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BY E-MAIL

March 12, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Oakville Hydro Electricity Distribution Inc.
2010 Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2009-0271**

In accordance with Procedural Order No. 5, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Oakville Hydro Electricity Distribution Inc. and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Silvan Cheung
Advisor – Applications & Regulatory Audit

Encl.

**Board Staff Interrogatories
2010 Electricity Distribution Rates
Oakville Hydro Electricity Distribution Inc. (“Oakville Hydro”)
EB-2009-0271**

Capital Expenditures

44. Ref: Updated Exhibit 2/ Tab 4/ Sch. 4/ Pg. 7 – Information Technology Systems

On page 7, line 16-18, it states: “The 2010 capital plan includes \$2,522,753 for computer hardware and software. This includes \$704,573 for the acquisition of a fibre optic network to connect Oakville Hydro’s municipal substations and its Head Office.”

- a) Please confirm whether the acquisition of the fibre optic network is through a lease agreement or not. If so, please provide the lease agreement.
- b) Please provide the vendor of the fibre optic network and acquisition process.
- c) Please clarify whether the acquisition of the fibre optic network is related to the sales of Oakville Hydro’s affiliate, Blink Communications Inc.

Operating Expenses

45. Ref: Exhibit 4/ Tab 2/ Sch. 5/ Pg. 4-6 – IFRS costs

Oakville Hydro has included \$250,000 in administration costs to cover the transition cost to IFRS in each of four years starting in 2010, for a total of \$1,000,000.

- a) Please explain whether these costs are one-time administrative costs or ongoing compliance costs.
- b) Please explain how this request complies with section 8.2 of the July 28, 2009 Board Report, Transition to International Financial Reporting Standards.

46. Ref: Updated Exhibit 4/ Tab 2/ Sch. 8/ Pg. 5 – Shared Services/Corporate Cost Allocation

In Table 5, the amount of Payroll benefits for 2010 is \$3,256,832; however in Table 6 B, the sum of the Intra-Company Payroll benefits for 2010 is \$3,207,616. Please reconcile the difference.

47. Ref: Updated Exhibit 4/ Tab 2/ Sch. 8/ Pg. 6 – Shared Services/Corporate Cost Allocation

In Table 6 A and 6 B, both tables have the same note under the Blink communications column. The note states: “the allocations to Blink for 2010 are being recovered through the Transitional Services Revenue”.

- a) Please provide the amount of the Transitional Services Revenue as indicated above for 2010.
- b) Please provide the original amount(s) allocated to Blink for 2010.
- c) If the Transitional Services Revenue, listed in (a), is not sufficient to recover the original amount(s) allocated to Blink, listed in (b), please explain why.

48. Ref: Updated Exhibit 4/ Tab 2/ Sch. 8/ Pg. 6 - 8 – Shared Services/Corporate Cost Allocation

On page 6, Table 6 B provided a summary of 2010 Intra-Company cost allocations by dollar and on page 8, Table 8 B, provided a summary of 2008 Intra-Company costs allocations by dollar.

What additional services is Oakville Hydro receiving which reflects the increase of the Finance Services cost from \$563,537 (2008) to \$869,889 (2010)?

49. Ref: Updated Exhibit 4/ Tab 2/ Sch. 8/ Pg. 5 – Shared Services/Corporate Cost Allocation

In Table 5, the amount of Payroll benefits for 2010 is \$3,256,832. This represents a decrease of \$586,784 as compared to Oakville Hydro's original application.

- a) Please provide the reason(s) for the decrease in Payroll benefits for 2010.
- b) Please explain why given the sale of Blink Communications and the corresponding reduction in the service requirements from the areas such as Human Resources Services, Information Technology Services, Executive Services and Finance Services, that additional cost reductions in those areas could not be achieved.

50. Ref: Updated Exhibit 4/ Tab 2/ Sch. 8/ Pg. 5 – Shared Services/Corporate Cost Allocation

- a) Please advise whether Oakville Hydro has in the past performed a corporate cost allocation study. If so, please provide a copy of the study. If Oakville has not performed a corporate cost allocation study, please explain why not.

- b) Please advise whether Oakville Hydro, as a result of the sale of Blink Communications, conducted an updated cost allocation study. If so, please provide the study.
- c) If the answer to b) is no, please explain whether any of the underlying corporate cost allocation assumptions have changed.

Load and Customer Forecasting

51. Ref: Board staff interrogatory # 10 – Load Forecast

In response to Board staff's interrogatory # 10, Oakville Hydro requested to revise its load forecast to reflect the updated 2009 and 2010 Ontario real GDP. Please update the evidence in Exhibit 3 / Tab 2 / Schedule 1 to reflect this revision.

Deferral and Variance Accounts

52. Ref: Exhibit 9/ Tab 1/ Sch. 5/ Pg. 4 – Account 1588 Power – Sub-account Global Adjustment

In Table 3, Oakville Hydro provided the Global Adjustment allocation based on non-RPP customer classes.

- a) Please confirm whether there were any non-RPP customers in the Residential and GS < 50 kW classes for the period 2005 to 2008.
- b) Please state whether Oakville forecasts any non-RPP customers in the Residential and GS < 50 kW classes for the test year.
- c) If there were non-RPP customers in Residential and GS < 50 kW classes, please update Table 3 to reflect the Global Adjustment allocation as per the EDVVAR Report and calculate a separate rate rider to dispose of the December 31, 2008 balance plus carrying charges to April 30, 2010 over a four-year period, based on non-RPP customer load.
- d) If Oakville Hydro were to establish a separate rate rider to dispose of the balance of the Global Adjustment sub-account of Account 1588, please provide Oakville Hydro's view as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- e) If the answer to d) is negative, does Oakville 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 Global Adjustment sub-account balance would apply?
- f) Please state whether Oakville Hydro's billing system is capable of establishing a separate rate rider applicable only to non-RPP customers going forward.

- g) If the answer to f) is no, please identify the specific upgrades that need to be implemented in order to enable this functionality and provide a cost estimate for the upgrades and the time it will take to complete them.

53. Ref: Exhibit 9 – Wholesale Market Participant (WMP)

Board staff understands that a WMP customer is billed directly by the IESO for energy commodity and WMSR/RRRP. The questions below are with respect to the disposition of deferral and variance account balances as it relates to WMPs.

- a) Do you have any WMPs in your service area who are billed for commodity and related charges directly by the IESO?
- b) If the answer to (a) is affirmative, please advise whether the WMPs in your service area are connected to your distribution assets.
- c) If the answer to (b) is affirmative, please explain the nature of the services provided to the WMPs in your service area.
- d) If the answer to (b) is affirmative, please provide Oakville Hydro's view as to whether the WMPs should share in the disposition of 1580 and 1588 (i.e. the difference between the actual and approved energy loss) account balances.
- e) If the answer to (b) is affirmative, please advise whether the annual kWh used for the allocation of balances in accounts 1580 and 1588 include the WMPs' kWh. If so, please state whether or not they are significant as compared to the total system usage.

Harmonized Sales Tax

54. Ref: Exhibit 2 & 4

The Harmonized Sales Tax ("HST") will be effective July 1, 2010 pursuant to Bill 218 which received Royal Assent on December 15, 2009. Unlike the GST, the PST is included as an OM&A expense and is also included in capital expenditures. When the GST and PST are harmonized, corporations would see a reduction in OM&A expenses and capital expenditures.

Please provide the forecasted amounts related to PST in OM&A expenses and capital expenditures for the test year.

General**55. Ref: Exhibit 1 /Tab 2 / Sch. 6 – Revenue Requirement Work Form**

- a) Based on the responses to the interrogatories from all the parties, please submit an updated Microsoft Excel file containing the revenue requirement work form.
- b) Please provide a listing of all changes made to Oakville Hydro's updated application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

56. Ref: Responses to Letter of comment

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