

**WHITBY HYDRO ELECTRIC CORPORATION
2010 RATES REBASING CASE
EB-2009-0274
ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

Question 1

Ref: Energy Probe Interrogatory # 58

Is the Infrastructure Ontario rate as of June 4th, 2010 for 25 year term of 5.01% provided in the response a serial loan or an amortizer loan from Infrastructure Ontario?

Response:

The interest rate provided is based on an amortizer loan from Infrastructure Ontario.

Question 2

Ref: Energy Probe Interrogatory # 60

a) Please explain what is meant by "based on all model parameters interacting" in the response.

Response:

This statement means that the regression model parameters were estimated together. Regression model parameters include the regression explanatory variable coefficients as well as the constant term. Using only a subset of the estimated parameters may not yield an appropriate result as the parameters were estimated together and reflect the interaction between all explanatory variables and the dependent variable.

b) What is the rationale for including non-weather factors in weather normalization?

Response:

Whitby Hydro has submitted a "weather normal load forecast" model. A weather normal load forecast model must discern between changes in load due to weather, and changes in load due to other factors, such as economic activity. For this reason, it is necessary to consider non-weather factors in a weather normal load forecast model such as that used by Whitby Hydro.

c) Please provide all the assumptions and calculations used in determining the implied weather adjustment of 6,929,251 kWh.

Response:

The implied weather adjustment is calculated by subtracting the 2009 actual kWh of 876,959,953 kWh from the 2009 weather normal kWh of 883,889,204 provided in the response to Energy Probe IR 25 (c): $883,889,204 \text{ kWh} - 876,959,953 \text{ kWh} = 6,929,251 \text{ kWh}$.

d) Please provide all the assumptions and calculations used in determining the weather adjustment of 19,895,736 kWh provided in the response to VECC IR 22 (b).

Response:

All calculations and assumptions are provided in the response to VECC IR 22 (b).

e) Please provide the actual weather normalized figure for 2009 in Table 5 (page 201) of the pre-filed evidence based on the same methodology used to calculate the figures shown in 2002 through 2008 in Table 5.

Response:

We are unclear as to what is meant by “actual weather normalized”. The weather normal figure for 2009 displayed in Table 5 (page 201) of the pre-filed evidence is calculated based on the same methodology used to calculate the figures shown in 2002 through 2008 in Table 5.

Question 3

Ref: Energy Probe Interrogatory # 62

Please confirm that the regression equations shown in the response to part (c) are simple regressions that relate monthly consumption to the trend variable and a constant.

Response:

The regression equations shown in the response to Energy Probe IR 62 (c) are standard OLS regressions that relate monthly consumption to the trend variable and a constant for the time periods highlighted.

Question 4

Ref: Energy Probe Interrogatory # 64

The response to part (a) is silent on the income tax reduction. Has this reduction been reflected in the charges from the affiliate?

Response:

The reduction in the income tax has been reflected in the charges from the affiliate. This reduction has been incorporated in the calculation of before tax weighted cost of capital as per the transfer pricing mechanism established in the 2005/2006 ARC review.

Question 5

Ref: Energy Probe Interrogatory # 35 & # 31

The response to Energy Probe IR # 35 indicates that the 2008 actual OM&A cost per customer was \$208.

a) Please provide the actual number of customers that was used in conjunction with the 2008 OM&A cost of \$8,149,072 in Energy Probe IR # 31 to arrive at the \$208 figure. Please provide references to this figure in the evidence or IR responses (and/or the calculations needed) to arrive at this number of 2008 customers.

Response:

The number of customers used to arrive at the \$208 figure is 39,226. The reference to this number is found on pages 101, 153 and 212. On page 203, Table 10 the actual customer class numbers are provided which also support the 39,226 when summarized.

Class	2008 Customer Count
Residential	36,496
GS<50	1,908
GS>50	431
Unmetered Scattered Loads	389
Street Lighting	1
Total	39,225

b) Based on the 2009 actual OM&A costs of \$8,436,104 in Energy Probe IR # 31, please calculate the actual OM&A cost per customer for 2009, indicating both the actual 2009 customers used in the calculation and the derivation of this figure (or the reference to this figure in the evidence or IR responses).

Response:

Please see below.

Class	2009 Customer Count
Residential	36,762
GS<50	1,926
GS>50	435
Unmetered Scattered Loads	390
Street Lighting	1
Total	39,514
2009 OMA Costs	8,436,104
2009 OMA Costs/Customer	\$213.50

c) Based on the 2010 forecast OM&A costs of \$8,919,421 in Energy Probe IR # 31, please calculate the forecast OM&A cost per customer for 2010, indicating both the forecast 2010 customers used in the calculation and the derivation of this figure (or the reference to this figure in the evidence or IR responses).

Response:

Please see below.

Class	2010 Customer Count
Residential	37,119
GS<50	1,909
GS>50	436
Unmetered Scattered Loads	391
Street Lighting	1
Total	39,856
2010 OMA Costs	8,919,421
2010 OMA Costs/Customer	\$223.79

Question 6

Ref: Energy Probe Interrogatory # 11 & 47

In the response to Energy Probe # 47, Whitby has amortized the reduction in OM&A costs over the 2010 through 2013 period. In Energy Probe # 11, the reduction in capital expenditures does not reflect this four year average? Please explain why not, and please provide the reduction if it was computed in the same manner as for OM&A (i.e. average of one-half of 2010 and all of 2011, 2012 and 2013).

Response:

With respect to Energy Probe #11, the reduction in capital expenditures does not reflect a four year average. The 2010 Capital Expenditures include a reduction of \$120K which represents HST savings from July 1, 2010 - December 31, 2010. Capital costs are by nature one time costs, and therefore normalization is not required. By contrast, OMA expenses are ongoing costs and must be representative for the rate period.

Question 7

Ref: Board Staff Interrogatory # 35 & 36

- a) The current revenue deficiency is approximately \$2,516,000. The lost distribution revenue for a 3 month period is about \$500,000 using the proration (i.e. 3/12) approach. Extended over 12 months, this would be 4 times the \$500,000 or \$2,000,000. Please explain the difference between this \$2,000,000 figure and the \$2,516,000 total deficiency.**

Response:

The lost distribution revenue in IRR #36 was calculated using the rate differential between the originally proposed 2010 rates (per the application filed January 15, 2010) as compared to the existing approved 2009 distribution rates. As a result, this calculation does not incorporate the impact of the proposed application updates/adjustments noted in Board Staff IRR #35, resulting in a difference of approximately \$516,000 (\$2,516,000 - \$2,000,000).

- b) Based on the average approach, would it be accurate that the lost revenue for each month in the delay of an effective date for the new rates, based on the current revenue deficiency of \$2,516,000 would be approximately \$210,000? If not, please provide an estimate of the lost revenue per month based on the deficiency of \$2,516,000.**

Response:

Correct. Based on a revenue deficiency of \$2,516,000 the lost distribution revenue would be approximately \$210,000 per month. This does not take into account any impact related to other proposed rate riders or LV rate adders.

Question 8

Ref: Energy Probe Interrogatory # 39

Has Whitby agreed that the income taxes should be reduced by \$18,750 to reflect the July 1 changes in the small business deduction? If not, why not?

Response:

Whitby agrees that the income taxes should be reduced by \$18,750. 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 the technical conference.

Question 9

Ref: Exhibit 3, page 204

a) Please update Table 11 to show actual use per customer for 2009.

Response:

Please see our response to Energy Probe IR #27 where this information was provided.

b) Please update Table 11 to show actual normalized use per customer for 2009 using the same methodology utilized to produce the figures for the previous years.

Response:

We are unclear as to what is meant by “actual normalized”. Normalized use per customer using the same methodology utilized to produce the figures for the previous years is displayed in Table 11 in the pre-filed evidence.

Question 10

Ref: Energy Probe Interrogatory # 20

The response indicates the 2009 actuals provided are preliminary. Does Whitby Hydro now have final 2009 actual information? If so, please provided an updated Appendix 2-D that shows the final 2009 actual revenues.

Response:

The final 2009 data has been updated in the schedules below. Note that the only revision related to USoA 4405 Interest and Dividend income due to the finalization of Interest for Regulatory Assets. This affected Appendix 2-D Summary of Other Operating Revenue and Appendix 2-D (d) Other Income and Expense Detail however, for ease of reference, all Appendix 2-D schedules have been provided.

APPENDIX 2-D
Other Operating Revenue

Uniform System of Account #	Description	2006 Board Approved	2006	2007	2008	Bridge Year 2009	2009 Actuals	Test Year 2010
4235	Specific Service Charges	196,518	136,946	154,281	249,082	154,835	163,276	157,835
4225	Late Payment Charges	275,846	297,895	343,757	321,056	375,000	403,494	321,000
4082	Retail Services Revenues	36,142	26,484	49,662	47,569	57,121	55,162	57,021
4084	Service Transaction Requests	52	576	555	581	719	640	719
4090	Electric Services	121,672	129,635	132,026	139,883	141,158	137,744	143,048
4210	Rent from Electric Property	105,714	105,855	118,473	124,391	146,093	167,860	133,120
4390	Miscellaneous Non-Operating Income	24,933	18,831	46,568	22,827	45,000	39,324	25,000
4405	Interest and Dividend Income	620,858	468,611	292,736	7,450	(11,279)	(24,086)	9,407
4375	Revenues from Non-Utility Operations	0	0	273,741	266,394	986,717	1,024,021	986,717
4380	Expense of Non-Utility Operations	0	0	(273,744)	(207,759)	(944,640)	(955,338)	(944,640)
Specific Service Charges 2-D(a)		196,518	136,946	154,281	249,082	154,835	163,276	157,835
Late Payment Charges 2-D (b)		275,846	297,895	343,757	321,056	375,000	403,494	321,000
Other Distribution Revenues 2-D (c)		263,580	262,550	300,716	312,425	345,091	361,407	333,908
Other Income and Expenses 2-D (d)		645,791	487,442	339,301	88,912	75,798	83,921	76,484
Total		1,381,735	1,184,832	1,138,056	971,475	950,724	1,012,098	889,227
Adjustments to Revenue Offset:								
4405 Interest from Regulatory Assets		(434,717)	(207,798)	32,754	269,647	61,279	69,383	56,593
4405 Interest and Dividend Income - Customer/Retailer Deposit and PILs Interest		(52,297)	(59,477)	(67,863)	(48,081)	(7,000)	(7,039)	(13,000)
4375 Non-Utility Revenue (OPA)		0	0	(273,741)	(266,394)	(986,717)	(1,024,021)	(986,717)
4380 Non-Utility Expense (OPA)		0	0	273,744	207,759	944,640	955,338	944,640
Total Revenue Offset		894,721	917,557	1,102,950	1,134,406	962,926	1,005,759	890,743

APPENDIX 2-D (a)
Other Operating Revenue - Specific Service Charge Detail

USoA	Description	2006	2007	2008	Bridge Year 2009	2009 Actuals	Test Year 2010
4235	Arrears Certificate	0	0	0	0	0	0
4235	Statement of Account	0	0	0	0	0	0
4235	Pulling post-dated cheques	0	0	15	0	0	0
4235	Easement Letter	2,292	2,710	1,317	0	1,189	0
4235	Account history	1,521	1,712	1,501	1,500	1,326	1,500
4235	Credit reference/credit check (plus credit agency costs)	6,083	6,849	6,004	6,210	6,248	6,210
4235	Account set up charge / change of occupancy charge	85,696	122,675	129,690	112,020	124,470	115,020
4235	Returned Cheque charge (plus bank charges)	17,120	13,786	14,050	15,000	14,193	15,000
4235	Special Meter reads	0	0	0	0	0	0
4235	Meter dispute charge plus Measurement Canada fees (if meter found correct)	0	0	0	0	0	0
4235	Collection of account charge – no disconnection	591	0	0	0	0	0
4235	Collection of account charge – no disconnection – after regular hours	0	0	0	0	0	0
4235	Disconnect/Reconnect at meter – during regular hours	10,530	14,625	13,390	15,990	14,300	15,990
4235	Disconnect/Reconnect at meter – after regular hours	370	925	1,630	740	740	740
4235	Disconnect/Reconnect at pole – during regular hours	555	1,295	740	1,110	1,110	1,110
4235	Disconnect/Reconnect at pole – after regular hours	0	0	415	0	0	0
4235	Install / remove load control device – during regular hours	0	0	65	65	65	65
4235	Install / remove load control device – after regular hours	0	0	0	0	0	0
4235	Service call – customer-owned equipment	0	0	0	0	0	0
4235	Service call – after regular hours	0	0	0	0	0	0
4235	Temporary service install and remove – overhead – no transformer	3,000	4,500	4,000	1,500	1,500	1,500
4235	Temporary service install and remove – underground – no transformer	9,490	6,000	6,600	1,800	2,115	1,800
4235	Temporary service install and remove – overhead – with transformer	650	0	1,000	0	0	0
4235	Legal letter charge	0	0	0	1,200	0	1,200
4235	Miscellaneous Revenue	10,416	(10,296)	80,266	1,000	(680)	1,000
4235	Temporary Services Expense	(11,368)	(10,500)	(11,600)	(3,300)	(3,300)	(3,300)
Total		136,946	154,281	249,083	154,835	163,276	157,835

APPENDIX 2-D (b)
Other Operating Revenue - Late Payment Charge Detail

USoA	Description	2006	2007	2008	Bridge Year 2009	2009 Actuals	Test Year 2010
4225	Late Payment - per month	297,895	343,757	321,056	375,000	403,494	321,000
Total		297,895	343,757	321,056	375,000	403,494	321,000

APPENDIX 2-D (c)
Other Operating Revenue - Other Distribution Revenue Detail

USoA	Description	2006	2007	2008	Bridge Year 2009	2009 Actuals	Test Year 2010
4082	Retailer Service Agreement -- One time charge to establish the service agreement	200	400	0	100	200	0
4082	Retailer Service Agreement -- monthly fixed charge (per retailer)	2,300	2,840	3,360	3,820	3,800	3,820
4082	Retailer Service Agreement -- monthly variable charge (per customer, per retailer)	9,640	29,155	28,346	33,335	32,058	33,335
4082	Distributor-Consolidated Billing -- monthly charge (per customer, per retailer)	14,352	17,319	15,935	19,866	19,105	19,866
4082	Retailer-Consolidated Billing -- monthly credit (per customer, per retailer)	(8)	(52)	(71)	(0)	(0)	(0)
Total	4082 Retail Service Revenues	26,484	49,662	47,569	57,121	55,162	57,021
4084	Service Transaction Request -- request fee (per request, applied to the requesting party)	829	1,135	649	526	455	526
4084	Service Transaction Request -- processing fee (per request, applied to the requesting party)	108	369	182	193	185	193
4084	Service Transaction Request - request for customer information if not delivered through the EBT system, applied to the requesting party (more than twice per year, per request plus incremental delivery costs)	0	0	0	0	0	0
	4084 Entry to clear balance to RCVA Variance Account	(360)	(949)	(250)	0	0	0
Total	4084 Service Transaction Requests	576	555	581	719	640	719
4090	Standard Supply Service -- Administrative Charge	129,635	132,026	139,883	141,158	137,744	143,048
4210	Rent from Electric Property	105,855	118,473	124,391	146,093	167,860	133,120
Total		262,550	300,716	312,425	345,090	361,407	333,907

APPENDIX 2-D (d)
Other Operating Revenue - Other Income and Expense Detail

USoA	Description	2006	2007	2008	Bridge Year 2009	2009 Actuals	Test Year 2010
4375	Revenues from Non-Utility Operations	0	273,741	266,394	986,717	1,024,021	986,717
4380	Expense of Non-Utility Operations	0	(273,744)	(207,759)	(944,640)	(955,338)	(944,640)
4390	Miscellaneous Non-Operating Income	18,831	46,568	22,827	45,000	39,324	25,000
4405	Interest and Dividend Income - Bank Interest	201,336	257,627	229,016	43,000	38,258	53,000
4405	Interest and Dividend Income - Customer/Retailer Deposits and PILs Interest	59,477	67,863	48,081	7,000	7,039	13,000
4405	Interest and Dividend Income - Regulatory Assets	207,798	(32,754)	(269,647)	(61,279)	(69,383)	(56,593)
Total 4405 Interest and Dividend Income		468,611	292,736	7,450	(11,279)	(24,086)	9,407
Total		487,442	339,301	88,912	75,798	83,921	76,484
Portion to exclude from Revenue Offset:							
4405	Interest and Dividend Income - Regulatory Assets	(207,798)	32,754	269,647	61,279	69,383	56,593
4405	Interest and Dividend Income - Customer/Retailer Deposit and PILs Interest	(59,477)	(67,863)	(48,081)	(7,000)	(7,039)	(13,000)
4375	Revenues from Non-Utility Operations	0	(273,741)	(266,394)	(986,717)	(1,024,021)	(986,717)
4380	Expense of Non-Utility Operations	0	273,744	207,759	944,640	955,338	944,640
Revenue Offset - Other Income and Expense		220,167	304,195	251,843	88,000	77,582	78,000