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November 9, 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-2009-0260
Cambridge and North Dumfries 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.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

2010 RATE APPLICATION

EB-2009-0260

VECC'S INTERROGATORIES (ROUND #1)

GENERAL

Question #1

Reference: Exhibit 1, page 14

a) Please confirm that as well as the four high voltage transformer station delivery points described here, Cambridge and North Dumfries Hydro ("Cambridge") also receives power from a low voltage delivery point off Hydro One Networks distribution system (i.e,, Ayr PME per page 19). Is this one point, the only LV delivery point to Cambridge's system? If not, please describe the other points.

Question #2

Reference: Exhibit 1, page 22

a) Please describe more fully what the "street light maintenance coordination" service provided to Cambridge and North Dumfries Energy Solutions entails.

Question #3

Reference: Exhibit 1, page 28
Exhibit 2, page 10

a) Please provide the historical values for Cambridge's Service Reliability statistics for the period 2005-2007. Based on these results, what were the "minimum standards" for 2008?

Question #4

Reference: Exhibit 1, page 34

a) Please update the OM&A comparison for the 2008 data released by the Board in September 2009.

Question #5

Reference: Exhibit 1, page 40

a) Please provide a schedule that sets out the 2010 revenues at existing rates by customer class, including the rates and volumes used. The rates used should: i) exclude the Smart Meter rate adder, ii) exclude the LV adder, and iii) allow for the discount due to Transformer ownership where applicable.

b) Please reconcile and differences between the total revenues calculated per part (a) and those reported on page 40.

Question #6

Reference: Exhibit 1, page 60

a) Please outline Cambridge's Dividend Policy (i.e., how is the level of dividends paid annually to its shareholders determined?).

RATE BASE

Question #7

Reference: Exhibit 2, page 14

a) Please provide a schedule that set out the number of installed new services that is associated with the New Servicing expenditures in each year. Please include in the same schedule the Contributions each year that were associated with New Servicing.

Question #8

Reference: Exhibit 2, pages 54, 65, 72 and 78

a) Do the disposals for Account #1820 reported for 2008 (page 54) represent the decommissioning of the Churchill St. substation (page 61)?

b) Page 72 makes reference to the decommissioning of 3 substations in 2009. However, there are no disposal costs reported on page 65. Please reconcile. Was the decommissioning of these substations included in the 2008 disposal?

c) There does not appear to be any disposal of land reported in 2008-2010.
   - What happened to the land associated with the various decommissioned substations?
   - If Cambridge still owns the land what are its plans for future use and/or disposition?
   - Does the Application include property taxes on these properties for 2010?

<u>Question #9</u>

Reference: i) Exhibit 2, pages 67 and 80
II) Exhibit 1, page 36

a) Reference (ii) states that Cambridge prioritizes its capital projects based on defined criteria on a relative basis. Please provide schedule that sets out the prioritized ranking for the capital projects planned for 2009 and 2010 respectively (see Reference (i)). In each case, please indicate the criteria used to establish the relative priority of the projects.

<u>Question #10</u>

Reference: Exhibit 2, pages 63, 75 and 89

a) Please indicate the options considered for replacing the existing CIS and the reasons for selecting the approach chosen.

b) With respect to the proposed $200,000 in CIS upgrade spending for 2010 can Cambridge provide any further clarification as to what upgrades will be required and their associated cost. In responding please address the need for upgrades to address LEAP requirements in view of the Board's September 28, 2009 update on this initiative.

<u>Question #11</u>

Reference: Exhibit 2, pages 92-93

a) What is the source of the $0.0607 / kWh value used for the Cost of Power?

b) Are any of Cambridge's retail customers registered as Market Participants and billed directly for commodity costs by the IESO?

c) If the response to part (b) is yes, what is their forecast use for 2009 and 2010 and has it been excluded from the calculation of the commodity cost used to determine the working capital allowance?

d) Please confirm that, based on Cambridge's proposed average cost of capital (5.2%), the 2010 return associated with working capital allowance is approximately $990,000, excluding tax implications. Based on the materiality of the figure, why didn't Cambridge undertake a lead lag study?

e) Please confirm that almost 2/3's of Cambridge's sales are to non-RPP customers (per Exhibit 9, page 10). If the $0.0607 value used for the commodity cost is based on the RPP price, please undertake the following:
    - Using the same source, estimate the commodity cost for non-RPP customers
    - Estimate an average commodity cost for all sales based on the weighted average of the RPP and non-RPP forecast costs.
    - Re-estimate the Total Commodity cost for 2010.

LOAD FORECAST & OPERATING REVENUE

Question #12

Reference: Exhibit 3, page 3

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

b) Please clarify whether the rates used in part (a) included:
- Smart Meter charges
- LV charges
- Discounts for transformer ownership where applicable.

c) Please reconcile the 2010 revenues (both Other Operating Revenue and Distribution Revenue) reported here with the values in Exhibit 6/Tab 1/Schedule and Exhibit 8/Tab 1. Note: The latter two references suggest a 2010 Distribution Revenue of $29,734,912.

Question #13

Reference: Exhibit 3, pages 8-14

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 Cambridge 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 Cambridge's current approach?

b) Please provide an expanded version of Table 3 that includes historic and forecast annual values for population and GDP along with the associated year over year growth rates.

c) Is Cambridge aware of the fact that for its 2010 Rate Application (EB-2009-0139), Toronto Hydro has changed its load forecasting methodology to one that uses class specific models to forecast sales on a class specific basis? If yes, please comment as to why the Toronto data supports such analysis while (as discussed on page 9) Cambridge's data does not.

d) Please provide the various "models" tested for the Residential, GS<50 and GS > 1000-4999 classes and the associated statistical results in a format similar to that used on page 14 (Iine 8) and page 15 (line 1) for the proposed model.

e) If the models tested for Residential and GS<50 did not include the ones currently proposed by Toronto Hydro, please provide the statistical results of such models.

Question #14

Reference: Exhibit 3, pages 14-19

a) What other regression models (using alternative explanatory variables) were tested? Please provide a description of each and a summary of the results similar to that shown on page 14.

b) Page 15 suggests that the negative coefficient for the Population variable is because this variable is also capturing the increasing effect of CDM. Has Cambridge tried any model specifications aimed a separating out the effect of CDM from what one would expect to be the positive correlation between power purchases and population? If yes, what models were tested and why were they rejected?

c) If the response to part (b) is no. please provide the results of a model formulation which includes the same explanatory variables as currently proposed by Cambridge and also includes a trend variable to capture CDM. Please provide the resulting statistics and a forecast for 2009 and 2010 based on the model.

d) With respect to page 16, 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?

e) What was the source for the Population forecast used?

f) Please provide any other recent projections of Ontario GDP growth for 2009 and 2010 that Cambridge is aware of and compare the year over year growth rates with those prepared by the Ontario Ministry of Finance (per page 16).

g) With respect to the table on page 17 (Table 6), please calculate the predicted "weather normal" sales for 1996-2008 by using the "weather normal variables" as opposed to actual weather HDD and CDD values in the model.

h) Why has the 13-year weather normal average been used when the results are lower than either the 10 year or 20 year value?

i) Please comment on the appropriateness of using a 10 year value given that it is in the "middle" of the three results shown in Table 7.

j) How many years did the utilities Cambridge has cited (i.e., Toronto, Innisfil, Lakeland Power, Niagara-on-the-Lake and Thunder Bay) use for their definition of weather normal?

k) Why has Cambridge chosen the period 2004 – 2008 to determine average losses (page 19) when the analysis covered the period 1996-2008? What was the value for average losses over this longer period? If data is not available for this period, what were the average losses over the 2001-2008 period?

<u>Question #15</u>

Reference: Exhibit 3, pages 19-23

a) Please confirm that the forecasts of customer/connection count shown in Table 11 are mid-year values.

b) What is the most recent actual customer count for each class and on what month of 2009 are they based?

c) Please confirm that the calculation of the geometric mean annual growth rate in Table 13 really only considers the average use values for 2001 and 2008. If this is not the case, please explain more fully how the value is calculated.

d) Residential and GS<50 classes annual usage per customer values set out in Table 12 will be influenced weather in the 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?

e) Please provide the Hydro One information relied on in order to determine the weather sensitivity by rate class (page 22).

f) Given that residential uses include lighting, cooking and refrigeration, why is it reasonable to assume that the Residential class is 100% weather sensitive (per page 23)?

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 Cambridge's 2007 Cost Allocation filing and indicate the year the data is based on.

h) Please apply the same methodology as used by Cambridge to weather normalize 2010 usage and determine the weather normalized use by customer class for 2008 using the predicted total weather normalized purchases as determined in Question 14, part (g) 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.

l) Please re-do Tables 17 and 18 assuming that the Residential and GS<50 classes are 50% weather sensitive. Note: The purpose of this question is to test the sensitivity of the results to the assumptions regarding class weather sensitivity.

<u>OPERATING COSTS</u>

<u>Question #16</u>

Reference: Exhibit 4, page 9

a) Please provide a schedule that sets out the number of authorized positions as of year-end for 2006 – 2010 inclusive and identify the new positions added each year.

Question #17

Reference: Exhibit 4, pages 10 and 37

a) With respect to Table 13, please confirm that the 5^{th} row reports Customers per FTEEs (as opposed to FTEEs per customer).

b) The 2009 and 2010 values in Table 13 match those in Table 11 (Exhibit 3, page 20), when Street Lights and Unmetered Loads are excluded. However, the values in Table 13 for 2006-2008 don't similarly reconcile with the historic data shown in Table 9 (Exhibit 3, page 19). Please explain and revise Table 13 as necessary.

c) The current Table 13 shows that the number of Customers per FTEE is declining. Please reconcile this decline with the claim on page 10 that Cambridge has "contained its staff additions".

d) What year were the base salary adjustments made for some management positions (per page 10, lines 19-21)?

Question #18

Reference: Exhibit 4, pages 11 and 26

a) Please provide a schedule that sets out both the Capital and OM&A spending for 2009 and 2010 that is attributable to the GEGEA and the OPA's FIT and microFIT programs and included the Application's rate base and revenue requirement .

b) With respect to this increased spending, please identify the Capital (gross and net of contributions) as well as the OM&A spending specifically associated with the renewable generation (both connection and related system improvements). Is any of this spending eligible for "external funding" under Ontario Regulation 330/09?

Question #19

Reference: Exhibit 4, page 20

a) A number of Ontario electricity distributors have recently purchased insurance to cover bad debts associated with commercial/industrial customers. Has Cambridge considered such insurance and, if so, why has it not opted for such a program?

<u>Question #20</u>

Reference: Exhibit 4, pages 24-25

a) Why is Cambridge proposing to amortize its forecast IFRS transition costs over four years as opposed to recording them in a deferral account per the Board's EB-2008-0408 Report (page 27) issued July 2009?

b) Please provide details regarding the forecast $100,000 in IFRS transition costs.

c) Given the Board's September 28, 2009 update regarding the Low Income Energy Assistance Program initiative:
   - Is the budgeted LEAP amount required for 2010? If yes, why?
   - Is the proposed 0.33 FTE addition required for 2010? If yes, why?
   - Are the software changes required for 2010 and, if so, why?

<u>Question #21</u>

Reference: Exhibit 4, page 27

a) Table 11 shows an increase in OM&A costs over 2007 and 2008 of $119,000 related to theft of copper. Have these higher costs continued for the subsequent years? If so, what has Cambridge done to reduce such thefts? If not, why isn't there an offsetting reduction in subsequent years?

b) With respect to the "Inflation on Non-Labour Items & All Other Changes" driver, please identify the portion of the annual changes shown for 2007 through 2010 that is due to inflation versus other factors. Please provide a schedule which describes the other factors impacting on each of these years and note those that are one-time as opposed to ongoing factors.

<u>Question #22</u>

Reference: Exhibit 4, page 45

a) Please explain further the $94,000 increase in 2010 attributed to "hosting fees" (lines 11-12).

b) Please indicate the FTE associated with the $57,000 increase in staffing costs associated with LEAP and monthly billing.

Question #23

Reference: Exhibit 4, pages 48-49

a) Please indicate the total recruitment costs included in 2008, 2009 and 2010. Please also indicate the number of new staff recruited in each year.

Question #24

Reference: Exhibit 4, pages 68-69

a) Please explain what the "Board of Directors costs" are that CNDHI is paying CNDES and CNDEP for in 2009 and 2010 (e.g., which "Board" is cost for?). Why is CNDHI paying any costs associated with the Boards of its affiliates?

Question #25

Reference: Exhibit 4, pages 73 & 77

a) Page 73 states that prior to 2008 a full year's depreciation was taken on assets the first year they came into service. However, the schedule on page 77 suggests the ½ year rule was used for 2006. Please reconcile.

Question #26

Reference: Exhibit 4, pages 80-83

a) Please explain why the total Depreciation for 2009 is different in Table 38 ($6,664,433) and Table 39 ($6,672,545). Similarly, please explain why the 2009 additions in the two tables differ for many of the individual accounts.

b) Please also address the issues raised in part (a) as they apply to 2010 (i.e., Tables 40 and 41)

Question #27

Reference: Exhibit 4, page 85

a) Do the tax rates used for 2010 reflect the May 2009 budget changes that, effective July 1, 2010, will reduce the small business tax to 4.5% and eliminate the small business deduction surtax? If not, please provide an updated tax calculation.

COST OF CAPITAL

Question #28

Reference: Exhibit 5, page 2

a) If Cambridge wanted to pay off the promissory note with Corporation of the Township of North Dumfries, is it able to do so without the agreement of the note holder? If no, what agreements are required and why?

b) If the note holder (i.e., the Corporation of the Township of North Dumfries) were to demand re-payment of the promissory note (or, Cambridge elected to pay-off the note), are there any impediments to Cambridge borrowing from a third party such as a commercial bank? For example, would it require the "guarantee" or "permission" of its shareholders to undertake such borrowing?

c) If the response to part (b) is yes, is there any reason to expect these impediments would prevent it from undertaking 3rd party borrowing? For example, if a "guarantee" was required from the shareholders, is there any reason to expect such a guarantee could not/would not be provided?

REVENUE DEFICIENCY

Question #29

Reference: i) Exhibit 6, page 4

a) Please indicate where property taxes are captured in the Application.

b) Based on the responses to the first round of interrogatories from all parties please prepare a schedule that sets out all the adjustments/revisions that Cambridbge has acknowledged as being required to the currently requested 2010 revenue requirement and the impact of each.

COST ALLOCATION

Question #30

Reference: i) Exhibit 7, pages 2-3
ii) Cambridge's 2010 Cost Allocation Model Filing

a) With respect to Sheet O1 of Reference (ii), please explain the basis for the Distribution Revenues by customer class included at Row #18.

b) With respect to Reference (i), Table 2 please explain how the revenue by customer class for each of the following columns was derived and provide a schedule setting out the derivation:
   - "2010 Serv Rev Requirement Allocated per Distribution @ Current Rates"
   - "Total Revenue Before Adjustment for Rev/Cost Ratio"
   - "2010 Revenue Assuming Proposed Revenue to Cost Ratio"

c) Also, with respect to Table 2, please explain why the values reported here for Revenue at Existing Rates are not the values used for Row #18 of the 2010 Cost Allocation Model filing.

d) What do the Revenue to Cost Ratios shown in the last column of Table 2 represent? They do not match either the current ratios per the Cost Allocation Model filing or the proposed ratios per Table 5.

<u>Question #31</u>

Reference: i) Exhibit 7, pages 4-6

a) With respect to Tables 3 and 4, neither Table contains all of the data used in the derivation. For example the following values appear to be missing:
   - The values AK and S used to determine "Return on Assets"
   - The value N used to determine PILS

   Please provide a full version of the work sheets used to determine the costs for Waterloo North and Hydro One Networks.

b) How was the $2,798,058 OM&A costs associated with LV lines determined?

c) How were the asset values (original cost, accumulated depreciation and annual amortization) associated with the LV lines determined?

d) Please confirm that the proposed charges for embedded distributors do not include any recovery of:
   - Billing and Collecting costs
   - A&G costs
   - General Plant related costs.

e) Please provide a schedule setting out an allocation of each of the cost elements referred to in part (d) to the embedded distributor class based on the allocation factors used in the Cost Allocation Model for each of these costs.

RATE DESIGN

Question #32

Reference: Exhibit 8, page 2

a) Please explain why the values reported in Table 2 for "2010 Base Revenue Allocation from Cost Allocation" don't match the values reported Sheet O1 of the 2010 Cost Allocation Model filing.

Question #33

Reference: Exhibit 8, pages 3-4

a) Please provide a schedule that sets out the derivation of the revenue splits reported in Table 4.

b) 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).

c) On page 4 Cambridge states that "an MSC ceiling has not been established". However, on page 3 Cambridge states that "the OEB indicated that for the time being, it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC". Please explain why the later direction from the OEB doesn't effectively establish a ceiling for those distributors whose MSC values are below the Board's upper limit.

Question #34

Reference: Exhibit 8, page 9

a) What is the basis for the Hydro One Networks' rates used on page 9?

DEFERRAL/VARIANCE ACCOUNTS

Question #34

Reference: Exhibit 9,

a) With respect to page 6, why is the 2008 interest on the Account 1590 positive ($55,640) when the opening balance and the transactions for the year are negative?