**Board Staff Supplemental Interrogatories**
**2013 Electricity Distribution Cost of Service Application**
**Brantford Power Inc.**
**EB-2012-0109**
**December 16, 2013**

## Exhibit 1 – General

### 1-Staff-42

Updated Revenue Requirement Work Form

Upon completing responses to all supplemental interrogatories from Board staff and intervenors, please provide an update to the RRWF as originally filed with all corrections or adjustments that the applicant wishes to make in the middle column. Please include in this middle column all changes arising from both the original and supplemental interrogatories. Please provide documentation of all corrections and adjustments to the RRWF as originally filed, such as a reference to an interrogatory response or any explanatory note.

## Exhibit 4 – Operating Costs

### 4.0-Staff-43

**Ref: 4.0-VECC-20**
**Ref: 4.0 SEC-12**

Interrogatory 4.0-VECC-20 asks BPI to provide an update to OM&A spending to reflect 2013 actual data to the end of the third quarter and the forecast remaining budget for 2013. BPI's response refers to 4.0-SEC-12, which does not include the forecast remaining budget for 2013 with the third quarter actual data.

a) Please provide a full response to 4.0 VECC-20, which includes actual OM&A spending to the end of the third quarter, together with the forecast remaining 2013 budget.

### 4.0-Staff-44

**Ref: 4.0-VECC-26**

In its response to part a) of 4.0-VECC-26, BPI states:

> The incremental ongoing cost between 2013 and 2008 is $169,376. In addition to this, another incremental cost is the cost of 1 full-time equivalent employee at a cost of $90,200 (not included in the $169,376 for meter

reading and billing expenses). The total incremental ongoing cost is $259,576.

a) What is the function of this employee, and why are the costs incremental to the smart meter reading and billing costs shown in the table in 4.0-VECC-26?

## Exhibit 5 – Cost of Capital

### 5.0-Staff-45

**Ref: Exhibit 5, Tab 1, Schedule 1, Table 5.1 (Appendix 2-OB for 2013)**
**Ref: 1.0-Energy Probe-5/Attachment C (2012 Audited Financial Statements)**
**Ref: 5.0-SEC-18 RBC Loan Agreement**

In Attachment C to the responses to interrogatories, BPI filed a copy of its 2012 Audited Financial Statements (the "2012 AFS"). Note 10 of the 2012 AFS documents BPI's actual debt as of December 31, 2012. Board staff observes that the long-term debt instruments documented in that note correspond with the instruments shown in Appendix 2-OB for 2013.

Note 10 of the 2012 AFS documents the general principal, terms, maturity and rate for each debt instrument, with the exception of the two RBC loans, which are documented as follows:

| | **2012**<br>**$** | 2011<br>$ |
|---|---|---|
| … | | |
| Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2018 | 3,986,899 | 4,361,278 |
| Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January 2016 | 562,093 | 683,657 |
| … | | |

The rate for the two Royal Bank [of Canada] ("RBC") notes is described as being "at prime" rather than specifying the effective rate.

a) With regard to the first RBC note referred to in Note 10 of the 2012 AFS (in the amount of $3,986,899), please identify the corresponding credit facility and initial principal amount as documented in the November 10, 2010 RBC document filed in response to 5.0-SEC-18.
b) Please confirm that BPI has proposed a rate of 4.71%, as shown in Table 5.1 (Appendix 2-OB for 2013) for the RBC note referred to in a). In the alternative, please correct, with explanation, Board staff's interpretations in a) and b).

c) With regard to the second RBC note referred to in Note 10 of the 2012 AFS (in the amount of $562,093), please identify the corresponding credit facility and initial principal amount as documented in the November 10, 2010 RBC document filed in response to 5.0-SEC-18.
d) Please confirm that BPI has proposed a rate of 4.97%, as shown in Table 5.1 (Appendix 2-OB for 2013) for the RBC note referred to in c).

**5.0-Staff-46**

**Ref: Exhibit 5, Tab 1, Schedule 1, Table 5.1 (Appendix 2-OB for 2013)**
**Ref: 1.0-Energy Probe-5, Attachment C (2012 Audited Financial Statements)**
**Ref: *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* (EB-2009-0084), December 11, 2009**

Page 53 of the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084)*, issued December 11, 2009 (the "Cost of Capital Report") states the following:

> **The Board will primarily rely on the embedded or actual cost for existing long-term debt instruments.** The Board is of the view that electricity distribution utilities should be motivated to make rational decisions for commercial "arms-length" debt arrangements, even with shareholders or affiliates.
>
> In general, the Board is of the view that the onus is on the electricity distribution utility to forecast the amount and cost of new or renewed long-term debt. The electricity distribution utility also bears the burden of establishing the need for and prudence of the amount and cost of long-term debt, both embedded and new.
>
> Third-party debt with a fixed rate will normally be afforded the actual or forecasted rate, which is presumed to be a "market rate". However, the Board recognizes a deemed long-term debt rate continues to be required and this rate will be determined and published by the Board. **The deemed long-term debt rate will act as a proxy or ceiling for what would be considered to be a market-based rate by the Board in certain circumstances.** These circumstances include:
>
> …
>
> - For debt that has a variable rate, the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. This applies whether the debt holder is an affiliate or a third-party. **[emphasis in original]**

For each of the RBC loans referenced in 5.0-Staff-45 above:

a) Is the interest rate the same for both facilities? Please explain your response.
b) For each of the RBC loans referenced in 5.0-Staff-45 above, is the rate fixed for the term of the debt instrument (i.e., until maturity)?
c) For each of the RBC loans referenced in 5.0-Staff-45 above, if the rate is variable or renegotiated periodically, please explain the provisions for updating the rate.
d) What is the effective debt rate on the payments made by BPI towards repayment of each RBC debt instrument in 2013?
e) Please explain how the rates proposed for the two RBC loans in Table 5.1 conform with the guidelines documented on pages 53-55 of the Cost of Capital Report.

**5.0-Staff-47**

**Ref: 5.0-SEC-18**

BPI's Loan Agreement with RBC, filed in response to 5.0-SEC-18 provides for Bankers' Acceptance fees of .80% per annum for Facility #3 and Facility #4.

a) Please explain how the Bankers' Acceptance fees are incorporated into the cost of debt for the loans identified for each of Facility # 3 and Facility # 4.
b) Please identify what other transactional costs of borrowing are incorporated into the effective cost of debt for each of Facility # 3 and Facility # 4, and how these costs are reasonable for establishing a market-based rate for each debt instrument with RBC.

**Exhibit 9 – Deferral and Variance Accounts**

**9.0-Staff-48**

**Ref: 9.0-Staff-36 – Smart Meter Model**

From the time that the smart meter model was filed by BPI with its Application on July 17, 2013 and the smart meter model filed as part of the responses to interrogatories, Board staff observes that the OM&A expenses have increased from $314,199 to $459,676.

This appears to largely be due to increasing the AMCD Maintenance expenses from $42,000 to $187,477 for 2013, in cell U122 on sheet 2.

a) Please confirm this amount and provide further explanation for the increase in AMCD maintenance expenses in 2013. What is the actual (or forecasted) year-end AMCD maintenance expenses based on year-to-date results?

b) If there are any other capital or expense costs that BPI has modified on sheet 2 of the smart meter model, please identify all such changes and provide an explanation for the change.

**9.0-Staff-49**

**Ref: 9.0-Staff-40 – Stranded Meters**

Please provide the table in 9.0-Staff-40 d) in working Microsoft Excel format.

**9.0-Staff-50**

**Ref: 9.0-Staff-32**

BPI has proposed to track the actual disposition of gains or losses respecting early retirements of pooled PP&E occurring after transition to IFRS. Board staff notes that BPI's rates would include depreciation expense approved in revenue requirement that will not be incurred as a result of premature retirement of an asset.

a) Should the Board allow BPI's requested deferral account for gains and losses on premature retirements, what would be BPI's proposed regulatory treatment of the depreciation expense built into rates, but not incurred for 2013 and subsequent years throughout the IRM periods?