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October 20, 2009

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2009-0271
Oakville Hydro Electricity Distribution Inc. – 2010 Cost of Service Application
Interrogatories of Energy Probe

Pursuant to Procedural Order No. 1, issued by the Board on October 7, 2009, please find two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0271 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Cristina Birceanu, Oakville Hydro Electricity Distribution Inc. (By email)
James Sidlofsky, Borden Ladner Gervais LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

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

AND IN THE MATTER OF an Application by Oakville Hydro Electricity Distribution Inc. for an Order or Orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2010.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

October 20, 2009

**OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.
2010 RATES REBASING CASE
EB-2009-0271**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 14, pages 3-4

- a) Are there any costs associated with the Board of Directors for any of the affiliates, including the parent company Oakville Hydro Corporation, included in the revenue requirement of Oakville Hydro Electricity Distribution Inc.?**
- b) If yes, please quantify and describe these costs.**
- c) What is the total cost included in the revenue requirement associated with the 13 member Board of Directors of Oakville Hydro Electricity Distribution Inc.?**

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 2

Has Oakville Hydro made changes to its OM&A and/or capital expenditure forecasts related to the proposed harmonization of the GST and RST (retail sales tax) into the HST effective July 1, 2010? If not, why not?

Interrogatory # 3

Ref: Exhibit 1, Tab 2, Schedule 5

- a) Please list all of the efficiency gains, and the resulting reduction in costs, associated with the 2 new executive positions.**
- b) Please provide a copy of the Mercer comprehensive compensation study.**

Interrogatory # 4

Ref: Exhibit 2, Tab 1, Schedule 3

- a) Please explain why there are no disposals shown in any year. How does Oakville Hydro record the disposals of assets? As an example, how does Oakville Hydro deal with the replacement of a vehicle where the vehicle being replaced is sold?**
- b) Based on the most recent information available, how much of the forecasted 2009 capital expenditures of \$24,728,098 have actually been closed to rate base?**
- c) Based on the most recent information available in part (b) above, what is the current forecast of capital expenditures that will be closed to rate base before the end of 2009?**
- d) Over the period 2006 through forecast 2009, the level of contributions and grants has ranged from \$3.4 million to \$4.5 million. Please explain the reduction to only \$2.6 million in 2010.**

Interrogatory # 5

Ref: Exhibit 2, Tab 3, Schedule 3

- a) Please confirm that the price of \$0.0672 per kWh shown on line 7 should be \$0.06072 as shown in Table 15.**
- b) Please update the cost of power calculation and the resulting impact on the working capital allowance to reflect the Regulated Price Plan price as issued by the OEB on October 15, 2009.**
- c) Does Oakville Hydro intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?**

Interrogatory # 6

Ref: Exhibit 2, Tab 4, Schedule 3

- a) **Please provide a version of Table 16 that reflects the most recent year-to-date capital expenditures for 2009 and a second version of Table 16 that reflect the most recent forecast for 2009 based on actual expenditures to date.**
- b) **There is a total of \$26,000 in annual maintenance cost savings identified in relation to substation costs. Please indicate where in the OM&A forecast this reduction is shown.**
- c) **Please explain the \$500,000 forecast for 2009 expenditures on distribution meters. Are these smart meters?**

Interrogatory # 7

Ref: Exhibit 2, Tab 4, Schedule 4

Please explain the \$500,000 forecast for 2010 expenditures on distribution meters. Are these smart meters?

Interrogatory # 8

Ref: Exhibit 3, Tab 2, Schedule 1

- a) **Please provide the forecast GWh for 2009 and 2010 from each of the 5 versions of the regression equation tested.**
- b) **Why has Oakville Hydro used a historical loss factor calculated over a 7 year period, as shown in Table 5 rather than the loss factor based on the same period used to estimate the regression analysis?**
- c) **Please provide the loss factor, using the same methodology as in Table 5 for 1998 through 2001.**

Interrogatory # 9

Ref: Exhibit 3, Tab 2, Schedule 1

Please rerun the regression analysis chosen (Version 5) by first removing the historical consumption data over the historical period (January 1998 through May, 2009) for customers A, B, C, D and E and removing the Large User explanatory variable.

- a) Please provide the regression statistics in the same manner as shown on page 11.**
- b) Please provide the 2010 GWh forecast using the above equation.**
- c) Please provide updates to the historical tables reflecting the removal of customers A through E from this historical data. In particular, please provide Tables 5, 6, 7, 9, 10, 15 and 16 excluding historical data for customers A through E.**
- d) Based on the methodology used by Oakville Hydro and the revised historical information provided above, please provide revised Tables 8, 11, 12, 14 and 17 that reflect the removal of customers A through E from the historical data.**
- e) Instead of the Total Loss of Customer and Load table shown on page 46, please provide a table that shows the forecasted consumption based on historical average (excluding customers A through E), the estimated consumption for customers A through E and the Adjustments to the Load Forecast where the two components are added together.**
- f) Please provide revised tables from pages 52 and 53 that reflect the forecast generated in (e) above.**

Interrogatory # 10

Ref: Exhibit 3, Tab 3, Schedule 1

- a) The evidence at page 5 related to Account 4235 Miscellaneous Service Revenues indicates that the 2010 test year forecast is based on the average of 2007-2009. However, the data for these years for account 4235 shown in the table on page 3 yields an average of \$351,900 rather than the 2010 forecast figure of \$342,325. Please reconcile the difference.**

- b) A review of accounts 4375 (Revenues from Non-Utility Operations) and 4380 (Expenses of Non-Utility Operations) yields the following table:

	2006	2007	2008	2009	2010
Revenue	114,465	313,640	317,569	65,000	50,000
Costs	0	187,096	217,382	0	0
Net Revenue	114,465	126,544	100,187	65,000	50,000

- i) Please explain the significant reduction in net revenues related to non-utility operations from more than \$100,000 in each of 2006 through 2008 to \$65,000 in 2009.
- ii) Please explain the further reduction in net revenues in 2010 from \$65,000 to \$50,000.
- c) Please provide the actual year-to-date figures for 2009 for each account shown in the table on page 3 based on the most recent information available. Please also provide the year-to-date 2008 revenue for each account for the same period.
- d) Where are revenues recorded for the sale of vehicles that are being replaced? Please provide the forecast revenue associated with vehicles being replaced in 2009 and 2010.
- e) Please explain the significant increase in 2008 revenues in Account 4390 – Miscellaneous Non-Operating Income from \$97,174 in 2007 to \$332,662 in 2008.
- f) Please explain the significant decrease in forecast revenues in 2009 in Account 4390 from \$332,662 in 2008 to \$60,000 in each of 2009 and 2010.
- g) Given that the revenues in Account 4390 are related to the recovery of costs for unexpected accidents, please explain why the 2009 and 2010 forecasts of \$60,000 are significantly below the 2007 level of more than \$97,000.
- h) Please confirm that there are no interest credits or debits included in Account 4405 – Interest Income associated with deferral and variance accounts. If this cannot be confirmed, please indicate the amount in Account 4405 excluding balances associated with interest on deferral and variance accounts.
- i) The evidence indicates that Oakville Hydro has loans receivable from affiliates. Please provide the 2010 average outstanding balance for these loans in aggregate and show the interest calculation.

- j) How does Oakville Hydro finance the amounts loaned to its affiliates? Does Oakville Hydro borrow some or all of the funds? If yes, please provide the rate applicable to these borrowings for Oakville Hydro in 2010.**
- k) Please identify the source and amount by year of the subsidy received for hiring qualified students from local community colleges shown for Account 4375 for 2006 through 2010.**
- l) Does the subsidy noted under Account 4375 include the Co-operative Education Tax Credit (CETC) and/or the Apprenticeship Training Tax Credit? Please provide the actual and forecasted amounts for both of these tax credits that have been included in Account 4375 showing the number of positions eligible and the amount for each position. If these tax credits are not included in Account 4375, please indicate where they are included for revenue requirement purposes.**

Interrogatory # 11

Ref: Exhibit 3, Tab 3, Schedule 2

- a) Please confirm that the total revenues in Account 4390 for the 2006 through 2008 period totaled \$486,918, or an average of more than \$162,000 in those years, after taking into account the administrative and billing delays identified on page 3.**
- b) Please explain the drop of more than \$100,000 from the 2006 through 2008 average in Account 4390 for 2009 and 2010.**
- c) Please explain how the declining interest rate in 2010 from 0.8% to 0.5% results in a reduction in interest of \$373,445, the same decline shown in 2009 when interest rates fell from 3.1% in 2008 to 0.8% in 2009.**
- d) Please provide the most recent rate that reflects what the affiliates could borrow at from a chartered bank.**

Interrogatory # 12

Ref: Exhibit 3, Tab 4, Schedule 2-D

- a) Please explain the significant drop in Other Income/Deductions shown for proceeds on sale of materials in Account 4375.**

- b) What is the average bank deposit amount in 2010 that generates interest revenue of \$60,000? Please explain why Oakville Hydro has not invested some of this amount in short term investments that may generate more interest income.

Interrogatory # 13

**Ref: Exhibit 4, Tab 2, Schedule 1 &
Exhibit 4, Tab 2, Schedule 2**

- a) Please confirm that the difference between the 2010 total OM&A expenses shown in Appendix 2-F of \$12,781,961 with the figure of \$12,506,961 in Appendix 2-F, which totals \$275,000, is one-fourth of the IFRS and Pandemic planning costs identified on page 10 of Exhibit 4, Tab 2, Schedule 2.
- b) Please confirm that the total OM&A costs of \$12,781,961 shown in Appendix 2-F of Exhibit 4, Tab 2, Schedule 1 only includes one-fourth of the 2010 cost of service application costs, or \$83,438 as detailed on page 10 of Exhibit 4, Tab 2, Schedule 2.

Interrogatory # 14

**Ref: Exhibit 4, Tab 1, Schedule 1 &
Exhibit 4, Tab 2, Schedule 5**

Please reconcile the statement at page 1 of Exhibit 4, Tab 1, Schedule 1 that in 2010 there will be 21 staff members (approximately 25% of the total employees) over the age of 55 with the FTEE figure of 35 in 2010 shown in Appendix 2-J of Exhibit 4, Tab 2, Schedule 5.

Interrogatory # 15

Ref: Exhibit 4, Tab 1, Schedule 1, pages 2-3

- a) For each of the replacement positions shown, please provide the current cost associated with wages, salaries and benefits of the existing position, along with the forecast cost associated with the replacement.
- b) For each replacement position where it is forecast that there will be an overlap between the existing employee and the replacement employee for all or part of 2010, please provide the total wage, salary and benefit cost associated with the replacement.

Interrogatory # 16

Ref: Exhibit 4, Tab 2, Schedule 2

- a) **Please confirm that all of the incremental personnel shown for 2009 on page 7 have or will have been hired before the end of 2009. If this cannot be confirmed, please identify the positions that will not be filled by the end of 2009.**
- b) **Please provide details on the new accounts receivable credit insurance that will be used to mitigate bad debts. In particular, which accounts/rate classes are covered by this insurance and how will any amounts covered be determined?**
- c) **Has Oakville Hydro put in place the accounts receivable insurance in 2009? If yes, please provide the actual annualized cost of this insurance.**
- d) **The evidence states that the accounts receivable credit insurance will reduce bad debt exposure in the future. Please explain the increase in bad debt expense from \$200,000 in 2009 to \$276,587 in 2010 as shown in Exhibit 4, Tab 2, Schedule 5, Appendix 2-G.**
- e) **Given the addition of new employee positions to accommodate upcoming retirements and conversion of contractors to permanent full-time positions (page 2 of Exhibit 4, Tab 1, Schedule 1), please explain why there is a decrease of more than \$600,000 in costs allocated to capital. In particular, why will more of the capital work be performed by third party contractors when the number of employees at Oakville Hydro is increasing?**
- f) **Please provide all the data and calculations used to determine the amount of operating costs recovered from affiliates in both 2009 and 2010.**

Interrogatory # 17

Ref: Exhibit 4, Tab 2, Schedule 2

- a) **Will the operations manager position be refilled, left vacant, or eliminated, when the individual filling that position is promoted to the existing Director of Operations position?**
- b) **What is the all in salary, wage and benefits cost associated with the operations manager position?**

- c) Why has Oakville Hydro not proposed to amortize the \$75,000 cost associated with the third party comprehensive compensation study over 4 years?
- d) Please provide the management training costs for each of 2006 through 2009 related to professional development of qualified professional engineers.
- e) Please provide the costs for hydro and water in each of 2006, 2007, 2008 and 2009, along with the forecast for 2010. What is driving the increase of \$30,025 in 2010?
- f) What is the impact on the 2010 revenue requirement if the unionized personnel annual increase is reduced from 3% to 2%?
- g) What is the impact on the 2010 revenue requirement if the non-unionized annual increase is reduced from 3.5% to 2%?

Interrogatory # 18

Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-F

Please provide a table in the same level of detail as that shown in Appendix 2-F that shows the most recent available year-to-date OM&A expenses for 2009 and the corresponding figures for the same period in 2008.

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 5

- a) Please provide the costs incurred to date for the cost of service application, in the same format as shown in Table 1.
- b) Please identify all amounts or portions of amounts that would be eliminated if there was not any oral component to the Application.
- c) Please provide the costs incurred to date for the IFRS conversion, in the same format as shown in Table 2.
- d) Why has Oakville Hydro proposed to amortize the IFRS related costs over a 4 year period? Would Oakville Hydro be willing to amortize these costs over a longer period, up to and including 10 years? If not, please explain why not, given the long term benefit of such an expenditure.

- e) Will any of the expenditures incurred by Oakville Hydro for the IFRS conversion be applicable to any of its affiliates? If not, why not? Have any of the affiliates made plans to incur costs related to the IFRS conversion? Have any of the forecast costs to be incurred by Oakville Hydro been allocated to its affiliates?
- f) Are any of the costs shown in Table 2 eligible to be capitalized (e.g. IT system changes). If not, why not? If yes, why has Oakville Hydro expensed the costs?
- g) Why has Oakville Hydro proposed to amortize the Pandemic and Emergency Planning costs over a 4 year period? Would Oakville Hydro be willing to amortize these costs over a long period, up to and including 10 years? If not, please explain why not, given the long term benefit of such an expenditure.
- h) Has Oakville Hydro discussed the need for a Pandemic and Emergency Plan with the Electricity Distributors Association or some other grouping of electricity distributors in order to minimize the cost and duplication by other distributors in setting up such a plan, especially in relation to the generic components of such a plan? If not, why not?
- i) Will any of the Pandemic and Emergency Plan be used by any of the affiliates of Oakville Hydro? If not, why not? How much of the total cost for this plan has been allocated to affiliates?
- j) What is the basis for the \$40,000 forecast cost for the OEB for the review and disposition of the 2010 cost of service application? Is this cost in addition to the annual OEB assessment?

Interrogatory # 20

Ref: Exhibit 4, Tab 2, Schedule 5, pages 4 – 6

In the Report of the Board, Transition to International Financial Reporting Standards (EB-2008-0408) issued on July 28, 2009, the Board stated:

“The Board will establish a deferral account for distributors for incremental one-time administrative costs related to the transition to IFRS. This account is exclusively for necessary, incremental transition costs and is not to include the other two types of costs listed at the beginning of this section: ongoing compliance costs or impacts on revenue requirement arising from changes in the timing of the recognition of expenses.”

- a) Based on the above, why is Oakville Hydro proposing to include the one-time administrative costs related to the transition to IFRS in the revenue requirement rather than in a deferral account?
- b) Would Oakville Hydro be amenable to the inclusion of the transition costs (amortized over 4 years or some longer period) in the 2010 revenue requirement and the establishment of a variance account that would track the actual costs as compared to that being recovered in rates? If not, why not?
- c) Please provide a breakdown of the \$1,000,000 total project cost into each of the four stages.
- d) For each of the two stages that have been completed, please provide the actual cost and provide a variance explanation for any significant variance from the forecast for those stages provided in response to part (c) above.

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 6, page 10 & 11 & 12

- a) Oakville Hydro indicates that it is forecasting an average fuel price of \$1.30 per litre in 2010 as compared to an average fuel cost of \$1.03 in 2008. Does this increase account for the total increase of \$51,331? If not, what is the total increase associated with moving from a cost of \$1.03 per litre to a cost of \$1.30 per litre?
- b) The evidence indicates that \$20,000 has been included in the 2010 revenue requirement for the training of one member of the Board of Directors. Please explain why this cost should be recoverable from ratepayers, rather than from the owner of the distributor?
- c) Please confirm that the current collective agreement that expires in July, 2010 has a term of 3 years.
- d) Why is Oakville Hydro not proposing to amortize the costs of \$30,900 associated with the negotiation of a new collective agreement over a time period similar to the length of the current agreement?

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 7

The evidence indicates that the number of Directors went from 3 prior to 2008 to 13, with an associated increase in the number of paid directors from 3 to 10 over the same period.

- a) Please provide the total cost associated with the Board of Directors for each of 2006, 2007 and 2008, along with the forecast for 2009 and 2010.**
- b) Please explain why 3 directors are not paid, while the other 10 are paid.**
- c) What was the rationale for the significant increase in the number of directors from 3 to 13 in 2008?**

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 7, Appendix 2-L

Please provide a table for 2006 through 2010 that shows the total number of customers/connections (excluding sentinel and street lighting connections as shown in the second Appendix 2-J of Exhibit 4, Tab 2, Schedule 5), the number of total FTE's and the resulting number of customers/connections per FTE.

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 8, Table 5

- a) Please explain the decrease in cost of services provided by Oakville Hydro for billing administration from \$2,392,102 in 2008 to \$2,335,000 in 2009 and to \$2,315,333 in 2010.**
- b) Please explain the decrease in executive services costs forecast for 2010 as compared to 2009.**
- c) Please explain the decrease in occupancy services costs in 2010 as compared to 2009.**

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 8, page 10

For each of the services acquired by Oakville Hydro from its affiliates, please indicate whether the service was awarded to an affiliate as the result of a tendering process. For each such tendering process, please indicate whether or not the affiliate that now provides that service was the low bidder. In any instance where the affiliate was not the low bidder, please provide the premium paid to the affiliate.

Interrogatory # 26

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please confirm that the 2009 provincial budget proposed to reduce the provincial corporate income tax rate from 14.0% to 12.0% effective July 1, 2010.**
- b) Please recalculate the income taxes payable based on a 13.0% provincial income tax rate for 2010 and show the impact of this on the revenue requirement.**
- c) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 and eliminated the 4.25% surtax on taxable income over \$500,000.**
- d) Please provide a calculation showing the reduction in provincial income taxes as a result of the changes to the small business tax rates and claw back.**
- e) Based on a combined federal provincial tax rate of 31%, and assuming the SR&ED claim for 2010 was the same as for 2008 (\$89,293) and that Oakville Hydro pays 25% of the claim to the third party consultant for preparing the claim, please calculate the resulting reduction in the revenue requirement.**
- f) Please explain why Oakville Hydro has not included any deductions in 2010 that are comparable to the \$266,229 deduction from taxable income shown for 2008 as a scientific research expense. How is this deduction related to the Investment Tax Credit of \$89,293 shown for 2008?**

- g) Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of \$10,000 per position and extending the eligibility period from 36 months to 48 months.**
- h) Has Oakville Hydro included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If yes, please provide the calculations used to calculate this credit and indicate where in the calculation of income taxes it can be found.**

Interrogatory # 27

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 17 &
Exhibit 2, Tab 4, Schedule 3, Appendix 2-B**

Appendix 2-B of Exhibit 2, Tab 4, Schedule 3 shows capital expenditures in 2009 for computer hardware and systems software of \$330,084 (account 1920) and \$252,740 for computer software (account 1925). The total of these two categories is \$582,824.

In Table 17 of Exhibit 4, Tab 3, Schedule 2, this amount is split into an amount of \$291,811 as an addition to CCA Class 45 and \$291,013 as an addition to CCA Class 50. Both of these CCA classes are for computer hardware and system software. The difference between the classes is when the assets were purchased (i.e. before or after January 27, 2009).

- a) Please explain why none of the computer software identified as expenditures in account 1925 has been put into CCA Class 12.**
- b) How has Oakville Hydro determined the amount to be put into Class 45? Did Oakville Hydro actually purchase assets of \$291,811 in computer hardware before January 27, 2009? Should these expenditures be put in CCA Class 50 with a rate of 55%? If not, why not?**
- c) How has the \$252,740 related to computer software (account 1925) been allocated between CCA classes 45 and 50?**
- d) Please identify the software to be purchased in 2009 and explain why it would be considered systems software as defined for inclusion in CCA classes 45 or 50, rather than computer software as defined for inclusion in CCA class 12.**

- e) Please confirm that CCA Class 50 is for property acquired after March 18, 2007, not Jan 27, 2009 as indicated in Table 17.

Interrogatory # 28

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 18 &
Exhibit 2, Tab 4, Schedule 4, Appendix 2-B**

Appendix 2-B of Exhibit 2, Tab 4, Schedule 4 shows capital expenditures in 2010 for computer hardware and systems software of \$165,200 (account 1920) and \$1,041,800 for computer software (account 1925). The total of these two categories is \$1,207,000.

In Table 18 of Exhibit 4, Tab 3, Schedule 2, this amount is split into an amount of \$611,000 as an addition to CCA Class 45 and \$596,000 as an addition to CCA Class 50. Both of these CCA classes are for computer hardware and system software. The difference between the classes is when the assets were purchased (i.e. before or after January 27, 2009).

- a) Please explain why none of the computer software identified as expenditures in account 1925 has been put into CCA Class 12.
- b) How has Oakville Hydro determined the amount to be put into Class 45? Why would these amounts not be included in Class 50 with a CCA rate of 55%?
- c) How has the \$1,041,800 related to computer software (account 1925) been allocated between CCA classes 45 and 50?
- d) Please identify the software to be purchased in 2010 and explain why it would be considered systems software as defined for inclusion in CCA classes 45 or 50, rather than computer software as defined for inclusion in CCA class 12.
- e) Please explain why Oakville Hydro has included additions to CCA Class 45 in both 2009 and 2010 but there were no additions to this class in 2008 (Exhibit 4, Tab 3, Schedule 3, Appendix B, page 27).

Interrogatory # 29

**Ref: Exhibit 4, Tab 3, Schedule 1, page 4 &
Exhibit 4, Tab 3, Schedule 3, Appendix B, pages 108 & 109**

The evidence at Exhibit 4, Tab 3, Schedule 1 states that for the 2010 test year, only one apprentice is included in the budget and therefore this credit will be immaterial in future years.

- a) Please identify the one apprentice that is included in the budget for 2010 that is eligible for the apprenticeship tax credit from the four positions shown in CT23 Schedule 114 for the 2008 taxation year (Exhibit 4, Tab 3, Schedule 3, Appendix B, pages 108 & 109). If the one apprentice included in the 2010 budget is none of the four shown, please provide details.**
- b) Three of the four positions shown on CT23 Schedule 114 for 2008 have registration dates that would seem to indicate that all or a portion of 2010 would qualify for an apprenticeship tax credit paid during the first 36 months of an apprenticeship program. Please explain why Oakville Hydro has not forecast any apprenticeship tax credit associated with these existing eligible apprenticeship positions.**

Interrogatory # 30

Ref: Exhibit 7, Tab 1, Schedule 3

- a) Why is Oakville Hydro proposing to increase the revenue to cost ratio for the GS > 50 kW to 85% rather than the 80% lower boundary in the Board's range?**
- b) Why is Oakville Hydro not proposing to increase the revenue to cost ratio over three years for the sentinel lights and street lighting to 75%, the same amount above the lower bounds of the Board's ranges as it is proposing to do for the GS > 50 kW class?**
- c) In calculating the Customer Unit cost per month – Avoided Cost, Oakville Hydro has indicated that it has excluded miscellaneous revenues from the calculation because it believes that the allocation of these miscellaneous revenues for the purpose of calculating the floor and ceiling is inappropriate.**

- i) Is Oakville Hydro aware of any 2008 or 2009 cost of service Decisions by the Board where the Board allowed the distributor to do what Oakville Hydro is proposing?
- ii) What is the impact on the table on page 8 of Exhibit 8, Tab 1, Schedule 2 if Oakville Hydro were to include the miscellaneous revenues in the calculation of the floors and ceilings for the rate classes?

Interrogatory # 31

Ref: Exhibit 8, Tab 2, Schedule 1

- a) For each of Table 24, 26, 28, 30 and 31, please provide a breakdown of the loss of distribution revenue into each of calendar 2008, 2009 and 2010.
- b) For each of Table 24, 26, 28, 30 and 31, please provide a breakdown of the loss of distribution revenue into each of the following periods: up to and including April, 2009; May, 2009 through April, 2010.
- c) Please confirm that if, during the period before the next rebasing application by Oakville Hydro, the four facilities that have experienced significant reductions in use have actual use that is greater than forecast and the additional revenue is in excess of the materiality threshold of \$170,000, that this excess revenue will be returned to customers through a rate rider or a decrease in the proposed rate rider. If this cannot be confirmed, please explain why not.
- d) Please explain why Oakville Hydro is requesting Z factor treatment for lost revenues as far back as February, 2008.
- e) If Oakville Hydro adds new loads or existing customers (other than the four addressed in this evidence) increase their use, will Oakville Hydro commit to bringing forward a Z factor reduction to rates to reflect the gain of distribution revenue if this gain is in excess of the materiality threshold of \$170,000? If not, why not?
- f) Please clarify whether the rates set for 2008 and 2009 were set under first generation PBR, second generation IRM or third generation IRM.

Interrogatory # 32

Ref: Exhibit 9, Tab 1, Schedule 3

The evidence indicates that Oakville Hydro inadvertently did not apply for the embedded LV rate in the 2006 EDR and the variance in this cost is recorded in account 1550.

- a) Has Oakville Hydro recovered any of the LV charge since market opening? If yes, please indicate over what period it has been recovering the LV charge.**
- b) Please confirm that the amount in Account 1550 at the end of 2008 of \$1,409,137 (Exhibit 9, Tab 1, Schedule 6, page 4) consists of only LV charges.**
- c) Please confirm that the interest shown in the same schedule in Account 1550 at the end of 2008 of \$84,842 is all related to the LV balances only. If not, please calculate the amount of the interest that is associated solely with the LV balances.**
- d) Why does Oakville Hydro consider it appropriate that ratepayers should pay interest on balances that are the direct result of Oakville Hydro's omission?**

Interrogatory # 33

Ref: Exhibit 9, Tab 2, Schedule 1

- a) Please confirm that the total interest associated with Account 1550 is \$103,220 as shown in Table 8.**
- b) Please explain the comment on page 2 that a one year disposition of \$7,386,841 due to customers would increase the interest expense in light of the fact that Oakville Hydro has actual long term debt that is more than \$6.2 million less than the deemed amount of long term debt on which it is earning a return.**
- c) Does Oakville Hydro believe it is appropriate to withhold money that is owed to customers and pay them 0.55% on these balances, while at the same time earning a return of 7.62% on debt that does not exist?**

Interrogatory # 34

Ref: Exhibit 9, Tab 3, Schedule 1, Appendix C

- a) Does Oakville Hydro propose to update the calculations to reflect the short term debt rate, long term debt rate and return on equity for 2010 when they are released by the Board (page 5)?**
- b) Will the new cost of capital parameters for 2010 also be used for 2011 and later?**
- c) Please update the calculation to reflect a corporate income tax rate of 28.25% for 2011 and 26.25% for 2012 (and later) which are based on the most recent federal and provincial budgets.**
- d) Why is there no interest cost associated with the short term debt component of the return on rate base (page 7)?**
- e) The CCA calculation on page 12 appears to underestimate the CCA deduction, as well as delay the timing of the CCA deduction. Please recalculate based on separate CCA calculations for computer hardware (Class 50) and computer software (Class 12). In particular, Class 50 has a rate of 100% for 2009 and 2010 and 55% beyond that. In addition, the half year rule does not apply for additions in 2009 and 2010. Class 12 has a rate of 100%, and the half year rule applies to all years.**

Interrogatory # 35

Ref: Exhibit 2, Tab 1 & Exhibit 4, Tab 2

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

- a) Please confirm that Oakville Hydro has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.**
- b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.**

- c) Please provide the amount of provincial sales tax paid by Oakville Hydro in each of 2006, 2007, 2008 and 2009 on OM&A expenses.**
- d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Oakville Hydro to comply with two separate sets of tax rules?**
- e) Please confirm that Oakville Hydro has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.**
- f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.**
- g) Please provide the amount of provincial sales tax paid by Oakville Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**