

Ontario Energy
Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie
de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL ONLY

May 1, 2009

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Greater Sudbury Hydro Inc. 2009 Cost of Service Electricity Distribution
Rates Application
Board File Number EB-2008-0230**

Dear Ms. Walli:

Please see attached **Board staff Supplemental Interrogatories** for the above proceeding. Please forward the attached to Greater Sudbury Hydro Inc. and all intervenors in this proceeding.

Yours truly,

Harold Thiessen
Case Manager
EB-2008-0230

**Board staff Supplemental Interrogatories
Greater Sudbury Hydro Inc. ("Greater Sudbury")
2009 Electricity Distribution Rate Application
EB-2008-0230
May 1, 2009**

LOAD FORECASTS

1) Ref: Board staff Interrogatory #9

In response to the question:

"Please provide any information that supports using an approximately 10-year period as the definition of normal weather and the rationale for using this specific period instead of a longer period,"

Greater Sudbury explained the effect on load as a result of global warming. Greater Sudbury then further rationalized the choice of a 10-year period to define normal weather rather than a longer period by stating:

"As outlined in the answer to b) as the number of years used to determine the weather normalized data increases the billed kWh load forecast increases."

Please provide any data the Applicant has from independent sources that support the use of the shorter period for defining normal weather.

2) Ref: Board staff Interrogatory #12

This Interrogatory sought to understand why Greater Sudbury had apparently used a significantly out-of-date economic forecast in developing its load forecast. In the response, Greater Sudbury identified the effect of this action in part:

"Before the application was submitted, Greater Sudbury reviewed the option of using the updated Ontario real GDP values in the forecast but it produced a higher forecast for 2009 than the original forecast."

Greater Sudbury went on to show that using the then most-up-to-date Ontario Real GDP data produced a forecast of 991,024,341 GWh compared to the forecast in the original December 22, 2008 filing (which Greater Sudbury stated it continued to rely on) of 973,506,418 GWh. Please:

- a) Confirm that the alternate forecast provided in the interrogatory response is 1.8% higher than the December 22, 2008 load forecast,
- b) Provide a new load forecast based on the most up-to-date economic forecast *now available*,

- c) Provide the source and date of the new economic forecast, and
- d) Confirm that Greater Sudbury intends to continue to rely on the December 22, 2008 load forecast for calculation of its rates.

3) Ref: Board staff Interrogatory #15

In response to Interrogatory #15a, Greater Sudbury explained that the 2009 projection for Late Payment Charges is based on the average of the combined actual 2006 and 2007 and estimated 2008 data. In response to Interrogatory #15e, Greater Sudbury similarly explained that the 2009 projection for the Other Distribution Revenue sub-component is based on the average of the combined actual 2006 and 2007 and estimated 2008 data. Please:

- a) Recalculate the 2009 Late Payment Charges based on the *trend* evident in the 2006, 2007 and 2008 data rather than the 3-year average, and
- b) Provide a bottom-up estimate of the 2009 Other Distribution Revenue sub-component rather than the 3-year average.

OPERATIONS MAINTENANCE AND ADMINISTRATION

4) Ref: Board staff Interrogatory #21 b)

Please state if there are any one-time costs that were inadvertently carried forward from previous years.

5) Ref: Board staff Interrogatory #21 h)

Please state what inflation rate was assumed for the 2009 forecast and what was the source document supporting the assumption.

6) Ref: Board staff Interrogatory #21 i)

The response states that in hindsight, Greater Sudbury should have set the forecast for bad debt at a level higher than the \$165,000 set in the 2009 forecast.

- a) What bad debt expense does Greater Sudbury think it should forecast?
- b) How was this new forecast determined?

7) Ref: Board staff Interrogatory #23

Greater Sudbury state that two persons were transferred to GSHi to fulfill the CDM mandate.

- a) Are these persons included in account 5415 -- Energy Conservation?
- b) If not:
 - i In what account(s) are these positions included?
 - ii Should Greater Sudbury not have a revenue offset for these positions from the OPA? If not, why not?

8) Ref: Board staff Interrogatory #25 a)

Greater Sudbury states that it is time to review transfer pricing and inter-company cost allocations, but is waiting for requested information and interpretations from the regulatory authority.

- a) Please state the regulatory authority.
- b) What was the requested information?
- c) What were the required interpretations?
- d) When was the information and interpretations requested?

9) Ref: Board staff Interrogatory #27 a)

Board staff is having difficulty confirming the numbers in Exhibit 4/ Tab 2/Schedule 6/Table 3 based on this response. For example, for 2006 Executive Compensation States that Compensation – Average Yearly Base Wage is \$360,221. However, Board staff calculate this amount to be \$149,316 ($\$447,949 \div 3$ FTE). Please explain or correct the table.

RATE BASE/CAPITAL EXPENDITURES

10) Ref: Board staff Interrogatory #40

In Exhibit 2/Tab4/Sch 2, the spreadsheet provides four components with the final number titled "Working Capital Allowance Total"

	2009 Test
Operation	3,651,237
Maintenance	1,745,098
Property Taxes	0
Cost of Power	<u>77,531,341</u>
Total	82,927,376

**Working Capital Allowance Total (as noted in the Exhibit) is
\$89,405,907**

Please provide an explanation for the variance between \$82,927,376 and \$89,405,907 as well as details of the missing cost items. Please provide the missing amounts with details for all years (2006 through to 2009).

11) Ref: Board staff Interrogatory #30

In this response, Greater Sudbury has provided the number of poles replaced/to be replaced from 2007 through to 2010.

- a) Please provide reasons for the higher than average number in 2009 and for the significantly lower number in 2008.
- b) Is the higher forecast in 2009 related to the fact that fewer poles were replaced in 2008?

12) Ref: Board staff Interrogatory #31

Please provide the actual capital expenditures for 2008 and the amount requested in the Application. Please provide reasons for any variance.

13) Ref: Board staff Interrogatory #31

In response to 31(a), Greater Sudbury indicated that it has cancelled the King Street West Nipissing Project. Please confirm whether this project has actually been cancelled or if it was moved under a different category. If it was cancelled, please outline the reasons.

14) Ref: Board staff Interrogatory #32

In response to 32(b), Greater Sudbury indicated that the revised cost for the Insulator Replacement Program is \$320,000 and that the remaining \$467,197 can be removed from the 2009 capital budget. At the same time, Greater Sudbury indicated that the only program that could be considered as a candidate for reduction is the Porcelain Insulator Replacement program.

Please provide the revised 2009 capital expenditures taking into account the above two items (reduction in costs of Insulator Replacement Program and change in scope of the Porcelain Insulator Replacement program). If there are other reductions, please itemize them.

15) Ref: Board staff Interrogatory #41

It seems that Greater Sudbury has not responded to this interrogatory. If the interrogatory has been responded to elsewhere, please provide the appropriate reference.

16) Ref: Board staff Interrogatory #45

Please confirm the Smart Meter Funding Adder that Greater Sudbury is seeking in this Application.

17) Ref: Board staff Interrogatory #46

Please provide the rate impact for the different customer classes. If the rate impact is considered to be significant, would Greater Sudbury consider reducing the requested Smart Meter Funding Adder as a rate mitigation mechanism?

18) Ref: Board staff Interrogatory #35

In response to this interrogatory, Greater Sudbury has indicated that it considers smart meters that fail due to burn-in or meters purchased to connect new customers, as non incremental capital expenditures and consequently form part of the utility's normal capital needs. Accordingly, Greater Sudbury has requested adding \$111,370 budgeted for meter installations to Rate Base.

- a) How does this approach conform to the Board's Guideline on Smart Meter Funding and Cost Recovery released on October 22, 2008 (G-2008-0002)?
- b) The Board's Guideline (G-2008-0002, page 11) states, "An application for smart meter cost recovery must be based on costs already expensed (i.e. not forecast) and must include the following information:..." Has Greater Sudbury already incurred the requested expenditure? If "Yes", has it fulfilled the information requirements as stated in the Board's Guideline on Smart Meter Funding and Cost Recovery?
- c) Please provide a reference in the Board's Guideline or other proceedings where the Board has approved smart meter expenditures related to connecting new customers or forecast smart meter capital expenditures.

DEFERRAL AND VARIANCE ACCOUNTS

19) Ref: Board staff Interrogatory #67b)

West Nipissing Account 1590 has entries in the columns for "Transaction (additions) excluding interest and adjustments" in various years as follows: 2005 (\$146,224), 2006 (\$83,714), and 2007 (\$86,965).

- a) Are these entries the result of a regulatory rate rider approved by the Board, for example in 2005?
- b) Is a regulatory asset rate rider in current rates levied by the Applicant? If so, when was this regulatory asset rate rider approved by the Board?
- c) Are there similar transaction amounts in 2008 and continuing in 2009?

- d) Why do the amounts in West Nipissing tend to be negative whereas the corresponding entries for Greater Sudbury tend to be positive?

20) Ref: Board staff Interrogatory #67

- a) Please update the regulatory assets continuity schedules for each of West Nipissing, Greater Sudbury, and Greater Sudbury Combined with West Nipissing with balances as at December 31, 2008 with interest forecasted to April 30, 2009.
- b) Please provide a copy of Greater Sudbury's 2008 audited financial statements.
- c) Please provide a reconciliation and explain any differences between the regulatory asset balances as at December 31, 2008 on the "Greater Sudbury combined with West Nipissing" continuity schedule and included in the total claim, with:
- I. The RRR 2.1.7 filing submitted to the Board by April 30, 2009 for fiscal year 2008
 - II. The 2008 audited financial statements

21) Ref: Board Staff Interrogatory #70

In the response to this Interrogatory, Greater Sudbury stated:

"Item (e) under Qualification for Minimum Review requires supplemental disclosure be verified by the distributor's auditor if transition costs claimed are between \$30 and \$60.00. This is the case for West Nipissing. FCR has been appointed to conduct the audit and the audit report will follow once completed."

- a) Please file the audit report and update the appropriate evidence, if necessary, as a result of the auditor's findings.
- b) Please update Sheet 1 ("December 31, 2004 Regulatory Assets") and Sheet 2 ("Rate Riders") of the "Regulatory Asset Recovery Worksheet" that would have been filed by West Nipissing in 2006 EDR and provided by Greater Sudbury in the response to #70 as follows:
- Include an extra column on Sheet 1 showing interest on the balances listed on Sheet 1 from May 1, 2006 to Apr 30/09 and include in total claim.
 - Include the revised claim from Sheet 1 in Sheet 2
 - Update Sheet 2 to include Reg. Assets Interim Recoveries as follows:
 - I. Recoveries – May 1/06 to Dec 31/07

II. Recoveries – May 1/06 to Apr 30/09 (interest)

III. Recoveries – Jan 1/08 to Dec 31/08

IV. Recoveries – Jan 1/08 to Apr 30/09 (interest)

- c) Recoveries and interest on these recoveries from the current West Nipissing regulatory asset rate rider (in effect since 2005) will be recorded by the Applicant from January 1, 2009 to the date when new approved rates are made effective in 2009. The "Total to be Recovered" in Sheet 2, which matches the "Grand Total Claimed-Minimum Review" in Sheet 1, will be transferred or cleared out of the respective regulatory assets and into account 1590, on the date when new approved rates are made effective in 2009.

How does Greater Sudbury propose to true-up account 1590 and dispose of the residual balance in this account in a future rate application, assuming the December 31, 2008 balance of account 1590 with interest forecasted to April 30, 2009 is disposed of in this proceeding?

- d) The response also makes reference to an audit undertaken when GSHI bought West Nipissing. Please explain how the purchase price was affected by the deferral and variance account balances.

22) Ref: Board staff Interrogatory #71

Please update the response to this Interrogatory with December 31, 2008 balances with interest forecasted to April 30, 2009. Please ensure the claim ties to the updated regulatory asset continuity schedule.

-end-