

**Ontario Energy
Board**
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

January 22, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Supplemental Interrogatories
2009 Electricity Distribution Rates
Midland Power Utility Corporation
EB-2008-0236**

Pursuant to Procedural Order No. 2 attached are Board Staff's supplemental interrogatories.

Yours truly,

Original signed by

Adrian Pye
Manager, Applications

Attachment

**Board Staff Supplemental Interrogatories
2009 Electricity Distribution Rates
Midland Power Utility Corporation (“Midland”)
(EB-2008-0236)**

RATE BASE / CAPITAL EXPENDITURES

Supplementary IR # 1

Ref: Board Staff Interrogatory No. 15

Midland has indicated that the cost to replace Bourgeois Lane Transformer Kiosk (Project # 2009-01) far exceeds what Midland has budgeted in the original application. While the engineering estimate is \$143,000, Midland has budgeted \$53,000 for this project. Please provide reasons for the significant difference between the engineering estimate and original budgeted amount.

SMART METERS

Supplementary IR # 2

Ref: Board Staff Interrogatory No. 41

Midland estimates installing 6,700 smart meters in the 2009 Test Year. These meters have a capital cost of approximately \$1.5 million or \$190.02 per meter. Please complete the following table:

Total number of metered customers	
Total number of smart meters to be installed (2009 and beyond)	
Total capital cost of the Smart Meter Program	
Total installed cost per smart meter	
Approximate completion date of installing all smart meters	
Total expenditures incurred to-date	
Total balances in smart meter related deferral accounts (by account number)	
Annual estimated OM&A costs (once all smart meters are installed)	

OM&A - International Financial Reporting Standards

Supplementary IR # 3

Ref: SEC IR Response #1; and Board staff IR Response #18

Midland stated in its response to SEC IR #1:

“the transfer to IFRS [International Financial Reporting Standards] will be a one-time expense and MPUC expects that audit fees, consulting fees and training will total \$100,000. MPUC is therefore requesting an additional \$25,000 per year over 4 years. MPUC would respectfully request that the Board include this expenditure when considering final rates.”

Please answer the following:

- (a) Distributors incur transaction processing and financial reporting costs, including responding to changes in accounting policy, on an ongoing basis as part of regular business. Please indicate why Midland has characterized these costs as incremental in nature, and not as business-as-usual items.
- (b) The amounts requested for recovery in response to SEC IR#1 were not part of Midland’s original rate application. Please update the variance analysis provided in response to Board staff IR #18 to reflect amounts requested for IFRS for recovery in rates. As in (a) above, please comment, in the update, on Midland’s apparent stance that IFRS costs should be regarded as incremental OM&A.
- (c) In reference to response to SEC IR #1 (c), please indicate what “additional staff” would be required in the transition to IFRS. If this is not reflected in the one-time costs please indicate any additional ongoing costs.
- (d) On what basis did Midland conclude that recovery of these amounts is best reflected as an incremental OM&A expense? Has Midland considered other options to recover or absorb the stated costs? Please explain.

Supplementary IR # 4

Reference: Board Staff IR #9

In its response to Board Staff IR #9, regarding account 1508, Midland stated:

“The third sub-account [of account 1508] includes the recovery of transition costs for the period of April 2002 to March 2004. As at

December 31, 2008 this account is projected to show a balance of (\$38,434).”

It is noted that the transition cost recoveries for the April 2002 to March 2004 period should have been netted against the transition cost balance that was approved for recovery in 2006 EDR, as per the 2006 EDR Regulatory Asset Recovery spreadsheet. Since these recoveries were not offset against the transition costs at that time, this balance should be moved to account 1590, Recovery of Regulatory Asset Balances.

Is Midland prepared to move this balance of sub-account 1508, Transition Costs, to account 1590?