

## **INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA**

### **TO HYDRO OTTAWA LIMITED 2012 ELECTRICITY DISTRIBUTION RATES EB-2011-0054**

#### **GENERAL**

1. In its 2011 Application Hydro Ottawa was seeking approval of rates that represented an increase over its previously approved rates. The 2012 Application is now seeking a rate decrease. Please explain, specifically what has changed between the two Applications.
2. (Ex. A1/T9) Hydro Ottawa has filed its "Conditions of Service" dated January 1, 2011. Please provide a detailed list of all of the changes made since the Conditions were last filed with the Board.
3. (Ex. A2/T1/S3) The 2012 deficiency is \$11.317 million. Please provide a more detailed description of the drivers of the deficiency.
4. Please indicate when Hydro Ottawa intends to file its next cost of service application.
5. Please explain how Hydro Ottawa intends to meet its prescribed CDM targets. What are the impacts of this on the 2012 revenue requirement? Have the internal costs associated with the OPA programs been eliminated from the revenue requirement? Is Hydro Ottawa fully compliant with the CDM Code. If not, please explain.

#### **Issue 1.2 Are Hydro Ottawa's economic and business planning assumptions for 2012 appropriate?**

6. (Ex. A2/T2/S2) Hydro Ottawa has provided the Budget Guidelines for its 2011 Cost of Service Rate Application. Please explain, in detail how the 2012 budget was prepared. Hydro Ottawa has set out the strategic initiatives that were to be included in the 2011 Business Plan. Please indicate to what extent each of those initiatives were undertaken in 2011, or deferred to 2012.

#### **Issue 1.4 Is the proposal to align the rate year with Hydro Ottawa's fiscal year, and for rates effective January 1, 2012 appropriate?**

7. What would be the amount of revenue foregone if 2012 rates were effective May 1, 2012 rather than January 1, 2012?

#### **RATE BASE**

#### **Issue 2.2 Is the capital expenditure forecast for the test year appropriate?**

8. (Ex. B1/T2/S3) Please set out a detailed budget for Information Management and Technology Management Strategy for the years 2008-2012. Please include Board approved amounts. Please include all business cases.
9. (Ex. B1/T2/S3) For each of the budget areas listed for 2011 and 2012 please provide a detailed budget.
10. (Ex. B1/T2/S5) Please set out a detailed budget for Fleet Strategy for the years 2008-2012. Please include Board approved amounts.
11. (Ex. B1/T2/S6) Please provide a detailed budget for the CIS Transition Project for the years 2008-2012. Please include Board approved amounts. Hydro Ottawa has a \$6.9 million budget for the project for 2011. What is the amount incurred to date in 2011? Is the budget expected to be \$6.9 million?
12. (Ex. B1/T2/S7) Please explain how "greening the fleet" benefits Hydro Ottawa's distribution customers. Has Hydro Ottawa performed a cost-benefit analysis for this initiative? If so, please provide the analysis. If not, why not?
13. (Ex. B1/T2/S7) Please provide a detailed budget for the 5 year Environmental Sustainability Strategy.
14. (Ex. B5/T1/S1/p. 1) Please restate Table 1 (Total Capital Expenditures) to include 2008 Board approved numbers, as well as 2011 and 2012.
15. (Ex. B5/T1/S2) Please restate Table 1 to include 2008 Board approved numbers, as well as 2011 and 2012.
16. (Ex. B5/T5/S1) Capital Expenditures for 2012 represent a more than 40% increase over 2010 levels. What has Hydro Ottawa done to minimize its overall capital expenditure levels. Given the significant increase are there projects included in the 2012 budget that could be eliminated or deferred. If so, please identify those projects. If not, why not?
17. (B5/T5/S1) Total capital expenditures (net of contributions) for 2011 are forecast to be \$84.888 million. What is the most current projection for 2011 based on actual results to date? In addition, please provide a schedule setting out all major projects planned for 2011 and 2012 with the most updated in-service dates.
18. (Ex. B6/T1/S1) Hydro Ottawa has provided its 2010 and 2011 asset management plans. Please explain, in detail, how each of these plans were developed. Did Hydro Ottawa obtain an independent assessment of its assets from a third-party? If not why not? If so, please provide the results of that assessment(s).

#### **Issue 2.5 Is Hydro Ottawa's Green Energy Act Plan appropriate?**

19. (Ex. B1/T2/S2/p. 1) Please explain why Hydro Ottawa is only seeking approval of its 2012 Green Energy Plan expenditures.

20. (Ex. B1/T2/S2/Attachment P) Please provide one schedule setting out Hydro Ottawa's Green Energy Plan budget (OM&A and Capital) for the years 2012-2016. Please specify the exact amounts for 2012 that Hydro Ottawa is seeking approval for.

21. (Ex. B1/T2/S2/Attachment P) Has Hydro Ottawa's Green Energy Plan changed since it was last filed as a part of the 2011 Application? If so, what specifically has changed?

## **LOAD FORECAST AND OPERATING REVENUE**

### **Issue 3.5 Is the test year forecast for other revenues appropriate?**

22. (Ex. C2/T1/S1) For each of the categories of Other Revenue please explain how the forecast was derived. Please explain how, if at all these forecasting methods have changed since Hydro Ottawa's last cost of service proceeding.

## **OPERATING COSTS**

### **Issue 3.1 Is the overall OM&A forecast for the test year appropriate?**

23. (Ex. D1/T1/S1) The evidence states that 15 apprentices have been planned for 2011. What is the total cost of these additions. How many apprentices have been hired to date? Is Hydro Ottawa still planning to add 15?

24. (Ex. D1/T1/S1) Please provide a detailed description of Hydro Ottawa's Suite Metering program and its impact on the 2012 revenue requirement.

25. (Ex. D1/T4/S4/p. 5) For each of the Customer Service Strategy Initiatives listed did Hydro Ottawa undertake a quantitative cost-benefit analysis? If not, why not? If so, please provide.

26. (Ex. D1/T4/S4/p. 5) Please provide a schedule setting out the total expenditures for the Customer Service Strategic Plan for each year of the plan. Please differentiate between capital and operating expenses.

27. (Ex. D1/T1/S2/p. 3) Please provide the updated numbers for 2011(OM&A Cost Driver Table), based on actuals to date.

### **Issue 4.4 Are the 2012 compensation costs and employee levels appropriate?**

28. (Ex/ D1/T5/S1/p. 3) For the years 2006-2010 please provide a schedule setting out the number of employees eligible to retire in each year and the number of employees that actually opted to retire. Please provide the basis for the assumption that 75% of those eligible to retire will retire on their eligibility date or shortly thereafter.

29. (Ex. D1/T1/S2/p. 4) Please provide the impact on the 2012 revenue requirement if the management staff compensation increase was limited to 2%.

30. (Ex. D1/T1/S2/p. 4) What has been Hydro Ottawa's historical vacancy rate for the years 2006-2010?

31. (Ex. D3/T1/S1/p. 1) Does Hydro Ottawa have a vacancy rate included in the numbers in Table 1 - Full and Temporary Equivalents?

**Issue 4.2 Are the methodologies used to allocate shared services and other costs appropriate?**

32. (Ex. A1/T7/S2) For each of the senior leadership positions set out on p. 2, please provide explain how the salaries are allocated between Hydro Ottawa, Hydro Ottawa Holding Inc. and Energy Ottawa. What is the total forecast annual cost for all of these positions?

33. (Ex. A1/T7/S1) Please indicate to what extent Energy Ottawa is involved in Hydro Ottawa's CDM initiatives.

34. (Ex. A3/T1/S1) Please provide the forecast annual cost associated with the Hydro Ottawa Limited and Hydro Ottawa Holding Inc. Boards of Directors. How are those costs allocated?

35. (Ex. A1/T7/S3) Have the Service Level Agreements for 2012 been executed? If not, when will they be executed and when will they be filed with the Board?

**CAPITAL STRUCTURE AND COST OF CAPITAL**

**Issue 5.1 Is the proposed capital structure, rate of return on equity and short-term debt rate appropriate?**

36. Please provide Hydro Ottawa's actual ROE for each year 2008-2010. What is the current forecast ROE for 2011?

**Issue 5.2 Is the proposed long term debt rate appropriate?**

37. (Ex. E1/T1/S1/p. 3) What is the current status regarding Hydro Ottawa's plans to issue new long-term debt?

**SMART METERS**

**Issue 6.1 Is the proposed elimination of the smart meter rate adder and the inclusion of the smart meter costs in the 2012 revenue requirement appropriate?**

38. (Ex. I2/T1/S1/p. 3) The evidence indicates that the 2010 capital additions include \$3.5 million related to the integration to the provincial MDM/R. Please provide a complete breakdown of these costs. How do they compare to the costs incurred by other LDCs? What are the ongoing annual costs of MDM/R integration? What are the costs included in the test year?

39. (Ex. I2/T1/S1/p.3) Please provide a schedule setting out all smart meter costs incurred to date. Please include operating and capital costs. What has been the overall cost per customer (including all costs) of the smart meter initiative?

40. (Ex. I2/T1/S1) What is the impact on the 2012 revenue requirement of including all smart meter costs incurred to date in that revenue requirement?

## **COST ALLOCATION**

### **Issue 7.2 Is Hydro Ottawa's cost allocation appropriate?**

40. (Ex. G1/T1/S1) Please provide a summary of the major cost allocation changes resulting from the new Elenchus study. What process did Hydro Ottawa follow in terms of adopting the changes proposed by Elenchus?