



April 23, 2010

**BY COURIER AND RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**RE: Whitby Hydro Electric Corporation  
Application for Approval of 2010 Electricity Distribution Rates  
EB- 2009-0274**

Whitby Hydro Electric Corporation has completed the remaining interrogatory #30 (submitted by Board Staff on March 25, 2010). A complete copy of all Board Staff responses has been included in the attached document. For clarification purposes, there have been no modifications made to any of the responses that were originally submitted on April 16<sup>th</sup>, 2010.

Should you require any further information or clarification, please contact me directly.

Respectfully submitted,

*Original signed by*

Ramona Abi-Rashed  
Treasurer

Cc: Neil Mather (email)  
All Intervenors (email)

**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.

**Response:**

Whitby Hydro has not received any letters of comment from customers regarding the 2010 Rate Application.

**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.

**Response:**

A forecast of IESO transmission costs has been included in the table below (under part (c)) using the updated rates as requested.

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.

**Response:**

Whitby Hydro expects to pay amounts to its host distributor Hydro One Networks Inc. (HONI) for transmission service. The amount that was assumed in the working capital assumption on page 155 for the HONI portion was \$852,000 for network services and \$821,000 for the line and transformation connection services. The alternative calculation requested using the rates that Hydro One

has applied for in EB-2009-0096 for its Sub-Transmission class have been included in the table below (under part (c)). Whitby Hydro understands that HONI's rates are likely to be updated based on the Board's Decision in their rate proceeding.

**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.**

**Response:**

For the purpose of the updated and alternative forecasts for parts a) and b), Whitby Hydro reviewed the relationship between annual kW for billing of transmission charges and wholesale consumption. The billing kW amounts assumed are included in the table below and represent approximately 0.2% of the wholesale weather normalized consumption forecasted for 2010. This relationship is consistent with historical patterns experienced.

	IESO		HONI		Total	
	Network	Line Connection & Transformation	Network	Line Connection & Transformation	Network	Line Connection & Transformation
Billing Demand:						
Jan - Apr	412,347	415,498	140,033	139,033		
May - Dec	923,552	950,270	232,376	257,540		
2009A kW	1,335,899	1,365,768	372,409	396,573		
Rates:						
Jan. 1, 2010	\$ 2.97	\$ 2.44	\$ 2.24	\$ 1.99		
May 1, 2010	\$ 2.97	\$ 2.44	\$ 2.37	\$ 1.98		
Total Charges:						
Jan - Apr	\$ 1,224,671	\$ 1,013,815	\$ 313,674	\$ 276,676	\$ 1,538,345	\$ 1,290,491
May - Dec	\$ 2,742,949	\$ 2,318,659	\$ 550,731	\$ 509,929	\$ 3,293,681	\$ 2,828,588
2010F	\$ 3,967,620	\$ 3,332,474	\$ 864,405	\$ 786,605	\$ 4,832,025	\$ 4,119,079

**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?**

**Response:**

The updated information for the bridge year (2009) is as follows:

	<u>2009 Actual</u>
LV Revenue Recovered	\$480,856 cr
LV Costs from Hydro One	<u>\$137,497 dr</u>
Variance for 2009	\$343,359 cr

In the case of 2009, the LV revenue recovered was used as a proxy for the 2009 LV cost based on the 2009 approved LV recovery rates. In 2009 the actual cost was considerably less than the revenue recovered as Hydro One Networks (HONI) implemented a new sub-transmission rate class with a newly developed set of rates. In 2010, the amount of \$203,590 is reflective of the expected 4 year average cost from Hydro One. The 4 year average cost was used to account for the timeframe until the next expected cost of service application in order to develop appropriate revenue recovery rates.

**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.**

**Response:**

Whitby Hydro has been advised by Hydro One that there were updated rates filed related to LV Charges with the Board on January 11, 2010 (ref. EB-2009-0096 Exhibit K9, Attachment 2, page 15). Since this information is more recent than those referenced by Board Staff for proposed Service Charge and Common ST Line rate, Whitby Hydro has prepared the requested updates using this more current information.

Table 8-9 - Note that the sunset date for rate rider #5c &5d has been revised to April 30/10 as per Hydro One and the new RAR#6B has been included.

**Table 8-9: HONI Rates - LV Charges Applicable to Whitby Hydro - updated for Mar/10 IRs**

Component	Charge Determinant per Billing Month	Rate prior to 2009	New Rate	Rate Rider #4	Rate Riders #5c & 5d	Net Rate
Service Charge	\$/Delivery Point	n/a	\$289.83	-\$65.78		\$224.05
Common ST Lines Charge	\$/kW	\$0.63	\$0.667	-\$0.195		\$0.472
Reg Asset 2008 (RAR3a)	\$/kW	n/a	-\$0.01			-\$0.01
Reg Asset Rider #6B	\$/kW	n/a	\$0.034			\$0.034

	<u>Effective</u>	<u>Implementation</u>	<u>Sunset</u>
RAR3a	1-May-08	1-Feb-09	30-Apr-11
Rate Rider#4	1-May-08	1-Feb-09	30-Apr-11
Rate Rider#5	1-May-09	1-Jun-09	30-Apr-10
RAR6B	1-Jan-10	1-May-10	30-Apr-12 * proposed

The 4-year average has been updated to incorporate the costs associated with the proposed rates as reflected in table 8-9. As the 4-year average annual LV charge was calculated using the forecasted 2009 loads, this data has been updated to incorporate 2009 actual data. The updated information is as follows:

**Forecast for 2010 LV Charge (and subsequent IRM term) - updated for Mar/10 IRs**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Service Charge	9,062	12,859	13,912	13,912
Common ST line	167,332	226,284	249,287	249,287
RAR3a	(1,377)	0	0	0
RAR6B	8,581	13,264	4,683	0
	<u>183,598</u>	<u>252,407</u>	<u>267,882</u>	<u>263,199</u>

4 year average 241,772

Based on this update, the 4-year average LV cost has increased from \$203,590 to \$241,772.

#### 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.”**

**Response:**

The forecasting methodology uses a multiple regression analysis to explain the change in monthly energy as a function of weather, economic and calendar variables. The analysis incorporates data up to and including September 2009. As such, any conservation effects up to September 2009 would be captured in the monthly energy consumption data.

This statement was intended to identify that there were no manual adjustments made to the load forecast for CDM impacts outside of the multiple regression analysis. As such, the load forecast only factors in CDM impacts that are inherently embedded in the historical data that was used in the regression analysis.

**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?**

**Response:**

Whitby has not used population growth in its load forecasting process for two main reasons. The first reason is that no monthly population count for Whitby is known to us or to our expert consultant. The second reason is that in the opinion of our expert consultant, monthly economic variables such as full-time employment better represent changes in economic activity and energy consumption than available population variables.

**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.**

**Response:**

The weather normal load is derived from regression equation coefficients which, in turn, are derived from 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.

**Response:**

The weather normal value for 2006 is verified as correct. As can be seen from Table 1 in Exhibit 3, p. 198, energy consumption sensitivity in Whitby is 6.5 times more responsive to cooling degree days than heating degree days. In addition, it may be misleading to draw conclusions from annual degree days since weather normalization is calculated on a monthly basis. For example, although on an annual basis, 2006 annual cooling degree days are close to normal (actual of 382.5 vs. normal of 380.1), in the key cooling month of July, 2006 heating degree days were 25 per cent higher than normal (actual of 167.3 vs. normal of 133.9).

- 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.

**Response:**

Table 5 has been updated to include actual wholesale kWh as requested:

<i>Updated Table 5 with 2009 Actual Wholesale kWh, Whitby Hydro</i>				
Year	Actual wholesale kWh	%chg	10-yr (1999-2008)	
			Weather Normal	%chg
2002	780,336,017	6.4%	757,921,462	2.4%
2003	792,491,625	1.6%	813,504,167	7.3%
2004	825,196,089	4.1%	871,809,086	7.2%
2005	911,868,734	10.5%	879,484,737	0.9%
2006	897,193,025	-1.6%	892,698,137	1.5%
2007	911,211,760	1.6%	896,808,972	0.5%
2008	897,673,634	-1.5%	911,096,927	1.6%
2009	876,959,953	-2.3%	882,068,691	-3.2%
2010			886,766,789	0.5%

The following table provides actual 2009 HDD and CDD along with the 10-year 1999-2008 normal values.

<i>HDD and CDD - Pearson Int'l Airport, 2009 and 1999-2008 Average</i>													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009 HDD	830.2	606.4	533.8	305.8	158.8	49.3	6.2	9.8	55.2	287.8	361.2	631.3	<b>3,835.8</b>
Normal <sup>1</sup>	700.2	625.5	543.2	317.4	156.9	28.1	2.4	5.7	52.9	243.2	403.3	614.0	<b>3,692.6</b>
2009 CDD	0.0	0.0	0.0	1.2	6.9	34.2	43.7	91.0	20.9	0.0	0.0	0.0	<b>197.9</b>
Normal <sup>1</sup>	0.0	0.0	0.0	1.2	12.3	76.2	133.9	110.9	41.2	4.3	0.0	0.0	<b>380.1</b>

<sup>1</sup> Normal defined as 1999-2008 10-yr average

## **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**

**Response:**

The variable 'FTE\_Oshawa' is the monthly full-time employment in thousands of persons, age 15 years and over, both sexes, for the Oshawa Census Metropolitan Area as reported by Statistics Canada Labour Force Survey (CANSIM v3473199) referred to on page 197.

- 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.**

**Response:**

An average of four chartered banks' Ontario employment forecasts current at the time the load forecast was prepared (as shown in Table 4 on page 200) was used to forecast FTE\_Oshawa. The monthly pattern for the forecast period was derived using the ratio of monthly actual to annual average for the year 2008.

## **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.**

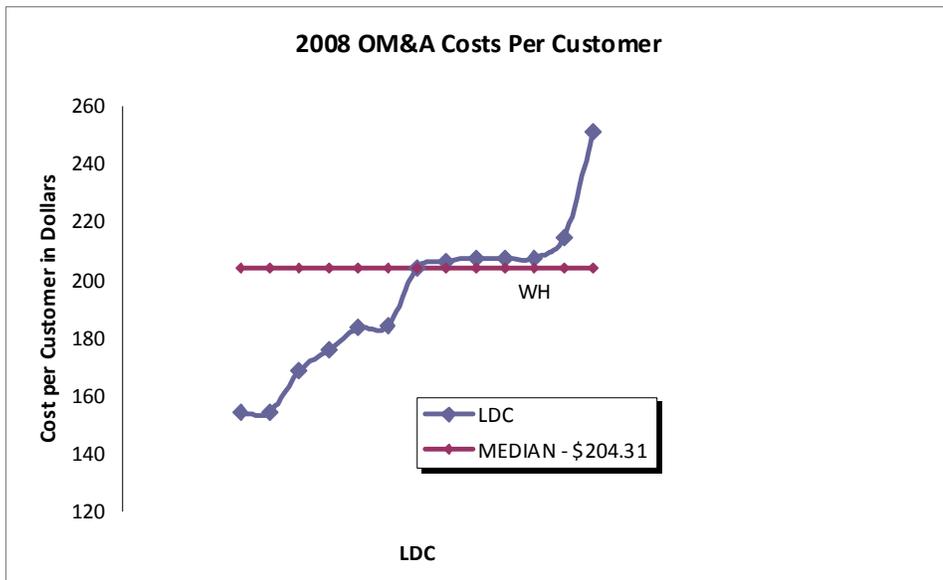
**Response:**

Whitby Hydro is not able to confirm the ranking information noted above. A review of the 2007 comparative data found in the Board Report EB-2006-0268, shows that Whitby Hydro's OM&A cost per customer actually ranked 3<sup>rd</sup> highest of those utilities identified in its group.

Using 2008 comparative data prepared by Power System Engineering Inc. in its February 17, 2010 report to the Board " Third Generation Incentive Regulation Stretch Factor Updates for 2010 (EB- 2009- 0392), Whitby Hydro ranked 3<sup>rd</sup> highest in its identified peer group. The following chart shows the comparative data for 2008.

2008 OM&A Costs Per Customer	
LDC	Cost/Customer
Barrie Hydro Distribution Inc.	154
Kitchener-Wilmont Hydro Inc.	155
Oakville Hydro Electricity Distribution	169
Oshawa PUC Networks Inc.	176
Waterloo North Hydro Inc.	184
Cambridge and North Dumfries Hydro	184
Milton Hydro Distribution Inc.	204
Guelph Hydro Electric System Inc.	207
Brantford Power Inc.	208
Newmarket - Tay Power Distribution	208
Whitby Hydro Electric Corporation	208
Burlington Hydro Inc.	215
Halton Hills Hydro Inc.	251
MEDIAN	204

A review of the 2008 data clearly indicates that Whitby Hydro's OM&A cost per customer is positioned closely along the median within the identified group of comparator utilities. The chart below more clearly portrays the fact that distributors ranked 3<sup>rd</sup> – 7<sup>th</sup> (which includes Whitby Hydro) are in fact clustered together very tightly amongst each other and to the median, and as a result, the ranking of 3<sup>rd</sup> versus 7<sup>th</sup> is not representative of any significant difference in cost per customer.



Whitby Hydro notes that when its costs are compared to the costs of all 38 of the listed mid-sized distributors in the province, it is 20th from the highest in the group. When the comparison is made on that basis in 2007, its average (2005-2007) OM&A cost per customer of \$206 is 2% below the \$210 average for all mid-size distributors. As such Whitby Hydro does not believe that its OM&A costs per customer are as relatively high as suggested by Board staff in its interrogatory.

Whitby Hydro understands the Board’s rationale for utilizing a comparator and cohort approach to designing stretch factors which are intended to incent distributors to operate as efficiently as possible. This process however, is an evolving one as Whitby Hydro pointed out during the OEB Further Consultation on Stretch factor Rankings for 3<sup>rd</sup> Generation Incentive Regulation for Electric Distributors (EB-2007-0673). Some areas highlighted for future consideration as this process evolves, were included in Whitby Hydro’s letter to the Board dated December 15, 2008:

- Total cost (versus OM&A) metrics – a movement in this direction would allow for improved comparisons in the future as it would provide a more complete picture and remove differences that inherently occur between distributors’ operating vs. lease decisions, differences in capitalization policies and variation in assets age/lifecycle.
- Low Voltage - further investigation and understanding of the impacts of LV costs when comparing distributors who are not embedded to those that are fully or partially embedded and the implications of “pooling of LV costs”.
- High Voltage – additional review of the impact of High Voltage and Supply Voltage for improved understanding of the differences of varied supply arrangements and the resulting cost drivers and OM&A impacts.

- Peer Grouping – additional consideration and understanding of the impacts of density, service area (square kilometers) and distribution structures when establishing appropriate peer groupings.

These items highlight some of the potential for further improvement in this process and it is important to acknowledge that these items may influence distributor rankings even though they are generally not highly “controllable” by distributors.

**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.**

**Response:**

In part (a), Whitby Hydro demonstrated that in 2008 it lies close to the median of its designated peer group amidst a tightly bound group of five distributors (ranked 3<sup>rd</sup> – 7<sup>th</sup>) and that it is already below the three year average (2005-2007) cost per customer when all 38 midsize distributors are considered. Regardless of its ranking, Whitby Hydro has and will continue to consider and implement changes that will lower its costs.

Whitby Hydro has already undertaken a number of initiatives to reduce and control OM&A expenses. These include the following:

- Management team restructuring.
- 5% reduction in management salary.
- Reduction in discretionary spending for non training/safety related seminars and conferences.
- Limited the use of consultants (ie. rate application).
- Ensured normalization of atypical patterns of OM&A costs in the test year (Exhibit 4, page 217, line 11-13)
- Reduced capital costs resulting from non-capitalization of interest costs (AFUDC).

Notwithstanding the ongoing pressures of increasing OM&A expenses resulting from regulatory and related OEB and Government initiated code changes, Whitby Hydro will continue to work along with Whitby Hydro Energy Services to make further improvements in its financial operations while ensuring adequate safety and reliability are maintained on a consistent basis.

## **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?**

**Response:**

Yes there are similar programs in the test year however, these programs are fully funded by the shareholder and costs are not included in the calculations for revenue requirement. The concepts and audience of the programs remain similar to those described on pages 452-453. The forecasted costs for 2010 are as follows:

Low Income Family Package	\$23.1K
Seniors Lighting Education	\$23.1K

- 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?**

**Response:**

There are no charitable contributions or other programs designed to help low-income consumers in Whitby Hydro's revenue requirement.

## **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.**

**Response:**

Management Salaries and Expenses have risen by \$178,891 over the 6 year period from the 2006 approved (2004 actual) to the 2010 forecast, as shown in Account 5610 on page 213. As shown in Table 4-8, the majority of the increase (\$136,000) was due inflationary pressures with the remainder required to cover the cost of additional accounting resources.

- 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?**

**Response:**

The inflation factors used were as follows and represent increases in the collective agreement.

2005 2.00%, 2006 2.75%, 2007 3..30%, 2008 3.13%, 2009 3.00%, 2010 3.00%

- c) Please describe the need for the increase in Account 5610 other than inflation.**

**Response:**

Additional accounting resources are required to manage the increased level of accounting requirements and the increased complexity of the operating and regulatory framework in Ontario's electricity market. In addition since the Enron accounting crisis, there has been a general progressive change in the accounting regulatory environment. This evolution has led to highly detailed and in depth audits to maintain compliance and a significant increase in work for the accounting group.

- d) Is the same inflation factor assumed for 2010 for non-management salaries and associated costs?**

**Response:**

Yes.

## **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?**

**Response:**

The 2009 actual bad debt expense was \$216,663.

## **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?**

**Response:**

Requirements for easements are predominantly driven by road authority road relocation activity where Whitby Hydro is asked to position plant in non-standard locations off of the road right of way. In these cases the road authority will cover the costs related to acquiring easements. There has been no requirement for Whitby Hydro to acquire easements for our own purposes in recent history. There are no costs for easements included in the 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?**

**Response:**

There has been no costs related to negotiating the service agreement in the past and there are no such related costs included in the 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?**

**Response:**

Whitby Hydro is not suggesting that either method represents common practice since the Board has accepted both full and half year depreciation methods. The Collus Power case was cited because Whitby Hydro thought that there was nothing particularly different with its depreciation approach that would differentiate it from the method approved by the Board for Collus Power.

### **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.**

**Response:**

Whitby Hydro has made a forecast of its costs under the Harmonized Sales Tax (HST).

**b) Is Whitby Hydro agreeable to recording reductions in OM&A and capital expenditures due to HST in a deferral account?**

**Response:**

As Whitby Hydro has incorporated the savings into the Rate Application, no deferral account would be required for reductions to projected spending.

**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.**

**Response:**

While this is an accurate interpretation of the wording in the notes, the practical implications are that the Town, like any third party lender, would not be willing to consent to a pre-payment unless it was in their best interest. Under the Regulation 438/97 of the *Municipal Act, 2001* a municipality can not issue more debt to a utility than the total existing debt held by the municipality. Therefore, if a utility were to replace municipal debt with third-party debt, the municipality would lose its ability to issue debt to the utility in the future. Since the notes are considered a viable investment of the Town and the interest is incorporated into the Town's municipal budget, a decision to consent to a pre-payment would be detrimental to 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?**

**Response:**

The conditions stated in (a) provide one reason why it was not considered practical for Whitby Hydro to consider the repayment and refinancing of its embedded debt, but the main reason was that refinancing would only be beneficial to the utility if new long-term debt was available a lower rate. While Ontario Infrastructure financing offered a lower cost alternative, these special funds were (and are) only available to finance new capital investments and therefore could not be used to refinance existing assets. In addition, seeking long-term debt commitments to match the 25 to 40 year life of Whitby Hydro's major distribution assets was not expected to be available at or below the deemed rates set by the OEB as the market-based cost for long-term debt. However, given the need to raise additional debt going forward to fund its new capital investments, and in light of the recent (February 2010) Cost of Capital Parameter Updates issued by the Board, Whitby Hydro will be reviewing its current financing requirements.

## **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.**

**Response:**

Confirmed. While the principle is callable, the funds are not likely to be called at any time and certainly not in the test year. The notes are considered a viable investment of the Town and the interest is incorporated into the Town's municipal budget annually.

- 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.**

**Response:**

The rate on the note has not been re-negotiated since 2007 for the reasons stated in the response to 15(a).

## 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 understand 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%.

**Response:**

Whitby Hydro confirms that it intends to revise its application to request the new ceiling of 9.85% for ROE.

- 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.

**Response:**

Whitby Hydro has updated the table (Utility Income) on page 41 of the application as requested. Note that the "Per Board Decision" column reflects the impact of the change as requested in this interrogatory only.



**REVENUE REQUIREMENT WORK FORM**

Name of LDC: Whitby Hydro Electric Corporation  
File Number: EB-2009-0274  
Rate Year: 2010

**Utility income**

Line No.	Particulars	Application	Adjustments	Per Board Decision
<b>Operating Revenues:</b>				
1	Distribution Revenue (at Proposed Rates)	\$19,856,446	\$808,528	\$20,664,974
2	Other Revenue	(1) \$890,743	\$ -	\$890,743
3	Total Operating Revenues	\$20,747,189	\$808,528	\$21,555,717
<b>Operating Expenses:</b>				
4	OM+A Expenses	\$8,919,421	\$ -	\$8,919,421
5	Depreciation/Amortization	\$4,929,391	\$ -	\$4,929,391
6	Property taxes	\$ -	\$ -	\$ -
7	Capital taxes	\$45,600	\$ -	\$45,600
8	Other expense	\$ -	\$ -	\$ -
9	Subtotal	\$13,894,412	\$ -	\$13,894,412
10	Deemed Interest Expense	\$3,274,839	\$ -	\$3,274,839
11	Total Expenses (lines 4 to 10)	\$17,169,251	\$ -	\$17,169,251
12	<b>Utility income before income taxes</b>	<b>\$3,577,938</b>	<b>\$808,528</b>	<b>\$4,386,466</b>
13	Income taxes (grossed-up)	\$1,149,325	\$250,643	\$1,399,968
14	<b>Utility net income</b>	<b>\$2,428,614</b>	<b>\$557,885</b>	<b>\$2,986,498</b>

**Notes**

(1)	<b>Other Revenues / Revenue Offsets</b>		
	Specific Service Charges	\$157,835	\$157,835
	Late Payment Charges	\$321,000	\$321,000
	Other Distribution Revenue	\$333,909	\$333,909
	Other Income and Deductions	\$78,000	\$78,000
	Total Revenue Offsets	\$890,743	\$890,743

This file reflects the specific change/s outlined in Board Staff IR#17

**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.

**Response:**

Whitby Hydro assumes that the referenced equity should read 9.85% and has prepared the requested alternative calculations on this basis.

**Table 5-1**  
**Capitalization and Cost of Capital**

<u>Particulars</u>	<u>Capitalization Ratio</u>		<u>Cost Rate</u>	<u>Return</u>
<b>2010 Test Year -Feb 2010 Board Paramaters</b>				
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-Term Debt	56.00%	\$42,447,685	5.87%	\$2,491,679
Short-Term Debt	4.00%	\$3,031,977	2.07%	\$62,762
<b>Total Debt</b>	<b>60.00%</b>	<b>\$45,479,662</b>	<b>5.62%</b>	<b>\$2,554,441</b>
<b>Equity</b>				
Common Equity	40.00%	\$30,319,775	9.85%	\$2,986,498
Preferred Shares				
<b>Total Equity</b>	<b>40.00%</b>	<b>\$30,319,775</b>	<b>9.85%</b>	<b>\$2,986,498</b>
<b>Total</b>	<b>100.00%</b>	<b>\$75,799,437</b>	<b>7.31%</b>	<b>\$5,540,939</b>

**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.**

**Response:**

**Table 5-1**  
**Capitalization and Cost of Capital**

<b>2010 Test Year -Feb 2010 Board Paramaters, Notes 1 &amp; 2 at 7.25%</b>				
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-Term Debt	47.40%	\$35,926,385	5.87%	\$2,108,879
Note 1 & 2	8.60%	\$6,521,300	7.25%	\$472,794
	<b>56.00%</b>	<b>\$42,447,685</b>	<b>6.08%</b>	<b>\$2,581,673</b>
Short-Term Debt	4.00%	\$3,031,977	2.07%	\$62,762
<b>Total Debt</b>	<b>60.00%</b>	<b>\$45,479,662</b>	<b>5.81%</b>	<b>\$2,644,435</b>
<b>Equity</b>				
Common Equity	40.00%	\$30,319,775	9.85%	\$2,986,498
Preferred Shares				
<b>Total Equity</b>	<b>40.00%</b>	<b>\$30,319,775</b>	<b>9.85%</b>	<b>\$2,986,498</b>
<b>Total</b>	<b>100.00%</b>	<b>\$75,799,437</b>	<b>7.43%</b>	<b>\$5,630,933</b>

## **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.**

**Response:**

An Excel spreadsheet version of the 2010 Cost Allocation Study was included with the original application which was sent to Board. This spreadsheet was included on a CD which was provided to the Board and all registered intervenors.

- 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.**

**Response:**

Whitby Hydro confirms that the load inputs in sheet I8 in the rows for 'LTNCP' are the kW loads of customers that receive transformer service from Whitby Hydro and that the load related to customers that receive the transformer ownership allowance have been 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.**

**Response:**

In Table 7-2, column 1 (Current Revenue) and column 2 (Test Year Revenue Assuming Current Revenue to Cost Ratios) have been derived as follows:

**Column 1 (Current Revenue)**

This column reflects the 2010 projected distribution revenue using existing rates. The figure in total ties back to the RateMaker model sheet C4 however, the pass-through amount (for LV recovery) has been allocated back by customer rate class. This column is based on existing (current) rates which do not reflect results from the 2006 Cost Allocation Informational Filing submitted on February 28, 2007 nor the more recent 2010 Cost Allocation Study.

Column 2 (Test Year Revenue Assuming Current Revenue to Cost Ratios)

This column reflects the 2010 test year revenue. It is derived by taking the 2010 allocated costs and applying the revenue to cost ratios from the 2006 Cost Allocation Informational Filing with the Transformer Ownership Allowance removed and including model corrections. Any residual difference in taking this approach was not material and was allocated proportionately by customer class.

Column 3 (Test Year Revenue Assuming Proposed Revenue to Cost Ratios)

This column reflects the 2010 test year revenue. It is derived by taking the 2010 allocated costs and applying the 2010 revenue to cost ratios proposed in the application. The breakdown is included sheet F4 of the Ratemaker model.

**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.**

**Response:**

Whitby Hydro confirms that Table 8-5 includes 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 that demand-billed customers.**

**Response:**

a) Transmission rate charges to customers are calculated using either kW or kWh billing determinants depending on the customer classification. In the case of customers that are billed on a kWh basis, the transmission charges are based on loss adjusted kWh. As a result, the transmission charges collected are affected by three variables:

- Customer's meter read consumption (kWh)
- Distributor's approved TLF
- Distributor's approved Transmission Network and Line and Transformation Connection Service Rates.

Whitby Hydro's proposed transmission rates follow the Board's Guideline on Electricity Distribution Retail Transmission Service Rates (G-2008-0001). The Guideline states that for a Cost of Service application, distributors should file:

“A calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective July 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts.”

Whitby Hydro prepared a review of transmission charges projected to be collected and the projected costs charged by the IESO and Hydro One. These estimates were done assuming the currently approved RTSRs and TLF. In attempting to move to a 1:1 revenue to cost relationship, Whitby Hydro first established the adjustment to existing rates required to do this. This adjustment was then applied to all customer classes. As part of the analysis, Whitby Hydro realized that the TLF was also a component that affected the transmission revenue collected and with the proposed TLF change (from 1.0601 to 1.0454), the calculation of proposed RTSRs would be incomplete and result in a transmission revenue deficit if the impact of the reduced TLF was not incorporated into the analysis. As a result, for those customer classes billed on loss adjusted kWh, an additional adjustment which equated to the change in the TLF was required in order to maintain the proposed the revenue to cost ratio relationship of 1:1.

**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.)**

**Response:**

Whitby Hydro assumes that the referenced interrogatory should read #2 (not #1). On this basis, a calculation of the RTSRs has been provided below which yields a revenue to cost ratio of 1 based on the response to IR #2. There are no LV rates assumed/included in these calculations as the LV rates have been incorporated into the LV (see interrogatory #3 and 23).

**Recalculation of Retail Transmission Rates - Board Staff IR #22 b)**

		(A) 2010 Forecast kWh/kW	(B) Approved TLF	Loss Adjusted kWh (A x B)	Approved RSTR Network	Approved RSTR Connection	Fcst Network Revenue	Fcst Connection Revenue
Residential	kWh	350,407,180	1.0601	371,466,652	\$0.0052	\$0.0053	1,931,627	1,968,773
GS<50 kW	kWh	75,150,446	1.0601	79,666,988	\$0.0048	\$0.0048	382,402	382,402
GS>50 kW	kW	966,330	n/a	966,330	\$1.9491	\$1.8879	1,883,474	1,824,334
USL	kWh	2,493,809	1.0601	2,643,687	\$0.0048	\$0.0048	12,690	12,690
Sentinel Lights	kW	120	n/a	120	\$1.4774	\$1.4901	177	179
Street Lights	kW	24,361	n/a	24,361	\$1.4699	\$1.4595	35,808	35,555
							4,246,177	4,223,933

	2010 Projected Revenue	2010 Projected Costs	Revenue to Cost Ratios	Revenue Short/(Over)	Required Rate Incr/(Decr)
Transmission Network	4,246,177	4,832,025	0.88	585,847.92	13.80%
Transmission Connection	4,223,933	4,119,079	1.03	(104,853.80)	-2.48%
	8,470,110	8,951,104	0.95	480,994.12	5.68%

**2010 Proposed Transmission Rates (recalculated per Board Staff IR #22 b)**

	Current Rates	Rev to Cost Adjustment	Adjustment (1.0601- 1.0454)	Total Adjustment	Proposed Rates
<u>Network</u>					
Residential	\$0.0052	13.80%	1.47%	15.27%	\$0.0060
GS< 50 kW	\$0.0048	13.80%	1.47%	15.27%	\$0.0055
GS> 50 kW	\$1.9491	13.80%		13.80%	\$2.2180
USL	\$0.0048	13.80%	1.47%	15.27%	\$0.0055
Sentinel Lighting	\$1.4774	13.80%		13.80%	\$1.6812
Street Lighting	\$1.4699	13.80%		13.80%	\$1.6727
<u>Line and Transformation Connection</u>					
Residential	\$0.0053	-2.48%	1.47%	-1.01%	\$0.0052
GS< 50 kW	\$0.0048	-2.48%	1.47%	-1.01%	\$0.0048
GS> 50 kW	\$1.8879	-2.48%		-2.48%	\$1.8410
USL	\$0.0048	-2.48%	1.47%	-1.01%	\$0.0048
Sentinel Lighting	\$1.4901	-2.48%		-2.48%	\$1.4531
Street Lighting	\$1.4595	-2.48%		-2.48%	\$1.4233

**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.**

**Response:**

An updated version of Table 8-11 has been provided below which using the updated forecast of LV costs calculated in interrogatory #3.

**Table 8-11: Updated Calculation of 2010 LV Recovery Rates (based on revised LV Cost Forecast (as per Board Staff IR #3))**

Customer Class Name	LV Charges Allocated	Forecast Volumes (kW or kWh)	LV Recovery Rate
Residential	112,099	350,407,180	0.0003
General Service Less Than 50 kW	22,192	75,150,446	0.0003
General Service 50 to 4,999 kW	104,694	966,330	0.1083
Unmetered Scattered Load	736	2,493,809	0.0003
Sentinel Lighting	10	120	0.0855
Street Lighting	2,040	24,361	0.0838
<b>TOTAL</b>	<b>241,772</b>		

**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:**

<b>Principal:</b>	<b>(1,453,107)</b>
<b>Interest:</b>	<b>973,744</b>

**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.**

**Response:**

The primary reasons why the principal is a credit number, while the interest is a debit number can be summarized as follows:

- 1) The credit amount of \$1,453,107 is comprised of the principal portion only of the approved regulatory balances (approximately \$4.4M as per table 9-1) as well as the recovered revenue (through rates). It is important to remember that while only the principal portion of the regulatory balances is included here, the revenue recovery portion was designed to recover the total regulatory asset balance (both principal and interest) and as such this grouping of costs/revenue leads to showing the principal balance in a credit position when aggregating both components.
- 2) Conversely, the interest amount of \$973,744 (debit) relates strictly to the interest calculated on the regulatory asset principal amount (debit) and any interest collected on the revenue recovery amounts (credit). As noted in #1, this grouping of principal and interest does not match up the interest on regulatory assets (debit) with the revenue recovery to offset the interest (credit) which results in a debit balance as the full amount of the revenue recovery is considered "principal".
- 3) Whitby Hydro over-recovered when collecting regulatory rate riders due to higher growth levels in the years where the regulatory asset revenue was recovered versus the historical levels that were used to develop the rates. This contributes to the credit principal balance.

## **25. Variance Account 1588**

**Ref: Exhibit 9, p. 423**

**Table 9-6 shows the following:**

<b>Allocators</b>	<b>2010 Projection Total</b>
<b>kWh's</b>	<b>851,733,259</b>
<b>kWh – non RPP Customers</b>	<b>1,492,991,890</b>

**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?**

### **Response:**

Whitby Hydro confirms that the first entry represents the total retail kWh 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 2<sup>nd</sup> entry above, i.e. 1,492,991,890) larger than the total kWhs for Whitby Hydro?**

**Response:**

Whitby Hydro did not originally anticipate a need to separate out the 2010 load forecast into kWh for RPP versus non-RPP customers. As such, for the purpose of the allocation of 1588 – Power subaccount for Global Adjustment, Whitby used the non-RPP kWh data for meter reads from 2005 to 2008 which is the period during which the variance occurred. Whitby Hydro felt that this information was the best available to use as the basis for allocating costs in this account. This approach effectively aggregates three years of non-RPP kWh data by customer class so that the weighted average proportions are used for allocating the balances. As a result, while the number for non-RPP kWh customers is higher as it includes three years of historical data versus the 2010 load forecast data, the methodology used is sound in allocating the balance for 1588 – Power subaccount Global adjustment.

- c) If necessary, please correct and re-file the evidence, including rate rider calculations.**

**Response:**

As per the explanation provided in response b), there is no correction required for the allocation of sub-account 1588 – Power Global Adjustment as the proportions allocated were derived based on the best available information.

**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.**

**Response:**

The rate rider calculations have been summarized in the chart below which compares those proposed by Whitby Hydro and those that would apply to RPP customers if the 1588 sub-account for GA was disposed of as a separate rate rider applied only to the non-RPP customers in the class. The comparisons below support Whitby Hydro's position (Exhibit 9, pages 420-422) that the impact to the RPP customers would not be material.

**Regulatory Asset Rate Rider (RAR) Calculations for Board Staff IR# 26a)**

		Residential	GS<50 kW	GS>50 kW	USL	Sentinel Lights	Street Lighting
Total Recoveries Required	(5,676,829)	(2,387,367)	(541,948)	(2,657,384)	(17,709)	(236)	(72,185)
1588 RSVA Power - Global Adjustment	466,540	26,467	8,837	427,126	0	4	4,106
Total Recoveries Required (Excluding GA)	(6,143,369)	(2,413,834)	(550,786)	(3,084,510)	(17,709)	(240)	(76,291)
Recovery Period (Yrs)		4	4	4	4	4	4
Annual Recovery Amounts	(1,419,207)	(596,842)	(135,487)	(664,346)	(4,427)	(59)	(18,046)
Annual Recovery Amounts (Excluding GA)	(1,535,842)	(603,459)	(137,696)	(771,128)	(4,427)	(60)	(19,073)
Annual Volume	kWh or kW	350,407,180	75,150,446	966,330	2,493,809	120	24,361

RAR - Proposed	kWh or kW	(\$0.0017)	(\$0.0018)	(\$0.6875)	(\$0.0018)	(\$0.4912)	(\$0.7408)
Estimated Monthly kWh/kW per Customer		800	2,000	100	500	1	1
Estimated Monthly Bill Impact		\$ (1.36)	\$ (3.61)	\$ (68.75)	\$ (0.89)	\$ (0.49)	\$ (0.74)

RAR - for RPP customers (excluding GA)		(\$0.0017)	(\$0.0018)	(\$0.7980)	(\$0.0018)	(\$0.4990)	n/a
Estimated Monthly kWh/kW per Customer		800	2,000	100	500	1	
Estimated Monthly Bill Impact		\$ (1.38)	\$ (3.66)	\$ (79.80)	\$ (0.89)	\$ (0.50)	

Estimate Monthly Bill Impact Difference \$		\$ (0.02)	\$ (0.05)	\$ (11.05)	\$ -	\$ (0.01)	n/a
Estimate Total Bill \$		\$ 99.05	\$ 240.17	\$ 9,417.30	\$ 66.58	\$ 29.15	
Estimate Monthly Bill Impact Difference %		-0.02%	-0.02%	-0.12%	0.00%	-0.03%	

\* No estimate has been provided for Streetlighting as the only customer in this class is a non-RPP customer.

**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?**

**Response:**

Whitby Hydro has reviewed the Enersource Hydro Decision and it appears that this approach would be easier and less costly to implement should a separate rate rider for 1588 sub account for Global Adjustment be required by the Board.

If Whitby Hydro did not have this option, setting up a rate rider through the distribution charge to target non-RPP customers would require the design, set up and testing of new rate classes for customers that are non-RPP and these would have to be monitored and modified manually whenever there were changes (ie. as customer sign up or cancel retailer contracts etc). It is believe that this type of manual process requires more staff effort and leaves an increased room for errors/omissions.

While Whitby Hydro would prefer a similar approach as that proposed by Enersource Hydro as an easier and more cost effective approach (if option 2 were required), there would still be additional testing and set-up time required if the rate rider needs to be presented as a separate line item on the bill. Testing and set-up time would be estimated at approximately one month of staff effort which would include some vendor involvement and scheduling.

Whitby Hydro suggests that the incremental staff time and effort and any involvement by the CIS system provider could be avoided without any material impact to customers by continuing to using a single regulatory asset rate rider (option 1) which is based on allocators that represent cost causality.

**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?**

**Response:**

Whitby Hydro could exclude MUSH customers by setting up a new separate sub-class/category however there are some concerns/questions that Whitby Hydro feels are important to address if consideration is being given to excluding the MUSH customers. Depending on the how these items are addressed will affect the time, effort and cost of re-classifying the MUSH customers appropriately. The concerns are highlighted as follows:

- i. It cannot be assumed that all MUSH customers were RPP during the entire time period that the 1588 subaccount for Global Adjustment built up a balance (to December 2008) as some of these customers may have signed a retailer contract.
- ii. It would require a detailed analysis of all MUSH customers to determine which customers were non-RPP customers prior to the November 1, 2009 transition date which was set for MUSH customers to move off of RPP.
- iii. If a decision is made to remove the MUSH customers is based on the premise that these customers did not contribute to the GA variance balance requested for recovery, Whitby Hydro suggests that it is not reasonable to treat all MUSH customers in a similar fashion. Consideration should be given to establish specific criteria to clarify how the different MUSH customers should be handled.

Whitby Hydro does not currently track MUSH customers separately in its CIS system. Assuming that the intent is to only separate out the MUSH customers that were RPP customers prior to December 2008, a review of all MUSH customers would be required to ensure fairness before the re-classification process took place. The timing of when MUSH customers were moved to non-RPP may be important if specific criteria were to be established and it would be important for rate riders to be reflective of this. Once this review was completed, Whitby Hydro would need to determine which MUSH customers needed to be re-classified to the new sub-classes. New sub-classes would require system set-up and each customer need to be manually re-classified. Once completed, system testing would be required to ensure the set-ups, billing calculations and print layout was accurate for the new sub-classes. It is estimated that the effort required would be approximately one month's work.

## **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?**

**Response:**

Whitby Hydro indicated in Exhibit 9, page 422 that it is proposing a four year recovery period given the significant net balance (\$5.7M credit) in the accounts that have been included in the request for disposition. These balances have built up over a four year period and while disposing over a shorter time period may appear to have some immediate short-term benefits to customers, the removal of this rate rider after one year would create rate shock. Whitby Hydro believes it is important to consider the fact that the balances have built up over a longer period of time, and it would be more appropriate to incorporate a recovery period and resulting rate rider that will smooth out the effects so that customers are not experiencing significant swings in rates over short periods of time.

It should be noted that even with the proposed regulatory asset disposition over a four year recovery period, the overall bill impacts identified in this application (Exhibit 8, Table 8-16) were still relatively modest and reasonable in all rate classes.

For comparative purposes, the regulatory asset rate rider (RAR), if calculated based on a one year recovery period would equate to over -40% of the proposed distribution rates based on an average of all customer classes. In the case of the GS>50 kW customer class, the RAR would represent more than -67% of the distribution rate proposed for that class. These comparatives highlight the importance of keeping customer rates reasonable and avoiding rate shock when rate riders are introduced or removed.

- b) Please provide alternative rate rider calculations if the rate riders were disposed of over 1 year or 2 years.**

**Response:**

The regulatory asset rate riders calculated over 1, 2, and 4 years are as follows:

**Regulatory Asset Rate Riders**

		Recovery Period		
		1 year	2 year	4 year
Residential	/kWh	(0.0068)	(0.0034)	(0.0017)
GS<50 kW	/kWh	(0.0072)	(0.0036)	(0.0018)
GS<50 kW	/kW	(2.7500)	(1.3750)	(0.6875)
USL	/kWh	(0.0071)	(0.0036)	(0.0018)
Sentinel Light	/kW	(1.9646)	(0.9823)	(0.4912)
Streetlighting	/kW	(2.9631)	(1.4816)	(0.7408)

**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.**

**Response:**

Whitby Hydro has confirmed with Burman Energy Consultants Group Inc (BECGI) that any updated information from the OPA Mass Market Measures and Assumptions – April 2009 was used for Third Tranche and Whitby Hydro funded programs. Whitby Hydro did not include any custom programs in the LRAM request. OPA programs rely on the results published by the OPA with the exception of the OPA Community Initiatives where the OPA Mass Market Measures and Assumptions – April 2009 were used.

## **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.**

### **Response:**

The context of the quote above is in relation to CDM programs which were funded by the shareholder (these are generally referred to in the application as Whitby Hydro or distributor funded programs). More specifically, the Whitby Hydro funded program that was done in partnership with other agencies and Enbridge, is the Whitby Hydro Low Income Program (this program is described on page 452 of the application).

In determining eligibility, Whitby Hydro reviewed the Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037 ("CDM Guidelines"), specifically section 5.1 on eligibility. While this section does not reference distributor funded programs, the fact that Whitby Hydro decided to implement a low income program that was funded by their shareholder as compared to requesting funding through rates should not remove it from eligibility for LRAM. Inclusion of these programs for LRAM calculations is consistent with LRAM objectives which support compensation for distributor-induced lost revenue so as to remove the disincentive which otherwise would result from the negative effect on throughput of distributor CDM programs. Additionally, section 5.1 does refer to partnering on programs with other entities, specifically:

"Distributors may undertake some programs in partnership with other entities, such as natural gas utilities or community agencies. In assessing the distributor's involvement in program delivery, and the resulting potential impacts on revenue, distributors should be guided by section 3.4.2 regarding the attribution of benefits. Distributors may only recover LRAM for revenue losses that can be attributed to the distributor's involvement in the program."

Section 3.4.2 identifies that attribution of benefits are determined on a case-by-case basis and that a distributor can claim 100% attribution of benefits by demonstrating that their role was central to the program.

"Centrality is established by the distributor if its financial contribution is greater than 50% of the program funding or, where the distributor's financial contribution

is less than 50% of the program funding, the distributor initiated the partnership, initiated the program or initiated the implementation of the program. Where the distributor's financial contribution is less than 50%, the Board expects that the distributor will provide supporting documentation outlining its role in the program.”

Whitby Hydro played an integral role in this Low Income Program which can be summarized as follows:

- Procurement of and financial funding for 100% of the two CFLs included in the Energy Green boxes as well as the cost of the reusable cloth bags for the Bags for Life component of the program.
- Receipt of Energy Green boxes and placement of product into boxes
- Adhering co-branding stickers to boxes
- Provided inventory warehousing for assembled boxes
- Co-ordination and delivery boxes to Whitby Food Bank to accommodate storage limitations of the Food Bank while still accommodating the needs of the low-income families.
- Provided training to Whitby Food Bank social workers so that they could educate families on energy efficient technologies.

For the purpose of the LRAM claim, Whitby Hydro only included energy savings related to the CFL technology in its application. Any other Whitby Hydro funded programs (ie. Seniors program and Community Events program) were fully funded and implemented through Whitby Hydro.

In addition to Whitby Hydro's own review of eligibility, Burman Energy Consultants Group Inc (BECGI) also reviewed the full list of CDM programs (third tranche, OPA, Whitby Hydro funded) to determine which programs were eligible. In BECGI's opinion, all Whitby Hydro funded programs were considered eligible for LRAM as noted in Section 6 (page 5) of their report (Exhibit 10, page 476) entitled Whitby Hydro Electric Corporation LRAM Support dated November 23, 2009 which reads:

“Lost revenue from results attributable to Whitby Hydro funded programs were also included in the LRAM calculations. Although not specifically addressed in the CDM Guidelines, this assessment was considered to be consistent with the CDM Guideline intention of removing the disincentive of eroding distributor revenues due to lower than forecast revenues.”

### **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.**

**Response:**

Whitby Hydro has reviewed the interrogatories from Board Staff and other intervenors and has highlighted the following corrections/adjustments:

1) *Cost of Capital Parameters* - Whitby Hydro identified in its original application that updates for the most recent Cost of Capital Report would need to be incorporated into its application once they had been finalized. In December 2009, the Board released its Cost of Capital Report and on February 24, 2010, the Board's updated parameters for 2010 rate applications became available. Whitby Hydro intends to update its application to reflect:

a. ROE:	9.85%
b. Deemed Long Term Debt Rate:	5.87%
c. Deemed Short Term Debt Rate:	2.07%
d. Affiliate Debt callable within test year	5.87%
e. Affiliate Debt not callable within test year	7.00%
f. New third-party debt	5.24%

Note that the December 2009 Cost of Capital Report provides direction on the circumstances when the deemed long term debt rate would apply (page 54 of the Report). On this basis Whitby Hydro will apply the deemed rate to its long term debt that is callable on demand (within the test year period). For long term debt that is callable but not within the period to the end of the test year, Whitby Hydro will apply the lower of the actual rate and the deemed rate at the time of issuance. New third-party debt has been added to reflect incremental borrowing anticipated to occur on or around September 1, 2010.

The rate used for new third-party debt is the currently published rate for Infrastructure Ontario (IO). While this rate has not been negotiated, Whitby Hydro will update its evidence with a negotiated third-party rate should it become finalized during this proceeding.

Further details can be found in the response to VECC interrogatory #39.

2) *Commodity Cost of Power* - Whitby Hydro acknowledges an error in the rate used for the commodity cost in its application. The original application used \$0.06125/kWh instead of \$0.06215/kWh (RPP Price Report – October 12, 2009). As referenced in VECC interrogatory response #20 a), Whitby Hydro suggests that the most recent RPP Price Report dated April 15, 2010 should be used to update this figure. On this basis, Whitby Hydro will update its

application using the average supply cost for RPP consumers of \$0.06938/kWh.

- 3) Secondary Services - The net book value of the secondary services and associated amortization expense has been restated to reflect the net book as of December 31, 1999. As a result, the rate base has been reduced by \$139,253 (\$677,687 -\$538,434) and depreciation expense has been reduced by \$9,283 (\$75,006-65,723) However, the original amount of \$677,687 was treated as a regular capital addition and incorrectly averaged since these additions occurred prior to 2010. The impact of this adjustment to rate base is \$338,843. Whitby Hydro will update its application as per the summary below:

<b>Secondary Service Adjustment</b>		
	Rate	
	Base	Depreciation
<u>Net Book Value Restatement</u>		
Original Net Book Value	-677,687	
Restated Net Book Value	538,434	
	<u>-139,253</u>	
<u>Depreciation Restatement</u>		
Original Depreciation		-75,006
Restated Depreciation		65,723
		<u>-9,283</u>
Correction for averaging for addition 677,687 /2=338,844	<b>338,844</b>	
<b>Total Impact</b>	<b>199,591</b>	<b>-9,283</b>

For ease of identifying the impact of the three changes outlined above, a schedule has been provided which summarizes each individual impact as well as the net impacts on revenue requirement.

Transmission and Low Voltage Cost

Whitby Hydro also acknowledged in its original application the need to update Retail Service Transmission Rates (RSTRs) for any updates related to the new Uniform Transmission Rates (UTRs). In response to Board Staff interrogatory #2, Whitby Hydro has provided an updated 2010 forecast for transmission costs. These costs include updates for the latest UTRs as well the updated proposed rates for Hydro One transmission costs (EB-2009-0096). While Whitby Hydro has provided a recalculation of RTSRs in its response to Board Staff interrogatory #22, it acknowledges that the Hydro One transmission rates are not yet finalized. It is expected that the final Hydro One transmission rates will be available during this proceeding and Whitby Hydro will update its application at

that time and recalculate its proposed RTSRs and the impact on working capital and revenue requirement at that time. If the final Hydro One rates are delayed, Whitby Hydro will update its evidence on transmission costs and RSTRs on the basis of the most current information available at that time for UTRs and Hydro One rates.

In Board Staff interrogatory response #3, Whitby Hydro identified that there have been updates proposed by Hydro One in its application (EB-2009-0096) for LV rates and has provided an updated forecast on this basis. Upon finalization and approval of Hydro One's rates, Whitby Hydro plans to update its application to incorporate a forecast for LV costs which is based on the latest Hydro One LV rates. If the final Hydro One rates are delayed, Whitby Hydro will update its evidence on LV costs and rate adders using the most current Hydro One rates available at that time.

**REVENUE REQUIREMENT CONTROL LOG: (INDIVIDUAL CHANGES)**

<b>Change</b>	<b>Average Net Fixed Assets</b>	<b>Expenses For Working Capital</b>	<b>Working Capital Allowance</b>	<b>Rate Base</b>	<b>Debt Interest</b>	<b>Equity</b>	<b>OMA</b>	<b>Depreciation</b>	<b>PILS</b>	<b>Total</b>
<b><u>Commodity</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		7,238,968	1,085,845	1,085,845	46,913	34,790			16,445	98,148
	64,117,056	85,121,505	12,768,226	76,885,282	3,321,752	2,463,404	8,919,421	4,929,391	1,211,370	20,845,338
<b><u>Secondary Services</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact	199,591			199,591	8,623	6,395		-9,283	3,022	8,757
	64,316,647	77,882,537	11,682,381	75,999,028	3,283,462	2,435,009	8,919,421	4,920,108	1,197,947	20,755,947
<b><u>Cost of Capital</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact					-379,807	557,884			250,643	428,720
	64,117,056	77,882,537	11,682,381	75,799,437	2,895,032	2,986,498	8,919,421	4,929,391	1,445,568	21,175,910
<b>Total Changes</b>	199,591	7,238,968	1,085,845	1,285,436	-324,271	599,069	0	-9,283	270,110	535,625

<b>REVENUE REQUIREMENT CONTROL LOG: (TOTAL IMPACT)</b>										
	Average Net Fixed Assets	Expenses For Working Capital	Working Capital Allowance	Rate Base	Debt Interest	Equity	OMA	Depreciation	PILS	Total
<b>Initial Request</b>	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
<b><u>Change</u></b>										
<b>Commodity</b>		7,238,968	1,085,845	1,085,845						0
	64,117,056	85,121,505	12,768,226	76,885,282	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
<b>Secondary Services</b>	199,591			199,591				-9,283		-9,283
	64,316,647	85,121,505	12,768,226	77,084,873	3,274,839	2,428,614	8,919,421	4,920,108	1,194,925	20,737,907
<b>Cost of Capital</b>					-330,712	608,530			274,361	552,179
<b>Ending Balance</b>	64,316,647	85,121,505	12,768,226	77,084,873	2,944,127	3,037,144	8,919,421	4,920,108	1,469,286	21,290,086
<b>Total Changes</b>	199,591	7,238,968	1,085,845	1,285,436	-330,712	608,530	0	-9,283	274,361	542,896

- 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.**

**Response:**

A revised calculation of the Revenue Deficiency is included below based on the changes (items #1-3) identified in part (a). While Board Staff has requested that the impacts of Transmission and LV costs identified in interrogatory #2 and #3 be included, Whitby Hydro has omitted them at this time with the understanding that these will be updated at a later date to include final Hydro One rates (which are expected by end of April 2010 according to Hydro One). If the final Hydro One rates are delayed, Whitby Hydro will update its evidence using the most current rate information available at that time.

Please see part (a) item #1 with regards to the assumptions on long term debt.



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation  
File Number: EB-2009-0274  
Rate Year: 2010

### Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$2,008,932		\$2,551,826
2	Distribution Revenue	\$17,847,514	\$17,847,514	\$17,847,514	\$17,847,517
3	Other Operating Revenue Offsets - net	\$890,743	\$890,743	\$890,743	\$890,743
4	<b>Total Revenue</b>	<b>\$18,738,257</b>	<b>\$20,747,189</b>	<b>\$18,738,257</b>	<b>\$21,290,086</b>
5	Operating Expenses	\$13,894,412	\$13,894,412	\$13,886,093	\$13,886,093
6	Deemed Interest Expense	\$3,274,839	\$3,274,839	\$2,944,127	\$2,944,127
	<b>Total Cost and Expenses</b>	<b>\$17,169,251</b>	<b>\$17,169,251</b>	<b>\$16,830,220</b>	<b>\$16,830,220</b>
7	<b>Utility Income Before Income Taxes</b>	<b>\$1,569,006</b>	<b>\$3,577,938</b>	<b>\$1,908,037</b>	<b>\$4,459,866</b>
	Tax Adjustments to Accounting				
8	Income per 2009 PILs	\$129,559	\$129,559	\$129,553	\$129,553
9	<b>Taxable Income</b>	<b>\$1,698,565</b>	<b>\$3,707,497</b>	<b>\$2,037,590</b>	<b>\$4,589,419</b>
10	Income Tax Rate	31.00%	31.00%	31.00%	31.00%
11	<b>Income Tax on Taxable Income</b>	<b>\$526,555</b>	<b>\$1,149,324</b>	<b>\$631,653</b>	<b>\$1,422,720</b>
12	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
13	<b>Utility Net Income</b>	<b>\$1,042,451</b>	<b>\$2,428,614</b>	<b>\$1,276,384</b>	<b>\$3,037,144</b>
14	<b>Utility Rate Base</b>	<b>\$75,799,437</b>	<b>\$75,799,437</b>	<b>\$77,084,874</b>	<b>\$77,084,874</b>
	Deemed Equity Portion of Rate Base	\$30,319,775	\$30,319,775	\$30,833,950	\$30,833,950
15	Income/Equity Rate Base (%)	3.44%	8.01%	4.14%	9.85%
16	Target Return - Equity on Rate Base	8.01%	8.01%	9.85%	9.85%
	Sufficiency/Deficiency in Return on Equity	-4.57%	0.00%	-5.71%	0.00%
17	Indicated Rate of Return	5.70%	7.52%	5.48%	7.76%
18	Requested Rate of Return on Rate Base	7.52%	7.52%	7.76%	7.76%
19	Sufficiency/Deficiency in Rate of Return	-1.83%	0.00%	-2.28%	0.00%
20	Target Return on Equity	\$2,428,614	\$2,428,614	\$3,037,144	\$3,037,144
21	Revenue Sufficiency/Deficiency	\$1,386,163	(\$0)	\$1,760,760	\$0
22	<b>Gross Revenue Sufficiency/Deficiency</b>	<b>\$2,008,932 (1)</b>		<b>\$2,551,826 (1)</b>	

**Notes:**

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)  
Per Board Decision - reflects only changes outlined in Board Staff IR#1 for commodity cost, secondary services, and Cost of Capital Parameters (Feb 24, 2010 Report). Note that Long Term Debt Rate uses the weighted average rate of 6.67%.