

Board Staff Technical Conference Questions

Newmarket – Tay Power Distribution Inc.

EB-2009-0269

As identified in Procedural Order No. 5 dated on December 8, 2010, the Board has directed the convening of a transcribed technical conference on January 6, 2011. Parties requesting additional information to the interrogatory responses are to submit questions by January 4, 2011. The following are Board staff's questions.

Reconciliation to the Audited Financial Statements

1. In comparing the response to Board Staff Interrogatory 2 for Administration and Depreciation expenses to Exhibit 4 Tab 1 Schedule 1, Board staff request the following differences explained:

Administration & Advertising: Exhibit 4 Tab 1 Schedule 1 is less:
\$63k in '09, \$72 in '08

Depreciation Expense: Exhibit 4 Tab 1 Schedule 1 is less:
\$63k in '09, \$7k in '08

Capital Expenditures

In Interrogatory 6 c), Board staff requested whether any of the planned expenditures for 2010 will not be used and useful by the end of 2010. The answer referenced 6 a) which is a question regarding 2009 and not 2010.

2. Please state the estimated capital costs of the capital additions in 2010 that will be used and useful.
3. If the capital cost for plant in service for 2010 differs from the response to Consumers Council of Canada's ("CCC") Interrogatory 3, please provide a reconciliation.

The response to CCC 3 indicates that the proposed CAPEX for 2010 is down \$3,873,365 to \$6,510,242 from \$10,383,607. However, the response to Board staff Interrogatory 5 includes capital additions of \$10,383,607 which results in a 2010 net book value of \$57,429,122.

4. Will Newmarket – Tay be adjusting its proposal for the 2010 NBV to reflect the updated additions?
5. If Newmarket – Tay does update the NBV, is it proposing to apply the ½ year rule?

Leasehold Improvement

With respect to Energy Probe Interrogatory 9, please explain the relationship between the Lessor and Newmarket – Tay in regards to the following:

6. Please explain why Newmarket – Tay entered into a 2 year rolling lease.
7. Newmarket – Tay states that the actual term of the lease is one year. Are there options at the end of the year? If so, what are they?
8. Is Newmarket-Tay planning on moving to other facilities at the end of the lease?
9. Please explain why Newmarket – Tay would spend about \$350,000 (Exhibit 2 Tab 3 Schedule 1 Attachment 1) for such a short term of occupancy.
10. Is there a non-arms length affiliation between the Lessor and Newmarket – Tay?

Smart Meters

11. In Board staff interrogatory 34 c) Newmarket – Tay shows for 1555 Smart Meter Capital a balance of \$182,871 for Tay and \$0 for Newmarket. On Exhibit 9-1-2 p. 5, it shows \$235,886. Please explain.
12. Please explain the \$0 carrying charges on Exhibit 9-1-2 for account 1555.
13. In Board staff interrogatory 34 c) Newmarket – Tay shows for 1556 Smart Meter O&M a balance of \$133,339 for Tay and \$229,213 for Newmarket for a total of \$362,552. On exhibit 9-1-2 p. 5, it shows \$ 882,631. Please explain.

Stranded Assets

The response to Board Staff Interrogatory 7 states that Newmarket – Tay has no stranded assets. In response to Board staff Interrogatory 8, Newmarket – Tay states that the stranded “dumb” meters from the smart meter programme are in rate base.

14. Board staff requires clarification as to whether there are any stranded assets in rate base.

Volumetric Forecast

Newmarket – Tay stated in response to Energy Probe 20 a) that actual employment, peak days etc. were used to establish the Weather Corrected Wholesale kWh in Table 5 of the Elenchus Report.

15. If the model normalizes for economic activity, why are actuals used?

Street Light Maintenance Service

In Newmarket – Tay’s response to Energy Probe 36 e) Newmarket – Tay stated that fully burdened costs are billed to the municipality, but the respective revenues are not included in the revenue offsets. The costs are charged to a clearing account.

16. Please state to what account number the burdened street light maintenance service is charged.
17. Is this a Board approved account?
18. Please provide the eliminations, by account of the forecasted costs for providing the street light maintenance service and reconcile the eliminations to

the 2010 Pro Forma financials provided in Exhibit 1 Tab 4 Schedule 5 Attachment 3.

19. Please provide the calculations that show the burdening of the direct costs for supervision, administrative, and any fleet and equipment costs.
20. Please provide a rationale for not including capital related costs in the allocation.

Board staff notes that, in the reconciliations of 2008 and 2009 to the audited financial statements provided in Board Staff Interrogatory 2, there are no eliminations of OM&A for street light maintenance services.

21. Please explain.

Costs of Operations

Newmarket – Tay has stated in response to Board Staff Interrogatory 15, that it expects 100% employment in 2010.

22. Please state the vacancies, and the term that the position was vacant in the past 4 years.
23. Have there been any vacancies in 2010, and if so for what period?
24. Please state why Newmarket – Tay can expect no vacancies in 2011 going forward?

EDA Correspondence

Newmarket – Tay stated in response to SEC 21 that it would file in confidence the EDA correspondence.

25. Please provide the document.

Cost Allocation

In regards to Board Staff Interrogatory 26 c):

26. Please provide the missing response.
27. Please confirm that the cost allocation model underpinning the proposal is *Cost Allocation 5 NT Power 2010.xls*.

Newmarket – Tay, in response to Board staff Interrogatory 27 shows that the connections for sentinel lights is also weighted at 25%, the same factor as for street lights.

28. Please provide any studies that would support this. If no studies exist, please provide a rationale for the 25% factor.

Newmarket – Tay in response to Board Staff Interrogatory 27 d) states that the Board's cost allocation model does not account for primary cable and transformation costs appropriately.

29. Please elaborate with references to the allocations in the cost allocation model.

In response to Board Staff Interrogatory 28, Newmarket – Tay states that the secondary conductor costs are directly allocated.

30. Please explain how these costs are directly allocated.

Rate Design

In response to Board Staff Interrogatory 30, Newmarket – Tay provided the calculations for the transmission network and connection costs. Tay is calculated at a different rate than Newmarket.

31. Please explain.

Newmarket – Tay is requesting, in response to Board Staff Interrogatory 33, an LV rate of \$0.0000. This is due to the LV costs being so low that residential, GS<50 and USL rates are to the 5th decimal place.

32. Can Newmarket – Tay bill to 5 decimal places?
33. Is Newmarket – Tay proposing \$0.0000 for all classes?
34. Would Newmarket – Tay object to rounding the \$0.0009 rate to 0.0001?

Ontario Energy Board	
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