



***PUBLIC INTEREST ADVOCACY CENTRE
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May 21, 2010

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

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

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

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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

WHITBY HYDRO ELECTRIC CORPORATION 2010 RATE APPLICATION

(EB-2009-0274)

VECC'S INTERROGATORIES (ROUND #2)

(Note: Numbering Continues from Round #1)

Question #51

Reference: VECC #5 and #27
SEC #34 b)
Board Staff #14

- a) Please indicate where, in the Original Application, Whitby's approach to dealing with the HST is documented.
- b) Please reconcile the \$30 M adjustment to the 2010 Corporate Budget for HST with the \$28 M difference between the forecasted 2010 HST savings (\$37 M) and the provision incorporated in the Application (\$65 M).
- c) Table 4-4 and VECC #27 provide a detailed variance explanation for the difference between the 2009 and 2010 OM&A levels. However, there is no reference in either to the \$65 M reduction included for HST. Please reconcile and demonstrate that the \$65 M reduction was actually incorporated in the Original Application's proposed OM&A.

Question #52

Reference: VECC #18

- a) Please explain why there are no expected capital expenditures for voltage conversion in 2011.

Question #53

Reference: VECC #21 b)

- a) Please confirm that the Burlington Decision supported the rejection regression models that included population or number of customers because the negative values for the resulting coefficients were counter intuitive not because either was considered an inappropriate explanatory variable to test for modelling purposes.

- b) Is Whitby Hydro or its consultants aware of any utilities where the inclusion of customer count/population in the regression analysis yielded an intuitively correct and statistically significant result? If so, please indicate which distributor(s).

Question #54

Reference: VECC #26 a)

- a) Please explain why the \$80,000 contribution was treated as “revenue” a opposed to a capital contribution.

Question #55

Reference: VECC #27
VECC #32 e)

Preamble: VECC #32 e) requested a breakdown between labour and non-labour OM&A costs for both those costs incurred (directly) by Whitby Hydro and those incurred by WHES and (subsequently) assigned/allocated to Whitby Hydro. The response did not provide the requested information.

- a) Please confirm that not all of the \$8,587 k in costs assigned by WHES to Whitby Hydro for 2010 is included in the proposed Revenue Requirement OM&A costs and that items certain items such as Smart Meters and CDM will be excluded. Please provide a schedule that sets out the items included in the \$8,587 k but excluded from the OM&A costs in the Application and the dollar value of each. (Expressed another way, which of the “Adjustments for Rate Application” apply to the WHES costs.)
- b) As noted in the preamble, no breakdown has been provided of labour vs. external costs breakdown for either Whitby Hydro or WHES. Given the confidentiality concerns expressed in response to VECC #27 e) – please provide a schedule setting out a breakdown of the total OM&A costs (per the Application) between labour and non-labour costs.

Question #56

Reference: VECC #32 g)

Preamble: VECC #32 g) requested a breakdown between labour and non-labour capital spending for both those costs incurred (directly) by Whitby Hydro

and those incurred by WHES and (subsequently) assigned/allocated to Whitby Hydro. The response did not provide the requested information.

- a) Given the confidentiality concerns expressed in response to VECC #27 g) – please provide a schedule setting out a breakdown of the 2010 total capital spending for inclusion in rate base (per the Application) between labour and non-labour costs.

Question #57

Reference: VECC #33 - #36
SEC #3

- a) Please reconcile the total OM&A Services costs and adjustments reported in VECC #33 b) with those reported in response to VECC #32 d).
- b) With respect to VECC #33 a), please provide full details as to how the level of the adjustment (% and dollar value) for 2008, 2009 and 2010 was determined. In doing so, please demonstrate that the mark-ups used reconcile with the categories and the mark-up values referenced in the Attachment to SEC #3.
- c) Please file the attachments referred to in the Transfer Pricing Report provided in response to SEC #3.
- d) With respect to the Transfer Pricing Report provided in SEC #3, has Whitby Hydro undertaken any more recent Fair Market Value Testing? If so, please provide.
- e) With respect VECC #33 a); VECC #36 and SEC #5, please file copies of all other reports and documents provided to the CCO that described Whitby Hydro's transfer pricing practices.
- f) Please provide a schedule that for the years 2008 – 2010 breaks down the services provided by WHES and their costs in accordance with the various treatments set out in the Transfer Pricing Report and show the calculation of the relevant mark-ups for each as appropriate. Please reconcile the resulting total mark-up for each year with the values reported in response to VECC #33 b).
- g) With respect to VECC #34 c), please reconcile the percentage mark-ups on Vehicle Tools reported here with the mark-up approach outlined in the Transfer Pricing Report (SEC #3).

- h) With respect to VEC #35 b), please provide full details as to how the level of the adjustment (% and dollar value) for 2008, 2009 and 2010 Capital Services was determined. In doing so, please demonstrate that the mark-ups reported in the responses reconcile with the categories and the mark-up values referenced in the Transfer Pricing Report attachment to SEC #3.

Question #58

Reference: Board Staff #2 b) and c)

- a) Please update the response to Board Staff # 2 c) to reflect the Board's final Decision regarding Hydro One Networks' 2010 Transmission rates.
- b) Please confirm that the total charges shown in response to #2 c) are based on the 2010 rates (as shown) and the 2009 actual billing quantities.
- c) If the response to part (b) is yes, please provide a schedule that sets out Whitby Hydro's actual 2009 wholesale consumption, the 2010 forecast wholesale consumption and the resulting 2010 Line and Connection costs if the 2009 actual billing quantities are adjusted for the ratio between 2010 forecast wholesale consumption and 2009 actual wholesale consumption.

Question #59

Reference: Board Staff #3 b)
VECC #44 c) and d)

- a) Please update the response to Board Staff #3 b) to reflect the Board's final decision and approved ST rates for Hydro One Networks effective May 1, 2010.

Question #60

Reference: SEC #14

- a) The response makes reference to new borrowing in 2010 to support Whitby's capital spending program. Please provide Whitby's current expectation as to the timing of the borrowing, the amount that will be borrowed, the source of the borrowing and the cost of borrowing.
- b) Using the response to part (a) please update the average cost of long term debt for 2010 as currently set out in Exhibit 5, page 335 and the resulting 2010 average cost of capital.