



***PUBLIC INTEREST ADVOCACY CENTRE  
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March 26, 2010

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC)  
EB-2009-0274  
Whitby Hydro Electric Corporation – 2010 Electricity Distribution Rate  
Application**

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

cc: Whitby Hydro Electric Corporation  
Attention: Ms. Ramona Abi-Rashed

**WHITBY HYDRO ELECTRIC CORPORATION 2010 RATE  
APPLICATION**

**(EB-2009-0274)**

**VECC'S INTERROGATORIES (ROUND #1)**

**GENERAL**

**Question #1**

**Reference:** Exhibit 1, page 11

- a) What is Whitby Hydro's expectation as to when a final Rate Order will be issued by the Board regarding its 2010 Rate Application?

**Question #2**

**Reference:** Exhibit 1, page 24

- a) How many line km of 44 kV, 13.8 kV and 4.16 kV feeder does Whitby Hydro have?

**Question #3**

**Reference:** Exhibit 1, page 28

- a) Please describe the low voltage supply arrangements from Hydro One Networks distribution system.

**Question #4**

**Reference:** Exhibit 1, page 28

- a) Please confirm that Whitby Hydro only pays the compensation for Board Members' participation on its Board of Directors and that the two members who also serve on the Holdco Board are compensated separately by Holdco for such service.

### **Question #5**

**Reference:** Exhibit 1, page 36

- a) Please provide a copy of the most recently (Board of Directors) approved three year capital and operating budget.

### **RATE BASE**

### **Question #6**

**Reference:** Exhibit 2, page 101

- a) Please provide revised versions of Tables 2-1 and 2-2 adding columns for both 2009 and 2010 (forecast) where currently absent.

### **Question #7**

**Reference:** Exhibit 2, pages 103-104

- a) Please describe more specifically in what ways and areas Whitby Hydro believes its asset management approach and practices need to be revised.

### **Question #8**

**Reference:** Exhibit 2, page 104

- a) If available, please provide the comparable reliability statistics for 2004, 2005 and 2009.
- b) Please contrast Whitby Hydro's reliability performance with that of the other distributors in the same OEB OM&A benchmarking cohort.

### **Question #9**

**Reference:** Exhibit 2, page 106

- a) How was it determined that 1,000 poles is the appropriate number to inspect each year?
- b) How does Whitby Hydro select the 1,000 poles to be inspected each year?

### **Question #10**

**Reference:** Exhibit 2, page 111

- a) This section is titled “capital expenditures” but the text and tables make reference to “capital additions”. For the period 2004-2010, are the facilities associated with the capital spending in each year completed and in-service (i.e., used & useful) by year end? Put another way, is there no construction work in progress at year end during this period such that capital expenditures for each year equal capital additions?

### **Question #11**

**Reference:** Exhibit 2, pages 115-137

- a) Please provide a schedule that sets for each year (2004-2010 inclusive) the gross and net spending associated with i) Subdivision Development and ii) Commercial Servicing. For each year, please also indicate the number of commercial services involved, the number of subdivisions involved and the number of individual residential lots connected as a result of the subdivision spending.

### **Question #12**

**Reference:** Exhibit 2, page 129

- a) Please provide a schedule setting out the actual capital spending for 2009 by investment category.
- b) Please identify any projects that were included in the Application’s bridge year spending as filed by not actually completed in 2009. For each, please indicate whether it is Whitby Hydro’s intention to complete in 2010 and whether the total cost (gross and net) has changed.

### **Question #13**

**Reference:** Exhibit 2, pages 129 & 130

- a) What gave rise to the \$53,000 in contributions for Customer Demand in 2009? It is noted that this is the only year for which “contributions” are shown under this investment category.

- b) Were the concrete and wood pole replacements discussed here (page 130) identified as a result of the pole inspection program per page 106? If not, please indicate where the pole replacements required as a result of the inspection program are identified.

**Question #14**

**Reference:** Exhibit 2, pages 110 and 128

- a) Was the higher capital spending on computer hardware in 2008 versus other years related to the upgrading of Whitby Hydro's GIS system? If not, what accounted for the anomalous spending level?

**Question #15**

**Reference:** Exhibit 2, page 110

- a) Please explain the virtual doubling of spending on SCADA in 2010 relative to 2008 and 2009.

**Question #16**

**Reference:** Exhibit 2, page 133

- a) Please explain how the level of "contributions" for Subdivision Development in 2010 was determined and why the level of contributions relative to gross additions in this category is significantly lower in 2010 than it was in 2008 or 2009.

**Question #17**

**Reference:** Exhibit 2, pages 103 and 133-137

- a) On page 103 the Application states that "capital projects are prioritized". Please provide a schedule that lists the proposed capital projects for 2010; indicates the relative priority of each and explains how the priority was established.
- b) Over the 2004-2009 period, were there any new residential connections outside of subdivision developments? If so, how many were there each year and where is the associated spending reported?

- c) For 2010, are there any new residential connections outside of subdivision developments? If so, how many where is the associated spending reported?

**Question #18**

**Reference:** Exhibit 2, page 134

- a) Reference is made to the “commencement of voltage conversion from 4kV to 13.8kV”. Please provide a description of Whitby Hydro’s overall voltage conversion plan including timing, scope and expected costs and benefits.

**Question #19**

**Reference:** Exhibit 2, pages 147-149

- a) Please explain more fully why the contributed capital associated with secondary service cable was not included in Whitby’s rate base when rates were initially established. In particular, please clarify whether this was an oversight on the part of Whitby Hydro or whether the result of a specific OEB Decision/Directive.
- b) Why is November 1, 2000 used as the valuation date when the Board’s 2000 Rate Handbook stated (see Section 3.4.1.2) that “contributed capital collected by the electricity distribution utilities on or after January 1, 2000 will not be included in rate base”.
- c) The Application suggests (page 147, line 21) that there are utilities other than Whitby Hydro with the same situation. Please indicate who they are and whether there are any precedents for the treatment of this issue.

**Question #20**

**Reference:** Exhibit 2, page 154  
Rate Maker Model, Sheet C2

- a) What is the source of the \$0.06125 / kWh value used for the Commodity Cost of Power?
- b) Are any of Whitby Hydro’s retail customers registered as Market Participants and billed directly for commodity costs by the IESO?
- c) If the response to part (b) is yes, what is their forecast use for 2009 and 2010 and has it been excluded from the calculation of the commodity cost used to determine the working capital allowance?

- d) Please provide a schedule that for each customer class breaks down the 2008 and 2009 actual kWh billed between RPP kWh and non-RPP kWh and also shows the total RPP and non-RPP sales in each year.
- e) Please undertake the following:
- Using the most recent RPP report, estimate the 2010 commodity cost for RPP and non-RPP customers
  - Estimate an average commodity cost for all sales based on the weighted average of the RPP and non-RPP costs. For purposes of determining the weighted average use the actual RPP/non-RPP kWh split for the most recent year available.
  - Re-estimate the Total Commodity cost for 2010.

## **LOAD FORECAST & OPERATING REVENUE**

### **Question #21**

**Reference:** Exhibit 3, Attachment 3-1, pages 197-199

- a) What other model specifications did ERA test (besides the one set out in the Report) and why was each rejected in favour of the proposed model?
- b) Was an alternative specification which also included population or customer count as an explanatory variable tested? If yes, what were the results in terms of both the equation's coefficients and statistical properties? If not, please provide the results of an equation which also includes customer count (i.e., # of Residential and GS customers).

### **Question #22**

**Reference:** Exhibit 3, Attachment 3-1, pages 199-201

- a) What were the actual wholesale purchases for 2009?
- b) Based the actual weather for 2009 and the coefficients for HDD and CDD, what is the weather adjustment for 2009?

### **Question #23**

**Reference:** Exhibit 3, pages 201-203

- a) Please provide a schedule that for 2008 sets out the wholesales purchases for the period January – September and the actual sales by customer class for the same period.
- b) Based on the data from part (a), please prepare a schedule that contrasts each customer class' share of wholesale purchases for the period January – September 2008 with their shares for 2008 overall as set out in Table 6.
- c) Based the actual weather for January – September 2009 and the coefficients for HDD and CDD for the regression equation, what is the kWh adjustment required in order to “weather correct” the actual purchases for the January-September 2009 period?

### **Question #24**

**Reference:** Exhibit 3, pages 203-204

- a) Please provide a schedule that sets out the 2009 year end and average customer count by class.

### **Question #25**

**Reference:** Exhibit 3, pages 185 and 191

- a) Please confirm that Whitby Hydro does not receive revenue or incur expenses for any non-utility operations besides that associated with OPA CDM programs.

### **Question #26**

**Reference:** Exhibit 3, pages 191-194

- a) Please explain the abnormally high level of Miscellaneous Revenues (\$80,266) in 2008.
- b) Please provide a schedule that contrasts the revenues from Late Payment Charges for the first three months of 2010 with those for the same period in 2008 and 2009.



## **OPERATING COSTS**

### **Question #27**

**Reference:** Exhibit 4, page 214, Table 4-4

- a) What were the assumed inflation rates for 2009 and 2010 used to establish the inflationary increases of \$226 k and \$233 k for the two years?
- b) Please recalculate the “inflationary increases” using the GDP-IPI price escalators adopted by the OEB for 2009 and 2010.
- c) Please explain what is captured under “Other” that led to a net increase in OM&A between 2008 and 2010 of \$139 k.

### **Question #28**

**Reference:** Exhibit 4, page 215, Table 4-5

- a) The Table shows an increase of \$73 k in Operations resources required due to growth (net of inflation). Please outline how “growth” caused this increase.
- b) Please also explain the \$68 k increase in Load Dispatching over the same period.

### **Question #29**

**Reference:** Exhibit 4, page 217, Table 4-6

- a) The Table shows an increase of \$118 k in Maintenance resources required due to growth (net of inflation). Please outline how “growth” caused this increase.

### **Question #30**

**Reference:** Exhibit 4, page 222, Table 4-8

- a) Please provide more details regarding the need for additional accounting resources (e.g. which additional outside agencies required audits and how frequently).

- b) Please provide a schedule that sets out both internal (i.e WH and WHES) as well as external accounting resources employed in 2007 through 2010 inclusive.

### **Question #31**

**Reference:** Exhibit 4, page 224

- a) Please provide a schedule that breaks down the \$250,000 as between internal costs, consultants' costs, legal costs, intervenor cost and OEB/Hearing costs.

### **Question #32**

**Reference:** Exhibit 4, pages 228-232 and 247-248

- a) Do the OM&A costs referred to in the Service Agreement (page 247) consist of the Shared Services (per page 228) and the OM&A Services (per page 232)?
- b) Are the Vehicle Replacement charges shown on page 232 the same as the Vehicle/Tool costs referred to at page 248?
- c) Are the Capital Services Costs referred to on page 232 the same as the Capital Works Costs referred to on page 248?
- d) Please provide a schedule that shows the charges to Whitby Hydro for 2008 – 2010 as per the categories in the Service Agreement (page 247-248) and report separately those charges that are expensed to OM&A as opposed to those that are capitalized to Rate Base.
- e) Please provide a schedule that breaks down Whitby Hydro's OM&A for 2008-2010 into the following categories:
- Total Labour costs (wages, benefits, etc.) for persons directly employed by Whitby Hydro (excluding the Board of Directors) and the proportion charged to OM&A.
  - External costs for goods and services paid directly by Whitby Hydro
  - Labour costs (wages, benefits, etc.) for persons employed by WHES but where the costs are assigned/allocated to Whitby Hydro's OM&A.
  - External costs incurred on behalf of Whitby Hydro but paid directly by WHES.

Please explain any discrepancy between the total of the above cost categories for each year and the total OM&A for Whitby Hydro as reported in the Application (page 213).

- f) How many employees worked directly for and were paid directly by Whitby Hydro in 2008 - 2010? Please provide the position title for each.
- g) Please provide a schedule that breaks down Whitby Hydro's Capital Expenditures 2008-2010 into the following categories:
- Labour costs (wages, benefits, etc.) for persons directly employed by Whitby Hydro (excluding the Board of Directors) that are capitalized.
  - External costs for goods and services paid directly by Whitby Hydro and capitalized.
  - Labour costs (wages, benefits, etc.) for persons employed by WHES but where the costs are assigned/allocated to Whitby Hydro's Capital program.
  - External costs incurred on behalf of Whitby Hydro but paid directly by WHES and assigned to Whitby Hydro's capital program.
- Please explain any discrepancy between the total of the above cost categories for each year and the total Capital Spending for Whitby Hydro as reported in the Application.
- h) Please provide a schedule that for each year 2008-2010 breaks down the charges from WHES to Whitby Hydro for each of the following charge areas as between those costs capitalized and those expensed:
- Shared Services/Corporate Allocation (pages 230-231)
  - Vehicle Replacement
  - Capital Services
  - OM&A Services
- i) Please reconcile any differences between the total charges (either capitalized or expensed) from WHES to Whitby Hydro as reported in response to parts (e), (g) and (h).

### **Question #33**

**Reference:** Exhibit 4, page 247

**Preamble:** Reference is made (see Section 5.01) to the OM&A charges by WHES to Whitby Hydro including "an adjustment for the weighted average cost of capital".

- a) Please explain how the adjustment for the weighted average cost of capital is made to OM&A costs and why.
- b) Please a schedule setting out the actual values of this adjustment for 2008 and 2009 and the forecast value for 2010.

### **Question #34**

**Reference:** Exhibit 4, page 248

**Preamble:** Reference is made (see Section 5.02) to the Vehicle and Tools charges by WHES to Whitby Hydro including “an adjustment for the weighted average cost of capital”.

- a) Please explain how the adjustment for the weighted average cost of capital is made to Vehicle and Tool charges costs and why.
- b) Please a schedule setting out the actual values of this adjustment for 2008 and 2009.
- c) Please provide the value of the adjustment included in the forecast charges for 2010.
- d) For each year 2008-2010, how much of this adjustment was expensed to OM&A versus capitalized to Rate Base?

### **Question #35**

**Reference:** Exhibit 4, page 248

**Preamble:** Reference is made (see Section 5.02) to the Capital Works costs charged by WHES to Whitby Hydro including “an adjustment for the weighted average cost of capital”.

- a) Please explain how the adjustment for the weighted average cost of capital is made to Capital Works charges costs and why.
- b) Please a schedule setting out the actual values of this adjustment for 2006 to 2009.
- c) Please provide the value of the adjustment included in the forecast charges for 2010.

### **Question #36**

**Reference:** Exhibit 4, pages 230-231

**Preamble:** For three of the services offered (Outside Services; Executive, Accounting & HR and Office Expenses) the price is comprised of not only the cost but also a “rate of return”.

- a) Please explain why a “rate of return” component is included in the price for these services but not others.
- b) In each case, please show how rate of return adder was calculated for 2010.

### **Question #37**

**Reference:** Exhibit 4, page 236

- a) Can Whitby Hydro cite any other cases, besides COLLUS, where the Board has approved the general use of a full year’s depreciation for the first year capital additions are in-service?
- b) Is any of the depreciation associated with Transportation Equipment (#1930); Stores (#1935) or Tools (#1940) capitalized or charged as OM&A? If so, have the depreciation charges on these assets been reduced accordingly?

### **Question #38**

**Reference:** Exhibit 4, page 238-240

- a) The tax calculation does not appear to have taken into account the reduction in the Small Business Tax rate and the elimination of the surtax/clawback as of July 1, 2010. Please confirm and provide a revised tax calculation.
- b) Please provide a break-down of the “Other Deductions” (\$50,935 for 2010).

## **COST OF CAPITAL**

### **Question #39**

**Reference:** Exhibit 5, page 337

- a) Does Whitby Hydro agree that, based on the Board’s 2009 Cost of Capital Policy and its February 24<sup>th</sup>, 2010 Cost of Capital Parameter update, the rate applicable to its affiliate long term debt for 2010 is 5.87%? If not, why not?
- b) Please recalculate Table 5-1 based on the Board’s Cost of Capital Parameter update for 2010.

## **REVENUE DEFICIENCY**

### **Question #40**

**Reference:** Exhibit 6

- a) Based on the responses to the first round of interrogatories from all parties please prepare a schedule that sets out all the adjustments/revisions that Whitby Hydro has acknowledged as being required to the currently requested 2010 revenue requirement and the impact of each.

## **COST ALLOCATION**

### **Question #41**

**Reference:** Exhibit 7, pages 367 and 377  
Rate Maker Model, Sheet C4

- a) Please provide a schedule that sets out the revenue for each customer class based on the forecast 2010 billing determinants and the existing 2009 rates - where the rates used exclude the LV rate adder and the revenues for each class are reduced by applicable transformer ownership allowance. Please add a column to the schedule that sets out each customer class' share (%) of the resulting total distribution revenues at existing rates.
- b) Please provide a revised version of the schedule on page 367 where Distribution Revenue (CREV) totals \$19,056,446 and it is distributed across the various customer classes in proportion to the class revenue shares calculated in part (a).
- c) Assuming the Board were to direct Whitby Hydro to use the results to part (b) as the starting point of considering changes in its revenue to cost ratios, how would Whitby Hydro's proposals for 2010 (as set out on pages 359-361) change.

## **RATE DESIGN**

### **Question #42**

**Reference:** Exhibit 8, page 382  
RateMaker Model, Sheet C4, page 72

- a) Please confirm that the fixed/variable splits were calculated based on variable rates/revenues that included the LV rate adder and did not allow for the transformer ownership allowance discount. If yes, please explain why this is appropriate when the base revenues the percentages are being applied to exclude the LV adder and transformer ownership allowance.

### **Question #43**

**Reference:** Exhibit 8, pages 385-389

- a) Please explain more fully why it is necessary to factor the change in approved loss factor value in to the RTSR adjustment and why it is only done for the kWh billed classes.
- b) Please provide a schedule that sets out for 2009:
- Actual total purchased power (MWh)
  - Actual Transmission billing quantities from the IESO and HONI for Transmission and Connection Service
- c) Based on the data from part (b) please provide a schedule that sets out the IESO's and HON's Transmission-related rates for 2010 and the charges that would result based on these rates and 2009 billing quantities

### **Question #44**

**Reference:** Exhibit 8, pages 390-391 and page 399

- a) Why hasn't Whitby Hydro included LV charges as a separate "rate" on its proposed rate schedule?
- b) Why has Whitby Hydro assumed that it will be unable to adjust its LV charges during the IRM period?
- c) Please provide a schedule that sets out for 2009 the actual LV billing quantities used by HON.
- d) Based on the data from part (c) please provide a schedule that sets out the HON's proposed 2010 LV rates and the charges that would results based on these rates and 2009 billing quantities.

## **DEFERRAL AND VARIANCE ACCOUNTS**

### **Question #45**

**Reference:** Exhibit 9, page 412

- a) Please provide a schedule that for the RCVA accounts (#1518 and #1548) sets out the revenues, cost and resulting annual net principal additions for 2006-2008. In the same schedule please set out the forecast revenues and costs for 2009 and 2010.

### **Question #46**

**Reference:** Exhibit 9, page 423

- a) Why is Whitby Hydro proposing a four year disposal period?
- b) Please recalculate the rate rider for each class assuming a one year or a two year disposal period.

## **SMART METERS**

### **Question #47**

**Reference:** Exhibit 9, Attachment 9-3: Smart Meter Revenue Requirement Calculation

**Preamble:** The OEB 2006 Smart Meter Guidelines stipulate at Section 7. "Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:

- the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;
- the capital expenditures and amortization by class and by year;
- the operating expenses by class and by year;
- the effect of the SMIP on the level of the allowance for PILs."

- a) Confirm that Whitby Hydro is tracking the costs of Residential and Commercial Smart Meters separately
- b) Provide the 2009 and 2010 breakdowns by customer class for
- i. the Residential class SM unit cost (procurement and installation) and total capital and operating costs, and



- ii. Commercial GS<50 kW unit cost (procurement and installation) and total capital and operating costs.
- c) Run the SM Revenue Requirement Calculation for each class (Residential and GS<50 kW) and compare the result to the 2010 proposed \$2.13 per metered customer / month aggregate amount.
- d) Discuss whether in light of the result whether the proposed rate rider(s) should be changed for 2010

**LRAM CLAIM: 2005-2008**

**Question #48**

**Reference:** Exhibit 10, page 481, Attachments D and E

**Preamble:** BECGI evaluated Whitby Hydro's third tranche and Whitby Hydro funded programs and updated the savings calculations to align with the most recently published list of assumptions and measures in accordance with the OEB's direction letter issued on January 27, 2009 (Board File No. EB-2008-0352).

- a) Provide an explanation of the derivation of the following entries in Attachment E for all measures listed
  - i. Element No
  - ii. EE Technology life
  - iii. Freeridership Rate.
- b) Provide a comparison table that lists the corresponding/comparable values from the OPA's April 2009 Mass Market Measures and Assumption List.
- c) Comment on any differences.
- d) For the DNPH Project confirm/correct whether the EE Technology life and Element No values are juxtaposed.

#### **Question #49**

**Reference:** Exhibit 10, page 478 of 530, Attachment A

- a) For Third Tranche and rate-funded 2006-2008 programs provide a schedule that gives a break down by program and measure showing the following details.
  - i. Measure/ year
  - ii. Participants
  - iii. Unit Energy savings (gross)
  - iv. Gross Kwh saved
  - v. Freeridership
  - vi. Partial Effectiveness factor
  - vii. Net kWh
- b) Compare the Results to those in Attachment A and explain any differences.
- c) Identify any/all input assumptions that differ from the OPA Mass Market Measures and Assumptions list (2009).
- d) Recalculate the energy savings using OPA Mass Market Measures and Assumptions values and compare the result to that obtained in the response to parts a) and b)

#### **Question #50**

**Reference:** Exhibit 10, page 479 of 530, Attachment B

- a) Provide a revised schedule that shows the result of using OPA Mass Market Measures and Assumptions Input values as per Part d) of the previous IR and compare this to the as filed Attachment B , including adjustment of carrying charges.
- b) Provide a revised version of the LRAM claim per the Table in Exhibit 10 at Page 476 of 530.
- c) Revise **Table 10-2: Proposed LRAM Rate Rider** to match.