



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 School Energy Coalition's (SEC) 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)

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

AND IN THE MATTER OF an Application by Whitby Hydro Electric Corporation for an order or orders approving just and reasonable distribution rates commencing May 1, 2010.

**SUPPLEMENTARY INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. [JT1.3] With respect to this response:

a. P. 5. Please provide the calculation of the 9.6% after tax rate of return.

Response:

Please see response to VECC supplemental IR#62.

b. P. 6. Please provide the details of the “market price testing” or, if it is already in the evidence, provide the reference.

Response:

In reference to JT1.3, market price testing was completed in 2006 as part of the ARC compliance review and related information has been provided in evidence. For example, please note the following:

- The November 7, 2006 letter to the Chief Compliance Officer which included the transfer pricing report was attached to SEC’s original IR responses (SEC#3).
- 2006 market price testing details were provided as part of a confidential filing in response to VECC supplementary IR#57 (c)

2. [JT1.6] Please confirm that the revenue requirement impact in the Test Year of the additional \$4.258 million of rate base is \$344,000 of depreciation and \$408,000 of interest, ROE and PILs.

Response:

Whitby Hydro confirms the \$408,000 of interest, ROE and PILS; however, it cannot confirm the depreciation of \$344,000. Please refer to JT1.6 “Depreciation addition YTD (B)” for the depreciation of \$231,000.

- 3. [JT1.7] Please advise why, with six month of actual information, there is no expectation that either the capital additions or the OM&A will end up being different from the original budget amounts. Please advise why, for example, the “reduced storm activity” and the reallocation of operating resources to capital did not result in changes to the forecasts.**

Response:

As stated in JT1.7, Whitby Hydro reviewed six months of actuals and found the results supported a forecast for 2010 that was unchanged from the 2010 test year budget.

Capital spending was tracking at 52% of total 2010 budget for net additions, and upon review of the major capital projects, it was determined that there was no new information that might materially alter the 2010 budget.

OM&A was tracking at 46.8% of budget. Upon review, it was determined that some OM&A costs would be condensed to later in the year and while the allocation of resources between capital and operating & maintenance requirements may fluctuate at times, there was no reason to expect that the OM&A costs would be materially different from the 2010 budget. Areas such as “reduced storm activity” were identified as part of the reason for lower costs in the first half of the year. Given that operating and maintenance costs related to storms are clearly not incurred uniformly over the course of a year, Whitby Hydro felt that the overall 2010 test year budget continued to be a reasonable forecast.

- 4. [SEC #27] Please advise the dollar amounts associated with each of the FTEs in this response.**

Response:

Whitby Hydro has already provided a breakdown of costs associated with the total FTE’s as it pertains to the rate application in the response to JT1.10. Whitby Hydro believes that it has provided sufficient information and respectfully declines to respond further.

- 5. [SEC #30] With respect to this response:**

- a. Please provide the total amounts of Engineering and Construction Services provided by WHES to Whitby Hydro and all of WHES’ other customers, respectively.**

Response:

Engineering and Construction Services provided by WHES to other customers for 2009 is \$85K.

The services provided by WHES to Whitby Hydro are not tracked and charged in a manner which aligns the work activities and charges in a format similar to that identified for services provided to other customers. WHES, in providing services to Whitby Hydro, tracks costs on a basis consistent with the USoA accounts in order to ensure that Whitby Hydro can comply with the OEB's regulatory reporting requirements. As a result, the information requested is not available. Whitby Hydro can however, provide the amounts on a total basis for all services provided by WHES to Whitby Hydro. This figure is \$13,772K for 2009.

b. Please provide the total amounts of Business Services provided by WHES to Whitby Hydro and all of WHES' other customers, respectively.

Response:

Business Services provided by WHES to other customers for 2009 is \$900K.

Similar to the issues raised in part (a), Whitby Hydro is unable to provide the information as requested. However, Business Services' work related to CDM can be identified by USoA account and an amount of \$364K is included in the test year. This amount is comprised of \$297K for OPA programs and \$67K for Whitby Hydro funded CDM programs. A total amount for all services provided by WHES to Whitby Hydro has been provided in part (a).

6. [SEC 2nd Round #14] With respect to the departmental review:

a. Please confirm that this is the entire document.

Response:

Whitby Hydro confirms that the document provided in response to SEC supplementary interrogatory #14 was the entire departmental review document.

b. Please advise who did this review, and what independent input, if any, was obtained.

Response:

As outlined in the department review document dated May 24, 2006, Whitby Hydro undertook a review of the various departments' functions and work activities including those provided by its affiliate Whitby Hydro Energy Services Corporation (WHES). This document was compiled and presented to the OEB's Chief Compliance Office for open discussion with the intent to ensure an ARC compliant organizational structure. Other than the OEB's involvement in the review process, no other independent input was retained.

c. P. 2. Please advise how many of the employees in the Asset Management Group are employees of Whitby Hydro, and how many are employees of

WHES. For this and each of the following sub-questions, please provide numbers of employees rather than percentages, and advise if any of the employees are also included in other categories.

Response:

There is one employee in the Asset Management group. This employee is a dedicated Whitby Hydro employee and is not counted in any of the figures noted in the responses to part (d) – (j).

d. P. 2. Please advise how many of the employees in the Regulatory/Financial Group are employees of Whitby Hydro, and how many are employees of WHES.

Response:

All of the Regulatory/Financial group are employees of WHES. There are three employees supporting this department, one of whom is also included in the response to (e) Finance and Human Resources.

e. P. 3. Please advise how many of the employees in the Finance Department and Human Resources are employees of Whitby Hydro, and how many are employees of WHES.

Response:

All of the Finance and Human Resource department are employees of WHES. There are eleven employees supporting this department. Of the eleven, one is also considered in part (d) Regulatory/Financial Group, and two are also considered in part (g) Operations.

f. P. 4. Please advise how many of the employees in the Customer Service Dept. are employees of Whitby Hydro, and how many are employees of WHES.

Response:

All of the Customer Service department are employees of WHES. There are twenty-one employees supporting this department. Of the twenty-one, one is also considered in part (g) Operations and six are considered in part (j) Business Services.

g. P. 5. Please advise how many of the employees in the Operations Department are employees of Whitby Hydro, and how many are employees of WHES.

Response:

All of the Operations department are employees of WHES. There are forty-five employees supporting this department. Of the forty-five, two are also considered in part (e) Finance

and Human Resources; two are considered in part (h) Engineering and Construction; and one is considered in part (f) Customer Service.

- h. P. 6. Please advise how many of the employees in the Engineering and Construction Service Dept. employees of Whitby Hydro, and how many are employees of WHES.**

Response:

All of the Engineering and Construction Service department are employees of WHES. There are eleven employees supporting this department. Of the eleven, seven are considered in part (i) Engineering and Planning; two are considered in part (g) Operations; and one is considered in part (j) Business Services.

- i. P. 7. Please advise how many of the employees in Engineering and Planning Services are employees of Whitby Hydro, and how many are employees of WHES.**

Response:

All of the Engineering and Planning Services department are employees of WHES. There are nine employees supporting this department. Of the nine, seven are considered in part (h) Engineering and Construction and one is considered in part (j) Business Services.

- j. P. 8. Please advise how many of the employees in Business Services are employees of Whitby Hydro, and how many are employees of WHES.**

Response:

All of the Business Services department are employees of WHES. There are eleven employees supporting this department. Of the eleven, six are considered in part (f) Customer Service; one is considered in part (h) Engineering and Construction; and one is considered in part (i) Engineering and Planning.

- 7. [C1] Please confirm that, at the Applicant's cost of capital levels, the cost of capital for the stated rate base equivalent is \$222,000.**

Response:

The \$222,000 is the pre-tax cost of capital for the rate base of \$2,862,000.

- 8. [C2] Please describe how the 15% markup relates to the transfer pricing description in this response.**

Response:

The response provided as C2, does not refer to a 15% markup but to a 10% markup which is consistent with the 2010 transfer pricing methodology. A 15% fair market value markup was used during the period of time which the 2006 transfer pricing review took place with the OEB's Chief Compliance Officer and compliance was received.