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October 30, 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)
EB-2009-0265
Haldimand County Hydro Inc. – 2010 Electricity Distribution Rate
Application

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

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

Encl.

HALDIMAND COUNTY HYDRO INC'S 2010 RATE APPLICATION

EB-2009-0265

INTERROGATORIES OF

THE VULNERABLE ENERGY CONSUMERS COALITION

Question #1

Reference: Exhibit 1/Tab 2/Schedule 2, page 1

- a) Please indicate whether there are any costs associated with the Board of Directors for any affiliates – including the holding company – included in the revenue requirement and, if so, please quantify these costs.

Question #2

Reference: Exhibit 1/Tab 2/Schedule 2, page 1

- a) Please provide the annual capital budgets and five-year forecasts as annually approved by the Board of Directors for each year 2006-2009 inclusive.
- b) Please describe the adjustments HCHI has made to its capital and operating costs forecasts related to the harmonization of the GST and PST effective July 1, 2010.

Question #3

Reference: Exhibit 2/Tab 2/Schedule 1, pages 5-6

- a) Please explain why the 2009 and 2010 contributions are so low relative to their respective additions as compared to the other years shown in this schedule.

Question #4

Reference: Exhibit 2/Tab 4/Schedule 1, page 1

- a) Please provide a copy of the last lead-lag study undertaken by or on behalf of HCHI.

Question #5

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please provide a schedule setting out the rates and volumes by customer class supporting the 2010 test year revenues reported in Table 1.

Question #6

Reference: Exhibit 3/Tab 2/Schedule 1, page 8
Exhibit 8/Tab 1/Schedule 1, pages 10-11

- a) Why is it appropriate to maintain the wheeling rate for Norfolk at existing levels for 2010? Please comment on the merits of increasing this rate by the average increase in Haldimand's overall distribution rate for 2010.
- b) Why is it appropriate for Haldimand Hydro to be compensated for the accumulated variance (2006-2009) between the actual and approved 2006 revenues from Norfolk Power?
- c) Does the lost revenue meet the Board's Z-factor criteria? If yes, please explain how.
- d) In the alternative, please comment on an approach whereby no provision is made for revenues from Norfolk Power in the 2010 revenue requirement, but a deferral account is set up to track any such revenues for future refund to Haldimand's customers.

Question #7

Reference: Exhibit 3/Tab 2/Schedule 2, pages 1-2

- a) In its EB-2007-0680 Report (page 33) the Board directed Toronto Hydro to work with other parties to understand differences in load forecast methodologies employed. Has Haldimand had any discussions with Toronto Hydro regarding changes it may be implementing in its load forecast methodology? If yes, what was the outcome and how are they reflected in Haldimand's current approach?

Question #8

Reference: Exhibit 3/Tab 2/Schedule 2, pages 10-15

- a) What is the definition and source for the population variable used in the regression analysis?
- b) If the data source for “population” does not provide monthly values, what is the frequency of the historical data and how were the monthly values established?
- c) Please confirm that the coefficient on the “Population” variable is negative such that higher population levels will lead to lower predicted purchases. Is this effect intuitively correct?
- d) Please confirm that the coefficient on the “GDP” variable is negative such that higher GDP will lead to lower predicted purchases. Is this effect intuitively correct?
- e) What other model specifications did Haldimand test (per page 11)? Please indicate the results of each in a format similar to that used on page 12.
- f) If none of the model specifications tested reflected the current model but excluded the “population” variable please provide the results for such a model specification.
- g) Please the most recent projections available to Haldimand for population, GDP and number of customers for 2009 and 2010.
- h) Haldimand has assumed that its purchases for 2009 and 2010 will increase/decrease at the same rate as the province overall. Please prepare a schedule that compares the annual change Haldimand's purchases between 2001 and 2008 with the overall all actual annual change in provincial electricity sales as reported by the IESO.
- i) Please prepare a table similar to Table 13, but use the definition of weather normal in predicting each historical year's total system purchases. The result will then be a **prediction of weather normal purchases** for each year 2001 – 2008.
- j) Please provide a schedule that compares the year over year changes in Haldimand's **prediction of weather normal purchases** from 2001-2008 (per

part (i)) with the year over year change in weather normalized use in Ontario as determined by the IESO for the same period.

- k) Given the impact the recent recession has had on specific industrial sectors, why is it reasonable to assume that energy purchases by Haldimand will change in 2009 and 2010 at the same rate as overall provincial purchases?

Question #9

Reference: i) Exhibit 3/Tab 2/Schedule 2, pages 15-16
ii) Exhibit 8, Appendix B, page 9

- a) Why was the proposed loss factor used to convert the forecast purchases to sales as opposed to the average historical loss factor over the 2002-2008 period as determined in Reference (ii)?

Question #10

Reference: Exhibit 3/Tab 2/Schedule 2, pages 16-17

- a) Please provide a schedule that compares the forecast number of new customers as set out in this Exhibit for 2009 and 2010 with the number of new connections for each year reflected in the capital spending forecast in Exhibit 2. Please reconcile any material differences.
- b) The discussion on page 16 states that the geometric annual growth rates were calculated using 2002-2008 data. However, page 9 states that for the GS<50 and GS>50 classes only data for 2002-2006 was used. Please reconcile.

Question #11

Reference: Exhibit 3/Tab 2/Schedule 2, pages 17-21

- a) Please confirm that for the Residential and GS<50 classes the historical average use per customer will be influenced by the weather conditions in year concerned.
- Given this fact, please confirm that the calculated growth rates for these two classes will be affected by historical variations in weather.
 - Why is it appropriate to use the growth rate in usage per customer/connection (non weather-normalized) to forecast usage for 2008 and 2009?

- b) Please confirm that the calculation of the geometric annual growth rate really only considers the values for 2002 and 2008. If this is not the case, please explain more fully how the value is calculated.
- c) Please provide a schedules similar to Tables 15 and 17 for the GS>50 class where the customers reclassified from GS>50 to GS<50 during the period are reported separately.
- d) Please provide the Hydro One information relied on in order to determine the weather sensitivity by rate class (pages 19-20).
- e) Given that residential uses include lighting, cooking and refrigeration, why is it reasonable to assume that the Residential class is 100% weather sensitive?
- f) Please provide a schedule that sets out the average use per customer for each class as forecast for 2009 and 2010 based on the results on Table 21.
- g) Please provide a schedule setting the average weather normalized use per customer for each class based on the data provided by Hydro One Networks for Haldimand's 2007 Cost Allocation filing and indicate the year the data is based on.
- h) Please apply the same the methodology as used by Haldimand to weather normalize 2010 usage (pages 19-21) and determine the weather normalize use by customer class for 2008 using the predicted total weather normalized purchases as determined in Question 8, part (i) and the actual non-weather normalized used by class for 2008. Please provide a schedule that sets out the results in terms of total weather normalized use by customer class and per customer weather normalized use by customer class for 2008.

Question #12

Reference: Exhibit 3/Tab 3/Schedule 1, page 1

- a) Please explain why the Rent from Electric Property increases in 2009 and then decreases in 2010.
- b) Please explain the decrease in interest and dividend income in 2009 and 2010 relative to earlier years. How much is attributed to lower interest rates and what assumptions were made regarding the applicable interest rates for 2009 and 2010?

Question #13

Reference: Exhibit 4/Tab 1/Schedule 1, page 3

- a) Please provide a copy of the operating budget as approved annually by the Board of Directors of HCHI for each year 2006-2009 inclusive.

Question #14

Reference: Exhibit 4/Tab 2/Schedule 2, page 4
Exhibit 4/Tab 2/Schedule 7, page 3, Table 14

- a) For Account 5610, Management Salaries and Expenses, the Board approved amount for 2006 was \$504,446 while the actual for that year was \$544,469, an increase of 7.9%. Further, the amounts forecast for 2009 and 2010 for Account 5610 are \$638,854 and \$654,364 respectively. Please provide a full explanation for the large annual percentage increases in actual spending on Management Salaries and Expenses.
- b) Please explain why the 10% reduction in management FTEs in 2007 is not accompanied by anywhere near a 10% reduction in associated management costs in 2007 or thereafter.

Question #15

Reference: Exhibit 7/Tab 1/Schedule 2, page 1

- a) Please provide a schedule that sets out how each of the amounts directly allocated to the "Embedded Distributor – HONI" class as shown in Worksheet I9 were determined.
- b) Please provide a schedule that identifies those USOA accounts where costs were "allocated" to this "Embedded Distributor" class using the CA Model as opposed to being directly assigned per Worksheet I9.
- c) Are there any USOA accounts with non-zero values for 2010 where a portion of the costs were not allocated to the Embedded Distributor class (either directly or by means of the CA model)? If yes, please identify and explain why a "zero" allocation is appropriate.
- d) Please provide the breakdown by customer class (in dollar values) of the allocation base used in the CA Model to allocation A&G costs (excluding Property Insurance and Community Safety Programs) to customer classes.
- e) Please confirm that, in the OEB CA model, directly allocated OM&A costs are not included in the allocation base used to allocate A&G costs to customer

classes (i.e., those costs with an “ad” Group Designation in Worksheet O4 – with the exception of Property Insurance and Community Safety Programs).

- f) Please provide a revised allocation base broken down by customer class for A&G costs (excluding Property Insurance and Community Safety Programs) that includes directly allocated O&M costs.

Question #16

Reference: Exhibit 7/Tab 1/Schedule 3, page 3
2010 Cost Allocation Model run

- a) Please provide a schedule that sets out calculation of the revenue based on current rates by class as shown in Table 2. Please confirm that the rates: a) exclude LV costs to Haldimand, b) exclude smart meter adders, and c) are reduced by transformer ownership allowances where appropriate. If not, please revise accordingly.
- b) Please reconcile the following:
- The depreciation charge (\$2,932,087) reported in Exhibits 6 and 8 with the value shown in Worksheet O1 (\$2,928,426).
 - The Net Income r(\$1,284,710) reported in Exhibit 6 with the value shown in Worksheet O1 (\$1,282,827)
 - The Interest Expense (\$1,275,060) reported in Exhibit 6 with the value shown in Worksheet O1 (\$1,273,192).
 - The PILs Expense (\$722,880) reported in Exhibit 6 with the value shown in Worksheet O1 (\$740,616)
 - The OM&A costs reported in Exhibit 6 with those set out in Worksheet O1.
- c) Why does Worksheet O1 report zero distribution revenue for Embedded Distributor=Hydro One Networks when according to Exhibit 8, Tab 1, Schedule 1, page 3 Hydro One Networks is currently paying rates base on the GS 50-4999 rates?
- d) For purposes of the 2010 Cost Allocation run were the loads and/or revenues associated with Hydro One Networks included in the GS 50-4999 class? If yes, please re-do with these revenues and loads excluded and the revenues reported under the Embedded Distributor class.

Question #17

Reference: Exhibit 7/Tab 1/Schedule 3, page 4
Exhibit 8/Tab 1/Schedule 1, pages 5-9

- a) Please confirm that the Board's EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this "maximum", do the proposed monthly service charges change?
- b) Please provide a schedule that sets out the derivation of the percentages shown in Table 5 of Exhibit 8, Tab 1, Schedule 1.
- c) Please provide a schedule that sets out the 2010 service charges that would result if the fixed/variable split in revenues was maintained the same as for 2010 revenues at current rates.
- d) Please provide the analysis supporting the proposed percentages set out on page 7 (lines 11-12) of Exhibit 8, Tab 1, Schedule 1.
- e) Based on the 2009 rates for Haldimand and its peer utilities, please provide the typical monthly distribution bill for a residential customer using 800 kWh per month and a GS<50 customer using 2,000 kWh per month.
- f) Why is it appropriate to align the fixed/variable split for the Residential and GS<50 classes with that of Haldimand's peers as opposed to basing the split on Haldimand's past practice and its forecast costs?

Question #18

Reference: Exhibit 8/Tab 1/Schedule 1, page 12

- a) Please reconcile the \$160,500 in LV cost shown here with the \$209,412 value used in the determination of the working capital allowance (Exhibit 4, Tab 1, Schedule 1).
- b) Please provide a schedule showing the derivation of the forecast LV costs, including the 2010 volumes and HON rates used.

Question #19

Reference: Exhibit 8/Tab 1/Schedule 3

- a) Please provide a schedule setting out the derivation the Total Charges and Total Billed values in Tables 12 and 13, including the rates used.

Question #20

Reference: Exhibit 8, Appendices D and E

- a) Please reconcile the 2009 Residential rates used in Appendix E with the approved rates set out in Appendix D.
- b) Please provide separate bill impact schedules for those Residential customers currently classified as Residential Urban versus Residential Suburban.
- c) Please provide a schedule that includes the following information:
 - Total number of Haldimand residential customers (year end 2008) broken down between Residential Urban and Residential Suburban
 - Total number of Residential Urban customers using i) less than 100 kWh per month and ii) between 100 and 250 kWh per month (based on most recent 12 months billing data)
 - Total number of Residential Suburban customers using i) less than 100 kWh per month and ii) between 100 and 250 kWh per month (based on most recent 12 months billing data).

Question #21

Reference: Exhibit 9/Tab 2/Schedule 1, Pages 3 -6

- a) Provide details of the Actual YTD vs Forecast Residential SM Unit costs (procurement and installation).
- b) Provide Support/details of the Residential SM AMI, communications and back office Actual vs forecast costs_(procurement and installation).
- c) Please Update to November1, 2009 Table 7 Actual and Planned Smart Meter Implementations as of July 1, 2009.
- d) if there are material $>10\%\pm$ variations in YTD Capital and OM&A relative to the costs shown In Tables 8&9, provide a YTD actual column and revised 2009 and 2010 forecasts

Question #22

Reference: Exhibit 9/Tab 2/Schedule 3

NOTE Questions a and b) are to be answered only if the Answer to Part d) above indicates that there is a material $>10\%\pm$ difference between 2009 YTD and forecast

- a) Provide a cash flow projection showing SM rate adder revenue and SM expenditures by Month for the 2009 and 2010 rate year.
- b) Provide a revised copy of the OEB Worksheet for calculation of the 2009 and 2010 revenue requirements related to SM.
- c) Estimate the Impact on the amount and/or duration of the \$1.87 SM rate adder, if the Board allowed an increase in the rate adder effective July 1 2009 rather than May 1 2010.

Question #23

References:

- I) Exhibit 10 Tab1 Schedule 3 Page 2-3 Tables 2&3
- II) Enerspectrum Report Section 11. Attachment A – CDM Load Impacts by Class and Program and Attachment B - Foregone Revenue by Class and Program

Preamble: The LRAM amount resulting from third tranche CDM programs is \$40,734, and from OPA CDM programs is \$316,496, and from combined carrying charges is \$26,547 – for a total requested LRAM recovery of \$383,777. The total requested SSM recovery amount, in relation only to Haldimand's third tranche CDM programs, is \$10,027. The total combined LRAM (including carrying charges) and SSM amount requested for recovery is \$393,804.

- a) Provide a schedule for the *Residential Sector and GS<50 kw* CDM programs that breaks down by measure the components of the LRAM claim and the total kWh and kW for each year 2005-2009 (including showing separately carry forward of prior years' savings)
 - i. Third tranche Programs
 - ii. OPA Funded programs
 - iii. Other e.g. Rate funded programs.
- b) Provide a Schedule that provides the details of the calculation of the SSM claim for the Residential and GS<50 kW classes.
- c) Provide a reconciliation of the Residential and GS<50 kW Sectors kWh savings and LRAM and SSM amounts in the Schedules in the responses to parts a and b with those shown in Exhibit Exhibit 10, Tab1, Schedule 3, pages 2-3, Table 2 and Table 3

Question #24

Reference: Exhibit 10/Tab 1/Schedule 1, page 2 of 2

Preamble: By letter issued January 27, 2009, the Board acknowledged endorsement of the OPA's List of CDM input assumptions. In accordance with the CDM Guidelines including the CDM input assumptions, HCHI is requesting the recovery of historical LRAM and SSM amounts.

- a) Confirm that the EnerSpectrum independent review of 2009 lost revenue associated with 2005 -2009 savings used the latest OPA input assumptions residential mass market measures and Affordable/Social housing (notably CFLs, Low Flow Showerheads, SLEDs and PTs) as demonstrated in the following OPA documents:
 - i. OPA 2007 EKC Program Calculator
 - ii. OPA 2008/2009 Measures and Assumptions list (now adopted by the OEB).
- b) Provide details of the adjustments that Enerspectrum made to the 2005-2008 input values used in the Haldimand Annual reports, in particular any adjustments to the above measures.
- c) Provide a Copy of the 2006 and 2007 OPA Every Kilowatt Counts Program Calculators.
- d) Confirm whether Haldimand reported to the OPA on the 2006 and 2007 EKC campaigns using Mass Market measures assumptions (particularly CFLs) specified in the OPA 2006 and 2007 EKC Program Calculators.
- e) Confirm whether or not the LRAM claim for 2005, 2006, 2007 and 2008 related to third tranche programs is based on using the OEB Guide values for CFLs, showerheads, SLEDs and PTs, or the OPA 2007 EKC Calculator or OPA 2008/2009 Measures values.
- f) Confirm whether the 2006-2008 claim for OPA programs is based on the OPA 2008 Measures and Input assumptions for CFLs, Low Flow Showerheads, SLEDs and PTs.
- g) With respect to the SSM Claim, does Haldimand agree that the Board's Guidelines indicate that Assumptions used from the beginning of any year will be those assumptions in existence in the immediately prior year. For

example, if any input assumptions change in 2007, those changes should apply for SSM purposes from the beginning of 2008 onwards until changed again. Provide the rationale for using the recently published OPA assumptions and measures list for all programs/projects, and how these align with section 7.3 of the Board's Guideline as quoted above.

Question #25

References: Exhibit 10/Tab1/Appendix A, Enerspectrum Report, Section 12. Appendices – LRAM and SSM Supporting Material

- a) Provide a Schedule that lists by measure **by year** the input assumptions used to prepare the Residential and GS<50kw kWh and kW load impacts in the Enerspectrum Report Exhibit 10, Section 11 Attachments A-E and associated LRAM and SSM claims.
- a. 2005 Lighten Your Electricity Bill LRAM, SSM, Assumptions A
 - i. 11 Watt CFL
 - ii. 15 Watt CFL
 - iii. 5 Watt LED Light
 - iv. Mini LED Light
 - v. Programmable Timers
 - vi. Programmable Thermostats
 - b. 2006 Co-Branded Mass Market B
 - ii. 5 Watt LED Christmas Light Exchange
 - iii. Mini LED Christmas Light Exchange
 - c. 2007 Social Housing C
 - i. 15 Watt CFL
 - ii. 5 Watt LED Christmas Light Exchange
 - iii. Mini LED Christmas Light Exchange
 - d. OPA Sponsored Programs 2006 and 2007 D
 - i. 11 Watt CFL
 - ii. 15 Watt CFL
 - iii. 5 Watt LED Light
 - iv. Mini LED Light
 - v. Programmable Timers
 - vi. Programmable Thermostats

Include the following assumptions:

- a. #participants/units
- b. kWh and kW savings
- c. Free ridership
- d. Cost of measure
- e. Measure life
- f. Source(s)/authority(ies) for assumption(s)

- b) Provide a list/comparison of any assumptions that differ from the OPA 2008/2009 Measures and Assumptions List. Discuss the rationale for the differences/changes.
- c) Provide a revised version of the schedules provided in response to VECC IR #1 parts a and b) adjusted to reflect the kWh savings using OPA 2008/2009 measures and input assumptions list for CFLs, SLEDs and PTs provided in part a) of this IR.
- d) Adjust the as filed Carrying Costs (Table 5) to reflect the revised LRAM and SSM amounts resulting from the answer to part c)

Question #26

References: Exhibit 10/Tab 1/Schedule 2, page 1 of 1, Table 1
Exhibit 9(sic)/Tab 1/Schedule 6, page 1 of 1, Table 7

- a) Provide the revised kWh, LRAM/SSM Rate rider calculations using the complete set of updated OPA assumptions from the 2008/2009 Measures List for the Residential and GS<50 kW Sector LRAM/SSM claims.
- b) Provide Revised Bill impacts using the complete set of updated OPA assumptions from the 2008/2009 Measures List for the Residential Sector LRAM/SSM claims.
- c) Comment on the timing/implementation of the Rate riders given the above revisions

Question #27

Reference: No Reference

- a) Provide a copy of the Residential Sector/Mass market (and If applicable Social Housing Sector) Report(s) that Haldimand provided to OPA, including the detailed breakdown of measures, unit savings, participants and other assumptions.
- b) Please provide any correspondence from OPA confirming its acceptance of the Reports(s)