EB-2008-0221

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 Bluewater Power Distribution Corporation for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity commencing May 1, 2009.

INTERROGATORIES

OF THE

SCHOOL ENERGY COALITION

Rate Base

1. Ex. 2/1/1, pg. 2 (Table 2.1.1.1): what accounts for the large drop in SAIDI and SAIFI from 2005 to 2006?

2. Ex. 2/1/3, pg. 2, and Ex. 2/3/6: The evidence states, at Ex. 2/1/3, pg. 2, that the large increase in capital expenditures in the test year is primarily caused by three "non-routine" capital projects, the building renovations/expansion project; the SAP upgrade project; and the Modeland transmission station meter upgrade project. However, the descriptions provided in Ex. 2/1/6 do not identify which projects belong in each of those groups. Therefore:

   (a) please provide a table summarising the capital projects included under each group identified at Ex. 2/1/3, pg. 2 (building renovations/expansion project; SAP upgrade; and Modeland transmission station upgrade) showing the projected costs (for each year if more than one year), and the projected in-service date for each projected.

3. Ex. 2/3/8: Capitalization Policy

   (a) There are several references to this exhibit throughout the pre-filed evidence. However, the exhibit does not explain how the policy differs from the existing policy. Therefore:

(i) Please provide a summary of the *change* in capitalization policy.

(ii) Please explain how the simplified approach (whereby capital projects managed in-house are assigned an additional amount of 10% included in the total capital cost) works. In particular, how is OM&A labour cost charged to OM&A offset by the amount added to the capital cost for these projects?

(iii) Is this policy unique to BPDC? Can BPDC point to any precedent where such a capitalization policy is used?

OM&A

4. Ex. 4/1/2, pg. 4:

(a) What was the reason for the sudden increase in non-core distribution activities in 2007?

(b) The evidence states, at p. 4, that the sudden increase in non-core distribution activities effectively meant that base payroll and related costs were reallocated to account 4380. SEC assumes this means that work on distribution activities was reduced as available resources (i.e. personnel) were diverted to non-core activities?

(c) If the answer to part (b) above is affirmative, then to what extent are 2008 and 2009 OM&A work programs catching up for work diverted to non-core activities in 2007?

5. Ref. Ex. 4/1/2, pg. 5; and Ex. 4/2/2

The evidence states that 58% of the increase in payroll-related costs are due to new staff.

(a) The evidence at Ex. 4/2/2, p. 12 states that all of the additions from 2008-2009 are offset by six positions leaving the utility to join the affiliate. However, the table on p. 13 shows a net increase of 6 FTE's in 2009. Please explain.

(b) Are the costs of the IT Programmer [Ex. 4/2/2, pg. 15] offset by lower consulting costs? If so, are they reflected in the application?

(c) The new position of "Design Technician" is justified partially on the basis of "increased levels of subdivision development." Please describe what that means. The customer counts shown at Ex. 3/2/4, pg. 1-2 show that the rate of growth in customer numbers has remained constant.

6. Ex. 4/2/1, Attachment 1: Please expand the table at Ex. 4/2/1, Attachment 1 to show 2006 actuals.

7. Ex. 4/2/2, pg. 7: the evidence states that BPDC has projected a 3% wage increase for 2009. Please comment on whether that assumption should be reviewed in view of recent economic circumstances, in particular the prospect of sharply falling inflation rate.

8. Ex. 4/2/3, pg. 9: Employee Future Benefits- AVR report

(a) Please provide a copy of the AVR report.

(b) How are non-pension future benefit costs accounted for? Does BPDC pay into a fund for them?

Cost of Capital

9. Ex. 6/1/2, Attachment 1: with respect to the Promissory Note issued to the City of Sarnia, depending on one's interpretation, the Note is calleable by the City on either 18 months' notice or 12 months' notice appears to be callable on demand. In addition, the reference to an interest rate of 7.25% is referred to in the Note as the "Permitted Rate" which in turn is defined in Schedule "A" thereto as "the actual interest rate which the Ontario Energy Board …may…permit regulated distribution corporations to recover for rate making purposes." The Note says "as at the date of this Promissory Note" the Permitted Rate is 7.25%.

(a) Please discuss whether these two factors (the fact the Note appears to be calleable on demand and the interest rate refers to an OEB-approved interest rate) suggest that the proper interest rate to apply to the Note is the Board's deemed long-term debt rate.

Cost Allocation

10. Ex. 8:

(a) please provide the existing and proposed revenue to cost ratios for each rate class.

(b) Please provide the revenue collected from each rate class for the years 2006, 2007, 2008, and 2009;

Rate Design

11. Ex. 9:

    (a) Please provide the proportion of total revenue from each rate class derived from fixed vs. variable rate for the years 2006, 2007, 2008, and 2009.

    (b) Please provide the Floor, Ceiling and 120% of Ceiling (using the definition set out in Section 4 of the Report of the Board, *Allocation of Cost Allocation of Cost Allocation for Electricity Distributors*, dated November 28, 2007) for the fixed monthly charge for each rate class.