

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 Haldimand County 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

Rate Base and Capital Expenditures

1. Ex. 2/2/3, pg. 45 (new CIS System):

Regarding the new CIS system:

- (a) The evidence states at p. 56 that the new CIS system was completed in 2009. Please confirm that the system is currently in service and included in rate base;

Response

Yes, the CIS system is complete and in-service as of March 1, 2009. The CIS capital costs are in the 2009 rate base.

- (b) Please provide any cost-benefit analysis prepared in respect of the new CIS system, if such documents are not already included in the documents provided in response to Board Staff IR#3c.).

Response

Please refer to response to Board Staff Interrogatory #3 (c).

- (c) If there was no capital contribution from Haldimand County Energy Inc., was the cost of the new system factored into the fees charged to HCEI for water billing services (which are currently forecasted to be \$359,823 in 2010- see Ex. 4/2/5, p.2)? If not, why not?

Response

Please refer to response to Board Staff Interrogatory #3 (f).

2. Ex. 2/2/3: ESRI Distribution Mapping System

- (a) If not already provided in response to Board Staff IR #5, please also provide any cost-benefit analysis or net present value analysis conducted in respect of this project.

Response

A cost-benefit analysis or net present value analysis was not conducted. Please refer to response to Board Staff Interrogatory # 5.

OM&A

3. Ex. 4, Tab 2, Schedule 3: Labour and Benefit Changes

- (a) Are the amounts shown on Table 5 on pg. 1 inflationary increases only or do they also reflect increases in headcount? If they latter, please break down the row Labour and Benefit Changes into Inflationary increases and Increase due to FTE change.

Response

The amounts for Labour and Benefit Changes in Exhibit 4/ Tab 2/ Schedule 3/ Table 5 reflect inflationary increases and increases due to FTE changes. Inflationary increases also include employee movement in the wage grid for years of service. The break-out is as follows:

2006 Board-Approved vs. 2006 Actual Year - \$299,289

- 1. FTE Changes - \$126,060***
 - One Executive position (Board of Director)***
 - Two Management positions (one start date mid-April)***
- 2. Inflationary increases - \$173,229***
 - Accounts for two years (2004 to 2006)***

2006 Actual Year vs. 2007 Actual Year - \$239,360

- 1. FTE Changes - \$95,951***
 - One Management position (terminated beginning of June - not replaced)***
 - Three Union positions (one start date mid-April; one start date end of May; one start beginning of January)***
- 2. Inflationary increases - \$143,409***

2007 Actual Year vs. 2008 Actual Year - \$252,164

- 1. FTE Changes - \$9,258***
 - Result of position changes part way through 2007***
- 2. Inflationary increases - \$242,906***

2008 Actual Year vs. 2009 Bridge Year - \$112,224

- 1. Solely due to inflationary increases – Employee complement remains at 54***

2009 Bridge Year vs. 2010 Test Year - \$143,425

- 1. Solely due to inflationary increases – Employee complement remains at 54***

4. Ex. 4, Tab 2, Schedule 3: OEB Plant Inspection Costs

- (a) The increase in OEB Plant Inspection Costs from 2007 to 2010-\$595,522-represents over 28% of the total increase in OM&A during that period (\$2,125,102). The spending, however, appears to be spread over a number of OM&A accounts and the variance analysis provided later in the exhibit do not provide an explanation for the increase in Third Party Contractor Costs beginning in 2007. Therefore, please provide:
- (i) a summary, in table form, of the OEB APH accounts where the increase in this area are found; and

Response

The different activities which drive maintenance costs are described in the Distribution System Maintenance and Inspection Program – which is Appendix C of the Distribution Asset Management Plan. This information can be located in Exhibit 2/ Tab 3/ Appendix A.

The table below shows O&M costs for the various OEB APH accounts associated with the distribution plant. The gray shaded cells contain costs associated with the Maintenance & Inspection Program. The maintenance portion of this program is primarily performed by third party contractors (subcontractors).

Maintenance Accounts					
OEB APH	Year				
	2006	2007	2008	2009	2010
5105	\$ 81,122	\$ 98,399	\$ 117,796	\$ 125,994	\$ 129,706
5110		\$ 3,876	\$ 7,016	\$ 3,952	\$ 4,206
5114	\$ 67,382	\$ 201,087	\$ 208,613	\$ 86,215	\$ 102,823
5120	\$ 298,799	\$ 763,957	\$ 641,332	\$ 637,848	\$ 607,398
5125	\$ 425,852	\$ 767,659	\$ 670,371	\$ 848,105	\$ 900,963
5130	\$ 133,061	\$ 144,538	\$ 129,686	\$ 151,442	\$ 158,103
5135	\$ 227,225	\$ 613,536	\$ 548,666	\$ 564,461	\$ 556,518
5145	\$ 933	\$ 1,587	\$ 13,225	\$ 9,574	\$ 10,687
5150	\$ 39,713	\$ 16,730	\$ 19,345	\$ 37,325	\$ 33,209
5155	\$ 93,030	\$ 72,582	\$ 127,255	\$ 108,412	\$ 111,495
5160	\$ 48,373	\$ 151,686	\$ 161,601	\$ 166,502	\$ 159,370
5175	\$ 13,623	\$ 19,118	\$ 10,295	\$ 25,366	\$ 26,272
Total	\$ 1,429,113	\$ 2,854,755	\$ 2,655,201	\$ 2,765,196	\$ 2,800,750
Operations Accounts					
OEB APH	Year				
	2006	2007	2008	2009	2010
5005	\$ 326,519	\$ 349,362	\$ 431,556	\$ 492,414	\$ 499,249
5012	\$ 14,930	\$ 15,438	\$ 16,966	\$ 19,000	\$ 19,570
5016	\$ 11,195	\$ 17,379	\$ 22,329	\$ 17,334	\$ 17,889
5020	\$ 113,402	\$ 120,354	\$ 107,617	\$ 115,403	\$ 120,005
5085	\$ 204,417	\$ 147,908	\$ 153,968	\$ 186,655	\$ 192,883
5040	\$ 39,801	\$ 47,651	\$ 64,878	\$ 57,554	\$ 58,608
5035	\$ 260,648	\$ 274,858	\$ 186,097	\$ 212,380	\$ 221,961
5055	\$ 17,542	\$ 11,516	\$ (1,528)	\$ 15,186	\$ 15,696
5065	\$ 164,296	\$ 200,949	\$ 234,187	\$ 152,328	\$ 197,993
5070	\$ 6,149	\$ 7,778	\$ 5,995	\$ 13,127	\$ 15,294
Total	\$ 1,158,899	\$ 1,193,193	\$ 1,222,065	\$ 1,281,381	\$ 1,359,148

- (ii) an explanation for the increase in OEB Plant Inspection Costs. Specifically, what is meant by the statement that the increase is "due to the full deployment of ground level maintenance in conjunction with the distribution plant inspections."

Response

Exhibit 4/ Tab 2/ Schedule 3/ page 16/ lines 2 thru 9 include the explanation of this statement. The "full deployment" of the ground level maintenance program began in 2007. Detailed information on "ground level maintenance" is contained in the Distribution System Maintenance and Inspection Program – Section 2.3 – Distribution System Plant Inspections and Ground Level Maintenance (page 11 of 36) which is Appendix C of the Distribution Asset Management Plan. This information can be located in Exhibit 2/ Tab 3/ Appendix A.

5. Ex. 4, Tab 2, Schedule 3: Third Party Contractor Costs

- (a) The increase in Third Party Contractor Costs from 2007 to 2010- \$406,782- represents nearly one fifth of the total increase in OM&A during that period (\$2,125,102). The spending, however, appears to be spread over a number of OM&A accounts and the variance analysis provided later in the exhibit do not provide an explanation for the increase in Third Party Contractor Costs beginning in 2007. Therefore, please provide:
- (i) a summary, in table form, of the OEB APH accounts where the increase in this area are found; and

Response

The table below represents the accounts in which “Third Party Contractor Costs” are contained as they relate to the question. The values shown in the table represent the total expenses in each account (not just “Third Party Contractor Costs”).

Third Party Contractor Cost Accounts					
OEB APH	Year				
	2006	2007	2008	2009	2010
5005	\$ 326,519	\$ 349,362	\$ 431,556	\$ 492,414	\$ 499,249
5040	\$ 39,801	\$ 47,651	\$ 64,878	\$ 57,554	\$ 58,608
5114	\$ 67,382	\$ 201,087	\$ 208,613	\$ 86,215	\$ 102,823
5120	\$ 298,799	\$ 763,957	\$ 641,332	\$ 637,848	\$ 607,398
5125	\$ 425,852	\$ 767,659	\$ 670,371	\$ 848,105	\$ 900,963
5135	\$ 227,225	\$ 613,536	\$ 548,666	\$ 564,461	\$ 556,518
5155	\$ 93,030	\$ 72,582	\$ 127,255	\$ 108,412	\$ 111,495
5175	\$ 13,623	\$ 19,118	\$ 10,295	\$ 25,366	\$ 26,272
5310	\$ 332,761	\$ 293,130	\$ 279,893	\$ 280,668	\$ 517,067
5315	\$ 486,043	\$ 511,791	\$ 536,957	\$ 580,156	\$ 633,920
5630	\$ 339,990	\$ 285,968	\$ 362,541	\$ 474,702	\$ 434,481

- (ii) an explanation for the increase in Third Party Contractor Costs. If the increase is due to an increase in activity, please explain the rationale for the increase.

Response

2007 Actual Year - \$147,666

- **OEB APH – 5315 - Doculink – first year of service – bill printing, stuffing and mailing**
- **OEB APH – 5040 / 5155 - Locates – first year this task contracted out**
- **OEB APH – 5630 - IT Support – additional IT in this year – detailed in above reference – Exhibit 4/ Tab 2/ Schedule 3/ page 18 of 30**

2008 Actual Year - \$99,673

- ***OEB APH – 5040 / 5155 - Locates – increased activity from 2007***
- ***OEB APH – 5005 - Engineering contractor costs – Perform Connection Impact Assessments***
- ***OEB APH – 5120 / 5125 / 5135 - Line Contractors used to inspect & replace pole fixtures – 2008 was the first year Off Road Primary Line Sections were inspected and maintained***

2009 Bridge Year - \$101,720

- ***OEB APH – 5005 - Engineering contractor costs – additional work completed in 2009 (ESA audits & equipment approvals***
- ***OEB APH – 5630 - IT Services – costs increased from 2008***
- ***OEB APH – 5175 - Meter Maintenance – meter service sealing fees***
- ***OEB APH – 5310 / 5320 - Meter Reading – costs increased from 2008 including delivery of collection notices***

2010 Test Year - \$57,723

- ***OEB APH – 5114 - Distribution Station Maintenance – increased costs in remediation of substations due to larger cross sectional area***
- ***OEB APH – 5630 - IT Services – costs increased from 2009***

6. Ex. 4, Tab 2, Schedule 5: Affiliate Charges

- (a) Pg. 3: the evidence states that Management and Administrative Salaries are charged out at 1 day per month plus 50% burden. What is the basis for the one day per month allocation of Management Salaries to HCEI and HCUI? Please provide any time studies or other cost allocation studies done to determine this allocation.

Response

The charging of Management and Administrative Salaries at 1 day per month plus 50% burden to Haldimand County Utilities Inc. and Haldimand County Energy Inc. was established in 2001 shortly after incorporation based upon the expected level of involvement and has carried on since that time. No time studies or cost allocation studies were done to determine this allocation.

- (b) Table 7: why are there no charges to Haldimand County in 2010 for Tree Trimming & Removals or Pole Relocations?

Response

Please refer to response to Board Staff Interrogatory #18 (d).

- (c) Please provide greater detail as to the methodology for charging for services provided to HCEI, Haldimand County and HCUI. Specifically:
- (i) How is the "cost-based price" determined? What cost allocators (time sheets, percent of assets, etc.) are used to determine the costs?

Response

Affiliate charges for such items as tree trimming, pole relocation, and repair and installation of sentinel lights are based upon time sheets using the same burdened rates as charged for non-affiliate services.

Affiliate charges for Management and Administrative Salaries also use the same burdened rates as charged to non-affiliates.

- (ii) What is the mark-up that is used and how is it determined?

Response

The mark-ups used in affiliate transactions are described in Exhibit 4/ Tab 2/ Schedule 5/ page 3. These mark-ups are the same as those used in billing for non-affiliate services.

Cost of Capital

7. Ex. 5, Tab 1, Schedule 3, Table 2 (Cost of Long-Term Debt):

- (a) Please explain how the weighted average cost of debt for 2010 was calculated. In particular, the debt issued to Haldimand County on May 1, 2000 appears to expire on May 1, 2010, however, the interest cost for this debt for 2010 appears to have been calculated for the whole year (\$2,556,667 times 9.75% interest rate= \$249,275). Similarly, Debenture to Infrastructure Ontario in the amount of \$4,415,326 is projected to be issued on May 3, 2010 yet the interest cost has been calculated for the entire year.

Response

The weighted average cost of debt for 2010 was calculated by weighting the annual interest to the average principal balance applicable for the year.

With respect to the debenture with Haldimand County due on May 1, 2010, please refer to the response to Board Staff Interrogatory #22 (d) for clarification on the applicable interest and principal amounts.

With respect to the debenture with Infrastructure Ontario, the reported principal balance of \$4,415,326 is the average balance for the year; that is, the forecast provides for an advance on May 1, 2010 in the amount of \$6,390,019, with a principal payment on November 1, 2010 in the amount of \$133,125, for a closing principal balance of \$6,523,144. This results in an annual average principal balance of \$4,415,326. The forecast annual interest rate is 5.51%, with the first interest payment due November 1, 2010 in the amount of \$182,888. When this interest amount is weighted against the average principal balance, the rate is calculated as 4.14%. Accordingly, the interest cost has not been calculated for the entire year.