



September 17, 2010

BY COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

**RE: Whitby Hydro Electric Corporation
Application for Approval of 2010 Electricity Distribution Rates
EB- 2009-0274**

As a follow-up to the technical and settlement conferences held on June 17th - 18th 2010, Whitby Hydro Electric Corporation is filing the following information:

- Responses to all undertakings from the technical conference
- Supplementary information related to previous interrogatories
- Supplementary information and clarifications from the technical conference
- Confidential Filing (Re: Energy Probe 57 (a))

Whitby Hydro has attempted to provide a significant amount of additional information in response to the requests of intervenors and to assist in moving this process forward. Two paper copies and an electronic copy (CD) will follow via courier. A copy has also been filed electronically through the Board's RESS system.

Should you require any further information, please contact me directly.

Respectfully submitted,

Original signed by

Ramona Abi-Rashed
Treasurer

Cc: Neil Mather (email)
All Intervenors (email)

**Whitby Hydro Electric Corporation
2010 Rate Application (EB-2009-0274)**

SUPPLEMENTARY INFORMATION:

A. UNDERTAKINGS

B. INTERROGATORIES*

- i. Board Staff
- ii. SEC
- iii. Energy Probe

C. TECHNICAL CONFERENCE

* Note: Whitby Hydro is not aware of any supplementary information required for VECC interrogatories in this submission and as such, none has been filed.

SUPPLEMENTARY INFORMATION:

A. UNDERTAKINGS

WHITBY HYDRO ELECTRIC CORPORATION
EB-2009-0274
TECHNICAL CONFERENCE UNDERTAKINGS

JT1.1 To provide clarification around degree day data used in the calculation of weather normal load as well as certain other clarifications (pg. 9)

Based on a review of the technical conference transcripts, the following is Whitby Hydro's interpretation of the requirements of this undertaking:

1. Assuming that the 883.9 million kilowatt-hours for 2009 on a weather normal basis provided in response to Energy Probe No. 25 and the 862.3 million kilowatt-hours for 2009 on a weather actual basis provided to VECC in response to their Technical Conference Question No. 1 are based on the same employment forecast data, and that all data except for the weather data are identical, why is the difference between these two numbers equal to 21.6 million kilowatt-hours, but the weather adjustment provided in response to VECC Interrogatory 22, first round, is 19.9 million kilowatt-hours, being the impact of the weather, the difference between actual and normal.

“So my question is: What is the difference between that 19.9 million and the 21.6 million that we are now being told is the impact of weather? I would have assumed that those numbers would have been the same. So that is my first question.” (Technical Conference pg 5, line 23-27)

2. (a) In the actual vs. predicted (Table 2, prefiled evidence p.199), is the predicted 900 million kilowatt-hours for 2008 based on actual degree days in 2008?

(b)

“Then the second part of the question, the normalized number, the 911, it is not clear to me how that number has been calculated. And I guess my first suggestion is: Is that number the predicted number with the degree days changed to the forecasted degree days or the normal degree days?

In other words, it is not really normalized actual. It is a normalized prediction. It is a prediction of what the kilowatt-hours would have been if the normal degree days had been used. So I would like to have that confirmed as well.” (Technical Conference pg. 6, line 13-23)

Response:

1. Whitby Hydro confirms that the same employment data were used to derive the 883.9 million kilowatt-hours and the 862.3 million kilowatt-hours. As has been outlined in the response to Energy Probe in Interrogatory 60 part (a) and again in Technical Conference Question 2, we believe the appropriate weather adjustment is 6.9 million kilowatt-hours, which is calculated by subtracting the actual kilowatt-hours for 2009 from the weather normal kilowatt-hours for 2009 (i.e., 883,889,204 kWh – 876,959,953 kWh = 6,929,251 kWh). The 19.9 million kilowatt-hours calculated as requested by VECC in VECC Interrogatory 22 uses only two parameters in isolation from a seven parameter model (although the D2003 parameter is not relevant for 2009). Therefore, we believe this number does not reflect the true weather adjustment and is incorrect. The 21.6 million kilowatt-hours is derived by subtracting 862.3 million kilowatt-hours from 883.9 million kilowatt-hours. The 862.3 million kilowatt-hours for 2009 represents the estimate using Whitby Hydro's model for 2009, which has been previously described as an extraordinary year. Actual kilowatt-hours for 2009 are 876,959,953 kWh. Weather normalization and the process to derive it is based on averages over a number of years. The weather normal definition used in Whitby Hydro's model is a ten-year average and ten-years of actual data have been used to derive the statistical relationships between kWh load, weather, employment, days in the month, and off-peak months. We believe 883.9 represents an appropriate and accurate statement of weather normal load based on the ten-year average definition of degree days and the 10-year historical relationship between the actual kilowatt-hour load and actual weather, employment and other variables. We believe it is incorrect to focus on one year, when it is unclear that the conditions that existed in that year (e.g., recession, unusually cool summer) will be repeated in the test year, 2010.
2. (a) Whitby Hydro confirms that the predicted 900 million kWh in Table 2 is based on actual degree days for 2008.

(b) Whitby Hydro confirms that the weather normal values are derived by substituting the 10-year average monthly degree day values for actual degree days in the load forecast model, as outlined in detail in the load forecast report in the prefiled evidence. We believe the term "weather normalized actual" is a misnomer, since there is no such thing as "actual" weather normal. Any derivation of weather normal values is an estimate based on assumptions in order to "predict" what consumption would have been had weather been "normal".

JT 1.2: To Explain how the reduction in PILS of \$18,750 results in a reduction in the revenue requirement of \$8,424. (pg. 11)

Response:

The reduction in PILS of \$18,750 should result in a further reduction in the revenue requirement of \$18,750. Therefore, the total corrected amount of the impact would be $\$8,424 + \$18,750 = \$27,174$. The revenue requirement work form has been updated to reflect this correction (see JT 1.8).

JT 1.3: To provide adjustment information for vehicles and tools and vehicle costs. (pg. 19)

Response:

As we understand it, this undertaking is an additional clarification of VECC technical conference question #6 specifically related to addressing supporting information by the OEB's Chief Compliance Officer (CCO) for markups charged in the following areas:

- (A) Transfer pricing for services identified in the 2006 transfer pricing report as (1) Servco Internal Costs – Exempt and (3) Servco Internal Costs – Fair Market Value Testing Not Feasible.
- (B) Vehicle and Tools

The 2005/2006 ARC compliance review by the CCO began with several initial inquiries and responses and resulted in a letter from the CCO advising Whitby Hydro Electric Corporation (Whitby Hydro) of specific ARC compliance concerns. Following this notification, Whitby Hydro and the CCO engaged in a series of meetings and discussions with an interest to work towards resolving the concerns identified and achieving ARC compliance. After a lengthy review (approximately 1 ½ years), a letter of compliance from the CCO was received by Whitby Hydro on December 1, 2006.

Early in the review process, the CCO was provided with a copy of the service agreement between Whitby Hydro Energy Services (WHES) and Whitby Hydro which outlined the 15% markup that was applied to all “non-direct” costs. On November 8, 2005, Whitby Hydro was asked to provide the rationale for paying the 15% mark up that was outlined in the services agreement. As part of this request, the Compliance Office advised Whitby Hydro that the rationale should relate specifically to the Code's requirement (section 2.3.3), that a distributor should only pay a cost based price that includes a return on invested capital that is equal to the higher of the utility's approved rate of return or the bank prime rate. Whitby Hydro's response was as follows:

The current mark up of 15% included in the services agreement equates to approximately 9.6% rate of return after tax. This rate is in line with the currently approved rate of return of 9.88%.

This rationale was accepted by the CCO, and any remaining issues regarding transfer pricing were limited to the following (as highlighted in the November 7, 2010 letter to the CCO):

Distco is not in compliance with the transfer pricing provisions of the Code. In order to come into compliance, Distco must conduct a market review to determine whether there is a market for the services that it obtains from

Servco. If the review reveals that a market does exist, Distco must then determine the fair market value of those services and ensure that it pays no more than fair market value for the services that it obtains from Servco.

As a result, the transfer pricing review was narrowed in scope to address the categorization of work and services provided by WHES to Whitby Hydro so as to segregate out those costs that could be market tested. Categorization of costs and the action plan for the required transfer pricing review was agreed to by the CCO during a meeting held on October 15, 2006. While not formally documented in written correspondence, during this meeting, the CCO and his staff re-affirmed that the markup of 15% for the categories defined as “exempt” and “market testing not feasible” was in line with section 2.3.3 of the ARC.

Consequently, the Transfer Pricing report which accompanied the November 7th, 2006 letter from Whitby Hydro to the CCO was primarily intended to address the areas that had not already been discussed, and specific reference acknowledging the markup applied to the “exempt” and “market testing not feasible” cost categories was not highlighted in the report.

The CCO further acknowledged the appropriateness of the markup in his compliance letter dated December 1, 2006 by stating:

The remaining services are being charged on a “cost-plus” basis in manner which is compliant with the Code.

Both the November 7, 2006 letter and the December 1, 2006 have been provided in evidence as attachments to SEC’s original interrogatory response.

Item (B) Vehicle and Tools, would fall under the category identified in the transfer pricing report as (2) Fair Market Value Testing Feasible. For Whitby Hydro, the most commonly used vehicles are the single bucket truck and pickup truck, both of which were included in the prices that were market tested in 2006 and reviewed with the CCO as well as the 2010 independent evaluator’s review of fair market value testing. Tools in general, are not typically priced out separately but the costs are assumed and included in the hourly labour rates. In keeping with this, Whitby Hydro has performed market price testing for both the vehicle and tool costs and as such, the pricing is compliant with the ARC and the CCO’s review.

JT 1.4: To provide salary cost on an annual for management, including Mr. Sanderson. (pg. 50)

Response:

The annual salary cost information associated with the three officers and the Asset Manager has been provided below showing the split between the costs allocated to Whitby Hydro and those allocated to the affiliated companies.

Breakdown of Officer and Asset Manager Costs
for 2010 Test Year - (\$k)

Whitby Hydro	Affiliates	Total
466	88	555

JT 1.5: To provide data on revenue requirement for 2020 test year and management restructuring. (pg. 64)

Response:

It is Whitby Hydro's understanding that this undertaking has been requested to help clarify any impacts that the management restructuring efforts (made earlier in the rate period as outlined in SEC Supplementary IR#20) had on the 2010 revenue requirement.

Whitby Hydro is unable to provide data that demonstrates that its initiatives prevented other costs from increasing more than they did (ie. proving a circumstance that did not occur). To do so, would amount to proving a negative, which is very difficult, if not impossible to do. However, based on Whitby Hydro's experience, its general impression is that through its initiatives, it was able to prevent other costs from increasing as high as they otherwise would have.

JT 1.6: To provide the amount included in the 2010 rate base. (pg 75)

Response:

This undertaking requested that Whitby Hydro provide the amount that is included in rate base that relates to the affiliate's (WHES) markup. A breakdown has been provided below which outlines the WHES markup on capital and depreciation.

**Undertaking JT1.6
Impact of Service Agreement Markup to Capital (\$K)**

Year	Capital Addition for Year (A)	Capital Addition YTD	Depreciation Addition for Year	Depreciation Addition YTD (B)	Net Book Value Addition for Year (A-B)	Net Book Value Addition YTD
2001	311	311	12	12	299	299
2002	298	609	13	25	273	572
2003	477	1,086	18	43	434	1,006
2004	553	1,639	22	65	488	1,494
2005	500	2,139	19	84	416	1,909
2006	729	2,868	27	112	617	2,526
2007	800	3,667	31	143	656	3,182
2008	801	4,468	38	182	619	3,801
2009	519	4,987	20	201	317	4,119
2010	371	5,357	30	231	140	4,258

[JT 1.7: To provide full year forecast. \(pg. 94\)](#)

Response:

This undertaking was to provide a 2010 forecast for capital and OM&A using a four month actual plus eight month forecast approach.

Whitby Hydro has prepared a forecast using more recent actuals (June) resulting in a six month actual plus six month forecast to arrive at a 2010 forecast. A schedule has been provided below outlining the data. In preparing this analysis, Whitby Hydro reviewed the June actuals against June year-to-date budget to help assess the variances and determine whether the 2010 test year is on track and reasonable.

In support of this, an analysis has also been provided which compares the June 2010 actual costs to the six month straight line prorated 2010 Test Year for both net capital additions and operating costs.

**2010 NET CAPITAL ADDITIONS(\$K)-
6 MONTH ACTUAL PLUS 6 MONTH FORECAST**

Investment Category	June 2010 Actuals	Remaining Forecast	2010 Forecast	2010 Test Year
Customer Demand	11	1,113	1,124	1,124
Reliability	1,681	1,728	3,409	3,409
Regulatory	2,011	294	2,305	2,305
Subdivision Development	113	101	214	214 *
SCADA	9	71	80	80
Meters	46	86	132	132
Computer Hardware	33	53	86	86
Computer Software	142	62	204	204
Buildings	0	157	157	157
Office Equipment & Tools	11	9	20	20
Total	4,057	3,674	7,731	7,731

* 2010 Test Year Net Additions excludes the \$678k for Secondary Service adjustment.

**2010 NET CAPITAL ADDITIONS(\$K)-
ANALYSIS OF JUNE 2010 ACTUAL COSTS TO 2010 TEST YEAR COSTS**

Investment Category	2010 Test Year	2010 Test Year 6 months** (A)	June 2010 Actuals (B)	(A)-(B)
Customer Demand	1,124	562	11	551
Reliability	3,409	1,705	1,681	24
Regulatory	2,305	1,153	2,011	-858
Subdivision Development	214 *	107	113	-6
SCADA	80	40	9	31
Meters	132	66	46	20
Computer Hardware	86	43	33	10
Computer Software	204	102	142	-40
Buildings	157	79	0	79
Office Equipment & Tools	20	10	11	-1
Total	7,731	3,867	4,057	-190

* 2010 Test Year Net Additions excludes the \$678k for Secondary Service adjustment.

**A straightline proration has been used to calculate June 2010 Test Year amounts.

Net Capital Additions

As of June 2010, actual expenditures represented 52% of the total forecasted 2010 Test Year net additions. Whitby Hydro reviewed the major projects to ensure that there has been no new information or updates that would suggest a

material change to their completion within the 2010 test year. This review included any updated information from the road authorities (including the Region, the Town and the Ministry of Transportation). As a result, Whitby Hydro fully anticipates that the capital works as projected will be completed in the test year.

**2010 OPERATING COSTS(\$K)-
6 MONTH ACTUAL PLUS 6 MONTH FORECAST**

	June 2010 Actuals	Remaining Forecast	2010 Forecast	2010 Test Year
Operation	954	1,017	1,971	1,971
Maintenance	847	1,043	1,890	1,890
Billing and Collections	1,011	1,155	2,166	2,166
Administrative and General	1,366	1,527	2,893	2,893
Total	4,178	4,742	8,920	8,920

**2010 OPERATING COSTS(\$K)-
ANALYSIS OF JUNE 2010 ACTUAL COSTS TO 2010 TEST YEAR COSTS**

	2010 Test Year	2010 Test Year 6 months* (A)	June 2010 Actuals (B)	(A)-(B)
Operation	1,971	986	954	32
Maintenance	1,890	945	847	98
Billing and Collections	2,166	1,083	1,011	72
Administrative and General	2,893	1,447	1,366	81
Total	8,920	4,461	4,178	283

*A straightline proration has been used to calculate June 2010 Test Year amounts.

Operating Costs

The June 2010 actual operating expenses were less than the six month forecasted 2010 test year amounts by 6%. It is important to note, that while operating costs tend to be more straight line in nature there are some costs that are more condensed and as a result will be incurred in the latter part of the year.

Operation and maintenance costs were lower due to several factors. Favourable weather conditions provided for reduced storm activity; underground faults were atypically low and resources were allocated to the completion of capital works.

Actual expenses for Billing & Collections and Administrative & General are less than the 2010 test year as a result of work that is scheduled to be completed in

the remainder part of 2010 (e.g. financial system upgrade, disaster recovery planning, review of Information System structure, OEB code changes (EB-2007-0722 Electricity Distributors: Customer Service Rate Classification and Non-Payment Risk etc.).

As a result, Whitby Hydro anticipates that the forecasted 2010 test year is representative of its operating costs for 2010.

JT 1.8: To provide updated revenue requirement work form including cost of debt. (pg. 102)

Response:

A copy of the revenue requirement work form has been provided which reflects the most recent adjustments noted in Board Staff #35 but modified for the correction related to the impact of the PILs reduction in JT.1.2.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
 File Number: EB-2009-0274
 Rate Year: 2010

		Data Input			(1)
		Application	Adjustments	Per Board Decision	
1	<u>Rate Base</u>				
	Gross Fixed Assets (average)	\$130,674,768	(4)	\$194,950	\$130,869,718
	Accumulated Depreciation (average)	(\$66,557,712)	(5)	\$4,642	(\$66,553,070)
	Allowance for Working Capital:				
	Controllable Expenses	\$8,919,421	(6)		\$8,919,421
	Cost of Power	\$68,963,116		7,896,075	\$76,859,191
	Working Capital Rate (%)	15.00%			15.00%
2	<u>Utility Income</u>				
	Operating Revenues:				
	Distribution Revenue at Current Rates	\$17,847,514			\$17,847,514
	Distribution Revenue at Proposed Rates	\$19,856,446			\$20,393,820
	Other Revenue:				
	Specific Service Charges	\$157,835			\$157,835
	Late Payment Charges	\$321,000			\$321,000
	Other Distribution Revenue	\$333,909			\$333,909
	Other Income and Deductions	\$78,000			\$78,000
	Operating Expenses:				
	OM+A Expenses	\$8,919,421			\$8,919,421
	Depreciation/Amortization	\$4,929,391		(\$9,283)	\$4,920,108
	Property taxes				
	Capital taxes	\$45,600			\$46,638
	Other expenses				
3	<u>Taxes/PILs</u>				
	Taxable Income:				
	Adjustments required to arrive at taxable income	\$129,559	(3)		\$96,189
	Utility Income Taxes and Rates:				
	Income taxes (not grossed up)	\$793,034			\$972,539
	Income taxes (grossed up)	\$1,149,325			\$1,409,477
	Capital Taxes	\$45,600			\$46,638
	Federal tax (%)	13.00%			13.00%
	Provincial tax (%)	18.00%			18.00%
	Income Tax Credits				
4	<u>Capitalization/Cost of Capital</u>				
	Capital Structure:				
	Long-term debt Capitalization Ratio (%)	56.0%			56.0%
	Short-term debt Capitalization Ratio (%)	4.0%	(2)		4.0% (2)
	Common Equity Capitalization Ratio (%)	40.0%			40.0%
	Preferred Shares Capitalization Ratio (%)				
	Cost of Capital				
	Long-term debt Cost Rate (%)	7.62%			6.67%
	Short-term debt Cost Rate (%)	1.33%			2.07%
	Common Equity Cost Rate (%)	8.01%			9.85%
	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) Per Board Decision reflects only changes outlined in Board Staff IR#30 & 35 for commodity cost, secondary services, Cost of Capital Parameters (Feb 24, 2010 Report), transmission and LV costs + CCA and small business tax + JT1.2. Note Long Term



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Rate Base					
Line No.	Particulars		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)		\$130,674,768	\$194,950	\$130,869,718
2	Accumulated Depreciation (average) (3)		(\$66,557,712)	\$4,642	(\$66,553,070)
3	Net Fixed Assets (average) (3)		\$64,117,057	\$199,592	\$64,316,649
4	Allowance for Working Capital (1)		\$11,682,381	\$1,184,411	\$12,866,792
5	Total Rate Base		\$75,799,437	\$1,384,003	\$77,183,440

(1) Allowance for Working Capital - Derivation					
6	Controllable Expenses		\$8,919,421	\$ -	\$8,919,421
7	Cost of Power		\$68,963,116	\$7,896,075	\$76,859,191
8	Working Capital Base		\$77,882,537	\$7,896,075	\$85,778,612
9	Working Capital Rate % (2)		15.00%		15.00%
10	Working Capital Allowance		\$11,682,381	\$1,184,411	\$12,866,792

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.

Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT 1.2)
See note on Sheet A. Data Input Sheet for a summary.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Utility income				
Line No.	Particulars	Application	Adjustments	Per Board Decision
Operating Revenues:				
1	Distribution Revenue (at Proposed Rates)	\$19,856,446	\$537,374	\$20,393,820
2	Other Revenue	(1) \$890,743	\$ -	\$890,743
3	Total Operating Revenues	<u>\$20,747,189</u>	<u>\$537,374</u>	<u>\$21,284,563</u>
Operating Expenses:				
4	OM+A Expenses	\$8,919,421	\$ -	\$8,919,421
5	Depreciation/Amortization	\$4,929,391	(\$9,283)	\$4,920,108
6	Property taxes	\$ -	\$ -	\$ -
7	Capital taxes	\$45,600	\$1,038	\$46,638
8	Other expense	\$ -	\$ -	\$ -
9	Subtotal	\$13,894,412	(\$8,245)	\$13,886,167
10	Deemed Interest Expense	<u>\$3,274,839</u>	<u>(\$326,947)</u>	<u>\$2,947,892</u>
11	Total Expenses (lines 4 to 10)	<u>\$17,169,251</u>	<u>(\$335,192)</u>	<u>\$16,834,059</u>
12	Utility income before income taxes	<u><u>\$3,577,938</u></u>	<u><u>\$872,566</u></u>	<u><u>\$4,450,504</u></u>
13	Income taxes (grossed-up)	<u>\$1,149,325</u>	<u>\$260,152</u>	<u>\$1,409,477</u>
14	Utility net income	<u><u>\$2,428,614</u></u>	<u><u>\$612,414</u></u>	<u><u>\$3,041,028</u></u>

Notes

(1)	Other Revenues / Revenue Offsets		
	Specific Service Charges	\$157,835	\$157,835
	Late Payment Charges	\$321,000	\$321,000
	Other Distribution Revenue	\$333,909	\$333,909
	Other Income and Deductions	<u>\$78,000</u>	<u>\$78,000</u>
	Total Revenue Offsets	<u><u>\$890,743</u></u>	<u><u>\$890,743</u></u>

Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT 1.2)
See note on Sheet A. Data Input Sheet for a summary.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
 File Number: EB-2009-0274
 Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income	\$2,428,614	\$3,041,028
2	Adjustments required to arrive at taxable utility income	\$129,559	\$96,189
3	Taxable income	<u>\$2,558,173</u>	<u>\$3,137,217</u>
<u>Calculation of Utility income Taxes</u>			
4	Income taxes	\$793,034	\$972,539
5	Capital taxes	\$45,600	\$46,638
6	Total taxes	<u>\$838,634</u>	<u>\$1,019,177</u>
7	Gross-up of Income Taxes	<u>\$356,291</u>	<u>\$436,938</u>
8	Grossed-up Income Taxes	<u>\$1,149,325</u>	<u>\$1,409,477</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$1,194,925</u>	<u>\$1,456,115</u>
10	Other tax Credits	\$ -	\$ -
<u>Tax Rates</u>			
11	Federal tax (%)	13.00%	13.00%
12	Provincial tax (%)	18.00%	18.00%
13	Total tax rate (%)	<u>31.00%</u>	<u>31.00%</u>

Notes

Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT
 See note on Sheet A. Data Input Sheet for a summary.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Application					
Debt					
1	Long-term Debt	56.00%	\$42,447,685	7.62%	\$3,234,514
2	Short-term Debt	4.00%	\$3,031,977	1.33%	\$40,325
3	Total Debt	60.00%	\$45,479,662	7.20%	\$3,274,839
Equity					
4	Common Equity	40.00%	\$30,319,775	8.01%	\$2,428,614
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$30,319,775	8.01%	\$2,428,614
7	Total	100%	\$75,799,437	7.52%	\$5,703,453
Per Board Decision					
Debt					
8	Long-term Debt	56.00%	\$43,222,727	6.67%	\$2,883,984
9	Short-term Debt	4.00%	\$3,087,338	2.07%	\$63,908
10	Total Debt	60.00%	\$46,310,064	6.37%	\$2,947,892
Equity					
11	Common Equity	40.0%	\$30,873,376	9.85%	\$3,041,028
12	Preferred Shares	0.0%	\$ -	0.00%	\$ -
13	Total Equity	40.0%	\$30,873,376	9.85%	\$3,041,028
14	Total	100%	\$77,183,440	7.76%	\$5,988,919

Notes

- (1) 4.0% unless an Applicant has proposed or been approved for another amount.
 Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking J
 See note on Sheet A. Data Input Sheet for a summary.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

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		\$2,008,932		\$2,546,303
2	Distribution Revenue	\$17,847,514	\$17,847,514	\$17,847,514	\$17,847,517
3	Other Operating Revenue Offsets - net	\$890,743	\$890,743	\$890,743	\$890,743
4	Total Revenue	\$18,738,257	\$20,747,189	\$18,738,257	\$21,284,563
5	Operating Expenses	\$13,894,412	\$13,894,412	\$13,886,167	\$13,886,167
6	Deemed Interest Expense	\$3,274,839	\$3,274,839	\$2,947,892	\$2,947,892
	Total Cost and Expenses	\$17,169,251	\$17,169,251	\$16,834,059	\$16,834,059
7	Utility Income Before Income Taxes	\$1,569,006	\$3,577,938	\$1,904,199	\$4,450,504
	Tax Adjustments to Accounting				
8	Income per 2009 PILs	\$129,559	\$129,559	\$96,189	\$96,189
9	Taxable Income	\$1,698,565	\$3,707,497	\$2,000,388	\$4,546,693
10	Income Tax Rate	31.00%	31.00%	31.00%	31.00%
11	Income Tax on Taxable Income	\$526,555	\$1,149,324	\$620,120	\$1,409,475
12	Income Tax Credits	\$ -	\$ -	\$ -	\$ -
13	Utility Net Income	\$1,042,451	\$2,428,614	\$1,284,079	\$3,041,028
14	Utility Rate Base	\$75,799,437	\$75,799,437	\$77,183,440	\$77,183,440
	Deemed Equity Portion of Rate Base	\$30,319,775	\$30,319,775	\$30,873,376	\$30,873,376
15	Income/Equity Rate Base (%)	3.44%	8.01%	4.16%	9.85%
16	Target Return - Equity on Rate Base	8.01%	8.01%	9.85%	9.85%
	Sufficiency/Deficiency in Return on Equity	-4.57%	0.00%	-5.69%	0.00%
17	Indicated Rate of Return	5.70%	7.52%	5.48%	7.76%
18	Requested Rate of Return on Rate Base	7.52%	7.52%	7.76%	7.76%
19	Sufficiency/Deficiency in Rate of Return	-1.83%	0.00%	-2.28%	0.00%
20	Target Return on Equity	\$2,428,614	\$2,428,614	\$3,041,028	\$3,041,028
21	Revenue Sufficiency/Deficiency	\$1,386,163	(\$0)	\$1,756,949	\$0
22	Gross Revenue Sufficiency/Deficiency	\$2,008,932 (1)		\$2,546,303 (1)	

Notes:

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

Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT 1.2)

See note on Sheet A. Data Input Sheet for a summary.



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Line No.	Particulars	Revenue Requirement	
		Application	Per Board Decision
1	OM&A Expenses	\$8,919,421	\$8,919,421
2	Amortization/Depreciation	\$4,929,391	\$4,920,108
3	Property Taxes	\$ -	\$ -
4	Capital Taxes	\$45,600	\$46,638
5	Income Taxes (Grossed up)	\$1,149,325	\$1,409,477
6	Other Expenses	\$ -	\$ -
7	Return		
	Deemed Interest Expense	\$3,274,839	\$2,947,892
	Return on Deemed Equity	\$2,428,614	\$3,041,028
8	Distribution Revenue Requirement before Revenues	<u>\$20,747,189</u>	<u>\$21,284,563</u>
9	Distribution revenue	\$19,856,446	\$20,393,820
10	Other revenue	<u>\$890,743</u>	<u>\$890,743</u>
11	Total revenue	<u>\$20,747,189</u>	<u>\$21,284,563</u>
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>(\$0) (1)</u>	<u>\$0 (1)</u>

Notes

(1) Line 11 - Line 8
 Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT See note on Sheet A. Data Input Sheet for a summary.

JT 1.9: To provide explanation of difference between auditor costs in SEC IR 29 and VECC IR 30. (pg. 119)

Response:

Based on Whitby Hydro's interpretation, the undertaking was to explain why there would be any differences in inflation rates for 5610 costs and 5615 costs for the same year.

The revised schedules below have been adjusted to refine the inflation amounts to address any consistency issues as well as to correct the summation of yearly total figures.

JT1.9- Correction for VECC IR#30 and SEC IR#29

USoA (net of inflation)	(000's)			
	2007	2008	2009	2010
5630 Auditor costs-external (subset)	65	64	70	100
5610 Management Salaries & Expenses	606	707	748	778
5615 General Administrative Salaries & Exp	382	337	356	408
	<u>1,053</u>	<u>1,108</u>	<u>1,174</u>	<u>1,286</u>

USoA	(000's)			
	2007	2008	2009	2010
5630 Auditor costs-external (subset)	65	64	70	100
5610 Management Salaries & Expenses	667	793	859	914
5615 General Administrative Salaries & Exp	418	379	411	479
	<u>1,150</u>	<u>1,236</u>	<u>1,340</u>	<u>1,493</u>

JT 1.10: To provide table of headcount and total salaries and benefits for each of the five categories. (pg. 122)

Response:

This undertaking was specific to providing Appendix 2-L of Chapter 2 of the OEB's filing requirements. This schedule reflects resources of the affiliate (WHES) providing services to Whitby Hydro as well Whitby Hydro's asset manager and Officers.

**Appendix 2-L
Employee Costs**

	Historical Year 2008	Bridge Year 2009	Test Year 2010
Number of Employees (FTEs including Part-Time)			
Executive			
Management	12.1	11.8	12.0
Non-Union	4.3	5.1	5.3
Union	40.7	45.0	48.6
Total	57.2	61.9	65.9
Number of Part-Time Employees			
Executive			
Management			
Non-Union	4.3	5.1	5.3
Union			
Total	4.3	5.1	5.3
Total Salary and Wages			
Executive			
Management	1,647,727	1,624,864	1,593,219
Non-Union	159,335	165,713	169,156
Union	2,660,258	2,984,141	3,233,159
Total	4,467,320	4,774,718	4,995,534
Total Benefits			
Executive			
Management	353,330	402,980	424,496
Non-Union	30,807	32,180	34,442
Union	729,892	935,946	1,035,015
Total	1,114,029	1,371,106	1,493,953
Total Compensation (Salary, Wages & Benefits)			
Executive	-	-	
Management	2,001,057	2,027,844	2,017,715
Non-Union	190,142	197,893	203,598
Union	3,390,150	3,920,087	4,268,174
Total	5,581,349	6,145,824	6,489,487
Compensation - Average Yearly Base Wages			
Executive			
Management	130,499	137,584	132,437
Non-Union	36,713	32,493	31,856
Union	59,749	61,895	62,339
Total	78,168	77,186	75,770
Compensation - Average Yearly Overtime			
Executive			
Management			
Non-Union			
Union	5,582	4,493	4,197
Total	3,977	3,265	3,093
Compensation - Average Yearly Incentive Pay			
Executive			
Management	5,790		
Non-Union			
Union			
Total	1,225	-	-
Compensation - Average Yearly Benefits			
Executive			
Management	29,225	34,122	35,286
Non-Union	7,098	6,310	6,486
Union	17,925	20,822	21,301
Total	19,493	22,165	22,660
Total Compensation			
	5,581,349	6,145,824	6,489,487
Total Compensation Charges to OM&A			
	3,848,807	4,376,290	4,680,776
Total Compensation Capitalized			
	1,732,542	1,769,534	1,808,711

SUPPLEMENTARY INFORMATION:

B. INTERROGATORIES

i. Board Staff

Board Staff Supplemental Interrogatories- Update 2010-09-17
Whitby Hydro Electric Corp.
2010 Electricity Distribution Rates
EB-2009-0274

35. Service Revenue Requirement (UPDATE 2010-09-17)

Ref: IRR Board staff # 30 and VECC # 40

The response provided an update of the revenue requirement that was consistent with responses to interrogatories as well as more recent information.

Upon completion of responses to all supplemental interrogatories, please provide any further adjustments to ensure consistency with the responses, so that the combined response will show all adjustments that Whitby Hydro would now propose to make relative to the original application.

Response (2010-09-17 update):

Whitby Hydro previously identified several updates that it proposed to make to the original application in Board Staff's IRR#30. The following items were identified:

- Cost of Capital Parameters
- Commodity Cost of Power
- Secondary Services
- Transmission and Low Voltage Costs
- EP#61 (a) Secondary Services – Correction to 2010 CCA
- EP-TC#8 Income Taxes – Correction for small business deduction

Additional Updates:

One additional correction is being proposed by Whitby Hydro for the undertaking JT1.2 Income Taxes – Correction for small business deduction

Updated Revenue Requirement Control Logs (part 1 & 2) and a Revenue Requirement Work Form have been provided which include the updates identified in the re-submission of Board Staff IRR #35 on June 16, 2010 (Exhibit KT 1.3 of the technical conference) and as well, incorporates the additional update noted above for JT 1.2.

Part 1 of the Revenue Requirement Control Log (Individual Changes) lists all of the updates and each of their individual impacts separately to the components affecting rate base and service revenue requirement. Those items identified as “round 1” tie back to the control log provided in Board Staff IRR #30. The

transmission and LV updates are identified as “round 2”. The updates for the Secondary Services 2010 CCA correction and the Income Tax correction for small business deduction are identified as “technical conference”. The further correction for JT 1.2 has been identified as a correction.

REVENUE REQUIREMENT CONTROL LOG: PART 1 (INDIVIDUAL CHANGES)

8/12/2010

Change	Average Net Fixed Assets (A)	Expenses For Working Capital (B)	Working Capital Allowance (C)	Rate Base A+C	Debt Interest (D)	Equity (E)	OMA (F)	Depreciation (G)	PILS (H)	Service Revenue Requirement D+E+F+G+H
Commodity-Round 1										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		7,238,968	1,085,845	1,085,845	46,913	34,790			16,445	98,148
	64,117,056	85,121,505	12,768,226	76,885,282	3,321,752	2,463,404	8,919,421	4,929,391	1,211,370	20,845,338
Secondary Services- Round 1										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		199,591		199,591	8,623	6,395		-9,283	3,022	8,757
	64,316,647	77,882,537	11,682,381	75,999,028	3,283,462	2,435,009	8,919,421	4,920,108	1,197,947	20,755,947
Cost of Capital- Round 1										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact					-379,807	557,884			250,643	428,720
	64,117,056	77,882,537	11,682,381	75,799,437	2,895,032	2,986,498	8,919,421	4,929,391	1,445,568	21,175,910
Transmission Costs-Round 2										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		631,166	94,675	94,675	4,091	3,033			1,433	8,557
	64,117,056	78,513,703	11,777,056	75,894,112	3,278,930	2,431,647	8,919,421	4,929,391	1,196,358	20,755,747
LV Updates-Round 2										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		25,941	3,891	3,891	168	125			58	351
	64,117,056	77,908,478	11,686,272	75,803,328	3,275,007	2,428,739	8,919,421	4,929,391	1,194,983	20,747,541
Secondary Service CCA -Technical Conference										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact									12,184	12,184
	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,207,109	20,759,374
PILS-Small Business Deduction- Technical Conference										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact									-8,424	-8,424
	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,186,501	20,738,766
PILS-Small Business Deduction- Correction										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact									-18,750	-18,750
	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,176,175	20,728,440
Total Changes	199,591	7,896,075	1,184,411	1,384,002	-320,012	602,227	0	-9,283	256,611	548,293

REVENUE REQUIREMENT CONTROL LOG: PART 2 (TOTAL IMPACT)

	Average Net Fixed Assets (A)	Expenses For Working Capital (B)	Working Capital Allowance (C)	Rate Base A+C	Debt Interest (D)	Equity (E)	OMA (F)	Depreciation (G)	PILS (H)	Service Revenue Requirement D+E+F+G+H
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Change										
Commodity-Round 1		7,238,968	1,085,845	1,085,845						0
	64,117,056	85,121,505	12,768,226	76,885,282	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Secondary Services-Round 1	199,591			199,591				-9,283		-9,283
	64,316,647	85,121,505	12,768,226	77,084,873	3,274,839	2,428,614	8,919,421	4,920,108	1,194,925	20,737,907
Transmission Costs-Round 2		631,166	94,675	94,675						0
	64,316,647	86,409,778	12,961,467	77,278,114	3,274,839	3,041,028	8,919,421	4,920,108	1,456,115	21,284,563
LV Updates-Round 2		25,941	3,891	3,891						0
	64,316,647	86,435,719	12,965,358	77,282,005	3,274,839	3,041,028	8,919,421	4,920,108	1,456,115	21,284,563
Secondary Service CCA -Tech Conf			0	0					12,184	12,184
	64,316,647	86,435,719	12,965,358	77,282,005	3,274,839	3,041,028	8,919,421	4,920,108	1,468,299	21,296,747
PILS-Small Business Deduction- Tech Conf			0	0					-8,424	-8,424
	64,316,647	86,435,719	12,965,358	77,282,005	3,274,839	3,041,028	8,919,421	4,920,108	1,459,875	21,288,323
PILS-Small Business Deduction- Correction			0	0					-18,750	-18,750
	64,316,647	86,435,719	12,965,358	77,282,005	3,274,839	3,041,028	8,919,421	4,920,108	1,441,125	21,269,573
Total Changes (pre cost of capital)	199,591	7,896,075	1,184,411	1,384,002	0	0	0	-9,283	-14,990	-24,273
Cost of Capital- Round 1 parameters					-326,948	612,414			276,180	561,646
Total Impact	64,316,647	85,778,612	12,866,792	77,183,439	2,947,891	3,041,028	8,919,421	4,920,108	1,456,115	21,284,563

Rate Base Column: Initial Requested Rate Base 75,799,437
 + Total Changes (part 1) 1,384,002
 = Total Impact (part 2) 77,183,439



REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
 File Number: EB-2009-0274
 Rate Year: 2010

Revenue Requirement			
Line No.	Particulars	Application	Per Board Decision
1	OM&A Expenses	\$8,919,421	\$8,919,421
2	Amortization/Depreciation	\$4,929,391	\$4,920,108
3	Property Taxes	\$ -	\$ -
4	Capital Taxes	\$45,600	\$46,638
5	Income Taxes (Grossed up)	\$1,149,325	\$1,409,477
6	Other Expenses	\$ -	\$ -
7	Return		
	Deemed Interest Expense	\$3,274,839	\$2,947,892
	Return on Deemed Equity	\$2,428,614	\$3,041,028
8	Distribution Revenue Requirement before Revenues	\$20,747,189	\$21,284,563
9	Distribution revenue	\$19,856,446	\$20,393,820
10	Other revenue	\$890,743	\$890,743
11	Total revenue	\$20,747,189	\$21,284,563
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0) (1)	\$0 (1)

Notes

(1) Line 11 - Line 8
 Reflects updates as of August 17, 2010 (per Board Staff IRR #30, #35 adjusted for undertaking JT See note on Sheet A. Data Input Sheet for a summary.

SUPPLEMENTARY INFORMATION:

B. INTERROGATORIES

ii. SEC

* Note that SEC interrogatories addressed in this submission are ordered as follows:

- Original Interrogatories in numerical order
- Supplementary Interrogatories in numerical order
- Attachment re: SEC Supplementary IR#14

SEC Original Interrogatory #6

[Page 36] Please file the three year capital and operating budget for 2010-2012, together with all presentations and supporting materials provided to the Board of Directors or senior management or the Town of Whitby related to that budget. Please also file the approved three year capital and operating budgets for 2009-2011 and 2008-2010.

Original Response:

Whitby Hydro has provided its three year capital and operating budgets for 2010-2012 in response to VECC interrogatory #5. Whitby Hydro declines to provide all related presentations and supporting materials provided to the Board of Directors or senior management or the Town of Whitby on the basis of relevance. Whitby Hydro filed its 2010 capital and operating budgets as evidence in support of just and reasonable distribution rates. The budgets have been supported by extensive evidence that demonstrates the prudence of the underlying costs. That evidence complies with the OEB's filing requirements, and the OEB is able to make a ruling on the Application with the evidence before it. The OEB has issued many decisions without materials presented to Boards of Directors. The reason for this is that prudence can establish based on the information required by the Board's filing requirements. If supporting materials for capital and operating budgets presented to an Applicant's Board of Directors for approval were truly relevant, we believe that the OEB would require that such materials be filed as part of its filing requirements. Rather, the OEB's filing requirements only require Applicants to file the following statement with respect to budget approval by Boards of Directors:

"A statement is to be provided as to when the forecast was prepared and when it was approved by utility management and/or Board of Directors for use in the application"

The budgets for use in the application were approved by Whitby Hydro Board of Directors on December 17, 2009.

In regard to the request for historic capital and operating budgets, Whitby Hydro declines on the basis of relevance. The proposed revenue requirement for the Test Year included in the Application is supported by the budgets filed in response to VECC interrogatory #5.

Additional Information:

The three year capital and operating budgets for 2009-2011 and 2008-2010 have been provided below and represent costs that would be included in the rate application. In the preparation of the 3 year budget,

while every effort is made in developing accurate costs for all 3 years, there is more uncertainty with the second and third year which are forecast numbers. These budgets were prepared in December 2008 and December 2007 respectively.

WHITBY HYDRO 3 YEAR BUDGET 2009-2011 (\$k)			
Capital	2009	2010	2011
Capital Projects	6,479	7,809	8,185
Subdivision Development	350	300	300
Equipment	826	511	492
Total Capital	7,655	8,620	8,977
O.M. A. Expenses	8,479	8,738	8,974

2010 Rate Application (\$k)		
2009	2010	2011
4,754	6,838	5,365
163	214	255
466	679	570
5,383	7,731	6,190
8,486	8,919	

WHITBY HYDRO 3 YEAR BUDGET 2008-2010 (\$k)			
Capital	2008	2009	2010
Capital Projects	6,408	5,621	8,266
Subdivision Development	450	400	350
Equipment	923	493	590
Total Capital	7,781	6,514	9,206
O.M. A. Expenses	8,343	8,542	8,823

2010 Rate Application (\$k)		
2008	2009	2010
6,253	4,754	6,838
501	163	214
750	466	679
7,504	5,383	7,731
8,149	8,486	8,919

The original 2009 capital budget of \$7,655 is greater than the 2009 rate application costs of \$5,383 by \$2,272k. The majority of the difference is attributable to the deferral of road relocation projects by road authorities combined with substation construction deferral caused by the delay in equipment delivery. In addition, lower equipment costs resulted in part from the deferral of the data archiving system to 2010 in order to focus resources on pandemic planning in 2009.

The Applicant maintains its position to decline providing all presentations and supporting materials provided to the Board of Directors or senior management or the Town of Whitby related to the 2010-2012 budget based on the rationale set out by the Board in EB-2008-0187 where the Board stated:

"While the genesis of an application is of general interest to the Board, it is not determinative of the substantive aspects of the application. Once filed in

accordance with the provisions of the legislation, applications are reviewed on their merit. The particulars surrounding the levels of approvals before a distributor makes an application, is a matter that is internal to the company itself."

Note that additional information provided above is intended to address SEC supplementary IRs#4 and #5 which re-asked for the same data.

SEC Original Interrogatory #12

[Page 58] Please provide copies of all agreements and resolutions (including resolutions or by-laws of the Town of Whitby) related to the promissory notes referred to. Please provide all information in the Applicant's possession related to the market interest rates at the time each promissory note was executed.

Original Response:

Whitby Hydro has no agreements or resolutions in its possession related to the promissory notes, nor does Whitby Hydro possess any information related to the market interest rates at the time each promissory note was executed.

Additional Information:

Please see resolutions below dated June 29, 2010. Note this also serves to address any concerns related to SEC Supplementary IR#8 (a).

**AN EXCERPT FROM MINUTES OF A REGULAR MEETING OF THE
WHITBY HYDRO ELECTRIC CORPORATION HELD TUESDAY JUNE
29TH, 2010.**

Moved by Director Longfield seconded by Director Webster that the Whitby Hydro Electric Corporation Board of Directors confirm approval of the Whitby Hydro Electric Corporation Audited Statements for the period ending December 31st, 2009, including approval of the 2009 Promissory Note principal and interest payments to the Town of Whitby as follows:

Long Term Debt

	<u>2009</u>	<u>2008</u>
7-1/4% promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with sixty days notice. The Town of Whitby will not be calling this note before January 1, 2011	\$1,460,300	\$1,460,300
7-1/4% promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with sixty days notice. The Town of Whitby will not be calling this note before January 1, 2011	\$5,061,000	\$5,061,000
7% promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with twelve months notice. The Town of Whitby will not be calling this note before January 1, 2011	\$21,816,642	\$21,816,642

Interest on long-term debt is \$2,000,000 - 2009 (2008 - \$2,000,000).

Carried.

**AN EXCERPT FROM MINUTES OF A REGULAR MEETING OF THE
WHITBY HYDRO ELECTRIC CORPORATION HELD TUESDAY JUNE
29TH, 2010.**

Moved by Director MacMaster seconded by Director Longfield that the Whitby Hydro Electric Corporation Board of Directors receive copies of Promissory Note #1, Promissory Note #2 and Promissory Note #3 issued to the Town of Whitby and approve the Promissory Note(s) Terms and Conditions as noted and signed November 1st, 2000.

Carried.

SEC Original Interrogatory #27

[Page 227] Please provide a table showing which employees (by position, not name) are employed by which company or entity, the amounts of costs initially borne by each company or entity, and how those costs are then allocated to the company or entity that ultimately bears them.

Response:

An FTE analysis for Whitby Hydro and its affiliate companies Whitby Hydro Energy Corporation (Holdco) and Whitby Hydro Energy Services Corporation (WHES) has been provided below. The analysis has been done by employee category in a manner consistent with the breakdown required in JT1.9 which identifies the related rate application costs. Whitby Hydro is concerned that providing costs by position would be inappropriate given that many positions include three or fewer employees and the information could therefore be used to determine individual salaries.

Full Time Equivalent Analysis

Function	Total	Whitby Hydro			WHES & Holdco
		Total	Rate Application	Other	
<u>Customer/Business Services</u>					
Management	5.80	3.38	2.46	0.92	2.42
Union	13.84	12.45	11.99	0.46	1.39
Non-union	1.85	1.43	1.43	0.00	0.42
	<u>21.49</u>	<u>17.26</u>	<u>15.88</u>	<u>1.38</u>	<u>4.23</u>
<u>Engineering</u>					
Management	2.00	1.80	1.60	0.20	0.20
Union	6.86	6.24	5.28	0.96	0.62
Non-union	0.30	0.30	0.23	0.07	0.00
	<u>9.16</u>	<u>8.34</u>	<u>7.11</u>	<u>1.23</u>	<u>0.82</u>
<u>Operations</u>					
Management	3.36	3.34	3.32	0.02	0.02
Union	28.85	28.24	25.39	2.85	0.61
Non-union	3.12	3.12	3.12	0.00	0.00
	<u>35.33</u>	<u>34.70</u>	<u>31.83</u>	<u>2.87</u>	<u>0.63</u>
<u>Executive/Finance/Regulatory</u>					
Management	5.59	5.01	4.62	0.39	0.58
Union	6.22	5.96	5.93	0.03	0.26
Non-union	0.63	0.54	0.53	0.01	0.09
	<u>12.44</u>	<u>11.51</u>	<u>11.08</u>	<u>0.43</u>	<u>0.93</u>
<u>Total</u>					
Management	16.75	13.53	12.00	1.53	3.22
Union	55.77	52.89	48.59	4.30	2.88
Non-union	5.90	5.39	5.31	0.08	0.51
	<u>78.42</u>	<u>71.81</u>	<u>65.90</u>	<u>5.91</u>	<u>6.61</u>

[SEC Original Interrogatory # 30](#)

[Page 234] Please describe the unrelated activities carried out by WHES outside of the Whitby Hydro service area. Please identify which employees or groups of employees that provide services to the Applicant are also involved in those regulated activities. Please advise what company or entity within the related group, if any, carries out those unregulated activities within the Whitby Hydro service area.

Original Response:

Whitby Hydro questions the relevance of the information requested. WHES is a non-regulated entity. Whitby Hydro's compliance with the Affiliate Relationship Code is not an issue in this proceeding.

Additional Information:

While there is some confusion with respect to the question/s, Whitby Hydro has attempted to provide responses to each area as follows:

Please describe the unrelated activities carried out by WHES outside of the Whitby Hydro service area.

Whitby Hydro assumes that the question refers to unregulated activities carried out by WHES outside of the Whitby Hydro service area and the following summarizes the types of services offered:

- Engineering & Construction Services – consulting and design/build work in areas such as renewable energy, distributed generation, bi-fuel, feasibility studies, system modeling, grounding studies, and new commercial services (private property).
- Business Services – consulting and other services in areas such as energy management, conservation, power factor correction, station maintenance, billing services and sub-metering.

Please identify which employees or groups of employees that provide services to the Applicant are also involved in those regulated activities.

A breakdown of employee groups that are shared (ie. provide services to Whitby Hydro has been provided in IR #27.

Please advise what company or entity within the related group, if any, carries out those unregulated activities within the Whitby Hydro service area.

During the compliance review with the Chief Compliance Officer (CCO) in 2005/2006, Whitby Hydro agreed to review the unregulated activities provided in the Whitby Hydro service area with the intent of limiting unregulated work done by its affiliated (WHES) to outside of the Whitby boundaries. WHES has adhered to this requirement with the exception of Streetlighting, which was discussed further with the CCO during a meeting initiated by Whitby Hydro on July 3, 2008 to discuss and confirm continued ARC compliance using the same underlying principles developed in the 2005/2006 review.

With respect to Streetlighting, WHES continues to perform specific functions for the Town of Whitby which are limited to providing administrative services for the maintenance of Town owned streetlights. The administrative services provided are related to the emergency work, locates, inventory, customer calls, record keeping and contract management. All physical work related to repair and replacement of streetlights is undertaken by 3rd party contractors with the exception of emergency work. All costs related to the provision of administrative services by WHES are fully recovered from the Town of Whitby.

The OEB compliance staff had some concerns with respect to the management of the 3rd party contractors which should be transitioned to the Town going forward. WHES held off transitioning this service to the Town of Whitby given the ongoing regulatory uncertainty relating to the provisions of the ARC through an initiative the EDA undertook on behalf of its members in 2006 and more recently Toronto Hydro's application to the OEB to deem street light assets part of the distribution system.

While WHES continues to provide administrative support related to the installation and maintenance of street lights to the Town of Whitby, given the outcome of the OEB's decision of Toronto Hydro application, WHES will have further discussions with its Shareholder during 2010 that would lead to a less administrative role for WHES moving forward.

[SEC Original Interrogatory #39](#)

[Page 471-489] With respect to the Burman report:

- b. Page 474. Please provide all instructions or directions given by the Applicant to the consultant in the course of doing the study, including any edits of draft reports.**

Original Response:

The role of BECGI is summarized in Exhibit 10, page 446 (Third Party Review). The scope of work requested and performed by BECGI is outlined in the BECGI report under section 2 (Required) and section 4 (Methodology). Whitby Hydro does not believe that any edits or drafts of the report are relevant.

Additional Response:

Whitby Hydro continues to believe that the edits or drafts of the report are not relevant and as such, the genesis of the final report included in the application does not provide any probative value to the Board. However, to assist in improving the understanding of all parties, the following additional information is provided to give some context to the process of developing the final report and the nature of changes which would impact the edits/drafts of the report.

The types of communication, edits etc. with respect to the LRAM/SSM calculations can be summarized as follows:

- Standard reviews/corrections to calculations to ensure data accuracy
- Investigation of assumptions for weatherstripping (low income program)
- Removal of weatherstripping from LRAM/SSM (low income program) at Whitby Hydro's request.
- Adjustments to SSM to ensure all CDM program costs were included (not just those producing identifiable conservation savings (ie. ensure inclusion of education program costs etc).
- Removal of SSM component given that corrections/edits had reduced the value of an SSM submission to one which was not materially significant (done at Whitby Hydro's request).
- Updates to reflect most recent (finalized) OPA reports.
- Updates to ensure consistency with OEB Decision and Order EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs.

As a result, the above review process assisted in improving the accuracy of the final report in a manner which ultimately reduced the level of LRAM/SSM recovery requested. The original draft of the LRAM was reduced by \$42K and

the SSM which originally was estimated to be \$85K was removed from the application altogether as the review process resulted in adjustments which brought it down to a level whereby the cost of supporting the SSM claim outweighed the benefits.

SEC Supplementary Interrogatory #3

[SEC #4] Please provide the document or documents under which those allocations and payments are made, or refer to same if already filed. Please provide the invoices for 2009 from one company to another that charge the amounts recovered for the officers to the Applicant and to any other affiliates.

Original Response:

Please refer to VECC IRR # 57(b) and 57(h).

As indicated in the response to SEC interrogatory 34(e), Whitby Hydro pays WHES on a monthly basis, and at the end of the year WHES provides an accounting of all its actual costs from the year for the purpose of a true up/down. That accounting does not break out the costs individually for the one management and three executive personnel, since that information could be used to determine their individual salaries. Further, according to the May 27, 2009 Filing Requirements:

“Where there are three or fewer employees in any category, the applicant may aggregate this category with the category to which it is most closely related.”

Since there are only three employees in the executive category, it would be inappropriate to provide the aggregate cost for these employees.

Additional Information:

Please refer to Undertaking JT 1.4 for a breakdown of costs associated with the three Officers in combination with the costs of the Asset Manager. This grouping has been done in keeping with the concerns quoted in the original response.

SEC Supplementary Interrogatory #6

[SEC #10] Please provide the actual document, whether resolution, shareholder direction, or otherwise, that sets out the current dividend policy.

Response:

The Applicant has not been able to locate an approving resolution. However, the dividend policy was approved by its Board of Directors.

Additional Information:

The resolution has been included below.

**AN EXCERPT FROM MINUTES OF A REGULAR MEETING OF THE
WHITBY HYDRO ELECTRIC CORPORATION HELD TUESDAY JUNE
29TH, 2010.**

Moved by Director Webster seconded by Director MacMaster that the Whitby Hydro Electric Corporation Board of Directors confirm approval of the Whitby Hydro Electric Corporation Dividend Payment Policy for 2009, as indicated on the financial statements for the period ending December 31st, 2009, that would provide payments to the Shareholder based on the working capital position of 9.02% (% of net expenses) at year end with variances excluded from calculating the working capital position.

Carried.

**AN EXCERPT FROM MINUTES OF A REGULAR MEETING OF THE
WHITBY HYDRO ELECTRIC CORPORATION HELD TUESDAY JUNE
29TH, 2010.**

Moved by Director Longfield seconded by Director MacMaster that the Whitby Hydro Electric Corporation Board of Directors confirm approval of the Whitby Hydro Electric Corporation Dividend Payment Policy for 2010, that provides payments to the Shareholder based on the working capital position exceeding 10% (% of net expenses) at year end with variances excluded from calculating the working capital position.

Carried.

[SEC Supplementary Interrogatory #12](#)

[SEC #27] Please provide the table requested.

Additional Information:

Please see response to IR#27.

[SEC Supplementary Interrogatory #13](#)

13. [SEC #28] Please explain how the current shared services model was developed without any analysis or any review of alternatives, and please provide whatever documents are in the Applicant's possession justifying the prudence of the current shared services arrangements.

Original Response:

When Whitby Hydro initially responded to SEC IR #28, it did so assuming that the question related strictly to the current shared services arrangement (service agreement). On the basis of this supplementary interrogatory which clarifies the request, Whitby Hydro acknowledges that at the time that the company and organizational structure was developed, there were analyses and discussions involved to ensure appropriate alternatives were considered. At the time (1998-1999), Whitby Hydro worked with its Shareholder as well as a consultant to develop a business structure that would best serve a small to medium sized high growth utility and maximize the benefits of sharing limited resources with the intent to serve its utility customers in a cost effective manner, while not limiting the ability for the service provider to generate revenue through other entrepreneurial businesses. While other utilities have structured themselves using a variation of different models, Whitby Hydro's decision to adopt a model where the utility obtains services from its affiliate is by no means unique. In fact, this approach has been accepted and approved by the Board since those utilities incorporated and it continues to be used by a number of distributors in Ontario.

Given that these historic discussions and analyses were completed more than ten years ago, Whitby Hydro is unable to locate and provide the documents requested. In any event, Whitby Hydro does not believe that a prudence evaluation of its structure is within the scope of this proceeding. Whitby Hydro notes that the Board is fully aware of its current structure and it is not aware of any concerns the Board has in this regard. The Chief Compliance Officer fully understood Whitby Hydro's structure during his Affiliate Relationship Code (ARC) Compliance review in 2006/2007 during which full compliance was obtained.

Additional Information:

While Whitby Hydro has made additional efforts in this area, it has been unable to locate the documents requested due to the length of time which has passed since the analyses and discussions took place. Please see the original response for further explanation.

SEC Supplementary Interrogatory #14.

[SEC #31] Please provide the actual “departmental review” documents requested. If there are no such documents, please so state.

Original Response:

Whitby Hydro has provided the Transfer Pricing Report prepared for the Chief Compliance Officer (CCO) as an attachment referenced in SEC IRR #3 which groups the departmental work into cost categories and provides information with respect to the transfer pricing review. Whitby Hydro notes that this report adequately summarizes the discussions/meetings with the CCO, and questions the relevance of further questions in this area given that it pertains to 2006 cost information, ARC compliance was obtained by the CCO at the time of the review, and this proceeding is not intended to further address ARC compliance issues.

Additional Information:

A copy of the original departmental review prepared by Whitby Hydro and provided to the CCO on May 24, 2006 is attached. Note that the document includes Whitby Hydro’s initial comments intended to address the CCO’s concern regarding the sharing of employees. The ultimate resolution of this concern was addressed later on in the ARC compliance review process as summarized in Whitby Hydro’s letter dated November 7, 2006.

SEC Supplementary Interrogatory #15

[SEC #31] Please provide the WHES capital and operating budget for the Test Year as requested, with the costs allocated to the Applicant identified as requested, so that the appropriateness of the allocation in the context of the overall budget can be assessed by the parties and the Board. (Please see the decisions with respect to the Enbridge Gas Distribution corporate allocation methodology, starting with the 2003 case, and moving forward until 2007, for the reason the full source company budgets are required by the Board.)

Response:

Whitby Hydro declines to provide the information requested for the reason set out in its response to SEC interrogatory #31. Further, Whitby Hydro is filing a transfer pricing report that is consistent with the 2006 transfer pricing review of the Board's Chief Compliance Officer. With this information, the Board can assess the reasonableness of the costs charged by WHES to Whitby Hydro.

Please see attachment to VECC #57(d).

Additional Information:

As WHES engages in non-regulated activities, we decline to provide its capital and operating budgets. We believe that the supplementary information provided should be sufficient for the SEC to make its case. The supplementary information provided that was originally denied includes:

- List of the types and number of entities to whom services are provided to
- % Revenue split between non-affiliates and affiliates
- Description of the services provided outside of Whitby service area
- Identified groups of employees who do unregulated work outside of Whitby
- Rate base and invested capital amounts
- Comments regarding rates charged to Whitby Hydro as compared to those charged to other entities
- Clarifications regarding transfer pricing
- Inclusion of WHES FTEs and related employee costs for Whitby Hydro work (Appendix 2-L)

SEC Supplementary Interrogatory #18

[SEC Attach #2, p. 10] Please provide

b. the quarterly report required by section 6.2 of the Shareholder Direction to be provided to the Shareholder relating to the quarters ended December 31, 2009 and March 31, 2010.

Original Response:

The December 31, 2009 quarterly report to the Shareholder is in form of the audited 2009 financial statements. (See attached). Whitby Hydro declines to provide the information requested for March 31, 2010 for the reason that these are internal documents intended for internal use only and are unaudited.

Additional Information:

As per the technical conference discussions, Whitby Hydro agreed to provide an undertaking (JT 1.7) in lieu of the request for the March 31, 2010 quarterly report.

SEC Supplementary Interrogatory # 20

[Staff #8] Please advise

- d. **The impact on the revenue requirement in the Test year of “reduced capital costs resulting from non-capitalization of interest costs”.**

Original Response:

The information requested can not be provided in a timely manner and would take approximately one month to complete.

Additional Information:

Whitby Hydro re-reviewed the work involved for completing this request and re-affirms that the task requires considerable effort and would require approximately one month to complete.

SEC Supplementary Interrogatory #31

[VECC #33] Please provide, for each of 2008 through 2010:

- a. The overall capital employed by WHES in providing services to the Applicant, excluding any assets or categories of assets that are included in rate base in this Application; and**

Original Response:

Whitby Hydro has provided information in VECC #33(a) with respect to the adjustment for the weighted average cost of capital and the work that was done with the Chief Compliance Officer in 2005/2006 and re-affirmed in July 2008 to validate transfer pricing arrangements.

Additional Information:

The rate base information for WHES has been provided in the technical conference section of supplementary information (see response to item C1).

SEC Supplementary Interrogatory #37

[EP #41] Please provide the information requested. If WHES does not provide such services to non-affiliates (including the Applicant and the Town) for more than 10% of its gross revenue, please provide such percentage, and break down the percentage allocated to affiliated entities between a) the Applicant and b) all other affiliated entities.

Original Response:

WHES does provide services to non-affiliates however Whitby Hydro suggests that the breakdown of WHES' revenues is not relevant given that WHES is a non-regulated entity and the review of its revenues are not part of this proceeding.

Additional Information:

Please see the additional information provided for EP#41 for a list of the types of entities served by WHES.

WHES provides a variety of services to non-affiliated entities and while the downturn in the economy has served to temporarily constrain these revenues, WHES continues to ensure it is well positioned to provide a variety of services and take advantage of any improvement in the economy and assess new areas of business opportunities.

In 2009, the breakdown of WHES's gross revenue was as follows:

WHES 2009 Revenue breakdown:	
Whitby Hydro	92%
Other Affiliates	1%
Non-Affiliates	7%
	<hr/>
	100%
	<hr/>

The overall company/business structure was designed to allow for a broad range of unregulated services to be provided by WHES while continuing to provide utility services to Whitby Hydro and other non-affiliated utilities in addition to pursuing other business opportunities that might arise in a developing energy market. This structure was intended to provide flexibility in utilizing company assets (including employees) while promoting the sharing of employees and costs. The structure also allowed WHES to provide a full range of distribution services to a smaller utility for a period of time starting before market opening until it was sold in 2004.

Attachment re: SEC Supplementary IR#14

AFFILIATE RELATIONSHIP CODE
DEPARTMENTAL REVIEW – WHITBY HYDRO
Prepared May 24, 2006

BACKGROUND

As a result of correspondence and a subsequent meeting with the OEB Compliance Office, Whitby Hydro Electric Corporation (“Distco”) has undertaken a review of the various departments within Whitby Hydro Energy Services Corporation (“Servco”) and Distco with the purpose of addressing OEB Concern #4 – Sharing of Employees and Confidential Information as outlined below.

OEB Concern #4 - Sharing of Employees and Confidential Information

Distco is not in compliance with the employee sharing provisions of the Code. In order to come into compliance, Distco must take steps to ensure that Servco staff who have access to confidential information or carry out the day-to-day operation of the distribution network are not involved in the provision of Servco’s unregulated services within Distco’s licensed service area, and that such staff are physically separated from staff involved in the provision of those unregulated services.

Departmental reviews were completed to assess each work unit and in general terms outline the functions and accountability in each department and then break out the Distco work (regulated) and Servco work (unregulated). In conjunction with this exercise, we also took this opportunity to identify and explain areas of possible concern and have included changes and additional controls to assist in mitigating any ARC compliance issues.

For the purpose of this review, it is assumed that in addition to the transfer of the Regulatory Financial Manager from Servco to Distco, an Asset Management group will be in place as soon as additional staff is hired.



ASSET MANAGEMENT GROUP (DISTCO)

The Asset Management Group will be the primary contact for customers requiring Distco services. This group will also be the key decision maker for Distco and will be completely independent of any Servco unregulated activities.

The responsibilities of this group will include (but will not be limited to):

Regulated (DISTCO)	Unregulated (SERVCO)
Customer contact for new services	
Contract Management	
Resolution of escalated customer complaints	
System Planning	
Financial Management	

In the role of customer contact for new services, the Asset Management Group will act as a first line of contact with the customer and will ensure that the following information is outlined:

- 1) A breakdown of regulated and unregulated work associated with the customer request.
- 2) Identify that the customer can contract unregulated work to others and provide a list of companies to the customer if requested.

Also, the Asset Management Group will be involved in the liason process with the Town of Whitby, with regards to site plan applications for both subdivisions and commercial development.

REGULATORY/FINANCIAL GROUP (DISTCO)

The Regulatory Financial Manager will manage the regulatory affairs, Conservation and Demand Management and other matters and will be completely independent of any Servco unregulated activities.

Regulated (DISTCO)	Unregulated (SERVCO)
Regulatory Affairs	
Compliance	
OEB Rate Applications	
OEB Reporting	
IESO Filings	
Conservation & Demand Management Plan	



FINANCE DEPT. AND HUMAN RESOURCES (SERVCO)

Employees in these areas provide a variety of services to both Distco and Servco. The specific activities provided to Distco are formalized through a Service Agreement between the two affiliates.

The functions provided are outlined below:

Regulated (DISTCO)	Unregulated (SERVCO)
Accounting	Accounting
Financial Analysis	Financial Analysis
Accounts Payable	Accounts Payable
Payroll	Payroll
IT	IT
Human Resources	Human Resources

The employees have access to confidential financial and customer information in order to perform their jobs and provide similar financial/IT/human resource services to both affiliates. These employees are not involved in pursuing or fulfilling any of Servco's unregulated business offerings to customers and as a result we believe there is no unfair competitive advantage. Costs of these individuals are allocated to each affiliate according to efforts/time spent.



CUSTOMER SERVICE DEPT. (SERVCO)

Employees in this area provide a variety of services to both Distco and Servco. The specific activities provided to Distco are formalized through a Service Agreement between the two affiliates.

The functions provided are outlined below:

Regulated (DISTCO)	Unregulated (SERVCO)
Billing	
Collections	
Cash Applications	Cash Applications
Customer Service	
New Account Setup	
Communications	
Retailer Settlements	
Reception	Reception
Mail Delivery	Mail delivery

In this department, with the exception of the duties of the V.P. Customer Service/Director Business Services, the majority of work activities are regulated and performed on behalf of Distco. While employees do have access to confidential information to carry out day to day activities for Distco, they do not actively solicit unregulated work and are not involved in any of the unregulated business offerings of Servco. As such, information is not used to gain a competitive advantage as it pertains to Servco's unregulated business activities with customers. Costs of these employees are allocated to each affiliate according to efforts/time spent.

For example, recognizing that the Receptionist is one of the shared positions, it is important to note that Distco customers are advised of a phone number that provides direct access for Distco type inquiries. To mitigate possible concerns with this position, additional training will be provided to the Receptionist to ensure customer requests for Distco services are routed appropriately through the Asset Management group (once hiring has taken place).

We do recognize that the V.P. Customer Service/Director Business Development is more actively involved in the business offerings of Servco and we will need to implement appropriate measures ie. confidentiality agreement, system protocols to address concerns regarding access to confidential information and systems. This will ensure that the dual function of this particular position is not used to obtain a competitive advantage.



OPERATIONS DEPT. (SERVCO)

Employees in this department provide a variety of services to both Distco and Servco. The specific activities provided to Distco are formalized through a Service Agreement between the two affiliates.

The functions provided are outlined below:

Regulated (DISTCO)	Unregulated (SERVCO)
Capital builds of distribution systems	
Operation of distribution system	
Maintenance of distribution system	Substation maintenance
Emergency response	Emergency response *
Locates	Private locates *
Customer isolations	
Vehicle accidents	
Tree trimming	Tree trimming *
Conservation & Demand Management Program	
Testing – new services	
Inspection – new services	
Connection – new services	
Energization – new services	
	Streetlighting
	Overhead Bell/Cable TV relocates on Distco poles

* This work is considered to be minor in nature and only done when in the best interest of the customer.

Employees in this department are involved in the day to day operations of Distco, however these employees do not solicit unregulated work. For example, in the case of Streetlights, the Town is aware that this is unregulated work activity and they are advised to approach Servco directly to request quotes and contract work. Another example is Bell/Cable TV relocates. These customers also have a relationship directly with Servco and have contracted Servco to perform the work.

To mitigate concerns, we reinforce to operation department employees that they cannot discuss unregulated work activities with customers while they are performing duties on behalf of Distco. If employees receive customer requests while working in a Distco capacity, they will inform customers to contact the office where the Asset Management group (when hired) will outline the scope of the unregulated work activities and provide appropriate information and a list of contractors if requested.



ENGINEERING & CONSTRUCTION SERVICE DEPT. (SERVCO)

Employees in this department provide a variety of services to both Distco and Servco. The specific activities provided to Distco are formalized through a Service Agreement between the two affiliates.

The functions provided are outlined below:

Regulated (DISTCO)	Unregulated (SERVCO)
	Distributed generation
	Bi-Fuel generation
	Wind Farm distribution systems
	Biomass feasibility studies
	Cogen feasibility studies
	System modeling
	Grounding studies
	Other consulting activities
New Commercial Services	New Commercial Services (private property)
Substation Design	
Conservation & Demand Management Programs	
ESA Reg. 22/04 implementation	

Employees performing this work are involved in the day to day operations of Distco that are either of limited duration or very specific in nature. There are however, shared activities where issues of access to customers and systems (SCADA, AM/FM) might create an unfair competitive advantage. These issues will be addressed or mitigated through a more detailed Service Agreement, confidentiality agreements, staff training and system/process controls.

It is important to note that the information obtained through systems such as AM/FM (drawings) is also provided by Distco to other contractors upon request. This virtually eliminates any competitive advantage of system access.

The Asset Management Group is important in mitigating concerns regarding this department's access to customers and any potential for unfair competitive advantage. The process followed ensures that this department does not have advance access to the customer for unregulated work. The Asset Management group will act as the first line of contact to the customer and will communicate the following:

- 1) A breakdown of regulated and unregulated work associated with the customer request.
- 2) Identify that the customer can contract unregulated work to others and provide a list of companies to the customer if requested.



ENGINEERING & PLANNING SERVICES (SERVCO)

Employees in this department provide a variety of services to both Distco and Servco. The specific activities provided to Distco are formalized through a Service Agreement between the two affiliates.

The functions provided are outlined below:

Regulated (DISTCO)	Unregulated (SERVCO)
Offer to connect	
Design	
Record keeping	
System planning	
Cost estimates/financial management	
	Streetlighting

In this department, the majority of work activities are regulated and performed on behalf of Distco. As such, there is minimal sharing, and staff performing the day to day operations for Distco are not significantly involved in Servco's unregulated work and are not actively involved in soliciting unregulated business activities. In fact the only example would be Streetlighting which is done specifically for the Town of Whitby. The Town is aware that this is unregulated work and they approach Servco directly to request quotes and contract work.

We recognize that within the regulated activities there may be some contestable and non-contestable work. In order to mitigate concerns, staff are trained to ensure that contestable work is not awarded directly to other departments, and customer requests will go through the Asset Management group (once hiring has occurred).



BUSINESS SERVICES (SERVCO)

The functions and work activities in this department are predominantly for Servco's unregulated business. Any work provided for Distco is limited/specialized in nature and handled through a Services Agreement.

Regulated (DISTCO)	Unregulated (SERVCO)
	Electricity & Gas consulting
	Power Factor correction
	Station Maintenance outside of Whitby
	Engineering Consulting services
	Submetering
	Secondary Services
	Temporary Services
Conservation & Demand Management Program	
Wholesale meter information	

The unregulated work activities performed by the group are not part of the Services Agreement between Distco and Servco. Employees do not have access to systems, customer data etc. and as a result there is no competitive business advantage. Customer information requests are handled similar to other third party requests – they are in writing and obtained only when customers have contracted with Business Development to provide services. Sales leads are obtained through cold calls, and other sales/marketing efforts.

In the areas of CDM and Metering Information, staff is trained to separate the Distco and Servco businesses so that information or customer access is not used to obtain a business advantage for Servco. In order to formalize this, modifications to the existing Service Agreement may be necessary to outline work, controls, and system access to prevent any business advantage. CDM work currently contracted to Servco is short-term in nature (completed by no later than Sept 2007) and the handling of further CDM activity beyond this third tranche commitment will entail further review.

In the case of Metering Information, most of Distco's Meter Service is provided by a third party. However, in this department, there is some expertise used on a limited basis. The services provided involve metering predominantly at the wholesale level which would not provide any real business advantage to Servco.



All of which is respectfully submitted.

J.E. Lavelle

James Lavelle
President/C.E.O.
Whitby Hydro Electric Corporation

May 24, 2006

Date



SUPPLEMENTARY INFORMATION:

B. INTERROGATORIES

iii. Energy Probe

Energy Probe Interrogatory # 41

Ref: Exhibit 4, page 227

Please provide a list of the "other entities" to which WHES provides consulting, engineering, billing and distribution services.

Original Response:

Whitby Hydro questions the relevance of the information requested. WHES is a non-regulated entity.

Additional Information:

WHES provides services to a variety of customers other than its affiliate Whitby Hydro. WHES is not a regulated entity and as such, it is not expected that the names of WHES's customers is relevant to the Whitby Hydro rate proceeding. However, in order to provide some additional information, Whitby Hydro is able to provide the following breakdown based on 2009 historical data which summarizes the number and types of entities to which WHES provides unregulated services to:

WHES Unregulated Services
2009 Customer Count by Customer Type

	<u>2009</u>
Automotive	2
Construction	0
Government	5
Health Services	2
Manufacturing	13
Media	2
Other Commercial/Industrial	2
Pharmaceutical	1
Property Mgmt	4
Recreation	2
Renewable Energy	3
Service Provider	2
Sub-Metering	1
Utility	1
Engineering Consulting	1
	<hr/>
	41

Energy Probe Interrogatory # 57

Ref: Energy Probe Interrogatory # 41

A response was not provided to the question on the basis of the relevance of the information requested.

- a) Please indicate how the pricing to Whitby Hydro from WHES for consulting, engineering, billing and distribution services is determined relative to those for the other entities.**

Original Response:

Whitby Hydro has addressed the transfer pricing between WHES and Whitby Hydro in its pre-filed evidence in Exhibit 4, page 227-234. In addition, a copy of the relevant portion of the transfer pricing report provided to and accepted by the Chief Compliance Officer (CCO) during the 2005-2007 ARC compliance review was provided as an attachment to SEC IRRs. As well, Whitby Hydro has recently requested a transfer pricing review by an independent evaluator and the results have been provided in VECC IRR#57 d).

Additional Information:

Whitby Hydro has already identified the transfer pricing methodology from its affiliate which has been tested against market pricing where required/feasible. Pricing from WHES to other non-affiliated entities includes a standard hourly rate designed to recover costs and earn a profit while remaining competitive with other service providers in the marketplace.

Specific information related to WHES's pricing to Whitby Hydro and other entities is confidential in nature and as a result, additional information has been provided through a confidential submission.

- b) Can Whitby Hydro confirm that it does not pay a higher rate for these services than the other entities?**

Original Response:

See part (a).

Additional Information:

Whitby Hydro confirms that it does not pay a higher hourly rate than other entities.

c) If not, why should Whitby Hydro ratepayers be expected to pay higher prices for services from an affiliate than that available to other entities?

Original Response:

Whitby Hydro ratepayers should expect to pay prices for services from an affiliate that are in line with the transfer pricing sections of the ARC. Whitby Hydro underwent an extensive ARC review with the Chief Compliance Officer (CCO) in 2005/2006 which included a review of transfer pricing from its affiliate. The results of this review indicated that transfer pricing between WHES and Whitby Hydro was in line with market testing and other pricing requirements of the ARC. Whitby Hydro has recently requested a transfer pricing review by an independent evaluator and the results have been provided in VECC IRR#57 d).

Additional Information:

N/A - Whitby Hydro does not pay a higher hourly rate than other entities.

SUPPLEMENTARY INFORMATION:

C. TECHNICAL CONFERENCE

C1. Technical Conference (pg. 122-123)

Mr. Shepherd requested the rate base equivalent for WHES (capital employed by WHES to provide services to Whitby Hydro).

Original Response: Declined.

Additional Information:

The 2010 rate base equivalent for WHES is \$2,862K.

C2. Technical Conference (pg. 32-36)

Clarification of transfer pricing information as provided in attachment to VECC 57 (d).

Transfer Pricing Review

During the technical conference it became evident that there was some confusion with regards to the pricing included in the rate table which was compiled in order to facilitate the market price testing and rate comparisons. While further explanations were provided during the technical conference, Whitby Hydro has provided some additional background, explanation and figures to allow for further assistance and an improved understanding.

In order to make the transfer pricing comparison meaningful and effective, Whitby Hydro had to ensure that the WHES rates used as part of the price comparisons were built up in a manner similar to that which would be used by an outside company. Billable rates charged by outside companies need to include not only the employees' pay rate, but also need to cover other costs of operating the business (ie employee related costs, administrative and corporate overheads such as building costs, accounting, purchasing, billing etc) in order to ensure that the overall business can operate profitably. In keeping with this, Whitby Hydro used a similar methodology to develop rates that would be comparable to the methodology that an outside company would use.

As indicated in the technical conference (VECC TC#7), this included the following items:

Employee related	70%
Administrative	30%
Return	<u>10%</u>
	110%

Employee related overheads include: statutory payroll costs, pension, benefits, holidays, sick time, inclement weather, training and safety. Administrative overheads are for space, IT, accounting, payroll, HR, insurance, executive and supervision. The return reflects the market proxy of 10%.

The 2010 market price analysis and comparison which was filed confidentially, contained two columns of information related to WHES rates:

- 1) Whitby Wage Rate - this column reflects the test year's average hourly rate for each of the employee classifications listed, based on the highest point in the union contract rate scale. This rate is not comparable to

outside companies (for market testing) as it does not include the additional costs which an outside company would need to build into their hourly billing rates.

- 2) Whitby Hydro Transfer Pricing Rate – while this column does not represent the actual rate charged per hour between WHES and Whitby Hydro, it is calculated by taking the Whitby Wage Rate and adjusting for the types of costs noted above (70% employee related, 30% administrative and 10% return) to arrive at a hourly rate which is comparable to outside company's hourly billing rates.

In terms of the actual costs charged between WHES and Whitby Hydro for an hour of work performed by one of the employee positions listed in the market price analysis (ie. a J.L. Lineman), the following would be triggered by the timesheet posting against a specific job (performed under the service agreement with Whitby Hydro):

- Actual cost based on the employee's hourly rate (identified above as the Whitby Wage Rate).
- Adjustment for employee related costs (70% as identified/described above).
- Adjustment for a return (ie. 10% for 2010 as describe above).

Administrative costs (as described above) would be not be tagged directly onto the J.L. lineman's hourly charge between WHES and Whitby Hydro but would be picked up and charged to Whitby Hydro based on a separate cost allocation methodology using appropriate cost drivers for the specific type of expense (see Exhibit 4, page 228 for discussion regarding shared services/corporate allocations).

As a result, with respect to the confidential documents provided as part of the 2010 market pricing analysis, the column identified as the "Whitby Hydro transfer pricing rate" is appropriate to use to ensure an "apples to apples" comparison with other outside company's rates. Furthermore, while the cost components for the wage rate, employee related costs and the return are handled separately from the administration costs in terms of financial system transactions, all of the costs are ultimately included in the overall pricing charged between companies.

C3. Technical Conference (pg. 48)

Mr. Shepherd requested the last three minutes from the bimonthly meetings of the asset management and planning committee.

Original Response:

This was declined.

Additional Information:

Copies from the last three meetings have been attached.

C4. Technical Conference (pg. 82-84)

Clarification regarding Secondary Services.

Whitby Hydro wishes to clarify that their auditor would have allowed an adjustment for secondary services. This adjustment, however, would have required prior period adjustments relating to the corporation before incorporation under the Electricity Act which would have required an extensive amount of time, effort with significant costs. Please note, that an outside regulatory body (Ministry of Finance) did in fact approve these amounts in the capital cost allowance and are reflected in the PILS calculation.

C5. Technical Conference (pg. 98-101)

Regarding the letter from The Town of Whitby addressing promissory notes, the following request was made by Mr. Shepherd:

“You said here for both of them, you say:

**The Town of Whitby will not be calling this note before
January 1, 2011.**

So this was written early in 2010, so it is more than 60 days from the end of the year. So presumably you have some sort of document that backs that up, because you wouldn't be able to put it in an audited financial statement unless you have documentary evidence; right?” (pg. 99, line 15-23)

“I am asking for that piece of evidence.” (pg. 101, line 15)

Original Response:

This was declined based on relevance.

Additional Information:

Whitby Hydro continues question the relevance of the document requested based on the conclusions that can be reasonably made using the audited financial statements. However, a copy of a letter from the Town of Whitby has been provided below as requested.

THE CORPORATION OF THE TOWN OF WHITBY
In the Regional Municipality of Durham

TELEPHONE
905-668-5803
TORONTO
905-686-2621
FAX
905-686-7005



MUNICIPAL BUILDING
575 Rosland Road East
Whitby, Ontario
Canada
L1N 2M8
www.whitby.ca

May 5, 2010

Whitby Hydro Electric Commission
100 Taunton Road East, Box 59
Whitby, ON L1N 5R8

Attention: Ms. Ramona Abi-Rashed, Treasurer

In keeping with the spirit of the following promissory notes from Whitby Hydro, the Town of Whitby does not intend to call for payment of any portion of the principal, other than already scheduled and set out in the draft notes, before January 1st, 2011. I confirm the following information related to the promissory notes as per the audit confirmation letter:

1. The principal balance due to us for each promissory note as of December 31, 2009:

Note No. 1 - \$1,460,300

Note No. 2 - \$5,061,000

Note No. 3 - \$21,816,642
2. Interest payable to us for each promissory note as of December 31, 2009:

Note No. 1 - \$105,872

Note No. 2 - \$366,922

Note No. 3 - \$1,527,206
3. There is no outstanding interest payable to us as of December 31, 2009.
4. The total interest paid to us in the 12 month period ended December 31, 2009 is \$2,000,000 (Two Million dollars).

If you have any questions, please contact me.

Yours very truly,

K. R. Nix, CMA
Director of Corporate Services/Treasurer

c: Deloitte & Touche LLP

C6. Technical Conference (pg. 141)

The following request was made by Mr. Shepherd:

“So for the test year, can you give us a breakdown of the 994 between amounts charged by Serveco and amounts that are direct costs.” (pg. 141, line 8-10)

Original Response:

This was declined.

Additional Information:

To clarify, the amount referenced should be \$944 (not \$994) for the test year (as per USoA 4380 in the prefiled evidence). The breakdown of Whitby Hydro's CDM expenses for the 2010 test year is as follows:

CDM – Direct costs	\$612.0K
CDM – Costs charged by affiliate (through Services Agreement)	<u>\$332.6K</u>
Total CDM Expenses (USoA 4380)	<u>\$944.6K</u>

ATTACHMENTS

TECHNICAL CONFERENCE SUPPLEMENTARY INFORMATION

- C3 – Minutes of the Asset Management and Planning Committee Meeting:
 - i. March 22, 2010
 - ii. May 26, 2010
 - iii. July 9, 2010

System Planning Meeting - March 22, 2010

Present John Sanderson – Chair
 Sandy Gray
 Dave Fitzpatrick
 Kevin Whitehead
 Dave Gray
 Jim Lavelle

Agenda Items

1 Review minutes of last Sub-committee meeting – Feb 4th, 2010

The minutes of the Feb 4th meeting were reviewed.

2 Review Standard System Planning Agenda

The members reviewed the standard agenda and feeder loading for January and February 2010

John requested that all future load charts include notes from the Control Room regarding individual 44kV feeder peaks, such as load transfers due to construction, switching etc.

Dave Gray will provide these details on the 44kV Sub Transmission Monthly charts for Coincident and Non-coincident Peaks

3 Review Short Term Objectives for System Planning

2010 Capital Budget Update

Sandy provided John with updated costs on the Capital Budget for the end of February 2010. A review of capital budget project costs will be provided monthly.

Update of New Projects – Subdivisions

Sandy provided a listing indicating the subdivisions where the Developers have entered into an Offer to Connect and subdivisions that she is currently working on an Offer to Connect for construction to commence this year.

4 Update on land acquisition for future municipal substation site in Brooklin

Sandy has notified the Town of Whitby Manager, Long Range Policy Planning, requesting assistance in securing a site for a future municipal substation in the Brooklin area through the development review process.

Sandy is also working with the Ministry of Transportation (MTO) on lands the MTO has purchased through the Highway No. 7 widening to see if any access lands are available for a future substation. Currently there maybe a site located just North of Highway No. 7 on the west side of Coronation Road. Peggy Moore from MTO is looking into this site and will forward a response.

5 Update on Hydro One – Whitby TS

John has met with Stan Dafoe from Hydro One Networks to discuss Whitby Hydro concerns with Whitby T.S.
John is going to review Whitby Hydro's loads and revise the future load forecast charts accordingly.

6 Emergency Response Protocol – moved to next meeting

7 Future dates for System Planning Meetings

May 13th, 2010 @ 11:00 am
July 9th, 2010 11.00 am
September 9th, 2010 @ 11:00 am
October 14th, 2010 @11:00 am

System Planning Meeting - May 26, 2010

Present John Sanderson – Chair
 Sandy Gray
 Dave Fitzpatrick
 Kevin Whitehead
 Dave Gray
 Jim Lavelle

Agenda Items

1 Review minutes of last Sub-committee meeting – May 11th, 2010

The minutes the May 11th meeting were reviewed..

2 Review Standard System Planning Agenda

The members reviewed the standard agenda and feeder loading.
Sandy will highlight the feeder readings and forward to Dave Gray for comments prior to issuing the charts for the System Planning Binders
Dave Gray will provide these details on the 44kV Sub Transmission Monthly charts for Coincident and Non-coincident Peaks

3 2010 Capital Budget Update

Sandy will continue to update and review the capital budgets on a monthly basis and forward to John.

4 Update on Hydro One – Whitby TS

John will be meeting with the other utilities to review and revise the original loading forecast. John will update the committee once he has finalized the forecasted loading charts.

5 13.8kV Distribution Feeders

Dave Fitzpatrick presented loading graphs for the 13.8kV substation feeders which will provide peak loading data for the stations on a monthly basis. The charts will be filed under Item 4 – Whitby Hydro's 13.8kV Feeder Loading

- Monthly 13.8kV Feeder loading

6 **Other**

Dave Fitzpatrick presented a plan to move M.S. 7 load from Thornton T.S. 52M6 feeder to Whitby T.S. 40M27 feeder based on the following: reasons;

1. To mitigate the financial obligations to Hydro One
2. To eliminate the switching problems on the 13.8kV distribution circuits as a result of impedance issues between Whitby T.S. and Thornton T.S.

Dave Fitzpatrick & Dave Gray are to follow up with inspection of the Right-of- Way overhead line between Hopkins Street and Thickson Road (40M27 Feeder) in order to verify reliability.

Dave Fitzpatrick also presented revisions to the Whitby Hydro Emergency Plan to include a section called “Emergency Assessment and Contact Procedures”, which outline the procedures for contacting key personnel in the event of major outages.

7 **Future dates for System Planning Meetings were noted**

July 9th, 2010 11.00 am

September 9th, 2010 @ 11:00 am

October 14th, 2010 @ 11:00 am

8 **Sub-committee system planning meetings** will be held through out the summer months as required. September 7th @ 9:00 am has been scheduled.

System Planning Meeting – July 9, 2010

Present John Sanderson – Chair
 Sandy Gray
 Dave Fitzpatrick
 Kevin Whitehead
 Dave Gray

Regrets Jim Lavelle

Agenda Items

1 Review Standard System Planning Agenda and current feeder loads

The members reviewed the standard agenda and feeder loading. Dave Fitzpatrick reviewed the work to move the MS 7 load over to Whitby TS. A visual inspection and subsequent cross arm replacement work was completed on the Hydro One right-of-way to ensure the reliability of the 40M27 circuit supply to MS 7.

The work required some circuit reconfiguration in order to transfer only the MS 7 station and leave Durham College Campus on Thornton T.S.

The load transfer will now serve two purposes by minimizing the financial impact of the Capital Cost Recovery by Hydro One on the Whitby TS installation and to eliminate “Load Flow” between the two Transformer Stations while completing switching procedures on the distribution circuits.

Dave Fitzpatrick has now completed and placed into service the inter-active spreadsheets which will now extract data from the on-line Enervista SCADA and MV 90 reports and automatically update the Control Room records for System Planning purposes. Dave will also look into linking the reports on the Engineering Drive in order to automatically update load reports used for System Planning.

2 Update on 2010 Capital Budget Projects

The committee completed a review of the 2010 Capital Budget projects and noted the projects that have now been completed. The remaining projects are on schedule and are within the estimated budget figures.

3 Update on Subdivision Development

Sandy provided an update on subdivisions.

4 Review on Joint-Use Attachment requirements

Kevin Whitehead informed the committee that Whitby Hydro has developed and implemented a Joint Use Attachment Process which conforms to the ESA Regulation 22/04 recommended guidelines. During our 2009 ESA audit the joint use process was reviewed and accepted by the auditor.

5 Other

Downtown Brooklin Project

Whitby Hydro is working with the Town of Whitby to complete the design and approval from MTO. Whitby Hydro will ask approved contractors to provide a quote on the costs to supply and install the hydro facilities and streetlights as indicated on the drawing. The Town of Whitby is currently reviewing the locations of the proposed pad-mount transformer locations.

The Town of Whitby would like to use the same streetlight fixture installed in Grass Park. Westburne Electric is checking to see if this streetlight can be modified to have an in-pole breaker to meet the new ESA standards for installation.

Future dates for System Planning Meetings were noted

September 9th, 2010 @ 11:00 am

October 14th, 2010 @ 11:00 am