

HYDRO 2000 INC.
2008 ELECTRICITY DISTRIBUTION RATE APPLICATION
BOARD FILE NO: EB-2007-0704

VECC'S INTERROGATORIES

Question #1

Reference: (i) Exhibit 1, Tab 1, Schedule 5, page 1
(ii) Exhibit 5, Tab 1, Schedule 1, page 7

Preamble: Hydro 2000 is requesting a deferral account to capture capital expenditures in 2009 and 2010, for disposition in the next rebasing in 2011.

- a) Please provide further details regarding precisely how the costs to be recorded in the deferral account in 2009 and 2010 will be determined.

Please see answer to question 29 of Board Staff Interrogatories.

- b) What information does Hydro 2000 proposed to file with OEB at the time of rebasing in order to justify recovery of the deferral account balance?

Please see answer to question 29 of Board Staff Interrogatories.

Question #2

Reference: (i) Exhibit 1, Tab 1, Schedule 5, page 1
(ii) Exhibit 5, Tab 1, Schedule 1, page 7
(iii) Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors.

Preamble: Without any adjustment for capital additions in 2009 and 2010, the net book value of Hydro 2000's in-service plant will decline through annual increases in accumulated depreciation. This would tend to decrease the rate base and the overall revenue requirement in subsequent years. However, in Reference (iii), the Board stated (page 37) that: "Typically, an incentive regulation mechanism is intended to encompass both capital and operating costs".

- a) If the Board's 3rd Generation IRM includes, in its rate adjustment process, any allowance for capital additions, will Hydro 2000 adjust the annual capital spending captured in its proposed deferral account? If yes, please explain how this would be done.

This is not the current situation because the fixed assets are increasing in 2008. Please see answer to question 9 from Board Staff Interrogatories.

Question #3

Reference: (i) Exhibit 1, Tab 2, Schedule 5, page 1
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

- a) Please provide a copy of the Hydro 2000's approved 2006 EDR Model – consistent with the Board's decision approving Hydro 2000's 2006 rates.

A copy of Hydro 2000's 2006 EDR model is attach with this interrogative.

- b) Please explain what the values reported in the column titled "2006 Approved Existing Rates" of Reference (i) represent.

The values reported in the column titled "2006 Approved Existing Rates" of Reference (i) represent the total amount of expenditure of each Expense. The title is modified in new revised application as followed "2006 Approved Expense Amount.

- c) If they are the values based on Hydro 2000's 2006 approved rates, please provide a reference as to where each value can be found in Hydro 2000's approved EDR Rate Model.

Please see revised application.

- d) If they are actual 2006 values, please provide reference to where in Exhibit 4 (of the current filing) each of the values can be found

Please see revised application.

- e) Please reconcile the differences in the 2008 values reported in References (i) and (ii) for Interest Costs (\$16,314 vs. \$20,333).

Please see revised application.

Question #3

Reference: (i) Exhibit 1, Tab 2, Schedule 5, page 2
(ii) Exhibit 6, Tab 1, Schedule 3, page 1
(iii) Exhibit 1, Tab 3, Schedule 2

- a) Please explain why 5.8% is used as the cost of debt in Reference (ii), when Hydro 2000's actual cost of debt is 5.5% as set out in Reference (i), page 7 of the 2006 Annual Report.

Hydro 2000 long-term debt is 5.5% rate semi-annually payment. In the Elenchus Model the interest rates are calculated in a different way giving lower interest amount. To show the proper interest amount the rate had to be modified.

- b) Page 7 of Reference (i) reports a long-term liability to Hydro One. Please explain what this represents and what the interest rate (if any) is.

Hydro 2000 long-term liability to Hydro One is \$249,543 is their regulatory assets expenses and their RSVA charges to embedded utility.

- c) Did Hydro One 2000 issue any dividends to its shareholder in 2005 or 2006? If so, what were they?

Hydro 2000 did not issue any dividends to its shareholder since market opening.

- d) Please provide a copy of the Board Decision referred to by Deloitte in Reference (iii). If not explicit in the Decision, please explain why all of balance in each of the following accounts was not transferred to Account 1590:
- Retail Settlement Variance Accounts (\$24,593)
 - Other Regulatory Assets (\$4,545).

Those are expenses incurred after January 1st, 2004. Please see answers on deferral accounts in Board Staff Interrogatories.

Question #4

Reference: (i) Exhibit 2, Tab 2, Schedule 1, page 10

Preamble: The last time Hydro 2000's rates were based on a "cost of service" type approach was for 2006. In that process, rate base was determined by making various adjustments to 2004 year end actual values. Hydro 2000 is currently seeking approval for its 2008 rate base.

- a) Please provide a continuity schedule for Hydro 2000's Total Plant, Property and Equipment similar to reference (i) but that:
- Starts as of December 31, 2004 setting out Gross Book Value, Accumulated Depreciation and Net Book Value.
 - Also shows separately fore 2005 and 2006:
 - The capital expenditures during the year
 - The in-service asset additions during the year
 - The annual depreciation
 - Retirements and Other Adjustments
 - The resulting closing balances for Gross Book Value, Accumulated Depreciation and Net Book Value

Please see revised application for 2006.

CONTINUITY STATEMENTS	2005 Actual		
	Gross Asset Value	Accumulated Depreciation	Net Book Value
Land and Buildings			
1805-Land -Opening Balance			-
1805-Land -Additions			-
1805-Land -Depreciation			-
1805-Land -Adjustments			-
1805-Land -Closing Balance	-	-	-
Average			
1806-Land Rights -Opening Balance			-
1806-Land Rights -Additions			-
1806-Land Rights -Depreciation			-
1806-Land Rights -Adjustments			-

1806-Land Rights -Closing Balance	-	-	-
Average			
1905-Land -Opening Balance			-
1905-Land -Additions			-
1905-Land -Depreciation			-
1905-Land -Adjustments			-
1905-Land -Closing Balance	-	-	-
Average			
1906-Land Rights-Opening Balance			-
1906-Land Rights-Additions			-
1906-Land Rights-Depreciation			-
1906-Land Rights -Adjustments			-
1906-Land Rights -Closing Balance	-	-	-
Average			
1810-Leasehold Improvements-Opening Balance			-
1810-Leasehold Improvements-Additions			-
1810-Leasehold Improvements-Depreciation			-
1810-Leasehold Improvements -Adjustments			-
1810-Leasehold Improvements -Closing Balance	-	-	-
Average			
Total	-	-	-
TS Primary Above 50			
1815-Transformer Station Equipment - Normally			
Primary above 50 kV-Opening Balance			-
1815-Transformer Station Equipment - Normally			
Primary above 50 kV-Additions			-
1815-Transformer Station Equipment - Normally			
Primary above 50 kV-Depreciation			-
1815-Transformer Station Equipment - Normally			
Primary above 50 kV-Adjustments			-
1815-Transformer Station Equipment - Normally			
Primary above 50 kV-Closing Balance	-	-	-
Average			
Total	-	-	-
DS			

1820-Distribution Station Equipment - Normally Primary below 50 kV-Opening Balance			-
1820-Distribution Station Equipment - Normally Primary below 50 kV-Additions			-
1820-Distribution Station Equipment - Normally Primary below 50 kV-Depreciation			-
1820-Distribution Station Equipment - Normally Primary below 50 kV-Adjustments			-
1820-Distribution Station Equipment - Normally Primary below 50 kV-Closing Balance	-	-	-
Average			
Total	-	-	-
Poles and Wires			
1830-Poles, Towers and Fixtures-Opening Balance	164,509	44,574	119,935
1830-Poles, Towers and Fixtures-Additions	22,523		22,523
1830-Poles, Towers and Fixtures-Depreciation		12,431	(12,431)
1830-Poles, Towers and Fixtures-Adjustments			-
1830-Poles, Towers and Fixtures-Closing Balance	187,032	57,005	130,027
Average			
1835-Overhead Conductors and Devices-Opening Balance	153,683	43,362	110,321
1835-Overhead Conductors and Devices-Additions	7,408		7,408
1835-Overhead Conductors and Devices-Depreciation		11,396	(11,396)
1835-Overhead Conductors and Devices-Adjustments			-
1835-Overhead Conductors and Devices-Closing Balance	161,091	54,758	106,333
Average			
1840-Underground Conduit-Opening Balance			-
1840-Underground Conduit-Additions			-
1840-Underground Conduit-Depreciation		-	-
1840-Underground Conduit-Adjustments			-
1840-Underground Conduit-Closing Balance	-	-	-
Average			
1845-Underground Conductors and Devices-Opening Balance	52,075	13,683	38,392
1845-Underground Conductors and Devices-Additions	11,134		11,134
1845-Underground Conductors and Devices- Depreciation		3,729	(3,729)
1845-Underground Conductors and Devices- Adjustments			-

1845-Underground Conductors and Devices-Closing Balance	<u>63,209</u>	<u>17,412</u>	<u>45,797</u>
Average			
Total	<u>411,332</u>	<u>129,175</u>	<u>282,157</u>
Line Transformers			
1850-Line Transformers-Opening Balance	54,550	14,660	39,890
1850-Line Transformers-Additions	2,483		2,483
1850-Line Transformers-Depreciation		3,873	(3,873)
1850-Line Transformers-Adjustments			-
1850-Line Transformers-Closing Balance	<u>57,033</u>	<u>18,533</u>	<u>38,500</u>
Average			
Total	<u>57,033</u>	<u>18,533</u>	<u>38,500</u>
Services and Meters			
1855-Services-Opening Balance			-
1855-Services-Additions			-
1855-Services-Depreciation			-
1855-Services-Adjustments			-
1855-Services-Closing Balance	<u>-</u>	<u>-</u>	<u>-</u>
Average			
1860-Meters-Opening Balance	44,839	13,810	31,029
1860-Meters-Additions			-
1860-Meters-Depreciation		3,421	(3,421)
1860-Meters-Adjustments			-
1860-Meters-Closing Balance	<u>44,839</u>	<u>17,231</u>	<u>27,608</u>
Average			
Total	<u>44,839</u>	<u>17,231</u>	<u>27,608</u>
General Plant			
1908-Buildings and Fixtures-Opening Balance			-
1908-Buildings and Fixtures-Additions			-
1908-Buildings and Fixtures-Depreciation			-
1908-Buildings and Fixtures-Adjustments			-
1908-Buildings and Fixtures-Closing Balance			

	-	-	-
Average			
1910-Leasehold Improvements-Opening Balance			-
1910-Leasehold Improvements-Additions			-
1910-Leasehold Improvements-Depreciation			-
1910-Leasehold Improvements-Adjustments			-
1910-Leasehold Improvements-Closing Balance	-	-	-
Average			
Total	-	-	-
IT Assets			
1920-Computer Equipment - Hardware-Opening Balance	17,620	11,856	5,764
1920-Computer Equipment - Hardware-Additions	1,507		1,507
1920-Computer Equipment - Hardware-Depreciation		1,766	(1,766)
1920-Computer Equipment - Hardware-Adjustments			-
1920-Computer Equipment - Hardware-Closing Balance	19,127	13,622	5,505
Average			
1925-Computer Software-Opening Balance	5,225	1,045	4,180
1925-Computer Software-Additions	8,586		8,586
1925-Computer Software-Depreciation		2,762	(2,762)
1925-Computer Software-Adjustments			-
1925-Computer Software-Closing Balance	13,811	3,807	10,004
Average			
Total	32,938	17,429	15,509
Equipment			
1915-Office Furniture and Equipment-Opening Balance	3,246	2,541	705
1915-Office Furniture and Equipment-Additions			-
1915-Office Furniture and Equipment-Depreciation		315	(315)
1915-Office Furniture and Equipment-Adjustments			-
1915-Office Furniture and Equipment-Closing Balance	3,246	2,856	390
Average			
1930-Transportation Equipment-Opening Balance			

		-
1930-Transportation Equipment-Additions		-
1930-Transportation Equipment-Depreciation		-
1930-Transportation Equipment-Adjustments		-
1930-Transportation Equipment-Closing Balance	-	-
Average		
1935-Stores Equipment-Opening Balance		-
1935-Stores Equipment-Additions		-
1935-Stores Equipment-Depreciation		-
1935-Stores Equipment-Adjustments		-
1935-Stores Equipment-Closing Balance	-	-
Average		
1940-Tools, Shop and Garage Equipment-Opening Balance		-
1940-Tools, Shop and Garage Equipment-Additions		-
1940-Tools, Shop and Garage Equipment-Depreciation		-
1940-Tools, Shop and Garage Equipment-Adjustments		-
1940-Tools, Shop and Garage Equipment-Closing Balance	-	-
Average		
1945-Measurement and Testing Equipment-Opening Balance		-
1945-Measurement and Testing Equipment-Additions		-
1945-Measurement and Testing Equipment-Depreciation		-
1945-Measurement and Testing Equipment-Adjustments		-
1945-Measurement and Testing Equipment-Closing Balance	-	-
Average		
1950-Power Operated Equipment-Opening Balance		-
1950-Power Operated Equipment-Additions		-
1950-Power Operated Equipment-Depreciation		-
1950-Power Operated Equipment-Adjustments		-
1950-Power Operated Equipment-Closing Balance	-	-
Average		

1955-Communication Equipment-Opening Balance			-
1955-Communication Equipment-Additions			-
1955-Communication Equipment-Depreciation			-
1955-Communication Equipment-Adjustments			-
1955-Communication Equipment-Closing Balance	-	-	-
Average			
1960-Miscellaneous Equipment-Opening Balance			-
1960-Miscellaneous Equipment-Additions			-
1960-Miscellaneous Equipment-Depreciation			-
1960-Miscellaneous Equipment-Adjustments			-
1960-Miscellaneous Equipment-Closing Balance	-	-	-
Average			
Total	3,246	2,856	390
Other Distribution Assets			
1825-Storage Battery Equipment-Opening Balance			-
1825-Storage Battery Equipment-Additions			-
1825-Storage Battery Equipment-Depreciation			-
1825-Storage Battery Equipment-Adjustments			-
1825-Storage Battery Equipment-Closing Balance	-	-	-
Average			
1970-Load Management Controls - Customer Premises-Opening Balance			-
1970-Load Management Controls - Customer Premises-Additions			-
1970-Load Management Controls - Customer Premises-Depreciation			-
1970-Load Management Controls - Customer Premises-Adjustments			-
1970-Load Management Controls - Customer Premises-Closing Balance	-	-	-
Average			
1975-Load Management Controls - Utility Premises-Opening Balance			-
1975-Load Management Controls - Utility Premises-Additions			-
1975-Load Management Controls - Utility Premises-Depreciation			-
1975-Load Management Controls - Utility Premises-Adjustments			-

1975-Load Management Controls - Utility Premises-Closing Balance	-	-	-
Average			
1980-System Supervisory Equipment-Opening Balance			-
1980-System Supervisory Equipment-Additions			-
1980-System Supervisory Equipment-Depreciation			-
1980-System Supervisory Equipment-Adjustments			-
1980-System Supervisory Equipment-Closing Balance	-	-	-
Average			
1985-Sentinel Lighting Rental Units-Opening Balance			-
1985-Sentinel Lighting Rental Units-Additions			-
1985-Sentinel Lighting Rental Units-Depreciation			-
1985-Sentinel Lighting Rental Units-Adjustments			-
1985-Sentinel Lighting Rental Units-Closing Balance	-	-	-
Average			
1990-Other Tangible Property-Opening Balance			-
1990-Other Tangible Property-Additions			-
1990-Other Tangible Property-Depreciation			-
1990-Other Tangible Property-Adjustments			-
1990-Other Tangible Property-Closing Balance	-	-	-
Average			
1995-Contributions and Grants - Credit-Opening Balance			-
1995-Contributions and Grants - Credit-Additions			-
1995-Contributions and Grants - Credit-Depreciation			-
1995-Contributions and Grants - Credit-Adjustments			-
1995-Contributions and Grants - Credit-Closing Balance	-	-	-
Average			
Total	-	-	-
Total Opening Balance	495,747	145,531	350,216
Total Additions	53,641	-	53,641

Total Depreciation	-	39,693	(39,693)
Total Adjustments	-	-	-
Total Closing Balance	549,388	185,224	364,164

Question #5

Reference: (i) Exhibit 2, Tab 3, Schedule 1, page 1

- a) Please provide a schedule that sets out:
- The total capital spending approved by the OEB for 2006 as part of the 2006 EDR process
 - Actual 2006 capital spending
 - Projected capital spending for the bridge year – 2007
 - Projected capital spending for the test year – 2008

The amount used in the 2006 EDR Model was the 2004 Capital Assets Balances. No capital expenditure was included in the 2006 EDR Model.

For the 2006, 2007 and 2008 capital expenditure please to Exhibit 2/ Tab 1/ Continuity Statements and Exhibit 2/ Tab 3/ Schedule 1 and 2.

- b) In the schedule requested in part (a) please provide a breakout of the spending, by year, for any project with a total cost of more than 1% total net fixed assets for 2006.

Please refer to Exhibit 2/ Tab 3/ Schedule 2/ Pages 3 and 4.

Question #6

Reference: (i) Exhibit 2, Tab 3, Schedule 2, pages 2 & 3

- a) Please provide the business case supporting the selection the specific billing system being acquired under project P-0003.

Please see answer to question 1 of Board Staff Interrogatories.

- b) Please outline how Hydro 2000 establishes its annual budget for projects P-0004 and P-0005.

Please see answer to question 11 and 12 of Board Staff Interrogatories.

Question #7

Reference: (i) Exhibit 3, Tab1, Schedule 2, page 1
(ii) Exhibit 3, Tab 1, Schedule 3, page 1
(iii) Exhibit 7, Tab 1, Schedule 1, page 3

- a) In reference (ii), the first paragraph appears to suggest that the 2008 revenue by customer class reported in reference (i) is based on existing rates. However, the discussion under comparison to Bridge Year in Reference (ii) appears to suggest that 2008 revenues are based on the proposed 2008 rates. Please clarify.

Please see the revised application. A new page with two tables has been included at Exhibit 3/ Tab 1/ Schedule 2/ Page 2.

- b) Please explain why the 2008 revenues by customer class shown in reference (i) don't match those shown in reference (iii) for either 2008 revenues at existing rates or revenues at proposed rates.

Please see the revised application. This as been corrected and see previous answer.

- c) Please explain why the total Other Distribution Revenue in reference (i) $\{\$4,403+\$1,359+\$26,910=\$32,672\}$ does not match the total for other operating revenue $\{\$35,980\}$ shown in reference (iii).

Please see the revised application this as been corrected with more detail. If not shown in the tables as a separate items than it is part of Other Distribution Revenues.

Question #8

Reference: (i) Exhibit 3, Tab 2, Schedule 1, page 2 & 4 & 7
(ii) Exhibit 4, Tab 2, Schedule 9, page 1

- a) As of the end of September 2007 (or October if available), how many customer did Hydro 2000 have in each of its customer classes?

Year	Month	Date	Residential # Customers	Less 50kW # Customers	Unmetered Load # Customers	Over 50kW # Customers	St-Light #Connections
2006	12	31	981	141	6	12	362
2007	1	31	983	141	6	12	362
2007	2	28	984	141	6	12	362
2007	3	31	984	141	6	12	362
2007	4	31	984	141	6	12	362
2007	5	31	984	141	6	12	362
2007	6	30	992	141	6	12	362
2007	7	31	1000	141	6	12	362
2007	8	31	1000	138	6	12	362
2007	9	30	1000	137	6	12	362
2007	10	31	1000	137	6	12	362
2007	11	30	1001	137	6	12	362
2007	12	31	1001	137	6	12	362

- b) Do the customer count numbers set out on page 2 of reference (i) represent year end numbers or average values for the year?

The customer count numbers set out on page 2 of reference (i) represent year end numbers.

- c) Please provide a schedule that sets out for each of Hydro 2000's customer classes:
- The weather normal wholesale kWh reported in Hydro One's normalization analysis.
 - The value for the number of 2004 customers used to determine average use

Class	Actual Wholesale	Hydro 2000	Hydro One LTLT	Total customers
	2004	2004	2004	2004
Residential	16,265,339	969	10	979
GS < 50 kW	5,773,900	146	1	147
GS > 50 KW	5,561,382	12	0	12
Street Light	347,926	351	0	351
Unmetered	19,951	3	0	3

- d) Please provide a schedule that shows (for 2004) Hydro 2000's:
- Actual total wholesale KWh
 - Actual retail sales by customer class (in kWh) for all classes
 - Actual total loss factor

Class	Actual Wholesale	Actual Retail	Loss factor
	2004	2004	2004
Residential		15,988,104	1.0607
GS < 50 kW		5,678,973	1.0607
GS > 50 KW		5,496,615	1.0607
St-light		347,926	1.0607
Unmetered		19,951	1.0607
Total	27,855,297	27,530,422	1.0607

- e) Are all of Hydro 2000's customers "secondary metered customers"? If not, why is the same loss factor applied to all customer classes (see page 6), when Hydro 2000's loss factor for primary metered customer is less than that for secondary metered customers?

One customer is primary metered at the property line. This customer received a 1% rebate for primary metering. This customer has a private 1.5 km distribution system that include 5 secondary unmetered customers on either 600volts or 240 volts. If the line loss is reduced to this customer it will impact the other classes by an increase.

- f) Please reconcile the total retail sales for 2006 (actual) of 25,844,398 kWh sum for the retail sales reported on page 7 of reference (i) with the total retail sales of 24,327,396 kWh reported in reference (ii).

The total retail sales for 2006 actual of 25,844,397 kWhs include the line loss in the reference (i). The table for the calculation of the line lost is net retail sales **without** line lost.

$$25,844,398 / 1.061 = 24,358,257.$$

The amount will be adjusted to 24,358,527.

Question #9

Reference: (i) Exhibit 3, Tab 3, Schedule 1, page 1
(ii) Exhibit 9, Tab 1, Schedule 4

a) Why is there no revenue associated with SSS Admin in Reference (i)?

In 2006 Board Approved and 2006 Actual SSS Admin in the tables are included in the Other Utility Operating Income. Please see revised application.

b) Please provide schedules that breakdown the 2008 sources for the following components of Other Distribution Revenue shown in Reference (i):

- Other Utility Operating Income
- Other Electric Revenues

The Other Utility Operating Income contains only the account 4405 bank interest revenue in the amount of \$16,314.

The Other Electric Revenues contains the followings accounts

423501 Account set-up fee	\$2,012.40
423502 NSF cheques	\$ 639.00
423503 Collection Notices charges	\$ 452.90
423404 Disconnect/Reconnect	\$ 595.50
423505 Hydro Certificat/Letter/etc	<u>\$ 370.00</u>
	\$4069.80

c) What is the reason for the decline in Other Utility Operating Income post 2006?

In EDR-2006 the regulatory Assets and RSVA interest were included in the Other Utility Operating Income and should have been removed.

d) Please provide a copy of Hydro 2000's currently approved Miscellaneous Charges and Loss Factors consistent with Reference (ii).

Please see revised application.

- e) Reference (i) shows Miscellaneous Service Revenues of zero for 2007 and 2008. Please confirm that Hydro 2000 is not anticipating any revenue from its approved miscellaneous charge in 2007 apart for late payment charges.

At this time Hydro 2000 Inc. does not have any Miscellaneous Services Revenues for 2007 and does not anticipate any in 2008.

Question #10

Reference: (i) Exhibit 3, Tab 3, Schedule 4, page 3
(ii) Exhibit 7, Tab 1, Schedule 1, page 3
(iii) Exhibit 3, Tab 3, Schedule 1, page 1

- a) Please reconcile the total 2008 distribution revenue reported in reference (i) {\$409,189} with that reported in reference (ii) {\$527,084}.

Please see revised application tables were reconciled.

- b) Please reconcile the following 2008 values as reported in References (ii) and (iii):
- Distribution Service Revenue - \$527,084 versus \$409,963 {288,963+121,000}
 - Other Revenues - \$35,980 versus \$32,672 {1,329+30+6,526+16,314+4,070+4,403}

Please see revised application tables were reconciled.

Question #11

Reference: (i) Exhibit 4, Tab 1, Schedule 1, page 2
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

- a) Please reconcile the value for 2008 taxes reported in Reference (i) {\$32,660} with that reported in reference (ii) {\$39,350}.

Please see revised version.

Question #12

Reference: (i) Exhibit 4, Tab 1, Schedule 2, page 1

a) What is included in "Other Operating Cost" (\$17,518 for 2008)?

The revised amount is \$20,633 and represent the interest on the long-term debt.

Question #13

Reference: (i) Exhibit 4, Tab 2, Schedule 1

- a) Why were there no expenditures on Overhead Distribution Transformers in 2006 (Account 5035)?

There was no expenditure done in 2006 on Overhead Distribution Transformers.

- b) Please explain the basis for the projected \$7,460 in bad debt expense in 2008 (Account 5335).

The actual and projected 2007 bad debt losses were used to determine the 2007. As of today the actual amount is \$9,355.61 and may increase by year end. With all the changes in the policy Deposit and change in management with the social housing the bad debts are expected to remain at a high level.

Question #14

Reference: (i) Exhibit 4, Tab 2, Schedule 6

- a) Please outline the additional services that Deloitte is expected to supply in 2008 (versus 2007) that lead to a \$18, 967 increase in costs.

It's all the expenses that are involved with 2008 rebasing application. All those expenses have been removed from OM&A expenses and are now proposed in Variance account 150800-03. Please refer to question 35 from Board Staff Interrogatories.

- b) Please describe the services provided by Elenchus Research Associates and the period time over which the service is to be provided. If a portion of the services were provided in 2007 why it is appropriate for them to all be included in the 2008 revenue requirement?

Please refer to previous answer. Since the expenses will be accounted for in Account 1508 there are not included in the revenue requirement of the revised application.

Question #15

Reference: (i) Exhibit 2, Tab 1, Schedule 2, page 1
(ii) Exhibit 4, Tab 2, Schedule 8, page 1

- a) Please reconcile the values for Gross Assets reported in the two references for :
- 2006 Actual: \$575,069 vs. \$600,750
 - 2007: \$640,149 vs. \$679,548
 - 2008: \$749,548 vs. \$819,548

The amounts in Exhibit 2 are the average of the year mentioned and the previous year. The rate base always uses the average of the last two years. The amounts in Exhibit 4 are the actual amount for those years.

For example 2007. $(\$679,548 + \$600,750)/2 = \$640,149$.

Question #16

Reference: (i) Exhibit 4, Tab 2, Schedule 9

- a) Please explain what Row E on the schedule represents. Does Hydro 2000 have any "Large Use Customers"?

Hydro 2000 Inc. does not have any large users. Please see revised application.

Question #17

Reference: (i) Exhibit 4, Tab 3, Schedule 1
(ii) Exhibit 7, Tab 1, Schedule 1, page 3

- a) The Schedule in reference (i) reports "Calculation of Utility Income Taxes" in two different rows and the values are different (e.g., for 2008 \$32,660 and \$34,093). Please reconcile.

Please see revised application.

- b) Please reconcile the income tax values reported in reference (i) with the \$39,350 reported in reference (ii).

Please see revised application. Reference (i) is the amount calculated and Reference (ii) is the grossed-up amount.

$$\$4,205 / (1 - 0.165) = \$5,036$$

- c) Please provide a schedule showing how the \$39,350 was calculated.

Please see previous answers a) and b).

- d) With respect to reference (ii), please explain what the final two lines (Others {\$300} and Income Taxes {\$924}) are meant to represent and how they are related to the PILS value {\$39,350 for 2008} reported earlier in the same schedule.

Please see revised application. The \$300.00 is a donation. The amount is presented below because an ineligible expense for the PILS calculation.

Question #18

Reference: (i) Exhibit 5, Tab 1, Schedule 3
(ii) Exhibit 5, Tab 1, Schedule 2

- a) Please provide a copy of the approved 2006 Regulatory Asset Model used to establish the approved rate riders for Regulatory Asset recovery for 2006 (see reference (i)).

A copy will be attached.

- b) Please confirm that Reference (ii) is for 2006.

Yes the reference (ii) is 2006. Please revised application.

- c) Please provide a schedule that, for each of the Regulatory Asset accounts for which a rate rider was approved in the 2006 EDR, sets out:
- The amount approved for recovery by the OEB.
 - The actual balance for year-end 2004
 - The actual balance for year-end 2005 showing separately actual interest charges for the year and any additions to the accounts. Please explain the reason for the later.
 - The actual balance for year end 2006 showing separately actual interest charges for the year; any additions and any recoveries recorded against the account.
- d) With respect to reference (ii), please indicate explain each of the following:
- What does the column "Net Accurals" capture for each account?
 - What does the column "Adjustments" capture for each account?
- e) How did Hydro 2000 select the Regulatory Asset accounts for which it would propose recovery as part of the 2008 rate application per Reference (i)?
- f) With respect to spread sheet in reference (i), please explain the basis for the 2007 and 2008 (up to April 30th) Other Adjustments made to accounts #1550 and #1592.

Question #19

Reference: (i) Exhibit 6, Tab 1, Schedule 2
(ii) Board Staff Interrogatory #18 b) and 19 a)
(iii) Exhibit 7, Tab 1, Schedule 1

a) Please re-do the response to Board Staff Interrogatory 18 b), but using a cost of long-term debt of 5.5%.

	Ratio (%)	Rate (%)	Rate X Ratio /100 (%)
Debt			
Long-term	49.30%	5.50%	2.71%
Short-term	4.00%	4.77%	0.19%
Total Debt	53.30%		2.90%
Equity			
Common Equity	46.70%	8.68%	4.05%
Total Equity			
Weighted Average Cost of Capital	100.00%		6.956%

b) What is Hydro 2000's proposed net income (after taxes) for 2008? Please show how this value was determined?

Please see Exhibit 7/ tab 1/ Schedule 1/ Page 3 of revised application.
Hydro 2000's proposed net income after taxes for 2008 is \$31,759

c) Based on Hydro 2000's proposed net income (per part (b)), please show how the PILS value of \$39,350 set out in Reference (iii) was determined.

Please see previous answer and revised application.

Question #20

Reference: (i) Exhibit 8, Tab 1, Schedule 2, page 3

- a) Can Hydro 2000 point to any statement by the OEB indicating that this “maximum fixed charge value” is the appropriate basis for setting the monthly service charge?

Hydro 2000 can not point out to a specific statement by the OEB indicating that this “maximum fixed charge value” is the appropriate basis for setting the monthly service charge.

- b) If not, what is the rationale for increasing the monthly service charges to the maximum fixed charge values determined in the cost allocation informational filings?

To all customers fairness of Hydro 2000 Inc has minimal charge to each account. Hydro 2000 Inc. wants stability in its rates where fixed rates should represent 40% of revenue fixed and 60 % volumetric. Since the market opening the fixed rates has been decreasing and the volumetric rates as been increasing.

Question #21

Reference: (i) Exhibit 9, Tab 1, Schedule 1, page 2

- a) What is Hydro 2000's proposed revenue to cost ratio for each customer class for purposes of setting 2008 rates?

Please see answer to question 38 of Board Staff Interrogatories.

- b) Reference (i) quotes a total revenue requirement for 2008 of \$529,522. Please indicate where in the application the determination of this value can be found.

Please see revised application.

- c) Please provide a set of schedules that clearly set out the calculations and results for Steps 1, 2 and 3 – as described in Reference (i).

Please see answers to question 38 to 41 of Board Staff Interrogatories.

Question #22

Reference: (i) Exhibit 9, Tab 1, Schedule 7, page 1

- a) Please indicate how increasing the level of the monthly fixed charge decreases the revenue to cost ratio for the residential class.

Increasing the level of the monthly fixed charge does not decrease the revenue to cost ratio for the residential class.

But the adjustment from existing rates to rate application in the answer 41 of Board Staff Interrogatories as decrease the revenue to cost ratio for the residential class.

Customer Class	Revenue to cost ratio in O1 cost allocation	Proposed cost ratio with 2008 Rate Rebasing
Residential	115.0%	108.76%
GS < 50 kW	81.4%	88.18%
GS > 50 kW	94.5%	108.39%
Unmetered Scattered Load	10.4%	11.3%
Street Light	50.34%	71.82%

Question #23

Reference: (i) Exhibit 9, Tab 1, Schedule 9

- a) Based on recent 12 months of billing history please indicate how many residential customers:
- Have an average monthly use of 100 kWh or less
 - Have an average monthly use of >100 kWh up to 250 kWh
 - Have an average monthly use of >250 kWh up to 500 kWh
 - There were in total

Average Monthly Volume	Number of Customers
Less than a 100 kWh	3
Between 100 kWh up to 250 kWh	10
Between 250 kWh up to 500 kWh	78

validator	totalcons	ssscons	sssproratb	sssprorata	totsscons
000001267-205021800	193.3178	196.285	-2.9672	0	193.3178
000001016-205023901	210.9412	222.81	-11.8688	0	210.9412
000001036-205025703	1114.579	1129.965	-89.0161	73.6297	1114.579
000002008-305005802	1742.703	0	0	0	0
000001171-205039000	1946.281	1962.85	-317.491	300.9216	1946.281
000002011-205029603	2233.822	0	0	0	0
000001183-205037601	2483.509	2488.045	-145.393	140.8569	2483.509
000000429-400357000	2499.769	2503.96	-5.0398	0.8488	2499.769
000002189-400166000	2505.87	2488.045	0	17.8248	2505.87
000001688-400260500	2712.712	2726.77	-14.0583	0	2712.712
000001759-400179000	2723.905	2710.855	-19.6285	32.6788	2723.905
000000271-400450000	2728.468	2726.77	-21.22	22.9176	2728.468
000000793-400180000	2822.95	2806.345	-19.8938	36.4984	2822.95
000002114-400175000	3113.505	3098.12	-18.5675	33.952	3113.505
000001485-400172000	3130.587	3103.425	-21.22	48.3816	3130.587
000002144-400286000	3151.541	3082.205	-19.3633	88.6996	3151.541
000001398-400015000	3216.952	3257.27	-48.806	8.488	3216.952
000001173-205039200	3236.269	3241.355	-219.573	214.4866	3236.269
000001483-205038802	3390.588	3384.59	-278.917	284.9151	3390.588
000000452-400007000	3468.356	3464.165	-28.9123	33.1032	3468.356
000000455-400010000	3506.658	3474.775	-22.0158	53.8988	3506.658
000001196-205040400	3517.629	3469.47	-326.392	374.5513	3517.629
000001979-400178000	3545.119	3506.605	-25.9945	64.5088	3545.119
000002190-205038005	3605.424	3394.139	0	211.2853	3605.424
000001682-205028700	3666.507	3941.615	-611.244	336.1358	3666.507

000000618-205009900	3680.667	3665.755	-26.7048	41.6168	3680.667
000001157-205038102	3790.747	3761.245	-252.212	281.7138	3790.747
000001087-205030701	3805.266	3761.245	-314.524	358.5448	3805.266
000001172-205039100	3819.071	3782.465	-261.114	297.7203	3819.071
000000332-400510000	3833.375	3236.05	265.8689	0	3501.919
000000409-400195000	3843.366	3846.125	-43.501	40.7424	3843.366
000000777-400171000	3912.225	3893.87	-24.9335	43.2888	3912.225
000001354-205030802	4024.698	4005.275	-367.933	387.3565	4024.698
000000774-400169000	4032.437	4015.885	-25.464	42.0156	4032.437
000000785-400176000	4066.601	4084.85	-33.952	15.7028	4066.601
000001126-205035100	4082.253	4090.155	-305.622	297.7203	4082.253
000000819-205019501	4180.014	4175.035	-347.163	352.1422	4180.014
000001181-205037500	4283.601	4732.06	-848.62	400.1616	4283.601
000001162-205038400	4293.159	4265.22	-272.983	300.9216	4293.159
000000290-400469000	4302.939	4286.44	-7.6923	24.1908	4302.939
000001122-205034600	4345.869	4951.687	-777.407	171.5893	4345.869
000001605-205006500	4366.717	3984.055	-183.967	566.6289	4366.717
000001189-205040600	4391.916	4420.126	-453.982	425.772	4391.916
000001037-205025800	4396.69	4360.71	-293.753	329.7332	4396.69
000001086-205030600	4496.612	4647.18	-566.736	416.1681	4496.612
000001526-205037400	4497.738	4440.285	-281.884	339.3371	4497.738
000001168-205038700	4569.411	4541.08	-237.376	265.7073	4569.411
000001182-205039500	4608.932	4610.045	-391.671	390.5578	4608.932
000001692-400177000	4689.09	4694.925	-33.4215	27.586	4689.09
000000955-400328000	4740.76	4732.06	-30.769	39.4692	4740.76
000000750-400160000	4744.208	4758.585	-41.1138	26.7372	4744.208
000001186-205039700	4750.758	4663.095	-421.343	509.0056	4750.758
000000767-400168000	4768.718	4758.585	-22.5463	32.6788	4768.718
000002141-400439000	4788.983	4769.195	-35.8088	55.5964	4788.983
000001974-205038600	4856.366	4896.515	-302.655	262.506	4856.366
000001174-205039300	4897.918	4790.415	-267.048	374.5513	4897.918
000000781-400174000	4939.379	4949.565	-38.196	28.0104	4939.379
000002063-205026700	5010.838	5050.36	-270.016	230.4931	5010.838
000002103-205017201	5049.221	4986.7	-427.277	489.7978	5049.221
000001009-205023200	5070.825	4758.585	-62.3113	374.5513	5070.825
000001411-400016000	5124.789	5029.14	-21.4853	117.1344	5124.789
000001111-205033500	5163.475	5236.035	-459.917	387.3565	5163.475
000000440-400512000	5197.733	5182.985	-42.9705	57.7184	5197.733
000001776-400257900	5255.982	5220.12	-37.135	72.9968	5255.982
000001591-400164000	5269.403	5278.475	-42.1748	33.1032	5269.403
000002010-205029700	5291.144	0	0	0	0
000000456-400011000	5317.626	5283.78	-34.4825	68.3284	5317.626
000001721-205020600	5322.816	5798.365	-789.276	313.7267	5322.816
000002082-400144000	5376.618	5358.05	-34.4825	53.05	5376.618
000000761-400165000	5426.962	5427.015	-50.1323	50.0792	5426.962
000001549-400167000	5455.025	5437.625	-40.318	57.7184	5455.025
000001700-400343000	5460.33	5427.015	-43.501	76.8164	5460.33
000000404-400143500	5504.309	5448.235	-36.8698	92.9436	5504.309
000002172-400542200	5587.424	5586.165	-19.9612	21.22	5587.424

000002015-205038206	5594.242	5612.69	-415.409	396.9603	5594.242
000000151-205032600	5616.733	5602.08	-510.359	525.0121	5616.733
000001184-205039601	5628.456	5602.08	-293.753	320.1293	5628.456
000001719-400488000	5630.674	5591.47	-38.4613	77.6652	5630.674
000000796-400182000	5646.96	5639.215	-46.1535	53.8988	5646.96
000000406-400143700	5673.591	5665.74	-49.867	57.7184	5673.591
000000561-205006550	5700.584	5803.67	-397.605	294.519	5700.584
000002007-205030003	5740.65	0	0	0	0
000002111-205020310	5761.638	5713.485	-448.048	496.2004	5761.638
000000687-400123000	5777.516	5766.535	-39.5223	50.5036	5777.516
000000425-400339000	5786.8	5793.06	-46.1535	39.8936	5786.8
000001179-205037302	5838.686	5830.195	-391.671	400.1616	5838.686
000000809-205018500	5882.258	6366	-685.424	201.6815	5882.258
000000448-400003000	5895.287	5850.354	-38.6735	83.6068	5895.287
000000728-205013800	5924.653	6005.26	-560.801	480.194	5924.653
000000795-400181000	5930.46	5936.295	-48.2755	42.44	5930.46
000000949-400323000	5973.961	5968.125	-45.0925	50.928	5973.961