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October 15, 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-2008-0233**  
**Innisfil Hydro Distribution Systems Limited – 2009 Rates Rebasing Application**  
**Interrogatories of Energy Probe**

Pursuant to Procedural Order No. 1, issued by the Board on October 6, 2008, please find two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0233 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: Laurie Ann Cooledge, Innisfil Hydro (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, as amended;

**AND IN THE MATTER OF** an Application by Innisfil  
Hydro Distribution Systems Limited for an Order or Orders  
approving or fixing just and reasonable rates and other service  
charges for the distribution of electricity as of May 1, 2009.

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

**October 15, 2008**

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**INNISFIL HYDRO DISTRIBUTION SYSTEMS LTD.  
2009 RATES REBASING CASE  
EB-2008-0233**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

**Ref: Exhibit 3, Tab 2, Schedule 3**

- a) Please explain why Innisfil Hydro has used a six year average (2002 through 2007) to calculate this historical loss factor (Table 5) when it proposes to use a three year average (2005 through 2007) to calculate the distribution loss factor in Exhibit 4, Tab 2, Schedule 9.
- b) Please recalculate the Summary of Forecast Data (Exhibit 3, Tab 2, Schedule 3, page 12) and the 2009 Test Year distribution revenues (Exhibit 3, Tab 2, Schedule 2, page 2) using the three year historical distribution loss factor proposed in Exhibit 4, Tab 2, Schedule 9 of 4.77%.
- c) What is the impact on the grossed up revenue deficiency of \$1,071,765 of this change?

**Interrogatory # 2**

**Ref: Exhibit 3, Tab 2, Schedule 3, Table 6 & Table 7**

- a) Please explain the loss of 72 customers in 2007 (from 903 to 831) in the general service < 50 kW rate class shown in Table 6.
- b) Please calculate the geometric mean for the growth rate in customer connections in the general service < 50 kW rate class shown in Table 7 if 2007 is excluded.
- c) Please apply the growth rate calculated in (b) to forecast the 2008 and 2009 total number of general service < 50 kW customers. Please provide these figures.
- d) Please update the Summary of Forecast Data (Exhibit 3, Tab 2, Schedule 3, page 12) and the 2009 Test Year distribution revenues (Exhibit 3, Tab 2, Schedule 2, page 2) using the 2009 forecast of general service < 50 kW customers calculated in (c) above.

- e) Please update the Summary of Forecast Data (Exhibit 3, Tab 2, Schedule 3, page 12) and the 2009 Test Year distribution revenues (Exhibit 3, Tab 2, Schedule 2, page 2) using the 2009 forecast of general service < 50 kW customers calculated in (c) above and the three year historical distribution loss factor proposed in Exhibit 4, Tab 2, Schedule 9 of 4.77%.

#### **Interrogatory # 3**

**Ref: Exhibit 3, Tab 2, Schedule 3, page 3**

- a) Please provide the data used in estimating the equation in an Excel spreadsheet.
- b) Please provide the estimated equation, including t-statistics for each estimated coefficient.
- c) If any of the coefficients have a t-statistic below 2.00, please indicate why these variables have remained in the model.

#### **Interrogatory # 4**

**Ref: Exhibit 3, Tab 2, Schedule 3, Table 7 & 8**

**For each rate class, please provide the number of customers at the end of the most recent month available in 2008. Please also provide the number of customers at the end of the same month in 2007 for each rate class.**

#### **Interrogatory # 5**

**Ref: Exhibit 3, Tab 3, Schedule 1**

**For each of the other distribution revenue lines shown in this schedule, please provide the most recent 2008 year-to-date figure and the corresponding year-to-date figure for the same period in 2007.**

**Interrogatory # 6**

**Ref: Exhibit 4, Tab 1, Schedule 1**

**Please provide a revised Table 1 that shows the total costs excluding the amortization expenses. Please also add a line that shows the percentage increase in the total of these costs (excluding amortization) on a year to year basis.**

**Interrogatory # 7**

**Ref: Exhibit 4, Tab 1, Schedule 1**

**For each of the line items shown in Table 1, excluding amortization, please provide the most recent year-to-date figures for the 2008 bridge year and the corresponding figures for the same year-to-date period in 2007.**

**Interrogatory # 8**

**Ref: Exhibit 4, Tab 2, Schedule 1 & Schedule 3**

- a) Please provide a reconciliation of the regulatory expense of \$90,690 shown in Schedule 1 for 2009 with the statement that the 2009 test year includes \$37,000 for ¼ of the costs of preparing the 2009 rate application. What is the other \$53,690 associated with?**
- b) Please provide a breakdown of the forecast of \$148,000 for the costs of preparing the 2009 rate application.**
- c) Please explain why Innisfil Hydro is proposing to recover these costs over 4 years.**

**Interrogatory # 9**

**Ref: Exhibit 4, Tab 2, Schedule 4**

**The evidence indicates that Innisfil Hydro will not be providing any services to Innisfil Energy Services in 2009.**

- a) Will Innisfil Hydro still incur the costs of the services it previously provided to Innisfil Energy? If yes, please explain why.**

- b) Are there any cost reductions to Innisfil Hydro of not providing these services? If yes, please identify where in the evidence these cost reductions are shown.**

#### **Interrogatory # 10**

**Ref: Exhibit 4, Tab 2, Schedule 7**

- a) What is driving the 8.0% increase in the average yearly base wages for management in 2009?**
- b) What is driving the 6.1% increase in the average yearly base wages for union employees in 2009?**
- c) Please explain the circumstances under which management qualify for overtime.**

#### **Interrogatory # 11**

**Ref: Exhibit 4, Tab 2, Schedule 7**

**Please provide details of the \$23,000 in onetime setup charges associated with post-retirement benefits.**

#### **Interrogatory # 12**

**Ref: Exhibit 4, Tab 1, Schedule 1**

- a) What is driving the significant increase in 2009 as compared to the increase in 2008 in account 5620 office supplies and expenses?**
- b) What is driving the significant and sustained increase in account 5065 meter expense in 2007, 2008 and 2009?**

**Interrogatory # 13**

**Ref: Exhibit 4, Tab 3, Schedule 3**

- a) Please confirm that Innisfil Hydro recorded costs associated with computers and systems hardware acquired post March 22, 2004 and up to and including March 19, 2007 in CCA class 45 (rate 45%) in 2004, 2005, 2006 and 2007.**
- b) Please confirm that Innisfil Hydro recorded costs associated with computers and systems hardware acquired post March 19, 2007 in CCA class 50 (rate 55%) in 2007.**
- c) Please confirm that Innisfil Hydro recorded costs associated with the distribution system acquired post February 22, 2005 in CCA class 47 (rate 8%) in 2005, 2006 and 2007.**

**Interrogatory # 14**

**Ref: Exhibit 5, Tab 1, Schedule 2**

**Did Innisfil Hydro consider disposing of the DVA balances over a three year period? If not, why not?**

**Interrogatory # 15**

**Ref: Exhibit 6, Tab 1, Schedule 3**

- a) Please provide a copy of the Debenture from the Town of Innisfil that was issued on April 1, 1995.**
- b) Why is this loan not considered to be from an affiliate of the LDC?**

**Interrogatory # 16**

**Ref: Exhibit 2, Tab 4, Schedule 1, page 3**

- a) Please provide the rates used to calculate each of the cost of power components of the working capital allowance.**

- b) For each of the rates used in part (a) above, please indicate if there are more recent rates available that could be used in the calculations.
- c) If there is more recent information available, please calculate the resulting change in the working capital allowance component of rate base.

**Interrogatory # 17**

**Ref: Exhibit 2, Tab 2, Schedule 1, page 4 & Exhibit 2, Tab 2, Schedule 5, page 2**

**Please explain why a depreciation amount of \$19,464 is shown in 2009 for account 1806 land rights in Exhibit 2, Tab 2, Schedule 1, when the corresponding depreciation rate shown in Exhibit 2, Tab 2, Schedule 5 for this account is 0%.**

**Interrogatory # 18**

**Ref: Exhibit 2, Tab 2, Schedule 1, page 3 & Exhibit 2, Tab 2, Schedule 5**

- a) For each of the following accounts, please show how the depreciation amount for 2008 has been calculated based on the opening and closing balances and any adjustments made to reflect assets that have been fully depreciated:
  - i) Account 1820 (\$138,913),
  - ii) Account 1915 (\$14,938),
  - iii) Account 1920 (\$18,506)
  - iv) Account 1921 (\$18,457),
  - v) Account 1925 (\$114,137),
  - vi) Account 1940 (\$3,881).
- b) The evidence at Exhibit 2, Tab 2, Schedule 5 indicates that Innisfil Hydro removes fully depreciated assets from the grouped asset classes. Please identify by account number the grouped asset classes.
- c) Please also identify the accounts that contain identifiable assets.

**Interrogatory # 19**

**Ref: Exhibit 2, Tab 1, Schedule 2, Table 2**

- a) Please confirm that the increase in the average net book value component of rate base grew by 2.2% in 2007 and is forecast to grow by 4.3% in 2008 and 17.3% in 2009.



- b) Please confirm that the increase in the working capital allowance component of rate base grew by 0.8% in 2007 and is forecast to grow by 2.6% in 2008 and 2.8% in 2009.

**Interrogatory # 20**

**Ref: Exhibit 2, Tab 1, Schedule 1, Appendix A**

**The evidence indicates in several asset categories that “surplus equipment is sold or disposed of for the greatest benefit to Innisfil Hydro.” Please explain the accounting treatment of any proceeds or costs associated the sale of surplus equipment, including the account(s) into which these proceeds or costs are posted.**

**Interrogatory # 21**

**Ref: Exhibit 2, Tab 2, Schedule 1, page 4**

**The fixed asset continuity schedule for 2009 shows the disposal of line transformers, meters and transportation equipment, with the offsetting reductions in accumulated depreciation. For each of these three categories, please provide the proceeds or costs to Innisfil Hydro and indicate where these figures have been incorporated into the evidence.**

**Interrogatory # 22**

**Ref: Exhibit 2, Tab 3, Schedule 3**

- a) Please provide a breakout of the capital contributions for the 2005 through 2009 period into each of its component parts: industrial or commercial customer substation projects, subdivision development and roadway reconstruction.
- b) Please explain why the capital contributions are forecast to be lower in 2009 than they were in 2007 when total capital expenditures were significantly lower than those forecast for 2009.

**Interrogatory # 23**

**Ref: Exhibit 2, Tab 3, Schedule 1, page 8**

**Please add a column to this table to show the year-to-date capital expenditures for the 2008 bridge year. If the information cannot be provided at this level of detail, please provide the total year-to-date capital expenditures for the total distribution plant projects and the total general plant projects.**

**Interrogatory # 24**

**Ref: Exhibit 2, Tab 3, Schedule 2**

**Given the possibility of a severe economic slowdown in both new housing activity and industrial & commercial activity in the last quarter of 2008 and through 2009:**

- a) what capital expenditures forecast for 2008 could be postponed to 2009 or beyond? Please distinguish between the amounts that could be postponed to 2009 from those that could be postponed to beyond 2009.**
- b) what capital expenditures forecast for 2009 could be postponed to 2010 or later?**