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November 27, 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-2009-0261
Chatham-Kent Hydro Inc. – 2010 Cost of Service Application
Energy Probe Interrogatories

Pursuant to Procedural Order No. 1, issued by the Board on November 11, 2009, please find attached two hard copies of the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0261 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: Dave Kenney, Chatham-Kent Hydro Inc. (By email)
James Sidlofsky, Borden Ladner Gervais LLP (By email)
Randy Aiken, Aiken & Associates (By email)
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Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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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 Chatham-
Kent 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 27, 2009

**CHATHAM-KENT HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0261**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 12

- a) Please update the Chatham-Kent organizational chart to show the utility's financial, regulatory and customer service functions and its reporting relationships as part of the organization structure.
- b) In a number of the application exhibits there is reference made to the CEO. Please show that function as part of the organization structure, demonstrating the relationship with the president.

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 15

The evidence states that there are no outstanding OEB directives applicable specifically to Chatham-Kent as at the date of filing this Application. The Applicant was one of the thirteen licensed distributors deemed to be applicants in the EB-2007-0063 Combined Proceeding.

- a) On December 13, 2007, the Board issued its Decision and Order on Cost Awards. Is Chatham-Kent in compliance in respect of that Board Order?
- b) If the answer to a) above is yes, please advise the date that your cheque for \$213.83 was issued in payment and forwarded to Energy Probe Research Foundation.
- c) If the answer to a) above is no, please advise the steps the Applicant will now take to achieve compliance.

Interrogatory # 3

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 Chatham-Kent 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 Chatham-Kent 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 Chatham-Kent Hydro to comply with two separate sets of tax rules?**
- e) Please confirm that Chatham-Kent 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 Chatham-Kent Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**
- h) If Chatham-Kent Hydro is unable to quantify the impact of the removal of the provincial sales tax, is Chatham-Kent 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 # 4

Ref: Exhibit 1, page 21 & 22

Are any of the costs associated with the Board of Directors of Chatham-Kent Energy, Chatham-Kent Utility Services or Middlesex Power Distribution Corporation included in the costs by Chatham-Kent Hydro Inc. for recovery through the revenue requirement? If yes, please identify and quantify these costs.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 1, Tables 2-10 & 2-11

- a) How many of months of actual data are reflected in the data used in Table 2-10 for the 2009 bridge year?**
- b) Please explain why there are no disposals of gross assets or accumulated depreciation shown for either of 2009 or 2010.**
- c) Please provide an update to Table 2-10 for the 2009 bridge year forecast that reflects actual data for the most recent year-to-date period that is currently available along with the forecast for the remaining months in 2009.**
- d) Please confirm that all of the capital expenditures shown in both Tables 2-10 & 2-11 for the bridge and test years are still forecast to be completed and in service by the end of the respective years. If this cannot be confirmed, please provide the details for the capital expenditures that would be placed in work in progress for each of 2009 and 2010.**

Interrogatory # 6

Ref: Exhibit 2, Tab 1, Schedule 1, page 1

Please provide the details related to the OEB approval for the inclusion of smart meter assets in rate base for the two periods discussed at lines 19-22.

Interrogatory # 7

Ref: Exhibit 2, Tab 2, Schedule 1

- a) How have the gross asset value and accumulated depreciation associated with meters that have been replaced by smart meters been accounted for in the continuity schedules? For example, have these assets remained in Account 1860?**
- b) Please provide details related to the accounting treatment of these assets as directed by the Board.**
- c) What are the gross asset value, accumulated depreciation and net book value associated with the meters that have been replaced with smart meters at the end of 2009?**
- d) Table 2-11 shows an amount of \$303,916 related to fully allocated depreciation. What proportion of this amount has been expensed as part of OM&A expenses and what proportion has been capitalized? How do these proportions compare to the proportions forecast for 2009 and recorded on an actual basis in 2006 through 2008? Please explain any significant differences.**

Interrogatory # 8

Ref: Exhibit 2, Tab 3, Schedule 2, Table 2-17

Will the economic slowdown and the loss of load and customers have any impact on the timing of the expenditures shown in Table 2-17? In particular is there any delay in the demand, renewals or capacity capital budget plan? If not, please explain why not.

Interrogatory # 9

Ref: Exhibit 2, Tab 3, Schedule 2, pages 8, 9 & 10

- a) Please provide the forecast number of new residential connections for 2009 and 2010.**
- b) Please provide the most recent year-to-date number of new residential connections available for 2009 and the corresponding number for the same year-to-date period in 2008.**

- c) What was the actual capital expenditure in 2007 and 2008 for new residential connections?
- d) Please provide the forecast number of detached residential connections for 2009 and 2010.
- e) Please provide the most recent year-to-date number of detached residential connections available for 2009 and the corresponding number for the same year-to-date period in 2008.
- f) What was the actual capital expenditure in 2007 and 2008 for detached residential connections?
- g) Please provide the forecast number of new commercial/industrial connections for 2009 and 2010.
- h) Please provide the most recent year-to-date number of new commercial/industrial connections available for 2009 and the corresponding number for the same year-to-date period in 2008.
- i) What was the actual capital expenditure in 2007 and 2008 for new commercial/industrial connections?
- j) What accounted for the significantly higher level of new commercial/industrial connections in 2006?

Interrogatory # 10

Ref: Exhibit 2, Tab 3, Schedule 2, pages 13 & 14

- a) Please provide the number of residential rebuilds for 2004 through 2008, along with the forecast for 2009 and 2010.
- b) Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with residential rebuilds.
- c) Please provide the most recent year-to-date number of residential rebuilds available for 2009 and the corresponding number for the same year-to-date period in 2008.
- d) Please provide the forecast number of commercial/industrial customer rebuilds for 2009 and 2010.

- e) Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with commercial/industrial rebuilds.
- f) Please provide the most recent year-to-date number of commercial/industrial rebuilds available for 2009 and the corresponding number for the same year-to-date period in 2008.

Interrogatory # 11

Ref: Exhibit 2, Tab 3, Schedule 2, pages 15 & 16 & 18

- a) Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with capital pole replacements.
- b) Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with transformer replacements.
- c) Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with overhead distribution upgrades.

Interrogatory # 12

Ref: Exhibit 2, Tab 3, Schedule 2, page 19

- a) Why would Chatham-Kent Hydro not replace a meter than is at the end of its life expectancy, has failed or has an expired Measurement Canada seal with a smart meter?
- b) Are the costs associated with these replacement meters based on the purchase of new meters or the use of existing meters that have been replaced by smart meters?
- c) Does Chatham-Kent Hydro re-use the meters that have been replaced by smart meters? If not, why not?

Interrogatory # 13

Ref: Exhibit 2, Tab 3, Schedule 2, page 23

Please provide the actual capital expenditures in 2006, 2007 and 2008 associated with emergency situations.

Interrogatory # 14

Ref: Exhibit 2, Tab 3, Schedule 2, page 27

The Ontario Energy Board has initiated a number of proceedings that deal with embedded generation. Based on the Reports from the Board, would any of the forecasted costs associated the increase in generation connections to the distribution system be covered from other sources such as payments from the generators? Please explain.

Interrogatory # 15

**Ref: Exhibit 2, Tab 3, Schedule 2, page 33 &
Exhibit 2, Tab 2, Schedule 2**

Where is the decommissioning of Chatham # 9 Substation shown in the continuity schedules in Exhibit 2, Tab 2, Schedule 2? Why are there no disposals shown?

Interrogatory # 16

Ref: Exhibit 2, Tab 3, Schedule 2, page 36

- a) Have all of the 9 smaller projects that make up the expenditure of \$412,936 in 2009 for long term load transfers been completed?**
- b) For each of the projects that are not yet completed, will the completion take place before end of 2009?**
- c) Can any of the projects be deferred and completed in 2010 rather than in 2009? If not, why not?**

Interrogatory # 17

Ref: Exhibit 2, Tab 3, Schedule 2, page 39

Will any of the capital expenditures shown for 2010 for the voltage conversion project scheduled to begin in 2010 and continue for five years be in service in 2010?

Interrogatory # 18

**Ref: Exhibit 2, Tab 3, Schedule 2, page 40 &
Exhibit 2, Tab 2, Schedule 2**

- a) Will Chatham #8 Substation be fully depreciated by the end of 2009?**
- b) If not, why is there no disposal shown in the continuity schedules shown in Exhibit 2, Tab 2, Schedule 2 for this asset?**

Interrogatory # 19

Ref: Exhibit 2, Tab 3, Schedule 2, page 45

- a) Please provide the actual capital expenditures in 2006, 2007 and 2008 for rolling stock.**
- b) Please provide a detailed breakdown of the vehicles to be purchased in 2009 and 2010 including the cost of each vehicle, the age of the vehicle being replaced and whether any of the new vehicles are additions to the fleet rather than replacement vehicles.**
- c) How has Chatham-Kent Energy accounted for the revenues associated with the sale/scrap of the vehicles being replaced?**

Interrogatory # 20

Ref: Exhibit 2, Tab 3, Schedule 2, page 54

- a) Please provide the actual capital expenditures in 2006, 2007 and 2009 for capital equipment.**
- b) Please explain the significant increase forecast for 2010.**

Interrogatory # 21

Ref: Exhibit 2, Tab 3, Schedule 2, page 55 & 56 & 60

- a) Does Chatham-Kent Hydro own the property at 320 Queen St., or does one of the affiliates own the property? If so, which one?**

- b) Has Chatham-Kent Hydro purchased the land adjacent to the property at 320 Queen St.? If not, will this property be purchased by Chatham-Kent Hydro before the end of the year?

Interrogatory # 22

Ref: Exhibit 2, Tab 3, Schedule 2, page 55 & 56 & 60

On November 17, 2009, Chatham-Kent Utility Services (CKUS) announced plans for a \$2.5 million green data centre to be located on the CKUS property at 320 Queen Street. The centre is expected to be up and running by the summer of 2010.

- a) Please provide the details with regard to the ownership of the land and the building at 320 Queen St. in light of the above statement.
- b) Will any of the costs associated with the green data centre be included in the rate base for Chatham-Kent Hydro? If yes, please explain and quantify.
- c) Did any affiliate of Chatham-Kent Hydro purchase any adjacent land to 320 Queen St.? If yes, please explain how this impacts on the Chatham-Kent Hydro proposal to utilize this land.

Interrogatory # 23

Ref: Exhibit 2, Tab 3, Schedule 2, page 57

- a) Please provide the business case for the capital expenditures related to the consumer load disconnect switches.
- b) Please provide the details of all associated cost savings that are projected to result from this expenditure and please indicate where in the OM&A costs these savings have been reflected in 2010.

Interrogatory # 24

Ref: Exhibit 2, Tab 3, Schedule 2, page 58

Are any of the capital expenditures for building renovations in 2009 or 2010 associated with use of the building by any of the affiliates of Chatham-Kent Hydro? If yes, please provide details.

Interrogatory # 25

Ref: Exhibit 2, Tab 3, Schedule 2, page 59

Please provide a copy of the business case referred to related to the replacement of the underground fuel tanks.

Interrogatory # 26

Ref: Exhibit 2, Tab 3, Schedule 2, page 61 & 62

- a) Could Chatham-Kent Hydro re-surface the rear yard at 320 Queen St. in two phases, the first of which takes place in 2010 with the second phase taking place in 2011? If not, please explain why not?**
- b) Does the construction of the green data centre noted in Interrogatory # 20 above have any impact on the amount or timing of the proposed re-surfacing? Please explain.**
- c) Does the construction of the green data centre noted in Interrogatory # 20 above have any impact on the timing of the construction of the environmental storage facility?**

Interrogatory # 27

Ref: Exhibit 2, Tab 2, Schedule 2

Contributions and grants totaled \$335,000 in 2008 and have averaged this amount over the 2004 through 2008 period.

- a) Please explain the decrease in contribution and grants to \$275,000 forecast for 2009 and 2010.**
- b) What is the most recent year-to-date figure for contribution and grants in 2009 and what was the corresponding amount for the same period in 2008?**

Interrogatory # 28

Ref: Exhibit 2, Tab 5, Appendix A

- a) Is the \$0.0607 rate used to calculate the cost of power shown in Appendix A based on the April 15, 2009 Regulated Price Plan Price Report? If not, what is it based on?
- b) 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.
- c) Has Chatham-Kent Hydro reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?
- d) Please provide the percentage of the total kWh represented by the non RPP kWh based on actuals for 2008 and if available, for the 2010 forecast.
- e) 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 (d) 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).
- f) 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.
- g) 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 # 29

Ref: Exhibit 3, Tab 2, Schedule 1, Table 3-2 & Table 3-3

- a) Please provide a live Excel spreadsheet that shows the calculation of the 6, 10 and 20 year average of heating and cooling degree days.
- b) In the spreadsheet, please indicate which period of years is used for each of the averages.

- c) Did Chatham-Kent Hydro consider using a 7 year average for heating and degree days based on the 2002 through 2008, the same period as used for monthly kWh data? If not, why not?
- d) Please add a column to Table 3-3 showing the impact on the forecast of using a seven year average of degree days for the period 2002 through 2008.

Interrogatory # 30

Ref: Exhibit 3, Tab 2, Schedule 1, page 11 & Table 3-7

- a) Please explain why the GDP explanatory variable was retained in the equation even though the coefficient is not statistically significant and it has the wrong sign.
- b) Please explain why the median age variable was retained in the equation even though the coefficient is not statistically significant. Please also explain the a priori expectation that the coefficient should be negative.
- c) Please re-estimate the equation excluding the GDP explanatory variable. Please provide the regression statistics as shown on page 11 and provide the forecast for 2009 and 2010 that would result from this equation in the format shown in Table 3-7.
- d) In addition to the change in part (c) above, please remove the median age variable and provide the regression statistics as shown on page 11 and provide the forecast for 2009 and 2010 that would result from this equation in the format shown in Table 3-7.
- e) In addition to the changes in part (d) above, please replace the Windsor-Sarnia-Chatham unemployment rate with the Ontario unemployment rate. Please provide the regression statistics as shown on page 11 and provide the forecast for 2009 and 2010 that would result from this equation in the format shown in Table 3-7. Please also provide the 2009 and 2010 forecast used for the Ontario unemployment rate.
- f) Chatham-Kent Hydro has developed two factors to use in its analysis, being the seasonal weighting factor and the industrial production weighting factor, but has not included the number of days in the month or the spring/fall flag (variable with 1 in March, April, May, September, October and November and 0 in other months) as have many other filers in 2008 and 2009. Please remove the seasonal and industrial production factors and include the number of days in the month and the spring fall flag in the regression analysis in addition to the changes in part (d) above.

- g) Please provide a live Excel spreadsheet with the data used by Chatham-Kent Hydro and the additional data needed to provide responses in the other parts of this interrogatory.

Interrogatory # 31

Ref: Exhibit 3, Tab 2, Schedule 1, pages 3, 11, 14 & Appendix A

It is not clear how the heating and degree day figures used for 2009 and 2010 have been forecast. The evidence at page 3 indicates that a 6 year average was used; at page 11 the evidence indicates that they are forecasted using the previous 12 month average; at page 14 the evidence states that average monthly heating and cooling degree days which have occurred from 2002 to 2008 (a 7 year period) have been used; in Appendix A, different degree day figures are shown for 2009 and 2010.

Please clarify and confirm how the forecasts of degree days (both heating and cooling) have been determined for the bridge and test years.

Interrogatory # 32

Ref: Exhibit 3, Tab 2, Schedule 1, Table 3-8 & Table 3-7

- a) Please confirm that the predicted values shown Table 3-8 are based on forecasted normal heating and cooling degree days while the actual values reflect actual heating and cooling degree days.
- b) Please fill in the two tables below for January through July, 2009.

	Fest Heating Degree Days (a)	Actual Heating Degree Days (b)	Difference (c) = (b) - (a)	Equation Coefficient (d)	Heating Degree Day Impact (e) = (c) x (d)
Jan				20,843.40	
Feb				20,843.40	
Mar				20,843.40	
Apr				20,843.40	
May				20,843.40	
Jun				20,843.40	
July				20,843.40	
Total					

	Fest Cooling Degree Days (a)	Actual Cooling Degree Days (b)	Difference (c) = (b) - (a)	Equation Coefficient (d)	Cooling Degree Day Impact (e) = (c) x (d)
Jan				123,729.78	
Feb				123,729.78	
Mar				123,729.78	
Apr				123,729.78	
May				123,729.78	
Jun				123,729.78	
July				123,729.78	
Total					

- c) Please re-estimate the equation shown on page 11, excluding the GDP and median age variables, but using actual purchased kWh and the actual values of the explanatory variables from January 2002 through July, 2009 (or later if all the historical data for later months are available). Please provide the regression statistics as shown on page 11 and provide the 2009 and 2010 forecasts as shown in Table 3-7.

Interrogatory # 33

Ref: Exhibit 3, Tab 2, Schedule 1, Table 3-11 & page 15

- For each of the customers shown in Table 3-11 please provide all the annual volumes used to calculate the average that has been reflected in the volume decrease.
- At page 15 the evidence indicates that Chatham-Kent Hydro has manually reduced the usage for 2009 and 2010. Please explain why Chatham-Kent Hydro did not remove the volumes associated with the customers shown in Table 3-11 (grossed up for losses) from the historical data used in the regression equation.
- Please re-estimate the regression equation shown on page 11 using historical kWh data that has had the estimated purchases associated with the consumption of the customers shown in Table 3-11 removed.
- Please provide the forecasted consumption for 2009 and 2010 based on the equation estimated in part (c) above in the format shown in Table 3-1.

Interrogatory # 34

Ref: Exhibit 3, Tab 2, Schedule 1, page 16 & 17

- a) Please explain how the 4% reduction estimate was calculated. Please provide the corresponding calculations.**
- b) Why is the 4% reduction applied to the average residential kWh figure rather than 2008 figure?**
- c) What is the average compound decline in the residential kWhs shown in Table 3-12 for the 2002 through 2008 period?**
- d) Please confirm that the reductions in consumption in 2007 and 2008 related to CDM are reflected in both the historical data and the regression analysis.**
- e) Please provide the calculation of the residential reduction forecast that is related only to the CDM programs to be deployed in 2009 and 2010.**
- f) Please explain how the GS < 50 kW reduction figure was estimated. In particular, please provide the savings estimates and calculations used to come up with the figure shown in the evidence.**
- g) Please explain why the CDM related reduction in volumes is grossed up by the loss factor, while the volumes related to the economic slowdown do not appear to have been grossed up.**

Interrogatory # 35

Ref: Exhibit 3, Tab 2, Schedule 1, Table 3-9 & page 18

Please show the calculations that take the 2009 and 2010 forecast kWh figures shown in Table 3-9 and come up with the figures shown on page 18 using a loss factor of 4.43%.

Interrogatory # 36

Ref: Exhibit 3, Tab 2, Schedule 1, Table3-15

Please provide the number of customers/connections by rate class for the most recent month available. Please also provide the number of customers/connection by rate class for the corresponding month in 2008.

Interrogatory # 37

Ref: Exhibit 3, Tab 2, Schedule 1, page 20

- a) Please confirm that the average use figures shown in Table 3-16 do not reflect normalization for weather.**
- b) Please provide a table that shows the annual heating degree days and the annual cooling degree days for each year 2002 through 2008.**

Interrogatory # 38

Ref: Exhibit 3, Tab 2, Schedule 1, page 21

- a) What is the impact of using the geometric growth rate in standby usage between 2002 and 2007 and then applying that growth rate to the 2007 figure to generate 2009 and 2010 forecasts? Please provide the 2009 and 2010 usage for the standby class that this methodology would produce.**
- b) Why does Chatham-Kent Hydro believe that the 6 year average is appropriate, given that there has been a trend to increased usage in this class?**

Interrogatory # 39

Ref: Exhibit 3, Tab 2, Schedule 1, Table 3-1 & Table 3-11

Please reconcile the reduction in volumes shown in Table 3-11 for 1 Large Use customer with the evidence in Table 3-1 that shows there has been no revenue in the Large Use customer class in 2006 through 2008.

Interrogatory # 40

Ref: Exhibit 3, Tab 2, Schedule 1, page 22-24

- a) Why would it be reasonable to assign the weather difference to more than just weather sensitive rate classes?**
- b) Which rate classes does Chatham-Kent Hydro consider to be weather sensitive?**

- c) Which rate classes did Hydro One consider to be weather sensitive?
- d) Please explain how the difference in the two figures shown in Table 3-20 is related to more than just the weather.
- e) Please explain the Hydro One weather allocation factors of 51% and 22% shown in Table 3-22.
- f) Please expand Table 3-22 to reflect the addition of any other rate class that had a Hydro One weather allocation.
- g) Is Chatham-Kent Hydro aware of any other distributor that has filed for 2009 or 2010 rates that used the Toronto Hydro Electric System Ltd. (EB-2007-0680) methodology but did not follow the Hydro One weather allocation methodology to adjust weather sensitive loads to ensure that the total billed energy forecast by rate class is equal to the total weather normalized billed energy forecast? Please provide details, including any acceptance by the Board in the relevant Decisions.

Interrogatory # 41

**Ref: Exhibit 3, Tab 2, Schedule 1 &
Exhibit 6, Tab 1, Schedule 1 &
Exhibit 7, Tab 1, Schedule 2 &
Exhibit 1, Tab 2, Schedule 1**

Under the assumption that the Hydro One weather sensitivity allocation is appropriate, please provide the following.

- a) A revised Table 3-23 that is based on the results of the Hydro One methodology.
- b) A revised Table 3-26 reflecting the revised Table 3-23 results.
- c) A revised Summary of Forecast Data shown on page 27 of Exhibit 3, Tab 2, Schedule 1.
- d) A revised Table 6-1 from Exhibit 6, Tab 1, Schedule 1 that shows the impact on 2010 for the existing rates and required revenues columns of the revisions calculated above.

- e) Revised Tables 7-3, 7-4 and 7-5 that reflect the changes in the revenue to cost ratios for the 2010 cost allocation based on the revised data calculated above.
- f) Based on the same revenue to cost ratios proposed in Table 7-7, please provide a revised Table 7-8 that reflects the impact of the changes requested above.
- g) Please provide a revised Table 1-2 that reflects the changes requested above.

Interrogatory # 42

Ref: Exhibit 3, Tab 2, Schedule 1, page 25

Please confirm that the reference to Table 3-21 at line 5 should be to Table 3-23.

Interrogatory # 43

Ref: Exhibit 3, Tab 2, Schedule 1, page 21, Table 3-25 & Table 3-26

At page 21, Chatham-Kent Hydro explained why it proposed to use a 6 year average (2002 through 2007) for the kWh forecast for the Standby class.

- a) Does the 0.26% average for the Standby class shown in Table 3-25 include the 2008 figure of 0.21%? If yes, please explain why it is appropriate to use the 2008 figure for calculating the kW forecast when the corresponding 2008 figure was not used to calculate the kWh forecast.
- b) If the 2008 figure was used in calculating the 0.26% average for the Standby class in Table 3-25, please recalculate the average using only the data for 2002 through 2007 and show the impact on the 2010 kW forecast of 80,671 shown for this class in Table 3-26. What is the impact on 2010 revenues for this change based on the proposed per kW charge for this class? Please show the calculation.

Interrogatory # 44

Ref: Exhibit 3, Tab 3, Schedule 1, Table 3-27

For each of the four major grouping of accounts shown at the bottom of Table 3-27, please provide the most recent year-to-date total of revenues that is currently available for 2009, along with the corresponding figures for the same year-to-date period in 2008.

Interrogatory # 45

Ref: Exhibit 3, Tab 3, Schedule 1, Table 3-28 & Table 3-27

- a) Please explain why there are no SSS Admin Charges shown for 2009 and 2010 or for 2008 on an actual basis. If this is related to the movement of the revenue from Account 4082 to Account 4080, please explain why Account 4080 does not appear in Table 3-27 Summary of Other Distribution Revenue.**
- b) Please explain the decline in joint use pole rental that started in 2008 and is forecast to continue in 2009.**
- c) Why is no late payment revenue shown for 2009 or 2010?**
- d) What is the regulatory credit of \$34,000 shown for 2009 related to?**
- e) Please confirm that the figures shown under Account 4360 – Loss on Disposition of Property (totaling \$40,000 in 2010) is actually a gain on the disposition of property. If this cannot be confirmed, please provide details related to these losses.**

Interrogatory # 46

Ref: Exhibit 4, Tab 2, Schedule 1, Tables 4-2 & 4-3

- a) Please confirm that the OM&A cost per customer is forecast to increase by 31% from 2006 and 2010.**
- b) Please confirm that the inflation for period 2006 to 2010 is 6% based on the figures provided in Table 4-3.**
- c) Please confirm that after taking into account inflation, the OM&A cost per customer over 4 years is forecast to increase by 25%, or more than 6% per year.**

- d) Please confirm that the OM&A cost per customer is forecast to increase by 12.4% between 2006 and 2009.
- e) Please confirm that the inflation for period 2006 to 2009 is 4.6% based on the figures provided in Table 4-3.
- f) Please confirm that after taking into account inflation, the OM&A cost per customer over 4 years is forecast to increase by 7.8%, or 2.6% per year.
- g) Please confirm that the OM&A cost per customer is forecast to increase by 16.6% in 2010 over the 2009 level, despite an inflation rate forecast of only 1.4%.

Interrogatory # 47

Ref: Exhibit 4, Tab 2, Schedule 2, page 6

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.

- a) What is the estimated all-in cost of moving to monthly billing for residential customers?
- b) In light of the Minister's letter, does Chatham-Kent Hydro agree that it should delay the implementation of moving to monthly billing for residential customers? If not, why not?
- c) Could Chatham-Kent Hydro move to monthly billing only for low-income areas (based on Statistics Canada data available by postal code)? If not, why not? What would be the reduction in costs in 2010 if this approach was taken?

Interrogatory # 48

Ref: Exhibit 4, Tab 2, Schedule 3, page 5

- a) Please provide the total cost associated with the 2010 cost of service application, and provide the break out of these costs into the major categories such as legal, consulting, intervenor, OEB, etc.

- b) Please reconcile the figures provided in response to part (a) (adjusted for the 4 year recovery) with the figures provided in the Regulatory Cost Schedule shown on page 5 of Exhibit 4, Tab 2, Schedule 2. Please explain any differences.
- c) Does the total cost associated with the 2010 cost of service application include costs associated with an oral (technical conference and/or hearing) component of the rates application? If yes, please provide the amount by component that is associated with an oral component to the application.
- d) Please explain the significant drop in 2009 for Other Regulatory Agency Fees or Assessments.
- e) Please explain the significant increase in 2010 for Operating Expenses Associated with Staff Resources Allocated to Regulatory Matters. In particular, is this increase related to the 2010 rates application and, if so, has it been amortized over 4 years? If not, why not.

Interrogatory # 49

Ref: Exhibit 4, Tab 2, Schedule 4, page 11

- a) When will Chatham-Kent Hydro have the General Service customers switched over to smart meters?
- b) Is all or a portion of the \$110,440 increase from 2009 related to the one-time maintenance costs required when converting to smart meters? Please explain.
- c) Are any of the cost increases of \$157,847 in management salaries and expenses related to IFRS eligible to be included in the deferral account that the Board indicated it would establish for incremental one-time administrative costs related to the transition to IFRS in the EB-008-0408 Report of the Board on Transition to International Financial Reporting Standards dated July 28, 2009? If so, please quantify the amount and provide details on the component costs.
- d) If Chatham-Kent is proposing to include costs in its 2010 revenue requirement rather than in the deferral account, does it agree that there should be a variance account established around the forecast amount? If not, why not?

Interrogatory # 50

Ref: Exhibit 4, Tab 2, Schedule 4, page 4

- a) How many apprentice position will Chatham-Kent Hydro have at the end of 2009? Please indicate for each year up to 2009, how many new apprentices were added.**
- b) How many of the 6 additional staff members forecast for 2010 are apprentice linesman positions?**

Interrogatory # 51

Ref: Exhibit 4, Tab 2, Schedule 4, Appendix D

- a) Will there be a cash flow benefit to Chatham-Kent Hydro of moving to monthly billing? Please explain.**
- b) Please explain how the figure \$0.38 impact per customer has been calculated. Is this the monthly or annual impact per customer?**
- c) For each of the categories shown in section 4 of the table on page 2 for the costs allocated to Chatham-Kent Hydro, please provide the all assumptions and calculations used to arrive at the percentages shown.**

Interrogatory # 52

Ref: Exhibit 4, Tab 2, Schedule 5, Table 4-14

- a) Please explain why 100% of the costs related to IFRS are allocated to Chatham-Kent Hydro. Will any of the other affiliates benefit from the work being done by CK Utility Service related to IFRS changes? How many of the affiliate companies, other than Chatham-Kent Hydro will need to transition to IFRS?**
- b) Please explain why Chatham-Kent Hydro should pay for any of the Board of Director costs for CK Utility Service.**

Interrogatory # 53

Ref: Exhibit 4, Tab 2, Schedule 6 & Exhibit 4, Tab 2, Schedule 4

- a) Please reconcile the 38 FTE for 2009 shown on page 3 with the 39 shown for 2009 as the starting point for the additions in 2010 shown on page 4.
- b) Please reconcile the “6 additions” indicated on page 4 with the addition of 5 positions shown in the analysis.
- c) Please confirm that the 2 2010 apprentices and the Operations Supervisor shown on page 4 are the same positions described on page 11 of Exhibit 4, Tab 2, Schedule 4 under Account 5105.
- d) Please indicate where in the analysis on page 4 the increase in personnel in accounting related to IFRS described on page 11 of Exhibit 4, tab 2, Schedule 4 under Account 5610 are included.
- e) Appendix D of Exhibit 4, Tab 2, Schedule 4 indicates the net addition of 4 staff members associated with the move to monthly billing. Have any of these additions been added in 2009 or are all of these additions expected to be made in 2010? If any of the additions are forecast for 2010, please indicate where in the analysis presented in page 4 these additions are shown.

Interrogatory # 54

Ref: Exhibit 4, Tab 2, Schedule 6, pages 5-8

- a) The negotiated annual wages increases for unionized personnel is said to be less than 3% per year. Please provide the increase for 2009 and 2010. Are these the increases that have been built into the 2009 and 2010 forecasts? If not, why not, and if not, what increase has been built into the forecast for unionized personnel?
- b) What is the total cost related to the incentive program that has been included in the revenue requirement?
- c) Why is no cost related to the incentive program shown for any years in Table 4-20?
- d) What annual percentage wage increases have been included in the 2009 and 2010 forecasts for non-union employees? What is the dollar amount associated with these increases in each of 2009 and 2010?

Interrogatory # 55

Ref: Exhibit 4, Tab 2, Schedule 6, Table 4-22

Please expand Table 4-22 to include the 2010 forecast.

Interrogatory # 56

Ref: Exhibit 4, Tab 3, Schedule 1, Table 4-28

- 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% x \$1,500,000 = \$195,000 and

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

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 # 57

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 4-29 &
Exhibit 2, Tab 2, Schedule 1, Table 2-10**

The capital additions shown in Table 2-10 in Exhibit 2, Tab 2, Schedule 1 total \$4,222,390, and excluding land would total \$4,022,390. Please reconcile these additions with the figure of \$3,959,390 shown in Table 4-29 in Exhibit 4, Tab 3, Schedule 2. In particular, what addition of \$63,000 has not been included in the CCA calculation and why has it not been included?

Interrogatory # 58

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 4-30 &
Exhibit 2, Tab 2, Schedule 1, Table 2-11**

The capital additions shown in Table 2-11 in Exhibit 2, Tab 2, Schedule 1 total \$5,517,531, and excluding land would total \$5,492,531. Please reconcile these additions with the figure of \$5,415,531 shown in Table 4-30 in Exhibit 4, Tab 3, Schedule 2. In particular, what addition of \$77,000 has not been included in the CCA calculation and why has it not been included?

Interrogatory # 59

Ref: Exhibit 4, Tab 3, Schedule 2, Tables 4-29 & 4-30

- a) Is Chatham-Kent 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?**
- b) Please revise Tables 4-29 & 4-30 to reflect the CCA Class 52 described in part (a) above and the movement of the computer hardware additions in 2009 and 2010 from Class 50 to Class 52.**
- c) It appears that Chatham-Kent Hydro has incorrectly included some amounts in the wrong CCA classes in 2010. In particular, it appears the \$478,000 included in Class 10 is the amount for buildings and fixtures instead of the \$780,000 associated with transportation equipment. Similarly, the amount included in Class 8 appears to include transportation equipment, but not office furniture and equipment. Please review the additions in the CCA and provide a schedule to show any corrections required.**

Interrogatory # 60

Ref: Exhibit 4, Tab 3, Schedule 1

The evidence is not clear as to whether or not Chatham-Kent 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 if these changes have not already been reflected in the calculation of income taxes. Please show the number of positions eligible for the credit and the amount that can be claimed for each in 2010.
- b) Has Chatham-Kent 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 # 61

Exhibit 4, Tab 2, Schedule 1, Table 4-1

Why does Chatham-Kent Hydro not pay any property taxes? In particular, why is there no property tax shown for the property at 320 Queen Street in Chatham, or any of the other property owned by the distributor? Are the property taxes included in other cost categories? If yes, please provide the actual and forecast property tax figures for each of 2006 through 2010.

Interrogatory # 62

Ref: Exhibit 5, Tab 1, Schedule 1

Is it the position of Chatham-Kent Hydro that the Board deemed long-term debt rate should apply to all of the long-term debt held by the distributor because the loan is callable by the Municipality of Chatham-Kent? If not, what is the basis for the proposal to use the deemed long-term debt rate on all of the long-term debt?

Interrogatory # 63

Ref: Exhibit 5, Tab 1, Schedule 2, Appendix A

- a) Please provide a copy of the current long-term debt arrangement and any amendments made to the original agreement.
- b) Please provide a copy of the new long-term debt arrangement entered into in 2009 along with any amendments to the original agreement.

- c) Has Chatham-Kent sought third party financing for the new debt to be issued in 2009 or 2010? If not, why not? If yes, please provide copies of all correspondence related to this search.

Interrogatory # 64

Ref: Exhibit 7, Tab 1, Schedule 2, Table 7-7

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 Chatham-Kent Hydro proposes to change some revenue to cost ratios that are already within the Board approved range. In particular, why are the ratios for the residential and GS < 50 kW classes proposed to be changed?**
- b) **Please consider the scenario under which any rate class that has a revenue to cost ratio outside of the Board target range is moved to the target range (minimum for ratios below the minimum and maximum for ratios above the maximum). In such a scenario, what would be the potential impact on the revenue to cost ratios for the residential and GS < 50 kW classes?**
- c) **Under the scenario in (b) above, would any rate mitigation measures be required, in the opinion of Chatham-Kent Hydro? Please explain.**

Interrogatory # 65

Ref: Exhibit 9, Tab 1, Schedule 2, Table 9-2

Please update Table 9-2 to reflect the actual interest rates as prescribed by the Board for 2009. Please also assume that the current prescribed interest rate remains in place through April, 2010.

Interrogatory # 66

Ref: Exhibit 10, Tab 1, Schedule 2

- a) Please provide the amount included in Table 10-1 that is associated with the claimed volume decrease associated with the deployment of smart meters.
- b) Please explain the comment at the bottom of page 2 that indicates that “We heard stories of load shifting and the resulting drop in their monthly electricity bill because of the efforts they had taken”. In particular, please explain how load shifting in the absence of time of use rates could result in lower electricity bills.