Board Staff Interrogatories
2008 Electricity Distribution Rates
Hydro Ottawa Limited
EB-2007-0713

RATE BASE

Capital expenses

1. References: Exhibit B3/Tab 2/Schedule 1/Pages 1 – 8 and Exhibit B3/Tab 2/Schedule 2/Pages 1 – 7

The capital expenditure breakdown for 2007 in the tables in schedule 1 does not match with the breakdown for 2007 listed in the corresponding tables in Schedule 2. Please:

a) Reproduce Exhibits B3, Tab2, Schedule 1 and Schedule 2 with the same leftmost column and with consistent data.
b) Please produce a similar series of tables for 2008 and total the columns.

2. Reference: Exhibit B3/Tab 7/Schedule 1/Table 1

The reference lists amounts for AFUDC and in the table there is a reference to where they are mentioned in the Capital Project details.

a) The references seem not to exist. Please provide correct references in the table or provide the missing information.
b) Please confirm that AFUDC is included in all tables regarding capital expenditure, and
c) if not confirmed please update all tables including AFUDC and reflecting the numbers listed in the Reference

3. Reference: 2006 Filing requirement (EB-2006-0170) section 2.3 Exhibit 2

Please confirm that Hydro Ottawa has no projects for which a Leave to Construct under section 92 is required.

4. Reference: 2006 Filing requirement (EB-2006-0170) section 2.3

For each of 2006, 2007 and 2008, please provide the total value, the number of capital projects and the average value of the capital projects that are under the materiality level (1% of total net fixed assets) and reconcile to total Capital Budget.

5. Reference: Exhibit B1/ Tab 2/Schedule 2/ Page1

The Application provides a brief description of the Asset Management Plan but then goes on to indicate that “Due to the inclusion of the assumed data, the models were

created conservatively; that is, to provide lower risk recommendations that result in higher levels of activity."

a) Please provide a description for the record, of the methodology of "asset condition" assessment, which is a part of the Asset Management Plan
b) Please indicate, for each of the years 2007, 2008 of the Capital expenditures budgets summary table (Exhibit B1-1-1 table 2),
    i. How would the table be adjusted if the budget were required to be reduced by 25%?
    ii. What would be the consequences of the adjustment on each of the programs?

6. Ref: Exhibit B1/Tab 2/Schedule 2/Pages 8&9

The last paragraph on page 8 indicates that "the optimum strategy is to replace close to the average end-of-life. The paragraph on page 9 at line 17 states that "a high level of cable failures has not materialized to justify the level of spending recommended in the asset management plan, except in certain targeted areas in the west-end of the City". Please indicate:

a) Whether the asset condition assessment methodology has been changed to recognize the reality; and if so,
b) How the reality has been reflected in the programs for 2006, 2007 and 2008;
c) Which are the "specific targeted areas in the west-end of the City" and why they are to continue at a high level of cable replacement?

7. Reference: Exhibit B1/Tab 1/Schedule 1/Page 2 and Exhibit B4/Tab 2/ Schedule1/Page 1

Please provide an integrated table covering the years 2006 through 2010 of Capital Expenditures

a) Please indicate, for each of the years 2006, 2007, 2008, 2009 and 2010 of the Capital expenditures budgets summary table Exhibit B1-1-1 table 2 (for 2007, 2008) and Exhibit B4 Tab 2 Schedule1 table 1 (for years 2009 and 2010)
    i. How would the table be adjusted if the 2008 budget were required to be reduced by 25%?
    ii. What would be the consequences of the adjustment on each of the programs?

8. Reference: Exhibit B4/Tab 3/Schedule 2/Pages 1-4

Items 2.5 through 2.8 as described in Table 1 and in the paragraphs below refer frequently to computers, software, and hardware

Please complete the table below.

Year	2006	2007	2008	2009	2010
#Staff Office workstations					
# of PCs					
# of PC replacements					
# of new PC workstations					
# of new mobile PCs					
# of peripherals					
$ expenditures on PCs					
$expenditures on peripherals					

9. References: Exhibit B1/Tab 1/Schedule 1/Page1 Table 1, Exhibit B4/Tab 2/Schedule 1/Page1 Table 1, Exhibit B4/Tab 2/Schedule 1/Page 3 lines 9 through 12 and Exhibit B4/Tab 2/Schedule 1/Page 2

The information provided shows that there is a significant continuous decline in total capital expenditures in the years 2007 through 2010 and in most categories of expenditure. Please:

a) Indicate why there is a decline and comment on the effect of the value of the assets of Hydro Ottawa;
b) Indicate if the decline in the investment in poles and wires, equipment, general plant and plant services has been based on a condition assessment? If so please provide the study. If not please explain why for each of these items they do not require similar investment.
c) Explain the impact of balancing of the station capacity and distribution, as described in ref 3), and the purpose of this balance. If it is incorporated as a policy please provide that policy.
d) Provide a table for the years 2002 through 2010 incorporating tables 2,3 and 4 in reference 4) and reconcile it with the totals shown in reference 1.

10. Reference: Exhibit B3/Tab 2/Schedule 2/Page 5

a) The application stated that “The forecast to complete the scope of work in 2008 is less than the estimate in 2007 to replace equipment in the

Bayswater and Marchwood stations". Please explain the reason for and the implication of this statement.

b) Please provide the cost breakdown for Beechwood, Eastview and Kilborn stations as well as Bayswater and Marchwood stations for each station in each of the years 2006, 2007 and 2008; and

c) Indicate the scope of the work that occurs for each station in each of the years 2006, 2007 and 2008.

11. Reference: Exhibit B2/Tab 2/Schedule 1/Page 3

Table 5 indicates that the GIS Budget program was overspent by $1,284,000 (26%) in 2006 Actual.

a) Please provide the reason for overspending of this program in 2006.

b) Under Exhibit B3, Tab 2, Schedule 1, page 3, an estimated $6.5 million will be spent for GIS Budget program in 2007. Please provide a detailed cost-benefit analysis on the GIS program.

12. Ref: Exhibit B2/Tab 1/Schedule 1

Ottawa Hydro's Capital Expenditures show a decline over the years 2007 through 2010. Please provide:

a) Asset management plans or practices 2002 through to 2010 inclusive.

b) For the years 2002 to 2010 inclusive, please provide a table listing the following, (use actual dollars in years where available, or expected or planned or projected dollars, or % where indicated):

i. Net income
ii. Actual Return on Equity (%)
iii. Allowed Return on Equity (%)
iv. Retained Earnings;
v. Dividends to shareholders;
vi. Sustainment Capital expenditures;
vii. Development Capital Expenditures;
viii. Operations Capital Expenditures;
ix. Other Capital Expenditures (identify)
x. Total Capital Expenditures
xi. Depreciation

FORECASTS

13. Reference: C1/1/1/p2 (i.e. Exhibit C1/ Tab 1Schedule 1/ page 2)

In Schedule 1, page 2, Table 1, the Applicant shows columns of kWh sales data for various years and customer classes. Some of the column headings are not self explanatory. A number of values in the body of the table are identical to adjacent values and this would not be expected. The increase or decrease from one column to

the next for specific customer classes is very large in some cases (i.e. a very high growth or decline from one year to the next). Please:

a) Verify that the headings "2007 4Normalized/8" and "2007 4Actual/8" simply mean "2007 Normalized" and "2007 Actual" respectively;
b) Verify that the term "Normalized" in this table and throughout Exhibit C1, refers only to weather normalization;
c) Explain the purpose of having two numerical columns of data for the year 2007 – one apparently weather normalized and the other not – when, by definition, future values (i.e. forecasts or predictions) are weather normal, and explain how the 2007 *non*-weather-normalized data is used in the development of the 2008 forecast;
d) Clarify why, for the General Service 50-1500kW class, the actual and normalized values for 2007 are identical while for 2006 they are not and, moreover, for most other classes the two 2007 values are not identical;
e) Verify that, for the General Service 50-1500kW class, the volume is forecasted to drop from the 2006 normalized value to the 2008 forecast value by about 39% and explain the reason for this reduction;
f) Verify that, for the General Service 1500-5000kW class, the volume is forecasted to increase from the 2006 normalized value to the 2008 forecast value by about 151% and explain the reason for this increase, and
g) Verify that, for the Unmetered Scattered Load class, the volume is forecasted to increase from the 2006 normalized value to the 2008 forecast value by about 57% and explain the reason for this increase.

14. Reference: Exhibit C1/Tab 1/Schedule1/Page 3

In Schedule 1, page 3, Table 2, the Applicant shows columns of customers/connections data for various customer classes. Some of the column headings are not self explanatory. A number of values in the body of the table show unexpected differences. Please:

a) Verify that the headings "2007 4Normalized/8" and "2007 4Actual/8" simply mean "2007 Normalized" and "2007 Actual" respectively; and
b) Explain why, for the Residential class, the 2007 Normalized and Actual values are different.

15. Reference: Exhibit C1/Tab 1/Schedule1/Pages 2&4

In Schedule 1, page 4, Table 3, the Applicant shows columns of Throughput Revenue data for various customer classes. Some of the column headings are not self explanatory. In Schedule 1, page 2, Table 1 and in Schedule 1, page 4, Table 3, increases can be readily calculated from the data presented; some of the differences are greater than expected. Please:

a) Verify that the headings "2007 4Normalized/8" and "2007 4Actual/8" in Table 3 simply mean "2007 Normalized" and "2007 Actual" respectively;

b) Verify that the increase in Throughput Revenue in Table 3 from the 2006 normalized value to the 2008 forecast value is about 27% and explain the reason for this large increase;
c) Verify that the increase in Volume in Table 1 from the 2006 normalized value to the 2008 forecast value is about 1.3%, and
d) Explain how, while the Volume increases by only about 1.3%, the related Throughput Revenue increases by about 27%.

16. Reference: Exhibit C1/Tab 2/Schedule1/Pages1-4

In Schedule 1, pages 1 to 4, the Applicant discusses the statistical modelling software it has used. Further information about this software and how it was used to develop the System Energy Forecast would be helpful. Please:

a) Explain how in developing: "Two main forecasts…a system forecast of energy and demand, and a class sales forecast" the different parameters, relationships, data, etc. were used so that the results of the two forecasts differed to the extent that subsequently resulted (see Interrogatory #3 (d) above),
b) Explain the verification process that the Applicant undertook to authenticate the resulting magnitudes and the correlation between the two forecasts,
c) How the Applicant's quoted values of Heating Degree Days and Cooling Degree days "were found to best capture the relationship between weather and system wide energy consumption",
d) Estimate the difference in the resulting volume forecast that the Applicant would expect if observed change in weather in the past 10 years had been incorporated into the model,
e) Provide further information about how the model specifications "does a good job of capturing the historical behaviour of energy with respect to economics and weather" and the statistical measurements that support this statement,
f) Provide:
    i. In tabular form, the Actual and Predicted data used to plot Figure 1 for the 1997 to 2006 period, indicating any incidents of manual or automated intervention and the magnitude of the interventions, and
    ii. The statistical accuracy of the Prediction for this historical period only, and
g) Define the unit of measurement for Figure 2.

17. References: Exhibit C1/Tab 1/Schedule1/Page 2 and Exhibit C1/Tab 2/Schedule1/Pages 1, 5 & 15

In the above references, the Applicant provides tables of sales data for various years and customer classes. There are numerical differences in the data presented for apparently identical situations; i.e.:

Reference	Unit	2006 Actual	2006 Normalized	2007 Actual	2007 Normalized	2008 Forecast
C1/1/1/p2	kWh	7,463,363,420	7,583,077,530	7,603,392,610	7,681,893,092	7,684,173,130
C1/2/1/p1	MWh	7,724,426	7,840,902			
C1/2/1/p5	MWh	7,740,360	7,840,902	7,860,460	7,861,908	8,011,611
C1/2/1/p15	MWh		7,473,024		7,601,991	7,748,174

Clarification of these differences would be helpful.

Please:

a) Verify that the values shown above for reference C1/2/1/p15 are the correct totals of the by-class data presented in C1/2/1/p15 in the Application,
b) Verify that Board Staff have correctly transposed the data from the references noted,
c) Explain the circumstances/conditions that each value represents and how these circumstances/conditions are different from those represented by the other values in the same column,
d) Re-file any tables where a change is required, and
e) Identify the tables in the original filing or as a result of (d) above, that take into account Conservation and Demand Management and accurately summarizes the forecasts for Volume, Customers/Connections and Throughput Revenue.

18. Reference: Exhibit C1/Tab 2/Schedule1/Page 7

In Schedule 1, page 7, Table 3, the Applicant presents system peak values for various years. The unit of measurement is not specified. Please provide the unit of measurement for the System Peak values in Table 3.

19. Reference: Exhibit C1/Tab 1/Schedule1/Page 3

In Schedule 1, pages 7 to 9, the Applicant describes the process it employed to develop Class Billed Sales and Demand Forecast. In particular, the Applicant describes the "two major issues" that arose during the development of the billed customer class forecasts.

The second issue is quoted to be that "…most class sales did not exhibit any significant growth between 2002 and 2008" but that "This problem was partially resolved by interacting weather with economic variables". More information about this matter would be helpful. Please:

a) Explain this situation fully and, specifically why, an historical lack of growth would be seen as a "problem" in developing a forecast, and
b) Explain fully how, and to what extent, "The forecast models sales reasonably well…" and the measurements or circumstances that resulted in the Applicant concluding the modelling was only performed reasonably well and not very well.

20. Reference: Exhibit C1/Tab 2/Schedule1/Pages10-15

In Schedule 1, pages 10 to 15, Figures 4 to 12, the Applicant presents graphs of sales volumes. In Schedule 1, page 9, the Applicant notes that these sales data are summarized in Table 4. No unit of measurement is specified for the various figures or the table; moreover, the unit of measurement for the figures and the table appear to be different. Please state the unit(s) of measurement for Figures 4 to 12 and for Table 4.

21. Reference: Exhibit C1/Tab 2/Schedule1/Page 19

In Schedule 1, page 19, the Applicant states when discussing Demand Forecast: "The results are mostly in line with the class sales forecast that was used to drive the demand forecast models". Please explain the results that were *not* in line to the desired extent and the consequences on the class sales forecast as a result of this lower level of confidence.

22. Reference: Exhibit C1/Tab 1/Schedule1/Page 3

In Schedule 1, page 21, the Applicant discusses Conservation and Demand Management Adjustment. The extent to which the various figures and tables presented to date have included this adjustment is unclear. Please provide a listing for all tables identifying those where the Conservation and Demand Management Adjustment has been incorporated.

23. Reference: Exhibit C1/Tab 2/Schedule2/Pages 1&2

In Schedule 2, pages 1 and 2, the Applicant discusses the Economic Indicators used in developing the various forecasts. Please:

a) Confirm that the GDP and RPI values used in developing the forecasts were those provided by the Conference Board,
b) Identify the source(s) for Population and Non-Manufacturing Employment and verify that the Applicant used the values provided without subsequent modification, and
c) Where changes in any of the values were made, provide a table comparing the supplied and subsequently-used values.

OPERATION, MAINTENANCE AND ADMINISTRATION
General

24. Reference: Exhibit D1/Tab 1/Schedule 1

Please prepare a comprehensive listing of all leased assets where the individual asset total annual lease costs exceed $10,000. Include in this listing the work unit where the

leased payment is accounted for in the budget (i.e. Facilities, Finance), a description of the leased asset, description of ownership (i.e. private, shareholder, or Hydro Ottawa affiliate), the implicit interest rate charged, and the amount of the annual lease payment.

25. Ref: Exhibit D1/Tab 1/Schedule 1

Please prepare a comprehensive listing of all operational costs by work unit for smart meters included in the 2008 budgets. Include in this listing the work unit where the smart meter cost is accounted for in the budgets, description of activity, and amount budgeted. In particular please identify for each of the reported budget amount whether Hydro Ottawa considers the cost to be a component of minimum functionality, or if the amount is incidental/incremental to minimum functionality.

26. Ref: Exhibit D1/ Tab 1/ Schedule 1

With reference to Page 4 of 17, Table 1 OM&A by Grouping, please provide for each year to year comparison, a summary table that isolates drivers such as, but not limited to, the following, by breakdown category and line:

- Current labour changes/adjustments
- Staffing changes due to economic changes (i.e. customer growth, call growth)
- Staffing changes due to changes other than economic changes (i.e. new project)
- Change in external labour usage (outsourcing, consulting, contracting etc.)
- Current contractual changes other than labour
- New contractual changes other than labour
- One time charges expected, reversed or maintained as contingency.

27. Ref: Exhibit D1/ Tab 1/ Schedule 1

Page 4 of 17 Table 1 OM&A by Grouping shows Bad Debt Expense for 2008 Forecast at $2,000,008 and the 2006 Approved Rate Application at $900,000. On Exhibit D1 Tab 1 Schedule 2 Page 6 of 8, Bad Debt Expense, Hydro Ottawa discusses the explanation for the variance between 2006 Actual Results versus 2006 Approved Rate Application.

In the explanation Hydro Ottawa references the value of 0.2% of sales revenue as consistent with industry average for bad debt. On Exhibit D1 Tab 1 Schedule 4 Page 8 of 9 Bad Debt Expense, Hydro Ottawa forecasts bad debt for electricity accounts at $1.6 million and $0.4 million for bad debt from other services to support the 2008 forecast of $2.0 million bad debt.

a) Please discuss further the history and/or provide factual published references in support of the 0.2% of revenue sales as the industry average for bad debt.

b) Please prepare a supporting schedule that applies the calculation of 0.2% against 2008 forecasted electricity account revenue and compare the resulting value to the $1.6 million bad debt forecast. Please provide supporting discussion to justify using the $1.6 million versus the calculated amount.
c) Please prepare a supporting schedule that applies the calculation of 0.2% against 2008 forecasted revenue from other services and compare the resulting value to the $0.4 million bad debt forecast. Please provide supporting discussion to justify using the $0.4 million versus the calculated amount.

28. Ref: Exhibit D1/ Tab 1/ Schedule 3

On page 4 of 18 “2.3 Allocations” and Exhibit D1 Tab 1 Schedule 3 Page 7 of 18 “5.3 Capital Allocations”, Hydro Ottawa has estimated that capitalized O&M will increase by $2.0 M and $1.1 M. Hydro Ottawa has filed an application with the Board for an accounting order to establish a deferral account for a change in capitalization policy (EB-2007-0770). Please discuss how Hydro Ottawa has affected this estimate for the proposed accounting order.

29. Ref: Exhibit D1/Tab 1/ Schedule 4

On page 1 of 9 Table 1, Administration changes from $7.6M in the 2007 Estimate to $20.3M in the 2008 Forecast. Exhibit D1 Tab 1 Schedule 4 Page 4 of 9, 2.3 Capital Allocations and Exhibit D1 Tab 1 Schedule 4 Page 8 of 9, 5.3 Capital Allocations discuss how the change in allocations affect the values.

a) Please recast Table 1 inserting a column showing 2008 as it would have been had the capitalization policy change not taken effect, a new column showing the effects of the capitalization policy change which finalizes the 2008 Forecast as presented.
b) Please discuss the drivers that contribute to the $6.5M that would normally have been allocated to capital, and the $3.7M that would have normally have been allocated to O&M.

External Service Costs

30. Ref: Exhibit D1/Tab 3/ Schedule 1

For distribution expenses incurred through the purchase of services or products, as discussed in this Exhibit, please provide; (i) the identity of each company transacting with the applicant, (ii) a summary of the nature of the activity transacted, (iii) annual dollar value in aggregate of transactions for each of the 2006 historical, 2007 estimate and 2008 forecast years, and (iv) description of the specific methodology used in

determining the price (summary of tendering process/summary of cost approach) as applicable to each company transacting with the applicant.

Shared Services Pricing

31. References: Exhibits A1/ Tab 7/ Schedule 3, C2 /Tab 1 /Schedule 5, D1/ Tab 2/ Schedule 1

In these exhibits, Hydro Ottawa provide information on services it provides to affiliates, services it receives from affiliates and the various service level agreements. Please provide an overview of the magnitude of the transactions relative to the total utility revenue and expenses in the following format for each of 2006 historical, 2007 estimate and 2008 forecast years: (i) $ amount of expenses paid to affiliates for services rendered and the percentage amount this represents of total expenses, (ii) $ amount of revenue received from affiliates for services provided and the percentage amount this represents of total revenue, and (iii) $ amount of expenses incurred related to the provision of services to affiliates and the percentage amount this represents of total expenses. Please include a breakdown of these expenses between the various service level agreements summarized in Exhibit A1 Tab 7 Schedule 3 Table 1.

32. Reference: Exhibit A1/Tab 7 /Schedule 3

In this exhibit, Hydro Ottawa provides copies of its service level agreements related to the provision of services to affiliates. A number of these agreements which are for the period January 1, 2007 to December 31, 2007 were signed between July and September 2007 (i.e. B, F-K). Please confirm that the terms of the agreements were in effect for the full year 2007, or if not, please describe the prior arrangements. Please state whether Hydro Ottawa would expect agreements with similar terms and conditions to be in effect for the 2008 test year, or, if not, please state what changes are anticipated.

33. Reference: Exhibit A1/ Tab 7/ Schedule 3

In this exhibit, Hydro Ottawa provides copies of its service level agreements related to the provision of services to affiliates. One of these agreements, Generation Services & Continuation of Agreement with Energy Ottawa, included as Attachment C appears to date back to 2005, while the other agreements are from 2007. Please confirm that the terms of this agreement continue to be in effect for 2007, or if not, please provide a copy of the current agreement.

34. Reference: Exhibit D1/ Tab 6/ Schedule 1

In this exhibit, Hydro Ottawa discusses corporate cost allocations and states that allocations from the Holding Company to Hydro Ottawa are described in Exhibit D1-2-1. Please document Hydro Ottawa's overall corporate cost allocation methodology and

policy and provide a detailed description of the assumptions underlying the allocation of these services.

Employee Costs

35. Reference: Exhibit D1/ Tab 5/ Schedule 1

On Page 1 of 10, Table 1 provides a headcount of the total number of full-time, part-time and temporary employees by employee type. Please provide a breakdown of total Full-time Employees (FTE), total Part-Time Employees (PTE) by employee type for 2006, including Historical Board Approved and Historical Actual, 2007 and 2008.

36. Reference: Exhibit D1/Tab 5 /Schedule 1

On Page 8 of 10, Table 5 provides a breakdown of average annual incentive pay by employee type. Please explain the differential between the 2006 Historical Board Approved amount and the 2006 Historical Actual amount for executive, management and non-unionized employees.

37. Reference: Exhibit D1/ Tab 5 /Schedule 1

On Page 8 of 10, Hydro Ottawa provides a summary of its average annual incentive pay for executive, management and non-unionized staff. Please provide details on Hydro Ottawa's employee incentive program, including how employee performance is measured and how the incentive level is determined.

38. Reference: Exhibit D1 /Tab 5/ Schedule 1

Please confirm that the Salaries & Wages and Benefits shown in Exhibit D1 Tab 5 Schedule 1 are charged to OM&A for the recovery of the total amount as applied for by Hydro Ottawa in this proceeding. If not, please state where any amounts not charged to OM&A may be charged.

39. Reference: Exhibit D1/ Tab 5 /Schedule 1

On Page 2 of 10, Hydro Ottawa indicates that increases in its Management employee category include additional positions in the metering department related to Smart Meters. Please indicate whether the costs for these additional positions related to Smart Meters, are incremental to the "minimum functionality" criteria as stipulated in Appendix "A" of the Board's August 8, 2007 Decision with Reasons in EB-2007-0063.

LOSS FACTORS

40. Reference: Exhibit D1/ Tab 8/ Schedule 1/ Page 1

a) The table titled "Losses as a % of Purchases for Previous Five Years" in the above reference provides Loss% for 2002 to 2006. "Losses %" is shown as 2.43% and 3.33% for 2004 and 2005 respectively. In the Exhibit D1, Tab 8, Schedule1 Page 2, "Loss Factor" is shown as 1.0256 and 1.0360 for 2004 and 2005 respectively. Please confirm which reference is correct.

b) In the above reference, "Losses %" for 2005 is shown as 3.33% and 3.14% in the Exhibit D1, Tab 8, Schedule 2, A Plan to Reduce Line Losses by 5%, Pages 6 and 7 of 18. Please confirm which reference is correct.

c) In the "Loss Adjustment Factors" section, it states that "Hydro Ottawa's current loss adjustment factor is 1.0344 for secondary metered customers using less than 5MW".
   i. Please indicate whether "loss adjustment factor" refers to Distribution Loss Factor (DLF) or Total Loss Factor (TLF).
   ii. Please explain why this value (1.0344) is different from the TLF (Secondary Metered Customer < 5,000 kW) provided in the 2007 tariff (1.0569).

41. Exhibit D1/ Tab 8/ Schedule1/ Page 2

a) The Table titled "Loss Adjustment Factor" provides Loss Factor for 2004 to 2006. Please indicate whether this refers to Distribution Loss Factor (DLF) as implied by the upstream calculation in the table or TLF.
   i. If it is the latter i.e. TLF, please reconcile the 1.0363 value for 2006 with the 1.0344 value for TLF (Secondary Metered Customer < 5,000 kW) provided in the 2006 tariff.
   ii. In either case, please provide the Supply Facilities Loss Factor (SFLF) used to convert DLF to TLF.

42. Exhibit 11/ Tab 6/ Schedule 1/ Tariff of Rates and Charges Effective May 1, 2008, Page 5 of 6 and Exhibit D1/ Tab 8/ Schedule 2, A Plan to Reduce Line Losses by 5%, Pages 6 and 7 of 18

This question compares the TLF reported in the above with values reported in:

- Tariff of Rates and Charges Effective May 1, 2006, Page 4 of 4; EB-2005-0381
- Tariff of Rates and Charges Effective May 1, 2007, Page 3 of 3; EB-2007-0567

With respect to the TLF (Secondary Metered Customer < 5,000 kW) provided in the above references for the 2006 and 2007 tariffs and Exhibit 11 Tab6 Schedule 1, Page 5 of 6 proposed 2008 tariff as respectively 1.0344, 1.0569 and 1.0344:

a) please confirm whether the 2007 value (i.e. 1.0569) is correct as it is out of trend with the values for 2006 and 2008;and
b) please provide a rationale for proposing that the 2008 TLF be identical to the TLF for 2006 rather than some lower factor, e.g. reduction of 5% as alluded to in Exhibit D1, Tab 8, Schedule 2, A Plan to Reduce Line Losses by 5%, Pages 6 and 7 of 18.

SMART METERS

43. Reference: Exhibit D3 /Tab 1 /Schedule 1

On page 2 and "Table 2: Capital Spending by Calendar Year", Hydro Ottawa presents its proposed smart meter capital spending program for 2006 through 2010.

a) Please confirm whether the proposed capital expenditure amounts during these years will meet or exceed the "minimum functionality" criteria which formed the basis in the Board's August 8, 2007 Decision with Reasons in EB-2007-0063 to allow the recovery of smart meter capital costs. In that Decision, the Board determined that there were fourteen cost categories in relation to "minimum functionality" that were set out in Appendix "A". Are any of the proposed capital costs outside of these fourteen cost categories, if so please describe these costs and why Hydro Ottawa is seeking to recover them. If any of Hydro Ottawa's proposed smart meter capital expenditure items are beyond the "minimum functionality" criteria, please provide, for each year from 2006 to 2010, the capital expenditure breakdowns for "minimum functionality" and "beyond minimum functionality" cost categories.
b) According to Table 2, Hydro Ottawa has spent $16,376,000 in 2006 for 97,628 smart meter installations (per Table 1 on page 1) resulting in a unit capital cost of $167.74. According to Appendix "A" (non-confidential) of the Board's September 21, 2007 Decision and Order in EB-2007-0747 / EB-2007-0748, Hydro Ottawa's capital expenditure for 2006 through April 30, 2007 was $15,480,000 for the installation of 114,432 smart meters with a unit capital cost of $135.28. Does the difference of $32.46 per unit represent expenditures relating to cost categories other than the fourteen cost categories determined by the Board which meet the "minimum functionality"? If so, please provide an itemized unit cost breakdown for each category other than the 14 "minimum functionality" cost categories.
c) According to the capital expenditure amounts and the number of smart meters to be installed as indicated on Table 2 and Table 1, the following are the unit capital costs:

	Table 1: Number of Smart Meters Installed	**Table 2: Smart Meter Capital Expenditure Amounts**	**Capital Expenditure Per Unit**	**Year / Year Percentage Change For Per Unit Capital Cost**
2006	97,628	$16,376,000	$167.74	
2007	105,128	$16,920,000	$160.95	-4.0%
2008	57,361	$ 9,684,000	$168.83	4.9%
2009	35,701	$ 7,043,000	$197.28	16.9%
2010	8,411	$ 1,460,000	$173.58	-12.0%

Please provide the reasons for the significant increase in unit capital cost in 2009. Please also provide unit capital costs for the smart meter installations with respect to the residential, general service < 50 kW, and general service > 50 kW classes during 2006 through 2010 in the same format as the above table.

44. Reference: Exhibit A1 /Tab 2 /Schedule 1

Under item number 6.0 on page 3, Hydro Ottawa states: "Hydro Ottawa is installing Smart Meters to replace, and thereby to strand, its existing meters. Hydro Ottawa nevertheless will retain the cost of the stranded meters in rate base. Hydro Ottawa proposes to amortize this cost over a period of four years commencing May 1, 2008. The current amortization period is 25 years."

a) Please confirm whether the four year amortization period is related to the length of the period over which Hydro Ottawa expects to incur costs for its smart meter investment plan. If so, please provide the starting and ending dates for this period.
b) Hydro Ottawa states that the current amortization period is 25 years. Please provide the reasons for the choice of a four year amortization period when in the absence of the smart meter program the amortization period for the stranded meters would have been 25 years.

45. Reference: Exhibit I1 /Tab 3 /Schedule 2

In the last paragraph on page 1 of "I1 /Tab 3 /Schedule 2", Hydro Ottawa states: "Hydro Ottawa recognizes that Smart Meter costs will continue to be tracked separately and that Smart Meter variance accounts still exist. In addition, Hydro Ottawa's proposed 2008 Service Revenue does not include Smart Meter OM&A costs for January 1, 2008 to April 30, 2008 since this is part of the rate year for which the 2007 Smart Meter rate adder will still apply."

a) Please confirm whether Hydro Ottawa will continue to track smart meter costs through the smart meter deferral accounts during the 2008, 2009 and 2010 rate years.

b) The Board, in its April 12, 2007 Decision and Order EB-2007-0544, approved a Smart Meter rate adder of $1.74 per month per metered customer for Hydro Ottawa. Please confirm if Hydro Ottawa will continue to use this rate adder during the 2008 rate year. If not, please indicate whether Hydro Ottawa's preferred method of smart meter cost recovery for 2008 rate year will still be through the use of a rate adder. If so, please provide the 2008 rate adder amount and the justification for this amount. If not, please confirm that Hydro Ottawa will include the 2008 smart meter capital expenditure amount in its fixed assets and the rate base and recover the 2008 smart meter costs by incorporating them into the permanent distribution rates.

CAPITAL ADJUSTMENT FACTORS

46. Reference: Exhibit B4/Tab 1/ Schedule 1

The Board has stated that it has a plan to put into place a revised ("third generation") incentive regulation framework for electricity distributors beginning with the 2009 rate year. Please provide Hydro Ottawa's views as to how its capital adjustment factor proposal is compatible with the Board's plan, and if so, why Hydro Ottawa is not pursuing this proposal as part of the third generation process. If Hydro Ottawa does not believe its proposal is compatible with the Board's plan, please state the specific circumstances Hydro Ottawa is facing that it believes would justify granting it differential treatment from the Board's plan.

47. Reference: Exhibit B4/Tab 1/ Schedule 1

In the event that the Board were to accept Hydro Ottawa's proposed capital adjustment factor, please state how any significant changes in Hydro Ottawa's 2009 and 2010 capital expenditures, were they to arise, would be dealt with under the proposal.

48. Ref: Exhibit B4/Tab 1/ Schedule 1

On page 1 of 3, Hydro Ottawa states that "The capital adjustment factor would be less burdensome for the regulator than a full cost of service study in each year." Please state whether or not Hydro Ottawa believes that easing the regulatory burden should be the only criterion used by the Board to assess its proposal, or, if not, what other criteria should be considered and how, in Hydro Ottawa's view, its proposal would compare, relative to a full cost of service study in each year, for each of these criteria.

49. Reference: Exhibit B4/Tab 1/ Schedule 1

On page 2 of 3, Hydro Ottawa outlines its proposed methodology for the capital adjustment factor. It is stated that "The revenue requirement resulting from capital expenditures in non-rebasing years includes the return on rate base, amortization and PILs." Please state the basis for Hydro Ottawa's conclusion that the revenue requirement resulting from capital expenditures would include these factors, specifically

discussing whether Hydro Ottawa, believes that any of these factors would also include non-capital expenditure elements. If Hydro Ottawa does not believe that there would be non-capital elements in these factors, please state why or if it does believe there are non –capital elements, please state their magnitude, and whether or not Hydro Ottawa's proposal contains a means to adjust for such non-capital elements. If not, would this mean that the percentage of the revenue requirement to which the capital adjustment factor would be applicable would be overstated. Why or why not?

50. Reference: Exhibit B4/Tab 1/ Schedule 1

On page 2 of 3, Hydro Ottawa outlines its proposed methodology for the capital adjustment factor. It is stated that "Smart Meters and stranded meters are not included since it is anticipated that the Board will still review rates annually for all Smart Meter related costs." Please state the basis for Hydro Ottawa's assumption that "the Board will still review rates annually for all Smart Meter related costs." Please rerun Hydro Ottawa's analysis on the basis that smart meters and stranded meters are included and providing the assumed levels of smart meter and stranded meter costs.

51. Reference: Exhibit B4/Tab 1/ Schedule 1

On page 2 of 3, Hydro Ottawa outlines its proposed methodology for the capital adjustment factor. It is stated that "The capital adjustment factor is net of the forecasted load growth." Please provide a detailed explanation and supporting calculations to demonstrate how the capital adjustment factor is adjusted for forecasted load growth. Please also provide the load growth forecast that is used as the basis for the adjustment.

52. Reference: Exhibit B4/Tab 1/ Schedule 1

On page 2 of 3, Hydro Ottawa outlines its proposed methodology for the capital adjustment factor. It is stated that "The capital adjustment factor is separate and distinct from the 3GIRM factor, which is still to be set by the Board." (i) Would Hydro Ottawa agree that if the Board was to accept its proposal, the 3GIRM factor would not be applied to it in the same way that it would be to other distributors? (ii) Would it be Hydro Ottawa's view that the 3GIRM factor does not contain any adjustment element for capital components? If so, please explain why and how this should be dealt with, if not would there be any element of double counting in applying both the proposed capital adjustment factor and the 3GIRM in the manner proposed by Hydro Ottawa? (iii) How critical to establishing a separate and distinct capital adjustment factor would it be in Hydro Ottawa's view to first establish a clear separation between the capital and non-capital components of the revenue requirement?

53. Reference: Exhibit B4/Tab 1/ Schedule 1

On page 3 of 3, Hydro Ottawa outlines its proposed methodology for the capital adjustment factor. It is stated that "As this factor will only apply to the capital portion of

rates, it is necessary to determine the percentage of the base revenue requirement (and hence rates) that is related to capital. For Hydro Ottawa's base revenue requirement of $147,951k in 2008, $59,328k, or 40.1%, is OM&A and 59.9% is based on capital." Please provide detailed supporting calculations for this breakdown.

54. Reference: Exhibit B4/Tab 1/ Schedule 1

As part of this schedule, Hydro Ottawa provides a table entitled "Methodology for Capital Adjustment Factor." For the section of the table entitled "Base Revenue Requirement for Capital Adjustment Factor," please provide detailed supporting calculations and explanations for each item in the table sufficient to provide the Board with a complete understanding as to how Hydro Ottawa is proposing that the capital adjustment factor should be calculated. Please include the items: (i) "Incremental Net Fixed Assets", (ii) "Return on incremental increase in Rate Base," (iii) "Incremental Amortization on new Assets" is calculated, (iv) "Net Income," (v) "PILs," (vi) "Total Increase in revenue requirement," (vii) "Non OM&A Revenue requirement," and (viii) "growth in load (net of CDM)" as well as any other information that Hydro Ottawa believes may be relevant to facilitate the Board's understanding of these calculations.

PILs, DEFERRAL AND VARIANCE ACCOUNTS

55. Reference: Exhibit D3/Tab1/Schedue1/Pages 5&6

For 2006 audited financial statements, Hydro Ottawa removed the stranded assets from fixed assets and recorded them as a regulatory asset on the balance sheet. For purposes of this Application, Hydro Ottawa has added back the removed stranded meters and related amortization. Furthermore, the additional amortization that would have accumulated if the meters had remained in fixed assets was also added back to the rate base.

a) Since the stranded meters were removed from service and replaced with smart meters, which are eligible for inclusion in rate base, why is Hydro Ottawa entitled to also receive a return on the stranded out of service meters by adding them back to rate base?

56. Reference: Exhibit D3/Tab1/Schedule1/Page 4

The OM&A from Table 3 does not include any OM&A costs related to transaction costs or regular fees for the use of the provincial MDM/R because these costs/fees are not yet known. However, as included in Exhibit A1-4-1, Hydro Ottawa is seeking the Board's express confirmation that these costs/fees can be recorded in the Account 1556 Smart Meter variance, until the costs/fees are known and can be included in an ongoing revenue requirement.

a) Since the MDM/R costs or fees are not known, what would be the basis of the approval to record these amounts in account 1556?

b) What new or additional information is available that would improve the Board's ability to make a decision to approve the recording of the MDM/R costs or fees in account 1556?

57. References: ExhibitA1/Tab5/Schedule1/Page1 and Exhibit1/ Tab 3/Schedule 2/Pages1-4

Accounting Order #1 – Revenue Deficiency Due to Rate Year

The rate year is from May 1st of one year to April 30th of the next. With a fiscal year based on the calendar year, all budgeting and reporting processes are in support of calendar year forecasts. Hydro Ottawa is proposing that the rates for one-third of the calendar year will not reflect the forecast costs for that year. Hydro Ottawa is seeking approval to recover a revenue deficiency of $3,502,724 (Exhibit I1/Tab 3/Schedule 2) for the period January 1, 2008 to April 30, 2008, by means of a rate rider for the period from May 1, 2008 to April 30, 2009. Should the Board not approve such a rate rider, Hydro Ottawa is seeking – in the alternative – approval of a deferral account for the revenue deficiency.

a) Please identify any regulatory precedent that supports the recognition of a revenue deficiency due to timing differences between amounts approved on a calendar year basis and amounts collected on a non-calendar rate year basis, as described above.

b) What is the relevance of requesting a deferral account if the Board does not approve the rate rider associated with this revenue deficiency?

c) Hydro Ottawa have only requested the calculated revenue deficiency for the first four calendar months of 2008. Please confirm that Hydro Ottawa is making this request as a one time request. If this is a one time request please explain why Hydro Ottawa has not asked for similar annual recoveries in future years? Will the revenue deficiency dollar amounts requested for inclusion in the rate rider or deferral account be collected only for the period January 1, 2008 to April 30, 2008? Please discuss whether or not Hydro Ottawa believes the requested revenue deficiency of $3.5 M is a permanent deficiency. If permanent, please explain why and provide details on what Hydro Ottawa believes to be the primary cost or revenue drivers for this revenue deficiency.

d) Please explain why new approved rates designed to recover 2008 annualized costs in rates over the May 1, 2008 to April 30, 2009 period, would not recover costs forecasted for the January 1 to April 30, 2008 period in the application?

e) Will the rate rider or deferral account consist of a revenue deficiency amount of $3,502,724 as shown in ExI1/Tab3/Sch2/Pg3 Table 1? If not, please explain how the principal dollar figure to be captured in the rate rider or deferral account will be generated. If yes, please explain how the 2008 calendar year revenue

requirement was estimated, as a component in calculating the revenue deficiency.

f) Please provide the journal entries for recording the revenue deficiency in the proposed deferral account.

g) The following is an excerpt found on page 33 of the Final 2006 EDR Rates Handbook:

Working capital allowance (WCA) represents the estimated cash flow required by the distributor to be paid in advance of recovery. It is to be included in the calculation of the rate base upon which the distributor may earn a return.

For 2006 rates, the allowance is calculated at 15% of the distribution cost of power, and other power supply expenses and controllable expenses.

i Please explain why Hydro Ottawa believes it has not been fairly compensated for the revenue deficiency in the first four calendar months of 2008 through the 15% working capital allowance.

ii. Hydro Ottawa has the option to decline to use the 15% Working Capital allowance and prepare a more detailed analysis such as a cash flow lead lag study or similar study. Has Hydro Ottawa prepared or contracted to prepare a cash flow lead lag study or similar natured study. If yes please file all supporting documentation. If Ottawa Hydro has not prepared or contracted to prepare a cash flow lead lag study or similar natured study please discuss why Hydro Ottawa has not and advise the Board when Hydro Ottawa plans to completing a working capital study.

h) Please demonstrate how the results of applying the above assumption have led to material hardship in the past and how any such differences have been managed through rates previously.

i) Does Hydro Ottawa intend for the account to also include any revenue surpluses arising during the period?

j) By what means should the Board obtain confidence as to the accuracy of any such amounts (e.g. independent third party audit)?

58. References: Exhibit A1/Tab5/Schedule1/Pages1-2 and Exhibit B4/ Tab1/Schedule1/Pages1-3

Accounting Order #2 – Deferral Account for Capital Works

Hydro Ottawa is requesting an adjustment to its distribution rates for 2009 and 2010 to recover the impact of the capital additions on its revenue requirement in each year

rather than deferring the recovery to a future period. Hydro Ottawa is seeking approval for its capital expenditures for 2009 and 2010 and approval of the use of its proposed methodology for determining a capital adjustment factor when approving or fixing its 2009 and 2010 rates under the Board's 3rd Generation Incentive Regulation Mechanism ("3GIRM"), as per Ex4/Tab1/Sch1. Should the Board not approve the methodology for the capital adjustment factor, Hydro Ottawa is seeking – in the alternative – a deferral account for the impact of its 2009 and 2010 capital additions on its revenue requirement for each year.

a) If the 3GIRM process does not permit for the regulatory adjustment to rate base for capital costs incurred in a non-rebasing year (2009 and 2010), why should the Applicant be permitted to defer these costs through the establishment of a deferral account?
b) Please identify any regulatory precedent that supports the collection of future years' capital costs to be deferred and recorded in a deferral account in an incentive rate-making regime.
c) Please provide the journal entries for recording the capital costs in the proposed deferral account.
d) Hydro Ottawa has identified new capital spending for the 2008 test year. If Hydro Ottawa under-forecast or over-forecast the 2008 capital costs, should Hydro Ottawa be required to record the difference in this deferral account? If no, please explain the rationale for not doing this?
e) Please confirm whether Hydro Ottawa will record the total capital costs in this account or just the amounts related to the annual cost of service associated with the new assets (i.e. depreciation, return, PILs, etc.). If the latter, please provide an example showing all the relevant calculations and amounts. If the former, please confirm that Hydro Ottawa is proposing to recover the total capital costs outside of rate base in the future (i.e. via a future rate rider), and therefore these amounts will not be included in rate base in the future.

59. Reference: Exhibit A1/Tab5/Schedule1/Page 3

Accounting Order #3 – Environmental Costs

The implication of a City of Ottawa by-law is that all water found in manholes must be tested before going to sewers and storm drains. This water must be pumped out and taken to a waste treatment facility. The cost is estimated at $1.3 million per year. Hydro Ottawa is further evaluating this issue and at this point it is not certain if Hydro Ottawa will incur this $1.3 million of incremental costs. Hydro Ottawa is seeking a deferral account for these costs, should they be incurred.

a) Please explain how the costs, related to the City of Ottawa by-law for water found in manholes to be tested before going to sewers and storm drains,arerelevant to the electricity system?
b) Why should these costs be recoverable from ratepayers?

c) Please identify any regulatory precedent that supports the collection of these costs in a deferral account and their disposition in future years.
d) Is the estimated cost of $1.3 million of incremental costs an annual cost?
e) How was the cost estimate of $1.3 million generated? Please describe in detail the components of the estimated $1.3 million costs and provide a breakdown by operating and capital cost components.
f) Please provide the journal entries for recording the "environmental" costs in the proposed deferral account.

60. Reference: Exhibit E1/Tab1/Schedule1

a) Please submit a revised schedule showing the calculation of revised rate riders using balances for the period ending December 31, 2006. Please include interest charges on the year end December 31, 2006 balances projected to April 30, 2008.

b) Please provide the information as shown in the attached continuity schedule for regulatory assets and provide a further schedule reconciling the continuity schedule attached with the amounts requested for disposition in ExE1/Tab1/Sch1/Spreadsheet. Please reconcile balances with those reported to the Board as per requirement 2.1.1 of the Reporting and Record Keeping Requirements for the period ending December 31, 2006. Please note that forecasting principal transactions beyond December 31, 2006 and the accrued interest on these forecasted balances and including them in the attached continuity schedule is optional

c) Please list and provide a brief description of all outstanding Deferral and Variance accounts. This applies to variance accounts also not being requested for disposition.

61. Reference: Exhibit E1/Tab1/Schedule1/Page3

Hydro Ottawa is requesting disposition of account 1508 sub-account OMERS for expenses paid to OMERS for the period January 1, 2005 to April 30, 2006.

a) Is there a balance in account 1508 sub-account OMERS that represents costs paid to OMERS by an affiliate of the LDC?
    i. If yes, what is the balance?
    ii. If yes, have the billings by the affiliate to the LDC reflected an increase in OMERS pension costs beginning in the period that costs were collected in 1508? If so, what has been the increase in burden beginning in this period?
    iii. If no, what does the balance in account 1508 sub-account OMERS represent?

62. Reference: Exhibit E1/Tab1/Schedule1/Page 4&5

a) Did the Applicant change PILs accounting methods at anytime from October 1, 2001 to April 30, 2006? If yes, please explain the impacts of the change.
b) Please provide a continuity schedule that shows how the transaction amounts in the PILs account 1562 (and 1563 if applicable) were recorded in the general ledger as at each year end since the period beginning October 1, 2001. Please separate the PILs proxy or allowance in rates, amounts billed or collected, adjustments, and interest. Please explain any adjustments.

63. Reference: Exhibit E1/Tab1/Schedule 1/Pages 4&5

a) Please provide an analysis for each year end from October 1, 2001 through December 31, 2006. The schedule should show:
   - The PILs proxy or allowance approved in rates;
   - The amounts billed to or collected from customers;
   - Adjustments calculated by the Board's methodology for true-up and deferral account entries;
   - Any other adjustments recorded by the Applicant;
   - The interest carrying charge calculations and an explanation of how the interest amounts were calculated;
   - Excess interest claw-back, if applicable.

b) Please explain any differences between the two analyses requested above.
c) Where the Applicant deviated from the Board's PILs and SIMPIL methodology, please provide a description of each deviation and the reasons for each.
d) What assumptions did the Applicant make for the following items in calculating its account balance to be disposed :
   - Interest and penalties on unpaid or under-paid taxes;
   - Non-deductible expenses like: meals, club dues, car expenses;
   - Donations paid to registered charities or municipal owners;
   - Joint ventures, subsidiary companies, equity income;
   - Costs disallowed by the Board in any proceeding;
   - Profit or losses on disposals of fixed assets for accounting purposes;
   - Capital gains or capital losses on disposals of capital assets for tax purposes;
   - Regulatory asset write-offs and recoveries for tax purposes.

e) Are there Board precedents on which the Applicant has relied? Please provide the proceeding case docket references.
f) Should the expensing or recovery of regulatory assets be included in the calculation of regulatory PILs taxes? What Board precedents are being relied on in making this assertion? Please describe how the Applicant processed these transactions in the PILs calculations to determine the balance in account 1562.

g) If a regulatory asset amount is denied collection by the Board, how should the denial be treated in the PILs tax calculations and reconciliation of the 1562 account?

h) What assumptions has the Applicant made in recording transactions in 1562 subsequent to April 30, 2006?

i) How did the Applicant record the retro-active repeal of the Large Corporation Tax (LCT) for the period January 1 to April 30, 2006?

j) How did the Applicant record the retro-active repeal of LCT in the period from May 1, 2006 to April 30, 2007?

k) Please provide the following tax-related documents for each tax year from 2001 through 2005:

- Federal T2 tax return and supporting schedules – original and any returns that were subsequently amended and re-filed.
- Ontario CT 23 tax return and supporting schedules – original and any returns that were subsequently amended and re-filed.
- Financial statements for each year that were submitted with the tax returns.
- Notice of Assessment received from the Ontario Ministry of Finance, Corporations Tax Branch.
- Notice of Reassessment from the Ontario Ministry of Finance Corporations Tax Branch.
- Correspondence between the Applicant and the Ministry of Finance concerning disputes or disagreements regarding the calculations of PILs income tax, Large Corporation Tax and Ontario Capital Tax in any tax return for any year.

64. Reference: Exhibit D2/Tab1/Schedule1/Attachment PILs Model

a) For the 2006 tax year, please provide the following:

- Actual signed federal T2 tax return and supporting schedules;
- Actual Ontario CT23 tax return and supporting schedules;
- Financial statements that were submitted with the tax returns to the Ministry of Finance;
- Notices of Assessment, and any Notice(s) of Re-assessment, including Statement of Adjustments, received from the Ministry of Finance for the 2006 tax year, or for any year that affects the 2006 tax year; and
- Any correspondence between the Ministry of Finance and Hydro Ottawa regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review.

b) Please provide a multi-column table similar to that entitled “Test Year Taxable Income” which compares actual 2006 and 2007 Bridge Year with the 2008 Test Year numbers provided in the application.

c) Please explain why charitable contributions that are not allowed for rate recovery are added back in the regulatory tax calculation “Test Year Taxable Income”, and why the ratepayer should be charged for PILs taxes on this.

d) Please explain why non-deductible meals and entertainment expenses should be allowed as an addition in the calculation of regulatory taxes on "Test Year Taxable Income". If these costs are not recoverable from ratepayers because they are not deductible for tax purposes, why should the applicant receive a PILs proxy and gross-up on these costs?
e) Please provide the case file references, or provide the calculations, to support the addition of $600,000 for employee future benefits on "Test Year Taxable Income". On the schedule A3-2-1, Attachment O, Balance Sheet, the employee future benefits liability is $4,546 in 2007 and $4,546 in 2008. If there is no change year to year, what is the source of the $600,000 addition in the PILs calculation?

65. Reference: Exhibit D2/Tab2/Schedule1/Page1/ PILs Variances/Table1

a) Please explain why the PILs income tax amounts shown in Table 1 are not the same PILs income tax numbers that appear in the pro-forma income statements in A3-2-1, Attachment N.
b) Please provide the calculation of the 2006 Normalized and the 2007 Estimate income tax PILs amounts in schedule A3-2-1, Attachment N.
c) Does the 2006 actual PILs income tax amount shown in schedule A3-2-1, Attachment N agree with the tax returns?
d) Please explain why the PILs capital tax numbers in Table 1 do not agree with the pro-forma income statements in A3-2-1, Attachment N.
e) Please explain the significant difference between the capital taxes approved for 2006 of $2,199,000 and the 2006 actual amount of $1,526,000?

REVENUE REQUIREMENT

66. Reference: Exhibit G1 Tab 1 Schedule 1 Page 2 of 5

Board Staff have prepared the following table which shows the calculation of Hydro Ottawa's Revenue Requirement from Distribution Rates and Revenue Requirement from Rate Riders from the 2006 EDR. Revenue Requirement from Distribution Rates can be confirmed by applying the 2006 EDR distribution billing determinants time the Board approved May 1, 2006 distributions rates. Note some difference may occur due to rounding.

Revenue Requirement - 2006 OEB Approved

Hydro Ottawa Limited

EB-2005-0381

	2006 EDR Model Reference		2006 OEB Approved			
Applicants Rate Base	*Worksheet*	*Cell*				
Net Fixed Assets	*3-1 RATE BASE*	*F12*		$	411,205,323	A
Working Capital Allowance Base			$ 620,739,527	B		
Working Capital Allowance	*3-1 RATE BASE*	*F16*	15%	C	$ 93,110,929	D
Rate Base	*3-1 RATE BASE*	*F21*		**$**	**504,316,252**	E
Return on Rate Base						
Deemed Debt %	*3-2 COST OF CAPITAL (Input)*	*C18*	60.0%	F	$ 302,589,763	H
Deemed Equity %	*3-2 COST OF CAPITAL (Input)*	*C19*	40.0%	G	$ 201,726,489	I
Interest	*3-2 COST OF CAPITAL (Input)*	*C25*	5.25%	J	$ 15,871,891	M
Return on Equity	*3-2 COST OF CAPITAL (Input)*	*E32*	9.00%	K	$ 18,155,385	N
Return on Rate Base	*5-1 SERVICE REVENUE REQUIREMENT*	*F15*	**6.75%**	L	**$ 34,027,276**	O
Distribution Expenses						
OM&A Expenses	*See Note 1 below*		$ 43,987,510	P		
Transformer Allowance	*6-3 Trfmr Ownership (Input)*	*R120*	$ 1,129,222	Q		
Amortization	*See Note 1 below*		$ 33,969,564	R		
PILs	*5-1 SERVICE REVENUE REQUIREMENT*	*F21*	$ 12,436,050	S	**$ 91,522,346**	T
Variance / Deferral Account Rate Adders						
Low Voltage	*7-2 ALLOCATION - LV-Wheeling*	*L120*	$ 553,732	U		
Smart Meters	*See Note 2 Below*		$ 1,515,546	V		
Incremental CDM	*5-1 SERVICE REVENUE REQUIREMENT*	*F17*	$ -	W	**$ 2,069,278**	X
Revenue Offsets						
Specific Service Charges	*5-5 BASE REVENUE REQUIREMENT*	*D19*	-$ 2,034,012	Y		
Late Payment Charges	*5-5 BASE REVENUE REQUIREMENT*	*D20*	-$ 800,000	Z		
Other Distribution Income	*5-5 BASE REVENUE REQUIREMENT*	*D21*	-$ 1,238,506	AA		
Other Income and Deductions	*5-5 BASE REVENUE REQUIREMENT*	*D22*	$ -	AB	**-$ 4,072,518**	AC
Revenue Requirement from Distribution Rates					**$ 123,546,382**	AD
Variance / Deferral Account Rate Riders						
Regulatory Assets	*Reg Asset Model 2. Rate Riders Calculation*	*C53*			$ 6,942,041	AE
LRAM & SSM					$ -	AF
Revenue Requirement from Rate Riders					**$ 6,942,041**	AG
Revenue Requirement from Distribution Rates					N/A	
2008 Forecast Billing Determinants Time Current Rates					N/A	
Revenue Sufficiency/Deficiency					**N/A**	

Note 1: Proof Distribution Expenses				
OM&A Expenses	*P*	*$*	*43,987,510*	
Amortization	*R*	*$*	*33,969,564*	
Low Voltage	*U*	*$*	*553,732*	
5-1 SERVICE REVENUE REQUIREMENT	***F17***	***$***	***78,510,805***	

Note 2: Proof Smart Meters	***RES***	***GS & LU***
2006 EDR Metered Customers	*254,379*	*26,594*

a) Please confirm that Hydro Ottawa agrees with the values in the table above. If Hydro Ottawa does not agree please prepare an amended schedule with supporting details.

b) Please use the following format from the table below as a guide for preparing a similar schedule for the Hydro Ottawa 2008 application. Please ensure that application references are accurate. Note the values entered are for example purposes only and may or may not be correct for this application.

Revenue Requirement - 2008 EDR Application

Hydro Ottawa Limited

EB-2007-0713

	2008 Application Reference	2008 Application Amount			
Applicants Rate Base					
2007 Net Fixed Assets		$ 478,093,000	A		
2008 Net Fixed Assets		$ 499,971,000	B		
Average Net Fixed Assets *(2007 Plus 2008 Divided by 2)*				$ 489,032,000	C
Working Capital Allowance Base		$ 618,223,000	D		
Working Capital Allowance		15%	E	$ 92,733,450	F
Rate Base				**$ 581,765,450**	G
Return on Rate Base					
Deemed ShortTerm Debt %		4.00%	H	$ 23,270,618	K
Deemed Long Term Debt %		56.00%	I	$ 325,788,652	L
Deemed Equity %		40.00%	J	$ 232,706,180	M
Short Term Interest		4.930%	N	$ 1,147,241	Q
Long Term Interest		5.258%	O	$ 17,129,967	R
Return on Equity		8.810%	P	$ 20,501,414	S
Return on Rate Base		6.666%		**$ 38,778,623**	T
Distribution Expenses					
OM&A Expenses		$ 58,588,043	U		
Transformer Allowance		$ 1,159,000	V		
Amortization		$ 43,754,000	W		
PILs		$ 13,675,000	X	**$ 117,176,043**	Y
Variance / Deferral Account Rate Adders					
Low Voltage			Z		
Smart Meters		$ 740,018	AA		
Incremental CDM			AB	**$ 740,018**	AC
Revenue Offsets					
Specific Service Charges		-$ 2,956,045	AD		
Late Payment Charges		-$ 1,600,000	AE		
RPP Admin Charge		-$ 768,826			
Other Distribution Income		-$ 341,400	AF		
Other Income and Deductions		-$ 1,919,869	AG	**-$ 7,586,140**	AH
Revenue Requirement from Distribution Rates				**$ 149,108,544**	AI
Variance / Deferral Account Rate Riders					
Regulatory Assets				-$ 4,051,961	AJ
LRAM & SSM					AK
					AL
					AM
Revenue Requirement from Rate Riders				**-$ 4,051,961**	AN
Revenue Requirement from Distribution Rates				$ 149,108,544	AO
2008 Forecast Billing Determinants Time Current Rates				-$ 123,915,000	AP
Revenue Sufficiency/Deficiency				$ 25,193,544	AR

c) Using the prepared schedule from (b) above please compare and contrast the 2008 Test Year application values to the OEB Approved 2006 values in the Board staff table. Please identify application references that exist in the application where 2006 values have been compared to 2006 actual results (i.e. OM&A expenses). If no comparison schedule exists in the application please prepare complete supporting schedules in the format required by the Board's, ***Filing Requirements for Transmission and Distribution Applications***, November 14, 2006.

d) Please compare the prepared schedule from b. above to Hydro Ottawa Revenue Sufficiency or Deficiency values as calculated on Exhibit G1 Tab 1 Schedule 1

Page 2 of 5. If Revenue Sufficiency or Deficiency values are different please prepare a reconciliation to explain the differences.

COST ALLOCATION

67. Reference: Exhibit H1-2-1 Cost Allocation Informational Filing EB -2007-0001

Does Run 1 or Run 2 of the Informational Filing more closely represent the customer classification in the Application? Please file all worksheets of the preferred run as an official part of the record in this Application.

Transformer Ownership Credit

68. Reference: Exhibit H1 / Tab 1 / Schedule 1 / Page 5 of 27

Hydro Ottawa has expressed concern that the calculation of transformer unit costs in the Informational Filing does not provide a valid basis for the Transformer Ownership Credit. Has Hydro Ottawa performed a sensitivity analysis or has it collected data that it considers to yield a more accurate calculation of transformer unit cost, that would lead to a more accurate value or range of the allowance in place of those in Table 2 or Table 3 in the referenced report?

Please provide a rationale for Hydro Ottawa's proposal to maintain the Transformer Ownership Credit at $0.45 per kW, rather than moving the credit toward the amount (or amounts) calculated in the Cost Allocation model.

RATE DESIGN
Monthly Service Charge

69. Reference: Exhibit H1 / Tab 1 / Schedule 1 / Table 1, and Exhibit I1 / Tab 3 / Schedule 1 / Table 1

Please provide a table of the Monthly Service Charge net of the Smart Meter Adder for each class, showing 2006 and 2007 approved amounts and the 2008 requested amounts

Streetlighting Rates

70. Reference: Exhibit H1-2-1 / Attachment 2 / Sheet O1 Revenue to Cost Summary Worksheet

a) Please provide a justification for increasing the rates for Streetlighting by the same percentage as all other classes, in light of its low revenue to cost ratio of approximately 49%.
b) Please provide an alternative set of revenue to cost ratios, to illustrate rates and revenues from Streetlighting that are increased to yield a

revenue to cost ratio of 70%, and rates and revenue that are decreased by a corresponding amount from one or more classes that have ratios above 100%.

Low Voltage Charge

71. Reference: Exhibit B1 / Tab 1 / Schedule 1 / Table 2, and Exhibit I1 / Tab 4 / Schedule 1 / Table 1

a) Please describe the effect that completion of Hydro Ottawa's capital projects will have on the load on LV facilities and the amount of the LV Charges during the test year, compared to the amounts from June 2006 – May 2007.

b) Please provide a brief description of the circumstances that caused LV Charges to be significantly higher than the forecast used in the 2006 EDR Application, including any observations that may relevant to whether the new circumstances are likely to continue in the future.

RETAIL TRANSMISSION RATES (RTR)
General

72. The Wholesale Network Transmission Rate will decrease 28% effective November 1 2007.
For each rate class, please provide a revised RTR – Network Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the revised RTR – Network Service Rate for each rate class equals the amount paid for the Wholesale Transmission Rate.)

73. The Wholesale Connection Transmission Rate will decrease 18% and the Wholesale Transformation Connection Transmission Rate will increase 7% effective November 1 2007.
For each rate class, please provide a revised RTR – Line and Transformation Connection Service Rate that would be revenue neutral over the 12 month period beginning May 1, 2008. (i.e. The amount collected by the RTR - Line and Transformation Connection Service Rate for each rate class should equal the amount paid for the Wholesale Connection Transmission Rate and the Wholesale Transformation Connection Transmission Rate.)

Deferral and Variance Accounts 1584 & 1586

74. Distributors have been required to provide information on accounts1584 RSVA NW and 1586 RSVA CN to the Board as part of the quarterly RRR filings.

a) Please provide the quarterly balances for the fist three quarters of 2007 for accounts 1584 RSVA NW and 1586 RSVA CN and reconcile any

variations with the quarterly balances reported as part of the Board's RRR filings.

b) Please explain how your balances in accounts 1584 RSVA NW and 1586 RSVA CN have trended or fluctuated since January 1 2005.