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December 18, 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-2009-0260
Cambridge and North Dumfries Hydro Inc. – 2010 Cost of Service Application
Energy Probe Second Round Interrogatories

Pursuant to Procedural Order No. 2, issued by the Board on December 14, 2009, please find attached two hard copies of the Second Round Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2009-0260 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: John Grotheer, Cambridge and North Dumfries Hydro Inc. (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

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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
Cambridge and North Dumfries Hydro Inc. for an order
approving just and reasonable rates and other charges for
electricity distribution to be effective May 1, 2010.

**SECOND ROUND
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 18, 2009

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0260**

**ENERGY PROBE RESEARCH FOUNDATION
SECOND ROUND INTERROGATORIES**

Interrogatory # 51

Ref: Energy Probe Interrogatory # 3 b)

The response provided indicates that Board of Director approval has not been received for the 2010 test year operations and capital budgets included in the rate application.

- a) When is it expected that Board of Director approval will be sought and obtained for the operations and capital budgets included in the rate application?
- b) Has the Board of Directors approved any operating and/or capital budgets for 2010, other than that included in the rate application? If yes, provide details and a full comparison of the Board of Directors approved budgets to that used in the rate application.

Interrogatory # 52

Ref: Energy Probe Interrogatory # 7 b)

The response indicates that the CIS project will now not go live until 2010. Please provide the estimated impact on rate base and revenue requirement of this change. Please show all calculations, such as the expenditures not being in the opening rate base figures for 2010, the reduction in depreciation and the reduction in CCA deductions.

Interrogatory # 53

Ref: Energy Probe Interrogatory # 9

- a) Is the year-to-date capital expenditures shown in the response to part (a) inclusive of contributions and grants? Please show the year-to-figures with and without contributions and grants.
- b) The response to part (c) does not appear to cover all of the projects shown in Addendum – Table 22. Please indicate whether all of the projects not shown in the response will be completed and in-service by the end of 2009. If not, please provide a list of all projects forecast for 2009 that will not be in service by the end of the year.
- c) Please provide evidence in support of the revised 2009 forecast of \$13,007,000. Is this the gross capital additions, or the net capital additions, net of contributions and grants? Please provide the current forecast for contributions and grants in 2009.

Interrogatory # 54

Ref: Energy Probe Interrogatory # 10

- a) Please explain the increase in capital additions now forecast for 2009 relative to the amount forecast.
- b) Has Cambridge and North Dumfries Hydro received Board of Director approval to exceed the budget approved by the Board? If not, why not?
- c) Please provide a revised Table 22 and Addendum – Table 22 showing these revised forecast figures.
- d) Are any of the additional capital expenditures in 2009 the result of bringing forward expenditures from 2010? Please explain and quantify.

Interrogatory # 55

Ref: Energy Probe Interrogatory # 22

Please provide the 2006 through 2008 actual revenues in account 4215 Other Utility Operating Income.

Interrogatory # 56

Ref: Energy Probe Interrogatory # 23

- a) Both columns in the response are labeled YTD September 2009. Please indicate which of the columns is 2009 and which is 2008.
- b) Please add account 4215 to the table.

Interrogatory # 57

Ref: Energy Probe Interrogatory # 29

- a) What is the expected impact on meter reading expenses once the transition to smart meters is accomplished?
- b) Please explain why the \$110,000 in software costs is an operating expense rather than a capitalized cost.

Interrogatory # 58

Ref: Energy Probe Interrogatory # 36 b)

Please explain why the cost per director is significantly higher for Cambridge and North Dumfries Hydro than it is for its affiliates.

Interrogatory # 59

Ref: Energy Probe Interrogatory # 38 a)

Please explain why \$6,000 is added to 2010 income for an apprenticeship tax credit for 2007.

Interrogatory # 60

Ref: Energy Probe Interrogatory # 39

The 4.25% surtax applies to taxable income in excess of \$500,000 and less than \$1.5 million. Please provide any documents that Cambridge and North Dumfries Hydro has that indicates that the surtax is applicable to taxable income in excess of \$1.5 million.

Interrogatory # 61

Ref: Energy Probe Interrogatory # 40

- a) It is not clear how Cambridge and North Dumfries Hydro has calculated the ATTC of \$10,500. In particular, it appears that the calculation shown assumes eligible wages for each of the 3 eligible positions of only \$10,000 in 2010. The allowed ATTC is 35% of the eligible wages, up to a maximum credit of \$10,000 per employee. Please explain why the ATTC available in 2010 for the 3 eligible positions is not \$30,000.
- b) Has Cambridge and North Dumfries Hydro included the \$2,000 federal training tax credit available for the first 24 months for such positions in its tax calculations? If not, why not? Please provide the number of positions eligible for this credit in 2010.

Interrogatory # 62

Ref: Energy Probe Interrogatory # 48 b)

Please explain why the figures shown in the table for 2006 through 2008 in the response to part (b) of the interrogatory do not match the figures for the corresponding years in Table 17 of Exhibit 8.

Interrogatory # 63

Ref: VECC Interrogatory # 14 c)

- a) Please provide the data used, the regression statistics and the forecast of the explanatory variables used to generate the equation and the resulting forecasts for the model shown in the response to part (c) of VECC Interrogatory # 14 in a live Excel spreadsheet.
- b) Please re-estimate the equation and forecasts based on removing the spring fall flag variable.

Interrogatory # 64

Ref: VECC Interrogatory # 14 f)

Forecasts produced by major Canadian banks after the fall update to the Ontario Economic Outlook and Fiscal Review of October 22, 2009 reflect stronger growth forecast for GDP in 2010 than the 2.0%. In particular these forecasts are:

- * 2.7% from TD Bank Financial Group
(<http://www.td.com/economics/qef/prov1109.pdf>),
- * 2.3% from BMO Capital Markets
(<http://www.bmonesbittburns.com/economics/forecast/prov/ProvincialOutlook.pdf>),
- * 2.1% from CIBC
(http://research.cibcwm.com/economic_public/download/prov_fcst_20nov09.pdf),
- * 2.7% from Scotiabank Group
(http://www.scotiacapital.com/English/bns_econ/forecast.pdf) and,
- * 2.4% from RBC
(<http://www.rbc.com/economics/market/pdf/provfest.pdf>).

Please provide an updated forecast for 2010 using the equation in VECC 14c using GDP growth of 2.44% in 2010 (the average of the five more recent forecasts shown above).

Interrogatory # 65

Ref: Board Staff Interrogatory # 4 & VECC Interrogatory # 29 b)

- a) Please explain how the increase in the amortization expense of \$35,000 associated with the increased cost in the ERP Software Replacement results in an increase in the revenue requirement of \$49,380. Please show all calculations.
- b) Does the increase of \$49,380 reflect the additional CCA deduction available in 2010?

Interrogatory # 66

Ref: Board Staff Interrogatory # 5

- a) Given that the new CIS system is now expected to go into service in 2010, is the \$200,000 expenditure scheduled for 2010 for upgrade costs still scheduled to occur in 2010?
- b) The response to part (b) of the Staff interrogatory lists a number of things that "could" be included in the upgrade costs. Are any of these upgrades necessary in 2010?

Interrogatory # 67

Ref: Board Staff Interrogatory # 23

- a) Did Cambridge and North Dumfries Hydro seek guidance from legal counsel on responding to interrogatories?
- b) What is the expected legal cost associated with the settlement conference scheduled for January, 2010?

Interrogatory # 68

Ref: Board Staff Interrogatory # 24 b)

- a) Please indicate why the change to the half year rule for amortization was made in 2009, rather than in 2010?
- b) Please explain why the Board should allow for the accounting change in 2009 when the distributor was under incentive regulation.