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December 10, 2010

Ontario Public School Boards' Association
439 University Avenue, 18th Floor
Toronto, Ontario
M5G 1Y8

VIA E-MAIL AND RESS

Attention: Mr. Wayne McNally

Dear Mr. McNally:

Re: May 1, 2011 Cost of Service Interrogatory Responses/ EB-2010-0144

Pursuant to the Board's Procedural Order of November 5, 2010, Waterloo North Hydro Inc. (WNH) is enclosing its Interrogatory Responses to the School Energy Coalition's Interrogatories of November 26, 2010.

WNH has filed an electronic copy of this document via the Board's web portal RESS and couriered to the Board Office two copies of this document.

If there are any questions, please contact Albert Singh at 519-888-5542, asingh@wnhydro.com or myself, Rene Gatien at 519-888-5544, rgatien@wnhydro.com.

Yours truly,

Original Signed By

Rene W. Gatien, P.Eng, MBA
President & C.E.O.



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December 10, 2010

Jay Shepherd Professional Corporation
2300 Yonge St., 8th Floor, Suite 806
Toronto, Ontario
M4P 1E4

VIA E-MAIL AND RESS

Attention: Mr. Jay Shepherd

Dear Mr. Shepherd:

Re: May 1, 2011 Cost of Service Interrogatory Responses/ EB-2010-0144

Pursuant to the Board's Procedural Order of November 5, 2010, Waterloo North Hydro Inc. (WNH) is enclosing its Interrogatory Responses to the School Energy Coalition's Interrogatories of November 26, 2010.

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School Energy Coalition Interrogatories

INTERROGATORIES FROM THE SCHOOL ENERGY COALITION

1. ***Please provide details about the number of publicly-funded schools in the Applicant's franchise area. Please provide a table showing the number of schools in each of the GS<50 and GS>50 classes.***

Waterloo North Hydro Inc. (WNH) has provided a table showing the number of schools in each of the GS<50 kW and GS>50 kW rate classes below.

Table IR # 1- Number of Publicly Funded Schools by Rate Class

	GS <50 kW	GS >50 kW
Number of Publicly Funded Schools	14	39

2. ***[Ex. 2-Page 3]
The prefilled evidence notes that Applicant has not completed an Asset Condition Study. Is there a specific reason for this? Are there any plans to do so in the future?***

As stated by the consultant in the Asset Management Strategy, Exhibit 2 – page 129, “WNH has established comprehensive inspection and maintenance programs to provide for continuous **condition assessment** and remediation, respectively, of assets within its distribution system.” WNH has, and continues to monitor, the asset condition of its plant. WNH submits that its internal activities are comprehensive and do not require an independent third party Asset Condition Study.

3. ***[Ex.2-Page 8]
Please provide the business case, cost estimates and/or any other background material that justified for the conclusion that it was better for WHN to build a new building than renovate their existing building.***

Please refer to Board Staff IR # 5 (a).

School Energy Coalition Interrogatories

4. [Ex.2]

Please provide a single table detailing the actual and board approved capital expenditures, by USoA category, for each year from 2006 to the 2011 test year.

WNH has provided a table detailing the actual and board approved capital expenditures, by USoA category for each year from 2006 to the 2011 test year below.

Table IR # 4 - Capital Expenditures – 2006 Board Approved to 2011 Test Year

USoA	Description	Board Approved	Actual				Forecast	
		2006	2006	2007	2008	2009	2010	2011
1805	Land	-	17,783	-	248,399	-	-	2,038,000
1806	Land Rights	10,642	6,455	90,888	35,659	15,448	15,805	16,350
1808	Building and Fixtures	215,152	919,621	664,764	5,752	42,847	1,289,002	22,798,117
1815	Transformer Station Equipment	219,039	1,952,965	(12,165)	778,737	647,205	5,636,134	265,871
1820	Distribution System Equipment	46,951	502,762	11,114	35,856	31,527	59,882	15,171
1830	OH - Poles, Towers and Fixtures	2,159,591	1,280,967	4,607,640	3,373,891	4,153,368	4,292,721	4,278,501
1835	OH - Conductors and Devices	925,409	711,675	2,480,132	1,875,354	2,279,721	2,538,264	2,953,287
1840	UG - Conduit	448,120	581,120	812,166	210,221	485,801	628,603	820,062
1845	UG - Conductors and Devices	1,727,618	1,359,811	1,198,911	1,568,180	1,124,839	2,930,459	2,748,362
1850	Line Transformers	2,299,758	1,819,018	2,173,216	2,382,530	3,570,690	2,866,093	4,253,666
1855	Services	785,284	808,838	854,591	1,260,156	1,281,287	1,814,690	676,804
1860	Meters	712,830	(158,297)	448,132	367,063	240,145	386,860	315,250
1915	Office Equipment	31,822	113,142	54,173	7,050	18,821	6,500	1,710,204
1920	Computer Hardware	525,656	144,767	160,484	91,002	152,428	137,339	349,544
1925	Computer Software	435,360	405,911	333,495	231,044	579,849	629,483	647,615
1930	Transportation Equipment	389,488	260,432	716,173	316,057	799,085	631,743	570,468
1935	Stores Equipment	-	-	-	99,191	2,811	-	53,500
1940	Tools, Shop and Garage Equipment	60,789	-	17,337	114,754	25,417	187,888	162,037
1945	Measurement and Testing Equipment	7,317	29,230	13,367	14,066	33,434	16,600	115,278
1955	Communication Equipment	49,174	17,942	47,680	216,739	74,139	-	-
1960	Miscellaneous Equipment	2,122	1,167	66,374	25,550	11,983	-	-
1980	System Supervisory Equipment	64,304	81,576	31,721	-	434,697	147,459	1,048,432
Capital Expenditures before Contributed Capital		11,116,428	10,856,885	14,770,193	13,257,251	16,005,542	24,215,526	45,836,519
1995	Contributed Capital	(4,452,189)	(2,156,723)	(1,682,172)	(1,993,133)	(1,779,037)	(1,818,299)	(2,142,609)
Capital Expenditures Net of Contributed Capital		6,664,239	8,700,162	13,088,021	11,264,118	14,226,505	22,397,227	43,693,910

5. [Ex.3-Page 10]

What impact will the Ontario Clean Energy Benefit have on the load forecast? Please provide an updated load forecast to take the impact into account.

WNH does not have details of the impact, if any, of the *Ontario Clean Energy Benefit*.

School Energy Coalition Interrogatories

6. ***[Ex.4-Page 4]***
Please provide details about how Waterloo North reaches the decision to declare a debt to be a bad debt expense.

WNH considers an account a bad debt once all collection activities, including WNH collection staff and collection agency efforts, are exhausted.

7. ***[Ex.4-Page 30]***
Please provide details about the incorrect material cost charge that has now been corrected.

During a variance analysis review WNH determined that material charges related to pole and overhead distribution transformer replacement were incorrectly charged to account 5025, Overhead Distribution Lines & Feeders – Operating supplies and Expenses, prior to 2009. An analysis of these material charges indicates they should have been charged to a capital account for pole replacements (account 1830) or to a capital account for overhead distribution transformer replacements (account 1850).

8. ***[Ex.4-Page 30]***
With respect to the reallocation of costs from the Maintenance and Supervision and Engineering account:

a) Which accounts had the cost originally been allocated to?

In 2007, WNH commenced allocating Operating and Maintenance Supervision and Administration costs directly to the specific work activities it related to. As noted in Exhibit 4, page 104, Appendix A, WNH allocates its Operation Administration costs as an overhead. The costs are captured in USoA 5105 initially and then recovered through application of the Operation Administration Burden. The burden is applied to the specific work activities as the work occurs.

b) Please provide a breakdown of the amounts that had been allocated to each of those accounts in 2007 and 2008.

Please refer to IR # 8 (a) above.

School Energy Coalition Interrogatories

9. **[Ex. 4-Page 32]**

With respect to the Maintenance and Line Transformers, using the “proper treatment”:

a) *Which accounts that should have been charged from 2006-2008.*

USoA 1850, Line Transformers, should have been charged.

b) *Please provide the amount that should have been charged to each account in 2006-2008.*

The following amounts should have been charged to Line Transformers: \$0 in 2006, \$27,809 in 2007 and \$70,937 in 2008.

10. **[Ex. 4-Page 39]**

Please provide a detailed explanation for the variance of \$169,165 in Meter expenses?

The variance in meter expenses represents commercial and industrial metering assets (>50 kW) that are in need of inspection and maintenance. Due to the installation of new residential smart meters, some of the work in this area has been deferred into 2011.

11. **[Ex.4-Page 41]**

With respect to Customer Billing as an OMA driver:

a) *Please provide a detailed cost breakdown from 2009-2011.*

WNH has provided a detailed cost breakdown from 2009-2011 in the table below.

School Energy Coalition Interrogatories

Table IR # 11 (a) - Billing Costs

USoA 5315 Billing			
Type of Cost	2009	2010	2011
Salaries & Benefits	673,526	718,933	772,469
Envelopes & bills	38,784	37,000	37,000
Postage	180,130	170,000	167,259
Settlement	81,110	80,600	80,600
Building Costs	20,330	23,466	24,868
Software Maintenance Fees	81,909	65,605	67,017
Miscellaneous Operating Costs	41,516	59,505	58,259
	1,117,305	1,155,109	1,207,472
Revenue from Water & Sewer Billings	(390,933)	-	-
	726,373	1,155,109	1,207,472

- b) ***Why is it the Applicant's belief that there will not be any anticipated staff savings?***

WNH has budgeted one staff saving in its 2011 Test Year in meter reading expense as a result of the loss of water and sewer billing activity. The remaining staff is required to bill over 51,000 electricity customers and managing TOU billings which will require additional staff resources.

12. ***[Ex. 4-page 42]***

With respect to Collections as an OMA driver:

- a) ***Please provide a breakdown of each component that is included in Collections costs, for 2006-2011.***

WNH has provided a table below with the breakdown of Collection Costs.

Table IR # 12 (a) - Collection Costs

USoA 5320 Collections			
Type of Cost	2009	2010	2011
Salaries & Benefits	418,967	425,907	422,981
Trucking Expense	16,747	24,960	24,960
Postage	23,235	26,290	11,290
Credit Checks and Disconnect/Collection Notices Activity	33,018	15,000	15,000
Building Costs	25,559	29,501	31,264
Payment Processing	28,090	29,000	30,000
Miscellaneous Operating Costs	33,165	50,483	45,692
	578,782	601,141	581,187
Revenue from Water & Sewer Billings	(193,883)	-	-
	384,899	601,141	581,187

School Energy Coalition Interrogatories

b) Please explain the increase or decrease in cost for each component.

As is demonstrated in Table IR# 12 (a), there are no material changes in the Collections costs.

c) Why is it Applicant's belief that there will be only be "very few billing costs that will decrease" due to the cessation of Water and Sewage billing.

WNH notes that as water and sewer was on the same bill as the electricity charges, collection of accounts requires the same effort whether the amount includes electricity only, or electricity, water and sewer.

13. [Ex.4-Page 43]

Please provide details about the Customer Breakfast Meeting expense.

The Customer Breakfast Meetings are a series of meetings that are necessary to inform customers of all the new changes in the industry and at our utility, including TOU pricing. WNH submits that updating, educating and providing information to our customers is not only efficient in reducing customer care inquiries; it keeps our customers informed in an industry that is continually changing.

14. [Ex. 4-Page 65]

With respect to Executive/Management Compensation:

a) Please provide further details on how job evaluation is linked to pay progression for management/executive.

WNH conducts annual reviews for management/executives that are eligible for progression through the salary scale. Based on the results of the formal review, an employee either progresses through the salary scale upon satisfactory performance, or progression is withheld until performance improves.

School Energy Coalition Interrogatories

- b) *Please provide a breakdown of how many employees pay progression were withheld for below acceptable job performance, by year and by percentage of Executive/Management employees who had a formal evaluation in that year.*

WNH had only one employee in 2010; this represents 17% of the six Executive/Management employees who had a formal evaluation for the purposes of progression in that year.

15. **[Ex. 4-Page 84]**

Please provide a detailed breakdown of the Service Centre Building Maintenance costs for 2010 and 2011. Please provide further explanation for the 2011 increase in general building maintenance costs.

WNH has corrected the table on Exhibit 4, page 84 to reflect the 2010 and 2011 service centre building maintenance costs, the revised table is provided below. The figures below are those that were included in the 2010 Bridge and 2011 Test Years costs.

Table IR# 15- Service Centre Building Maintenance – Revised

Activity	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Service Centre Building Maintenance	542,380	606,950	581,022	590,047	681,044	721,743

WNH has provided a detailed breakdown of costs in the table below.

School Energy Coalition Interrogatories

Table IR# 15 - Service Centre Building Maintenance Costs

Type of Expense	2010 Bridge	2011 Test
Labour	73,992	108,716
Equipment	71,226	73,880
Material	11,361	11,361
Utilities	141,823	141,823
Taxes	128,127	130,689
Insurance	23,200	23,400
Repair & Maintenance	231,315	231,872
Total	681,044	721,741

WNH notes that the increase in general building maintenance costs is a result of increased labour costs forecast as demonstrated above.

16. [Ex. 4-Page 87]

Please provide further details about the increase in waste removal and overtime costs for the Purchasing /Stores department from 2009 to 2010.

The increase in 2011 is attributable to an increase in waste removal costs and increased overtime hours. Waste removal costs will increase with the dismantling of the existing service centre and additional labour will be required to move inventory to the new building.

17. [Ex. 4-Page 91]

With respect to the Tax Calculations:

a) Please provide a detailed calculation of regulatory taxable income for 2009-2011. Please explain the difference between the 2009 actual, 2010 forecasted and 2011 forecasted amounts.

WNH has provided a table with detailed calculations of regulatory taxable income for 2009-2011. As is demonstrated, the increase in deemed interest in 2010 vs. the 2009 deemed interest, the increase in depreciation as a result of the investment in capital assets and the loss of revenue from providing water and sewer billings primarily account for the differences in 2010. The primary driver between 2010 and 2011 is the increase in rates to recover the revenue deficiency.

School Energy Coalition Interrogatories

IR# 17 (a) - Regulatory Taxable Income

Description	2009 Actual	2010 Bridge Actual	2011 Test - Required Revenue
Revenue			
Revenue Deficiency			5,012,440
Distribution Revenue	24,999,515	24,432,409	23,968,200
Other Operating Revenue (Net)	961,664	676,874	1,055,963
Total Revenue	25,961,179	25,109,283	30,036,603
Costs and Expenses			
Administrative & General, Billing & Collecting	3,944,669	4,763,756	4,747,123
Operation & Maintenance	4,858,637	5,044,327	5,436,715
Depreciation & Amortization	6,876,944	7,464,713	7,816,331
Capital Taxes		86,367	-
Deemed Interest	4,627,604	5,586,645	4,803,477
Total Costs and Expenses	20,307,854	22,945,808	22,803,645
Less OCT Included Above		86,367	-
Total Costs and Expenses Net of OCT	20,307,854	23,032,174	22,803,645
Regulatory Income Before Income Taxes	5,653,324	2,077,109	7,232,958

- b) ***Please provide a derivation for utility income before taxes for 2009-2011. Please explain the difference between the 2009 actual, 2010 forecasted and 2011 forecasted amounts.***

WNH has provided a table with detailed calculations of utility income for 2009-2011 below. The primary drivers for the decrease in utility income in 2010 are the increase in depreciation as a result of the investment in capital assets and the loss of revenue from providing water and sewer billings account for the differences in 2010. In 2011 the eight months of increased distribution revenue is offset by increased interest expense and depreciation.

School Energy Coalition Interrogatories

IR# 17 (b) - Utility Taxable Income

Description	2009 Actual	2010 Bridge Forecast	2011 Test Forecast
Revenue			
Distribution Revenue	24,999,515	25,467,000	27,411,000
Other Operating Revenue (Net)	1,697,687	1,689,000	1,517,000
Total Revenue	26,697,202	27,156,000	28,928,000
Costs and Expenses			
Distribution Expenses	4,849,941	5,093,000	5,243,000
Billing and Collecting	2,348,006	2,242,000	2,454,000
Community Relations	149,716	202,000	259,000
General Administration	2,234,435	2,881,000	3,038,000
Amortization	6,832,754	7,380,000	8,523,000
Interest Expense	3,075,416	2,853,000	3,385,000
Late Payment Settlement	200,000	-	-
Total Costs and Expenses	19,690,268	20,651,000	22,902,000
Utility Income Before Income Taxes	7,006,934	6,505,000	6,026,000

18. [Ex. 8-Page 13]

Please provide current rate data for table 8-14.

WNH has provided current rate data in the format of Table 8-14 below.

Table IR # 18 - Current Rate Data

Class	Current Monthly Service Charge ¹ (\$)	Unit of Measure	Current Volumetric Distribution Charge Incl. Transformer Allowance Adjustment (\$)
Residential	\$ 14.56	kWh	\$ 0.0131
GS < 50 kW	\$ 30.63	kWh	\$ 0.0104
GS > 50 kW	\$ 187.01	kW	\$ 3.5420
Large User	\$ 6,686.47	kW	\$ 2.6959
Street Lighting	\$ 0.33	kW	\$ 6.7448
USL	\$ 15.31	kWh	\$ 0.0103
Embedded Distributor	\$ -	kW	\$ 0.0118
Transformer Discount		kW	\$ (0.60)

¹ Excluding Smart Meter Adder