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October 14, 2010

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2009-0266
Hearst Power Distribution Company Limited – 2010 Electricity Distribution
Rate Application

Please find enclosed the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Hearst Power Distribution Company Limited
Attention: Mr. Nicole C. Leduc

**HEARST POWER DISTRIBUTION COMPANY LIMITED
2010 RATE APPLICATION**

(EB-2009-0266)

VECC'S INTERROGATORIES (ROUND #2)

(Note: Numbering Continues from Round #1 Interrogatories)

Question #34

Reference: OEB Staff #4

Preamble: The Board's guidelines require that all cost information, including the deferral account balances, be audited prior to any application for recovery.

- a) Please explain why inclusion of 2010 costs in rate base is considered to be in accordance with the Board's guidelines.
- b) Please confirm that the 2009 Smart Meter deferral account balances have been audited.
- c) What would be the change in OM&A, Rate Base and Depreciation for 2010 if the 2010 Capital Spending was not included in Rate Base? What would be resulting Smart Meter Rate Adder?

Question #35

Reference: OEB Staff #5
Appendix BS-D

Preamble: The OEB Staff Interrogatory requested a breakdown for 2009 and 2010 as between capital spending for smart meters versus other programs/projects.

- a) Please explain the differences between the table titled "Projections as Filed" and the one titled "Actuals".
- b) Please explain what each row in each of the Tables represents.
- c) For 2009 please reconcile the capital spending reported here with the Capital Additions reported in Appendix BS-D.
- d) For 2010, please reconcile the capital spending reported here with the Capital Additions reported in Appendix BS-D.

- e) Please explain why there are no Capital Additions in 2010 under Meters (Account #1860).
- f) Please explain the \$114,879 Capital Additions for Land (#1905) in 2010, per Appendix BS-D.
- g) What projects/initiatives in 2009 account for the \$13,009 in additions to Buildings and Fixtures.
- h) What projects/initiatives in 2010 account for:
 - The \$25,000 spending on Office Furniture and Equipment?
 - The \$25,000 spending on Software?
 - The \$12,500 spending on Transportation Equipment?

Question #36

Reference: OEB Staff #7

- a) Please explain where/how the ½ year rule was applied in Appendices BS-C, BS-E and BS-F.
- b) Was the ½ rule used in the preparation of the 2004 financial results that were the basis for Hearst's 2006 EDR Application?

Question #37

Reference: OEB Staff #8

- a) Please clarify what the table presented in the response represents (e.g., what year's rates, what year's load, what is included in the rates used?).

Question #38

Reference: Appendices BS-A and BS-G

- a) Please reconcile the different values for 2010 Working Capital Allowance reported in the two Appendices (i.e., \$1,655,525 vs. \$1,699,178).
- b) Please reconcile the 2010 Power Supply Expense reported in Appendix BS-G with that shown in Tab C2 of the Rate Maker Model.

- c) If the Power Supply Expense shown in Appendix BS-G is the correct value for 2010, please provide details regarding the calculation of the Power Supply Expense – by expense type (i.e., for each show the volumes and rates assumed for 2010 to derive the expense).

Question #39

Reference: OEB Staff #10, Appendices BS-G/BS-H/BS-I

- a) Please clarify whether the 2009 values reported are a “projection” or “actual results”. If a projection, please provide the actual results by account for 2009.
- b) Please explain the significant increase in Distribution Expense-Operation in 2009 and 2010 versus the earlier years.
- c) Please provide a schedule that for the years 2008 through 2010 shows the total meter reading expense in each year, including both that charged to operations and that booked to a Smart Meter deferral account.
- d) What is the basis for the forecast increase in Bad Debt expense and Collection Charges for 2010?
- e) Please explain the material increase in Administrative and General Expenses for 2009 and 2010 versus earlier years.
- f) Please explain the 2008-2010 year over year changes in costs for Outside Services Employed (#5630).

Question #40

Reference: OEB #12
Appendix BS-B
Rate Maker Model, Tab D3
VECC #21

- a) The original Application used a 2010 cost of Long Term debt of 5.87%. Both the RRWF in Appendix BS-B and the Rate Maker Model use a cost of Long Term debt of 12.5%. Please provide the basis for the 12.5% value.
- b) Is the Promissory Note held by the Town payable on demand by the Town?

Question #41

Reference: OEB #18
Appendix BS-K

- a) Please explain why the total Service Revenue Requirement (SSR) shown in the third table of the response to OEB #18 is \$1,399,970 when the SSR is reported to be \$1,430,734 (per 1st table in the response to OEB #18).
- b) Please reconcile the SSR shown in response to OEB #18 (\$1,430,734) with that reported in Appendix BS-K, page 13 (\$1,462,490).
- c) With respect to the second table shown in OEB #18, please indicate the rates used to determine the Outstanding Base Revenue Requirement %'s @ Existing Rates. In particular, did the rates include the LV adder, the TOA discount and/or the Smart Meter adder?
- d) With respect to Table 7 in Appendix BS-K, please confirm that the scaling to achieve 100% overall R/C ratio was achieved by simply increasing the Total Revenue (including Miscellaneous Revenues) for each customer class by the same proportion (as opposed to increasing the Distribution Revenues for each class by the same percentage).

Question #42

Reference: OEB #16 and #17
2010 Cost Allocation Model - Sheets I6 and O1
Rate Maker Model – Tab C4

- a) Please reconcile the number of Sentinel Light customers reported in Sheet I6 with the 2010 forecast in Exhibit 3, Table 3.2.2.
- b) The 2010 Load Forecast used in the Cost Allocation Model appears to be different from that used in the Rate Maker Model. For example, Intermediate use in the CA Model is 70,701 kW whereas in the Rate Maker Model it is 114,518 kW. Please reconcile and correct if required.
- c) Please reconcile the 2010 Miscellaneous Revenues as used in the CA Model with those reported in OEB #18.
- d) Please explain \$30,250 costs that were directly allocated in the CA Model – Sheet O1. What are they and why/how are they directly allocated?
- e) Please reconcile the total SRR used in the CA Model (\$1,460,986) with that reported in the RRWF (Appendix BS-B).

- f) With respect to Sheet O1, please explain the basis for the Distribution Revenue by Class as shown on Row #18. Please provide a schedule that sets out the calculation of each class' reported revenue.
- g) Please confirm that the volumes used to determine the revenues in part (f) are consistent with those from Sheet I6?

Question #43

Reference: OEB #19
Rate Maker Model – Tab: NetDistrRev

- a) The second table in response to OEB #19 is labelled as 2010 Revenue @2009 Rates but does not match the same titled table in the Rate Maker Model. Please reconcile/correct.

Question #44

Reference: VECC #8
Appendix H

- a) Please identify the annual capital additions associated with smart meters.

Question #45

Reference: VECC #11

- a) Why are the Hearst's labour costs associated Merchandising, Jobbing, etc. not treated as an "expense" for this activity?

Question #46

Reference: VECC #14 and Appendix P

- a) In Appendix A, the closing balance for 2010 does not match the 2010 proposed OM&A. Please reconcile and correct the response as needed.

Question #47

Reference: VECC #18
Appendix N

- a) Please indicate the \$ value for revenues with respect to Street Light Maintenance Services in 2009 and 2010 and indicate where in Appendix N these values are included.
- b) Do the 2010 Revenue Offsets include any assumed revenues from HPSSC? If yes, where are they reflected in Appendix N? If not, why not and what is the expected revenue?

Question #48

Reference: VECC #25 g)

- a) Please confirm that the Previous Revenue to Cost ratios shown in the second table are prior to the scaling required to yield 100% R/C ratio overall.
- b) Please confirm that after the scaling the R/C ratio for the Intermediate class is 111.16% and that the proposed ratio of 99% crosses unity.

Question #49

Reference: VECC #26
Appendix S

- a) Appendix S does not provide the requested information for all months of 2009. Please provide. Also, please ensure the revenues in each case are based on 2009 billing parameters and 2010 rates, as originally requested.