PUC Distribution Inc.
500 Second Line EAST, P.O. Box 9000
SAULT STE. MARIE, ONTARIO, P6A 6P2

May 14, 2013

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

Dear Ms. Walli:

**Re: PUC Distribution Inc. ("PUC")**
**2013 Cost of Service Rate Application; Board File No. EB-2012-0162**
**Supplemental Interrogatory Responses**

Please find attached PUC's 2013 Cost of Service Rate Application Supplemental Interrogatory Responses.

Attached to this cover letter:

- 2 paper copies of the 2013 Cost of Service Electricity Distribution Rate Application Supplemental Interrogatory Responses.
- A copy of the supplemental responses and an excel copy of the revised Revenue Requirement Workform have been filed through the OEB web portal.

Sincerely,

J Uchmanowicz

Jennifer Uchmanowicz
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
Email: Jennifer.uchmanowicz@ssmpuc.com
Phone: 705-759-3009

**PUC DISTRIBUTION INC.**
**2013 COST OF SERVICE RATE APPLICATION**
**EB-2012-0162**
**SUPPLEMENTAL INTERROGATORIES**

## EXHIBIT 1

### 1.0-VECC – 42

**Reference: Exhibit 1, Appendix D, pg. 10**

a) Please provide a summary of proposed changes which show by interrogatory changes to the original application (example below).

| Reference | Item | Regulated Return on Capital | Regulated Rate of Return | Rate Base | Working Capital | Working Capital Allowance | Amortization | PILs | OM&A | Service Revenue Requirement | Base Revenue Requirement | Gross Revenue Deficiency |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reference | Item | Regulated Return on Capital | Regulated Rate of Return | Rate Base | Working Capital | Working Capital Allowance | Amortization | PILs | OM&A | Service Revenue Requirement | Base Revenue Requirement | Gross Revenue Deficiency |
| | **Original Submission August 2010** | **$10,824,124** | **7.08%** | **$152,808,317** | **$125,598,185** | **$18,839,728** | **$7,816,331** | **$1,212,310** | **$10,183,838** | **$30,036,603** | **$28,980,640** | **$5,012,440** |
| OEB IR# 24 (a) & (b) | Adjust Infrastructure Ontario Debt to 1 Day | **$11,168,599** | **7.31%** | **$152,808,317** | **$125,598,185** | **$18,839,728** | **$7,816,331** | **$1,212,310** | **$10,183,838** | **$30,381,077** | **$29,325,115** | **$5,356,914** |
| | Change | $344,475 | 0.23% | $0 | $0 | $0 | $0 | $0 | $0 | $344,475 | $344,475 | $344,475 |
| | PILs Correction - Input Error - Bldg amount in Class 1b | **$11,168,599** | **7.31%** | **$152,808,317** | **$125,598,185** | **$18,839,728** | **$7,816,331** | **$1,213,484** | **$10,183,838** | **$30,382,252** | **$29,326,289** | **$5,358,089** |
| | Change | $0 | $0 | $0 | $0 | $0 | $0 | $1,175 | $0 | $1,175 | $1,175 | $1,175 |
| EP IR# 13 (e) | AFUDC Rate on Capitalized Interest | **$11,196,054** | **7.31%** | **$153,183,959** | **$125,598,185** | **$18,839,728** | **$7,823,920** | **$1,213,336** | **$10,183,838** | **$30,417,147** | **$29,361,185** | **$5,392,984** |
| | Change | $27,455 | $0 | $375,642 | $0 | $0 | $7,589 | -$148 | $0 | $34,896 | $34,896 | $34,896 |
| EP TCQ # 9 & EP IR # 19 (a) | Adjust Purchase kWh for CDM Adjmts | **$11,196,054** | **7.31%** | **$153,183,959** | **$125,598,185** | **$18,839,728** | **$7,823,920** | **$1,213,336** | **$10,183,838** | **$30,417,147** | **$29,361,185** | **$5,279,238** |
| | Change | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | -$113,746 |
| EP TCQ # 9 & VECC TCQ # 1 (b) & (c ) | Adjust Purchase kWh for CDM Adjmts @ Application Power Rates | **$11,204,832** | **7.31%** | **$153,304,058** | **$126,398,846** | **$18,959,827** | **$7,823,920** | **$1,215,199** | **$10,183,838** | **$30,427,788** | **$29,371,826** | **$5,289,879** |
| | Change | $8,778 | $0 | $120,099 | $800,661 | $120,099 | $0 | $1,863 | $0 | $10,641 | $10,641 | $10,641 |
| EP IR # 11 (b) & VECC TCQ # 1 (a) | Adjust Oct 15/10 Navigant Numbers, Power, GA & $68.38 RPP Rates | **$11,202,097** | **7.31%** | **$153,266,641** | **$126,149,397** | **$18,922,410** | **$7,823,920** | **$1,214,619** | **$10,183,838** | **$30,424,473** | **$29,368,510** | **$5,286,564** |
| | Change | -$2,735 | $0 | -$37,417 | -$249,449 | -$37,417 | $0 | -$580 | $0 | -$3,315 | -$3,315 | -$3,315 |
| VECC TCQ # 1 (b) & (c ) | Adjust NW & CN kW for Purchase & CDM Adjmts | **$11,212,740** | **7.31%** | **$153,412,249** | **$127,120,117** | **$19,068,018** | **$7,823,920** | **$1,216,877** | **$10,183,838** | **$30,437,374** | **$29,381,412** | **$5,299,465** |
| | Change | $10,642 | $0 | $145,608 | $970,720 | $145,608 | $0 | $2,259 | $0 | $12,901 | $12,901 | $12,901 |
| Decision EB-2010-0002 | Adjust NW & CN kW for IESO & HONI January 1, 2011 Price Increases | **$11,221,588** | **7.31%** | **$153,533,306** | **$127,927,161** | **$19,189,074** | **$7,823,920** | **$1,218,755** | **$10,183,838** | **$30,448,100** | **$29,392,137** | **$5,310,191** |
| | Change | $8,848 | $0 | $121,057 | $807,044 | $121,057 | $0 | $1,878 | $0 | $10,726 | $10,726 | $10,726 |
| OEB IR # 21 | OMERS increase for 2012 & 2013 | **$11,222,972** | **7.31%** | **$153,552,243** | **$128,053,411** | **$19,208,012** | **$7,823,920** | **$1,219,049** | **$10,310,088** | **$30,576,028** | **$29,520,065** | **$5,438,118** |
| | Change | $1,384 | $0 | $18,938 | $126,250 | $18,938 | $0 | $294 | $126,250 | $127,928 | $127,928 | $127,928 |
| EP IR 23 (c ) / 29 (a) & (b) EP TCQ 14 (a) | Removal of Street Light Return & PILs | **$11,222,972** | **7.31%** | **$153,552,243** | **$128,053,411** | **$19,208,012** | **$7,823,920** | **$1,219,049** | **$10,310,088** | **$30,576,028** | **$29,586,071** | **$5,504,124** |
| | Change | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $66,006 | $66,006 |
| EP IR 40 & EP TCQ 21 (a) | PILs - Computer Hardware to Correct CCA Account | **$11,222,972** | **7.31%** | **$153,552,243** | **$128,053,411** | **$19,208,012** | **$7,823,920** | **$1,193,531** | **$10,310,088** | **$30,550,510** | **$29,560,553** | **$5,478,606** |
| | Change | $0 | $0 | $0 | $0 | $0 | $0 | -$25,518 | $0 | -$25,518 | -$25,518 | -$25,518 |
| EP IR 41 / EP TCQ 21(b) | PILs - Land Rights CCA | **$11,222,972** | **7.31%** | **$153,552,243** | **$128,053,411** | **$19,208,012** | **$7,823,920** | **$1,192,976** | **$10,310,088** | **$30,549,955** | **$29,559,998** | **$5,478,051** |
| | Change | $0 | $0 | $0 | $0 | $0 | $0 | -$555 | $0 | -$555 | -$555 | -$555 |

**PUC Response**

PUC has provided a summary below with the changes proposed as a result of the interrogatories.

| Ref. | Item | Reg. Return on Capital | Reg. Rate of Return | Rate Base | Working Capital | Working Capital Allowance | Amortization | PILs | OM&A | Service Rev. Requirement | Base Revenue Requirement | Gross Deficiency |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Sub. Nov. 6, 2012 | 5,704,389 | 6.20% | 91,994,402 | 74,468,429 | 9,680,896 | 3,302,877 | 276,281 | 10,928,870 | 20,212,417 | 17,944,453 | 3,174,855 |
| IR2-EP-11 | Cost of Power | 5,732,990 | 6.20% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 281,241 | 10,928,870 | 20,245,978 | 17,978,014 | 3,208,416 |
| | Change | 28,601 | 0.00% | 461,256 | 3,548,121 | 461,256 | - | 4,960 | - | 33,561 | 33,561 | 33,561 |
| Feb. 14, 2013 OEB Decision | Cost of Capital Parameters | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,990,862 |
| | Change | (202,293) | -0.22% | - | - | - | - | (17,445) | - | (217,554) | (217,554) | (217,554) |
| 3-Staff-24 3-VECC-19 | CDM savings Adjustment | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | (32,970) |
| 4-Staff 40 4-VECC-41 | LRAM Rate Rider | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 7-Staff-47 7-Staff-48 | Cost allocation meter reading | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 8-Staff-50 8-VECC-38 | RTSR,WMS, RRPR Rate Changes | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 9-Staff-51 | Primary Metered Loss Factor | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 9-Staff-52 | HST/OVAT Disposition Amount | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 9-Staff-54 | KWs used for Global Adj. sub account dispoition | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,302,877 | 263,796 | 10,928,870 | 20,028,424 | 17,760,460 | 2,957,892 |
| | Change | - | 0.00% | - | - | - | - | - | - | - | - | - |
| 9-Staff-58 9-Staff-59 9-EP-24 | withdraw of 1575 and request for 1576 | 5,530,697 | 5.98% | 92,455,658 | 78,016,550 | 10,142,152 | 3,323,668 | 263,796 | 10,928,870 | 20,047,031 | 17,779,067 | 2,976,499 |
| | Change | - | 0.00% | - | - | - | 20,791 | - | - | 18,607 | 18,607 | 18,607 |

**<u>1-SEC-32s</u>**
**Ref: 1-Staff-1(b)**
Please provide the date the completed Application was filed, the date a completed application was required per the Filing Requirements, and a detailed explanation for any period by which the filing date was later than the requirement.

**<u>PUC Response</u>**
The application was filed November 6, 2012. Additional information was filed December 4, 2012. The completed application was required August 30, 2012 as per the filing requirements. The delay in filing was due to resource limitations and numerous on-going initiatives/projects.

**<u>1-SEC-33s</u>**
**Ref: 1-SEC-4**
Please advise any significant cost differences the Applicant faces to serve schools in the GS>50KW class compared to the other utilities in the comparison table provided in the original interrogatories. Please quantify any of those cost differences to the extent possible.

**<u>PUC Response</u>**
PUC is not aware of any significant cost differences to serve schools in the GS>50kW class compared to other utilities. There are many factors that influence the ability to provide accurate and meaningful comparisons. For example, the board approved revenue to cost ratios, volumetric vs. fixed charges, service territory size, physical attributes of the service territory, rural vs. urban customer mix etc.

**<u>1-Staff-61s</u>**

**Ref: 1-Staff-5; Ref: Revenue Requirement Work Form (RRWF) PUC Distribution_IRR_Rev_Reqt_Work_Form_20130404.xlsm**

On Sheet 8 of the update RRWF, cell L52, PUC is showing a revenue sufficiency of 2,184. Please correctly update the RRWF to ensure that this equals zero.

**<u>PUC Response</u>**

PUC has filed, with the supplemental interrogatories an updated RRWF that corrects the revenue sufficiency of $2,184.

**1-SEC-34s**
**Ref: 1-SEC-3(a)**

With respect to the Shareholders Agreement for PUC Services Inc.:

a) Please explain why the agreement is signed by the shareholder, the City, and by PUC Inc. rather than PUC Services Inc.;

b) Please provide a brief description of each of the last three times the requirement in Schedule A (k) was used, and the outcome in each case.

**PUC Response**

a) The heading in the document refers to PUC Services. The reference to PUC Inc. in the signature section is incorrect.

b) The requirement in Section A (k) has never been used.

**1-SEC-35s**
**Ref: 1-SEC-3(a)**

With respect to the Shareholders Agreement for PUC Distribution Inc.:

a) Please provide a description of each time the requirement in Schedule A (h) was used in 2012, and the outcome in each case;

b) Please provide a brief description of each of the last three times the requirement in Schedule A (n) was used, and the outcome in each case;

c) Please provide a brief description of each of the last time the requirement in Schedule A (p) was used, and the outcome in each case; and

d) Please provide a brief description of each of the last time the requirement in Schedule A (q) was used, and the outcome in each case

**PUC Response**

a) Approval was requested and received in 2012 through the 2013 budget for capital expenditures in excess of the required levels (Schedule A (h)).

b) The requirement in Schedule A (n) has not been used.

c) Approval of the 2013 budget (Schedule A (p)) was requested and received in 2012.

d) Approval of a strategic plan (Financial Long Term Plan) was requested and received as part of the budget process in 2012 (Financial Long Term Plan).

**1-SEC-36s**

**Ref: 1-SEC-3(b)**

With respect to the lack of a strategic or business plan:

a) Please explain why the Workforce and Succession Plan found in Appendix G refers, on page 2, to the "Strategic Business Plan". To what document is that referring?

b) In the absence of any current business plan or strategic plan, please describe the long- term framework within which business decisions are made and provide any documents that establish, approve or describe that framework.

**PUC Response**

a) The "Strategic Business Plan" reference is in regards to the human resource component included in the annual budgeting process.

b) The annual planning process includes updating and review of a long term financial model (shown below) based on the asset management plan and approved annual budget.

## PUC Distribution Inc.

Long Term Financial Model

| | 2011 | Forecast 2012 | Budget 2013 | Forecast 2014 | Forecast 2015 | Forecast 2016 | Forecast 2017 | Forecast 2018 | Forecast 2019 | Forecast 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income Analysis** | | | | | | | | | | |
| Total Revenue | $16,203,259 | $18,534,783 | $20,794,583 | $20,401,338 | $20,578,842 | $20,758,505 | $23,869,865 | $24,083,217 | $24,299,096 | $24,517,533 |
| Total Operating Expenses | $5,159,341 | $6,427,723 | $6,153,732 | $6,164,606 | $6,287,899 | $6,413,657 | $6,541,930 | $6,672,768 | $6,806,224 | $6,942,348 |
| Total General and Admin Expenses | $3,481,564 | $4,309,233 | $5,161,520 | $5,009,750 | $5,109,945 | $5,212,144 | $5,316,387 | $5,422,715 | $5,531,169 | $5,641,793 |
| Depreciation | $3,335,388 | $4,287,547 | $3,400,000 | $3,756,293 | $4,078,913 | $4,447,984 | $4,823,637 | $5,206,004 | $5,615,217 | $6,031,415 |
| Total Interest Expense | $1,703,660 | $1,741,076 | $2,386,901 | $2,767,776 | $2,944,311 | $3,115,373 | $3,152,549 | $3,058,273 | $2,963,325 | $2,867,672 |
| Payment in Lieu of Taxes | $466,500 | $171,678 | $288,157 | $245,268 | $46,751 | $0 | $474,410 | $333,537 | $180,939 | $24,958 |
| Total Expenses | $14,146,454 | $16,937,257 | $17,390,310 | $17,943,694 | $18,467,818 | $19,189,158 | $20,308,913 | $20,693,296 | $21,096,874 | $21,508,186 |
| **Income/(Loss) from Operations** | $2,056,805 | $1,597,526 | $3,404,273 | $2,457,644 | $2,111,023 | $1,569,346 | $3,560,952 | $3,389,920 | $3,202,223 | $3,009,346 |
| **Working Capital Analysis** | | | | | | | | | | |
| Income | $2,056,805 | $1,597,526 | $3,404,273 | $2,457,644 | $2,111,023 | $1,569,346 | $3,560,952 | $3,389,920 | $3,202,223 | $3,009,346 |
| Add back depreciation | $3,335,388 | $4,287,547 | $3,400,000 | $3,756,293 | $4,078,913 | $4,447,984 | $4,823,637 | $5,206,004 | $5,615,217 | $6,031,415 |
| Gain on sale of asset | $5,550 | | | | | | | | | |
| | $5,397,743 | $5,885,073 | $6,804,273 | $6,213,937 | $6,189,936 | $6,017,330 | $8,384,590 | $8,595,924 | $8,817,440 | $9,040,761 |
| Capital Expenditures | ($15,245,602) | ($25,369,785) | ($9,457,335) | ($8,626,482) | ($8,799,011) | ($8,974,992) | ($9,154,491) | ($9,337,581) | ($9,524,333) | ($9,714,820) |
| Additional Infrastructure | $0 | $0 | $0 | $0 | ($1,000,000) | ($1,000,000) | ($1,000,000) | ($1,500,000) | ($1,500,000) | ($1,500,000) |
| Contributed Capital | $5,648,830 | $450,000 | $550,000 | $561,000 | $572,220 | $583,664 | $595,338 | $607,244 | $619,389 | $631,777 |
| Net Capital Expenditures | ($9,596,772) | ($24,919,785) | ($8,907,335) | ($8,065,482) | ($9,226,791) | ($9,391,327) | ($9,559,154) | ($10,230,337) | ($10,404,944) | ($10,583,042) |
| Regulatory Transactions | $1,038,239 | ($911,469) | ($1,069,213) | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Proceeds of Loans | $1,092,003 | $18,507,997 | $5,744,401 | $4,839,289 | $4,936,075 | $5,034,796 | $5,034,796 | $5,034,796 | $5,034,796 | $5,034,796 |
| Principle Repayments | $0 | $0 | ($1,166,217) | ($1,369,652) | ($1,577,479) | ($1,787,828) | ($1,900,071) | ($1,914,233) | ($1,929,070) | ($1,944,611) |
| Increase (decrease) in Working Capital | ($2,068,787) | ($1,438,185) | $1,405,909 | $1,618,093 | $321,741 | ($127,029) | $1,960,162 | $1,486,151 | $1,518,223 | $1,547,904 |
| Opening Working Capital | $7,875,682 | $5,806,895 | $4,368,710 | $5,774,619 | $7,392,712 | $7,714,452 | $7,587,424 | $9,547,585 | $11,033,736 | $12,551,959 |
| Increase (decrease) in Working Capital | ($2,068,787) | ($1,438,185) | $1,405,909 | $1,618,093 | $321,741 | ($127,029) | $1,960,162 | $1,486,151 | $1,518,223 | $1,547,904 |
| **Closing Working Capital** | **$5,806,895** | **$4,368,710** | **$5,774,619** | **$7,392,712** | **$7,714,452** | **$7,587,424** | **$9,547,585** | **$11,033,736** | **$12,551,959** | **$14,099,864** |

**<u>1-SEC-37s</u>**

**Ref: 1-SEC-5 and 9**

Please provide the 2012 audited financial statements and annual report for PUC Services Inc., PUC Distribution Inc., and PUC Inc., in each case as soon as they are available.

**<u>PUC Response</u>**

It is anticipated that the 2012 audited financial statements for PUC Services Inc., PUC Distribution Inc., and PUC Inc. will be available after May 15, 2013.

**<u>1-SEC-38s</u>**

**Ref: 1-SEC-9(b)**

Please confirm that the amounts in brackets are average monthly balances owed to the Applicant by PUC Services Inc., and the amounts not in brackets are average monthly balances owed to PUC Services Inc. by the Applicant. Please confirm that a total of $54,239 of interest was paid by PUC Services to the Applicant with respect to the amounts owing, and that no interest was paid by the Applicant to PUC Services Inc. Please provide a calculation of the effective rate of interest on the outstanding balances over the year, and show the calculation. Please advise the effective rate of interest on outstanding balances assumed in calculating the revenue requirement for the test year.

**<u>PUC Response</u>**

The monthly amounts in brackets are not balances owed to PUC Distribution. These are in fact balances owed by PUC Distribution to PUC Services. The amounts that are not in brackets represent PUC Distribution's positive cash balance and corresponding contribution to the consolidated cash position of the collective "PUC" entities. The total of $54,239 of interest was not paid by PUC Services to PUC Distribution. The total of $54,239 was paid by the applicant to PUC Services Inc. The effective rate of interest used to calculate interest on the monthly outstanding inter-company balances payable was 4.47%. There is no interest expense included in revenue requirement for the test year related to short-term borrowing from affiliates.

**<u>1-SEC-39s</u>**

**Ref: 1-SEC-9(f)**

Please confirm that the tax credits are grossed-up when credited to miscellaneous income. If they are not grossed-up, please provide a calculation to show that the effect on revenue requirement using the Applicant's methodology is the same as if the Applicant had earned and claimed the tax credits itself.

**<u>PUC Response</u>**

The tax credits are grossed-up when credited to miscellaneous income.

**<u>1-SEC-40s</u>**

**Ref: 1-SEC-2(c)**

Please provide explanatory and numerical details of the "expenses that would be included in depreciation for most LDCs" that "are included in OM&A for PUC Distribution".

**<u>PUC Response</u>**

PUC Services owns a number of assets such as vehicles, IT equipment, software and furniture that is used to provide services to the affiliated companies. A portion of the depreciation expense (asset charge) and cost of capital is allocated to the affiliates as a cost of performing work for the affiliates. LDC's that own this equipment would have a depreciation expense associated with them that would be recorded as depreciation expense and not included in their operating and administrative expenses. The asset charge allocated to PUC Distribution's operating and administrative expenses in the 2013 Test Year is $474,000. The cost of capital charge allocated to PUC Distribution's operating and administrative expenses in the 2013 Test Year is $217,000.

**EXHIBIT 2 – RATE BASE**

**2.0-VECC – 44**
**Reference: IR 2-VECC-8**

a) Has PUC made adjustments in the RRWF (and continuity schedules) of this application for the actual 2012 actual capital expenditures?

b) If not please make these adjustments or explain why the application is not being updated.

c) Please file a revised Appendix 2-A showing the actual 2012 capital projects and amounts.

**PUC Response**

a) PUC has not made adjustments in the RRWF of this application for the 2012 actual capital expenditures.

b) PUC has not updated the application in the interrogatory phase for the 2012 actual capital expenditures. The final audited 2012 financial statements are expected to be available after May 15, 2013.

c) The 2012 actual capital expenditures by projects as shown in Appendix 2-A is not available at this time.

**2-Energy Probe-28s**

**Ref: 2-Staff-6 & Exhibit 2, Tab 1, Schedule 1, Table 2.1**

The response to the Staff interrogatory indicates that the accumulated depreciation figures used in the calculation of rate base shown in Table 2.1 are based on use of the 1/2 year rule in the historical years.

a) Please confirm that the above is correct.
b) If confirmed, please provide a version of Table 2.1, as provided in the interrogatory response that uses the actual accumulated depreciation figures used by PUC for financial accounting purposes in the calculation of the depreciation in each of the

historical years. Please also include actual data for 2012. If actual data for 2012 is not yet available, please include the most recent estimate of the 2012 figures available.

c) Please provide fixed asset continuity schedules for 2012 under the modified CGAAP showing both the 1/2 year rule being used for calculating depreciation and the full-year used for financial accounting.

**<u>PUC Response</u>**

a) PUC confirms the accumulated depreciation figures used in the calculation of rate base shown in Table 2.1 are based on use of the 1/2 year rule in the historical years.

b) PUC has provided below a version of Table 2.1 that uses the actual accumulated depreciation and gross asset figures used by PUC for financial accounting purposes in the calculation of depreciation in each of the historical years 2008 to 2011. The 2012 year is based on actuals for financial accounting purposes except for the disposition of account 1555 – smart meters. For financial reporting purposes the smart meters are treated as an addition in 2012 and for regulatory purposes it is included in the opening balance as it relates to historical year costs.

| Description | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year (Actual) |
|---|---|---|---|---|---|
| Gross Fixed Assets (Average) | 80,188,342 | 83,827,767 | 87,964,429 | 93,377,373 | 117,985,649 |
| Accumulated Depreciation (Avg.) | 43,402,038 | 45,301,791 | 46,974,228 | 47,960,583 | 50,334,626 |
| Net Book Value | 36,786,304 | 38,525,976 | 40,990,201 | 45,416,790 | 67,651,024 |
| Working Capital | 56,190,596 | 54,138,273 | 61,733,207 | 68,757,418 | 70,867,265 |
| Working Capital Allowance 15% (13% in 2013 Test Year) | 8,428,589 | 8,120,741 | 9,259,981 | 10,313,613 | 10,630,090 |
| Rate Base | 45,214,893 | 46,646,717 | 50,250,182 | 55,730,403 | 78,281,113 |

c) PUC has provided below the fixed asset continuity schedules for 2012 under the modified CGAAP showing both the 1/2 year rule (as filed in the original application) and what would be under the full-year used for financial accounting.

## 2012 Modified CGAAP ½ Year Rule

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As at December 31, 2012 | | | | | | | | | | | |
| Appendix 2-B | | | Cost | | | | Accumulated Depreciation | | | | |
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions 1/2 year rule | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | 89,159 | | | 89,159 | 0 | | | 0 | 89,159 |
| CEC | 1806 | Land Rights | 836,582 | | | 836,582 | 0 | | | 0 | 836,582 |
| 47 | 1808 | Buildings and Fixtures | 1,242,326 | 23,000,000 | | 24,242,326 | 673,569 | 254,837 | | 928,406 | 23,313,920 |
| 13 | 1810 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1815 | Transformer Station Equipment - Normally Prima | 8,312,486 | 34,919 | | 8,347,405 | 3,249,660 | 207,929 | | 3,457,589 | 4,889,816 |
| 47 | 1820 | Distribution Station Equipment - Normally Prima | 9,490,317 | 104,756 | | 9,595,073 | 6,253,859 | 161,530 | | 6,415,389 | 3,179,684 |
| 47 | 1825 | Storage Battery Equipment | 19,241 | | | 19,241 | 4,241 | 1,786 | | 6,027 | 13,214 |
| 47 | 1830 | Poles, Towers and Fixtures | 13,413,491 | 1,249,019 | | 14,662,510 | 2,877,014 | 279,951 | | 3,156,965 | 11,505,545 |
| 47 | 1835 | Overhead Conductors and Devices | 11,917,662 | 2,417,886 | | 14,335,548 | 1,407,870 | 204,208 | | 1,612,078 | 12,723,470 |
| 47 | 1840 | Underground Conduit | 11,202,705 | 161,164 | | 11,363,869 | 9,755,948 | 52,915 | | 9,808,863 | 1,555,006 |
| 47 | 1845 | Underground Conductors and Devices | 19,409,591 | 1,154,576 | | 20,564,167 | 11,441,337 | 556,490 | | 11,997,827 | 8,566,340 |
| 47 | 1850 | Line Transformers | 15,659,949 | 161,164 | | 15,821,113 | 7,540,451 | 678,639 | | 8,219,090 | 7,602,023 |
| 47 | 1855 | Services | 3,623,556 | 2,656,516 | | 6,280,072 | 303,293 | 120,812 | | 424,105 | 5,855,967 |
| 47 | 1860 | Meters | 4,478,779 | | | 4,478,779 | 2,925,195 | 178,573 | | 3,103,768 | 1,375,011 |
| 47 | 1860 | Smart Meters | 5,913,667 | | | 5,913,667 | 1,214,530 | 394,885 | | 1,609,415 | 4,304,252 |
| N/A | 1865 | Other Installations on Customer's Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| N/A | 1905 | Land | 0 | | | 0 | 0 | | | 0 | 0 |
| CEC | 1906 | Land Rights | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1908 | Buildings and Fixtures | 0 | | | 0 | 0 | | | 0 | 0 |
| 13 | 1910 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1915 | Office Furniture and Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 10 | 1920 | Computer Equipment - Hardware | 13,578 | | | 13,578 | 8,841 | 2,786 | | 11,627 | 1,951 |
| 10 | 1920 | Computer Equipment - Hardware - Smart Meters | 11,760 | | | 11,760 | 5,232 | 2,331 | | 7,563 | 4,197 |
| 12 | 1925 | Computer Software | 38,397 | | | 38,397 | 38,368 | 29 | | 38,397 | 0 |
| 12 | 1925 | Computer Software Smart Meters | 492,267 | | | 492,267 | 256,817 | 98,104 | | 354,921 | 137,346 |
| 10 | 1930 | Transportation Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1935 | Stores Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1940 | Tools, Shop and Garage Equipment | 0 | | | 0 | 0 | | | 0 | (0) |
| 8 | 1945 | Measurement and Testing Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1950 | Power Operated Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1955 | Communication Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1960 | Miscellaneous Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1970 | Load Management Controls - Customer Premise | 27,832 | | (27,832) | 0 | 7,418 | | 7,418 | 0 | 0 |
| 47 | 1975 | Load Management Controls - Utility Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1980 | System Supervisory Equipment | 3,887,894 | | | 3,887,894 | 2,572,803 | 130,207 | | 2,703,010 | 1,184,884 |
| 47 | 1985 | Sentinel Lighting Rentals | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1990 | Other Tangible Property | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1995 | Contributions and Grants | (6,887,259) | (973,429) | | (7,860,688) | (1,281,741) | (145,316) | | (1,427,057) | (6,433,631) |
| | 2005 | Property under Capital Lease | 0 | | | 0 | 0 | | | 0 | 0 |
| | | **Total before Work in Process** | **103,193,980** | **29,966,571** | **(27,832)** | **133,132,719** | **49,254,705** | **3,180,699** | **7,418** | **52,427,986** | **80,704,733** |
| | | | | | | | | | | | |
| WIP | | Work in Process | 4,099,831 | (4,099,831) | | 0 | 0 | | | 0 | 0 |
| | | **Total after Work in Process** | **107,293,811** | **25,866,740** | **(27,832)** | **133,132,719** | **49,254,705** | **3,180,699** | **7,418** | **52,427,986** | **80,704,733** |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | 1925 | Transportation | | | | | | 0 | | | |
| | 1930 | Stores Equipment | | | | | | | | | |
| | | | | | | | | 3,180,699 | | | |

## 2012 Modified CGAAP Full Year Rule

| Appendix 2-B | | | Cost | | | | Accumulated Depreciation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions Full year | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | 89,159 | | | 89,159 | 0 | | | 0 | 89,159 |
| CEC | 1806 | Land Rights | 836,582 | | | 836,582 | 0 | | | 0 | 836,582 |
| 47 | 1808 | Buildings and Fixtures | 1,242,326 | 23,000,000 | | 24,242,326 | 674,424 | 484,799 | | 1,159,223 | 23,083,103 |
| 13 | 1810 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1815 | Transformer Station Equipment - Normally Prima | 8,312,486 | 34,919 | | 8,347,405 | 3,295,804 | 206,475 | | 3,502,279 | 4,845,126 |
| 47 | 1820 | Distribution Station Equipment - Normally Prima | 9,490,317 | 104,756 | | 9,595,073 | 6,284,041 | 161,345 | | 6,445,386 | 3,149,687 |
| 47 | 1825 | Storage Battery Equipment | 19,241 | | | 19,241 | 4,240 | 1,786 | | 6,026 | 13,215 |
| 47 | 1830 | Poles, Towers and Fixtures | 13,413,491 | 1,249,019 | | 14,662,510 | 2,982,724 | 291,160 | | 3,273,884 | 11,388,626 |
| 47 | 1835 | Overhead Conductors and Devices | 11,917,662 | 2,417,886 | | 14,335,548 | 1,484,388 | 223,017 | | 1,707,405 | 12,628,143 |
| 47 | 1840 | Underground Conduit | 11,202,705 | 161,164 | | 11,363,869 | 9,772,378 | 53,944 | | 9,826,322 | 1,537,547 |
| 47 | 1845 | Underground Conductors and Devices | 19,409,591 | 1,154,576 | | 20,564,167 | 11,602,343 | 559,970 | | 12,162,313 | 8,401,854 |
| 47 | 1850 | Line Transformers | 15,659,949 | 161,164 | | 15,821,113 | 7,614,103 | 674,516 | | 8,288,619 | 7,532,494 |
| 47 | 1855 | Services | 3,623,556 | 2,656,516 | | 6,280,072 | 340,129 | 153,047 | | 493,176 | 5,786,896 |
| 47 | 1860 | Meters | 4,478,779 | | | 4,478,779 | 2,933,376 | 177,633 | | 3,111,009 | 1,367,770 |
| 47 | 1860 | Smart Meters | 5,913,667 | | | 5,913,667 | 1,214,530 | 394,885 | | 1,609,415 | 4,304,252 |
| N/A | 1865 | Other Installations on Customer's Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| N/A | 1905 | Land | 0 | | | 0 | 0 | | | 0 | 0 |
| CEC | 1906 | Land Rights | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1908 | Buildings and Fixtures | 0 | | | 0 | 0 | | | 0 | 0 |
| 13 | 1910 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1915 | Office Furniture and Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 10 | 1920 | Computer Equipment - Hardware | 13,578 | | | 13,578 | 9,905 | 2,161 | | 12,066 | 1,512 |
| 10 | 1920 | Computer Equipment - Hardware - Smart Meters | 11,760 | | | 11,760 | 5,232 | 2,331 | | 7,563 | 4,197 |
| 12 | 1925 | Computer Software | 38,397 | | | 38,397 | 38,371 | 29 | | 38,400 | (3) |
| 12 | 1925 | Computer Software Smart Meters | 492,267 | | | 492,267 | 256,817 | 98,104 | | 354,921 | 137,346 |
| 10 | 1930 | Transportation Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1935 | Stores Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1940 | Tools, Shop and Garage Equipment | 0 | | | 0 | 0 | | | 0 | (0) |
| 8 | 1945 | Measurement and Testing Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1950 | Power Operated Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1955 | Communication Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1960 | Miscellaneous Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1970 | Load Management Controls - Customer Premise | 27,832 | | (27,832) | 0 | 7,546 | | 7,418 | 128 | (128) |
| 47 | 1975 | Load Management Controls - Utility Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1980 | System Supervisory Equipment | 3,887,894 | | | 3,887,894 | 2,576,427 | 129,848 | | 2,706,275 | 1,181,619 |
| 47 | 1985 | Sentinel Lighting Rentals | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1990 | Other Tangible Property | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1995 | Contributions and Grants | (6,887,259) | (973,429) | | (7,860,688) | (1,388,648) | (154,944) | | (1,543,592) | (6,317,096) |
| | 2005 | Property under Capital Lease | 0 | | | 0 | 0 | | | 0 | 0 |
| | | **Total before Work in Process** | **103,193,980** | **29,966,571** | **(27,832)** | **133,132,719** | **49,708,130** | **3,460,107** | **7,418** | **53,160,819** | **79,971,900** |
| | | | | | | | | | | | |
| WIP | | Work in Process | 4,099,831 | (4,099,831) | | 0 | 0 | | | 0 | 0 |
| | | **Total after Work in Process** | **107,293,811** | **25,866,740** | **(27,832)** | **133,132,719** | **49,708,130** | **3,460,107** | **7,418** | **53,160,819** | **79,971,900** |

| | | | |
|---|---|---|---|
| 1925 | Transportation | | 0 |
| 1930 | Stores Equipment | | |
| | | | 3,460,107 |

**2-Energy Probe-29s**

**Ref: 2-Staff-13**

a) What is the cost associated with the building, landscaping and parking that will be completed in the spring of 2013? Please confirm that this amount has not been closed to rate base at the end of 2012.

b) How much of the forecasted cost of $23 million was closed to rate base at the end of 2012?

c) Please explain why the new facility is owned by PUC Distribution rather than PUC Services given that it owned two of the facilities being replaced?

d) Did PUC Distribution consider renting space in the new facility from an affiliate rather than owning the facility and renting to its affiliates? If not, why not?

**PUC Response**

a) The cost remaining on the construction contract to be completed in 2013, including costs associated with the building, landscaping and parking, are estimated to be approximately $1,222,803. This amount has not been closed to rate base at the end of 2012.

b) In the 2013 Cost of Service rate application all of the $23 million was closed to rate base at the end of 2012. The total building costs in the bridge year were projected to be $23 million including all building costs, landscaping, parking etc. The actual costs in 2012 were $22,916,497. There are projected additional costs in 2013 is $1,222,803 for landscaping and parking which are not included in the test year capital additions. The total projected actual cost is $24,193,300.

c) The new facility is owned by PUC Distribution rather than PUC Services due to the lower long term interest rate available to PUC Distribution and no other cost differences for the companies sharing the building.

d) PUC Distribution did consider renting space in the new facility from an affiliate rather than owning the facility. Refer to c) above.

**2.0-VECC – 43**

**Reference: Board Staff IR 2-Staff-13**

a) With respect to the new service center and admin building, please show the adjustment, if any, to 2013 rate base which are made for the removal of assets no longer used and useful (e.g. furniture, etc.).

b) Please confirm that no previous assets, land values or assets related to the buildings being replaced are recorded in the 2013 rate base calculation.

**PUC Response**

a) With respect to the new service centre and administration building, there were no adjustments to the 2013 rate base for the removal of assets that are no longer in use.

b) PUC confirms there were no previous assets, land values, or assets related to the buildings replaced recorded in the 2013 rate base calculation.

**2-SEC-43s**

**Ref: 2-Staff-13**

Please provide a breakdown of the usable space in the three old buildings, compared to the new building, on the following basis:

a) Offices and related space (e.g. meeting rooms, reception, lunchroom, etc.)
b) Shops, workshops and related space (e.g. changing rooms, etc.)
c) Stores
d) Vehicles storage (inside)
e) Other (please describe).

With respect to each category, please provide details on the usage before and after (e.g. number of offices and number of personnel using those offices; number of vehicles stored, etc.). Please include square footage per (distribution) employee data, and provide any comparative data used by the Applicant in establishing the reasonableness of the new building and its configuration.

**PUC Response**

PUC has provided a breakdown of the space in the three old buildings as follows:

| | Primary Use of Area | Gross SF | Overall SF |
|---|---|---|---|
| **Queen St** | | | |
| | Offices & Related * | 19,034 | |
| | Meeting Rooms | 1,095 | |
| | Lunch Room | 450 | |
| | Stationary and Archives | 560 | |
| | Lockers | 336 | |
| | Other (elec/mech rm) | 205 | |
| | Vehicle Parking | 2,120 | |
| | | | 23,800 |
| | | | |
| **Murphy Centre** | | | |
| | General Office & Related * | 1,208 | |
| | Water Meter Area | 1,042 | |
| | Elect Meter Area | 2,118 | |
| | Stations, Plant & Mtce Dept | 682 | |
| | Line Dept | 871 | |
| | Water Dept | 863 | |
| | Stores | 12,502 | |
| | Meeting Room | 750 | |
| | Lunch Room | 1,600 | |
| | Stationary and Archives | - | |
| | Lockers | 1,400 | |
| | Service Garage | 1,364 | |
| | Other (elec/mech rm) | 200 | |
| | Vehicle Parking | 23,200 | |
| | | | 47,800 |
| | | | |
| **Trbovich Centre** | | | |
| | General Office & Related | 6,794 | |
| | Line Dept Work Shop | 2,477 | |
| | Water Dept Work Shop | 2,113 | |
| | Stations Work Shop | 792 | |
| | Lockers | 768 | |
| | Other (Indoor Loading Docks) | 3,520 | |
| | Vehicle Parking | 26,456 | |
| | | | 42,920 |

* Note: "Office & Related" areas include administrative offices and workstation areas, wash rooms, corridors, entrance areas, elevator area, garbage storage, archives and stationary supplies storage, where applicable.

PUC does not have available the breakdown of the usable space in the format above for the new building. The architects have not completed the square footage calculations by departments. The total square footage of the 3 old buildings was 114,520 and the new building is 110,382. The vehicle storage square footage in the old building was 51,776 compared to 33,712 in the new building.

**<u>42-SEC-44s</u>**

**Ref: 2-SEC-16(b)**

Please provide details as to how the proceeds of the sale of the buildings owned by PUC Services Inc. will be "transferred" to PUC Distribution, and how that transfer will affect operating costs, debt, rate base, depreciation, cost of capital, and revenue requirement.

**<u>PUC Response</u>**

The proceeds from the sale of the service centers by PUC Services will be transferred to PUC Distribution. The proceeds from the sale of PUC Services buildings will be used to pay down the loan between PUC Inc. and PUC Services. PUC Inc. will subscribe for common shares in PUC Distribution to transfer the proceeds received from PUC Services. There will be no change to operating costs, deemed debt or rate base, depreciation, deemed cost of capital or revenue requirement.

**<u>2-Energy Probe-30s</u>**

**Ref: 2-Staff-14**

a) The response to part (b) appears to indicate that PUC Services Inc. does not use any equipment, systems, office furniture, etc. that is owned by PUC Distribution. Please confirm this is true. If this cannot be confirmed, please indicate how PUC Distribution is reimbursed by PUC Services for the use of non-building assets.

b) The response to part (d) refers to depreciation costs and cost of capital charges. Does the revenue also include an allocation of operating and maintenance costs and property taxes? If not, please explain why not. If yes, please show the total costs associated with the new facility individually and show the allocation of those costs that are included in the revenue from PUC Services.

**PUC Response**

a) PUC Distribution confirms that PUC Services Inc. does not use any equipment, systems, office furniture, etc. that is owned by PUC Distribution.

b) The revenue does include an allocation of operating and maintenance costs and property taxes. The table below provides details of the costs associated with the new facility, as well as the costs allocated to PUC Distribution from PUC Services.

| O&M Cost Category | Total Costs | Allocated to PUC Distribution |
|---|---|---|
| Property Tax | $804,002 | $372,173 |
| Utilities | $213,192 | $98,687 |
| Internal Labour, Benefits, OH's | $148,923 | $68,936 |
| General Building Misc | $132,600 | $61,381 |
| Janitorial, Waste Disposal | $62,730 | $29,038 |
| Internal Trucking | $23,460 | $10,860 |
| Internal Materials | $15,300 | $7,082 |
| Insurance | $13,241 | $6,129 |
| **TOTAL O&M** | **$1,413,447** | **$654,285** |

| | | |
|---|---|---|
| **Capital Components** | **$2,452,569** | **$1,135,294** |

**2-Energy Probe-31s**

**Ref: 2-Energy Probe-6 & 2-Staff-6**

a) Please provide, if now available, an updated version of Table 2-15 that reflects 2012 actual audited additions.

b) Please provide an updated version of Table 2-16 that reflects both of the following:

  i) opening cost and accumulated depreciation from the revised Table 2-15 provided in the interrogatory response or from part (a) above, if available; and,

  ii) an adjustment to the 2013 opening balances to reflect the removal of the costs and accumulated depreciation associated with stranded meters.

c) Please provide a revised Table 2.1 that reflects the above requested changes for 2012 and 2013 and is in the same format as Table 2.1 provided in response to 2-Staff-6.

**PUC Response**

a) PUC has provided below an updated Table 2-15 that reflects 2012 actual audited additions.

## Table 2-15 with 2012 actual additions

| Appendix 2-B | | | Cost | | | | Accumulated Depreciation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions 1/2 year rule | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | 89,159 | 8,433 | | 97,592 | 0 | | | 0 | 97,592 |
| CEC | 1806 | Land Rights | 836,582 | | | 836,582 | 0 | | | 0 | 836,582 |
| 47 | 1808 | Buildings and Fixtures | 1,242,326 | 22,916,497 | | 24,158,823 | 673,569 | 254,002 | | 927,571 | 23,231,252 |
| 13 | 1810 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1815 | Transformer Station Equipment - Normally Prima | 8,312,486 | 442,023 | | 8,754,509 | 3,249,660 | 213,018 | | 3,462,678 | 5,291,831 |
| 47 | 1820 | Distribution Station Equipment - Normally Prima | 9,490,317 | 1,158,545 | | 10,648,862 | 6,253,859 | 174,703 | | 6,428,562 | 4,220,300 |
| 47 | 1825 | Storage Battery Equipment | 19,241 | | | 19,241 | 4,241 | 1,786 | | 6,027 | 13,214 |
| 47 | 1830 | Poles, Towers and Fixtures | 13,413,491 | 1,453,464 | | 14,866,955 | 2,877,014 | 282,222 | | 3,159,236 | 11,707,719 |
| 47 | 1835 | Overhead Conductors and Devices | 11,917,662 | 1,368,570 | | 13,286,232 | 1,407,870 | 195,464 | | 1,603,334 | 11,682,898 |
| 47 | 1840 | Underground Conduit | 11,202,705 | 332,905 | | 11,535,610 | 9,755,948 | 54,632 | | 9,810,580 | 1,725,030 |
| 47 | 1845 | Underground Conductors and Devices | 19,409,591 | 597,638 | | 20,007,229 | 11,441,337 | 549,529 | | 11,990,866 | 8,016,363 |
| 47 | 1850 | Line Transformers | 15,659,949 | 1,124,624 | | 16,784,573 | 7,540,451 | 690,683 | | 8,231,134 | 8,553,439 |
| 47 | 1855 | Services | 3,623,556 | 449,032 | | 4,072,588 | 303,293 | 93,219 | | 396,512 | 3,676,076 |
| 47 | 1860 | Meters | 4,478,779 | | | 4,478,779 | 2,925,195 | 178,573 | | 3,103,768 | 1,375,011 |
| 47 | 1860 | Smart Meters | 5,913,667 | 215,408 | | 6,129,075 | 1,214,530 | 402,066 | | 1,616,596 | 4,512,479 |
| N/A | 1865 | Other Installations on Customer's Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| N/A | 1905 | Land | 0 | | | 0 | 0 | | | 0 | 0 |
| CEC | 1906 | Land Rights | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1908 | Buildings and Fixtures | 0 | | | 0 | 0 | | | 0 | 0 |
| 13 | 1910 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1915 | Office Furniture and Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 10 | 1920 | Computer Equipment - Hardware | 13,578 | | | 13,578 | 8,841 | 2,786 | | 11,627 | 1,951 |
| 10 | 1920 | Computer Equipment - Hardware - Smart Meters | 11,760 | | | 11,760 | 5,232 | 2,331 | | 7,563 | 4,197 |
| 12 | 1925 | Computer Software | 38,397 | 24,216 | | 62,613 | 38,368 | 2,451 | | 40,819 | 21,794 |
| 12 | 1925 | Computer Software Smart Meters | 492,267 | | | 492,267 | 256,817 | 98,104 | | 354,921 | 137,346 |
| 10 | 1930 | Transportation Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1935 | Stores Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1940 | Tools, Shop and Garage Equipment | 0 | | | 0 | 0 | | | 0 | (0) |
| 8 | 1945 | Measurement and Testing Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1950 | Power Operated Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1955 | Communication Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1960 | Miscellaneous Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1970 | Load Management Controls - Customer Premise | 27,832 | | (27,832) | 0 | 7,418 | | 7,418 | 0 | 0 |
| 47 | 1975 | Load Management Controls - Utility Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1980 | System Supervisory Equipment | 3,887,894 | 305,143 | | 4,193,037 | 2,572,803 | 137,836 | | 2,710,639 | 1,482,398 |
| 47 | 1985 | Sentinel Lighting Rentals | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1990 | Other Tangible Property | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1995 | Contributions and Grants | (6,887,259) | (785,327) | | (7,672,586) | (1,281,741) | (142,964) | | (1,424,705) | (6,247,881) |
| | 2005 | Property under Capital Lease | 0 | | | 0 | 0 | | | 0 | 0 |
| | | **Total before Work in Process** | **103,193,980** | **29,611,170** | **(27,832)** | **132,777,318** | **49,254,705** | **3,190,442** | **7,418** | **52,437,729** | **80,339,589** |
| | | | | | | | | | | | |
| WIP | | Work in Process | 4,099,831 | (4,099,831) | | 0 | 0 | | | 0 | 0 |
| | | **Total after Work in Process** | **107,293,811** | **25,511,339** | **(27,832)** | **132,777,318** | **49,254,705** | **3,190,442** | **7,418** | **52,437,729** | **80,339,589** |
| | | | | | | | | | | | |
| | 1925 | Transportation | | | | | | 0 | | | |
| | 1930 | Stores Equipment | | | | | | | | | |
| | | | | | | | | 3,190,442 | | | |

b) PUC has provided below an updated version of Table 2-16 that reflects both of the following:

i) opening cost and accumulated depreciation from the revised Table 2-15 provided in the interrogatory response or from part (a) above, if available; and,

ii) an adjustment to the 2013 opening balances to reflect the removal of the costs and accumulated depreciation associated with stranded meters.

## Table 2-16 2013 revised as per part b) above

| Appendix 2-B | | | Cost | | | | Accumulated Depreciation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions 1/2 year rule | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | 97,592 | | | 97,592 | 0 | | | 0 | 97,592 |
| CEC | 1806 | Land Rights | 836,582 | | | 836,582 | 0 | | | 0 | 836,582 |
| 47 | 1808 | Buildings and Fixtures | 24,158,823 | | | 24,158,823 | 927,571 | 483,166 | | 1,410,737 | 22,748,086 |
| 13 | 1810 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1815 | Transformer Station Equipment - Normally Prima | 8,754,509 | 46,618 | | 8,801,127 | 3,462,678 | 218,543 | | 3,681,221 | 5,119,906 |
| 47 | 1820 | Distribution Station Equipment - Normally Prima | 10,648,862 | 1,471,797 | | 12,120,659 | 6,428,562 | 181,237 | | 6,609,799 | 5,510,860 |
| 47 | 1825 | Storage Battery Equipment | 19,241 | | | 19,241 | 6,027 | 1,786 | | 7,813 | 11,428 |
| 47 | 1830 | Poles, Towers and Fixtures | 14,866,955 | 1,240,039 | | 16,106,994 | 3,159,236 | 307,607 | | 3,466,843 | 12,640,151 |
| 47 | 1835 | Overhead Conductors and Devices | 13,286,232 | 1,867,384 | | 15,153,616 | 1,603,334 | 239,919 | | 1,843,253 | 13,310,363 |
| 47 | 1840 | Underground Conduit | 11,535,610 | 159,833 | | 11,695,443 | 9,810,580 | 56,125 | | 9,866,705 | 1,828,738 |
| 47 | 1845 | Underground Conductors and Devices | 20,007,229 | 1,358,580 | | 21,365,809 | 11,990,866 | 587,905 | | 12,578,771 | 8,787,038 |
| 47 | 1850 | Line Transformers | 16,784,573 | 159,833 | | 16,944,406 | 8,231,134 | 682,652 | | 8,913,786 | 8,030,620 |
| 47 | 1855 | Services | 4,072,588 | 2,049,861 | | 6,122,449 | 396,512 | 179,642 | | 576,154 | 5,546,295 |
| 47 | 1860 | Meters | 41,668 | | | 41,668 | 16,214 | 1,600 | | 17,814 | 23,854 |
| 47 | 1860 | Smart Meters | 6,129,075 | 319,666 | | 6,448,741 | 1,616,596 | 405,541 | | 2,022,137 | 4,426,604 |
| N/A | 1865 | Other Installations on Customer's Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| N/A | 1905 | Land | 0 | | | 0 | 0 | | | 0 | 0 |
| CEC | 1906 | Land Rights | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1908 | Buildings and Fixtures | 0 | | | 0 | 0 | | | 0 | 0 |
| 13 | 1910 | Leasehold Improvements | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1915 | Office Furniture and Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 10 | 1920 | Computer Equipment - Hardware | 13,578 | | | 13,578 | 11,627 | 2,786 | | 14,413 | (835) |
| 10 | 1920 | Computer Equipment - Hardware - Smart Meters | 11,760 | | | 11,760 | 7,563 | 2,331 | | 9,894 | 1,866 |
| 12 | 1925 | Computer Software | 62,613 | | | 62,613 | 40,819 | 4,872 | | 45,691 | 16,922 |
| 12 | 1925 | Computer Software - Smart Meters | 492,267 | | | 492,267 | 354,921 | 98,104 | | 453,025 | 39,242 |
| 10 | 1930 | Transportation Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1935 | Stores Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1940 | Tools, Shop and Garage Equipment | 0 | | | 0 | 0 | | | 0 | (0) |
| 8 | 1945 | Measurement and Testing Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1950 | Power Operated Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 8 | 1955 | Communication Equipment | 0 | | | 0 | 0 | | | 0 | (0) |
| 8 | 1960 | Miscellaneous Equipment | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1970 | Load Management Controls - Customer Premise | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1975 | Load Management Controls - Utility Premises | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1980 | System Supervisory Equipment | 4,193,037 | 266,389 | | 4,459,426 | 2,710,639 | 136,867 | | 2,847,506 | 1,611,920 |
| 47 | 1985 | Sentinel Lighting Rentals | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1990 | Other Tangible Property | 0 | | | 0 | 0 | | | 0 | 0 |
| 47 | 1995 | Contributions and Grants | (7,672,586) | (965,395) | | (8,637,981) | (1,424,705) | (169,551) | | (1,594,256) | (7,043,725) |
| | 2005 | Property under Capital Lease | 0 | | | 0 | 0 | | | 0 | 0 |
| | | Total before Work in Process | 128,340,208 | 7,974,605 | | 136,314,813 | 49,350,174 | 3,421,133 | 0 | 52,771,308 | 83,543,505 |
| | | | 0 | | | 0 | | | | 0 | 0 |
| WIP | | Work in Process | 0 | | | 0 | 0 | | | 0 | 0 |
| | | Total after Work in Process | 128,340,208 | 7,974,605 | 0 | 136,314,813 | 49,350,174 | 3,421,133 | 0 | 52,771,308 | 83,543,505 |

c) PUC has provided below a revised Table 2.1 that reflects the above requested changes for 2012 and 2013.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Opening Cost (A) | 78,671,492 | 81,705,192 | 85,950,341 | 89,978,517 | 103,193,980 | 128,340,208 |
| Closing Cost (B) | 81,705,192 | 85,950,341 | 89,978,517 | 96,776,286 | 132,777,318 | 136,314,813 |
| Average Cost C=(A+B)/2 | 80,188,342 | 83,827,767 | 87,964,429 | 93,377,402 | 117,985,649 | 132,327,511 |
| Opening Acc. Dep. (D) | 42,459,337 | 44,261,780 | 46,070,502 | 47,443,944 | 49,254,705 | 49,350,174 |
| Closing Acc. Dep. (E) | 44,261,780 | 46,070,502 | 47,443,944 | 47,778,126 | 52,437,729 | 52,771,308 |
| Average Acc. Dep. F=(D+E)/2 | 43,360,559 | 45,166,141 | 46,757,223 | 47,611,035 | 50,846,217 | 51,060,741 |
| NBV | 36,827,784 | 38,661,626 | 41,207,206 | 45,766,367 | 67,139,432 | 81,266,770 |
| | | | | | | |

**2.0-VECC – 45**

**Reference: IR 2-VECC-10**

a) Please provide the list of all vehicles expected to be used by PUC Distribution in 2013 and provide the total cost of these vehicles to the utility.

b) Please provide the same as a) used/incurred in 2008.

**PUC Response**

a) The listing of vehicles expected to be used by PUC Distribution in 2013 are as follows:

| | | | |
|---|---|---|---|
| Truck 1 | Ford | F700 | Line RBD |
| Truck 2 | International | 4900 | 50' Double Bucket |
| Truck 3 | Freightliner | FL80 | Line-RBD |
| Truck 4 | Freightliner | FL80 | 42' Single Bucket |
| Truck 5 | Freightliner | FL80 | Line RBD |
| Truck 6 | Ford | F150 | 1/2 Ton |
| Truck 7 | Ford | F550 | Dump Truck-Small 4X4 |
| Truck 9 | Freightliner | FM2 | 42' Single Bucket |
| Truck 10 | Freightliner | FL80 | Line RBD |
| Truck 11 | International | 4900 | Line RBD |
| Truck 12 | International | 4900 | Line RBD tamdem Axle |
| Truck 13 | GMC | Sierra | 1/2 Ton |
| Truck 14 | Freightliner | M2 | 46' Double Bucket |

| | | | |
|---|---|---|---|
| Truck 16 | International | 7400 | 68' Bucket Truck |
| Truck 19 | Ford | F550 | Line RBD Small 4x4 |
| Truck 20 | Ford | F550 | SMALL RBD |
| Truck 21 | Freightliner | FM2 | 42' Single Bucket |
| Truck 22 | Ford | Ranger Ext Cab | 1/2 Ton |
| Truck 23 | Ford | Ranger Ext Cab | 1/2 Ton |
| Truck 25 | Ford | Ranger | 1/2 Ton |
| Truck 26 | Ford | F-250 (4 X 4) | 3/4 Ton |
| Truck 29 | Ford | F-550 | 1Ton Small Dump 4X4 |
| Truck 50 | Ford | Half Ton,Compact | 1/2 ton Compact truck |
| Truck 51 | Chevrolet | S10 | 1/2 Ton |
| Truck 53 | Ford | F150 | 1/2 Ton |
| Truck 57 | GMC | SIERRA | 1/2 Ton |
| Van 58 | Dodge | Grand Caravan | Mini Van |
| Van 59 | Dodge | Grand Caravan | Mini Van |
| Van 60 | Ford | Freestar | Mini Van |
| Truck 64 | Ford | F450 | One Ton Dump Truck |
| Van 81 | Chevrolet | Uplander | Mini Van |
| Van 84 | Ford | FreeStar | Mini Van |
| Van 85 | GMC | Safari | Mini Van |
| Van 87 | Chevrolet | Uplander | Mini Van |
| Van 89 | Chevrolet | Uplander | Mini Van |
| Truck 90 | Chevrolet | Silverado | 1/2 Ton |
| Truck 92 | Ford | Ranger | 1/2 Ton |
| Truck 93 | Ford | Ranger Ext Cab | 1/2 Ton |
| Truck 94 | Ford | Ranger ExteCab | 1/2 Ton |
| Truck 96 | Ford | F150 | Full size 1/2 ton |
| Truck 99 | Ford | F150 | 1/2 Ton |
| Truck 100 | GMC | SIERRA | 1/2 Ton |
| Truck 101 | GMC | Sierra | 1/2 Ton |
| Truck 108 | Ford | Half Ton,Compact | |
| Van 109 | DODGE | CARAVAN | Mini Van |
| Truck 110 | GMC | SIERRA | 1/2 Ton |
| Truck 111 | GMC | SIERRA | 1/2 Ton |
| Van 112 | Dodge | Grand Caravan | |
| Truck 115 | GMC | SIERRA 1/2 TON | 1/2 Ton |
| Riding mower | KUBOTA | GF1800E | Riding Lawn Mower 118 |
| Tractor 119 | John Deere | 425 | Tractor 119 snow blower/lawn mower |
| Forklift 129 | Toyoto | 7FGU30 | Forklift 129 |
| Trailer 130 | Felling | ONG | Trailer 130, Rear Lot RBD |
| RBD 131, R Lot | Tiiger-1 Thierman Ind | 2500A | RBD 131, Rear Lot |
| Chipper 132 | Vermeer | 935BC | Trailer 132, Chipper, Brush |
| Trailer 135 | Timberline | DPT30B | Trailer 135, Stringing, #2 |
| Trailer 136 | AB Chance | M5900AP | Trailer 136, Line Fencing |
| Trailer 137 | UtilEquip | E01 | Trailer 137, Reel |
| Trailer 139 | Timberland | DPT-24 | Trailer 139, Stringing,#1 |
| Trailer 140 | Timberline | DPT-24 | Trailer 140, Stringing |
| Trailer 142 | Brindle Products Inc. | PT10TC | Trailer 142, Pole, Single |
| Trailer 143 | UtilEquip | 42R | Trailer 143, Reel,Single |

| | | | |
|---|---|---|---|
| Trailer, | | DPT 40B | Trailer 144,Stringing |
| Sander 156 | Henderson Chief | FSP 8 | Sander 156 |
| SUV,160 | Dodge | Journey | SUV |
| Trailer 117 | CARG | COA6512SA | |
| Trailer 164 | TSE | UP70BD | |
| Truck 196 | GMC | SIERRA | |
| Truck 97 | GMC | SIERRA | |
| Truck 198 | GMC | SIERRA | |
| Genset 200 | ONAN | 15000 | |
| Genset 201 | ONAN | 15000 | |
| Truck 15 | Ford | F-550 4X4 | 1 ton small dump truck |
| Underground Ser | FORD | F-550 | Cube Van |
| Truck 18, | FREIGHTLINER | M2 106 | 40' SINGLE BUCKET |
| Van 54 | Dodge | Grand Caravan | Mini Van |
| Van 55, | Dodge | Grand Caravan | Mini Van |
| Truck 62, | GMC | Siera | 1/2 Ton |
| Van 63 | GMC | SAVANA | Cargo 1500 |
| Truck 66 | Ford | F-250 | |
| Truck 69 | GMC | SIERRA | |
| Van 82 | DODGE | CARAVAN | Mini Van |
| Van 83 | DODGE | GRAND CARAVAN | Mini Van |
| Van 88 Mini | DODGE | GRAND CARAVAN | Mini Van |
| Truck 95 | Ford | F350 | |
| Lift Truck | Toyota Lift Truck | 8BRU23 | 4,500 LBS Capacity |
| Trailer 141 | Brindle Products Inc | PT35TG | Trailer 141,Pole Tandem |
| SUV 161 | DODGE | JOURNY | SUV |

Operating costs to the utility for use of vehicles in 2013 is estimated to be $285,120.

b) Operating costs to the utility for use of vehicles in 2008 was $228,266. Vehicle records are not readily available for 2008 in order to provide a detailed listing.

**2-Staff-62s**

**Ref: 2-Staff-9**

Board Staff IR 2-Staff-9 asked PUC whether its external auditors have agreed with its proposed changes in accounting policies. The IR asked PUC to provide the plan for consultation with its auditors if PUC had not obtained the agreement with its external auditors.

In the response to the IR, PUC stated that "PUC is deferring implementation of IFRS for financial reporting; therefore, the external auditors have not confirmed agreement with the policies."

PUC did not comment on its external auditors' viewpoint on the change PUC made in 2012 of its capitalization and depreciation expense policies under CGAAP.

a) Please state whether PUC's external auditors have agreed with the changes in capitalization and depreciation expense policies PUC made in 2012 under CGAAP. Please provide a confirmation note from PUC's external auditors, if available.

b) If PUC's external auditors did not agree with the changes:
   i. Please provide the reasons for disagreement.
   ii. Please provide the plan for consultation with PUC's external auditors to obtain agreement.
   iii. If applicable, please quantify the impact of the difference between PUC's approach and that of the o external auditors on PUC's proposed revenue requirement.

**PUC Response**

a) PUC's external auditors have agreed with the changes in capitalization and depreciation expense policies made in 2012 under CGAAP. The auditors confirmed through the auditor's report the financial statements were in accordance with CGAAP.

b) Not applicable.

**2-Staff-63s**

**Ref: 2-Staff-12**

In response to the above referenced interrogatory, PUC noted that the replacement cost of a pole was estimated to be $4,500. Please provide a further breakdown of the costs included to replace a pole.

**PUC Response**

The average cost to replace a pole is:

Labour - $2,755
Trucking - $595
Materials - $1,150
Total - $4,500

**<u>2-SEC-41s</u>**
**Ref: 2-SEC-14**

Please confirm that the listed documents are the only documents in the Applicant's possession that come within the description of the original question.

**<u>PUC Response</u>**

PUC confirms that the listed documents are the only documents in PUC's possession that come within the description of the original question.

**<u>2-SEC-42s</u>**
**Ref: 2-SEC-15**
Please provide the actual amounts spent in 2012 in each of the "annual allowances" categories referred to.

**<u>PUC Response</u>**

The actual amounts spent in 2012 for each of the categories referenced is not available. Actual spending by Distribution Plant accounts for 2012 were as follows:

1830 – Poles, Towers and Fixtures (Includes Replace Wood Poles program) $1,453,464

1835 – Overhead Conductors and Devices (Includes Replace Restricted Wire program) $1,368,570

1840/1845 – Underground Conduit/Underground Conductors and Devices (Includes U/G Cable Remediation and U/G Station Cables programs) $930,543

## EXHIBIT 3 – OPERATING REVENUE

### 3-Energy Probe-32s

**Ref: Summary of PUC's Proposal on Load Forecast and CDM Savings as a result of the interrogatories & Exhibit 3, Tab 1, Schedule 2**

Please provide a revised Table 3.1 from Exhibit 3, Tab 1, Schedule 2 that reflects the changes proposed as a result of the interrogatories.

### PUC Response

PUC has provided below a revised Table 3.1 that reflects the changes proposed as a result of the interrogatories.

| Summary of Revenue | 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year | 2013 Test Year at Current Rates | 2013 Test Year at Proposed Rates |
|---|---|---|---|---|---|---|---|---|
| Distribution Revenue | | | | | | | | |
| Residential | 8,267,073 | 7,399,697 | 8,376,374 | 7,880,033 | 8,189,191 | 8,322,100 | 8,266,523 | 9,966,387 |
| General Service < 50 kW | 2,389,979 | 2,355,498 | 2,278,648 | 2,255,588 | 2,414,922 | 2,431,664 | 2,428,738 | 2,927,471 |
| General Service > 50 kW | 3,737,678 | 3,550,602 | 3,630,937 | 3,604,998 | 3,348,946 | 3,430,121 | 3,395,278 | 4,029,780 |
| Unmetered Scattered Load | 23,722 | 23,853 | 24,220 | 23,212 | 23,460 | 26,769 | 26,614 | 31,973 |
| Sentinel Lighting | 23,722 | 18,840 | 26,615 | 27,032 | 28,657 | 29,245 | 28,957 | 35,449 |
| Street Lights | 383,997 | 220,791 | 446,230 | 653,080 | 565,692 | 656,273 | 656,458 | 788,007 |
| Total Distribution | 14,826,171 | 13,569,281 | 14,783,024 | 14,443,943 | 14,570,868 | 14,896,172 | 14,802,568 | 17,779,067 |
| % of Revenue | 94% | 90% | 93% | 93% | 90% | 95% | 87% | 89% |
| Other Revenue | | | | | | | | |
| 4082 - RS Revenue | 58,520 | 59,797 | 64,933 | 54,762 | 41,034 | 53,500 | 43,000 | 43,000 |
| 4084 - Service Tx Requests | 250 | 1,076 | 847 | 1,314 | 723 | 700 | 700 | 700 |
| 4210 - Rent from Electric Property | 304,080 | 305,072 | 383,671 | 232,931 | 365,939 | 305,200 | 1,664,914 | 1,664,914 |
| 4225 - Late Payment Charge | 195,000 | 217,310 | 237,964 | 223,894 | 198,379 | 195,000 | 196,000 | 196,000 |
| 4235 - Other Income & Expenses | 172,900 | 280,440 | 253,369 | 263,048 | 217,074 | 184,350 | 195,190 | 195,190 |
| 4325 - Revenue from Merch. Jobbing | 30,000 | 38,509 | 96,363 | 325,143 | 479,821 | 30,000 | 63,900 | 63,900 |
| 4330 - Costs & Exp. For Merch. Jobbing | | (5) | 5,118 | 434 | 1,780 | 2,000 | (2,040) | (2,040) |
| 4340 - Profit and Losses from Financial Inst. | | 3,298 | (1,231) | | | | | |
| 4355 - Gain on Disposition of Property | | | | | 62,000 | | | |
| 4375 - Revenue from non-utility operations | | 263,954 | 65,516 | 106,861 | 412,945 | 1,570,161 | 105,336 | 105,336 |
| 4380 - Expense of non-utilities operations | | (6,096) | (63,305) | (259,521) | (412,945) | (1,567,613) | (105,336) | (105,336) |
| 4390 - Misc. non-operating income | 114,000 | 37,893 | 17,343 | 52,905 | 86,353 | 15,000 | 40,000 | 40,000 |
| 4405 - Interest and Dividend Income | 97,972 | 285,792 | 62,738 | 54,850 | 89,357 | 65,000 | 66,300 | 66,300 |
| Total Revenue Offsets | 972,722 | 1,487,040 | 1,123,326 | 1,056,621 | 1,542,460 | 853,298 | 2,267,964 | 2,267,964 |
| % of Total Revenue | 6% | 10% | 7% | 7% | 10% | 5% | 13% | 11% |
| Grand Total | 15,798,893 | 15,056,321 | 15,906,350 | 15,500,564 | 16,113,328 | 15,749,470 | 17,070,532 | 20,047,031 |

**3-Energy Probe-33s**

**Ref: 3-VECC-22 & Exhibit 3, Tab 1, Schedule 2**

a) The response to part (b) indicates that the SSS admin charge is recorded in account 4080 - Distribution Revenue. This account is not included in Table 3-25. Please explain where in Tale 3.1 this revenue is included in the overall revenue forecast.

b) Please show the actual SSS admin charge revenue for each of 2009 through 2012 and the forecast for 2013.

c) Please explain the following increases in actual 2012 revenues as compared to that forecast:

   i) account 4210 - actual revenue of $352,249 vs. $305,200 forecast;
   ii) account 4225 - actual revenue of $213,138 vs. $195,000 forecast;
   iii) account 4235 - actual revenue of $243,593 vs. $184,350 forecast;
   iv) account 4325 - actual revenue of $352,067 vs. $30,000 forecast; and
   v) account 4390 - actual revenue of $122,094 vs. $15,000 forecast.

d) For each account noted in part (c) above, please explain why the 2013 forecast should not be maintained at the 2012 actual level (for account 4210 this question refers to the pole rental revenue as shown in 3-Energy Probe-14).

e) What was the gain on disposition of $37,423 shown for 2012 related to? What was the gain of $62,000 in 2011 related to?

f) Account 4390 shows an actual 2012 amount of $122,094 and the response to 3-Energy Probe-13 part (f) indicates that $82,100 of this amount was related to the sale of scrap. What was the remainder of the revenue (approximately $40,000) related to and what is the forecast for 2013 for this source of revenue?

**PUC Response**

a) In Table 3.1 the SSS admin revenue is included in the distribution revenue allocated to the appropriate rate classes.

b) Actual SSS admin charge revenue is as follows:

| | Actual | Actual | Actual | Actual | Forecast |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** | **2013** |
| | | | | | |
| SSS Admin Charge Revenue | $106,815 | $115,761 | $123,526 | $118,749 | $120,000 |

c) PUC has provided below explanations for the following increases in actual 2012 revenues as compared to the forecast:

i) *Account 4210 - actual revenue of $352,249 vs. $305,200 forecast* – increase in pole rental fees in 2012 over forecast.

ii) *Account 4225 - actual revenue of $213,138 vs. $195,000 forecast* – Residential late payment charges in 2012 were $7,000 under forecast and General Service late payment charges in 2012 were $24,000 over forecast – 2013 forecast is at 2011 actual level.

iii) *Account 4235 - actual revenue of $243,593 vs. $184,350 forecast* – Collection charges in 2012 were $20,000 over forecast, Service call revenue was $26,000 over forecast in 2012 and Microfit monthly charges were $3,000 over budget in 2012.

iv) *Account 4325 - actual revenue of $352,067 vs. $30,000 forecast* – sale of stores material, traffic accident repairs charged to customers, etc. was $320,000 over 2012 forecast.

v) *Account 4390 - actual revenue of $122,094 vs. $15,000 forecast* – sale of scrap material was $67,000 over 2012 forecast and apprentice tax credits were $40,000 over forecast.

d) The revenues in part c) varies from year to year therefore it cannot be assumed that the 2012 levels will continue 2013. The average of the accounts excluding the solar project for 2008 to 2011 was $940,000 compared to the 2013 forecast of $842,730.

e) The gain on disposition of $37,423 in 2012 and $62,000 in 2011 related to the sale of land.

f) The remainder of the revenue in account 4390 (approximately $40,000) related to apprenticeship tax credits. The total apprenticeship tax credits forecast in the 2013 test year are $60,000 and are offset in labour costs.

**<u>3.0 – VECC –48</u>**

**Reference: 3-VECC-22 a)**

a) For each of the following accounts please explain the variance between the forecast and actual values for 2012 and indicate why the higher actual value cannot be assumed to continue through 2013:

- Account 4225 (Late Payment Charge)
- Account 4235 (Other Income and Expenses)
- Account 4325 (Revenue from Merch. Jobbing)
- Account 4390 (Misc. Non-operating Income)

**<u>PUC Response</u>**

Refer to response to 3-Energy Probe-33s.

**<u>3.0 – VECC – 49</u>**

**Reference: 3-EP-13 d) & e)**

a) Based on the response to part (d), does the 2013 budget for Account 4235 need to be revised upwards?

b) With respect to the response to part (e), please provide a similar breakdown for 2012 actuals and the 2013 forecast.

**<u>PUC Response</u>**

a) Based on the average of 2011 and 2012, collection charge revenue can be increased by $7,500 and Service call revenue by $26,000.

b) There is no revenue in account 4325 for large solar projects in 2012 actual or 2013 forecast.

**<u>3.0-VECC – 46</u>**

**Reference: Interrogatory Responses – Summary of PUC Proposal**

**Exhibit 3, Tab 2, Schedule 1, pages 12-13**

a) Please confirm that PUC is no longer proposing to incorporate the net to gross adjustment factor in its determination of the 2013 manual CDM adjustment.

b) Please explain why the billed CDM adjustment (6,654,894 kWh) was multiplied by a loss factor of 1.0489 in order to obtain the impact on purchases as opposed to the 1.0445 factor used in the Application (page 13) to adjust the regression model's purchased energy prediction to billed energy.

**<u>PUC Response</u>**

a) PUC confirms it is using the net amount to determine the 2013 manual CDM adjustment.

b) Upon further review of the CDM adjustment, PUC proposes the net CDM savings of 6,654,894 kWh should be used as the manual CDM adjustment and the loss factor not applied.

**<u>3.0 – VECC – 47</u>**

**Reference: 3-VECC-21 c)**

a) Please confirm that the 31,593,974 kWh adjustments for losses converts the model predicted purchases to billed energy. If not, explain why not.

b) If part (a) is confirmed, please explain why it is necessary to increase the proposed net CDM savings adjustment of 6,654,894 kWh for losses (i.e. shouldn't the billed energy prior to CDM adjustment simply be reduced by the assumed impact of CDM on billed energy?).

**<u>PUC Response</u>**

a) PUC confirms the 31,593,974 kWh adjustments for losses converts the models predicted purchases to billed energy.

b) Upon further review, PUC agrees the proposed CDM adjustment of 6,654,894 should not be adjusted for losses.

**3-Staff-64s**

**<u>Ref:  3-Staff-24, 3-Staff-23</u>**

PUC has proposed an approach for the CDM adjustment for the 2013 load forecast amount based on an assumed savings of 30% of its four-year (2011 to 2014) CDM target.

An alternative approach is to take into account the 2011 results and their persistence, as measured and reported by the OPA for PUC, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve PUC's CDM target of 47,380,000 kWh.  Board staff views  this approach as being preferable as there are actual results on what the utility has achieved to date, which can then take  into account what more will be needed to achieve the cumulative four-year target. In using the measured and reported results from the 2011 programs, including the persistence into 2013, Board staff views that an improved estimate of the CDM impact of 2011-2013 programs on the LRAMVA threshold for 2013 (and 2014) would result, along with the corresponding adjustment to the 2013 test year load forecast.
Based on the final 2011 OPA results provided in response to 3-Staff-23, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

***Load Forecast CDM Adjustment Work Form (2013)***

| ***PUC Distribution Inc.*** | ***EB-2012-0162*** |
|---|---|

| | | | 4 Year (2011-2014) kWh Target: | | |
|---|---|---|---|---|---|
| | | | 47,380,000 | | |
| | 2011 | 2012 | 2013 | 2014 | Total |
| | | | % | | |
| 2011 CDM Programs | 4.55% | 4.55% | 4.55% | 4.29% | 17.95% |
| 2012 CDM Programs | | 13.68% | 13.68% | 13.68% | 41.03% |
| 2013 CDM Programs | | | 13.68% | 13.68% | 27.35% |
| 2014 CDM Programs | | | | 13.68% | 13.68% |
| **Total in Year** | **4.55%** | **18.23%** | **31.90%** | **45.31%** | **100.00%** |
| | | | kWh | | |
| 2011 CDM Programs | 2,157,479 | 2,157,479 | 2,157,479 | 2,031,020 | 8,503,457 |
| 2012 CDM Programs | | 6,479,424 | 6,479,424 | 6,479,424 | 19,438,272 |
| 2013 CDM Programs | | | 6,479,424 | 6,479,424 | 12,958,848 |
| 2014 CDM Programs | | | | 6,479,424 | 6,479,424 |
| **Total in Year** | **2,157,479** | **8,636,903** | **15,116,327** | **21,469,292** | **47,380,000** |
| | | | | Check | 47,380,000 |

| | **Net-to-Gross Conversion** | | | |
|---|---|---|---|---|
| | **"Gross"** | **"Net"** | **Difference** | **"Net-to-Gross" Conversion Factor ('g')** |
| **2006 to 2011 OPA CDM programs: Persistence to 2013** | 92963819 | 55770492 | 37193327 | 66.69% |

| | **2011** | **2012** | **2013** | **2014** | **Total for 2013** |
|---|---|---|---|---|---|
| Amount used for CDM threshold for LRAMVA | 2,157,479 | 6,479,424 | 6,479,424 | | 15,116,327 |
| Manual Adjustment for 2013 Load Forecast | 3,596,301 | 10,800,550 | 5,400,275 | | 19,797,126 |
| *Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g)* | | | *Only 50% of 2013 CDM impact is used based on a half year rule* | | |

The methodology for this is as follows: For the top table

- The 2011-2014 CDM target is input into cell B6;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C15 to F15;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

The second table is to calculate the conversion from "net" to "gross" results. While the LRAMVA is based on the "net" OPA-reported results, the load forecast is impacted also by CDM savings of "free riders" and "free drivers". While Board staff has input values from the response to 3-Staff-23 into each of cells D26 and E26, in the absence of other information, these should be populated with the measured "gross" and "net" CDM savings respectively, for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The "Amount used for CDM threshold for LRAMVA" is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and

- "Manual Adjustment for 2013 Load Forecast" represents the amount to be reflected in the 2013 load forecast. This amount uses the "gross" impact, which is calculated by multiplying each year's CDM program impact or persistence by (1 + g) from the second table. In addition, the impact of the 2013 CDM programs on 2013 "actual" consumption is divided by 2 to reflect a "half year" rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the "annualized" results reported in the OPA report will overstate the "actual" impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a "half-year" rule may proxy the impact.

a) Please verify the inputs and results of the model.

b) Please derive the class-specific CDM kWh and kW savings that would correspond with the "net" CDM savings above.

c) Please provide PUC's comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What refinements to this approach should be considered?

**PUC Response**

a) The results in the model above are based on the example provided in the original interrogatory for Thunder Bay Hydro Electricity Distribution Inc.

PUC has revised the model with the appropriate numbers and included it below:

## *Load Forecast CDM Adjustment Work Form (2013)*

| ***PUC Distribution Inc.*** | ***EB-2012-0162*** |
|---|---|

| 4 Year (2011-2014) kWh Target: | | | | | |
|---|---|---|---|---|---|
| 30,830,000 | | | | | |
| | 2011 | 2012 | 2013 | 2014 | Total |
| % | | | | | |
| 2011 CDM Programs | 8.90% | 8.90% | 8.90% | 8.54% | 35.24% |
| 2012 CDM Programs | | 10.79% | 10.79% | 10.79% | 32.38% |
| 2013 CDM Programs | | | 10.79% | 10.79% | 21.59% |
| 2014 CDM Programs | | | | 10.79% | 10.79% |
| **Total in Year** | **8.90%** | **19.69%** | **30.49%** | **40.92%** | **100.00%** |
| kWh | | | | | |
| 2011 CDM Programs | 2,744,164 | 2,744,164 | 2,744,164 | 2,632,822 | 10,865,314 |
| 2012 CDM Programs | | 3,327,448 | 3,327,448 | 3,327,448 | 9,982,343 |
| 2013 CDM Programs | | | 3,327,448 | 3,327,448 | 6,654,895 |
| 2014 CDM Programs | | | | 3,327,448 | 3,327,448 |
| **Total in Year** | **2,744,164** | **6,071,612** | **9,399,059** | **12,615,165** | **30,830,000** |
| | | | | Check | 30,830,000 |

| **Net-to-Gross Conversion** | **"Gross"** | **"Net"** | **Difference** | **"Net-to-Gross" Conversion Factor ('g')** |
|---|---|---|---|---|
| **2006 to 2011 OPA CDM programs: Persistence to 2013** | 92,963,819 | 55,770,492 | 37,193,327 | 66.69% |

| | **2011** | **2012** | **2013** | **2014** | **Total for 2013** |
|---|---|---|---|---|---|
| Amount used for CDM threshold for LRAMVA | 2,744,164 | 3,327,448 | 3,327,448 | | 9,399,059 |
| Manual Adjustment for 2013 Load Forecast | 4,574,246 | 5,546,522 | 2,773,261 | | 12,894,029 |
| *Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g)* | | | *Only 50% of 2013 CDM impact is used based on a half year rule* | | |

b) PUC has provided below the class-specific CDM kWh and kW savings that would correspond with the "net" CDM savings above.

| | Residential | GS<50 | GS>50 | Street Lighting | Sentinels | USL | Total |
|---|---|---|---|---|---|---|---|
| kWh | 4,550,758 | 1,365,379 | 3,362,279 | 3,394 | 105,593 | 11,657 | 9,399,059 |
| kW where applicable | | | 8,396 | 10 | 295 | | 8,700 |

c) PUC is in agreement with the LRAMVA calculation and has no further comments. PUC believes the CDM adjustment for the 2013 test year load forecast should be based on the net results. Furthermore, the CDM adjustment should be reduced by the 2011 actual CDM savings as the 2011 purchased energy used in the regression analysis is the actual data and already reflects the impact of the CDM programs implemented in 2011 essentially "double counting". PUC also has concerns with the inconsistent treatment of the LRAMVA being on a full year and the CDM adjustment being based on the ½ year rule.

**<u>3-Staff-65s</u>**

**Ref: 3-Staff-25**

In its response to part b) of 3-Staff-25, PUC states:

Assuming the "half-year" rule is used to account for 2013 CDM programs not being in place for a full year, the adjustment for 2012 and 2013 CDM programs on 2013 demand would be estimated as 3,327,448 kWh X 1.5 (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X 1.6750 = 8,360,213 kWh. However, **PUC is concerned with using the "half-year" rule since it is PUC's understanding that there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined. [Emphasis added]**

a) What is PUC's understanding of the consistent treatment for the load forecast adjustment and LRAMVA?

b) In the above example, the 2013 CDM program savings in 2013 are estimated to be 3,327,448 kWh, but this is assuming that the 2013 CDM programs were in effect the full year, from January 1 to December 31. In reality, the programs will be implemented and there will be uptake by customers at various points in the year. Thus the impact actually realized in 2013, the initial year of 2013 programs, will be different from and much less, all else being equal, than the annualized savings. Please provide, with explanation, PUC's perspective on whether the 2013 annualized savings of 2013 CDM programs will overstate the actual savings.

**PUC Response**

a) It is PUCs understanding that there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined. Since a full year amount is used in the LRAMVA threshold calculation for 2013 then a full year for 2013 should be used in the manual CDM adjustment.

b) PUC agrees that uptake of the programs by customers will be at various points in the year. Although, it is unknown when in the year the programs will be implemented and accessed by customers or the actual results. Therefore, in PUC's view, it cannot be determined at this time if the annualized savings will overstate the actual savings.

**3-SEC-45s**

**Ref: 3-VECC-22**

Please provide details of the reductions in FTEs, if any, from 2012 Bridge Year Forecast to 2013 Test Year resulting from the reductions in Accounts 4375 and 4380.

**PUC Response**

There were no reductions in FTEs from the 2012 Bridge Year Forecast to 2013 Test year resulting from the reductions in Accounts 4375 and 4380.

**EXHIBIT 4 – OPERATING COSTS**

**4-Energy Probe-35s**

**Ref: 4-Energy Probe-17 & Exhibit 6, Tab 1, Schedule 1**

a) The response to part (b) of the interrogatory indicates that property taxes are included in account 5675. Please provide the total property taxes paid in each of 2008 through 2012 and the forecast for 2013 that incorporates the $296,000 increase for the new building.

b) The response to part (f) states that the $50,000 shown in Table 6-1 of Exhibit 6, Tab 1, Schedule 1 is account 6150 - taxes other than income. Please indicate what taxes are included in this account and please provide the actual amounts recorded in this account for each of 2008 through 2012.

c) Please explain the "Smart Meter Regulatory Entry" cost driver shown in the table provided in response to part (e) of the interrogatory. In particular, is the increase in 2012 of $661,391 which is reversed in 2013, the costs incurred prior to 2012 and recovered in 2012? If yes, please show the derivation of the $661,391 by year in which the costs were actually incurred.

d) Please reconcile the "smart meter regulatory entry" of $661,391 shown in part (e) of the response with the figure of $142,790 shown in the response to part (c) of the response. Is the $142,790 just one of the components included in the $661,391?

e) Please explain why PUC reduced line clearing costs by $253,000 in 2012 only to increase them by $326,000 in 2013.

**PUC Response**

a) PUC has provided below the total property taxes paid in each of 2008 through 2012 and the forecast for 2013 that incorporates the $296,000 increase for the new building.

| | Actual 2008 | Actual 2009 | Actual 2010 | Actual 2011 | Forecast 2012 | Forecast 2013 | var 2012 v. 2013 |
|---|---|---|---|---|---|---|---|
| Direct | $74,860 | $37,152 | $36,378 | $38,156 | $41,449 | $40,000 | $1,449 |
| Allocated | $52,967 | $51,446 | $49,619 | $47,513 | $75,821 | $372,173 | ($296,352) |
| Total Property Tax | $127,828 | $88,598 | $85,997 | $85,669 | $117,270 | $412,173 | ($294,903) |

b) The reference to account 6150 in the response to Energy Probe – IR 4-EP-17, part (f) is incorrect as it should reference account *6105 – taxes other than income taxes*. The amounts recorded in account 6105, shown in the table below, are Payments in Lieu of Property Tax, paid to the Ontario Electricity Financial Corporation, as prescribed by subsection 92 (1) of the Electricity Act, 1998 and Ontario Regulation 423/11.

| | Actual 2008 | Actual 2009 | Actual 2010 | Actual 2011 | Actual 2012 |
|---|---|---|---|---|---|
| Account 6105 Taxes -Other than income | $38,044 | $55,628 | $49,934 | $50,362 | $50,000 |

c) The smart meter regulatory entry cost driver shown in the table relates to the approved disposition to account *1556 – OM&A Smart Meter Variance account* as per Board Decision EB-2012-0084 dated July 19, 2012. PUC has provided below a table of costs in the year they were actually incurred.

| 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|
| 62,086 | 112,400 | 339,482 | 147,423 | 661,391 |

d) The $142,790 is the community relations components of the $661,391 "smart meter regulatory entry".

e) PUC tenders for contracted line clearing services to clear areas of its service territory on an annual rotating basis. The annual cost of this service varies depending on the area being cleared and the number of contractors bidding for the service. In 2012 favourable bids were received for the area contracted due to the entry of a new contractor serving the area. The 2013 forecast is based on 2011 actual.

**4-Energy Probe-36s**

**Ref: 4-Energy Probe-17 & 4-Energy Probe-18**

Please reconcile the number of FTEEs shown for 2012 of 84 in the response to 4-Energy Probe-18 part (c) and the figure of 86.81 shown in the response to 4-Energy Probe-17 part (g).

**PUC Response**

The FTEEs on 4-Energy Probe-17 (g) should be 84, the Customers/FTEEs should be 397.63 and the OM&A cost per FTEE should be 121,527.82.

**4.0-VECC – 50**

**Reference: IR 4-Staff-29**

The interrogatory requested completion of Appendix 2-K. The revised Excel file Chapter2Appendicies_20130404 shows; (1) no part-time employees, (2) no accrued pension and post-retirement benefits and (3) no amounts for overtime. Please confirm this information is correct or, if it is not, please complete Appendix 2-K.

**PUC Response**

PUC Distribution has no employees, the labour included in Appendix 2-K is the labour portion of the charges from PUC Services. There are no part-time employees, accrued post-retirement benefits are included in PUC Services and overtime is included in total salary and wages.

**4-SEC-47s**

**Ref: 4-Staff-29**

Please advise why the Applicant has not broken down Appendix 2-K into the four employee categories required under the Filing Requirements.

**PUC Response**

Executive staff and non-union staff (less than 3 FTE) are included with Management staff.

**<u>4-SEC-48s</u>**

**Ref: 4-SEC-26**

Please explain how the Applicant is able to provide the 2-K for Distribution for all years, without being able to provide the 2-K for Services for all years. Please explain in detail the process used to get the numbers for each year for Appendix 2-K for the Applicant.

**<u>PUC Response</u>**

Schedule 2-K for Distribution for all years was prepared using "Distribution only" data (i.e. separate and apart from PUC Services information) and was prepared during the several months leading up to the filing of the 2013 application. Preparation of schedule 2-K for PUC Services could be provided, however, it would require comprehensive, in-depth analysis of multiple sources of data.

**<u>4.0-VECC – 51</u>**

**Reference: IR 4-SEC-26 (f)**

a) Please provide the total number of employees in PUC Services in 2008 and the total number allocated to the distribution company. Show the same for 2013.

b) Please provide the total operating cost of PUC Services in 2008 and the total amount charged to distribution. Please provide the same for 2013.

**<u>PUC Response</u>**

a) PUC has provided below the total number of employees in PUC Services and allocated to PUC Distribution in 2008 and the 2013 test year.

| | 2008 | 2013 |
|---|---|---|
| PUC Distribution | 66 | 87 |
| PUC Services | 152 | 182 |
| | | |

b) Total operating cost of PUC Services and the amounts charged to PUC Distribution are as follows:

| | Actual 2008 | Estimated 2013 |
|---|---|---|
| Total Operating Costs of PUC Services | $8,489,212 | $12,108,552 |
| Total Amount Charged to PUC Distribution | $2,210,588 | $2,611,358 |

**4-Energy Probe-37s**

**Ref: 4-SEC-24**

The response lists the increase in property taxes for the new building as one of the drivers of the increase in OM&A per customer. How were the property taxes associated with the 3 buildings being replaced, and owned by affiliates, charged to PUC distribution in the past? For each of 2008 through 2012, please provide the property taxes paid by PUC Distribution as part of the costs paid to affiliates for the use of these facilities.

**PUC Response**

The property taxes associated with the 3 buildings that were replaced and owned by affiliates were charged to PUC Distribution through the administrative account 5675 of the shared services methodology described in *Exhibit 4, Tab 2, Schedule 4.*

Please refer to 4-Energy Probe-35s part (a) for the property taxes paid by PUC distribution as part of the costs paid to affiliates for 2008 to 2012.

**4-SEC-52s**

**Ref: 4-SEC-19**

Please advise how much, if any, of the 20% increase in Operations for 2012 is related to the new building, and provide details of that component.

**PUC Response**

None of the increase in Operations for 2012 is related to the new building.

**4.0-VECC – 52**

**Reference: IR-VECC-27**

a) Please explain the “Asset charge” shown in the table of Meter Reading Expenses.

**PUC Response**

Please refer to IRRS for 4-Staff-69s part (e) below.

**4.0-VECC – 53**

**Reference: IR 4-SEC-23 / 4-EP-16**

a) Please explain the “cost of capital/asset” charge in the table provided in response c).

b) Please explain what activities the employees are engaged in in respect the Community relations-sundry. Please provide the FTEs and description of the positions.

**PUC Response**

a) Please refer to IRRS for 4-Staff-69s part (e) below.

b) The activities in this account include the customer call centre, front counter staff dealing with customers and dealing with customers in the field on items such as high bill complaints, insurance claims, etc.

Duties include dealing with customer inquiries at front counter, by telephone or e-mail. Includes items such as billing inquiries, rereads, high bill complaints, cut-ins/cut-outs, underground plant locates, government assistance programs, accounts receivable balances, deposit requirements and policies, smart meter inquiries, energy retailer inquiries, electricity deregulation, on line account access inquiries, maintaining data base of customer calls, etc.

| Position | FTE |
|---|---|
| Sr Customer Service Clerk | .56 |
| Customer Service Clerks | 2.8 |
| Customer Service Support Clerk | .56 |
| Mailroom Services | .92 |
| Field Services Reps | .25 |
| Customer Service Supervisor | .56 |
| Customer Service and Billing Supervisor | .28 |

**4-Staff-66s**
**Ref: Appendix 2-M**

a) Please complete columns labeled (B) and (C) in the above referenced appendix. b) Please confirm that "consultant costs for regulatory matters" is a one-time cost by selecting the appropriate value in column (D).
b) Please provide an explanation as to why OEB Section 30 Costs (Applicant- originated), intervenor costs and operating expenses associated with other resources allocated to regulatory matters have not been entered for the 2013 test year. If applicable, update Appendix 2-M.

**PUC Response**

a) PUC has completed columns (B) and (C) in the revised appendix below and confirmed "consultant costs for regulatory matters" is a one-time cost by selecting the appropriate value in column (D).

b) The OEB Section 30 costs (Applicant originated) are included with the OEB Section 30 costs (OEB-initiated).

| | Regulatory Cost Category | USoA Account | USoA Account Balance in the test year | Ongoing or One-time Cost? 2 | Last Rebasing Year (2008 Board Approved) | Most Current Actuals Year 2011 | 2012 Bridge Year | Annual % Change | 2013 Test Year | Annual % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C ) | (D) | (E) | (F) | (G) | (H) = [(G)-(F)]/(F) | (I) | (J) = [(I)-(G)]/(G) |
| 1 | OEB Annual Assessment | 5655 | $ 271,041 | On-Going | $ 100,800 | $ 102,886 | $ 100,800 | -2.03% | $ 102,000 | 1.19% |
| 2 | OEB Section 30 Costs (Applicant-originated) | | | | | | | | | |
| 3 | OEB Section 30 Costs (OEB-initiated) | 5655 | $ 271,041 | On-Going | $ 10,000 | $ 4,352 | | -100.00% | $ 5,000 | |
| 4 | Expert Witness costs for regulatory matters | | | | | | | | | |
| 5 | Legal costs for regulatory matters | 5655 | $ 271,041 | On-Going | $ 18,002 | | | | | |
| 6 | Consultants' costs for regulatory matters | 5655 | $ 271,041 | On-Time | $ 18,002 | $ 31,003 | $ 125,000 | 303.19% | $ 31,250 | -75.00% |
| 7 | Operating expenses associated with staff resources allocated to regulatory matters | 5655 | $ 271,041 | On-Going | $ 122,485 | $ 37,020 | $ 133,949 | 261.83% | $ 132,791 | -0.86% |
| 8 | Operating expenses associated with other resources allocated to regulatory matters [1] | 5655 | $ 271,041 | On-Going | $ 9,067 | | | | | |
| 9 | Other regulatory agency fees or assessments | | | | | | | | | |
| 10 | Any other costs for regulatory matters (please define) | | | | | | | | | |
| 11 | Intervenor costs | | | | | | | | | |
| 12 | Sub-total - Ongoing Costs [3] | | $ - | | $ 260,354 | $ 144,258 | $ 234,749 | 62.73% | $ 239,791 | 2.15% |
| 13 | Sub-total - One-time Costs [4] | | $ - | | $ 18,002 | $ 31,003 | $ 125,000 | 303.19% | $ 31,250 | -75.00% |
| 14 | Total | | $ - | | $ 278,356 | $ 175,261 | $ 359,749 | 105.26% | $ 271,041 | -24.66% |

**4-Staff-67s**

**Ref: 4-VECC-31**

On October 20, 2010, the Board issued a letter regarding LEAP Emergency Financial Assistance. The letter stated that "the LEAP amount should be calculated based on total distribution revenues" and further stated that "for greater clarity, Board-approved total distribution revenue means a distributor's forecasted service revenue requirement as approved by the Board".

Please recalculate the LEAP amount using the service revenue requirement.

**PUC Response**

The LEAP amount using the service revenue requirement, as revised in the interrogatory responses, is $24,056.

**4-Staff-68s**

**Ref: 4-Staff-28**

a) Please identify the source and the definition of the CPI annual increases for 2009 to 2012 used in the response. Please explain why this source of CPI is used by PUC.
b) Please identify whether the 2012 CPI measure is an actual or forecast.
c) Board staff understands that the 2013 CPI shown is a forecast. Please identify the source of this number, if different from that for the historical data.

**PUC Response**

a) The source of the CPI annual increases was the Bank of Canada website. Consumer price index on the site is defined as measure that tracks movements over time in the level of consumer prices. The CPI compares the retail prices of a representative "shopping basket" of goods and services at two different points in time.
b) The 2012 CPI measure was an actual at the time.
c) The 2013 forecast was an average of the prior three years.

**4-SEC-46s**

**Ref: 4-Staff-28**

Please confirm that the inflation assumptions assume 0.0% productivity.

**PUC Response**

PUC confirms the inflation assumptions assumed 0.0% productivity.

**4-Staff-69s**

**Ref: 4-Staff-43**

In the table provided in the response to 4-Staff-43 a), please provide descriptions of the following items:

a) Meter Reading Contractor $30,000;
b) Meter Reading Exp Phone $4,400;
c) Meter Reading Labour $16,683;
d) Meter Reading Truck $2,040;
e) Asset Charge $25,209.

**PUC Response**

a) PUC Distribution will maintain a reduced contract with its service provider to perform meter reading activities.

b) PUC Distribution incurs telecommunications costs required to obtain meter reads.

c) PUC Distribution utilizes internal labour to perform meter reading activities.

d) PUC Distribution is allocated “trucking” costs from PUC Services for use of its vehicles while performing meter reading duties. These costs are to cover operating and maintenance of the vehicles.

e) PUC Services allocates depreciation expense (Asset Charge) related to the assets it owns (i.e. vehicles, equipment, computers, office furniture, etc.) to PUC Distribution based on their usage of the assets. In addition, a “Cost of Capital” is allocated to PUC Distribution to allow PUC Services a return on invested capital based on the usage of the assets.

**4-SEC-9s**

**Ref: 4-Staff-30**

Please refer to the MEARIE 2012 Management Salary Survey dated August 31, 2012 (a copy of which is attached):

a) Please confirm that the Applicant participated in the Survey.

b) Please advise for how many of the employees of the Applicant (or employees of any affiliate that provide services to the Applicant) is their total compensation in each of the following categories relative to the Survey:

   a. Under the 25$^{th}$ percentile
   b. 25$^{th}$ to 50$^{th}$ percentile
   c. 50$^{th}$ to 75$^{th}$ percentile
   d. Above the 75$^{th}$ percentile.

c) Please estimate the total forecast management compensation cost for the test year if all management employees had total compensation at the 50$^{th}$ percentile.

**PUC Response**

a) PUC Services participated in the Survey.

b) Six of the positions performing work on behalf of the LDC were over P50. Three of the six were less than $1,500 over P50. Of the remaining three, two did not have a direct comparator on the MEARIE Positions Profile. Only a portion of the salaries of the six is an expense of the LDC.

c) Management compensation would be approximately $150,000 higher if all management employees were at P50.

**<u>4-SEC-50s</u>**
**Ref: 4-SEC-33**

Please provide a detailed calculation to demonstrate that the impact on the Applicant of the methodology employed to allocate the financial impacts of the new enterprise software, including but not limited to all tax impacts, is the same as the impact on the Applicant if the Applicant owned the new enterprise software itself.

**<u>PUC Response</u>**

PUC has provided a detailed calculation below to demonstrate the impact of the methodology employed to allocate the financial impacts of the new enterprise software is the same as the impact as if the applicant owned the new enterprise software itself.

| | | |
|---|---|---|
| <u>Assumptions:</u> | | |
| Capital Cost | $100.00 | |
| Depreciation Rate | 20% | (5 Years) |
| Cost of Capital | 6.20% | |

| | 46% | 16% | 38% |
|---|---|---|---|
| | **PUC Distribution** | **PUC Services** | **Other(s)** |
| **<u>Owned by PUC Services</u>** | | | |
| Capital Investment Opportunity Cost | | $6.20 | |
| Allocation of Cost of Capital | $2.85 | ($5.21) | $2.36 |
| | | | |
| Depreciation Expense | | $20.00 | |
| Allocation of Depreciation (Asset Charge) | $9.20 | ($16.80) | $7.60 |
| | | | |
| OM&A (Direct) | | $10.00 | |
| Allocation of Admin Expenses | $4.60 | ($8.40) | $3.80 |
| **Impact to Earnings Before Tax** | **$16.65** | **$5.79** | **$13.76** |

| **Owned by PUC Distribution** | | | |
|---|---|---|---|
| Capital Investment Opportunity Cost | $6.20 | | |
| Allocation of Cost of Capital | ($3.35) | $0.99 | $2.36 |
| | | | |
| Depreciation Expense | $20.00 | | |
| Allocation of Depreciation (Asset Charge) | ($10.80) | $3.20 | $7.60 |
| | | | |
| OM&A (Direct) | $10.00 | | |
| Allocation of Admin Expenses | ($5.40) | $1.60 | $3.80 |
| **Impact to Earnings Before Tax** | **$16.65** | **$5.79** | **$13.76** |

**4-SEC-51s**
**Ref: 4-SEC-27(e)**
Please provide a full breakdown of Management Fees by source for each year.

**PUC Response**

PUC has provided below a breakdown of Management Fees by source for each year.

| | 2011 | 2012 audited | 2013 |
|---|---|---|---|
| | | | |
| PUC Distribution | $4,849,238.00 | $4,028,704.00 | $5,861,263.00 |
| Public Utilities Commission | $3,123,936.00 | $3,108,284.00 | $4,723,058.00 |
| PUC Telecom | $75,810.00 | | |
| PUC Inc. | $56,791.00 | $43,230.00 | $157,416.00 |
| | | | |
| Total | $8,105,775.00 | $7,180,218.00 | $10,741,737.00 |

**<u>EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN</u>**

**<u>5-Energy Probe-38s</u>**

**Ref: 5-Energy Probe-21 & Exhibit 5, Tab 1, Schedule 1 & Exhibit 5, Tab 1, Schedule 3**

a) Are the Infrastructure Ontario rates provided in the response to part (c) of the interrogatory response based on serial or amortizer loans?

b) The 2013 table in Exhibit 5, Tab 1, Schedule 3 shows Infrastructure Ontario debt of $25 million while page 2 of Exhibit 5, Tab 1, Schedule 1 has two IO loans with amounts of $5 million and $21.18 million, respectively. Please reconcile these figures.

c) What was the balance drawn on each of the IO loans as of the end of December 2012?

d) If different from the amounts in part (c), what is the expected average principle balance for each of the two IO loans in 2013?

**<u>PUC Response</u>**

a) The Infrastructure Ontario rates provided are based on amortizer loans.

b) The balance at December 31, 2011 for the infrastructure loan #1 was $5 million. The approved principal for the infrastructure loan #2 was $21.18 million of which $1,092,003 was drawn at the end of December 31, 2011. Table 5-8 in Exhibit 5, Tab 1, Schedule 3, PUC forecast in the application the total principal loan balance to be $25 million in the 2013 test year.

c) The balances drawn on each of the loans at the end of December 2012 are loan #1 - $5,000,000 and loan #2 - $17,470,930.

d) PUC expects the principal balance at the end of 2013 to be $5 million and $21.18 million.

**5-SEC-53s**

**Ref: 5-SEC-29**

Please explain the reasons for not considering repayment of the promissory note in favour of more competitive borrowing rates from third parties.

**PUC Response**

The rate on the promissory note does not affect customer rates. There is greater flexibility in dealing with the parent company rather than a third party.

**EXHIBIT 7 – COST ALLOCATION**

**7.0-VECC – 54**

**Reference: 7-Staff-47**

a) Please confirm that the revised Cost Allocation Model filed with the first round IR responses included:

- The revised allocator for meter reading expenses,
- The revised load forecast, and
- Updated demand allocators based on the revised load forecast.

b) Were any other changes incorporated in the revised Cost Allocation Model? If yes, please indicate what they were.

**PUC Response**

a) PUC confirms the revised cost allocation model filed with the first round of IRs included the revised allocator for meter reading expense and the revised load forecast. The demand allocators were not revised based on the revised load forecast.

b) PUC also completed sheet I7.2 in the cost allocation model to include the weighted factor for meter reading by rate class (IR 9-Staff-50 and IR-VECC-38).

**7-Energy Probe-39s**

**Ref: 7-Energy Probe-23**

Instead of setting the revenue to cost ratios for the street lighting and sentinel classes to the same level, please keep the sentinel ratio at the proposed level of 80% and all other classes, excluding street lighting, at the ratios as shown in the response. Please calculate the revenue to cost ratio for the street lighting class that results in overall revenue neutrality for PUC.

**PUC Response**

The revenue to cost ratio for the street light class for revenue neutrality is 79.53% as shown below.

**Cost Allocation Based Calculations**

| Class | Revenue Requirement - 2013 Cost Allocation Model | 2013 Base Revenue Allocated based on Proportion of Revenue at Existing Rates | Miscellaneous Revenue Allocated from 2013 Cost Allocation Model | Total Revenue | Revenue Cost Ratio | Proposed Revenue to Cost Ratio | Proposed Revenue | Miscellaneous Revenue | Proposed Base Revenue |
|---|---|---|---|---|---|---|---|---|---|
| Residential | 12,276,417 | 10,023,199 | 1,419,154 | 11,442,353 | 93.2% | 93.2% | 11,441,621 | 1,419,154 | 10,022,467 |
| GS < 50 kW | 2,937,676 | 2,943,610 | 333,862 | 3,277,472 | 111.6% | 111.6% | 3,278,417 | 333,862 | 2,944,555 |
| GS >50 kW | 3,733,302 | 4,114,229 | 385,082 | 4,499,311 | 120.5% | 120.0% | 4,479,962 | 385,082 | 4,094,880 |
| Sentinel Lights | 51,434 | 35,095 | 5,374 | 40,469 | 78.7% | 80.0% | 41,147 | 5,374 | 35,773 |
| Street Lighting | 1,175,934 | 796,079 | 120,652 | 916,731 | 78.0% | 79.53% | 935,197 | 120,652 | 814,545 |
| USL | 37,654 | 32,241 | 3,840 | 36,081 | 95.8% | 95.8% | 36,073 | 3,840 | 32,233 |
| | | | | | | | | | |
| TOTAL | 20,212,417 | 17,944,453 | 2,267,964 | 20,212,417 | 100.0% | | 20,212,417 | 2,267,964 | 17,944,453 |

## 7-Energy Probe-40s

**Ref: 7-Staff-47**

Starting with the revenue to cost ratios shown in the cost allocation model provided in the response to this interrogatory, please reduce the ratio for the GS > 50 class to 120% and increase the ratio to the same level for the street light and sentinel classes so that PUC is held revenue neutral, without changing the ratios for the remaining classes. Please indicate the result ratio for the street light and sentinel class that achieves this result.

## PUC Response

Based on the revenue to cost ratios in the interrogatory responses, the ratios for the street lights and sentinel lights would be 77.99% as shown below.

| Cost Allocation Based Calculations | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Class | Revenue Requirement - 2013 Cost Allocation Model | 2013 Base Revenue Allocated based on Proportion of Revenue at Existing Rates | Miscellaneous Revenue Allocated from 2013 Cost Allocation Model | Total Revenue | Revenue Cost Ratio | Proposed Revenue to Cost Ratio | Proposed Revenue | Miscellaneous Revenue | Proposed Base Revenue |
| Residential | 12,288,647 | 9,928,754 | 1,439,936 | 11,368,690 | 92.5% | 92.8% | 11,406,322 | 1,439,936 | 9,966,386 |
| GS < 50 kW | 2,828,166 | 2,917,109 | 317,460 | 3,234,569 | 114.4% | 114.7% | 3,244,931 | 317,460 | 2,927,471 |
| GS >50 kW | 3,675,402 | 4,078,000 | 380,702 | 4,458,702 | 121.3% | 120.0% | 4,410,482 | 380,702 | 4,029,780 |
| Sentinel Lights | 51,029 | 34,780 | 5,374 | 40,154 | 78.7% | 77.99% | 39,797 | 5,374 | 34,423 |
| Street Lighting | 1,166,443 | 788,458 | 120,652 | 909,110 | 77.9% | 77.99% | 909,685 | 120,652 | 789,033 |
| USL | 37,344 | 31,965 | 3,840 | 35,805 | 95.9% | 95.9% | 35,813 | 3,840 | 31,973 |
| | | | | | | 0.0% | | | |
| TOTAL | 20,047,031 | 17,779,067 | 2,267,964 | 20,047,031 | 100.0% | | 20,047,031 | 2,267,964 | 17,779,067 |

**7-Staff-70s**

**Ref: 7-Staff-45 (b)**

In response to the above referenced interrogatory, please provide a copy of appendix 2- W for the sentinel and street lighting classes showing bill impacts of 17.44% and 19.70% respectively.

**PUC Response**

PUC has included below a copy of appendix 2-W for the sentinel and street lighting classes showing the bill impacts of 17.44% and 19.70% respectively when the proposed ratios for street lighting and sentinel lighting are increased to 90% as requested in IR-staff-45. Appendix 2-W is prior to any adjustments as a result of the interrogatory responses.

# Appendix 2-W
## Bill Impacts

**Customer Class:** **Sentinel Lights**

**Consumption** 55 **kWh** ◉ May 1 - October 31 ○ November 1 - April 30 (Select this radio button for applications filed aft

**0.1522 kW**

| | Charge Unit | Current Board-Approved Rate ($) | Volume | Charge ($) | Proposed Rate ($) | Volume | Charge ($) | Impact $ Change | % Change |
|---|---|---|---|---|---|---|---|---|---|
| Monthly Service Charge | Monthly | $ 2.5700 | 1 | $ 2.57 | $ 3.6400 | 1 | $ 3.64 | $ 1.07 | 41.63% |
| Smart Meter Disposition Rider | Monthly | | 1 | $ - | | 1 | $ - | $ - | |
| Stranded Meter Rate Rider | Monthly | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| Distribution Volumetric Rate | per kW | $ 23.9750 | 0.1522 | $ 3.65 | $ 33.9609 | 0.1522 | $ 5.17 | $ 1.52 | 41.65% |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| LRAM & SSM Rate Rider | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| **Sub-Total A** | | | | $ 6.22 | | | $ 8.81 | **$ 2.59** | **41.64%** |
| Deferral/Variance Account Disposition Rate Rider | per kW | -$ 1.0438 | 0.1522 | -$ 0.16 | -$ 4.5288 | 0.1522 | -$ 0.69 | -$ 0.53 | 333.88% |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| | | | 55 | $ - | | 55 | $ - | $ - | |
| Low Voltage Service Charge | | | 55 | $ - | | 55 | $ - | $ - | |
| Smart Meter Entity Charge | | | | | | 55 | $ - | $ - | |
| **Sub-Total B - Distribution (includes Sub-Total A)** | | | | **$ 6.06** | | | **$ 8.12** | **$ 2.06** | **33.98%** |
| RTSR - Network | per kW | $ 1.8891 | 0.1592 | $ 0.30 | $ 1.6724 | 0.1597 | $ 0.27 | -$ 0.03 | -11.17% |
| RTSR - Line and Transformation Connection | | | 57 | $ - | | 0 | $ - | $ - | |
| **Sub-Total C - Delivery (including Sub-Total B)** | | | | **$ 6.36** | | | **$ 8.39** | **$ 2.03** | **31.85%** |
| Wholesale Market Service Charge (WMSC) | per kWh | $ 0.0052 | 57 | $ 0.30 | $ 0.0052 | 58 | $ 0.30 | $ 0.00 | 0.33% |
| Rural and Remote Rate Protection (RRRP) | per kWh | $ 0.0011 | 57 | $ 0.06 | $ 0.0011 | 58 | $ 0.06 | $ 0.00 | 0.33% |
| Standard Supply Service Charge | Monthly | $ 0.2500 | 1 | $ 0.25 | $ 0.2500 | 1 | $ 0.25 | $ - | 0.00% |
| Debt Retirement Charge (DRC) | | $ 0.0020 | 57 | $ 0.11 | $ 0.0020 | 58 | $ 0.12 | $ 0.00 | 0.33% |
| Energy - RPP - Tier 1 | | $ 0.0750 | 57 | $ 4.31 | $ 0.0750 | 58 | $ 4.33 | $ 0.01 | 0.33% |
| Energy - RPP - Tier 2 | | $ 0.0880 | 0 | $ - | $ 0.0880 | 0 | $ - | $ - | |
| TOU - Off Peak | | $ 0.0650 | 37 | $ 2.39 | $ 0.0650 | 37 | $ 2.40 | $ 0.01 | 0.33% |
| TOU - Mid Peak | | $ 0.1000 | 10 | $ 1.03 | $ 0.1000 | 10 | $ 1.04 | $ 0.00 | 0.33% |
| TOU - On Peak | | $ 0.1170 | 10 | $ 1.21 | $ 0.1170 | 10 | $ 1.21 | $ 0.00 | 0.33% |
| **Total Bill on RPP (before Taxes)** | | | | **$ 11.40** | | | **$ 13.44** | **$ 2.04** | **17.91%** |
| HST | | 13% | | $ 1.48 | 13% | | $ 1.75 | $ 0.27 | 17.91% |
| **Total Bill** (including HST) | | | | $ 12.88 | | | $ 15.19 | $ 2.31 | 17.91% |
| ***Ontario Clean Energy Benefit*** [1] | | | | -$ 1.29 | | | -$ 1.52 | -$ 0.23 | 17.83% |
| **Total Bill on RPP (including OCEB)** | | | | **$ 11.59** | | | **$ 13.67** | **$ 2.08** | **17.92%** |
| **Total Bill on TOU (before Taxes)** | | | | **$ 11.73** | | | **$ 13.77** | **$ 2.04** | **17.42%** |
| HST | | 13% | | $ 1.52 | 13% | | $ 1.79 | $ 0.27 | 17.42% |
| **Total Bill** (including HST) | | | | $ 13.25 | | | $ 15.56 | $ 2.31 | 17.42% |
| ***Ontario Clean Energy Benefit*** [1] | | | | -$ 1.33 | | | -$ 1.56 | -$ 0.23 | 17.29% |
| **Total Bill on TOU (including OCEB)** | | | | **$ 11.92** | | | **$ 14.00** | **$ 2.08** | **17.44%** |

| | Current | Proposed |
|---|---|---|
| **Loss Factor (%)** | 4.5400% | 4.8900% |

# Bill Impacts

**Customer Class:** **Street Lights #1**

**Consumption** 363541 kWh ◉ May 1 - October 31 ○ November 1 - April 30 (Select this radio button for applications filed after

1825 kW

| | Charge Unit | Current Board-Approved Rate ($) | Current Board-Approved Volume | Current Board-Approved Charge ($) | Proposed Rate ($) | Proposed Volume | Proposed Charge ($) | Impact $ Change | Impact % Change |
|---|---|---|---|---|---|---|---|---|---|
| Monthly Service Charge | Monthly | $ 2.5800 | 8612 | $ 22,218.96 | $ 3.6900 | 8612 | $ 31,778.28 | $ 9,559.32 | 43.02% |
| Smart Meter Disposition Rider | Monthly | | 1 | $ - | | 1 | $ - | $ - | |
| Stranded Meter Rate Rider | Monthly | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| | | | 1 | $ - | | 1 | $ - | $ - | |
| Distribution Volumetric Rate | per kW | $ 16.8045 | 1825 | $ 30,668.21 | $ 24.0486 | 1825 | $ 43,888.70 | $ 13,220.48 | 43.11% |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| LRAM & SSM Rate Rider | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| **Sub-Total A** | | | | $ 52,887.17 | | | $ 75,666.98 | **$ 22,779.80** | **43.07%** |
| Deferral/Variance Account Disposition Rate Rider | per kW | -$ 0.7860 | 1825 | -$ 1,434.45 | -$ 3.5213 | 1825 | -$ 6,426.37 | -$ 4,991.92 | 348.00% |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| | | | 363541 | $ - | | 363541 | $ - | $ - | |
| Low Voltage Service Charge | | | 363541 | $ - | | 363541 | $ - | $ - | |
| Smart Meter Entity Charge | | | | | | 363541 | $ - | $ - | |
| **Sub-Total B - Distribution (includes Sub-Total A)** | | | | **$ 51,452.72** | | | **$ 69,240.60** | **$ 17,787.88** | **34.57%** |
| RTSR - Network | per kW | $ 1.8795 | 1908 | $ 3,585.81 | $ 1.6639 | 1914 | $ 3,185.11 | -$ 400.71 | -11.17% |
| RTSR - Line and Transformation Connection | | | 380046 | $ - | | 1914 | $ - | $ - | |
| **Sub-Total C - Delivery (including Sub-Total B)** | | | | **$ 55,038.54** | | | **$ 72,425.71** | **$ 17,387.17** | **31.59%** |
| Wholesale Market Service Charge (WMSC) | per kWh | $ 0.0052 | 380046 | $ 1,976.24 | $ 0.0052 | 381318 | $ 1,982.85 | $ 6.62 | 0.33% |
| Rural and Remote Rate Protection (RRRP) | per kWh | $ 0.0011 | 380046 | $ 418.05 | $ 0.0011 | 381318 | $ 419.45 | $ 1.40 | 0.33% |
| Standard Supply Service Charge | Monthly | $ 0.2500 | 1 | $ 0.25 | $ 0.2500 | 1 | $ 0.25 | $ - | 0.00% |
| Debt Retirement Charge (DRC) | | $ 0.0020 | 380046 | $ 760.09 | $ 0.0020 | 381318 | $ 762.64 | $ 2.54 | 0.33% |
| Energy - RPP - Tier 1 | | $ 0.0750 | 600 | $ 45.00 | $ 0.0750 | 600 | $ 45.00 | $ - | 0.00% |
| Energy - RPP - Tier 2 | | $ 0.0880 | 379446 | $ 33,391.23 | $ 0.0880 | 380718 | $ 33,503.20 | $ 111.97 | 0.34% |
| TOU - Off Peak | | $ 0.0650 | 243229 | $ 15,809.90 | $ 0.0650 | 244044 | $ 15,862.84 | $ 52.93 | 0.33% |
| TOU - Mid Peak | | $ 0.1000 | 68408 | $ 6,840.82 | $ 0.1000 | 68637 | $ 6,863.73 | $ 22.90 | 0.33% |
| TOU - On Peak | | $ 0.1170 | 68408 | $ 8,003.76 | $ 0.1170 | 68637 | $ 8,030.56 | $ 26.80 | 0.33% |
| **Total Bill on RPP (before Taxes)** | | | | **$ 91,629.39** | | | **$ 109,139.10** | **$ 17,509.71** | **19.11%** |
| HST | | 13% | | $ 11,911.82 | 13% | | $ 14,188.08 | $ 2,276.26 | 19.11% |
| **Total Bill** (including HST) | | | | $ 103,541.21 | | | $ 123,327.18 | $ 19,785.97 | 19.11% |
| ***Ontario Clean Energy Benefit*** [1] | | | | -$ 10,354.12 | | | -$ 12,332.72 | -$ 1,978.60 | 19.11% |
| **Total Bill on RPP (including OCEB)** | | | | **$ 93,187.09** | | | **$ 110,994.46** | **$ 17,807.37** | **19.11%** |
| **Total Bill on TOU (before Taxes)** | | | | **$ 88,847.66** | | | **$ 106,348.02** | **$ 17,500.37** | **19.70%** |
| HST | | 13% | | $ 11,550.20 | 13% | | $ 13,825.24 | $ 2,275.05 | 19.70% |
| **Total Bill** (including HST) | | | | $ 100,397.85 | | | $ 120,173.27 | $ 19,775.41 | 19.70% |
| ***Ontario Clean Energy Benefit*** [1] | | | | -$ 10,039.79 | | | -$ 12,017.33 | -$ 1,977.54 | 19.70% |
| **Total Bill on TOU (including OCEB)** | | | | **$ 90,358.06** | | | **$ 108,155.94** | **$ 17,797.87** | **19.70%** |

| | Current | Proposed |
|---|---|---|
| **Loss Factor (%)** | 4.5400% | 4.8900% |

**EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS**

**9-Energy Probe-41s**

**Ref: 9-Staff-58 & 2-Energy Probe-6**

Please update the response to part (b) that shows the derivation of the amounts recorded in account 1576 to reflect the actual 2012 capital additions closed to rate base under the "previous" CGAAP accounting and under the "modified" CGAAP accounting. Please use 2012 actuals as requested in 2-Energy Probe-31s, or if they are not available, the preliminary 2012 actuals provided in 2-Energy Probe-6.

**PUC Response**

| | | |
|---|---|---|
| PP&E values Assuming “Previous” CGAAP Accounting Policies continu | | |
| Opening Net PP&E | | 53,939,275 |
| Additions | | 30,274,599 |
| Depreciation | | (4,145,373) |
| Closing net PP&E | | 80,068,501 |
| | | |
| PP&E Values Assuming Accounting Changes Under CGAAP in 2012 | | |
| Opening Net PP&E | | 53,939,275 |
| Additions | | 29,611,170 |
| Depreciation | | (3,190,442) |
| Closing net PP&E | | 80,360,003 |
| | | |
| Difference in Closing net PP&E, “previous” CGAAP vs “changed” CGA | | (291,502) |
| | | |

**<u>9-Staff-71s</u>**

**Ref: 9-Staff-58**

**Ref: Chapter 2 Appendices, Revenue Requirement Work Form (RRWF)**

In the response to 9-Staff-58, PUC is proposing to clear the credit balance of Account 1576 of $335,332 by amortizing the balance over 4 years. The annual adjustment to depreciation expense is calculated to be ($83,833).

In App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices, PUC has calculated the 2013 Depreciation Expense to be $3,407,501. This amount of depreciation expense is input into cell M37 of Sheet 3 Data_Input_Sheet of the RRWF. However, this balance of depreciation expense has not been reduced by $83,833 on cell F56 of App.2-CH- Depr Exp 2013 CGAAP of the Chapter 2 Appendices.

The net depreciation expense is the gross PP&E depreciation expense of $3,407,501 less the amount calculated to be the annual amortization of Account 1576 – a credit amount of $83,833. This net depreciation expense of $3,323,668 is not flowing to cell E37 of Sheet 3 Data_Input_Sheet of the RRWF. Instead, the gross PP&E depreciation expense of $3,407,501 appears in cell E37. The $83,833 credit balance that should be used to reduce depreciation expense erroneously appears as an adjustment to the return on rate base in cell M67 of Sheet 3 Data_Input_Sheet of the RRWF.

a) Please update App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices to show the annual amortization of Account 1576 in cell F56 of this schedule. Please calculate the net depreciation expense on this appendix and input the net amount on cell M37 of Sheet 3. Data_Input_Sheet of the RRWF.

b) Please update cell M67 of Sheet 3 Data_Input_Sheet of the RRWF to show a zero adjustment to the return on rate base calculation. A zero adjustment to return on rate base is consistent with the Board's policy of clearing Account 1576.

**PUC Response**

a) PUC has provided below an updated App.2-CH-Depr Exp 2013 CGAAP of the Chapter 2 Appendices to show the annual amortization of Account 1576 in cell F56 of this schedule. PUC has input the net depreciation expense amount on cell M37 of Sheet 3 Data_Input_Sheet of the RRWF. A revised RRWF is submitted with the supplemental IR responses.

**Appendix 2-CH**
**Depreciation and Amortization Expense**

**Year** **2013**

| Account | Description | Additions (d) | Years (new additions only) (f) | Depreciation Rate on New Additions (g) = 1 / (f) | 2013 Depreciation Expense 1 (h)=2012 Full Year Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l) | Variance 2 (m) = (h) - (l) |
|---|---|---|---|---|---|---|---|
| $ 1,611 | Computer Software (Formally known as Account 1925) | | | $ - | $ - | | $ - |
| $ 1,612 | Land Rights (Formally known as Account 1906) | | | $ - | $ - | | $ - |
| $ 1,805 | Land | | | $ - | $ - | | $ - |
| $ 1,808 | Buildings | | $ 50 | $ 0 | $ 484,837 | $ 484,837 | $ 0 |
| $ 1,810 | Leasehold Improvements | | | $ - | $ - | | $ - |
| $ 1,815 | Transformer Station Equipment >50 kV | $ 46,618 | $ 40 | $ 0 | $ 208,949 | $ 208,949 | -$ 0 |
| $ 1,820 | Distribution Station Equipment <50 kV | $ 1,471,797 | $ 40 | $ 0 | $ 181,237 | $ 181,237 | -$ 0 |
| $ 1,825 | Storage Battery Equipment | | $ 15 | $ 0 | $ 1,786 | $ 1,786 | $ 0 |
| $ 1,830 | Poles, Towers & Fixtures | $ 1,240,039 | $ 45 | $ 0 | $ 307,607 | $ 307,607 | $ 0 |
| $ 1,835 | Overhead Conductors & Devices | $ 1,867,384 | $ 60 | $ 0 | $ 239,919 | $ 239,919 | -$ 0 |
| $ 1,840 | Underground Conduit | $ 159,833 | $ 50 | $ 0 | $ 56,125 | $ 56,125 | -$ 0 |
| $ 1,845 | Underground Conductors & Devices | $ 1,358,580 | $ 40 | $ 0 | $ 587,905 | $ 587,905 | -$ 0 |
| $ 1,850 | Line Transformers | $ 159,833 | $ 40 | $ 0 | $ 682,652 | $ 682,652 | -$ 0 |
| $ 1,855 | Services (Overhead & Underground) | $ 2,049,861 | $ 40 | $ 0 | $ 179,642 | $ 179,642 | -$ 0 |
| $ 1,860 | Meters | $ - | $ 25 | $ 0 | $ 1,600 | $ 1,600 | $ - |
| $ 1,860 | Meters (Smart Meters) | $ 319,666 | $ 15 | $ 0 | $ 405,541 | $ 405,541 | -$ 0 |
| $ 1,905 | Land | | | $ - | $ - | | $ - |
| $ 1,908 | Buildings & Fixtures | | | $ - | $ - | | $ - |
| $ 1,910 | Leasehold Improvements | | | $ - | $ - | | $ - |
| $ 1,915 | Office Furniture & Equipment (10 years) | | | $ - | $ - | | $ - |
| $ 1,915 | Office Furniture & Equipment (5 years) | | | $ - | $ - | | $ - |
| $ 1,920 | Computer Equipment - Hardware | | | $ - | $ 1,951 | $ 1,951 | $ - |
| $ 1,920 | Computer Equip.-Hardware(Post Mar. 22/04) | | $ 5 | $ 0 | $ 2,331 | $ 2,331 | -$ 0 |
| $ 1,925 | Computer Software | | $ 5 | $ 0 | $ 98,104 | $ 98,104 | -$ 0 |
| $ 1,925 | Computer Software - Smart Meters | | $ 5 | $ 0 | $ - | | $ - |
| $ 1,930 | Transportation Equipment | | | $ - | $ - | | $ - |
| $ 1,935 | Stores Equipment | | | $ - | $ - | | $ - |
| $ 1,940 | Tools, Shop & Garage Equipment | | | $ - | $ - | | $ - |
| $ 1,945 | Measurement & Testing Equipment | | | $ - | $ - | | $ - |
| $ 1,950 | Power Operated Equipment | | | $ - | $ - | | $ - |
| $ 1,955 | Communications Equipment | | | $ - | $ - | | $ - |
| $ 1,955 | Communication Equipment (Smart Meters) | | | $ - | $ - | | $ - |
| $ 1,960 | Miscellaneous Equipment | | | $ - | $ - | | $ - |
| $ 1,975 | Load Management Controls Utility Premises | | $ 15 | $ 0 | $ - | | $ - |
| $ 1,980 | System Supervisor Equipment | $ 266,389 | $ 20 | $ 0 | $ 136,867 | $ 136,867 | $ 0 |
| $ 1,985 | Miscellaneous Fixed Assets | | | $ - | $ - | | $ - |
| $ 1,995 | Contributions & Grants | -$ 965,395 | $ 40 | $ 0 | -$ 169,551 | -$ 169,551 | $ 0 |
| etc. | | | | $ - | $ - | | $ - |
| | | | | $ - | $ - | | $ - |
| | **Total** | $ 7,974,605 | | | $ 3,407,501 | $ 3,407,501 | -$ 0 |
| | Depreciation expense adjustment resulting from amortization of Account 1575 | | | | -$ 83,833 | | |
| | **Total Depreciation expense to be included in the test year revenue requirement** | | | | **$ 3,323,668** | | |

b) PUC has updated cell M67 of Sheet 3 Data_Input_Sheet of the RRWF to show a zero adjustment to the return on rate base calculation. A revised RRWF is submitted with the supplemental interrogatory responses.

**<u>9-SEC-54s</u>**

**Ref: 9-Staff-60**

Please explain how stranded meters in GS>50KW with a book value of $12,000 (2011) and $26,000 (2012) produce a stranded meters charge to the class of $386,378.

**<u>PUC Response</u>**

The stranded meter cost allocation by rate class in the application was based on the allocation of meter costs in PUC's 2007 cost allocation informational filing.