

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
Cambridge and North Dumfries Hydro Inc. for an order
approving just and reasonable rates and other charges for
electricity distribution to be effective May 1, 2010.

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

November 9, 2009

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0260**

**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 Cambridge and North Dumfries Hydro 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 Cambridge and North Dumfries Hydro 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 Cambridge and North Dumfries Hydro to comply with two separate sets of tax rules?**
- e) Please confirm that Cambridge and North Dumfries Hydro 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 Cambridge and North Dumfries Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**

- h) If Cambridge and North Dumfries Hydro is unable to quantify the impact of the removal of the provincial sales tax, is Cambridge and North Dumfries Hydro 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, page 21 & 22

- a) Are any of the costs associated with Cambridge and North Dumfries Energy Plus Inc. and/or Cambridge and North Dumfries Energy Solutions Inc. including their Board of Directors, included in the costs included in the filing by Cambridge and North Dumfries Hydro Inc. for recovery through the revenue requirement? If yes, please and identify and quantify these costs.**
- b) Please explain how the costs for the President & CEO and Treasurer are allocated between the three entities.**

Interrogatory # 3

Ref: Exhibit 1, page 29

The evidence states that the 2009 Bridge Year links back to the Cambridge and North Dumfries Hydro Inc. Board of Directors approved Operations and Capital budgets.

- a) Has the 2009 Bridge Year forecast as included in the rates application been approved by the Board of Directors? If so, when was this approval provided?**
- b) Has the 2010 Test Year forecast as included in the rates application been approved by the Board of Directors? If so, when was this approval provided?**

Interrogatory # 4

Ref: Exhibit 1, page 32

The evidence indicates that Cambridge and North Dumfries Hydro understands that the ROE will be finalized by the OEB based on January 2010 market interest rate information. Is it also Cambridge and North Dumfries Hydro understanding that the Board will set the deemed long-term debt rate and the short-term debt rate based on January 2010 market interest rate information?

Interrogatory # 5

Ref: Exhibit 1, page 37

- a) Has Cambridge and North Dumfries Hydro received approval from the Board of Directors of the 2010 budget that underpins the rate application at their September 10, 2009 meeting?**
- b) Did the Board of Directors make any changes to the 2009 or 2010 budgets or the evidence filed as part of this application? If yes, please identify.**

Interrogatory # 6

**Ref: Exhibit 1, Table 4 &
Exhibit 4, Table 42**

- a) Why has Cambridge and North Dumfries Hydro not used the \$15 million exemption available to it in the calculation of the Ontario Capital Tax?**
- b) What is the impact on the revenue deficiency of using the \$15 million exemption?**

Interrogatory # 7

Ref: Exhibit 1, page 78

- a) Has Cambridge and North Dumfries Hydro Inc. claimed any CCA for income tax purposes in 2008 related to the new Customer Information System (CIS) that began in 2008 and is expected to go live in November 2009? If yes, please explain why it is appropriate to claim the CCA on a project that was not in service in 2008.**

- b) Is the project on time and still expected to go live in November, 2009? If not, when is the project now expected to go on line?

Interrogatory # 8

Ref: Exhibit 2, Table 9

Please explain the disposal in accumulated depreciation of \$ 414,351 in Account 1850 line transformers in 2005. In particular, please explain why there is no corresponding disposal in the costs section of the continuity schedule.

Interrogatory # 9

Ref: Exhibit 2, Table 21 & Addendum - Table 22

- a) For each account in Table 21, please show the actual capital expenditures based on the most recent year-to-date figures available.
- b) For each project in Addendum - Table 22, please show the actual amount spent year-to-date.
- c) Will all of the projects shown in Addendum - Table 22 be completed and in service by the end of 2009? If not, please indicate the amount and timing for completion of those projects that will not be in service by the end of 2009.
- d) Has Cambridge and North Dumfries Hydro purchased the \$706,000 worth of vehicles as forecast for 2009? If not, what purchases will be delayed to 2010?
- e) Does Cambridge and North Dumfries Hydro still expect to spend \$11,812,000 on capital additions in 2009? If not, what is the current forecast for 2009?

Interrogatory # 10

Ref: Exhibit 2, Table 26

Based on the most recent information available, does Cambridge and North Dumfries Hydro still expect to spend \$10,672,000 in capital additions that will be in service by the end of 2010?

Interrogatory # 11

Ref: Exhibit 2, Table 5

Table 5 shows a significant increase expenditures related to new servicing in 2009 as compared to 2008, with further growth forecast for 2010. Expenditures in this category fell substantially between 2006 and 2008.

- a) Please explain what type of expenditures is included in this category and explain what they are related to.**
- b) Has the recession had any impact on the amount of new servicing in 2009? If not, why not?**
- c) Will the full amount of \$1,315,000 shown as expenditures in 2009 for new lines be spent in 2009, or will some portion be spent in 2010? If yes, please indicate the amount deferred to 2010.**

Interrogatory # 12

Ref: Exhibit 2, Table 22 & 25

Please explain what the meter expenditures of \$179,000 for 2009 and the \$100,000 for 2010 are for. Are any of these costs related to smart meters? Are any of these expenditures related to meters that will be replaced with smart meters?

Interrogatory # 13

Ref: Exhibit 2, Table 26

- a) Are the vehicles forecast to be replaced in 2010 fully depreciated? If not, please provide the net book value.**
- b) Please indicate where in the evidence the proceeds from the disposition of each of the vehicles being replaced in 2010 is shown and provide the associated amounts for each vehicle.**

Interrogatory # 14

Ref: Exhibit 2, page 93

- 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 Cambridge and North Dumfries Hydro reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?
- c) Exhibit 9, Table 8 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 \$.06215 per kWh and a price of \$.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of \$.03326 per kWh and the forecasted global adjustment of \$.02494 per kWh for the RPP year).
- e) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.
- f) Does the distributor intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?

Interrogatory # 15

Ref: Exhibit 3, page 13 & 14 & 15

Please provide the regression equations (as shown on page 15), the statistical results (as shown on page 14) and please provide the data used in a live Excel spreadsheet for the three equations referenced on pages 13 & 14. Please include in the live Excel spreadsheet all variables used in the regression analysis as well as any variables that were ultimately rejected for use through the stepwise regression analysis.

Interrogatory # 16

Ref: Exhibit 3, page 14 & 15

- a) Please explain how growth in population results in a decrease in per capita energy consumption. Would it also follow that a reduction in population would result in an increase in per capital consumption?**
- b) Why did Cambridge and North Dumfries Hydro keep explanatory variables with a t-statistic of less than 2 in the equation? Were any variables with a t-statistic of less than 2 but greater than 1 removed from the final version of the equation through the stepwise regression? If yes, please provide details on what variables were removed and what their corresponding t-statistic was.**

Interrogatory # 17

Ref: Exhibit 3, page 14 & 15 & Table 6

For each equation requested below, please provide the Statistical Results (as shown on page 14), the estimated equation (as shown on page 15) and the resulting forecast (as shown in Table 6):

- a) The current equation excluding the Spring Fall Flag variable.**
- b) The current equation excluding population, but including the number of customers (excluding the number of connections for street lighting and USL).**
- c) The equation estimated in (b) above, but also excluding the Spring Fall Flag variable.**
- d) The current equation excluding the population and Spring Fall Flag variables.**

Interrogatory # 18

Ref: Exhibit 3, page 17

Please explain what Cambridge and North Dumfries Hydro means by the 20 year trend. Was a regression analysis done for each month to determine a relationship between degrees and a linear time trend? If not, please show mathematically how the 20 year trend figures were calculated.

Interrogatory # 19

Ref: Exhibit 3, Table 8

- a) Why has Cambridge and North Dumfries Hydro used a loss factor calculated over the 2004 through 2008 period rather than over the same period (1996 through 2008) used to estimate the equation used to forecast the purchased energy?
- b) Please expand Table 8 to reflect loss factors prior to 2004 as far back as reliable data is available, back to and including 1996.

Interrogatory # 20

Ref: Exhibit 3, Table 9 & 11

- a) Please confirm that the customer numbers shown in Table 9 are as of mid year.
- b) How is this mid year figure calculated? For example, is it the June 30 number of customers, or the average of the number of customers at year end and the previous year end, or is it the average of the number of customers at each month end in the year?
- c) Please update Table 11 to reflect the actual customer count as of June 30, 2009 and the impact that this has on the 2010 customer count forecast.
- d) Please provide by rate class, the number of customers/connections based on the most recent month of information available. Please also provide the number of customers by rate class for the corresponding month in 2008.

Interrogatory # 21

Ref: Exhibit 3, Table 9, 10 & 11

- a) Table 9 appears to indicate that the reduction in GS < 50 kW customers in 2001 was the result of movement of customers to the GS > 50 to 999 kW class. Is this correct?

- b) The growth rate shown in Table 10 for the GS < 50 kW class appears to include the significant loss of customers in 2001, but not the significant increase in customers in the same year for the GS > 50 to 999 kW class. Is this correct? If yes, please explain the rationale for including the customer transfer in 2001 in the GS < 50 kW class in the calculation of the geometric mean growth rate for this class.
- c) Please calculate the geometric mean growth rate for the GS < 50 kW class between 2001 and 2008.
- d) Based on the growth rate calculated in (c) above, please recalculate the number of GS < 50 kW customers forecast for 2010 using both the current 2009 forecast of 4,581 and the number of customers at the end of June 30, 2009 as requested in Interrogatory # 20 above.
- e) What is the incremental kWh forecast for the GS < 50 kW class as a result of this change for both sets of incremental customers?
- f) Given the significant increase in USL customers in 2009 as compared to 2008, why does Cambridge and North Dumfries Hydro still consider it appropriate to forecast a decrease in 2010?

Interrogatory # 22

Ref: Exhibit 3, Table 1 & Table 23

Please explain why the 2009 and 2010 forecast figures for Other Distribution Revenues do not match between Table 1 and Table 23. In particular, please explain why the total revenue offsets shown in Table 23 in both 2009 and 2010 are significantly lower than those shown in Table 1, while the historical year figures are the same in the two tables.

Interrogatory # 23

Ref: Exhibit 3, Table 23

Please provide the most recent year-to-date figures that are available for each account shown in Table 23, along with the figures for the corresponding period in 2008.

Interrogatory # 24

Ref: Exhibit 3, pages 28 – 35

- a) Please explain the drop in Account 4082 Retail Services Revenue from \$75,000 per year to \$15,000 forecast for 2010.**
- b) If the explanation to part (a) is based on \$60,000 in costs associated with the Retail Services Revenue, please explain where these costs are reflected in the evidence. In particular, are they included in the OM&A costs that are included in the 2010 revenue requirement?**
- c) If there was approximately \$60,000 in costs associated with Account 4082, where have these costs been recorded in 2006 through 2009?**
- d) Please provide the 2008 revenue in Account 4210 Rent from Electric Property excluding adjustments related to retroactive billings.**
- e) Please confirm that no costs shown in Account 4380 are included in the revenue requirement for 2010. If this cannot be confirmed, please explain what costs remain in the revenue requirement.**
- f) Please provide details and documentation on the determination of the costs associated with water and sewer billing. Please explain, as an example, how the costs associated with assets (computers, software, etc.) including depreciation are recovered through the cost recovery service. Please also indicate where in the evidence it is shown that the corresponding asset costs and depreciation expenses have been removed from the cost of service for regulated distribution activities.**
- g) Please provide the level of surplus funds and the interest rate used to generate 2009 and 2010 forecast of revenue in Account 4405.**
- h) Please confirm that there are no regulatory asset related interest credits or debits included in the 2009 and 2010 forecasts for Account 4405. If this cannot be confirmed, please indicate the amount of regulatory asset account interest that is included in the 2009 and 2010 forecast figures.**

Interrogatory # 25

Ref: Exhibit 3, Table 16

What is the impact on the gross revenue deficiency of \$2,461,873 shown in Exhibit 6, Tab 1, Schedule 1 if the residential and GS < 50 rate classes were all assumed to be 50% weather sensitive?

Interrogatory # 26

Ref: Exhibit 4, Table 4

- a) What is the impact on the revenue requirement in 2010 if the 2010 increase for unionized employees is reduced from 3% to 2%?**
- b) What is the impact on the revenue requirement in 2010 if the 2010 increase for non-union employees is reduced from 2.9% to 1.5%?**

Interrogatory # 27

Ref: Exhibit 4, page 7

- a) What reduction in costs has been reflected in the evidence that is associated with the move to monthly billing in late 2009? Please quantify these reductions.**
- b) Does Cambridge and North Dumfries Hydro consider it appropriate to reflect the higher costs associated with monthly billing in the revenue requirement without any adjustments to the working cash allowance to reflect the better cash flow that will result from monthly billing?**

Interrogatory # 28

Ref: Exhibit 4, Table 5

- a) Please explain the increase in the Executive FTE to 7.0 in 2009 from 6.8 in 2008. Has this increase taken place? What is the additional cost associated with this increase in the 2010 test year?
- b) Please explain the increase in the Management FTE to 13.0 from 12.2 in 2008. Has this increase taken place? What is the additional cost associated with this increase in the 2010 test year?

Interrogatory # 29

Ref: Exhibit 4, Table 2 & page 19-20

- a) How has the meter reading expense related to the third party been affected by the installation of smart meters?
- b) What are the main drivers behind the increase in customer billing costs in 2009 of \$306,106 relative to the figure of \$169,921 in 2008?
- c) Approximately how many invoices did Cambridge and North Dumfries Hydro issue in 2008?
- d) How much has been included in the Billing costs associated with the duties and responsibilities associated with the Low Income Energy Assistance Program? Is this amount in addition to the 0.12% of distribution revenue that was to be included in the revenue requirement?

Interrogatory # 30

Ref: Exhibit 4, page 24

- a) What is the estimated cost to conduct a study to determine the differences between IFRS and the current accounting standard GAAP, and transitioning to IFRS?
- b) Why has Cambridge and North Dumfries Hydro not partnered with other distributors, perhaps through the EDA, to have such a study conducted?

Interrogatory # 31

Ref: Exhibit 4, page 25

- a) On September 28, 2009 the OEB issued a letter providing a status update on the LEAP initiative. As part of that letter the Board indicated that the Minister of Energy and Infrastructure requested that the Board not proceed to implement new support programs for low-income energy consumers in advance of a ministerial direction. In light of this, would Cambridge and North Dumfries Hydro agree that the amount included in the 2010 revenue requirement in excess of the historical amount of \$9,000 should be removed? If not, why not?
- b) What is the total cost associated with the 0.33 FTE in 2010 related to LEAP?
- c) Please explain the \$200,000 in software changes that are LEAP related.

Interrogatory # 32

Ref: Exhibit 4, page 26

- a) Please provide the total cost associated with the new position for the contract administration and customer contact requirements of the FIT and MicroFit programs of the OPA.
- b) How many FIT and MicroFit contracts does Cambridge and North Dumfries Hydro expect to have in place in 2010?
- c) Why is the cost associated with the new position included in the revenue requirement rather than in the newly established OEB deferral accounts to capture the costs?

Interrogatory # 33

Ref: Exhibit 4, page 32

- a) Please confirm that the new CIS system went live in November, 2009. If this cannot be confirmed, when is it now expected to go live?
- b) When in 2010 will Cambridge and North Dumfries Hydro be moving to monthly billing for all of its customers?

Interrogatory # 34

Ref: Exhibit 4, Table 2

- a) Please explain the \$90,000 increase in costs in 2010 in Account 5040.**
- b) Please explain the increase in meter expenses (Account 5065) in 2009 and 2010 relative to past years. How does the replacement of meters with smart meters impact on this cost in the test year? Please explain why there is not a significant decrease in meter expenses since the smart meter costs are not included in this account.**
- c) Please explain why there is no significant decrease in Account 5175 for the maintenance of meters. The replacement of conventional meters with new smart meters does not appear to reduce maintenance costs. Why not?**
- d) Please explain the significant increase in Account 5320 Collecting costs forecast for 2010.**
- e) Please explain the increase in bad debt expense (Account 5335) in 2010 relative to 2009.**
- f) How much of the 2008 bad debt expense of \$375,980 was associated with one time impacts from large customers?**
- g) Please explain the doubling of the expense in Account 5410 Community Relations – Sundry in 2010 as compared to previous years.**
- h) How much of the 2010 increase of \$260,000 in Account 5620 Office Supplies and Expenses is related to the move to monthly billing? What is the remainder of the increase due to?**
- i) Please explain what is driving the increase of nearly 19% in the costs in Account 5615 General Administrative Salaries and Expenses. How much of this increase is related to the move to monthly billing?**
- j) What is the drive behind the more than doubling of costs in 2009 as compared to 2008 in Account 5630 Outside Services Employed? Why is this situation expected to continue in 2010?**
- k) Please provide the actual year-to-date figures for 2009 for each sub-total shown in Table 2 (i.e. Operations, Maintenance, Total Billing and Collecting, Total Community Relations, Total Administrative and General) and for the Total OM&A based on the most recent information available. Please also provide the year-to-date 2008 revenue for each sub-total for the corresponding period.**

Interrogatory # 35

Ref: Exhibit 4, Table 12

If the current rate application does not require an oral (technical conference, hearing) component, what is the expected reduction in costs in relation to the \$160,000 forecast? Please show the impact on each of the legal, consultant and intervenor cost forecasts.

Interrogatory # 36

Ref: Exhibit 4, page 68

It is not clear how Cambridge and North Dumfries Hydro deal with the Board of Director costs for its affiliates.

- a) Please confirm that there are no Board of Director costs associated with the affiliates that has been included in the OM&A costs or the revenue requirement of the regulated distributor. If this cannot be confirmed, or if the costs are included in OM&A and offset by recovery of these costs through other revenues, please quantify and illustrate where these costs and revenues are shown in the evidence.**
- b) For each of CNDHI, CNDES and CNDEP, please provide the number of individuals on the respective Board of Directors and the total cost associated with each of the Board of Directors for 2010.**
- c) Please explain why Board of Director fees for the affiliated companies are paid through Cambridge and North Dumfries Hydro in order to satisfy the Affiliate Relationships Code.**

Interrogatory # 37

Ref: Exhibit 4, page 73 & Table 38 & Table 39 & Table 40

- a) What is the impact on the depreciation expense in the 2009 bridge year of using the half year rule for calculating the depreciation expense as compared to the full year's amortization methodology that was taken on current year additions in previous years? Please provide a version of Table 39 that calculates depreciation in 2009 based on the methodology that was in place in 2008 and earlier.**

- b) What is the impact on the 2010 rate base if the 2009 depreciation expense and the resulting accumulated depreciation had continued to be calculated in the same manner as in 2008 and prior years. Please provide revised continuity schedules for 2009 and 2010 (Tables 38 & 40) that reflect the change in net book value at year end that correspond to the change in rate base.

Interrogatory # 38

Ref: Exhibit 4, Table 42

Please provide a detailed explanation (and calculation if necessary) for the following 2010 amounts shown in Table 42:

- a) Other Additions to accounting income of \$23,607; and
b) Other Deductions from accounting income of \$14,813.

Interrogatory # 39

Ref: Exhibit 4, Table 42

- 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:

* $13\% \times \$1,500,000 = \$195,000$ and

* $5\% \times \$500,000$	=	\$25,000
$13\% \times \$1,000,000$	=	\$130,000
$2.125\% \times \$1,000,000$	=	<u>\$21,250</u>
Total	=	\$176,250

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 # 40

Ref: Exhibit 4, Table 42

The evidence is not clear as to whether or not Cambridge and North Dumfries Hydro has included any apprenticeship or co-operative education tax credits in the calculation of the regulatory income tax.

- a) 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. Please show the number of positions eligible the credit and the amount that can be claimed for each in 2010.**
- b) Has Cambridge and North Dumfries Hydro included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If not, please provide a calculation that reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of \$3,000.**

Interrogatory # 41

Ref: Exhibit 4, Table 43 & Table 44

- a) The application of the half year rule does not appear to be done correctly for the assets in CCA classes 10 and 12 in both 2009 and 2010. In particular, the column that deals with the ½ Year Rule shows a calculation that is ½ of the additions less disposals. The figures provided are ½ of the additions only and do not reflect the disposals. Please provide a corrected version of Tables 43 and 44 that reflect ½ of the additions less disposals.**
- b) In both 2009 and 2010 there are significant disposals shown in classes 10 and 12. Are these disposition amounts related to the proceeds from the disposition of the assets or are they related to the original cost of the assets being disposed of? If the later, please explain why these amounts are included in the dispositions column.**
- c) Please provide the proceeds of the dispositions in 2009 and 2010 for Class 10 and 12 and use these figures to revise the CCA claims in 2009 and 2010. Please provide revised Tables 43 & 44.**

- d) Please explain why the computer hardware additions in 2009 (\$189,500) and in 2010 (\$117,000) have been placed in CCA Class 10 at a rate of 30% rather than in Class 50, at a rate of 55%.
- e) Is Cambridge and North Dumfries Hydro 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?
- f) Please revise Tables 43 & 44 to reflect the CCA Class 52 described in part (e) above and the movement of the computer hardware additions in 2009 and 2010 from Class 10 to Class 52.

Interrogatory # 42

Ref: Exhibit 4, Table 45

- a) Please provide the actual amount for property taxes in the same level of detail as shown in Table 45.
- b) For the office location, please provide the percent increase in the assessed value in 2009 over 2008.
- c) What assumption has Cambridge and North Dumfries Hydro assumed for the increase in the tax rate applicable to the office location in 2009 and in 2010?
- d) What was the actual increase in the tax rate applicable to the office location in 2009?

Interrogatory # 43

Ref: Exhibit 5, page 6

- a) Has Cambridge and North Dumfries Hydro considered replacing the loan from its affiliate with third party financing? If not, why not?
- b) Has Cambridge and North Dumfries Hydro requested financing terms and rates from any third party in the last six months? If yes, please provide all correspondence relating to the amount, term and applicable rate.

- c) Has Cambridge and North Dumfries Hydro requested financing from Infrastructure Ontario to finance some portion of its capital expenditures in 2009 and/or 2010? If not, why not? What are the current rates available from Infrastructure Ontario for 5, 10, 15, 20, 25 and 30 year terms.
- d) Has Cambridge and North Dumfries Hydro enquired as to whether or not the affiliate would be agreeable to calling the loan if the distributor can obtain replacement financing at equivalent or lower rates? If not, why not? If yes, what was the affiliate response?
- e) If the Board were to allow the deemed long-term debt rate to apply to the affiliate loan and it was in excess of the Established Rate of 4.993%, would Cambridge and North Dumfries Hydro actually pay the affiliate the higher interest cost?

Interrogatory # 44

Ref: Exhibit 7, Table 2 & Table 5

- a) Do the proposed revenue to cost ratios shown in Table 5 result in an over contribution relative to the allocated revenue requirement shown in Table 2 for the aggregate of all the classes excluding the embedded distributors? In other words, do the proposed revenue to cost ratios result in these classes providing the additional more than \$300,000 shortfall from the embedded distributors based on the cost allocation model?
- b) Please provide a table that shows for each rate class (including the embedded distributor class) the revenues associated with the proposed revenue to cost ratios. If the total of these revenues does not equal \$23,345,924, please explain any difference, other than due to rounding.

Interrogatory # 45

Ref: Exhibit 7, Table 5

In several 2008 and 2009 Board Decisions (see for example the EB-2007-0693 Decision and Order dated August 11, 2008), the Board stated that “No point within any of the ranges should be considered to be any more reliable than any other point within the range” and that “The Board will not approve any further movement within the ranges as requested by a number of the intervenors in the proceeding, and by the Applicant itself”.

- a) In light of the above, please explain why Cambridge and North Dumfries Hydro propose to change some revenue to cost ratios that are already within the Board approved range. In particular, why is the proposal for the USL class to reduce the revenue to cost ratio from 110% to 90%?
- b) What is the impact on the GS < 50 kW proposed revenue to cost ratio if all of the classes that currently have ratios within the Board approved range remain as they are (i.e. residential, GS > 50 to 999, GS > 1000 to 4999 and USL), and the GS > 5000 kW and Street Light classes are increased as proposed?

Interrogatory # 46

Ref: Exhibit 7, page 11

Cambridge and North Dumfries Hydro propose to move the GS > 5000 kW and Street Light classes to the bottom end of their respective ranges. Is the proposal to use this additional revenue to reduce the revenue to cost ratios for the GS < 50 kW and GS > 50 to 999 kW classes? How will the additional revenue be split between the two classes?

Interrogatory # 47

Ref: Exhibit 8, page 1

Please reconcile the total revenue offset of \$1,488,201 and the base revenue requirement of \$23,470,733 in the written evidence with the figures provided in Table 1 of \$1,613,010 and \$23,345,924, respectively.

Interrogatory # 48

Ref: Exhibit 8, Table 17 & Table 19

- a) Please explain why Cambridge and North Dumfries Hydro proposes to use a 5 year average to calculate the total loss factor rather than the 3 year average used in the 2006 EDR Handbook.
- b) Please calculate the loss factors based on the average of the 2006 through 2008 data.
- c) Please explain how the proposed loss adj. factor of 1.0286 shown in Table 19 is derived from the five year average loss factor of 2.84% shown in Table 17.

Interrogatory # 49

**Ref: Exhibit 7, Table 5 &
Exhibit 8, page 33**

Table 5 in Exhibit 7 shows a significant increase in the proposed revenue to cost ratio for the GS > 5000 kW class, but the monthly bill impacts for this class shows a decrease in rates.

- a) Please confirm that the GS > 5000 kW rates would be increasing except for the regulatory asset rate rider.**
- b) To what level could the revenue to cost ratio for the GS > 5000 kW class of customers rise if the bill impact were to set to 0% for the smaller customers in this class?**
- c) Based on the results of part (b) above, how much further could the revenue to cost ratios for the GS < 50 kW and GS > 50 to 999 kW class be reduced in 2010?**

Interrogatory # 50

Ref: Exhibit 9, Table 8

- a) Please calculate the rate riders assuming the account balances were to be cleared over a 4 year time horizon.**
- b) What is the total bill impact on the GS > 5000 kW customer class if the regulatory asset rate rider were calculated over a 4 year period?**