



November 9, 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 directed by the Board's Procedural Order No. 4, Whitby Hydro Electric Corporation has provided responses to Energy Probe's interrogatories (dated October 25, 2010) for this rate proceeding. 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)

Ontario Energy Board

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

AND IN THE MATTER OF an Application by Whitby
Hydro Electric Corporation for an order approving just
and reasonable rates and other charges for electricity
distribution to be effective May 1, 2010.

**THIRD ROUND INTERROGATORY RESPONSES
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 9, 2010

**WHITBY HYDRO ELECTRIC CORPORATION
2010 RATES REBASING CASE
EB-2009-0274**

**ENERGY PROBE RESEARCH FOUNDATION
THIRD ROUND INTERROGATORY RESPONSES**

Interrogatory # 65

**Ref: Exhibit 5, page 337 &
VECC Interrogatory # 39 &
Board Staff Interrogatory # 30 &
Exhibit JT1.8 &
SEC Interrogatory # 12 Supplemental Information**

- a) Please confirm that the most recent cost of long term debt requested by Whitby Hydro is 6.67%, as indicated in Work Form attached to JT1.8. If this cannot be confirmed, please indicate what the requested cost of long term debt is and show how it has been calculated.**

Response:

With respect to JT1.8 and VECC IR#39 parts (a) and (b), Whitby Hydro advises that updates are required given that borrowing did not take place in September, 2010 as previously anticipated. Whitby Hydro expects to borrow \$4M prior to the end of 2010 and has provided an update of the cost of debt and related cost of capital below, using an estimate based on the latest published Infrastructure Ontario 25 year amortizer rate of 4.51% (November 5, 2010).

Board Staff IRR#35 (updated November 8, 2010), includes a revised revenue requirement work form and Board Staff IRR#37 includes the revenue requirement control log which incorporates this updated cost of capital.

	Ending Balance (a)	Rate (b)	Days o/s in 2010 (c)	Average Balance (d) = (a) x (c)/365	Total Cost (e) = (b) x (d)	Average Cost (f) = (e) / (d)
Affiliate Debt	\$28,337,942	6.74%	365	\$28,337,942	\$1,909,977	6.74%
New Debt	\$4,000,000	4.51%	31	\$339,726	\$15,322	4.51%
	\$32,337,942			\$28,677,668	\$1,925,299	6.71%

Table 5-1 (updated for Energy Probe - #65) Capitalization and Cost of Capital-New cost of capital				
<u>Particulars</u>	<u>Capitalization Ratio</u>		<u>Cost Rate</u>	<u>Return</u>
	2010 Test Year			
	(%)	(\$)	(%)	(\$)
Debt				
Long-Term Debt	18.62%	\$14,109,743	6.71%	\$947,269
Aff -callable	8.60%	\$6,521,300	6.71%	\$437,813
Aff -non callable	28.78%	\$21,816,642	6.71%	\$1,464,678
Short-Term Debt	4.00%	\$3,031,977	2.07%	\$62,762
Total Debt	60.00%	\$45,479,662	6.40%	\$2,912,522
Equity				
Common Equity	40.00%	\$30,319,775	9.85%	\$2,986,498
Preferred Shares				
Total Equity	40.00%	\$30,319,775	9.85%	\$2,986,498
Total	100.00%	\$75,799,437	7.78%	\$5,899,020

- b) If the long term debt rate requested is 6.67%, please confirm that it is based on the mix of notes and rates shown in the response to VECC Interrogatory #39, parts (a) and (b).

Response:

The long term debt rate has been updated to 6.71%. Please see the response to part (a) for further details.

- c) Has Whitby Hydro obtained any new debt (i.e. the \$4,000,000 shown in the response to VECC # 39(b))? If yes, please indicate when the debt was obtained, the amount of the debt and the rate payable. Please also update the response to VECC # 39(b) to reflect the additional debt obtained.

Response:

Please see the response to part (a).

Interrogatory # 66

Ref: Exhibit JT1.7

The response provides the actual year-to-date-figures for June 2010 for OM&A costs of \$4,178,000, or approximately 46.8% of the test year forecast.

Please provide the percentage of actual OM&A costs that were incurred in the year-to-date June period for each of 2007, 2008 and 2009.

Response:

The percentage of actual OM&A costs incurred in the June year-to-date period were 49.0% (2007), 52.1% (2008) and 48.0% (2009).

Interrogatory # 67

Ref: Exhibit JT1.1 &
VECC Interrogatory # 22(b) &
Exhibit 3, Table 5

- a) Based on the same methodology used in the response to VECC Interrogatory # 22(b), please calculate the weather adjustment for each of 2002 through 2008.

Response:

In *Procedural Order No. 4* issued by the Board on October 6, 2010, the Board ordered that:

*Board staff and all intervenors who wish to ask questions that relate to the information and material **most recently provided by Whitby Hydro** shall do so by written interrogatories filed with the Board and delivered to Whitby Hydro and all intervenors on or before October 25, 2010. **[emphasis added]***

While the preamble to Energy Probe IR #67 makes reference to undertaking response JT1.1 filed by Whitby Hydro, the interrogatory in its entirety, references and seeks further response on material previously filed (VECC IR#22(b) and pre-filed evidence (Exhibit 3, Table 5)). Whitby Hydro submits that Energy Probe has had ample opportunity to ask for the information requested in two prior rounds of interrogatories as well as in a Technical Conference. Further, Whitby Hydro believes it has provided all of the necessary information for Energy Probe to complete the requested information in IR#67 without the further assistance of Whitby Hydro (note the pre-filed evidence and interrogatory responses -

specifically Energy Probe IRR#28 where a live spreadsheet of all monthly data was provided).

In light of the fact that Energy Probe's request is not consistent with the Board's Procedural Order No. 4, and that information has already been provided by Whitby Hydro which would allow Energy Probe to complete the requested information without further assistance, Whitby Hydro respectfully declines to respond.

b) Based on the results of (a) above and the actual wholesale kWh's shown in Table 5 in Exhibit 3, please complete the following table:

Year	Actual kWh (a)	Weather Adjustment kWh (b)	Weather Normalized Actual kWh (c) = (a) + (b)
2002	780,336,017		
2003	792,491,625		
2004	825,196,089		
2005	911,868,734		
2006	897,193,025		
2007	911,211,760		
2008	897,673,634		
2009	876,959,953	19,895,736	896,855,689
2010	NA	NA	886,766,789

Response:

Please see response to part (a).

Interrogatory # 68

**Ref: Exhibit JT1.1 &
VECC Interrogatory # 22(b) &
Exhibit 3, Table 2**

The response provided in JT1.1 indicates that the 19.9 kWhs calculated as requested by VECC in VECC Interrogatory # 22 uses only 2 parameters in isolation from a seven parameter model and that Whitby Hydro believes that this number does not reflect the true weather adjustment and is incorrect.

- a) **Would any of the other five parameters be adjusted to reflect weather normalized actual consumption? If so, please show the calculation of the adjustment in the same format used in VECC # 22(b) showing the coefficient associated with the variable and the change in the variable between the actual value and the "normal" value for each parameter so adjusted. In addition, please explain how the "normal" value for each of these parameters was calculated.**

Response:

In response to Undertaking JT1.1, Whitby Hydro stated that the calculation requested by VECC “uses only two parameters in isolation from a seven parameter model” and therefore Whitby Hydro does not believe the calculation requested by VECC is correct. The difference between the approach that VECC has requested and the approach used by Whitby Hydro, is that VECC is requesting a calculation using only degree day parameters from a model that estimated these parameters in a model along with five other parameters, including an intercept term. The intercept and all other model parameters are estimated in the regression equation together. Inclusion or exclusion of the parameters, including the intercept term, affects the estimated value of the remaining parameters as well as the accuracy and fit of the regression model. Furthermore, the approach that VECC has requested requires actual consumption to be known, and therefore is of no use for a forecast for a future test year. The Elenchus approach was developed in order to forecast future test year consumption on a weather normal basis, as is required by the OEB.

Whitby Hydro has explained at length in its pre-filed evidence and in interrogatory responses how variables have been normalized, including providing a live spreadsheet of monthly data in EP IRR#28.

- b) **Would the weather normalized figure of 883.9 million kWh provided in the response to Energy Probe Interrogatory # 25(c) be impacted if the actual consumption in 2009 had been 890 million kWhs instead of the actual figure of 876,959,953? If yes, please explain.**

Response:

Whitby Hydro has provided specific information on how it has calculated weather normalized consumption. We reference pre-filed evidence Exhibit 3, table 1, p.198 and p.200 at lines 6-8. Consistent with the concerns and comments raised in IRR#67, Whitby Hydro respectfully declines to respond to this issue further. Please see IRR#67 for further details.

- c) **In the example provided in (b) above where the actual consumption had been 890 million kWh, would the normalization adjustment be (6,110,796) kWh (883,889,204 - 890,000,000)? If not, please provide**

Response:

Please see response to part (b). Consistent with the concerns and comments raised in IRR#67, Whitby Hydro respectfully declines to respond to this issue further. Please see IRR#67 for further details.

- d) Please confirm that the weather normal figures shown in Table 5 of Exhibit 3 are the forecasted figures using the actual parameter values for all explanatory variables with the exception of the heating and cooling degrees. Please further confirm that the heating and cooling degrees used to estimate the weather normal figures shown in Table 5 are the normal degrees (that is, the 10 year average for the degree days).**

Response:

Please see response to part (b). Consistent with the concerns and comments raised in IRR#67, Whitby Hydro respectfully declines to respond to this issue further. Please see IRR#67 for further details.

- e) Please provide a live spreadsheet that shows the calculation of the weather normal 883,889,204 kWh figure for 2009 showing the coefficients and parameter values used for each month of 2009.**

Response:

Whitby Hydro has previously supplied the necessary information in order to verify this calculation, including pre-filed evidence in Exhibit 3, pp.196-204, as well as EP IRR#25 (a) and (b) and Board Staff IRR#7 (a) and (b). Consistent with the concerns and comments raised in IRR#67, Whitby Hydro respectfully declines to respond to this issue further. Please see IRR#67 for further details.