

**2006 ELECTRICITY DISTRIBUTION RATE APPLICATION
 GENERIC ISSUES PROCEEDING – RP-2005-0020/EB-2005-0529**

**BRANTFORD POWER INC. (RP-2005-0020/EB-2005-0342) RESPONSES TO
 VULNERABLE ENERGY CONSUMERS COALITION (“VECC”)
 INTERROGATORIES**

DECEMBER 21, 2005

Generic Issue #2.1: Deferral Accounts – Regulatory Costs

VECC Question #2.1.1

Reference: 2006 EDR Model Tab 2-2 and Tab ADJ3

- a) Please complete the following table with respect to the costs included in Regulatory Expenses (Account 5655)

Expense Item	2006 Application	2004 Actual	2003 Actual [Note 3]	2002 Actual [Note 3]
Regulators’ Fees/Charges				
OEB Base Levy [Note 1]	\$78,558.00	\$30,577.75	\$37,938.00	\$30,656.00
Other OEB Charges [Note 1]				
Other Energy Regulatory Fees (Electrical Safety Authority fees) [Note 2]	\$13,712.42	\$ 5,633.27		
Subtotal (1)	\$92,270.42	\$36,211.02	\$37,938.00	\$30,656.00
In House Costs				
Staff Compensation				
Other Costs				
Subtotal (2)				
Outsourced Services				
Legal Services	\$44,250.17	\$44,250.17		
Consultants	\$38,421.90	\$38,421.90		
Other Costs (Note 4)	\$15,757.54	\$15,757.54		
Subtotal (3)	\$98,429.61	\$98,429.61		
TOTAL Reg. Expense	\$190,700.03	\$134,640.63		
Total Customers (Note 5)	45,014	45,014		
Total Energy Distributed	936,687,506 kWh	936,687,506 kWh		

	1,412.465 kW	1,412.465 kW		
Reg. Costs/Customer	\$4.24	\$2.99		
Reg. Costs/kWh Distributed	\$0.00020	\$0.00014		

NOTES TO TABLE

Note 1. As outlined in the explanatory notes to Account 5655 in the Ontario Energy Board's Uniform System of Accounts, Brantford Power Inc. has recorded only external costs pertaining to specific OEB regulatory proceedings. In-house costs including staffing costs pertaining to regulatory matters have been recorded to other operating accounts including but not limited to USoA accounts 5605, 5610, 5615 and 5630.

As well, OEB fees and other OEB charges have not been recorded in Account 5655 but were recorded in USoA Accounts 5605 and 5650 from 2003 to 2004 inclusive.

Note 2. Other regulatory agency fees and specifically Electrical Safety Authority regulatory fees have not been recorded in Account 5655 but were recorded in USoA Account 5680 in 2004.

Note 3. For 2002 and 2003, regulatory costs for 2002 and 2003 were not booked to USoA Account 5655. The following table summarizes such costs including the USoA accounts to which the expenses were booked for 2002 and 2003:

TABLE 2.1.1. Note 3

TYPE OF EXPENSE	2003		2002	
	LEVEL OF EXPENSE	USoA ACCOUNT	LEVEL OF EXPENSE	USoA ACCOUNT
OEB Base Levy	\$37,938.00	5605, 5650	\$30,656.00	5655
Other OEB Charges	\$ 0.00		\$ 0.00	
Other Energy Regulator Fees	\$ 0.00		\$ 0.00	
SUBTOTAL	\$37,938.00		\$30,656.00	
Legal Services	\$50,387.70	5605	\$40,661.81	5605
Consultants	\$30,205.67	5605	\$40,661.81	5605
Other Costs				

SUBTOTAL	\$80,593.37		\$81,323.62	
TOTAL	\$118,531.37		\$111,979.62	
Total customers	44,023		44,187	
Total Energy distributed per kWh	914,155,229		907,624,411	
Re. Costs per customer	\$2.69		\$2.53	
Reg. Costs per kWh Distributed	\$0.00013		\$0.00012	

To better coordinate regulatory activities and track related costs, regulatory activities were consolidated into the Regulatory Compliance functional unit starting in 2004.

Note 4. Other costs include supplies and services costs pertaining to the Load Data Collection study

Note 5. Customer numbers and consumption levels are based on data on Sheet 2 of the 2006 EDR Model and include Sentinel lighting and Streetlighting customers on a per connection basis. Customer numbers and consumption levels for 2002 and 2003 are based on RRR filing data.

b) Please provide Explanatory Notes for all material increases/decreases from 2002-2006.

Increases from 2004 to 2005 result primarily from activities related to preparatory work for the 2006 EDR application, hearings and consultation processes. The 2005 year-end forecast projects regulatory spending to \$120,000. Noting planned regulatory activities relating to rate rebasing, cost allocation and rate design in the period of 2006 to 2008, Brantford Power has set its 2006 budget for Account 5655 at \$120,000 exclusive of regulatory agency fees and charges.

c) Provide a list of 2004 positions involved in regulatory matters regarding the OEB and other Energy Regulators.

While the staff positions involved in regulatory matters regarding the OEB and other Energy regulators are dependent upon the nature of the matter being heard, staff positions that have typically been involved in OEB matters include:

- Chief Executive Officer
- Treasurer / Chief Financial Officer
- Chief Operating Officer, and

- Manager of Regulatory Compliance and Governance.

Staff positions involved in preparatory research and data collection for such matters would include:

- Director of Operations
- Manager of Metering and Settlement
- Manager of Engineering
- Manager of Customer Services, and
- Senior Financial Analyst.

Similarly, staff positions involved in matters pertaining to other regulatory agencies such as the IESO and ESA, depend upon the nature of the matter but typically have included:

- Chief Operating Officer
- Director of Operations and Forepersons
- Manager of Metering and Settlement and support staff
- Manager of Engineering and support staff
- Treasurer / Chief Financial Officer, Senior Financial Analyst and support staff; and
- Manager of Customer Services.

d) Provide the number of FTEs for 2004 associated with the reported staff compensation (i.e., salaries and benefits) in the table.

In-house costs are not recorded in Account 5655 and have not been included in the table.

e) Please indicate whether the reported in-house costs in Table 1 include any allocated overheads or staff-related costs other than direct compensation. If so, please explain how the amounts to be included were determined.

In-house costs are not recorded in Account 5655 and have not been included in the table.

f) If the OEB were to establish a deferral account for Regulatory Costs and permit utilities to record their costs of consultants, legal counsel and direct incremental disbursements, does the Applicant record costs in any other USoA accounts that it considers would qualify. If so, please indicate the nature of such costs, where they would be reported, and the amounts the Applicant incurred in 2002-2004.

In addition to the costs recorded in Account 5655, and as noted below, Brantford Power proposes that the specific types of costs to be recorded in the proposed deferral account would include, without limitation, regulator fees and charges, legal services, consultants and other supplies, materials, printing and publication costs relating to regulatory matters, and any intervenor cost awards for which Brantford Power may be responsible.

The costs incurred in 2002 to 2004 are summarized in Table 2.1.1.f., below:

TABLE 2.1.1.f

EXPENSE ITEM	2004	2003	2002
OEB Base Levy	\$30,577.75	\$37,938.00	\$30,656.00
Other OEB Charges			
Other Regulatory Fees (ESA)	\$ 5,533.27	\$ 0.00	\$ 0.00
Total	\$36,211.02	\$37,938.00	\$30,656.00

VECC Question: #2.1.2

Reference: Application

- a) Please clarify for what years the requested Regulatory Expenses Deferral Account would apply (i.e., just 2006 or other years as well)?**

Brantford Power proposes that the requested deferral account would apply to 2005 expenses incremental over 2004 as well as 2006 and subsequent years.

- b) Please provide complete details of the specific types of costs the Applicant proposes would be recorded in the proposed Deferral Account.**

Brantford Power proposes that the specific types of costs to be recorded in the proposed deferral account would include, without limitation, regulator fees and charges, legal services, consultants and other supplies, materials, printing and publication costs relating to regulatory matters, and any intervenor cost awards for which Brantford Power may be responsible.

- c) Please provide a schedule that sets out, for each type of cost the Applicant proposes as being eligible for inclusion in the Deferral Account, the expense level included in the 2006 Rate Application.**

The expense levels for each type of cost included in the 2006 rate application are summarized in Table 2.1.2.c

TABLE 2.1.2.c

TYPE OF COST	2006 APPLICATION
OEB Base Levy	\$78,558.00
Other OEB Charges	
Other Energy Regulatory Fees	\$13,712.42
Legal Services	\$44,250.17
Consultants	\$38,421.90
Other Costs	\$15,757.54
TOTAL	\$190,700.03

- d) Explain what are the unusual costs that have not been included in the 2006 Rate Application and demonstrate the potential materiality of such costs.**

The 2005 year-end forecast projects regulatory spending to \$120,000 for a total incremental difference of \$21,570.39, which exceeds Brantford Power's distribution expense materiality threshold of \$18,618.00. Noting planned regulatory activities relating to rate rebasing, cost allocation and rate design in the period of 2006 to 2008, Brantford Power has set its 2006 budget for Account 5655 at \$120,000 exclusive of regulatory agency fees and charges. Brantford

Power's actual incremental costs may be higher, depending on various factors including the nature and scope of OEB proceedings, both anticipated and unanticipated, in the coming years.

Further, Brantford Power notes the following cost increases incurred in 2005, which have not been included in the 2006 rate application:

- Regulatory Assistant [new position] at a cost of \$17,812.36 for six months in 2005
- ESA Reg 22/04 compliance readiness costs forecasted to \$90,000 by the end of 2005.

e) Is interest to be charged on the accounts and if so provide details of rate that the Applicant proposes should be used?

Brantford Power anticipates that if the proposed Regulatory Expenses Deferral Account were established, the Ontario Energy Board, in consultation with industry stakeholders, would define the scope of and provide guidelines for such a deferral account. Brantford Power would be pleased to participate in such consultations.

As a preliminary comment only, Brantford Power would suggest that interest charged on the deferral account be pegged to the deemed interest rate or as otherwise directed by the Ontario Energy Board.

f) What is the Applicant's proposal as to when the balance of the account, including carrying charges, should be examined and disposed of by the Board?

Brantford Power anticipates that if the proposed Regulatory Expenses Deferral Account were established, the Ontario Energy Board, in consultation with industry stakeholders, would define the scope of and provide guidelines for such a deferral account. Brantford Power would be pleased to participate in such consultations.

As a preliminary comment only, Brantford Power would suggest that the review and disposition of the proposed deferral account be in accordance with the Ontario Energy Board's *Guidelines for Reviewing Electricity LDCs Variance and Deferral Accounts* dated September 28, 2005.

g) What is the Applicant's proposal as to the regulatory costs (per the 2006 Application) that should be recorded as a credit for purposes of the requested Regulatory Expense Deferral Account?

As noted in its response to VECC Question 2.1.2(a), Brantford Power proposes that the requested deferral account would apply to 2005 expenses incremental over 2004 as well as 2006 and subsequent years.

- h) How should the Board judge prudence (e.g., how should the Board ensure that utilities have not simply contracted out for 2006 and included in the Deferral Account the costs of regulatory-related activities that were performed in-house in 2004)?**

Brantford Power anticipates that if the proposed Regulatory Expenses Deferral Account were established, the Ontario Energy Board, in consultation with industry stakeholders, would define the scope of and provide guidelines for such a deferral account. Brantford Power would be pleased to participate in such consultations.

- i) How should the recovery of prudently incurred costs be allocated to rate classes?**

Brantford Power anticipates that if the proposed Regulatory Expenses Deferral Account were established, the Ontario Energy Board, in consultation with industry stakeholders, would define the scope of and provide guidelines for such a deferral account including cost allocation. Brantford Power would be pleased to participate in such consultations.

Generic Issue #2.2: Deferral Accounts – Revenue Losses Attributable to Unforecasted Distributed Generation

VECC Question #2.2.1

Reference: Schedule 10.6

- a) Would the Applicant's existing Standby Rates ensure ongoing recovery of required distribution revenues in the event that an existing customer installed load displacement generation?**

At the present time but subject to further analysis based on cost of service principles to determine its sufficiency for future developments, Brantford Power's existing standby rate ensures ongoing recovery of required distribution revenues in the circumstances described by Question 2.2.1.a.

- b) If not, please explain why.**

Not applicable

- c) Is the Applicant currently aware of any potential load displacement projects that could affect revenues for 2006?**

Brantford Power is currently aware of one potential load displacement project. It is not clear at this time whether this potential project could affect revenues for 2006.

- d) How far in advance (i.e., months) of the actual installation of load displacement generation would the Applicant typically expect to become aware of such a project?**

The notification requirements for a load displacement generation project is dependent upon a number of factors including the nature of the project, the size of the generator and the distribution infrastructure required to support the load displacement facility. As a result, it is difficult to predict or anticipate the optimum or typical notification period.

Generic Issue #3: Generalized Standby Rates for Load Displacement Generation

VECC Question #3.1

Reference: Schedule 10.6

- a) Please provide a schedule setting out the Applicant's current Standby rate along with description of how it is applied?**

Brantford Power's current standby rate is \$1.70 per kW.

The customer will be billed for the fixed distribution charge whether or not it uses the distribution system. The customer will pay the standby rate for the reserved capacity, calculated on the basis of the generation capacity behind its meter. If the customer adds generation capacity, it will be billed for standby service on the basis of the new total amount of generation capacity behind the meter. In a month where the customer is not generating, the applicable General Service volumetric rate would be applied to all kW used by the customer. Where generation is taking place in a month, the customer will pay the standby charge in respect of the reserved capacity (as that capacity may have been adjusted in light of additional generation capacity as discussed above), together with the applicable GS volumetric per kW rate for demand in excess of the reserved capacity.

- b) What was the methodology used to originally develop the Applicant's Standby rate?**

The current standby rate approved by the former regulator, Ontario Hydro, was based on an analysis of the costs of the assets required to deliver reserve capacity.

Generic Issue #4.1: Other Deferral Accounts – Rate Mitigation Revenue Shortfalls

VECC Question #4.1.1

Reference: Schedule 13.1

- a) **Please confirm that the Applicant does not expect any short-fall in revenue for 2006 as a result of proposed Rate Impact Mitigation measures.**

Brantford Power has not proposed rate mitigation measures in its 2006 EDR Application.

- b) **If this is not the case, please explain why and quantify the anticipated impact.**

Not applicable.

Generic Issue #4.2: Other Deferral Accounts: Low Voltage Charge Variations

VECC Question #4.2.1

**Reference: Schedule 10-7
EDR 2006 Model, Tab 5.1**

- a) Please confirm that the Applicant is Host Distributor, but not an Embedded Distributor.**

Brantford Power is a host distributor to Brant County Power Inc.

Brantford Power Inc. confirms that it is not an embedded distributor having acquired Hydro One assets in its distribution service territory and reregistered the meters in Brantford Power's name at December 1, 2005.

- b) Please confirm that there is no Application for a LV Wheeling rate at this time.**

Brantford Power confirms that there is no application for an LV Wheeling rate at this time.

Generic Issue #4.3: Other Deferral Accounts – Material Bad Debt

VECC Question #4.3.1

**Reference: EDR Model – Tab ADJ5 (Specific Distribution Expense)
 EDR Schedule 6-2 (Bad Debt Expense)**

- a) Over the three years (2002-2004), how many individual bad debt occurrences did the Applicant experience that met the materiality threshold as defined by the Rate Handbook (page 46)?**

Brantford Power experienced the following individual bad debt occurrences that met the materiality threshold as defined by the Rate Handbook:

- 2004 1 occurrence
- 2003 1 occurrence
- 2002 1 occurrence.

- b) With respect to the response to part (a), please provide a schedule that for each of the three years lists the individual occurrences of material bad debt, the rate class the customer belonged to, the value of the bad debt and the total for the year. (Note: The actual name of the customer is not required)**

Individual material bad debt occurrences for 2002 to 2004 are summarized in Table 4.3.1.b., below.

TABLE 4.3.1.b

YEAR	AMOUNT	RATE CLASS
2002		
Account 1	\$42,742.54	General Service > 50
TOTAL FOR 2002	\$ 42,742.54	
2003		
Account 1	\$100,000	General Service >50
TOTAL FOR 2003	\$100,000	
2004		

Account 1	\$ 12,672.82	General Service>50
Account 2	\$ 41,308.50	General Service>50
TOTAL FOR 2004	\$ 53,981.32	

Please note that for 2004, Accounts 1 and 2 comprise the same customer for a total individual material bad debt occurrence of \$53,981.32.

VECC Question #4.3.2

Reference: EDR Schedule 6-2 (Bad Debt Expense)

- a) **Does the Applicant have an approved “Bad Debt Policy” that defines when overdue accounts are turned over to 3rd parties for collection, when overdue accounts are written off as bad debt, how are security deposits used to reduce the bad debt expense, the treatment of any subsequent recoveries, etc.? If so, please provide.**

Brantford Power does not have an approved “Bad Debt Policy”. Brantford Power’s longstanding business practice with respect to collection of overdue accounts and bad debt write-off are described in Question 4.3.2.b.

Security deposits do not directly reduce the bad debt expense. Security deposits are applied to the account balance when the account is closed. When that account is written off, the bad debt expense would reflect the reduction attributable to the deposit. Subsequent recoveries are posted as a reduction of the current year’s bad debt expense.

- b) **If not, please outline what the Applicant’s practice is.**

Uncollected accounts are turned over to a collection agency generally 1 month after the account has been closed. Uncollectible accounts are written off as follows:

- When accounts have small outstanding balances up to \$100, after 1 year; or
- When accounts have outstanding balances in excess of \$100, after two years; or
- When the customer on the account has declared bankruptcy.

- c) **What was the Applicant’s experience over 2002-2004 with actually recovering all/portion of a bad debt after it had been written off?**

Brantford Power Inc.’s experience with recovering all or a portion of a bad debt after it has been written off in the period of 2002 to 2004 is summarized in Table 4.3.2.c, below:

TABLE 4.3.2.c

YEAR	AMOUNT RECOVERED
2002	\$11,685.11
2003	\$23,650.57
2004	\$24,040.91

VECC Question #4.3.3

Reference: EDR Schedule 6-2 (Bad Debt Expense)

- a) Does the Applicant agree that if the OEB were to create a deferral account for material bad debt and allow for recovery in future rates this would reduce the Applicant's business risk? If not, why not?

Brantford Power does not support the view that a deferral account for material bad debt for recovery in future rates would necessarily reduce its business risk. Brantford Power notes that as such a deferral account is subject to Ontario Energy Board review and approval before disposition, a deferral account in and of itself does not necessarily reduce business risk. However, business risk would be reduced if the regulator reviewed compliance prior to rate setting and allowed for absolute recovery where compliance with OEB policies regarding collection and deposit matters was demonstrated.

- b) Based on the data in the Applicant's filing, please provide a schedule setting out the impact that a individual material bad debt (per the Handbook Definition) would have on the Applicant's after-tax Return on Equity?

Brantford Power's materiality threshold is \$18,618.00. The following calculation sets out the impact that an individual material bad debt (per the Handbook Definition) would have on Brantford Power's after-tax Return on Equity:

Rate base	\$58,503,185.00
Deemed equity %	50%
Deemed Equity	\$29,251,592.50
Deemed Return	9%
Return \$	\$ 2,632,643.33

MATERIAL BAD DEBT

Deemed return	\$ 2,632,643.33
Less single material bad debt	\$ 18,618.00
Revised Return	\$ 2,614,025.33

Return as impacted by bad debt 8.94%