



1 **Interrogatory**

2 Interrogatory # 1

3
4 Ref: Exhibit A1, Tab 2, Schedule 1

5
6 a) What was the total expense incurred as of April 20, 2010 related to the preparation of
7 the 2011 cost of service application?

8
9 b) What is the current forecasted cost for the entire 2011 cost of service application?

10
11 c) Please confirm that the "off ramp" conditions have not been met.

12
13 d) Please confirm that THESL was never under 3GIRM, whereas Hydro Ottawa was
14 under the 3GIRM methodology for rates in 2009 and 2010.

15
16 e) What is the Board approved return on equity approved for Hydro Ottawa's 2008
17 rates?

18
19 **Response**

20
21 a) As of April 20, 2010, Hydro Ottawa had not incurred any expenses for outside
22 services in relationship to the preparation of the 2011 cost of service application.
23 However, to that date extensive internal resources had been expended in the
24 preparation of the application; costing approximately \$120k.

25
26 b) As explained in the response to EP #22 c & d, the current forecasted cost for the
27 entire 2011 cost of service application is \$400k.

28
29 c) The "off ramp" conditions are defined in the Report of the Board on 3rd Generation
30 Incentive Regulation for Ontario's Electricity Distributors dated July 14, 2008 as
31 follows: "The Board has determined that the 3rd Generation IR plan will include a



1 trigger mechanism with an annual ROE dead band of ± 300 basis points. When a
2 distributor performs outside of this earnings dead band, a regulatory review may be
3 initiated.” Hydro Ottawa did not meet this condition in 2009.

4

5 d) Toronto Hydro Electricity System Limited has never been under 3GIRM, whereas
6 Hydro Ottawa was under the 3GIRM methodology for rates in 2009 and 2010.

7

8 e) The Board-approved return on equity for Hydro Ottawa’s 2008 rates was 8.57%.



Interrogatory

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.



Response

a) Table 1 of Exhibit A2-1-2 is based on the Revenue Requirement Work Form (“RRWF”) and both represent the difference between the revenue calculated with the forecasted test year loads and current rates and the test year revenue requirement. Therefore, it is not clear to Hydro Ottawa how the RRWF would be prepared for 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) Hydro Ottawa is aware that the gas industry has used the concept of ‘normalized’ income for a number of years and has a well established methodology. However, there is no standard methodology for the electricity distribution industry and Hydro Ottawa does not feel it would be possible to develop a methodology that takes into account all the possible ways of normalizing income, e.g. Conservation and Demand Management, Regulatory Assets (“RA”), the PILs impact of RA and weather.

c) As requested, the Revenue Requirement Work Form shown in Exhibit A2-1-2 has been recalculated using the cost of capital parameters approved by the Board and included in the 2008 revenue requirement calculation. These cost of capital parameters are as follows:

Parameter	2011 Rate Application	2008 Board Approved
Return on Equity	9.85%	8.57%
Long term debt	5.35%	5.26%
Short term debt	2.17%	4.47%

A copy of the recalculated RRWF is included as Attachment 1.



REVENUE REQUIREMENT WORK FORM

Name of LDC: (1)
File Number:
Rate Year: Version: 1.0

Table of Content

<u>Sheet</u>	<u>Name</u>
A	Data Input Sheet
1	Rate Base
2	Utility Income
3	Taxes/PILS
4	Capitalization/Cost of Capital
5	Revenue Sufficiency/Deficiency
6	Revenue Requirement
7	Bill Impacts

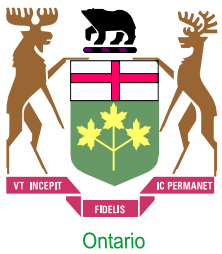
Notes:

(1) Pale green cells represent inputs

(2) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**

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This Revenue Requirement Work Form Model is protected by copyright and is being made available to you solely for the purpose of preparing or reviewing your draft rate order. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Hydro Ottawa Limited

File Number: EB-2010-0133

Rate Year: 2011

1 Rate Base

Gross Fixed Assets (average)

Accumulated Depreciation (average)

Allowance for Working Capital:

Controllable Expenses

Cost of Power

Working Capital Rate (%)

2 Utility Income

Operating Revenues:

Distribution Revenue at Current Rates

Distribution Revenue at Proposed Rates

Other Revenue:

Specific Service Charges

Late Payment Charges

Other Distribution Revenue

Other Income and Deductions

Operating Expenses:

OM+A Expenses

Depreciation/Amortization

Property taxes

Capital taxes

Other expenses

3 Taxes/PILs

Taxable Income:

Adjustments required to arrive at taxable income

Utility Income Taxes and Rates:

Income taxes (not grossed up)

Income taxes (grossed up)

Capital Taxes

Federal tax (%)

Provincial tax (%)

Income Tax Credits

4 Capitalization/Cost of Capital

Capital Structure:

Long-term debt Capitalization Ratio (%)

Short-term debt Capitalization Ratio (%)

Common Equity Capitalization Ratio (%)

Preferred Shares Capitalization Ratio (%)

Cost of Capital

Long-term debt Cost Rate (%)

Short-term debt Cost Rate (%)

Common Equity Cost Rate (%)

Preferred Shares Cost Rate (%)

Notes:

This input sheet provides all inputs needed to complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the components. Notes should be put on the applicable pages to understand the context of each such note.

(1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)

(2) 4.0% unless an Applicant has proposed or been approved for another amount.

(3) Net of addbacks and deductions to arrive at taxable income.

(4) Average of Gross Fixed Assets at beginning and end of the Test Year

(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

(6) 2011 Load at 2010 Rates plus SM Adder Forecast

(7) Base Revenue Requirement



REVENUE REQUIREMENT WORK FORM

Name of LDC: Hydro Ottawa Limited

File Number: EB-2010-0133

Rate Year: 2011

Rate Base

Line No.	Particulars		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	\$1,064,584,367	\$ -	\$1,064,584,367
2	Accumulated Depreciation (average)	(3)	(\$527,172,271)	\$ -	(\$527,172,271)
3	Net Fixed Assets (average)	(3)	\$537,412,096	\$ -	\$537,412,096
4	Allowance for Working Capital	(1)	\$94,167,854	\$ -	\$94,167,854
5	Total Rate Base		\$631,579,950	\$ -	\$631,579,950

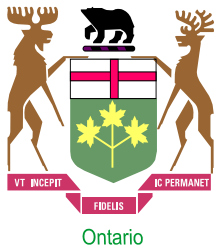
(1) Allowance for Working Capital - Derivation					
6	Controllable Expenses		\$64,766,506	\$ -	\$64,766,506
7	Cost of Power		\$603,090,617	\$ -	\$603,090,617
8	Working Capital Base		\$667,857,123	\$ -	\$667,857,123
9	Working Capital Rate %	(2)	14.10% (4)		14.10%
10	Working Capital Allowance		\$94,167,854	\$ -	\$94,167,854

Notes

(2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.

(3) Average of opening and closing balances for the year.

(4) Allowance for Working Capital as per Lead/Lag study



REVENUE REQUIREMENT WORK FORM

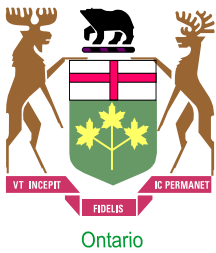
Name of LDC: Hydro Ottawa Limited
 File Number: EB-2010-0133
 Rate Year: 2011

Utility income

Line No.	Particulars	Application	Adjustments	Per Board Decision
<u>Operating Revenues:</u>				
1	Distribution Revenue (at Proposed Rates)	\$155,227,520	\$ -	\$155,227,520
2	Other Revenue (1)	\$7,927,290	\$ -	\$7,927,290
3	Total Operating Revenues	\$163,154,810	\$ -	\$163,154,810
<u>Operating Expenses:</u>				
4	OM+A Expenses	\$21,355,480	\$ -	\$21,355,480
5	Depreciation/Amortization	\$47,449,596	\$ -	\$47,449,596
6	Property taxes	\$1,800,217	\$ -	\$1,800,217
7	Capital taxes	\$ -	\$ -	\$ -
8	Other expense	\$41,610,808	\$ -	\$41,610,808
9	Subtotal	\$112,216,102	\$ -	\$112,216,102
10	Deemed Interest Expense	\$19,733,084	\$ -	\$19,733,084
11	Total Expenses (lines 4 to 10)	\$131,949,186	\$ -	\$131,949,186
12	Utility income before income taxes	\$31,205,623	\$ -	\$31,205,623
13	Income taxes (grossed-up)	\$9,555,063	\$ -	\$9,555,063
14	Utility net income	\$21,650,561	\$ -	\$21,650,561

Notes

(1)	Other Revenues / Revenue Offsets		
	Specific Service Charges	\$3,707,794	\$3,707,794
	Late Payment Charges	\$1,400,000	\$1,400,000
	Other Distribution Revenue	\$1,153,946	\$1,153,946
	Other Income and Deductions	\$1,665,550	\$1,665,550
	Total Revenue Offsets	\$7,927,290	\$7,927,290



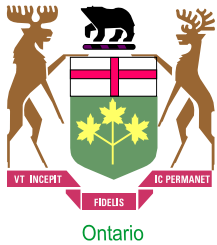
REVENUE REQUIREMENT WORK FORM

Name of LDC: Hydro Ottawa Limited
 File Number: EB-2010-0133
 Rate Year: 2011

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income	\$21,650,561	\$21,650,561
2	Adjustments required to arrive at taxable utility income	\$615,777	\$615,777
3	Taxable income	<u>\$22,266,338</u>	<u>\$22,266,338</u>
<u>Calculation of Utility income Taxes</u>			
4	Income taxes	\$6,855,758	\$6,855,758
5	Capital taxes	\$ -	\$ -
6	Total taxes	<u>\$6,855,758</u>	<u>\$6,855,758</u>
7	Gross-up of Income Taxes	<u>\$2,699,305</u>	<u>\$2,699,305</u>
8	Grossed-up Income Taxes	<u>\$9,555,063</u>	<u>\$9,555,063</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$9,555,063</u>	<u>\$9,555,063</u>
10	Other tax Credits	(\$348,000)	(\$348,000)
<u>Tax Rates</u>			
11	Federal tax (%)	16.50%	16.50%
12	Provincial tax (%)	11.75%	11.75%
13	Total tax rate (%)	<u>28.25%</u>	<u>28.25%</u>

Notes



REVENUE REQUIREMENT WORK FORM

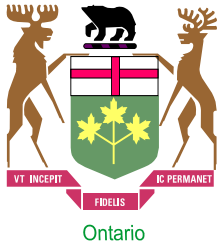
Name of LDC: Hydro Ottawa Limited
 File Number: EB-2010-0133
 Rate Year: 2011

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Application					
Debt					
1	Long-term Debt	56.00%	\$353,684,772	5.26%	\$18,603,819
2	Short-term Debt	4.00%	\$25,263,198	4.47%	\$1,129,265
3	Total Debt	60.00%	\$378,947,970	5.21%	\$19,733,084
Equity					
4	Common Equity	40.00%	\$252,631,980	8.57%	\$21,650,561
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$252,631,980	8.57%	\$21,650,561
7	Total	100%	\$631,579,950	6.55%	\$41,383,645
Per Board Decision					
Debt					
8	Long-term Debt	56.00%	\$353,684,772	5.26%	\$18,603,819
9	Short-term Debt	4.00%	\$25,263,198	4.47%	\$1,129,265
10	Total Debt	60.00%	\$378,947,970	5.21%	\$19,733,084
Equity					
11	Common Equity	40.0%	\$252,631,980	8.57%	\$21,650,561
12	Preferred Shares	0.0%	\$ -	0.00%	\$ -
13	Total Equity	40.0%	\$252,631,980	8.57%	\$21,650,561
14	Total	100%	\$631,579,950	6.55%	\$41,383,645

Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.



REVENUE REQUIREMENT WORK FORM

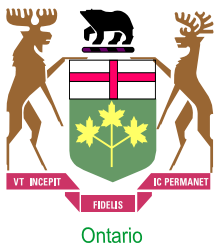
Name of LDC: Hydro Ottawa Limited
 File Number: EB-2010-0133
 Rate Year: 2011

Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$7,463,477		\$7,463,477
2	Distribution Revenue	\$146,490,848	\$147,764,043	\$146,490,848	\$147,764,043
3	Other Operating Revenue Offsets - net	\$7,927,290	\$7,927,290	\$7,927,290	\$7,927,290
4	Total Revenue	\$154,418,138	\$163,154,810	\$154,418,138	\$163,154,810
5	Operating Expenses	\$112,216,102	\$112,216,102	\$112,216,102	\$112,216,102
6	Deemed Interest Expense	\$19,733,084	\$19,733,084	\$19,733,084	\$19,733,084
	Total Cost and Expenses	\$131,949,186	\$131,949,186	\$131,949,186	\$131,949,186
7	Utility Income Before Income Taxes	\$22,468,951	\$31,205,623	\$22,468,951	\$31,205,623
8	Tax Adjustments to Accounting				
8	Income per 2009 PILs	\$615,777	\$615,777	\$615,777	\$615,777
9	Taxable Income	\$23,084,728	\$31,821,400	\$23,084,728	\$31,821,400
10	Income Tax Rate	28.25%	28.25%	28.25%	28.25%
11	Income Tax on Taxable Income	\$6,521,436	\$8,989,546	\$6,521,436	\$8,989,546
12	Income Tax Credits	(\$348,000)	(\$348,000)	(\$348,000)	(\$348,000)
13	Utility Net Income	\$16,295,516	\$21,650,561	\$16,295,516	\$21,650,561
14	Utility Rate Base	\$631,579,950	\$631,579,950	\$631,579,950	\$631,579,950
	Deemed Equity Portion of Rate Base	\$252,631,980	\$252,631,980	\$252,631,980	\$252,631,980
15	Income/Equity Rate Base (%)	6.45%	8.57%	6.45%	8.57%
16	Target Return - Equity on Rate Base	8.57%	8.57%	8.57%	8.57%
	Sufficiency/Deficiency in Return on Equity	-2.12%	0.00%	-2.12%	0.00%
17	Indicated Rate of Return	5.70%	6.55%	5.70%	6.55%
18	Requested Rate of Return on Rate Base	6.55%	6.55%	6.55%	6.55%
19	Sufficiency/Deficiency in Rate of Return	-0.85%	0.00%	-0.85%	0.00%
20	Target Return on Equity	\$21,650,561	\$21,650,561	\$21,650,561	\$21,650,561
21	Revenue Sufficiency/Deficiency	\$5,355,045	(\$0)	\$5,355,045	(\$0)
22	Gross Revenue Sufficiency/Deficiency	\$7,463,477 (1)		\$7,463,477 (1)	

Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)



REVENUE REQUIREMENT WORK FORM

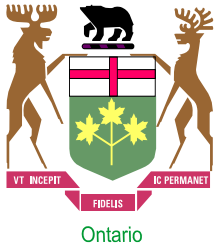
Name of LDC: Hydro Ottawa Limited
 File Number: EB-2010-0133
 Rate Year: 2011

Revenue Requirement			
Line No.	Particulars	Application	Per Board Decision
1	OM&A Expenses	\$21,355,480	\$21,355,480
2	Amortization/Depreciation	\$47,449,596	\$47,449,596
3	Property Taxes	\$1,800,217	\$1,800,217
4	Capital Taxes	\$ -	\$ -
5	Income Taxes (Grossed up)	\$9,555,063	\$9,555,063
6	Other Expenses	\$41,610,808	\$41,610,808
7	Return		
	Deemed Interest Expense	\$19,733,084	\$19,733,084
	Return on Deemed Equity	\$21,650,561	\$21,650,561
8	Distribution Revenue Requirement before Revenues	\$163,154,810	\$163,154,810
9	Distribution revenue	\$155,227,520	\$155,227,520
10	Other revenue	\$7,927,290	\$7,927,290
11	Total revenue	\$163,154,810	\$163,154,810
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0) (1)	(\$0) (1)

Notes

(1)

Line 11 - Line 8



REVENUE REQUIREMENT WORK FORM

Name of LDC: Hydro Ottawa Limited
File Number: EB-2010-0133
Rate Year: 2011

		Selected Delivery Charge and Bill Impacts Per Draft Rate Order								
		Monthly Delivery Charge					Total Bill			
		Current	Per Draft Rate Order	Change			Current	Per Draft Rate Order	Change	
				\$	%				\$	%
Residential	800 kWh/month			\$	-			\$	-	
GS < 50kW	2000 kWh/month			\$	-			\$	-	

Notes:



1 **Interrogatory**

2 Interrogatory #3

3
4 Ref: Report of the Board on 3rd Generation Incentive Regulation for Ontario's
5 Electricity Distributors dated July 14, 2008 & Board Letter to All Licensed
6 Electricity Distributors re Early Rebasing Applications dated April 20, 2010
7

8 In the April 20, 2010 letter the Board stated:

9 "The conditions under which the "off-ramp" applies reflect the Board's
10 view of the circumstances that justify a departure from the plan
11 schedule that would otherwise be applicable."
12

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

15 "The rates of the distributor are not expected to be subject to rebasing
16 before the end of the plan term other than through an eligible off-
17 ramp."
18

19 a) Please confirm that Hydro Ottawa is not filing a cost of service application based on
20 triggering the off-ramp.
21

22 b) Has Hydro Ottawa made a report to the Board no later than 60 days after the
23 company's receipt of its annual audited financial statements as stated on page 38 of
24 the July 14, 2008 Report of the Board? If not, why not?
25

26 c) Has Hydro Ottawa proposed any review processes (as identified on page 39 of the
27 July 14, 2008 Report of the Board), other than the current cost of service proceeding,
28 to justify the early termination of the 3GIRM? If yes, please provide details. If no,
29 please explain why not, or whether Hydro Ottawa considers the current cost of
30 service application as the appropriate review process.
31



Response

- a) Hydro Ottawa is not filing a cost of service application based on triggering the off-ramp.
- b) The Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors dated July 14, 2008 states "a distributor will be required make a report to the Board no later than 60 days after the company's receipt of its annual audited financial statements, in the event that the distributor falls short of or exceeds its ROE by 300 basis points." As Hydro Ottawa did not fall short nor exceed its ROE by 300 basis points, no report was made to the Ontario Energy Board (the "Board").
- c) Hydro Ottawa has not proposed any review process other than the current cost of service proceeding to justify the early termination of the 3GIRM as Hydro Ottawa considers the current cost of service application as the appropriate review process. Furthermore, the Board accepted this same approach from Hydro One Networks Inc. for the purposes of setting 2010 and 2011 distribution rates (EB-2009-0096) therefore it is reasonable for Hydro Ottawa to expect that this approach would apply to it as well.



Interrogatory

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.

Response

Assuming that Hydro Ottawa does not file a cost of service application for 2012, under the current third generation incentive regulation adjustment (“3GIRM”), Hydro Ottawa expects that the inflation factor that would be used to adjust rates for January 1, 2012 would be the Canada Gross Domestic Product Implicit Price Index Final Domestic Demand (the “GDP-IPI FDD”) updated for the period October 2010 to September 2011, which would allow the Ontario Energy Board (the “Board”) sufficient time to review and approve rates to be effective January 1, 2012. It should be noted that it is not clear yet whether 3GIRM would apply in 2012 or whether the Board will adopt a new fourth generation IRM.



Interrogatory

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.

Response

a) The following table provides the actual costs of providing services to Hydro Ottawa Holding Inc. in 2007, 2008 and 2009.

**Table 1 - Cost of Services Provided to Hydro Ottawa Holding Inc.
2007, 2008 and 2009**

Service Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget
Schedule 1 - Facilities Services	\$101,267	\$102,947	\$251,613	\$240,000	\$240,000
Schedule 2 - HR Services	47,949	46,539	82,135	80,000	80,000
Schedule 3 - IT Services	128,535	126,587	171,792	170,000	170,000
Schedule 4 - Finance Services	N/A	N/A	45,000	22,000	22,000
Schedule 5 - Communications Services	N/A	N/A	48,254	48,000	48,000
Total Costs	\$277,751	\$276,073	\$598,795	\$560,000	\$560,000



- b) The 2010 bridge year Service Level Agreement (“SLA”) forecasts were based on the following methodology:

2010 SLA Forecasting Methodology

Service Type	Description
Inter-company Service Level Agreements	2010 estimates were based on same methods used for 2009 charges utilizing 2010 Budget information as the cost base. Calculations are updated for material changes in assumptions or expected service levels. Each service price is calculated taking in to consideration the type of service and service level requirements.
Facilities:	Base rent is based on comparable market costs for similar space. Operating costs are derived from the costs incurred in the Facilities department. Estimates are based on 2010 Budget numbers.
Human Resources	A cost per employee is derived using applicable costs contained in the HR budgets taking into consideration the types and volumes of services requested. Estimates are based on 2010 Budget numbers.
IT	A cost per employee is derived using applicable costs contained in the IT budgets taking into consideration the types of services requested and service level requirements. Estimates are based on 2010 Budget numbers.
Finance	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Finance budgets. Estimates are based on 2010 budget numbers.
Communications	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within Corporate Communications budgets. Estimates are based on 2010 budget numbers.

- c) The 2011 SLAs are prepared in the Fall of 2010; therefore, the 2010 values were carried forward for 2011 forecasting purposes, in the absence of any information to the contrary. The 2011 SLAs will be finalized based on the forecasting methodology described in b) above.



1 **Interrogatory**

2 Interrogatory #6

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

5
6 a) For Schedules 6, 7, 8, 9 and 10 of Attachment D where the pricing indicates that it is
7 based on historical usage patterns and actual costs, please provide the 2007, 2008
8 and 2009 historical data referred to.

9
10 b) Based on the data provided in response to (a) above, please show how each of the
11 2010 bridge year figures has been forecasted in Attachment D.

12
13 c) Please show all the calculations and assumptions used to estimate the 2011 test
14 year figures for various services shown in Attachment D.

15
16 **Response**

17
18 a) The following table provides the actual costs of services received from Hydro Ottawa
19 Holding Inc.



1 **Table 1 - Cost of Services Received from Hydro Ottawa Holding Inc.**

Service Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget
Schedule 6 – Legal, Corporate Admin, Regulatory Affairs	\$571,978	\$553,415	\$695,145	\$650,000	\$665,800
Schedule 7 – Finance, Internal Audit and Risk Management	821,884	911,121	1,829,739	2,470,000	2,530,025
Schedule 8 - Human Resources, Safety and Environment	421,440	421,119	503,579	690,000	706,770
Schedule 9 - Corporate Communications	86,224	(115,504)	(253,125)	(270,000)	(276,565)
Schedule 10 – Management Services	388,475	258,841	610,412	660,000	676,040
Total Costs	\$2,290,001	\$2,260,000	\$3,892,000	\$4,740,000	\$4,855,200

- 2
- 3 b) The 2010 bridge year Service Level Agreement (“SLA”) forecasts were based on the
- 4 following methodology.

5

6



1

2010 SLA Forecasting Methodology

Service Type	Description
Inter-company Service Level Agreements	2010 estimates were based on same methods used for 2009 charges utilizing 2010 Budget information as the cost base. Calculations are updated for material changes in assumptions or expected service levels. Each service price is calculated taking in to consideration the type of service and service level requirements.
Legal, Corporate Administration and Regulatory Affairs	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Legal, Corporate Administration and Regulatory Affairs budgets. Estimates are based on 2010 budget numbers.
Finance, Internal Audit and Risk Management	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Finance, Internal Audit and Risk Management budgets. Estimates are based on 2010 budget numbers.
Human Resources, Safety and Environment	A cost per employee is derived using applicable costs contained in the HR, Safety and Environment budgets according to the types and volume of services requested. Estimates are based on 2010 Budget numbers
Corporate Communications	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Corporate Communications budget. Estimates are based on 2010 budget numbers.
Management Services	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Management Services budgets. Estimates are based on 2010 budget numbers.

2

3 Detailed descriptions of the services offered above are provided in the response to OEB
4 #15.

5

6 c) The 2011 SLA's are prepared in the Fall of 2010; therefore, the 2010 values were
7 carried forward for 2011 forecasting purposes, in the absence of any information to
8 the contrary. The 2011 SLA's will be finalized using the forecasting methodology
9 described in b) above.



Interrogatory

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.

Response

a) The following table provides the actual costs of services provided to Energy Ottawa Inc.

Table 1 - Cost of Services Provided to Energy Ottawa Inc.

Service Description	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget
Schedule 11 – Building or Real Estate Support Services	\$17,000	\$17,000	\$17,353	\$18,053	\$18,053
Schedule 12 – Human Resources	13,096	11,424	21,631	22,000	22,000
Schedule 13 – Information Technology Services	54,098	49,377	53,723	56,000	56,000
Schedule 14 – Finance		50,000	52,814	75,000	75,000
Schedule 15 – Metering and Meter Data Services	113,711	101,268	94,315	80,295	80,295
Schedule 16 – Generation Services	148,751	95,221	106,004	89,000	89,000
Total Costs	\$346,656	\$324,290	\$345,840	\$340,348	\$340,348



- 1 b) The 2010 bridge year Service Level Agreements were based upon the following
2 methodology.
3

4 **2010 SLA Forecasting Methodology**

Service Type	Description
Inter-company Service Level Agreements	2010 estimates were based on same methods used for 2009 charges utilizing 2010 Budget information as the cost base. Calculations are updated for material changes in assumptions or expected service levels. Each service price is calculated taking in to consideration the type of service and service level requirements.
Facilities:	Based on estimate of property tax for generating station at Middle and Booth Streets. Once final tax bills are received, Energy Ottawa is charged the actual cost. On request, pricing for special projects will be based on a fee-for-service basis charged by the hour. Internal labour is charged at \$50 per hour, external labour is charged at cost.
Human Resources	A cost per employee is derived using applicable costs contained in the HR budgets taking into consideration the types and volumes of services requested. Estimates are based on 2010 Budget numbers.
IT	A cost per employee is derived using applicable costs contained in the IT budgets taking into consideration the types of services requested and service level requirements. Estimates are based on 2010 Budget numbers.
Finance	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within the Finance budgets. Estimates are based on 2010 budget numbers.
Communications	An estimated level of time, per service activity, is derived from historical and forecasted levels, factored by applicable costs contained within Corporate Communications budgets. Estimates are based on 2010 budget numbers.
Meter and Meter Data Services	Pricing is based upon historical usage patterns and actual costs, factored by a percentage of time, per activity, at fully-allocated cost. Meter data services are charged on a 'per usage' basis, including web portal services.
Generation Services	Pricing is based upon the hourly salary rate, factored by a productivity rate of 72.5 percent, plus associated benefits and overheads. More details are provided in VECC #7b.

5



- 1 c) The 2011 SLA's are prepared in the Fall of 2010; therefore, the 2010 values were
- 2 carried forward for 2011 forecasting purposes, in the absence of any information to
- 3 the contrary. The 2011 SLA's will be finalized based the forecasting methodology
- 4 described in b) above.



1 **Interrogatory**

2 Interrogatory #8

3
4 Ref: Exhibit A2, Tab 1, Schedule 1, page 9

5
6 What is the status of the class action settlement agreement noted on page 9?

7
8 **Response**

9
10 Following is the status of the class action settlement agreement noted on page 9 of A2-
11 1-1: By Order dated July 22, 2010, The Honourable Mr. Justice Cumming of the Ontario
12 Superior Court of Justice approved the settlement in the Late Payment Penalty class
13 action. The thirty-day appeal period commenced on July 22nd. As is required by law,
14 formal notices of opt out rights (Notices of Settlement) were delivered and published in
15 newspapers across the province on August 24 and 28, 2010. The newspapers included:

- 16
17 • Toronto Star
18 • The Globe and Mail
19 • Ottawa Citizen
20 • Hamilton Spectator
21 • Kitchener-Waterloo Record
22 • London Free Press
23 • Windsor Star
24 • Sudbury Star
25 • Sault Ste. Marie Star
26 • Thunder Bay Chronicle Journal

27
28 All opt out periods will expire 60 days after publication or delivery of the applicable
29 notice. Assuming that less than 10,000 plaintiff class members opt out, the settlement
30 will then be firm and binding. This is anticipated to occur in November.



1 **Interrogatory**

2 Interrogatory #9

3
4 Ref: Exhibit B1, Tab 2, Schedule 5

5
6 a) Is the \$4.0 million shown in Table 10 the 2011 portion of the \$72.5 million shown in
7 Table 8 for the 2011 through 2014 period?

8
9 b) Please explain why the land should be included in rate base if the buildings on the
10 land is construction work in progress.

11
12 c) Is the land used and useful in 2011? If yes, please explain.

13
14 d) When does Hydro Ottawa propose to remove the net book value associated with the
15 disposal of the Albion, Merivale, Bank and 90 Maple Grove properties from rate
16 base?

17
18 e) How does Hydro Ottawa propose that the loss or gain on the sales of these
19 properties shown in Table 6 be dealt with?

20
21 f) What is the expected impact on OM&A, including property taxes, on an annual basis
22 once the facilities in Option 4 are in service and the properties noted above in part
23 (d) are disposed of?

24
25 g) For each of the properties shown in Table 6, please provide the following:

- 26 i) the range of the market values as provided by Altus Group Limited;
27 ii) a breakdown of the range of the market values between land and buildings;
28 iii) a breakdown of the NBV between land and buildings;
29 iv) a breakdown of the gross asset value and the accumulated depreciation for
30 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?

Response

a) Yes, the \$4.0 million shown in Table 10 is the 2011 portion of the \$72.5 million shown in Table 8.

b) Land is eligible for rate basing in the year it is purchased when it is purchased for the purpose of constructing a building that will become part of rate base, assuming that construction will proceed without undue delay. The land receives different treatments than the structures on it, and is used and useful when it becomes available to support the construction of buildings planned for it.

c) Yes, the land is used and useful in 2011; please see the response to b) above for the explanation.

d) Hydro Ottawa has not included 90 Maple Grove in the 2011 Rate Base. The other properties would be required until the administrative building is complete. At this time, we would anticipate removing Albion, Merivale and Bank from the rate base in 2015.

e) Hydro Ottawa proposes that gains and losses from the sale of properties as part of the Facilities Strategy not be addressed until more information about the disposition of properties is available. With regard to any potential issue regarding retroactivity, it is Hydro Ottawa's view that that no party's position with regard to the regulatory treatment of gains and losses arising from the sale of properties under the Facilities



1 Strategy should be prejudiced by reason of the issue being addressed at a later time
2 when more information is available.

3
4 f) Hydro Ottawa has done an initial estimate of the potential operational efficiencies
5 over the longer term. These would result from energy efficiencies, reduced
6 maintenance costs as well as operational efficiencies over a longer-term horizon
7 offset by increased property taxes on some of the buildings. A preliminary estimate
8 of the reduction in OM&A was approximately \$1.5M per year, which would be
9 realized only after all the redundant buildings in the Facilities strategies are disposed
10 of and the operational efficiencies are realized. These estimates and assumptions
11 will be validated and confirmed as more information becomes available.

12
13 g) For each of the properties shown in Table 6:

14
15 i. The range of market values as provided by Altus Group Limited is as follows:

16 **Table 1 – Range of Market Values**

Property	Range of Market Values
Albion	\$10,650,000 to \$12,180,000
Merivale ¹	\$6,750,000 to \$7,250,000
Bank	\$4,250,000 to \$4,750,000
90 Maple Grove	\$1,750,000 to \$1,800,000

17
18 ii. The breakdown of the range of market values between the land and buildings
19 was not requested nor provided as part of the appraisal. The Albion property
20 however did distinguish two different parcels of property, the main building
21 which had a range of \$8,000,000 to \$9,000,000 and the surplus land at the
22 back of the property which had a range of \$2,650,000 to \$3,180,000.

23
24 iii. The breakdown of the NBV between land and buildings is as follows:

25
26

¹ The draft appraisals provided indicated a market value of \$6.3M to \$6.8M as indicated in Exhibit B1-5-2,
Table 2, however the final appraisal received indicated a market value as noted above.



Table 2 – NBV of Land and Buildings

Property	NBV of Building	NBV of Land
Albion	\$10M	\$12,800
Merivale	\$14M	\$605,000
Bank	\$7M	\$225,000
90 Maple Grove	\$1.8M	\$20,800

- iv. The breakdown of the gross asset value and the accumulated depreciation for the buildings is as follows:

Table 3 – Building Cost and Accumulated Depreciation

Property	Gross Asset Value (Cost)	Accumulated Depreciation
Albion	\$16M	\$6M
Merivale	\$17M	\$3M
Bank	\$9M	\$2M
90 Maple Grove	\$2.8M	\$1M

- h) Hydro Ottawa expects a loss on two of the properties listed in Table 6 due to the age of the structures, location, and unique nature of these properties. All of these factors work against a market value appreciation over time. In addition, numerous workarounds and renovations were required to these properties since amalgamation in 2000. At a relatively low average rate of depreciation of 2% per year, the NBV remains high. Added to that, the age and condition of the buildings has necessitated additional capital investment over time to ensure that the buildings remained safe and useful.

- i) The projected NBV for each of the properties when they are forecast to be removed from service and rate base are as follows:

Table 4 – Forecasted NBV of Land and Buildings

Property	NBV of Building	NBV of Land
Albion	\$8.7M	\$12,800
Merivale	\$12.3M	\$604,700
Bank	\$6.2M	\$225,500
90 Maple Grove	\$1.8M	\$20,800



1 **Interrogatory**

2 Interrogatory #10

3
4 Ref: Exhibit B1, Tab 2, Schedule 6

5
6 a) Please provide a detailed breakdown of the 2010 and 2011 capital expenditures
7 into each of the categories shown in Figure 1.

8
9 b) For each category in Figure 1 that contains capital expenditures in 2010 or 2011,
10 please identify the cost of each vehicle/equipment that is forecast to be
11 purchased and indicate whether it is for replacement or an addition to the fleet.
12 For all replacements, please indicate the equipment being replaced and the age
13 of the equipment to be replaced.

14
15 c) Are all of the vehicles being replaced fully depreciated? If not, why is there no
16 net reduction in rate base shown in Tables 5 or 6 of Exhibit B2, Tab 1, Schedule
17 1.

18
19 d) How are the proceeds/scrap value of the replaced vehicles treated? Where in
20 the evidence is this treatment shown?

21
22 **Response**

23
24 a) Refer to the information provided in b).

25
26 b) Table 1 and Table 2 outline the expenditures for 2010 and 2011 respectively.
27



1 Expenditures in 2010 for vehicles are replacements and new vehicles; numbers in
2 parenthesis indicate additional vehicles, whereas other numbers indicate a
3 replacement.

4

5

Table 1 - 2010 Budget Expenditures

Unit Type	Budget Purchases	Model Year	Purchase or Refurbishment Description	Replacement or Refurbishment \$000
Cars	3	2003	Automobile	\$30
		2003	Automobile	30
		1999	Automobile-Hybrid	60
Bucket Trucks	2	1995	Truck-Bucket	420
		1998	Truck-Bucket	420
Radial Boom Derricks	2+(1)	1993	Truck-RBD	350
		1994	(Truck-RBD)	275
		1995	Truck-RBD	350
Full size Pick Up Trucks	1	1998	Truck-P/U Conv	45
Compact Vans	2	2003	Van-Compact	33
		2003	Van-Compact	33
Tension Machines	(2)	1990	(Tensioner-Light)	32
		1990	(Tensioner-Light)	32
Trailers	3	1972	Trailer-Flat Deck	34
		1990	Trailer-Flat Deck	34
		1987	Trailer-Pole 60'	34
Miscellaneous				20
TOTAL	16			\$2,232

6



1 Expenditures in 2011 for all vehicles are replacements. No additional vehicles were
2 budgeted.

3 **Table 2 - 2011 Budget Expenditures**

Unit Type	Budget Purchases	Model Year	Purchase Description	Replacement \$000
Bucket trucks	1	1999	Truck - Bucket	\$250
Radial Boom Derricks	2	1996	Truck - RBD	280
		1996	Truck - RBD	280
Compact pickup trucks	2	2004	Truck - P/U Comp	30
		2004	Truck - P/U Comp	30
Full size pickup trucks	4	2003	Truck - P/U Conv	40
		2003	Truck - P/U Conv	40
		2003	Truck - P/U Conv	40
		2003	Truck - P/U Conv	40
Full size cargo vans	7	2003	Van - Cargo	31
		2003	Van - Cargo	31
		2003	Van - Cargo	31
		2003	Van - Cargo	31
		2003	Van - Cargo	31
		2003	Van - Cargo	31
		2003	Van - Cargo	31
Compact vans	2	2004	Van - Comp	30
		2004	Van - Comp	30
Step Vans/Cube vans	5	1995	Van - Stepside	30
		1998	Van - Stepside	90
		1999	Van - Stepside	90
		1999	Van - Stepside	90
		1998	Van - Stepside	90
Forklifts	3	1994	Forklift	40
		1989	Forklift	40
		1995	Forklift	40
Trailers	2	1990	Trailer - Pole 60'	20
		1990	Trailer - Flat Deck	30
TOTAL	28			\$1,867

4
5
6 c) All replaced vehicles are fully depreciated.



- 1 d) The proceeds or scrap value of the replaced vehicles are treated as “Proceeds from
2 Asset Disposal”. This revenue is used as an offset to the distribution revenue
3 requirement. This can be seen in the evidence in Exhibit C2-1-5, Section 6.3.
4 (\$101k) has been budgeted for 2010 and (\$103k) for 2011. As explained in the
5 response to OEB #3a, Hydro Ottawa doesn’t show routine disposals in the budgeted
6 fixed asset continuity schedule because the amounts are immaterial and subject to a
7 degree of uncertainty.



1 **Interrogatory**

2 Interrogatory #11

3
4 Ref: Exhibit B2, Tab 1, Schedule 1

5
6 a) When were the solar panels included in rate base? In particular, were the solar
7 panels included in rate base as part of the Board approved revenue requirement for
8 2008?

9
10 b) Was 90 Maple Grove included in rate base as part of the Board approved revenue
11 requirement for 2008?

12
13 c) Is the 2009 YE adjustment of (21) for land and buildings shown in Table 5 related
14 solely to 90 Maple Grove? Please reconcile this figure with the net book value of
15 \$1.8 million shown in Table 5 of Exhibit B1, Tab 2, Schedule 5.

16
17 d) What is the net book value of the solar panels that are being removed from rate
18 base?

19
20 **Response**

21
22 a) The solar panels were installed in 2008 and were included in the 2008 rate base.

23
24 b) Yes, Maple Grove was included in rate base as part of the Board approved revenue
25 requirement in 2008. 90 Maple Grove was part of the larger property at 100 Maple
26 Grove that includes Hydro Ottawa's west operations centre. Hydro Ottawa's
27 application to sever the two properties is awaiting city approval.

28
29 c) The 2009 YE adjustment of (21) or (\$20,793) for land and buildings show in Table 5
30 is related solely to the land associated with 90 Maple Grove. The net book value of
31 \$1.8M shown in Exhibit B1-2-5 Table 5 includes both the land and the building itself.



- 1 d) The net book value of the solar panels that were removed from rate base was
- 2 \$263,611.



Interrogatory

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.



Response

a) As explained in Exhibit B4-4-1 Section 5.0, a change in September 2009 to Appendix B of the Distribution System Code requires that upstream costs no longer form part of the economic evaluation formula for load customers. An analysis was performed to estimate the decrease in contributions due to the change, and the contributed capital was adjusted accordingly, largely in Residential Subdivisions. The net impact in 2011 is a reduction to the originally budgeted amount in contributed capital of \$1.29M.

The remaining variance can be explained by differences in the various drivers of contributed capital as explain in Exhibit B4-1-1 Section 5.0 for 2005 to 2009 and Exhibit B4-5-1 for 2009 to 2011.

b) Table 1 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) as requested.

Table 1 –Contributions in CIP

	Contributions and Grants included in CIP (D) \$000	Contributions and Grants included in Capital Expenditures (C) \$000	D/C
2006	\$ 3,404	\$ 20,029	0.17
2007	\$ 5,044	\$ 25,320	0.20
2008	\$ 9,126	\$ 21,237	0.43
2009	\$ 4,684	\$ 20,911	0.22
2010	\$ 4,684	\$ 16,746	0.28
2011	\$ 4,684	\$ 16,570	0.28

c) The higher level of contributions and grants in CIP in 2008 was due to an accounting adjustment which moved approximately \$3.7M of customer deposits into contribution



and grants. This occurred before the projects were capitalized so the contributions were put into CIP.

- d) No column E is included for 2010 and 2011 as Hydro Ottawa normally does not include any disposals or deletions in the budgeting of the fixed asset continuity schedule, as they have historically been immaterial.
- e) Table 2 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) as requested.

Table 2 – CIP and Capital Expenditures

	Gross Assets included in CIP (D) \$000	Capital Expenditures (C) \$000	D/C
2006	\$ 24,495	\$ 95,337	0.26
2007	\$ 29,185	\$ 97,065	0.30
2008	\$ 28,239	\$ 84,370	0.33
2009	\$ 31,971	\$ 81,593	0.39
2010	\$ 24,316	\$ 86,936	0.28
2011	\$ 33,100	\$ 95,291	0.35

- f) The ratio of Gross Assets included in CIP to Capital Expenditures is 0.28 in 2010 compared to an average of 0.34 in the previous three years. Hydro Ottawa does not consider this a 'significant' drop, but just an indication of the normal swings in the levels of construction work in progress reflecting the inherent lumpiness of capital expenditures due to spending on transformer stations. In years when a transformer station is being built, but before it is put in service, CIP will be higher.

- g) Table 5 of Exhibit B2-1-1 has been updated to include the Q2 forecast for 2010.



Table 3 – 2010 Forecast Gross and Net Fixed Assets

Asset Group	2009 CIP actual (A) \$000	2009 Ending Balance \$000	2009 YE Adjustment \$000	Revised 2009 Balance (B) \$000	2010 Capital Expenditures (C) \$000	2010 CIP actual (D) \$000	2010 Deletions (E) \$000	2010 Ending Balance =A+B+C-D+E \$000
Land and Buildings	\$4,262	\$20,789	(\$21)	\$20,769	\$3,019	\$53	\$0	\$27,997
TS Primary Above 50	10,125	51,830	0	51,830	12,359	866	0	73,447
DS	3,212	56,303	0	56,303	10,867	8,761	0	61,621
Poles, Wires	6,201	494,075	0	494,075	32,325	11,734	0	520,868
Line Transformers	2,094	131,331	0	131,331	7,918	1,788	0	139,556
Services and Meters ^[1]	1,071	196,039	0	196,039	12,787	1,027	385	209,255
General Plant	(0)	51,338	(3,065)	48,273	1,254	(116)	0	49,643
Equipment	288	34,705	0	34,705	3,584	(47)	(239)	38,385
IT Assets	4,028	64,435	0	64,435	7,031	1,323	0	74,171
Other Distribution Assets	690	10,822	0	10,822	1,025	82	0	12,454
Contributions & Grants	(4,684)	(156,812)	0	(156,812)	(16,158)	(4,684)	0	(172,970)
Amortization	0	(457,906)	935	(456,971)	(46,652)	0	1	(503,622)
TOTAL	\$27,287	\$496,950	(\$2,151)	\$494,799	\$29,359	\$20,787	\$147	\$530,805

¹ Stranded Meters have been included here.



1 **Interrogatory**

2 Interrogatory #13

3
4 Ref: Exhibit B2, Tab 1, Schedule 1, Attachment S, page 6 &
5 Exhibit B2, Tab 2, Schedule 1, Table 6

6
7 Please provide a mapping of the detailed additions to accumulated depreciation shown
8 in the first reference to the summary values for the amortization expense shown in the
9 second reference.

10
11 **Response**

12
13 Please see the following Table which provides the mapping of the detailed additions to
14 accumulated depreciation shown in Exhibit B2-1-1 Attachment S to the summary values
15 for the amortization expense is shown in Exhibit B2-2-1.



1
2

Table 1 – 2011 Accumulated Amortization Additions

OEB	Description	Detailed Additions to Accumulated Depreciation from B2-1-1 Attach S page 6 \$000	USoA Grouping	Additions to Accumulated Amortization Grouped \$000	Capital Contribution \$000	Table 6 as per B2-2-1 \$000
1805	Lands - Distribution		Land and Buildings	(476)		(476)
1806	Land Rights - Distribution	(46)	Land and Buildings			
1808	Bldgs & Fixtures - Distribution	(429)	Land and Buildings			
1815	Station Equipment (Above 50 KV)	(1,806)	TS Primary Above 50	(1,806)	20	(1,786)
1820	Station Equipment (Below 50 KV)	(2,011)	DS	(2,011)	39	(1,972)
1830	Poles, Towers & Fixtures	(4,807)	Poles, Wires	(19,778)	3,722	(16,056)
1835	Overhead Conductors & Devices	(2,771)	Poles, Wires			
1840	Underground Conduit	(6,076)	Poles, Wires			
1845	U/G Conductors & Devices	(6,126)	Poles, Wires			
1850	Line Transformers	(4,574)	Line Transformers	(4,734)	1,473	(3,261)
1850	Line Transformers in Inventory	(160)	Line Transformers			
1855	Services	(4,185)	Services and Meters	(10,941)	1,677	(9,263)
1860	Meters	(93)	Services and Meters			
1860	Smart Meters	(6,653)	Services and Meters			
1860	Meters in Inventory	(10)	Services and Meters			
1905	Lands - General		Land and Buildings			
1906	Land Rights - General	(1)	Land and Buildings			
1908	Bldgs & Fixtures - General	(912)	General Plant	(972)	31	(941)



OEB	Description	Detailed Additions to Accumulated Depreciation from B2-1-1 Attach S page 6 \$000	USoA Grouping	Additions to Accumulated Amortization Grouped \$000	Capital Contribution \$000	Table 6 as per B2-2-1 \$000
1908	Bldgs & Fixtures - General	(60)	General Plant			
1915	Office Furniture & Equipment	(379)	Equipment	(3,485)	47	(3,438)
1920	Computer Equipment	(1,958)	IT Assets	(9,416)	14	(9,402)
1925	Computer Software 5 Yrs	(4,924)	IT Assets			
1925	Computer Software 10 Yrs	(2,533)	IT Assets			
1930	Automobiles	(115)	Equipment			
1930	Trucks less than 3 tonnes	(179)	Equipment			
1930	Trucks greater than 3 tonnes	(1,707)	Equipment			
1930	Power Operated Equipment	(131)	Equipment			
1935	Stores Equipment	(21)	Equipment			
1940	Tools, Shop & Garage Equipment	(675)	Equipment			
1945	Measurement & Testing Equipment	(54)	Equipment			
1955	Communication Equipment	(199)	Equipment			
1960	Misc. Equipment	(26)	Equipment			
1970	Load Mgmt Controls Cust Prem	(106)	Other Distribution Assets	(883)	28	(855)
1975	Load Mgmt Controls Utility Prem	(7)	Other Distribution Assets			
1980	System Supervisory Equip/Fibre Optic	(769)	Other Distribution Assets			
1995	Contributions & Grants	7,053	Contribution and Grants	7,053		
	Total	(\$47,450)				(\$47,450)



1 **Interrogatory**

2 Interrogatory #14

3
4 Ref: Exhibit B3, Tab 2, Schedule 1

- 5
- 6 a) Please explain why the service lag shown in Tables 3 and 4 is based on the number
7 of customers by rate class rather than by sales revenues, as used in Tables 5 and 6
8 for the billing lag.
9
- 10 b) Please recalculate Tables 3 and 4 using the sales revenues in Tables 5 and 6,
11 respectively, to calculate the service lags for 2008 and 2009. What impact does this
12 change have on the 14.1% shown for 2010 and 2011 in Exhibit B3, Tab 1, Schedule
13 1, Table 1?
14
- 15 c) Please explain why Hydro Ottawa could not produce customer bills (RPP and/or non-
16 RPP) before the spot market price is available? In particular, what on the customer
17 bill could be changed as a result of waiting the additional 10 business days from the
18 end of the month?
19
- 20 d) When does Hydro Ottawa typically read meters? Are the meter reads spread evenly
21 over a calendar month or are they concentrated in a certain period within each
22 month?
23
- 24 e) Please explain how the service lag and the billing lag will be impacted by the use of
25 smart meters. When is this impact expected to occur?
26
- 27 f) Has Hydro Ottawa implemented any measures since 2007 to reduce the collections
28 lag? If not, why not?
29
- 30 g) Does Hydro Ottawa plan to implement any measures in 2010 and/or 2011 to reduce
31 the collection lag? If not, why not?



- 1 h) What is the impact on the 14.1% shown in Exhibit B3, Tab 1, Schedule 1, Table 1 of
2 a 1 day decrease in the revenue lag?
3
- 4 i) Please explain why the service lags shown in Table 10 is larger than that shown in
5 Tables 3 and 4.
6
- 7 j) Please explain the relatively long collections lag shown in Table 10.
8
- 9 k) Please provide a breakdown of the components of the expense lead for the IESO
10 payments shown in Table 11 into its components (for example, from when service is
11 received to when the invoice is received to when payment is made).
12
- 13 l) Please provide the expense lead for the generators shown in Table 11 separately for
14 the affiliate and the non-affiliate expenses.
15
- 16 m) With respect to Table 13, please indicate which costs noted at the top of page 11 are
17 included in payroll and withholdings and which costs are included under benefits.
18
- 19 n) Please show the derivation of the service lead of 6.28 days for payroll and
20 withholdings shown in Table 13 based on the various components identified in part
21 (m) above and the service lead for each of the individual cost components.
22
- 23 o) Please show the derivation of the service lead of 14.04 days for benefits shown in
24 Table 13 based on the various components identified in part (m) above and the
25 service lead for each of the individual cost components.
26
- 27 p) Please show the derivation of the payment lead of 10.66 days for payroll and
28 withholdings shown in Table 13 based on the various components identified in part
29 (m) above and the payment lead for each of the individual cost components.
30



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).

Response

a) As explained on page 4 of Exhibit B3-2-1, service lag is the number of days between when service is provided to a customer and when the customer's meter is read. At the point when a customer's meter is read, there is no actual dollar value associated with the meter-reading activity yet. Therefore, the service lag in Tables 3 and 4 are 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. Furthermore, this methodology of calculating service lag was adopted by Hydro One Networks Inc. ("Hydro One") and



1 previously accepted by the Ontario Energy Board (the “Board” or “OEB”) in EB-2005-
2 0378 and in EB-2009-0096. The same methodology was also adopted by Toronto
3 Hydro Electric System Limited (“THESL”) and accepted by the Board in EB-2007-
4 0680.

- 5
- 6 b) Hydro Ottawa does not see the value in providing this calculation because it is
7 contrary to standard industry practice previously accepted by the Board.
- 8
- 9 c) Even though low volume consumers are typically billed on the fixed regulated price
10 plan (“RPP”), these consumers can opt out to be billed on the spot market price or
11 they can sign a contract with a retailer for the commodity. Furthermore, even though
12 an RPP customer is billed on a pre-determined rate, there is still settlement done in
13 the background that requires the information on what the customer would have been
14 billed on the spot market price. Hydro Ottawa, and all distributors, must calculate the
15 difference between the billed amount at the RPP and the amount that would have
16 been billed at the spot market price and file a claim each month with the Independent
17 Electricity System Operator (“IESO”).

18

19 The system must also calculate the difference between the amount billed on a retail
20 contract and the spot market price for settlement with retailers. Larger customers
21 (that represent a major of the volume sold) are billed on either the spot market price
22 or a weighted average spot market price, and therefore billing cannot commence
23 until the pricing is available from the IESO (10 business days). Given all of these
24 complexities, many Customer Information Systems (“CIS”) were designed to wait for
25 the spot market price for all customers before generating a bill. This provides
26 consistency between customer classes and provides precise and less complicated
27 settlement processes. As a result of this system configuration bill date always lags
28 more than 10 business days from the service end date. It would require a major
29 redevelopment of the CIS to change this process.

30



Hydro Ottawa notes that in the lead/ lag study produced by Hydro One in EB-2005-0378, updated in EB-2009-0096 and accepted by the Board, Hydro One indicated that their billing system also waits for IESO pricing for billing all customers, and this practice was accepted. The same is true for THESL as reported in EB -2007-0680.¹

- d) Hydro Ottawa's meter reads are spread throughout the calendar month within the billing cycle. In other words, Hydro Ottawa is reading meters every business day.
- e) With Smart Meters, meters are being read daily and sent to the provincial meter data management and repository ("MDM/R") for validating, editing and estimating. Customers will continue to be billed on their current schedule (bi-monthly and monthly). There should be no change to the lag in reading/billing accounts that is reflected in the 2008 and 2009 results. By April 2008 Hydro Ottawa had already installed 200,000 Smart Meters and most were being read remotely.

The transition to time of use ("TOU") is following the existing billing cycle which is linked to the billing schedule. There should be no impact or delays. Residential and Small Commercial accounts will have the same 10+ business day lag between the last service date period and bill date that exist today. The reading cycles of the Smart Meters are not changing as customers move to TOU rates.

- f) Since 2007, in an effort to better inform customers and reduce collection lag, Hydro Ottawa has made system and process changes that have reduced the collection lag. As evidence, Hydro Ottawa average aged arrears over a 12 month period for 2007 was \$15.719M; in 2009 the average was \$12.042M.
- g) Hydro Ottawa is presently reviewing the new customer service code amendments introduced by the Board in 2010 in order to meet the October 1st 2010 deadlines. Hydro Ottawa would like to implement new measures to reduce the collection lag but must comply with the new Distribution System Code ("DSC") amendments. In fact,

¹ See p. 16 of Hydro One Report in EB-2005-0378, and p. 7 of the Hydro One Report in EB-2009-0096. Also see p. 9 of the THESL report in EB-2007-0680.



our interpretation to the changes of Section 2.6 Bill Issuance and Payment of the DSC, particularly sub-sections 2.6.4 and 2.6.5 will increase the collection lag by at least three days.

h) If the revenue lag is decreased by 1 day, the 14.1% will become 13.8%.

i) The service lag here is for revenue from other sources including pole and duct rentals, property rentals and miscellaneous work for others activities. The service period is normally not on a monthly or bi-monthly basis, e.g. the pole and duct rentals (which is the largest portion) are settled annually. This is why the service lag shown in Table 10 is higher than that shown in Tables 3 and 4.

j) The collection lag in Table 10 is calculated using the actual monthly aged accounts receivables (“aged A/R”) from the customers. Aged A/R means account receivables that are over 30 days. The amounts are segregated into five intervals: 31 - 60 days, 61 – 90 days, 91 – 120 days, 121 – 365 days, and over 365 days. Then a midpoint for each interval was determined, and the collection lag was calculated. Since the percentage of A/R over 120 days represented about 37.5% of overall aged A/R in 2008, and about 24.88% of overall aged A/R in 2009, the weighted collection lags became higher. However, since revenue from other sources only represents less than 2% of Hydro Ottawa’s total revenue, any impact of the relatively high collection lag here is minimal.

k) The IESO expense lead time is calculated as follows in Tables 1 and 2. The 32.24 days and 32.65 days shown in Tables 1 and 2 below are consistent with what was accepted by the Board for Hydro One in EB-2005-0378 and EB-2009-0096 and for THESL in EB-2007-0680.



1 **Table 1 – 2008 IESO Expense Lead**

Service Start Date	Service End Date	Invoice Date	Payment Due Date	Payment Date	Amount Before GST(\$000)	Service Lead Time	Pmt Lead Time	Total Lead Time	Weight Factor	Expense Time Lead
1-Jan-08	31-Jan-08	14-Feb-08	19-Feb-08	19-Feb-08	39,728	15.00	19.00	34.00	7.96%	2.71
1-Feb-08	29-Feb-08	14-Mar-08	18-Mar-08	18-Mar-08	42,978	14.00	18.00	32.00	8.62%	2.76
1-Mar-08	31-Mar-08	14-Apr-08	16-Apr-08	16-Apr-08	45,878	15.00	16.00	31.00	9.20%	2.85
1-Apr-08	30-Apr-08	14-May-08	16-May-08	16-May-08	37,937	14.50	16.00	30.50	7.61%	2.32
1-May-08	31-May-08	13-Jun-08	17-Jun-08	17-Jun-08	32,417	15.00	17.00	32.00	6.50%	2.08
1-Jun-08	30-Jun-08	15-Jul-08	17-Jul-08	17-Jul-08	44,500	14.50	17.00	31.50	8.92%	2.81
1-Jul-08	31-Jul-08	15-Aug-08	19-Aug-08	19-Aug-08	44,863	15.00	19.00	34.00	8.99%	3.06
1-Aug-08	31-Aug-08	15-Sep-08	17-Sep-08	17-Sep-08	42,468	15.00	17.00	32.00	8.51%	2.72
1-Sep-08	30-Sep-08	15-Oct-08	17-Oct-08	17-Oct-08	41,105	14.50	17.00	31.50	8.24%	2.60
1-Oct-08	31-Oct-08	17-Nov-08	19-Nov-08	19-Nov-08	32,530	15.00	19.00	34.00	6.52%	2.22
1-Nov-08	30-Nov-08	12-Dec-08	16-Dec-08	16-Dec-08	44,385	14.50	16.00	30.50	8.90%	2.71
1-Dec-08	31-Dec-08	15-Jan-09	19-Jan-09	19-Jan-09	50,008	15.00	19.00	34.00	10.03%	3.41
				TOTAL	498,797	14.75	17.50	32.25	100.00%	32.24

2
 3 **Table 2 – 2009 IESO Expense Lead**

Service Start Date	Service End Date	Invoice Date	Payment Due Date	Payment Date	Amount Before GST(\$000)	Service Lead Time	Pmt Lead Time	Total Lead Time	Weight Factor	Expense Time Lead
1-Jan-09	31-Jan-09	13-Feb-09	18-Feb-09	18-Feb-09	48,316	15.00	18.00	33.00	8.82%	2.91
1-Feb-09	28-Feb-09	13-Mar-09	17-Mar-09	17-Mar-09	46,681	13.50	17.00	30.50	8.53%	2.60
1-Mar-09	31-Mar-09	16-Apr-09	20-Apr-09	20-Apr-09	43,311	15.00	20.00	35.00	7.91%	2.77
1-Apr-09	30-Apr-09	14-May-09	19-May-09	19-May-09	38,146	14.50	19.00	33.50	6.97%	2.33
1-May-09	31-May-09	12-Jun-09	16-Jun-09	16-Jun-09	38,282	15.00	16.00	31.00	6.99%	2.17
1-Jun-09	30-Jun-09	15-Jul-09	17-Jul-09	17-Jul-09	45,213	14.50	17.00	31.50	8.26%	2.60
1-Jul-09	31-Jul-09	17-Aug-09	19-Aug-09	19-Aug-09	53,230	15.00	19.00	34.00	9.72%	3.31
1-Aug-09	31-Aug-09	15-Sep-09	17-Sep-09	17-Sep-09	51,775	15.00	17.00	32.00	9.46%	3.03
1-Sep-09	30-Sep-09	15-Oct-09	19-Oct-09	19-Oct-09	39,544	14.50	19.00	33.50	7.22%	2.42
1-Oct-09	31-Oct-09	16-Nov-09	18-Nov-09	18-Nov-09	42,340	15.00	18.00	33.00	7.73%	2.55
1-Nov-09	30-Nov-09	14-Dec-09	16-Dec-09	16-Dec-09	45,474	14.50	16.00	30.50	8.31%	2.53
1-Dec-09	31-Dec-09	15-Jan-10	19-Jan-10	19-Jan-10	55,243	15.00	19.00	34.00	10.09%	3.43
				TOTAL	547,555	14.71	17.92	32.63	100.00%	32.65

4
 5 l) Table 3 shows the breakdown of expense lead between affiliated generators and
 6 non-affiliated generators.

7
 8 **Table 3 - Generators Expense Lead (\$000)**

Vendor	2008				2009			
	Amount	Expense Lead	Weight Factor	Weighted Lead	Amount	Expense Lead	Weight Factor	Weighted Lead
Affiliated Generators	6,214	20.00	93.19%	18.64	3,676	20.00	91.24%	18.25
Non-Affiliated Generators	454	64.02	6.81%	4.36	353	43.49	8.76%	3.81
TOTAL	6,668		100.00%	23.00	4,029		100.00%	22.06



m) With respect to Table 13, costs included in payroll and withholdings are net pay, employee income taxes withheld, both the employees' and employer's portion of Canadian Pension Plan, Employment Insurance, Employer Health Tax and the OMERS remittance. Costs included under benefits are the group insurance plan and the Employee Assistance Program.

n) Table 4 below shows the derivation of the service lead of 6.28 days for payroll and withholdings shown in Table 13.

Table 4 - 2009 Payroll and Withholdings Service Lead

Category	Amount	Weight Factor	Service Lead	Weighted Service Lead
Net Payroll	26,147,562	56.12%	5.00	2.81
Income Tax Withheld	10,309,396	22.13%	5.00	1.11
CPP	2,560,677	5.50%	5.00	0.27
EI	1,000,357	2.15%	5.00	0.11
OMERS	5,758,714	12.36%	14.04	1.74
EHT	818,368	1.76%	14.04	0.25
TOTAL	46,595,073	100.00%		6.28

o) Table 5 below shows the derivation of the service lead of 14.04 days for benefits shown in Table 13.

Table 5 - 2009 Benefits Service Lead

Category	Amount	Weight Factor	Service Lead	Weighted Service Lead
Basic Insurance	110,373	3.69%	14.04	0.52
Group Health Insurance	1,489,783	49.83%	14.04	7.00
Dental Insurance	756,538	25.31%	14.04	3.55
LTD	582,050	19.47%	14.04	2.73
Employee Assistance Program	50,748	1.70%	14.04	0.24
TOTAL	2,989,492	100.00%		14.04

p) Table 6 below shows the derivation of the payment lead of 10.66 days for payroll and withholdings shown in Table 13.



1 **Table 6 - 2009 Payroll and Withholdings Payment Lead**

Category	Amount	Weight Factor	Service Lead	Weighted Service Lead
Net Payroll	26,147,562	56.12%	6.00	3.37
Income Tax Withheld	10,309,396	22.13%	11.00	2.43
CPP	2,560,677	5.50%	11.00	0.60
EI	1,000,357	2.15%	11.00	0.24
OMERS	5,758,714	12.36%	30.42	3.76
EHT	818,368	1.76%	15.00	0.26
TOTAL	46,595,073	100.00%		10.66

2
3 q) Table 7 below shows the derivation of the payment lead of (30.42) days for benefits
4 shown in Table 13. As indicated in Exhibit B3-2-1, payment for benefits is made in
5 advance on the last business day in the month for the next month.
6

7 **Table 7 - 2009 Benefits Payment Lead**

Category	Amount	Weight Factor	Service Lead	Weighted Service Lead
Basic Insurance	110,373	3.69%	(30.42)	(1.12)
Group Health Insurance	1,489,783	49.83%	(30.42)	(15.16)
Dental Insurance	756,538	25.31%	(30.42)	(7.70)
LTD	582,050	19.47%	(30.42)	(5.92)
Employee Assistance Program	50,748	1.70%	(30.42)	(0.52)
TOTAL	2,989,492	100.00%		(30.42)

8
9 r) Tables 8, 9 and 10 below show the details and calculation of the 2009 expense lead
10 for each of the OEB cost assessments, IT maintenance contracts and insurance
11 payments referred to on page 12 of Exhibit B3-2-1.
12

13 **Table 8 - 2009 OEB Cost Assessments Expense Lead**

Service Start	Service End	Service Lead	Payment Date	Payment Lead	Total Lead	Amount	Weight Factor	Weighted ² Lead
1-Jan-09	31-Mar-09	44.50	19-Feb-09	(40.00)	4.50	171,580	0.64%	0.03
1-Apr-09	30-Jun-09	45.00	15-Apr-09	(76.00)	(31.00)	224,922	0.84%	(0.26)
1-Jul-09	30-Sep-09	45.50	21-Jul-09	(71.00)	(25.50)	224,922	0.84%	(0.21)
Total 2009 Consulting and Contracts Expenses						26,895,473		
Total 2009 OEB Cost Assessments Expense Lead								(0.44)

14
² The weighting is based on the contribution to the total of \$26,895,473.



1 **Table 9 - 2009 IT Maintenance Contracts Expense Lead**

Description	Service Start	Service End	Service Lead	Payment Date	Payment Lead	Total Lead	Amount	Weight Factor	Weighted Lead
Software Maintenance	1-Jan-09	31-Jan-09	15.00	2-Apr-08	(304.00)	(289.00)	22,265	0.08%	(0.24)
Database - Processor Perpetual	1-Jan-09	28-Apr-09	58.50	30-Apr-08	(363.00)	(304.50)	13,000	0.05%	(0.15)
Database - Named User Plus Perpetual	1-Jan-09	28-Apr-09	58.50	30-Apr-08	(363.00)	(304.50)	16,679	0.06%	(0.19)
Diagnosis Pack - Named User Perpetual	1-Jan-09	22-May-09	70.50	21-May-08	(366.00)	(295.50)	891	0.00%	(0.01)
Configuration Management Pack - Named User Plus	1-Jan-09	22-May-09	70.50	21-May-08	(366.00)	(295.50)	1,670	0.01%	(0.02)
Tuning Pack - Named User Plus Perpetual	1-Jan-09	22-May-09	70.50	21-May-08	(366.00)	(295.50)	891	0.00%	(0.01)
Software maintenance	1-Feb-09	31-Dec-09	166.50	10-Feb-09	(324.00)	(157.50)	244,912	0.91%	(1.43)
Software	1-Jan-09	31-Dec-09	182.00	18-Mar-09	(288.00)	(106.00)	82,626	0.31%	(0.33)
Software - US Exchange	1-Jan-09	31-Dec-09	182.00	25-Mar-09	(281.00)	(99.00)	19,393	0.07%	(0.07)
Software Information Platform	1-Jan-09	31-Dec-09	182.00	18-Mar-09	(288.00)	(106.00)	11,268	0.04%	(0.04)
Software - US Exchange	1-Jan-09	31-Dec-09	182.00	25-Mar-09	(281.00)	(99.00)	2,644	0.01%	(0.01)
IT Services	1-Mar-09	31-Dec-09	152.50	31-Mar-09	(275.00)	(122.50)	31,569	0.12%	(0.14)
Processor Perpetual	1-Apr-09	31-Dec-09	137.00	30-Apr-09	(245.00)	(108.00)	30,127	0.11%	(0.12)
License -	1-May-09	31-Dec-09	122.00	26-Jun-09	(188.00)	(66.00)	10,475	0.04%	(0.03)
ODI	1-Aug-09	31-Dec-09	76.00	31-Aug-09	(122.00)	(46.00)	2,505	0.01%	(0.00)
Storage Area Network maint & support	1-Jan-09	10-Dec-09	171.50	31-Jan-07	(1,044.00)	(872.50)	19,647	0.07%	(0.64)
On Demand Maintenance	1-Jan-09	4-Mar-09	31.00	31-Mar-08	(338.00)	(307.00)	6,1902	0.02%	(0.07)
Software Maintenance Contract	1-Jan-09	30-Mar-09	44.00	21-May-08	(313.00)	(269.00)	1,620	0.01%	(0.02)
Presentation Server maintenance	1-Jan-09	30-Jun-09	90.00	2-Jun-08	(393.00)	(303.00)	2,866	0.01%	(0.03)
Presentation Server maintenance	1-Jan-09	30-Jun-09	90.00	2-Jun-08	(393.00)	(303.00)	83	0.00%	(0.00)
Payroll Tax Q	1-Jan-09	31-May-09	75.00	31-May-08	(365.00)	(290.00)	1,944	0.01%	(0.02)
Technical Support	1-Jan-09	13-Apr-09	51.00	19-Jun-08	(298.00)	(247.00)	15,420	0.06%	(0.14)
Radio leasing and licenses	1-Jan-09	31-Mar-09	44.50	17-Jan-08	(439.00)	(394.50)	27,607	0.10%	(0.40)
annual maintenance	1-Jan-09	30-Jun-09	90.00	2-Jul-08	(363.00)	(273.00)	4,219	0.02%	(0.04)
Software	1-Jan-09	23-Jun-09	86.50	4-Jul-08	(354.00)	(267.50)	204,782	0.76%	(2.04)
Software Support	1-Jan-09	31-Dec-09	182.00	8-Jan-09	(357.00)	(175.00)	19,855	0.07%	(0.13)
Software maintenance	1-Jan-09	31-Dec-09	182.00	25-Feb-09	(309.00)	(127.00)	32,783	0.12%	(0.15)
Meter license fees	1-Jan-09	31-Dec-09	182.00	31-Mar-09	(275.00)	(93.00)	34,199	0.13%	(0.12)
Named User Plus Perpetual	1-May-09	31-Dec-09	122.00	30-Apr-09	(245.00)	(123.00)	34,359	0.13%	(0.16)
Maintenance agreement	1-May-09	31-Dec-09	122.00	31-May-09	(214.00)	(92.00)	14,774	0.05%	(0.05)
Software	1-Jun-09	31-Dec-09	106.50	25-Jun-09	(189.00)	(82.50)	210,926	0.78%	(0.65)
Network Data Equipment Main.	1-Apr-09	31-Dec-09	137.00	23-Jul-09	(161.00)	(24.00)	32,627	0.12%	(0.03)
Radio leasing & licensing	1-Aug-09	31-Dec-09	76.00	31-Oct-09	(61.00)	15.00	6,272	0.02%	0.00
Telecommunications	1-Nov-09	31-Dec-09	30.00	11-Nov-09	(50.00)	(20.00)	708	0.00%	(0.00)
Communications	1-Apr-09	31-Dec-09	137.00	30-Jul-09	(154.00)	(17.00)	110,426	0.41%	(0.07)
Total 2009 Consulting and Contracts Expenses							26,895,473		
Total 2009 IT Maintenance Contracts Expense Lead									(7.55)

2

3 **Table 10 - 2009 Insurance Expense Lead**

Description	Service Start	Service End	Service Lead	Payment Date	Payment Lead	Total Lead	Amount	Weight Factor	Weighted Lead
Bonding services	1-Jan-09	2-Jul-09	91.00	18-Aug-08	(318.00)	(227.00)	250	0.00%	(0.00)
Comprehensive Liability	1-Jan-09	31-Dec-09	182.00	7-Jan-09	(358.00)	(176.00)	569,068	2.12%	(3.72)
Vehicle Insurance	1-Jan-09	31-Dec-09	182.00	21-Jan-09	(344.00)	(162.00)	73,704	0.27%	(0.44)
Property Insurance	1-Jan-09	31-Dec-09	182.00	26-Jan-09	(339.00)	(157.00)	262,918	0.98%	(1.53)
Casualty Insurance	1-Jan-09	31-Dec-09	182.00	4-Feb-09	(330.00)	(148.00)	4,631	0.02%	(0.03)
Travel Insurance	1-Jan-09	31-Dec-09	182.00	24-Feb-09	(310.00)	(128.00)	2,319	0.01%	(0.01)
Alternative Risk Services	1-Jan-09	31-Dec-09	182.00	23-Mar-09	(283.00)	(101.00)	31,927	0.12%	(0.12)
Total 2009 Consulting and Contracts Expenses							26,895,473		
Total 2009 Insurance Expense Lead									(5.86)

4



- 1 s) Table 11 below shows the details that result in the 2009 expense lead of 61.78 days
 2 credit for property taxes. The credit is generated because property taxes are paid in
 3 the current year for the current year.

4

5

Table 11 – 2009 Property Taxes Expense Lead

Vendor	Service Start Date	Service End Date	Payment Date	Amount	Service Lead	Payment Lead	Total Lead	Weight Factor	Expense Time Lead
Ontario Electricity Fin. Co. - PIL	1-Jan-09	30-Jun-09	16-Apr-09	6,661	90.00	(75.00)	15.00	0.37%	0.06
Ontario Electricity Fin. Co. - PIL	1-Jul-09	31-Dec-09	22-Oct-09	2,657	91.50	(70.00)	21.50	0.15%	0.03
Casselman, Village of	1-Jan-09	30-Jun-09	19-Mar-09	1,074	90.00	(103.00)	(13.00)	0.06%	(0.01)
Casselman, Village of	1-Jul-09	31-Dec-09	10-Sep-09	1,808	91.50	(112.00)	(20.50)	0.10%	(0.02)
Casselman, Village of	1-Jan-09	31-Dec-09	19-Nov-09	11	182.00	(42.00)	140.00	0.00%	0.00
Ottawa, City of - Revenue Office	1-Jul-09	31-Dec-09	11-Jun-09	4,081	91.50	(203.00)	(111.50)	0.23%	(0.25)
Ottawa, City of - Revenue Office	1-Jul-09	31-Dec-09	11-Jun-09	2,200	91.50	(203.00)	(111.50)	0.12%	(0.14)
Ottawa, City of - Revenue Office	1-Jan-09	30-Jun-09	13-Mar-09	4,033	90.00	(109.00)	(19.00)	0.22%	(0.04)
Ottawa, City of - Revenue Office	1-Jul-09	31-Dec-09	11-Jun-09	6,336	91.50	(203.00)	(111.50)	0.35%	(0.39)
Ottawa, City of - Revenue Office	1-Jan-09	30-Jun-09	13-Mar-09	1,785	90.00	(109.00)	(19.00)	0.10%	(0.02)
Ottawa, City of - Revenue Office	1-Jan-09	30-Jun-09	13-Mar-09	5,513	90.00	(109.00)	(19.00)	0.31%	(0.06)
Hydro One Networks Inc.	1-Jan-09	31-Dec-09	23-Dec-09	155	182.00	(8.00)	174.00	0.01%	0.01
City of Ottawa	1-Jul-09	31-Dec-09	18-Jun-09	890,933	91.50	(196.00)	(104.50)	49.62%	(51.86)
Ottawa, City of - Corporate Services	1-Jan-09	30-Jun-09	13-Mar-09	865,613	90.00	(109.00)	(19.00)	48.21%	(9.16)
National Capital Commission	1-Jan-09	31-Dec-09	20-Aug-09	2,549	182.00	(133.00)	49.00	0.14%	0.07
TOTAL				1,795,409				100.00%	(61.78)

6

- 7 t) Table 12 below shows the details and data used to derive an expense lead of 13.09
 8 days for the 2009 payment in lieu of taxes.

9

10

Table 12 – 2009 Payment in Lieu of Taxes Expense Lead

Year Starts	Year Ends	Payment Date	Service Lead (Lag)	Payment Lead (Lag)	Total Lead (Lag)	Payment Amount	Weight	Weighted Lead (Lag)
1-Jan-09	31-Dec-09	22-Jan-09	182.00	(343.00)	(161.00)	1,120,163	7.89%	(12.70)
1-Jan-09	31-Dec-09	19-Feb-09	182.00	(315.00)	(133.00)	1,120,163	7.89%	(10.49)
1-Jan-09	31-Dec-09	19-Mar-09	182.00	(287.00)	(105.00)	1,120,163	7.89%	(8.28)
1-Jan-09	31-Dec-09	16-Apr-09	182.00	(259.00)	(77.00)	6,661	0.05%	(0.04)
1-Jan-09	31-Dec-09	30-Apr-09	182.00	(245.00)	(63.00)	1,120,163	7.89%	(4.97)
1-Jan-09	31-Dec-09	14-May-09	182.00	(231.00)	(49.00)	1,120,163	7.89%	(3.87)
1-Jan-09	31-Dec-09	11-Jun-09	182.00	(203.00)	(21.00)	1,120,163	7.89%	(1.66)
1-Jan-09	31-Dec-09	9-Jul-09	182.00	(175.00)	7.00	1,120,163	7.89%	0.55
1-Jan-09	31-Dec-09	20-Aug-09	182.00	(133.00)	49.00	1,120,163	7.89%	3.87
1-Jan-09	31-Dec-09	17-Sep-09	182.00	(105.00)	77.00	1,120,163	7.89%	6.07
1-Jan-09	31-Dec-09	15-Oct-09	182.00	(77.00)	105.00	1,120,163	7.89%	8.28
1-Jan-09	31-Dec-09	22-Oct-09	182.00	(70.00)	112.00	2,657	0.02%	0.02
1-Jan-09	31-Dec-09	19-Nov-09	182.00	(42.00)	140.00	1,120,163	7.89%	11.04
1-Jan-09	31-Dec-09	10-Dec-09	182.00	(21.00)	161.00	1,120,163	7.89%	12.70
1-Jan-09	31-Dec-09	25-Feb-10	182.00	56.00	238.00	750,000	5.28%	12.57
			182.00	(163.33)	3.00	14,201,274	100.00%	13.09



u) Table 13 below shows the derivation of the (49.67) days lead shown in Table 16 of Exhibit B3-2-1, for revenues from other sources.

Table 13 – 2008 GST Expense Lead for Revenues from Other Sources

Service Period	Service Lag	Billing Lag	Billing Date	Collection Lag	Collection Date	GST Remittance Date	GST Expense Lead (Lag)
A	B	C	D = A+B*2+C	E	F = D+E	G	H = G-F
1-Jan-08	38.31	(28.47)	18-Feb-08	91.94	20-May-08	31-Mar-08	(50.09)
1-Feb-08	38.31	(28.47)	20-Mar-08	91.94	20-Jun-08	30-Apr-08	(51.09)
1-Mar-08	38.31	(28.47)	18-Apr-08	91.94	19-Jul-08	31-May-08	(49.09)
1-Apr-08	38.31	(28.47)	19-May-08	91.94	19-Aug-08	30-Jun-08	(50.09)
1-May-08	38.31	(28.47)	18-Jun-08	91.94	18-Sep-08	31-Jul-08	(49.09)
1-Jun-08	38.31	(28.47)	19-Jul-08	91.94	19-Oct-08	31-Aug-08	(49.09)
1-Jul-08	38.31	(28.47)	18-Aug-08	91.94	18-Nov-08	30-Sep-08	(49.09)
1-Aug-08	38.31	(28.47)	18-Sep-08	91.94	19-Dec-08	31-Oct-08	(49.09)
1-Sep-08	38.31	(28.47)	19-Oct-08	91.94	19-Jan-09	30-Nov-08	(50.09)
1-Oct-08	38.31	(28.47)	18-Nov-08	91.94	18-Feb-09	31-Dec-08	(49.09)
1-Nov-08	38.31	(28.47)	19-Dec-08	91.94	21-Mar-09	31-Jan-09	(49.09)
1-Dec-08	38.31	(28.47)	18-Jan-09	91.94	20-Apr-09	28-Feb-09	(51.09)
2008 GST Expense Lead (Lag)							(49.67)

GST revenue lag is the number of days between when the GST is remitted to the Canada Revenue Agency, and when the GST is actually collected from a customer. So the collection lag, which is the number of days between the date an invoice amount is collected from a customer and the date an invoice is issued, is the factor that determines the GST revenue lag. Although in 2009 the revenues from residential and business customers and revenues from other sources have similar revenue lags, the collection lag for revenues from residential and business customers is only 25.47 days, while the collection lag for revenues from other sources is 74.43 days. As a result, the GST revenue lag for revenues from residential and business customers is much lower than the GST revenue lag for revenues from other sources. It is important to note that the revenues from other sources have a weighting factor of only 1.28% because they are very small in comparison to the revenues from residential and business customers.



1 Interrogatory

2 Interrogatory #15

3
4 Ref: Exhibit B4, Tab 3, Schedule 1 &

5 Exhibit B2, Tab 1, Schedule 1, Attachment S

6
7 a) Please provide an estimate of the reduction in provincial sales tax payable on capital
8 expenditures after July 1, 2010.

9
10 b) Please explain how the reduction in capital expenditures in 2010 due to the
11 elimination of the provincial sales tax on July 1, 2010 will be reflected in the rate
12 base calculation for the 2011 test year under the deferral account approach.

13
14 c) Please provide an updated Table 1 that reflects the most recent year-to-date actual
15 capital expenditures for 2010 along with the most recent forecast for the remainder of
16 the year. Please explain any significant differences including whether the difference
17 is related to delaying the expenditures to 2011 or advancing projects from 2011.

18
19 d) Please provide an update to the 2010 fixed asset continuity schedule for 2010 in
20 Attachment S to Exhibit B2, Tab 1, Schedule 1.

21
22 e) Please expand Table 7 to show actual capital contributions for each of the categories
23 for 2007, 2008 and 2009. Please also provide the historic percentages of
24 contributions in each budget program.

25
26 f) Please provide the total number of units for each type shown in Table 2.

27
28 g) Please explain why any of the capital costs related to the adaptive streetlighting are
29 being paid for by Hydro Ottawa, rather than the City of Ottawa which owns the
30 streetlights.



Response

- a) Based on the PST paid on capital expenses in January to June 2010 of \$686k, it is estimated that there will be a \$1M reduction in provincial sales tax payable on capital expenditures July 1, 2010 to December 31, 2010.
- b) As stated in Exhibit B4-3-1, the capital expenditures shown for the Bridge Year 2010 do not include any adjustment for the Harmonized Sales Tax (“HST”). For 2011 Hydro Ottawa reduced capital expenditures by \$3M in anticipation of the savings related to HST. Hydro Ottawa’s intent was to record the calculated impact on the 2011 revenue requirement of the incremental input tax credit related to the HST for capital expenditures from July 1, 2010 to December 31, 2010 in a deferral account. However, based on the actual impact of PST on 2007-2009 capital, as reported in the response to VECC #33a, it now appears that the reduction proposed for 2011 also incorporated the impact of the HST saving for the half year in 2010 and the use of a deferral account will not be required.
- c) Table 1 has been updated to reflect the original budget for 2010 as well as the 2010 forecast. The 2010 forecast consists of actual expenditures for January through June and forecast expenditures for July through December, 2010.



1 **Table 1 – 2010 Budget and Forecast Capital Expenditures**

Board Groupings	2010 Budget \$000	2010 Forecast \$000	Variance \$000
Land and Buildings	\$1,572	\$3,000	\$1,428
TS Primary Above 50 kV	14,944	12,359	(2,585)
DS	8,061	10,867	2,806
Poles, Wires	27,721	32,325	4,604
Line Transformers	7,950	7,918	(32)
Services and Meters	13,042	12,787	(255)
General Plant	1,642	1,254	(388)
Equipment	3,686	3,584	(102)
IT Assets	7,002	7,031	29
Other Distribution Assets	1,316	1,025	(291)
Gross TOTAL	\$86,936	\$92,150	\$5,214
Capital Contributions	(\$16,746)	(\$20,113)	(\$3,367)
Net TOTAL	\$70,190	\$72,037	\$1,847

2
3 The 2010 forecast expenditures are higher than the budgeted expenditures, largely due
4 to higher than anticipated demand expenditures.

5
6 Land and Buildings
7 Actual expenditures of the land procured for the new substation in west Ottawa,
8 Terry Fox, was higher than originally budgeted.
9 The Ellwood substation 2010 budget expenditures were all in TS Primary Above
10 50 kV. The forecast expenditures for the project are both TS Primary Above 50
11 kV and Land and Buildings, which reflects the appropriate asset classes.

12
13 TS Primary Above 50 kV
14 Expenditures are lower than forecast, not due to a change in the scope of the
15 projects, but due to a correction to the original budget allocations amongst
16 equipment classes.

17
18



DS

Approximately \$1M of costs budgeted for 2009 Eastview switchgear replacement were carried over into 2010, resulting in a change to the forecast. No changes were made to the project scope. Corrections to the original budget allocations amongst equipment classes also impacted the forecast.

Poles, Wires and Capital Contributions

Expenditures in Poles and Wires are forecast to be higher than budgeted due to higher levels of demand activity than anticipated, which impacts expenditures for the distribution system, not including substations. A corresponding increase is forecast in Capital Contributions.

d) Please see the response to EP #12g.

e) Tables 2 and 3 below provide the actual capital contributions for each of the categories for 2007, 2008 and 2009 and the historic percentages of contributions in each budget program.

Table 2 - Historic Capital Contributions

Budget Program	2007 (\$000)	2008 (\$000)	2009 (\$000)
New Commercial Development	(10,445)	(7,168)	(8,469)
Damage to Plant	(381)	(740)	(550)
Infill Service	(1,586)	(1,012)	(1,218)
Plant Relocation & Upgrade	(2,710)	(4,543)	(4,162)
Residential Subdivision	(8,881)	(7,250)	(6,317)
System Expansion Demand	(718)	(270)	(273)
TOTAL	(24,721)	(20,983)	(20,989)



Table 3 - Capital Contributions as percentage of Expenditures

Budget Program	2007	2008	2009
New Commercial Development	133%	101%	109%
Damage to Plant	51%	90%	58%
Infill Service	48%	37%	43%
Plant Relocation & Upgrade	57%	97%	73%
Residential Subdivision	107%	81%	76%
System Expansion Demand	22%	16%	15%
TOTAL	88%	81%	76%

Capital contributions for new commercial development have been in excess of 100% of expenditures due to timing issues. Improvements to internal accounting methods for contributions have been put in place.

f) There is no corresponding number of units associated with Table 2 in Exhibit B4-3-1.

g) Hydro Ottawa is piloting the installation of adaptive streetlighting in a number of locations in the City of Ottawa. Hydro Ottawa believes that this kind of technology will have numerous benefits. Principle among these will be the ability to reduce consumption and peak demand from the streetlighting (total streetlighting consumption in Hydro Ottawa's service area was 38,844 MWh in 2009). Hydro Ottawa now has a legislative mandate to achieve conservation and demand management ("CDM") targets, and it is expected that this project will contribute to the required savings. Therefore this project is consistent with this objective.

In addition, the Green Energy Act has directed each electricity distributor to implement a smart grid in the province. Adaptive streetlighting technology is comparable to other intelligent systems inherent in a smart grid. Therefore, once again this program is consistent with the mandate of an electricity distributor.

Hydro Ottawa acknowledges that there can also be significant benefits to the City of Ottawa because adaptive streetlighting allows for the separate monitoring and



1 control of each lamp. This allows for notification when a lamp has failed, facilitating a
2 more timely replacement and improving public safety and customer service.

3
4 While adaptive streetlighting is consistent with both a distributor's CDM and smart
5 grid objectives, the purpose of Hydro Ottawa's pilot project is to gain an
6 understanding of all costs and benefits to determine if the program is better
7 categorized as a CDM initiative or whether this should be part of smart grid
8 implementation under Hydro Ottawa's Green Energy Act Plan. For this reason,
9 Hydro Ottawa included the project in its capital program for this pilot phase.

10
11 The capital expenditures planned for 2010 remain modest at \$486k. Hydro Ottawa
12 will evaluate the results to determine how to proceed in subsequent years.



1 **Interrogatory**

2 Interrogatory #16

3

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

5

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

8

9 **Response**

10

11 All of the radial boom derricks are planned to be put into service in the year in which they
12 are purchased.

13



1 **Interrogatory**

2 Interrogatory #17

3

4 Ref: Exhibit B5, Tab 1, Schedule 1

5

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

7

8 **Response**

9

10 The AFUDC rate used for budgeting purposes for both 2010 and 2011 was 5.67%.



1 **Interrogatory**

2 Interrogatory #18

3
4 Ref: Exhibit C1, Tab 1, Schedule 1

5
6 a) Please confirm that the last column in Table 1 should be labelled "Variance Weather
7 Normal to Forecast".

8
9 b) Please confirm the accuracy of the 0.27% shown in the last column of Table 1 for
10 2009. Should this figure actually be -0.60%?

11
12 c) Please provide the estimated equation used to forecast system energy, including the
13 estimated coefficients, associated t-statistics and overall regression statistics.

14
15 d) Please indicate when the forecasts shown in Table 17 were made.

16
17 e) Please update Table 17 to reflect the most recent forecasts available for the
18 explanatory variables shown. Please provide the system energy forecast for 2010
19 and 2011 that would result from the updated forecasts for the explanatory variables.

20
21 f) Please provide the estimated equation used to forecast system peak, including the
22 estimated coefficients, associated t-statistics and overall regression statistics.

23
24 g) How has Hydro Ottawa forecast peak-producing weather? Please provide the data
25 used to produce the peak-producing weather forecasts.

26
27 h) Please provide all the sales forecast models used for each of the rate classes, as
28 described on pages 8 and 9. Please include the estimated coefficients, associated t-
29 statistics and overall regression statistics. Please also provide the forecast for each
30 of the explanatory variables used in each equation.



- 1 i) Please provide all the demand forecast models used for each of the rate classes, as
2 described on page 9. Please include the estimated coefficients, associated t-
3 statistics and overall regression statistics. Please also provide the forecast for each
4 of the explanatory variables used in each equation.
5
- 6 j) Please explain why the billing demand forecasts were not calibrated to a control
7 total.
8
- 9 k) Please provide all the customer forecast models used for each customer class, as
10 described on page 11. Please include the estimated coefficients, associated t-
11 statistics and overall regression statistics. Please also provide the forecast for each
12 of the explanatory variables used in each equation.
13
- 14 l) Please explain why there is no adjustment to the number of residential customers in
15 2011 related to the suite metering pilot project. Will the pilot project be continued in
16 2011?
17
- 18 m) Has Hydro Ottawa adjusted the customer or energy forecast for any other rate
19 classes to reflect the movement of customers from bulk metering to suite metering?
20 If yes, please explain what adjustments were made.
21
- 22 n) Please provide all the demand forecast models used for each customer class, as
23 described on page 13. Please include the estimated coefficients, associated t-
24 statistics and overall regression statistics. Please also provide the forecast for each
25 of the explanatory variables used in each equation.
26
- 27 o) Please explain the difference in the demand forecasts discussed on pages 13 and 14
28 with the billing demand forecasts discussed on page 9. Please provide a table that
29 compares, for each rate class, for each year shown in Tables 13 and 14, the class
30 demand forecast, the billing demand forecast and the difference between the two.
31



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.

Response

a) The last column in Table 1 of Exhibit C1-1-1 should be labelled “Variance Weather Normal to Forecast”.

b) The variance weather normal to forecast for 2009 should be -0.60% not 0.27% as shown.

c) Please see Attachment 1 for the model equation and related statistics of the model used to forecast system energy.

d) The forecasts of the Economic Variables shown on Table 17 of Exhibit C1-1-1 were published March 9, 2010 by the Conference Board of Canada.

e) The following table provides the August 24, 2010 updated forecast of the Economic Variables shown in Table 17. Please see the response to CCC #19 for the updated system energy forecast.

Table 1 – Updated Forecast of Economic Variables

	GDP	% Chg	RPI	% Chg	POP	% Chg	Emp	% Chg	NMan Emp	% Chg
2009	45,427		43,988		1,221		660		624	
2010	47,291	4.10	45,150	2.64	1,236	1.24	677	2.68	646	3.56
2011	48,477	2.51	45,595	0.98	1,245	0.74	680	0.40	642	- 0.62



1 f) Please see Attachment 1 for the model equation and related statistics of the model
2 used to forecast system peak.

3
4 g) The following information was provided by Itron on how peak-producing weather was
5 forecasted: Normal peak-day weather conditions are based on actual hourly
6 reported weather conditions for Ottawa for the last ten years. From the hourly data,
7 an average daily drybulb temperature, dew point, and wind speed were calculated.
8 The next step was to generate a daily Heating Degree Day (“HDD”) and two-day
9 weighted Cooling Degree Day (“TCDD”). The HDD is calculated using a base of 10
10 degrees and the TCDD is calculated using a base of 18 degrees.

11
12 It was assumed that the monthly system-peak demand and service area coincident
13 peak demands would have occurred on the most extreme temperature days during
14 the month. This assumption was necessary because there was not sufficient
15 historical load data to determine the date of the peak 30 years ago. For each month,
16 the coldest day during the heating season (October to April), and the hottest day
17 during the cooling season (May to September) were extracted. This results in 609
18 monthly observations of peak-day HDD10 and TCDD18.

19
20 The Rank-and-Average approach to calculate normal peak-day weather was used.
21 First HDDs were ranked from the coldest peak-producing day (i.e., highest HDD
22 value) to the warmest peak-producing day (i.e., lowest HDD value) for each year.
23 TCDD were ranked from the hottest peak-producing day in the year to the coolest
24 peak-producing day. Once each year was ranked, the peak-day weather variables
25 were averaged across the ranking. For HDD, the coldest observation in each of the
26 past thirty years was averaged, the second coldest observation was averaged, etc.
27 For TCDD, the hottest days in each year were averaged, the second hottest days
28 were averaged, etc.

29
30 The result is a set of 12 average peak-day HDD10 and TCDD18. The peak-day
31 normal degree-days are finally mapped to a calendar year based on the occurrence



where the peak is most likely to occur. The coldest day (highest peak HDD) is mapped to January; the second coldest day is mapped to February, and so forth. Similarly, the highest TCDD value is mapped to July, the next highest to August, and so forth. Table 2 shows the resulting normal peak-day weather variables for each month.

Table 2 - Normal Peak-Day Variables (10-Year Average)

Month	HDD10	TCDD18
January	31.7	0.0
February	29.0	0.0
March	22.4	0.0
April	12.3	0.0
May	0.0	0.0
June	0.0	4.0
July	0.0	5.6
August	0.0	4.9
September	0.0	2.9
October	8.7	0.0
November	15.8	0.0
December	26.4	0.0

- h) Please see Attachment 1 for the model equation and related statistics of the model used to forecast sales for each of the rate classes.
- i) Please see Attachment 1 for the model equation and related statistics of the model used to forecast demand for each of the rate classes.
- j) The billing demand forecasts are not calibrated to a control total as the class billing demand can occur at any time during the month and as a result a calibration to the system peak demand would not be reliable.
- k) Please see Attachment 1 for the model equation and related statistics of the model used to forecast customer numbers for each of the rate classes.
- l) No adjustment has been made to the number of residential customers in 2011 related to the suite metering project because Hydro Ottawa has not yet determined



the extent of the suite meter project in 2011. Similarly no costs for the suite have been included in 2011. The results from the program in 2010 will be evaluated before determining the plans for any program in subsequent years.

m) Except for the addition of 500 customers to the Residential customer forecast for 2010, Hydro Ottawa has not made any adjustments to the customer or energy forecast for any other rate classes to reflect the movement of customers from bulk metering to suite metering.

n) Please see the response to #18i above.

o) The demand forecasts discussed on pages 13 and 14 and shown in Tables 13 and 14 of Exhibit C1-1-1 are one and the same as the billing demand forecasts discussed on page 9 of the same Exhibit.

p) The MW forecast associated with the transformer ownership credit ("TOC") in 2010 and 2011 is based on a historical percentage of the MW forecast sales for the three classes which receive the TOC, as per Table 1 below. As the forecast of Total MW sales increases the MW forecast associated with the TOC also increases.

Table 1 – Calculation of Transformer Ownership Credit

	Total MW sales	Total MW for Transformer Ownership Credit	% of MW for TOC over Total Sales
2008 Actual	10,197	2,556	25
2009 Actual	10,152	2,515	25
2010 Forecast	10,404	2,622	25
2011 Forecast	10,548	2,604	25



System Energy				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	-215671.31	30743.49	-7.02	0.00%
BinT.Days	21373.73	875.73	24.41	0.00%
BinT.WkEndDays	-1862.39	765.70	-2.43	1.66%
Economics.GDP	3.95	0.42	9.37	0.00%
MWthrT.HDD8	274.52	4.22	65.05	0.00%
MWthrT.CDD18	906.87	25.05	36.21	0.00%
BinT.Yr01	12673.24	2328.64	5.44	0.00%
BinT.Yr02	6552.59	2191.54	2.99	0.34%
BinT.Aug03	-48557.50	6872.51	-7.07	0.00%
BinT.Mar	-12498.19	2344.17	-5.33	0.00%
BinT.Apr	-16347.04	2375.31	-6.88	0.00%
BinT.May	-22942.59	2582.37	-8.88	0.00%
BinT.Oct	-14024.83	2678.01	-5.24	0.00%
BinT.After06	-5235.47	2416.61	-2.17	3.24%
BinT.Jan08	31262.00	6803.94	4.60	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	127
Deg. of Freedom for Error	112
R-Squared	0.987
Adjusted R-Squared	0.986
AIC	17.697
BIC	18.033
F-Statistic	624.986
Log-Likelihood	-1,288.99
Model Sum of Squares	380,074,926,506
Sum of Squared Errors	4,865,071,896
Mean Squared Error	43,438,141.92
Std. Error of Regression	6,590.76
Mean Abs. Dev. (MAD)	4,923.36
Mean Abs. % Err. (MAPE)	0.76%
Durbin-Watson Statistic	1.936
Ljung-Box Statistic	27.53
Prob (Ljung-Box)	0.2803
Skewness	-0.104
Kurtosis	3.048
Jarque-Bera	0.242
Prob (Jarque-Bera)	0.8859



System Demand				
Variable	Coefficient	StdErr	T-Stat	P-Value
PkWthrT.PKHDD10_Filled	6.527	0.869	7.509	0.00%
PkWthrT.PKCDD18_Filled	61.746	3.601	17.146	0.00%
MoFcstT.Ma_Energy	0.001	0	7.81	0.00%
MoFcstT.Sys_GWh	0.001	0	3.386	0.11%
BinT.Sep03	-68.974	42.962	-1.605	11.18%
BinT.Mar	-48.104	16.271	-2.956	0.40%
BinT.Apr	-80.413	17.368	-4.63	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	99
Deg. of Freedom for Error	92
R-Squared	0.917
Adjusted R-Squared	0.911
AIC	7.531
BIC	7.715
Log-Likelihood	-506.28
Model Sum of Squares	1,765,457.28
Sum of Squared Errors	160,335.09
Mean Squared Error	1,742.77
Std. Error of Regression	41.75
Mean Abs. Dev. (MAD)	32.58
Mean Abs. % Err. (MAPE)	2.71%
Durbin-Watson Statistic	1.646
Ljung-Box Statistic	23.16
Prob (Ljung-Box)	0.5101
Skewness	0.238
Kurtosis	3.204
Jarque-Bera	1.109
Prob (Jarque-Bera)	0.5743



Residential Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	444989.633	289220.7	1.539	12.75%
Economics.Pop	5.28	17.849	0.296	76.81%
AR(1)	0.998	0.003	380.049	0.00%

Regression Statistics	
Iterations	22
Adjusted Observations	90
Deg. of Freedom for Error	87
R-Squared	0.999
Adjusted R-Squared	0.999
AIC	10.848
BIC	10.931
F-Statistic	79924.912
Log-Likelihood	-612.86
Model Sum of Squares	7,956,130,025.09
Sum of Squared Errors	4,330,210.03
Mean Squared Error	49,772.53
Std. Error of Regression	223.1
Mean Abs. Dev. (MAD)	147.88
Mean Abs. % Err. (MAPE)	0.06%
Durbin-Watson Statistic	2.644
Ljung-Box Statistic	38.81
Prob (Ljung-Box)	0.0286
Skewness	1.626
Kurtosis	9.242
Jarque-Bera	185.803



Residential kWh				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	140036.288	3247.26	43.124	0.00%
MEconT.RPI_LagHDD18	0.002	0	9.904	0.00%
MEconT.RPI_Lag2HDD18	0	0	2.543	1.30%
MEconT.RPI_LagCDD18	0.007	0.002	4.381	0.00%
MEconT.RPI_Lag2CDD18	0.008	0.002	5.353	0.00%
BinT.Spr08	-11549.198	4108.947	-2.811	0.63%
BinT.Dec07	-64987.181	12629.74	-5.146	0.00%
BinT.Dec06	-33209.58	12259.77	-2.709	0.83%
BinT.Jun09	-26608.28	12569.05	-2.117	3.75%
BinT.Mar03	41061.692	12381.78	3.316	0.14%
BinT.Mar04	79797.093	12361.39	6.455	0.00%
BinT.Aug03	-36728.112	15450.4	-2.377	1.99%
BinT.Sep03	38261.933	15371.74	2.489	1.50%
MA(1)	-0.635	0.101	-6.281	0.00%

Regression Statistics	
Iterations	29
Adjusted Observations	91
Deg. of Freedom for Error	77
R-Squared	0.797
Adjusted R-Squared	0.763
AIC	19.364
BIC	19.751
F-Statistic	23.276
Log-Likelihood	-996.2
Model Sum of Squares	67,544,323,367.17
Sum of Squared Errors	17,188,376,068.30
Mean Squared Error	223,225,663.22
Std. Error of Regression	14,940.74
Mean Abs. Dev. (MAD)	10,463.40
Mean Abs. % Err. (MAPE)	5.63%
Durbin-Watson Statistic	1.917
Ljung-Box Statistic	52.76
Prob (Ljung-Box)	0.0006
Skewness	-0.057
Kurtosis	3.153
Jarque-Bera	0.137
Prob (Jarque-Bera)	0.9336



Small Commercial Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	17750.704	370.469	47.914	0.00%
BinT.Fall03	622.78	37.304	16.695	0.00%
BinT.Aft04	-357.964	27.094	-13.212	0.00%
BinT.Aft05	-46.609	27.614	-1.688	9.51%
Res_Custs.Predicted	0.022	0.002	14.793	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	90
Deg. of Freedom for Error	85
R-Squared	0.88
Adjusted R-Squared	0.875
AIC	8.483
BIC	8.622
F-Statistic	156.555
Log-Likelihood	-504.44
Model Sum of Squares	2,867,014.62
Sum of Squared Errors	389,153.78
Mean Squared Error	4,578.28
Std. Error of Regression	67.66
Mean Abs. Dev. (MAD)	52.24
Mean Abs. % Err. (MAPE)	0.23%
Durbin-Watson Statistic	1.223
Ljung-Box Statistic	167.83
Skewness	0.567
Kurtosis	3.933
Jarque-Bera	8.084
Prob (Jarque-Bera)	0.0176



Small Commercial kWh				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	59564.522	2111.509	28.209	0.00%
MEconT.GDP_Lag2HDD18	0.001	0	8.223	0.00%
MEconT.GDP_Lag2CDD17	0.002	0	4.871	0.00%
BinT.Dec06	-12028.875	7015.854	-1.715	9.04%
BinT.Spr08	-7258.619	2825.904	-2.569	1.21%
BinT.Jun07	-8018.831	6955.537	-1.153	25.25%
BinT.Dec07	-19889.883	6989.079	-2.846	0.57%
BinT.Apr07	-13607.127	7173.583	-1.897	6.16%
BinT.Spr09	-6657.461	2824.109	-2.357	2.09%
BinT.AftFeb04	-7539.522	1689.352	-4.463	0.00%
BinT.Apr03	-34948.352	7754.392	-4.507	0.00%
AR(1)	-0.586	0.094	-6.235	0.00%

Regression Statistics	
Iterations	9
Adjusted Observations	90
Deg. of Freedom for Error	78
R-Squared	0.616
Adjusted R-Squared	0.561
AIC	18.077
BIC	18.41
F-Statistic	11.354
Log-Likelihood	-929.16
Model Sum of Squares	7,825,915,228.60
Sum of Squared Errors	4,887,533,575.62
Mean Squared Error	62,660,686.87
Std. Error of Regression	7,915.85
Mean Abs. Dev. (MAD)	5,837.51
Mean Abs. % Err. (MAPE)	9.52%
Durbin-Watson Statistic	1.826
Ljung-Box Statistic	22.41
Prob (Ljung-Box)	0.5551
Skewness	0.098
Kurtosis	3.131
Jarque-Bera	0.208
Prob (Jarque-Bera)	0.9014



General Service 50 - 1000 kW Non Interval Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	3892.194	564.299	689.70%	0.00%
Economics.Emp	-0.581	0.808	-71.90%	47.40%
BinT.AftSep03	-728.235	35.893	-2028.90%	0.00%
BinT.Spring06	37.907	34.395	110.20%	27.36%
BinT.AftJun06	-102.189	42.795	-238.80%	1.92%
BinT.Yr05	29.087	24.208	120.20%	23.30%
BinT.Aug03	-182.846	24.607	-743.10%	0.00%
AR(1)	0.964	0.024	4052.50%	0.00%

Regression Statistics	
Iterations	18
Adjusted Observations	90
Deg. of Freedom for Error	82
R-Squared	0.982
Adjusted R-Squared	0.981
AIC	6.411
BIC	6.633
F-Statistic	651.252
Log-Likelihood	-408.18
Model Sum of Squares	2,547,652.82
Sum of Squared Errors	45,825.50
Mean Squared Error	558.85
Std. Error of Regression	23.64
Mean Abs. Dev. (MAD)	12.79
Mean Abs. % Err. (MAPE)	0.48%
Durbin-Watson Statistic	2.012
Ljung-Box Statistic	32.73
Prob (Ljung-Box)	0.11
Skewness	-3.353
Kurtosis	20.512
Jarque-Bera	1318.589



General Service 50 - 1000 kW Non Interval kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	68623.897	13710.29	5.005	0.00%
Sales.GS1000NI_MWh	2.047	0.092	22.294	0.00%
BinT.Jan	-9519.234	8166.214	-1.166	24.72%
BinT.Feb	-38487.56	7898.805	-4.873	0.00%
BinT.Jun	40169.386	7824.998	5.133	0.00%
BinT.Oct	20303.748	8200.065	2.476	1.54%
BinT.Nov	12040.399	8782.516	1.371	17.43%
BinT.Apr03	-57404.436	21023.31	-2.731	0.78%
BinT.Nov03	141599.581	21903.98	6.465	0.00%
BinT.Dec03	-117659.595	20518.41	-5.734	0.00%
BinT.Apr04	110074.132	20510.55	5.367	0.00%
BinT.May04	-123802.041	20499.18	-6.039	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	79
R-Squared	0.903
Adjusted R-Squared	0.889
AIC	19.955
BIC	20.286
F-Statistic	66.735
Log-Likelihood	-1,025.09
Model Sum of Squares	301,373,141,105.78
Sum of Squared Errors	32,432,708,660.38
Mean Squared Error	410,540,615.95
Std. Error of Regression	20,261.80
Mean Abs. Dev. (MAD)	14,822.99
Mean Abs. % Err. (MAPE)	4.07%
Durbin-Watson Statistic	2.32
Ljung-Box Statistic	16.86
Prob (Ljung-Box)	0.8544
Skewness	-0.124
Kurtosis	2.607
Jarque-Bera	0.818
Prob (Jarque-Bera)	0.6642



General Service 50 - 1000 kW Interval Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
Economics.Emp	0.805	0.08	10.107	0.00%
BinT.AftMay05	8.797	5.3	1.66	10.06%
BinT.Aft05	0.382	5.344	0.071	94.32%
AR(1)	0.985	0.008	127.015	0.00%

Regression Statistics	
Iterations	25
Adjusted Observations	90
Deg. of Freedom for Error	86
R-Squared	0.996
Adjusted R-Squared	0.996
AIC	3.367
BIC	3.478
Log-Likelihood	-275.2
Model Sum of Squares	665,785.96
Sum of Squared Errors	2,386.14
Mean Squared Error	27.75
Std. Error of Regression	5.27
Mean Abs. Dev. (MAD)	3.72
Mean Abs. % Err. (MAPE)	0.87%
Durbin-Watson Statistic	1.343
Ljung-Box Statistic	29.76
Prob (Ljung-Box)	0.1927
Skewness	1.28
Kurtosis	5.98
Jarque-Bera	57.879



General Service 50 - 1000 Interval kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	-17501.805	9792.376	-1.787	7.94%
BinT.TrendVar	3622.02	1425.686	2.541	1.39%
Sales.GS1000I_MWh	1.551	0.293	5.286	0.00%
BinT.Jan	-4609.344	3497.755	-1.318	19.30%
BinT.Feb	-2334.752	3440.637	-0.679	50.02%
BinT.Apr	-1682.635	3408.137	-0.494	62.35%
BinT.May	11882.837	4008.17	2.965	0.45%
BinT.Jun	19400.771	3877.413	5.004	0.00%
BinT.Jul	11948.181	3443.761	3.47	0.10%
BinT.Sep	11674.168	3633.452	3.213	0.22%
BinT.Oct	10011.401	3763.126	2.66	1.02%
BinT.Nov	2176.999	3956.399	0.55	58.44%

Regression Statistics	
Iterations	1
Adjusted Observations	67
Deg. of Freedom for Error	55
R-Squared	0.896
Adjusted R-Squared	0.876
AIC	17.894
BIC	18.289
F-Statistic	43.27
Log-Likelihood	-682.51
Model Sum of Squares	23,924,803,182.15
Sum of Squared Errors	2,764,623,145.13
Mean Squared Error	50,265,875.37
Std. Error of Regression	7,089.84
Mean Abs. Dev. (MAD)	4,858.66
Mean Abs. % Err. (MAPE)	2.79%
Durbin-Watson Statistic	2.047
Ljung-Box Statistic	30.12
Prob (Ljung-Box)	0.1808
Skewness	0.622
Kurtosis	4.589
Jarque-Bera	11.375
Prob (Jarque-Bera)	0.0034



General Service 1000-1500 Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
Simple	0.847	0.122	6.964	0

Regression Statistics	
Iterations	11
Adjusted Observations	67
Deg. of Freedom for Error	66
R-Squared	0.811
Adjusted R-Squared	0.811
AIC	1.36
BIC	1.393
Log-Likelihood	-139.62
Model Sum of Squares	1,090
Sum of Squared Errors	253
Mean Squared Error	3.84
Std. Error of Regression	1.96
Mean Abs. Dev. (MAD)	0.78
Mean Abs. % Err. (MAPE)	1.32%
Durbin-Watson Statistic	2.02
Ljung-Box Statistic	9.74
Prob (Ljung-Box)	0.9955
Skewness	-4.221
Kurtosis	29.351
Jarque-Bera	2137.4



General Service 1000-1500 kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	4884.112	3558.091	1.373	17.38%
BinT.TrendVar	383.692	146.873	2.612	1.08%
Sales.GS1500_MWh	1.779	0.112	15.887	0.00%
BinT.Jan	-2296.547	1129.715	-2.033	4.55%
BinT.Feb	-2408.574	1129.942	-2.132	3.62%
BinT.Apr	-4150.137	1129.027	-3.676	0.04%
BinT.May	4361.929	1199.068	3.638	0.05%
BinT.Jun	4511.336	1213.006	3.719	0.04%
BinT.Jul	1651.63	1133.295	1.457	14.90%
BinT.Oct	1724.886	1193.306	1.445	15.23%
BinT.Nov	2423.409	1207.778	2.007	4.83%
BinT.Jun03	-8569.082	3079.456	-2.783	0.68%
BinT.Sep03	6567.254	2900.168	2.264	2.63%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	78
R-Squared	0.831
Adjusted R-Squared	0.805
AIC	16.018
BIC	16.376
F-Statistic	31.934
Log-Likelihood	-844.92
Model Sum of Squares	3,038,343,238.48
Sum of Squared Errors	618,448,657.81
Mean Squared Error	7,928,828.95
Std. Error of Regression	2,815.82
Mean Abs. Dev. (MAD)	1,835.32
Mean Abs. % Err. (MAPE)	2.88%
Durbin-Watson Statistic	2.392
Ljung-Box Statistic	36.37
Prob (Ljung-Box)	0.0505
Skewness	0.001
Kurtosis	9.269
Jarque-Bera	149.022



General Service > 1500 kW Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	42.476	8.084	5.255	0.00%
MEconT.NManEmp	0.035	0.013	2.616	1.05%
BinT.Bef06	-2.753	0.934	-2.948	0.41%
BinT.NManEmpAftJun06	0.003	0.001	2.324	2.24%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	87
R-Squared	0.761
Adjusted R-Squared	0.753
AIC	1.177
BIC	1.287
F-Statistic	92.368
Log-Likelihood	-178.67
Model Sum of Squares	861.17
Sum of Squared Errors	270.37
Mean Squared Error	3.11
Std. Error of Regression	1.76
Mean Abs. Dev. (MAD)	1.35
Mean Abs. % Err. (MAPE)	2.19%
Durbin-Watson Statistic	0.547
Ljung-Box Statistic	161.12
Skewness	-0.426
Kurtosis	3.327
Jarque-Bera	3.164
Prob (Jarque-Bera)	0.2056



General Service > 1500 kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	22930.543	10758.36	2.131	3.62%
BinT.TrendVar	-918.77	285.781	-3.215	0.19%
Sales.GS5000_MWh	1.911	0.177	10.772	0.00%
BinT.Feb	-197.514	2163.954	-0.091	92.75%
BinT.Mar	1600.385	2153.63	0.743	45.96%
BinT.May	9852.216	2160.542	4.56	0.00%
BinT.Jun	17256.335	2278.707	7.573	0.00%
BinT.Jul	14549.352	2281.997	6.376	0.00%
BinT.Aug	11881.396	2530.081	4.696	0.00%
BinT.Sep	13895.902	2430.06	5.718	0.00%
BinT.Oct	12523.703	2279.235	5.495	0.00%
BinT.Nov	11912.569	2264.124	5.261	0.00%
BinT.Jun03	-32088.372	5701.379	-5.628	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	78
R-Squared	0.85
Adjusted R-Squared	0.827
AIC	17.261
BIC	17.62
F-Statistic	36.769
Log-Likelihood	-901.5
Model Sum of Squares	12,129,986,797.15
Sum of Squared Errors	2,144,336,651.86
Mean Squared Error	27,491,495.54
Std. Error of Regression	5,243.23
Mean Abs. Dev. (MAD)	3,767.69
Mean Abs. % Err. (MAPE)	2.56%
Durbin-Watson Statistic	2.185
Ljung-Box Statistic	29.59
Prob (Ljung-Box)	0.1986
Skewness	0.227
Kurtosis	3.382
Jarque-Bera	1.334
Prob (Jarque-Bera)	0.5133



Large Use Customers				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	6.537	0.882	7.412	0.00%
MEconT.NManEmp	0.008	0.002	5.073	0.00%
BinT.AftFeb04	-1.094	0.08	-13.721	0.00%
BinT.AftJun06	0.845	0.08	10.613	0.00%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	87
R-Squared	0.846
Adjusted R-Squared	0.841
AIC	-2.89
BIC	-2.78
F-Statistic	159.224
Log-Likelihood	6.23
Model Sum of Squares	25.51
Sum of Squared Errors	4.65
Mean Squared Error	0.05
Std. Error of Regression	0.23
Mean Abs. Dev. (MAD)	0.16
Mean Abs. % Err. (MAPE)	1.41%
Durbin-Watson Statistic	0.228
Ljung-Box Statistic	193.38
Skewness	1.762
Kurtosis	6.18
Jarque-Bera	85.421



Large Use kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	29882.9	8290.941	3.604	0.06%
Sales.GSLrg_MWh	1.17	0.159	7.356	0.00%
BinT.Feb	-2252.092	1679.435	-1.341	18.38%
BinT.Apr	-2321.109	1682.832	-1.379	17.17%
BinT.May	1070.641	1682.441	0.636	52.64%
BinT.Jun	10788.049	1782.86	6.051	0.00%
BinT.Jul	11209.026	1906.891	5.878	0.00%
BinT.Aug	12086.999	2277.932	5.306	0.00%
BinT.Sep	10348.42	1990.381	5.199	0.00%
BinT.Oct	8333.19	1863.061	4.473	0.00%
BinT.Nov	4215.104	1766.115	2.387	1.94%
BinT.Jun03	-15929.224	4374.937	-3.641	0.05%

Regression Statistics	
Iterations	1
Adjusted Observations	91
Deg. of Freedom for Error	79
R-Squared	0.85
Adjusted R-Squared	0.829
AIC	16.756
BIC	17.087
F-Statistic	40.678
Log-Likelihood	-879.5
Model Sum of Squares	7,489,857,891.62
Sum of Squared Errors	1,322,359,602.40
Mean Squared Error	16,738,729.14
Std. Error of Regression	4,091.30
Mean Abs. Dev. (MAD)	2,871.89
Mean Abs. % Err. (MAPE)	2.89%
Durbin-Watson Statistic	2.09
Ljung-Box Statistic	28.32
Prob (Ljung-Box)	0.2466
Skewness	0.723
Kurtosis	4.258
Jarque-Bera	13.921
Prob (Jarque-Bera)	0.0009



Street Lighting connections				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	-67340.791	10745.7	-6.267	0.00%
BinT.AftOct06	38.118	305.483	0.125	90.10%
Economics.Pop	97.779	9.132	10.708	0.00%
AR(1)	0.911	0.041	22.479	0.00%

Regression Statistics	
Iterations	13
Adjusted Observations	98
Deg. of Freedom for Err	94
R-Squared	0.993
Adjusted R-Squared	0.992
AIC	11.484
BIC	11.589
F-Statistic	4151.292
Log-Likelihood	-697.77
Model Sum of Squares	1,162,417,370.46
Sum of Squared Errors	8,773,753.27
Mean Squared Error	93,337.80
Std. Error of Regression	305.51
Mean Abs. Dev. (MAD)	163.23
Mean Abs. % Err. (MAP)	0.34%
Durbin-Watson Statistic	1.422
Ljung-Box Statistic	36.83
Prob (Ljung-Box)	0.0455
Skewness	3.581
Kurtosis	19.368
Jarque-Bera	1303.497



Street Lighting kW				
Variable	Coefficient	StdErr	T-Stat	P-Value
CONST	5203.493	308.833	16.849	0.00%
BinT.TrendVar	223.161	19.945	11.189	0.00%
BinT.AftJul06	-5.127	76.841	-0.067	94.70%
BinT.Jul07	2221.604	74.233	29.927	0.00%
MA(1)	0.777	0.079	9.876	0.00%

Regression Statistics	
Iterations	22
Adjusted Observations	79
Deg. of Freedom for Error	74
R-Squared	0.95
Adjusted R-Squared	0.947
AIC	9.572
BIC	9.722
F-Statistic	351.726
Log-Likelihood	-485.21
Model Sum of Squares	19,008,930.11
Sum of Squared Errors	999,828.19
Mean Squared Error	13,511.19
Std. Error of Regression	116.24
Mean Abs. Dev. (MAD)	84.96
Mean Abs. % Err. (MAPE)	0.92%
Durbin-Watson Statistic	1.207
Ljung-Box Statistic	69.59
Prob (Ljung-Box)	0
Skewness	1.745
Kurtosis	8.056
Jarque-Bera	124.246



Unmetered Scattered Load connections				
Variable	Coefficient	StdErr	T-Stat	P-Value
Simple	1.157	0.122	9.517	0

Regression Statistics	
Iterations	16
Adjusted Observations	67
Deg. of Freedom for Error	66
R-Squared	0.716
Adjusted R-Squared	0.716
AIC	9.264
BIC	9.297
Log-Likelihood	-404.41
Model Sum of Squares	1,730,666
Sum of Squared Errors	685,982
Mean Squared Error	10,393.67
Std. Error of Regression	101.95
Mean Abs. Dev. (MAD)	31.88
Mean Abs. % Err. (MAPE)	1.10%
Durbin-Watson Statistic	2.041
Ljung-Box Statistic	24.99
Prob (Ljung-Box)	0.4061
Skewness	2.196
Kurtosis	21.653
Jarque-Bera	1025.2



Unmetered Scattered Load kWh				
Variable	Coefficient	StdErr	T-Stat	P-Value
Simple	0.694	0.135	5.152	0

Regression Statistics	
Iterations	20
Adjusted Observations	50
Deg. of Freedom for Error	49
R-Squared	-0.063
Adjusted R-Squared	-0.063
AIC	11.869
BIC	11.907
Log-Likelihood	-366.68
Model Sum of Squares	-403,877
Sum of Squared Errors	6,859,847
Mean Squared Error	139,996.87
Std. Error of Regression	374.16
Mean Abs. Dev. (MAD)	220.38
Mean Abs. % Err. (MAPE)	13.35%
Durbin-Watson Statistic	1.89
Ljung-Box Statistic	21.43
Prob (Ljung-Box)	0.6131
Skewness	-0.746
Kurtosis	7.087
Jarque-Bera	39.4



1 **Interrogatory**

2 Interrogatory #19

3
4 Ref: Exhibit C2, Tab 1, Schedule 1

5
6 a) Please provide a table in the same level of detail as shown in Table 1 that shows that
7 most recent year-to-date figures available for 2010, along with the corresponding
8 year-to-date figures for 2009.

9
10 b) Please explain the significant increase in 2009 for revenues from access to power
11 poles shown in Table 2 and please indicate why the revenues are forecast to be flat
12 in 2010 and 2011 as compared to 2009.

13
14 c) Please provide the latest year-to-date figure available for 2010 for revenues from
15 access to power poles and the corresponding figure for the same period in 2009.

16
17 d) Please confirm that the specific service charges for 2011 are identical to those
18 forecast for 2010, with the exception of an additional \$25,000 forecast for 2011 for
19 account set up charges.

20
21 e) With respect to accounts 4235 and 4330 shown in Attachment V, please explain:

- 22
23 i) the reduction of almost \$40,000 in 2010 and 2011 relative to that recorded in
24 2009 related to the service level agreements with Hydro Ottawa Holding;
25 ii) the significant reduction associated with work for others net revenue from 2008 to
26 2009 and the continued reduction forecast for 2010 and 2011; and,
27 iii) please explain the net cost of \$47,523 forecast for 2011 for work for others net
28 revenue. In particular, why would Hydro Ottawa undertake work at a loss?

29
30 f) With respect to the non-utility revenue discussed on page 9, please confirm that the
31 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?

Response

a) A comparison of actual year-to-date data (January to June) for 2009 and 2010 Other Revenue is provided in Table 1, below.



1 **Table 1 - Other Revenue Summary**

Other Revenue	2009 Actual	June 2009 Actual YTD	2010 Budget	June 2010 Actual YTD	2011 Budget
Specific Service Charges	\$3,735,135	\$1,688,366	\$3,682,795	\$1,653,175	\$3,707,794
Late Payment Charges	1,349,209	733,908	1,384,800	611,276	1,400,000
SSS Admin Charge	782,904	392,537	794,253	396,801	802,546
Other Distribution Revenue	347,527	175,258	349,400	165,300	351,400
Other Income & Deductions	1,709,043	832,047	1,730,699	791,551	1,665,550
TOTAL	\$7,923,818	\$3,822,116	\$7,941,947	\$3,618,103	\$7,927,290

- 2
- 3 b) Pole attachment revenues include amounts paid by an affiliate (until 2008) and
4 amounts paid by other utilities. Actual revenues in 2009 were \$71k above 2008
5 levels due to the reconciliation of 2008 pole attachments that were trued up 2009.
6 True-ups are now performed in the year of occurrence, commencing in 2009.
7 Further details on forecasted revenues are provided under 19 i).
- 8
- 9 c) Actual year-to-date pole attachment revenue as of June 2009 and June 2010 was
10 \$704,387 and \$667,113, respectively.
- 11
- 12 d) Yes, 2011 specific service charges are forecasted to be identical to the forecasted
13 2010 values, with the exception of an additional \$25,000 forecast for 2011 account
14 set up charges. This is due to the ongoing development of online, customer self-
15 service options for obtaining account information, making payments, et cetera, which
16 is reducing the number of direct requests for some chargeable services. Further,
17 anticipated (and since adopted) Ontario Energy Board code amendments relating to
18 customer service practices are expected to reduce the number of collections-related
19 charges. Given the outcomes of the aforementioned changes are not clearly known,
20 most of the forecasted revenues for 2010 were carried forward to 2011.
- 21



1 e) i) The reduction of approximately \$40k in the 2010 and 2011 forecasted revenues,
2 relating to services for Hydro Ottawa Holding Inc., were due to anticipated reductions
3 in Finance, IT and Human Resources service requirements as a result of the addition
4 of a Chief Information Officer, a Human Resources Manager and a Supervisor of
5 Treasury to the Holding Company in 2010.

6
7 ii) Work for Others net revenue is primarily declining due to the fact that the service
8 charges associated with providing these services, located in Appendix G of *Hydro*
9 *Ottawa's Conditions of Service* have not changed since 2007. At the time of the
10 2011 rate application filing, the effective date of the revised *Conditions of Service*
11 was not confirmed; therefore, the associated pricing impacts could not be
12 determined. Further, Hydro Ottawa elects to provide some customer requested
13 services free of charge, such as the provision annual vault shutdowns, and a free
14 basic service must be provided to residential customers per the Distribution System
15 Code. Customer demand for these services can vary from year to year, as will the
16 associated impact on revenues. Further details on vault shutdowns are provided in
17 OEB #19 b).

18
19 iii) As noted in 19e ii) above, the 2011 Work for Others forecast was based upon
20 existing service charges and anticipated customer activity.

21
22 f) The small number of houses Hydro Ottawa owns and rents are not included in the
23 rate base, therefore, the associated costs are not reflected in Hydro Ottawa's
24 distribution revenue requirement.

25
26 g) As noted in Exhibit C2-1-1, Page 10, the property at 90 Maple Grove was removed
27 from the rate base, therefore, the associated costs are not reflected in Hydro
28 Ottawa's distribution revenue requirement.

29
30 h) The rate used to calculate interest and dividend income for 2010 and 2011 was
31 based on the prime rate ranging between 2.5 and 2.75 percent, less 2 percent and



1 an average balance of \$9M. Interest rates are forecast based on available forward
2 looking information in the marketplace.

- 3
- 4 i) Growth in pole attachment revenue between 2010 and 2011 is not expected to be
5 material. Incremental pole attachment revenue is driven by the construction of new
6 pole lines, referred to as line extensions. There is \$5M in the 2011 capital budget for
7 both overhead and underground line extensions. Assuming 50 percent of the budget
8 is allocated to overhead lines, approximately 150 new poles would be added.
9 Assuming two thirds of the new poles have attachments, the additional revenue
10 would be approximately \$4,600 (\$23x100x2 carriers). Meanwhile, existing pole
11 attachments may be removed, as carriers upgrade and often bury their new plant,
12 thereby reducing pole attachment revenue.



1 **Interrogatory**

2 Interrogatory #20

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

5
6 The evidence indicates that Hydro Ottawa expects to have 52 apprentices at the end of
7 2010 with an additional 18 scheduled for 2011, bringing the total apprentice count to 61.

8
9 a) Please confirm that the apprentice count of 61 in 2011 includes the graduation of 9
10 apprentices in 2011 (i.e. $61 = 52 + 18 - 9$). If this cannot be confirmed, please
11 indicate how the apprentice count of 61 was derived.

12
13 b) Please indicate how many of the apprentice positions in 2011 qualify for the
14 Apprenticeship Training Tax Credit.

15
16 c) Please indicate how many of the apprentice positions in 2011 qualify for the federal
17 Apprenticeship Job Creation tax credit.

18
19 **Response**

20
21 a) The apprentice program was started in 2005 and it is expected that 9 graduates will
22 become fully certified in 2011. The apprentice count by year-end 2011 will be 61.

23
24 b) Please refer to the response for EP #37a.

25
26 c) Please refer to the response for EP #37a.



Interrogatory

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%.

Response

- a) Table 1 below shows 2009 Q2 (January to June) actual vs. 2010 Q2 actual

	2009 Q2 Actual	2010 Q2 Actual	Variance 2010 Q2 – 2009 Q2
Operation	\$6,125,516	\$6,330,198	\$204,682
Maintenance	2,083,440	2,738,234	654,794
Billing and Collecting	4,753,951	4,423,800	(330,151)
Community Relations	2,261,198	2,507,224	246,026
Administrative and General	10,964,055	11,094,506	130,451
Taxes	910,235	789,565	(120,670)
Total OM&A Expenses	\$27,098,395	\$27,883,527	\$785,132

- b) Hydro Ottawa confirms that the annual compound growth rate for total OM&A between 2008 and 2011 is 6.7%.



- 1 c) Hydro Ottawa confirms that the annual compound growth rate for total OM&A
- 2 between 2009 and 2011 is 9.7%.



1 **Interrogatory**

2 Interrogatory #22

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

- 5
6 a) What was the actual OEB Annual Assessment for 2010?
7
8 b) What is the actual other regulatory agency fees or assessments for 2010?
9
10 c) Does the 2011 forecast of regulatory expenses include a forecast for the current cost
11 of service application? If not, why not?
12
13 d) Please provide a detailed forecast associated with the current cost of service
14 application broken down into its major components including legal costs, consultant
15 costs, advertising, intervenor costs, etc.
16
17 e) Does Hydro Ottawa propose to amortize the cost associated with the current cost of
18 service application over more than 1 year? If yes, over what period? If no, why is all
19 the cost included in the revenue requirement for the test year? Does Hydro Ottawa
20 expect to file another cost of service application for 2012 rates?

21
22 **Response**

- 23
24 a) The assessment from the Ontario Energy Board for their 2010 fiscal year is \$228,390
25 each quarter, therefore \$913,560 on an annualized basis.
26
27 b) The Electrical Safety Authority assessment for 2010 was \$125,276.
28
29 c) & d) Please refer to the responses to CCC #6 and #25. Hydro Ottawa has budgeted
30 approximately the same regulatory costs each year. Hydro Ottawa hopes that the
31 2011 rate application will be concluded in 2010, however, it is typical for certain



1 studies to be required in 2011, either resulting from the existing rate application or in
2 preparation for the next.

3
4 In determining the budgets for 2010 and 2011, Hydro Ottawa reflected on the costs
5 in 2007 and 2008, the last time that Hydro Ottawa did a cost of service rate
6 application. The costs for 2010 and 2011 were then smoothed out between the two
7 years rather than doing a specific amortization of the costs of the 2011 cost of
8 service rate application. The budget dollars in 2010 and 2011 separately are likely
9 insufficient to cover a full cost of service rate application each year. Naturally the
10 costs vary depending on the length of hearing time and number of interrogatories.
11 Hydro Ottawa has not yet made its decision on whether it will file a cost of service
12 rate application for 2012. It is expected that cost of service applications will be filed
13 at least every two years. Therefore, the budget dollars for 2010 and 2011 represent
14 a reasonable distribution of total costs between the two years.

15
16 Typically, a cost of service application for Hydro Ottawa includes roughly the
17 following incremental costs, i.e. does not include Regulatory staff.

18

19	Legal Fees	\$200,000
20	Intervenor and Board Costs	\$100,000
21	Consulting	\$ 20,000
22	Additional Travel	\$ 10,000
23	Seconded Staff	<u>\$ 70,000</u>
24		\$400,000

25

26 Hydro Ottawa has recognized that its Regulatory department is under resourced to
27 meet all of the requirements. Consulting dollars were budgeted to help address this
28 situation, but the budget dollars may be shifted to internal staff time (either full-time
29 or seconded).



1 **Interrogatory**

2 Interrogatory #23

3
4 Ref: Exhibit D1, Tab 1, Schedule 2, pages 11 & 12 and
5 Exhibit D1, Tab 1, Schedule 1, page 8
6

7 a) Has Hydro Ottawa included LEAP funding in its revenue requirement to reflect 0.12%
8 of the distribution revenue requirement? If not, why not? If yes, please indicate
9 where this expense is shown.
10

11 b) What is the amount associated with 0.12% of the distribution revenue requirement
12 for 2011?
13

14 c) Does Hydro Ottawa agree that charitable donations of \$51,510 forecast for 2011
15 would form a portion of the LEAP funding? If not, why not?
16

17 **Response**

18
19 a) Hydro Ottawa has not included LEAP funding in its revenue requirement to reflect
20 0.12% of the distribution revenue requirement as at the time of preparing the 2011
21 Rate Application the details of the LEAP program were not finalized.
22

23 b) The amount associated with 0.12% of the distribution revenue requirement for 2011
24 is $0.12\% \times \$158\text{M} = \$189,600$.
25

26 c) Please see the response to VECC #44a for a discussion of charitable donations.
27 Hydro Ottawa agrees that the \$65,000 for the Winter Warmth Program would form a
28 portion of the LEAP funding.



1 **Interrogatory**

2 Interrogatory #24

3

4 Ref: Exhibit D1, Tab 2, Schedule 1, Table 4 and

5 Exhibit C1, Tab 1, Schedule 1, page 11

6

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

9

10 **Response**

11

12 When the Master Service Agreement with Energy Ottawa was signed in late 2009, the
13 estimated activity was based on the deployment of 750 units at \$500 each. When the
14 load forecast was prepared in mid 2010 it was determined that a more realistic
15 deployment target was 500 units.



1 **Interrogatory**

2 Interrogatory #25

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

5
6 a) Please provide the actual and forecasted inflation rates used to generate the figures
7 for Inflation and Other in Table 2.

8
9 b) Why was there no productivity target for 2008 or 2009?

10
11 c) Why is there no productivity target forecast for the 2010 bridge year?

12
13 d) How was the productivity target of \$1.0 million for the 2011 test year estimated?

14
15 e) Please break down the 2008 through 2011 increases related to the collective
16 agreement/annual progressions into unionized and non-unionized staff figures.

17
18 f) For each of 2008 through 2011, what portion of the increases shown for the
19 collective agreement/annual progressions was related to annual progressions?

20
21 **Response**

22
23 a) Values in the *Inflation and Other* row in Table 2 combine inflation estimates and an
24 amalgam of other adjustments that individually do not constitute significant cost
25 drivers. For inflation, annual budget guidelines set an aggregate non-compensation
26 inflation factor. The guidelines are set on aggregate increases to reflect the fact that
27 certain non-compensation contracts are subject to fixed increases that may differ
28 from current inflation. For 2010, the guideline was for 1% aggregate non-
29 compensation inflation. For 2011, the guideline is 2%. Actual inflation experience in
30 2008 and 2009 varies depending on the type of expenditure.



b) For all years other than the 2011 Test Year in Table 2, the annual productivity targets have been allocated and realized within specific operating expenses. That is, they are no longer targets to be allocated, but reductions in costs that are factored into annual budgets. Targets are allocated to specific programs during the annual budget process.

c) See response to question b).

d) Annual productivity targets are 1% of gross OM&A (prior to allocations to capital).

e) The amounts allocated for unionized and non-unionized staff per year are as follows.

Year	Unionized Staff	Non-Unionized Staff
2008	\$910,000	\$490,000
2009	\$940,000	\$460,000
2010 projected	\$1,020,000	\$480,000
2011 projected	\$1,020,000	\$480,000

f) There are no annual progressions for non-unionized staff. The portions included in the above for annual progressions for unionized staff are as follows:

2008 – \$136,500

2009 – \$192,350

2010 – \$232,600

2011 – Projected at \$183,250.



1 **Interrogatory**

2 Interrogatory #26

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

5
6 The evidence indicates that in 2010 the positions of Chief Information Officer, Supervisor
7 of Treasury Services, Manager of Human Resources and Executive Assistant were
8 added.

9
10 a) Please confirm that these positions were added at Hydro Ottawa Holding Inc.

11
12 b) What is the 2011 forecast cost associated with these positions in aggregate,
13 including benefits?

14
15 c) What portion of the 2011 forecast cost associated with these positions is allocated to
16 Hydro Ottawa?

17
18 d) Are these positions providing new services to Hydro Ottawa, or are they replacing
19 services that were provided internally at Hydro Ottawa?

20
21 e) If the response to part (d) is that these are new services, please explain why Hydro
22 Ottawa requires these services when it did not have them previously.

23
24 f) If the response to part (d) is that they are replacing services that previously provided
25 internally at Hydro Ottawa, please quantify the reduced internal costs for Hydro
26 Ottawa and indicate where in the evidence this cost reduction has been reflected.



Response

- a) All four positions were added. The Chief Information Officer, Supervisor Treasury Services, Executive Assistant and Manager (now Director) Human Resources are staffed.
- b) The 2011 forecast cost associated with these positions in aggregate, including benefits, is \$707,326.
- c) The 2011 cost allocation to Hydro Ottawa Limited for the positions are as follows;
- Chief Information Officer – 55%
 - Supervisor of Treasury Services – 69%
 - Executive Assistant – 69%
 - Manager/Director of Human Resources – 93%
- d) These four positions are providing new services, support and leadership to Hydro Ottawa.
- e) Hydro Ottawa requires these new services as they provide additional technical support, advice and direction to peers and others in areas critical to the business. In addition, the Chief Information Officer position emanated from various recommendations resulting from audits; this position provides vision and leadership on strategic decisions regarding information technology and information management which was not previously available at Hydro Ottawa.
- f) Not applicable given answer to part (d) above.



1 **Interrogatory**

2 Interrogatory #27

3
4 Ref: Exhibit D1, Tab 2, Schedule 1, page 4

- 5
6 a) Please provide the economic increases in compensation (percentages) for the
7 Holding Company for 2008, 2009 and forecast for 2010 and 2011.
8
9 b) Please provide the inflationary increases (percentages) forecast for expenses for the
10 Holding Company.
11
12 c) What is the impact on the Holding Company costs allocated to Ottawa Hydro for
13 every one percentage point change in economic increases in compensation and for
14 every one percentage point change in the inflation forecast for expenses?
15

16 **Response**

- 17 a) The average economic increases for the Holding Company for the years stipulated
18 are as follows:
19 2008 – 2.73%
20 2009 – 2.41%
21 2010 – 2.0%
22 2011 – forecast at an average of 3.0%
23
24 b) For Holding Company expenses (not including compensation) the inflationary
25 increases forecast were 0% for 2010 and 2% for 2011.
26
27 c) For every one percentage point change in compensation and Holding Company
28 costs, 50% of that increase is allocated to Hydro Ottawa Limited.



Interrogatory

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.

Response

a) The International Financial Reporting Standards (“IFRS”) related costs have been allocated to Hydro Ottawa on a percentage basis at the rates shown in Table 1.

Table 1 – Allocation of IFRS Costs

	Hydro Ottawa	Energy Ottawa and the Holding Company
Accounting Consultant ¹	90%	10%
Hydro Ottawa compensation	100%	0%
Holding Company compensation	90%	10%
Energy Ottawa compensation	0%	100%
Administration	Depends on nature of item ²	

¹ Ernst & Young, note that costs incurred prior to 2009 were 100% allocated to the Holding Company

² At the end of 2009, no administrative costs have been requested for reimbursement. As of the end of June 2010, \$3,125 had been spent on travel in relation to IFRS of which 100% has been allocated to Hydro Ottawa as the travel related solely to Hydro Ottawa.



- 1 b) All of the IFRS related costs shown in Tables 3, 4 and 5 are operating expenses and
2 do not included any capital expenditures.
3
- 4 c) IFRS related costs are now expected after 2011 due to a recent exposure draft
5 issued by the Canadian Accounting Standards Board (“AcSB”). The exposure draft
6 provides a two-year extension on the implementation to IFRS. It is expected that the
7 IFRS implementation date will now be January 1, 2013 instead of January 1, 2011.
8 However, Hydro Ottawa is unable to quantify the impact on costs at this time, the
9 work plan of the International Accounting Standards Board needs to be reviewed to
10 determine what standards will change in this two-year time frame as well as what
11 project activities can be internally sourced given the additional implementation time.



Interrogatory

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.

Response

Table 1 - Year-to-Date Locate Requests, July

	2009	2010
Number of Requests	21,647	31,989



1 **Interrogatory**

2 Interrogatory #30

3
4 Ref: Exhibit D3, Tab 1, Schedule 3 &
5 Exhibit D2, Tab 1, Schedule 1
6

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

10
11 a) Please clarify whether or not the figures in Table 1 in Exhibit D2, Tab 1, Schedule 1
12 are the gross expenditures or the net expenditures after recovery of costs from the
13 insurer.

14
15 b) How much lower were the 2009 actual expenses in miscellaneous distribution
16 expenses as a result of the cost recovery associated with the Beacon Hill Substation
17 fire?
18

19 **Response**

20
21 a) The figures in Table 1 in Exhibit D2-1-1 are gross expenditures for the Beacon Hill
22 fire.
23

24 b) Hydro Ottawa has estimated the amount of resources diverted from planned work at
25 \$1.1 million as indicated in Exhibit D1-1-2 Table 2, Cost Drivers.



1 **Interrogatory**

2 Interrogatory #31

3
4 Ref: Exhibit D3, Tab 1, Schedule 3 &
5 Exhibit D1, Tab 1, Schedule 1
6

7 At page 6, the evidence refers to the maintenance costs for 2010 returning to normal
8 levels, an increase from 2009 of \$835k. This increase was said to be related to the
9 Beacon Hill Substation fire on the maintenance allocations in 2009. However, as shown
10 in Table 1 of Exhibit D1, Tab 1, Schedule 1, total maintenance costs in 2008 were very
11 similar to the level of costs recorded in 2009.
12

13 Please reconcile the statement that the increase in 2010 of \$835K over the 2009 levels
14 represents a return to normal levels of maintenance costs when the actual maintenance
15 costs in 2008 were very similar to the level recorded in 2009.
16

17 **Response**

18
19 Hydro Ottawa's forecast takes into consideration that maintenance costs for the
20 distribution system will increase each year as more and more assets are added and
21 existing assets age. The 2009 maintenance level would have been higher if not for the
22 Beacon Hill fire and any maintenance that was not carried out in that year will need to be
23 completed in subsequent years. Hydro Ottawa is therefore expecting maintenance to
24 resume at the required level to ensure the distribution system reliability is maintained.



1 **Interrogatory**

2 Interrogatory #32

3

4 Ref: Exhibit D3, Tab 1, Schedule 3

5

6 The evidence indicates that insurance costs were forecast to double in 2010 to
7 \$764,000.

8

9 Please provide the actual insurance cost for 2010.

10

11 **Response**

12

13 The current forecast reflecting actual premiums invoiced is \$700,000 for 2010. In
14 addition to this, new valuations have been provided to the insurer increasing the total
15 insured value by \$39.9M.

16

17 The premium adjustment for this amount is estimated at \$101,000 bringing the total
18 2010 premium to \$801,000.



1 **Interrogatory**

2 Interrogatory #33

3
4 Ref: Exhibit D3, Tab 1, Schedule 4
5

- 6 a) Please explain the 18% increase, or \$379,253 in miscellaneous distribution expense
7 shown in Table 1 for 2011 as compared to 2010.
8
9 b) Please show the split of the \$1.8 million attributed to annual compensation increases
10 and step progression increases into each of those two components and for unionized
11 versus non-unionized employees.
12
13 c) What annual compensation increase has been assumed for unionized employees in
14 2010 and 2011?
15
16 d) What annual compensation increase has been assumed for non-union employees in
17 2010 and 2011?
18

19 **Response**

- 20
21 a) Account 5085, Miscellaneous Distribution Expense is budgeted using a cost recovery
22 method. All salaries and expenses associated with the operation of the distribution
23 system are initially placed in account 5085. This account is subsequently reduced by
24 allocating costs to capital work orders, maintenance work orders and work performed
25 for outside entities. The increase is associated with compensation. The addition of 14
26 apprentices will increase total compensation however the majority of their wages will
27 remain in account 5085 since the apprentices, being new employees, will not be
28 allocated to capital or maintenance while they are in training.
29
30 b) The chart below provides the split between the annual increases for unionized and
31 non-unionized employees, as well as the step progression increases for unionized
32 employees (note that there are no step progression increases for non-unionized



1 employees). This latter amount totals \$1.5 million with the remainder \$300,000
2 attributed to increases in allowances and benefit and pension premiums.

2011 - projected	Unionized Employees	Non-Unionized Employees
Annual Increases	\$836,750	\$480,000
Step Progression Increases	\$183,250	Not applicable

3
4 c) The percentage increase to base pay was assumed at 3% for 2010 and 3% for 2011
5 for unionized employees.
6
7 d) The average increase to base pay was assumed at 3% for each of 2010 and 2011
8 for executive, management and non-union employees.



Interrogatory

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.

Response

- a) There are four areas that account for the majority of the increase of \$474k in account 5665 from 2009 to 2010. Uniforms and safety equipment is up by \$87k to accommodate the additional staff levels due the apprentice program. Labour cost is up by \$71k due to wage increases and progression. Inventory write-off in 2009 was much lower than usual resulting in an increase of \$150k in 2010. Freight charges are also higher by \$26k. The remainder is in small amounts spread across account 5665. The budgeted amount for 2011 takes into consideration all of the items identified above and is consistent with year over year increases.



1 b) There are three areas that account for the majority of the increase of \$387k in
2 account 5675 from 2009 to 2010. Labour overtime in 2009 was down significantly
3 since very little office reorganizations took place during that year. The cost for
4 overtime for the 2010 budget was therefore left at the 2008 level. This resulted in an
5 increase from 2009 to 2010 of \$100k. Electricity costs for Hydro Ottawa buildings
6 are expected to be higher by \$134k and maintenance cost for information technology
7 system is expected to increase by \$82k. The remainder is in small amounts spread
8 across account 5675. The budgeted amount for 2011 takes into consideration all of
9 the items identified above and is consistent with year over year increases.

10
11 c) The decrease from 2009 to 2010 is due to the removal of the costs associated with
12 the Maple Grove facility in 2010. The increase from 2010 to 2011 is the anticipated
13 increase in municipal taxes which have been estimated with a 2.2% inflationary
14 factor. The factor would take into account any changes in individual property
15 assessments or municipal mill rates.

16
17 d) The current forecast for 2010 is \$1,672k.



1 **Interrogatory**

2 Interrogatory #35

3
4 Ref: Exhibit D4, Tab 1, Schedule 1

5
6 a) Please explain the high level of Union Overtime forecast for 2010 and 2011 in Table
7 2 in relation to the levels recorded in 2008 and 2009. Please also explain the
8 increase in light of the average annual overtime shown in Table 4.

9
10 b) The total increases to base are forecasted to be approximately \$1.5 million in both
11 2010 and 2011. Please identify the percentage increase to the base pay that results
12 in these figures. If different figures have been provided for different employee
13 groups (union, non-union, management), please identify the percentage increases by
14 employee group.

15
16 c) Please explain why Hydro Ottawa has included incentive pay based on a factor of
17 1.0 rather than the midpoint of 0.75 of the range of 0 to 1.5. What is the impact on
18 the revenue requirement of including incentive pay based on a factor of 0.75 rather
19 than 1.0?

20
21 d) What is the impact of a one percentage point reduction in the increase to base pay
22 for each of the executive, management, non-union and union employee categories in
23 2010 and 2011 (cumulative to the reduction in 2010). If this level of detail causes
24 any confidentiality issues, please provide the response aggregating the four
25 employee groups together.

26
27 **Response**

28
29 a) Actual overtime and budgeted overtime are calculated in two different manners.
30 Actual overtime is based on the total number of overtime hours worked and the
31 associated costs. Budgeted overtime is calculated based on the number of positions
32 in the budget, some of which are new positions, or positions that might have been



1 vacant for part of the previous year. As overtime is a variable affected by the
2 number, type and timing of power outages in the year, typically affected by weather,
3 using historical trends is part of the calculation; however, unknown scenarios must
4 also be factored in the calculation. Both 2010 and 2011 budgeted overtime is in
5 keeping with the 2008 approved overtime.
6

7 b) The percentage increase to base pay is 3% for 2010 and 3% for 2011 for unionized
8 employees and an average of 3% for each of 2010 and 2011 for executive,
9 management and non-union employees.
10

11 c) Hydro Ottawa's total cash compensation for executives and management consists of
12 two components: a fixed base salary and an at risk performance incentive. To
13 ensure that total cash compensation is competitive, the performance incentive is
14 designed on a target of 1.0. The difference in calculation between 1.0 and 0.75 is
15 \$101K for 2010 and \$104K for 2011; however, the reduction of the performance
16 incentive to a target of 0.75 would require a recalibration of the mix of fixed and at
17 risk pay for executives and management and would not necessarily have an impact
18 on revenue requirement.
19

20 d) A one percentage point reduction in the increase to base pay for each of the
21 executive, management, non-union and union employee categories in 2010 and
22 2011 (cumulative to the reduction in 2010) would be as provided in the chart below.
23 It is important to note, however, that increases to base pay for unionized employees
24 form part of a collective agreement between Hydro Ottawa and the bargaining agent,
25 IBEW. Reductions to this increase cannot be unilaterally implemented and would
26 require the consent of the bargaining agent; such consent would not likely be
27 provided.
28
29
30
31



1

	2010		2011
Executive	(8,105)	Executive	(16,696)
Management	(95,505)	Management	(199,048)
Non-Unionized	(24,168)	Non-Unionized	(49,786)
Unionized	<u>(267,784)</u>	Unionized	<u>(455,083)</u>
	<u>(395,561)</u>		<u>(720,614)</u>

2



Interrogatory

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.



Response

- a) The additions to accumulated amortization for 2010 shown in Attachment S of Exhibit B2-1-1 for account 1925 - computer software 10 yrs, of \$2,469k represents the 10 year depreciation on assets of \$24,710k. For 2011, Hydro Ottawa's financial accounting system projects the depreciation expense based on actual costs at the time the projections is done. It appears that at the time the projection was done there was an additional asset included, which has since been transferred out of this account. Hydro Ottawa agrees that the additions to accumulated amortization for 2011 for account 1925 – computer software 10 yrs should be \$64k less.
- b) Please see the response to a) above.
- c) Hydro Ottawa has used the 'half-year rule' for calculating depreciation/amortization in the year that capital additions are added to rate base.
- d) Hydro Ottawa used the "half-year rule" for calculating depreciation/amortization in its 2008 test year application.
- e) Hydro Ottawa has calculated depreciation/amortization for 2008, 2009 and 2010 using the same methodology as used to calculate the 2008 test year forecast.
- f) Hydro Ottawa has reviewed Appendix 2-M of the June 25, 2010 filing requirements and considers this to be a simplified approached to the calculation of depreciation expense. All of the requested information for 2008 to 2011 has already been provided in Exhibit B2-1-1 Attachment S. Also please see the response to OEB #20 which separates out the asset retirement obligation.



1 **Interrogatory**

2 Interrogatory #37

3
4 Ref: Exhibit D7, Tab 1, Schedule 1

5
6 a) Please show the derivation of the 2011 tax credit of \$348,000 using the number of
7 qualified positions for the Federal Apprenticeship Job Creation Tax Credit and the
8 average amount of the credit and the number of qualified positions for the Ontario
9 Apprenticeship Training Credit and the average amount of the credit.

10
11 b) Has Hydro Ottawa included any tax credits related to the cooperative education tax
12 credit? If not, why not? How many positions qualify for this credit? If yes, please
13 show the number of positions that qualify for the credit and the average amount of
14 the credit, along with the total credit claimed in 2011.

15
16 c) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable
17 income was eliminated effective July 1, 2010.

18
19 d) Has Hydro Ottawa included a tax reduction of \$36,250 related to the Ontario small
20 business tax rate on the first \$500,000 in taxable income (calculated as \$500,000
21 times the difference between 11.75% and 4.50%)? If not, why not?

22
23 e) How does the charitable donation of \$50,000 added onto taxable income shown in
24 the work form relate to the \$51,510 of charitable donations shown in Table 1 of
25 Exhibit D1, Tab 1, Schedule 1 for 2011?

26
27 f) How has the \$70,000 addition to taxable income related to non-deductible meals and
28 entertainment expenses been calculated? For example, is it one-half of the
29 forecasted meals and entertainment expenses included in the revenue requirement?



- 1 g) Please reconcile the historic 2009 CEC amount of \$1,024,477 with the 2008 closing
2 balance of \$1,351,270 shown on Schedule 10 of the 2008 tax return.
3
4 h) Please provide a Schedule 8 CCA for the 2009 historic year that reflects the UCC
5 from Schedule 8 of the 2008 tax return and ties into the figures shown for 2009 in the
6 PILS or Income Taxes Work Form.
7
8 i) Please explain why there is no deduction for AFUDC in the 2011 test year calculation
9 adjusted taxable income while there is in the 2009 historic and 2010 bridge years.
10

11 **Response**

- 12
13 a) The Federal Apprenticeship Job Creation Tax Credit is 10% of salaries and wages
14 paid to eligible apprentices, up to a maximum of \$2,000 per year per apprentice for
15 the first 2 years of the apprenticeship contract. For 2011, Hydro Ottawa is
16 forecasting to have 14 apprentices in their first two years of their contracts, with
17 annual salaries greater than \$35,000/apprentice. The Federal Apprenticeship Job
18 Creation Tax Credit for 2011 is forecasted to be \$28,000 (\$2,000 maximum tax
19 credit/apprentice/year x 14 apprentices).
20
21 The Ontario Apprenticeship Training Credit is 35% of eligible expenditures (such as
22 salaries and wages), up to a maximum of \$10,000 per apprentice during the first 48
23 months of the apprenticeship program for expenditures incurred after March 26,
24 2009. For 2011, Hydro Ottawa is forecasting to have 32 apprentices in their first 48
25 months of their apprenticeship contracts, with annual salaries greater than
26 \$35,000/apprentice. The Ontario Apprenticeship Tax Credit for 2011 is forecasted to
27 be \$320,000 (\$10,000 maximum tax credit/apprentice/year x 32 apprentices).
28
29 For 2011, total apprenticeship tax credit is forecasted to be \$348,000 (\$28,000
30 Federal + \$320,000 Ontario).
31



- b) For 2011 Hydro Ottawa has not forecast to employ any students from a qualified cooperative education program and thus, Hydro Ottawa has not included any cooperative education tax credits.
- c) As noted in Exhibit D7-1-1, Paragraph 1.0, the 2009 Electricity Distribution Rate (“EDR”) tax model was used to forecast the 2011 PILS. The changes made to the model did not reflect the July 1, 2010 elimination of the 4.25% surtax. The effect of making this change would be a decrease in revenue requirement of \$69k.
- d) Hydro Ottawa included a small business tax deduction of \$42,500 which was based on a rate differential of 8.5%. The rate differential for 2011 should be 7.25% or \$36,250.
- e) The \$50,000 added onto taxable income is an estimate for 2011 receipted donations and does not directly relate to the charitable donation expense shown in Table 1 of Exhibit D1-1-1.
- f) The 2011 non-deductible meals and entertainment expenses are calculated as 50% of \$140,000. The \$140,000 is an estimate and is consistent with the 2009 actual and 2010 forecast.
- g) The 2008 CEC closing balance of \$1,351,270 as per Schedule 10 of the 2008 tax return was adjusted by the Ministry of Revenue due to the reassessment of the 2008 tax year subsequent to the filing of the 2008 tax return.

2008 ending CEC balance (as per 2008 tax return)	\$1,351,270
2008 ending CEC balance (as adjusted by MOR)	\$1,101,588
Less: estimated 2009 deduction	<u>\$ 77,111</u>
2009 ending CEC balance (estimated)	<u>\$ 1,024,477</u>



h) The 2008 UCC closing balances in the 2008 tax return was adjusted by the Ministry of Revenue due to the reassessment of the 2008 tax year subsequent to the filing of the 2008 tax return.

The closing 2008 UCC balances (adjusted by the MOR) are as follows:

Class 1	\$ 248,166,850
Class 1b	\$ 7,791,269
Class 2	\$ 92,047,233
Class 3	\$ 13,159,963
Class 8	\$ 9,131,556
Class 10	\$ 6,519,074
Class 12	\$ 1,642,073
Class 42	\$ 800,350
Class 45	\$ 944,280
Class 50	\$ 1,600,110
Class 47	<u>\$ 159,102,854</u>
Total	<u>\$540,905,612</u>

i) The taxable income for the test year is based on the regulatory net income before taxes as calculated from the rate base. This net income has not been increased for the AFUDC and therefore, it shouldn't be deducted in calculating taxable income. The 2009 and 2010 years are based on accounting income which does include the AFUDC in net income and accordingly it is deducted for tax purposes in those years.



1 **Interrogatory**

2 Interrogatory #38

3
4 Ref: Exhibit E1, Tab 1, Schedule 1, Attachment AB

5
6 The deemed capital structure shown on page 2 shows deemed long-term debt of
7 \$353,685,000 while the forecasted amount of long-term debt for the test year shown on
8 page 4 is \$327,185,000. The difference of \$26.5 million is included in the revenue
9 requirement at the long-term debt rate.

10
11 a) Please explain why, other than the Board's December, 2009 Cost of Capital report,
12 ratepayers should be expected to pay a long-term debt rate on \$26.5 million of long-
13 term debt that does not exist.

14
15 b) Please confirm that the interest cost would be reduced by more than \$800,000 if the
16 \$26.5 was costed at the short-term debt rate rather than at the long-term debt rate.

17
18 c) If the \$26.5 million was costed as short-term debt, what negative financial impacts, if
19 any, would Hydro Ottawa suffer? Please explain in detail.

20
21 **Response**

22
23 a) Hydro Ottawa has consistently followed the same regulatory structure of 60% debt
24 and 40% equity since its inception, as set out by the Ontario Energy Board (the
25 "Board"). Section 4.3 of The Board's December 2009 Cost of Capital report
26 confirms this long standing policy as appropriate for all electricity distributors. The
27 Cost of Capital was reviewed and discussed through a consultative process
28 soliciting comments and input from all participants. Hydro Ottawa does not feel it is
29 in a position to further comment on deviations from the Board policy confirmed in
30 December 2009 on the capital structure for local distribution companies.

31
32 b) Based on the assumptions made, the estimated reduction in interest is correct.



1 c) A reduction of over \$800,000 in the revenue requirement calculation to service debt
2 costs would clearly have financial impacts. On its own, the reduction in the cost of
3 service application revenue requirement would create a revenue deficiency. To
4 eliminate this deficiency in the application, either revenue from other areas would
5 have to be increased, or alternatively, the costs reduced, otherwise the approved /
6 targeted return on equity ("ROE") would not be realized. Rating agencies and
7 lenders would view a reduced ROE as negative. The cost reduction alternative
8 would require a reduction in operating and/or capital programs to recover the lost
9 debt servicing revenue. This would impact the targeted programs in their operational
10 areas.

11
12 Furthermore, the 56% long-term debt deemed by the Board was appropriately
13 established because distributors are financing assets with long useful lives. It would
14 be contrary to conventional financing principles to finance long-lived assets with
15 short term debt. It is less risky to use long term financing versus short term financing
16 due to short term rate volatility and liquidity concerns.



1 **Interrogatory**

2 Interrogatory #39

3
4 Ref: Exhibit E1, Tab 1, Schedule 1, Attachment AB & Grid Promissory Note

- 5
- 6 a) Please explain how the rate of 5.85% was determined for the Dec. 21, 2009 \$15
7 million advance. Please make reference to the Interest Rate options shown in the
8 Grid Promissory Note.
9
- 10 b) Please explain how the rate of 5.97% was determined for the April 30, 2010 and Jan.
11 1, 2011 \$15 million advances. Please make reference to the Interest Rate options
12 shown in the Grid Promissory Note.
13
- 14 c) For each note shown in Table 5 on page 4 of Attachment AB, please indicate the
15 term of the note and whether the note is callable by the Holding company. If the note
16 is callable, please indicate the number of days.
17
- 18 d) Please explain why an administrative fee of 0.10% is required.
19
- 20 e) Please confirm that any advances under the Grid Promissory Note are payable in full
21 in February 2015.
22
- 23 f) Please explain why a long-term debt rate should be applied to a loan of only 5 or 6
24 years in length?
25
- 26 g) Please provide the current rates for each term available from Infrastructure Ontario.
27
- 28 h) Why has Hydro Ottawa not borrowed from Infrastructure Ontario? Please provide all
29 correspondence with Infrastructure Ontario if Hydro Ottawa has approached
30 Infrastructure Ontario for a loan.
31



Response

- a) The rate for the \$15M advance made on December 21st 2009 was based on Interest Rate option #2, as no external long-term borrowing was issued to use as the “pass through” rate. This is the deemed rate option and is based on the best available information at the time of the advancement. As per the Ontario Energy Board's (the “Board”) February 24th, 2009 letter, regarding the Cost of Capital for 2009 Cost of Service Applications, the deemed long-term debt rate was 7.62%. As discussed during the Cost of Capital consultation process, this rate reflected the financial economic crisis that was occurring at that time. Hydro Ottawa's financing came later in the year and solicited indicative rates, as it was felt the 7.62% rate was an aberration in time and was no longer applicable at the time of the borrowing transaction. The average of the indicative long-term rates received was 5.75% plus the .10% administration fee gave rise to the 5.85% rate used for this advancement.
- b) The rate for the \$15M advance made on April 30th 2010 was based on Interest Rate option #2, as no external long-term borrowing was issued to use as the “pass through” rate. As per the Board's February 24th, 2010 letter, regarding the Cost of Capital for 2010 Cost of Service Applications, the deemed long-term debt rate was 5.87%. During this time, Hydro Ottawa also received a similar indicative rate which gave assurance that the published deemed rate was appropriate to use. The administration fee brought the rate to 5.97% as shown in the Grid Promissory Note.
- c) The following table shows the note term, if it is callable, and the number of days to repay the note if called:



Description	Issue Date	Principal (\$)	Term		
\$200 million promissory note	July 1, 2005	200,000,000	Open	Callable	366 Days
\$32.2 million promissory note	July 1, 2005	32,185,000	Open	Callable	366 Days
\$50 million promissory note	Dec. 20, 2006	50,000,000	Open	Callable	366 Days
\$15 million grid promissory note	Dec. 21, 2009	15,000,000	Feb 9th 2015	Callable	30 Days
\$15 million grid promissory note	April 30, 2010	15,000,000	Feb 9th 2015	Callable	30 Days
\$15 million grid promissory note	Jan. 1, 2011	15,000,000	Feb 9th 2015	Callable	30 Days

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The requirement for the promissory notes to be callable is to facilitate the repatriation of the funds lent to Hydro Ottawa in the case of a change of control.

- d) The financing function is consolidated at the Holding Company level to provide an effective and efficient borrowing model for the Hydro Ottawa Group of Companies. Hydro Ottawa feels the financing strength of the Holding Company optimizes its borrowing requirements, in terms of both rates and conditions, giving it flexible financing arrangements. The administrative fee reflects the fact that the expertise for this function resides in the Holding Company and covers the costs incurred by the Holding Company in maintaining credit ratings, management of all financing transactions, compliance reporting, and investor relations.
- e) The advances under the Grid Promissory Note have a renewal date which has been aligned with the maturity of the \$200M bond issuance by the Holding Company maturing in February 2015. This is to facilitate and maintain the principle of passing actual long term external financing costs through to Hydro Ottawa.
- f) As noted in e) above, the term of the promissory notes have been aligned with the maturity of the external financing to facilitate the passing of actual costs through to Hydro Ottawa. These promissory notes will be renewed again at the time of the refinancing to reflect the long-term nature of the underlying assets they are financing at the rates then in effect for long term debt.



- 1 g) The following table has been taken from the Infrastructure Ontario website for
2 distribution companies:

Indicative Lending Rates as of August 27, 2010**			
Term	Construction	Serial	Amortizer
1 Month	1.48%	-	-
5 Year	-	2.49%	2.59%
10 Year	-	3.45%	3.55%
15 Year	-	3.98%	4.08%
20 Year	-	4.30%	4.40%
25 Year	-	4.52%	4.62%
30 Year	-	4.65%	4.75%
35 Year	-	4.73%	4.83%
40 Year	-	4.78%	4.88%

- 3
4 h) Hydro Ottawa has met with Infrastructure Ontario to understand their mandate and
5 services offered. Their mandate from the provincial government is public
6 infrastructure for the MUSH sector as stated in this introduction on their website:
7 “Infrastructure Ontario is an arm’s length crown corporation dedicated to the renewal
8 of the province’s hospitals, courthouses, roads, bridges, water systems and other
9 public assets. Using an Alternative Financing and Procurement (“AFP”) model that
10 ensures appropriate public control and ownership, Infrastructure Ontario uses
11 private financing to strategically rebuild vital infrastructure, on time and on budget.
12 Infrastructure Ontario also provides Ontario municipalities, universities and other
13 public bodies with access to affordable loans to build and renew local public
14 infrastructure.”

15
16 While Hydro Ottawa can legally access funding from Infrastructure Ontario, through
17 its Shareholder affiliation, the focus on public, project based financing and
18 amortizing loans are fundamental business principles that limits the applicability of
19 their funding program in meeting Hydro Ottawa’s needs. The company’s trust
20 indenture and credit facility covenants would not permit the security requirements of
21 Infrastructure Ontario as all loans are subject to an “intercept mechanism” to redirect
22 payments in the case of default. Loans may also require restrictive covenants on
23 assets and a general security agreement which would also breach existing Hydro
24 Ottawa debt covenants. Hydro Ottawa has not applied for a loan with Infrastructure
25 Ontario and therefore has no related correspondence to offer in this regard, but will



- 1 continue to monitor opportunities that may be funded through the Infrastructure
- 2 Ontario program.



1 **Interrogatory**

2 Interrogatory #40

3
4 Ref: Exhibit E1, Tab 1, Schedule 1, Demand Promissory Notes.

- 5
6 a) What was the rate payable on the \$232,185,000 loan that was replaced with the
7 \$32,185,000 and the \$200,000,000 demand promissory notes?
8
9 b) Please explain the different rates applied to the two demand promissory notes (5.9%
10 and 5.14%) despite the fact they are both dated July 1, 2005.
11

12 **Response**

- 13
14 a) The predecessor promissory notes were payable to the City of Ottawa and carried an
15 interest rate of 6.9%.
16
17 b) As noted in Exhibit E1-1-1, Paragraph 2.0, the cost of debt is passed onto Hydro
18 Ottawa on the same terms as the parent when external financing secured by the
19 Holding Company is targeted for Hydro Ottawa, or, in the absence of external
20 financing, the deemed rates, as set by the Ontario Energy Board, that are in effect at
21 the time of the financing transaction. Consistent with current and past practice,
22 amortized issuance costs and ten basis points for administration is included in the
23 debt rate. The \$200,000,000 promissory note bears an interest rate of 5.14% which
24 reflects the costs noted above for the \$200,000,000 bonds issued by the Holding
25 Company. The \$32,185,000 promissory note is not associated with any external
26 financing at the parent level therefore the deemed rate was used. The deemed rate
27 is as per the *2006 Electricity Rate Handbook* issued May 11, 2005.



1 **Interrogatory**

2 Interrogatory #41

3
4 Ref: Exhibit G1, Tab 1, Schedule 1, page 4

- 5
6 a) When does Hydro Ottawa expect the Sentinel Light class to be phased out?
7
8 b) How much additional revenue would be generated if the Sentinel Light revenue-to-
9 cost ratio was increased to 70%?

10
11 **Response**

- 12
13 a) Hydro Ottawa does not have a specific date for the phase out of Sentinel Lights.
14 Sentinel Lights are eliminated as the customer removes them or when there is an
15 upgrade to the service.
16
17 b) If the Sentinel Light revenue-to-cost ratio was increased to 70% the additional
18 revenue would be \$3,791.



1 **Interrogatory**

2 Interrogatory #42

3

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

5

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

7

8 **Response**

9

10 Hydro Ottawa expects that, given the popularity of the program and the level of interest
11 experienced to date in 2010, Hydro Ottawa will have at least 255 microFIT customers by
12 year-end 2011.



1 **Interrogatory**

2 Interrogatory #43

3

4 Ref: Exhibit I1, Tab 1, Schedule 3

5

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

9

10 **Response**

11

12 In Exhibit I1-1-3, Hydro Ottawa requested approval for a new sub-account of Account
13 1595 to track the disposition and recoveries from the variance and deferral accounts. At
14 the time, Hydro Ottawa had not considered the issue of tracking the recoveries for the
15 global adjustment separately. However, this would be an appropriate approach and
16 therefore Hydro Ottawa will plan to track the recoveries from the global adjustment rate
17 riders separately from the rate riders for the other variance and deferral accounts.



1 **Interrogatory**

2 Interrogatory #44

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

5
6 Hydro Ottawa is not proposing that any of the 2011 costs which are to be incurred to
7 make eligible investments for the purpose of enabling the connection of renewable
8 energy generation facilities to the distribution system will be recovered from provincial
9 ratepayers. In other words, Ottawa Hydro is assuming that the direct benefits that
10 accrue to the Hydro Ottawa customers are equal to or higher than the eligible investment
11 costs. However, Ottawa Hydro has not provided any calculation to support this.

12
13 The Board issued the EB-2009-0349 Report of the Board - Framework for Determining
14 the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation
15 330/09 on June 10, 2010.

- 16
17 a) Did Hydro Ottawa review the Report of the Board before it proposed to recover all
18 the eligible investment costs from its ratepayers?
19
20 b) Please provide an estimate of the direct benefits based on the June 10, 2010 Report
21 of the Board.
22
23 c) Please provide an estimate of the eligible investment costs that Hydro Ottawa is
24 seeking to be determined by the Board.
25
26 d) If the direct benefits are less than the eligible investment costs, would Hydro Ottawa
27 re-consider reducing its revenue requirement by the difference (i.e. the rate
28 protection to be provided)? If not, why not?
29
30 e) If the Board determines that Hydro Ottawa should do the above calculations and
31 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.

Response

- a) The Report of the Board - Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 (EB-2009-0349) ("Report of the Board") was issued on June 10, 2010 just as Hydro Ottawa was preparing to submit the 2011 Distribution Rate Application. Hydro Ottawa did review the Report of the Board however no changes were made to the Application based on the Report. Hydro Ottawa relied on the Board Staff Discussion Paper - Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09, issued on December 14, 2009 ("Staff Discussion Paper").

- b) Contrary to what was said in the preamble to this question, Hydro Ottawa did not assume that the direct benefits that accrue to Hydro Ottawa customers were equal to or higher than the eligible investment cost. Hydro Ottawa determined that the requested Green Energy Act investments and resulting revenue requirement impact were not material enough and the rules were not firmly established, to justify the amount of work that would be required to estimate the direct benefit. Hydro Ottawa is still of this opinion.

- c) As per Hydro Ottawa's Green Plan Energy Plan, the eligible investment costs that Hydro Ottawa is seeking to be determined by the Board are \$2,584k. (Note the



correction to the cost of System Expansion 44kV Goulbourn shown in Attachment P from \$1,360k to \$1,378 as per the response to VECC #35).

d) Hydro Ottawa would not consider reducing its 2011 revenue requirement by the difference between the investment cost and any direct benefit because, as explained above, as it is not material.

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, Hydro Ottawa would request the establishment of a variance account, as contemplated in the Report of the Board.

f) The information provided in Attachment P – Hydro Ottawa's Basic Green Energy Plan is provided in a table as 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 License. Note that only 2011 has been shown as the capital expenditures shown in the Plan for outer years are only preliminary and the generator contribution and provincial recovery may change.

Table 1 – Capital Expenditures

	2011 \$000
Gross Cost	2,584 ¹
Less Generator Contribution	0
Less Provincial Recovery	0
Net Distributor Cost	2,584

¹ Note correction to the cost of System Expansion 44kV Goulbourn from \$1,360k to \$1,378 as per response to VECC #35.



Interrogatory

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?

Response

- a) Hydro Ottawa believes that HST will apply to the balance to be recovered from customers through the rate rider. Hydro Ottawa confirmed this opinion verbally with its external tax consultant. The charges from the rate riders attract HST because the rider becomes due in the period from January 1, 2011 to December 31, 2011 when HST will be in effect, regardless of how the charges were determined. Hydro Ottawa notes that when the GST decreased from 7% to 6% to 5%, the GST rate effective at the time of billing was applied to all rate riders.
- b) No, Hydro Ottawa's billing system cannot accommodate charging the GST on the deferral variance account rate riders while charging HST on the remaining parts of the bill. It would require significant additional internal administration and



- 1 modifications to the customer information system. It is Hydro Ottawa's opinion that
- 2 regardless, this would not comply with federal requirements.



1 **Interrogatory**

2 Interrogatory #46

3
4 Ref: Exhibit I1, Tab 1, Schedule 3

5
6 In July, 2010, the Accounting Standards Board issued an exposure draft that proposes
7 that qualifying entities with rate-regulated activities be permitted, but not required, to
8 continue applying the account standards in Part V of the Handbook for an additional two
9 years and that adoption of the IFRSs in part 1 of the Handbook by qualifying entities
10 would be mandatory for interim and annual financial statements related to annual
11 periods beginning on or after January 1, 2013.

12
13 If rate-regulated entities were to be granted a two year deferral on the adoption of IFRS
14 for accounting purposes, would Hydro Ottawa still request an IFRS variance account? If
15 yes, please explain why.

16
17 **Response**

18
19 If rate-regulated entities are granted a two year deferral on the adoption of International
20 Financial Reporting Standards ("IFRS"), Hydro Ottawa will not adopt IFRS in 2011. As a
21 result, the IFRS variance account would no longer be required.

22
23 It should be noted that the IFRS deferral account, approved by the Ontario Energy Board
24 to track the costs of implementing IFRS, would need to be continued until IFRS is
25 implemented for all costs incremental to Hydro Ottawa's Board-approved revenue
26 requirement.



1 **Interrogatory**

2 Interrogatory #47

3
4 Ref: Exhibit D4, Tab 1, Schedule 1

- 5
- 6 a) The evidence discusses the 2007 collective agreement that was signed with the
7 IBEW, indicating that it included wage increases of 3% for 2007 and 3.25% for 2008
8 and 2009. Please provide the annual wage increase percentages as a result of the
9 most recent collective agreement.
- 10
- 11 b) Please provide a version of Table 3 that shows the average annual base wage for
12 2009 through 2011 excluding new positions included in 2010 and 2011.
- 13
- 14 c) What is the annual average pay increase for 2010 and 2011 for each of the
15 employee groups shown in Table 3.
- 16
- 17 d) Please explain the significant increase in average yearly overtime forecast for 2011
18 (\$5,828) as compared to 2008 (\$5,295) shown in Attachment Y.
- 19
- 20 e) Please explain the significant increase in average yearly overtime shown for 2009 in
21 Attachment Y. If this was due to a specific or one-time event(s), please calculate the
22 2009 overtime excluding this event(s).
- 23
- 24 f) Please show the actual number of people (head count) as of the current time in the
25 same level of detail as shown in Table 1.
- 26
- 27 g) Has Hydro Ottawa made any allowance in the 2010 bridge and/or 2011 test years for
28 vacant positions? If not, why not? If yes, please provide the quantum and
29 assumptions used for the 2011 test year vacancies and provide the quantum of
30 vacancies for 2008 and 2009.
- 31



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.

Response

a) The annual wage increase percentages as a result of the most recent collective agreement are:

April 1, 2010 – 3.0%

April 1, 2011 – 3.0%

April 1, 2012 – 3.0%

b) Table 1 below shows the average annual base wage for 2009 through 2011 excluding new positions included in 2010 and 2011

Table 1 - Average Annual Base Wage Excluding New Positions

	2009 Actual \$	2010 Budget \$	2011 Budget \$
Executive / senior management	\$134,281	\$139,140	\$144,706
Management	92,499	94,586	97,856
Non-unionized	70,684	73,214	76,142
Unionized	64,355	65,827	68,725

c) Refer to a) as it is 3% per year for all of the above groups.

d) The increase in yearly average overtime from 2008 to 2011 is due to increases in staff, compensation (as per the collective agreement), and gross capital expenditures. Hydro Ottawa's annual overtime costs are budgeted based on historical data in consultation with divisional Directors and Managers. Factors that influence overtime include storm activity, project workload scheduling to minimize customer disruptions and ability to work on roadways during peak traffic hours. Both 2010 and 2011 budgeted overtime follows trending with the 2008 approved overtime. The increase in average yearly overtime in 2009 is discussed in e) below.



e) Overtime is a variable affected by a number of factors including;

- i. The number and type of power outages in the year which are typically affected by weather,
- ii. Work scheduling requirements to meet road authority access, such as not able to close road lanes to achieve equipment access during peak traffic periods,
- iii. Work scheduling requirements to limit the impact to customer operations when customer outages are required, and
- iv. Extraordinary unforeseeable events, such as the Beacon Hill failure in 2009 and the ice storm of 1998.

In 2009 Hydro Ottawa experienced a failure at the Beacon Hill substation that required an overtime response, as well as an increase in demand work due to many City of Ottawa projects initiated due to Federal Infrastructure funding which required overtime responses. One item cannot be identified as the cause of the increase and removed from the numbers for analysis.

f) The headcount as of July 2010 is as follows:

	Jul-10 (Actual)
Executive	6
Management	101
Non-unionized	33
Unionized	411
Total	551

Included is all headcount Hydro Ottawa currently has on payroll (excluding students), which includes temporary employees replacing full-time employees on leave who are currently not on payroll.

g) Yes, Hydro Ottawa has an allowance for vacancies factored into the budget for both 2010 and 2011. The assumption is that while Hydro Ottawa attempts to fill all



1 budgeted positions there are factors that cause delay such as resources, competing
2 priorities along with unplanned vacancies. The vacancy allowance counters the
3 compensation expense by budgeting for the potential cost savings resulting from
4 vacancies. Hydro Ottawa began budgeting for vacancies in 2009. The allowance for
5 2009 was (\$344,350) against a cost savings due to vacancies of \$1,513,194. The
6 vacancy allowance for 2011 is budgeted at (\$358,124). There were 32 full time
7 vacant positions as of December 2008 and 23 as of December 2009 (does not
8 included Conservation Demand Management, Board of Directors or Student
9 positions)

- 10
- 11 h) The actual headcount and the budgeted positions cannot be compared as the actual
12 headcount of 560 does not include vacancies whereas the budgeted headcount
13 includes all positions in the budget for 2010 and 2011 including new positions as
14 well as vacant positions that are carried into 2010.