Please provide any other impacts, other than those in part (b) above, if the revenue requirement is based on CGAAP.

d) Based on the use of CGAAP to determine the revenue requirement for the 2013 test year, please provide a revised Revenue Requirement Work Form that shows the calculation of the requested revenue requirement.

e) Please provide revised tables, as shown on pages 34 and 35 of Exhibit 8 that reflect the CGAAP based revenue requirement from part (d) above.

LPMA #43

Ref: OEB #62 & Appendix 2-EB

a) Please confirm that Appendix 2-EB provided as part of the response to OEB #62 reflects the addition of smart meter assets in 2012 as part of the opening net PP&E shown in the appendix of $215,885,605 and as shown in the response to part (b) of the interrogatory.

b) Please confirm that the additions and deletions shown in Appendix 2-EB reflect the additions of the smart meters.

c) Based on the response to parts (a) and (b), please explain why smart meters appear to be counted twice in the calculation.

LPMA #44

Ref: Exhibit 10, page 4

Please provide an updated Table 10-1 that adds a column that shows the derivation of the total base revenue based on CGAAP in the 2013 test year, but utilizing the new depreciation rates proposed for the test year.