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VIA Email and Courier

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

Dear Ms. Walli,

Re: Halton Hills Hydro, EB-2007-0696

Please find the second round of interrogatory questions filed on behalf of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2007-0696

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 Halton Hills Hydro Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity commencing May 1, 2008.

VECC's Interrogatories – Round #2

Question #1 – Cost of Capital

Reference: i) Exhibit 6/Tab 1/Schedule 4, page 3
ii) VECC IR #10 and #17 a)

a) Please provide a schedule that set out the derivation of the 6.14% cost for long term debt (per Reference (i)), based on the debt issues and associated interest rates set out in Reference (ii).

Question #2 – Service Agreements

Reference: i) Exhibit 4, Tab 2, Schedule 3
ii) VECC IR #13

a) Please reconcile the differences in the totals for each year as shown in References (i) and (ii).

b) Please confirm that Hydro does not purchase services from any of its affiliates (i.e., all of the services set out in Reference (ii) are service provided by Hydro to its affiliates). If this is not the case please provide a schedule setting out only the services purchased, the costs of each service for 2006, 2007 and 2008 and provide a copy of the relevant service agreements.

c) Table 6 in the response to VECC IR #13 suggests that the pricing for most services provided to affiliates is based on fair market value (FMV). However, the subsequent discussion suggests that, in virtually all cases, the charges to affiliates are based on an "allocation" of Hydro's costs. Please reconcile.

d) Please identify any specific services provided to affiliates where the charge is based on fair market value (as opposed to allocated costs) and, in each case, explain how "fair market value" was established.

Question #3 – Loss Factors

Reference: i) Exhibit 4/Tab 2/Schedule 8
ii) OEB Staff IR #8
iii) SEC IR #10
iv) VECC #14

a) Please explain how previous existence of less accurate data resulted in the actual loss factor for 2006 being incorrectly determined (Reference (ii), part (e)). Wouldn't the 2006 actual loss factor calculation be the more recent one and, therefore, reflect the updated procedures discussed in Reference (ii), part (d)?

b) Please explain how the discovery of un-metered power means that historical loss factors were under calculated (Reference (ii), part (e) and Reference (iii), part (a)). Doesn't the existence of unmetered power tend to increase losses?

c) When were the new information gathering and internal procedures implemented? Please indicate which year's actual loss factors have been calculated using the "more accurate information gathering and new internal procedures"

Question #4 – Smart Meters

Reference: i) Exhibit 1/Tab 1/Schedule 6
ii) VECC IR #2
iii) OEB Staff IR #46
iv) Enersource's 2008 Rate Application (EB-2007-0706),
Exhibit G /
Schedule 2 / Tabs 7 and 8
v) VECC IR #5

a) The response to Reference (iii) states the Hydro is applying for a Smart Meter Rate Adder of $1.18 per month. Please indicate where in the Application this request is made.

b) Do the proposed rates set out in Exhibit 10/Tab 1/Schedule 6 include a Smart Meter Rate Adder? If so, how much?

c) Do the actual 2007 rates set out in Exhibit 10/Tab 1/Schdele 4 include a Smart Meter Rate Adder? If so, how much?

d) Appendix G provided in response to Reference (iii) does not appear to contain the derivation of the $1.18 per month Smart Meter Rate Adder. Please provide a schedule setting out the derivation of the $1.18 and provide source references for all inputs used.

e) In Appendix G, the response to Question #8 appears to suggest that Hydro was looking to recover in 2007 the complete capital expenditure (plus the annual operating cost) for all smart meters installed that year.
   - Please confirm if this was the case.
   - If so, why is this appropriate, as opposed to recovery just the revenue requirement impact from the planned capital expense (e.g., amortization, cost of capital and taxes)?

f) Please provide a schedule that sets out, for 2007 and 2008, the annual revenue requirement implications of the planned smart meter installations for 2007 and 2008 and the resulting Smart Meter Rate Adder. For an illustration of such a calculation, see Reference (iv).

g) Reference (v), part (a) suggests that $211,800 ($136,800 + $75,000) has been spent on Smart Meters. However, Reference (iii) indicates only $40,000 has been spent. Please reconcile

<u>Question #5 – 2007 Revenue Requirement and Deficiency</u>

Reference: i) Exhibit 7/Tab 1/Schedule 1
ii) OEB Staff IR #33

a) Please confirm that the revenues shown in this schedule are based on 2007 volumes and rates.

b) Please confirm that the costs and expenses shown in this schedule are for 2008.

c) Please confirm that the table does not demonstrate Hydro's revenue deficiency for 2007, as suggested in Response to Reference (ii). If it does, please explain why.

<u>Question #6 – 2008 Revenue Requirement and Deficiency</u>

Reference: i) Exhibit 10/Tab 1/Schedule 8
ii) VECC IR #5
iii) OEB Staff IR #37

a) Please reconcile the total proposed test year revenue of $11,162,240 shown in Reference (i) with the revenue requirement from distribution rates of $11,289,282 shown in Reference (iii), page 12.

b) Please confirm that the amount shown in Reference (iii) for SSM/LRAM of $42,304 has been revised to $29,435 as per response to VECC IR #21.

<u>Question #7 – LRAM/SSM</u>

Reference: i) Exhibit 9/Tab 1/Schedule 5
ii) VECC IR # 21
iii) OEB Staff IR #41
iv) OEB Staff IR #45

a) Please confirm if the volumetric rates used to determine the 2005 and 2006 LRAM amounts include the volumetric rate rider for each year.

b) Please provide copies of Hydro's approved 2005 and 2006 rates.

c) With respect to the response to Reference (iv), part (b) - please confirm that Hydro is <u>not</u> claiming SSM amounts for utility-side programs.

<u>Question #8 – Load Forecast</u>

Reference: i) OEB Staff IR # 29
ii) Exhibit 3/Tab 2

a) Are the values presented in Schedule 2, page 1 of Reference (ii) based on customer loads as measured at the point of delivery to the customer or do they include losses and therefore reflect wholesale purchases to meet each class' requirements?

b) Please explain the source of the actual wholesale consumption figures reported in Table 19 of Reference (i).

c) With respect to Table 20 (Reference (i)), for each customer class, please explain the basis for Hydro's adjustment to the "2008 Revised Weather Normalized Consumption" made to derive the "2008 Load Forecast of Halton Hills Hydro".

Question #9 – Cost Allocation

Reference: i) Exhibit 8/Tab 1
ii) VECC IR # 22
iii) OEB Staff IR # 35
iv) OEB Staff IR #36
v) OEB – Application of Cost Allocation for Electricity Distributors,
Report of the Board (EB-2007-0667)

a) Reference (i), Schedule 2 states that one of the objectives of the proposed fixed charges is to “start the process of moving to 100% revenue to expense ratio”. Please explain how changing the fixed monthly charge addresses the revenue to cost ratio issue.
b) Since Hydro filed its Application the OEB has issued a report on Cost Allocation (Reference (v)). This report concludes that (given the quality of the current data) the appropriate range within which the residential revenue to cost ratio should fall is +/- 15%. Given this conclusion by the Board, does Hydro still consider it appropriate to move the class’ revenue to cost ratio up from 88.37% to 94.6% - roughly half way to 100% for 2008? If yes, please explain why? If no, what is Hydro’s revised proposal in light of the Board’s recent report?

c) Please provide a revised set of rates based on a cost allocation that:
    - Only increases the revenue to cost ratios for Street Lights and Sentinel Lights (to Hydro’s proposed levels) and uses the resulting increased revenues to reduce the revenue to cost ratios for the GS 50-999 and GS 1000-4999 classes, while maintaining the existing revenue to cost ratios for all other classes.
    - Maintains the same fixed variable split each class’ revenues as exists based on 2007 rates.

   Please provide supporting schedules setting out the derivation of the rates.

d) Please provide a schedule that demonstrates that the revenue to cost ratios for various customer classes are those set out in Reference (ii), Table 15.

e) With respect to Reference (iii), please re-run the cost allocation methodology and provide the results based on the following adjustments to the model as filed:
    - Remove (i.e., set at zero) the transformer ownership allowance discount (Sheet I3, Step 7).

- For those customer classes receiving the transformer ownership allowance discount, reduce the revenues (Sheet I6) by the amount of transformer ownership allowance they receive.

Question #10 – Rate Design

Reference: i) Exhibit 10/Tab 1/Schedule 1
ii) SEC IR #2

a) Please provide a series of schedules that sets out the calculations as described by the three steps outlined in Reference (i).

b) Please provide a revised set bill impact calculations (Appendix F), where the rates for 2008 also include Hydro's proposed Smart Meter Rate Adder.

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
   - Consume less than 100 kWh per month
   - Consume 100 -> 250 kWh per month
   - Consume 250 -> 500 kWh per month
   - Consume 500 -> 750 kWh per month

c) The 2007 fixed monthly service charges in Reference (ii) are different from those set out in Exhibit 8/Tab 1/Schedule 2 under "approved". Since Hydro did not correct the SEC IR, please reconcile.