

# Aiken & Associates

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May 3, 2009

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St., 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2008-0235 London Hydro 2009 Rates Rebasing Application – LPMA Second Round Interrogatories**

Pursuant to Procedural Order # 2 dated April 23, 2009, please find attached two hard copies of the interrogatories of the London Property Management Association (LPMA) to London Hydro in the above noted proceeding. An electronic copy has also been filed through the Board's RESS system.

Sincerely,



Randy Aiken  
Aiken & Associates

cc: David B. Williamson, London Hydro (mail & e-mail)  
James C. Sidlofsky, Borden Ladner Gervais LLP (e-mail)  
Intervenors (e-mail)

**LONDON HYDRO INC.  
2009 RATES REBASING CASE  
EB-2008-0235**

**LONDON PROPERTY MANAGEMENT ASSOCIATION  
SECOND ROUND OF INTERROGATORIES**

**Interrogatory # 47**

Ref: Response to LPMA Interrogatory #5

What is the impact on the revenue requirement if the Board decided that an inflation rate of 2.3% for 2009, consistent with the IRM filings for 2009 should be applied to all of the OM&A costs, excluding wages and benefits?

**Interrogatory # 48**

Ref: Response to LPMA Interrogatory #25

Please confirm that only one-half of the capital gain being allocated to ratepayers has been included in the calculation of income taxes. If this is not confirmed, please indicate how much of the capital gain has been included in income for tax purposes.

**Interrogatory #49**

Ref: Response to LPMA Interrogatory # 30 b

- a) Please show where in the original pre-filed evidence that London Hydro expected that the Board would allow the deemed long term debt rate to apply to the unfunded long term debt of \$56 million portion of the deemed long-term debt?
- b) Please provide the precise references in the Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 that London Hydro is relying on in its expectation that the Board will allow a deemed rate of 7.62% to apply to the unfunded long term debt of \$56 million.
- c) What is the impact on the revenue requirement of a deemed debt rate of 7.62% associated with the unfunded long term debt of \$56 million, as compared to the rate of 6.0% used in the original filing?

**Interrogatory #50**

Ref: Response to LPMA Interrogatory #31 & Consultation on Energy Issues Relating to Low-Income Consumers Report of the Board: Low-Income Energy Assistance Program (EB-2008-0150).

The response to the LPMA interrogatory indicates that London Hydro has included \$50,000 in charitable donations in the 2009 test year revenue requirement.

a) Please calculate the amount based on the EB-2008-0150 Report of the Board that indicates the amount should be 0.12% of the Board-approved distribution revenue requirement. Please show the calculations.

b) Please confirm that London Hydro has deducted the charitable donations in the calculation of the income tax component of the revenue requirement. If this cannot be confirmed, please explain why.

**Interrogatory #51**

Ref: Response to LPMA Interrogatory #32

What is the impact on the revenue requirement if the OM&A costs are increased in 2009 from the 2008 level by 5.7%, which is the average shown for the 2004 through 2008 period, rather than the 6.8% increase shown for 2008 to 2009?

**Interrogatory #52**

Ref: Response to LPMA Interrogatory #33

What is the impact on the revenue requirement if the OM&A costs are increased by 4.8% in 2009 as compared to the actual 2008 level, the same rate of increase as posted in 2008 as compared to 2007 costs?

**Interrogatory #53**

Ref: Response to LPMA Interrogatory #38 b

Procedural Order No. 2 in this proceeding replaced the technical conference with a second round of interrogatories and indicated that there may not be a need for an oral hearing.

- a) Please provide an updated estimate of the components of the regulatory hearing expense that replaces the technical conference with a second round of interrogatories and eliminates the oral hearing.
- b) Please provide the information used by London Hydro to indicate that intervenor costs may be closer to \$130,000 than to \$76,000 based on average cost per intervenor for similar LDCs. For each similar LDC, please provide the total intervenor costs, number of intervenors requesting/receiving costs and whether or not there was an oral hearing, technical conference or settlement conference.

**Interrogatory # 54**

Ref: Response to LPMA Interrogatory #39

- a) Please recalculate the software depreciation expense for 2009 assuming that all additions in 2009 attract depreciation for one half of the year.
- b) Are any of the assets in service at Dec. 31, 2007 to be retired in or before 2009? If yes, please provide an estimate of the reduction in the depreciation expense in 2009 resulting from these retirements.
- c) Is there any amortization cost in the 2009 forecast associated with the Sierra CIS? If yes, please quantify the amount for 2009 and any amounts remaining to be amortized over future years (i.e. 2010 and beyond).

**Interrogatory # 55**

Ref: Response to LPMA Interrogatory # 42

- a) Please provide the impact on the base revenue requirement for 2009 if London Hydro were to “normalize” the calculation of the Ontario Capital Tax using a rate of 0.225% for 2009, .075% for 2010 and 0% for 2011 and 2012.
- b) Why has London Hydro not proposed to normalize the Ontario Capital Tax over the rate rebasing year of 2009 and the IRM period of 2010 through 2012?
- c) Please provide the impact on the base revenue requirement for 2009 if London Hydro were to “normalize” the calculation of the Corporate Income Tax using figures as shown below from the most recent federal and provincial budgets:

	2009	2010	2011	2012
Federal	19.00	18.00	16.50	15.00
Provincial (1)	<u>14.00</u>	<u>13.00</u>	<u>11.75</u>	<u>11.25</u>
Total	33.00	31.00	28.25	26.25

(1) Provincial tax changes reflect current rate of 14.00%, reduction to 12.00% on July 1, 2010, 11.50% on July 1, 2011 and 11.0% on July 1, 2012.

In responding to this interrogatory, please use the taxable income for 2009 for each of 2010 through 2012 and show all calculations.

d) Why has London Hydro not proposed to normalize the Corporate Income Tax over the rate rebasing year of 2009 and the IRM period of 2010 through 2012?

e) The March Provincial budget reduces the small business tax rate from 5.5% to 4.5% on the first \$500,000 of taxable income effective July 1, 2010 and eliminates the current claw back of 4.25% on income between \$500,000 and \$1,500,000 would be eliminated. What is the incremental impact over and above that calculated in (c) above of this change if London Hydro were to “normalize” its Corporate Income Tax to reflect this change. Please show all calculations.

### **Interrogatory # 56**

Ref: Response to LPMA Interrogatory # 43a

a) Please provide tables for each of 2008 and 2009 that show the specific hardware included in the amount of \$396,300 in CCA class 8 in 2008 (as compared to Table 24 in Exhibit 2) and in the amount of \$719,500 in CCA class 8 in 2009 (as compared to Table 19 in Exhibit 2).

b) For each item in the tables above, please indicate why they do not qualify to be included in CCA Class 46 – Data Network Infrastructure Equipment and Systems Software at a CCA rate of 30%.

### **Interrogatory # 57**

Ref: Response to LPMA Interrogatory # 44d

a) Was the non-recurring capital addition put into service in March of 2009?

b) If not, when was it put into service, or when is it now forecast to be put into service?

c) What was the actual cost of the non-recurring capital addition that was or is now forecast to be put into service?

d) If the non-recurring capital addition was not put into service in March of 2009, please update the 2009 amortization expense to reflect the actual in-service date or the new forecast in-service date.

**Interrogatory # 58**

Ref: Response to LPMA Interrogatory # 44

- a) Please update, if necessary, the Scientific Research and Experimental Development Claim (SRED) estimate of \$58,000 to reflect any changes resulting from the March Provincial budget.
- b) Does London Hydro employ any eligible students to qualify for the Co-operative Education Tax Credit (CETC)? If yes, please indicate the amount of the CETC in each of 2007 and 2008 that was claimed by London Hydro.
- c) Please show the credit available to London Hydro in 2009 and show where in the calculation of income taxes shown in Table 37 of Exhibit 4 this credit is reflected. Please update this estimate to reflect the March Provincial budget that increased the maximum credit from 10% of salaries and wages paid to a maximum credit of \$1,000 per work placement to 25% to a maximum credit of \$3,000.

**Interrogatory # 59**

Ref: Response to LPMA Interrogatory # 44

The SRED credit does not appear to reflect any tax credits available apprenticeship training.

- a) Please provide the actual Apprenticeship Training Tax Credit (ATTC) that was claimed in 2007 and 2008.
- b) Please indicate where the 2009 ATTC credit is shown in Table 37 of Exhibit 4.
- c) Please show the calculation of the 2009 ATTC credit based on the number of apprentices and the amount per apprentice.
- d) Please update the ATTC credit based on the March Provincial budget that increased the maximum credit from 25% of the salaries and wages to a maximum annual credit of \$5,000 to 35% and an annual maximum tax credit of \$10,000.