

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 Guelph
Hydro Electric System Inc. for an order or orders approving
just and reasonable rates and other charges for electricity
distribution to be effective January 1, 2012.

INTERROGATORIES
FROM THE
SCHOOL ENERGY COALITION

[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]

1 GENERAL

Issue 1.1: Has Guelph Hydro responded appropriately to all relevant Board directions from previous proceedings?

Issue 1.2: Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?

1. [Ex. 1/2/1, p.1] Please confirm that the actual return on equity of the Applicant for 2010 was 8.71% based on the 2010 Distributors' Annual Data published by the Board. Please advise why the Applicant has concluded that the return on equity will drop so precipitously in 2011 and 2012.
2. [Ex. 1/2/2, p. 2] Please provide the presentation and supporting documents used for the review by the Finance Audit Committee of the 2012 Budget. If any material business planning assumptions, and the Applicant's response to them, are not included in those documents, please describe those assumptions and responses, and how they were communicated to the Finance Audit Committee.
3. [Ex. 1/2/2, p. 3] Please provide a list of all stakeholder engagement activities referred to, as implemented in the 12 month period leading up to approval of the 2012 budget.

4. Ex. 1/3/1, App. E, p. 33] Please provide the basis for the statement “In the absence of rate regulation, earnings before provision for payments in lieu of taxes would have been higher by \$4,288”, and the calculation supporting it.
5. [Ex. 1/2] Please provide a copy of any shareholders’ agreement, shareholder’s direction, or other such document relating directly or indirectly to the Applicant, including but not limited to any agreement or direction relating to the parent company that indirectly affects the Applicant.

Issue 1.3: Is service quality, based on the Board specified performance indicators, acceptable?

Issue 1.4: Is the proposal to align the rate year with its next fiscal year, which starts January 1, 2012, appropriate?

2. RATE BASE

Issue 2.1: Is the proposed rate base for the test year appropriate?

Issue 2.2: Is the working capital allowance for the test year appropriate?

Issue 2.3: Is the capital expenditure forecast for the test year appropriate?

6. [Ex. 1/1/2, p. 3] Please provide an update on the status of the new St. Clair MTS.
7. [Ex. 1/2/2, p. 4] Please provide the original cost-benefit analysis supporting the construction of the new MTS, and any updates to that analysis that have been prepared. Please confirm whether the most up to date cost-benefit analysis provided in response to this question represents the Applicant’s current view of all costs and benefits associated with this project.
8. [Ex. 1/2/2, p. 1] Please provide the original document or documents listing and prioritizing the capital projects for 2011 and 2012, including those capital projects proposed but not ultimately included in the capital budget.
9. [Ex. 1/2/2, p. 5] Please provide the “capital budget template” referred to or, if it is already in evidence, provide a specific reference to where it can be found.
10. [Ex. 2] Please provide the capital investment figures, broken down by category, for the last ten years.

Issue 2.4: Is the capitalization policy and allocation procedure appropriate?

11. [Ex. 2] Please provide the Applicant’s current and former written capitalization policy documents, together with any report not already on the record dealing with changes to capitalization policy required due to the change to IFRS.

3. LOADS, CUSTOMERS - THROUGHPUT REVENUE

Issue 3.1: Is the load forecast methodology including weather normalization appropriate?

Issue 3.2: Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?

Issue 3.3: Is CDM appropriately reflected in the load forecast?

Issue 3.4: Is the proposed forecast of test year throughput revenue appropriate?

Issue 3.5: Is the test year forecast of other revenues appropriate?

4. OPERATING COSTS

Issue 4.1: Is the overall OM&A forecast for the test year appropriate?

12. [Ex. 1/2/2, p. 1] Please provide a copy of the “in-depth review of operating priorities and requirements” referred to.
13. [Ex. 1/2/2, p. 2] Please provide details of all changes to the 2012 budget since its approval in November, 2010.
14. [Ex. 1/3/2, App. F] Please provide the most recent year to date results for 2011, together with any revisions to the forecast for the period ending December 31, 2011.
15. [Ex. 2/3/3, App. H – which appears to be misnumbered, and should be 1/3/3, App. H – p. 9] Please provide full details of the “restructuring” referred to.
16. [Ex. 4/1/1, p.2] Please describe how, with budgets “built” on prior year actuals, opportunities to reduce or eliminate costs are included in the budget process.
17. [Ex. 4/2/5, p. 2] Please provide a table or chart showing all impacts of re-allocations between categories, and accounting changes, affecting any of the numbers on this table. Please explain all such impacts, such that it is possible to do proper comparisons between the figures on a year by year basis.

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

18. [Ex. 1/1/14, p. 1] Please confirm that the current combined heat and power and district energy initiatives are being carried out in Ecotricity. Please provide a status report on that activity, including details of any utility resources being used to pursue those opportunities.

19. [Ex. 4/2/3, p. 1] Please provide a table showing all allocations from one department to another, including amounts and basis of allocation. Please advise any changes to those allocations during the period 2008 through 2012.
20. [Ex. 4/2/5, p. 4] Please provide the basis for estimating intervenor costs at \$25,000 and transcription costs at \$3,500.
21. [Ex. 4/2/8, p. 2] Please confirm that the 10% markup described in Table 4 is intended to cover overheads, supervision, and similar indirect costs. Please provide backup for the estimate that 10% is a sufficient markup. If the markup is not for this purpose, please identify its purpose, and describe how indirect costs are included in the shared services allocation.
22. [Ex. 4/2/8, p. 3] Please reconcile rent at “fair market value” with the description of rent at cost plus a 4% market. Please provide all market data supporting the amount charged.
23. [Ex. 4/2/8, p. 3] Please provide the water billing “allocation model”, fully populated with the latest data currently available.
24. [Ex. 4/2/8, p. 3] Please describe how indirect costs are included in the charges for street and sentinel lighting maintenance. Please confirm that the Applicant provides operating, maintenance and emergency services to other utilities and arms length third parties, whether or not related to street or sentinel lighting. Please provide the basis on which those utilities and third parties are charged for those services, including any overheads, markups, and other such amounts.
25. [Ex. 4/2/8, App. 2-L] Please provide a full breakdown of how much of the “actual cost for the service” listed on each line is allocated to the utility and each affiliate.
26. [Ex. 4/2/8, App. A, Services Agreement] With respect to the Services Agreement:
 - a. Please provide a “compare” document marking up this agreement to the last services agreement approved by the Board for the Applicant and its affiliates.
 - b. P. 7. Please provide the most recent “detailed breakdown of its fully-allocated cost” received by the Applicant by each affiliate from which it receives services, and the most recent such documents provided by the Applicant to each affiliate to which it provides services.
 - c. P. 20. Please provide a chart showing all of the most recent agreed monthly payments, what each is for, from and to whom it is payable, the date agreed and basis of the agreement, and the document in which the amount was agreed to.
27. [Ex. 4/2/8, App. A, Water agreement] With respect to the Water Agreement:

- d. P. 7. Please advise when the service in section 6.2 commenced, all costs incurred by the Applicant to add that service (with an appropriate breakdown and allocation), and any resulting price increase and how it was calculated.
- e. P. 10. Please provide the same information for the obligation described in section 11.1.
- f. P. 11. Please provide the monthly Financial Statements described in section 13.6, as delivered in each month from September 2010 to August 2011 inclusive.
- g. P. 11. Please confirm that failure to collect any account does not result in financial consequences to the Applicant. Please provide an explanation of an incentive the Applicant has to maximize collection of accounts.
- h. P. 12. Please describe all changes that have been or are being implemented or proposed to the operational and financial terms of this Agreement as a result of the implementation by the Applicant of smart meters.
- i. P. 14. Please explain the difference between Section 24.0 of the Water Agreement and Article 7 of the Services Agreement, and the reason this difference in liability exists.
- j. P. 15. Please estimate the total cost of all insurance required by section 25.0, and describe how that cost is passed on to the City.
- k. P. 19. Please provide full details of the calculation of the Contract Service Unit Cost for each of 2008 through 2010 as listed, and for each of 2011 (actual or forecast) and forecast for 2012.

Issue 4.3: Is the proposed level of depreciation/amortization expense for the test year appropriate?

- 28. [Ex. 4/2/10, App. 2-M] Please restate Appendix 2-M on the basis that the half-year rule commences in 2012, and is not applied to 2011.
- 29. [Ex. 4/2/10, p. 3-6] Please add columns to these tables showing the depreciation rates used by the Applicant for each asset category or component, as the case may be, for each of 2008 through 2012 inclusive.
- 30. [Ex. 4/2/10, App. A, p. 17] Please describe the differences between the assets lists provided by the utilities and the asset list used by the consultant in the end. Please provide all written “feedback” incorporated by the consultant in the Final Report.

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

- 31. [Ex. 1/1/13] With respect to the organization chart of the utility:

- l. Please confirm that the utility does not have a CEO, and that the senior officer of the utility is the COO.
 - m. For each person on this chart that provides services to more than just the utility, please provide a table showing the total amount of costs associated with their function (compensation, overheads, other direct costs, etc.), the entity initially bearing the costs, the amount allocated to the utility and to each affiliate of the utility, and the basis of allocation.
 - n. Please advise the percentage of time spent by each of the CEO, the CFO and the Corporate Secretary in the last twelve months on GHI's combined heat and power and district energy initiatives.
32. [Ex. 1/1/14, p.2-4] Please advise which, if any, of the "corporate officers" listed on the three tables are members of the respective boards of directors.
33. [Ex. 1/2/2, p.2] Please provide, for each new position proposed for 2011 or 2012, the "benefit-risk analysis" prepared in respect of that position.
34. [Ex. 4/2/2, p. 2] Please file a corrected version of this table.
35. [Ex. 4/2/5, p. 18] Please confirm that number of customers per FTEE is proposed to drop from 489.6 in 2008 to 447.1 in 2012, an 8.7% drop in productivity and from 514.3 in 2009 to 447.1 in 2012, a 13.1% drop in productivity. Please provide an explanation for this drop, and a summary of all steps the Applicant is taking or plans to take to reverse this trend of decreasing productivity. Please provide number of customers and FTEE, in the same format, for each of 2005, 2006 and 2007.
36. [Ex. 4/2/6, p. 6] Please advise the amounts included for annual performance amounts for each of 2011 and 2012, and where they are included in the OM&A table.
37. [Ex. 4/2/6, p. 10] Please provide a table listing all positions that were "vacated during merger discussions", and the actual date each such position was later filled after the merger discussions ended.
38. [Ex. 4/2/6] Please provide a list of all new positions created from January 1, 2010 to the end of the Test Year. For each, please provide the actual starting date for the employee filling the new position, if that person has been hired.
39. [Ex. 4/2/7, p. 1] Please provide the missing numbers that were not requested in 2008.
40. [Ex. 4/2/7, p. 2] Please confirm that the App. 2-K includes FTEEs and costs that are actually borne by GHI and other affiliates through sharing arrangements, and excludes FTEEs and costs that are actually borne by the Applicant for employees of GHI and other affiliates. Please provide an analysis of the impact of this presentation on the FTEEs and costs of the regulated utility as set forth in this required filing.

41. [Ex/ 4/2/7, p. 3] Please provide the impact of the change in presentation of agency contractors.
42. [Ex. 4/2/7, p. 3] Please define the term “confidential employees” as used in this Application.
43. [Ex. 4/2/7] Please provide, for each year from 2008 through 2012, the number of students employed during the year (not by FTEEs, but by actual number of part-time employees at any time during the year).
44. [Ex. 4/2/7, p. 58] Please provide the basis on which the Applicant believes its compensation and HR policies are “competitive” with other Ontario companies, including any compensation or other studies undertaken.
45. [Ex. 4/2/7, p. 61] Please provide a copy of the Applicant’s incentive plan or plans.

Issue 4.5: Is the test year forecast of property taxes appropriate?

46. [Ex. 4/3/3] Please explain the substantial increase in net property taxes in 2011 and 2012.

Issue 4.6: Is the test year forecast of PILs appropriate?

5. COST OF CAPITAL AND RATE OF RETURN

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

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

47. [Ex. 1/3/1, App. E, p. 34] Please confirm that all of the \$65 million December 2010 debentures are held by arms-length third parties. If any material percentage of those debentures are held by non-arms-length parties, please provide details.

6. SMART METERS

Issue 6.1: Is the proposed inclusion of the smart meter costs in the 2012 revenue requirement appropriate?

48. [Ex. 4/2/6, p. 2] Please confirm that the Test Year OM&A budget includes \$703,311 of smart meter expenses incurred in prior periods.

Issue 6.2: Is the proposed disposition of the balances in variance accounts 1555 and 1556 appropriate?

Issue 6.3: Is the proposal related to stranded meters appropriate?

7. COST ALLOCATION

Issue 7.1: Is Guelph Hydro's cost allocation appropriate?

Issue 7.2: Are the proposed revenue-to-cost ratios for each class appropriate?

8. RATE DESIGN

Issue 8.1: Are the fixed to variable splits for each class appropriate?

Issue 8.2: Are the proposed Retail Transmission Service Rates appropriate?

Issue 8.3: Are the proposed LV rates appropriate?

Issue 8.4: Are the proposed loss factors appropriate?

9. DEFERRAL AND VARIANCE ACCOUNTS

Issue 9.1: Are the account balances, cost allocation methodology and disposition period appropriate?

Issue 9.2: Are the proposed rate riders to dispose of the account balances appropriate?

Issue 9.3: Are the proposed balances for Other Regulatory Assets – Sub-account Deferred IFRS Transition Costs appropriate?

49. [Ex. 4/2/5, p. 9] Please advise which costs were paid to arms length third parties, and which costs were internal to the Applicant or its affiliates. For all internal costs, please describe how they are incremental to the Applicant's normal budget.

50. [Ex. 4/2/5, p. 14] Please confirm that each of the steps described on this chart has been completed prior to December 31, 2010. If any have not, please advise their status and all costs incurred after that date.

10. LRAM/SSM

Issue 10.1: Is the proposal related to LRAM/SSM appropriate?

11. MODIFIED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Issue 11.1: Is the proposed revenue requirement determined using modified IFRS appropriate?

51. [Ex. 1/2/4, p. 3] Please provide a detailed breakdown (explanatory and numeric) of all impacts of IFRS (as compared to CGAAP) on the Historical Year and Bridge Year costs, revenues, and rate base, and the Test Year revenue requirement, including but not limited to differences in depreciation rates or methods, inclusion of asset retirement obligations,

differences in pension and OPEB accounting, and changes in amounts capitalized. Please provide details of all changes in capitalization policy resulting from the change to IFRS on January 1, 2011.

52. [Ex. 1/2/6] Please confirm that this exhibit has been prepared on the assumption that IFRS has been used for both the Bridge and Test Years. Please restate all figures in the Revenue Requirement Work Form on the assumption that CGAAP is used for both the Bridge and Test Years. Please provide an explanation of any material differences from the IFRS figures.
53. [Ex. 1/3/2, App. F and G] With respect to the Pro Formas:
- a. Please provide 2010 actuals in the same format, first in CGAAP and second in IFRS.
 - b. Please confirm that App. F and G are prepared using IFRS. If they are not prepared using IFRS, please provide on that basis.
 - c. Please provide App. F and G using CGAAP (assuming the current presentation is IFRS).
54. [Ex. 4/2/5, p. 2] Please restate this table two ways: first, with all figures for all years based on CGAAP, and second, with all figures for all years based on IFRS.
55. [Ex. 4/2/6, p. 21-23] Please identify the impact on each variance of the change from CGAAP to IFRS, including both the dollar amount and the reason for it.

12. GREEN ENERGY ACT PLAN

Issue 12.1: Is Guelph Hydro's Green Energy Act plan, including the Smart Grid component of the plan, appropriate?

Submitted by the School Energy Coalition this 2nd day of September, 2011.

Jay Shepherd