

**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 SCHOOL
ENERGY COALITION INTERROGATORIES**

**MARCH 30, 2007 – UPDATED APRIL 4, 2007 (WITH
RESPONSES TO QUESTIONS 3 AND 14)**

Interrogatory No.1:

Please provide the number of publicly-funded (i.e. public board and Catholic Board, French and English) elementary and secondary schools in each rate class in your service territory.

Response:

Table 1 summarizes the number of publicly-funded elementary and secondary schools by rate class in the Brantford Power service territory.

TABLE 1

	GS<50kW	GS>50kW	TOTAL
Public Board	21	10	31
Separate Board	5	11	16
French Language	1	0	1
Total	27	21	48

Interrogatory No.2:

Please file a copy of the 2007 rate year business plan presented to the Brantford Power Inc. Board.

Response:

This request is beyond the scope of both (a) the deferral account being requested in this Application, and (b) the projects that are not before the OEB in this Application but in respect of which the deferral account is requested. Moreover, Brantford Power is not aware of any requirement that distributors' business plans be produced in either the mechanistic 2007 IRM rate adjustment process or the forward test year applications that will follow in 2007-2009. Brantford Power does not intend to produce its 2007 business plan.

Interrogatory No.3:

Please file a copy of the company's capital budget for 2006, 2007 and 2008, and a detailed statement of actual capital spending for 2004, 2005 and 2006 by expense category.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:~~Brantford Power is assembling this information and will provide it when available, as a courtesy to the OEB and Schools:~~

Detailed statements of Brantford Power's actual capital spending for 2004, 2005 and 2006 as well as its 2007 capital budget and 2008 capital forecast are set out in Attachment 1.

With respect to Brantford Power's 2006 capital budget, Brantford Power advises that a revised capitalization policy was implemented in 2006. While the 2006 actual results reported reflect the revised capitalization policy, the 2006 budget was based on the previous policy. Because of this change in capitalization policy, the 2006 actual spending cannot be compared to the 2006 budget and, as a result, Brantford Power has not included the 2006 budget in this response.

Interrogatory No.4:

Please note that Brantford Power has divided this Interrogatory into two parts.

4(a) Justification for program or project spending.

Response:

The Coronation Subdivision and Spring Gardens Subdivision were proposed as Tier 2 capital projects to refurbish and upgrade existing distribution assets in Brantford Power's 2006 EDR application. These projects had 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, 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.

In 1993, the Brantford Power'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, Brantford Power 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 Brantford Power's 1999 loss position and Brantford Power's endeavours to prudently manage its constrained cash flow.

The 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 ordered 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 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.

- 4(b) Please describe the methodology, policy and procedures currently used in the Company's capital investment budgeting, evaluation, approval and tracking processes.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB’s approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power’s mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

Capital investment criteria:

Proposed annual investments are classified and prioritized according to the following criteria:

- (a) Replacement of capital equipment that has failed [essential; nondiscretionary];
- (b) New customer builds required to support new development [essential; nondiscretionary];
- (c) Relocations of plant as required by municipal and other local construction projects [essential; nondiscretionary];
- (d) Rebuilds and vehicle replacements [discretionary; priority]; and

(e) Automation projects [e.g. upgrades to SCADA] [discretionary, non-priority].

With respect to vehicle replacement, BPI assesses all vehicle replacement on a case-by-case basis to determine the useful life of the vehicle while maintaining acceptable safety standards with a minimum target to replace light vehicles after 7 years and heavy vehicles after 10 years.

Interrogatory No.5:

Please file a complete copy of the business case evaluation studies related to the proposed capital projects, including:

- project description,
- benefits and costs elements (both one-time and ongoing),
- the discount rate used in the discounted cash flow analysis,
- detailed cost/benefit analysis based on discounted cash flow methodology,
- results of any economic studies (NPV, break-even years, PI, sensitivity analysis results),
- determination of demand and other underlying assumptions used in the analysis, and
- identified risks associated with the capital investment.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

The proposed Tier 2 projects were included in a 10-year voltage conversion program established by Brantford Power's predecessor entity, the Public Utilities Commission of the City of Brantford, starting in 1993. To constrain spending in light of its 1999 loss position, Brantford Power Inc. suspended this voltage conversion program. The proposed projects were part of Brantford Power's requested Tier 2 adjustment in its 2006 distribution rate application.

The business case evaluation studies requested reflect the evaluation criteria set out in the Ontario Energy Board's "Filing Requirements for Transmission and Distribution Applications" dated November 14, 2006 [EB-2006-0170] setting out the filing requirements for electricity distributors' cost of service rate applications, based on a forward test year. As these evaluation criteria were not in place at the time that the predecessor company established its voltage conversion plan or at the time that Brantford Power filed its request for a Tier 2 adjustment in its 2006 rate application, the requested studies were not undertaken and are not available.

Interrogatory No.6:

Assuming that the Board constrains the Applicant's capital budget in rate year 2007 by \$1.6 million, what area of its capital budget would the Applicant eliminate or postpone in reaction to the spending restrictions?

Response:

Brantford Power's 2007 rate application is based on the OEB's approved revenue requirement adjusted by the price escalator and X-factor as required by the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors; that is, BPI's 2007 rate application does not seek recovery of \$1.6 million in capital spending. As noted on numerous occasions, Brantford Power does not seek the recovery of any monies on account of the Coronation and Spring Gardens projects in this Application.

Interrogatory No.7:

Reference: 2007 Rate Adjustment Management's Summary (January 26, 2007)

Total costs of the second phase of a group of projects amount to \$1,573,040. Cost of the referenced Coronation Subdivision project is estimated to be \$1,133,670. Cost of the referenced Spring Gardens Subdivision project is estimated to be \$39,370. Please advise of other proposed capital projects whose costs haven't been identified in the Management's Summary.

Response:

The cost projections for the Coronation and Spring Gardens subdivisions are as follows:

Coronation Subdivision	\$1,133,670.00
Spring Gardens Subdivision	<u>\$ 439,370.00</u>
Total	\$1,573,040.00

The amount of \$39,370.00 for Spring Gardens Subdivision is a typographical error in the Manager's Summary. That cost should read \$439,370.00.

Interrogatory No.8:

Please advise whether the projects will utilize the company's existing resources or will outsourcing or contracting be used?

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

Engineering and design work will utilize in-house resources with some outsourcing. As is BPI's standard operating practice, the construction phase of the project will be outsourced. In-house resources will undertake project inspection activities.

Interrogatory No.9:

With respect to the Mayfair voltage conversion project, the Applicant has stated in the summary that it had received customer complaints regarding system reliability that were greater than typical in areas that have been converted to more efficient assets.

Please explain how the other two proposed voltage conversion projects (with a total cost of \$1.6 million) would address the company's integrated set of asset replacement and expansion needs to meet its objectives of: public safety; maintenance of transmission and distribution reliability at targeted performance levels; meeting system growth requirements; and compliance with regulatory and environment requirements.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

The assets associated with the Spring Gardens subdivision were placed into service between 1967 and 1973 and have been in service for a minimum of 34 years. Those assets associated with the Coronation Subdivision project were placed into service from 1966 to 1973 and have been in use for a minimum of 34 years.

The two proposed voltage conversion projects address Brantford Power's asset replacement needs as follows:

Objective: Public Safety

In both Coronation and Spring Gardens Subdivisions, the assets were installed underground in customers' backyards and, as backyard installations, do not conform to Brantford Power's current construction standards to install assets at the front of properties on the public right-of-way. As backyard installations, there is a potential public safety hazard resulting from customer digs or excavations in their backyards. As well, the backyard location hinders ready access to those assets for repair with the result that it takes longer to restore power following outages.

Objective: Maintenance of Transmission and Distribution Reliability at Targeted Performance Levels

Transmission reliability is not applicable.

With respect to distribution reliability, Brantford Power notes that it does not track SAIDI, SAIFI and CAIDI reliability statistics by area within its service territory. However, Brantford Power notes that new assets would be more reliable than the current outdated assets and that the upgrade of assets to 27.6 kV voltage levels would be more efficient and reliable than existing voltage levels.

By relocating the assets to the front of properties, the assets are more easily and quickly accessed in the event of a failure resulting in shorter restoration time and lower repair costs.

As part of the conversion project, existing indoor meters would be moved outside improving access to meters and reducing costs to perform such routine functions as meter reading, meter changes, disconnects, reconnects and restoring power.

Objective: Meeting System Growth Requirements

The proposed projects are voltage conversion refurbishments of existing plant. Meeting system growth requirements is not a factor pertaining to these projects.

Objective: Compliance with Regulatory and Environment Requirements

The existing transformers, insulated with mineral oil, are at a minimum 34 years old. Given the age of the transformers, they are more susceptible to leakages as the metal corrodes. Upgrading the transformers would reduce potential environmental hazards from leakages.

Interrogatory No.10:

Please indicate the current status of the two proposed voltage conversion projects. Please include details of any contractual, financing or other commitments made or received to date. For each project, please explain whether subsequent years' spending will be required to support the project. If yes, please provide details of the estimated spending level requirements.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

Engineering and design work on both Coronation and Spring Gardens Subdivision projects has been undertaken. Field work, including discussions with customers, has commenced. Inventory requiring long delivery lead times, specifically transformers, have been ordered. BPI notes that transformers would be used for other projects if these two projects do not proceed.

No other contractual or financing commitments have been made or received to date with respect to these projects.

Once assets are in service, only routine maintenance expenditures would be required. As upgraded assets will be new and more accessible, OM&A costs will be lower than OM&A of existing assets servicing the area.

Interrogatory No. 11

Please provide implications of not proceeding with investment. Please advise whether IESO needed to be involved to provide any assessment. If yes, please file a copy of any IESO assessment or report.

Response:

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB's approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power's mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

Implications of not proceeding with Investment:

As noted in the response to Question 9 above, the assets associated with the Spring Gardens subdivision were placed into service between 1967 and 1973 and have been in service for a minimum of 34 years. Those assets associated with the Coronation Subdivision project were placed into service from 1966 to 1973 and have been in use for a minimum of 34 years.

If Brantford Power does not proceed with this investment, then as discussed above in response to Question 9, ratepayers in these subdivisions will continue to be exposed to the potential public safety hazards from backyard excavations and potential environmental impacts from transformer leaks for at minimum one additional year. Customers will also continue to be exposed to a higher likelihood of outages due to the age of the existing system.

Because the assets associated with these projects were installed in ratepayers' backyards, they are more difficult to access for repair and maintenance. Access to some of these backyard assets requires specialized equipment such as cranes, increasing repair and maintenance costs. As compared with repair and maintenance activities on assets installed in front of ratepayers properties, it both takes more time to repair backyard assets resulting in longer outages and the repair and maintenance activities are more costly.

Reduced line losses, benefiting all ratepayers, is an outcome of voltage conversion projects. As well, the new transformers installed in these conversion projects would be appropriately sized and located, which will further reduce losses.

IESO Requirements:

BPI is not aware of any IESO requirements; as a result, there are no IESO assessments or reports available for filing

Interrogatory No.12:

Please confirm that regardless of whether or not the Board approves the spending, the Applicant will not add the cost of projects to the rate base until they are commercially in service.

Response:

Brantford Power confirms that it would not add the cost of projects to the rate base until they are commercially in service.

Interrogatory No.13:

Please provide the audited financial statements of the Applicant for each of the most recent three years.

Response:

As required under the OEB's Reporting and Record-keeping Requirements, Brantford Power's 2003, 2004 and 2005 Audited Financial Statements have been filed with the OEB as part of the public record.

As a courtesy to the OEB and Schools, copies of the requested Audited Financial Statements accompany these responses.

Interrogatory No.14:

Please provide the calculation of regulatory income (in the standard Board format), for each of the most recent three years.

Response:

~~Brantford Power is not aware of a “standard Board format” for calculations of electricity distributors’ regulatory income, but is attempting to prepare a response to this interrogatory, and will provide it as soon as it is available.~~

Updated Response (April 4, 2007):

As the OEB is aware, Brantford Power is not requesting OEB approval of these projects in its 2007 IRM rate adjustment Application. It has simply requested the OEB’s approval of a deferral account that will enable it to track revenue and cost impacts 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. Accordingly, this interrogatory is not relevant to this Application. However, in order that the Schools intervention and interrogatories not delay the processing and implementation of Brantford Power’s mechanistic 2007 distribution rate adjustment, Brantford Power is providing the following response as a courtesy to the OEB and Schools:

Brantford Power is not aware of any requirement for the calculation of regulatory income for the 2007 IRM rate adjustment application process, and has not prepared such a calculation. Similarly, Brantford Power is not aware of a “standard Board format” for calculations of electricity distributors’ regulatory income. Brantford Power is aware that the OEB’s Minimum Filing Guidelines for Cost of Service Rate Applications, based on a Forward Test Year, which will apply to applications for rebasing to be made between 2007 and 2009, contain requirements with respect to the calculation of distributors’ net utility income, rate bases and returns on rate base, but Brantford Power has not yet performed those calculations, nor would it be able to do so with reasonable effort in the time permitted for interrogatory responses in this proceeding.

At this time, Brantford Power is able to provide the following net income amounts for the most recent three years for which information is available:

2003 \$ 535,061.00

2004 \$ 401,552.00

2005 \$1,387,701.00