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February 20, 2009

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2008-0235
London Hydro Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2008-0235

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S. O. 1998 c.15, Schedule B, as amended;

AND IN THE MATTER OF an Application by London Hydro Inc. for an Order or Orders approving and fixing just and reasonable distribution rates and other charges, effective May 1,2009.

LONDON HYDRO INC.
2009 ELECTRICITY DISTRIBUTION RATE APPLICATION

Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Question #1

Ref: Exhibit 1 / p. 42

a) Please explain why data on Appointments is not available.

b) Provide the 2008 SQI data for <u>all</u> indicators by adding a column to Table 2

c) Indicate which if any, if targets for 2009 are different from 2007/2008

Question #2

Ref: Exhibit 1 / p. 45

a) Provide a version of Table 3 that shows a breakdown of total bill impacts for distribution, transformation, commodity and rate riders.

b) For the Residential class provide the above breakdown for monthly consumption of 750kwh and 500kwh as well as 1000kwh

Question #3

Ref: Exhibit 1 / p. 47

a) With regard to benchmarking EWUs historic OM&A costs, please confirm/correct the data for 2005 and 2007 shown in the file "Comparison of Distributors (EB-2006-0268)" found on the OEB website:

http://www.oeb.gov.on.ca/OEB/_Documents/EB-2006-0268/Comparison_of_Distributors_20081203.xls

b) For each of the historic years 2005-2007 compute the average London Hydro OM&A cost per customer and compare the average to that of the peer group shown on the OEB website.

c) Compute the distribution OM&A cost per customer for the years 2005-2009.

d) Compute the OM&A per kilowatt hour of energy distributed for the years 2005-2009.

e) Discuss the trends in OM&A costs per customer and per kwh distributed.

Question #4

Ref: Exhibit 1 / p. 59

Preamble:

When a capital asset is sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings.

Capital assets that by their nature are not readily identifiable as individual assets are grouped together. Under this method, the related cost and accumulated amortization are removed from their respective grouping account at the end of the asset's estimated useful life, regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

a) Provide a schedule showing major Capital Assets (PPE) aggregated by class, sold from 2006 to 2008.Include Net book value and gain or loss on disposition.

b) Confirm that net proceeds were accounted for as income under other Revenue. If not explain how the gain/loss was accounted for.

c) Provide a schedule of PPE to be disposed of in 2009 and the estimated net book value and forecast gain or loss on disposition

Question #5

Refs: Exhibit 1 / p. 63, 79 and 92 and Exhibit 4 page 67

Preamble: The 2006 and 2007 Financial Statements contain the following on related party transactions

During the year and within the course of normal operations, the Company provided services to the City of London on an estimated cost recovery basis at an amount of $3.3 million (2006 - $3.3 million), and paid interest to the City in the amount of $4.2 million (2006 - $4.2 million).

The 2008 Interim Statement contains the following

During the period and within the course of normal operations, the Company provided services to the City of London on an estimated cost recovery basis at an amount of $0.8 million (2007 - $0.8 million), and paid interest to the City in the amount of $1.0 million (2007 - $1.0 million).

a) Please explain the differences in the services (and costs and revenues) provided to the City between 2006 and 2008.

b) Please explain the differences in the interest paid to the city in 2006/2007 and 2008

c) Provide a schedule that shows a breakdown of the services provided to the City in each of the years 2006-2008 and forecast for 2009.

d) Provide a Copy of the Service Level Agreement(s) for these services and the signed service schedule(s) for 2008 and 2009

e) Provide details of the Costing/pricing of the services in the context of the Affiliate Relations Code, for example details of the Fully Allocated Costing and/or Market prices used to allocate costs to City Water.

Question #6

Ref: Exhibit 1 / p. 101-104

a) For the Column “Non-wires Activities” provide a set of explanatory notes for 2008 and pro forma 2009 of entries for G&A expense and Other Revenue

b) Reconcile the 2008 and forecast 2009 numbers with the services and revenues and costs related to related party transactions per VECC question above

c) Explain why there is no Other Revenue in the 2009 pro forma.

Question #7

Refs: Exhibit 2 page 5, Table 6 page 18 and Table 17 page 56

a) Provide a schedule(s) Similar to Table 6 but showing historic and forecast 2006-2009 Board-approved and actual Capital Expenditures by Capital Group.

b) Given the downturn in the economy, is the 2009 forecast of $ 7,324,000 ($7,900,000 Table 18))for developer-driven projects 9E1-9E5 still appropriate? Please indicate correct amount and please discuss potential for deferrals and associated impacts on 2009 CAPEX and Rate Base additions.

Question #8

Ref: Exhibit 2 / p. 69

Preamble

Fleet and Facilities Program**:**

The four activities included in the fleet and facilities program are: vehicles and major equipment, operating equipment, buildings and fixtures, and office furniture and equipment.

a) Provide a summary of the total fleet by vehicle type/duty category and age

b) Provide LHs assessment of which of the proposed 2009 vehicle replacements are “Mission Critical”. Indicate the aggregate capital cost

c) Has LH examined leasing/lease-to-own for standard duty vehicles? If so provide a copy of the assessment.

Question #9

Ref: Exhibit 2 / p. 56 Table 17 and p Table 19

a) Extend Table 19 to provide a breakdown/projection of IT Capital projects for 2009-2011

b) For 2009 IT Application Development Project Costs indicate by major project the breakdown of in-house costs and external consulting costs.

c) Provide a summary by vendor of annual license fees for 2007-2011

Question #10
Refs: Exhibit 3/Page 46: Exhibit 9/Page 24

a) Please provide a schedule setting out the rates and volumes by customer class supporting the 2009 test year revenues reported in Table 1 of Exhibit 3.

b) Please confirm that that the rates used in part (a) excluded Smart Meter charges.

c) Please provide a schedule setting out the 2009 kW eligible for the transformer ownership allowance by customer class.

Question #12
Ref: Exhibit 3/Page 8

a) Are the customer count values set out in Table 4 year-end or average annual values?

b) Please provide a schedule that estimates the annual weather normal usage for 2002-2007 using the models developed and inputting the actual values for all explanatory variables except weather where the value for “normal weather” should be used.

Question #13
Ref: Exhibit 3/Page 11

a) Did London Hydro test any model formulations that included customer count as an explanatory variable? If not, why not? If yes, please provide the modelling results and associated statistics and explain why it was rejected.

Question #14

Ref: Exhibit 3/Page 16

a) Please confirm that the calculation of the geometric mean depends entirely on the values at the start and the end of the series.

b) Why is it appropriate to use the “geometric mean” growth rate determined over the past 10 years to project customer additions for 2008 and 2009?

c) The growth GS>50 growth rate for the years after 2003 appears reasonably stable. Why wouldn’t it be appropriate to use the geometric mean growth rate over this period to forecast customer connections for 2008 and 2009?

d) Please explain the large changes in number of Unmetered Load connections in 2006 and 2007?

e) Please provide a schedule that provides the actual 2008 count by customer class. If not available please provide data for the most recent month that is available.

Question #15
Ref: Exhibit 3/Pages 18-20

a) Please confirm that, for weather sensitive loads, average customer use in a given year will be influenced, to large degree, by weather in that year. Similarly, please confirm that year over year changes in average customer use will be influenced, to a large degree, by changes in weather from one year to the next.

b) Please explain why applying the historical geometric mean growth rate to 2007 (non-weather normalized) use will provide a consistent non-normalized billed energy forecast across the various customer classes.

c) Why is the Residential class considered to be 100% weather sensitive when many residential loads are not influenced by weather?

d) Please provide the supporting materials from Hydro One Networks that substantiate the assumed weather sensitivity for each class.

e) Please provide a schedule that sets out the average weather normal billed use per customer for each class as determined by Hydro One Networks in its work for the cost allocation study. In the same schedule please include the 2008 and 2009 weather normal use per customer as per London Hydro's load forecast. If there are significant differences, please comment as to why.

Question #16
Ref: Exhibit 3/Page 21

a) There have been 3 Cogeneration customers for the years 2005-2007 inclusive. Why would it not be reasonable to use the average kW/kWh ratio over this period to estimate 2008 and 2009 billing kW?

Question #17

Ref: Exhibit 3 / p.24 Table 3

a) Provide the drivers/rationale for the following changes in Other Revenues relative to historic values

    i. 4210-Rent from Electric Property

ii. 4225-Late Payment Charges

iii. 4225-Late Payment Charges

b) For the ~$185,000 in lost revenue from rental of office space, provide details of the vacated space *relative to the total space*:

i. Square feet (m2)

ii. Associated annual operating costs

iii. Parking places

c) Is LH currently renting office space elsewhere? If so when can staff be relocated to fill vacated space

d) How will the increased operating cost be allocated between LH and City Water?

e) In which accounts are the revenue from sharing of services and facilities with City Water services recorded? Indicate accounts and amounts for 2006-2009.

Question #18
Ref: Exhibit 3/Page 31

a) Please provide a schedule that sets out the net costs/write-offs London Hydro has incurred in 2006 and 2007 due to the disposal of assets. Please provide forecast values of the same for 2008 and 2009.

b) Are any of the anticipated gains from the sale of vehicles the result of "trading-in" for new vehicle purchases? If yes, why isn't the "gain" considered as an offset to the new vehicle cost?

c) Why does London Hydro include the sale of scrap transformers in Account 4355 whereas the revenues from other scrap sales are included in Account 4390?

Question #19

Ref: Exhibit 4 / p. 15

Preamble: London Hydro indicates that the addition of new positions account for $1.485 million of the increase in labour costs in OM&A between 2006 Board-Approved and 2009 Test Year.

a) Please provide the number of new positions by group, on an FTE basis, that account for the $1.485 million increase.

b) Provide the forecast and actual increase in positions and associated total compensation in 2008 and 2009 respectively.

c) How many of the positions planned for 2009 have been hired as of the end of February 2009? Specify positions by group and estimated annual total compensation.

d) Provide the estimated hiring dates for all 2009 positions and the associated increase in total compensation by month related to new hires.

Question #20

Ref: Exhibit 4 / p. 23 Table 17

a) Provide a version of Table 17 that includes a column for 2006 Board-Approved values.

b) Provide the latest Executive/Management Compensation Comparison Study (e.g. Hay,Mercer) prepared for LH.

c) Provide an estimate of the 2009 OM&A Impact of constraining the Total Compensation and bonus/incentive for Executive, Management and non-unionized employees to a 2.5% increase.

Question #21

Ref: Exhibit 4 / p. 47 Table 26

a) Provide details of the calculation of Fleet fuel expense for 2007 and 2008.

b) Provide the “as filed) forecast average fuel cost (c/litre) and total fuel expense for 2009. Confirm this is based on the 2009 economic forecast used by LH.

c) Provide a revised calculation of Fleet fuel cost for 2009 using the latest economic forecast of fuel prices.

d) Explain why 2009 Vehicle Parts and Labour Expense is increasing even though a significant number of vehicles are being replaced.

Question #22

Ref: Exhibit 6 / p. 2-3

a) Please reconcile the 2006 and 2007 Actual Capital Structure and in particular the Equity Component, with the Financial Statements filed at **Exhibit 1 / p. 63, 79 and 92.**

b) Provide the 2008 Actual Capital Structure based on either Audited or Unaudited Financial Statements.

c) Explain why LH does not bring its Actual Capital Structure closer to the Deemed Capital Structure.

Question #23

Ref: Exhibit 6 / p. 3-4

a) Confirm that the Promissory Note matured on July 1, 2008 and was extended to October 31,2010 at a rate of 6.0%.

b) Provide a discussion regarding whether the Note is callable and whether the rate is fixed or may be varied (and under what conditions).

c) Confirm that if the Board updates its allowed rates for Affiliated debt and Short term debt, LH will update its 2009 Cost of capital.

d) Provide the *Actual* effective average rates and cost of Debt (LT and ST) for 2008.

Question #24

Ref: Exhibit 8, page 3

a) Please confirm that for purposes of the Cost Allocation Informational Filing:
   - The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
   - The Costs include the cost of the Transformer Ownership Allowance
   - The cost of the Transformer Ownership Allowance is allocated to all customer classes

b) Please provide the results of an alternative cost allocation run where:
   - The Revenues by class are based on the rates reduced by the transformer ownership allowance where applicable

- The Costs allocated exclude the “cost” of the Transformer Ownership Allowance. (Note: For purposes of the response please just file the revised Output Sheet O1)

Question #25
Ref: Exhibit 8, page 4

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- kW by Customer Class For Demand Billed Classes (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kW	% of Total	kW	% of Total

- Customer/Connection Count

Customer Class (all)	Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

b) Exhibit 3, pages 21-22 noted that there was considerable change in the load characteristics of the Cogeneration Class as of 2007. Why is it reasonable to assume that relationship between the revenue portion and the underlying cost structure for this class remains unchanged?

Question #26
Refs: Exhibit 8, page 6: Exhibit 9, page 3

a) Please provide a schedule that sets out the following with respect to Column A of Table 3 (Exhibit 8):
   - the 2009 volumes by class
   - the 2008 fixed and variable rates by class
   - the resulting fixed and variable revenues by class
   - the total revenues by class – consistent with Column A.

b) Please confirm that the fixed and variable revenues by class as determined in part (a) are consistent with the fixed variable splits set out in Table 5 of Exhibit 9. If not, please explain why.

c) Please confirm that the rates used for Column A of Table 3 exclude the 2008 smart meter rate adder.

d) Please provide a schedule that sets out the transformer ownership allowance discount (total dollar value) for each class based on 2009 loads and 2008 rates.

Question #27
Ref: Exhibit 8, pages 7-8

a) With respect to the last bullet on page 8, please comment on the relative increases different customer classes will experience in the distribution component of their bills.

b) Pease confirm that the Residential class customers will generally experience a higher % impact on the distribution component of its bill than the GS 50-4999 (Regular) customers will. If yes, please explain why this is the case when the R/C ratio for Residential is decreasing and the ratio for the GS 50-4999 class is increasing.

Question #28
Ref: Exhibit 9, page 3

a) Please confirm that for purposes of establishing the fixed-variable splits shown in Table 3 for each customer class, London Hydro assumed that there was no transformer ownership discount paid to eligible customers.

Question #29
Reference: Exhibit 9, pages 5-6

a) The text and Table on page 5 both suggest that London Hydro is proposing to maintain the existing fixed variable split for 2009 and that this yields a Residential service charge of $13.14. Table 7 (page 6) suggests that London Hydro is proposing to alter the fixed variable split for

Residential from the current 57% to 56%. However, this proposal also yields a fixed charge of $13.14 for 2009 – per Table 8. Please undertake the following:

- Clarify London Hydro's proposal for 2009 regarding the fixed-variable split
- If London Hydro is proposing to change the fixed-variable split for 2009 (per Tables 7 & 8), provide a schedule setting out the fixed charge for each class if the fixed-variable split was maintained.

Question #30
Ref: Exhibit 9, page 8

a) The allocation of the revenue requirement to customer classes started by considering the revenue responsibility across customer classes based on 2009 revenues at current rates. Furthermore, the "current rates" used were prior to any rate/bill reduction for the transformer ownership allowance for the Large User class. Is there not an inconsistency, given this approach to determining revenue responsibility by class, between how the costs were allocated to classes and London Hydro's proposed treatment of the transformer allowance for the Large User class? Please fully explain.

Question #31
Ref: Exhibit 9, page 9

a) Please confirm that at Exhibit 1, page 2 London Hydro is applying for an effective date of May 1, 2009.

b) Will London Hydro amend its Application and request an effective date of September 1, 2009?

Question #32
Ref: Exhibit 9, pages 11-13

a) Please provide a schedule that for the most recent month available sets out for Accounts #1584 and #1586 the monthly costs (as billed by the IESO) and monthly revenues (as billed to retail customers) – i.e., update the chart on page 13 for more recent data.

Question #33
Ref: Exhibit 9, page 27

a) Please re-do Schedule 1 so as to show the impact of the Application on the distribution component of customers' bills.

b) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
   - Consume less than 100 kWh per month
   - Consume 100 -> 250 kWh per month

- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month
- Consume 750 -> 1,000 kWh per month
- Consume 1,000 -> 1,500 kWh per month

Question #34

Ref: Exhibit 9 / p. 14 and Annual Report 2007
Preamble:

Exhibit 1 Page 126 Annual Report 2007

> During the year, the Company spearheaded the formation of a Smart Meter Purchasing Consortium, or buying group consisting of 21 distributors located throughout Ontario and representing approximately 500,000 customers. A Request for Proposal was issued in August 2007, closed in November 2007 and is currently in the process of evaluation. It is anticipated that a contract will be awarded during the second quarter of 2008, subject to receiving authorization from the Province of Ontario under Regulation 427/06 to carry out the Smart Metering initiative.

a) Provide a Status Report of the SM procurement- #units, supply price and average installation cost.

b) Is LH aware that other members of the Consortium have provided evidence that unit costs are in the range of $160-170 (Can) rather than $200? Does this imply more precise information?

c) Provide LHs forecast of SM accomplishment (#installed) and Capital and operating costs for 2009 and 2010.

d) Given the under-collection of capital and operating costs by the $1.00/connection/mo SM rate adder please explain why LH has not requested an increase in the rate adder. Are there other anticipated offsets etc?

e) Is LH replacing or resealing any standard residential meters in 2009/2010? If so at what costs?

f) Has LH requested/received dispensation from Measurement Canada to defer replacement/resealing until SM can be installed? If the cost for 2009/2010 differs from part b) please provide this.