

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

AND IN THE MATTER OF a review of an application
filed by Cambridge and North Dumfries Hydro Inc. for
an order approving just and reasonable rates and
other charges for electricity distribution commencing
May 1, 2010.

INTERROGATORIES OF THE SCHOOL ENERGY COALITION

General

1. Ex. 1, p. 24: please elaborate on what “opportunities” CNHD is investigating. Is CNHD contemplating a merger, purchase and/or sale of another utility?
2. CNHHI projects a revenue deficiency in 2010 of \$2.4 million. Please provide a table summarising the main drivers of the deficiency.

Rate Base and Capital Expenditures

3. Ex. 2, p. 98: Asset Management Strategy
 - (a) Please provide a copy of the October 2008 document produced by the Company that is said to have provided "guidance for 2009 concerning the major areas of emphasis as well as defining specific tactical deliverables."
 - (b) Please explain what is meant by paragraph 3.) on p. 98 "Exploring Business Opportunities" What new business opportunities are being referred to? Please list all 2009 or 2010 capital projects that are related to exploring new business opportunities.
4. Ex. 2, p. 81-82: Rebuilds
 - (a) What is the total budget for the Rebuild projects across all years?
 - (b) Have the Rebuild projects been precipitated by an asset management or asset condition report? If so, please produce it.

- (c) Please produce any other document that sets out the need for and/or potential benefits of, the Rebuild projects. If none exists, please explain in greater detail the justification for the Rebuild projects;
- (d) The evidence states, at p. 82, that there are "multiple benefits" from the Rebuild project, including improved reliability, removal of transformers containing PCBs, increased capacity and improved facilities for renewable generation.
 - (i) Has CNDHI identified any OM&A cost saving resulting from the Rebuild project in 2010? In 2011 or beyond?
 - (ii) Have any of these cost savings been incorporated into the test year budget?

OM&A

5. Ex. 4, p. 6 and 28: With respect to benefits costs increases, please:
 - (a) explain what, if anything, the company has done to contain health benefit increases?
 - (b) What accounts for the 37% increase (\$248,170) in 'Other Benefits' (stat holidays, vacations, sick time, etc.). If the increase is due to the new statutory holiday in Ontario, please explain whether there is a corresponding decrease recorded for the fact that some employees will simply not work on that day and therefore receive a "benefit" instead of their regular salary on that day.
6. With respect to bad debt expense, after a large increase in 2008, the 2009 projection (\$210,000) is substantially lower. The 2010 forecast, however, is \$300,000 or 43% greater than 2010. In addition, in 2010 the company will be on monthly billing for the entire year, which the company says should lead to lower bad debt expense. Please explain, therefore, what assumptions the company has made in arriving at its 2010 bad debt forecast.
7. Has the increase in maintenance costs relating to copper thefts passed through to 2010? If so, what assumptions has the company made regarding 2010 thefts and on what basis?
8. Ex. 4, p. 7: Regarding the move to monthly billing:
 - (a) has the company made any changes to its bad debt expense or its working capital calculation in view of the fact that billing will now be made twice as often?
 - (b) If not, why not?
 - (c) Does the company have a projection of what impact the move to a monthly billing cycle will have on bad debt expenses?

- (d) If there are no identifiable savings arising out of the move to monthly billing then why was the decision made to move to monthly billing?
 - (e) Has the company considered an e-billing system to reduce monthly billing costs?
9. Ex. 4: performance-based compensation- please provide a copy of the company's performance- or incentive-based compensation plan or policy.
10. Ex. 4, p. 24: please provide a break down of the \$100,000 estimate for IFRS conversion costs.
11. Ex. 4, p. 32: new software maintenance costs:
- (a) Please provide a more detailed explanation/breakdown of the various new software maintenance charges (CMIC, AUS, GIS, CIS) described on p. 32.
 - (b) Please provide a breakdown of the capital vs. OM&A costs for the various software conversions. The CIS system, for example, has a capital cost of \$1.072 million (Ex. 2, p. 75). What is the OM&A cost?
 - (c) Please explain also what criteria was used to decide whether to capitalize or expense the relevant costs.
12. Ex. 4, p. 33: In 2010 OM&A increases by \$457,00 due to "Inflation on Non-Labour Items and All Other Charges" Of this amount, the company identifies \$86,000 arising out of rebasing costs (\$40,000 in 2010), IFRS conversion (\$25,000 in 2010) and LEAP (\$21,000). Please provide a breakdown of the other \$371,000.
13. Ex. 4: Shared Services Costs: Water and Sewer Billing/Collections charges to the City of Cambridge have increased consistently by approximately 4-4.5% per year:
- (a) Will the new CIS system also be used to provide water and sewer billing/collection services for the City of Cambridge?
 - (b) If so, has the cost of the new system been incorporated into the 2010 charges to the City of Cambridge? If it has, please explain how much and how the amount was determined. If not, why not?
 - (c) Please provide CNHDI's estimate of what the incremental charge to the City of Cambridge would be if the City were to be allocated a share of the cost of the new CIS system.

Cost Allocation and Rate Design

14. Ex. 7, p. 3:

- (a) SEC would like a better understanding how the \$2,461,873 revenue deficiency is being recovered from each rate class. Therefore, with respect to table 2 on p. 3, using existing cost allocation, please add a column showing the 2009 revenue \$22,927,104, and how it is allocated by rate class under the existing cost allocation method.
- (b) Please explain why the totals of the columns on Table 2 on pg. 3 entitled "Total Revenue Before
- (c) Please explain why virtually no effort has been made to reduce the over-payment of the GS>50kW rate class or to reduce the subsidy enjoyed by the GS>1,000kW rate class. As a result, the GS>50kW rate class will see a distribution rate increase (excluding the impact of regulatory asset rate riders, which are temporary) of 11% in 2010.