



June 8, 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**

As directed by the Board's Procedural Order No. 3, Whitby Hydro Electric Corporation has provided responses to Energy Probe's supplementary interrogatories (dated May 21, 2010) for this rate proceeding. Two paper copies and an electronic copy (CD) will follow via courier. A copy has also been filed electronically through the Board's RESS system.

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)

**WHITBY HYDRO ELECTRIC CORPORATION
2010 RATES REBASING CASE
EB-2009-0274**

**ENERGY PROBE RESEARCH FOUNDATION
SECOND ROUND INTERROGATORIES**

Interrogatory # 47

Ref: Energy Probe Interrogatory # 1

The responses provided indicate that Whitby Hydro has adjusted the OM&A and capital expenditures to reflect the elimination of the 8% provincial sales tax.

- a) Please provide the actual provincial sales tax paid on OM&A expenses paid in 2008 and 2009.

Response:

	2008	2009
OMA -Actual Provincial Sales Taxes Paid (\$K)	73	77

- b) How much has Whitby Hydro reduced the OM&A forecast for 2010 for the elimination of the provincial sales tax on July 1?

Response:

Whitby Hydro has reduced the OM&A forecast for 2010 by \$65K. The PST savings was determined using the average actual 2008 and projection for 2009 annual PST amount of \$74K and applying to the four year rate period as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>4-Yr Average</u>
PST Savings (\$K)	37	74	74	74	65

Please see response to SEC # 34 b).

- c) Please provide the actual provincial sales tax paid on capital expenditures paid in 2008 and 2009.

Response:

	2008	2009
Capital-Actual Provincial Sales Taxes Paid (\$K)	244	202

Interrogatory # 48

Ref: Energy Probe Interrogatory # 12

- a) The response provided in part (a) used the April 2010 RPP Price Report. Please provide the response using the October 2009 RPP Price Report, as originally requested.

Response:

Using the October 2009 RPP Price Report figure of \$0.06215 per kWh, the updated cost of power (power purchased) would be \$55,338,481.

- b) Please confirm which figure in Table 2-18 on page 155 would be replaced with the figure of \$61,776,087. If this is a power purchased figure (\$54,537,119 in Table 2-18), please provide an update to the other cost of power components shown in the table (eg. LV, NW, CN, WMS, etc.).

Response:

The figure of \$61,776,087 would replace the power purchase figure \$54,537,119 in Table 2-18. The following chart outlines two scenarios of updates to the cost of power figures in Table 2-18. The first (scenario A) reflects a revision to the power purchase figure as requested (see part a) as well as updates to LV, NW, and CN as per the chart below. The updates to LV and Transmission Costs reflect the updates Whitby Hydro acknowledged it would complete in Board Staff IRR #30. The detailed information on the calculations have been provided in Board Staff IRR #33 and #34 and reflect the most recent UTRs as well as Hydro One Network's recently approved rates for Transmission and LV charges. The only difference in Scenario B is that the power purchased reflects the April 2010 RPP Price Report.

		Original 2010 Test	Scenario A Revised 2010 Test	Note	Scenario B Revised 2010 Test	Note
4705	Power Purchased	54,537,119	55,338,481	(1)	61,776,087	(4)
4708	Charges - WMS	4,630,090	4,630,090		4,630,090	
4710	Cost of Power Adjustments	0	0		0	
4714	Charges - NW	4,442,402	4,902,788	(2)	4,902,788	(2)
4716	Charges - CN	3,992,393	4,163,171	(2)	4,163,171	(2)
4750	Charges - LV	203,590	229,531	(3)	229,531	(3)
4730	Rural Rate Adjustments	1,157,523	1,157,523		1,157,523	
Subtotal Cost of Power		68,963,117	70,421,584		76,859,190	

- 1) Revised to reflect the October 2009 RPP Price Report figure of \$0.06215 per kWh
- 2) Revised as per Board Staff IRR #33.
- 3) Revised as per Board Staff IRR #34.
- 4) Revised to reflect the April 2010 RPP Price Report figure of \$0.06938 per kWh

c) Please provide the response to part (d) of the question using the October 2009 RPP Price Report values.

Response:

The revised cost of power (power purchased) assuming a weighted average approach, based on 2008 proportions and a non-RPP percentage of kWh's of 49.62% (as per Energy Probe IRR #12 part c) would be \$53,620,005. Using this revised figure as well as the updated transmission costs (NW and CN) and LV costs (as per Board Staff IRR #33 and 34), the revised working capital allowance would be \$11,643,379. This assumes the October 15, 2009 RPP Price Report data (RPP- \$.06215 per kWh and \$.05820 per kWh for non-RPP which is comprised of HOEP of \$.03326 per kWh plus \$.02494 per kWh for Global Adjustment for the year). A breakdown has been included below:

		Original 2010 Test	EP #48 c)	Note
4705	Power Purchased	54,537,119	53,620,005	(1)
4708	Charges - WMS	4,630,090	4,630,090	(4)
4710	Cost of Power Adjustments	0	0	
4714	Charges - NW	4,442,402	4,902,788	(2)
4716	Charges - CN	3,992,393	4,163,171	(2)
4750	Charges - LV	203,590	229,531	(3)
4730	Rural Rate Adjustments	1,157,523	1,157,523	(4)
Subtotal Cost of Power		68,963,117	68,703,108	
Total Eligible Distribution Expenses		8,919,421	8,919,421	(4)
Total Expenses for Working Capital		77,882,538	77,622,529	
Working Capital Allowance 15%		11,682,381	11,643,379	

- 1) Revised to reflect the requested pricing as per EP IR #12 d) using October 2009 RPP Price Report
- 2) Revised as per Board Staff IRR #33.
- 3) Revised as per Board Staff IRR #34.
- 4) Per original application

Interrogatory # 49

Ref: Energy Probe Interrogatory # 15

- a) Did Whitby Hydro use the half-year rule for depreciation for 2006, 2007, 2008 and/or 2009?

Response:

The half-year rule for depreciation was not used for 2006, 2007, 2008 or 2009.

- b) Please explain the reference to January 1, 2005 provided in the sentence between the two tables provided in the response.

Response:

The 2006 Board Approved depreciation amount was based on full year depreciation. The impact on accumulated depreciation of the half year rule was based on January 1, 2005 as the starting point for half-year depreciation.

- c) Please calculate the impact of the half-year rule on the 2010 rate base (average of opening and closing balances) assuming a full year of depreciation is taken in 2005 through 2009 and the half-year rules applies only for 2010.

Response:

Please see schedule below.

Impact on Half Year Rule on Rate Base

	#1 Energy Probe #49.c)	#2 Board Staff #30.3)	Variance #1 - #2	#3 Original Submission	Variance #2 - #3
Opening Gross Assets	126,481,768	126,481,768	0	126,481,768	0
Opening Accumulated Depreciation	-64,093,016	-64,093,016	0	-64,093,016	0
Opening NBV	62,388,752	62,388,752	0	62,388,752	0
Closing Gross Assets	134,189,768	134,189,768	0	134,867,768	-678,000
Closing Accumulated Depreciation	-68,838,540	-69,022,407	183,867	-69,022,407	0
Closing NBV	65,351,228	65,167,361	183,867	65,845,361	-678,000
Average NBV	63,869,990	63,778,057	91,933	64,117,057	-339,000
Secondary Services	538,434	538,434	0		538,434
Net Fixed Assets	64,408,424	64,316,491	91,933	64,117,057	199,434

#1- Interrogatory Energy Probe #49.c)

1. 2010 Depreciation Expense based on Half Year
2. Depreciation Expense and capital additions are adjusted for revised Secondary Service amount -see Board Staff #30.3) and VECC #19.b).
3. Secondary service amount is not averaged - see Board Staff #30. 3)

#2- Board Staff #30.3)

1. 2010 Depreciation Expense based on Full Year
2. Depreciation Expense and capital additions are adjusted for revised Secondary Service amount -see VECC #19.b)
3. Secondary service amount is not averaged.

#3 -Original Submission

1. 2010 Depreciation Expense based on Half Year
2. Original Secondary Service amounts are used for Gross Assets and Depreciation Expense.
3. Secondary service amount is averaged.

Note:

1. Half year rule impact on depreciation plus reduced depreciation related to revised secondary service amount.(\$175k+\$9k=\$184k)

Calculations of 2010 Depreciation Expense Half-year rule

Cost						Accumulated Depreciation									
OEB	Description	2010 Opening Balance	Additions	Disposals	Closing Balance	2010 Opening Balance	2009 Depreciation Expense (A)	2010 Capital Additions (B)	Amort. Period (C)	2010 Additions to Dep'n Expense (B/C)=D	Half-Year Rule Adjust-ment (E)	Deletions (F)	2010 Amortiz. Expense (A+D+E+F)	2010 Ending Balance	Net Book Value
1805	Land	245,786	0	0	245,786	0								0	245,786
1806	Land Rights	10,971	0	0	10,971	0								0	10,971
1808	Buildings and Fixtures	1,117,302	0	0	1,117,302	(1,104,835)	(4,115)						(4,115)	(1,108,950)	8,352
1820	Distribution Station Equipment	16,621,014	1,381,000	0	18,002,014	(5,180,689)	(531,860)	1,381,000	30	(46,033)	23,017		(554,877)	(5,735,566)	12,266,448
1830	Poles, Towers and Fixtures	21,458,253	3,996,000	0	25,454,253	(8,682,422)	(792,208)	3,996,000	25	(159,840)	79,920		(872,128)	(9,554,550)	15,899,703
1835	Overhead Conductors and Devices	13,988,111	1,044,000	0	15,032,111	(6,361,974)	(496,912)	1,044,000	25	(41,760)	20,880		(517,792)	(6,879,766)	8,152,345
1840	Underground Conduit	16,765,633	748,000	0	17,513,633	(6,096,519)	(672,528)	748,000	25	(29,920)	14,960		(687,488)	(6,784,007)	10,729,626
1845	Underground Conductors and Devices	14,800,510	616,000	0	15,416,510	(7,843,212)	(569,676)	616,000	25	(24,640)	12,320	38,118	(543,878)	(8,387,090)	7,029,420
1850	Line Transformers	28,394,940	1,518,000	(23,000)	29,889,940	(12,935,841)	(1,056,633)	1,518,000	25	(60,720)	30,360		(1,086,993)	(14,022,834)	15,867,106
1855	Services	17,727,407	352,000	0	18,079,407	(10,897,052)	(645,919)	352,000	25	(14,080)	7,040	(65,723)	(718,682)	(11,615,734)	6,463,673
1860	Meters	5,656,165	132,000	0	5,788,165	(3,002,337)	(197,167)	132,000	25	(5,280)	2,640		(199,807)	(3,202,144)	2,586,021
1905	Land	182,215	0	0	182,215						0		0	0	182,215
1906	Land Rights	0	0	0	0						0		0	0	0
1908	Buildings and Fixtures	5,483,349	157,000	0	5,640,349	(2,056,256)	(109,777)	157,000	25	(6,280)	3,140	4,203	(108,714)	(2,164,970)	3,475,379
1915	Office Furniture and Equipment	904,537	10,000	0	914,537	(785,043)	(28,635)	10,000	10	(1,000)	500	2,954	(26,181)	(811,224)	103,313
1920	Computer Equipment - Hardware	1,304,595	86,000	0	1,390,595	(1,088,591)	(83,323)	86,000	5	(17,200)	8,600	5,090	(86,833)	(1,175,424)	215,171
1925	Computer Software	1,492,413	204,000	0	1,696,413	(1,135,589)	(145,557)	204,000	5	(40,800)	20,400	8,762	(157,195)	(1,292,784)	403,629
1930	Transportation Equipment	0	0	0	0						0		0	0	0
1935	Stores Equipment	56,187	0	0	56,187	(56,187)	0	0			0		0	(56,187)	(0)
1940	Tools, Shop and Garage Equipment	4,284	0	0	4,284	(2,140)	(428)	0			0		(428)	(2,568)	1,716
1945	Measurement and Testing Equipment	20,903	0	0	20,903	(10,450)	(2,090)	0			0		(2,090)	(12,540)	8,363
1955	Communication Equipment	78,103	0	0	78,103	(78,103)	(646)	0			0	646	0	(78,103)	0
1960	Miscellaneous Equipment	0	0	0	0						0		0	0	0
1980	System Supervisory Equipment	2,146,976	80,000	0	2,226,976	(1,403,370)	(124,100)	80,000	15	(5,333)	2,667	17,468	(109,299)	(1,512,669)	714,307
1985	Sentinel Lighting Rental Units	(0)			(0)		(55)	0			0	55	0	0	(0)
1990	Other Tangible Property	0	0	0	0	0		0			0		0	0	0
1995	Contributions and Grants - Credit	(21,977,884)	(2,593,000)	0	(24,570,884)	4,627,594	879,114	(2,593,000)	25	103,720	(51,860)		930,974	5,558,568	(19,012,316)
	TOTAL	126,481,768	7,731,000	(23,000)	134,189,768	(64,093,016)	(4,582,515)	7,731,000		(349,167)	174,583	11,573	(4,745,524)	(68,838,540)	65,351,227

Note:

Depreciation Expense of \$4,745,524 has been revised from \$4,768,367 in EP #15. See table below for breakdown.

	Column D	Column E	Column F	Total Impact
Original	-41,200	20,600	-75,006	-95,606
Revised	<u>-14,080</u>	<u>7,040</u>	<u>-65,723</u>	<u>-72,763</u>
	27,120	-13,560	9,283	22,843

The 1855 Services amount has been adjusted for a formula error (Column D & E) and the revised Secondary Service depreciation expense has been incorporated in Column F.

- d) Has the 2010 depreciation expense shown in the response been adjusted to reflect actual 2009 capital expenditures on an account by account basis? If not, please provide a revised table showing the 2010 depreciation expense using the half-year rule and the actual 2009 depreciation expense based on actual 2009 capital expenditures.

Response:

Please see schedule below which incorporates actual 2009 capital expenditures on an account by account basis.

Calculations of 2010 Depreciation Expense Half-year rule - Based on 2009 Actual Depreciation Expense

Cost						Accumulated Depreciation									
OEB	Description	2010 Opening Balance	Additions	Disposals	Closing Balance	2010 Opening Balance	2009 Depreciation Expense (A)	2010 Capital Additions (B)	Amort. Period (C)	2010 Additions to Depreciation Expense (B/C)=D	Half-Year Rule Adjustment (E)	Deletions (F)	2010 Amort'n Expense (A+D+E+F)	2010 Ending Balance	Net Book Value
1805	Land	245,786	0	0	245,786	0								0	245,786
1806	Land Rights	10,969	0	0	10,969	0	(9,169)					9,169	0	0	10,969
1808	Buildings and Fixtures	1,117,302	0	0	1,117,302	(1,104,590)	(3,870)						(3,870)	(1,108,460)	8,842
1820	Distribution Station Equipment	16,382,706	1,381,000	0	17,763,706	(5,172,745)	(523,916)	1,381,000	30	(46,033)	23,017		(546,933)	(5,719,678)	12,044,028
1830	Poles, Towers and Fixtures	21,296,235	3,996,000	0	25,292,235	(8,677,185)	(786,971)	3,996,000	25	(159,840)	79,920		(866,891)	(9,544,076)	15,748,159
1835	Overhead Conductors and Devices	14,085,987	1,044,000	0	15,129,987	(6,380,587)	(515,525)	1,044,000	25	(41,760)	20,880		(536,405)	(6,916,992)	8,212,995
1840	Underground Conduit	16,659,420	748,000	0	17,407,420	(6,087,177)	(663,186)	748,000	25	(29,920)	14,960		(678,146)	(6,765,323)	10,642,097
1845	Underground Conductors and Devices	15,642,687	616,000	0	16,258,687	(7,870,788)	(597,252)	616,000	25	(24,640)	12,320	38,118	(571,454)	(8,442,242)	7,816,445
1850	Line Transformers	28,537,309	1,518,000	(23,000)	30,032,309	(12,919,855)	(1,060,629)	1,518,000	25	(60,720)	30,360		(1,090,989)	(14,010,844)	16,021,465
1855	Services	17,709,509	352,000	0	18,061,509	(10,892,582)	(641,449)	352,000	25	(14,080)	7,040	(65,723)	(714,212)	(11,606,794)	6,454,715
1860	Meters	5,622,581	132,000	0	5,754,581	(2,997,671)	(192,756)	132,000	25	(5,280)	2,640		(195,396)	(3,193,067)	2,561,514
1905	Land	182,215	0	0	182,215	0					0		0	0	182,215
1906	Land Rights	0	0	0	0	0					0		0	0	0
1908	Buildings and Fixtures	5,482,605	157,000	0	5,639,605	(2,056,914)	(110,435)	157,000	25	(6,280)	3,140	4,203	(109,372)	(2,166,286)	3,473,319
1915	Office Furniture and Equipment	903,797	10,000	0	913,797	(784,969)	(28,561)	10,000	10	(1,000)	500	2,954	(26,107)	(811,076)	102,721
1920	Computer Equipment - Hardware	1,274,383	86,000	0	1,360,383	(1,082,554)	(77,286)	86,000	5	(17,200)	8,600	5,090	(80,796)	(1,163,350)	197,033
1925	Computer Software	1,564,302	204,000	0	1,768,302	(1,149,967)	(159,935)	204,000	5	(40,800)	20,400	8,762	(171,573)	(1,321,540)	446,762
1930	Transportation Equipment	0	0	0	0	0					0		0	0	0
1935	Stores Equipment	56,187	0	0	56,187	(56,187)		0			0		0	(56,187)	0
1940	Tools, Shop and Garage Equipment	4,284	0	0	4,284	(2,140)	(428)	0			0		(428)	(2,568)	1,716
1945	Measurement and Testing Equipment	20,903	0	0	20,903	(10,450)	(2,090)	0			0		(2,090)	(12,540)	8,363
1955	Communication Equipment	78,103	0	0	78,103	(78,103)	(646)	0			0	646	0	(78,103)	0
1960	Miscellaneous Equipment		0	0	0						0		0	0	0
1980	System Supervisory Equipment	2,141,115	80,000	0	2,221,115	(1,402,980)	(123,710)	80,000	15	(5,333)	2,667	17,468	(108,909)	(1,511,889)	709,226
1985	Sentinel Lighting Rental Units	0			0	0		0			0	55	55	55	55
1990	Other Tangible Property	0	0	0	0			0			0		0	0	0
1995	Contributions and Grants - Credit	(22,417,546)	(2,593,000)	0	(25,010,546)	4,649,181	900,701	(2,593,000)	25	103,720	(51,860)		952,561	5,601,742	(19,408,804)
	TOTAL	126,600,838	7,731,000	(23,000)	134,308,838	(64,078,263)	(4,597,113)	7,731,000		(349,167)	174,583	20,742	(4,750,953)	(68,829,216)	65,479,622

Interrogatory # 50

Ref: Energy Probe Interrogatory # 20

Rent from Electric Property (account 4210) shown in Appendix 2-D (c) in the response shows an amount of \$167,860 for 2009 preliminary actuals. Please explain the variance between the 2009 preliminary actual figure and each of the following:

a) \$146,093 for bridge year 2009 forecast;

Response:

See below

b) \$124,391 for actual 2008; and

Response:

See below

c) \$133,120 for test year 2010.

Response:

The following chart breaks down the rental revenue for account 4210 for 2008 actual, 2009 bridge year, 2009 actual and 2010 test year. The calculated joint use rental revenue (before adjustments) and other rental revenues do not fluctuate significantly year over year. The main differences by year are found in the adjustment section and are related primarily to billings which did not occur until 2009 but are related to joint use poles rentals for prior years. The impacts of these adjustments are not recurring in nature and as such are not included in the 2010 test year.

	<u>Act 2008</u>	<u>Fcst 2009</u>	<u>Act 2009</u>	<u>Fcst 2010</u>
# of Poles (Note A)	5,499	5,500	5,478	5,500
Approved Joint Use Rate	22.35	22.35	22.35	22.35
Joint Use Rental Revenue (calc)	122,903	122,925	122,433	122,925
Adjustments:				
1) Telus - 2007-2008 billing occurred 2009	(6,370)	12,740	12,740	0
2) Oshawa PUC - 2006 - 2008 billing occurred 2009	(10,214)	0	15,243	0
3) Hydro One - 2008 billing occurred 2009	(86)	0	86	0
4) Miscellaneous Adjustment (accruals etc)	6,965	0	7,016	0
5) Hydro One difference in rates	19	19	19	19
Total Adjustments	(9,686)	12,758	35,103	19
Total Joint Use Rental Revenue	113,217	135,683	157,536	122,944
Other Rental Revenue:				
Sentinel Light Rental	998	233	147	0
Power Supply	177	177	177	177
Telus Lease	10,000	10,000	10,000	10,000
Total Other Rental Revenue	11,174	10,410	10,324	10,177
TOTAL RENTAL REVENUE (USoA 4210)	124,391	146,093	167,860	133,120

Notes: A) Includes Rogers, Bell, Telus, Oshawa PUC, Hydro One joint use poles

Adjustments: 1) Telus - Billing for 2007 (\$6,370) and 2008 (\$6,370) occurred in 2009.
2) Oshawa PUC - Billing for 2006 (\$1,989), 2007 (\$3,040), 2008 (\$10,214) occurred in 2009.
3) Hydro One - Billing for 2008 (\$86) occurred in 2009.
4) Miscellaneous Adjustments include differences in accruals vs. actual revenue etc.
5) Rate differential for Hydro One billing.

Interrogatory # 51

Ref: Energy Probe Interrogatory # 21

Please reconcile the bank interest of \$53,000 shown for 2010 with the average bank balance of \$5.5 million and average interest rate of 1.2%. What is the difference between the \$53,000 shown in the table and the \$66,000 that results from 1.2% of \$5.5 million? Does the average bank balance include customer deposits?

Response:

The average bank balance includes customer deposits. As a result, total bank interest income of \$66,000 consists of \$53,000 for bank interest and \$13,000 for interest on customer deposits.

Interrogatory # 52

Ref: Energy Probe Interrogatory # 25 (g)

- a) Please explain why Whitby Hydro did not update the normalized kW figure for 2009.

Response:

Energy Probe IR #25 (g) requested actual figures for 2009. This is what was provided.

- b) Please provide the normalized kW figure for 2009 based on the actual kW/kWh ratio shown.

Response:

The normalized kW figure for 2009 based on the actual kW/kWh ratio shown is 983,774.

- c) Please update the 2010 kW forecast of 966,330 kW shown by using the latest kW/kWh ratio for 2009.

Response:

The normalized kW figure forecast for 2010 based on the actual kW/kWh for 2009 is 995,604.

Interrogatory # 53

Ref: Energy Probe Interrogatory # 25

Please confirm that the response to part (e) reflects use of the 2009 ratios as calculated in the updated table 6 in part (d) of the response.

Response:

It is confirmed that the updated shares calculated for 2009 and displayed in updated table 6 in part (d) of the response to Energy Probe 25 have been used to calculate normalized Residential, GS<50 and GS>50 kWh displayed in updated table 7 in the response to part (e) of Energy Probe 25. Please note that the calculation uses more than the 4 significant digits reproduced in the table.

Interrogatory # 54

Ref: Energy Probe Interrogatory # 32

- a) Please indicate whether the \$50,000 referred to in the response to part (j) is a one-time cost or an ongoing cost to implement proposed OEB code changes. Please identify these proposed OEB code changes.

Response:

These are ongoing costs. The proposed OEB code changes are outlined in EB-2007-0722 Electricity Distributors: Customer Service Rate Classification and Non-Payment Risk. This initiative proposes a significant number of Code changes which will have increased requirements primarily on billing and customer service staff to support. These changes include, but are not limited to an increased level of new requirements regarding the management of customer deposits; bill issuance and payment; arrears management programs; protocols for opening and closing of customer accounts; disconnect and reconnect procedures; impacts to billing and collections; and the administration of equal billing. It is anticipated that these changes will amount to approximately \$50,000 per year of additional effort.

- b) Please explain the reduction of approximately \$64,000 in the actual 2009 cost as compared to the forecast in account 5630 - outside services employed.

Response:

The reduction of \$64,000 is due to several factors. Disaster Recovery work was deferred to 2010 as a result of work required to complete Pandemic Planning. The costs for implementing the Pandemic Project were less than anticipated through the use of internal resources. In addition, there was a deferral of work relating to the review of Information Technology Systems as resources were reassigned to higher priority work. The IT Systems review will resume in 2010 to align with the implementation of the electronic document filing storage system and billing system software upgrades. There were also one time credits in 2009 which partially offset costs relating to tax consulting work.

Interrogatory # 55

Ref: Energy Probe Interrogatory # 33

Please explain what the \$40,000 amount shown as a regulatory cost from the OEB is associated with. Is this amount the annual assessment from the

Board or is it specific to this cost of service proceeding? If the latter, please explain how this amount has been estimated.

Response:

The amount of \$40,000 for regulatory costs from the OEB is an estimate of costs related to this cost of service proceeding. This is Whitby Hydro's first cost of service rate application and accordingly we could not rely on historic costs to base related Board expenses for the process. The cost estimate was derived after reviewing costs of other LDC's that have undertaken the process of filing for a cost of service rate application with the Board.

Interrogatory # 56

Ref: Energy Probe Interrogatory # 40

The response to part (c) is not complete. In particular the answer did not indicate whether or not the half-year rule was applied to the capitalized portion of the vehicle replacement costs.

Please provide the calculations used to estimate the depreciation cost included in the 2010 vehicle replacement cost and the corresponding calculation if the half-year rule were applied to the 2010 additions.

Response:

The half-year rule was not applied to the depreciation cost included in the 2010 vehicle replacement cost. Please see table below for breakdown of depreciation cost for both full-year and half-year depreciation.

Depreciation Costs- 2010 Vehicle Replacement Cost Full Year Depreciation				
2009 Depreciation Expense	Additions		Deletions	2010 Depreciation Expense
119,000	13,000		-16,000	116,000
Depreciation Costs- 2010 Vehicle Replacement Cost Half Year Depreciation				
2009 Depreciation Expense	Additions	Half-Year Rule Adjustment	Deletions	2010 Depreciation Expense
119,000	13,000	-6,500	-16,000	109,500

Interrogatory # 57

Ref: Energy Probe Interrogatory # 41

A response was not provided to the question on the basis of the relevance of the information requested.

- a) Please indicate how the pricing to Whitby Hydro from WHES for consulting, engineering, billing and distribution services is determined relative to those for the other entities.

Response:

Whitby Hydro has addressed the transfer pricing between WHES and Whitby Hydro in its pre-filed evidence in Exhibit 4, page 227-234. In addition, a copy of the relevant portion of the transfer pricing report provided to and accepted by the Chief Compliance Officer (CCO) during the 2005-2007 ARC compliance review was provided as an attachment to SEC IRRs. As well, Whitby Hydro has recently requested a transfer pricing review by an independent evaluator and the results have been provided in VECC IRR#57 d).

- b) Can Whitby Hydro confirm that it does not pay a higher rate for these services than the other entities?

Response:

See part (a).

- c) If not, why should Whitby Hydro ratepayers be expected to pay higher prices for services from an affiliate than that available to other entities?**

Response:

Whitby Hydro ratepayers should expect to pay prices for services from an affiliate that are in line with the transfer pricing sections of the ARC. Whitby Hydro underwent an extensive ARC review with the Chief Compliance Officer (CCO) in 2005/2006 which included a review of transfer pricing from its affiliate. The results of this review indicated that transfer pricing between WHES and Whitby Hydro was in line with market testing and other pricing requirements of the ARC. Whitby Hydro has recently requested a transfer pricing review by an independent evaluator and the results have been provided in VECC IRR#57 d).

Interrogatory # 58

Ref: SEC Interrogatory # 14

The response indicates that Whitby Hydro will be borrowing \$4 million for its 2010 capital program.

- a) Will this money be borrowed from an affiliate or will/has Whitby Hydro seek third party financing?**

Response:

Whitby Hydro will be seeking third party financing.

Please see VECC response #39 b) and Board Staff response #30 1).

- b) What is the expected term and rate for the \$4 million needed for the 2010 capital program?**

Response:

The rate used for the new third-party debt was the April 21, 2010 published rate of Infrastructure Ontario (IO) of 5.24% for a term of 25 years. As of June 4th, 2010 the published rate is 5.01%.

Interrogatory # 59

Ref: SEC Interrogatory # 25

- a) **Please provide an estimate of the annual revenue that would be collected if Whitby Hydro invoiced each of the Town of Durham and the Region of Durham for pole rental fees.**

Response:

The Town of Whitby has 3,926 attachments on Whitby Hydro poles that if charged the OEB approved pole attachment rate, would provide an annual revenue of approximately \$87,750. The Town provides a payment in kind to Whitby Hydro in exchange for being exempt for pole rental fees. These items are outlined in response to (c) below.

The Region of Durham has 55 attachments on Whitby Hydro poles that if charged the OEB approved pole attachment rate would provide annual revenue of approximately \$1,250. Whitby Hydro has entered into a signed joint use pole attachment agreement with the Region. As with the Town of Whitby, the Region is exempt from annual pole rental fees in exchange for an exemption to Whitby Hydro from paying various administrative fees (listed below in part c) for the use of Regional Roads.

- b) **Please provide a copy of the agreement that states that the Town will not charge Whitby Hydro for municipal consent fees and permits for road crossings in exchange for not paying pole rental fees.**

Response:

There is no written agreement in place with the Town of Whitby that states the Town will not charge Whitby Hydro for municipal consent fees and permits for road crossings in exchange for not paying pole rental fees. This is a verbal agreement that has been in place and practiced for many years.

- c) **Please provide an estimate of the annual savings for Whitby Hydro of not having to pay for municipal consent fees and permits for road crossings.**

Response:

As outlined in our response to SEC IR# 25, there would be considerable effort required to determine a precise estimate of the actual cost savings to Whitby Hydro in relation to the services and cost exemptions provided to Whitby Hydro by the Town of Whitby.

As a frame of reference, the following is a list of the types of cost exempt services provided to Whitby Hydro by the Town of Whitby:

- Waiver of Municipal Consent Fees
- Road Occupancy Permits
- Annual Over Size load permit
- Annual updates to land base data system for Whitby Hydro's GIS system

Many of the operational items listed above are done on an as needed ad hoc basis and managed by operations staff. As a result, no formal records are kept to minimize the administrative costs of implementing the verbal agreement. While acknowledging that there is a lack of records on which to base a more accurate estimate, Whitby Hydro's best estimate would be that these services represent \$20,000 in annual cost savings.

Interrogatory # 60

**Ref: VECC Interrogatory # 22 &
Energy Probe Interrogatory # 25**

Responses to both interrogatories provide an actual wholesale kWh figure for 2009 of 876,959,953.

- a) Please confirm that on a weather normalized basis, the 2009 normalized wholesale purchases would be 896,855,689 kWh, based on the weather adjustment of 19,895,736 kWh shown in the VECC response.**

Response:

We can confirm that adding the "weather adjustment" of 19,895,736 kWh, calculated as requested by VECC in response to VECC IR 22 (b), to 2009 actual kWh of 876,959,953 kWh, results in a figure of 896,855,689 kWh. This is approximately 1.5% higher than the 2009 forecast shown in the response to Energy Probe IR 25 (c) and is higher than the 2010 forecast. However, we believe the weather adjustment calculation requested by VECC needs to be considered in the context of the extraordinary circumstances facing Whitby Hydro in 2009. In 2009, the number of cooling degree days observed at Pearson International Airport was 197.9, only 52% of the 10-year (1999-2008) average. Such a cool summer has not been observed since 1992, 17 years ago. Since 1985, only two years other than 2009 have seen annual CDD less than 200; in 1992 and in 1985. Such an extraordinary decline in cooling load has not occurred previously in the ten years of data used to estimate the Whitby load forecast model. Regression models are based on sample averages and the

interaction between other explanatory variables, including the constant term. Choosing a single year, which happens to be an extraordinary year without a similar comparator for the past 17 years, and focusing on only 2 variables that have been estimated in conjunction with others may not give reasonable results. We have provided an updated 2009 weather adjusted kWh of 883,889,204 kWh¹ with an implied weather adjustment of 6,929,251 kWh. This is based on all model parameters interacting. We believe this is a more appropriate adjustment than is being suggested by Energy Probe.

- b) Please confirm that the normalized 2009 figure noted above is approximately 1.5% higher than the 2009 forecast shown in part (c) of the Energy Probe response and is higher than the 2010 forecast.**

Response:

Please see the response to part (a) above.

Interrogatory # 61

**Ref: Board Staff Interrogatory # 30 &
Energy Probe Interrogatory #9**

- a) Please confirm that Whitby Hydro has added the secondary services to the 2010 capital cost allowance calculation such that the half year rule is applicable.**

Response:

Whitby Hydro has incorrectly incorporated the half-year rule in the 2010 test year, which results in an overstatement of \$27,120 in the 2010 capital cost allowance. Whitby Hydro acknowledges that this correction should be incorporated in the final rate calculation when finalizing revenue requirement. The response to Board Staff interrogatory #35 will be updated to reflect this correction for filing prior to or at the technical conference.

Please see the table below for the calculation using the half-year rule.

Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Yr Rule (1/2 Additions less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
Secondary Services		678,000	0	678,000	339,000	339,000	8%	27,120	650,880

¹ Response to Energy Probe IR 25 (c) using updated employment.

- b) Please provide the increase in the CCA deduction for 2010 if the secondary services were treated as if they were added at the end of 2009 for tax purposes.

Response:

The increase in the CCA deduction for 2010 would be \$1,247=\$43,075-\$41,828. Please see table below for calculation.

CCA Calculation			CCA Calculation		
Year	CCA	UCC	Year	CCA	UCC
Oct. 31, 2000		1,203,632			
Nov 1-Dec 31, 2000	-96,291	1,107,341			
2001	-88,587	1,018,754			
2002	-81,500	937,254			
2003	-74,980	862,273			
2004	-68,982	793,292			
2005	-63,463	729,828			
2006	-58,386	671,442			
2007	-53,715	617,727			
2008	-49,418	568,309			
2009	-45,465	522,844	2009	0	538,434
2010	-41,828	481,016	2010	-43,075	495,359

- c) Please provide updated 2009 and 2010 CCA schedules that reflect the actual capital expenditures incurred in 2009 as shown in the Energy Probe interrogatory response.

Response:

Updated CCA schedules have been provided as requested.

CCA Continuity Schedule (2009)

Class	Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Yr Rule (1/2 Additions less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - post 1987	41,582,788	0	0	41,582,788	0	41,582,788	4%	1,663,312	39,919,476
2	Distribution System - pre 1988	8,637,380	0	0	8,637,380	0	8,637,380	6%	518,243	8,119,137
8	General Office/Stores Equip	2,223,929	281,283	0	2,505,212	140,642	2,364,571	20%	472,914	2,032,298
10	Computer Hardware/ Vehicles	92,551		0	92,551	0	92,551	30%	27,765	64,786
12	Computer Software	41,017	150,341	0	191,358	75,171	116,188	100%	116,188	75,171
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	176,004	0	0	176,004	0	176,004	8%	14,080	161,924
45	Computers & Systems Software acq'd post Mar 22/04	67,206	0	0	67,206	0	67,206	45%	30,243	36,963
47	Distribution System - post February 2005	16,578,090	4,922,012	0	21,500,102	2,461,006	19,039,096	8%	1,523,128	19,976,974
50	Data Network Infrastructure Equipment - post Mar 2007	217,944		0	217,944	0	217,944	55%	119,869	98,075
50	Data Network Infrastructure Equipment - post Mar 2007	0	171,336	0	171,336	85,668	85,668	100%	85,668	85,668
	SUB-TOTAL-UCC	69,616,909	5,524,972	0	75,141,881	2,762,486	72,379,395		4,571,409	70,570,472

CCA Continuity Schedule (2010)

Class	Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Yr Rule (1/2 Additions less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - post 1987	39,919,476	0	0	39,919,476	0	39,919,476	4%	1,596,779	38,322,697
2	Distribution System - pre 1988	8,119,137	0	0	8,119,137	0	8,119,137	6%	487,148	7,631,989
8	General Office/Stores Equip	2,032,298	292,000	0	2,324,298	146,000	2,178,298	20%	435,660	1,888,638
10	Computer Hardware/ Vehicles	64,786		0	64,786	0	64,786	30%	19,436	45,350
12	Computer Software	75,171	164,000	0	239,171	82,000	157,171	100%	157,171	82,000
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	161,924	0	0	161,924	0	161,924	8%	12,954	148,970
45	Computers & Systems Software acq'd post Mar 22/04	36,963	0	0	36,963	0	36,963	45%	16,633	20,330
47	Distribution System - post February 2005	19,976,974	7,897,000	0	27,873,974	3,948,500	23,925,474	8%	1,914,038	25,959,936
50	Data Network Infrastructure Equipment - post Mar 2007	98,075		0	98,075	0	98,075	55%	53,941	44,134
50	Data Network Infrastructure Equipment - post Mar 2007	85,668	56,000		141,668	28,000	113,668	100%	113,668	28,000
	SUB-TOTAL-UCC	70,570,472	8,409,000	0	78,979,472	4,204,500	74,774,972		4,807,428	74,172,044

Interrogatory #62

Ref: Exhibit 3, pages 198 & 201

- a) Please provide a regression equation that adds a trend variable that starts with a value of 1 in October 1999 and increases by 1 for each subsequent month to the explanatory variables used in the equation shown.
- b) Please provide the regression statistics shown in Table 1 for the new equation.

Response to part (a) and (b):

The regression equation, as requested, is displayed below with regression statistics.

	<i>Coefficient</i>	<i>t-ratio</i>	<i>p-value</i>
const	-4.38603e+07	-6.1397	<0.00001
HDD_Tor	19403.7	19.5079	<0.00001
CDD_Tor	130367	22.2887	<0.00001
Monthdays	1.675e+06	8.2180	<0.00001
FTE_Oshawa	343825	10.8948	<0.00001
DOffPeak	-2.28748e+06	-5.3710	<0.00001
D2003	-4.62331e+06	-4.7907	<0.00001
T	83864.3	8.8335	<0.00001
R-squared	0.961932	Adjusted R-squared	0.959553
F(7, 112)	404.3052	P-value(F)	2.25e-76

- c) If the new equation has coefficients that have the proper sign and are statistically significant at a 95% confidence level, please provide the 2010 kWh forecast that would be in place of the figure shown in Table 5 on page 201.

Response:

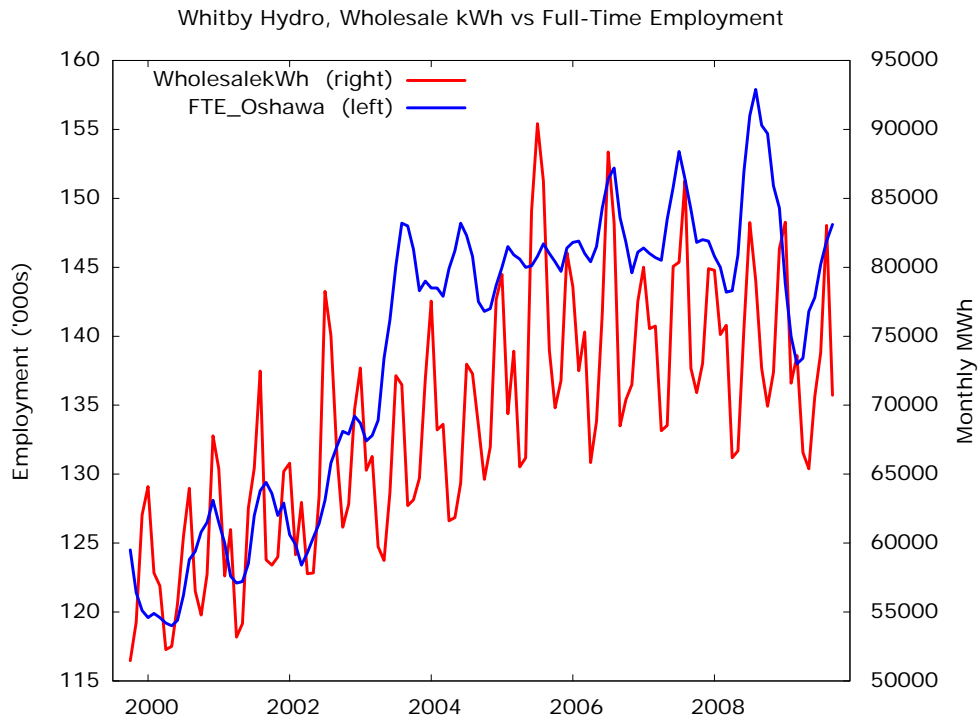
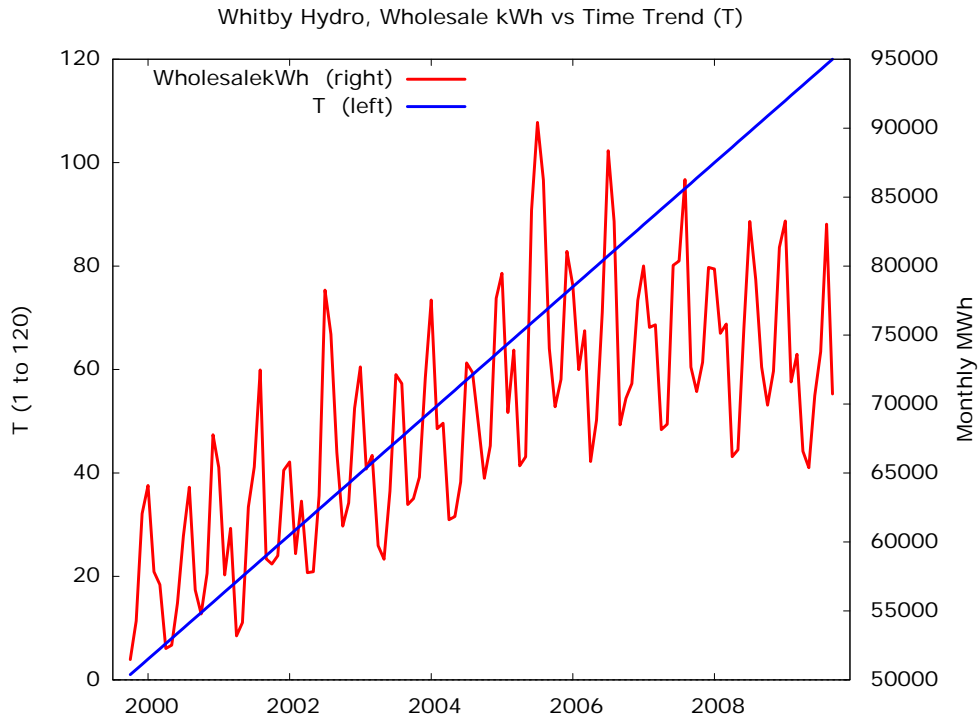
All coefficients are statistically significant at a 95% confidence level, as indicated by the t-ratios and p-values. There is no strict interpretation of proper sign for the trend variable; a trend may be positive or negative. This is discussed in more detail below along with the implications for Whitby's load forecast model. Using Energy Probe's revised regression equation that includes a trend variable, the forecast for 2010 kWh is calculated (all other input variables being identical to those used in the report dated November 3, 2009) to be 917,638,309 kWh, which is 3.5 per cent higher than the original forecast of 886,766,789 kWh.

Discussion:

Whitby Hydro would like to provide a brief discussion about the nature of the regression model being asked for by Energy Probe in this request. While including a time trend in a linear regression model is appropriate when trend growth (or decline) is present and is unexplained by available explanatory variables, we question whether this is the case with Whitby Hydro's load forecast model. As can be seen from Chart 2 in Exhibit 3, page 198, load growth for Whitby Hydro experienced fairly robust growth from 1999 through to 2006. From 2006 onwards, growth was sluggish at best, with actual declines in 2006 and 2008 and 2009.² Actual kWh in 2009 is 34.3 million kWh below actual 2007.

Actual month-to-month increases and declines are predicted in Whitby Hydro's model primarily due to weather (i.e., degree days) and economic growth (full-time employment for the Oshawa CMA). The regression statistics and prediction analysis indicate Whitby Hydro's load forecast model predicts monthly kWh with a high level of accuracy. Whitby Hydro's view is that the strong growth in employment in the period 2000 to 2004 and the slowdown in employment, especially after 2008, is the true explanatory variable for non-weather variance in demand. As can be seen in the chart below, the time trend added by Energy Probe does not reflect latter year performance. Regression models are based on sample averages and while the time trend coefficient is significant, it tracks below earlier year growth and tracks above latter year growth. This is contrasted with the more accurate tracking of the employment variable shown in the chart following below.

² 2009 actual kWh provided in response to Energy Probe IR 25 (d) and VECC IR 22.



This is illustrated further by using sub-samples to see the effect of the time trend. Using the first 40 observations (1999:10 to 2003:01), the relationship between time trend T and monthly kWh is strongly positive:

OLS, using observations 1999:10-2003:01 (T = 40)
Dependent variable: WholesalekWh

	coefficient	t-ratio	p-value
const	5.49509e+07	32.08	3.94e-029
T	312534	4.293	0.0001

Using the last 40 observations (2006:06 to 2009:09), the relationship between T and monthly kWh becomes negative:

OLS, using observations 2006:06-2009:09 (T = 40)
Dependent variable: WholesalekWh

	coefficient	t-ratio	p-value
const	8.56520e+07	10.57	7.23e-013
T	-105091	-1.311	0.1976

Given these results indicating the instability of the coefficient on T, and suggesting a structural change in the time trend over the sample period (which is also evident from simple graphical analysis), we believe it is inappropriate to include the time trend as Energy Probe has suggested.

Interrogatory # 63

Ref: VECC Interrogatory # 39

- a) Please indicate the term associated with the interest rate of 5.24% from Infrastructure Ontario.

Response:

The term associated with the interest rate of 5.24% is 25 years.

- b) What is the current rate for an Infrastructure Ontario loan for the term identified in (a) above?

Response:

The current rate as of June 4th, 2010 is 5.01%.

- c) What is the current rate for an Infrastructure Ontario loan with a term of 25 years?

Response:

Please see response b) above.

- d) With respect to Promissory Note #3, please provide the term of the loan and the maturity date of the loan.

Response:

There is no term or maturity date for the loan as it is callable with 12 months' written notice.

Interrogatory # 64

Ref: Exhibit 4, Table 4-14, page 231, Exhibit 4, page 232 & VECC Interrogatory # 30(d)

- a) Please explain how the charges to Whitby Hydro from its affiliate have been reduced in the 2010 test year to reflect the reduction in the corporate income tax rates effective July 1, 2010 as well as the increase in the credits available for the apprenticeship training and co-operative education tax credits. Please quantify the reduction in total costs associated with these changes.

Response:

The increase in credits available for apprenticeship training tax credits have not been reflected in the charges. There are no co-operative education tax credits applicable. Please see table below for the calculation of the apprenticeship credit over the rate period.

<u>Projected Apprenticeship Training Tax Credit</u>					
	2010	2011	2012	2013	Average
Tax credit	30,000	10,000	10,000	10,000	15,000

- b) Table 4-14 in Exhibit 4 shows that for three services, the price includes a rate of return that totals \$128 of the \$2,083 shown. The \$2,083 figure is provided in the response to VECC interrogatory #30, part (d). In this response it appears that the \$2,083 is part of the \$7,932 in total service agreement costs that is adjusted up by 8.26% in the 2010 test year as part of the \$ adjustment. Is this \$

adjustment in addition to the \$128 shown in Table 4-14? If yes, is this a mark up on a mark up?

Response:

No. This adjustment is not in addition to the \$128 shown in Table 4-14.

- c) Please provide a table as follows that shows the composition of the 2010 test year figure of \$8,587 for OM&A broken down into its components. Please identify any Other Costs.

OM&A	Depreciation	Rate of Return	Capital	Other Cost	Total
\$	\$	\$	\$	\$	\$8,587

Response:

We assume the correct reference for 2010 test year is \$8,919 and a table has been provided accordingly.

OMA	Depreciation	Rate of Return	Capital	Other Cost	Total
\$8,230	\$53	\$636			\$8,919

- d) Please show how the dollar amount shown in (c) related to the rate of return has been calculated, showing rates used and all calculations.

Response:

Please refer to VECC IRR #57 (f) and (g).

- e) Please provide a table as follows that shows the composition of the 2010 test year figure of \$8,409 for total capital rate application costs broken down into its components. Please identify any Other Costs.

OM&A	Depreciation	Rate of Return	Capital	Other Cost	Total
\$	\$	\$	\$	\$	\$8,409

Response:

OMA	Depreciation	Rate of Return	Capital	Other Cost	Total
	\$53	\$741	\$7,615		\$8,409

- f) Please show how the dollar amount shown in (e) related to the rate of return has been calculated, showing rates used and all calculations.

Response:

Please refer to VECC IRR #57 (h).

- g) Has the depreciation expense included in the responses to (c) and/or (e) above been calculated using the half-year rule?

Response:

The depreciation expense has not been calculated using the half-year rule.