

# Aiken & Associates

578 McNaughton Ave. West  
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624  
Fax: (519) 351-4331  
E-mail: [raiken@xcelco.on.ca](mailto:raiken@xcelco.on.ca)

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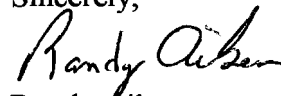
Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St., 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

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

Pursuant to Procedural Order # 1 dated January 26, 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 (courier & 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  
INTERROGATORIES**

**Interrogatory # 1**

Ref: Exhibit 1, page 2

- a) Please indicate where in the Filing Requirements it specifies that May 1 is the effective date for a rate order.
- b) Given that London Hydro filed its application and evidence in December rather than in August, please indicate why rates should be made interim effective May 1, 2009?

**Interrogatory # 2**

Ref: Exhibit 1, page 30

Given that London Hydro will not be seeking recovery of the one-time costs associated with the "Earth Day 2007" conservation program in this application or any future application, is London Hydro requesting the closure of this sub-account of deferral account (1508 – Other Regulatory Assets)? If not, why not?

**Interrogatory # 3**

Ref: Exhibit 1, page 36

- a) What is the status of the plan for the elimination of the long term load transfer customers?
- b) Has or will the plan for the elimination of the long term load transfer customers have any impact on the revenue requirement for London Hydro in 2009? In 2010 or beyond? Please explain fully.

**Interrogatory # 4**

Ref: Exhibit 1, page 45

- a) Do the figures provided in Table 3 include the cost of the commodity in the calculation?

b) If the answer to part (a) is yes, please provide a revised Table 3 that does not include the cost of the commodity.

**Interrogatory # 5**

Ref: Exhibit 1, page 46

What inflation rate did London Hydro use for the 2008 bridge year and 2009 test year forecasts of operating and maintenance costs?

**Interrogatory # 6**

Ref: Exhibit 1, page 85

When available, please provide the Audited Financial Statements for the year ended December 31, 2008.

**Interrogatory # 7**

Ref: Exhibit 1, page 104

a) How the expenditures made in 2007 and 2008 related to the Customer Information System (CIS) been treated for PILS purposes? Have the expenditures that have been made been included in the capital cost allowance (CCA) calculations for 2007 and 2008?

b) Has London Hydro included any AFUDC related to the CIS system in the 2009 rate base calculations? If yes, please show the calculation of the amount of AFUDC included.

**Interrogatory # 8**

Page 2 of 13

Ref: Exhibit 1, page 155

Please provide any changes, and their rationale, to the Conditions of Service that have been made since they were last reviewed by the Ontario Energy Board.

**Interrogatory # 9**

Ref: Exhibit 2, Table 6 & Table 8 & Table 15

- a) Please provide the actual capital additions for 2008 in the level of detail shown in Table 6
- b) Please provide the actual 2008 gross asset figures in the same level of detail as shown in Table 8.
- c) Please provide the actual 2008 fixed asset continuity schedule in the same level of detail as shown in Table 15.

**Interrogatory # 10**

Ref: Exhibit 2, page 20

Has London Hydro seen any indication resulting from the current state of the economy that may impact on the developer works that are growth related?

**Interrogatory # 11**

Ref: Exhibit 2, page 49

- a) Does London Hydro have any customers that are market participants? If yes, how is the cost of power billed for these customers?
- b) What proportion of the volumes shown for 2009 of 3,563,033,193 kWh are associated with RPP customers and with non-RPP customers? Please provide an estimate based on historical data if London Hydro does not have a forecast of this for 2009.
- c) Based on the same OEB RPP price forecast that has a \$0.0603 cost per kWh for RPP customers, what is the forecast average supply cost for non-RPP customers?
- d) Does London Hydro agree that the working capital allowance calculation should be based on the most recent available OEB RPP price forecast available at the time that the Board makes its Decision? If not, why not?

**Interrogatory # 12**

Ref: Exhibit 2, Table 18

- a) Please indicate which 2009 capital expenditure plans could be deferred to 2010 or beyond if customer growth is lower than expected.
- b) For each such deferral identified in (a) above, please quantify the reduction in the capital expenditure in 2009.

c) Please identify and quantify any other 2009 capital expenditures that could be deferred if the OEB determined that the level of capital expenditures should be reduced from that forecast. In particular, what expenditures could be delayed if the Board determined that the level of capital expenditures for 2009 should be reduced to the average of the 2009, 2010 and 2011 levels shown in Table 17 (i.e. approximately \$25.1 million)?

**Interrogatory # 13**

Ref: Exhibit 3, Table 3

- a) Are the customer numbers provided in Table 3 year-end customer counts or the average number of customers for the year?
- b) Are the kWh consumption figures that are shown actual consumption or actual normalized consumption figures?

**Interrogatory # 14**

Ref: Exhibit 3

Please update Tables 1 through 15, and 19 through 22 to reflect actual 2008 data.

**Interrogatory # 15**

Ref: Exhibit 3, Table 8

- a) Please explain why the actual purchases shown in this table are higher than the figures shown in line 1 of Table 35 shown in Exhibit 4.
- b) Please explain why the average historical loss factor is used to adjust the forecast to a billed forecast, rather than the forecasted loss factor shown in Table 35 of Exhibit 4.
- c) Why has London Hydro elected to forecast actual purchases and then adjust for the historical load losses rather than forecasting the actual billed amounts directly? Does London Hydro have the actual billed amounts by month from 1996 through 2007? If yes, please redo the stepwise regression analysis on the actual billed energy amounts rather than the actual purchases.

**Interrogatory #16**

Ref: Exhibit 3, page 11

- a) Please update the regression equation to use actual monthly 2008 data. If actual data for the Ontario Real GDP Monthly Index is not available for all of 2008, please update the equation to reflect as many months of actual as is available for 2008.
- b) Please provide the forecast for 2008 (if applicable) and the 2009 test year using the average of heating and cooling degree days from 1996 through 2008 as the forecast for 2009.
- c) Please provide the  $R^2$  for the equation estimated above, along with the t-statistics for each of the estimated coefficients.
- d) Please provide the t-statistics for each of the estimated coefficients of the equation shown in page 11.
- e) Please provide the Durbin-Watson statistic for the equation shown in page 11.
- f) Please indicate why London Hydro did not forecast energy billed by rate class for each class of customers, rather than in aggregate.

**Interrogatory # 17**

Ref: Exhibit 3, page 10

Please provide the time-series econometric equations, estimated t-statistics,  $R^2$ , Durbin-Watson statistic, and data used to forecast the customers by rate class (line 11).

**Interrogatory # 18**

Ref: Exhibit 3, Table 12

Please provide the actual normalized average use per customer for each rate class as estimated by Hydro One for the 2004 year.

**Interrogatory # 19**

Ref: Exhibit 3

What is the impact on the forecast if there were 150 more GS < 50 kW customers in 2009 than currently forecast (i.e. 12,499 vs. 12,349)? Please show the impact of these additional customers by providing revised Tables 5, 6, 7, 15, 18 and 22.

**Interrogatory # 20**

Ref: Exhibit 3, Table 20

- a) What is the impact on the 2009 revenue requirement if the average kW/kWh ratio of 0.7633% is used instead of the 0.5444% ratio for the cogeneration rate class?
- b) What would be the impact of lower natural gas prices that contributed to more self generation and less purchases from London Hydro on the average kWh/kW ratio?

**Interrogatory # 21**

Ref: Exhibit 3, Table 23

Please provide the actual 2008 figures in the same level of detail as shown in this table.

**Interrogatory # 22**

Ref: Exhibit 3, page 24 – 26

- a) Please provide the number of retailers and retailer customers as of January 1, 2009.
- b) Based on the response to part (a), what impact does this have on the 2009 forecast for Retail Services Revenue?
- c) Is the SSS Admin Fee of \$0.25 per month applicable to each connection or to each customer in the street lighting and USL rate classes?
- d) Please reconcile the customer forecast for 2009 shown in Table 5 of Exhibit 3 with the volumes shown used in the calculation of the SSS Admin Fee (1,400,000) and the volume shown in the calculation of the Retail Service Revenue (318,698)
- e) If the number of retailer customers has decreased by 22% or more than 6,500 customers since January 1, 2007 and there is growth in the number of customers since 2007, why has there been no corresponding increase in the SSS Admin Fee? Wouldn't these 6,500+ additional customers generate more than \$20,000 in incremental SSS Admin Fee revenues?
- f) Please provide the actual 2008 level of STR Revenues.

**Interrogatory # 23**

Ref: Exhibit 3, page 27

- a) Has London Hydro reflected any productivity improvements as a result of alleviating the overcrowding by moving its own workforce in to the vacated area? If not, why not?
- b) Please explain why the administrative building space rental at \$69,000 for 2009 is only one half of the \$20.73 per square foot times the 6,656 floor space being rented in 2009 (that is  $\$20.73 \times 6,656 = \$138,000$ ).
- c) For the months of January and February, 2009, what was the floor space that was rented by London Hydro.
- d) How many poles were rented at the end of 2008?
- e) What is included in “Duct rentals and miscellaneous”?
- f) Why is there is a significant reduction in the forecast for 2009 as compared to that for 2008?

**Interrogatory # 24**

Ref: Exhibit 3, page 28

- a) Please provide the actual late pay charges for 2008.
- b) How has London Hydro factored in changes in the distribution rates, commodity rates, transmission rates and the growth in customers into the calculation of the late payment charges for the 2009 test year?

**Interrogatory # 25**

Ref: Exhibit 3, page 31

Please explain why ratepayers should not be allocated 100% of the capital gain on depreciable assets that are being replaced with new assets that are included in rate base.

**Interrogatory # 26**

Ref: Exhibit 3, page 32

- a) Please indicate why there is a decrease in the sale of scrap forecast for 2009 after increases in both 2007 and 2008.
- b) How does London Hydro define a normalized level of amounts written off given that the 2006 and 2007 levels of \$45,000 and \$91,473 are described as higher than normal and the 2008 and 2009 levels of \$70,000 and \$40,000 are described as normal?



- c) Why is there no interest income shown for Employee Purchase Interest and Miscellaneous Interest Revenue in 2009?
- d) What is the actual 2008 interest income from these items noted above in part (c)?
- e) Please explain what is in the “Interest on approved transitional costs” and why this has now become a credit to interest income.
- f) Please provide the assumptions (interest rates and balances) used in forecasting the reduction in bank deposit and short term investment interest in 2009 relative to the 2008 figures.

**Interrogatory # 27**

Ref: Exhibit 3, Appendix A

- a) Please provide the data shown in Appendix A in a live Excel spreadsheet.
- b) Please provide the additional data over the January, 1996 through December, 2007 period in the live Excel spreadsheet:
  - i) Number of customers/connections by rate class;
  - ii) Volume of billed energy (kWh) for each rate class.

**Interrogatory # 28**

Ref: Exhibit 5, Table 2

Please update the calculation of the carrying charges to reflect the OEB prescribed interest rate of 2.45% for the first quarter of 2009 and apply this rate to the period to both April 2009 and the May, 2009 through August, 2009 period. If there is an OEB prescribed interest rate for the second quarter of 2009 before this question is answered, please use this figure for the April 2009 and May, 2009 through August, 2009 periods.

**Interrogatory # 29**

Ref: Exhibit 5, page 6

For Account 1580, the evidence indicates that the credit would be allocated to rate classes on the basis of kW energy consumption by customer class. The following paragraph then states that the allocation of costs to customer classes based upon kWh energy consumption by customer class is recommended since all customer classes pay and have

paid the same wholesale market service charge rate based upon their kWh energy consumption. Please explain if the allocation to rate classes is based on kW or kWh.

**Interrogatory # 30**

Ref: Exhibit 6

a) Does London Hydro agree that the short term debt rate, long term debt rate and return on equity will all be updated to reflect the deemed debt rates for 2009 based on January 2009 market interest rates?

b) Does London Hydro agree that if the deemed long term debt rate is higher than 6.00%, the actual rate payable by London Hydro of 6.00% would be applied to calculate the cost of long term debt?

**Interrogatory # 31**

Ref: Exhibit 4, Table 1

a) Please update Table 1 to include actual 2008 figures in the same level of detail as shown.

b) Please confirm that the charitable donations shown for all years are donations to programs that provide assistance to customers to pay their electricity bills.

**Interrogatory #32**

Ref: Exhibit 4, Table 3

Please provide a revised version of Table 3 based on the Total OM&A expense (i.e. excluding CDM third tranche spending, charitable donations and amortization expense.

**Interrogatory # 33**

Ref: Exhibit 4, Tables 7 & 8 & 9

Please update tables 7, 8 & 9 to reflect actual figures for 2008.

**Interrogatory # 34**

Ref: Exhibit 4, Table 17

a) Please update Table 17 to reflect actual figures for 2008

b) What would be the impact on the revenue requirement if the average base (excluding variable) compensation increase in 2009 for the Executive, Director, Middle Management and Non Union categories was limited to the same percentage increase as for the Union category (i.e. 2.0% based on figures of \$68,111 and \$66,798). Please show all calculations used.

c) What would be the impact on the average benefits costs associated with the changes in (b) above?

**Interrogatory # 35**

Ref: Exhibit 4, Table 10

Please provide the increase in the Ontario Consumer Price Index (CPI) for 2005 through 2008 and the forecast used by London Hydro for 2009.

**Interrogatory # 36**

Ref: Exhibit 4, page 28

Please explain why ratepayers should be expected to pay \$30,000 for a special celebration marking London Hydro's 100<sup>th</sup> anniversary. Why should these costs not be born by London Hydro's shareholder?

**Interrogatory # 37**

Ref: Exhibit 4, page 38

Has London Hydro finalized its insurance costs for 2009? If yes, please provide the estimated cost as compared to that included in the forecast for 2009.

**Interrogatory # 38**

Ref: Exhibit 4, page 51

a) Please provide a breakdown of the total expense forecast of \$291,400 associated with this Application into consulting, legal, intervenors, etc.

b) Please indicate the amount included in the \$291,400 total cost associated with each of a technical conference and an oral hearing. These costs should include preparation, attendance, etc. for consulting, legal and intervenor costs as well as any other costs associated with the technical conference and an oral hearing.

**Interrogatory # 39**

Ref: Exhibit 4, page 73 & Exhibit 2, Table 16

Please show the calculation, including all data used in estimating the 2009 depreciation expense for each of the following accounts (if easier, please provide live spreadsheets):

- i) 1835;
- ii) 1845;
- iii) 1850; and
- iv) 1925.

**Interrogatory # 40**

Ref: Exhibit 4, page 75 & Exhibit 9, page 22

Please explain why the total loss factor for a secondary metered customer > 5,000 kW is shown as 1.0315 in Exhibit 4, but as 1.0144 in Exhibit 9.

**Interrogatory # 41**

Ref: Exhibit 4, Table 35

a) Why does London Hydro consider the supply facility loss factor of 0.34% in 2004 to be abnormal, but not the loss factor of 0.48% in 2006?

b) Please update Table 35 to include actual data for 2008.

c) What is the distribution loss factor based on the same 3 year average as that used for the supply facility loss factor?

**Interrogatory # 42**

Ref: Exhibit 4, pages 79 - 80

- a) Is London Hydro aware of the Ontario Energy Board approving any such “normalization” related to CCA deductions for income tax purposes for any other utility in Ontario? If yes, please provide details and references.
- b) What is the impact on the revenue requirement for 2009 if the CCA normalization adjustment proposed by London Hydro is rejected by the OEB?
- c) If London Hydro is proposing the normalization of the CCA for tax purposes of the non-recurring software expenditures of \$6,739,874 over the four year period 2009 through 2012, why would it not be appropriate to normalize the addition of this expenditure to rate base so that in 2009, only one-quarter, or \$1684,968 be added to rate base with the corresponding changes to return on capital and depreciation expense?
- d) What is the depreciation expense associated with the non-recurring expenditure of \$6,739,874 that is included in the 2009 revenue requirement? Please show how this amount has been calculated.

**Interrogatory # 43**

Ref: Exhibit 4, Tables 39 & 40, Exhibit 2, Tables 15 & 16

- a) Please explain why there are no additions to CCA Class 50 (computers & Systems Hardware) in either 2008 (Table 39) or 2009 (Table 40) in Exhibit 4, when there is an addition to computer hardware of \$488,300 shown in 2008 (Table 15) and a further addition of \$767,000 (Table 16) for 2009 shown in Exhibit 2.
- b) Please recalculate the 2009 CCA deduction assuming that the \$488,300 is put into CCA Class 50 in 2008 and the \$767,000 is put into Class 50 in 2009. Please provide a revised Table 39 and Table 40 showing this change.
- c) The January, 2009 federal budget accelerated the CCA deduction for assets in Class 50 acquired after January 27, 2009 to 100%. Further this enhanced rate is not subject to the half year rule. This results in the full deduction of the cost of Class 50 assets acquired after January 27, 2009. Please revise the 2009 CCA calculations for 2009 requested in (b) above to reflect the full deduction of 2009 capital expenditure in Class 50.
- d) What is the impact on the revenue requirement in aggregate of (i) moving the computer expenditures in 2008 of \$488,300 to Class 50, (ii) utilizing the full CCA deduction for the \$767,000 in computer expenditures for 2009, and (iii) utilizing the full CCA deduction associated with the software expenditures for 2009 as requested in Interrogatory #41 above?

**Interrogatory # 44**

Ref: Exhibit 4, Table 37

- a) Please explain what the tax credits (SRED) of \$58,000 are related to and show how the 2008 and 2009 figures are calculated.
- b) Please explain the addition to accounting income of \$17,000 shown for Ontario Specified Tax Credits. Why does a tax “credit” increase taxable income?
- c) Please explain the addition to accounting income of \$495,000 for non-deductible company pension plans.

**Interrogatory # 45**

Ref: Exhibit 9, page 10

London Hydro states that it has elected not to file a claim for Lost Revenue Adjustment or Shared Savings Mechanism with this Application. Does this mean that London Hydro will file a claim for the Lost Revenue Adjustment and/or Shared Savings Mechanism at some future time or is London Hydro indicating that it will not file for recovery of these historical amounts that it could have included in this Application at any time?

**Interrogatory # 46**

Ref: Exhibit 9, pages 12 – 13

- a) Please update the monthly deferral account balances and the further analysis to include as many months after September, 2008 as are available.
- b) Does the updated information impact on London Hydro’s current proposal to not adjust the rates upwards by 3% to 4%? Please explain.