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June 17, 2008

Delivered by Courier and E-mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: OEB File No. EB-2007-0698
Brantford Power Inc. Application to the Ontario Energy Board for
Electricity Distribution Rates and Charges as of May 1, 2008**

We are counsel to Brantford Power Inc. ("Brantford Power") in the above-captioned matter. Please find accompanying this letter two copies of Brantford Power's Reply Submission in respect of its 2008 EDR Application, together with an electronic version of same.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Original signed by James C. Sidlofsky

James C. Sidlofsky
JCS/dp

Encls.

Copies to: G. Mychailenko, Brantford Power
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Vancouver
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IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S. O. 1998 c.15, Schedule B, as amended;

AND IN THE MATTER OF an application by Brantford
Power Inc. pursuant to section 78 of the Ontario Energy
Board Act, 1998 for an order approving just and reasonable
distribution rates and other changes for electricity
distribution to be effective May 1, 2008.

SUBMISSION OF BRANTFORD POWER INC.

FILED: JUNE 17, 2008

Applicant

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IN THE MATTER of the Ontario Energy Board Act 1998,
Schedule B to the Energy Competition Act, 1998, S.O.
1998, c. 15;

AND IN THE MATTER OF an application by Brantford
Power Inc. for an Order or Orders approving just and
reasonable rates and other services charges for the
distribution of electricity effective May 1, 2008

**REPLY SUBMISSION OF BRANTFORD POWER INC.
FILED JUNE 17, 2008**

INTRODUCTION

1. This is the reply submission of Brantford Power Inc. (referred to in this submission as “BPI” or “Applicant”) in its application for an order approving just and reasonable rates for the distribution of electricity effective May 1, 2008 (the “Application”). BPI’s submission is filed in reply to submissions filed by Ontario Energy Board Staff [“Staff”] on June 3, 2008 and the School Energy Coalition [“SEC”] on June 5, 2008.
2. In its reply submission, BPI has organized its responses following the headings and issues set out in the Staff submission, and has incorporated into that structure its reply to matters raised by SEC. Each issue raised by Staff and SEC is summarized, and BPI’s response follows.
3. BPI is the electricity distributor licensed by the Ontario Energy Board to serve the City of Brantford. BPI was incorporated under the *Business Corporations Act* (Ontario) on March 1, 2000. The sole shareholder of BPI is Brantford Energy Corporation, which in turn is wholly owned by the City of Brantford. Of BPI’s long-term debt, approximately 67 per cent is held by the City of Brantford.
4. BPI operates an electrical distribution system with a total service area of 74 square kilometers within the City of Brantford. BPI currently delivers electricity through a network of over 273 kilometers of overhead wires and 217 kilometers

- of underground wires, specifically 235 km of 3-phase line and 255 km of single-phase line through transformer stations, to approximately 48,000 customers. BPI contracts services from an affiliate, the Corporation of the City of Brantford, which employs an estimated 70 skilled employees who are dedicated to delivering a safe and reliable supply of electricity to customers.
5. BPI submitted its Application for 2008 electricity distribution rates on December 20, 2007. The Application was based on a future test year cost of service methodology. On April 29, 2008, BPI submitted its response to interrogatories from School Energy Coalition ("SEC") and on May 5, 2008 to Board Staff.
6. BPI has requested a revenue requirement of \$18,649,709, as shown in Table 1 below. Once the revenue offsets of \$1,422,329 are applied, the base revenue requirement to be recovered in new rates effective May 1, 2008 is \$17,227,380. This revenue requirement reflects a revenue deficiency for 2008 of \$1,109,528. The main contributors to this deficiency are:
- Projected increases in OM&A costs including depreciation expense for the 2008 Test Year as discussed in further detail in Exhibit 4, Tab 1 (Overview) and Tab 2, (OM&A costs). Some of the main reasons for OM&A cost increases between 2007 bridge and 2008 test year are:
 - Increase in customer service fees with resulting proportional increase in allocation of indirect costs
 - Provision of one additional FTE from service provider for various administrative, regulatory and smart metering implementation activities
 - Increase in gross assets
 - Projected increases in investments in gross assets and, as a result, rate base on which the rate of return is based as discussed further in Exhibit 2, Tab 1 (Rate Base) and Tab 2 (Gross Assets – Property, Plant and Equipment).

Some of the key reasons for increases in investments in Gross Assets and rate base between 2007 bridge and 2008 test year are:

- Increased industrial and commercial servicing work requiring more line extensions and dip poles
- Increased industrial and commercial servicing work requiring more underground cable
- Increased subdivision connections requiring more transformers

7. The calculation of BPI's proposed base revenue requirement, as set out in the Application, is shown in Table 1, below:

Table 1
Calculation of Base Revenue Requirement

OM&A Expenses	\$8,212,375
Amortization Expenses	<u>\$3,027,657</u>
Total Distribution Expenses	\$11,240,032
Regulated Return On Capital	\$5,065,842
PILs (with gross-up)	<u>\$2,343,870</u>
Service Revenue Requirement	\$18,649,709
Less: Revenue Offsets	<u>(\$1,422,329)</u>
Base Revenue Requirement	\$17,227,380

8. Through this Application, BPI sought:

- Approval to charge rates effective May 1, 2008 to recover the Revenue Requirement that would include the Revenue Deficiency arising from changes in OM&A expenses and increased investments in gross assets
- Approval of the proposed change in capital structure, decreasing BPI's deemed common equity component from 50% to 46.67% and increasing the deemed debt component from 50% to 53.33%
- Approval to continue the Deferral and Variance accounts on May 1, 2008 as set out in Exhibit 1/Tab 1/Schedule 5/page 1

- Approval to dispose of the Deferral and Variance account balances for the accounts listed in Exhibit 1/Tab 1/Schedule 5/page 3, as at April 30, 2008 over a one-year period
 - Approval to continue and expand the definition and purpose of PILs & Tax Variance (Deferred PILs) Account 1592
 - Approval of proposed Retail Transmission Rates – Network and Connection
 - Approval to continue the Specific Service Charges
9. Finally, BPI notes that it intends to complete all of its planned 2008 capital projects, and its OM&A expenditures for the 2008 rate year are expected to be as set out in the Application notwithstanding that BPI will not have a rate order effective May 1st. BPI filed the Application in 2007, for rates effective May 1st, 2008. As BPI's current rates were declared interim as of May 1, 2008, there will be a difference between the revenue collected under the existing rates and the revenue that would have been collected if the new rates were implemented May 1, 2008. BPI requests that the Board find that the new rates shall be set so as to recover the annualized revenue requirement over the remaining period of the 2008 rate year. For example, if BPI will be able to implement the new rates on July 1, 2008, the new rates should reflect the fact that there will be only 10 months to April 30, 2009. BPI acknowledges that for the 2009 rate year, adjustments will have to be made to adjust the rates so that the revenue requirement will then be recovered over 12 months.

OPERATING COSTS

OVERALL OM&A

10. In its submission (at page 4), Staff invited BPI to direct parties to evidence filed on the record that would explain the criteria used to categorize expenses in Table 2 - BPI's Cost Drivers as direct or indirect.
11. **BPI RESPONSE:** Categorization of direct and indirect expenses follows BPI's audited financial statement presentation of OM&A expenses (Exhibit 1/Tab

- 3/Schedule 1/Appendix A). Referencing the 2006 audited financial statements, direct expenses include Distribution operations – schedule 2; Billing and collecting – schedule 3; and several line items from General Administration – schedule 4, specifically Administration, CEO/CFO office, Regulatory costs, Board of Directors, Industry associations, and Communications. Indirect expenses encompass the balance of line items as per General Administration - schedule 4. Further, direct expenses are non-allocated costs that are identified with a specific operation or cost centre. In contrast, indirect expenses are overheads, not identified with a specific operation or cost centre, and are subject to reallocation to direct expenses to achieve fully allocated cost(s).
12. A full description of BPI's Capitalization Policy was made available in Exhibit 2/Tab 3/Schedule 4 and in response to Staff IR 1.1b).

SALARIES AND BENEFITS

13. Staff, in its submission, noted that the totals in Table 3 - Employee Compensation and Benefits do not match the amounts in the table entitled Total Aggregated Compensation Costs in BPI's response to SEC Interrogatory 17.b [Page 5]. Noting the same concern in its submission, SEC also noted that total compensation costs for executives in the disaggregated tables in the response to the same interrogatory was zero but \$211,887.84 in the Total Aggregated Compensation Costs table. [Page 1, Sections 2 and 3]
14. **BPI RESPONSE:** The information provided in the tables (SEC IR 17b) was correct, however the Total Aggregated Compensation Costs table was not updated to reflect final totals. The Total Aggregated Compensation Costs table should reflect the totals calculated by Staff.
15. BPI also notes that in the disaggregated compensation costs table, no compensation information was shown under the Executives heading because there are fewer than 3 persons in the Executive class. Information relating to BPI's executive was shown as part of the Management class. Nevertheless,

compensation costs for the Executive class in the amount of \$211,887.84 were disclosed in the "Total Aggregated Compensation Costs" table.

16. In its submission, Staff noted a differential between Table 3 - Employee Compensation and Benefits and Table 2 - Brantford Power's Cost Drivers [Page 5] and invited BPI to provide explanation and/or clarifications reconciling the difference between the \$523,000 increase in Table 2 and the \$702,453 difference in Table 3.
17. **BPI RESPONSE:** As set out in Exhibit 4/Tab 2/Schedule 6 of the Application, BPI obtains all services other than its Chief Executive Officer, who is a direct report of the BPI Board of Directors, from the Corporation of the City of Brantford. The related costs incurred through shared and purchased services comprise service fees. As such, compensation costs including salaries, benefits, overtime and incentives, which are elements of those service fees have not been specifically tracked by BPI. The information regarding compensation costs provided in response to Staff IR 1.11 and SEC IR 17b) was compiled specifically in response to those interrogatories and as noted in the responses, are estimates of compensation costs based on historical data reconstructed in order to respond to the interrogatories. Some variation between results reported in Tables 2 and 3 in the Staff submissions results from this estimation process.
18. A portion or percentage of gross salaries and benefits shown in Table 3 (equal to \$149,000) is allocated to capital and billable projects. The resulting net impact on OM&A is the \$523,000 variance presented in Table 2. This would bring the total gross salaries and wages to \$672,000.
19. However, this variance of \$523,000 did not include salaries and benefits for the CEO. Gross salaries and benefits actually increased by \$703,000 from 2006 to 2008 because a \$31,000 variance was not included for the CEO.

20. In summary, the variance of \$179,453 between the increase of \$523,000 reported in Table 2 and the \$702,453 set out in Table 3 is the result of the following factors:

Compensation costs allocated to capital and billable projects	\$149,000
Addition of CEO compensation costs	<u>\$31,000</u>
Total	\$180,000

As noted above, some variation between results reported in Tables 2 and 3 in the Staff submissions results from this estimation process.

21. In its submission, Staff notes the significant differential between the 2006 Board approved amount of compensation costs and the 2006 actual level and, while noting that the difference between these two is not the focus of this proceeding, requests that BPI direct Staff to justifications and/or clarifications, if any to provide an explanation of this increase, where that increase is part of the justification for the expenses sought for 2008. [Page 7]
22. **BPI RESPONSE:** As discussed above in Paragraph 17, BPI's costs incurred through shared and purchased services comprise service fees. As such, compensation costs set out in Table 3 including salaries, benefits, overtime and incentives, which are elements of those service fees, have not been specifically tracked by BPI. Compensation data provided in response to the interrogatories was estimated and based on a reconstruction of historical data. In the Application, BPI provided a variance analysis of variances in OM&A costs, which include such service fees, between 2006 Board-approved and 2006 Actual based on a materiality threshold of \$90,906.63 (see Exhibit 4 Tab 2 Schedule 3, Pages 1 to 9). Further, in response to Staff Interrogatories, BPI provided a more detailed analysis, based on a materiality threshold of \$22,480, of the factors driving cost increases between 2006 Actual and the 2008 Test Year [OEB Staff Interrogatory 1.4a]. In response to SEC Interrogatory 15, BPI provided a similarly detailed variance analysis of all USoA Accounts from 2006 Actuals to 2007 Bridge and 2007 Bridge and 2008 Test where the variance was greater than 5

per cent. In some cases in the SEC analysis, the variances to be explained were less than \$1,000.

23. BPI accepts Staff's statement that the variance in compensation costs between 2006 Board-approved and 2006 Actual are not the focus of this proceeding, and as a result, has identified the general factors driving variances in compensation costs. BPI advises that the factors driving service fee increases related to the compensation components of those fees include:

- annual economic adjustments and grid movements for 2005 and 2006;:
- outcomes of the salary re-evaluations for management and non-union staff which were implemented as at January 1, 2006; and
- increases in staff complement.

The responses to Staff Interrogatories (Staff IR 1.11) and SEC Interrogatories (SEC IR 17a) provide further explanation and justification for the variances.

PURCHASE OF SERVICES

24. In its submission, Staff invited BPI to direct parties to material on the record that would clarify purchase of services costs sought by BPI either from a comprehensive budgeting process or from a competitive bidding process. [Page 8]
25. **BPI RESPONSE:** As set out in Clause 3a of the Services Agreement filed in response to SEC Interrogatory 1a, the parties to the agreement, which includes BPI, undertake a review of the Schedules in the agreement under which the City of Brantford charges BPI for services purchased from the affiliate to ensure that the schedules are accurate. Such review is undertaken annually as part of BPI's budget process using the budgeting parameters described in Exhibit 1/Tab 2/Schedule 2 to the Application. In that exhibit, BPI described its annual budgeting process as follows:

BPI compiles budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budget forecast. This budget information is compiled for both the 2007 Bridge and 2008 Test Years.

Revenue Forecast

The energy sales and revenue forecast model was updated to reflect more recent information. This model was then used to prepare the revenues sales and throughput volume and revenue forecast at existing rates for fiscal 2007 and 2008. The forecast is weather normalized as outlined in Exhibit 3, Tab 2, Schedule 1 and considers such factors as new customer additions and load profiles for all classes of customers.

Operating Maintenance and Administration [OM&A] Expense Forecast

The OM&A expenses for the 2007 bridge year and the 2008 test year have been based on an in-depth review of operating priorities and requirements and is strongly influenced by prior year experience. All unavoidable increases and unmet needs from the prior budget period are identified and reviewed in detail. Each item is reviewed account by account for each of the forecast years with indirect costs allocated to direct costs for budget presentation.

Capital Budget

The capital budget forecast is prepared over a 5-year period and is influenced, among other factors, by BPI's capacity to finance capital projects. Indirect costs are allocated to direct costs in the capital budget. All proposed capital projects are assessed within the framework of its capital budget priority-setting criteria. Those criteria are discussed in greater detail in Exhibit 2 Tab 3 Schedule 1 (Capital Budget by Project).

BPI advises that Section 3a of the Services Agreement provides for a process to resolve any disagreements that may arise through this annual budget review process and refers the Board to the Dispute Resolution Process set out in Section 5 of the Services Agreement.

26. Further, BPI notes that as discussed in Exhibit 4/Tab 2/Schedule 4/Page 1, it is undertaking a review of transfer pricing methodologies and intra-company cost allocations. The purpose of the Transfer Pricing Study, which includes both the Purchase of Services and Shared Services, is discussed in greater detail in response to Staff IR 1.6. As noted there, the purpose is:

To ensure that transfer pricing mechanisms comply with the requirements of the OEB's Affiliate Relationships Code for Transmitters and Generators and specifically Section 2.3 regarding transfer pricing.

The scope of the study comprises the following elements:

- 1. To identify cost-effective mechanisms to measure units of services delivered by the service provider against the levels of service defined in the services agreement*
- 2. To identify available sources of information to track delivery of services by units of service delivered and related costs or, where such information sources are not readily available, to identify cost-effective methods for tracking service delivery and related costs*
- 3. To review mechanisms for allocating costs among the Energy Group of Companies to ensure that there is no cross-subsidization among the group of companies.*

Preliminary planning work on the Transfer Pricing Study was undertaken in the second quarter of 2007 but suspended pending preparation of the 2008 Rate Application. It is anticipated that this review will recommence in June 2008 and be completed by July 2009. While most work will be completed by the end of 2008, preliminary work undertaken in 2007 indicated that some services functions are cyclical in nature and will require data collection over a one-year period. Customer Services and Financial Services are examples of service activities that experience a one-year business cycle.

27. In their submission, Staff invite BPI to clarify to why certain services received from the City of Brantford are viewed as purchased services, while others are viewed as shared services. [Page 8]
28. **BPI RESPONSE:** As discussed in Exhibit 4/Tab 2/Schedule 4 of the Application, those services categorized as "Shared Services" are those services received from the City of Brantford which the affiliate also provides to its internal municipal departments and other municipally-owned entities in Brantford's Energy group of companies. The specific services categorized as "Shared Services" are described in Exhibit 4 Tab 2 Schedule 4. Purchased services, on the other hand, are those services purchased from the City of Brantford where BPI is the only recipient of those services. As discussed in Exhibit 4/Tab 2/Schedule 5/ Page 3 of the Application, such purchased services include operations and

maintenance, electricity engineering, metering and settlement, regulatory and administrative services.

29. In its submission, SEC submits that \$132,000 budgeted for operations and maintenance work deferred from previous years due to BPI's cost containment activities given the utility's financial position at the time should be removed from the OM&A budget as ratepayers in 2008 should not have to pay for work that should have been done in previous years. [Page 3. Section 8]
30. **BPI RESPONSE:** BPI submits that while the maintenance work was deferred from a prior period, BPI will incur costs in 2008 when the work is performed. Further, there is no evidence to suggest that the maintenance work is not required. As a result, BPI submits that it is appropriate to include cost in rates at the time that they were actually incurred.

SHARED SERVICES

31. In their submission regarding Shared Services costs, Staff invite BPI to direct parties to material on the record justifying such costs with specific reference to whether the estimates were based on comprehensive (i.e. zero based) budgeting, or competitive bids.[Page 8]
32. **BPI RESPONSE:** Noting the previous discussion regarding BPI's budgeting process in response to Staff's similar comments regarding the purchase of services (paragraphs 25 and 26 above), BPI advises that shared services costs are also subject to a detailed review of unavoidable increases and unmet needs described in Exhibit 1/Tab 2/Schedule 2. As well, as indicated previously, the Transfer Pricing Study described in Paragraph 26 will also include an examination of shared services costs.
33. Staff, in their submission, note that increases proposed in I.T. and Property Management costs are significant and invites BPI to direct parties to material on the record that would provide justification for this level of increase. [Page 9]

34. **BPI RESPONSE:** At Exhibit 4/Tab 2/Schedule 4/Page 4 of the application, BPI provided a description of I.T. Services purchased as a shared service from the City of Brantford. I.T. Services include:

- Network Services: the provision and maintenance of standard information systems such as word processing, spreadsheets and e-mail services as well as network services and support, and
- Energy Specific Services: provision of systems, software, maintenance and support required for utility specific operating activities; provision of a customer Information System is an example of an “energy specific” system

35. As shared services costs, I.T. costs are subject to the detailed review of unavoidable increases and unmet needs described previously in this submission.

36. In BPI’s response to SEC IR 16b, BPI provided further explanation of principal drivers of the cost increase related to I.T. services, which include:

- New Project Coordinator position budgeted for 2008 in the amount of \$91,345.00; the person assuming this proposed position will be the project coordinator for special utility projects including software upgrades such as GIS, new projects such as asset management, and systems integration projects.
- Data and system integration projects to interface multi-functional IT systems estimated at \$13,000.
- Custom Programming. BPI typically budgets \$100,000 for custom programming to its Daffron Customer Information System that is required by changes in the electricity market or regulatory environment. Such custom programming costs are trued-up annually from the budgeted amount to reflect actual costs. In 2006, BPI budgeted \$100,000 for custom programming but there were no actual custom programming related costs and actual costs were trued up accordingly. In the 2008 Test Year budget, the amount for custom programming was reduced from \$100,000.00 to \$60,000.00. Because this provision of \$100,000.00 was not spent in 2006, the \$60,000.00 comprises an increase from 2006 Actual to 2008 Test. As BPI plans to implement its Smart Metering Program in 2009 with planning and development work being undertaken in 2008, this budget for custom programming that may be required to support smart meters is seen as prudent.

- Increases to salary and benefits costs as a result of annual economic adjustments and grid movements through wage and salary ranges; the estimated value of these components of service fee increases is \$23,000. As well, 2006 staffing costs were lower than typical because staffing levels were not at full staff complement due to staff turnover.
 - Finally, annual costs for hardware, software and maintenance support differ year-over-year with the value of the increase estimated at \$33,000. For example, while hardware (personal computers and laptops) costs have decreased in 2008 over 2007, those costs increased in 2007 over 2006. In 2008, software support costs for Systrend software were reduced by \$20,120.00 because software support was paid in advance in 2007 for the period of 2007 to 2010, enabling BPI to take advantage of a discounted rate.
37. With respect to Property Management, in Exhibit 4/Tab 2/Schedule 4/Page 3 of the Application, BPI provided a description of Property Management services obtained from the City of Brantford as a shared service. Property Management services involve the provision and maintenance of physical facilities at 84 Market Street (Administration) and 400 Grand River Avenue (Service Centre and Vehicle Garage) as well as facilities for Customer Services, which is a division of the Finance Department, and other administrative activities at 220 Colborne Street and 100 Wellington Square.
38. In its response to SEC IR 16b), BPI provided further explanation of principal drivers of the cost increase related to Property Management services including:
- From 2006-2007, increased Property Management charges are a result of moving the Finance department to another building to meet additional space requirements. The move to the new location at 1 Market Street increased costs by \$163,153 due to space being occupied by Finance and the Human Resources department;
 - From 2007-2008, Property Management charges for occupying space in the new location for the Finance department and Human Resources increased by \$178,809 but costs reduced in areas where building space was vacated by \$51,697. The net increase from 2007 to 2008 was \$127,111.

FLEET

39. Staff notes in its submission that there appear to be inconsistencies in information provided in BPI's evidence related to Fleet costs. The following table is from page 10 of Staff submissions.

Year	2004	2005	2006	2007	2008
Actual/Bridge	386	484	554	520	520

40. Staff notes that the numbers provided above show fleet costs decreasing by \$34,000 in the 2006 to 2008 period rather than increasing by \$93,000 as shown in the cost driver table in Staff IR 1.2b). Staff invites BPI to provide clarification of this discrepancy in its reply submission. [Pages 9 to 10]
41. **BPI RESPONSE:** BPI confirms, as the amount of \$93,000 was a typographical error, and that the \$34,000 decrease is the correct amount.

REGULATORY COSTS

42. Staff, in its submission, requested clarification of data presented in its response to Staff IR 1.13, regarding Regulatory costs. [Page 11] SEC, in its submission identifies the same matter. [Page 4-5, Section 18]
43. **BPI RESPONSE:** BPI confirms that the correct amount for the proposed recovery of external regulatory costs is \$115,000 as set out in the table in response to Staff IR 1.13.
44. Further, Staff requested that BPI provide the total amount of costs that BPI has incurred related to its 2008 rate application and a breakdown of such costs between 2007 and 2008. [Page 11]
45. **BPI RESPONSE:** Service fee costs of \$274,093 (2008 budget) comprise the ongoing and fixed staffing costs of BPI's regulatory function that is responsible for all regulatory activities including preparation of rate applications. As such,

costs pertaining to preparation of the 2008 rate Application are not separately tracked from other regulatory activities and projects.

46. As at December 31, 2007, costs for external professional and contracted services related to this 2008 rate Application, which include costs related to preparation and filing of the Application, were \$96,073.71. All costs incurred in 2007 for the Application were paid for in that year.
47. To the end of May 2008, costs incurred in 2008 relating to the 2008 Rate Application were \$68,434.53, which includes costs pertaining to interrogatory and submission processes. BPI notes that there will be further costs incurred in 2008 estimated at \$26,000.00 for a total of \$94,434.53 in 2008. Costs for contracted and professional services incurred in 2008 for the 2008 rate Application have been included in the 2008 Test Year budget of \$115,000 for such external services and will be paid in 2008.
48. Costs incurred to date for external services used in the 2008 rate application process are \$164,508.24 with an estimated final cost of \$190,508.24.
49. Staff requested clarification regarding the regulatory expenses stated in Exhibit 4 Tab 2 Schedule 1 Page 1 for Account 5655 indicating a 2006 actual amount of \$88,064 and a 2008 Test Year amount of \$215,000. Further, Staff sought confirmation that the total regulatory cost recovery contained in the original application is the same as that proposed in the interrogatory response. [Page 12]
50. **BPI RESPONSE:** With respect to USoA account 5655, the \$88,064 in 2006 Actual consists of the following: \$16,969 for contracted and professional services engaged in connection with regulatory cases before the OEB as well as projects undertaken to support such cases and fulfill other regulatory requirements; \$70,470 for OEB fees; and miscellaneous costs of \$626. As noted in the Application, 2006 was an anomalous year in that no major regulatory projects requiring external resources were completed in 2006 (see Exhibit 4/Tab 2/Schedule 3/page 10 of 11; SEC IR 12; and OEB Staff IR 1.13).

51. For the 2008 Test Year, the \$215,000 booked to USoA account 5655 similarly comprises the budgeted amounts of \$115,000 for contracted and professional services and OEB fees.
52. With respect to additional information filed in response to Staff IR 1.13 a) and b), BPI advises that ongoing operating expenses associated with internal staff resources allocated to regulatory matters are booked to USoA accounts 5610, which includes other management salaries and expenses; operating costs associated with other resources allocated to regulatory matters are booked to 5615, which includes other general administrative salaries and expenses; a proposed new regulatory staff position for budget purposes only is booked to USoA account 5630; and other regulatory agency fees or assessment for Electrical Safety Association [ESA] fees are booked to USoA Account 5680.
53. Staff requested clarification as to whether or not BPI is proposing to incorporate recovery of one-third of the costs of the 2008 cost of service rate application into its proposed 2008 revenue requirement so that BPI will not over-recover these costs during this three year period. [Page 12] SEC similarly suggested that BPI's 2008 rate application costs be amortized over a three-year period. [Pages 4 and 5, Section 18]
54. **BPI RESPONSE:** To provide greater clarity regarding recovery of the costs of BPI's 2008 cost of service rate Application, BPI is not proposing to incorporate the recovery of only one-third of external contracted and professional services costs related to this Application into its proposed 2008 revenue requirement. BPI has included in its 2008 revenue requirement the full estimated cost of \$115,000.00, as it expects that the costs for external contracted and professional services incurred in respect of this Application will be replaced by similar costs related to regulatory activities during the term of 3rd Generation IRM, as discussed in greater detail in response to SEC IR 12 and Staff IR 1.13. These costs include, among others, IRM rate applications, the transfer pricing study previously described, a smart meter rate rider application, cost allocation study

improvements, code compliance reviews and other work preparatory to BPI's next rate rebasing application. Please see paragraphs 46 and 47 above, in which BPI explains that only those external contracted and professional services costs related to this Application that are being incurred in 2008 are included in this Application. This Application does not seek to recover BPI's 2007 costs in this regard.

AFFILIATE TRANSACTIONS

55. At paragraph 12 of its submission, SEC quotes from paragraph 4(a) of the Services Agreement between the Corporation of the City of Brantford and BPI. Pursuant to the Agreement, the combination of the City's direct and indirect costs of providing the services covered in the Agreement, plus 10% of those costs, represent the remuneration payable to the City pursuant to the Services Agreement, and the parties agreed that such remuneration represents the fair market value for those services as of the date of the Agreement.
56. Counsel to SEC expresses concern at BPI's reference to the mark-up as an approximation for "market conditions" in BPI's response to Board Staff Question 11.1. BPI submits that the reference to market conditions in its response to Board Staff Interrogatory 1.11 is entirely consistent with the approach taken in the Services Agreement – that is, that the costs of certain services provided by the City to Brantford are augmented by the mark-up so that the total remuneration, including the mark-up, represents the fair market value for those services.
57. BPI acknowledges that the costs for services defined as "Shared Services" and described in Exhibit 4/Tab 2/Schedule 4 of the Application, and the costs for services purchased from the City and included in the "Purchase of Services" discussion at Exhibit 4/Tab 2/Schedule 5 of the Application include the 10 per cent mark-up as provided in the Services Agreement, so that the total cost, inclusive of the mark-up, approximates market conditions. BPI provided evidence of the City of Brantford's costs of providing services to BPI in the Application. The 2008 costs for shared services, in the amount of \$4,704,392.40

- [Exhibit 4/Tab 2/Schedule 4/Page 7, Table 4.2.4-2], and the 2008 costs for purchased services in the amount of \$2,898,781.00 [Exhibit 4/Tab 2/Schedule 5/Page 3, "Corporation of the City of Brantford"] result in a total amount of \$7,603,173.40, reflecting net costs of \$6,911,975 and the mark-up of \$691,198, to reflect fair market value.
58. BPI wishes to emphasize that, as set out in Exhibit 1/Tab 2/Schedule 1 to the Application, based on information in the OEB's Comparison of Ontario's Electricity Distributors Costs (EB-2006-0268) as updated with 2006 Data issued on September 7, 2007, BPI's OM&A costs per customer compare favourably with its "GTA Towns LDC" cohort. In 2006, the average OM&A cost per customer for the cohort was \$191.00 while BPI's cost was \$182.00. Over the 5-year average from 2002 to 2006, BPI's cost was \$188.00 while the average for the cohort group was \$193.60. Details of the calculations supporting this analysis are included in Appendix A to Exhibit 1/Tab 2/Schedule 1. BPI submits that its favourable position relative to its cohort group indicates that the service fees including the 10 per cent mark-up representing fair market value paid to the City of Brantford that comprise BPI's OM&A costs are fair and reasonable.
59. Further, BPI notes that as discussed in Exhibit 4/Tab 2/Schedule 4/Page 1, it is undertaking a review of transfer pricing methodologies and intra-company cost allocations. The purpose and scope of the Transfer Pricing Study, discussed in greater detail in response to OEB Staff Interrogatory 1.6, have been reproduced at paragraph 26 above. As discussed in BPI's response to Board Staff Question 1.6(b), preliminary planning work on the Transfer Pricing Study was undertaken in second quarter 2007 but was suspended pending preparation of the 2008 rate Application. At the time of preparation of the interrogatory responses, it was anticipated that this review would be recommenced in June 2008 and be completed by July 2009. The recommencement will be delayed slightly pending the completion of this proceeding, but BPI still expects to have most of the work on this study completed by the end of 2008. The study will carry over into 2009,

- however, because (as discussed in response to Board Staff Question 1.6) preliminary work undertaken in 2007 indicated that some services functions are cyclical in nature and will require data collection over a one-year period.
60. In paragraphs 15-17 of its submission, SEC makes reference to a number of sections of the ARC as amended May 16, 2008 – specifically, sections 2.3.3.2; 2.3.4.1; and 2.3.4.3. These sections fall within section 2.3 of the amended Code, and will not be in force until August 16th of this year. In paragraph 17 of its submission, SEC submits, in the context of the new section 2.3.4.3 of the ARC, “that in the future if BPI is seeking recovery of costs that are largely based on costs allocated from its affiliate that it be required to include detailed cost information from its affiliate to support those costs.” BPI notes that Section 12.c of its Services Agreement with the City of Brantford provides for the amendment of the agreement to the minimum extent necessary to achieve compliance with its statutory or regulatory requirements. Coupled with the Transfer Pricing Study that BPI is undertaking, and a review by BPI of the Services Agreement and service charges to ensure that they are compliant with the new ARC, BPI expects that it will be well positioned to provide the detailed cost information required in the new Section 2.3.4.3, which will confirm the reasonableness of its costs for its next cost-of-service rate rebasing application.
61. BPI’s operational structure, with services purchased from its affiliate the City of Brantford, was established in September 1998 with the amalgamation of the former Public Utilities Commission of the City of Brantford (which provided water, transit and electricity distribution service) and the City of Brantford. Pre-dating the *Energy Competition Act, 1998*, that amalgamation was the culmination of a lengthy process identifying opportunities for economies of scale and scope for the City and the Commission. The current Services Agreement between BPI and the City filed in response to SEC Interrogatory 1(a) was entered into on October 24, 2000. In recent years, the April 1999 version of the ARC has been the subject of a lengthy and extensive review and public consultation culminating

- in the amended ARC issued on May 16, 2008. In particular, the range of interpretation around the rules for market-based or cost-based pricing in the previous (April 1999) version of the ARC has resulted in the more specific requirements referenced by SEC in its submission.
62. SEC states at paragraph 9 of its submission that the City of Brantford's increases in compensation costs, unless passed on through the Services Agreement, should not be reflected in rates. With respect, BPI suggests that SEC misunderstands the nature of BPI's structure and the Services Agreement. In its Application, BPI did not disclose compensation costs because, as was explained in Exhibit 4/Tab 2/Schedule 6 of the Application, "Except for its Chief Executive Officer, who is a direct report, BPI obtains all services from the Corporation of the City of Brantford. The related costs incurred through shared services and purchased services comprise service fees" Additionally, as discussed in Exhibit 4/Tab 2/Schedule 4 (Shared Services) and Exhibit 4/Tab 2/Schedule 5 (Purchase of Services) to the Application, BPI purchases services from the City of Brantford the costs of which are passed on to BPI in accordance with its Services Agreement, in the form of service fees, which include among other costs elements, compensation costs. Section 4.a of the Services Agreement, which states that "The Wires Company shall pay remuneration to the city in accordance with the costs experienced by the city in performing the services of managing, administering and staffing the Wires company as set forth in the schedules" indicates that staffing or compensation costs and increases to those costs are passed on the BPI through the Services Agreement and as a result, should be reflected in rates. It is entirely reasonable that the fees charged by the City to BPI would include compensation of the affiliate's staff, and this is consistent with the concept of fully allocated costing in the amendments to the Code (for example, the amended Code provides for the sharing of corporate services based on fully allocated cost-based pricing).

63. Compensation costs were provided by BPI in response to interrogatories received from Board Staff and SEC and, as discussed previously in this submission, were estimates based on historical data and prepared in order to respond to those interrogatories. Additional information regarding compensation costs was provided in response to OEB Staff Interrogatory 1.11 and SEC Interrogatory 17a as explanations of the factors driving cost increases. However, while BPI provided additional information about compensation to explain the drivers underlying its costs, BPI maintains that the costs for services acquired from its affiliate comprise service fees as clearly stated in the Application. Increases in service fees are not inconsistent with the Services Agreement.

CAPITAL EXPENDITURE

RECONCILIATION OF CAPITAL EXPENDITURES

64. Staff notes that there are some discrepancies in the evidence related to BPI's total capital expenditures.
65. **BPI RESPONSE:** BPI confirms that line 3 of Table 8 of Staff submissions [Page 14] sets out the correct data (per reference Staff IR 3.3a). Total Capital Expenditures by Year are as follows:

2006 Actual	2007 Bridge	2008 Test
\$5,905,838	\$5,777,604	\$5,311,103

As this was also the data that was used to calculate BPI's rates, this correction has no impact on the rates proposed by BPI in its Application.

CAPITAL PROJECTS

66. Staff have asked BPI to comment on matters related to the proposed 2008 capital expenditures in the context of asset management, meter replacements and installations, smart meters and reliability performance.

- **ASSET MANAGEMENT**

67. Staff have invited BPI to provide comments as to whether it should develop an Asset Management Plan. [Page 17]

68. **BPI RESPONSE:** While BPI currently does not have a formal Asset Management Plan, BPI is responsible for its distribution system undertaking asset conditioning reviews as a normal business practice. Committed to improving its system and services, BPI intends to develop a formal Asset Management Plan for future capital planning.

69. In its response to Staff IR 3.4d) regarding asset management systems, BPI stated that it is assembling the necessary building blocks for such a program. Specifically, BPI notes that in its 2006, 2007 and 2008 capital programs, it included projects to complete installation work on its SCADA (Supervisory Control and Data Acquisition) system. Additionally, BPI has included a projected cost of \$220,000.00 in its 2008 capital program to replace and upgrade its AM/FM GIS system (Reference: Exhibit 2 Tab 3 Schedule 1). As discussed in response to SEC IR 16(b), BPI has budgeted for a new position, an I.T. Project Coordinator, to undertake, among other activities, the developmental and systems-related work to roll-out the new AM/FM and GIS System. Completion of the SCADA and AM/FM and GIS systems with the support of the proposed I.T. Project Coordinator, are the building blocks that BPI is putting in place to develop an asset management plan.

- **METER REPLACEMENTS AND INSTALLATIONS**

70. In its submission, Staff express concern about the level and volatility of average metering capital expenditures. Staff have invited BPI to comment on this matter. [Page 18]

71. **BPI RESPONSE:** BPI recognizes the volatility illustrated in Table 11 as presented. Further review and analysis were conducted with the following

information provided that may assist in explaining why 2006 Actual is anomalous compared to the 2007 Bridge and 2008 Test years.

- One contributing factor is the result of the change in how the capital spending was budgeted and is measured for 2007 and 2008 versus 2006. An estimated percentage allocation of total metering capital expenditures between metering and wholesale metering was applied for presentation purposes in this Application. The percentage allocation remains an estimate, which may have overstated the 2006 metering capital expenditures presented in Table 11.
- A second factor is an increase in the quantity and value of spare meters capitalized in 2006, adding approximately \$42,000 to metering capital expenditures in that year.
- A third factor is the fluctuation in the allocation of indirect costs year over year. A reduced labour component of metering capital expenditures was projected in the 2007 Bridge Year, resulting in a decreased amount of indirect costs allocated to metering capital in comparison to the other years presented. The labour component of metering capital expenditures and the resulting allocation of indirect expenses is comparable in the 2006 Actual and 2008 Test years.

72. BPI concludes that the first and second factors constitute the reason for the higher average metering capital expenditures in 2006. The third factor contributes to the variance between 2007 Bridge and 2008 Test years; otherwise, the 2007 Bridge and 2008 Test years are very comparable.
73. In its submission, Staff noted concern about the necessity and prudence of these metering costs. In particular, Staff is unsure of the necessity for replacement of all meters with expired seals. BPI was invited to provide comments on this matter. [Pages 18 to 19] SEC raised a similar concern in its submission [Page 5, Sections 20 to 21]
74. **BPI RESPONSE:** BPI maintains that it has an obligation to maintain compliance with the legal requirements of Measurement Canada. Further, BPI notes that Metering capital expenditures cover items other than residential and GS>50kW meters the seals of which have expired and which will be replaced by

smart meters before the end of 2010. Specifically, the other items included in the Metering Capital Budget pool are:

- low voltage instrument transformers, primary voltage instrument transformers, wire, meter sockets and isolation test blocks;
- meters for new customer connections; and
- non-demand type meters, which will not be replaced with a smart meter. [BPI notes that approximately 23% of the cost of meters (not the total Metering capital expenditures) is related to non-demand type meters].

75. As set out in the table below, the capital expense related to meter-related costs other than meters that will be replaced by smart meters is \$289,589 and the capital expense related to meters that will be replaced by smart meters is \$157,872.

	Number of Meters	Associated Metering Capital Expenditures
Original Submission (see Table 11) 2008 Test	3,130	\$447,461
Residential and GS < 50 kW seal expires	1,104	\$157,872
Meters for new customer connections, non-demand type meters, other meter-related equipment	2,026	\$289,589

- **SMART METERS**

76. As BPI did not request disposition of the balances in Account 1555 in its Application, BPI does not oppose Staff's and SEC's submission that as an unnamed distributor, disposition of the balances in BPI's Account 1555 as of December 31, 2006 is premature. [Staff Page 19]; [SEC Page 5, Section 19]

- **SERVICE RELIABILITY**

77. Staff have invited BPI to clarify and reconcile its reported CAIDI performance. [Page 20]

78. **BPI RESPONSE:** BPI confirms that the Staff calculations are correct. CAIDI will be calculated as the ratio of SAIDI to SAIFI in the future.
79. Staff have also invited BPI to comment on the adequacy of BPI's reliability performance and on projects planned or being undertaken to address this issue.
[Page 21]
80. **BPI RESPONSE:** BPI considers its performance to be reasonable. That said, BPI has noted the recent reversal in its long-term downward trend in its SAIDI, SAIFI, and CAIDI indices, and BPI assures the Board that it is committed to continuous improvement in its reliability indices.
81. With respect to projects planned or being undertaken to improve service reliability, BPI notes that portions of its 2008 Capital Program, essentially the parts not related to growth and connection of new customers, is designed to reduce system losses, decrease maintenance costs and improve BPI's reliability indices. For example:
- The Applewood and Brier Park Voltage Conversion Project, budgeted at \$1,267,864, (Exhibit 2, Tab 3, Schedule 1, page 31) will reduce losses and improve reliability in that area. Existing transformers are below-grade submersible type, energized at 2.4/4.16 kV. Replacement transformers are above grade and energized at 16/27.6 kV. Above ground transformers fail less often (lower SAIFI), and can be repaired faster (lower SAIDI). The higher voltage also results in lower electrical losses, which will be a direct benefit to all BPI customers. As part of this project some service entrance equipment located inside homes will be moved outdoors, reducing outage times by enabling emergency jumpers to neighboring homes in the event of an emergency. The area also includes some below grade switching and junction boxes, which will be replaced with above grade switching. Again, above grade equipment fails less and can be repaired faster.
 - Budgeted "Spot Pole Replacement" of \$82,652 reflects BPI's estimated number of failed poles, as determined by inspection and third party testing. Replacing poles that have been tested and determined to be at or beyond the end of their useful life improves system reliability. BPI has also budgeted \$172,046 for "Overhead Feeder and Secondary Rebuilds," covering replacement of old insulators, undersized and broken (spliced)

wires, and old overhead secondary mains (busses) and services with new to increase reliability.

- The 2008 Capital Program includes \$190,000 for "SCADA and Distribution Automation," designed to improve reliability by automatically switching loads from a main to an alternate supply.
- BPI is upgrading its AM/FM GIS system in 2008 at a budget of \$220,000. The new system will be a platform upon which Asset Management and Outage Management tools may be added.
- On the OM&A side, BPI has been working with Hydro One to change relay settings at two Hydro One Transformer Stations supplying BPI to decrease the number and duration of outages.

82. BPI expects that all of these initiatives, which are among the capital projects to be performed in the 2008 Test Year, will result in improvements in BPI's performance indices and will assist BPI in returning to its long-term downward trend in those values.

LOAD FORECASTING

METHODOLOGY AND MODEL

83. Staff expressed a concern that the methodology chosen utilizes only a single year of weather-normalized historical load to determine the future load. Staff invited BPI to address whether or not they should utilize multi-year weather normalization in future applications. [Page 22]
84. **BPI RESPONSE:** While BPI believes that the weather normalization methodology used in this Application is appropriate for the purposes of this Application, BPI has undertaken an internal project to investigate and track other methods to forecast load and compare them to this methodology. The use of weather normalization needs to be considered within the parameters of cost effectiveness and prudence. Subject to a more in-depth review, BPI would consider using a more sophisticated weather normalization methodology such as the one used by Toronto Hydro-Electric System Limited in their Rate Application.

As a result, BPI believes that it is premature to comment on multi-year weather normalization at this time.

WEATHER NORMALIZATION

85. Staff has invited the Applicant to confirm that Hydro One used its established method that received Board acceptance in the Distribution Cost Allocation Review and Hydro One's own 2006 Distribution Rate case. [Page 22]
86. **BPI RESPONSE:** BPI confirms that Hydro One used its established method that received Board acceptance in the Distribution Cost Allocation Review. To the best of BPI's knowledge, this method was also used in Hydro One's 2006 Distribution Rate case. The information provided by Hydro One and used by BPI in its load forecast was consistent with the information required in the cost allocation model released by the Board.

RESULTS OF LOAD FORECAST

87. BPI was asked by Staff to comment on the inconsistency of the historic relationship versus the forecast relationship between customers and load. [Page 23] In its submission, SEC notes that it shares Staff's concerns regarding this apparent inconsistency. [Page 5, Section 22]
88. **BPI RESPONSE:** BPI notes that while the historic relationship versus the forecast relationship between customers and load appears inconsistent when viewed over a 5 year period, the table included in the response to Staff IR 8.7 a) I), shows a 0.5% decline in total kWh from 2005 to 2006. Between 2005 and 2006, BPI notes that the Residential class kWh dropped 4.5% and the GS<50 kW class kWh dropped 1.5%. BPI suggests that the drops in kWh for these classes could be due to factors such as weather effects, general conservation efforts by consumers and/or connection of more energy efficient homes.
89. BPI anticipates that the short-term trend will be sustained given the increased conservation awareness by customers.

PILs

INTEREST EXPENSE AND ITS USE IN THE PILs CALCULATION

90. Staff have invited BPI to comment on whether it is appropriate to remove the interest expense addition and deduction in finalizing its PILs tax allowance for the rate order. [Page 24] SEC raised similar concerns in its submission [Page 5, Sections 23 to 24]
91. **BPI RESPONSE:** In BPI's Application, BPI added back the higher forecast 2008 interest expense and deducted the lower deemed interest expense in the PILs calculations. The effect of this treatment raises taxable income and would increase the PILs allowance in rates.
92. In the 2006 EDR Handbook, the Board provided for an excess interest penalty to be deducted in the PILs calculations. BPI showed that it deducted excess interest of \$551,459 in its 2006 application in accordance with Chapter 7 of the Handbook. In its 2008 Application, BPI applied for an increase in taxable income caused by excess interest (\$2,384,429 - \$2,222,304) as opposed to a reduction as indicated in the 2006 Handbook.
93. In the Board's recent Decision and Order in the Oshawa PUC Networks Inc. application (EB-2007-0710) there is a discussion of the treatment of excess interest in Oshawa's methodology. The Board concluded that it "accepts the result flowing from the calculation using Staff's suggestion, which reflects the Board-approved method." Detailed calculations can be found in the rate order evidence submitted by Oshawa.
94. Based on review of its 2006 application and the Board's Halton Hills Hydro Inc. and Oshawa PUC Networks Inc. Decisions, BPI agrees it is appropriate to remove the interest expense addition and deduction in finalizing its PILs tax allowance for the rate order. This conclusion was based on the assumption that Regulatory Net Income before tax already incorporates the deduction for interest expense equal to deemed interest expense.

**USE OF CHANGES IN REGULATORY ASSET AND LIABILITY
BALANCES IN THE PILs CALCULATIONS**

95. In its submission, Staff invited BPI to comment on whether it is appropriate to remove the regulatory asset elements for its PILs tax calculations. [Page 24]
96. **BPI RESPONSE:** In responding to this invitation to comment, it is necessary to provide additional background information relating to this matter to establish the context of BPI's comments.
97. As the Board is aware, there was a fundamental change in the PILs true up requirements under the 2006 EDR process whereby any post 2006 true ups to variations in PILs recoveries provided for in the distribution rates and those actually paid would be limited to specific items outlined in the 2006 EDR Handbook. Prior to this new approach, true up procedures allowed for the true up of many items including the change in regulatory assets. Such true up adjustments were recorded in Deferred PILs account 1562 for future disposition. BPI is aware of the pending proceeding to deal with the PILs issues resulting in the accumulated true up variances recorded in Account 1562.
98. Under the 2006 EDR 2006 guidelines, PILs recoveries included in rates would be established and would not be trued up regardless of deviations that may arise in business circumstances including regulatory assets unless they were the direct result of a number of items that are generally related to statutory or other changes beyond the control of the local distribution company. Such variances were to be recorded in account 1592.
99. BPI submits that the new PILs regime introduced under the 2006 EDR Handbook did not provide necessary transitional measures relating to the reversal of PILs related true up variances that were created pre 2006 EDR and captured in Account 1562 which were subsequently recovered/paid after the 2006 EDR PILs regime was initiated. This is the case as no further entries were authorized to account 1562 and the additional tax liabilities incurred post 2006 EDR did not meet the

- definitions for recording variances in account 1592. This process anomaly effectively created the situation where the over collection of PILs created pre 2006 EDR was reflected as a liability in 1562 yet the PILs paid when the same regulatory assets were recovered post 2006 EDR could not be offset by the accumulated true ups. This is despite the fact that the transaction was a direct reversal of the original transaction.
100. During 2006 and beyond, when these variances reversed themselves, the utility was obligated to pay additional PILs to the Ministry of Finance resulting from this reversal yet the utility was not able to recover such cost from the previous over collections. This resulted in the anomaly where 1562 continues to reflect an over collection of PILs as at April 30, 2006 despite the fact that these amounts were in fact remitted by the utility after the introduction of 2006 EDR when the regulatory asset variances were reduced.
 101. The net impact of this transitional anomaly is that the freezing of account 1562 as at April 30, 2006 did not contemplate that some of the timing differences between the creation and recovery of regulatory assets incurred up to April 30, 2006 would actually reverse themselves after April 30, 2006 through normal timing differences or as a result of the plan to recover accumulated regulatory assets over a four year period.
 102. Consequently the transition created a mismatch between the PILs consequences under both PILs recovery regimes.
 103. BPI has attached as Appendix A to this submission, an illustrative simplified example to demonstrate in numerical terms the anomaly described above. In addition BPI provided in the following paragraphs what it believes would be a fair resolution of the PILs issue while retaining the original intent of the PILs true-up regimes pre- and post-2006 EDR.
 104. The BPI Application requested full recognition of the change in regulatory assets in the determination of 2008 PILs recoveries as there did not seem to be any

- mechanism to apply any PILs liabilities created by the reversal of pre-2006 regulatory assets against the excess recoveries reflected in account 1562 which were directly related to such regulatory assets. As this situation would result in the utility possibly paying both the return of pre-2006 EDR excess PILs recoveries and the actual post-2006 EDR actual PILs liabilities, BPI could be out of pocket such PILs because the customer would be refunded the temporary over-collections of PILs despite the fact that BPI subsequently paid these over-collections to the Ministry of Finance when such variances reversed themselves.
105. As BPI understands the objective of the Board in changing the PILs regime in 2006, it submits that to treat both the customers and the utility fairly would require a separation of any regulatory asset changes that have taken place since May 1, 2006. The PILs impact of any changes attributable to the subsequent reversal of pre 2006 EDR regulatory assets should be recorded against account 1562 as this would recognize the full PILs impact of pre-2006 true-ups. This would remove from BPI's 2008 PILs recovery calculations any amounts related to such reversal of pre-April 2006 timing differences.
106. Any changes in regulatory assets that are related to post-2006 EDR variances, would not result in any true ups to the new 1592 Deferred PILs Account as they would not meet the conditions outlined in the 2006 EDR Handbook. Since the 2006 rates were based on the rebasing in the 2006 EDR and the 2007 rates were determined under the IRM framework, BPI agrees that no adjustment to PILs calculations are warranted for changes in regulatory assets occurring during this time period excluding those related to pre April 2006 reversals as such deviations to the 2006 EDR PILs calculations would not meet the definitions for true ups as outlined in the 2006 EDR Handbook. However, BPI believes any changes in regulatory assets during May 1, 2006 to December 31, 2007 attributable to the reversal of April 2006 regulatory assets, should result in further adjustments to the 1562 true ups recorded at the end of April 2006.

107. On the other hand, since the 2008 EDR is based on a forward test year, BPI believes that the changes in regulatory assets occurring between the forecasted balance at the end of the Bridge Year and the forecast at the end of the Test Year, should be included in the determination of PILs recoveries for 2008 as they are directly related to actual PILs expenses to be paid in 2008. BPI submits that the only exception to this rule would be if any of the 2008 changes were still related to the reversal of any April 2006 Account 1562 outstanding true ups.
108. In summary, BPI believes the suggested approach to PILs recoveries is consistent with the following principles, which BPI believes was the intent of the OEB's past decisions:
1. Any true ups recorded in 1562 should ultimately be disposed to the debit/or credit of customers. To the extent that such disposition has already taken place as a result of ordinary course reversal of the original transactions resulting in such true ups, utilities should be able to reflect such dispositions post April 30, 2006 in the 1562 accounts;
 2. Any changes in regulatory assets during years where LDCs are not rebasing, should not result in any adjustments to PILs recovery amounts in subsequent rate applications as they do not meet the definitions for PILs true ups outlined in the 2006 EDR Handbook; and
 3. Any forecasted changes in regulatory assets occurring in a test year, will have an impact on PILs being paid by the utility. Such impacts should be recorded in the 2008 PILs calculations to the extent they are not related to the reversal of pre-existing true ups outstanding at the end of April 2006. This is the case as these expenses have the same impact on the LDC as any other operating expenses in the utility and ought to be recoverable form or payable to the customers.
109. Since BPI acknowledges that the OEB has initiated a proceeding with respect to the Deferred PILs account 1562, it is prepared to defer making any adjustments to this account until the completion of that proceeding. Nevertheless, BPI believes the position advocated with respect to the reversal of regulatory assets resulting in such true ups should be addressed in a fashion advocated by the above as it would remove the anomalies outlined in the attached illustrative example.

110. However, BPI believes that the 2008 PILs recovery calculation should legitimately reflect the change in regulatory assets between the Bridge Year and Test Year forecast provided that they are unrelated to reversals of previous April 2006 balances as this will have an actual cash flow impact to the utility and is related to 2008 transactions and not related to any over or under recoveries already captured in 1562 to April 2006 or situations that have taken place during the 2006 and 2007 IRM period where adjustments are not contemplated. Such new PILs impacts should be recoverable or refundable to the customers as is the case with all other PILs implications resulting from forecasted 2008 transactions.
111. The proposed treatment for the change in regulatory assets between the bridge and test year forecast will result in an increase in revenue requirement of \$27,251. BPI proposes the removal of the projected 2007 ending regulatory asset balance of (\$822,597), and the Global Adjustment amount of \$265,936 from the additions to taxable income and the removal of (\$2,026,651) from the deductions to taxable income. These amounts would be replaced with the addition of the ending 2007 regulatory asset balance less the 1590 Recoveries account or (\$1,393,766) and the deduction of the ending 2008 regulatory asset balance less the 1590 Recoveries account or (\$2,917,852). The net effect of these two items is an increase in taxable income of \$1,524,086 as opposed to \$1,469,990 as filed in the original Application.
112. **SUMMARY (PILs):** As noted on Page 23 of the Staff submission, BPI has agreed to use the combined federal and Ontario tax rate of 33.5% when it submits its draft Rate Order. Emphasizing that the amount of PILs adjustment in the table below due to treatment of regulatory assets and liabilities set out in the following table is based on the methodology described in the preceding paragraphs, the impacts on PILs expense and revenue requirement of the three proposed revisions to PILs expense are summarized as follows:

Service Revenue Requirement In Application		\$18,649,709
PILs Expense in application	\$2,343,835	
PILs adjustment due to change in interest expense treatment	\$(81,672)	
PILs adjustment due to proposed treatment of regulatory asset and liabilities balances in PILs calculation	\$27,251	
PILs adjustment due to change in tax rate	\$(95,250)	
Revised PILs Expense	\$2,194,164	
Revised Service Revenue Requirement		\$18,500,037

LINE LOSSES

113. In the Staff submission, BPI has been invited to clarify the requested loss factors.
[Pages 25 to 26]

114. **BPI RESPONSE:** Having considered the line loss calculation prepared by Staff, BPI is prepared to accept that calculation and therefore requests approval of a Distribution Loss Factor of 1.0373 and a Total Loss Factor for its Secondary Metered Customers <5000kW of 1.0420.

COST ALLOCATION AND RATE DESIGN

CUSTOMER CLASSIFICATION

115. Staff note that, according to the results of the cost allocation study, the revenue to cost ratio for the large customer is not very much different from the ratio for the General Service class as a whole. [Page 27]

116. **BPI RESPONSE:** BPI agrees with Staff that it is appropriate to leave the Large User in the GS>50kW rate class as it currently is. As noted in the Application, BPI intends to improve the data used in the cost allocation model to support the formation of a Large User class in its next rate rebasing application

COST ALLOCATION

• STREET LIGHTING AND SENTINEL LIGHTING

117. Staff note that the Board has decided in other applications that distributors are to adjust their rates over three years so as to reach the target range of revenue to cost

ratios before the expected date of the next rebasing. Staff went on to note that in some decisions, when starting from a ratio similar to Street Lighting, the Board has ordered a phase-in over two years in equal steps, for example a ratio of 54% in 2008 and 70% in 2009. In several decisions, when starting from a ratio near Sentinel Lighting, the Board has ordered that rates should yield a ratio halfway to the target in 2008, i.e. 40%, followed by two adjustments to 55% in 2009 and 70% in 2010. [Page 29] In its submission, SEC raises similar concerns regarding Street Lighting and Sentinel Lighting cost allocation. [Page 6, Sections 27 to 31]

118. **BPI RESPONSE:** Having considered the Staff comments, BPI proposes to set the 2008 distribution rates for its Street Lighting and Sentinel Lighting classes so that the revenue to cost ratios will move by 50 per cent toward the bottom of the Board's target ranges. The remainder of the shift to the bottom of the Board's ranges will be achieved by moving in two equal increments in the years 2009 and 2010. Additional revenues will be applied to the GS>50 kW rate class since it is the rate class that is over-contributing the most.

- **EMBEDDED DISTRIBUTOR**

119. Staff have requested further clarification from BPI concerning the actual situation and its intentions for billing its embedded distributor in the future. [Page 29]
120. **BPI RESPONSE:** BPI commenced billing its embedded distributor, Brant County Power Inc. at the GS>50 kW rate as of May 1, 2008 as noted in the Application (Exhibit 3, Tab 2, Schedule 6, page 2) and response to Staff IR 10.3 (b).

RATE DESIGN

- **TRANSFORMER ALLOWANCE**

121. Staff requested comments from BPI on whether the proposal to continue the transformer allowance at the current approved level of \$0.60 per kW is appropriate. [Page 29] In its submission, SEC concurred with Staff's concerns

about the increase in the volumetric charge for the GS>50kW rate class. [Page 7, Section 32]

122. **BPI RESPONSE:** BPI takes this opportunity to clarify the reasons for the higher increase of the kW rate for the GS>50 kW class, relative to all other rates.
123. Consistent with many Board-approved 2008 rebased rate applications such as Barrie Hydro (EB-2007-0746) and Norfolk Power (EB-2007-0753), BPI is assigning the gross-up for the transformer credit directly to the GS>50 class. The rationale for this assignment is based on the methodology used in the cost allocation model to estimate the value of the transformer credit.
124. In the cost allocation model, an estimate of the transformer credit by rate class was determined based on the cost of providing a transformation service to those customers within the rate class that use the transformation facilities of the distributor. For example, in the GS > 50 kW class there are customers that use the transformation facilities of BPI and those that own their transformers. In this case, the cost allocation model estimated the unit cost of providing the transformation service to those GS > 50 kW customers that used BPI's transformation facilities. The Board's cost allocation paper assumed this unit cost of transformation is the cost avoided by BPI when a GS> 50 kW customer owns their transformer and represents a good estimate of the transformer credit for a GS> 50 kW.
125. In reviewing the process of determining the transformation credit in the cost allocation model, BPI noted that the transformation unit cost estimate was done on a class basis and not on a total system basis. In BPI's view, the method used by the cost allocation model to estimate the transformation credit indicates it is handled within the rate class and not across the whole customer base. As a result, BPI has assigned the gross up for transformation credit for GS>50kW to the GS>50 kW class only.

• **RETAIL TRANSMISSION SERVICE RATES**

126. Staff have indicated that there are differences in the rates presented between information in the application and the interrogatory responses [Page 30].
127. **BPI RESPONSE:** BPI confirms that the Retail Transmission Service Rates presented in the interrogatory responses are the correct rates.
128. Staff have requested clarification as to why the proposed changes in Retail Transmission Service Rates are different from the changes to the wholesale rates, as indicated by Staff. As indicated in staff IR 11.2, the 16% reduction in network charges and 14% reduction in connection charges represent the difference between the current Retail transmission rates and after the Transmission Rate Order EB-2007-0759 is applied to the current retail Transmission rates. [Page 30]
129. **BPI RESPONSE:** As indicated in Staff IR 11.2, the 16% reduction in network charges and 14% reduction in connection charges is the difference between the current Retail Transmission rates and after the Transmission Rate Order EB-2007-0759 is applied to the current Retail Transmission rates. BPI has included the following tables for the Board's reference.

<u>Current Retail Transmission Rates</u>	Network Connection	
Residential	\$0.0069	\$0.0059
General Service Less Than 50 kW	\$0.0062	\$0.0052
General Service Greater Than 50 kW	\$2.1137	\$1.7879
Street Lights	\$1.9512	\$1.6505
Sentinel Lights	\$1.9740	\$1.6698
Unmetered Scattered Load	\$0.0062	\$0.0052

<u>Proposed Retail Transmission Rates</u>	Network Connection	
Residential	\$0.0058	\$0.0051
General Service Less Than 50 kW	\$0.0052	\$0.0045

General Service Greater Than 50 kW	\$1.7828	\$1.5443
Street Lights	\$1.6457	\$1.4257
Sentinel Lights	\$1.6649	\$1.4423
Unmetered Scattered Load	\$0.0052	\$0.0045

130. In Exhibit 9/Tab 1/Schedule 3/Page 4 of 5 of the Application an analysis of costs and revenues associated with retail transmission service from January 2006 to July 2007 is provided. The analysis assumes that costs over the time period have been adjusted to reflect the wholesale transmission rates approved by the OEB for November 1, 2007 but the revenues have not been changed. The analysis provides a cost to revenue ratio of 84.3% for retail transmission network service and a cost to revenue ratio of 86.4% for retail transmission connection service.
131. With regard to retail transmission network rates, the analysis indicates that if retail transmission network rates were reduced by 18% consistent with the reduction in the wholesale network rate, the revenue from the retail transmission network rates would underrecover costs by 2%. To avoid this outcome, retail transmission network rates should only be reduced by 16%.
132. With regard to retail transmission connection rates, the analysis indicates that once the costs are adjusted for the November 1, 2007 wholesale connection charges, the revenues for retail transmission connection would be over-collecting by 14%. This is a result of reduced wholesale connection charges resulting from BPI putting into service, along with Brant County Power a Municipal Transformer Station (MTS) in December 2005. The proposed retail transmission connection rates reflect the reduced wholesale connection charges arising out of the transfer of load to the MTS. Those reduced wholesale connection charges have not to date been reflected in the retail transmission connection rates.

DEFERRAL AND VARIANCE ACCOUNTS

FAILURE TO SUPPLY INFORMATION

133. Staff requested that BPI complete and submit the Continuity Schedule of regulatory assets provided in Staff IR 12.8. [Page 32]
134. **BPI RESPONSE:** Following receipt of the Staff submission, BPI determined that it had inadvertently failed to provide the requested table. Please refer to correspondence addressed to the Board Secretary and filed by BPI's counsel on June 10, 2008, along with the information requested. As stated in that correspondence, the overall balance in these accounts represents a credit to customers.

TREATMENT OF RCVA AND RSVA's

135. Staff indicates that the Board may want to consider the impact of ordering disposition of these accounts based on the process that they intend to develop for account 1588. [Page 32]
136. **BPI RESPONSE:** Because the overall balance in these accounts represents a credit to its customers, BPI would prefer that these balances be disposed of for its customers' benefit. However, BPI is prepared to accept the Staff comment that the Board may wish to consider the impact of ordering disposition of these RCVA and RSVA accounts pending the outcome of the streamlined process.

REQUEST FOR AN EXPANDED ACCOUNT 1592

137. Staff note that BPI has not addressed the materiality requirement for a deferral account. [Page 32] SEC submits that such changes to Deferral and Variance Accounts should be generic to all distributors and addressed when they arise. [Page 6, Sections 25 to 26]
138. **BPI RESPONSE:** Having considered submissions from Staff and SEC, BPI withdraws its request for an expanded definition of Account 1592.

TREATMENT OF ACCOUNTS 1565 AND 1566

139. Staff indicated that the balances in these accounts should not be disposed of as they relate to 3rd Tranche CDM spending to December 31, 2006 and the balances may not reflect the final financial position. [Page 33]
140. **BPI RESPONSE:** The balances in account 1565 Conservation and Demand Management Expenditures and Recoveries do not include only 3rd Tranche CDM spending. The credit balance of \$89,823 consists of a debit balance of \$1,450 representing the balance of 3rd Tranche CDM spending and a credit balance of \$91,273 representing the net recoveries and expenditures for BPI's Incremental CDM program approved for in the 2006 EDR. The Incremental CDM program ended April 30, 2007.
141. There has been a change of \$277 to the balance of Incremental CDM spending, bringing the actual credit balance to \$90,996 as at April 30, 2008. The portion relating to the 3rd Tranche as well as the credit balance of \$1,450 in 1566 CDM Contra Account remains unchanged.
142. BPI submits that the balances in Accounts 1565 and 1566 reflect the final financial position as of April 30, 2007 when BPI ceased its distribution rate funded Conservation and Demand Management Programs and, as it is appropriate to return the remaining monies to its ratepayers, requests disposition of these two accounts totaling \$90,996.

TREATMENT OF ACCOUNT 1571 AND RSVA ACCOUNT

143. Staff advise that they are uncertain as to whether the 2004 balances, which were carried forward in the amounts requested for disposition for accounts 1571, the RSVA accounts and others are correct. Staff are also uncertain if the Board approved recoverable amounts transferred from these accounts to account 1590 are correct.[Pages 33 to 34]

144. **BPI RESPONSE:** Based on the extensive work done on prior year regulatory assets, BPI is confident that its numbers are correct.
145. BPI submits that the initial spreadsheet prepared for BPI's response to 12.5(e) used the principal and interest to December 31, 2004 as per the 2006 EDR Regulatory Asset Recovery Worksheet in the "Claimed on 2006 EDR" column. These balances were then adjusted to reflect the additional work done on the 2004 balances to provide 2005 opening balances for input into the continuity schedule in BPI's response to 12.8.
146. The "Claimed on 2006 EDR" column was later adjusted to include 2005 and January to April 2006 interest and 2005 and 2006 Hydro One charges to balance to the 2006 EDR. This was provided by BPI to OEB staff on May 15, 2008.
147. BPI posted the 2006 Board approved recoverable amounts after confirming the need to do so during the July 2007 OEB audit review of BPI's deferral and variance accounts.

CONCLUSION:

148. As a result of the interrogatory process and submissions, BPI notes the following changes to its Application as filed on December 20, 2007:
1. The Return on Equity will be revised to reflect the OEB's approved rate of 8.57 per cent;
 2. PILs expense will be reduced from \$2,343,835 to \$2,149,164 resulting from adjustments due to interest expense treatment, proposed treatment of regulatory asset and liabilities balances in PILs calculation and changes in tax rate;
 3. Total Loss Factor for secondary metered customers will be increased from 1.0373 to 1.0420;
 4. BPI agrees to revise the cost allocation process for Street and Sentinel Lighting in order that the rates for 2008 for Street and Sentinel lighting will be set so that the revenue to cost ratios will move by 50 per cent toward the bottom of the Board's target ranges. The remaining 50 per cent required to move those two classes to the bottom of the Board's ranges will be achieved in two equal

increments in the years 2009 and 2010. Additional revenues will be applied to the GS>50kW rate;

5. BPI confirms that the proposed Retail Transmission Rates set out in response to Staff Interrogatory 11.2 are correct;

6. BPI has withdrawn its request for an expanded definition of USoA Account 1592; and

7. Because the overall balance in the RCVA and RSVA accounts represents a credit to its customers, BPI would prefer that these balances be disposed of for its customers' benefit. However, BPI is prepared to accept the Staff comment that the Board may wish to consider the impact of ordering disposition of these RCVA and RSVA accounts pending the outcome of the streamlined process.

149. As noted in paragraph 9 above, as BPI intends to complete all of its planned 2008 capital projects, and its OM&A expenditures for the 2008 rate year are expected to be as set out in the Application notwithstanding that BPI will not have a rate order effective May 1st, BPI requests that the Board find that the new rates shall be set so as to recover the annualized revenue requirement over the remaining period of the 2008 rate year. For example, if BPI will be able to implement the new rates on July 1, 2008, the new rates should reflect the fact that there will be only 10 months to April 30, 2009. BPI acknowledges that for the 2009 rate year, adjustments will have to be made to adjust the rates so that the revenue requirement will then be recovered over 12 months.

150. BPI submits that its Application, its interrogatory responses and its submissions will provide for just and reasonable distribution rates for its customers.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 17TH DAY OF JUNE, 2008

James C. Sidlofsky
Counsel to Brantford Power Inc.

BRANTFORD POWER INC.
ILLUSTRATIVE CALCULATION OF PILS IMPACT OF REGULATORY ASSET CHANGES

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	Calculation Formula	2002	2003	2004	2005	Apr-06	Dec-06	2007	2008
A. RSVA Power Variance Balance		1,000.00	1,100.00	1,200.00	1,300.00	1,340.00	1,300.00	-	(250.00)
B. Current Year Change to regulatory asset balance impacting taxable income	B = A yr2 - A yr 1	1,000.00	100.00	100.00	100.00	40.00	(40.00)	(1,300.00)	(250.00)
C. PILS Impact	C = B x 40%	400.00	40.00	40.00	40.00	16.00	(16.00)	(520.00)	(100.00)
D. Amount to be trued up to Account 1562	D = C prior to Apr 06	400.00	40.00	40.00	40.00	16.00	-	-	-
E. Post April 2006 PILS Paid on Reversal of Pre Apr 2006 regulatory Assets	E = C after Apr 06	-	-	-	-	-	(16.00)	(520.00)	(100.00)
F. Account 1562 Continuity									
Balance at beginning of Period		-	(400.00)	(440.00)	(480.00)	(520.00)	(536.00)	(536.00)	(536.00)
Net Change		(400.00)	(40.00)	(40.00)	(40.00)	(16.00)	-	-	-
Balance at End of Period	F= D yr1 + Dyr 2 ...Dapr 2006	(400.00)	(440.00)	(480.00)	(520.00)	(536.00)	(536.00)	(536.00)	(536.00)
G. Continuity of under (over) recovery									
Balance at beginning of Period		-	(400.00)	(440.00)	(480.00)	(520.00)	(536.00)	(520.00)	-
Net Change		(400.00)	(40.00)	(40.00)	(40.00)	(16.00)	16.00	520.00	100.00
Balance at End of Period	G=C yr1 to C yr 8	(400.00)	(440.00)	(480.00)	(520.00)	(536.00)	(520.00)	-	100.00

Assumptions:

1. The analysis has ignored the PILS gross up calculation on revenue requirement for simplicity.
2. The PILS Proxy in all years assumed no net change in regulatory assets ie the full regulatory asset change was eligible for true up under the pre 2006 EDR requirements.
3. The analysis has ignored any interest improvement on Account 1562 for simplicity
4. The analysis has assumed no regulatory asset changes post Apr 2006 that are related to post Apr 2006 issues ie all are related to reversal of pre Apr 2006 timing differences

Observations:

1. The freezing of account 1562 on April 2006 prevents the legitimate offsetting of pre April 2006 over recoveries of PILS with the related PILS under recoveries occurring post April 2006.
2. The outcome of the OEB's recent decisions with respect to regulatory assets results in the following net impact on the utility and customers from 2002 to 2008 with respect to timing difference related changes in "commodity and related pass through" regulatory assets.

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Year	Pass Through Related Variances	PILS True Up Acct 1562 (Due to Customers)	Actual PILS Impact of Regulatory Asset Changes (Utility Impact)
2002	1,000.00	(400.00)	400.00
2003	100.00	(40.00)	40.00
2004	100.00	(40.00)	40.00
2005	100.00	(40.00)	40.00
Apr-06	40.00	(16.00)	16.00
Balance as At April 30, 2006	1,340.00	(536.00)	536.00
Dec-06	(40.00)	-	(16.00)
2007	(1,300.00)	-	(520.00)
Balance when timing differences reversed	-	(536.00)	-
2008	(250.00)	-	(100.00)
Net over the Total Period	(250.00)	(536.00)	(100.00)

3. At the end of the pre 2006 EDR PILS regime, the utility utilized \$1,340 additional deductions from changes in pass through regulatory assets resulting in PILS savings of \$536 which was owed to the customers and recorded in Account 1562.

4. By the end of 2007, all pass through regulatory assets have reversed through subsequent collections resulting in the utility incurring additional PILS expenses of \$536 equivalent to the 1562 balance at April 2006. At this point the utility has a nil balance in regulatory assets but has not achieved any over or under recovery of PILS related to these transactions but account 1562 still reflects a liability to the customers of \$536.

5. During 2008, the utility regulatory assets have changed related to 2008 commodity variances. As a result, the utility incurred \$100 in additional PILS expenses. These additional expenses are not within the control of the utility and consequently BPI submits that any forecasted change in regulatory assets in the test year should result in a corresponding adjustment in the calculation of PILS recoveries.

Conclusions:

1. The notion that the utility should not be impacted by "pass through" commodity costs should also apply to the PILS expenses resulting from the timing differences between the occurrence of variances and their ultimate disposition. The current requirement of not recognizing that the reversal of regulatory asset variances incurred pre April 2006 in most cases occurred after April 2006, prevents the ability of the LDC to utilize pre April 2006 over recoveries to offset the directly related PILS expenses incurred After April 2006 when such variances reversed themselves.

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2. Any net changes to regulatory assets unrelated to reversal of prior regulatory asset changes should be recognized in the test year forecast of PILS recoveries as these will result in actual PILS liability or recoveries on the LDC's tax returns which if ignored, would result in the customer not incurring/benefiting from the tax impact resulting from variances resulting from the retail settlement of "pass through" transactions occurring during the test year.
3. Consequently, the recognition of changes in regulatory assets on the 2008 PILS calculations should be limited only to the forecasted change in regulatory asset balances at the end of 2008 less the forecasted balance at the end of the bridge year 2007 after removing the impact of any regulatory asset changes directly attributable to any balances recorded in 1562 as at April 30, 2006;
4. Any regulatory changes attributable to the reversal of regulatory assets balances which resulted in entries to 1562 to April 30, 2006 should not impact the 2008 PILS calculation but rather, the utility should record the PILS impact of such reversals against the balances in Account 1562 for any such reversals which may have taken place since May 2006 or forecasted to take place to the end of 2008;
5. No PILS recovery adjustments would be made for any changes in regulatory assets from May 2006 to December 2007 that are unrelated to any reversal of timing differences that were in place at the end of April 2006.