

**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  
Chatham-Kent Hydro Inc. for an Order or Orders  
approving or fixing just and reasonable rates and  
other charges for the distribution of electricity  
commencing May 1, 2010.**

**INTERROGATORIES  
of the  
School Energy Coalition**

1. Please confirm that the Applicant has 50 schools operated by publicly funded school boards in its franchise area. Please advise how many schools are in each of the GS<50 and GS>50 classes.

**Rate Base and Capital Expenditures**

2. Exhibit 2, Table 2-17: please insert columns in Table 2-17 to include the years 2006-2008.

**OM&A**

3. Exhibit 4, Tab 2, Schedule 4: please re-do Table 4-8 showing increases by cost driver (eg. general wage increase, new staff, general inflation other than wage increase, additional work requirements, etc.) rather than OM&A category.
4. Exhibit 4/2/4: inflation increases
  - (a) Please explain why the StatsCan inflation rate is used as the inflation figure for all OM&A costs. (For example, for 2006 actual, the inflation rate, 4%, is applied to the total OM&A opening balance of \$5.9 million to arrive at the inflation impact, \$236,219, for the year.) Wouldn't general inflation apply to non-wage items only, with wage items inflated by the actual applicable increase for the year?

- (b) For each of 2006 to 2009, please provide the annual increase caused by:
    - (i) Actual wage escalation for the year;
    - (ii) Increase in staff for the year;
    - (iii) General inflation on non-wage items.
- 5. Exhibit 4/2/4: variance analysis: Overview: many of the increases appear to be one-time events (for example, \$117,000 meter expense in 2008) yet there do not appear to be corresponding reductions in subsequent years.
  - (a) Please confirm that for each of the items mentioned in pages 1-5) are either on-going increases or, if they are one-time events, have been removed from subsequent budgets.
- 6. Exhibit 4/2/4, p. 3:
  - (a) Please explain the \$125,000 increase in bad debt “due to not obtaining approval for Z factor in EB-2007-” (sic). How would obtaining approval for Z-factor determine whether or not there was an increase in bad debt?
  - (b) Has this \$125,000 cost been forwarded to 2010?
- 7. Exhibit 4/2/3
  - (a) Are Community Relations activities commenced in 2007 (conservation programs and support for Children’s Safety Village) part of the 2010 budget? If not, why has there been no corresponding reduction of the \$70,000 entry for 2007 in either of 2008, 2009 or 2010?
- 8. Exhibit 4/2/3, pg. 3
  - (a) Please provide a more detailed explanation for the increase in Outside Services (+\$70,000) in 2007. Has the increase been passed through to 2010?
- 9. Ex. 4/2/3, p. 4: Regarding the move to monthly billing and associated \$142,000 increase in OM&A (Billing and Collection) costs:
  - (a) Is this a permanent or one-time increase?
  - (b) 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?
  - (c) If not, why not?

- (d) Does the company have a projection of what impact the move to a monthly billing cycle will have on bad debt expenses?
  - (e) 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?
  - (f) Has the company considered an e-billing system to reduce monthly billing costs?
10. Ex. 4/2/5: Affiliate Charges
- (a) Pg. 1: please specify what changes to the Affiliate Relationships Code are being referred to and how they will or may impact the provision of streetlighting services to the Municipality of Chatham-Kent.
  - (b) Is the streetlight service subject to a service agreement with the Municipality of Chatham-Kent? If so, please provide a copy.
  - (c) Please explain how the “Actual Cost” of streetlight service is determined.
  - (d) Please explain why the charges for streetlight maintenance decrease to \$172,507 in 2010, down from \$198,791 in 2008 and \$187,893 in 2009.
11. Ex. 4/2/5: Affiliate Charges- Customer Service Charges.
- (a) Please provide a more detailed explanation for the 20% increase (\$288,221) in Customer Service charges from CK Utility Service between 2006 and 2010. Please provide a detailed breakdown of the reason for the increases.
  - (b) Please explain the reason for the increase in personnel.
  - (c) Please explain also where the partially offsetting decrease in third party meter reading costs is reflected in the application.
12. Ex. 4/2/5: Affiliate Charges; General Financial Service
- (a) “General Financial Service” charge from CK Utility service increases 38% (\$497,465) from 2006 actual to 2010. Please provide a more detailed explanation for the increase.
  - (b) Please explain the reason for the increased personnel.
  - (c) Please explain the change in management salary allocation in 2010. Is this a change in overhead allocation or in the method of allocating management costs from CK Utility to Chatham-Kent Hydro? Please explain fully.
13. Ex. 4/2/5: Purchase of Services from Non-Affiliates

- (a) Please provide a breakdown of the \$160,000 in consulting services for 2010. Please explain all assumptions used in arriving at the forecast.
  - (b) Please explain also whether the forecast includes work performed in 2009 (such as preparing the application) that will be billed in 2010.
- 14. Ex. 4/2/6, pg. 8: Compensation and Staffing
  - (a) Please explain why there has been no decrease in projected overtime expenditure in 2010 despite the fact that there will be an increase of 5 FTE's in 2010, all in operations positions. Wouldn't the extra staff obviate the need for at least some overtime?

**Cost of Capital**

- 15. Ex. 5:
  - (a) Please provide a copy of the Promissory Note (\$23,523,326) issued to the Municipality of Chatham-Kent.
  - (b) In all years except 2010, CKHI has used the nominal rate from the Promissory Note, 7.04% in its deemed capital structure. Please explain why the deemed rate, 7.62%, is being requested in 2010.
  - (c) Please provide the deemed rate, under the Board's Cost of Capital Report, for 2007, 2008 and 2009.

16. **Ex. 7: Cost Allocation**

- (a) The revenue to cost ratio for the GS>50kW rate class is being increased from 62.5% to 102%. As a result, the distribution rate impact for GS>50kW customers stemming from this application ranges from 36% to 105%, depending on volume. In other cases, normally involving streetlights, the Board has found a staggered approach to be more reasonable in order to avoid such large increases in a single year. Please advise why a Chatham-Kent Hydro has not adopted a similar approach.