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October 7, 2008

BY EMAIL & BY 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-2008-0237
Niagara-on-the-Lake Hydro Inc. – 2009 Rates Rebasing Application
Interrogatories of Energy Probe

Pursuant to Procedural Order No. 1, issued by the Board on October 1, 2008, please find two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0237 proceeding. 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: Jim Huntingdon, Niagara-on-the-Lake Hydro Inc. (By email)
Randy Aiken, Aiken & Associates (By email)

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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 Niagara-on-
the-Lake Hydro Inc. for an Order or Orders approving or fixing
just and reasonable rates and other charges for the distribution
of electricity as of May 1, 2009.

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

October 7, 2008

**NIAGARA-ON-THE-LAKE HYDRO INC.
2009 RATES REBASING CASE
EB-2008-0237**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 1

What are the cost and revenue consequences, if any, of the 6 mW load assignment from Hydro One that is in dispute?

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 15, pg. 2

Please provide a copy of the current service agreement between NOTL Hydro and Energy Services Niagara Inc.

Interrogatory # 3

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 2

What is the in service date(s) associated with the Chautauqua project, and the Queenston project?

Interrogatory # 4

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 29

Please explain why there is no disposal listed for the truck being replaced in 2008, while for 2007 the disposal of the vehicles being replaced in that year are accounted for in gross assets?

Interrogatory # 5

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 27

Please explain why there is no adjustment for the disposal of meters in the 2008 figures, as there was for 2007 and 2006?

Interrogatory # 6

Ref: Exhibit 2, Tab 2, Schedule 1, pg. 4

Please explain why there is no disposal shown for account 1850 line transformers in 2008 while there were significant disposals in both of 2007 and 2006?

Interrogatory # 7

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 33

With the completion of the Chautauqua Project, will there be any retirement of other assets such as poles and overhead lines? Please explain. If yes, where have these retirements been shown in Table 4 on page 5 of Exhibit 2, Tab 2, Schedule 1?

Interrogatory # 8

Ref: Exhibit 2, Tab 2, Schedule 2, pg. 5

Please explain why there are no disposals shown for account 1850 line transformers and account 1860 meters for 2009 despite there being reductions shown for previous years?

Interrogatory # 9

Ref: Exhibit 2, Tab 2, Schedule 2, pg. 5

- a) **Are all of the assets included in the opening balance in the cost category shown in Table 4 still in service? For example, is all of the computer equipment shown in this category still used or useful, or has some of it been replaced with new computers?**

- b) If any of the assets are no longer used or useful, please explain why their original cost has not been removed from the gross asset value in previous years?**
- c) Please identify and provide the original cost of all assets that are being replaced in 2009.**

Interrogatory # 10

Ref: Exhibit 2, Tab 3, Schedule 2

A number of the projects listed indicate that overhead systems are being replaced with underground systems.

- a) Has NOTL Hydro reflected any changes in maintenance costs in its forecast to reflect this greater degree of undergrounding?**
- b) If not, why not?**
- c) Please provide an estimate on the impact on maintenance costs of this increase in undergrounding.**

Interrogatory # 11

Ref: Exhibit 3, Tab 2, Schedule 1, pg. 6

- a) Please explain the reduction of \$2,382 in revenue in the 2008 bridge year forecast related to late payment charges.**
- b) How does NOTL Hydro forecast the late payment charge revenues? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**
- c) Please provide the most recent year-to-date late payment charges for 2008 and the corresponding amount for the same year-to-date period in 2007.**
- d) Please explain the reduction of \$3,270 in revenue in the 2008 bridge year forecast related to miscellaneous service revenues.**
- e) How does NOTL Hydro forecast the miscellaneous service revenues? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**

- f) Please provide the most recent year-to-date miscellaneous service revenues for 2008 and the corresponding amount for the same year-to-date period in 2007.**
- g) Please explain the reduction of \$2,105 in the 2008 bridge year forecast related to miscellaneous non-operating income.**
- h) How does NOTL Hydro forecast the miscellaneous non-operating income? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**
- i) Please provide the most recent year-to-date miscellaneous non-operating income for 2008 and the corresponding amount for the same year-to-date period in 2007.**

Interrogatory # 12

Ref: Exhibit 3, Tab 2, Schedule 1, pg. 8

- a) For each of 2006, 2007, 2008 and 2009, please provide a breakdown of account 4405 interest and dividend income into the three components listed:
 - i) interest on balances in the NOTL Hydro bank account**
 - ii) carrying charge interest on balances of regulatory asset and deferral and variance accounts; and**
 - iii) interest on loans to affiliates.****
- b) Please provide all the assumptions (such as bank interest rates) and calculations used to forecast each of the three components for 2008 and 2009.**

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 2, pg. 14

Please confirm that the Cangro plant has now closed. If this is not the case, what evidence does NOTL Hydro have that the plant will not be in operation in 2009?

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 2, pg. 19 & 20

- a) **For the latest month available, please provide the number of residential and GS < 50 kW customers.**
- b) **For the corresponding month in 2007, please provide the number of residential and GS < 50 kW customers.**

Interrogatory # 15

Ref: Exhibit 4, Tab 2, Schedule 6, pg. 2

- a) **Please provide all the calculations used to calculate the depreciation expense for each asset category for each of 2007, 2008 and 2009. Please show the depreciation rate used, the opening gross asset values, the addition of capital expenditures each year and the removal of assets for each asset category.**
- b) **Please explain the difference in the depreciation expense shown for 2009 of \$1,331,677 shown in Table 1 in Exhibit 4, Tab 2, Schedule 6 and \$1,245,184 in Table 1 of Exhibit 4, Tab 1, Schedule 2.**

Interrogatory # 16

Ref: Exhibit 4, Tab 2, Schedule 5, pg. 2

- a) **Please explain the different compensation charged to OM&A figures of \$865,872 and \$867,881 shown at the bottom of the table for 2009.**
- b) **Please confirm that one of these figures is included in the total operating costs of \$3,143,296 shown in Table 1 of Exhibit 4, Tab 1, Schedule 2 for 2009 and not the total compensation figure of \$1,581,879.**

Interrogatory # 17

Ref: Exhibit 4, Tab 3, Schedule 1, pg. 1

Please confirm that the utility income before taxes of \$1,218,343 shown for 2009 includes a reduction for interest expense of \$814,335 shown in Table 1 of Exhibit 4, Tab 3, Schedule 2. If this cannot be confirmed, please indicate the amount of interest deducted in calculating the utility income before taxes and explain the difference in the interest amount.

Interrogatory # 18

Ref: Exhibit 4, Tab 3, Schedule 3

- a) **Please explain why the total additions shown on page 3 for 2009 is \$1,837,496, while the total capital expenditures shown in Exhibit 2, Tab 3, Schedule 1, pg. 2 is \$1,877,496. Why is the \$40,000 difference not included in the CCA schedule?**
- b) **Please confirm that NOTL Hydro placed all distribution system related capital expenditures prior to 2008 and post 22-Feb-2005 in class 47.**
- c) **Please confirm that NOTL Hydro placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2004 and prior to March 19, 2007.**
- d) **Please confirm that NOTL Hydro placed all computer related capital expenditures prior to 2009 in class 45.1 for acquisitions after March 19, 2007.**
- e) **If the response to any of (b), (c) or (d) above is not confirmed, please provide the UCC at the end of 2008 for all assets that were classified incorrectly for CCA purposes. Please transfer these UCC amounts to the correct class in 2009 and recalculate the total CCA for 2009.**

Interrogatory # 19

Ref: Exhibit 4, Tab 3, Schedule 1

- a) **Please confirm that the corporate income rate of 33.00% used includes a federal tax rate of 19.00% and a provincial tax rate of 14.00%. If this cannot be confirmed, please provide the tax rates that were used.**

- b) Why has NOTL Hydro not utilized the small business income threshold and clawback rate in calculating the provincial component of the corporate income tax?
- c) Please calculate the corporate income taxes using the provincial small business income tax rate of 5.5% applied to the first \$500,000 of taxable income, the general tax rate of 14.0% for taxable income in excess of \$500,000 and the clawback rate of 4.25% applied to taxable income above \$500,000 up to \$1,500,000.

Interrogatory # 20

Ref: Exhibit 5, Tab 1, Schedule 1

Please confirm that the interest rates used in calculating the interest on the account balances were equal to the OEB prescribed interest rates of 4.14% in 2006 Q2, 4.59% in 2006 Q3 through 2007 Q3 and 5.14% in 2007 Q4.

Interrogatory # 21

Ref: Exhibit 6, Tab 1, Schedule 3

The evidence shows n/a for the term of the shareholder loan.

- (a) Is this loan callable on demand?
- (b) Please provide a copy of the loan agreement for the shareholder loan.

Interrogatory # 22

Ref: Exhibit 8, Tab 1, Schedule 2, pg. 3

NOTL Hydro has noted the OEB's decisions on 2008 cost of service applications where the revenue to cost ratios for the street lighting class was moved part way towards to the minimum of the range. NOTL Hydro therefore has proposed to set rates for this class that moves the revenue to cost ratio 50% of the way from what the ratio was in the cost allocation filing towards the minimum of the OEB proposed range.

Please explain NOTL Hydro's proposal for moving the revenue to cost ratio for the street lighting class toward the minimum of the range beyond the 2009 test year. Does NOTL Hydro propose to achieve the remaining 50% move by equal increments in the years 2010 and 2011? Will the incremental revenue generated from such a proposal be used to reduce rates to the GS>50kW class? If not, why not?

Interrogatory # 23

Ref: Exhibit 10, Tab 1, Schedule 4

- (a) Please explain why NOTL Hydro is grossing up the SSM savings for taxes in Table 1.**
- (b) Did the Board approve the grossing up of the SSM savings for PILS in the Toronto Hydro application? Please provide references in that decision that reflect the Board's decision.**

Interrogatory # 24

Ref: Exhibit 10, Tab 1, Schedule 6

NOTL Hydro suggests that because of the small bill impact it should not be subject to a further review of the LRAM and SSM balances. Would NOTL Hydro accept a reduction of 10% in the LRAM and SSM balances in lieu of a further review, similar to the process the Board used for recovery of regulatory asset costs? If not, why not?