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March 1, 2011

Public Interest Advocacy Centre
34 Kings St. E., Suite 1102
Toronto, Ontario
M5C 2X8

VIA E-MAIL AND RESS

Attention: Mr. Michael Buonaguro

Dear Mr. Buonaguro:

**Re: May 1, 2011 Cost of Service Technical Conference Questions
Responses / EB-2010-0144**

Pursuant to the Technical Conference of February 24, 2011, Waterloo North Hydro Inc. (WNH) is enclosing its Responses to the Vulnerable Energy Consumers Coalition's Outstanding Technical Conference Questions of February 11, 2011.

WNH has filed an electronic copy of this document via the Board's web portal RESS and will deliver 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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March 1, 2011

Econalysis Consulting Services Inc.
34 King Street East, Suite 1102
Toronto, Ontario
M5C 2X8

VIA E-MAIL AND RESS

Attention: Mr. Bill Harper

Dear Mr. Harper:

**Re May 1, 2011 Cost of Service Technical Conference Questions
Responses / EB-2010-0144**

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Supplementary Questions for Technical Conference -
Vulnerable Energy Consumers Coalition (VECC)

**VULNERABLE ENERGY CONSUMERS COALITION (VECC)
TECHNICAL CONFERENCE QUESTIONS**

QUESTION #TC 3

Reference: Board Staff #39

- a) ***With respect to Table IR #39, please break the capital spending for 2008, 2009, 2010 and 2011 down as between Residential and GS<50 and report the resulting capital cost per meter by class.***

WNH had the following preliminary data on smart meter capital spending (meter and associated installation costs):

2008	\$ 268,010
2009	\$ 3,575,850
2010	\$ 3,231,428
2011	\$ 860,093 Budgeted

WNH purchases its single phase and poly phase units on a pooled basis, it does not specifically purchase by rate class. Purchasing on a pooled basis allows WNH to obtain better pricing on the meters.

WNH had the following preliminary data on smart meter infrastructure spending, of which the allocation to rate class has not yet been done:

2008	\$362,107
2009	\$730,253
2010	\$335,894

**Supplementary Questions for Technical Conference -
Vulnerable Energy Consumers Coalition (VECC)**

WNH notes that it has not included smart meters in this application and has not applied for disposition of its variance accounts.

Some preliminary work has been done; however, detailed allocation by rate class has not yet been completed. This will be completed when WNH applies for disposition of its Smart Meter Variance Accounts.

- b) What is the anticipated cost per meter for the 2,700 polyphase meters planed for 2011 as compared to the cost per meter for the Smart Meters installed for Residential and GS<50 customers in 2008-2010?***

The estimated 2011 installed cost for the 2,700 polyphase meters, is \$479 per meter, as compared to an estimate of \$454 for polyphase meters installed in 2010. The cost of the meter will be the same; however, the installation costs in 2011 will be higher than in 2010. In the smart meter work program, meters designated as more difficult to install (i.e. access issues) have been left until the end of the installation program, hence, the increased installation costs for 2011.

Supplementary Questions for Technical Conference -
Vulnerable Energy Consumers Coalition (VECC)

QUESTION #TC 10

Reference: Exhibit 4, page 21, Table 4-5

- a) Please update this table to include 2010 actual OM&A expenses.***

WNH has provided the table below, based on its preliminary 2010 data. WNH notes that adjustments were required to be made to the table provided in Energy Probe TCQ #15 to arrive at the table provided in this response.

Supplementary Questions for Technical Conference -
Vulnerable Energy Consumers Coalition (VECC)

Table TCQ # 10 (a) – Preliminary 2010 USoA

Distribution Expenses - Maintenance	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Test
5105 - Maintenance Supervision and Engineering	(4,300)	189,322	-	-	-	-	-
5110 - Maintenance of Structures	66,472	29,763	45,236	62,755	48,022	32,286	55,468
5112 - Maintenance of Transformer Station Equipment	58,082	114,169	35,045	110,352	83,893	113,017	36,473
5114 - Maintenance of Distribution Station Equipment	133,744	76,510	127,355	114,238	166,363	27,283	77,262
5120 - Maintenance of Poles, Towers and Fixtures	347,797	449,429	406,736	366,819	133,113	216,110	225,985
5125 - Maintenance of Overhead Conductors and Devices	193,671	134,879	158,509	159,150	248,807	196,247	322,983
5130 - Maintenance of Overhead Services	71,414	43,921	13,688	8,765	30,590	43,868	35,204
5135 - Overhead Distribution Lines and Feeders - Right of Way	520,484	448,802	550,532	535,739	430,580	469,268	445,716
5145 - Maintenance of Underground Conduit	2,376	8,037	308	-	-	-	-
5150 - Maintenance of Underground Conductors and Devices	31,496	21,615	9,953	14,970	6,645	1,741	14,012
5155 - Maintenance of Underground Services	135,614	129,060	69,693	156,402	140,929	162,010	174,972
5160 - Maintenance of Line Transformers	70,364	69,840	87,650	174,224	86,876	178,249	160,395
5165 - Maintenance of Street Lighting and Signal Systems	-	-	-	-	-	-	-
5170 - Sentinel Lights - Labour	-	-	-	-	-	-	-
5172 - Sentinel Lights - Materials and Expenses	-	-	-	-	-	-	-
5175 - Maintenance of Meters	4,466	3,843	18,596	26,874	8,833	8,087	10,711
5178 - Customer Installations Expenses - Leased Property	-	-	-	-	-	-	-
5195 - Maintenance of Other Installations on Customer Premises	-	-	-	-	-	-	-
Sub-Total - Distribution Expenses - Maintenance	1,631,681	1,719,190	1,523,299	1,730,289	1,384,651	1,448,166	1,559,180

Supplementary Questions for Technical Conference -
Vulnerable Energy Consumers Coalition (VECC)

Distribution Expenses - Operation	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Test
5005 - Operation Supervision and Engineering	4,300	-	-	-	-	-	-
5010 - Load Dispatching	710,643	843,791	962,687	1,047,310	987,610	1,031,729	1,252,456
5012 - Station Buildings and Fixtures Expense	306,997	408,157	430,232	457,953	419,551	402,622	434,630
5014 - Transformer Station Equipment - Operation Labour	145,779	149,544	113,269	149,488	93,249	135,911	122,155
5015 - Transformer Station Equipment - Operation Supplies and Expenses	55,912	56,832	39,595	60,647	37,041	45,059	78,613
5016 - Distribution Station Equipment - Operation Labour	118,319	84,090	113,409	176,698	177,503	128,901	123,042
5017 - Distribution Station Equipment - Operation Supplies and Expenses	64,885	32,347	66,150	67,202	92,946	41,126	81,766
5020 - Overhead Distribution Lines and Feeders - Operation Labour	601,825	542,982	533,172	676,820	844,746	788,493	574,591
5025 - Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	274,274	208,059	278,914	248,020	273,540	359,176	392,386
5030 - Overhead Subtransmission Feeders - Operation	-	-	-	-	-	-	-
5035 - Overhead Distribution Transformers - Operation	-	-	-	-	3,269	-	5,014
5040 - Underground Distribution Lines and Feeders - Operation Labour	203,006	67,455	134,662	99,684	26,768	-	65,092
5045 - Underground Distribution Lines and Feeders - Operation Supplies and Expenses	45,343	41,917	66,362	77,344	8,877	71,131	25,005
5050 - Underground Subtransmission Feeders - Operation	-	-	-	-	-	-	-
5055 - Underground Distribution Transformers - Operation	141	66	-	-	10,515	-	10,796
5060 - Street Lighting and Signal System Expense	-	-	-	-	-	-	-
5065 - Meter Expense	436,602	349,700	410,333	322,022	236,090	190,971	405,255
5070 - Customer Premises - Operation Labour	-	-	-	-	-	-	-
5075 - Customer Premises - Materials and Expenses	3,902	-	-	-	-	-	-
5085 - Miscellaneous Distribution Expense	310,178	294,626	231,479	255,094	262,281	285,098	306,733
5090 - Underground Distribution Lines and Feeders - Rental Paid	-	-	-	-	-	-	-
5095 - Overhead Distribution Lines and Feeders - Rental Paid	-	-	-	-	-	-	-
5096 - Other Rent	-	-	-	-	-	-	-
Sub-Total - Distribution Expenses - Operation	3,282,106	3,079,565	3,380,262	3,638,282	3,473,986	3,480,217	3,877,534

Supplementary Questions for Technical Conference -
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Billing and Collecting	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Test
5305 - Supervision	69,642	91,687	116,569	106,573	113,434	57,939	117,462
5310 - Meter Reading Expense	256,546	285,926	246,673	241,803	259,260	256,011	260,318
5315 - Customer Billing	652,878	696,308	727,243	668,799	726,373	1,229,968	1,207,472
5320 - Collecting	293,561	329,214	339,961	347,902	384,899	654,739	581,187
5325 - Collecting - Cash Over and Short	98	13	81	2,393	253	-	-
5330 - Collection Charges	(56,496)	(92,320)	(87,180)	(66,917)	(74,948)	(74,129)	(77,500)
5335 - Bad Debt Expense	107,989	51,410	129,321	295,004	189,953	89,416	100,000
5340 - Miscellaneous Customer Accounts Expenses	-	-	-	-	-	-	-
Sub-Total - Billing and Collecting	1,324,218	1,362,238	1,472,667	1,595,556	1,599,224	2,213,944	2,188,939

Community Relations	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Test
5405 - Supervision	58,551	38,688	-	-	-	-	-
5410 - Community Relations - Sundry	123,491	129,582	80,898	65,692	66,458	153,979	163,663
5415 - Energy Conservation	50,065	387,338	205,935	25,703	30,847	41,249	50,000
5420 - Community Safety Program	21,696	27,335	23,951	28,302	24,314	-	33,114
5425 - Miscellaneous Customer Service and Informational Expenses	-	-	-	-	-	-	-
- Sales Expenses	-	-	-	-	-	-	-
5505 - Supervision	-	-	-	-	-	-	-
5510 - Demonstrating and Selling Expense	-	-	-	-	-	-	-
5515 - Advertising Expense	-	-	-	-	-	-	-
5520 - Miscellaneous Sales Expense	-	-	-	-	-	-	-
Sub-Total - Billing and Collecting	253,802	582,943	310,784	119,696	121,619	195,228	246,777

Administrative and General Expenses	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Test
5605 - Executive Salaries and Expenses	519,160	515,160	490,417	486,500	474,131	505,825	464,036
5610 - Management Salaries and Expenses	-	-	-	-	-	-	-
5615 - General Administrative Salaries and Expenses	1,174,617	1,149,125	1,011,759	1,005,375	1,274,834	1,355,939	1,453,695
5620 - Office Supplies and Expenses	-	-	-	-	-	-	-
5625 - Administrative Expense Transferred-Credit	(734,909)	(507,832)	(349,783)	(463,386)	(376,582)	(622,196)	(499,705)
5630 - Outside Services Employed	106,223	177,884	94,047	83,113	121,337	118,619	90,300
5635 - Property Insurance	-	-	-	-	-	-	-
5640 - Injuries and Damages	258,434	116,780	142,929	135,898	109,923	79,923	115,300
5645 - Employee Pensions and Benefits	(409,153)	(203,942)	-	-	-	-	-
5650 - Franchise Requirements	-	-	-	-	-	-	-
5655 - Regulatory Expenses	73,442	312,703	398,144	377,610	393,922	493,099	471,686
5660 - General Advertising Expenses	-	-	-	-	-	-	-
5665 - Miscellaneous Expenses	252,362	220,879	219,082	232,766	226,261	212,106	216,095
5670 - Rent	-	-	-	-	-	-	-
5675 - Maintenance of General Plant	-	-	-	-	-	-	-
5680 - Electrical Safety Authority Fees	-	-	-	-	-	-	-
5685 - Independent Market Operator Fees and Penalties	-	-	-	-	-	-	-
5695 - OM&A Contra Account	-	-	-	-	-	-	-
Sub-Total - Administrative and General Expenses	1,240,177	1,780,756	2,006,595	1,857,875	2,223,826	2,143,315	2,311,407

Total - OM&A Expenses	7,731,984	8,524,692	8,693,608	8,941,699	8,803,306	9,480,870	10,183,838
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Supplementary Questions for Technical Conference -
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QUESTION #TC 11

- c) *Please explain why approved OM&A budgets exceed actual OM&A expenses in every year and to a significant extent.***

Please refer to Energy Probe # 24 (b) for the years 2006 – 2009.

The variance for 2005 is due primarily to higher than budgeted revenues for water and sewer billings as well as higher than budgeted administration charges for work done for others. Revenues from these sources are treated as an offset to OM&A expenses for regulatory purposes.