



THE BOARD OF DIRECTORS

Chair, GAIL REGAN

President, Cara Holdings Ltd.

President, PATRICIA ADAMS

MAX ALLEN

Producer, IDEAS, CBC Radio

GEORGE CONNELL

President Emeritus, University of Toronto

ANDREW COYNE

Journalist

IAN GRAY

President, St. Lawrence Starch Co.

Secretary/Treasurer, ANNETTA TURNER

DAVID NOWLAN

Professor Emeritus, Economics, University of Toronto

CLIFFORD ORWIN

Professor of Political Science, University of Toronto

ANDREW ROMAN

Barrister & Solicitor, Miller Thomson

MARGARET WENTE

Columnist, Globe and Mail

September 12, 2008

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2007-0776
Newmarket-Tay Power Distribution Ltd. – 2008 Rates Rebasing Application
Energy Probe Interrogatories

Pursuant to the Decision and Procedural Order No. 1, issued by the Board on August 19, 2008, Energy Probe Research Foundation (Energy Probe) is enclosing two hard copies of its Interrogatories to the Applicant. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Iain Clinton, Newmarket-Tay Power Distribution Ltd. (By email)
Randy Aiken, Aiken & Associates (By email)
Michael Buonaguro, Counsel to VECC (By email)
Bill Harper, Consultant to VECC (By email)
Jay Shepherd, Counsel to School Energy Coalition (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

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 Newmarket-
Tay Power Distribution Ltd. for an Order or Orders approving
just and reasonable rates and other service charges for the
distribution of electricity within its Newmarket Service Area, as
of the date of the Ontario Energy Board's Rate Order.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 12, 2008

**NEWMARKET-TAY POWER DISTRIBUTION LTD.
2008 RATES REBASING CASE
EB-2007-0776**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1.2, pg. 37

The evidence states that the applicant is requesting that rates be effective from the date of the OEB's decision on the applicant's submission. However, the evidence also states that the OEB's decision must be effective for volumes consumed after May 1, 2008.

- a) Please indicate whether the utility is requesting any rate changes for the period prior to the Board decision in this case?**
- b) Is the utility requesting any change in rates or a rate rider to recover the revenue deficiency between the period May 1, 2008 and the effective date of the Board's decision in this case?**

Interrogatory # 2

Ref: Exhibit 1.2, pg. 38

- a) Please provide the customer impacts, by rate class, of only the change in the distribution and distribution related charges.**
- b) Please provide the customer impacts, by rate class, of the changes in all components of the customer's bill with the exception of the commodity cost (i.e. including distribution, transmission, rate riders, etc.).**

Interrogatory # 3

Ref: Exhibit 2.2, pg. 81

Please provide the actual capital expenditure summary for customer additions in the same level of detail as shown for 2008 for both 2006 and 2007.

Interrogatory # 4

Ref: Exhibit 2.2, pg. 82

Please explain the carryover from 2007 of \$1,461,019 related to metering. Why was this amount not included in rate base at the end of 2007?

Interrogatory # 5

Ref: Exhibit 2.2, pg. 83

- a) Please explain the carryover from 2007 of \$49,080 related to vehicles and equipment. Why was this amount not included in rate base at the end of 2007?**
- b) Does the expenditure of \$49,080 represent the replacement of a vehicle in 2007 or an addition to the fleet?**

Interrogatory # 6

Ref: Exhibit 2.1.7

- a) Please provide a table showing the additions to gross cost for 2006, 2007 and 2008 for the following accounts:**
 - i) 1910 Leasehold Improvements**
 - ii) 1930 Rolling Stock & Equip.**
 - iii) 1940 Misc. Tools & Equip.**
 - iv) 1980 System Supervisory Equip.**
- b) For each account listed above, please provide an explanation for the change in 2008 relative to the 2007 level of capital expenditures.**

Interrogatory # 7

Ref: Exhibit 2.1.7, pg. 78

Exhibit 2.2.1, pg. 83

Exhibit 2.1.7 shows account 1930 Rolling Stock & Equip. additions of \$843,080. The majority of this total reflects the replacement of fully depreciated vehicles. Exhibit 2.2.1 shows the composition of this total.

- a) Does the gross cost shown in Exhibit 2.2.1 for each vehicle reflect the proceeds from the disposition of each vehicle that is being replaced?**
- b) Please provide, for each vehicle listed, the cost of the vehicle, the re-sale value of the vehicle being replaced, and the net cost of the addition.**

Interrogatory # 8

Ref: Exhibit 2.3, pg. 86

- a) Please provide a breakdown of the total expenses for working funds allowance into the OM&A component and the cost of power component.**
- b) Please provide a further breakdown of the cost of power into its component parts including, but not limited to, the cost of power, network transmission charges, connection transmission charges, LV charges and other charges included in the total cost of power.**
- c) For each component listed in (b) above, please provide the rates used to calculate the cost component.**
- d) Please update the cost of power component of the working cash allowance to reflect the forecast presented to the Board in April 2008 of \$54.50 per megawatt hour, if Newmarket – Tay used a different figure. What is the impact on the working cash allowance?**
- e) If Newmarket – Tay has a LV charge component, please update, if necessary, this cost component of the working cash allowance to reflect Hydro One's current 2008 distribution rate application rate of \$0.58 per kW. What is the impact on the working cash allowance?**
- f) Has Newmarket – Tay used the transmission rates approved by the Board in October, 2007 (EB-2007-0759)? If not, why not? What is the impact on the working cash allowance of using these rates?**

Interrogatory # 9

Ref: Exhibit 3.1.2, pg. 88

- a) Please provide the customer count based on the latest information available for 2008 for each of the four categories provided in the customer count table. Please also identify the month from which this information has been taken.**
- b) Exhibit 2.1.7 indicates the addition of 15 new customers on the 44 k system. Where do these customers show up in the customer count table?**

Interrogatory # 10

Ref: Exhibit 3.1.3, pg. 89

- a) The evidence states that for fiscal 2008, the residential new connections are running at 20% of the forecast as of June 2008. Please provide similar statistics for the percentage of new residential customers that were connected as of June 2007, June 2006 and June 2005 as compared to the total number of new residential customers connected in each of those years.**
- b) What is the impact on revenues of the addition of the 15 new customers identified in Exhibit 2.1.7?**

Interrogatory # 11

Ref: Exhibit 3.2, pg. 91-93

- a) Is the seven year average consumption for the class of 10,221 kWh the actual consumption or the normalized actual consumption? If the data is normalized, please explain how the non-2004 data has been normalized and provide all the information used to normalize the actual usage data.**
- b) Please provide the annual data used to calculate the 10, 221 kWh average, including the actual use per customer and the normalized actual use per customer for each year of the seven years used in the average.**
- c) If not included in the data requested in (b) above, please provide the annual residential use per customer for 2005, 2006 and 2007 on both an actual and normalized actual basis.**

- d) Please explain why no adjustment to consumption was made for time-of-use rates? Does Newmarket – Tay expect to have time-of-use rates in place in 2008? If so, when?**
- e) Has the OEB reviewed and/or approved the total savings of 3,585,134 kWh as presented on page 92 or the 1,083,318 kWh figures provided on page 93?**

Interrogatory # 12

Ref: Exhibit 3.2, pg. 94

Please provide all the calculations and all the assumptions used to calculate the total GS < 50 consumption of 92,373,021 kWh.

Interrogatory # 13

Ref: Exhibit 3.1.2, pg. 87

Please explain the derivation of the revenues shown for 2008 for street lights, sentinel lights and USL.

Interrogatory # 14

Ref: Exhibit 3.3, pg. 96

- a) Please explain why the SSS Administration charge revenue is forecast to decline in 2008, despite an increase in the number of customers as compared to 2007.**
- b) Please explain the reduction in retail service revenues of more than 10% in 2008 following an increase of nearly 12% in 2007.**
- c) Please explain the nearly 12% decline in rental revenues in 2008 following an increase of nearly 14% in 2007.**
- d) Please explain the 1.3% decline in late payment revenues in 2008 despite the 5.3% increase that took place in 2007.**
- e) Please explain the significant decline in the sale of scrap metals in 2008 as compared to 2007 and 2006. What are the prices of scrap metals in 2008 forecast to be relative to the prices obtained in 2006 and 2007?**

- f) Please explain the rationale for the decline of more than \$31,000 in miscellaneous revenues in 2008 from that recorded in 2007.
- g) For each category of revenues shown in the chart, please provide the most recent year-to-date revenues for 2008 and provide the corresponding revenues in 2007 for the same year-to-date period.
- h) Please provide, by month, the average bank balance and the interest rate for each month in 2007 and for each month in 2008 that is currently available.
- i) What is the current interest rate paid on bank balances?

Interrogatory # 15

Ref: Exhibit 3.3.4, pg. 34

The evidence indicates that the applicant proposes to adopt Standard Specific Service Charges developed using the 2006 EDR model with the exception of the following:

- Account set up charge (plus credit agency costs if applicable);
- Collection of accounts – no disconnection;
- Disconnect/Reconnect at meter – regular hours;
- Install/Remove load control device – regular hours.

Please calculate the incremental revenue that would be generated under each of these categories if the Standard Rate was adopted in place of the proposed rates.

Interrogatory # 16

Ref: Exhibit 3.3.3, pg. 97

Exhibit 3.3.3 shows a requested rate of \$0.00 for Change of Occupancy – Final Bill.

- a) Please explain why the applicant does not plan to charge for this service.
- b) What is the incremental revenue from this service for 2008 if the current approved rate of \$12.50 were maintained?
- c) What is the incremental revenue from this service for 2008 if the standard rate of \$30 were to be used?
- d) What is the 2007 volume of change of occupancy – final bill?

Interrogatory # 17

Ref: Exhibit 4.1, pg. 101

- a) Please confirm that the reference to a \$186,367 OM&A expenditure increase in 2006 should be for 2007.
- b) Please provide the actual dollar value increase in 2006 OM&A expenditures.

Interrogatory # 18

Ref: Exhibit 4.2.2, pg. 106

- a) Please explain how the 19.7% increase referred to in the Billing and Collecting explanation is derived, in relation to the 19.18% shown in the table at the top of the page.
- b) What is the percentage increase for the billing and collecting costs if the impacts of the smart meters and time-of-use rates are removed?

Interrogatory # 19

Ref: Exhibit 4.2.1, pg. 103

- a) Please provide the interest rate used for the 2007 interest expense on customer deposits.
- b) Please provide the interest rate forecast used for the 2008 interest expense on customer deposits.
- c) What is the actual interest rate used for 2008 year-to-date interest expense on customer deposits?
- d) How does the change in interest rates between 2007 and forecast for 2008 compare to the 1.25% reduction in interest rates referenced in Exhibit 3.3 at page 96?

Interrogatory # 20

Ref: Exhibit 4.2.2, pg. 110

- a) Please provide all documentation supporting the increase in the building rental cost in 2007 of \$90,000.**
- b) Is the building rented from a related party to Newmarket – Tay? If so, please provide details.**

Interrogatory # 21

Ref: Exhibit 4.2.5, pg. 111

Please confirm that the OM&A figures provided throughout the evidence are the Newmarket share of total costs based on the corporate allocation based on the number of customers in the Newmarket and Tay service areas.

Interrogatory # 22

Ref: Exhibit 4.2.7, pg. 114

- a) The increase in the management compensation average per employee is 4.0%. Please explain this increase in relation to the 3.25% increase for 2007 noted in the variance explanation.**
- b) What was the basis of the 3.25% increase for 2007?**
- c) What is the basis for the 3.00% increase in 2008?**
- d) Please provide the increase the Canadian CPI for 2007 and for year-to-date for 2008.**

Interrogatory # 23

Ref: Exhibit 2.1.7

Exhibit 2.2.2, pg. 84

Please show the calculation of the 2008 depreciation expense shown in Exhibit 2.1.7 for each of the grouped asset accounts shown on page 84 of the evidence. For each calculation, please show that the rate used is based on the asset life shown on page 84. Please also show the derivation of the base to which the rate is applied with reference to the opening balance, closing balance and additions shown for each of the relevant asset classes in Exhibit 2.1.7.

Interrogatory # 24

Ref: Exhibit 1.2.3, pg. 46

- a) Please explain the depreciation and amortization (vehicle, tools & stores adj) figure of (338,937). What does this reduction in depreciation and amortization expense relate to?**
- b) Please provide all assumptions and calculations used to derive this figure.**

Interrogatory # 25

Ref: Exhibit 4.3, pg. 119

- a) Please show the derivation of the taxable capital figure of \$58,668,644. Please comment on this figure in light of the year-end total rate base of \$58,152,029 shown in Exhibit 2.1.2.**
- b) Please explain the derivation and show the calculations used to arrive at the reduction in taxable capital figure of \$14,505,511.**
- c) Please confirm that the provincial capital tax rate to be used for 2008 is 0.00225 based on the 2007 Ontario Economic Update and Fiscal Review announced by the provincial government on December 13, 2007.**
- d) Please recalculate the Ontario capital tax using the rate of 0.00225.**

Interrogatory # 26

Ref: Exhibit 4.3, pg. 119

- a) Please provide the evidence that supports the post employment benefits figures of 814,000 and (727,000) used in arriving at taxable income.
- b) Please provide the evidence that supports the allowance for AR figures of 130,667 and (107,000) used in arriving at taxable income.
- c) A number of different interest figures for 2008 are shown in the evidence, including \$1,342,000 in Exhibit 4.1.2, and \$1,787,478 and \$1,442,000 shown in Exhibit 4.3.2.
 - i) Please reconcile the \$1,442,000 figure in Exhibit 4.3.2 with the \$1,342,000 figure shown in Exhibit 4.1.2.
 - ii) Which figure has been used in the calculation of taxable income?

Interrogatory # 27

Ref: Exhibit 4.3.1, pg. 120

Please show the derivation of the grossed up income tax figure of \$1,441,363 based on the actual tax figure of \$957,700.

Interrogatory # 28

**Ref: Exhibit 1.2.3, pg. 46
Exhibit 4.1.2, pg. 102**

Please reconcile the 2008 OM&A figure of \$5,483,028 shown in Exhibit 1.2.3 with the figure of \$5,481,020 shown in Exhibit 4.1.2.

Interrogatory # 29

Ref: Exhibit 4.2.2, pg. 110

- a) Please provide the total amount budgeted for regulatory support related to the current 2008 rates filing (including legal, evidence preparation, intervenor costs, notification publication, etc.).**
- b) Has Newmarket – Tay included all of this cost in account 5655 for the 2008 test year? If yes, why has this cost not been amortized over a three year period to reflect the intervening IRM years?**

Interrogatory # 30

**Ref: Exhibit 4.1.2, pg. 102
Exhibit 4.3, pg. 119**

- a) Please confirm that the Ontario capital tax for 2008 of \$125,865 is included in the taxes other than PILS figure of \$264,949.**
- b) What other taxes are included in the taxes other than PILS line?**
- c) For each of the taxes in (b), please provide the actual 2006, actual 2007 and forecast 2008 figures. Please provide the rationale for the change between the 2007 and 2008 figures, including any calculations, assumptions and information used for each of the taxes.**

Interrogatory # 31

Ref: Exhibit 4.3.1, pg. 124

- a) Please explain why class 47 of the 2008 capital cost allowance schedule shows the addition of \$9,280,707 in column 3 and the reduction of \$2,137,082 in column 4, rather than the net addition of \$7,143,625 in column 3.**
- b) Please confirm that the reduction of \$2,137,082 in column 4 is the result of contributed capital.**
- c) Please recalculate the CCA for the year if the calculation is based on the net additions of \$7,143,625 in column 3 with no net adjustments shown in column 4. Please also calculate the difference in the total CCA as a result of this change.**

Interrogatory # 32

**Ref: Exhibit 2.1.5
Exhibit 2.1.6
Exhibit 2.1.7**

Newmarket – Tay has had significant expenditures related to smart meters in 2006 and 2007 and is forecasting additional expenditures in 2008.

- a) Do any of the capital expenditures recorded in 2006 and 2007 and forecast for 2008 for smart meters include computer and/or software costs?**
- b) If the answer to (a) is yes, please provide the capital expenditures included in smart meters for each of 2006, 2007 and 2008 that are:**
 - i) for computers; and,**
 - ii) for software.**

Interrogatory # 33

Ref: Exhibit 4.3.1

The evidence in Exhibits 2.1.5, 2.1.6 and 2.1.7 shows that capital expenditures for software of \$321,695, \$193,978 and \$91,500 have been incurred or forecast to be incurred for 2006, 2007 and 2008, respectively.

- a) Have these expenditures been expensed or capitalized for tax purposes?**
- b) Please indicate under which CCA class software has been included in the capital cost allowance schedules. For each of 2006, 2007 and 2008 please provide the CCA class and the amount added to that class related to software.**
- c) Why have the software costs not been included in CCA class 12?**
- d) Please calculate the UCC for software at the end of 2007 for all the CCA classes into which the software was put in 2006 and 2007.**
- e) If the UCC related to the software capital expenditures was transferred into Class 12 at the beginning of 2008 and the software expenditures for 2008 are included as additions to Class 12 rather than to another class, what is the impact on the CCA claim for 2008? Please show all calculations.**

Interrogatory # 34

Ref: Exhibit 4.3.1

The evidence in Exhibits 2.1.5, 2.1.6 and 2.1.7 shows that capital expenditures for computers of \$136,932, \$66,612 and \$17,900 have been incurred or forecast to be incurred for 2006, 2007 and 2008, respectively.

- a) Have these expenditures been expensed or capitalized for tax purposes?**
- b) Please indicate under which CCA class computers have been included in the capital cost allowance schedules. For each of 2006, 2007 and 2008 please provide the CCA class and the amount added to that class related to computers.**
- c) Please calculate the UCC for computers at the end of 2007 for all the CCA classes into which the computer expenditure was put in 2006 and 2007.**

Interrogatory # 35

Ref: Exhibit 4.3.1

Computers acquired after March 22, 2004 can be put into CCA Class 45, with a rate of 45%. Previous to this time computer equipment was included in Class 10, which has a rate of 30%. Computer equipment acquired on or after March 19, 2007 can be included in CCA Class 55, with a rate of 55%.

- a) Please provide the breakdown of the capital expenditures of \$66,612 that took place in 2007 into the pre and post March 19, 2007 periods.**
- b) If the UCC related to the computer equipment capital expenditures in 2006 and 2007 were transferred into Class 45 and Class 55, as applicable, at the beginning of 2008 and the computer expenditures for 2008 are included as additions to Class 55 rather than to another class, what is the impact on the CCA claim for 2008? Please show all calculations.**

Interrogatory # 36

Ref: Exhibit 5.1.2, pg. 134

The evidence shows the recovery based on a three year period commencing May 1, 2008. Assuming that the DA rate is not adjusted retroactively and remains at current rates:

- a) Will the recovery period remain for a full three year period, or will it be shortened to a period ending April 30, 2011?**
- b) How will the incremental revenue generated with the current DA rate in the period May 1, 2008 through to the effective date of new rates from this proceeding be dealt with?**

Interrogatory # 37

Ref: Exhibit 6.1.2, pg. 136

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 indicated that "The short-term debt amount will be fixed at 4% of rate base".

- a) Please explain why Newmarket – Tay has not used 4% for the short term debt component of the capital structure in 2008.**
- b) Please recalculate the 2008 cost of capital using a structure of 46.70% equity, 4.00% short term debt and 49.3% long term debt.**
- c) What is the current actual level of long term debt for the utility?**

Interrogatory # 38

Ref: Exhibit 8.1, pg. 140

Please define the extended period for moving the street lighting class to the minimum level.

Interrogatory # 39

Ref: Exhibit 9.1.4, pg. 152

Please clarify the period used to calculate the average loss factor. The table shows 2003 through 2007, while the title indicates 2002 to 2006. If the information used does not include 2007 data, please update the table to reflect 2007 data.

Interrogatory # 40

Ref: Exhibit 9.2.1, pg. 158 & 159

Page 159 appears to be a repeat of page 158. Not all rate classes are represented by the four rate classes shown. Please provide a complete list of all the existing and proposed rates.

Interrogatory # 41

Ref: Exhibit 9.3.5, pg. 168

The revenue to cost ratio for the street lighting rate class is currently 9.36% and the proposal would move it to 23.33% with the remaining increase to the minimum level of 70% phased in over a 9 year period. At the same time, Newmarket – Tay is proposing to increase the sentinel lighting revenue to cost ratio from 39.61% to 69.28%, an increase of nearly 30 percentage points.

- a) Please show the rate impact of increasing the street lighting revenue to cost ratio by 30 percentage points to 39.36%.**
- b) Please comment on a phase in period that sets the 2008 rates so that the revenue to cost ratio moves by 50% toward the bottom of the Board's target range with the remaining 50% move split into equal increments in 2009 and 2010. Based on the current revenue to cost ratio of 9.36% and a Board target of 70%, this would result in revenue to cost ratios of 39.68% for 2008, 54.85% for 2009 and 70.0% for 2010.**
- c) If the Board were to direct higher revenue to cost ratios for street lighting than that proposed by Newmarket – Tay, which rate class or classes would have their ratios reduced? Please explain why.**

Interrogatory # 42

Ref: Dec. 31, 2007 Financial Statements

Newmarket – Tay had approximately \$1.3 million in cash in US dollar denominated accounts at the end of 2007.

- a) How are any gains or losses resulting from currency fluctuations accounted for in the determination of the revenue requirement, if at all?**
- b) If there are gains or losses, please provide the details for 2006, 2007 and forecast for 2008 and indicate in which accounts these gains or losses are recorded.**
- c) Please explain why Newmarket – Tay maintains a significant amount of cash in US dollar denominated accounts.**
- d) What is the current interest rate paid on US dollar denominated accounts and on Canadian dollar denominated accounts?**

Interrogatory # 43

Ref: Exhibit 8.1

- a) Has Newmarket – Tay updated the cost allocation model to reflect the forecasted figures for rate base, OM&A, taxes, customers and volumes for the 2008 test year? If not, why not?**
- b) Does Newmarket – Tay believe that the results of the cost allocation model using 2008 data would be significantly different than that used? Please explain.**

Interrogatory # 44

Ref: Exhibit 1.1.15

Pursuant to the Ontario Energy Board's Decision and Order on Cost Awards in the EB-2007-0063 Smart Meters proceeding, issued December 13, 2007, please advise whether or not Newmarket-Tay Power Distribution Limited is fully in compliance with the Board's Order.