

**Board staff Supplemental Interrogatories
2010 Electricity Distribution Rates
Cambridge and North Dumfries Hydro Inc. ("C&ND Hydro")
EB-2009-0260**

Administration

41. Responses to Letters of Comment

- a) Following publication of the Notice of Application and Hearing, has C&ND Hydro received any letters of comment?
- b) If so, please confirm whether a reply was sent from C&ND Hydro to the customer.
 - i) If confirmed, please file that reply with the Board.
 - ii) If not confirmed, please explain why a response was not sent and confirm if C&ND Hydro intends on responding. If so, please file that response with the Board.

42. Ref: Energy Probe IR # 1 – Harmonized Sales Tax

It is likely that the Provincial Sales Tax ("PST") and Goods and Services Tax ("GST") may be harmonized into a Harmonized Sales Tax ("HST") effective July 1, 2010. In response to Energy Probe IR # 1, C&ND Hydro provided its evidence with respect to the costs and other impacts of the current PST and of expected costs for the HST. Subsequent to the interrogatory responses, Bill 218, Ontario Tax Plan for More Jobs and Growth Act, 2009 passed third reading on December 9, 2009.

- a) In light of legislative activity since C&ND Hydro filed its responses to the initial round of interrogatories, would C&ND Hydro agree to the establishment of a variance account to capture the costs and cost reductions in OM&A and capital expenditures?
- b) Are there other alternatives that the Board might consider to reflect both costs and cost reductions in OM&A and Capex if harmonization of the PST and GST is enacted?

Rate Base and Capital Expenditures

43. Ref: Energy Probe IRs # 9 and 10, and VECC IR # 22

In Energy Probe IR # 9, C&ND Hydro indicates the 2009 capital expenditures to October 31, 2009 are \$9,007,377, with 2009 capital additions expected to be \$13,007,000. The amounts spent include \$607,216 for hardware and \$1,811 for software related to the CIS conversion.

In Energy Probe IR #10, C&ND Hydro indicates that it now expects to spend \$12,147,000 in capital additions that will be in service by the end of 2010.

- a) In VECC IR #22 a), C&ND Hydro indicates an increase in 2010 OM&A of \$94,000 as “[w]ith the transfer to the new CIS software platform, [C&ND Hydro] will be moving to a third party service that owns and operates the hardware as a host service for a fee.” Please explain the hardware costs of \$607,216 in 2009 if the hardware for the CIS system is owned or operated by a third party.
- b) Please clarify the use of capital expenditures and capital additions in the application and how Construction Work in Progress amounts are addressed in determining the test year rate base. Please explain what C&ND Hydro means by capital additions in a calendar/fiscal year.

44. Ref: Board staff IRs # 3 and 5, and VECC IR # 29

In response to Board staff interrogatories, C&ND Hydro states that the CIS software conversion, forecasted for November 2009, has been delayed to come into service in 2010. C&ND Hydro also states that the costs have been estimated to increase to \$1.8 million. Finally, C&ND Hydro states that it has served a Notice of Default on its system integrator.

- a) What remedies is C&ND Hydro seeking from its system integrator? If financial remedies or penalties are being sought, how is C&ND Hydro proposing to reflect these in its application?
- b) How has C&ND Hydro reflected the increased cost estimates and delays in the new CIS system in its capital additions, as documented in the table provided in response to Board staff IR # 3, and in the proposed rate base, depreciation, PILs and revenue requirement updated in the response to VECC IR # 29?
- c) If C&ND Hydro has not updated its fixed assets and rate base to reflect delays and forecasted costs increases, please explain.

45. Ref: Energy Probe IR # 11, Board staff IR # 3, and VECC IR # 29

In response to Energy Probe IR # 11, C&ND Hydro has indicated that, of the projected spending for New Lines in 2009 of \$1,315,000, one project for the Boxwood Industrial Subdivision at a cost of \$350,000 has been deferred to 2010.

- a) How has C&ND Hydro reflected the delay in the Boxwood Industrial Subdivision in its capital additions, as documented in the table provided in response to Board staff IR # 3, and in the proposed rate base, depreciation, PILs and revenue requirement updated in the response to VECC IR # 29?

- b) If C&ND Hydro has not updated its fixed assets and rate base to reflect the delay in the Boxwood Industrial System, please explain.

Service Reliability

46. Ref: Board staff IR # 7

- a) In part b) of the response, Cambridge and North Dumfries Hydro Inc. ("C&ND Hydro") indicates that it met or exceeded the performance standard for all years except 2003, which is attributed to the northeastern blackout in August 2003. However, the table provided in response to a) shows SAIDI and SAIFI performance numbers that are higher than (and hence indicative of poorer reliability) for 2007 relative to all preceding years. Please provide an explanation for the degraded reliability shown in 2007.
- b) For the performance results shown in the table in part a), results for 2003 are the same for "All Service Interruptions" and "Service Interruptions excluding Loss of Supply (Cause Code 2)" are the same.
- i) Please confirm that 2003 performance shown for "Service Interruptions excluding Loss of Supply (Cause Code 2)" exclude the August 2003 blackout. If this is the case please explain the observed 2003 performance numbers.
- ii) In the alternative, please revise the table showing corrected numbers.

Load Forecasting

47. Ref: Board staff IR # 12

Please file copies of any studies or documents that C&ND Hydro has relating to the average reduction in annual consumption per Unmetered Scattered Load connection per the initiatives that C&ND Hydro discusses in the response to Board staff IR # 12.

OM&A

48. Ref: VECC IR # 19 – Bad Debt Expense

Please provide further details of the cost/benefit analysis conducted by C&ND Hydro with respect to insurance on bad debt expense, and why it feels that such service is not warranted in light of the proposed increase in bad debt expense forecasted for 2010.

Employee Compensation

49. Ref: Board staff IR # 21 and SEC IR # 9 and Exhibits B, C and D

The response to Board staff IR # 21 d) states: “[t]he incentive payments are a percentage of base salary ...”. Examination of the plans in Exhibits B, C and D referenced in the response to SEC IR # 9 indicates that the incentives are bonuses calculated as percentage and paid out above the base salary. In other words, the base salary of the employee is not at risk, and the performance incentive plan is in addition to the base salary. Using the example documented in Exhibit D, for a supervisor with a base salary of \$80,000, the incentive bonus ranges from \$0 to \$6400 (\$80,000 X 8%), and hence the supervisor’s salary in a year could range from \$80,000 (base salary, no bonus) to \$86,400 (base salary plus full bonus). Please confirm or clarify this interpretation.

Other Distribution Revenues

50. Ref: Energy Probe IR # 23

In the table provided, both columns are labelled “YTD September 2009”. Please correct showing which is YTD September 2009 and which is YTD September 2008.

Property Taxes

51. Ref: Exhibit 4/Table 45 and Energy Probe IR # 42

Board staff has prepared the following table that combines the historical and forecasted Property Taxes as shown in Exhibit 4/Table 45 and the actual 2009 Property Taxes paid as provided in the response to Energy Probe IR # 42 a)

Exhibit 4/Table 45						VECC IR # 42	Exhibit 4/Table 45
Property Classification	2004 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2009 Actual	2010 Total
Distribution Station	\$31,751	\$32,022	28,811	\$24,283	\$10,827	\$ 3,215	\$4,500
Transformer Station	77,819	19,145	19,372	18,977	24,326	\$ 21,952	25,177
Office Location	144,957	142,076	143,535	145,566	154,124	\$ 145,783	159,518
Total	\$254,527	\$193,243	\$191,718	\$188,826	\$189,277	\$170,950	\$189,195

- Please confirm or correct the numbers shown in the above table.
- In response to VECC IR # 42 c), C&ND Hydro stated that the amounts in the rate application reflected a phased-in market value assessment increase of 3.8% for 2009 and a general tax increase of 2-3%. However, the 2008 and 2009 mill rates provided in response to VECC IR # 42 d) show decreases in the mill rate from 2008 to 2009. Is the general tax increase of 2-3% indicative of the combined affect of the market value assessment and the mill rate adjustment? Please explain your response.

- c) The response to VECC IR # 42 d) shows 2009 actual property taxes paid nearly 10% lower than forecasted. In light of actual 2009 property taxes, please explain if the 2010 forecast should be revised. Please support your answer. If appropriate, please provide an updated 2010 forecast, with an explanation.

Embedded Distributors

52. Ref: Board staff IR # 33

- a) While C&ND Hydro has used a separate model to estimate the low voltage rates that would be applicable to its two embedded distributor customers, does C&ND Hydro agree that the rates for the embedded distributors should be updated at the time of the rate order to reflect the cost of capital, and tax rate or methodology changes, or other changes to operating expenses or rate base as determined by the Board in its decision on this application?
- b) If C&ND Hydro's position is that the embedded distributor rates should not be updated to reflect updated cost of capital and other parameters, please explain C&ND Hydro's position.

Deferral and Variance Accounts

53. Ref: Exhibit 9/Page 11/Table 8 and Board staff IR # 35

C&ND Hydro documents in Table 8 of Exhibit 9 that the kWh for non-RPP customers is used as the allocator for the sub-account of account 1588 for Power (Global Adjustment).

- a) Please provide a variation on Table 8 of Exhibit 9 excluding the Power (GA) sub-account from the calculations.
- b) Please calculate a separate rate rider for the recovery of the proposed balance of subaccount Power – Global adjustment of account 1588 using the amounts shown in 2010 and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant. If C&ND Hydro does not have a forecast for 2010 non-RPP consumption data, please use 2008 actuals to determine this rate rider.
- c) If C&ND Hydro were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide C&ND Hydro's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- d) If the answer to c) is in the negative, does C&ND Hydro have the capability in its billing system to exclude MUSH sector customers to which

the separate rate rider for the disposition of the account 1588 subaccount Power (Global Adjustment) balance would apply?

Bill Impacts

54. Ref: Energy Probe IR # 50

Assuming that the rate riders are calculated to refund the deferral and variance accounts over four years, as documented in Energy Probe IR # 50, please estimate the bill impacts of:

- a) a typical Residential customer with consumption of 800 kWh per month;
and
- b) a typical GS < 50 kW customer with a consumption of 2,000 kWh per month.

Manager's Summary, Revenue Requirement Form

55. Ref: Exhibit 1, Revenue Requirement Work Form, and VECC IR # 29

- a) Based on the first and supplemental rounds of interrogatories from all parties, please submit an updated Microsoft Excel file containing the Revenue Requirement Work Form.
- b) Please provide an update to VECC IR # 29 b) listing of all changes made to C&ND Hydro's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts based on changes that C&ND Hydro is accepting or proposing as a result of responses to the first and supplemental rounds of interrogatories.