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August 19, 2010

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Interrogatories: EB-2010-0133
Hydro Ottawa Limited – 2011 Electricity Distribution Rate Application

Please find enclosed the Interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

HYDRO OTTAWA LIMITED

2011 DISTRIBUTION RATE APPLICATION

EB-2010-0133

VECC INTERROGATORIES – ROUND #1

QUESTION #1

Reference: Exhibit A1, Tab 2, Schedule 3, page 2

a) Please provide copies of all requests or other communications received from either bondholders or the investment community over the last twelve months that resulted in Ottawa providing explanations regarding its financial results that involved the current mismatch between Ottawa's rate year and its fiscal year.

b) Please provide copies of all materials prepared by Ottawa for use in explaining to either bondholders or the investment community the difference between its approved and actual rate of return. Please also include all internal materials prepared to assist with oral explanations.

QUESTION #2

Reference: Exhibit A1, Tab 2, Schedule 3, page 5 (Issue #4)

a) Given that the Board's direction on the 2010 Cost of Capital parameters was not released until February 2010 and that the same timelines could apply for 2011, please confirm that the cost of capital parameters applicable to Hydro Ottawa for 2011 (per A2/T1/S1, page 3) will likely differ from those applicable to electricity distributors filing for 2011 rates effective May 1, 2011 based on cost of service.

b) Does Ottawa foresee any issues with bondholders and/or the investment community in having different cost of capital parameters applying to electricity distributors in 2011 and subsequent years depending upon the effective date for the rate change? If not, why not?

c) Does Ottawa propose to apply for rates based on a "cost of service" application for all years subsequent to 2011?

d) If not, does Ottawa expect that in years where its Rate Application is based on IRM the effective date would be January 1st?

QUESTION #3

Reference: Exhibit A1, Tab 2, Schedule 2, page 7

a) Please outline Ottawa's plans with respect to applying for an LRAM and/or SSM for 2008 based on the results of CDM programs implemented in 2008 and prior years.

QUESTION #4

Reference: Exhibit A1, Tab 5, Schedule 2, page 1

a) Please confirm that Account 1555 is also used to record the depreciation costs associated with the smart meters actually in-service.

b) Please confirm where Ottawa records the OM&A costs associated with the smart meters actually in-service.

QUESTION #5

Reference: Exhibit A1, Tab 7, Schedule 3

a) With respect to page 1, does Hydro Ottawa continue to provide duct and pole attachment rental services to Atria Networks LP, the current owner of Telecom Ottawa Holding Inc.? If not, please explain.

b) With respect to Table 1, please provide a schedule that sets out the 2008 and 2009 actual annual charges for each service and the currently forecast charges for each for 2010 and 2011. Please provide a variance explanation for any year over year change of more than 5% (plus or minus).

c) With respect to Table 2, please provide a schedule that sets out the 2008 and 2009 actual annual charges for each service and the currently forecast charges for each for 2010 and 2011. Please provide a variance explanation for any year over year change of more than 5% (plus or minus).

QUESTION #6

Reference: i) Exhibit A1, Tab 7, Schedule 1, page 2
ii) Exhibit A1, Tab 7, Schedule 3, page 3 and Attachment D

Preamble: Reference (i) indicates that Hydro Ottawa maintains its own operational departments for regulatory affairs, finance, human resources and communications. However, Reference (ii) indicates significant charges in these areas from the Holding Company.

a) Please provide an organizational chart for Hydro Ottawa that shows the number of employees working in the various operational departments noted.

b) Please explain fully why the services charged from the Holding Company in these areas are not provided by the operational departments within Hydro Ottawa.

QUESTION #7

Reference: Exhibit A1, Tab 7, Schedule 3, Attachments C and E

a) Please explain why the Human Resource charges to Hydro Ottawa Holding are based on $3,332 per employee while those to Energy Ottawa are based on $2,797 per employee.

b) With respect to the hourly rate ($62) used for Generation Services to Energy Ottawa, please provide a work up of the rate indicating what is included over and above the base labour rate, e.g., allowances for indirect supervision, overheads, etc..

QUESTION #8

Reference: Exhibit A2, Tab 1, Schedule 1

a) Please provide the business cases that support Hydro Ottawa's purchase of the Richmond South DS and the Fallowfield DS from Hydro One.

b) If not addressed in the response to part (a), please provide a schedule that contrasts the reduced LV charges from Hydro One due to these purchases with the increase is distribution revenue requirement for 2011 arising from Hydro Ottawa's ownership of these facilities.

QUESTION #9

Reference: Exhibit A2, Tab 1, Schedule 2

a) Please provide a schedule that sets out the calculation of the “Revenue with 2011 Load at 2010 Rates” showing the load, rates and revenues by customer class.

b) Please provide a breakdown, by customer class, of the $1,171,602 “cost” for the transformer ownership credit.

QUESTION #10

Reference: Exhibit A2, Tab 2, Schedule 2

Preamble: Reference is made in budget guidelines provided to the Board of Directors (page 2) to the achievement of a productivity factor.

a) What are the productivity factors incorporated in the budget for 2010 and 2011?

b) What Initiatives is Hydro Ottawa undertaking to achieve these productivity improvements?

c) What plans does Hydro Ottawa have to track the actual achievement of its planned productivity gains?

QUESTION #11

Reference: Exhibit A2, Tab 2, Schedule 3

a) Please provide a schedule that sets out those changes in accounting methodology that have an impact on the determination of the 2011 revenue requirement (when compared to the practices employed in the determination of the 2008 OEB approved rates). In each case, please identify the impact on the 2011 revenue requirement.

QUESTION #12

Reference: Exhibit A3, Tab 4, Schedule 1, Attachment N

a) With respect to Table 1 on page 6, please confirm whether or not Hydro Ottawa agrees with the values set out in the table. Please correct/revise any values as required.

b) With respect to Table 1 on page 6, please update for the 2009 actual ROE and provide a line for 2010 setting out the expected results based on Hydro Ottawa's current forecast.

QUESTION #13

Reference: Exhibit B1, Tab 2, Schedule 1

a) Please provide the 10-year winter and summer peak demand forecast used for the supply and capacity planning underpinning the current Application.

b) Please break the forecast down by i) electricity supply area and ii) by substation. In the case of the substation forecasts please also include the current capacity of each substation and the capacity that can be supplied under an N-1 contingency.

c) Do the area and substation peak load forecasts used in the Asset Management Plan reflect the impact of the distribute generation development anticipated in the Ottawa area (per Attachment P)? If not, which projects are most likely to be impacted by the development of local distributed generation?

QUESTION #14

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Table 40

a) Please provide a revised version of Table 40 that sets out actual spending for the years 2008 and 2009 and forecast spending for 2010 – 2013.

QUESTION #15

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Section F

a) With respect to pages 55-56, how many wood poles were replaced annually over the period 2007-2009 and what number is currently budgeted for 2010 and 2011? Please provide a breakdown as between planned and unplanned replacements and confirm that this section of the plan only deals with planned replacement whereas page 105 deals with unplanned replacements.

b) With respect Table 40, is the higher spending on insulator replacement over the 2011-2015 period (relative to that in later years) specifically meant to address the four insulator problems indentified on page 62? If yes, please indicate the basis for the program spending given the acknowledged lack of information regarding these problems. If not, what is the spending for?

c) With respect to page 65, why is Hydro Ottawa scheduling the completion of its transformer replacement program in 2013 when under the Federal Regulation removal does not have to be completed until 2025?

d) With respect to pages 70-71, what was the number of pole transformers replaced annually in 2007-2009 and what is the currently budgeted number for 2010 and 2011? Please provide a breakdown between planned and unplanned replacements and confirm that this section of the Plan only deals with planned replacement whereas page 105 deals with unplanned replacements.

e) With respect to Table 40, please break the projected spending on “Distribution Transformer Replacement” down as between pole mounted and underground transformers and provide the 2007 – 2010 annual spending for each.

f) With respect to page 81 (first paragraph), please clarify the planned number of kiosk and padmount transformers that are budgeted for replacement in 2010 and 2011 and compare with the level of “planned” replacement in 2007-2009.

g) With respect to Table 40, please indicate which of the asset types discussed in Attachment O are included under “Civil Rehabilitation Program”, e.g., does it just cover Underground Civil Structures?

h) Please explain the significantly higher spending for the “Civil Rehabilitation Program” in the earlier (2011-2014) years of the Plan.

i) The discussion of Distribution Cable (page 92) deals solely with underground cable. Where in the report and in Table 40 is the sustainment spending on overhead cable dealt with?

j) The discussion regarding underground cable (pages 96-97) does not indicate the amount of planned replacement included in the budget. Please indicate the amount of planned and unplanned underground cable replacement for the years 2007-2009 and the budgeted levels for 2010 and 2011.

k) With respect to “O/H Equipment New and Rehabilitation”, page 104 states that projects to resolve current problems will be distributed over 5 years. However, Table 40 show significantly higher levels of spending in the first 3 year (2011-2013). Please reconcile.

QUESTION #16

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Section G

a) What is the budgeted planned replacement rate for station transformers in 2010 and 2011 and how does this compare with the actual level of planned replacement in 2007-2009.

b) Which of the transformers listed in Table 31 are schedule for “planned replacement” in 2010 and 2011?

c) Which budget program in Table 40 addresses the requirements for Station Ground Grids (pages 121-124).

d) Please indicate the budgeted 2010 and 2011 spending for Stations Ground Grids and compare with historical 2007-2009 levels.

QUESTION #17

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Section H

a) Please provide more details on the basis for the 2% per annum increase in load projected for the east-end of the City of Ottawa (pages `132-133)? Does this projection take into account the anticipated impact of the Government’s CDM targets?

b) What is the cost for the new 230 kV substation in East Ottawa? Please confirm that the station is still expected to be in-service by the end of 2010 (B4/T3/S1, page 11).

c) Please provide more details on the basis for the 7% per annum increase in load projected for the south-end of the City of Ottawa (page 134)? Does this projection take into account the anticipated impact of the Government’s CDM targets?

d) What is the anticipated cost for the new 115 kV substation transformer at Fallowfield DS? Please confirm that it is still expected to be in-service by year-end 2011 (B3/T3/S1, page 12).

e) Please further clarify the basis for the projected 15% in load for the western region's stations (page 139) in the next few years? Does this projection take into account the anticipated impact of the Government's CDM targets?

f) What is the anticipated cost for the new 230 kV substation in West Ottawa (page 143)? Please confirm that expenditures on this station do not impact the 2011 revenue requirement (B3/T3/S1, page 12).

g) Does the planned spending for either the Beacon Hill DS or the Hinchey substation impact the 2011 revenue requirement?

h) With respect to Table 40, please provide a breakdown of the 2010 (not shown) and 2011 capital spending on "Stations New Capacity" by station and, in each case, note when the associated facilities are assumed to be in-service for rate base purposes.

QUESTION #18

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Section J

a) With respect to Table 40, please explain the significantly higher level of spending of Substation Automation in 2011 relative to subsequent years. Please also explain why it is not possible to spread this spending out into the future years (e.g., 2012).

b) Is Hydro Ottawa responsible for the investment costs and OM&A associated with SCADA equipment at generating stations (page 151)? If yes, please explain why Energy Ottawa isn't responsible for some/all of these costs.

QUESTION #19

Reference: Exhibit B1, Tab 2, Schedule 2, Attachment O, Section K

a) With respect to the Bilberry M2 Extension (page 158), what is the timing of the proposed residential developments and how many new residential customers are anticipated?

b) With respect to Table 40, please describe the specific projects contributing to the over $1 M in spending on SCADA Upgrades in 2011. Please explain why these projects must all be completed in 2011 and some can not be delayed to future years.

QUESTION #20

Reference: Exhibit B1, Tab 2, Schedule 3, Attachment P
Exhibit A1, Tab 2, Schedule 2, page 8

a) Is there any 2010 spending associated with Ottawa's GEA Basic Plan? If yes, please describe what it is and whether or not it is included in the Bridge Year forecast included in the Application?

b) Is the 2011 Capital and OM&A spending set out on page 2 included in the Revenue Requirement underling the proposed 2011 rates? If yes, please identify the capital spending included in the requested 2011 rate base and the impact on the 2011 revenue requirement due to the increased rate base and the GEA Plan related OM&A spending.

c) Has the OM&A and Capital spending reported in this Exhibit been adjusted to reflect the introduction of HST?

QUESTION #21

Reference: Exhibit B1, Tab 2, Schedule 3, Attachment P

a) Please reconcile the 64.6 MW of FIT projects referenced on page 12 with the 101.046 MW of new generation set out in Appendix A and referenced on page 13.

b) Has Hydro Ottawa canvassed other electric distributors (in Ontario and/or elsewhere) to determine what other pilot projects with respect to either Electric Thermal Storage (page 17) or Thermal Storage – Ice Systems (page 18) are underway or planned? If so, what were its findings? If not, why not?

c) Hydro One Networks has also proposed an Electric Vehicle program as part of its GEA Plan filed with its last rate application (EB-2009-0096, Exhibit A, Tab 14, Schedule 2, page 29). What additional benefits are there from Hydro Ottawa's program?

d) Please outline the specific duties of the four additional positions in Asset Planning and Conservation Demand Management (page 24).

QUESTION #22

Reference: Exhibit B1, Tab 2, Schedule 3, Attachment P, page 24

a) Please explain more fully why, when Hydro Ottawa it proposing to recover 100% of the cost of eligible investments from Its ratepayers, it is not necessary to calculate the direct benefits accruing to Hydro Ottawa customer in accordance with Ontario Regulation 330/09.

b) Is Hydro Ottawa's proposed approach with respect to direct benefits consistent with OEB Report EB-2009-0349? Please, if necessary what changes are necessary to align Hydro Ottawa's approach with the Board's requirements.

QUESTION #23

Reference: Exhibit B1, Tab 2, Schedule 3, Attachment P, pages 26-34

a) On these pages Hydro Ottawa identifies a number of potential initiatives that it plans to investigate in 2010 and 2011. Please set out the OM&A and Capital spending in 2010 and 2011 associated with this investigation that is included in the Application's Bridge and Test Year forecasts.

QUESTION #24

Reference: Exhibit B1, Tab 2, Schedule 3, Attachment P, OPA June 2010 Letter

a) The OPA indicates that it has not performed an Economic Connection Test for the region. Why is it reasonable to proceed with the Goulbourn Extension prior to the completion of this test and confirmation of the economics of connecting the associate renewable generation projects?

QUESTION #25

Reference: Exhibit B1, Tab 2, Schedule 5

a) With respect to the various options considered (pages 15-19), please provide the 40 year cash flows associated with each along with supporting explanations. Also, what discount rate was used to determine the NPV values in Table 7 and for the cost comparisons noted on page 18.

QUESTION #26

Reference: Exhibit B1, Tab 2, Schedule 7, page 7

a) Are there any OM&A expenses included in the 2011 proposed revenue requirement that are associated with the CIS Transition project? If yes, how much and what is the spending for?

QUESTION #27

Reference: Exhibit B1, Tab 2, Schedule 8

a) In approving its Environmental Sustainability Strategy (page 1) did Hydro Ottawa include any specific criteria as to the level of cost increases or rate impacts that would be considered acceptable? If so, please outline.

b) What are the annual efficiency savings associated with the budgeted $340,000 in facility expenditures in 2011 (page 3)?

c) Is the 2010 and 2011 spending on environmental initiatives included in the budgets for the relevant activities (e.g., buildings, transportation equipment, etc.)?

QUESTION #28

Reference: Exhibit B2, Tab 1, Schedule 1 and Attachment S

a) Please provide a separate continuity schedule for 2006-2011 for stranded meters.

b) Does Schedule 1 include spending on smart meters?

QUESTION #29

Reference: Exhibit B3, Tab 1, Schedule 1, Attachment T

a) What is the basis for the LV charges set out in this Attachment? Why is there no forecast of 2011 billing determinants for LV charges?

b) What is the basis for the monthly percentages use to estimate the various transmission billing determinants based on Ottawa's forecast coincident peak demand?

c) What is the basis for the various transmission service rates for 2011 used in this schedule?

QUESTION #30

Reference: Exhibit B4, Tab 1, Schedule 1

a) Please explain more fully the decrease in spending on Distribution Assets in 2008 relative to both the earlier years and subsequent years (Table 2).

b) How much of the increase in Stations Capacity Spending in 2009 was due to the purchase of the Fallowfield and Richmond South substations from Hydro One?

c) Was there any contributed capital associated with the expansion to the new generating station (pages 20-21)? If not, why not? If yes, where is it reflected in Table 5?

QUESTION #31

Reference: Exhibit B4, Tab 3, Schedule 1

a) Is the Cable Replacement program discussed here (page 4) the underground cable replacement program discussed at page 92 of the 2010 Asset Management Plan (Attachment O)? If not, where is it described in the Asset Management Plan?

b) Please update Table 5 to reflect Q1 and Q2 for 2010.

c) Please clarify the second last paragraph on page 19. To which “budget” was 50% added in order to estimate the 2010 budget for Plant Relocations and Upgrades.

d) When does the stimulus money from the Federal Government (page 19) have to be spent in order for the City of Ottawa to qualify for it? Is the forecast consistent with this timing?

e) Please update Table 6 to reflect Q1 and Q2 for 2010.

QUESTION #32

Reference: Exhibit B4, Tab 3, Schedule 2

a) Please provide more details regarding the 2010 CIS related spending that will be triggered by the onset of Time of Use rates and the Meter Data Management Repository.

b) What adjustments, if any, were made to the capital spending forecasts on distribution assets and general plant for 2010 to account for the introduction of HST effective July 1, 2010?

QUESTION #33

Reference: Exhibit B4, Tab 4, Schedule 1

a) Please provide a schedule that sets out the PST included in Hydro Ottawa's capital spending for 2007 through 2009.

b) Please explain the difference between the $45.6 M of capital spending in 2011 for Sustainment (per Attachment O, Table 40) and the $45.2 M set out in Table of this Exhibit. If the difference is due to HST harmonization please explain why the reduction is so small when Sustainment accounts for almost half the total 2011 capital spending.

c) Please reconcile the program spending categories in Table 3 with those used in Table 40 of Attachment O.

d) Please provide details regarding the timing of the one new large 20 MW customer and when the spending on the Hinchey Station is expected to be declared in-service.

e) Are the 2011 capital expenditures from Ottawa's Green Energy Act Basic Plan (Attachment P, page 2) included in the spending reported in this Exhibit?

QUESTION #34

Reference: Exhibit B4, Tab 4, Schedule 2

a) Spending on CIS Enhancements increases by more than $2 M between 2010 and 2011. Please provide a detailed work plan for the CIS Transition Project (page 2) that supports this increased spending.

QUESTION #35

Reference: Exhibit B4, Tab 4, Schedule 3

a) Please reconcile the 2011 capital spending on GEA Line Extensions reported here ($1,378 k) is that reported in Attachment O ($1,360 k).

QUESTION #36

Reference: Exhibit B4, Tab 5, Schedule 2

a) Please provide a revised version of Table 2 that includes actual values for 2007 and 2008. Please explain what is anomalous about 2011 that leads to materially higher costs.

b) Please provide greater detail regarding the increase in spending on Information Services and Technology in 2010 and 2011 versus earlier years.

QUESTION #37

Reference: Exhibit C1, Tab 1, Schedule 1, pages 1-6

a) Do the parties listed on page 1 all use MetrixND to produce the load forecasts they use for budgeting and (where applicable) rate application to their respective regulators?

b) Please provide a listing of all the explanatory variables included in the model used to forecast system energy (purchases) and for each indicate the value of the coefficient and the related t-statistic (pages 3-5). Please discuss the results for any variable that does not have the intuitively correct sign.

c) Please provide the model equation used to forecast system peak (pages 5-6).

d) Please explain why in some years (e.g., 2005) weather normalized system energy decrease while weather normalized system peak values increase over those for the previous year and explain why this is not counter-intuitive.

QUESTION #38

Reference: Exhibit C1, Tab 1, Schedule 1, pages 6-8
Exhibit C1, Tab 1, Schedule 2, page 3

a) Schedule 2 demonstrates that average residential use has been declining since 2005 and attributes this to CDM. Given this trend in historical use, is it not reasonable to assume that the model developed to forecast system energy purchases using 1997-2010 data will include increasing CDM trend? If not, why not?

b) If the response to part (a) is yes, then doesn't removing all post-2010 CDM from the model's forecast results result in a some double counting of these savings? If not, explain why.

c) Please describe fully the basis for the 767 GWh provincial savings value for 2010 and the associated 47 GWh savings for Hydro Ottawa.

d) What is basis for the 2011-2014 peak and energy savings attributed to Codes and Standards and Other Influences?

QUESTION #39

Reference: Exhibit C1, Tab 1, Schedule 1, pages 8-10
Exhibit H1, Tab 4, Schedule 1, page 1

a) Please reconcile the actual electricity sales values reported in these two references for the years 2006-2009.

b) Do the customer class sales models include customer count as an explanatory variable? If not, why not?

c) How does the forecast account for the one new large (20 MW) customer expected for downtown Ottawa (Attachment O, page 144)? Is there a need for a separate adjustment to reflect this development and, if not, why not?

d) Why is there no forecast of sales or customers for the Sentinel Light Class?

QUESTION #40

Reference: Exhibit C1, Tab 1, Schedule 1, page 12

a) With respect to page 12, please provide a schedule that sets out: i) the capital spending on new Residential and Commercial development for the period

2007 – 2011 and ii) number of new Residential and Commercial customers added each year. Please reconcile any material differences in the year over year growth rates between the two for each set of customers.

b) Please breakdown the transformer ownership credit (page 15) for 2011 by customer class.

c) Please provide the date of publication for the Conference Board forecast used for the economic variables in Table 17. If the forecast for any of the variables was obtained from another source please indicate both the source and the timing of its publication.

d) Please provide any more recent forecast for these economic variables that Hydro Ottawa is aware of.

e) Please provide the customer count forecast used for purposes of the load forecast (per C1, T1, S1, page 3).

QUESTION #41

Reference: Exhibit C1, Tab 1, Schedule 2, page 3

a) Please provide an estimate of the actual 2008 kWh savings by customer class due to CDM based on Hydro Ottawa's CDM programs following a format similar to that used in Hydro Ottawa's 2007 LRAM Application.

QUESTION #42

Reference: Exhibit C2, Tab 1, Schedule 1

a) Does the forecast of Other Revenue include any allowance for the revenue associated with the new MIcroFit service charge introduced by the Board (EB-2009-0326)? If yes, where is it included and what is the estimated revenue in 2011? If not, why not?

b) Why isn't Hydro Ottawa updating its pole attachment charge (page 5) to reflect is 2011 forecast cost of service? What would the rate be based on 2011 costs?

QUESTION #43

Reference: Exhibit C2, Tab 1, Schedule 1, Attachment V

a) Please explain the continual decline from 2008 to 2010 in the Net Revenues associated with “Work for Others Net Revenue”.

b) Please explain why the value for 2011 ($47,523) is positive suggesting the forecast calls for negative net revenues which will serve to reduce the overall level of Other Operating Revenue.

c) The Application (Exhibit D4, Tab 1, Schedule 1, page 2) makes reference to hiring a Renewable Generation Engineer to interface with potential generators. Does Hydro Ottawa plan to charge potential generators for studies (e.g., connection impact assessments) undertaken in response to queries regarding connection to its system? If yes, where are the revenues reflected in the Application? If not, why not?

QUESTION #44

Reference: Exhibit D1, Tab 1, Schedule 1, page 19

a) Is the Charitable Contributions for 2011 of $51,510 (page 19) all for the Winter Warmth Program? If not, how much is?

b) Please provide a schedule that sets out the Smart Meter OM&A costs included in the 2011 revenue requirement. Please also indicate which USOA accounts (per Table 1) these costs are included in.

c) Are the 2008-2010 OM&A costs associated with Smart Meters also included in Table 1?

QUESTION #45

Reference: Exhibit D1, Tab 1, Schedule 2, page 3
Exhibit D1, Tab 5, Schedule 1, page 5 (Table 5)

a) Please extend Table 5 to include 2011.

b) Please provide more details on the basis for the $2.4 M impact attributed to Workforce Planning Strategy in 2011 and how it was determined.

c) How many of the apprentices retained through 2005-2010 have reached journey man status by 2010 and/or 2011? How is the fact that those reaching "journey men" status can fill an existing position taken into account in the cost driver table?

d) What inflation rate was assumed for 2010 and 2011 for purposes of the Application and the Cost Driver Table?

e) If the TOU roll out is a one-time 2010 expense, why isn't the impact for 2011 a $1.2 M reduction?

f) Are there no meter reading savings accruing in 2011 from the introduction of smart meters?

g) If the 2009 Vegetation Management program was not completed in that year why is there not a cost reduction showing for 2009?

h) If the 2010 Vegetation Management expense increase is due to completing the 2009 work requirements, why isn't there an offsetting reduction on 2011?

QUESTION #46

Reference: Exhibit D1, Tab 1, Schedule 2, page 10

a) Are all of the costs for the 2011 Rate Application included in the 2010 cost column?

b) What is the basis for the forecast 2011 Regulatory costs (e.g., Is Hydro Ottawa assuming another cost of service based application for 2012 Rates?)?

QUESTION #47

Reference: Exhibit D1, Tab 4, Schedule 2

a) What is the basis for determining the "cost consequence" associated with a failure (per pages 3-4)?

b) Please provide the actual vegetation management expenditures for 2006 and 2007 (per page 6).

c) Please reconcile the year over year change in vegetation management expenditures (per page 6) with the $800 k increase in vegetation management expenditures reported for 2010 in the Cost Driver Table (Exhibit D1, Tab 1, Schedule 2, Table 2).

QUESTION #48

Reference: Exhibit D1, Tab 4, Schedule 4

a) The GAP analysis appears to focus on where Hydro Ottawa's current performance is relative to "leaders in the industry". Did Hydro Ottawa undertake any analysis to determine if any "gaps" existed from its own customers' perspective? If yes, what were the results?

b) Can Hydro Ottawa demonstrate that customers currently desire and are willing to pay for an improved level of customer service?

c) Are the investments in improved customer service required in order to meet the OEB's Service Quality Measure targets?

QUESTION #49

Reference: Exhibit D1, Tab 5, Schedule 1

a) Please outline the role of each of the new positions listed and reconcile with the listing of new positions at Exhibit D4, Tab 1, Schedule 1, pages 2-3.

QUESTION #50

Reference: Exhibit D3, Tab 1, Schedule 3, page 3

a) Please provide a schedule that contrasts Hydro Ottawa's 2009 budget by USOA with its 2009 actual spending. Please provide a variance analysis for each major OM&A category (i.e., Operations, Maintenance, Billing & Collecting, etc.).

b) This Schedule states that a significant portion of the incremental maintenance expense associated with the Beacon Hill Substation fires was recovered through insurance expense. However, Exhibit D2, Tab 1, Schedule 1, page 3 states that the extent of insurance coverage is still being discussed with the insurer. Please reconcile. Please also indicate the dollar value of the incremental maintenance expenses covered by insurance.

c) What 2009 Maintenance activities, if any, were postponed as a result of the incremental work created by the Beacon Hill Substation fire? What were the associated "savings"?

QUESTION #51

Reference: Exhibit D3, Tab 1, Schedule 3, page 4

a) Please reconcile the explanation provided here for the higher vegetation management costs in 2010 (versus 2009) with that provided in Exhibit D1, Tab 1, Schedule 2, page 7.

QUESTION #52

Reference: Exhibit D4, Tab 1, Schedule 1, Attachment Y

a) Given that capital expenditures increase by over 17% between 2009 and 2011 (Exhibit B4, Tab 5, Schedule 1, Table 1), why does the capitalized Compensation only increase by less than 3%.

QUESTION #53

Reference: Exhibit D6, Tab 1, Schedule 1

a) Please confirm that Hydro Ottawa uses the ½ year rule for determining deprecation on assets the year they are placed in-service.

b) Please also confirm that Hydro Ottawa uses the ½ year rule for determining the rate base impact of such assets.

QUESTION #54

Reference: Exhibit E1, Tab 1, Schedule 1

a) Has Hydro Ottawa investigated as to whether the required new debt can be obtained from other sources on better terms than those offered by the Holding Company? If not, why not? If yes, what are were the terms and why is Hydro Ottawa obtaining the new debt from the Holding Company?

b) Do the interest rates paid to the Holding Company reflect the actual cost of borrowing by the Holding Company? If not, what is the difference and what is the basis for this difference?

QUESTION #55

Reference: Exhibit F1, Tab 1, Schedule 1

a) With respect to page 1, please confirm that the revenue deficiency/sufficiency was calculated using the forecasted 2011 revenue based on the 2010 Smart Meter rate adder (as opposed to the 2010 revenue as suggested).

b) With respect to Table 1, please confirm that the reported Distribution Expenses of $64,766 k exclude amortization (as opposed to include as suggested).

c) Please provide a table that shows the derivation of the revenues based on 2011 loads and 2010 rates by customer class. In doing so, please set out the rates and loads used by class.

d) Exhibit C1, Tab 1, Schedule 1, page 15 states that the 2011 forecast TOC was added to the Base Revenue Requirement before the Revenue Deficiency/Sufficiency was calculated. Please indicate where/how this adjustment is included in Table 1.

QUESTION #56

Reference: Exhibit G1, Tab 1, Schedule 1 and Attachment AD

a) Attachment AD (page 5) states that Hydro Ottawa's 2011 Model has been corrected for the Transformer Ownership Allowance (TOA). Please confirm that while the Board's 2009 Filing Guidelines direct that the cost of the TOA be excluded from the cost allocation and the revenues by customer class reduced, Hydro Ottawa's model includes the TOC as a cost (albeit allocated to specific customer classes) and has not adjusted the revenues by class.

b) Attachment AD (page 11) shows the Revenue to Cost ratios for 2011 scaled to 100%. Was the "scaling" performed by i) increasing the total revenues attributed to each class or ii) increasing the distribution revenue attributed to each class by the same percentage?

c) With respect to Schedule 1, page 4, please provide the annual customer count for the Sentinel Light class for 2008 through 2011.

QUESTION #57

Reference: Exhibit G1, Tab 1, Attachment AD and AE

a) Please reconcile the customer count, kWh and kW by class reported in Attachment AE, Sheet I6 with those from the Load Forecast as set out in Exhibit C1, Tab 1, Schedule 1, pages 10, 12 & 14. Contrary to the statement in Attachment AD (page 6) the customer, demand and energy values by class used in the Cost Allocation do not appear to match those from the Load Forecast.

b) Please reconcile the 2011 revenue at current rates used in Attachment AE, Sheet O1 with that set out in Exhibit F1, Tab 1, Schedule 1, Table 1.

QUESTION #58

Reference: Exhibit G1, Tab 1, Schedule 1 and Attachment AF

a) Please explain how the "Test Year Revenue Assuming Current Revenue to Cost Ratio" values were determined. In doing so, please clarify the basis for the first column in the Table – "Current Revenue (2009) $".

QUESTION #59

Reference: Exhibit H1, Tab 2, Schedule 1, page 2
Attachment AH, Sheet 10-4

a) Why isn't the cost of the Transformer Ownership Allowance allocated directly to relevant customer classes (as it was for purposes of cost allocation) as opposed to being pro-rated as part of the overall deficiency?

b) Please confirm that, despite the comments at Exhibit G1, Tab 1, Schedule 1, page 4, Hydro Ottawa is proposing to increase the monthly service charges for the GS 50-1,499; GS 1,500 to 4,999 and Large Use classes, even though their 2010 service charge already exceeds the OEB's upper boundary. If yes, please explain why.

QUESTION #60

Reference: Exhibit H1, Tab 3, Schedule 2, page 2

a) What is the basis for the $303,000 and $315,000 in LV costs projected for 2010 and 2011 respectively?

b) Please provide a schedule that sets out LV charges based on Hydro One Networks' 2010 approved rates and the 2009 actual billing determinants for the "Remainder of Delivery Points".

QUESTION #61

Reference: Exhibit H1, Tab 4, Schedule 1, page 2
Exhibit H1, Tab 4, Schedule 3, page 6

a) Please explain why it is reasonable to base the 2011 Loss Factor on a 5-year historical average when Hydro Ottawa is working to reduce losses and has concluded (see second reference) that losses are trending downwards?

QUESTION #62

Reference: Exhibit I2, Tab 1, Schedule 1
Exhibit G, Attachment AE, Sheet I-7.1

a) Please reconcile the unit smart costs used in the Cost Allocation with those reported in Exhibit I2, Table 3. In particular where are the smart meters for the AMCD customers captured in the Cost Allocation?

b) Has the cost of the additional functionality of remote disconnection been included at all in the 2011 revenue requirement or recorded in the deferral and variance accounts (First Reference, page 9)?

QUESTION #63

Reference: i) OEB Guideline G-2008-0002:
ii) OEB Filing Requirements for Smart Meter Investment Plans, October 26, 2006
iii) Exhibit I1, Tab 1, Schedule 2, Page 3, Table 2

a) Confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006

b) Confirm that paragraph 7 of the Filing Requirements specifies that

7. Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:

- the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;
- the capital expenditures and amortization by class and by year;
- the operating expenses by class and by year;
- the effect of the SMIP on the level of the allowance for PILs.

c) Has Hydro Ottawa Limited kept records by class as required and are accounts 1555 and 1556 segregated by rate class? Please elaborate.

QUESTION #64

References: i) Exhibit I2, Tab 1, Schedule 1, Page 1/2, Tables 1-4
ii) Exhibit I2, Tab 1, Schedule 1, Page 3, Line 11, Capital Additions 2010
iii) Exhibit I1, Tab 1, Schedule 2, Page 3 Table 2

a) Provide a breakdown of Residential and Commercial meter installations in 2006- 2009 (actual) and forecast 2010.

b) Provide by year Support/details of the 2006-2009 and forecast 2010 *Residential Class* SM Unit costs (procurement and installation separately).

c) Provide by year support/details of the 2006-2009 actual and forecast 2010 *Residential Class* SM AMI, communications and back office costs (procurement and installation).

d) Provide by year support/details of the 2006-2009 and forecast 2010 *Commercial Class* (GS<50kw) SM Unit costs (procurement and installation separately).

e) Provide by year support/details of the 2006-2009 actual and forecast 2010 *Commercial Class* (GS<50kw) SM AMI, communications and back office costs (procurement and installation).

f) Provide a schedule that gives a breakdown of the 2006 - 2009 and forecast 2010 Capital Costs between the Residential and GS<50kw classes. Reconcile to Tables 2&3.

g) Provide a breakdown of the O&M costs for meters installed in 2006 - 2009 and forecast 2010, between the Residential, GS<50kw classes. Reconcile to Table 4.

h) Were/are any SM installed in other classes? If so provide details of costs, if any, to be recovered for these classes.

i) Provide the details of the actual and forecast balances and the amounts remaining to be disposed of (later) in Accounts 1555 and 1556 **by class.** Include the carrying cost calculation(s). Reconcile with Exhibit I1 Tab 1 Schedule 2 Page 3 Table 2

QUESTION #65

References: i) Exhibit I2, Tab 1, Schedule 1, Page 2, Table 2
ii) Exhibit I2 Tab 1, Schedule 1 Page 3 Line 11. Capital Additions 2010
iii) Exhibit I2, Tab 1, Schedule 1, Page 10, Table 5

a) Provide a Copy of OEB Worksheets that calculate the net fixed assets, revenue requirement for 2009 (and forecast 2010) by rate class (Residential, GS<50kw) Reconcile with Table 4 and Table 7

b) Provide a Copy of OEB Worksheets that calculate the actual and forecast (end of 2010) revenue requirement by rate class (Residential, GS<50kw). Compare with the additions to rate base in Tables 2 and 2010 Capital additions shown on Page 3, line 11.

c) Compare this (answer to part b) to the revenue requirement included in 2011 rates for the Residential and GS<50 kW rate classes.

d) Reconcile the answer to the above questions to Table 5. Include a version of Table 5 by rate class. Add the 2010 forecast (not included in as filed Table 5)

QUESTION #66

Reference: Exhibit I2, Tab 1, Schedule 1, Page 10, Table 5

a) How has Hydro Ottawa Limited allocated the revenue requirement for 2011 ($1.891 (net) up to end 2009 between the Residential and the GS< 50 kW customer classes? Provide details such as:

- Return allocated based on the capital costs of the meters installed for each class;
- OM&A allocated based on the number of meters installed for each class;
- PILs allocated based on the revenue requirement allocated to each class before PILs.
- Stranded meter costs
- Carrying costs

b) Provide a calculation of the allocated revenue requirement per customer for residential and GS<50 kw classes. Reconcile this with the answer to VECC Question 3 part c)

QUESTION #67

Reference: Exhibit I2, Tab 1, Schedule 1, Page 11, Table 6

a) Provide a version of Table 6 that shows the projected amounts for the years 2011-2013. Comment on the net (closing) balances.

b) Is the proposed amortization to the end of 2013 consistent with the Board-Approved 6 year amortization period? Please explain.

c) What is the contributed capital amount shown in 2008? Please explain.

d) What salvage values were/are included in the proceeds column (or elsewhere in Table 6)? Please explain

QUESTION #68

Reference: Exhibit I2, Tab, Schedule 1, Page 10, Table 5 and Page13,Table 7

a) Based on the responses to questions regarding calculation of 2011 costs, revenue requirement <u>by rate class</u>, provide a version of Table 5 that shows the changes resulting from these responses, and

b) Compare these amounts to the original Tables 5 and 7 as filed.

c) Update as necessary, the SM -related Bill Impacts.