



***PUBLIC INTEREST ADVOCACY CENTRE***  
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November 1, 2007

**VIA Email and Courier**

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

Dear Ms. Walli,

**Re: Halton Hills Hydro, EB-2007-0696**

Please find the interrogatory questions filed on behalf of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**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 Halton  
Hills Hydro Inc. for an Order or Orders approving  
or fixing just and reasonable rates and other  
charges for the distribution of electricity  
commencing May 1, 2008.**

**INTERROGATORIES  
OF  
THE VULNERABLE ENERGY CONSUMERS' COALITION (VECC)**

**Overall Rate Impact**

**VECC Question #1**

**References: Ex1/T2/S1 and Ex10/T1/S9 Pages 1-3 (Appendix F)**

**Preamble:** VECC wishes to more fully understand the impacts of the proposed rate increases on its specific constituency. (Note: Consult the Toronto Environmental Alliance Report prepared for the OPA for Low Income Methodology)

- a) Comment on the level of impact (\$ and %) of the monthly/annual rate/cost increases:
  - i. The impact on low income families at the Stats Canada Low Income Cut Off Income (LICO) level (% of disposable income required to pay for electricity) Compare 2008 to 2006 and 2007.
  - ii. The Impact on Senior citizens (lower average use) at the LICO. Compare 2008 to 2006 and 2007.
  - iii. List the opportunities for Low Income customers and Seniors to reduce their electricity bills.
  - iv. Discuss the need for mitigation based on your answers to i-iii above.
- b) Estimate the total impact on the cost of electricity for a Low Income family (LICO level) living in a 1000 square foot multi-family rental unit. (assume utilities are not included in rent)
- c) Comment on the outlook/impact for other factors affecting electricity bills- the COP, the impact of TOU rates and discontinuation of the RPP.

- d) Comment on the impact, on the cost of electricity and electricity bills, of individual metering for condominium and rental housing units. (including Social Housing)

## **Smart Metering**

### **VECC Question #2**

#### **Reference: Ex1/T1/S6**

**Preamble:** *"In the rate application, Halton Hills Hydro Inc. has not included any costs related to Smart Metering. In decision EB-2007-0536 dated April 12, 2007, Halton Hills Hydro Inc. applied for \$1.18 to embark on its Smart Metering Investment Plan filed with the Ontario Energy Board December 15, 2006. However, the Ontario Energy Board only approved \$0.26 due to Regulation 153/07. At the present time, it is unclear how Smart Metering costs will be recovered and therefore we request to be included in any provincial mandate of Smart Metering Costs recovery."*

- a) Please provide a copy of HHI SM Plan 2006-2010.
- b) Provide details on RFP/bids/contracts for meter supply and information on pricing.
- c) Provide an update of expenditures to the end of 2007 in the standard Board Staff Format, including unit costs.
- d) Provide the forecast for 2008 test year in the same format.
- e) Provide details of the SM deferral account as forecast at the end of 2007 and 2008.
- f) Provide details of the 2007 and 2008 SM rate riders.

## **Service Quality, Reliability Performance and Preventative Maintenance**

### **VECC Question #3**

#### **No Reference-Deficiency in Filing**

- a) Provide 2000-2006, actuals for OEB Service Quality Indicators and estimates for Bridge year 2007 and 2008.
- b) Provide SAIDI, SAIFI and CAIDI reliability data for 2000-2006 and projections for 2007 and 2008.
- c) Provide an analysis as to whether HHI performance is at, below, or above Hydro One Distribution's performance.
- d) Provide an analysis as to whether HHI performance is at, below, or above industry norms.
- e) Describe the level of effort applied to preventative maintenance programs for underground and overhead distribution assets, including annual FTEs and total costs for each (capital and labour) 2000-2008.

- f) Position preventative maintenance costs as a percentage of overall distribution system (labour and capital) costs for 2006-2008.

## **Business Planning/Budget Assumptions**

### **VECC Question #4**

#### **References: Ex1/T2/S2 and Ex3/T2/S1**

- a) Provide a Copy of HHIs Business Planning/Budget Document.
- b) Indicate the key Business Planning/Budget assumptions (inflation, housing starts, customer growth etc.) that, if incorrect, will impact on the 2008 Revenue Requirement.
- c) Provide order of magnitude impacts/sensitivities of the key variables on the test year revenue requirement.

## **2008 Revenue Deficiency**

### **VECC Question #5**

#### **Reference: Ex1/T1/S4 Causes of Revenue Deficiency**

- a) Please provide a version of the schedule including the following
  - i. Historical 2006 (approved and actual).
  - ii. Bridge year 2007 Forecast and YTD.
  - iii. Test year as shown.
- b) Provide Variance analyses for 2006 and 2007 YTD

### **VECC Question #6**

#### **Reference: Ex1/T2/S4 Calculation of Revenue Requirement**

- a) Provide a version of the summary table with the following additions
  - i. 2006 actual.
  - ii. 2007 forecast.
- b) Provide variance analysis for 2006 and YTD 2007.

## **Rate Base and Working Capital**

### **VECC Question #7**

#### **References: Ex2/T1/S2 and Ex2/T4/S1**

- a) Has HHI performed a lead/lag study for working capital? If so please provide a copy.

- b) Is HHI aware the Lead/lag studies performed for Hydro One and Toronto Hydro (Navigant Studies)?
- c) If the average result of those studies (about 12%) was applied to HHI what would be the impact on Working Capital, Ratebase and Revenue Requirement for 2008?
- d) Since COP and customer collections are the largest Cash Flow items what would be the Impact on Working Capital, Ratebase and Revenue Requirement for 2008, if the Working Capital for Account 4705-Power Purchased (\$27,767,404), and the collection period for customer accounts were set at the same values as Hydro One?

## **Capital Budget**

### **VECC Question #8**

#### **References: Ex2/T3/S1-6**

- a) Please provide a consolidated 2008 Capital Budget schedule using logical categories of expenditures such as Distribution System, Transformation, Metering, General Plant, Properties and IT.(refer to Hydro One and Toronto Hydro for examples)
- b) Provide comparisons of 2008 to 2006 and 2007 budgets in the same format.
- c) Provide any additional explanatory notes re variances.
- d) Please advise whether HHHI has conducted a Distribution Asset Condition Assessment; if yes, please provide a copy.
- e) Otherwise please explain in some detail how HHHI assessed the priorities to replace/rebuild/install various components of its Distribution assets?
- f) Provide the Multi-year budgets for all major 2008 projects shown on Page 6 of the schedule.
- g) Provide examples of Business Cases for major 2008 Projects
  - i. F Building Upgrade (Page 6)
  - ii. G Transformer Station (Page 6)

## **Operating Revenue/Load Forecast**

### **VECC Question #9**

#### **References: Ex3/T2/S1-3**

- a. Provide working papers underlying the load growth and customer growth. Forecasts.
- b. Provide more details on the Hydro One methodology underlying the weather-normalized consumption shown at E3/T2/S2.
- c. Please provide a version of E3/T2/S2 include 2007 and 2008.

- d. Please provide missing table- Exhibit: 3 Tab: 2 Schedule: 2 Page: 3.
- e. If the missing table does not include 2006 and 2007 date please provide a version with these inclusions.
- f. Delineate the impact of a shift from bulk metering to individual metering for condominiums and rental housing units including, by year, the additional meters and the associated loads and consumption.
- g. Has HHI confirmed its estimates of consumption and load for the condominium and rental multi-family buildings sector? Please discuss.
- h. Has HHI taken into account the impacts of OPA Conservation programs in its forecast. Please describe.

## **Other Revenue**

### **VECC Question #10**

**Reference: Ex3/T3/S2 Page 1**

**Preamble:** *"Explanation: In our 2008 Test year we will have an additional debt of \$7,200,000 earning interest".*

- a) Please provide details of the calculation of the interest revenue associated with the new Debt. (Timing, Rate and Basis of calculation)  
(SEE also questions about type of instrument, coupon, term etc under Cost of Capital –Debt)

## **Operating Costs-OM&A**

### **VECC Question #11**

**Reference: Ex4/T1/S2 Page 1 and Appendix D Ex4T2S1 Pages 1 and 2**

- a) Either provide more details/explanations for all material differences in OM&A costs by category shown in E4/T1/S2 Page 1 AND/OR provide specific cross-references to the explanations in Appendix D by annotating schedule E4/T2/S1, pages 1-2

## **Compensation**

### **VECC Question #12**

**Reference: Ex4/T/S6 Page 1**

- a) Provide the rationale for increases of 24% (2006-2008) in average base salary for Management.

- b) Since most recent Union contracts have ranged in the 3-3.5% for annualized increases, please explain the 13.5% (2006-2008) increase in average unionized staff base salary.
- c) Reconcile the annual average base salary data with the FTEs listed for both management and unionized staff.
- d) Has HHI benchmarked its base compensation to other utilities? If so provide the documentation.

## **Shared Services and Corporate Costs**

### **VECC Question #13**

#### **References: Ex4/T2/S4, OEB Affiliate Relations Code for Electricity Distributors**

- a) Provide the following in tabular/spreadsheet format (.xls preferred) for each of 2006(historical), 2007(bridge), and 2008 (test) years:
  - i. List of all services (inbound and outbound) between HHI and Affiliates in the same order as set out in the SLAs. Show each affiliate and inbound outbound services separately.
  - ii. For each service show whether market pricing or cost of service provider was/is used (FMV or CBP).
  - iii. For each service show the allocator(s) (time estimate, etc).
  - iv. For each service show the third prong cost/benefit and whether this is based on FMV or CBP.
  - v. Provide complete explanatory notes.
- b) Provide complete copies of each affiliate SLA for 2007 and 2008. Ensure costs are the same as set out in the answer to part a) and reconcile any differences.
- c) Provide details of the calculation of the return allowed by the OEB on capital employed to provide affiliate services

## **Distribution Loss Factor**

### **VECC Question #14**

#### **Reference: Ex4/T2/S9**

- a) Please provide a detailed rationale and Working Papers for HHI's proposal to increase the distribution loss factor to 4.99% from 3.68%.

## **Regulatory Assets and Deferral Accounts**

### **VECC Question #15**

**Reference: Ex5/T1/S3 Pages 1-2**

**Preamble:** “Halton Hills Hydro calculated the 2006 ending balance as the actual balance at December 31, 2006 less the OEB approved Regulatory Asset recovery until May 1st 2008. We then added carrying costs to the balance and added a forecast of RSVA power variance for both the Bridge and Test years.”

- a) Confirm/Update the Balance proposed to be cleared as of April 30 2008.
- b) Why is it appropriate to clear forecast balances rather than actual?
- c) Does HHI have a smart meter deferral account? If so provide the balance in the Smart Meter Deferral Account as of October 1, 2007 and the projected balance as of April 30, 2008.
- d) Indicate whether the April 30 SMDA balance will be carried forward into the calculation of the 2009 SM rate adder (included as part of distribution tariff). If not, please describe the regulatory treatment of the difference between the rate adder and actual SM costs in 2008.
- e) Why is the three year disposition appropriate? What other rate riders and DA clearances are anticipated?

### **VECC Question #16**

**Reference: Ex5/T1/S3**

**Preamble:** The methodology accepted by the OEB in RP-2004-0100, proposes to allocate the Regulatory Assets to the customer classes based on the following principles: • If costs are incurred based on energy consumption, Regulatory Assets will be allocated based on energy consumption • If costs are incurred for the benefit of all customers irrespective of their energy consumption, Regulatory assets will be allocated based on number of customers • If costs have been incurred in the past from customers using distribution revenues, Regulatory Asset will be allocated based on distribution revenue.

- a) Confirm whether the proposed allocation conforms to these principles and highlight and explain any differences.
- b) For customers not on the RRP how is the allocation of RSVA modified?



## **Cost of Capital**

### **Capital Structure**

#### **VECC Question #17**

**Reference: Ex6/T1/S2 Page 1**

- a) Provide the Actual (average) per financial statements and deemed capital structures for 2006, 2007 YTD and forecast 2008.
- b) Provide explanations for differences.
- c) Estimate the cost for 2007 and 2008 of the difference between deemed and actual COC.
- d) The Board-Approved D/E Phase- in was 2007-2010-4 years i.e. 2.5% per year.  
What was 2007 D/E ratio? Please provide the calculation.

## **Cost of Debt**

#### **VECC Question #18**

**Reference: Ex6/T1/S2**

**Preamble:** The Board's guidelines on affiliated debt allow a spread over long Canadas. Non-affiliated debt is at market rates

- a) Confirm that the 6.25% Rate paid to Halton Hills on the \$16,141,970 affiliate debt conforms to the Boards Guidelines-Provide the details –Long Canada rate and the Spread for A/BBB etc.. If not make the appropriate changes.
- b) With respect to the \$7.20 million of new debt to be issued/procured, please provide details- institution(s), term, rate and other conditions such as times interest coverage, subordination of shareholder loans etc.

## **Short Term Debt**

#### **VECC Question #19**

**References: Ex6/T1/S2 Page 1 & Ex6/T1/S3 Page 1**

- a) Please provide a complete explanation as to the TD Bank Deposits and Short term debt in the amount of \$250,000 shown in E6/T1/S3 for each of 2006, 2007 and 2008. Nature of instrument(s), rate etc
- b) Why is there no ST debt amount or cost rate shown in the capital structure E6/T1/S2 Pg1? Please explain/correct the schedule.

## **Cost of Equity**

### **VECC Question #20**

**Reference: Ex6/T1/S4 Pages 1-3**

- a) Confirm that HHI will update the ROE calculation based on the January 2008 Consensus Forecast.

## **LRAM/SSM Claim**

### **VECC Question #21**

**Reference Ex9/T1/S4**

**Preamble:** In its Decision in EB-2007-0096 the OEB provided certain clarifications with respect to the calculation of the LRAM and SSM.

- a) Provide a version of Schedule 4 that shows for each program
  - i. Total Expenditures.
  - ii. Participants.
  - iii. Free rider estimate and source of FR Estimate.
  - iv. Kwh savings.
  - v. Net TRC.
- b) Provide a schedule that supports the (revised) LRAM claim consistent with the Boards Direction on Free Ridership.
- c) Provide a Schedule that supports the (revised) SSM consistent with the Board's direction on SSM calculation.
- d) What is the Impact of those changes on the LRSAM/SSM claims and on the forecast 2008 revenue requirement/deficiency?
- e) Please confirm how HHI proposes to recover the LRAM/SSM amounts once approved (Which is Correct-1 year or 3 years)? Please explain rationale in context of other rate riders and dispositions.

## **Cost Allocation and Rate Design**

### **VECC Question #22**

**Reference: Ex1/T1/S8 Page 1**

- a) Provide a version of the Schedule with the 2007 R/C ratios in the same format.
- b) Explain any changes in cost allocation for 2008.
- c) With respect to the fixed monthly residential charge why did HHI increase this on the basis of the OEB cost allocation study but not propose a plan to change R/C ratios. Please explain.