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November 26, 2010

BY EMAIL AND BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0144
Waterloo North Hydro Inc. – 2011 Cost of Service Application
Energy Probe – Interrogatories

Pursuant to Procedural Order No. 1, issued on November 5, 2010, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) in the EB-2010-0144 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Rene Gatien, Waterloo North Hydro (By email)
Albert Singh, Waterloo North Hydro (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

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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 Waterloo North
Hydro Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective May 1,
2011.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

November 26, 2010

**WATERLOO NORTH HYDRO INC.
2011 RATES REBASING CASE
EB-2010-0144**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 1, page 8

- a) Please explain how the reduction of the 2010 rate base expenditures for amounts not paid would penalize WNH.
- b) Please confirm that by including PST amounts for the last half of 2010 capital expenditures, the opening rate base for 2011 has been overstated.
- c) Please provide an estimate of the reduction in the level of capital expenditures because of the removal of the PST on costs incurred on and after July 1, 2010.
- d) Please provide the amount of PST paid on capital expenditures in each of 2007, 2008 and 2009 and the estimate for 2010.
- e) Please provide the amount of PST paid on OM&A expenses in each of 2007, 2008 and 2009 and the estimate for 2010.
- f) For each of the bullet points shown, please indicate the amount included in the 2011 revenue requirement and the corresponding PST paid in each of 2007, 2008, 2009 and the 2010 estimate of the PST/PST portion of the HST.

Interrogatory # 2

Ref: Exhibit 1, pages 18 & 20

Page 18 of Exhibit 1 indicates that WNH is requesting a return on equity of 9.85%. However, the table on page 20 shows a test year return on equity of 9.00%. Please reconcile these figures.

Interrogatory # 3

Ref: Exhibit 1, page 37

Are there any costs associated with the Waterloo North Hydro Holding Corporation Board of Directors included in the test year revenue requirement? If yes, please provide the amount included in the revenue requirement.

Interrogatory # 4

Ref: Exhibit 2, page 4

- a) Please update the 2010 column in Table 2-1 to reflect the actual capital additions for the most recent period available and the forecast for the remainder of the year.**
- b) Has WNH made any reduction to the capital expenditure forecasts in 2010 and/or 2011 to reflect the elimination of the provincial sales tax effective July 1, 2010? If yes, please quantify the reductions for both 2010 and 2011.**
- c) If the response to part (b) above is no, please provide an estimate of the PST no longer payable on capital expenditures for the second half of 2010 and all of 2011.**

Interrogatory # 5

Ref: Exhibit 2, pages 4, 8 & 9

- a) What is the cost associated with the 35 acres of land that was purchased in 2009?**
- b) When is the 230 kV transformer station expected to be built on the 10 acres?**
- c) Is the 5 acre buffer area related to erosion control for the service centre, the future transformer station or both?**
- d) Is construction still on schedule for an October 31, 2011 completion?**
- e) What plans does WNH have for its existing facilities on Northfield Drive once the new facilities are occupied on December 1, 2011?**
- f) What is the estimated sale value of the Northfield facilities?**

- g) At the end of 2010, what is the net book value associated with the existing facilities, including the land and the building.

Interrogatory # 6

Ref: Exhibit 2, pages 27 & 28

- a) Please update Table 2-9 to reflect the actual capital expenditures incurred to date, along with the most recent projection for the capital expenditures and year end WIP estimates.
- b) Please confirm that no capital expenditures related to the new facilities, including land, building, furnishings, etc., are closed to rate base in 2010.
- c) Please provide a version of Table 2-10 that shows the capital expenditures excluding all costs related to the new facilities, including the land, building, furnishings, etc.

Interrogatory # 7

Ref: Exhibit 2, page 36

- a) What is the source of the general inflation on non-labour expenses of 2.3% for 2010 and 2.0% for 2011?
- b) What is the impact on the costs related to non-labour expenses of the 1.3% increase in 2011 and the 2.0% increase in 2011?

Interrogatory # 8

Ref: Exhibit 2, page 40

Page 21 of Chapter 2 of the Filing requirements for Transmission and Distribution Applications dated June 28, 2010 indicates that the Board's general policy for electricity distribution rate setting is that capital additions would normally attract six months (i.e. half-year) of depreciation expense in the year that they enter service. Variances from the half-year rule must be documented with supporting rationale.

Please provide the rationale for not using the half-year rule for calculating the depreciation expense for the 2011 test year.

Interrogatory # 9

Ref: Exhibit 2, page 42

- a) What is the percentage of RPP and non-RPP volumes for WNH? If WNH has this information by rate class, please also provide the percentages by rate class?**
- b) How does WNH determine how much of the RPP volumes in the first 600 kWh of consumption and how much is in the additional level of consumption for each rate class?**
- c) Please confirm that the 'additional kW' noted on line 26 should be 'additional kWh'.**
- d) How does WNH account for, if at all, the different tier thresholds for residential customers (600 kWh for May 1 to October 31 and 1000 kWh for November 1 to April 30)?**
- e) How does WNH account, if at all, for the threshold of 750 kWh per month for the entire year for non-residential customers?**
- f) What are the retail transmission network and retail rates used in this application based on the May 1, 2011 date indicated?**

Interrogatory # 10

Ref: Exhibit 2, page 49

- a) Please confirm that the disposal in account 1805 of \$754,394 is related to the land on Northfield Drive. If this cannot be confirmed, please explain what this disposal is related to.**
- b) Please confirm that the disposal in account 1808 of \$4,674,464 and the accumulated depreciation disposal of \$1,758,156 are related to the building on Northfield Drive. If this cannot be confirmed, please explain what this disposal is related to.**
- c) What is the date of the disposal value of \$1,758,156 shown for accumulated depreciation?**

Interrogatory # 11

Ref: Exhibit 2, pages 42, 59 & 60

- a) Please update the cost of power for 2011 shown in Table 2-24 to reflect the methodology described on page 42 and the Board's October 18, 2010 RPP Price Report.**
- b) Please update the cost of power for 2011 in Table 2-24 to reflect the Board's October 18, 2010 RPP Price Report, but assume a price of \$68.38/MWh for all RPP volumes.**

Interrogatory # 12

Ref: Exhibit 2, Table 2-32

For each project shown in each of the sub-tables in Table 2-32 with an expected in-service date, please indicate whether or not the project will be completed and placed in service before the end of 2010.

Interrogatory # 13

Ref: Exhibit 2, pages 86-91

- a) When does WNH plan to dispose of the surplus substation properties noted on page 87?**
- b) What is the current net book value associated with the surplus substation properties?**
- c) What is the current market value of the surplus substation properties?**
- d) What are the substation properties currently being used for, other than the storage of materials and equipment, if they can be declared surplus at some point?**
- e) Please explain how the 1.2% rate for AFUDC was determined.**
- f) What is the impact of the removal of the provincial sales tax effective July 1, 2010 on the cost of the project? Has this been reflected in the cost of the administrative building and service centre? If not, why not?**

Interrogatory # 14

Ref: Exhibit 3, Table 3-1

- a) **There appear to be numerous errors in Table 3-1. In particular, it appears that the variance columns for 2007 vs 2006, 2008 vs 2007, 2009 vs 2008, and 2010 vs 2009 have not been calculated correctly. Please provide a corrected Table 3-1.**
- b) **Please replace the 2011 test year figures shown in Table 3-1 with revenues based on existing rates.**
- c) **Are the distribution revenues shown in Table 3-1 actual revenues or normalized actual revenues?**
- d) **Please provide a table in the same level of detail as in Table 3-1 that shows the most recent year-to-date revenues available for 2010, along with the year-to-date revenues for the corresponding period in 2009.**

Interrogatory # 15

Ref: Exhibit 3, Table 3-7

Please provide the estimated coefficients for each of the explanatory variables shown in Table 3-7.

Interrogatory # 16

Ref: Exhibit 3, Table 3-8

- a) **Are the forecast figures for 2010 and 2011 shown in Table 3-8 for 2010 and 2011 before or after the adjustment for CDM?**
- b) **Does the 2010 figure shown include any actual data for 2010?**
- c) **Please provide the most recent year-to-date actual figures for 2010, along with the forecast for the corresponding period in 2009.**

Interrogatory # 17

Ref: Exhibit 3, page 17

- a) Please provide the average loss factor for the same period over which the regression was estimated (i.e. 1996 through 2009), or if information for this period is not available, the longest period for which it is available.
- b) Using the average loss factor from part (a), please calculate the 2011 GWh billed energy forecast.
- c) Are the customer numbers shown in Table 3-9 year end customer numbers or the average number of customers for the year? If the latter, please provide the actual number of customers/connections at the end of 2009 for each rate class.

Interrogatory # 18

Ref: Exhibit 3, page 19

- a) Please provide the actual number of customers/connections as of the most recent month available in 2010 for each of the rate classes shown in Table 3-11.
- b) Please confirm that the historical annual usage shown in Tale 3-12 is based on actual consumption and not normalized actual consumption.

Interrogatory # 19

Ref: Exhibit 3, pages 20-23

- a) Please update the forecast and all relevant tables to reflect the CDM target assigned to WNH as part of the EB-2010-0215/EB-2010-0216 Decision and Order dated November 12, 2010.
- b) Please explain how the average use figures shown in Tale 3-14 have been adjusted for CDM.
- c) Please explain why the CDM target savings shown in Table 3-13A are in addition to the OPA savings for 2011.

Interrogatory # 20

Ref: Exhibit 3, page 25

- a) Please provide the trend analysis regression equations and statistics for each of the three rate class kW to kWh ratios.
- b) For any rate class where trend variable is not statistically significant at the 90% confidence level, please provide the average kW to kWh ratio over the 2003 through 2009 period and provide the revenue impact based on current rates if this average were to be used in place of the trend forecast for the rate class.
- c) Please expand Table 3-19 to show the 2010 ratio for each rate class based on the most recent year-to-date information available.

Interrogatory # 21

Ref: Exhibit 3, pages 32-37

- a) Please provide the most recent year-to-date revenues available for 2010 in the same level of detail as shown in Table 3-26. Please also provide the year-to-date revenues for the corresponding period in 2009.
- b) The evidence on page 32 indicates that interest income on regulatory asset variance accounts is not included in the 2011 test year in Table 3-26. However, there is an adjustment in Table 3-26A that results in a reduction in revenue from account 4405 of \$73,998. Please explain.
- c) Please provide the assumptions and rates used to forecast the net 2011 revenue in account 4405 of \$14,772 used to calculate the base revenue requirement. Please provide the corresponding figures for 2006 through 2010.
- d) Please provide the derivation of the \$22,000 gain on disposition of assets shown in account 4355.
- e) Please explain why only 50% of the capital gain in account 4355 is used to reduce the revenue requirement.
- f) Did WNH share 50% of the capital gains with ratepayers shown in account 4355 in 2006 through 2010?

- g) Please confirm that the figure of \$89,489 shown in Table 3-26A is solely related to OPA incentives. Are there any other revenues from the OPA included in the forecast? If yes, please quantify and identify where these revenues are shown.**
- h) Please provide the most recent year-to-date SSS Administration Revenue for 2010 and the amount for the corresponding period in 2009.**
- i) Please provide the number of requests for duplicate invoices over the last 12 months for which information is available.**
- j) Please provide the number of requests for income tax letters over the last 12 months for which information is available.**
- k) Why is Table 3-30 labelled Other Distribution Expenses?**
- l) Please explain why the revenues and costs (accounts 4375 and 4380) appear to add up to \$280,000 more in Table 3-31 than in Table 3-26.**

Interrogatory # 22

Ref: Exhibit 3, page 38

- a) Please explain why only 50% of any gain from the sale of the existing administration/service centre building and property would be shared with ratepayers.**
- b) The evidence indicates that the existing administration building and service centre is not included in rate base, nor any amortization expense, in 2011. Please explain whether or not the existing administration building and service centre, including land, has been removed from rate base at the end of 2010, the beginning of 2011 or the end of 2011.**

Interrogatory # 23

Ref: Exhibit 3, page 39

Table 3-32 shows revenue of \$280,000 in 2011 for unaffiliated transactions.

- a) Is this the \$280,000 noted in Interrogatory #21, part (l) above?**
- b) Please explain what transactions/services are included in unaffiliated transactions.**

- c) If the answer to a) is yes, please explain why the costs appear to also be \$280,000 resulting in no profit for the provision of the unaffiliated transactions.

Interrogatory # 24

Ref: Exhibit 2, Table 2-24

How has WNH incorporated the annual peak demand savings target of 15.790 MW as shown in the EB-2010-0215/EB-2010-0216 Decision and Order dated November 12, 2010 into the cost of power forecast in Table 2-24?

Interrogatory # 25

Ref: Exhibit 4, page 5

What is the amount of funding required by WNH related to LEAP? Would this amount be incremental to the \$10,000 donation noted on page 5 or in place of this amount?

Interrogatory # 26

Ref: Exhibit 4, Table 4-1

Please provide the most recent year-to-date OM&A expenses for 2010 in the same level of detail as shown in Table 4-1. Please also provide the year-to-date expenses for 2009 for the corresponding period.

Interrogatory # 26

Ref: Exhibit 4, Table 4-4

- a) Based on actual levels of employees in place up to and including the current time, please indicate the number of FTEEs for 2010.
- b) Please indicate the number of vacant positions currently in place at WNH.

Interrogatory # 27

Ref: Exhibit 4, Table 4-5

- a) How much of the increase in 2011 as compared to 2010 in Operation costs is related to the increase in FTEEs and how much is related to the increase in wages and benefits of existing employees?**
- b) How much of the increase in 2010 as compared to 2009 in Maintenance costs is related to the increase in FTEEs and how much is related to the increase in wages and benefits of existing employees?**
- c) How much of the increase in 2010 as compared to 2009 in Billing and Collecting costs is related to the increase in FTEEs and how much is related to the increase in wages and benefits of existing employees? Please also indicate how much of the increase is related to WNH no long billing for water and sewer services.**
- d) When does WNH expect to begin collecting meter reads from its smart meters? How has WNH factored this into its forecast for meter reading expenses?**
- e) Please explain what is driving the significant increase in Community Relations - Sundry in 2010 and 2011 as compared to the levels recorded in 2007 through 2009.**
- f) What is the annual percent increase for non-union employees in 2010 and 2011? What is the associated dollar figure of these increases in these years?**
- g) Other than the annual increase noted in part (f) above, what is driving the increase of more than 12% in General Administrative Salaries and Expenses?**

Interrogatory # 28

Ref: Exhibit 4, Table 4-7

Has the price for the service shown for the 2011 test year of \$100,957 been removed from the OM&A expenses included in the revenue requirement or has the \$100,957 been included as part of the non-distribution revenues?

Interrogatory # 29

Ref: Exhibit 4, Table 4-7A

- a) Please show the calculations and assumptions used to calculate the profit on street lighting of \$36,222 for 2011, including, but not limited to the calculation of the rate base used to provide these services.**
- b) Please show how the PILS amount of \$7,570 has been calculated.**

Interrogatory # 30

Ref: Exhibit 4, page 48

Please provide a breakdown of the \$160,000 in costs associated with the 2011 rate application between legal assistance, consulting costs, intervenor costs, Board costs and any other costs related to the application. Please also provide the legal and consulting costs invoiced to date.

Interrogatory # 31

Ref: Exhibit 4, page 51

Please indicate how many of the positions noted on page 51 are eligible for the Federal or Provincial Apprenticeship Training Tax Credit in 2011.

Interrogatory # 32

Ref: Exhibit 4, page 53

How many employees does WNH currently have?

Interrogatory # 33

Ref: Exhibit 4, page 66

How many students eligible for the Co-Operative Education Tax Credit does WNH forecast to have in 2011?

Interrogatory # 34

Ref: Exhibit 4, Tables 4-24 & 4-25

- a) Please confirm that the column labelled "Closing Balance 2009" in these two tables should be "Closing Balance 2010" and "Closing Balance 2011".
- b) Please confirm that the Total for Depreciation (column (e)) in Table 4-25 does not reflect figures based on the calculation shown in the heading.
- c) Please confirm that the depreciation expense shown in column (h) in Table 4-25 has been calculated as if the calculation in the heading of column (e) had been used. If this cannot be confirmed for all accounts, please provide a revised table.

Interrogatory # 35

Ref: Exhibit 4, pages 75-81

The adjustments to the depreciation expense shown for 2006 through 2010 total a reduction in depreciation expense of more than \$680,000.

- a) Please confirm that the net impact on the 2011 rate base is an increase of approximately \$680,000 as a result of these adjustments. If this cannot be confirmed, please provide an estimate of the impact on the 2011 rate base of the adjustments shown for 2006 through 2010 along with an explanation.
- b) Please provide a more detailed explanation of the "timing and allocation issues" that necessitated these adjustments.

Interrogatory # 36

Ref: Exhibit 4, page 84

The evidence indicates that the 2009 figure of \$590,047 in service centre building maintenance costs represent a normal year for building maintenance.

- a) Please explain the increase forecast for 2011 to \$944,555.

- b) Why is WNH spending an unusually high amount in 2011 when the building will cease to be used in 2011?
- c) What is the estimated annual cost of building maintenance associated with the new facility being constructed?

Interrogatory # 37

Ref: Exhibit 4, page 87

Please provide the current year-to-date costs for 2010 associated with the purchasing/stores department. Please also provide the figure from 2009 for the corresponding period.

Interrogatory # 38

Ref: Exhibit 4, pages 88-90

- a) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first \$500,000 of taxable income was reduced to 4.50%.
- b) Has WNH included a tax reduction of \$36,250 related to the Ontario small business tax rate on the first \$500,000 in taxable income (calculated as \$500,000 times the difference between 11.75% and 4.50%)? If not, why not?

Interrogatory # 39

Ref: Exhibit 4, pages 88-92

- a) Please provide a calculation of the Federal Apprenticeship Job Creation Tax Credit, showing the number of eligible positions and the amount that can be claimed for each position for the 2011 test year.
- b) Please confirm that the Ontario Co-Operative Education Tax Credit was enhanced as of March 27, 2009 from a 10% refundable credit to a maximum of \$1,000 per work placement to a 25% refundable credit to a maximum of \$3,000 per work placement.
- c) Please confirm that the Ontario Apprenticeship Training Tax Credit was enhanced as of March 27, 2009 from a 25% refundable tax credit to a maximum annual credit of \$5,000 during the first 36 months of an apprenticeship program, to a 35% refundable tax credit to a maximum

annual credit of \$10,000 during the first 48 months of an apprenticeship program.

- d) Based on the responses to parts (a), (b) and (c), along with the number of eligible positions requested in Interrogatories #31 and #33 above, please recalculate the total related tax credits available to WNH for 2011.**

Interrogatory # 40

Ref: Exhibit 4, Table 4-35

Please explain why the 2011 capital expenditures of \$349,544 for computer hardware have been placed in CCA Class 10 rather than CCA Class 55.

Interrogatory # 41

Ref: Exhibit 4, page 89

Please explain why WNH does not have any Cumulative Eligible Capital for 2011 despite additions land rights (account 1806) being accumulated over the years and being shown as eligible for the CEC on the electronic versions of the continuity schedules provided.