

**Board Staff Interrogatories
Woodstock Hydro Services Inc. (WHSI)
2011 Electricity Distribution Rates
EB-2010-0145**

1. Responses to Letters of Comment

Following publication of the Notice of Application, has WHSI received any letters of comment? If so, please confirm that a reply was sent to the author of the letter, and file a copy of the reply with the Board. If not confirmed, please explain why a response was not sent and confirm whether the applicant intends to respond.

2. HST Input Tax Credit

Ref: Exhibit 1 / Tab 1 / Schedule 15

Please describe what has been recorded in the sub-account of account 1592 and describe how the tracking is done. What will be the approximate balance at the end of 2010?

3. International Financial Reporting Standards (IFRS)

Reference: Exhibit 1 / Tab 2 / Schedule 3

- a. In what year does WHSI intend to begin reporting its (audited) actual results on an IFRS basis.
- b. Has WHSI included an amount for IFRS transition costs in its 2011 revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is WHSI recording IFRS transition costs in the deferral account established by the Board in October 2009?

4. Prepaid Meters

Ref: Exhibit 2 / Tab 2 / Schedule 3 / p. 19, & Exhibit 9 / Tab 4 / Schedule 3 / p. 5

- a. Please provide a description of when prepaid meters were acquired by WHSI, up to 2007 as noted in the reference, and explain when and why the decision was reached to discontinue and remove them.

- b. Does WHSI have an estimate of the extent to which its current net book value of Stranded Meters is greater because of the Prepaid Meter initiative, compared to conventional “dumb” meters?
- c. When will the prepaid meters become fully depreciated under the proposed plan for stranded meters?

5. Capital Contribution for Hydro One Transformer Station

Ref: Exhibit 2 / Tab 2 / Schedule 3 / p. 40

- a. Please provide a copy of the Letter of Agreement between Hydro One and WHSI. Please include any information on how WHSI’s required contribution was established.
- b. Please provide a rationale for why the capital contributions totalling \$4,100,000 should be included in WHSI’s rate base in 2011, considering that the in-service date is forecast to be the last day of 2011.

6. Computer Hardware and Software Requirements

Ref: Exhibit 2 / Tab 2 / Schedule 3 / p. 54

The 2011 Capital Projects include \$140,000 for computer hardware and \$60,000 for software.

Has WHSI investigated any possibilities for sharing computer facilities with other distributors, for example by providing backup of information instead of building redundancy with WHSI itself? If so, please describe what possibilities there may be for cost savings of such a nature.

7. Accounting Treatment of Smart Meters

Ref: Exhibit 2 / Tab 2 / Schedule 3 / p. 50; and Exhibit 2 / Tab 3 / Schedule 3 / p. 3

- a. WHSI is proposing to include all smart meter capital as of December 31, 2009 into the 2011 rate base for the full year, an addition of \$1,442,731. Please confirm that all of the equipment will be installed and in use by the end of 2010.
- b. Will the status of all of the equipment have been audited as of the end of 2010?
- c. Are all of the Smart Meters that are to be put into the Rate Base shown in Table 2-18 (2009 Capital Expenditures) or in a previous year?

- d. Please explain whether the responses to the preceding questions are consistent with Capital Expenditures in Table 2-24, which shows an expenditure of \$1,384,779 in 2011.

8. Asset Management

Ref: Exhibit 2 / Tab 3 / Schedule 2 / p. 2, and Appendix B-5

Is the document 'Facilities Replacement Schedule' complete as filed (Appendix B-5), or is the page in the pre-filed evidence an introductory sheet to a more extensive schedule? If the former, please explain how this sheet should be considered as ensuring that the general requirements of a formal asset management plan are being satisfied, as noted at p. 2. If the page that has been filed is an introduction, please provide a typical page in the replacement schedule.

9. Infrared Inspection

Ref: Exhibit 2 / Tab 3 / Schedule 2 / Appendix E

If possible, please provide an enlarged photograph of a facility that has been examined by the infrared technique, and/or a colour version of its infrared image – for example an intelligible version of the image and photograph on p. 4 of 27.

10. Working Capital – Global Adjustment

Ref: Exhibit 2 / Tab 4 / Schedule 1 / Appendix F (p. 3)

Please explain the sequence and timing of payments involved in non-RPP Global Adjustment, as a rationale for including this item as a component of the conventional 15% formula for working capital.

11. Load Forecast Regression Model

Ref: Exhibit 3 / Tab 2 / Schedule 1 / p. 8; and Appendix A

- a. Please provide the units of measure, and an interpretation of the regression coefficients, for the variable 'CDM Savings' and 'Ontario Real GDP Index'.
- b. The variable "Customer" is included in the Appendix but does not appear in the regression equation. Is this an omission or is it deliberate, and if the latter please

describe why it is not included. Would the accuracy of the load forecast be enhanced by including a forecast of the customer count?

12. Accuracy of the Load Forecast Model

Ref: Exhibit 3 / Tab 2 / Schedule 1 / p. 9

- a. Please confirm that the statistics in Table 3-4 are the result of a regression using monthly data.
- b. Please provide a monthly version of the bar graph 'Actual vs. Predicted Purchases (kWh)

13. Weather-related Variables in the Load Forecast

Ref: Exhibit 3 / Tab 2 / Schedule 1 / p. 10

Please provide monthly data of Heating and Cooling Degree Days of 20 years, if available for the relevant weather station, together with 10 and 20 year averages. Please show how these averages were used to calculate the weather-normal predictions in the last two rows of Table 3-5

14. Residential Consumption per Customer

Ref: Exhibit 3 / Tab 2 / Schedule 1 / pp. 13-14

Annual consumption per customer forecast for 2011 (last row of Table 3-11) appears to be inconsistent with the trend in Table 3-9, being higher than actual consumption in all years except one since 2003.

Please explain how the 2011 forecast of consumption per residential customer was derived. If the forecast is in error, please make such adjustments as may be required.

15. Harmonized Sales Tax

The impact of HST as a cost driver of OM&A is shown in Table 4-2 (Exhibit 4 / Tab 1 / Schedule 4). The comparable effect on capital expenditures is mentioned in percentage terms at Exhibit 2 / Tab 3 / Schedule 3 / p. 2.

What is the amount of saving from the HST on capital expenditures?

16. Low Income Energy Assistance Program (LEAP)

Ref: Exhibit 4 / Tab 1 / Schedule 4 / p. 4

Has WHSI included in its 2011 revenue requirement for the LEAP initiative the precise amount of \$9879, or a continuation of the previous year's donation \$10,000, or an amount \$5000 (shown in Table 4-2), or the amount of \$500 shown for account 6205 in Exhibit 7 / Tab 1 / Schedule 2 / Appendix C (the cost allocation model)? What is the amount in the revenue requirement: in other words, are these various amounts inconsistent versions of the same thing, or are the respective amounts cumulative in the requested revenue requirement?.

17. Ontario Municipal Employees Retirement System Pension Costs

Ref: Exhibit 4 / Tab 2 / Schedule 4 / p. 7

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. The forecast increase for 2011 is shown in Table 4-11 can be calculated at \$33,693, or 18.8%.

What are the forecast increases for 2012 and 2013?

18. Employee Benefits

Ref: Exhibit 4 / Tab 2 / Schedule 4 / p. 8

Please describe the increase in the cost of benefits from \$288,474 in 2010 to \$326,839 in 2011, an increase of 13.3%. As there is no projected increase in employee FTEs, please show which benefits increase by more than 13.3%

19. Long-Term Debt

Ref: Exhibit 5 / Tab 1 / Schedules 1 & 3

The description of the promissory note with CIBC in Schedule 1 would indicate that the interest rate is 5.15% throughout 2011 and until April 2012, but a rate of 5.59% is used in the table in Schedule 3.

Please explain this apparent discrepancy, and if necessary please provide a corrected rate of return on the total rate base.

20. Class Load Profiles in the Cost Allocation Model

Ref: Exhibit 7 / Tab 1 / Schedule 2 / Appendix C

- a. Please confirm that for the GS 50 – 999 kW class, it is assumed that monthly consumption will be 583 kWh per coincident kW (i.e. row 49 in sheet I8) and 542 kWh per non-coincident kW (row 67), and confirm that these amounts are higher than for the GS > 1000 kW class.
- b. Please describe how the separate load profiles for the two classes GS 50-999kW and GS > 1000 kW were constructed.

21. Streetlight Connections in the Cost Allocation Model

Ref: Exhibit 7 / Tab 1 / Schedule 2 / Appendix C; and Exhibit 8 / Tab 2 / Schedule 1 / p. 4 (Table 8-8)

Please describe the assumptions that would reconcile the number of streetlight connections in the cost allocation model, which is 2509, with the annualized connections in Table 8-8, which is 52,432.

22. Class Revenues in the Cost Allocation Model

Ref: Exhibit 7 / Tab 1 / Schedule 2 / p. 3 (Table 7-3); and Appendix C;

- a. Please show the derivation of the revenue amounts in Sheet O1, \$1,536,290 for the GS 50 – 999 kW class, and \$292,607 for the GS > 1000 kW class.
- b. Please provide calculations confirming that the proposed change in base revenue from the GS 50 – 999 kW class, from the hypothetical amount of \$1,536,290 to the proposed amount \$1,478,505 (Exhibit 8 / 2 / 1 / Table 8-8), is consistent with the proposed rebalanced revenue to cost ratios in Table 7-3, from 127.1% to 122.4%

23. Bill Impacts due to Proposed GS > 1000 kW Rate Class

Ref: Exhibit 8 / Tab 1 / Schedule 2, & Exhibit 8 / Tab 10 / Schedule 1 / Appendix B

The evidence shows that one customer's load changed in May 2009 to the extent that it ceased to be a Large User. Table 8-2 shows bill impact calculations for hypothetical scenarios for customers that would be in the proposed GS > 1000 kW class

- a. Does WHSI have other customers that will be in the proposed GS > 1000 kW class, other than the previous Large Use customer? If so, how many, and which

of the scenarios in Appendix B is most nearly representative of these customers. Table 8-2 (Tab 1 reference) shows six scenarios for customers in the proposed GS > 1000 kW class.

- b. Please show those scenarios in the level of detail found in Appendix B (Tab 10 reference), and explain any discrepancies that may appear between the percentage impacts shown in the final column of Table 8-2 and the 'Total Bill Before Taxes' row, second-from right column in Appendix B.

24. Revenue Requirement of microFIT class

Ref: Exhibit 8 / Tab 1 / Schedule 3 / Table 8-3

The microFIT class is shown as having a revenue requirement of \$252.

While not a material amount in 2011, please explain what assumptions have been made to arrive at this amount.

25. Rate Riders

Ref: Exhibit 8 / Tab 8 / Schedule 3

Three rate riders proposed for the GS < 50 kW class and one rate rider for the GS > 1000 kW class are shown to the fifth decimal place.

Is this level of precision intentional, and if so please confirm that WHSI's billing system has the capability to use this level of precision.

26. Wheeling Charges

WHSI's published Conditions of Service provide at section 2.4.2.1 for "Wheeling of Power", and the document directs the customer to contact WHSI for current applicable rates.

- a. Does WHSI have any customers who use or have inquired about the applicable rates?
- b. Please explain whether in the WHSI's view, rates or charges for Wheeling should be included on its tariff sheet.

27. Recovery of Late Payment Litigation Costs

Ref: Exhibit 9/Tab 2/Schedule 3

WHSI is requesting a new deferral account to record the payment and recovery of late payment litigation costs pertaining to the Municipal Electrical Utilities Late Payment Class Action proceeding. WHSI has stated that its share of this proceeding is \$58,033.26.

- a. Please provide evidence supporting the amount allocated to WHSI (e.g. the settlement agreement).
- b. Is the amount allocated to WHSI subject to any further adjustments as a result of contingencies as described in paragraphs 4 and 5 (p. 3 of the reference)?

28. Ontario Smart Metering System Meter Data Management and Repository (MDM/R) Deferral Account

Ref: Exhibit 9/Tab 2/Schedule 3

WHSI is requesting a new account to record costs for the Ontario Smart Metering System Meter Data Management and Repository (MDM/R).

- a. Given that, to date, there are no charges levied by the IESO with respect to the Smart Meter Entity (SME), and the Board has not yet received an SME application in relation to these charges, what is the justification for this account?
- b. Please provide the regulatory precedent for this account.
- c. What are the journal entries to be recorded in this account?
- d. What account number is WHSI proposing to use for this account?
- e. What new or additional information is available since the filing of the application that would improve the Board's ability to make a decision to approve the recording of these costs in a deferral account?