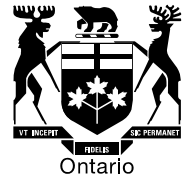


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BY E-MAIL

February 14, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Supplementary Questions for Technical Conference
2011 Electricity Distribution Rates
Waterloo North Hydro Inc.
Board File No. EB-2010-0144**

In accordance with Procedural Order No. 2, please find attached Board staff's Supplementary Questions for the Technical Conference scheduled for February 24, 2011, with respect Waterloo North Hydro Inc.'s 2011 Cost of Service rates application. Please forward the following to Waterloo North Hydro Inc. and to all other registered parties to this proceeding.

Sincerely,

Original Signed By

Keith C. Ritchie
Project Advisor - Applications

Attachment

**Waterloo North Hydro
2011 Cost of Service Application
EB-2010-0144**

Supplementary Questions for Technical Conference from Board staff

1. Ref: SEC IR # 4 – Capital Expenditures and Additions

- a) Please confirm whether the data shown in the response to SEC IR # 4 is capital additions added to rate base in the year or capital expenditures in the year.
- b) If the data shown is capital additions, please provide capital expenditures by USoA account for each year.

2. Ref: Board staff IR # 4 – Capital Expenditures

In its response to Board staff IR # 5, Waterloo North Hydro indicates that it views Guelph Hydro Electric Systems Inc's ("Guelph Hydro's") 2008 application filed in EB-2007-0742 as being more analogous to its situation with respect to the new operations and administration centre and treatment of the disposition of the existing Northfield Drive facility.

The following is taken from Guelph Hydro's pre-filed evidence in that application:

BUILDINGS AND FIXTURES

Guelph Hydro originally constructed Phase I of the Southgate Drive facility in 1995 as a service centre to support its Control Room, Line Construction, Vehicle Maintenance, Metering, Electrical Maintenance, Purchasing and Stores work groups.

The Applicant initiated the construction of the Phase II addition to its 395 Southgate Drive Service Centre building in spring of 2005. The Phase II project added 37,000 square feet of administrative office space built to a LEED standard for environmental energy efficiency. This building addition project also included the installation of a 500 kW natural gas fired backup generator to ensure the facility could support all emergency LDC operations in the event of an extended major power interruption, such as the one experienced in August 2003.

With the completion of the Phase II addition in June 2006, all of Guelph Hydro's staff were consolidated into a single work location at the 395 Southgate Drive facility.¹

The following is also taken from Guelph Hydro's application regarding the level of costs for the Southgate addition replacing the Dawson Road facility.

**Guelph Hydro Electric Systems Inc.
Capital Budget Summary
For The Years 2006, 2007 and 2008**

Description	Budget 2006	Budget 2007	Projection 2007	Budget 2008
Land	\$ -	\$ -	\$ -	\$ -
Building and Fixtures				
- Dawson Road	-\$ 1,500,000	-\$ 1,000,000	\$ -	\$ -
- Southgate	\$ 2,521,000	\$ 145,000	\$ 245,000	\$ 100,000
Total	\$ 1,021,000	-\$ 855,000	\$ 245,000	\$ 100,000

Source: Guelph Hydro, Application, Exhibit 2/Tab 3/Schedule 1/Appendix A/page 1, February 22, 2008

Board staff observes that, in the case of Guelph Hydro's 2008 application, the Dawson Road facility was being replaced by an addition to its existing operations centre, the original portion of which had been constructed more than ten years previously.

While Guelph Hydro's proposal was intended to benefit ratepayers through operational efficiencies due to consolidation of staff under one roof and with newer facilities that are more energy efficient and better suited given the customer base served, similar to Waterloo North Hydro's proposal, Toronto Hydro's proposal for operations centres' refurbishment and construction in its 2008 EDR application, referenced in Board staff IR # 4, was also intended to have similar benefits.

Given that Guelph Hydro's situation was replacement of an existing facility by an addition to its existent main operations and administration centre, rather than full replacement of its existing facility by a new facility, as was part of the situation for Toronto Hydro, please provide further explanation of why Waterloo North Hydro considers the Guelph Hydro situation a more suitable precedent than that of Toronto Hydro with respect to addition of the new operations centre and treatment of net proceeds upon the disposition of the existing Northfield Drive centre.

¹ Guelph Hydro Electric Systems Inc., Application, Exhibit 2/Tab 3/Schedule 2/page 1, February 22, 2008

3. Ref: Energy Probe IR # 26 – OM&A

In response to Energy Probe IR # 26, Waterloo North Hydro provided OM&A expenses for the period January to October 2010 inclusive, compared against the same period in 2009.

- a) Please explain the year-over-year increases in 2010 relative to 2009 for each of the categories: Operations; Maintenance; and Billing & Collections.
- b) Please explain the year-over-year decrease in Administration & General expenses in 2010 relative to 2009.

4. Ref: Energy Probe IRs # 38, 39, 40, 41 – PILs

In its responses to Energy Probe IRs, Waterloo North Hydro has advised of changes (such as computer hardware should be classified in CCA Class 50 rather than Class 10) or other omissions. Please provide an updated estimate of PILs reflecting any changes or corrections that Waterloo North Hydro is proposing or agreeing with. Please indicate which correction or changes are made in the response.

5. Ref: Board staff IR # 13 – Non-Labour Expense Inflation

Board staff IR # 13 asked Waterloo North Hydro to “provide the source for the 2.0% estimate for inflation in 2011 for OM&A costs other than labour.” In its reply, Waterloo North Hydro stated that: “WNH uses the Conference Board of Canada Economic Forecasts, as well as Economic Forecasts from the major Canadian banks.”

As requested in Board staff IR # 13, please provide copies of all source documents that Waterloo North Hydro has relied on for its estimate of non-labour expense inflation for 2011.

6. Ref: SEC IR # 10 – Meter Expenses

In its response to SEC IR # 10, Waterloo North Hydro states:

The variance [of \$169,165] 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.

Please confirm whether this increase is thus a one-time cost to “catch up” on deferred inspection and maintenance of commercial and industrial meters that

will not be needed beyond 2011, or if this represents an ongoing increase in metering maintenance expenses. Please explain your response.

7. Ref: Board Staff IR # 18 – HST

- a) Please provide an explanation for the difference in the amounts related to OM&A adjustments due to the impact of HST between the five months in 2010 (July to November - reported as approximately \$50,000) and the amount for the entire 12-month Test Year (estimated as \$76,691).
- b) In response to Board staff IR #18 b) ii), which requested an estimate of the increase of costs due the ITC restrictions, Waterloo North Hydro stated that: “WNH increased OM&A \$163 directly, and identified an additional \$10,193 in the Building costs, however as these impact capital and OM&A, an adjustment was not made”. Please explain what is meant by “an adjustment was not made”.