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November 5, 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: Hydro 2000 Inc., EB-2007-0704

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

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

HYDRO 2000 INC.
2008 ELECTRICITY DISTRIBUTION RATE APPLICATION
BOARD FILE NO: EB-2007-0704

VECC'S INTERROGATORIES

Question #1

Reference: (i) Exhibit 1, Tab 1, Schedule 5, page 1
(ii) Exhibit 5, Tab 1, Schedule 1, page 7

Preamble: Hydro 2000 is requesting a deferral account to capture capital expenditures in 2009 and 2010, for disposition in the next rebasing in 2011.

a) Please provide further details regarding precisely how the costs to be recorded in the deferral account in 2009 and 2010 will be determined.

b) What information does Hydro 2000 proposed to file with OEB at the time of rebasing in order to justify recovery of the deferral account balance?

Question #2

Reference: (i) Exhibit 1, Tab 1, Schedule 5, page 1
(ii) Exhibit 5, Tab 1, Schedule 1, page 7
(iii) Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors.

Preamble: Without any adjustment for capital additions in 2009 and 2010, the net book value of Hydro 2000's in-service plant will decline through annual increases in accumulated depreciation. This would tend to decrease the rate base and the overall revenue requirement in subsequent years. However, in Reference (iii), the Board stated (page 37) that: "Typically, an incentive regulation mechanism is intended to encompass both capital and operating costs".

a) If the Board's 3rd Generation IRM includes, in its rate adjustment process, any allowance for capital additions, will Hydro 2000 adjust the annual capital spending captured in its proposed deferral account? If yes, please explain how this would be done.

Question #3

Reference: (i) Exhibit 1, Tab 2, Schedule 5, page 1
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

a) Please provide a copy of the Hydro 2000's approved 2006 EDR Model – consistent with the Board's decision approving Hydro 2000's 2006 rates.

b) Please explain what the values reported in the column titled "2006 Approved Existing Rates" of Reference (i) represent.

c) If they are the values based on Hydro 2000's 2006 approved rates, please provide a reference as to where each value can be found in Hydro 2000's approved EDR Rate Model.

d) If they are actual 2006 values, please provide reference to where in Exhibit 4 (of the current filing) each of the values can be found

e) Please reconcile the differences in the 2008 values reported in References (i) and (ii) for Interest Costs ($16,314 vs. $20,333).

Question #3

Reference: (i) Exhibit 1, Tab 2, Schedule 5, page 2
(ii) Exhibit 6, Tab 1, Schedule 3, page 1
(iii) Exhibit 1, Tab 3, Schedule 2

a) Please explain why 5.8% is used as the cost of debt in Reference (ii), when Hydro 2000's actual cost of debt is 5.5% as set out in Reference (i), page 7 of the 2006 Annual Report.

b) Page 7 of Reference (i) reports a long-term liability to Hydro One. Please explain what this represents and what the interest rate (if any) is.

c) Did Hydro One 2000 issue any dividends to its shareholder in 2005 or 2006? If so, what were they?

d) Please provide a copy of the Board Decision referred to by Deloitte in Reference (iii). If not explicit in the Decision, please explain why all of balance in each of the following accounts was not transferred to Account 1590:
   - Retail Settlement Variance Accounts ($24,593)
   - Other Regulatory Assets ($4,545).

Question #4

Reference: (i) Exhibit 2, Tab 2, Schedule 1, page 10

Preamble: The last time Hydro 2000's rates were based on a "cost of service" type approach was for 2006. In that process, rate base was determined by making various adjustments to 2004 year end actual values. Hydro 2000 is currently seeking approval for its 2008 rate base.

a) Please provide a continuity schedule for Hydro 2000's Total Plant, Property and Equipment similar to reference (i) but that:
   - Starts as of December 31, 2004 setting out Gross Book Value, Accumulated Depreciation and Net Book Value.
   - Also shows separately fore 2005 and 2006:
     - The capital expenditures during the year
     - The in-service asset additions during the year
     - The annual depreciation
     - Retirements and Other Adjustments
     - The resulting closing balances for Gross Book Value, Accumulated Depreciation and Net Book Value

Question #5

Reference: (i) Exhibit 2, Tab 3, Schedule 1, page 1

a) Please provide a schedule that sets out:
   - The total capital spending approved by the OEB for 2006 as part of the 2006 EDR process
   - Actual 2006 capital spending
   - Projected capital spending for the bridge year – 2007
   - Projected capital spending for the test year – 2008

b) In the schedule requested in part (a) please provide a breakout of the spending, by year, for any project with a total cost of more than 1% total net fixed assets for 2006.

Question #6

Reference: (i) Exhibit 2, Tab 3, Schedule 2, pages 2 & 3

a) Please provide the business case supporting the selection the specific billing system being acquired under project P-0003.

b) Please outline how Hydro 2000 establishes its annual budget for projects P-0004 and P-0005.

Question #7

Reference: (i) Exhibit 3, Tab1, Schedule 2, page 1
(ii) Exhibit 3, Tab 1, Schedule 3, page 1
(iii) Exhibit 7, Tab 1, Schedule 1, page 3

a) In reference (ii), the first paragraph appears to suggest that the 2008 revenue by customer class reported in reference (i) is based on existing rates. However, the discussion under comparison to Bridge Year in Reference (ii) appears to suggest that 2008 revenues are based on the proposed 2008 rates. Please clarify.

b) Please explain why the 2008 revenues by customer class shown in reference (i) don't match those shown in reference (iii) for either 2008 revenues at existing rates or revenues at proposed rates.

c) Please explain why the total Other Distribution Revenue in reference (i) {$4,403+$1,359+$26,910=$32,672} does not match the total for other operating revenue {$35,980} shown in reference (iii).

Question #8

Reference: (i) Exhibit 3, Tab 2, Schedule 1, page 2 & 4 & 7
(ii) Exhibit 4, Tab 2, Schedule 9, page 1

a) As of the end of September 2007 (or October if available), how many customer did Hydro 2000 have in each of its customer classes?

b) Do the customer count numbers set out on page 2 of reference (i) represent year end numbers or average values for the year?

c) Please provide a schedule that sets out for each of Hydro 2000's customer classes:

- The weather normal wholesale kWh reported in Hydro One's normalization analysis.
- The value for the number of 2004 customers used to determine average use

d) Please provide a schedule that shows (for 2004) Hydro 2000's:
   - Actual total wholesale KWh
   - Actual retail sales by customer class (in kWh) for all classes
   - Actual total loss factor

e) Are all of Hydro 2000's customers "secondary metered customers"? If not, why is the same loss factor applied to all customer classes (see page 6), when Hydro 2000's loss factor for primary metered customer is less than that for secondary metered customers?

f) Please reconcile the total retail sales for 2006 (actual) of 25,844,398 kWh sum for the retail sales reported on page 7 of reference (i) with the total retail sales of 24,327,396 kWh reported in reference (ii).

Question #9

Reference: (i) Exhibit 3, Tab 3, Schedule 1, page 1
(ii) Exhibit 9, Tab 1, Schedule 4

a) Why is there no revenue associated with SSS Admin in Reference (i)?

b) Please provide schedules that breakdown the 2008 sources for the following components of Other Distribution Revenue shown in Reference (i):
   - Other Utility Operating Income
   - Other Electric Revenues

c) What is the reason for the decline in Other Utility Operating Income post 2006?

d) Please provide a copy of Hydro 2000's currently approved Miscellaneous Charges and Loss Factors consistent with Reference (ii).

e) Reference (i) shows Miscellaneous Service Revenues of zero for 2007 and 2008. Please confirm that Hydro 2000 is not anticipating any revenue from its approved miscellaneous charge in 2007 apart for late payment charges.

Question #10

Reference: (i) Exhibit 3, Tab 3, Schedule 4, page 3
(ii) Exhibit 7, Tab 1, Schedule 1, page 3
(iii) Exhibit 3, Tab 3, Schedule 1, page 1

a) Please reconcile the total 2008 distribution revenue reported in reference (i) {$409,189} with that reported in reference (ii) {$527,084}.

b) Please reconcile the following 2008 values as reported in References (ii) and (iii):
   - Distribution Service Revenue - $527,084 versus $409,963 {288,963+121,000}
   - Other Revenues - $35,980 versus $32,672 {1,329+30+6,526+16,314+4,070+4,403}

Question #11

Reference: (i) Exhibit 4, Tab 1, Schedule 1, page 2
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

a) Please reconcile the value for 2008 taxes reported in Reference (i) {$32,660} with that reported in reference (ii) {$39,350}.

Question #12

Reference: (i) Exhibit 4, Tab 1, Schedule 2, page 1

a) What is included in “Other Operating Cost” ($17,518 for 2008)?

Question #13

Reference: (i) Exhibit 4, Tab 2, Schedule 1

a) Why were there no expenditures on Overhead Distribution Transformers in 2006 (Account 5035)?

b) Please explain the basis for the projected $7,460 in bad debt expense in 2008 (Account 5335).

Question #14

Reference: (i) Exhibit 4, Tab 2, Schedule 6

a) Please outline the additional services that Deloitte is expected to supply in 2008 (versus 2007) that lead to a $18, 967 increase in costs.

b) Please describe the services provided by Elenchus Research Associates and the period time over which the service is to be provided. If a portion of the services were provided in 2007 why it is appropriate for them to all be included in the 2008 revenue requirement?

Question #15

Reference: (i) Exhibit 2, Tab 1, Schedule 2, page 1
(ii) Exhibit 4, Tab 2, Schedule 8, page 1

a) Please reconcile the values for Gross Assets reported in the two references for :
    - 2006 Actual: $575,069 vs. $600,750
    - 2007: $640,149 vs. $679,548
    - 2008: $749,548 vs. $819,548

Question #16

Reference: (i) Exhibit 4, Tab 2, Schedule 9

a) Please explain what Row E on the schedule represents. Does Hydro 2000 have any “Large Use Customers”?

Question #17

Reference: (i) Exhibit 4, Tab 3, Schedule 1
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

a) The Schedule in reference (i) reports “Calculation of Utility Income Taxes” in two different rows and the values are different (e.g., for 2008 $32,660 and $34,093). Please reconcile.

b) Please reconcile the income tax values reported in reference (i) with the $39,350 reported in reference (ii).

c) Please provide a schedule showing how the $39,350 was calculated.

d) With respect to reference (ii), please explain what the final two lines (Others {$300} and Income Taxes {$924}) are meant to represent and how they are related to the PILS value {$39,350 for 2008} reported earlier in the same schedule.

Question #18

Reference: (i) Exhibit 5, Tab 1, Schedule 3
(ii) Exhibit 5, Tab 1, Schedule 2

a) Please provide a copy of the approved 2006 Regulatory Asset Model used to establish the approved rate riders for Regulatory Asset recovery for 2006 (see reference (i)).

b) Pease confirm that Reference (ii) is for 2006.

c) Please provide a schedule that, for each of the Regulatory Asset accounts for which a rate rider was approved in the 2006 EDR, sets out:
   - The amount approved for recovery by the OEB.
   - The actual balance for year-end 2004
   - The actual balance for year-end 2005 showing separately actual interest charges for the year and any additions to the accounts. Please explain the reason for the later.
   - The actual balance for year end 2006 showing separately actual interest charges for the year; any additions and any recoveries recorded against the account.

d) With respect to reference (ii), please indicate explain each of the following:
   - What does the column “Net Accurals” capture for each account?
   - What does the column “Adjustments” capture for each account?

e) How did Hydro 2000 select the Regulatory Asset accounts for which it would propose recovery as part of the 2008 rate application per Reference (i)?

f) With respect to spread sheet in reference (i), please explain the basis for the 2007 and 2008 (up to April 30^{th}) Other Adjustments made to accounts #1550 and #1592.

Question #19

Reference: (i) Exhibit 6, Tab 1, Schedule 2
(ii) Board Staff Interrogatory #18 b) and 19 a)
(iii) Exhibit 7, Tab 1, Schedule 1

a) Please re-do the response to Board Staff Interrogatory 18 b), but using a cost of long-term debt of 5.5%.

b) What is Hydro 2000's proposed net income (after taxes) for 2008? Please show how this value was determined?

c) Based on Hydro 2000's proposed net income (per part (b)), please show how the PILS value of $39,350 set out in Reference (iii) was determined.

Question #20

Reference: (i) Exhibit 8, Tab 1, Schedule 2,page 3

a) Can Hydro 2000 point to any statement by the OEB indicating that this "maximum fixed charge value" is the appropriate basis for setting the monthly service charge?

b) If not, what is the rationale for increasing the monthly service charges to the maximum fixed charge values determined in the cost allocation informational filings?

Question #21

Reference: (i) Exhibit 9, Tab 1, Schedule 1, page 2

a) What is Hydro 2000's proposed revenue to cost ratio for each customer class for purposes of setting 2008 rates?

b) Reference (i) quotes a total revenue requirement for 2008 of $529,522. Please indicate where in the application the determination of this value can be found.

c) Please provide a set of schedules that clearly set out the calculations and results for Steps 1, 2 and 3 – as described in Reference (i).

Question #22

Reference: (i) Exhibit 9, Tab 1, Schedule 7, page 1

a) Please indicate how increasing the level of the monthly fixed charge decreases the revenue to cost ratio for the residential class.

Question #23

Reference: (i) Exhibit 9, Tab 1, Schedule 9

a) Based on recent 12 months of billing history please indicate how many residential customers:
   - Have an average monthly use of 100 kWh or less
   - Have an average monthly use of >100 kWh up to 250 kWh
   - Have an average monthly use of >250 kWh up to 500 kWh
   - There were in total