

**Board Staff Interrogatories
Whitby Hydro Electric Corp.
2010 Electricity Distribution Rates
EB-2009-0274**

1. Letters of Comment from Whitby Hydro's Customers

Following publication of the Notice of Application, has Whitby Hydro received any letters of comment that have not been filed with the Board by the customer? If so, please file a copy of such letter(s) together with the applicant's reply.

2. Cost of Power – Transmission

Ref: Exhibit 2, p. 155

- a) Please provide a forecast of Network and Connection costs that would be paid to the IESO. Please use the Provincial Transmission Service Rates that became effective January 1, 2010, which are \$2.97 per kW Network, \$0.73 per kW Line Connection, and \$1.71 per kW Transformation Connection.
- b) Does Whitby Hydro expect to pay amounts to its host distributor Hydro One Distribution for transmission service? If so, please provide documentation showing the amount assumed in Whitby Hydro's working capital assumption at p. 155. Please provide an alternative calculation using the rates that Hydro One has applied for in EB-2009-0096 for its Sub-Transmission class, which are \$2.37 per kW Network, \$0.61 per kW Line Connection, and \$1.37 per kW Transformation Connection.
- c) Please provide documentation showing the billing amounts assumed and the relationship between these total amounts (kW) and the energy amount (kWh) in Whitby Hydro's load forecast.

3. Cost of Power – Low Voltage

Ref: Exhibit 1, p. 155, and Exhibit 8, p. 391

- a. Does Whitby Hydro have an update of the 2009 LV cost that would take the place of the Bridge Year projection of \$480,388?
- b. Please provide an update of Table 8-9, using Hydro One's proposed Service Charge of \$277.46 and the Common ST Line rate of \$0.639 per kW (ref: EB-2009-0096, Exh G1/4/4/Table 1, at p. 1669 of the .pdf Application), together with an update of the 4-year average cost found at the bottom of p. 391.

4. CDM in the Load Forecast

Ref: Exhibit 3, p. 180

Please provide a further explanation of the sentence “Effects of conservation on customer load have been incorporated into the forecast solely by virtue of the forecasting methodology used.”

5. Population in the Regression Model

Ref: Exhibit 3, p. 198

The population growth rate in Whitby is described in the Application as an important factor that has determined Whitby Hydro’s revenue growth, from distribution rates and specific service charges, as well as its costs and capital expenditures. However, it appears that population is not used as a factor in Whitby Hydro’s load forecast model.

Does Whitby Hydro use population growth in its load forecasting process? If so, how; and if not why not?

6. Weather Normalization

Ref: Exhibit 3, p. 201

- a) Please describe how the weather normal load column in Table 5 is derived from the actual load data.
- b) Please verify that the weather normal value for 2006 is correct, in light of the information in Table 3 that Heating Degree Days were considerably below average and the Cooling Degree Days were very close to average during that year, yet weather normal load is lower than actual.
- c) If possible, please update the 2009 forecast to actual consumption in Table 5, and relate any difference to actual versus average weather to the extent possible.

7. Economic Activity in the Regression Model

Ref: Exhibit 3, p. 198

- a) Please provide a definition of the variable ‘FTE_Oshawa’, together with a description of the source of this information
- b) A forecast of the ‘FTE_Oshawa’ variable is necessary to enable a forecast of electricity demand. Please provide information on how the forecast value of this independent variable is constructed.

8. OM&A Cost per Customer

Ref: Exhibit 4, p. 226

The information provided in the table on p. 226 shows Whitby Hydro's annual OM&A per customer. The information is consistent with comparative 2007 data found in the Board Report EB-2006-0268 "Comparison of Ontario Electricity Distributors Costs" for a group of 13 distributors described as "Mid-Size GTA Medium-High Undergrounding". The information is updated for 2008 in the Board's "Yearbook of Electricity Distributors".

- a) Please confirm that Whitby Hydro's OM&A per customer is the second from highest in the group in both 2007 and 2008.
- b) Has Whitby Hydro itself, or in cooperation with Whitby Hydro Energy Services, considered means by which it might improve its ranking amongst this group of distributors so that it might move its costs toward the group average? If so, please describe what measures have been taken or are planned toward this end.

9. Charitable Donations and Low-Income Programs

Ref: Exhibit 10, p. 452-3

The application describes on p. 452 two CDM programs targeted to Low Income customers in 2008, and on p. 453 a program targeted to Seniors.

- a) Are these programs or similar ones continued in the test year, and if so, please provide a description and the forecast cost?
- b) Are there charitable contributions or other programs designed to help low-income consumers in Whitby Hydro's revenue requirement, such as the LEAP program?

10. Management and Executive Salaries and Benefits

Ref: Exhibit 4, p. 213 and p. 222

The increase of Management Salaries and Expenses (Account 5610) from 2006 approved to 2010 forecast is \$178,000. The description appears to attribute \$135,000 of the increase to inflation, and \$42,000 to Increased Accounting Requirements. General and Administrative Salaries and Expenses (Account 5615) have increased or are forecast to increase by a similar amount.

- a) Please confirm that the foregoing preamble is a correct interpretation of the information in Table 4-8.

- b) What inflation factor was used for the actual information from 2006-2008, and what inflation factor is assumed for management and executive salaries for 2009 and 2010?
- c) Please describe the need for the increase in Account 5610 other than inflation.
- d) Is the same inflation factor assumed for 2010 for non-management salaries and associated costs?

11. Bad Debt Expense

Ref: Exhibit 4, p. 213

Bad Debt Expense (Account 5335) is forecast at \$200,000 for both 2009 and 2010, which is less than 2008 but considerably more than prior years.

Is it possible to update the 2009 amount to an actual annual amount now? If so, what was the 2009 actual expense?

12. Affiliate Services

Ref: Exhibit 4, "Services Agreement" pp 249 and 251

- a) Clause 7.01 suggests that Whitby Hydro may have costs that would fall outside the Services Agreement with respect to obtaining easements. Has Whitby Hydro had such costs in the past, and are such costs included in this Application?
- b) Clause 9.05 suggests that Whitby Hydro has costs of negotiating the Services Agreement, and that the costs might include arbitration. Has Whitby Hydro had such costs in the past, and are such costs included in this Application?

13. Depreciation

Ref: Exhibit 4, p. 236

The Board Decision on Collus Power (EB-2008-0226) is cited in support of using a full year of depreciation on current year capital expenditures. Is Whitby Hydro suggesting that this is representative of the Board's usual practice, or that it is particularly suitable for Whitby Hydro's situation?

14. Harmonized Sales Tax

- a) Please confirm that Whitby Hydro has not made a forecast of its costs under the Harmonized Sales Tax (HST) and of how its costs may be different from those under the current PST and GST.
- b) Is Whitby Hydro agreeable to recording reductions in OM&A and capital expenditures due to HST in a deferral account?

15. Cost of Callable Long-Term Debt

Ref: Exhibit 5, pp. 338, 339

- a) Please confirm that Whitby Hydro has the option of pre-paying the principal amounts of \$1,460,300 and \$5,061,000, with the consent of the Corporation of the Town of Whitby.
- b) Has Whitby Hydro considered the cost savings that may have been possible by re-financing these amounts at some point in time since November, 2000, and has it requested the Town to accept payment of the principal or to re-negotiate the rate?

16. Cost of Long-Term Debt

Ref: Exhibit 5, p. 340

- a) Please confirm that the principal amount of \$21,816,642 is callable on 12 months notice, and that Whitby Hydro has not received a notice that the note may be called within the period of the test year.
- b) Please describe whether the rate on the note has been re-negotiated since 2007, and if not please describe any effort that Whitby Hydro has made to re-negotiate it.

17. Return on Equity

Ref: Exhibit 1, p. 35 and p. 41

Whitby Hydro has filed its application based on ROE equal to 8.01%, per the Board's letter issued on February 24, 2009, and it notes at p. 35 that it understands that this percentage will be updated. The maximum ROE was updated by the Board on February 24, 2010, at 9.85%.

- a) Please confirm that Whitby Hydro intends to revise its application to request the new ceiling of 9.85%.

- b) If the response to part a) is affirmative, please calculate an updated PILs expense and provide an updated version of the RRWF table on p. 41.

18. Return on Rate Base

Ref: Exhibit 5, p. 335

- a) Please provide an alternative calculation of Weighted Average Cost of Capital and the Return on Rate Base, similar to Table 5-1 on p. 335, using 5.87% for all Long-Term Debt, 2.07% for Short-Term Debt, and 9.87% for Equity.
- b) Please provide a calculation similar to part a), except that for Long-Term Debt use 7.25% for the notes on pp. 238 - 239, and 5.87% for only the note on p. 240.

19. Cost Allocation Study

Ref: Exhibit 7, p. 367

- a) Please provide a complete copy of the cost allocation study that underlies the worksheet O1 on the referenced page, in either rolled-up form or as a working Excel model.
- b) Please confirm that the load inputs in worksheet I8 in rows for 'LTNCP' are the kW loads of customers that receive transformer service from Whitby Hydro, i.e. the loads of customers that receive the Transformer Ownership allowance are excluded.

20. Rate Class Revenues

Ref: Exhibit 7, p. 356

Please describe how the second column of Table 7-2 is derived (noting that it is titled 'Test Year Revenue Assuming Current Revenue to Cost Ratios' but that the hypothetical class revenues differ from the revenues in the first column by percentages that differ widely from each other.

21. Proposed Variable Rates

Ref: Exhibit 8, p. 383 and p. 393

Please confirm that the proposed variable rates in Table 8-5 include the proposed LV adder.

22. Retail Transmission Service Rates (RTSR)

Exhibit 8, p. 384 and 387

- a) Please explain the rationale for proposing to change the RTSR's of energy-billed customers by a different percentage than demand-billed customers.
- b) Please provide RTSRs that would yield revenue equal to the forecast cost of transmission service, as calculated in the response to Interrogatory # 1 above. (Include a note on which Hydro One LV rates have been assumed in the calculation.)

23. Low Voltage Adder

Ref: Exhibit 8, p. 392

Please update Table 8-11 'Calculation of 2010 LV Recovery Rates' to recover Whitby Hydro's updated forecast of LV cost calculated in response to Interrogatory # 3 above.

24. Variance Account 1590

Ref: Exhibit 9, p. 412

Table 9-2 Proposed Balances for Disposition shows the following amounts for account 1590 as of December 31, 2008:

| | |
|------------|-------------|
| Principal: | (1,453,107) |
| Interest: | 973,744 |

Please explain why the principal is a credit number, while the interest is a debit number, and why is there such a large variation between the two amounts.

25. Variance Account 1588

Ref: Exhibit 9, p. 423

Table 9-6 shows the following:

| Allocators | 2010 Projection Total |
|-------------------------|----------------------------------|
| kWh's | 851,733,259 |
| kWh – non RPP Customers | 1,492,991,890 |

Whitby Hydro has used the first entry (i.e. 851,733,259) to allocate all deferral and variance accounts for which kWhs are the allocators to be used, in accordance with the EDDVAR report.

- a) Does the first entry above represent the total kWhs for Whitby Hydro, including non-RPP?
- b) If the answer to a) above is yes, then why is the number for kWh-non RPP Customers (the 2nd entry above, i.e. 1,492,991,890) larger than the total kWhs for Whitby Hydro?
- c) If necessary, please correct and re-file the evidence, including rate rider calculations.

26. Variance Account 1588 Sub-account – Global Adjustment (GA)

Ref: Exhibit 9, pp. 420 - 422

Re. Whitby Hydro suggests that there is no apparent material negative impact to RPP customers by disposing of GA to all customers (and not just to the non-RPP customers), and that the implementation of a separate rate rider will be costly.

- a) Please provide rate rider calculations to show the impact on the RPP customers if GA allocated to the respective classes were disposed of as a separate rate rider applied to only the non-RPP customers in the class.
- b) In a recent Board decision (EB-2009-0405), the Board allowed Enersource Hydro to include 1588 GA sub-account rate rider as an adjustment to the monthly Provincial Benefit line on the customer's bill. Enersource proposed this method as it was more cost effective and easy to implement. Would this method also be less costly and easier to implement for Whitby Hydro?
- c) If Whitby Hydro does implement a separate rate rider as suggested in b) above, can Whitby Hydro exclude the MUSH sector from the GA rate rider?

27. Regulatory Asset Recovery Period

Ref: Exhibit 9, p. 422

On line 9, Whitby Hydro has correctly noted that the Board recommended recovery period is one year. However, Whitby has proposed to return the balance accumulated in its deferral and variance accounts to its customers over 4 years.

- a) Why does Whitby Hydro consider it preferable to disposition the amounts over 4 years, and not 1 or 2 years?
- b) Please provide alternative rate rider calculations if the rate riders were disposed of over 1 year or 2 years.

28. LRAM Load Impact

Ref: Exhibit 10, p. 446

In the section, Eligible Programs, it states that Whitby Hydro has prepared its LRAM application in accordance with the CDM Guidelines and most recently published OPA Assumptions and Measures List.

Please show in a table a listing of the program measures where Whitby Hydro has relied on the most recent OPA Measures and Assumptions List. In the same table, include a listing of the program measures that have relied on the OEB-approved Inputs and Assumptions List (dated March 28, 2008) as well as program measures for custom programs where published measures were not available.

29. LRAM Program Eligibility

Ref: Exhibit 10 / Page 446

In the section, Eligible Programs, it states that while there is some partnering with community agencies, the costs associated with the energy efficient technologies included in the LRAM have been fully funded by Whitby Hydro. Whitby Hydro proposes that these programs meet the eligibility requirements identified in the CDM Guidelines for inclusion in LRAM claims, given Whitby Hydro's key role in these programs.

Please explain how Whitby Hydro has determined that these programs meet the eligibility requirements identified in the CDM Guidelines and why they should be included in the LRAM amount.

30. Revenue Deficiency

Ref: Exhibit 6, p. 348

- a. Upon completing all interrogatories from Board staff and intervenors, please provide a list of any corrections or adjustments that Whitby Hydro wishes to make to the revenue requirement or to rate adders or riders. Please include a reference to an interrogatory response where applicable, or provide an explanation of the change.
- b. Please provide a revised calculation of the Revenue Deficiency. Amongst other changes that may be necessary, please the increase in ROE and PILs as requested in interrogatory # 17, and adjustments made to Working Capital Allowance as requested in Interrogatories # 2 and #3 above. Please include a note showing which assumptions have been made about the Long-Term Debt rate.