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August 20, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0133
Hydro Ottawa Limited – 2011 Cost of Service Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1, issued by the Board on July 29, 2010, please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) in respect of Hydro Ottawa in the EB-2010-0133 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Jane Scott, Hydro Ottawa Limited (By email)
Fred Cass, Aird & Berlis LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro
Ottawa Limited for an order approving just and reasonable
rates and other charges for electricity distribution to be
effective January 1, 2011.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

August 20, 2010

**HYDRO OTTAWA LIMITED
2011 RATES REBASING CASE
EB-2010-0133**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit A1, Tab 2, Schedule 1

- a) **What was the total expense incurred as of April 20, 2010 related to the preparation of the 2011 cost of service application?**
- b) **What is the current forecasted cost for the entire 2011 cost of service application?**
- c) **Please confirm that the "off ramp" conditions have not been met.**
- d) **Please confirm that THESL was never under 3GIRM, whereas Hydro Ottawa was under the 3GIRM methodology for rates in 2009 and 2010.**
- e) **What is the Board approved return on equity approved for Hydro Ottawa's 2008 rates?**

Interrogatory # 2

**Ref: Exhibit A1, Tab 2, Schedule 1 and
Exhibit A2, Tab 1, Schedule 2**

- a) **Please provide Table 1 and a copy of the revenue requirement work form attached to Exhibit A2, Tab 1, Schedule 2 for each of 2008 and 2009 based on normalized actual revenues and for the 2010 bridge year based on the most recent year-to-date actuals available.**
- b) **Please complete the following table based on normalized income being equivalent to the Utility Net Income shown on the Revenue Sufficiency/Deficiency page of the Revenue Requirement Work Form at line13 and based on normalized revenues.**

	2008 Normalized Actual	2009 Normalized Actual	2010 Bridge Forecast
Total Rate Base \$000			
Deemed Equity %			
Deemed Equity \$000			
Normalized Income			
Normalized Income Equity %			

- c) Please re-calculate the Revenue Requirement Work Form shown in Exhibit A2, Tab 1, Schedule 2, but using the cost of capital parameters approved by the Board and included in the 2008 revenue requirement calculation. Please identify what these cost of capital parameters (return on equity, deemed long term debt rate, deemed short term debt rate) were.

Interrogatory # 3

Ref: Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated July 14, 2008 & Board Letter to All Licensed Electricity Distributors re Early Rebasing Applications dated April 20, 2010

In the April 20, 2010 letter the Board stated:

"The conditions under which the "off-ramp" applies reflect the Board's view of the circumstances that justify a departure from the plan schedule that would otherwise be applicable."

In the Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated July 14, 2008 (at page 7) the Board stated that:

"The rates of the distributor are not expected to be subject to rebasing before the end of the plan term other than through an eligible off-ramp."

- a) Please confirm that Hydro Ottawa is not filing a cost of service application based on triggering the off-ramp.
- b) Has Hydro Ottawa made a report to the Board no later than 60 days after the company's receipt of its annual audited financial statements as stated on page 38 of the July 14, 2008 Report of the Board? If not, why not?

- c) Has Hydro Ottawa proposed any review processes (as identified on page 39 of the July 14, 2008 Report of the Board), other than the current cost of service proceeding, to justify the early termination of the 3GIRM? If yes, please provide details. If no, please explain why not, or whether Hydro Ottawa considers the current cost of service application as the appropriate review process.

Interrogatory # 4

Ref: Exhibit A1, Tab 2, Schedule 3, page 5

Under the current 3GIRM adjustment, the inflation factor is based on the GDP IPI FDD from the previous year. For example, rate changes for May 1, 2012 are based on the inflation factor for the four quarters of 2011 with the final quarter of 2011 being available in late February or early March.

Please explain what quarters would be used to calculate the inflation factor used to adjust rates for Hydro Ottawa for January 1, 2012 assuming that the company does not file a cost of service application for 2012 rates.

Interrogatory # 5

Ref: Exhibit A1, Tab 7, Schedule 3, Attachment C

- a) **For Schedules 1, 3, 4 and 5 of Attachment C where the pricing indicates that it is based on historical usage patterns and actual costs, please provide the 2007, 2008 and 2009 historical data referred to.**
- b) **Based on the data provided in response to (a) above, please show how each of the 2010 bridge year figures has been forecasted in Attachment C.**
- c) **Please show all the calculations and assumptions used to estimate the 2011 test year figures for various services shown in Attachment C.**

Interrogatory # 6

Ref: Exhibit A1, Tab 7, Schedule 3, Attachment D

- a) **For Schedules 6, 7, 8, 9 and 10 of Attachment D where the pricing indicates that it is based on historical usage patterns and actual costs, please provide the 2007, 2008 and 2009 historical data referred to.**

- b) Based on the data provided in response to (a) above, please show how each of the 2010 bridge year figures has been forecasted in Attachment D.
- c) Please show all the calculations and assumptions used to estimate the 2011 test year figures for various services shown in Attachment D.

Interrogatory # 7

Ref: Exhibit A1, Tab 7, Schedule 3, Attachment E

- a) For Schedules 13, 14, 15 and 16 of Attachment E where the pricing indicates that it is based on historical usage patterns and actual costs, please provide the 2007, 2008 and 2009 historical data referred to.
- b) Based on the data provided in response to (a) above, please show how each of the 2010 bridge year figures has been forecasted in Attachment E.
- c) Please show all the calculations and assumptions used to estimate the 2011 test year figures for various services shown in Attachment E.

Interrogatory # 8

Ref: Exhibit A2, Tab 1, Schedule 1, page 9

What is the status of the class action settlement agreement noted on page 9?

Interrogatory # 9

Ref: Exhibit B1, Tab 2, Schedule 5

- a) Is the \$4.0 million shown in Table 10 the 2011 portion of the \$72.5 million shown in Table 8 for the 2011 through 2014 period?
- b) Please explain why the land should be included in rate base if the buildings on the land is construction work in progress.
- c) Is the land used and useful in 2011? If yes, please explain.
- d) When does Hydro Ottawa propose to remove the net book value associated with the disposal of the Albion, Merivale, Bank and 90 Maple Grove properties from rate base?

- e) How does Hydro Ottawa propose that the loss or gain on the sales of these properties shown in Table 6 be dealt with?
- f) What is the expected impact on OM&A, including property taxes, on an annual basis once the facilities in Option 4 are in service and the properties noted above in part (d) are disposed of?
- g) For each of the properties shown in Table 6, please provide the following:
 - i) the range of the market values as provided by Altus Group Limited;
 - ii) a breakdown of the range of the market values between land and buildings;
 - iii) a breakdown of the NBV between land and buildings;
 - iv) a breakdown of the gross asset value and the accumulated depreciation for the buildings.
- h) Please explain why Hydro Ottawa expects a loss on two of the properties listed in Table 6.
- i) What is the projected NBV for each of the properties listed in Table 6 when they are forecast to be removed from service and from rate base?

Interrogatory # 10

Ref: Exhibit B1, Tab 2, Schedule 6

- a) Please provide a detailed breakdown of the 2010 and 2011 capital expenditures into each of the categories shown in Figure 1.
- b) For each category in Figure 1 that contains capital expenditures in 2010 or 2011, please identify the cost of each vehicle/equipment that is forecast to be purchased and indicate whether it is for replacement or an addition to the fleet. For all replacements, please indicate the equipment being replaced and the age of the equipment to be replaced.
- c) Are all of the vehicles being replaced fully depreciated? If not, why is there no net reduction in rate base shown in Tables 5 or 6 of Exhibit B2, Tab 1, Schedule 1.
- d) How are the proceeds/scrap value of the replaced vehicles treated? Where in the evidence is this treatment shown?

Interrogatory # 11

Ref: Exhibit B2, Tab 1, Schedule 1

- a) When were the solar panels included in rate base? In particular, were the solar panels included in rate base as part of the Board approved revenue requirement for 2008?**
- b) Was 90 Maple Grove included in rate base as part of the Board approved revenue requirement for 2008?**
- c) Is the 2009 YE adjustment of (21) for land and buildings shown in Table 5 related solely to 90 Maple Grove? Please reconcile this figure with the net book value of \$1.8 million shown in Table 5 of Exhibit B1, Tab 2, Schedule 5.**
- d) What is the net book value of the solar panels that are being removed from rate base?**

Interrogatory # 12

Ref: Exhibit B2, Tab 1, Schedule 1, Tables 1-6

- a) Please explain the significant drop in the forecast 2010 and 2011 contributions and grants of approximately \$16.5 million compared to the average contributions and grants of nearly \$22 million per year in 2006 through 2009.**
- b) Please provide a table that shows for 2006 through 2011 the contributions and grants included in CIP at year end (column D), the amount included in capital expenditures (column C) and a ratio of the CIP figure to the capital expenditure figure (D/C).**
- c) Please explain the high level of contribution and grants in CIP in 2008. Were there one or two large projects that contributed to this high level?**
- d) Please explain why there is no column E in Tables 5 or 6 to reflect disposals in those years when net disposals have been recorded in 3 of the previous 4 years.**
- e) Please provide a table that shows for 2006 through 2011 the gross assets included in CIP at year end (column D), the amount included in capital expenditures (column C) and a ratio of the CIP figure to the gross asset figure (D/C).**

- f) Please explain the significant drop in the ratio calculated in (e) above in 2010 relative to the historical levels in the three previous years.
- g) Based on the most recent year-to-date activity available for 2010 and the most current projection for the remainder of 2010, please provide an updated Table 5.

Interrogatory # 13

Ref: Exhibit B2, Tab 1, Schedule 1, Attachment S, page 6 & Exhibit B2, Tab 2, Schedule 1, Table 6

Please provide a mapping of the detailed additions to accumulated depreciation shown in the first reference to the summary values for the amortization expense shown in the second reference.

Interrogatory # 14

Ref: Exhibit B3, Tab 2, Schedule 1

- a) Please explain why the service lag shown in Tables 3 and 4 is based on the number of customers by rate class rather than by sales revenues, as used in Tables 5 and 6 for the billing lag.
- b) Please recalculate Tables 3 and 4 using the sales revenues in Tables 5 and 6, respectively, to calculate the service lags for 2008 and 2009. What impact does this change have on the 14.1% shown for 2010 and 2011 in Exhibit B3, Tab 1, Schedule 1, Table 1?
- c) Please explain why Hydro Ottawa could not produce customer bills (RPP and/or non-RPP) before the spot market price is available? In particular, what on the customer bill could be changed as a result of waiting the additional 10 business days from the end of the month?
- d) When does Hydro Ottawa typically read meters? Are the meter reads spread evenly over a calendar month or are they concentrated in a certain period within each month?
- e) Please explain how the service lag and the billing lag will be impacted by the use of smart meters. When is this impact expected to occur?
- f) Has Hydro Ottawa implemented any measures since 2007 to reduce the collections lag? If not, why not?

- g) Does Hydro Ottawa plan to implement any measures in 2010 and/or 2011 to reduce the collection lag? If not, why not?**
- h) What is the impact on the 14.1% shown in Exhibit B3, Tab 1, Schedule 1, Table 1 of a 1 day decrease in the revenue lag?**
- i) Please explain why the service lags shown in Table 10 is larger than that shown in Tables 3 and 4.**
- j) Please explain the relatively long collections lag shown in Table 10.**
- k) Please provide a breakdown of the components of the expense lead for the IESO payments shown in Table 11 into its components (for example, from when service is received to when the invoice is received to when payment is made).**
- l) Please provide the expense lead for the generators shown in Table 11 separately for the affiliate and the non-affiliate expenses.**
- m) With respect to Table 13, please indicate which costs noted at the top of page 11 are included in payroll and withholdings and which costs are included under benefits.**
- n) Please show the derivation of the service lead of 6.28 days for payroll and withholdings shown in Table 13 based on the various components identified in part (m) above and the service lead for each of the individual cost components.**
- o) Please show the derivation of the service lead of 14.04 days for benefits shown in Table 13 based on the various components identified in part (m) above and the service lead for each of the individual cost components.**
- p) Please show the derivation of the payment lead of 10.66 days for payroll and withholdings shown in Table 13 based on the various components identified in part (m) above and the payment lead for each of the individual cost components.**
- q) Please show the derivation of the payment lead of (30.42) days for benefits shown in Table 13 based on the various components identified in part (m) above and the payment lead for each of the individual cost components.**
- r) Please provide the details and the calculation of the 2009 expense lead for each of the OEB cost assessments, IT maintenance contracts and insurance referred to on page 12.**

- s) Please provide the details (such as payment dates) that result in the 2009 expense lead of 61.78 days for property taxes.
- t) Please provide the details and data used to arrive at an expense lead of 13.09 days for the 2009 payment in lieu of taxes. In particular, when are the monthly payments to the OEFC due?
- u) Please show the derivation of the (49.67) days lead shown in Table 16 for revenues from other sources. Please explain why despite the fact that revenues from residential and business customers and revenues from other sources have similar revenue lags (75.05 and 69.36 days as shown in Table 1 for 2009) there is a significant difference in the GST revenue lags (16.53 and (20.34) days as shown in Table 16 for 2009).

Interrogatory # 15

**Ref: Exhibit B4, Tab 3, Schedule 1 &
Exhibit B2, Tab 1, Schedule 1, Attachment S**

- a) Please provide an estimate of the reduction in provincial sales tax payable on capital expenditures after July 1, 2010.
- b) Please explain how the reduction in capital expenditures in 2010 due to the elimination of the provincial sales tax on July 1, 2010 will be reflected in the rate base calculation for the 2011 test year under the deferral account approach.
- c) Please provide an updated Table 1 that reflects the most recent year-to-date actual capital expenditures for 2010 along with the most recent forecast for the remainder of the year. Please explain any significant differences including whether the difference is related to delaying the expenditures to 2011 or advancing projects from 2011.
- d) Please provide an update to the 2010 fixed asset continuity schedule for 2010 in Attachment S to Exhibit B2, Tab 1, Schedule 1.
- e) Please expand Table 7 to show actual capital contributions for each of the categories for 2007, 2008 and 2009. Please also provide the historic percentages of contributions in each budget program.
- f) Please provide the total number of units for each type shown in Table 2.
- g) Please explain why any of the capital costs related to the adaptive streetlighting are being paid for by Hydro Ottawa, rather than the City of Ottawa which owns the streetlights.

Interrogatory # 16

Ref: Exhibit B4, Tab 5, Schedule 2, Table 2

Will all of the radial boom derricks be put into service in the year in which they are purchased?

Interrogatory # 17

Ref: Exhibit B5, Tab 1, Schedule 1

Please provide the rate used for AFUDC purposes in each quarter of 2010 and 2011.

Interrogatory # 18

Ref: Exhibit C1, Tab 1, Schedule 1

- a) **Please confirm that the last column in Table 1 should be labelled "Variance Weather Normal to Forecast".**
- b) **Please confirm the accuracy of the 0.27% shown in the last column of Table 1 for 2009. Should this figure actually be -0.60%?**
- c) **Please provide the estimated equation used to forecast system energy, including the estimated coefficients, associated t-statistics and overall regression statistics.**
- d) **Please indicate when the forecasts shown in Table 17 were made.**
- e) **Please update Table 17 to reflect the most recent forecasts available for the explanatory variables shown. Please provide the system energy forecast for 2010 and 2011 that would result from the updated forecasts for the explanatory variables.**
- f) **Please provide the estimated equation used to forecast system peak, including the estimated coefficients, associated t-statistics and overall regression statistics.**
- g) **How has Hydro Ottawa forecast peak-producing weather? Please provide the data used to produce the peak-producing weather forecasts.**

- h) Please provide all the sales forecast models used for each of the rate classes, as described on pages 8 and 9. Please include the estimated coefficients, associated t-statistics and overall regression statistics. Please also provide the forecast for each of the explanatory variables used in each equation.**
- i) Please provide all the demand forecast models used for each of the rate classes, as described on page 9. Please include the estimated coefficients, associated t-statistics and overall regression statistics. Please also provide the forecast for each of the explanatory variables used in each equation.**
- j) Please explain why the billing demand forecasts were not calibrated to a control total.**
- k) Please provide all the customer forecast models used for each customer class, as described on page 11. Please include the estimated coefficients, associated t-statistics and overall regression statistics. Please also provide the forecast for each of the explanatory variables used in each equation.**
- l) Please explain why there is no adjustment to the number of residential customers in 2011 related to the suite metering pilot project. Will the pilot project be continued in 2011?**
- m) Has Hydro Ottawa adjusted the customer or energy forecast for any other rate classes to reflect the movement of customers from bulk metering to suite metering? If yes, please explain what adjustments were made.**
- n) Please provide all the demand forecast models used for each customer class, as described on page 13. Please include the estimated coefficients, associated t-statistics and overall regression statistics. Please also provide the forecast for each of the explanatory variables used in each equation.**
- o) Please explain the difference in the demand forecasts discussed on pages 13 and 14 with the billing demand forecasts discussed on page 9. Please provide a table that compares, for each rate class, for each year shown in Tables 13 and 14, the class demand forecast, the billing demand forecast and the difference between the two.**
- p) Please explain the increase in the MW forecast associated with the transformer ownership credit in 2010 and 2011 as compared to 2008 and 2009 shown in Table 16.**

Interrogatory # 19

Ref: Exhibit C2, Tab 1, Schedule 1

- a) Please provide a table in the same level of detail as shown in Table 1 that shows that most recent year-to-date figures available for 2010, along with the corresponding year-to-date figures for 2009.
- b) Please explain the significant increase in 2009 for revenues from access to power poles shown in Table 2 and please indicate why the revenues are forecast to be flat in 2010 and 2011 as compared to 2009.
- c) Please provide the latest year-to-date figure available for 2010 for revenues from access to power poles and the corresponding figure for the same period in 2009.
- d) Please confirm that the specific service charges for 2011 are identical to those forecast for 2010, with the exception of an additional \$25,000 forecast for 2011 for account set up charges.
- e) With respect to accounts 4235 and 4330 shown in Attachment V, please explain:
 - i) the reduction of almost \$40,000 in 2010 and 2011 relative to that recorded in 2009 related to the service level agreements with Hydro Ottawa Holding;
 - ii) the significant reduction associated with work for others net revenue from 2008 to 2009 and the continued reduction forecast for 2010 and 2011; and,
 - iii) please explain the net cost of \$47,523 forecast for 2011 for work for others net revenue. In particular, why would Hydro Ottawa undertake work at a loss?
- f) With respect to the non-utility revenue discussed on page 9, please confirm that the small number of houses owned by Hydro Ottawa on which is receives rent from tenants are not included in rate base and that there is no OM&A costs associated with these properties included in the revenue requirement for the test year. If this cannot be confirmed, please provide details of the rent received, the amount included in the 2011 rate base and/or the related amount of OM&A costs included in the revenue requirement.
- g) Please confirm that no OM&A costs are included in the revenue requirement associated with the property at 90 Maple Grove. If this cannot be confirmed, please provide details of the rent received and the amount of OM&A costs included in the revenue requirement.

- h) Please provide the average balances and the interest rate used to calculate the interest and dividend income for 2010 and 2011 in Attachment V. How is the interest rate forecast determined?**
- i) Please explain why there is no growth in the pole attachment revenues shown in Table 1 between 2010 and 2011. In particular, how many additional poles are forecast to be added in 2011 and why is no revenue generated from these incremental poles?**

Interrogatory # 20

Ref: Exhibit D1, Tab 1, Schedule 1, page 4

The evidence indicates that Hydro Ottawa expects to have 52 apprentices at the end of 2010 with an additional 18 scheduled for 2011, bringing the total apprentice count to 61.

- a) Please confirm that the apprentice count of 61 in 2011 includes the graduation of 9 apprentices in 2011 (i.e. $61 = 52 + 18 - 9$). If this cannot be confirmed, please indicate how the apprentice count of 61 was derived.**
- b) Please indicate how many of the apprentice positions in 2011 qualify for the Apprenticeship Training Tax Credit.**
- c) Please indicate how many of the apprentice positions in 2011 qualify for the federal Apprenticeship Job Creation tax credit.**

Interrogatory # 21

Ref: Exhibit D1, Tab 1, Schedule 2

- a) Please provide a table, in the same level of detail of Table 1, that shows the most recent year-to-date figures for 2010 and the corresponding figures for the same number of months in 2009.**
- b) Please confirm that the annual compound growth rate in total OM&A expenses between actual 2008 and forecast 2011 is approximately 6.7%.**
- c) Please confirm that the annual compound growth rate in total OM&A expenses between the last year of actual costs (2009) and the 2011 forecast is approximately 9.7%.**

Interrogatory # 22

Ref: Exhibit D1, Tab 1, Schedule 2, Table 3

- a) **What was the actual OEB Annual Assessment for 2010?**
- b) **What is the actual other regulatory agency fees or assessments for 2010?**
- c) **Does the 2011 forecast of regulatory expenses include a forecast for the current cost of service application? If not, why not?**
- d) **Please provide a detailed forecast associated with the current cost of service application broken down into its major components including legal costs, consultant costs, advertising, intervenor costs, etc.**
- e) **Does Hydro Ottawa propose to amortize the cost associated with the current cost of service application over more than 1 year? If yes, over what period? If no, why is all the cost included in the revenue requirement for the test year? Does Hydro Ottawa expect to file another cost of service application for 2012 rates?**

Interrogatory # 23

**Ref: Exhibit D1, Tab 1, Schedule 2, pages 11 & 12 and
Exhibit D1, Tab 1, Schedule 1, page 8**

- a) **Has Hydro Ottawa included LEAP funding in its revenue requirement to reflect 0.12% of the distribution revenue requirement? If not, why not? If yes, please indicate where this expense is shown.**
- b) **What is the amount associated with 0.12% of the distribution revenue requirement for 2011?**
- c) **Does Hydro Ottawa agree that charitable donations of \$51,510 forecast for 2011 would form a portion of the LEAP funding? If not, why not?**

Interrogatory # 24

**Ref: Exhibit D1, Tab 2, Schedule 1, Table 4 and
Exhibit C1, Tab 1, Schedule 1, page 11**

Please reconcile the increase of 500 residential customers in 2010 related to suite meters to the figure of 750 in the Master Service Agreement with Energy Ottawa.

Interrogatory # 25

Ref: Exhibit D1, Tab 1, Schedule 2

- a) Please provide the actual and forecasted inflation rates used to generate the figures for Inflation and Other in Table 2.
- b) Why was there no productivity target for 2008 or 2009?
- c) Why is there no productivity target forecast for the 2010 bridge year?
- d) How was the productivity target of \$1.0 million for the 2011 test year estimated?
- e) Please break down the 2008 through 2011 increases related to the collective agreement/annual progressions into unionized and non-unionized staff figures.
- f) For each of 2008 through 2011, what portion of the increases shown for the collective agreement/annual progressions was related to annual progressions?

Interrogatory # 26

Ref: Exhibit D1, Tab 2, Schedule 1, page 3

The evidence indicates that in 2010 the positions of Chief Information Officer, Supervisor of Treasury Services, Manager of Human Resources and Executive Assistant were added.

- a) Please confirm that these positions were added at Hydro Ottawa Holding Inc.
- b) What is the 2011 forecast cost associated with these positions in aggregate, including benefits?
- c) What portion of the 2011 forecast cost associated with these positions is allocated to Hydro Ottawa?
- d) Are these positions providing new services to Hydro Ottawa, or are they replacing services that were provided internally at Hydro Ottawa?

- e) If the response to part (d) is that these are new services, please explain why Hydro Ottawa requires these services when it did not have them previously.
- f) If the response to part (d) is that they are replacing services that previously provided internally at Hydro Ottawa, please quantify the reduced internal costs for Hydro Ottawa and indicate where in the evidence this cost reduction has been reflected.

Interrogatory # 27

Ref: Exhibit D1, Tab 2, Schedule 1, page 4

- a) Please provide the economic increases in compensation (percentages) for the Holding Company for 2008, 2009 and forecast for 2010 and 2011.
- b) Please provide the inflationary increases (percentages) forecast for expenses for the Holding Company.
- c) What is the impact on the Holding Company costs allocated to Ottawa Hydro for every one percentage point change in economic increases in compensation and for every one percentage point change in the inflation forecast for expenses?

Interrogatory # 28

Ref: Exhibit D1, Tab 2, Schedule 1, Tables 3, 4 and 5

- a) Please explain how the IFRS related costs have been allocated to Hydro Ottawa, including the percentage of the total cost allocated to Hydro Ottawa, Energy Ottawa and the Holding Company.
- b) Are all of the IFRS related costs shown Tables 3, 4 and 5 operating expenses or do these figures include any capital expenditures for such things as software?
- c) Are any IFRS related costs expected after 2011? If yes, please quantify.

Interrogatory # 29

Ref: Exhibit D1, Tab 4, Schedule 3, Table 1

Please provide the most recent year-to-date number of requests for locates in 2010 and the corresponding figure for the same period in 2009.

Interrogatory # 30

**Ref: Exhibit D3, Tab 1, Schedule 3 &
Exhibit D2, Tab 1, Schedule 1**

At page 5, the evidence refers to the additional capital and maintenance cost recovery for the Beacon Hill Substation fire resulting in lower than historical amounts and refers to Exhibit D2-1-1.

- a) Please clarify whether or not the figures in Table 1 in Exhibit D2, Tab 1, Schedule 1 are the gross expenditures or the net expenditures after recovery of costs from the insurer.**
- b) How much lower were the 2009 actual expenses in miscellaneous distribution expenses as a result of the cost recovery associated with the Beacon Hill Substation fire?**

Interrogatory # 31

**Ref: Exhibit D3, Tab 1, Schedule 3 &
Exhibit D1, Tab 1, Schedule 1**

At page 6, the evidence refers to the maintenance costs for 2010 returning to normal levels, an increase from 2009 of \$835k. This increase was said to be related to the Beacon Hill Substation fire on the maintenance allocations in 2009. However, as shown in Table 1 of Exhibit D1, Tab 1, Schedule 1, total maintenance costs in 2008 were very similar to the level of costs recorded in 2009.

Please reconcile the statement that the increase in 2010 of \$835K over the 2009 levels represents a return to normal levels of maintenance costs when the actual maintenance costs in 2008 were very similar to the level recorded in 2009.

Interrogatory # 32

Ref: Exhibit D3, Tab 1, Schedule 3

The evidence indicates that insurance costs were forecast to double in 2010 to \$764,000.

Please provide the actual insurance cost for 2010.

Interrogatory # 33

Ref: Exhibit D3, Tab 1, Schedule 4

- a) Please explain the 18% increase, or \$379,253 in miscellaneous distribution expense shown in Table 1 for 2011 as compared to 2010.
- b) Please show the split of the \$1.8 million attributed to annual compensation increases and step progression increases into each of those two components and for unionized versus non-unionized employees.
- c) What annual compensation increase has been assumed for unionized employees in 2010 and 2011?
- d) What annual compensation increase has been assumed for non-union employees in 2010 and 2011?

Interrogatory # 34

**Ref: Exhibit D1, Tab 1, Schedule 1, Table 1 &
Exhibit D3, Tab 1, Schedule 3, Table 1 &
Exhibit D3, Tab 1, Schedule 4, Table 1**

- a) Please explain what is driving the increase from 2009 to 2010 in account 5665 (miscellaneous general expenses). Please explain why the forecasted levels for 2010 and 2011 are significantly above the levels recorded in 2008 and 2009.
- b) Please explain what is driving the increase from 2009 to 2010 in account 5675 (maintenance of general plant). Please explain why the forecasted levels for 2010 and 2011 are significantly above the level recorded in 2009.
- c) Please explain the increase in account 6105 (taxes other than income taxes) in 2011 as compared to the decrease forecast for 2010. Please provide all assumptions related to assessed values and municipal tax rates.
- d) Does Hydro Ottawa know the actual amount to be recorded in account 6105 in 2010? If yes, please provide this figure.

Interrogatory # 35

Ref: Exhibit D4, Tab 1, Schedule 1

- a) Please explain the high level of Union Overtime forecast for 2010 and 2011 in Table 2 in relation to the levels recorded in 2008 and 2009. Please also explain the increase in light of the average annual overtime shown in Table 4.**
- b) The total increases to base are forecasted to be approximately \$1.5 million in both 2010 and 2011. Please identify the percentage increase to the base pay that result in these figures. If different figures have been provided for different employee groups (union, non-union, management), please identify the percentage increases by employee group.**
- c) Please explain why Hydro Ottawa has included incentive pay based on a factor of 1.0 rather than the midpoint of 0.75 of the range of 0 to 1.5. What is the impact on the revenue requirement of including incentive pay based on a factor of 0.75 rather than 1.0?**
- d) What is the impact of a one percentage point reduction in the increase to base pay for each of the executive, management, non-union and union employee categories in 2010 and 2011 (cumulative to the reduction in 2010). If this level of detail causes any confidentiality issues, please provide the response aggregating the four employee groups together.**

Interrogatory # 36

**Ref: Exhibit D6, Tab 1, Schedule 1 &
Exhibit B2, Tab 1, Schedule 1, Attachment S**

- a) Please explain how the additions to accumulated amortization for 2011 shown in Attachment S of Exhibit B2, Tab 1, Schedule 1 for account 1925 - computer software 10 yrs, is \$2,533 on gross assets of \$24,710 and assuming a 10 year amortization period.**
- b) Please explain why the amortization cost in account 1925 - computer software 10 yrs is higher in 2011 than the forecast for 2010 when the gross assets are unchanged.**
- c) Has Hydro Ottawa used the "half-year rule" for calculating depreciation/amortization in the year that capital additions are added to rate base? If not, why not?**

- d) Did Hydro Ottawa use the "half-year rule" for calculating depreciation/amortization in its 2008 test year application?
- e) Has Hydro Ottawa calculated depreciation/amortization for 2008, 2009 and 2010 using the same methodology as used to calculate the 2008 test year forecast? If not, please explain why not.
- f) Please provide a copy of Appendix 2-M of the June 25, 2010 filing requirements for each of 2008, 2009, 2010 and 2011. Please adjust the schedules accordingly if the "half-year rule" was not used in any of these years. Please provide a live Excel spreadsheet with the requested schedules.

Interrogatory # 37

Ref: Exhibit D7, Tab 1, Schedule 1

- a) Please show the derivation of the 2011 tax credit of \$348,000 using the number of qualified positions for the Federal Apprenticeship Job Creation Tax Credit and the average amount of the credit and the number of qualified positions for the Ontario Apprenticeship Training Credit and the average amount of the credit.
- b) Has Hydro Ottawa included any tax credits related to the cooperative education tax credit? If not, why not? How many positions qualify for this credit? If yes, please show the number of positions that qualify for the credit and the average amount of the credit, along with the total credit claimed in 2011.
- c) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable income was eliminated effective July 1, 2010.
- d) Has Hydro Ottawa included a tax reduction of \$36,250 related to the Ontario small business tax rate on the first \$500,000 in taxable income (calculated as \$500,000 times the difference between 11.75% and 4.50%)? If not, why not?
- e) How does the charitable donation of \$50,000 added onto taxable income shown in the work form relate to the \$51,510 of charitable donations shown in Table 1 of Exhibit D1, Tab 1, Schedule 1 for 2011?
- f) How has the \$70,000 addition to taxable income related to non-deductible meals and entertainment expenses been calculated? For example, is it one-half of the forecasted meals and entertainment expenses included in the revenue requirement?

- g) Please reconcile the historic 2009 CEC amount of \$1,024,477 with the 2008 closing balance of \$1,351,270 shown on Schedule 10 of the 2008 tax return.**
- h) Please provide a Schedule 8 CCA for the 2009 historic year that reflects the UCC from Schedule 8 of the 2008 tax return and ties into the figures shown for 2009 in the PILS or Income Taxes Work Form.**
- i) Please explain why there is no deduction for AFUDC in the 2011 test year calculation adjusted taxable income while there is in the 2009 historic and 2010 bridge years.**

Interrogatory # 38

Ref: Exhibit E1, Tab 1, Schedule 1, Attachment AB

The deemed capital structure shown on page 2 shows deemed long-term debt of \$353,685,000 while the forecasted amount of long-term debt for the test year shown on page 4 is \$327,185,000. The difference of \$26.5 million is included in the revenue requirement at the long-term debt rate.

- a) Please explain why, other than the Board's December, 2009 Cost of Capital report, ratepayers should be expected to pay a long-term debt rate on \$26.5 million of long-term debt that does not exist.**
- b) Please confirm that the interest cost would be reduced by more than \$800,000 if the \$26.5 was costed at the short-term debt rate rather than at the long-term debt rate.**
- c) If the \$26.5 million was costed as short-term debt, what negative financial impacts, if any, would Hydro Ottawa suffer? Please explain in detail.**

Interrogatory # 39

Ref: Exhibit E1, Tab 1, Schedule 1, Attachment AB & Grid Promissory Note

- a) Please explain how the rate of 5.85% was determined for the Dec. 21, 2009 \$15 million advance. Please make reference to the Interest Rate options shown in the Grid Promissory Note.**
- b) Please explain how the rate of 5.97% was determined for the April 30, 2010 and Jan. 1, 2011 \$15 million advances. Please make reference to the Interest Rate options shown in the Grid Promissory Note.**

- c) For each note shown in Table 5 on page 4 of Attachment AB, please indicate the term of the note and whether the note is callable by the Holding company. If the note is callable, please indicate the number of days.
- d) Please explain why an administrative fee of 0.10% is required.
- e) Please confirm that any advances under the Grid Promissory Note are payable in full in February 2015.
- f) Please explain why a long-term debt rate should be applied to a loan of only 5 or 6 years in length?
- g) Please provide the current rates for each term available from Infrastructure Ontario.
- h) Why has Hydro Ottawa not borrowed from Infrastructure Ontario? Please provide all correspondence with Infrastructure Ontario if Hydro Ottawa has approached Infrastructure Ontario for a loan.

Interrogatory # 40

Ref: Exhibit E1, Tab 1, Schedule 1, Demand Promissory Notes.

- a) What was the rate payable on the \$232,185,000 loan that was replaced with the \$32,185,000 and the \$200,000,000 demand promissory notes?
- b) Please explain the different rates applied to the two demand promissory notes (5.9% and 5.14%) despite the fact they are both dated July 1, 2005.

Interrogatory # 41

Ref: Exhibit G1, Tab 1, Schedule 1, page 4

- a) When does Hydro Ottawa expect the Sentinel Light class to be phased out?
- b) How much additional revenue would be generated if the Sentinel Light revenue-to-cost ratio was increased to 70%?

Interrogatory # 42

Ref: Exhibit H1, Tab 2, Schedule 1, page 2

How many microFit customers does Hydro Ottawa expect to have in 2011?

Interrogatory # 43

Ref: Exhibit I1, Tab 1, Schedule 3

Will account 1595 track the two rate riders separately so that that disposition and recovery of the global adjustment can be tracked separately from the other accounts? If not, why not?

Interrogatory # 44

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

Hydro Ottawa is not proposing that any of the 2011 costs which are to be incurred to make eligible investments for the purpose of enabling the connection of renewable energy generation facilities to the distribution system will be recovered from provincial ratepayers. In other words, Ottawa Hydro is assuming that the direct benefits that accrue to the Hydro Ottawa customers are equal to or higher than the eligible investment costs. However, Ottawa Hydro has not provided any calculation to support this.

The Board issued the EB-2009-0349 Report of the Board - Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 on June 10, 2010.

- a) Did Hydro Ottawa review the Report of the Board before it proposed to recover all the eligible investment costs from its ratepayers?**
- b) Please provide an estimate of the direct benefits based on the June 10, 2010 Report of the Board.**
- c) Please provide an estimate of the eligible investment costs that Hydro Ottawa is seeking to be determined by the Board.**
- d) If the direct benefits are less than the eligible investment costs, would Hydro Ottawa re-consider reducing its revenue requirement by the difference (i.e. the rate protection to be provided)? If not, why not?**

- e) **If the Board determines that Hydro Ottawa should do the above calculations and some rate protection is required for the ratepayers of Hydro Ottawa, would Hydro Ottawa request the establishment of a variance account, as contemplated in the Report of the Board?**

- f) **Please expand the tables on page 24 of Attachment P so that they conform with the table illustrated on page 17 (and discussed on pages 16 and 17) of the March 25, 2010 EB-2009-0397 Filing Requirements: Distribution System Plans - Filing under Deemed Conditions of Licence.**

Interrogatory # 45

Ref: Exhibit I1, Tab 1, Schedule 2, Table 1

The total Group 1 and Group 2 account balance to be recovered from ratepayers is more than \$5 million. This balance relates to balances that accrued prior to the implementation of the HST on July 1, 2010. Please explain:

- a) **Whether Hydro Ottawa believes that this balance to be recovered from customers should attract the 5% GST of the 13% HST? Please explain, including any discussions with Revenue Canada.**

- b) **Can Hydro Ottawa accommodate billing the rate rider portion of the bill associated with the deferral and variance account balances at the 5% GST, while the remainder of the bill attracts the 13% HST?**

Interrogatory # 46

Ref: Exhibit I1, Tab 1, Schedule 3

In July, 2010, the Accounting Standards Board issued an exposure draft that proposes that qualifying entities with rate-regulated activities be permitted, but not required, to continue applying the account standards in Part V of the Handbook for an additional two years and that adoption of the IFRSs in part 1 of the Handbook by qualifying entities would be mandatory for interim and annual financial statements related to annual periods beginning on or after January 1, 2013.

If rate-regulated entities were to be granted a two year deferral on the adoption of IFRS for accounting purposes, would Hydro Ottawa still request an IFRS variance account? If yes, please explain why.

Interrogatory # 47

Ref: Exhibit D4, Tab 1, Schedule 1

- a) **The evidence discusses the 2007 collective agreement that was signed with the IBEW, indicating that it included wage increases of 3% for 2007 and 3.25% for 2008 and 2009. Please provide the annual wage increase percentages as a result of the most recent collective agreement.**
- b) **Please provide a version of Table 3 that shows the average annual base wage for 2009 through 2011 excluding new positions included in 2010 and 2011.**
- c) **What is the annual average pay increase for 2010 and 2011 for each of the employee groups shown in Table 3.**
- d) **Please explain the significant increase in average yearly overtime forecast for 2011 (\$5,828) as compared to 2008 (\$5,295) shown in Attachment Y.**
- e) **Please explain the significant increase in average yearly overtime shown for 2009 in Attachment Y. If this was due to a specific or one-time event(s), please calculate the 2009 overtime excluding this event(s).**
- f) **Please show the actual number of people (head count) as of the current time in the same level of detail as shown in Table 1.**
- g) **Has Hydro Ottawa made any allowance in the 2010 bridge and/or 2011 test years for vacant positions? If not, why not? If yes, please provide the quantum and assumptions used for the 2011 test year vacancies and provide the quantum of vacancies for 2008 and 2009.**
- h) **Table 1 shows an increase of 32 in the head count from 2009 to 2011 but the detailed increase in staff shown on page 3 shows an increase of 29. Please explain the difference.**