Board Staff Interrogatories
Hydro Ottawa Limited
2011 Electricity Distribution Rates
EB-2010-0133

1. Letters of Comment from Hydro Ottawa's Customers

Following publication of the Notice of Application, has Hydro Ottawa received any letters of comment that have not been filed with the Board by the customer? If so, please file a copy of such letter(s) together with the applicant's reply. If letter(s) have been received and not responded to, please provide an explanation and confirm that the applicant will respond.

2. Budget for Facilities

Ref: Exhibit B1 / Tab 2 / Schedule 5

a. Has Hydro Ottawa prepared NPV costs for Options 2 and 3, comparable to the information on Options 1 and 4 in Table 7 on p. 18? If so, please provide the costs.

b. Has Hydro Ottawa prepared four-year budgets for Options 1, 2 and 3, comparable to the information on Option 4 in Table 12 on p. 21? If so, please provide the alternative budgets. If alternative budgets are not available, please provide a brief description of the capital expenditures that are included in test year General Plant Capital Expenditures that are a result of Option 4 distinct from the other options.

3. Disposal of Assets

Ref: Exhibits B2 / Tab 1 / Schedule 1, and C2 / Tab 1 / Schedule 5

Tables 5 and 6 in the Exhibit B2 reference do not have a column for Disposals whereas the previous tables do have this item. The reference in Exhibit C2 shows a budget for disposals of $101,000 and $103,020 for 2010 and 2011 respectively.

a. Please confirm that the test year rate base is consistent with the budget for disposals.

b. Please confirm that the description of disposals in previous years also applies to the planned 2011 disposals, or describe any substantial or unusual disposals.

4. Working Capital – Cost of Power

Ref: Exhibits B3 / Tab 1 / Schedule 1 / Attachment T and C1 / Tab 1/ Schedule 1

The total kWh in the first row of Attachment T is not precisely equal to the normalized weather load forecast in Table 3 in Exhibit C1/1/1. If the numbers are intended to be identical, please determine which is correct and make any adjustments that are of a material size. If they are intended to be different from each other, please explain.

5. Working Capital – Cost of Transmission

Ref: Exhibits B3 / Tab 1 / Schedule 1 / Attachment T and H1 / Tab 3 / Schedule 1

The forecast of Network cost in Exhibit B3 is $50.8 million, compared to the most recent actual cost of $36.9 million in 2009. The forecast of Connection cost is $35.9 million compared to actual cost of $25.6 million.

a. Please provide an explanation of the forecast Network cost, showing the effect of the Uniform Transmission Rate, load growth, and any other factors that underlie the forecast.

b. Please provide an explanation of the forecast Connection cost, showing the effect of the Uniform Transmission Rates, load growth, and any other factors. Please include information on the proportion of Hydro Ottawa's total load that is charged for Transformation Connection, compared to the proportion that is delivered through stations that belong to Hydro Ottawa.

6. Harmonized Sales Tax (HST)

Ref: Exhibit B3 / Tab 2 / Schedule 1 and Exhibit B4 / Tab 4 / Schedule 1

Table 24 on p. 19 of the Exhibit shows that Hydro Ottawa's expense from HST would have been approximately $9.8 million more than the cost of GST in 2008, according to Table 22 on p. 17. The difference in 2009 would have been approximately $10.3 million, based on Tables 23 and 25.

a. Please describe the main components of Hydro Ottawa's expenses that would have created the increased tax cost.

b. Hydro Ottawa reduced its test year capital expenditures by $3 million based on a preliminary analysis of the effect of the GST (ref: B4/4/1/p. 2). If there is a material difference between this estimate and actual capital expenditures, will it be recorded eg. in a variance or deferral account?

7. Load Forecast Model

Ref: Exhibit C1 / Tab 1 / Schedule 1

a. Please provide definitions and the units of measure of the independent variables shown in Table 17 and any additional factors not included in Table 17 that Hydro Ottawa uses in its econometric model.

b. Please provide the time period of the data used in Hydro Ottawa's econometric forecast model.

c. Please confirm that the same model produced the forecasts for 2005-2009 reported in Table 1. Alternatively, please describe any differences in the previous model(s) compared to the one used for the 2011 forecast.

8. Forecast Consumption per Customer in the Residential Class

Ref: Exhibit C1 / Tab 1 / Schedule 1

a. Please provide a calculation of the weather normal sales to the Residential class on a per customer basis, starting at 2005 or earlier.

b. Please confirm that the forecast for 2011 is approximately 4.6% lower than the actual consumption per customer in 2009, based on the data in Tables 9 and 10, and provide an analysis of what factor(s) are responsible for this forecast decrease.

9. Revenue Offset – Net Revenue Work for Others

Ref: Exhibit C2 / Tab 1 / Schedules 4 and 5

a. Please explain why the 2010 and 2011 budgets for services to Hydro Ottawa Holding Inc. was decreased, as described in section 6.1.2 of the respective schedules.

b. Please provide the forecast expenses in 2010 and 2011 associated with vault shutdowns, as described in section 6.1.3 of the schedules.

10. Net Revenue from Services to Affiliates

Ref: Exhibit C2 / Tab 2 / Schedule 1

a. Please confirm that the 2011 net revenue from Services to Affiliates is included in the Revenue Offsets, in particular in Exh C2/1/5/Table 1.

b. If confirmed, please reconcile the budget net revenue of $900,348 from affiliates with the total from work for others at $683,530 in Exh C2/1/5/Table 1.

c. Alternatively, if not confirmed, please provide the budgeted gross revenue and actual year-to-date revenue for each row in Table 4 (2010), and budgeted gross revenue for each row in Table 5 (2011).

d. Please explain how the cost is determined in each row of Table 5, which together with the revenue information in part c) would yield the net revenue shown in the table.

11. **Revenue from Rental from Non-Utility (Account 4385)**

Ref: Exhibit A3 / Tab 3 / Schedule 2 / Table 2

a. Please provide a description of the rental revenue that is recorded in Account 4385.

b. If the rental revenue is not included as a revenue offset in the 2011 budget, please explain why it is not included.

12. **Charitable Donations and Low-Income Programs**

Ref: Exhibit D1 / Tab 1 / Schedule 2 / Sections 6.0 and 8.0

a. Please confirm that there is no amount in the 2011 test year revenue requirement for the LEAP emergency assistance program.

b. If confirmed, please provide the following calculation: 0.12% of the total distribution revenue requirement for the test year.

c. Please provide the expected amount that is in the revenue requirement for each of the programs described in section 8.0: Hydro Ottawa Shelter and Warmth Fund, Winter Warmth, any other similar programs.

13. **Regulatory Costs**

Ref: Exhibit D1 / Tab 1 / Schedule 2

Legal costs are shown in Table 3 (p. 10 of the Exhibit) at approximately $90,000 higher in 2010 than in 2009. Consultant costs are approximately $35,000 higher, and intervenor costs are approximately $145,000 higher.

a. Given that Hydro Ottawa's work on the current application is being done during 2010, why does the 2011 budget continue with amounts for legal and consultant support similar to the amounts in 2010?

b. Has Hydro Ottawa incurred any intervenor expense to date during 2010?

14. **Extraordinary Event Beacon Hill Substation Fire**

Ref: Exhibit D1 / Tab 1 / Schedule 2 / pg. 7

a. Was the cost of the substation fire in 2009 recorded in account 1572? If not, what account was it recorded in? If in 1572, why does it not appear in the continuity table Exh I1/1/1/Attachment AL?

b. Based on progress to date, what year is it most likely that a Z-factor adjustment would be sought?

15. **Administrative and Corporate Services**

Ref: Exhibit D1 / Tab 2 / Schedule 1

The applicant is budgeting to cover 50% of the cost of total cost of the Holding Company affiliate, based on activity levels. The 2011 budget is $4,855,200.

Please provide a description of the relevant activities and how the activity levels are measured.

16. **Outside Services Employed**

Ref: Exhibit D3 / Tab 1 / Schedule 2, 3 and 4

Hydro Ottawa indicated Outside Services Employed was lower in 2009 by $295k, compared to 2008, followed by a large increase (over 225%) for 2010 and a similar budget in 2011.

a. What is the expenditure to date in 2010 and how does it compare with the forecast?

b. Please provide a description of the services that will be obtained in the 2011 budget in Account 5630, at $569,018.

17. **O&M -- Time-of-Use Meters and Billing**

Ref: Exhibit I2 / Tab 1 / Schedule 1 / Table 4

The 2010 budget includes amounts of $461,000 for Training/Change Management Cost, and $214,000 for Customer Communications, associated with Smart Meters and Time-of-Use Rates.

a. What is the actual expenditure to date in 2010 on these items?

b. What is the corresponding amount within the 2011 budget?

c. Will part of the 2011 budget for these items become unnecessary in subsequent years as customers and staff gain experience with the meters and rates?

d. Please also provide answers to the previous items a) – c) for the budget items ‘Labour and Benefits’ and ‘Outside Services’, which are $732,686 and 380,000 respectively in the 2010 budget.

18. **Head Count**

Ref: Exhibit D4 / Tab 1 / Schedule 1 / pg 1

Table 1 – Head Count indicates that total Hydro Ottawa’s total head count from 2009 actual (560) to 2010 and 2011 will increase to 569 and 592, respectively. This increase in head count does not correspond to the total number of hiring involved in the Workforce Planning Strategy.

Please explain in detail how the total number of head count for 2010 and 2011 was budgeted for and does it take into account the Workforce Planning Strategy, Customer Service Strategy Plan, Green Energy Act Basic Plan, and any other Hydro Ottawa plan/strategy.

19. **Employee Compensation and Benefits**

Ref: Exhibit D4 / Tab 1 / Schedule 1/ Attachment Y

a. Total compensation has increased substantially from Hydro Ottawa’s last rebasing. In 2008, total compensation was $49,538,906 and in the 2011 test year will be $59,091,992 (increase of approximately 19%). Please explain the increases in average yearly base wages from 2009 to 2011 for Executive, Management, Non-union and Union.

b. The sum of Total Compensation Capitalized and Total Compensation Charged to OM&A does not equate to Total Compensation in any of the years included in the Attachment. Please explain this apparent discrepancy.

20. **Asset Retirement Obligation (ARO)**

Ref: Exhibit A2 / Tab 2 / Schedule 3 / p. 3

The 2011 Filing Requirements published by the Board on June 28, 2010 include at Appendix 2-M the requirement that an ARO should be disclosed separately from other depreciation and amortization expenses. The Exhibit notes that Hydro Ottawa recorded an ARO in 2009. Is there a need to change the pre-filed evidence (eg. Exhibit B2/Tab 1 / Schedule 1 / Attachment S, or Exhibit D6/ Tab 1 / Schedule 1) to comply with the filing requirement?

21. Tax Adjustment to Accounting Income

Ref: Exhibit A2 / Tab 1 / Schedule 2 / Attachment H

An amount of $615,777 is included in the calculation of Revenue Sufficiency/Deficiency, described as 'Tax Adjustment to Accounting Income per 2009 PILs'. The amount also appears elsewhere in Attachment H (RRWF), but does not appear in Exhibit D7/1/1/Attachment Z (2011 PILs Work Form) or Exhibit D7/2/1(PILs Variances).

Please provide a more detailed explanation of the item in question, and if applicable relate the explanation to the principles described in Exhibit D1/1/1 (PILs Calculation).

22. Revenue Calculations for Status Quo Ratios

Ref: Exhibits C1 / Tab 1 / Schedule 2 / Attachment U and Exhibit G1 / Tab 1 / Schedule 1 / Attachments AE

Please show how the distribution revenue for each class was derived for use in the cost allocation study, in sufficient detail to compare the amounts with the revenue forecasts in Exhibit C1. (For example, residential revenue in the cost allocation model is $79,941,445, comparable to the 2010 and 2011 forecasts, respectively $73,757,144 on p. 6 and $84,396,835 on p. 7 of Attachment U)

23. Proposed Revenue to Cost Ratios

Refs: Exhibits C1 / Tab 1 / Schedule 2 / Attachment U and Exhibits G1 / Tab 1 / Schedule 1 / Attachments AE and AF

The distribution revenue derived from each class (calculated at p. 7 in Attachment U) plus the attributed Miscellaneous Revenue, when compared to the class revenue requirements found in Attachment AE, p. 34, do not yield the proposed revenue to cost ratios listed in Attachment AF. For example, Residential Revenue of $84.4 million plus attributed Miscellaneous Revenue of $5.3 million, compared to the class revenue requirement of $94.1 million, yields a revenue to cost ratio of 95.3%, whereas the proposed ratio in Appendix AF is 98%.

Please re-examine the calculations of class revenues, and ensure that the proposed revenues are input into the cost allocation model (Sheet I6 'Requested Distribution Revenue'). File the resulting Sheet O1 'Revenue to Cost Ratio Worksheet'.

24. Revenue Requirement in the Cost Allocation Study

Ref: Exhibits A2 / Tab 1 / Schedule 2 / Attachment H and Exhibits G1 / Tab 1 / Schedule 1 / Attachments AD and AE

a. The revenue requirement in the RRWF in Attachment H, p. 7 is $166,129,299. The revenue requirement in the cost allocation study in Attachment AE is consistent with that amount at Sheet I3, but the amount allocated amongst the rate classes at Sheet O1 is $167,300,900. The total amount in Attachment AD p. 12 is the latter amount. Please reconcile these amounts, or state which one is correct and make any necessary changes.

b. The revenue from proposed rates on p. 7 sums to $159.3 million whereas the revenue in the Revenue Requirement Work Form (Exhibit A2/1/2/Attachment H/p. 7) sums to $158.2 million, i.e. the sum of revenue at existing rates plus the revenue deficiency. If the reconciliation of these amounts differs from part a), please also reconcile the amounts and correct whichever one of them if necessary

25. Retail Transmission Service Rates (RTSR)

Exhibit H1 / Tab 3 / Schedule 1

In its Revised Guideline G-2008-0001, issued on July 8, 2010, the Board has described the evidence required for RTSRs, which includes completion of a model that will be provided by Board staff. Please complete the model.

26. Low Voltage Adder

Ref: Exhibit H1 / Tab 3 / Schedule 2

For the classes that will be charged for Low Voltage Service on a kWh basis, the rate is the only charge that is stated to the fifth decimal place. Is Hydro Ottawa's billing system capable of calculating and issuing bills to this precision? If not, what is the expected cost of adapting it for this capability?

27. Total Loss Factor

Exhibits H1 / Tab 4 / Schedules 1 & 3

a. Please provide an alternative version of Table 2 in Schedule 1, altering the 2005 - 2008 columns by using the assumptions about Dry Core Transformer Losses that are now being used as described in Schedule 3, section 9.0 (The change may be in a constant absolute amount or by percentage).

b. Given Hydro Ottawa's knowledge of how other Ontario distributors account for losses in dry core transformers, does Hydro Ottawa consider that its new methodology or its previous methodology produces a calculation of total loss factor more closely comparable to other distributors?

28. **Smart Meters -- O&M Cost of Damages**

Ref: Exhibit I2 / Tab 1 / Schedule 1

a. Does the 2011 budget for Outside Services continue to include an allowance for damage to customer-owned property due to Smart Meter deployment as described at p. 8?.
b. If so, how much is it, and how much is likely to continue beyond 2011?
c. Is the average cost of damage incurred prior to 2011 included in the installation cost of the Smart Meters?

29. **Bill Impacts**

Ref: Exhibit H1 / Tab 6 / Schedule 1 / Attachment AK

Please list the components of the 'Regulatory' item, together with their amounts per kWh, in the Bill Impact tables on pp. 4 & 5 of the Exhibit. Include Hydro Ottawa's assumption concerning the Special Purpose Charge.

30. **Clearance of Variance Account 1556**

Ref: Exhibit I1/Tab 1/Schedule 2 –page 4, lines 5 to 6

With respect to accounting for Smart Meter Variance accounts, Hydro Ottawa states that "Operating, Maintenance and Administration ("OM&A"), amortization, PILs and carrying charges were recorded in Account 1556."

Please provide the regulatory authority under which PILs was recorded in account 1556.

31. **Clearance of Deferral and Variance Accounts**

Ref: Exhibit I1/Tab 1/Schedule 2, page 4, lines 28 to30, and page 5, lines 1-2

Hydro Ottawa states that it is asking the Board to determine that its spending for the Smart Meter program to the end of 2010 is prudent. Also, Hydro Ottawa is proposing to include all of the Smart Meter capital additions to the end of 2010 in its 2011 rate base.

As part of the Settlement Proposal EB-2007-0713, Hydro Ottawa agreed to submit an annual smart meter report on its spending related to 2008, 2009 and 2010. The report for each year was to be filed by April 30th of the subsequent year.

a. Please file the annual smart meter report for 2009.

b. Why does Hydro Ottawa feel that the Board should determine its spending for the Smart Meter program to the end of 2010 to be prudent, when the Smart Meter Guidelines (G-2008-0002) require that:

   i. The cost recovery should be based on costs already expensed (i.e. not forecast)
   ii. All cost information should be audited, including the smart meter related deferral account balances.
   iii. Information on the penetration rate is filed.

32. New Proposed Accounts for Test Year

Ref: Exhibit I1/Tab 1/Schedule 3

Hydro Ottawa is seeking the Board's approval for a variance account to track any differences in revenue requirements for 2011 in the current application, which have been calculated under CGAAP, and what the 2011 revenue requirements would have been under IFRS.

a. Please provide regulatory precedent in support of this proposal.

b. Is the proposed account expected to record any costs specifically excluded in the Board report EB-2008-0408 (i.e. ongoing compliance costs or impacts on revenue requirements arising from changes in timing of the recognition of expenses)?

c. What account number does Hydro Ottawa propose to use in the USoA?

d. What are the journal entries to be recorded?

e. What new or additional information is available since the filing of this application that would improve the Board's ability to make a decision on this request?

f. Hydro Ottawa is seeking Board's approval for a new variance account for Smart Meter Charges (SMC) for the IESO. Since this charge will affect all of the distributors in the province, why does Hydro Ottawa consider it necessary to request such an account at this time?

33. **Regional Collector Smart Meters**

Ref: Exhibit I2 / Tab 1 / Schedule 1 / Tables 1 & 3

It is not readily apparent from the tables whether Hydro Ottawa has 1302 collector meters or 1302 customers whose consumption is metered by means of these devices.

a. Please clarify this information.

b. Please provide an estimate of the cost of buying and installing conventional smart meters, for comparison with the cost of $1,426,087 in Table 3.

34. **Integration to Provincial MDM/R**

Ref: Exhibit I2/Tab 1 / Schedule 1 / p. 3

An accumulated expenditure of $2,073.489 is included as a 2010 capital addition for integration with the provincial meter data management and repository system (MDM/R). In addition, Hydro Ottawa is requesting approval of a variance account for IESO fees that may apply in the future for the MDM/R.

a. Do Hydro Ottawa’s customers receive any benefit of Hydro Ottawa’s expenditures prior to the provincial system becoming operational? If not, did Hydro Ottawa consider including its expenditures to 2010 in a variance account such as Account 1555?

b. Please describe what precautions Hydro Ottawa has taken to ensure that its own expenditures were not premature or redundant with the IESO system.