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.

SUPPLEMENTAL INTERROGATORIES OF LONDON PROPERTY MANAGEMENT ASSOCIATION ("LPMA")

February 25, 2013

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

LONDON PROPERTY MANAGEMENT ASSOCIATION
SUPPLEMENTAL INTERROGATORIES

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

LPMA #45

Ref: LPMA #2

a) Is it London Hydro's position that the Board should set rates based on the use of MIFRS in 2013 even though the utility will continue to use CGAAP (along with the changes in capitalization and depreciation rates) for 2013?

b) Has London Hydro changed the capitalization policy and depreciation rates effective January 1, 2012? If not, please update the bridge and test year evidence to reflect the continuation of the existing capitalization and depreciation rates in 2012.

c) If the response to part (b) is that London Hydro has used the new capitalization policy and depreciation rates effective January 1, 2012, please provide the equivalent schedule as for the PP&E deferral account, only based on account 1576 rather than 1575.

EXHIBIT 2 – RATE BASE (CGAAP)

LPMA #46

Ref: LPMA #8 & Exhibit 2, page 47

a) Please explain why the amounts shown in the response to part (b) for line items D and E are different from the figures shown in Table 2-19 in the original evidence.

b) The original question in part (b) asked for the percentage calculation of the capital contributions for the line items. Please provide a response based on each of the line items. In other words, please provide the calculation for the percentage of the capital contributions relative to the gross amounts for D City works projects and a similar calculation for capital contributions relative to the gross amounts for E developer works projects.

c) The table provided in the response to part (b) shows that the average net capital additions over the 2007 to 2012 period are 47.5% of the gross capital additions. Please explain the jump forecast for 2013 to 67%, a level not recorded over the historical period shown.

LPMA #47

Ref: VECC #6 & LPMA #8

Please explain the reduction in City of London capital contributions to $0 in 2013 (VECC #6), despite the increase in city works projects forecast for 2013 (LPMA #8b).

EXHIBIT 3 – OPERATING REVENUE

LPMA #48

Ref: LPMA #19 & Exhibit 3, page 41

a) Please confirm that the evidence in Exhibit 3 at page 41 refers to the May 11, 2005 Report of the Board on the 2006 Electricity Distribution Rate Handbook (RP-2004-0188) and specifically to page 28.

b) Please confirm the following is accurately taken from the 2006 Electricity Distribution Rate Handbook:

"4.6.1 Assets Sold to a Non-Affiliate

The treatment of capital gains and losses on non-depreciable assets sold to a non-affiliate will be determined by the Board on a case-by-case basis, subject to the materiality thresholds outlined in Section 4.2. A capital gain or loss that falls below the materiality threshold shall be shared between the ratepayers and the shareholder on a 50/50 basis in determining the revenue requirement."

LPMA #49

Ref: LPMA #21

a) Please explain how the interest forecast for 2013 shown in the response to part (c) is derived based on an interest rate of 1.75% (or perhaps 1.25%) and an average bank balance of $321,333.

b) Please explain the dramatic drop in the average bank balance between 2012 and 2013, from about $9 million per month to $321,000 per month.

c) Please provide the actual average bank balance for the month of January, 2013, and the average balance for the month of February, 2013 based on the most recent information available.

<u>LPMA #50</u>

Ref: VECC #12 & OEB #20

Please confirm that if the revised GDP forecast found in the response to part (a) of VECC #12 was used to forecast 2013 volumes based on the equation estimated in the response to part (b) of OEB #20, the increase in the forecast is approximately 3.3 GWh, based on the GDP coefficient of 1,099,164. If this cannot be confirmed, please provide a revised Table 3-9 using the 2013 forecast for GDP taken from VECC #12.

<u>LPMA #51</u>

Ref: VECC #13 & OEB #20

a) Please provide the 2013 forecast of purchases based on each of the equations estimated in the response to VECC #13.

b) Has the equation in VECC #13(b) been estimated using the updated CDM variable used in OEB #20? If not, please update the equation to reflect the updated CDM variable and provide the regression statistics and the resulting forecast for 2013.

c) Please provide the forecast for local employment for 2012 and 2013 and identify the source of the forecast.

<u>EXHIBIT 4 – OPERATING COSTS</u>

<u>LPMA #52</u>

Ref: Exhibit 4, pages 3 and 13

At page 3 of Exhibit 4, it is stated that the transition to MIFRS has increased OM&A by $336,000 for the test year. At page 13 of the same exhibit it is stated that the proposed test year OM&A is $496,000 higher due to the change in the allocation of overhead on materials between OM&A and capital. Please reconcile and indicate

what is the impact on OM&A in 2013 of the change in accounting related to the capitalization changes.

LPMA #53

Ref: LPMA #22 & VECC #30

a) With respect to the actual OM&A costs shown for 2012 in the responses to LPMA #22 (Table 4-8) and to VECC #30 (Table 4-42) provided in Appendix E-4, please confirm that both responses are based on CGAAP without the change in capitalization. If this cannot be confirmed, please indicate whether both responses are based on CGAAP with the change in capitalization applied.

b) If both responses noted in part (a) are based on the same accounting methodology, please explain the difference in the recoverable OM&A shown for 2012 in Table 4-8 of $31,416,942 and the figure of 31,516,942 shown in Table 4-42. Is the difference solely related to the inclusion of LEAP related charitable donations? If so, please explain why this amount is not included in Table 4-18.

c) Please explain the $100,000 difference shown in Tables 4-8 and 4-42 provided in Appendix E-4 for 2013 under both CGAAP and MIFRS. Is the difference solely related to LEAP related charitable donations? If so, please explain why this amount is not included in Table 4-18.

LPMA #54

Ref: Exhibit 4, Table 4-8 & LPMA #22, Table 4-8

A comparison of Table 4-8 in Exhibit 4 with that provided in the response to LPMA #22 for 2012 shows that the forecasted incremental OM&A expenses associated with smart meters were $746,000, while the preliminary actual figure is about $461,000. Please explain the reasons for the significantly lower costs than forecast for 2012. In particular, please show the breakdown of the actual costs into the categories shown in the original Table 4-8 in Exhibit 4 of operations, billing and collections, administrative and general expenses, and advertising expenses.

LPMA #55

Ref: LPMA # 28

The response to part (b) indicates that an updated Table 4-45 that reflects actual data for 2012 is included in Appendix E-4. However it does not appear that this

table is included in Appendix E-4. Please provide the updated version of Table 4-45 referred to in the response to part (b).

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

LPMA #56

Ref: LPMA #35

Please assume that London Hydro were to borrow $65 million at the beginning of 2013 at an interest rate of 4.0% for a long term loan.

a) Please confirm that this $65 million on top of the existing long term debt would bring the actual long term debt close to the deemed amount forecast for 2013.

b) What is the impact on the revenue requirement of this additional $65 million in long term debt at a rate of 4%? Please show all calculations.

LPMA #57

Ref: VECC #34

Please explain why ratepayers should be expected to pay for long term debt that is partly impacted by a 6.0% on affiliate debt, when the interrogatory response indicates that the applicable external rate available was 5.43% based on the financial performance at the time the affiliate debt was renewed.

LPMA #58

Ref: Board Letter dated February 14, 2013 - Cost of Capital Parameter Updates for 2013 Cost of Service Applications for Rates Effective May 1, 2013 & OEB #2

a) Please update the cost of capital to reflect the figures in the Board's letter noted above. Please also provide an updated RRWF (including the live Excel version) that incorporates these changes, along with the changes adopted in the response to OEB #2 along with any other changes that may be made by London Hydro as a result of the supplemental interrogatories. Please include in the changes the reflection of the actual capital expenditures closed to rate base at the end of 2012 (as identified in the interrogatory responses) in the calculation of the 2013 rate base, including the MIFRS related changes applied to 2012 (capitalization and depreciation rate changes).

b) Please also provide an updated log of corrections or adjustments as was provided in part (a) of OEB #2.

EXHIBIT 10 - TRANSITION TO MIFRS

LPMA #59

Ref: LPMA #43

a) Where has the amended Appendix 2-EB noted in the response to part (c) been provided?

b) Please update Appendix 2-EB to reflect the actual capital expenditures closed to rate base at the end of 2012 in the calculation of the 2013 rate base (as identified in the interrogatory responses), including the MIFRS related changes applied to 2012 (capitalization and depreciation rate changes). Please also provide the corresponding continuity schedules for 2012, one based on CGAAP and the other based on CGAAP with the addition of the capitalization and depreciation rate changes.