



April 28, 2010

BY COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th 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 all remaining interrogatories submitted by the Vulnerable Energy Consumers Coalition (VECC) on March 26, 2010. A complete copy of all VECC 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 16th, 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)



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

March 26, 2010

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

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

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

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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

WHITBY HYDRO ELECTRIC CORPORATION 2010 RATE APPLICATION

(EB-2009-0274)

VECC'S INTERROGATORIES

GENERAL

Question #1

Reference: Exhibit 1, page 11

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

Response:

While Whitby Hydro acknowledges that our 2010 rate application was filed late, we respectfully request that the Board issue the final Rate Order so that the approved rates can be implemented by July 1, 2010 with an effective date of May 1, 2010. Please see the responses to SEC IR#1 and EP IR#2.

Question #2

Reference: Exhibit 1, page 24

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

Response:

As of the end of 2009 Whitby Hydro had 141 km of 44kV feeder line, 869 km of 13.8Kv feeder line and 24 km of 4.16kV feeder line in operation

Question #3

Reference: Exhibit 1, page 28

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

Response:

Whitby Hydro receives its supply from two (2) Hydro One Transformer Stations (TS) at 44 kV. Hydro One substation designated Whitby TS provides nine (9) 44 kV feeders and Hydro One substation designated Thornton TS supplies four (4) 44 kV feeders. These feeders are routed throughout the Whitby Hydro franchise area in a network format which facilitates the movement of load from one feeder

to another and in some instances from one TS to another to improve system reliability and minimize outages. The equipment at each Hydro One TS is owned by Hydro One. Whitby Hydro owns the cables which connect to the load side of the feeder breakers and egresses from the transformer stations.

Question #4

Reference: Exhibit 1, page 28

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

Response: Confirmed.

Question #5

Reference: Exhibit 1, page 36

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

Response:

Whitby Hydro Approved Operation, Maintenance & Administration Budget

	2010		2011	2012
	Rate Application 2010	Additions to Whitby Hydro Board Approved Budget	Whitby Hydro Approved Budget	Whitby Hydro Approved Budget
Operations	1,970		1,970	2,106
Maintenance	1,890	135	2,025	2,184
Billing and Collections	2,166		2,148	2,120
Administration & General				
Rate Application costs	63	125	188	
IFRS costs		80	80	
Administration & General	2,830		2,830	
Total Administration & General	2,893	205	3,098	3,053
HST		30		
CDM		69	69	69
Smart Meter Expense		293	531	491
	8,919	732	9,651	10,023

Additions to Whitby Hydro Board Approved Budget:

1. Maintenance: Rate application costs have been normalized to address the shift from capital work to maintenance. (see page 217, line 10); however, Whitby Hydro Board budget includes full costs projected to be incurred in 2010.
2. Rate Application costs: These costs have been amortized over 4 years for the Rate Application but the Whitby Hydro Board budget includes full costs projected to be incurred in 2010.
3. IFRS costs: There are no IFRS costs in the Rate Application but Whitby Hydro Board budget includes full costs projected to be incurred in 2010.
4. HST: The HST savings in the Rate application have been averaged over 4 years, while Whitby Hydro Board budget reflects half year of savings.

**Whitby Hydro Approved Capital Budgets
FOR THE YEARS 2010-2012**

<u>Investment Category</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Rate Application Costs (1)</u>			
Customer Demand	1,124,000	1,181,000	956,000
Reliability	3,409,000	2,877,000	2,675,000
Regulatory	2,305,000	1,457,000	2,635,000
Subdivision Development	892,000	255,000	270,000
SCADA	80,000	82,000	84,000
Meters	132,000	95,000	122,000
Computer Hardware	86,000	65,000	65,000
Computer Software	204,000	106,000	107,000
Buildings	157,000	52,000	52,000
Office Equipment & Tools	20,000	20,000	10,000
Land			
Total Rate Application Costs	8,409,000	6,190,000	6,976,000
Less Secondary Services (2)	678,000		
Smart Meters	6,688,000	335,000	357,000
Whitby Hydro Approved Budget	14,419,000	6,525,000	7,333,000

Notes:

1. Detail for Rate Application Costs is found on pages 133-145.
2. Detail for Secondary Services is found page 147. These costs are an addition to rate base only.

RATE BASE

Question #6

Reference: Exhibit 2, page 101

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

Response:

Table 2-1 System Expansion - OEB PBR Filings (Updated for 2009 Actual and 2010 Forecast)

Municipal Substation Transformers		2002	2003	2004	2005	2006	2007	2008	2009	2010
Opening Balance	12									
MS 12		1							2	
MS 13			1							1
MS 14				3						
MS 15					3					
MS 10B						1				
MS 6							1			
MS 7								3		
MS 2										
YTD Additions		13	14	17	20	21	22	25	27	28
YTD % Change		8.3%	16.7%	41.7%	66.7%	75.0%	83.3%	108.3%	125.0%	133.3%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Kilometers of Line										
Overhead	456	463	472	475	476	491	495	495	501	
Underground	443	465	484	505	520	530	535	539	550	
Total	899	928	956	980	996	1,021	1,030	1,034	1,051	
		29	28	24	16	25	9	4	17	152
		3.3%	3.0%	2.5%	1.6%	2.5%	0.9%	0.4%	1.6%	16.9%

Transformers	4,577	4,765	4,871	5,024	5,169	5,222	5,256	5,264	5,357	
		188	106	153	145	53	34	8	93	780
		4.1%	2.2%	3.1%	2.9%	1.0%	0.7%	0.2%	1.8%	17.0%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Customers	31,237	33,371	35,146	36,487	37,649	38,279	39,226	39,514	39,856	
		2,134	1,775	1,341	1,162	630	947	288	342	8,619
		6.8%	5.3%	3.8%	3.2%	1.7%	2.5%	0.7%	0.9%	27.6%
MWH	780,336	792,492	825,196	911,869	897,193	911,212	897,674	876,960	851,733	
		12,156	32,704	86,673	-14,676	14,019	-13,538	-20,714	-25,227	71,397
		1.6%	4.1%	10.5%	-1.6%	1.6%	-1.5%	-2.3%	-2.9%	9.2%
MVA	168	200	165	209	220	211	187	205	207	
		32	-35	44	11	-10	-23	18	2	39
		19.0%	-17.5%	26.7%	5.4%	-4.4%	-11.1%	9.6%	1.0%	23.2%
Average Use	2,082	1,979	1,957	2,083	1,986	1,984	1,907	1,849	1,781	
		-103	-22	126	-97	-2	-77	-58	-69	-301
		-4.9%	-1.1%	6.4%	-4.6%	-0.1%	-3.9%	-3.0%	-3.7%	-14.5%
Average VA	5,378	5,990	4,695	5,728	5,851	5,499	4,770	5,188	5,194	
		612	-1,296	1,033	123	-352	-729	418	6	-185
		11.4%	-21.6%	22.0%	2.2%	-6.0%	-13.3%	8.8%	0.1%	-3.4%

Question #7

Reference: Exhibit 2, pages 103-104

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

Response:

Whitby Hydro's capital investment and asset management processes have served the utility ratepayers well, and will continue to do so as the utility transitions to a more integrated approach over the next four years. Whitby Hydro has grown considerably since 2000 and in order to meet customer demand it has focused on expanding and maintaining its distribution using existing processes. Having reviewed the OEB's conclusions on the benefits of improved asset management, Whitby Hydro is committed to developing a more formal planning approach that will be better suited to its current and projected size.

Utilizing our recently upgraded GIS system, the transition process will begin with undertaking a project to populate/confirm the existing data in the GIS system which will be used to identify geographic plant locations and to integrate data on inspection and maintenance history, outage data, and asset condition. As part of this upgrade, a process will be put in place to link inspection and maintenance programs, capital expenditure planning, information management processes and capital finance planning in order to optimize lifecycle costing while maintaining high safety standards and high reliability.

In the area of inspections and maintenance we will continue to manage the level and frequency of inspection cycles prudently so that the results of inspections can be used to support the maintenance and capital planning in an efficient and cost-effective manner. The key practice enhancement will be an increase in the use of electronics record keeping in the recently upgraded GIS system to ensure that information is made available to engineering and operations staff.

In the area of capital planning, projects will continue to be categorized into the areas of customer demand, reliability and regulatory. Additional work is required in the area of asset condition assessment and life cycle analysis to assist in determining optimal replacements. Having this data will allow better informed decisions related to prioritizing projects for asset replacement going forward.

Question #8

Reference: **Exhibit 2, page 104**

a) If available, please provide the comparable reliability statistics for 2004, 2005 and 2009.

Response:

The following chart outlines Whitby Hydro's reliability statistics for the years 2004 to 2009 inclusive and provides statistics including and excluding Loss of Supply.

	Service Reliability Indices			(Includes Loss of Supply)		
	2004	2005	2006	2007	2008	2009
Saiddi	0.463085	0.88135	0.786504	0.82946	0.242429	2.20642
Saifi	0.861216	1.229798	0.578674	1.050609	0.428123	1.57131
Caidi	0.538	0.717	1.359	0.79	0.566	0.566
	Service Reliability Indices			(Excludes Loss of Supply)		
	2004	2005	2006	2007	2008	2009
Saiddi	0.463085	0.88135	0.786504	0.451403	0.242429	0.679511
Saifi	0.861216	1.229798	0.578674	0.785915	0.428132	1.166307
Caidi	0.538	0.717	1.359	0.574	0.566	0.538

In 2009, Whitby Hydro experienced significantly higher than normal weather related outages with the highest months being August and December 2009 and significant loss of supply in August 2009. In fact, 75% of the customer outage hours in 2009 were caused by adverse weather conditions and lightening as the result of a severe storm in August 2009.

The following chart outlines Whitby Hydro's reliability statistics for the years 2004 to 2009 inclusive and provides statistics including and excluding Loss of Supply. This chart restates the 2009 statistics using average outage hours for weather related outages over 2004 to 2008 to achieve more realistic year over year statistics for comparison purposes. The total number of outage hours were reduced by 7,791 to account for above average adverse weather related outages.

Results indicate that when outage hours due to adverse weather conditions are reduced to average levels for 2009, reliability statistics excluding loss of supply are in line with previous years.

Service Reliability Indices				(Includes Loss of Supply)		
	2004	2005	2006	2007	2008	2009
Saidi	0.463085	0.88135	0.786504	0.82946	0.242429	2.205153
Saifi	0.861216	1.229798	0.578674	1.050609	0.428123	1.229711
Caidi	0.538	0.717	1.359	0.79	0.566	0.822
Service Reliability Indices				(Excludes Loss of Supply)		
	2004	2005	2006	2007	2008	2009
Saidi	0.463085	0.88135	0.786504	0.451403	0.242429	0.480427
Saifi	0.861216	1.229798	0.578674	0.785915	0.428132	0.824713
Caidi	0.538	0.717	1.359	0.574	0.566	0.583

b) Please contrast Whitby Hydro's reliability performance with that of the other distributors in the same OEB OM&A benchmarking cohort.

Response:

Whitby Hydro's reliability statistics are well below the average of those distributors in the same OEB OM&A benchmarking cohort grouping as indicated in the chart below.

Mid - Sized GTA Medium-High Undergrounding Cohort Grouping

Reliability Statistics (Includes loss of supply)

LDC	2005			2006			2007			2008		
	Saidd	Saifi	Caidi	Saidd	Saifi	Caidi	Saidd	Saifi	Caidi	Saidd	Saifi	Caidi
Barrie Hydro Distribution Inc.	2.55	3.70	0.69	3.61	3.29	1.10	2.38	3.23	0.74	2.28	3.35	0.84
Brantford Power Inc.	1.39	2.15	0.65	1.05	1.54	0.68	1.20	1.25	0.96	0.86	1.71	0.50
Burlington Hydro Inc.	1.27	1.21	1.05	1.05	0.88	1.19	1.03	0.68	1.51	1.36	1.70	0.80
Cambridge and North Dumfries Hydro	1.12	1.09	1.03	0.93	1.35	0.69	1.51	1.74	0.86	0.70	1.08	0.65
Guelph Hydro Electric System Inc.	0.48	1.04	0.46	0.36	1.18	0.31	0.59	1.02	0.58	0.57	1.42	0.40
Halton Hill Hydro Inc.	1.59	0.01	212	1.19	1.53	0.78	1.22	0.66	1.85	1.44	1.04	1.39
Kitchener-Wilmont Hydro Inc.	1.11	0.85	1.30	0.66	0.92	0.71	1.10	0.94	1.18	1.11	1.24	0.90
Milton Hydro Distribution Inc.	1.05	1.89	0.55	1.35	1.49	0.91	1.52	1.13	1.34	1.00	0.75	1.33
Newmarket - Tay Power Distribution	0.57	0.72	0.79	0.79	0.52	1.51	0.18	0.17	1.05	1.34	0.51	2.65
Oakville Hydro Electricity Distribution	2.49	1.64	1.52	1.49	1.09	1.36	1.26	1.72	0.73	1.54	1.60	0.96
Oshawa PUC Networks Inc.	1.16	1.17	0.99	2.27	1.29	1.76	1.76	1.16	1.51	1.73	1.80	0.96
Waterloo North Hydro Inc.	11.81	0.14	87.05	0.99	7.35	0.13	0.94	6.65	0.14	1.01	1.72	0.92
Whitby Hydro Electric Corporation	0.88	1.23	0.72	0.79	0.58	1.36	0.83	1.05	0.79	0.24	0.43	0.57
Average	2.11	1.30	23.75	1.27	1.77	0.96	1.19	1.65	1.02	1.17	1.41	0.99

Question #9

Reference: Exhibit 2, page 106

a) How was it determined that 1,000 poles is the appropriate number to inspect each year?

Response:

Whitby Hydro currently has a total 7,188 wood sub-transmission and distribution poles and 495 concrete distribution poles in the system. The inspection of 1,000 poles per year is based on a seven year cycle as recommended by Whitby Hydro's inspection and maintenance contractor. This allows for all poles to be inspected over a seven year period. As the number of poles in the distribution system increase over time, the number inspected each year will need to be adjusted to allow for a seven year inspection cycle

b) How does Whitby Hydro select the 1,000 poles to be inspected each year?

Response:

Currently, the Whitby Hydro inspector completes annual inspections of pole lines based on a grid of the service area. The grid is set up into seven sections each with approximately 1,000 poles to allow for a seven year inspection cycle.

Question #10

Reference: Exhibit 2, page 111

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

Response:

Whitby Hydro’s annual budget process is structured to have the capital works program completed within the calendar year. After the Board of Directors have approved the annual budget, a construction schedule is prepared to co-ordinate and schedule the capital works program over the period of the calendar year so as to make the best use of resources. Therefore, the capital expenditures in a given year typically match the capital additions that were undertaken in the calendar year and all budgeted projects are placed in service and are in use in by year end. Occasionally there are budget timing differences between the municipality and Whitby Hydro and changes to road authority project timing and priorities, as mentioned in the response to Energy Probe interrogatory 9(b).

Question #11

Reference: Exhibit 2, pages 115-137

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

Response:

The following charts outline gross and net spending associated with subdivision development and commercial servicing as requested.

SUBDIVISION DEVELOPMENT COSTS							
	2004	2005	2006	2007	2008	2009	2010
Gross Costs	2,785,000	2,913,000	2,513,000	1,750,000	2,944,000	1,166,000	1,227,000
Contributions	2,049,000	2,244,000	1,969,000	1,406,000	2,443,000	960,000	1,013,000
Net Costs	736,000	669,000	544,000	344,000	501,000	206,000	214,000
Lots Energized	1,522	1,348	1,082	669	887	369	385
Number of Subdivisions	28	21	30	25	31	24	30

COMMERCIAL DEVELOPMENT			
Year	Gross Expenditures	Net Expenditures	Number of Service Connected
2004	328,000	328,000	59
2005	624,000	624,000	53
2006	165,000	165,000	65
2007	267,000	267,000	44
2008	503,000	503,000	38
2009	466,000	466,000	25
2010	200,000	200,000	3

Question #12

Reference: Exhibit 2, page 129

- a) Please provide a schedule setting out the actual capital spending for 2009 by investment category.**

Response:

The following table outlines the actual capital spending by investment category for 2009.

2009 CAPITAL ADDITIONS			
Investment Category	Gross Additions	Contributions	Net Additions
Customer Demand	107,000	53,000	54,000
Reliability	4,380,000		4,380,000
Regulatory	458,000	44,000	414,000
Subdivision Development	1,168,000	960,000	208,000
Commercial Servicing	465,000	465,000	0
SCADA	35,000		35,000
Meters	89,000		89,000
Computer Hardware	65,000		65,000
Computer Software	257,000		257,000
Buildings	14,000		14,000
Office Equipment	9,000		9,000
Total	7,047,000	1,522,000	5,525,000

- b) Please identify any projects that were included in the Application's bridge year spending as filed by not actually completed in 2009. For each, please indicate whether it is Whitby Hydro's intention to complete in 2010 and whether the total cost (gross and net) has changed.

Response:

There were three projects that were not completed in 2009 that were related to road relocation works for the Region of Durham. Two of these projects will be completed in 2010 and the third project has been deferred by the Region until 2011. The gross and net amounts for the projects have not changed. Please refer to the response to Energy Probe interrogatory #9(b).

Question #13

Reference: Exhibit 2, pages 129 & 130

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

Response:

The capital contribution in the Customer Demand investment category in 2009 was the result of a line extension required to serve a new large general service customer. The customer located in an area where there were no existing supply facilities and Whitby Hydro extended overhead line facilities to service the customer. The economic cost recovery model was run as per the Distribution System Code which yielded a payment from the customer to Whitby Hydro in the amount of \$53,000.

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

Response:

The wood and concrete pole replacements discussed on page 130 were identified through the pole inspection program per page 106.

Question #14

Reference: Exhibit 2, pages 110 and 128

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

Response:

In 2008 there were software upgrades to the financial, customer information system and GIS system. In order to support these systems, a reconfiguration of the hardware infrastructure was required which included the upgrading of hardware servers. Although this one-time capital expenditure is higher than it would be in a typical year, that is the normal outcome from computer hardware investments which provide ongoing benefits over a number of years and must be made to implement new technologies and software improvements that are required to meet changing informational needs in cost control, customer care, and asset management.

Question #15

Reference: Exhibit 2, page 110

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

Response:

The budgeted amount of \$80,000 in the SCADA budget for 2010 represents a \$40,000 additional expense over previous spending for the purposes of Business Continuity preparedness for the operations area and outage management software. The amount represents the 1st year of a three year plan to digitize all operating diagrams and system maps and the phasing in of an outage management system.

This initiative will provide continued operations in the event of a catastrophic failure of Whitby Hydro's operations building or SCADA system. Whitby Hydro will

be able to continue to safely and effectively operate the electric system remotely. As well, the move to an automated outage management system to work in conjunction with our existing SCADA system will provide for efficient power restoration and improved customer communications related to outages.

Question #16

Reference: Exhibit 2, page 133

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

Response:

The level of “contributions” for Subdivision Development in both 2008 and 2010 are determined in the same manner as per the Distribution System Code.

As outlined in the chart below, contributions relative to gross additions are lower in 2010 as a result of the secondary services adjustment as outlined on page 147 of Whitby Hydro's rate application.

Comparison of Contributions for Subdivision Development				
	<u>Gross Additions</u>	<u>Contributions</u>	<u>Net Additions</u>	<u>% of Contributions to Gross Additions</u>
		2010		
Subdivision Development	1,227,000	1,013,000	214,000	82.6%
Secondary Service Adjustment	678,000			
Total Subdivision Development	1,905,000	1,013,000	214,000	53.2%
		2009		
Subdivision Development	895,000	732,000	163,000	81.8%
		2008		
Subdivision Development	2,944,000	2,443,000	501,000	83.0%

Question #17

Reference: Exhibit 2, pages 103 and 133-137

- a) On page 103 the Application states that “capital projects are prioritized”. Please provide a schedule that lists the proposed capital projects for 2010; indicates the relative priority of each and explains how the priority was established.

Response:

Capital projects are prioritized in relation to investment categories of Customer Demand, Reliability and Regulatory project classifications. Each year during the budget process the Asset Management Planning (AMP) committee reviews capital projects related to each category and selects projects to go forward based on an understanding of the need of the project as it is related to each category.

The process is not exhaustive in terms of rating each project by a risk factor as it relates to whether the project does or does not proceed. The current process reviews projects as related to the most current need in each investment category and those projects are chosen to move forward.

With the recent updating of Whitby Hydro's GIS system and an understanding of the need for a more integrated approach to asset management planning, the budget process will mature with respect to project selection.

Please refer to the response to SEC IR # 7 for a list of the 2010 prioritized capital projects.

- b) Over the 2004-2009 period, were there any new residential connections outside of subdivision developments? If so, how many were there each year and where is the associated spending reported?

Response:

There are usually a small number of new residential service connections outside of subdivisions each year that occur as a result of infilling of lots and single rural residential lots being developed. These costs are recorded under subdivision development.

The chart below outlines the number of residential service connections made outside subdivision development over the 2004 – 2009 period.

SECONDARY SERVICE CONNECTIONS OUTSIDE SUBDIVISION DEVELOPMENTS	
Year	Number of Residential Service Connections
2004	11
2005	17
2006	24
2007	11
2008	11
2009	16

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

Response:

For 2010, there have been 15 residential lots forecast to be connected in the service area. These costs are recorded under subdivision development.

Question #18

Reference: Exhibit 2, page 134

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

Response:

Whitby Hydro’s voltage conversion plan focuses on the 4 kV system which services the downtown core of the Town of Whitby. The system is supplied from two (2) municipal substations designated MS#1 and MS#4.

MS#1 is located at the extreme north end of the system and consists of one (1) 7.5 MVA transformer with five (5) feeders although only three (3) feeders are actually in service as two (2) feeders are out of service due to faulted underground egress cables. The overhead circuits associated with the three (3) active feeders consist of various wire sizes ranging from 4/0 ACSR to 556 MCM aluminum.

MS#4 is located at the extreme south end of the system (Victoria Street and Henry Street) and consists of two (2) transformers - TX1 rated at 5.0 MVA and TX2 rated at 3.0 MVA. Four (4) feeders egress from TX1 (4F4 is reserved for back up for the 4F2 and 4F5) and one (1) feeder (4F-5 egresses from TX2). The

overhead circuits associated with the five (5) feeders consist of various wire sizes ranging from 4/0 ACSR to 336 MCM aluminum.

In a distribution system, weaknesses manifest themselves in the form of system voltage sags and swells which are outside of the normal operating limits – in Whitby Hydro's case, these limits are specified in the "Conditions of Service" document section 2.3.5 with reference to CSA standard CAN3-C235-83 "Preferred Voltage Levels for AC Systems 0 to 50,000 V"

Under normal operating conditions (MS#1 and MS#4 in service), the 4 kV distribution system has sufficient capacity to service load. However, when one station is taken out of service (for maintenance or otherwise), the 4 kV system becomes stressed due to:

- Increased loading on the remaining station
- Long circuit lengths
- High impedance circuits (i.e. small conductor size)

The 4 kV system is approaching 60 years in age and as a result there is a pending requirement to replace the system with new transformers or convert the system to 13.8 kV. The preferred option is to convert the 4 kV system to 13.8 kV as this would minimize losses and improve connectivity for Whitby Hydro's overall 13.8 kV system.

The existing 13.8 kV feeders 13 F1 and 10F6 which are in the vicinity of the 4 kV system and thus the ones initially considered to take on the load of the converted 4 kV system are, during periods of peak demand, heavily loaded and thus do not have the capacity for any new load. Thus, to facilitate conversion there is a requirement to bolster the existing 13.8 kV system at MS 13 and it is recommended that this be achieved by the addition of two (2) new 6/8 MVA transformers and associated new feeders.

The new feeders would be utilized to replace the existing 5 MVA MS13 and relieve the load on the 10 F6 feeder.

The following is a list of practical options considered for conversion of existing 4 kV distribution system to 13.8 kV:

Timing:

Given the age of the 4 kV system and the potential for service performance deterioration, voltage conversion is budgeted to begin in 2010 with the construction of MS13 and final completion of the overall project is forecast by 2015. In order to promote cost sharing with road authorities, where and if applicable, conversion work will be co-coordinated with road relocation projects.

Scope:

The work will include:

1. Replacement of old wood distribution poles where required

2. Replacement of distribution transformers with correct primary voltage
3. Replacement of primary overhead conductor where required
4. Replacement of primary underground conductor where required
5. Replacement of overhead secondary conductor (open bus) with pre-formed triplex and quadplex
6. Replacement of insulators and brackets
7. Replacement of lightning arresters
8. Tree trimming where required
9. Decommissioning and dismantling MS#1 and MS #4

Locations:

1. Byron Street South of John Street West Voltage Conversion
2. Victoria Street West/Brock St S/Arthur St/King St Voltage Conversion
3. Ferguson Street east of Cochran Street
4. Cochran Street north of Dundas St (HWY #2)
5. Mary Street W between Kent Street and High Street
6. King St between Dundas St W and Burns St W
7. Anne St, Cochrane St and Maria St
8. Henry St from Victoria St W to Maria St
9. Henry St from Maria St to Colborne St W
10. Euclid St from John St to Beech St W

Expected costs:

Voltage conversion is budget is follows:

- 2010.....\$750,000
- 2011.....\$0
- 2012.....\$750,000
- 2013.....\$750,000
- 2014.....\$750,000
- 2015.....\$750,000

Benefits:

The voltage conversion will provide the following benefits:

1. Reduction in line losses on the primary system due to operating at higher voltage
2. Reduction in line losses on the secondary system due to replacement of open bus with larger pre-formed bus
3. Enhanced reliability due to extensive networking between 13.8kV feeders and the removal of 60 year old distribution system asset
4. Converted system will be able to accommodate larger individual customer load permitting greater flexibility to connecting customers
5. Converted system by its nature (higher voltage, higher fault capacity) will afford better voltage characteristics to end use customers

Question #19

Reference: Exhibit 2, pages 147-149

- a) Please explain more fully why the contributed capital associated with secondary service cable was not included in Whitby's rate base when rates were initially established. In particular, please clarify whether this was an oversight on the part of Whitby Hydro or whether the result of a specific OEB Decision/Directive.

Response:

The delayed inclusion of its secondary service contributions in rate base was not the result of an oversight on the part of Whitby Hydro. It was the unintended aggregate result of a number of regulatory and legislative changes which prevented Whitby Hydro from applying for a rate base adjustment that, if approved, would have put it on equal footing with utilities that had secondary services contributions in their rate bases in 1999. Recognizing that it would not be fair to seek retroactive reinstatement back to 1999, Whitby Hydro is proposing to include only the current net book value in its rate base and is willing to forego the recovery of depreciation expenses that would have been recoverable from ratepayers over the last ten years.

The Distribution System Code was integral in determining the appropriate role of secondary services. The initial Distribution System Code released in July 2000 outlined two options for demarcation points. A demarcation point at the street lot line would shift the ownership liability and the responsibility of the repair and replacement of the secondary service to the customer. With the demarcation point at the meter base, Whitby Hydro would be responsible for the safety, maintenance and replacement of the secondary service. Whitby Hydro determined that the demarcation point should be at the meter base, as it is clearly in the best interest of the customer.

As indicated below in question (b), the initial Distribution Handbook released in March 2000 stipulated that 1999 was the last year that contributions would be allowed in rate base. Unfortunately, this timeline did not provide an opportunity to allow for the recognition of these assets in the audited financial statements, which were the basis of the initial unbundled rates.

With the implementation of Bill 210 in the Fall of 2002, distribution rates were frozen from November 11, 2002 to May 1, 2006 with the exception of those LDCs who could demonstrate financial hardship to the Minister of Energy. Other rate requests, such as the inclusion of secondary service contributions, would have to wait and be addressed through the 2006 Rate Rebasing process. Unfortunately, the 2006 Rate Rebasing process did not allow for modifications to the 2004 rate base amounts other than those strictly defined as Tier 1 and Tier 2 adjustments for which the secondary services did not qualify. Subsequent IRM rate approvals were similar in that respect since they did not allow minor rate base adjustments. The current proceeding is the first opportunity that Whitby

Hydro has had to formerly request inclusion of its secondary service contributions in its rate base.

- b) Why is November 1, 2000 used as the valuation date when the Board's 2000 Rate Handbook stated (see Section 3.4.1.2) that "contributed capital collected by the electricity distribution utilities on or after January 1, 2000 will not be included in rate base".

Response:

November 1, 2000 was the date Deloitte & Touché conducted the appraisal of assets. The net book value of secondary services for rate base purposes should be December 31, 1999 and Table 2-14 has been revised below.

Net Book value as of December 31, 2009- Secondary Services-Table 2 (Updated for Removal of 2000 Additions)

Year	Transformer Additions	Customers per Transformer	New Services- Customer Additions	Cost per Secondary Service	Dollar Value of New Services	Yearly Depreciation Expense	Number of Years Depreciated	Accumulated Depreciation	Net Book Value
1999			1,136	250	284,000	11,360	11	124,960	159,040
1998			389	250	97,250	3,890	12	46,680	50,570
1997			516	240	123,840	4,954	13	64,402	59,438
1996			147	240	35,280	1,411	14	19,754	15,526
1995	35	10	350	240	84,000	3,360	15	50,400	33,600
1994	24	10	240	230	55,200	2,208	16	35,328	19,872
1993	80	10	800	230	184,000	7,360	17	125,120	58,880
1992	78	10	780	230	179,400	7,176	18	129,168	50,232
1991	64	10	640	220	140,800	5,632	19	107,008	33,792
1990	40	10	400	220	88,000	3,520	20	70,400	17,600
1989	52	10	520	210	109,200	4,368	21	91,728	17,472
1988	41	10	410	210	86,100	3,444	22	75,768	10,332
1987	63	10	630	200	126,000	5,040	23	115,920	10,080
1986	25	10	250	200	50,000	2,000	24	48,000	2,000
1985	36	10	360	200	72,000	2,880	25	72,000	-
1984	8	10	80	190	15,200			15,200	-
1983	27	10	270	190	51,300			51,300	-
1982	8	10	80	190	15,200			15,200	-
1981	8	10	80	190	15,200			15,200	-
1980	6	10	60	180	10,800			10,800	-
1979	4	10	40	180	7,200			7,200	-
1978	16	10	160	180	28,800			28,800	-
1977	56	10	560	170	95,200			95,200	-
1976	11	10	110	170	18,700			18,700	-
1975	8	10	80	170	13,600			13,600	-
1974	10	10	100	170	17,000			17,000	-
1973	5	10	50	170	8,500			8,500	-
1972	7	10	70	170	11,900			11,900	-
1971	7	10	70	170	11,900			11,900	-
1970	4	10	40	170	6,800			6,800	-
1969	4	10	40	170	6,800			6,800	-
1968	16	10	160	170	27,200			27,200	-
1967	4	10	40	170	6,800			6,800	-
	747				2,083,170	68,603		1,544,736	538,434

Adjustments to Rate Base	
2010 Additions	538,434
2010 Depreciation	68,603
Less 1985 depreciation	-2,880
	65,723

- c) **The Application suggests (page 147, line 21) that there are utilities other than Whitby Hydro with the same situation. Please indicate who they are and whether there are any precedents for the treatment of this issue.**

Response:

While there may be other utilities that took this approach, Whitby Hydro not aware of any precedents but is aware of a least one other LDC Scugog Hydro that was in the same predicament as Whitby Hydro.

Question #20

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

- a) **What is the source of the \$0.06125 / kWh value used for the Commodity Cost of Power?**

Response:

Whitby Hydro's source was the Regulated Price Plan (RPP) Price Report issued by the Board on October 15, 2009. However, it is apparent that the figure from this report \$0.06215 was transposed in the application to read \$0.06125. Whitby Hydro acknowledges this error but proposes that since an updated RPP Price Report has just been issued on April 15, 2010, the commodity cost of power should be updated to \$.06938 to reflect the most recent document. On this basis, the revised cost of power would be \$61,776,087.

- b) **Are any of Whitby Hydro's retail customers registered as Market Participants and billed directly for commodity costs by the IESO?**

Response:

Whitby Hydro does not have any retail customers that are registered as Market Participants.

- c) **If the response to part (b) is yes, what is their forecast use for 2009 and 2010 and has it been excluded from the calculation of the commodity cost used to determine the working capital allowance?**

Response:

Not applicable.

- d) **Please provide a schedule that for each customer class breaks down the 2008 and 2009 actual kWh billed between RPP kWh and non-RPP kWh and also shows the total RPP and non-RPP sales in each year.**

Response:

The requested information has been provided below based on billed kWh:

Billed kWh by Customer Class - VECC IR #20 d)

	Residential	GS<50kW	GS>50 kW	USL	Street Light	Sentinel Lights	Total
2008 Billed kWh	342,735,162	76,238,506	428,355,126	2,470,423	8,809,935	53,420	858,662,572
Non-RPP	39,209,690	10,693,974	362,557,523	0	8,809,935	5,238	421,276,361
RPP	303,525,472	65,544,532	65,797,603	2,470,423	0	48,182	437,386,211
2008 Billed kWh Proportions							
Non-RPP	11.44%	14.03%	84.64%	0.00%	100.00%	9.81%	49.06%
RPP	88.56%	85.97%	15.36%	100.00%	0.00%	90.19%	50.94%
2009 Billed kWh	344,663,138	73,950,736	410,224,130	2,426,000	8,913,830	45,178	840,223,012
Non-RPP	40,488,011	12,755,996	354,445,805	203,928	8,913,830	4,086	416,811,656
RPP	304,175,127	61,194,740	55,778,325	2,222,072	0	41,092	423,411,356
2009 Billed kWh Proportions							
Non-RPP	11.75%	17.25%	86.40%	8.41%	100.00%	9.05%	49.61%
RPP	88.25%	82.75%	13.60%	91.59%	0.00%	90.95%	50.39%

e) Please undertake the following:

- Using the most recent RPP report, estimate the 2010 commodity cost for RPP and non-RPP customers
- Estimate an average commodity cost for all sales based on the weighted average of the RPP and non-RPP costs. For purposes of determining the weighted average use the actual RPP/non-RPP kWh split for the most recent year available.
- Re-estimate the Total Commodity cost for 2010.

Response:

The calculations and information requested is provided in the table below.

Re-Estimated Weighted Average Commodity Costs - VECC IR #20 e)

	Residential	GS<50kW	GS>50 kW	USL	Street Light	Sentinel Lights	Total
2010 Weather Normalized Load Forecast (kWh)							
Total	350,407,180	75,150,446	414,547,692	2,493,809	9,090,771	43,361	851,733,259
TLF	1.0454	1.0454	1.0454	1.0454	1.0454	1.0454	
Total adjusted	366,315,666	78,562,276	433,368,157	2,607,028	9,503,492	45,330	890,401,949
2010 Estimate kWh Breakdown Based on 2009 Proportions							
Non-RPP	43,031,560	13,551,455	374,442,930	219,145	9,503,492	4,100	440,752,683
RPP	323,284,106	65,010,821	58,925,227	2,387,883	0	41,229	449,649,266
Total	366,315,666	78,562,276	433,368,157	2,607,028	9,503,492	45,330	890,401,949
RPP Price Report (April 15, 2010)							
Non-RPP	\$ 0.06704	\$ 0.06704	\$ 0.06704	\$ 0.06704	\$ 0.06704	\$ 0.06704	
RPP	\$ 0.06938	\$ 0.06938	\$ 0.06938	\$ 0.06938	\$ 0.06938	\$ 0.06938	
Re-estimated 2010 Commodity Cost (on weighted average basis)							
Non-RPP	2,884,836	908,490	25,102,654	14,691	637,114	275	29,548,060
RPP	22,429,451	4,510,451	4,088,232	165,671	0	2,861	31,196,666
Total	25,314,287	5,418,940	29,190,886	180,363	637,114	3,135	60,744,726
2010 Average Estimated Weighted Commodity Cost							
	\$ 0.0691	\$ 0.0690	\$ 0.0674	\$ 0.0692	\$ 0.0670	\$ 0.0692	\$ 0.0682

LOAD FORECAST & OPERATING REVENUE

Question #21

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

- a) What other model specifications did ERA test (besides the one set out in the Report) and why was each rejected in favour of the proposed model?**

Response:

As indicated in Exhibit 3 at p.175, Whitby Hydro's consultant explored several approaches to developing a load forecast. These approaches included class specific load forecasts as well as a forecast based on average use per customer. The class specific approach was rejected due to poor model fit. It was determined this was most likely due to billing data limitations as Whitby Hydro has a bi-monthly billing cycle. Monthly consumption data is created from the bi-monthly meter readings. However, the monthly data series as constructed do not appear to reflect actual customer consumption within the month. For this reason, the approach was not used. The average use per customer approach was also considered. However, this approach is generally used only when no multiple regression approach which incorporates degree day data is possible (for example, only annual utility data is available). In the case of Whitby Hydro, a monthly regression approach using wholesale data was possible, and this approach was adopted.

- b) Was an alternative specification which also included population or customer count as an explanatory variable tested? If yes, what were the results in terms of both the equation's coefficients and statistical properties? If not, please provide the results of an equation which also includes customer count (i.e., # of Residential and GS customers).**

Response:

Population and customer count were not considered as explanatory variables by Whitby Hydro's consultant. Whitby Hydro and its consultant are unaware of any monthly population counts for Whitby. Further, it has been the consultant's experience that inclusion of customer counts as an explanatory variable yields counterintuitive and/or statistically insignificant results. In a recent Decision by the Board in the Matter of Burlington Hydro Inc 2010 Electricity Distribution Rates (EB-2009-0259), the Board noted that Board Staff and some intervenors questioned the propriety of including either customer count or population as an explanatory variable in the load forecast. The Board Decision agreed with this position and stated

The Board agrees with Board staff and intervenors that a regression analysis which includes coefficients with counter-intuitive signs is not sufficiently robust to use for purposes of deriving rates.¹

Further, since Whitby Hydro uses a wholesale kWh regression model, including the number of residential and GS customers only seems counterintuitive. For all of the above reasons, we respectfully decline to explore this issue further.

Question #22

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

a) What were the actual wholesale purchases for 2009?

Response:

Actual wholesale purchases in 2009 were 876,959,953 kWh.

b) Based the actual weather for 2009 and the coefficients for HDD and CDD, what is the weather adjustment for 2009?

Response:

The following schedule sets out actual weather and the monthly difference from normal and calculates the weather adjustment based on the coefficients for HDD and CDD as requested.

Monthly HDD coefficient 19008.2337
Monthly CDD coefficient 124184.036

Month	2009 HDD	Normal HDD	HDD normal difference	kWh		CDD normal difference		kWh
			from actual	HDD Adjustment	2009 CDD	Normal CDD	from actual	CDD Adjustment
Jan	830.2	700.2	-130	-2,471,070	0	0.0	0	0
Feb	606.4	625.5	19.1	363,057	0	0.0	0	0
Mar	533.8	543.2	9.4	178,677	0	0.0	0	0
Apr	305.8	317.4	11.6	220,496	1.2	1.2	0	0
May	158.8	156.9	-1.9	-36,116	6.9	12.3	5.4	670,594
Jun	49.3	28.1	-21.2	-402,975	34.2	76.2	42	5,215,730
Jul	6.2	2.4	-3.8	-72,231	43.7	133.9	90.2	11,201,400
Aug	9.8	5.7	-4.1	-77,934	91	110.9	19.9	2,471,262
Sep	55.2	52.9	-2.3	-43,719	20.9	41.2	20.3	2,520,936
Oct	287.8	243.2	-44.6	-847,767	0	4.3	4.3	533,991
Nov	361.2	403.3	42.1	800,247	0	0.0	0	0
Dec	631.3	614.0	-17.3	-328,842	0	0.0	0	0
				<u>-2,718,177</u>				<u>22,613,913</u>
Total 2009 weather adjustment								19,895,736

¹ EB-2009-0259, *Decision and Order*, March 1, 2010, p.7.

Question #23

Reference: Exhibit 3, pages 201-203

- a) Please provide a schedule that for 2008 sets out the wholesales purchases for the period January – September and the actual sales by customer class for the same period.

Response:

The schedule as requested is set out below.

	<u>Wholesale kWh</u>	<u>Residential kWh</u>	<u>GS<50 kWh</u>	<u>GS>50 kWh</u>	<u>Street light kWh</u>	<u>Sentinel kWh</u>	<u>USL kWh</u>
Jan-Sep 2008	674,018,213	268,085,348	57,234,758	322,111,634	6,180,940	42,895	1,863,585

- b) Based on the data from part (a), please prepare a schedule that contrasts each customer class' share of wholesale purchases for the period January – September 2008 with their shares for 2008 overall as set out in Table 6.

Response:

The schedule as requested is set out below.

	Share of Wholesale					
	Residential	GS<50	GS>50	Street light	Sentinel	USL
Jan-Sep 2008	0.3977	0.0849	0.4779	0.0092	0.0001	0.0028
Jan-Sep 2009	0.3952	0.0847	0.4675	0.0095	0.0001	0.0028

- c) Based the actual weather for January – September 2009 and the coefficients for HDD and CDD for the regression equation, what is the kWh adjustment required in order to “weather correct” the actual purchases for the January-September 2009 period?

Response:

The kWh adjustment would be 19,738,107. Please see response to VECC #22 (b) for details of this calculation.

Question #24

Reference: Exhibit 3, pages 203-204

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

Response:

The average year end counts are as follows.

	Residential	GS<50	GS>50	Streetlight	Sentinel lights	USL
2009	36,620	1,911	433	11,290	39	389

Question #25

Reference: Exhibit 3, pages 185 and 191

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

Response:

Whitby Hydro confirms this statement is correct.

Question #26

Reference: Exhibit 3, pages 191-194

- a) Please explain the abnormally high level of Miscellaneous Revenues (\$80,266) in 2008.

Response:

The increase in Miscellaneous Revenue in 2008 was the result of a negotiated settlement to acquire a privately owned underground distribution system within Whitby Hydro's service area in order to maintain service to an existing customer in a safe and reliable manner. The owners transferred the electrical plant to Whitby Hydro at no cost plus a contribution of \$80,000 as a result of new Electrical Safety Authority regulations for privately own equipment that made it uneconomic for private entities to own and operate high voltage electric equipment.

- b) Please provide a schedule that contrasts the revenues from Late Payment Charges for the first three months of 2010 with those for the same period in 2008 and 2009.

Response:

The requested data is as follows:

Late Payments

	<u>2008A</u>	<u>2009A</u>	<u>2010A</u>
Jan	33,691	27,942	33,350
Feb	30,137	33,887	35,966
March	19,905	29,568	36,721
	<u>83,733</u>	<u>91,397</u>	<u>106,037</u>

OPERATING COSTS

Question #27

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

- a) What were the assumed inflation rates for 2009 and 2010 used to establish the inflationary increases of \$226 k and \$233 k for the two years?

Response:

The inflation factors used were 3% for 2009 and 3% for 2010 comparable to the collective agreement increases.

- b) Please recalculate the “inflationary increases” using the GDP-IPI price escalators adopted by the OEB for 2009 and 2010.

Response:

The inflationary increases recalculated with the GDP-IPI of 2.3% in 2009 are \$200k and GDP-IPI of 1.3% in 2010 are \$139k, but these do not represent the costs that Whitby Hydro expected to pay in the bridge and test years.

- c) Please explain what is captured under “Other” that led to a net increase in OM&A between 2008 and 2010 of \$139 k.

Response:

As can be seen from the reference notes in the following table, most of the components making up the \$139K net increase have been explained in other interrogatory responses. These costs were not broken out in the application since on average all of the changes were below the variance threshold.

		(000's)- Net of inflation				
USoA		2009	2010	Total	Reference	
1.	5010-Load Dispatching	29	17	46	VECC	28.b.
2.	5017-Distribution Station Equipment	-13	19	6	Energy Probe	32.b.
3.	5025-Overhead Distribution Lines & Feeders	0	17	17	Energy Probe	32.c.
4.	5035-Overhead Distribution Transformers	6	9	15	Energy Probe	32.c.
5.	5055-Underground Distribution Transformers	3	17	20	Energy Probe	32.c.
6.	5075- Customer Premises	60	0	60	Energy Probe	32.g.
7.	5065-Meter Expense	-152	-45	-197	Exhibit 4, page 216	
8.	5105- Maintenance Supervision & Engineering	-4	20	16	Energy Probe	32.i.
9.	5135-Overhead Dist. Lines & Feeders - Right of Way	17	4	21	See note 9 below	
10.	5315-Customer Billing	-13	54	41	Energy Probe	32.j.
11.	5425-Misc. Customer Accounts Expense	2	7	9	Energy Probe	32.l.
12.	5605-Executive Salaries and Expenses	-42	-19	-61	See note 10 below	
13.	5610-Management Salaries and Expenses	41	29	70	VECC	30
14.	5615-General Administrative Salaries & Expenses	23	59	82	VECC	30
15.	5630-Outside Services Employed	15	22	37	Energy Probe	32.o.
16.	5665-General Miscellaneous Expense	-43	-6	-49	See note 11 below	
17.	5685- IESO Fees and penalties	40		40	Energy Probe	32.p.
	Miscellaneous	-21	-13	-34		
		-52	191	139		

Notes:

9. As a result of the system expansion of overhead lines, additional tree trimming is required.
10. Removal of board of director costs related to Whitby Hydro Energy Corporation.
11. Decrease in MIS costs (Management Information System) due to one time negotiated credits.

Question #28

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

- a) The Table shows an increase of \$73 k in Operations resources required due to growth (net of inflation). Please outline how “growth” caused this increase.**

Response:

Growth related expenditures reflect the incremental increase in operating and maintenance costs that arise from having more customers to serve and more plant to operate, inspect and maintain. While customer growth allows fixed costs to be shared over a wider customer base, overall the total cost to serve customers goes up simply because there are more customers to serve at the utility's standard level of service.

Similarly, growth normally requires increased plant which requires more resources to operate and maintain. While new plant usually requires less maintenance than plant at the end of its useful life, capital additions add incremental costs which at a minimum require more incremental resources to manage, operate, and inspect a larger distribution system, so there is always an upward pressure on costs related to growth.

Growth related costs are particularly relevant to a high growth utility like Whitby Hydro.

- b) Please also explain the \$68 k increase in Load Dispatching over the same period.**

Response:

The increase of \$68K is a result of inflationary increases of \$23k and \$40K to cover higher communication costs and the ongoing requirement for after hour labour costs which were required to ensure that delivery services and safety are maintained at an acceptable level of service.

Question #29

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

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

Response:

Please see VECC IRR# 28 (a).

Question #30

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

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

Response:

The following outside agencies have been conducting audits:

Ministry of Finance:	Corporation Tax Audit (2006, 2008-2009, 2010)
Ministry of Finance:	PST Audit (2008-2009)
Ministry of Finance:	DRC Audit (2005, 2007, 2010)
Ministry of Finance/OPA:	Audit of RPP pricing (2005, 2007)
Ministry of Finance:	GST (2006-2007)

Although there will be future streamlining with Harmonized Sales Tax, the benefits will not be realized until after 2014 when the tax files become statute barred. From 2010 -2014, it is highly likely that there will be audits for both GST and PST.

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

Response:

USoA (net of inflation)	(000's)			
	2007	2008	2009	2010
5630 Auditor costs-external	65	64	70	100
5610 Management Salaries & Expenses	606	707	748	778
5615 General Administrative Salaries & Exp	395	347	370	429
	671	771	818	878

There has been a progressive increase in the level of complexities resulting from compliance requirements. Whitby manages these external cost pressures through the use of internal resources.

Question #31

Reference: Exhibit 4, page 224

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

Response:

Please refer to Energy Probe IRR # 33(b).

Question #32

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

- a) Do the OM&A costs referred to in the Service Agreement (page 247) consist of the Shared Services (per page 228) and the OM&A Services (per page 232)?

Response:

Yes.

- b) Are the Vehicle Replacement charges shown on page 232 the same as the Vehicle/Tool costs referred to at page 248?

Response:

Yes.

- c) Are the Capital Services Costs referred to on page 232 the same as the Capital Works Costs referred to on page 248?

Response:
Yes.

- d) Please provide a schedule that shows the charges to Whitby Hydro for 2008 – 2010 as per the categories in the Service Agreement (page 247-248) and report separately those charges that are expensed to OM&A as opposed to those that are capitalized to Rate Base.

Response:

OMA- Reconciliation of Service Agreement Costs			
	2008 Actuals	2009	2010
OMA Services	4,901	5,141	5,498
OMA Services (see note 1)	167	257	378
OMA Shared Services	1,818	1,957	2,083
Smart Meters		139	293
Total OMA Services	6,886	7,494	8,252
Vehicle/Tools	247	253	266
CDM	55	67	69
Total Service Agreement Costs (A)	7,188	7,814	8,587
Direct Costs	1,019	914	1,064
Whitby Hydro Board Approved Budget	8,207	8,728	9,651
<u>Adjustments for Rate Application</u>			
CDM	-55	-67	-69
Smart Meters	0	-139	-293
Sentinel light maintenance	-3	-2	
IFRS		-34	-80
HST			-30
Rate Application			-125
Maintenance			-135
	-58	-242	-732
Total OMA Rate Application Costs	8,149	8,486	8,919
<hr/>			
\$ Adjustment	848	735	655
Total Service Agreement Costs	6,340	7,079	7,932
Total Service Agreement (A)	7,188	7,814	8,587
% Adjustment	13.38%	10.38%	8.26%

Note: 1. These costs are managed by WHES under the Service Agreement but directly benefit Whitby Hydro and as a result were not included as "Shared Services".

Capital Additions- Reconciliation of Service Agreement Costs			
	2008 Actuals	2009	2010
Capital Services	6,210	4,611	7,890
Capital Services (see note 1)	345	177	190
Smart Meters	606	620	6,649
Total Capital Services	7,161	5,408	14,729
Vehicle/Tools Costs	247	253	266
Total Service Agreement (A)	7,408	5,661	14,995
Direct Costs	995	563	804
Total	8,403	6,224	15,799
Contributions	-293	-151	-1,380
WhitbyHydro Board Approved Budget	8,110	6,073	14,419
<u>Adjustments for Rate Application</u>			
Smart Meters	-606	-690	-6,688
Secondary Service Adjustment			678
	-606	-690	-6,010
Total Capital Rate Application Costs	7,504	5,383	8,409

\$ Adjustment	800	521	741
Total Service Agreement Costs	6,608	5,140	14,254
Total Service Agreement (A)	7,408	5,661	14,995
% Adjustment	12.11%	10.14%	5.20%

Note: 1. These costs are managed by WHES under the Service Agreement but directly benefit Whitby Hydro and as a result were not included as "Shared Services".

e) Please provide a schedule that breaks down Whitby Hydro's OM&A for 2008-2010 into the following categories:

- Total Labour costs (wages, benefits, etc.) for persons directly employed by Whitby Hydro (excluding the Board of Directors) and the proportion charged to OM&A.
- External costs for goods and services paid directly by Whitby Hydro
- Labour costs (wages, benefits, etc.) for persons employed by WHES but where the costs are assigned/allocated to Whitby Hydro's OM&A.
- External costs incurred on behalf of Whitby Hydro but paid directly by WHES.

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

Response:

Whitby Hydro has provided a breakdown (reconciliation) of OM&A costs in part (d) and provides the following comments with respect to additional information requested:

- Due to privacy and competitive concerns regarding the release of salary information, Whitby Hydro is unable to separate out the labour related costs for the one senior level employee assigned to act as the Asset Manager.
- External costs for goods and services paid directly by Whitby Hydro are identified in the OM&A chart in part (d) above as follows: 2008 - \$1,019K, 2009 - \$914K, 2010 - \$1,064K.
- Labour and External costs assigned/allocated by WHES to Whitby Hydro represent the total Service Agreement costs outlined in part (d) as follows: 2008 - \$7,188K, 2009 - \$7,814K and 2010 - \$8,587K.

The allocation methodology for transfer costs between WHES and Whitby Hydro is outlined in Exhibit 4 under the heading Services Exchanged with Affiliates. Segregating the historical and test year costs into categories that do not match the USoA reporting structure will be extremely time consuming due to the detailed level of analysis that must be preformed to track the transactions through the financial systems. Whitby Hydro requires more time to complete this analysis and the results will be provided in a timely manner so as not to delay the Application review process.

There are no discrepancies between the total of the cost categories identified above and the total OM&A costs in Whitby Hydro's application other than those identified as reconciling items in the OM&A chart in part (d). Further explanations of these adjustments can be found in Energy Probe IRR#4 (c).

f) How many employees worked directly for and were paid directly by Whitby Hydro in 2008 - 2010? Please provide the position title for each.

Response:

From 2008-2010, one individual was employed by Whitby Hydro with the payroll function for that employee being processed through Whitby Hydro Energy Services. That employee holds/held the following positions:

2010 - Vice President, Whitby Hydro Electric Corporation
 2009 - Vice President, Whitby Hydro Electric Corporation
 2008 – Director of Asset Management

g) Please provide a schedule that breaks down Whitby Hydro's Capital Expenditures 2008-2010 into the following categories:

- Labour costs (wages, benefits, etc.) for persons directly employed by Whitby Hydro (excluding the Board of Directors) that are capitalized.
- External costs for goods and services paid directly by Whitby Hydro and capitalized.

- Labour costs (wages, benefits, etc.) for persons employed by WHES but where the costs are assigned/allocated to Whitby Hydro's Capital program.
- External costs incurred on behalf of Whitby Hydro but paid directly by WHES and assigned to Whitby Hydro's capital program.

Please explain any discrepancy between the total of the above cost categories for each year and the total Capital Spending for Whitby Hydro as reported in the Application.

Response:

Whitby Hydro has provided a breakdown (reconciliation) of Capital costs in part (d) and provides the following comments with respect to additional information requested:

- Due to privacy and competitive concerns regarding the release of salary information, Whitby Hydro is unable to separate out the labour related costs for the one senior level employee assigned to act as the Asset Manager.
- External costs for goods and services paid directly by Whitby Hydro are identified in the Capital chart in part (d) above as follows: 2008 - \$995K, 2009 - \$563K, 2010 - \$804K.
- Labour and External costs assigned/allocated by WHES to Whitby Hydro represent the total Service Agreement costs outlined in part (d) as follows: 2008 - \$7,408K, 2009 - \$5,661K and 2010 - \$14,995K. The comments outlined in part (e) for these spending categories are also applicable.

There are no discrepancies between the total of the cost categories identified above and the total Capital costs in Whitby Hydro's application other than those identified as reconciling items in the capital chart in part (d).

h) Please provide a schedule that for each year 2008-2010 breaks down the charges from WHES to Whitby Hydro for each of the following charge areas as between those costs capitalized and those expensed:

- Shared Services/Corporate Allocation (pages 230-231)
- Vehicle Replacement
- Capital Services
- OM&A Services

Response:

The breakdowns requested are found in part (d).

i) Please reconcile any differences between the total charges (either capitalized or expensed) from WHES to Whitby Hydro as reported in response to parts (e), (g) and (h).

Response:

There are no differences other than those which have been identified/reconciled in the charts included in part (d).

Question #33

Reference: Exhibit 4, page 247

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

- a) Please explain how the adjustment for the weighted average cost of capital is made to OM&A costs and why.

Response:

The adjustment for the weighted average cost of capital on OM&A costs serves as a proxy to arrive at market pricing levels. As outlined in Exhibit 4, page 233-234 of the application, Whitby Hydro underwent a full ARC compliance review with the OEB's Chief Compliance Officer (CCO) whereby the transfer pricing between WHES and Whitby Hydro was reviewed and tested. The resulting operating structure and transfer pricing was accepted by the CCO. This process served to validate that the transfer pricing (cost plus an adjustment) provided a fair market proxy and met the fair market price testing requirement in the ARC. Where a market did not exist, cost plus an adjustment for the weighted average cost of capital was accepted as being an appropriate transfer price by the CCO.

This methodology for testing the appropriateness of the transfer pricing was reviewed and accepted by the CCO again in July 2008 to ensure that this process continued to align with the May 2008 ARC amendments. In order to support its current costs, Whitby Hydro has engaged an independent evaluator to review the service arrangements between Whitby Hydro and WHES and assess the transfer pricing used for services, products and resources. Whitby Hydro will provide the results of the review once completed (expected timeline is mid-late May 2010).

- b) Please a schedule setting out the actual values of this adjustment for 2008 and 2009 and the forecast value for 2010.

Response:

A schedule has been provided below which is a subset of the chart in 32 (d).

OMA Services - (\$k)			
	2008 Actuals	2009	2010
\$ Adjustment	809	701	625
Total Costs	6,077	6,793	7,627
Total OMA Services	6,886	7,494	8,252
% Adjustment	13.31%	10.32%	8.19%

Question #34

Reference: Exhibit 4, page 248

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

- a) Please explain how the adjustment for the weighted average cost of capital is made to Vehicle and Tool charges costs and why.

Response:

The rationale for the adjustment for the weighted average cost of capital has been outlined in IRR #33 (a).

- b) Please a schedule setting out the actual values of this adjustment for 2008 and 2009.

Response:

The data has been included in the chart provided in part (c).

- c) Please provide the value of the adjustment included in the forecast charges for 2010.

Response:

A schedule has been provided below which is a subset of the chart provided in IRR #32 (d).

Vehicle Tools- (\$k)			
	2008 Actuals	2009	2010
\$ Adjustment	64	54	48
Total Costs	430	452	484
Total Vehicle Tools Services	494	506	532
% Adjustment	14.88%	11.95%	9.92%

- d) For each year 2008-2010, how much of this adjustment was expensed to OM&A versus capitalized to Rate Base?

Response:

For each year 2008-2010, 50% was expensed and 50% was capitalized

Question #35

Reference: Exhibit 4, page 248

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

- a) Please explain how the adjustment for the weighted average cost of capital is made to Capital Works charges costs and why.

Response:

The rationale for the adjustment for the weighted average cost of capital has been outlined in IRR #33 (a).

- b) Please a schedule setting out the actual values of this adjustment for 2006 to 2009.

Response:

Capital Services - (\$k)			
	2008 Actuals	2009	2010
\$ Adjustment	768	494	717
Total Costs	6,393	4,914	14,012
Total Capital Services	7,161	5,408	14,729
% Adjustment	12.01%	10.05%	5.12%

c) Please provide the value of the adjustment included in the forecast charges for 2010.

Response:

See part (b).

Question #36

Reference: Exhibit 4, pages 230-231

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

a) Please explain why a “rate of return” component is included in the price for these services but not others.

Response:

The determination of costs that have a “rate of return” versus those that do not was based on discussions and decisions from the CCO during the 2005-2006 ARC compliance review.

b) In each case, please show how rate of return adder was calculated for 2010.

Response:

The rationale for the adjustment for the weighted average cost of capital has been outlined in VECC IRR #33 (a).

Question #37

Reference: Exhibit 4, page 236

a) Can Whitby Hydro cite any other cases, besides COLLUS, where the Board has approved the general use of a full year’s depreciation for the first year capital additions are in-service?

Response:

Please refer to Board staff IRR #13. Whitby Hydro believes that it would be more appropriate to file any further supporting Board decisions in the argument phase of this proceeding.

- b) Is any of the depreciation associated with Transportation Equipment (#1930); Stores (#1935) or Tools (#1940) capitalized or charged as OM&A? If so, have the depreciation charges on these assets been reduced accordingly?

Response:

No.

Question #38

Reference: Exhibit 4, page 238-240

- a) The tax calculation does not appear to have taken into account the reduction in the Small Business Tax rate and the elimination of the surtax/clawback as of July 1, 2010. Please confirm and provide a revised tax calculation.

Response:

Please refer to Energy Probe IRR #39 (b).

- b) Please provide a break-down of the “Other Deductions” (\$50,935 for 2010).

Response:

The “Other Deductions” represent the Cumulative Eligible Capital found on Table 4-21 page 243.

COST OF CAPITAL

Question #39

Reference: Exhibit 5, page 337

- a) Does Whitby Hydro agree that, based on the Board’s 2009 Cost of Capital Policy and its February 24th, 2010 Cost of Capital Parameter update, the rate applicable to its affiliate long term debt for 2010 is 5.87%? If not, why not?

Response:

At the time the application was submitted, Whitby Hydro indicated the deemed rate of 7.62% would apply to its affiliate long-term debt rate, based on the Board’s rates and policies in effect at that time. Since then, Whitby Hydro has reviewed the above-noted determinations of the Board and as a result, is now proposing that the deemed rate of 5.87% should apply to Notes 1 and 2 which are callable on sixty days’ notice, but that the actual rate of 7.00% should apply to Note 3, which is callable on twelve months notice. The resulting weighted average cost of Whitby Hydro’s affiliate long-term debt for rate-setting purposes would therefore be 6.74%:

	Call Notice	Principal	% Total	Rate	Weighted Average
Note 1	60 days	\$1,460,300	5.15%	5.87%	0.30%
Note 2	60 days	\$5,061,000	17.86%	5.87%	1.05%
Note 3	12 months	\$21,816,642	76.99%	7.00%	5.39%
		\$28,337,942	100.00%		6.74%

In making this proposal, Whitby Hydro has considered the following determinations from the Board's December 2009 Cost of Capital Policy:

- *For debt that is callable on demand (within the test year period), the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. Debt that is callable, but not within the period to the end of the test year, will have its debt cost considered as if it is not callable; that is the debt cost will be treated in accordance with other guidelines pertaining to actual, affiliated or variable-rate debt.²*
- *Affiliate embedded/actual debt with fixed rates, terms and maturity will get the lower of actual and deemed debt rate at time of issuance.³*

Promissory Note # 3 was issued at an agreed fixed rate of 7.00% with a proration of interest payments in 2001 followed by a catch up in 2003 and 2004, to mitigate the rate impacts due to the newly implemented Market Base Return Regime (MBRR) in 2001. Whitby was a strong advocate of phasing in the newly created MBRR to avoid rate shock to its customers. In addition to the long term debt proration in 2001, Whitby Hydro did not implement any MBRR increases despite the Board's 3 year phase-in plan which allowed utilities to implement the first phase of MBRR that year.

Promissory Note #3

	Payments	Interest Rate	Principal
2001	565,660	2.59%	21,816,642
2002	1,527,205	7.00%	21,816,642
2003	2,027,205	9.29%	21,816,642
2004	2,027,205	9.29%	21,816,642
2005	1,527,205	7.00%	21,816,642
2006	1,527,205	7.00%	21,816,642
2007	1,527,205	7.00%	21,816,642
7 Yr Average	1,532,699	7.03%	21,816,642

² Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084), December 11, 2009, page 54

³ *ibid*, page 59

- b) Please recalculate Table 5-1 based on the Board's Cost of Capital Parameter update for 2010.

Response:

Whitby Hydro has recalculated its overall weighted average cost of debt for 2010 based on the response to part (a), as well as its planned assumption of \$4 million in new third-party debt on or around September 1, 2010 (see SEC IRR#14). An interest rate of 5.24% has been assumed for new debt, based on the latest information from Infrastructure Ontario (IO). The rate of 5.24% reflects the currently published rate from IO and is not a negotiated rate. Whitby Hydro plans to update this evidence should a different rate be finalized during this proceeding.

The resulting updated cost of debt is as follows:

	Ending Balance (a)	Rate (b)	Days o/s in 2010 (c)	Average Balance (d) = (a) x (c)/365	Total Cost (e) = (b) x (d)	Average Cost (f) = (e) / (d)
Affiliate Debt	\$28,337,942	6.74%	365	\$28,337,942	\$1,909,965	6.74%
New Debt	\$4,000,000	5.24%	122	\$1,336,986	\$70,058	5.24%
	\$32,337,942			\$29,674,928	\$1,980,023	6.67%

Table 5-1 would therefore be updated for the Board's Cost of Capital parameters as follows:

Rate Base (total)		\$75,799,437		
Short-term debt	4%	\$3,031,977	2.07%	\$62,762
Long-term debt	56%	\$42,447,685	6.67%	\$2,832,270
Equity	40%	\$30,319,775	9.85%	\$2,986,498
	100%	\$75,799,437	7.76%	\$5,881,530

REVENUE DEFICIENCY

Question #40

Reference: Exhibit 6

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

Response:

See Board Staff IRR #30.

COST ALLOCATION

Question #41

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

- a) Please provide a schedule that sets out the revenue for each customer class based on the forecast 2010 billing determinants and the existing 2009 rates - where the rates used exclude the LV rate adder and the revenues for each class are reduced by applicable transformer ownership allowance. Please add a column to the schedule that sets out each customer class' share (%) of the resulting total distribution revenues at existing rates.

Response:

This was the approach used to develop the figures populated in table 7-2 for column 1 (Current Revenue). The derivation is summarized in the following table which includes the class share % information:

2010 PROJECTED DISTRIBUTION REVENUE AT EXISTING RATES

	Fixed Charge Revenue	Variable Charge Revenue	TOTAL from SheetC4	Trans Allow	Total	LV Rev	TOTAL	Class Share
Residential	7,404,602	4,800,578	12,205,180		12,205,180	(206,345)	11,998,836	67.2%
GS<50	424,027	1,360,223	1,784,250		1,784,250	(44,330)	1,739,920	9.7%
GS>50	998,795	3,259,334	4,258,129	(293,570)	3,964,559	(223,867)	3,740,692	21.0%
USL	46,779	81,049	127,828		127,828	(1,470)	126,358	0.7%
Sentinel Lights	1,274	932	2,206		2,206	(25)	2,181	0.0%
Street Lighting	143,245	100,633	243,878		243,878	(4,350)	239,528	1.3%
	9,018,723	9,602,749	18,621,472	(293,570)	18,327,902	(480,388)	17,847,514	100.0%

- b) Please provide a revised version of the schedule on page 367 where Distribution Revenue (CREV) totals \$19,056,446 and it is distributed across the various customer classes in proportion to the class revenue shares calculated in part (a).

Response:

Whitby Hydro assumes that the revenue figure referenced in this interrogatory should be \$19,856,446 (not \$19,056,446) to match its base revenue requirement. The pertinent data to calculate the revenue to cost ratios from the schedule on page 367 has been adjusted as requested and the results are as follows:

		Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
	Class Share %	100.00%	67.2%	9.7%	21.0%	1.3%	0.0%	0.7%
crev	Distribution Revenue (sale)	\$19,856,446	\$13,349,435	\$1,935,767	\$4,161,747	\$266,490	\$2,426	\$140,581
mi	Miscellaneous Revenue (mi)	\$890,743	\$641,220	\$93,338	\$141,284	\$7,031	\$92	\$7,779
	Total Revenue	\$20,747,189	\$13,990,655	\$2,029,104	\$4,303,031	\$273,521	\$2,519	\$148,360
	Revenue Requirement (includes NI)	\$20,747,189	\$13,032,850	\$2,004,570	\$4,992,882	\$578,298	\$6,019	\$132,570
	Adjusted Revenue to Expenses %	100.00%	107.35%	101.22%	86.18%	47.30%	41.84%	111.91%

- c) Assuming the Board were to direct Whitby Hydro to use the results to part (b) as the starting point of considering changes in its revenue to cost ratios, how would Whitby Hydro's proposals for 2010 (as set out on pages 359-361) change.

Response:

Whitby Hydro believes that the appropriate starting point for the review of cost allocation is the 2006 Cost Allocation Informational Filing (CAIF) adjusted to remove the transformer ownership allowance and revised for corrections (adjusted CAIF). However, Whitby Hydro would respond to the hypothesized direction of the Board by adjusting the rates in a manner that reflects the Board approved starting point and the principles that are set out in Exhibit 7, pages 359 - 360, lines 26 – 4 of Whitby Hydro's evidence.

RATE DESIGN

Question #42

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

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

Response:

Confirmed. Whitby Hydro used a reasonable approach which attempts to preserve the fixed/variable split in its existing rates and acknowledges the lower and upper bounds identified for the monthly service charge. While Whitby Hydro recognizes that the calculation for the splits was done using the “gross based revenue requirement” which includes the LV revenue and transformer ownership allowance, it is not expected that this approach would produce results that were materially different than if the calculation used the base revenue requirement to develop the splits.

Question #43

Reference: Exhibit 8, pages 385-389

- a) Please explain more fully why it is necessary to factor the change in approved loss factor value in to the RTSR adjustment and why it is only done for the kWh billed classes.

Response:

See response to Board Staff IR #22 a).

- b) Please provide a schedule that sets out for 2009:
- Actual total purchased power (MWh)
 - Actual Transmission billing quantities from the IESO and HONI for Transmission and Connection Service

Response:

The requested information has been provided in the table below part (c).

- c) Based on the data from part (b) please provide a schedule that sets out the IESO's and HON's Transmission-related rates for 2010 and the charges that would result based on these rates and 2009 billing quantities

Response:

The requested information has been provided in the table below.

Purchased Power and Transmission Projections Based on VECC Interrogatory #43

Power Purchased - 2009 Actual

876,960 MWh

Transmission Projections:

	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

Question #44

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

a) Why hasn't Whitby Hydro included LV charges as a separate "rate" on its proposed rate schedule?

Response:

LV charges have typically been embedded within the distribution rates as was the process in the 2006 EDR. At the time of filing the 2010 Rate Application, Whitby Hydro was not aware of any unique circumstances which would suggest altering the approach from that used in its previous cost of service application in 2006. As such, the LV costs were included in the proposed distribution rates.

b) Why has Whitby Hydro assumed that it will be unable to adjust its LV charges during the IRM period?

Response:

As the IRM process is typically a more "mechanistic" approach to rates with limited abilities to alter or propose new rates during the IRM period, Whitby Hydro took an approach to use the forecasted 4-year average to develop the LV

recovery required. This approach seems reasonable given that there is limited flexibility in an IRM application.

- c) Please provide a schedule that sets out for 2009 the actual LV billing quantities used by HON.

Response:

The following schedule sets out the 2009 actual billing quantities (kW) by month:

2009 Actual LV Billing Quantities

	kW
Jan	35,789
Feb	35,715
Mar	33,225
Apr	33,015
May	24,884
Jun	28,649
Jul	29,170
Aug	56,077
Sep	28,041
Oct	34,374
Nov	25,276
Dec	25,906
	<u>390,121</u>

- d) Based on the data from part (c) please provide a schedule that sets out the HON's proposed 2010 LV rates and the charges that would results based on these rates and 2009 billing quantities.

Response:

See the response to Board Staff IR #3 b)

DEFERRAL AND VARIANCE ACCOUNTS

Question #45

Reference: Exhibit 9, page 412

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

Response:

The requested information is as follows:

Annual Principle Additions for RCVA 1518 and 1548

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009F</u>	<u>2010F</u>
<u>RCVA - 1518</u>					
Revenue	(26,484)	(49,662)	(47,569)	(55,500)	(55,500)
Costs	101,073	104,572	78,703	110,000	55,500
Total Principle	74,589	54,910	31,134	54,500	0
<u>RCVA - 1548</u>					
Revenue	(936)	(1,504)	(831)	(700)	(700)
Costs	576	555	581	556	700
Total Principle	(360)	(949)	(250)	(144)	0

Question #46

Reference: Exhibit 9, page 423

a) Why is Whitby Hydro proposing a four year disposal period?

Response:

Please see Board Staff IR #27.

b) Please recalculate the rate rider for each class assuming a one year or a two year disposal period.

Response:

Please see Board Staff IR #27.

SMART METERS

Question #47

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

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

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

a) Confirm that Whitby Hydro is tracking the costs of Residential and Commercial Smart Meters separately

Response:

Whitby Hydro has not tracked the full costs of residential and commercial smart meters separately. Capital costs of the AMI system have been budgeted by investment category as outlined in the chart in response #47b).

To date Whitby Hydro has only a small number of residential and commercial meters installed in the service area. The mass meter deployment is scheduled to commence in July 2010 and be completed by the end of the year. Working with the IESO, Whitby Hydro is now scheduled to integrate smart meters with the IESO's MDMR in April 2011 and commence TOU billing in October 2011. Direct capital and operating costs associated with residential and commercial customers will be recorded by customer class going forward.

- b) Provide the 2009 and 2010 breakdowns by customer class for**
- i. the Residential class SM unit cost (procurement and installation) and total capital and operating costs, and**
 - ii. Commercial GS<50 kW unit cost (procurement and installation) and total capital and operating costs.**

Response:

The following chart provides the breakdown of the smart meter capital costs for residential and commercial meters >50kW (procurement and installation) for 2009 and 2010.

The balances of other capital costs are as per investment category with residential and commercial costs aggregated. OM&A costs are also shown with residential and commercial costs aggregated as currently tracked.

Smart Meter Costs						
Capital Investment Category	Year					
	2009			2010		
	Cost	# Of Units	Unit Cost	Cost	# Of Units	Unit Cost
Residential Meters (purchase and installation)	387,186	2202	175.83	3,839,120	34,917	109.95
>50kW GS Meters (purchase and install)	133,251	73	1,825.36	2,271,193	1,836	1,237.03
AMI Costs	0	273	0.00	174,783	36,753	4.76
Integration and Other Back Office Costs	167,937	2273	73.88	402,856	36,753	10.96
Incremental OM&A	138,705	2273	61.02	292,812	36,753	7.97

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

Response:

Whitby Hydro is unable to answer parts **c) and d)**. At this point in time Whitby Hydro is requesting only a funding adder to cover the general smart meter costs forecast to be spent by the end of the test year. All smart meter costs are being tracked in variance accounts 1555 and 1556 as directed by the Board. At the time when Whitby Hydro requests the Board to have the variance accounts cleared, it is expected that a full cost allocation will be required.

LRAM CLAIM: 2005-2008

Question #48

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

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

- a) Provide an explanation of the derivation of the following entries in Attachment E for all measures listed
 - i. Element No
 - ii. EE Technology life
 - iii. Freeridership Rate.

Response:

The derivations of the following entries are explained below:

Element No - this refers to the Element No from the OEB Assumptions and Measures list. There was no reference to Element No in the OPA's April 2009 Mass Market Measure and Assumptions so this field was not updated. However, for each program and energy efficient technology referenced in Attachment E, any relevant update to the data based on the OPA's April 2009 Mass Market Measures and Assumptions was used for the purpose of calculating LRAM.

EE Technology life – this term was originally taken from the OEB Assumptions and Measures list. Regardless of this heading name, any relevant updates from

the OPA's April 2009 Mass Market Measures and Assumptions (EUL years) have been included in Attachment E and used for the purpose of calculating the LRAM.

Free Ridership Rate - As the OPA's 2009 Mass Market Measures and Assumptions did not include updates for free ridership, this information was derived from the OEB's Assumptions and Measures list.

Burman Energy Group Consultants Inc. (BEGCI) has confirmed with Whitby Hydro that all data used for the purpose of calculating the kWh and kW savings for LRAM calculations, included any updated information from the OPA's April 2009 Mass Market Measures and Assumptions List.

- b) Provide a comparison table that lists the corresponding/comparable values from the OPA's April 2009 Mass Market Measures and Assumption List.**

Response:

The data used for the LRAM already reflects the use of updated information from the OPA's April 2009 Mass Market Measures and Assumption List.

- c) Comment on any differences.**

Response:

There are no differences.

- d) For the DNPH Project confirm/correct whether the EE Technology life and Element No values are juxtaposed.**

Response:

BECGI has confirmed to Whitby Hydro that the EE Technology life and Element No. values are juxtaposed in Attachment E of the BECGI report (Exhibit 10, page 487). While Attachment E was included in the BECGI report for reference only, a corrected version of the table has been included below for clarification. The correct data was used to calculate energy savings and therefore the LRAM calculation was unaffected by this error.

- c) Identify any/all input assumptions that differ from the OPA Mass Market Measures and Assumptions list (2009).

Response:

See part (c) above.

- d) Recalculate the energy savings using OPA Mass Market Measures and Assumptions values and compare the result to that obtained in the response to parts a) and b)

Response:

Not applicable.

ATTACHMENT A - revised in reponse to VECC IR #49 a)

CDM Load Impacts by Class and Program

Class	Year	# of Units	Free Rider ship	Unit Energy Savings (kWh) Gross	NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS	
					2006		2006		2007		2007		2008		2008		2009		2009		Total		Total	
					kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	Total kWh	Total kW	Total kWh	Total kW
Program																								
Third Tranche																								
RESIDENTIAL																								
Education & Training																								
CLF Give Away - 13W	2006	6,027							234,330	5.42	260,366	6.03	554,934	12.85	616,594	14.27	554,934	12.85	616,594	14.27	1,344,198	31.12	1,493,554	34.57
CLF Give Away - 13W	2007	8,246	10%	43.2					234,330	5.42	260,366	6.03	234,330	5.42	260,366	6.03	234,330	5.42	260,366	6.03	702,989	16.27	781,099	18.08
													320,604	7.42	356,227	8.25	320,604	7.42	356,227	8.25	641,209	14.84	712,454	16.49
Community Events									116,640	2.70	129,600	3.00	720,641	16.68	800,712	16.98	720,641	16.68	800,712	18.54	1,557,922	36.06	1,731,024	38.52
CLF Give Away - 13W	2006	3,000							116,640	2.70	129,600	3.00	116,640	2.70	129,600	3.00	116,640	2.70	129,600	3.00	349,920	8.10	388,800	9.00
CLF Give Away - 13W	2007	15,535	10%	43.2					604,001	13.98	671,112	15.54	604,001	13.98	671,112	15.54	604,001	13.98	671,112	15.54	1,208,002	27.96	1,342,224	31.07
Seniors Care Package									107,902	1.47	117,301	1.64	158,448	2.16	172,253	2.40	158,448	2.16	172,253	2.40	424,797	5.80	461,807	6.44
CLF Give Away - 13W	2006	1,636	10%	43.2					63,608	1.47	70,675	1.64	63,608	1.47	70,675	1.64	63,608	1.47	70,675	1.64	190,823	4.42	212,026	4.91
Seasonal LED Lights - 5W		818	5%	57.0					44,295	0.00	46,626	0.00	44,295	0.00	46,626	0.00	44,295	0.00	46,626	0.00	132,884	0.00	139,878	0.00
CLF Give Away - 13W	2007	768	10%	43.2									29,860	0.69	33,178	0.77	29,860	0.69	33,178	0.77	59,720	1.38	66,355	1.54
Seasonal LED Lights - 5W		382	5%	57.0									20,685	0.00	21,774	0.00	20,685	0.00	21,774	0.00	41,371	0.00	43,548	0.00
GENERAL SERVICE <50KW																								
Seasonal Lighting									66,228	0.00	69,713	0.00	66,228	0.00	69,713	0.00	66,228	0.00	69,713	0.00	198,683	0.00	209,140	0.00
Seasonal LED - 5W	2006	1,220	5%	57.0					66,063	0.00	69,540	0.00	66,063	0.00	69,540	0.00	66,063	0.00	69,540	0.00	198,189	0.00	208,620	0.00
Seasonal LED Lights - Mini Lights	2006	24	5%	24.0					165	0.00	173	0.00	165	0.00	173	0.00	165	0.00	173	0.00	494	0.00	520	0.00
GENERAL SERVICE >50KW																								
Durham Non Profit Housing									232,841	48.78	289,546	60.82	232,841	48.78	289,546	60.82	232,841	48.78	289,546	60.82	698,522	146.33	868,638	182.46
Lighting Upgrade - 13W	2006	274	10%	198.0					43,402	9.50	54,252	11.87	43,402	9.50	54,252	11.87	43,402	9.50	54,252	11.87	130,205	28.50	162,756	35.62
Energy Star Fridges	2006	175	10%	68.8					10,836	1.10	12,040	1.23	10,836	1.10	12,040	1.23	10,836	1.10	12,040	1.23	32,508	3.31	36,120	3.68
Lighting Upgrade - 1Lamp T8 32W	2006	444	10%	180.0					63,936	13.67	79,920	17.08	63,936	13.67	79,920	17.08	63,936	13.67	79,920	17.08	191,808	41.00	239,760	51.25
Lighting Upgrade - 2Lamp T8 32W	2006	278	10%	441.0					98,078	20.96	122,598	26.21	98,078	20.96	122,598	26.21	98,078	20.96	122,598	26.21	294,235	62.89	367,794	78.62
Lighting Upgrade - 4Lamp T8 32W	2006	64	10%	324.0					16,589	3.55	20,736	4.43	16,589	3.55	20,736	4.43	16,589	3.55	20,736	4.43	49,766	10.64	62,208	13.30
Whitby Hydro Funded Programs																								
RESIDENTIAL																								
Seniors Program																	69,984	1.62	77,760	1.80	69,984	1.62	77,760	1.80
Light Bulb Exchange - 13W	2008																							
Low Income																	108,864	2.52	120,960	2.80	108,864	2.52	120,960	2.80
CFL Distribution 13W	2008																							
Community Events																	162,907	3.77	181,008	4.19	162,907	3.77	181,008	4.19
CLF Give Away - 13W	2008	4,190	10%	0.0																				
					0	0	0	0	757,940	58	866,527	71	1,733,091	80	1,948,818	94	2,074,846	88	2,328,546	105	4,565,877	227	5,143,890	271

Question #50

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

- a) Provide a revised schedule that shows the result of using OPA Mass Market Measures and Assumptions Input values as per Part d) of the previous IR and compare this to the as filed Attachment B , including adjustment of carrying charges.**

Response:

Not applicable – BECGI incorporated any updated information from the OPA's April 2009 Mass Market Measures and Assumption list in their calculations of LRAM.

- b) Provide a revised version of the LRAM claim per the Table in Exhibit 10 at Page 476 of 530.**

Response:

Not applicable

- c) Revise Table 10-2: Proposed LRAM Rate Rider to match.**

Response:

Not applicable