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October 30, 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-2009-0265**  
**Haldimand County Hydro Inc. – 2010 Cost of Service Application**  
**Interrogatories of Energy Probe**

Pursuant to Procedural Order No. 1, issued by the Board on October 14, 2009, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0265 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: Lloyd Payne, Haldimand County Hydro Inc. (By email)  
Randy Aiken, Aiken & Associates (By email)  
Interested Parties (By email)

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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  
Haldimand Country Hydro Inc. for an Order or Orders  
approving or fixing just and reasonable distribution rates  
and other charges, effective May 1, 2010.

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

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**October 30, 2009**

**HALDIMAND COUNTRY HYDRO INC.  
2010 RATES REBASING CASE  
EB-2009-0265**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory # 1**

**Ref: Exhibit 2 & Exhibit 4**

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 HCHI 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 HCHI 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 HCHI to comply with two separate sets of tax rules?
- e) Please confirm that HCHI 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 HCHI on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.
- h) If HCHI is unable to quantify the impact of the removal of the provincial sales tax, is HCHI agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

## **Interrogatory # 2**

**Ref: Exhibit 1, Tab 1, Schedule 14**

**Are any of the costs associated with Haldimand County Utilities Inc., Haldimand County Energy Inc., and/or Haldimand County Generation Inc. including their Board of Directors, included in the costs included in the filing by HCHI for recovery through the revenue requirement? If yes, please and identify and quantify these costs.**

## **Interrogatory # 3**

**Ref: Exhibit 2, Tab 1, Schedule 2, Table 3**

- a) Please explain why the 2006 Board Approved figure of \$34,637,381 is derived from the net book value rather than the average net book value figure shown in Table 3.**
- b) Has HCHI used the average net book value for all other years, including the bridge and test years to calculate rate base? If not, please explain why not.**

## **Interrogatory # 4**

**Ref: Exhibit 2, Tab 2, Schedule 1, Tables 5 – 9**

**Tables 5, 6 & 7 all show the historical continuity of the fixed assets in each of the years 2006, 2007 and 2008, and that the disposals related to original costs exceeded that for accumulated depreciation. In particular in 2008, the net reduction in rate base related to disposals was more than \$120,000.**

- a) Please indicate why there are no disposals shown for costs and accumulated depreciation in either 2009 or 2010.**
- b) Based on the most recent year-to-date information for 2009, what is the total disposal for costs and accumulated depreciation in 2009?**
- c) Please explain the significant reduction in contributions and grants from levels of \$353,000 in 2006, \$472,000 in 2007 and \$242,000 in 2008 to only \$48,000 in 2009 and \$132,000 in 2010.**

- d) What is the most recent year-to-date total capital expenditure for 2009?  
Please indicate how many months of actual this figure includes.
- e) What was the corresponding figure for the same period in 2008?
- f) What is the most recent year-to-date figure for 2009 for contributions and grants?
- g) There are significant capital expenditures forecast in both 2009 and 2010 for transportation equipment, but no disposals. Does this mean that no vehicles are being replaced in either 2009 or 2010?

#### **Interrogatory # 5**

**Ref: Exhibit 2, Tab 2, Schedule 3, pages 48 – 57**

- a) For each of the 7 projects listed on page 48 and detailed on pages 49 through 54, please confirm that each of these projects is still expected to be completed and in service by the end of 2009. If this cannot be confirmed, please provide which projects will not be in service by the end of 2009.
- b) When was the 2009 capital budget forecast prepared?
- c) What is the most recent estimate of the 2009 capital expenditures for betterments, which was forecast to total \$257,366?
- d) Why are capital expenditures on services in 2009 significantly higher than the level recorded in 2008? Has HCHI not experienced a slowdown in customer growth as a result of the recession?
- e) A number of the vehicles to be purchased are described as replacement vehicles on page 56. Please explain why these vehicles have not been reflected as disposals (both cost and accumulated depreciation) in the 2009 continuity schedule.
- f) Please provide the original cost of all vehicles being replaced in 2009, along with the accumulated depreciation for these vehicles.
- g) Will all of the large trucks that require building be in service before the end of 2009? If not, please identify which vehicles and their cost that will not be in service until 2010.

- h) The capital expenditures forecast for 2009 for line extensions is similar in magnitude to 2008 and previous years. Has HCHI not seen a reduction related to these expenditures based on the 2009 recession?**

**Interrogatory # 6**

**Ref: Exhibit 2, Tab 2, Schedule 3, pages 57-65**

- a) Given the economic environment, does HCHI still plan to proceed with each of the 6 projects shown in the table on page 58? If not, please explain which projects will be delayed.**
- b) The transportation equipment forecast to be purchased in 2010 is all related to replacement of existing vehicles. Please explain why there are no disposals (costs and accumulated depreciation) shown in the 2010 continuity schedule.**
- c) Please provide the original cost and accumulated depreciation associated with the vehicles scheduled to be replaced in 2010.**

**Interrogatory # 7**

**Ref: Exhibit 2, Tab 4, Schedule 1 &  
Exhibit 9, Tab 1, Schedule 3, Table 5 &  
Exhibit 3, Tab 2, Schedule 2, Table 13**

- a) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of \$.06215 per kWh.**
- b) Has HCHI reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?**
- c) Table 5 of Exhibit 9, Tab 1, Schedule 3 shows that the allocation factor for the RSVA – Power – Global Adjustment is kWh – non RPP. Please provide the total non RPP kWh used for this allocation. Is this figure a 2010 forecast or an actual historical figure? Please provide the percentage of the total kWh represented by the non RPP kWh based on either the forecast or the actual historical period used.**

- d) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (c) above using the RPP price of \$0.06215 per kWh and a price of \$0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of \$0.03326 per kWh and the forecasted global adjustment of \$0.02494 per kWh for the RPP year).
- e) Please reconcile the 2010 cost of power forecast of \$22,363,781 with the forecast kWh to be purchased of 366,436,804 shown in Table 13 of Exhibit 3, Tab 2, Schedule 2 and the cost of power of \$0.06072 per kWh used for 2010 (page 3).

#### **Interrogatory # 8**

**Ref: Exhibit 3, Tab 2, Schedule 1, pages 7-8**

- a) Does HCHI have a variance account approved by the Board in which to record variances in the revenues received from Norfolk Power? If yes, please provide details.
- b) Has HCHI contacted Norfolk Power since their letter dated January 6, 2009 to ascertain more information on the termination of their use of the feed from the Jarvis TS? If not, why not? If yes, please provide the latest information available from Norfolk Power.
- c) Were any of the assets (including lines, poles, meters, etc.) used by HCHI to serve Norfolk Power at Jarvis TS 57M4 at Concession 6 not used and useful following discontinuation of service by Norfolk Power from that point? If yes, have these assets been removed from the calculation of the test year rate base? Please also quantify the gross and net book values of any such assets at the end of 2009.
- d) Will any of the assets (including lines, poles, meters, etc.) used by HCHI to serve Norfolk Power at Jarvis TS 57M4 at Highway 6 no longer be used and useful following discontinuation of service by Norfolk Power in 2010. If yes, please quantify the gross and net book value of any such assets at the beginning of 2010. Have these assets been removed from rate base at the end of 2010?
- e) Assuming that HCHI is not allowed to use the forecasted 2010 revenue from Norfolk Power to offset losses of previous years, would HCHI be willing to record any revenue received from Norfolk Power in 2010 in a deferral account for rebate to customers at future time if the associated revenues are removed from the test year forecast, thereby increasing the service revenue requirement? If not, why not?

- f) What is the forecasted 2010 kWh volume associated with the embedded distributor customer Norfolk Power?**
- g) Based on the HCHI proposal to exclude revenues associated with Norfolk Power from the analysis, has HCHI excluded the kWh associated with Norfolk Power from the cost of power calculation used for the working capital allowance? If not, please provide the estimated cost of power and impact on rate base of removal of these volumes.**

**Interrogatory # 9**

**Ref: Exhibit 3, Tab 2, Schedule 2, Table 12**

**Please explain the significant drop in Sentinel Light average use in both 2009 and 2010 relative the small decrease that took place in 2008.**

**Interrogatory # 10**

**Ref: Exhibit 3, Tab 2, Schedule 2, page 10**

- a) Please provide the most recent year-to-date information for 2009 and 2010, in place of the June 30<sup>th</sup> data shown at lines 19 through 20.**
- b) Is the year-to-date June 30 information for 2008 and 2009 normalized? If not, of what value is the comparison when the weather impacts have not been taken into account?**

**Interrogatory # 11**

**Ref: Exhibit 3, Tab 2, Schedule 2, pages 12-15**

- a) Please explain why HCHI has included the number of peak hours and blackout flag as explanatory variables when the t-statistics for the coefficients for these variables are so low.**
- b) Please explain why HCHI has included a GDP and a population variable that have incorrect signs on the estimated coefficients.**
- c) Is the predicted kWh figure provided in Table 13 for 2008 the figure predicted by the equation, or the normalized figure? If it is not the normalized figure, what is the normalized figure for 2008?**



- d) Please show how the 2009 predicted kWh figure is calculated, based on the 2008 predicted kWh figure shown and the IESO based adjustment.
- e) Using the same methodology as used by HCHI to calculate the 2008 normalized kWh, please provide the normalized kWh for each of 2001 through 2007 (i.e. use the HCHI 8-year average for HDD and CDD).

#### **Interrogatory # 12**

**Ref: Exhibit 3, Tab 2, Schedule 2 & Exhibit 6, Tab 1, Schedule 1**

**Please redo the regression equation shown on page 12 by removing the variables that have counter-intuitive signs (i.e. Ontario Real GDP & Population) and variables with coefficients that are not statistically significant (i.e. Number of Peak Hours & Blackout Flag). Please provide the following based on this new equation:**

- a) The Summary Output for the new equation;
- b) The resulting normalized 2008 volumes using the HCHI methodology;
- c) The resulting total system purchases forecast for 2009 and 2010 using the HCHI IESO-based methodology;
- d) The resulting kWh and kW forecasts by rate class shown in Table 26;
- e) The resulting impact on the revenue deficiency shown in Table 1 of Exhibit 6, Tab 1, Schedule 1.

#### **Interrogatory # 13**

**Ref: Exhibit 3, Tab 2, Schedule 2, Table 15**

**For each rate class shown, please provide the most recent month information that is available for the number of customers in 2009. Please provide the same information for the corresponding month in 2008.**

**Interrogatory # 14**

**Ref: Exhibit 3, Tab 2, Schedule 2, Table 26**

**Are the kWh's shown for 2010 forecast for HONI as an embedded customer included in the cost of power calculation used in the working capital calculation? If yes, please explain why.**

**Interrogatory # 15**

**Ref: Exhibit 3, Tab 3, Schedule 1**

- a) In which account shown in Table 27 has HCHI recorded income received from Norfolk Power?**
- b) What is the source of the significant decrease in revenues forecast for 2009 and 2010 in Account 4090?**
- c) What accounts for the significant increase in 2009 in revenues in Account 4210?**
- d) Would the gain or loss on disposition accounts (4355 & 4360) be where any gain or loss associated with disposal of vehicles being replaced in 2009 and 2010 would be recorded? If not, where would the impacts of these disposals be recorded?**
- e) Please provide the most recent year-to-date figure for 2009 and the corresponding figure for the same period in 2008 for each of the following accounts:**
  - i) Account 4090**
  - ii) Account 4210**
  - iii) Account 4355**
  - iv) Account 4360.**

**Interrogatory # 16**

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

- a) Please provide the most recent year-to-date OM&A expenses for 2009 that is currently available and provide the corresponding figures for 2008 for the same period in the same level of detail as shown in Table 1.**

- b) Please explain any variances between the year-to-date 2009 and 2008 figures that are not in line with the forecast increase shown for 2009 in Table 1.

**Interrogatory # 17**

**Ref: Exhibit 4, Tab 2, Schedule 4, Table 6**

- a) Please confirm that the total costs associated with the 2010 rate application as forecast is \$222,500, of which \$55,625, or one-quarter, is included in the 2010 rate application. If these figures are not correct, please provide the total forecast cost and the total forecast cost included in 2010.
- b) Has HCHI included any costs associated with intervenors in the 2010 rate application? Are these the costs shown as OEB Section 30 Costs? If not, please identify where these costs have been included.
- c) How much of the total forecasted cost associated with each component of the 2010 rate application costs is associated with the need for an oral (technical conference, hearing) component of the application?

**Interrogatory # 18**

**Ref: Exhibit 4, Tab 2, Schedule 5, Table 7**

- a) Please explain in detail why there is no pole relocation or “new” pole install revenue for 2010 when there was revenue for 3 of previous 4 years.
- b) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from pole relocations or “new” pole installs from the County.
- c) Please explain in detail why there is no tree trimming & removal revenues shown for 2010 when there is revenue for all previous 4 years shown.
- d) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from tree trimming & removals from the County.
- e) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from HCEI for water and wastewater billing & collecting administrative fee.

- f) Please explain why no increase is forecast for 2010 despite increases in each of the previous years shown.

**Interrogatory # 19**

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

- a) Please explain in detail the “governance and oversight services” provided by the parent company HCUI Board of Directors to HCHI.
- b) What is the total cost associated with the HCUI Board of Directors? How is it determined what portion of this amount is to be allocated to HCHI, as compared to HCEI?

**Interrogatory # 20**

**Ref: Exhibit 4, Tab 2, Schedule 7**

- a) Based on the table found on page 1, please confirm that the annual wage increase for all employees (union and non-union) for 2010 will be 2% on April 1, 2010 and an incremental 1% on October 1, 2010. If this cannot be confirmed, please explain what and when the increases slated for 2010 are.
- b) Please provide the actual number of FTE positions that were vacant for each of the historical years (2006 through 2008). For example, if one position was vacant for 6 months in 2008 while another position was vacant for 3 months in 2008, the number of FTE vacancies would be 0.75.
- c) Does HCHI currently have any vacant positions included in the 54 FTE's? If yes, please quantify.
- d) Does the 2010 test year forecast assume all positions are filled for the entire year? If not, what assumptions have been used to calculate the total costs associated with the 54 FTE's?

**Interrogatory # 21**

**Ref: Exhibit 4, Tab 2, Schedule 8**

**The evidence states that amortization on capital additions during the current year commences in the month that the asset is acquired. Please explain how HCHI has forecast the amortization on capital additions in the bridge and test years. For example, has HCHI assumed a mid-year acquisition for additions in 2009 and 2010?**

**Interrogatory # 22**

**Ref: Exhibit 4, Tab 2, Schedule 8 &  
Exhibit 2, Tab 2, Schedule 1, Tables 8 & 9**

**Computer software and transportation equipment account for a sizable portion of the total capital additions in both 2009 and 2010 and both of these asset categories have relatively high depreciation rates associated with them.**

- a) What in-service date was forecasted for each of computer software and transportation equipment categories in 2009 to reflect when accumulated amortization on these assets would begin to increase as a result of the additions?**
- b) What is the actual in-service date for each of computer software and transportation equipment and how does any deviation from that forecast impact on the accumulated depreciation?**
- c) What are the in-service dates used for computer software and transportation equipment for purposes of calculating the depreciation expense?**

**Interrogatory # 23**

**Ref: Exhibit 4, Tab 3, Schedule 1**

- a) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first \$500,000 of taxable income and eliminated the 4.25% surtax on taxable income over \$500,000, also effective July 1, 2010.**

- b) Please confirm that the 2010 provincial tax savings resulting from the above change is \$18,750, the difference between the following calculations on the first \$1,500,000 of taxable income:

$$\begin{array}{lcl} * & 13\% \times \$1,500,000 & = \$195,000 \text{ and} \\ \\ * & 5\% \times \$500,000 & = \$25,000 \\ & 13\% \times \$1,000,000 & = \$130,000 \\ & 2.125\% \times \$1,000,000 & = \underline{\$21,250} \\ & \text{Total} & = \$176,250 \end{array}$$

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

#### **Interrogatory # 24**

**Ref: Exhibit 4, Tab 3, Schedule 1, Table 17 &  
Exhibit 2, Tab 2, Schedule 1, Tables 8 & 9**

Tables 8 & 9 in Exhibit 2, Tab 2, Schedule 1 shows capital additions in Account 1925 – Computer Software of \$420,105 in 2009 and \$429,068 in 2010, while the CCA schedules in Table 17 of Exhibit 4, Tab 3, Schedule 1 show CCA Class 12 Computer Software additions of only \$242,605 in 2009 and \$241,243 in 2010. The remaining amounts shown in Account 1925 appear to have been placed in CCA Class 8 – General Office/Stores Equipment.

- a) Please explain the significant differences in both 2009 and 2010 between the amounts recorded in asset Account 1925 and CCA Class 12.
- b) Please provide a detailed description of the capital additions included in asset Account 1925, but included in CCA Class 8.
- c) Could any of the assets included in CCA Class 8 be classified as computer hardware (asset Account 1920) and included in CCA Class 50? If not, why not? If yes, please quantify.
- d) Is HCHI aware that a new CCA class (Class 52) has been established for computer hardware and systems software purchased after January 27, 2009 and prior to February, 2011 that has a rate of 100% and removes the half year rule that effectively allows the write-off of the full amount of the capital addition in the year that the addition was made?

- e) Please revise Table 17 to reflect the CCA Class 52 described in part (d) above.

**Interrogatory # 25**

**Ref: Exhibit 4, Tab 3, Schedule 1, Table 19**

- a) Please show the figures used to calculate the investment tax credit of \$6,000 in 2010.
- b) Is this investment tax credit related to the apprenticeship tax credit shown in Table 18?
- c) 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 if this has not been done in the current calculation.
- d) Please show the figures used to calculate the miscellaneous tax credit of \$15,000 in 2010.
- e) Are these miscellaneous tax credits related to the Ontario Specified tax credits shown in Table 18?
- f) Has HCHI included any tax credits related to the Co-operative Education Tax Credit? If not, why not, given that there was a tax credit claimed on the 2008 tax return of \$4,517? If yes, please provide the calculations used to calculate this credit and indicate where in the calculation of income taxes it can be found.
- g) Is HCHI aware that the as part of the 2009 provincial budget the Co-operative Education tax Credit has been increased to 25% of the salaries and wages paid to a maximum of \$3,000 per person? If these figures have not been used in the calculation, please revise the calculation to reflect the above noted figures.

**Interrogatory # 26**

**Ref: Exhibit 5, Tab 1, Schedule 3, Table 2**

- a) Please explain the significant increase in the rate for debenture payable to Haldimand County from 6.57% included in the 2009 cost to 9.75% included in the 2010 cost.**
- b) Why has HCHI indicated that this is not affiliate debt in Table 2?**
- c) Is this debenture callable on demand by Haldimand County? Is it callable on demand by HCHI? Does the debenture have a variable interest rate?**
- d) When was the interest rate of 9.75% determined and agreed to?**
- e) Please provide the information used by HCHI to forecast the debt rates for the Infrastructure Ontario loans with a date of issuance of December 1, 2009 and May 3, 2010. Have any agreements been entered into with Infrastructure Ontario at the current time?**
- f) Are the Infrastructure Ontario rates shown based on serial or amortizer loans?**
- g) Has HCHI entered into any long-term debt arrangements since the production of the evidence? If yes, please provide details in the same format as Table 2 and show any resulting changes to the forecast issuances for 2010.**

**Interrogatory # 27**

**Ref: Exhibit 8, Tab 1, Schedule 1**

**Please confirm that the base revenue requirement shown in Table 1 of \$12,823,642 would be \$42,207 lower if the forecasted revenues associated with the embedded distributor Norfolk Power were to be included as a revenue offset.**