

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

**AND IN THE MATTER OF an Application by Brantford
Power Inc., for approval of electricity distribution rates to be
implemented on May 1, 2007**

**BRANTFORD POWER INC. RESPONSES TO
VULNERABLE ENERGY CONSUMERS' COALITION
INTERROGATORIES**

MARCH 30, 2007

Interrogatory No.1:

Reference:

Brantford Power Inc.'s Application amendment letter dated February 19, 2007 page 4, states:

In light of the foregoing, Brantford Power therefore makes only the following additional request in respect of its 2007 rate adjustment application:

That the OEB establish a deferral account that will enable Brantford Power to track all revenue and cost impacts that would typically result from including the Tier 2, Phase 2 assets in rate base, which will include but are not limited to the return, depreciation expense and financing costs associated with the second (2007) phase of the Tier 2 adjustment projects proposed in Brantford Power's 2006 Electricity Distribution Rate Application projects in the event that it determines that it will proceed with the work. Brantford Power notes that the proposed deferral account would not be used to track actual project costs. Brantford Power understands that the projects will remain subject to OEB approval, and we confirm that Brantford Power is no longer requesting the OEB's approval of the projects themselves at this time.

This request should be considered a replacement for the requests contained in section 11 of the Manager's Summary that accompanies Brantford Power's application.

Interrogatory:

- (a) Please confirm that the Tier 2 adjustment projects are not Z-factor projects.

Response:

Brantford Power confirms that the Tier 2 adjustment projects are not Z-factor projects.

Interrogatory:

- (b) With reference to Brantford Power's 2006 Rate Application, please indicate specifically what projects will be tracked by the proposed deferral account.

Response:

The proposed deferral account would specifically track the proposed Coronation Subdivision and Spring Gardens Subdivision voltage conversion projects as described in Schedule 3-3 to Brantford Power's 2006 EDR Application.

Interrogatory:

- (c) Are the project costs, as presented in the 2006 Rate Application still valid or have they been updated. If the forecast costs (for those specific projects that will be tracked in the proposed deferral account have changed) please provide a schedule comparing the original versus the new cost estimates and provide the reason for the change.

Response:

The project costs as presented in the 2006 Rate Application are still valid and have not been revised.

Interrogatory:

- (d) Please confirm VECC's understanding that the proposed deferral account is to track on a project specific basis the difference in revenue requirement between the following two scenarios; 1) revenue requirement if the planned capital project(s) for 2007 had been included in 2007 rates (i.e. on a forward test year basis), and 2) revenue requirement if the planned capital project(s) for 2007 are not included in 2007 rates (i.e. on a IRM basis). If this is not the case, please explain more fully and precisely what costs Brantford Power would track in the proposed deferral account.

Response:

Brantford Power confirms that the proposed deferral account is to track on a project specific basis revenue requirement if the planned capital project(s) for 2007 are not included in 2007 rates (i.e. on a IRM basis).

Interrogatory:

- (e) Based on the current cost forecasts and planned timing of the project(s), please provide the expected deferral account balance at December 31, 2007.

Response:

Based on the current cost forecasts and planned timing of the projects, the expected deferral account balance at December 31, 2007 is estimated to be between \$45,000 and \$60,000.

Interrogatory:

- (f) Please explain why these capital projects are different from other capital spending projects planned by Brantford Power in 2007 such that they require a cost tracking via a deferral account.

Response:

The Coronation Subdivision and Spring Gardens Subdivision were proposed as Tier 2 capital projects relating to the refurbishment and upgrading of existing distribution assets in Brantford Power's 2006 EDR application. Brantford Power specifically identified these projects in its 2006 Electricity Distribution Rate application as having been deferred from 2001 to constrain spending because of Brantford Power's 1999 loss position.

In its 2006 Electricity Distribution Rate application [RP-2005-0020 / EB-2005-0342], Brantford Power Inc. having begun the 1999 RUD process with negative returns in the amount of (\$937,730.00), requested approval of a Tier 2 Adjustment to rate base in the amount of \$2,977,540.00. The circumstances of that Tier 2 adjustment request were as follows:

In 1993, the Applicant's predecessor entity, the Public Utilities Commission of the City of Brantford [subsequently the Hydro-Electric Commission] initiated a 10-year plan to be completed in 2003, to convert the existing outdated 4 kV systems to more efficient 27 kV systems. The conversion projects were undertaken with the goals of improving reliability, reducing system losses and overall, increasing customer satisfaction. Additionally, as part of the conversion program, distribution stations were decommissioned improving operational efficiency and reducing ongoing maintenance costs and reducing potential environmental impacts from PCB contamination.

Because of the constraints on cash that the Applicant's 1999 loss position presented, the Applicant reduced its 2001 capital program by \$2,333,410.00 from 2000 and postponed its 10-year conversion program, which included those conversion projects proposed for the Tier 2 rate base adjustment. The 2001 capital budget decrease is directly attributable to the Applicant's 1999 loss position and the Applicant's endeavours to prudently manage its constrained cash flow.

The proposed Tier 2 rate base adjustment of \$2,977,540.00 comprised the following three voltage conversion projects:

- Mayfair Gardens Subdivision completed from June 2006 to May 2007 at an estimated cost of \$1,404,500.00 and amortization of \$56,180.00
- Coronation Subdivision to be completed from January to December 2007 at an estimated cost of \$1,133,670.00 and amortization of \$45,346.80; and
- Spring Gardens Subdivision to be completed from January to December 2007 at an estimated cost of \$439,370.00 and amortization of \$17,574.80.

In its Decision and Order dated April 12, 2006 and Revised April 21, 2006, the Ontario Energy Board held that:

Brantford Power meets the Handbook's eligibility requirements for a Tier 2 adjustment. The Board is satisfied that Brantford Power's Tier 2 capital spending plan is adequately documented and justified. Therefore, the Board approves the Tier 2 adjustment for 2006, and will adjust 2006 rate base by the proposed 2006 investment amount of \$1,404,500, subject to the ½ year rule applied in accordance with the Handbook. The Applicant should not take this finding as direction regarding the acceptability of post 2006 projects or costs. In this Decision, the Board makes no determination as to whether the post 2006 expenditures are approved for ratemaking purposes without review.

The Board notes that in accordance with the Handbook, Tier 2 adjustments are subject to monitoring requirements. Therefore, the Board expects the filing of quarterly reports by Brantford Power during the period of the approved expenditures, confirming that they have taken place as stated in the Applicant's filing, or if not, providing an explanation for the variance and Brantford Power's revised plans. [pages 5 to 6]

Work on the approved 2006 Mayfair Gardens Subdivision proceeded in May 2006 and in keeping with the monitoring requirements, Brantford Power Inc. has filed three quarterly monitoring reports with the Board Secretary in August 2006, November 2006 and February 2007.

In this application, Brantford Power Inc. is seeking approval of a deferral account to track all revenue and cost impacts that would typically result from including the Tier 2, Phase 2 assets in rate base, the return, depreciation expense and financing costs associated with the second (2007) phase of the Tier 2 adjustment projects.

Other 2007 capital construction projects pertain to nondiscretionary builds to accommodate new development within the Brantford Power distribution service area. The proposed Tier 2 projects, which would be subject to tracking via the deferral account, are in addition to those nondiscretionary projects and are voltage conversion projects to upgrade existing assets to current system standards.