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January 30, 2008

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2007-0901
Espanola Regional Hydro Corporation – 2008 Electricity Distribution Rate Application

Please find enclosed the interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

Espanola Regional Hydro Distribution Corporation (ERHDC)
2008 Electricity Rate Application
Board File No. EB-2007-0901

VECC's Interrogatories

Question #1

Reference: i) Exhibit 1, pages 33-34

a) Please indicate where in the Application EFHDC has provided an explanation as to the reasons for the two new variance accounts it is requesting. If not provided as part of the current Application, please provide the following for each of the two accounts requested:
   - A description as to the purpose of the account (i.e., why is it needed)
   - An explanation as to precisely what costs/revenues will be recorded in the account
   - A draft accounting order for the account.

Question #2

Reference: i) Exhibit 1, page 35

a) Please confirm that ERHDC has not been authorized (as yet) to undertake Smart Meter installations. If it has, please provide a copy of the authorization. If not, does ERHDC have any indication as to when such authorization will be provided?

Question #3

Reference: i) Exhibit 1, page 44

a) Please confirm that ERHDC is fully embedded within Hydro One Networks and does not pay any Transmission charges directly to the IESO. If this not the case, please indicate the percentage of ERHDC's purchases that are made directly from the IESO administered grid.

Question #4

Reference: i) Exhibit 1, page 45
ii) Exhibit 4, page 13

a) Exhibit 4 includes copies of the Management Services and the Billing/Customer Service Agreements that ERHDC has with PUC. In both instances the Service Schedule outlining the specific service to be provided and the associated charges have been omitted – please provide.

b) If there are separate Agreements and Service Schedules for the Retail Settlement Services and Software Support Services provided by PUC, please provide these as well.

Question #5

Reference: i) Exhibit 1,page 162

a) Please confirm that the Distribution Revenue value ($1,064,527) was calculated by applying the approved 2007 rates (excluding the smart meter rate adder) to the forecast 2008 billing quantities for each class.

b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:
- The 2007 rates used for each customer class
- The 2008 billing quantities for each customer class
- The total revenues by customer class

c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule per part (b).

d) Please explain why there are no “property taxes” included in the Deficiency calculation.

e) In the determination of the “deficiency” please confirm that interest is included as a separate cost (I.e., $120,835) and then captured again as part of the overall cost of capital. Please remove any double counting of interest costs and redo the deficiency calculation.

f) Please explain why the other Distribution revenue value of $156,075 does not match the 2008 other revenue value reported in Exhibit 3 (page 14) of $146,652.

Question #6

Reference: i) Exhibit 1, pages 165-178 (2006 Financial Statements)

a) Page 175 (Note 8 b) makes reference to amounts paid by the company to the IESO for the cost of energy. However, on page 44, ERHDC indicated it was an embedded distributor. Is ERHDC a registered market participant?

b) If the response to part (a) is yes, please explain the cost and benefits to ERHDC of registering as a market participant.

c) If the response to part (a) is no, please explain the basis on which ERHDC pays the IESO (as opposed to Hydro One) for the cost of energy.

Question #7

Reference: Exhibit 2, pages 27-28

a) How does ERHDC determine the number of "pole replacements" that will occur in a given year? Why is the number of replacements doubled from 2007 to 2008?

b) How many new services (customers) were added in 2006 for the $23,295?

c) How many new services (customers) were added in 2007 for the $47,635?

d) Why is there no forecasted expenditures on Services in 2008?

e) Please explain the "customer demand" that gives rise to the $30,883 spending on lines. Why is there no capital contribution associated with this requirement?

f) Please provide the asset condition assessment or other analyses that supports the need to replace the substation equipment in 2008.

g) Please provide the asset condition assessment or other analyses that supports the need to replace the underground conduit in 2008.

Question #8

Reference: Exhibit 2, page 33

a) Please explain the basis for the 2007 and 2008 forecast values for Power Purchased Expenses.

b) Please explain why there are no Transmission Charges included for 2007 or 2008 (i.e., #4714 and #4716).

c) Please explain the "One-Time" charge for $244,300 included for 2008.

d) Please provide a schedule that reconciles ERHDC's forecast sales for 2008 per Exhibit 3 and the current wholesale charges for Rural Remote Rate Assistance (RRRA) for $0.001/kWh with the projected 2008 value of $334,165.

e) Please explain the 23% increase in WMS charges assumed between 2006 and 2008.

Question #9

Reference: Exhibit 3, page 6

a) Please reconcile the decrease in customers reported for 2006 and 2007 with the fact there was capital spending (Exhibit 2, pages 27-28) on new services in 2007 and 2008.

Question #10

Reference: Exhibit 3, page 8

a) Please explain why there is such a large difference in the loss factors calculated for each rate class for 2004.

Question #11

Reference: i) Exhibit 3, page 14

a) Please explain what is captured under "Other Electric Revenues" and why the value decreases by 30% between 2007 and 2008.

b) Where is the revenue from the SSS Admin charge reflected and what is the forecast revenue for 2008?

Question #12

Reference: i) Exhibit 4, pages 4-12

a) What is the reason for the increase is Maintenance of Overhead Lines (#5125) between 2006 (actual) and 2007?

b) What is the reason for the increase in Account #5020 between 2007 and 2008?

c) With respect to Purchase of Services (page 12), in which account are the costs for each of the services listed recorded?

d) With respect to the purchase of services from PUC Inc., the Application indicates that for three areas the price was based on a tender. Please indicate how many parties submitted tenders for each of these services provided by PUC and, in each case, whether PUC was the lowest cost. If not the lowest cost tender, please explain why PUC was selected as the service provider.

Question #13

Reference: i) Exhibit 4, page 34

a) Does ERHDC have any explanation as to why its loss factor is declining between 2004 and 2006 so markedly?

Question #14

Reference: i) Exhibit 5, pages 2-6

a) Please confirm that ERHDC is recording the revenues associated with its 2007 approved Smart Meter rate adder in Account #1555.

b) Are there any other Regulatory Asset accounts with non-zero balances as of December 31, 2006 other than those set out on page 4? If so, please identify them and indicate the December 31, 2006 balance.

c) For each of ERHDC's deferral/variance accounts, please provide a continuity schedule for the period from December 31, 2004 to December 31, 2006 showing annual credits and debits to the account as well as carrying costs.

d) With respect to the claim for recover of costs recorded in Account #1570 (Transition Costs), ERHDC's Application does not conform with the requirements set out the OEB in its December 2004, Decision with Reasons on the Review and Recovery of Regulatory Assets – Phase 2 and the Filing Guidelines subsequently issued on July 12, 2005. Please explain why ERHDC has not provided the necessary documentation.

e) What costs are included in the "Other Regulatory Assets" account (#1508)

f) What costs are captured in the “Miscellaneous Deferred Debits” account (#1525)?

g) Please confirm that ERHDC’s 2006 (and 2007) rates included an adder to recovery LV Charges? If so, how were the revenues recorded?

h) Please provide a schedule that shows the calculation of the residual balance in Account #1590 ($31,700) as of April 30, 2008.

Question #15

Reference: Exhibit 6, pages 2-8

a) Please clarify whether ERHDC is requesting approval of a capital structure that is 53 % debt or 53.33% debt.

b) On page 4, ERHDC states that it will be <u>reduce</u> its long term debt to move the actual capital structure closer to the deemed structure of 60% debt. However, on page 3 the schedule shows that the actual debt ratio for 2007 is 51.91% - which is, already, less than the deemed debt component. Please reconcile.

c) What is the basis for the reported 5.82% cost of debt. EHRDC’s most recent financial statements for 2006 indicate the existing cost of debt is 5%.

Question #16

Reference: i) Exhibit 8, pages 1-7

a) Please provide a copy of the Cost Allocation informational filing Run that best matches ERHDC’s 2008 Rate Application.

Question #17

Reference: Exhibit 8, pages 8-10

a) Why is ERHDC proposing to increase the Revenue to Cost ratio for GS > 50 to 100% while leaving the ratio for Unmetered Scattered Load at 92%?

b) Why aren’t the proposed ratios for Street Light and Sentinel Light closer to 100%?

c) Please explain plain how the revenue proportions set out in the table on page 8 under the columns “Cost Allocation” and “Existing Allocation” were determined.

d) If the response to part (c) indicates the revenue proportions are based on the revenues and costs from the Cost Allocation Informational filing then please explain why these percentages are appropriate for 2008 when the customer count and loads forecast for each customer class have changed between 2006 (the year used in the Informational filing) and 2008.

e) Please recalculate the revenue proportions associated with the "Existing Allocation" as follows:
   - Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate Adder and the LV Cost recovery adder) and forecast 2008 billing parameters
   - Determine the revenue proportions based on the results of the preceding step.

   Please provide a schedule that sets out the associated input data and calculations.

f) Please explain how the "Proposed Allocation" percentages on page 8 were derived and why they are consistent with the proposed revenue to cost ratios.

<u>Question #18</u>

Reference: i) Exhibit 9, pages 2-8

a) The Base Revenue Requirement ($1,193,752) derived by ERHCD (see pages 2-3) does not appear to provide for the recovery of the transformer ownership allowance discount:
   - What is the forecast "cost" of the discount for 2008?
   - Please provide a breakdown of the forecast "cost" by customer class – i.e. is it all associated with the GS > 50 class.

b) Please provide a schedule that sets out the calculation of the "Percentage of Current Class Revenue from Current Monthly Fixed Charge Table" on page 4.

c) If not done so in the Application, please recalculate the "Percentage of Current Class Revenue from Current Monthly Fixed Charge" as follows for each customer class:
   - Base the fixed charge revenue on the 2007 approved monthly fixed charge (excluding the Smart Meter Rate Adder)
   - Base the variable charge revenue on the 2007 approved variable distribution rate (excluding the LV adder)

d) Please recalculate Table shown on page 5 based on the results of part (c) above.

<u>Question #19</u>

Reference: i) General

a) Please provide copies of all Board Decisions pertaining to ERHDC’s rates issued since December 31, 2004.

<u>Question #20</u>

Reference: i) Exhibit 9

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
   - Consume less than 100 kWh per month
   - Consume 100 -> 250 kWh per month
   - Consume 250 -> 500 kWh per month
   - Consume 500 -> 750 kWh per month

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