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December 10, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: OEB File No. EB-2010-0104
Oakville Hydro Electricity Distribution Inc.
2011 Distribution Rate Adjustment Application

Please find enclosed, Oakville Hydro Electricity Distribution Inc.'s responses to Vulnerable Energy Coalition's interrogatories in the above noted proceeding.

Should there be any questions, please do not hesitate to contact me.

Respectfully submitted,

Maryanne Wilson

Maryanne Wilson
Manager, Regulatory Affairs
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IN THE MATTER of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Oakville Hydro Electricity Distribution Inc. for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity, effective on May 1, 2011.

Oakville Hydro Electricity Distribution Inc. (OHEDI)
Responses to Interrogatories
Vulnerable Energy Consumers Coalition (VECC)
EB-2010-0104
Filed: December 10, 2010

Contents

REVENUE TO COST RATIO ADJUSTMENT

QUESTION #1

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet B1.1 Board Decision EB-2009-0271, Appendix A – Settlement Agreement

a) Please explain why the customer count values and the kWh values by class used in Sheet B1.1 differ from: i) the customer count forecast as set out in Oakville's 2010 Rate Application and ii) the kWh forecast as set out in the Settlement Agreement, Appendix D, Table 2,

RESPONSE

Please see response to Board Staff interrogatory number 4.

QUESTION #2

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.1 Manager's Summary, page 21

a) Please explain why no adjustment is made to the Revenue to Cost Ratio for GS<50 as was proposed in Oakville's 2010 Rate Application (EB-2009-0271, Exhibit 7/Tab 1/Schedule 3, page 5).

RESPONSE

OHEDI made adjustments to the revenue to Cost Ratio for Residential and GS > 1,000 kW but neglected to make an adjustment to the GS < 50 kW class. OHEDI asks that Board Staff make the necessary correction.

QUESTION #3

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.2

a) Please provide a reference to the Evidence filed in EB-2009-0271 that supports the allocation of Revenue Offsets as shown in Sheet C1.2.

RESPONSE:

Please see response to Board Staff Interrogatory number 5.

QUESTION #4

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.4 Board Decision EB-2009-0271, Appendix A – Settlement Agreement

a) Please explain why the Revenue Requirement from Rates ($30,483,512) shown in Sheet C1.4 differs from the Distribution Revenue at Proposed Rates ($31,136,649) as shown in the Agreement – Appendix H, Table 1.

RESPONSE:

The revenue requirement in Sheet C1.4 of the corrected revenue to cost adjustment work form is $31,171,697. The difference between the amount shown in Sheet C1.4 and that shown in the Settlement Agreement – Appendix H, Table 1 is as a result of the rounding of distribution rates. The corrected workform is provided as Appendix 1.

INCREMENTAL CAPITAL ADJUSTMENT

QUESTION #5

Reference: Manager's Summary, page 12

a) Please provide a schedule that sets out, on a comparative basis, the 2011 Preliminary Capital Budget and the approved (EB-2009-0271) 2010 Capital Budget, using the spending categories on page 12.

RESPONSE

Oakville Hydro Electricity Distribution Inc.

2011 Preliminary Budget

Category	2010 Application	2011 Preliminary Budget	% Variance
Substations	750,000	750,000	0%
Rebuild for Road Widening / Railway Work	165,000	165,000	0%
Alterations & Improvements for Load Transfer & Sys Se	300,000	300,000	0%
Voltage Conversion	430,000	280,000	-35%
27.6 kV Additions	750,000	2,150,000	187%
Rebuild Underground Distribution System	1,443,000	1,500,000	4%
Rebuild Overhead Distribution System	5,429,000	3,500,000	-36%
Services	1,587,700	600,000	-62%
Supervisory Control & Communications	300,000	300,000	0%
Metering	750,000	500,000	-33%
Vehicles	340,000	500,000	47%
Tools	130,000	150,000	15%
Information Technology	2,522,573	930,000	-63%
Buildings	322,000	115,000	-64%
Sub-total	**15,219,273**	**11,740,000**	**-23%**
Transformer Stations	-	20,488,000	
Total Budget	**15,219,273**	**32,228,000**	**112%**

b) Please provide explanations for any categories where the variance between the 2010 approved and 2011 budget spending exceeds 5%.

RESPONSE

Overall, comparative capital spending has decreased by 23% from $15,219,273 to $11,219,273. The Categories for which the variance exceeds 5% are as follows:

27.6 kV Additions: There is an increase in spending in the 27.6 kV category to facilitate putting the new Transformer Station in service. This encompasses the construction of distribution feeders and adding switches to enable the distribution of electricity to new and future customers.

Vehicles: The increase in the Vehicles category is due to the types of vehicles that it is replacing in 2011. In its 2010 application, OHEDI included the replacement of a 2000 digger derrick vehicle and a 2004 car. The 2011 preliminary budget includes plans to replace a 2000 double bucket truck and two pickup trucks (2000 & 2001).

Tools: The increase in the Tools category of $20,000, while over 5%, is immaterial. These are safety or other tools needed in the metering, maintenance and operations departments.

c) Please identify all spending in the 2011 Capital Budget (apart from Transformer Stations) that is meant to address load growth and explain the nature and basis for the anticipated load growth.

RESPONSE

Both the categories of "27.6kV Additions" (constructing distribution feeders and adding switches to enable the distribution of electricity to new and future customers) and "Services" (distribution assets to connect new customers) are meant to address load growth. The Town of Oakville forecasts 1,600 new residential units in 2011including in-fill units in south Oakville and new developments in North Oakville. Of this total, it is estimated that

approximately 750 new residential customers will be served by the new Transformer Station in North Oakville in 2011.

d) For the spending categories/projects not addressed in response to part c), please provide an explanation as to why the budgeted level of spending is required.

RESPONSE:

Substations

Oakville currently has 20 substations in the older part of Oakville that are ageing. The substations reduce the voltage level to 4kV or 13.8 kV to supply the lower voltage distribution networks. The company needs to make necessary equipment upgrades to batteries, chargers and other equipment for effective operation. In some substations there is a need to replace circuit breakers that are at end of life, an integral part of the protection system. Substations also require ongoing refurbishment of switchgear and transformers.

Rebuild for Road Widening / Railway Work

These are costs incurred to relocate hydro facilities due to widening of road work by the Town of Oakville, Region or Ministry of Tranaportation Ontario (MTO). The company has no control of these projects, and is advised accordingly by the Town, Region or MTO. At this time OHEDI is aware that Lakeshore Rd W, west of Mississaga St, Highway 25 north of Highway 407, Navy St & Randall St intersection, Dundas St, east of Trafalgar Rd and North Service Rd E, west of Eighth Line will be affected.

Alterations & Improvements for Load Transfer & System Security

This category includes the upgrading and replacing of submersible transformer tops and commercial vault tops that are in poor condition. Also included is the addition of switches and fault indicators to improve load transfers and increase distribution system security.

Voltage Conversion

This category consists of funds required to convert loads from a lower voltage distribution system (4 kV) to a higher voltage distribution system (27.6 kV). This is done primarily to control the load on the 4 kV system and to support substation changes or eliminations.

Rebuild Underground Distribution System

This category comprises of improvements required to our underground infrastructure. There is a need to refurbish older switchgear and replace switchgear that are in harsh environmental areas. In addition, this includes rebuilds of underground cable systems that are ageing and experiencing failure. New duct, cable, and in some cases transformers, are installed to improve reliability in the service area.

Rebuild Overhead Distribution System

This category consists mainly of replacing older overhead pole lines throughout the system. The projects are prioritized based on age, physical condition and pole testing results. During the rebuilds, pole framing is upgraded to current standards. Also included is a multi-year project in various areas of Oakville where the pole lines are installed in the back of residential yards. The company plans to continue working on rebuilding, replacing and rerouting the lines to safer areas.

Supervisory Control & Communications

This category encompasses costs associated with improving and upgrading communications between the Control room and remote devices throughout the system. This will enable better response time, improve system security and allow for improved operations. Also included is the installation of remote fault sensors at key locations to reduce outage durations and customer interruptions.

Metering

Commercial meters installed at new sites.

Vehicles

Replacement of several vehicles in ageing fleet.

Tools

This category is for tools required to safely perform work in various departments.

Information Technology

In 2011, IT's largest projects are focused on advancing operational technology by growing our SCADA and GIS capability. The plan is to add an Outage Management System (OMS) module to SCADA to improve the fault detection and restoration time. GIS conversion will continue to build our Electrical distribution network and integrate this with the OMS & SCADA.

Buildings

These are costs to the OHEDI premises at 861 Redwood Square for security, HVAC, office renovations and carpeting.

e) Is any of the planned 2011 Capital Spending aimed at facilitating the connection of new renewable generation (e.g., microFIT projects)? If so, please identify the associated projects, the proposed 2011 spending and explain the basis for determining the amount of spending to be funded by Oakville's rate payers as opposed to by all consumers in the province (per Ontario Regulation 330/09).

RESPONSE

There are no funds included in the planned 2011 capital spending aimed at facilitating the connection of new renewable generation.

QUESTION #6

Reference: Manager's Summary, pages 18 - 20

a) Given that the new station will be financed by an Infrastructure Ontario loan with a rate of 5.33%, why shouldn't this rate be used to determine the revenue requirement impact?

RESPONSE

OHEDI believes that this rate should not be used as part of its revenue requirement model, as it is OHEDI's understanding the model and its calculations should be driven by the cost of capital parameters approved by the Board in OHEDI's last cost of service rate application which was 2010. In keeping with this premise no change is considered necessary.

b) Please confirm that the station is expected to be in-service prior to the end of 2011.

RESPONSE

The transformer station is expected to be in service prior to the end of 2011.

QUESTION #7

Reference: Transformer Station Supply Options Study, pages 9-12 EB-2007-0673, Supplemental Report of the Board

a) Please provide a copy of the updated load forecast referred to at the top of page 10.

RESPONSE

The revised 2008 load forecast referred to is provided as Appendix 1 of the Transformer Station Supply Options Study.

b) Appendix B, page VII of the Board's EB-2007-0673 Supplemental Report states that applications for an incremental capital module must include evidence that "incremental revenue will not be recovered through other means" and makes specific reference to "other load growth". Given that the station is being built to meet anticipated load growth, please explain why all or at least some of the incremental revenue requested will not be recovered through "load growth".

RESPONSE

OHEDI's estimates that normalized revenues during its IRM term will be $337,605. Please see OHEDI's response to School Energy Coalition's interrogatory number 9 for estimated revenues during the IRM period. OHEDI has not included these revenues in its incremental capital claim as this incremental revenue will be used to reduce the capital contributions needed from developers for the distribution system costs associated with the new development.

QUESTION #8

Reference: Transformer Station Supply Options Study, page 23

a) When does Oakville Hydro foresee seeking approval to adjust its RTSRs in order to account for the lower wholesale transmission charges that will arise through it owning the transformer station?

RESPONSE

OHEDI will make annual adjustments to its RTSRs to account for the lower transmission rates as they are realized.

Appendix 1

Revenue to Cost Ratio Adjustment Work Form, Sheet C1.4

Ontario

Name of LDC: Oakville Hydro Electricity Distribution Inc.
File Number: IRM3
Effective Date: May 1, 2011
Version : 1.0

Revenue / Cost Ratio Revenue

The purpose of this sheet is to calculate revenue by rate class that inlcudes Revenue Offsets and excludes Transformer Allowance prior to Revenue Cost Ratio Adjustment re-allocation.

Rate Class	Billed Customers or Connections A	Billed kWh B	Billed kW C		Base Service Charge D	Base Distribution Volumetric Rate kWh E	Base Distribution Volumetric Rate kW F	Service Charge G = A * D *12	Distribution Volumetric Rate kWh H = B * E	Distribution Volumetric Rate kW I = C * F	Revenue Requirement from Rates J = G + H + I
Residential	58,617	557,127,208	0	0	13.25	0.0145	0.0000	9,320,103	8,078,345	0	17,398,448
General Service Less Than 50 kW	5,109	173,390,609	0	0	32.54	0.0143	0.0000	1,994,962	2,479,486	0	4,474,448
General Service 50 to 999 kW	833	594,844,951	1,670,520	0	116.64	0.0000	3.5536	1,165,933	0	5,936,400	7,102,334
General Service Greater Than 1,000 kW	17	147,132,426	353,675	0	3,417.13	0.0000	1.8664	697,095	0	660,099	1,357,194
Unmetered Scattered Load	696	3,881,044	0	0	11.40	0.0106	0.0000	95,213	41,139	0	136,352
Sentinel Lighting	227	135,511	389	0	1.48	0.0000	25.0161	4,032	0	9,731	13,763
Street Lighting	16,783	11,730,313	33,349	0	1.70	0.0000	10.3987	342,373	0	346,786	689,159
								13,619,711	10,598,969	6,953,017	31,171,697