

**INTERROGATORIES FOR HYDRO OTTAWA LIMITED
EB-2007-0713**

2008 – RATES PROCEEDING

FROM THE CONSUMERS COUNCIL OF CANADA

1. A1/T2/S1

HO is seeking approval of not only rates for the rate year, but approval to recover a revenue deficiency for the period Jan. 1, 2008 to April 30, 2008. Please provide HO's expectation as to what period the 3rd Generation would apply to. On what basis does HO believe it is permitted to effectively change rates Jan. 1, 2008, whereas other LDCs are not changing rates until May 1, 2008?

2. A1/T5/S2/p. 1

HO has indicated that it uses its own system of accounts ("SOA"), one that differs from the Uniform System of Accounts ("USoA"). Please provide a list of all differences between HO's SOA and the USoA. Please indicate the impact of these differences on the test year revenue requirement.

3. A1/T7/S2/p. 2

Please indicate the number of employees in Hydro Ottawa Holding Inc. Please identify all of the positions in that holding company. Also, please indicate how employee costs in the holding company are allocated to the other companies. What level of those costs is allocated to Hydro Ottawa Limited? Regarding the senior positions in the holding company, please explain what is meant by the statement, "Operational activities related to those functions remain within Hydro Ottawa."

4. A2/T1/S2/p. 1

The evidence sets out the Revenue Deficiency for 2008. Does this table refer to the deficiency associated with the rate year beginning May 1, 2008 or January 1, 2008? Please explain.

5. A2/T2/S1/p. 1

How was the 2% budget guideline determined? If it is based on inflation what evidence does HO have that all OM&A costs track inflation? Please provide that evidence. Does the 2% incorporate an amount for productivity? If not, why not? Does the budget

process allow for reductions to the base budget where possible? If not, not?

6. A2/T2/S1/p. 1

Please provide copies of all memos provided to HO's staff related to the development of the 2008 budget.

7. A2/T2/s1/p. 4

Please provide a detailed rationale for the \$1 million target to reduce general plant in 2008. Please provide a detailed rationale for the \$2 million target to reduce fleet, facilities, and IT in 2009 from the preliminary capital plan.

8. A2/T2/S1/p. 5

The budget guidelines indicate that CDM is not funded through distribution rates and therefore all aspects of CDM programs must be kept completely separate. Please explain, in detail, how the CDM costs are tracked and allocated.

9. A3/T2/S1/Attachment N

Please provide a column that sets out 2006 Board approved.

10. A3/T2/S1/Attachment N

The Statement of Income indicates that HO's actual ROE was 19.98%, but the normalized ROE was 8.37%. Please provide a detailed explanation for the variance between actual and normalized ROE for 2006.

11. B1/T1/S1/p. 3

HO's Capital Spending on smart meters for 2006 is \$16.4 million, \$16.9 million for 2007 and \$9.7 million for 2008. Please indicate to what extent the 2008 rate increase over 2007 is related to smart meter expenditures.

12. B1/T2/S3/p. 3

With respect to HO's IT functions what are the expected cost savings associated with centralizing all of these functions? If cost savings are expected why is HO not pursuing this initiative in 2008?

13. B2/T1/S1

Please indicate whether the approved and actual rate base numbers on Table 1 are comparable given the statement provide at Note 1 that the actual rate base includes stranded meters.

14. B2/T1/S1

Please provide a list of all capital projects that were included in the 2006 Board Approved Capital Expenditures, but have been deferred until 2007 or 2008. Please explain why each of the projects was deferred.

15. B4/T1/S1

With respect to HO's proposal for a capital adjustment factor (CAF), if the 3GIRM provides sufficient relief for HO regarding capital additions made in 2009 and 2010 would HO be bound by the Board's decision in this case? Or in the alternative should HO be free to choose its preferred approach at that time.

16. B4/T1/S1

Please explain the relief HO is seeking in this proceeding regarding capital. Is HO effectively asking the Board panel in this case to approve a portion of the overall revenue requirement for 2009 and 2010?

17. B4/T2/S1

HO is projecting a decrease in overall capital expenditures in 2009 and 2010 relative to 2008. Why would a capital adjustment factor be required which is based on growth?

18. C1/T2/S1

HO has chosen Itron Inc.'s advanced statistical modeling software MetrixND and notes that there are currently 500 MetrixND users worldwide. Please provide a list of Canadian users of this software and indicate all cases in which Canadian regulators have approved the load forecasts developed by this software.

19. C2/T1/S1

The 2006 actual levels of Other Revenue exceeded Board approved levels by over \$4 million to the benefits of the shareholders. Please provide a detailed explanation as to why the variance was so significant. If these items are so difficult to forecast would HO be willing to use a deferral account to record any variances going forward? If not, why not?