Ontario Energy Board P.O. Box 2319 27th. Floor 2300 Yonge Street Toronto ON M4P 1E4

Telephone: 416- 481-1967 Facsimile: 416- 440-7656 Toll free: 1-888-632-6273 Commission de l'énergie de l'Ontario

C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416-481-1967

Télécopieur: 416- 440-7656 Numéro sans frais: 1-888-632-6273



BY E-MAIL

November 15, 2010

Kirsten Walli Board Secretary Ontario Energy Board 2300 Yonge Street, 27th Floor Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Guelph Hydro Electric Systems Inc. 2011 IRM3 Distribution Rate Application Board Staff Interrogatories Board File No. EB-2010-0130

In accordance with the Notice of Application and Written Hearing, please find attached Board Staff Interrogatories in the above proceeding. Please forward the following to Guelph Hydro Electric Systems Inc. and to all other registered parties to this proceeding.

In addition please advise Guelph Hydro Electric Systems Inc. that responses to interrogatories are due by November 26, 2010.

Yours truly,

Original Signed By

Lawrie Gluck Analyst, Applications & Regulatory Audit

Encl.

Board Staff Interrogatories

2011 IRM3 Electricity Distribution Rates Guelph Hydro Electric Systems Inc. ("Guelph Hydro") EB-2010-0130

Disposition of Group 1 Deferral / Variance Account Balances

Board Staff Interrogatory No. 1

Ref: 2011 IRM3 Rate Generator – Sheet J2.4

Sheet "J2.4 – Deferral and Variance Account Disposition" of the 2011 IRM3 Rate Generator is reproduced below.

Deferral Variance Account Disposition (2011)

Rate Rider		Def Var Disp 2011				
Sunset Date		30/04/2012				
Metric Applied To		All Customers				
Method of Application		Distinct Volumetric				
	Rate Class	Applied to Class	Fixed Amount	Fixed Metric	Vol Amount	Vol Metric
	Residential	Yes	0.000000	Customer - 12 per year	-0.001500	kWh
	Residential eneral Service Less Than 50 kW	Yes Yes	0.000000 0.000000	Customer - 12 per year Customer - 12 per year	-0.001500 -0.001500	kWh kWh
	Residential	Yes	0.000000	Customer - 12 per year	-0.001500	kWh
	Residential eneral Service Less Than 50 kW General Service 50 to 999 kW	Yes Yes Yes	0.000000 0.000000 0.000000	Customer - 12 per year Customer - 12 per year Customer - 12 per year	-0.001500 -0.001500 -0.575600	kWh kWh kW kW
	Residential eneral Service Less Than 50 kW General Service 50 to 999 kW eneral Service 1,000 to 4,999 kW Large Use Unmetered Scattered Load	Yes Yes Yes Yes Yes Yes	0.000000 0.000000 0.000000 0.000000 0.000000	Customer - 12 per year Customer - 12 per year Customer - 12 per year Customer - 12 per year Customer - 12 per year Connection -12 per year	-0.001500 -0.001500 -0.575600 -0.673800 -0.837600 -0.001500	kWh kWh kW kW kW
	Residential eneral Service Less Than 50 kW General Service 50 to 999 kW eneral Service 1,000 to 4,999 kW Large Use	Yes Yes Yes Yes Yes	0.000000 0.000000 0.000000 0.000000 0.000000	Customer - 12 per year Customer - 12 per year Customer - 12 per year Customer - 12 per year Customer - 12 per year	-0.001500 -0.001500 -0.575600 -0.673800 -0.837600	kWh kWh kW kW

Questions / Requests:

a) Please confirm that the rate riders entered on Sheet J2.4 were previously approved by the Board as part of Guelph's 2010 IRM Application. If so, Board staff will enter this information on the correct sheet (Sheet J2.3).

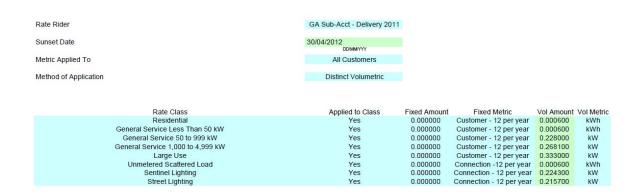
-2-

Board Staff Interrogatory No. 2

Ref: 2011 IRM3 Rate Generator - Sheet J3.31

Sheet "J3.31 – Applied for Rate Rider for Global Adjustment Sub-Account Disposition – Delivery Component 2011" of the 2011 IRM3 Rate Generator is reproduced below.

Applied For Rate Rider for Global Adjustment Sub-Account Disposition - Delivery Component 2011



Questions / Requests:

a) Please confirm that the rate riders entered on Sheet J3.31 were previously approved by the Board as part of Guelph's 2010 IRM Application. If so, Board staff will enter this information on the correct sheet (Sheet J3.3).

-3-

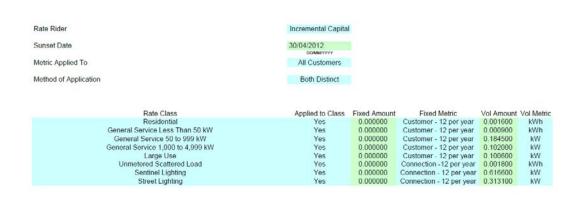
Incremental Capital Claim

Board Staff Interrogatory No. 3

Ref: 2011 IRM3 Rate Generator – Sheet J2.8 Ref: 2011 IRM3 Incremental Capital Workform

Sheet "J2.8 – Incremental Capital Rate Rider" of the 2011 IRM3 Rate Generator is reproduced below.

Incremental Capital Rate Rider

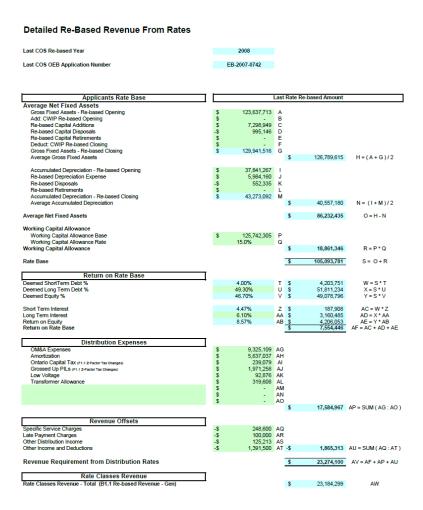


- a) Please provide rationale for the proposed sunset date.
- b) Please provide rationale for recovering the requested incremental capital through a variable rate rider.

Board Staff Interrogatory No. 4

Ref: 2011 IRM3 Incremental Capital Workform - Sheet B1.4

Sheet "B1.4 – Detailed Re-Based Revenue from Rates" of the 2011 IRM3 Incremental Capital Workform is reproduced below.



Preamble:

Board staff has been unable to verify whether some of the data entered on Sheet B1.4 of the 2011 IRM3 Incremental Capital Workform is correct.

Questions / Requests:

a) Please reconcile the data entered on the above sheet with the Draft Rate Order in EB-2007-0742. Please explain any discrepancies.

-5-

Board Staff Interrogatory No. 5

Ref: 2011 IRM3 Incremental Capital Project Worksheet – Sheet 1 Ref: Incremental Capital Project Evidence – Appendix 5.2 – Page 27

Questions / Requests:

a) Please provide more detailed descriptions in the Column titled, "Asset Component" in order to allow Board staff to reconcile the data with the Budget Summary included as the last page of Appendix 5.2.

Board Staff Interrogatory No. 6

Ref: Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673) – Appendix B – Amended Filing Guidelines

Preamble:

Guelph has not fulfilled all the filling requirements included as Appendix B to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673).

- a) Please indicate whether continued expenditure levels could trigger another Incremental Capital Request before the end of the IR term.
- b) Please provide a description of the actions that the distributor will take in the event that the Board does not approve the Incremental Capital Request.

Board Staff Interrogatory No. 7

Station Loading

Ref: Appendix 5.2, page 1

Preamble:

Guelph Hydro indicates that it is necessary to build a new Municipal Transformer Station ("MTS") to address future load which the current distribution system will not support. Hanlon TS appears to be the primary TS in the area which would have to absorb this demand growth.

Questions / Requests:

- a) Given the current system capacity, what actions have generally been taken by Hydro One to address overloading events at Hanlon TS? Has Guelph experienced significant or lasting service interruptions as a result?
- b) What is the Ten Day LTR¹ of Hanlon TS? What is the current best practice feeder loading protocol (in Amps) for the feeders running into/out of Hanlon TS as defined by Hydro One Distribution and/or Guelph?
- c) Please provide a table showing the maximum feeder loading (in Amps) that has been experienced on each Hanlon TS feeder from 2007 through 2010.
- d) Please provide a table of Hanlon TS peak MW loading for each year from 2007-2010, and highlight any events when a feeder was at / exceeding:
 - a. <u>Best practice loading</u>. Note any exceptional circumstances directly associated with each event.
 - b. <u>Amp or MW capacity</u>. Note any exceptional circumstances directly associated with each event.

_

¹ 10-day long term emergency rating in MW.

Board Staff Interrogatory No. 8

New Connections and Demand

Ref: Appendix 5.2, page 6 Ref: Appendix 5.2, page 20

Preamble:

Guelph states at Appendix 5.2 – Page 6 that one industrial customer is/was expected to increase their demand by 4,000 kW.

Guelph has indicated at Appendix 5.2 – Page 20 that it has commitments with existing and new customers for additional connections in 2011.

Questions / Requests:

- a) Please indicate the time frame associated with the proposed 4,000 kW demand increase.
- b) Please provide a list of the connection commitments noted by Guelph along with the forecasted load associated with these commitments. Provide customer names alphanumerically if necessary.²

Board Staff Interrogatory No. 9

Load Forecasting

Ref: Appendix 5.2, page 22-25

Preamble:

Guelph has provided three tables detailing system loading at page 22-24 and a graph, Guelph South Load Forecast, at page 25.

Questions / Requests:

 Please indicate whether the load forecast methodology used by Guelph is consistent with the most recent load forecast methodology approved by the Board.

² Standard practice to preserve confidentiality of customers and their associated demand.

-8-

- b) Please provide a comparison of Guelph's most recent Board approved load forecast, against the forecast presented in this application. Please comment on any significant demand removals and/or additions captured in these tables.
- c) Guelph provides as an estimate a growth rate envelope from 1.1% to 2.6% per year. What was the growth rate applied to Guelph's Board approved load forecast in its most recent rate proceeding?

Board Staff Interrogatory No. 10

Risk of Equipment Failure and Costs

Ref: Appendix 5.2, page 18

Preamble:

Guelph notes its high-level estimates of operating and maintenance expenses for MTS #1 at page 18 of Appendix 5.2.

- a) Are there any financial risks associated with Guelph owning transformation assets under its proposed MTS#1 plan? For instance, what are the typical costs associated with:
- Replacement of failed transformer
- Replacement of a failed breaker
- Replacement of any other piece of significant equipment
 - b) Does Guelph have a proposed plan to mitigate these risks through contract terms or any other mechanisms?
 - c) Is Guelph aware that Hydro One has a significant "spares" inventory which Hydro One uses to address unexpected failures in its asset base? Has Guelph explored arrangements to have access to Hydro One's spares inventory in the event of a significant equipment failure and has Guelph identified the costs or any delays that could be associated with such an acquisition?

-9-

Board Staff Interrogatory No. 11

Station and Feeder Costs

Ref: Appendix 5.2, page 18 and 21

Questions / Requests:

 a) What is the source of the \$400,000 contribution in "related capital" cited at page 21 and how was the level of funding determined or otherwise negotiated? Please explain.

Board Staff Interrogatory No. 12

Transmission Facility

Ref: Appendix 5.3, Page17 - 19

Preamble:

The new municipal transformer station proposed by Guelph will link to 150 kV lines operated by Hydro One Networks Transmission System. As a result, the transformer station will provide transformation connection service, meaning that Guelph would be considered to be operating as a transmitter under the *Transmission System Code*. Guelph does not a have a transmission licence to own or operate transmission facilities.

- a) Does Guelph intend to request that the Board deem the new transformer station a distribution asset?
- b) If the answer to part (a) is yes, please provide an outline of Guelph's timeline and plan to obtain the necessary approvals to operate this asset in a manner that is compliant with its distribution licence and the *Transmission System Code*.
- c) If the answer to part (a) is no, please explain how Guelph intends to be compliant with the conditions of its licence once the transformer station is in-service.

-10-

Board Staff Interrogatory No. 13

Capital Spending

Ref: Appendix 5.2 – Page 27

Preamble:

On Page 27 of appendix 5.2, Guelph has presented the Capital Spending for 2009, 2010 and 2011 related to the MTS.

Questions / Requests:

- a) Please confirm that none of the capital costs have previously been included in rate base.
- b) Please confirm that none of the projects included in the 2011 Capital Budget are discretionary in nature.

Board Staff Interrogatory No. 14

Ref: Manager's Summary - General

Preamble:

Guelph has not included a Request for Proposal related to the proposed Transformer Station in Guelph in the Application.

Questions / Requests:

- a) Was a Request for Proposal issued? If so, please file it with the Board.
- b) Please summarize all the proposals received by Guelph Hydro.
- c) Please highlight the proposal that was selected by Guelph Hydro.
- d) Please provide the criteria and weightings Guelph Hydro utilized in selecting a service provider.

Please ensure that enough information is provided in response to the above questions in order to allow Board staff to evaluate the prudence of the selection made by Guelph Hydro. Please provide the requested information in such a manner as to avoid the need for filing the information confidentially.

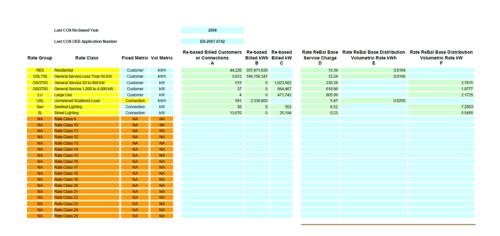
Tax Changes

Board Staff Interrogatory No. 15

Rate Class and Re-Based Billing Determinants & Rates

Ref: 2011 IRM3 Shared Tax Savings Workform – Sheet B1.1 Ref: 2011 IRM3 Incremental Capital Workform – Sheet B1.3

Sheet "B1.1 – Rate Class and Re-based Billing Determinants & Rates" of the 2011 IRM3 Shared Tax Savings Workform is reproduced below.



Sheet "B1.3 – Calculated Re-Based Revenue from Rates" of the 2011 IRM3 Incremental Capital Workform is reproduced below.

Calculated Re-Based Revenue From Rates													
Last COS Re-based Year		2008											
Last COS OEB Application Number		EB-2007-0742											
	Re-based Billed				Re-based Base	Re-based Base	Service			Revenue			
Rate Class	Customers or Connections	Re-based Billed kWh		Re-based Base Service Charge	Distribution Volumetric Rate kWh	Distribution Volumetric Rate kW	Charge Revenue	Rate Revenue kWh	Rate Revenue kW	Requirement from Rates			
	Α	В	С	D	E	F	G = A * D *12	H=B*E	I = C * F	J = G + H + I			
Residential	44,220	357,871,626	0	13.27	0.0163	0.0000	7,041,593	5,833,308	0	12,874,900			
General Service Less Than 50 kW	3,612	146,156,347	0	12.26	0.0157	0.0000	531,397	2,294,655	0	2,826,052			
General Service 50 to 999 kW	515	0	1.023.682	230.36	0.0000	2.7620	1,423,625	0	2,827,410	4,251,034			
General Service 1,000 to 4,999 kW	37	0	864,467	613.29	0.0000	1.9595	272,301	0	1,693,923	1,966,224			
General Service 1,000 to 4,999 kW Large Use		0	864,467 471,742	613.29 897.69	0.0000 0.0000	1.9595 2.1526	272,301 43,089	0	1,693,923 1,015,472	1,966,224 1,058,561			
Large Use Unmetered Scattered Load	37 4 591		471,742 0	897.69 5.42	0.0000 0.0248	2.1526 0.0000	43,089 38,439	0 57,948	1,015,472	1,058,561 96,386			
Large Use Unmetered Scattered Load Sentinel Lighting	37 4 591 30	0	471,742 0 352	897.69 5.42 6.46	0.0000 0.0248 0.0000	2.1526 0.0000 7.1400	43,089 38,439 2,326	0 57,948 0	1,015,472 0 2,513	1,058,561 96,386 4,839			
Large Use Unmetered Scattered Load	37 4 591	0 2,336,603	471,742 0 352	897.69 5.42	0.0000 0.0248	2.1526 0.0000	43,089 38,439	0 57,948 0	1,015,472	1,058,561 96,386			

Questions / Requests:

a) Please explain the discrepancies between the rates (Columns D / E / F) recorded on Sheet B1.1 of the 2011 IRM3 Shared Tax Savings Workform and those

-12-

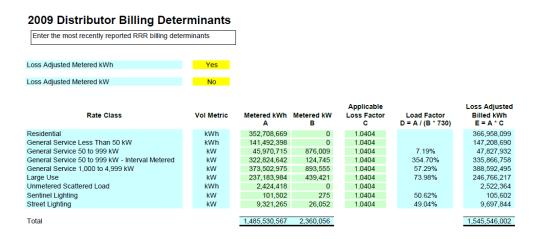
shown on Sheet B1.3 of the 2011 IRM3 Incremental Capital Workform. If there are errors, please advise and Board staff will make the relevant corrections.

Retail Transmission Service Rates

Board Staff Interrogatory No. 16

Ref: 2011 IRM3 RTSR Workform – Sheet B1.2

Sheet "B1.2 – 2009 Distributor Billing Determinants" of the 2011 IRM3 RTSR Workform is reproduced below.



Questions / Requests:

a) Please confirm that the data entered in Column A (metered kWh) is metered data (i.e. no loss factor applied). If a loss factor has been applied to the data in Column A, please re-file the data for Column A and Board staff will make the relevant corrections to the RTSR Workform.

Smart Meter Adder

Board Staff Interrogatory No. 17

Ref: Smart Meter Rate Adder Calculation Model - General

Questions / Requests:

- a) Please provide the total number of smart meters installed in the service area at the end of October 2010 for each the residential rate class and the GS > 50kW rate class.
- b) If necessary, please provide an update to Sheet 2 of the Smart Meter Adder Workform which more accurately reflects Guelph's progress towards smart meter deployment.

Board Staff Interrogatory No. 18

Ref: Smart Meter Rate Adder Calculation Model – Sheet 8

Questions / Requests:

a) Please provide the September 13, 2010 Load Forecast cited on Sheet 8 of the Smart Meter Rate Adder Calculation Model.

Board Staff Interrogatory No. 19

Ref: Manager's Summary - Page 29

Ref: 2011 IRM3 Smart Meter Rate Calculation Model – Sheet 2

Preamble:

On page 29 of the Manager's Summary, Guelph Hydro states "Guelph Hydro's smart meters and associated back-office systems meet the minimum specifications set out by O. Reg. 425/06. The meters exceed the specification in one specific area with respect to the inclusion of a communications chip based on the Zigbee standard. This communication chip will enable Guelph Hydro, through the smart meter, to communicate with in home devices such as displays, thermostats, and Zigbee equipped smart appliances.

. . . .

Board Staff Interrogatories Guelph Hydro Electric System Inc. 2011 IRM3 EB-2010-0130 Dated: November 15, 2010

-14-

Guelph Hydro believed that it was prudent to include the communication chip in the smart meters on the basis that the incremental cost to do so was minor (\$12.25/meter) in comparison to the alternative of having to replace large volumes of meters before their end of useful life (15 years). In addition, Guelph Hydro believes that substantial customer and electric system benefits would be missed if the chip was not included."

- a) Please confirm which line item on Sheet 2 of the Smart Meter Rate Calculation Model is related to the communication chip cited in the preamble.
- b) Please explain the statement cited above regarding the alternative to the inclusion of the communication chip being the replacement of large volumes of meters before their end of useful life.