

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

AND IN THE MATTER OF an Application by Oakville Hydro Electric Distribution Inc. for an Order or Order setting just and reasonable rates commencing May 1, 2010.

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. Please confirm that the Applicant has 53 schools operated by publicly funded school boards in its franchise area. Please advise how many schools are in each of the GS<50 and GS>50 classes.
2. [Ex.1] Please file the current Distribution Licence of the Applicant.
3. [Ex.1/1/9] Please confirm that the Applicant is not in compliance with Appendix 2-N of Chapter 2 the Filing Requirements for Transmission and Distribution Applications, relating to the use of the half-year rule for amortization expense.
4. [Ex.1/2/1, p. 1] Please confirm that the Applicant has experienced growth in its total number of customers from December 31, 2005 to December 31, 2008 of 13.5%, equivalent to 4.3% per annum compounded annually.
5. [Ex.1/2/2] With respect to the Applicant's 2010 capital and operating budgets:
 - a. Page 1. Please file the 2010 capital and operating budgets that were presented to the Applicant's Board of Directors for approval, together with all materials (such as supporting schedules, powerpoints, memos, explanatory notes, etc.) used in describing or supporting the budgets or obtaining approval for them. If the formal process includes presentation to, or approval by, the Audit and Finance Committee of the Board of Directors, please file the materials provided to that committee, if different from what was provided to the Board of Directors.

- b. Page 1. In the event that the 2010 capital and operating budgets do not yet have Board of Directors approval, please advise the planned date prior to the end of the current fiscal year that such approval will be sought, and any other components of the budgeting schedule that are not described in this exhibit.
 - c. Page 4. Please provide the “energy sales and revenue forecast model” referred to.
 - d. Page 4. Please provide the “in-depth review of operating priorities and requirements” referred to.
6. [Ex.1/2/4] Please provide a table in the form set out in Table 2, setting out the calculation of the deficiency for each of 2007 and 2008, using actual figures, and 2009, using the most recent forecast data, all using the tax rates, equity component, and cost of capital rates applicable to those years.
7. [Ex.1/2/5, p. 1] Please provide a list of salary adjustments made to “pay market salaries”, and the source of the market data for each. If any of these adjustments or data would disclose the names of individuals, please redact those names, and if the remaining data would still allow any individual to be identified, please file this response in confidence.
8. [Ex. 1/3/1] With respect to the financial statements:
 - a. Page 31. Please provide the CWIP figure as of the end of each year 2006 through 2010, with actual to 2008 and forecast for 2009 and 2010.
 - b. Page 31 and Ex. 1/3/3. Please provide a list of the projects totaling \$6,151,455 shifted from CWIP to rate base as of the end of 2008. Please calculate, by asset class, the total impact of that adjustment on amortization in each of 2008 and 2009, and on opening rate base for the Test Year.
 - c. Page 37. Please provide a detailed breakdown of the “Amounts due from/receivable from associated companies”, including the terms of each such obligation. If those advances are documented with loan agreements, promissory notes, or other legal instruments, please file copies of those materials.
9. [Ex.1/3/2, App. G] For each of accounts 5005 through 5695 inclusive, please provide the amount expected to be paid to affiliates and/or the Town of Oakville in that budget for the Test Year.
10. [Ex.1/3/5] Please file a copy of the documentation for the uncommitted line of credit facility referred to, including any loan agreement, commitment letter, or similar document describing in detail the terms of the credit facility. If there are any amendments subsequent to the establishment of the facility (for example, interest rate changes), please provide those details.

11. [Ex.2/4/1, p.2] Please advise whether the phrase “If it is determined that Oakville Hydro does not have the appropriate skills for the project or does not have the manpower available” includes skills/manpower in affiliate, and whether an RFP is used if affiliates are able to do the project. If affiliates are not required to bid through an RFP, please describe the circumstances in which that is the case, and provide a list of all projects, including dollar amounts, to which that exception applied or will apply in 2008, 2009 and 2010.
12. [Ex.2/4/3,p.1] Please expand Table 16 with two additional right hand columns, the first containing the year to date spending on the project, and the second containing the dollar amount in the “Total” column that is expected to be in CWIP on December 31, 2009, if any. If this table does not include projects that will be in CWIP at year end, please add those projects to the table and complete all six dollar columns for those projects.
13. [Ex.2/4/3, App. A and B] For each project in which more than \$100,000 has been or will be paid to an affiliate or the Town of Oakville, please identify the project, the affiliate or affiliates, the amount, the nature of the work done or to be done, and the procurement method.
14. [Ex.2/4/4] With respect to the Test Year Capital Budget:
 - a. Page 1. Please expand Table 17 with two additional right hand columns, the first containing the year to date spending on the project, and the second containing the dollar amount in the “Total” column that is expected to be in CWIP on December 31, 2010, if any. If this table does not include projects that will be in CWIP at year end, please add those projects to the table and complete all six dollar columns for those projects.
 - b. Page 7. Please provide the original multi-year plan for the new SCADA system, including planned spending in 2008 through 2010, and any other years in which spending was incurred or is planned. If the plan has been altered since its original approval or adoption, please describe those changes and their impacts.
15. [Ex. 2/4/6, p. 2] Please file the latest annual review of the burdens for reasonableness, as referred to in the exhibit.
16. [Ex. 4/1/1 p. 3] Please provide a description of all material “cost reduction strategies and elimination of discretionary costs” applicable to the Test Year, including the dollar amounts saved.
17. [Ex.4/2/2] With respect to the Cost Drivers exhibit:
 - a. Please provide a table showing the FTE’s by employee category for each of the years 2006 through 2010. The explanations in this Exhibit show a total of 27 “new incremental personnel”. Please reconcile those explanations with the data in the table requested.

- b. Page 3. Please describe the “changes to the management fee calculation”, and any other changes to the calculation of payments to or from affiliates in any of the years 2006 through 2010.
- c. Page 4. Please identify and quantify each of the offsetting OM&A reductions in 2007 that arose due to the high amount of capital work.

18. [Ex.4/2/3] With respect to the Departmental and Corporation OM&A Activities exhibit:

- a. Page 1. Please identify each category of assets that is operated on a “run to failure” basis, including but not limited to pole-mounted transformers, secondary system, etc. For each category operated on that basis, please provide any formal analysis on which that decision was based.
- b. Page 3. Please advise what steps, if any, the Applicant has taken to consolidate its 24/7 control room and/or its SCADA system with neighbouring utilities to obtain economies of scale.
- c. Page 6. Please provide details of the cost and terms of the credit receivable insurance, and file a copy of the policy.

19. [Ex.4/2/5] With respect to the OM&A budget and explanations:

- a. Page 10. Please explain the \$206,256 increase in “Management Staff Salaries and Benefits” for Regulatory from 2006 Board Approved to 2010 Test Year Forecast.
- b. Page 15. Please reconcile the figures for FTEs in Appendices 2-J with the FTEs listed in Appendix 2-L at Ex. 4/2/7 page 4.
- c. App. A, page 1-2. Please provide a detailed budget for the entire IFRS project totaling \$1 million (or more, if that is the case), broken down by category of spending and broken down between the years 2008 through 2011. Please file any business case, budget, or other justification document supplied to the executive or board of directors, as the case may be, at the time approval of the project was granted.
- d. App. A, page 1. Please file the RFP for the project, the initial KPMG bid, and the KPMG contract including any amendments that have taken place since it was originally signed.

20. [Ex.4/2/6] With respect to the OM&A Variance Analysis:

- a. Page 4. Please disaggregate the cost impact between the overlap of personnel and the change in the position level from supervisor to manager. Please advise the annual impact of the change in position level after 2010.

- b. Page 4. Please confirm that the intention is to remove the position of Operations Manager when the Director of Operations retires. Please advise the date the Director of Operations is expected to retire.
 - c. Page 6. For each of the years 2006 through 2010, please provide the amount of the administrative expense transferred credit, broken down into the six categories listed, i.e. water billing, plus five components to the management fee (executive, finance department, etc.).
21. [Ex.4/2/7, p. 1] Please file a copy of the current Pay for Performance Program, the current financial target, and any communications to employees or any group of employees in the last twelve months describing that program or any changes to it.
22. [Ex.4/2/8] With respect to Shared Services/Corporate Cost Allocation:
- a. Page 2. Please confirm that all risk of spending in excess of budget is, in this allocation methodology, borne by the LDC. If this is not the case, explain how the allocations based on budgeted costs are adjusted or trued up in some manner later to ensure that affiliates share the budget overage.
 - b. Page 2. Please confirm that allocations based on revenues use distribution revenues for the LDC, and not total revenues.
 - c. Page 3. Please file a copy of the lease, together with any amendments to the lease, and the most recent document setting the rent level.
 - d. Page 5. Please reconcile the figures in Table 5 to the annual OM&A actual or budget, as the case may be, for the Applicant.
 - e. Page 6-10. Please provide Tables 6 through 10, replacing all percentage figures with dollar figures.
 - f. Page 12. Please provide a list of all other electricity distributors to which OHESI provides meter-related services, and the aggregate OHESI revenues in each of 2006 through 2008 from all of those distributors.
 - g. Page 12. Please provide the RFP or other documentation showing the process by which the Applicant determined that only El-Con can provide the “level of flexible fast response services” the Applicant requires.
 - h. Page 13. Please provide details of the “profit margins” contained in El-Con prices for both general construction and locating services. Please provide the documentation that shows that the prices charged by El-Con to the Applicant are market prices or, alternatively, are based on the costs of the affiliate.

- i. Page 13. Please provide the last RFP for “larger underground capital work” put out by the Applicant, on which El-Con bid and won, together with the full El-Con bid. Please describe the procedures put in place by the Applicant to ensure that El-Con did not have any unfair advantage in terms of information, influence, or otherwise, due to their affiliate status.
 - j. Page 13. Please confirm that El-Con does not currently provide locating services to anyone other than the Applicant. If that is not the case, please
 - i. advise the percentage of El-Con’s revenues that are from customers other than its own affiliates, and
 - ii. confirm that El-Con’s prices to customers other than the Applicant are the same as, or greater than, the prices charged to the Applicant for locating services.
 - k. Page 13. Please provide the documentation that shows that the prices charged by Blink to the Applicant are market prices or, alternatively, are based on the costs of the affiliate. If the prices include a profit margin, please provide details.
 - l. Page 13. Table 13 at Ex.4/2/9 p. 2 states that the Applicant expects to pay the Corporation of the Town of Oakville \$6,682,596 for “trimming” in the Test Year. Please confirm that this is the Tree Trimming referred to on this page. Please break down the budgeted cost into its various cost components as described here. Please file a copy of the contract with the Town, together with the most recent document setting the annual pricing.
 - m. Page 15. Please describe the impacts on ARC expected by the Applicant as a result of the implementation of GEGEA.
23. [Ex.4/2/9. p. 2] Please complete the 2009 and 2010 columns for all vendors with the amounts currently included in the forecast or budget, as the case may be, for the respective years.
24. [Ex. 4/2/10] With respect to amortization:
- a. Page 1. Please file any studies or analyses that deal with the appropriateness of applying a full year of amortization on new additions.
 - b. Page 8. Please confirm that the difference between applying a full year of amortization on new additions, as reported, and applying the half-year rule on new additions, would in this budget for 2010 be a total of \$402,544 less amortization expense under the half-year rule.
25. [Ex.4/3/1] With respect to PILs/taxes:

- a. Page 3. Please confirm that the Applicant currently expects to have SR&ED qualified expenditures in the Test Year. Please advise the amount currently in the budget that would so qualify.
- b. Page 5. Please confirm that the historical data in Table 15 includes Regulatory Liabilities balances in the Adds and Deducts of reserves, but that the tax calculations in Table 16 do not include Regulatory Liabilities in those Adds and Deducts. Please explain why the different methodology was employed. Please confirm that there is no other difference between the two methodologies except the inclusion of Regulatory Liabilities. Please confirm that Regulatory Liabilities are included in the adjustments on the tax returns.

26. [Ex.5/1/3, App.A] With respect to the promissory notes:

- a. Please confirm the Applicant's understanding that these notes can be repaid at any time at the option of the Applicant. If that is not the case, please provide details of any discussions the Applicant has had with the Town with respect to repayment of these notes or any part of them.
- b. Please confirm that, in practice, the interest rate set each year has been, and will continue to be, the rate calculated under the larger of the two notes, notwithstanding that the wording of the two notes on the annual interest adjustment is different.
- c. Please file any studies, analyses, valuations or opinions relating to the value of the convertibility right contained in these notes.

27. [Ex.7/1/3, p.3] Please provide a detailed calculation showing the rates for all classes, including both fixed and variable, and the revenues from each class, on the assumption that the revenue to cost ratio for GS 50 to 999 KW class is moved 50% of the way to the bottom of its range, i.e. 80%, in 2010 (with the remainder of the change coming in two equal steps in 2011 and 2012), as set forth in the Applicant's principle #9 and the Cost Allocation Report.

28. [Ex.8/1/2, p. 8] Please calculate the distribution volumetric rate for the GS 50 to 999 KW class in each of the following two scenarios:

- a. the fixed charge is limited to the current fixed charge of \$199.71, and
- b. the fixed charge is limited to the top of the Board's range, i.e. \$116.64.

29. [Ex.8/2/1] With respect to the proposed Z factor claim:

- a. Please confirm that, notwithstanding the loss of customers and load detailed in the exhibit, the Applicant's actual 2008 distribution revenues, and forecast 2009 distribution revenues, are materially higher than the distribution revenues for 2006 based on Board-approved rates and volumes, as set out in Ex.3/1/2.

- b. Please recalculate compliance with the materiality threshold on an annual basis (i.e. loss of revenues within a given fiscal year), and on a per customer basis. Please identify any years in which an individual customer's loss of load meets the materiality threshold, and the amount of lost revenues for that customer in that year.
30. [Ex.9/2/1, p. 1] Please advise the amount of any dividends included in the referenced cash flow forecast, whether such dividends are in 2008, 2009 or 2010. Please confirm that the Balance Sheet Exhibit assumes repayment in full of all deferral and variance accounts. Please confirm that the cash flow forecast assumes that no amount of the available uncommitted line of credit from the bank is utilized prior to the end of the Test Year.

Respectfully submitted on behalf of the School Energy Coalition this 23rd day of October, 2009

SHIBLEY RIGHTON LLP

Per: _____
Jay Shepherd