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February 11, 2011

BY EMAIL AND BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2010-0144
Waterloo North Hydro Inc. – 2011 Cost of Service Application
Technical Conference – Energy Probe Questions

Pursuant to Procedural Order No. 2, issued on January 21, 2011, please find attached the Technical Conference questions of Energy Probe Research Foundation (Energy Probe) in the EB-2010-0144 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

Original signed by

David S. MacIntosh
Case Manager

cc: Rene Gatien, Waterloo North Hydro (By email)
Albert Singh, Waterloo North Hydro (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

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 Waterloo North
Hydro Inc. for an order approving just and reasonable rates and
other charges for electricity distribution to be effective May 1,
2011.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 11, 2011

**WATERLOO NORTH HYDRO INC.
2011 RATES REBASING CASE
EB-2010-0144**

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

Question #1

Ref: Energy Probe Interrogatory #1

- a) Does WNH agree that the opening balance of the 2011 rate base should exclude any forecasted PST costs included in the 2010 capital expenditures post July 1, 2010?**
- b) Please update the response to part (c) to reflect July through December 2010.**
- c) The tables provided in response to parts (d) and (e) have titles that do not match the columns. Please provide the corrected tables.**

Question #2

**Ref: Energy Probe Interrogatory #4 &
Exhibit 2, Tables 2-9 and 2-10**

- a) Please provide the response requested to part (a), assuming the conversion to USoA account numbers has now occurred for 2010. If this conversion has not yet taken place, please update the response to Board Staff Interrogatory #6 (c) (i) to reflect both actual 2010 capital expenditures and 2010 CWIP figures for 2010.**
- b) For each amount in CWIP at the end of 2010, please indicate how much is forecast to be closed to rate base in 2011.**
- c) Please provide updated Tables 2-9 and 2-10 reflecting actual capital expenditures in 2010, along with the change in year end 2010 WIP carried forward to 2011. Are there any changes to the 2011 forecasted capital expenditures for any projects that were advanced to 2010? If yes, please reflect the change in the 2011 additions.**

Question #3

**Ref: Energy Probe Interrogatory #5 &
Exhibit 2, Table 2-1 and Table 2-10**

- a) Please reconcile the figure of \$2,077,905 provided in part (a) of the interrogatory response with the figure in Table 2-1 for land in 2011 of \$2,038,000.**
- b) Please reconcile both figures noted above in part (a) with the 2010 WIP number of \$1,948,075 shown in Table 2-10.**

Question #4

Ref: Energy Probe Interrogatory #7

What is the average year over year increase for the four most recent quarters of data available for the GDP-IPI? Please provide the data.

Question #5

Ref: Energy Probe Interrogatory #10

Part (c) of the question was not answered. Specifically, what is the basis for the figure of \$1,758,156 in accumulated depreciation? For example, is this the value at the end of 2010, or for the end of November 2011 when the move to the new facilities takes place?

Question #6

Ref: Energy Probe Interrogatory #14

Please update the table provided in the response to part (c) to reflect actual 2010 data, or if not available, the most recent year-to-date information for both 2010 and 2009.

Question #7

Ref: Energy Probe Interrogatory #16

Please update the table shown in the response to part (c) to reflect actual data for 2010, including a total for the year.

Question #8

Ref: Energy Probe Interrogatory #18

Please update the table provided in the response to part (a) that reflects December 31, 2010 data.

Question #9

Ref: Energy Probe Interrogatory #19

Which of the four 2011 columns listed in Table 19(a) is WHN proposing to use as the kWh to allocate to rate classes as part of this rates proceeding?

Question #10

Ref: Energy Probe Interrogatory #19

With respect to the CDM Milestones table provided in the response, please:

- a) Confirm that the energy (MWh) figures shown for 2011 through 2014 are cumulative.**
- b) Please confirm that the incremental energy savings are 16,042 MWh in 2012, 17,084 MWh in 2013 and 15,777 MWh in 2014.**
- c) Does the table imply that, for example, in 2014, the energy consumption will be reduced by a total of 68,000 MWh from what it would have been otherwise?**

Question #11

Ref: Energy Probe Interrogatory #20

- a) Please update Table 20(b) (Table 3-19 Revised Ratio of kW to kWh)) to reflect actual data for 2010. If actual data for all of 2010 is not available, please provide the most recent information available for 2010.**
- b) Based on the results from part (a) above, please provide trend analysis for 2011 based on the data from 2003 through 2010 for each rate class shown. Please also show the average ratio for the 2003 through 2010 period in the same table.**

- c) Please update the kW forecast for 2011 based on both the new trend figure and new average figure derived in the response to (b) above.
- d) For each of the three rate classes please estimate a regression equation where the dependent variable is the kW/kWh ratio for the rate class from 2003 through 2010 and the independent variable is the year (i.e. 2003, 2004, etc.). Please provide the coefficients and regression statistics for each of the three equations.

Question #12

Ref: Energy Probe Interrogatory #21

- a) Does the YTD 2009 figure shown in the table in response to part (a) include interest income on regulatory asset variance accounts? If yes, please update the table to exclude this interest income from 2009.
- b) Please update the table in part (a) to show complete 2010 actual data. If this data is not yet available, please update both 2009 and 2010 to reflect the most recent actual data currently available for 2010. Please do not include interest on regulatory asset variance accounts in either 2009 or 2010.
- c) How is the interest rate of 2.25% shown in the response to part (c) determined? Is it related to prime?
- d) Are the assets being disposed of in account 4355 noted in the response to part (e) depreciable or non-depreciable assets?

Question #13

Ref: Energy Probe Interrogatory #22 & Exhibit 2, Table 2-12

The response indicates that the existing administration building and service centre, including land, have been removed from rate base at the beginning of 2011. Please confirm that since 2011 rate base is the average of the closing balance in 2010 and the closing balance in 2011 (Exhibit 2, Table 2-12), the existing facilities are included in rate base.

Question #14

**Ref: Energy Probe Interrogatory #23 (c) & #21 (g) &
Exhibit 3, pages 38-39 &
Exhibit 4, Table 4-7A**

Table 3-32 has been revised to remove the profit and PILS shown in the original Table 3-32.

- a) Does the revenue of \$367,733 shown for street lighting capital & maintenance revenue shown include the 15% mark-up noted on page 38 of Exhibit 3?**
- b) Does the \$280,000 shown for unaffiliated transactions include a profit margin?**
- c) Table 3-31 Revised shows an expense of \$1,884,598 in account 4380 for 2011. Of this amount \$1,235,080 has been identified as expenses related to OPA programs (Energy Probe #21 (g)), leaving an amount of \$649,518. Please show the components of this amount associated with the two amounts noted in (a) and (b) above. Please also show any other amounts allocated to other revenue sources in account 4375.**
- d) Is WNH now indicating there should be no return of PILS shown in Table 4-7A in Exhibit 4?**

Question #15

Ref: Energy Probe Interrogatory #25

Please update the table to reflect 2010 actual data. If complete 2010 actual data is not yet available, please update the 2010 and 2009 figures to provide the most recent year-to-date information available.

Question #16

Ref: Energy Probe Interrogatory #27 (d)

- a) Please confirm that WNH has included a full year of meter reading expense despite the fact that it intends to start using the smart meter day in June 2011.**
- b) Please explain why WNH has not made an adjustment for this change.**

Question #17

**Ref: Energy Probe Interrogatory #31 &
Exhibit 4, page 51**

The response indicates that 8 of the positions shown on Exhibit 4, page 51 are eligible for the federal or provincial apprenticeship training tax credits. Please identify which of the positions are eligible and please explain why any of the additions shown in 2009, 2010 or 2011 are not eligible.

Question #18

Ref: Energy Probe Interrogatory #34

- a) The responses provided are not clear. If the depreciation expense in column (h) is calculated as column (e)/column (f) and column (e) is as defined in the response to part (b), please explain why, as an example, the depreciation expense for account 1830 is shown as \$1,763,277 when column (e) divided by column (f) for this account would result in an amount of \$1,848,847.**
- b) Please confirm that the depreciation expense has been calculated based on the half year rule, i.e. the total for depreciation actually used (in place of the figures shown in column (e)) reflect the use of the half year additions shown in the formula in column (e).**

Question #19

Ref: Energy Probe Interrogatory #35

- a) It is not clear why two of the entries in the table provided in the response to part (a) show negative values (accounts 1808 and 1845). In both cases, the number of years used for depreciation declines, which would imply that the depreciation expense should be higher, not lower. Please explain.**
- b) Please explain why the adjustment for account 1820 is positive instead of negative since the number of years has increased, implying that the depreciation expense was higher than that using the Board years.**
- c) When did WNH make the changes in the number of years used for depreciation?**
- d) When rates were set for 2006, which set of depreciation years were used?**

Question #20

Ref: Energy Probe Interrogatory #39

- a) Please confirm that the Federal Apprenticeship Job Creation Tax Credit of \$80,000 described in part (d) of the response is actually the Ontario Apprenticeship Training Tax Credit (ATTC).**
- b) Please confirm that the 8 eligible positions for the provincial ATTC are also eligible for the Federal Job Creation Tax Credit, at an amount of \$2,000 per position for a total of \$16,000 in 2011.**

Question #21

Ref: Energy Probe Interrogatory #40 & #41

- a) What is the impact on the CCA calculation if the \$349,544 for computer hardware is removed from Class 10 in 2011, with one-twelfth (\$29,129) placed in Class 52 and the remainder placed in Class 50?**
- b) What is the impact on the CCA for 2011 of the CCA on land rights that was inadvertently omitted?**

Question #22

**Ref: VECC IR #19 &
Exhibit 2, Table 2-1**

- a) Please provide a table that shows for the years 2004 through 2010 the total net approved capital budget, the actual net capital additions and the difference between the two.**
- b) Please explain the significant differences between the approved capital budgets and the actual capital additions in 2004 through 2010. Please separate out the impact of smart meters and the new service center spending and show the residual difference.**
- c) Please provide a copy of the approved capital budget for 2011 from the December 16, 2010 Board of Directors meeting.**

Question #23

Ref: VECC Interrogatory #21

Has the land that was purchased in 2008 been included in rate base even though the TS is not scheduled to be constructed until 2015?

Question #24

Ref: VECC Interrogatory #22

- a) Please provide a table that shows for the years 2006 through 2010 the approved total controllable costs, the actual controllable costs and the difference between the two.**
- b) Please explain the differences between the approved total controllable cost budgets and the actual total controllable costs in 2006 through 2010. Please separate out the impact of smart meters and show the residual difference.**
- c) Please provide a copy of the approved total controllable costs for 2011 from the December 16, 2010 Board of Directors meeting.**

Question #25

Ref: Board Staff Interrogatory #21

- a) Please confirm that WNH is proposing to increase the OMERS increase in costs from \$85,000 to \$211,250 in the 2011 test year.**
- b) Please confirm that the forecasted increases are \$85,000 in 2011, \$99,000 in 2012 and \$104,000 in 2012. If these figures are not correct, please provide the forecasted increases.**
- c) Are the forecasted increases incremental each year? For example, is the \$99,000 forecast increase for 2012 on top of the \$85,000 for 2011 or in place of it?**
- d) Please confirm that with the revised proposed OMERS costs in the 2011 test year, that WNH would recover \$845,000 over the 2011 through 2014 period.**
- e) Would WNH accept a variance account around whatever amount is included in the 2011 revenue requirement related to the OMERS increase?**

Question #26

Ref: Board Staff Interrogatory #25

Please provide the weighted average cost of long-term debt in the 2011 test year assuming that the Infrastructure Ontario loan is included for one-half of 2011 at 4.95%.

Question #27

Ref: All Interrogatory Responses

- a) Please update the Revenue Requirement Work Form to reflect any changes proposed by WNH as a result of the interrogatory responses provided, including any changes resulting from corrections to the original filing, updates, or adoption of changes resulting from the interrogatory responses.**
- b) Please provide a tracking sheet that shows the impact of each change proposed by WNH.**