EB-2009-0267

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

AND IN THE MATTER OF a review of an application filed by Kitchener-Wilmot Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution commencing May 1, 2010.

INTERROGATORIES

OF THE

SCHOOL ENERGY COALITION

1. Ref. Exhibit 1, p. 68

   (a) With respect to the 2008 change in accounting policy regarding income taxes, please:

      (i) Whether there are any rate base or revenue requirement impacts for 2010 as a result of the move to the future tax method and if, so, please state what they are.

      (ii) If there is a material impact on 2010 revenue requirement resulting from the change, please:

         (A) State whether the taxes payable method remains permissible for rate-regulated enterprises.

         (B) Provide a more detailed explanation for prompted the change to a future tax method;

         (C) Provide copies of any accounting or professional reports or opinions obtained by KWHI regarding the change.

2. Ref: Exhibit 1: 2008 Annual Report: the report states that controllable operating costs were $158.68 per customer, including CDM costs funded by OPA of $5.72 for a total net KW cost per customer of $149.22. Please provide the equivalent projected figures for 2010.

Rate Base and Capital Expenditures

3. Ref: Exhibit 2: New Development Spending

Preamble

In the years 2009 to 2012, KWHI plans on significantly increasing its spending in the category "System Expansion to Supply New Development". In 2010, for example, spending in this category in areas of Transformer Stations ($6,542,600), Poles ($929,600), and Underground Ducts and Cables ($1,011,400 + $450,000 for new Residential U/G Services) is significantly higher than previous years . In total $8,393,600 is being spent on "System Expansion to Supply New Development" in 2010. The Company's Annual Report for 2008, however, as well as its load forecast evidence in the current proceeding, show a decrease in overall consumption, average use and peak demand. The 2008 Annual Report [Exhibit 1, pg. 214], for example, states that overall consumption was down 2.1% in 2008 and peak demand was down almost 6% (from 371 MW in 2007 to 351MW in 2008). In addition, the number of both residential and general service customers is projected to increase at a much slower rate in 2010 than in previous years. Residential and GS<50kW customers, for example, are projected to increase by 1.5% and 1.0% respectively in 2010, vs. 2.09% and 2.11% respectively in 2007 [see load forecast evidence, Exhibit 3, pp. 29, 41.]

Please:

(a) Confirm that the above figures are correct;

(b) Provide KWHI's peak demand from 2004 to 2012 or as far forward as projections are available.

(c) Provide any business cases or cost-benefit analysis performed for the capital projects in the "System Expansion to Supply New Development" category. If none is available, please provide a more fulsome explanation/description for the New Development projects.

OM&A

4. Exhibit 4, p. 6, Table 3: please explain why the Closing Balance for a year do not match the Opening Balance for the subsequent year (for example, the Closing Balance for 2006 actual is $12,838,999, but the Opening Balance for 2007 is $12,662,510). Ordinarily in these types of variance tables, these two figures are the same.

5. Ex. 4: Over-Time expenses:

(a) Over-time expenses increased by $401,416 in 2008. Please provide the major drivers for this increase. If the increase is related to storm activity, please provide the number of storm incidents in 2008 versus 2007 and 2006.

(b) KW Hydro has projected no change in over-time costs for 2009 or 2010. Please state what assumptions were made in determining that over-time costs will remain at the same level as 2008.

6. Ex. 4: A/R Credit Insurance: the evidence states that the insurance was purchased in 2007. What was the reason for the $53,254 increase in 2008?

7. Ex. 4, p. 36-37: IFRS Implementation Costs- does KW Hydro anticipate additional IFRS *implementation* costs after 2010? If so, is the decision not to amortize them based solely on the fact the amount is "not considered to be of a material nature."?

Cost of Capital

8. **Cost of Debt**

(a) Ex. 5, pp. 9 and 11: please explain how the term "the Ontario Energy Board Established Rate", as it appears in the two Promissory Notes filed in evidence (with the Town of Wilmot and the City of Kitchener, respectively) has been defined by the parties up to now.

(b) Pg. 8: please explain how the "actual long-term debt rate" for 2006, 6.33%, was determined and why it differs from the deemed long-term debt rate for that year, 6%.

Cost Allocation

9. Ex. 7: please explain the large change in the revenue to cost ratio for the Street Lights rate class from the original Cost Allocation Model (29% or 26.15% revised) and the 2010 cost allocation model (127.88%). What changes to the model caused the R/C ratio to change so dramatically?

Rate Design

10. Ex. 8: Bill Impacts/Rate Design

The billing impacts for the GS<50kWh rate class show that higher volume users within the class face much larger distribution rate impacts than smaller volume users. It appears that this is the case because the fixed charge for this rate class is not being increased, which means that all of the increase in revenue from this class is being derived through an increase in the variable distribution rate.

(a) Please explain why the fixed charge has not been increased so as to distributed the increased revenue from this rate class more equitably across different users.

(b) Are the Floor and Ceiling rates for fixed charges set out in Table 3 current or are they based on the 2006 cost allocation study?