September 19, 2011

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2011-0054
Hydro Ottawa Limited – 2012 Cost of Service Application
Energy Probe – Technical Conference Questions

Pursuant to Procedural Order No. 1, issued by the Board on July 29, 2011, please find attached the Technical Conference Questions of Energy Probe Research Foundation (Energy Probe) in respect of Hydro Ottawa Limited in the EB-2011-0054 proceeding.

Please note that Energy Probe will be filing additional questions later this week covering the updated evidence filed by the Applicant.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Patrick Hoey, Hydro Ottawa Limited (By email)
Fred Cass, Aird & Berlis LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

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EB-2011-0054

Ontario Energy Board

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 Hydro Ottawa Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2012.

TECHNICAL CONFERENCE QUESTIONS OF ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

September 19, 2011

HYDRO OTTAWA LIMITED
2012 RATES REBASING CASE
EB-2011-0054

ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS

Question #1

Ref: Exhibit K1-4-5

Please confirm that if Hydro Ottawa is subject to an IRM adjustment in 2013 and subsequent years it will use the inflation index for the period of the third quarter through to the second quarter of the next year to determine the inflation rate applicable.

Question #2

Ref: Exhibit K2-1-5

Part (e) of the question requested the update of the table to reflect the NBV at December 31, 2011. The response provided the NBV at December 31, 2010. Please provide the projected NBV at December 31, 2011.

Question #3

Ref: Exhibit K2-1-6

The response indicates that the Bucket Truck expenditures are allocated over 2012 and 2013 because these vehicles have long lead times. Are the expenditures in 2012 for bucket trucks closed to rate base in 2012? Are these vehicles expected to be in service before the end of 2012?

Question #4

Ref: Exhibit K2-1-8 &
Exhibit B1, Tab 2, Sch. 7, Table 1 &
Exhibit B2, Tab 1, Sch. 1

a) **Is the capital expenditure shown in Table 1 of Exhibit B1, Tab 2, Schedule 7 of $300,000 in 2011 net of any incentives received or to be received?**

b) Has Hydro Ottawa applied for any incentives in 2011 to cover some of the costs noted in Table 1? If not, why not?

c) Is the estimated premium of $190,000 noted in the response to part (b) for 2012 capital expenditures only, or does it include a premium paid for vehicles purchased before 2012? Please break out the premium paid/to be paid into 2010 or before, 2011 and 2012.

d) Please update Table 6 in Exhibit B2, Tab 1, Schedule 1 to reflect the most recent year-to-date information available along with the current forecast for the remainder of 2011.

Question #5

Ref: Exhibit K2-1-9

Please confirm that the 2008 revenue requirement approved by the Board included use of the half year rule for depreciation in the test year.

Question #6

Ref: Exhibit K2-2-4

a) How has Hydro Ottawa estimated the increase in the charges shown in the response to part (b) between 2011 and 2012?

b) What impact will Hydro One's move to USGAAP and a reduction in the 2012 revenue requirement of more than $193 million have on this projected increase?

Question #7

Ref: Exhibit K2-2-3 &
Exhibit K2-2-5

a) Please reconcile the days shown in the response to Exhibit K2-2-3 for 2009 and 2010 of 25.7 and 25.66, respectively, with the figures of 22.07 and 22.13 shown in the tables provided in response to part (a) of Exhibit K2-2-5.

b) Please confirm that the references to customers in Tables 3 and 4 provided in the response to part (a) of Exhibit K2-2-5 should be to sales dollars.

c) **Please confirm that the formula shown in the response to part (b) of Exhibit K2-2-5 would result in the same 26.38 days, regardless of the distribution of the dollar values shown in each of the periods. In other words, the number of days calculated in any month is a function of only the total amount of Days Sales Outstanding, Sales for that Month, and number of Days in the Month.**

d) **In the example provided in response to part (b) that when a customer invoice is billed January 30, 2009 and the report is run January 31, 2009, the receivable would go into the 1-17 day DSO bucket. If the customer invoice was for $100, is the amount that goes into the 1-17 day DSO bucket equal to $100? Please confirm that it is not some portion of the amount to reflect that it is only one day old.**

Question #8

Ref: Exhibit K2-2-5

Please provide revised calculations for Tables 7 & 8 in Exhibit B4, Tab 2, Schedule 1 that reflect the dollar weighted average of days sales outstanding using the midpoint of each of the DSO buckets shown. For example, the midpoint of the first bucket (1-17 days) would be 8.5, the next bucket (18-30) would be 23.5, and so on. Please use a figure of 150 days for the last bucket (Over 121 days).

Question #9

Ref: Exhibit K2-2-6

Please provide the responses to part (f) of the question posed. The questions are being asked in order to determine the sensitivity of a change of one day on the working capital allowance and the associated revenue requirement.

Question #10

**Ref: Exhibit B4, Tab 2, Schedule 1, Tables 12 & 13 &
Exhibit K2-2-7**

a) **Please explain why the service lead for benefits changes from 14.04 in 2009 to (30.42) in 2010 in Tables 12 & 13 of Exhibit B4, Tab 2, Schedule 1.**

b) **Please explain why the payment lead for benefits changes from (30.42) in 2009 to (16.38) in 2010 in Tables 12 & 13 of Exhibit B4, Tab 2, Schedule 1.**

c) **Please indicate why the number of days in a pay period is shown as 10 in the response to part (a) of Exhibit K2-2-7, when they pay period is for a two week period.**

d) **It is not clear, based on the calculations shown in the response to Exhibit K2-2-7 how the service lead and payment lead for payroll and withholdings shown in Tables 12 & 13 of Exhibit B4, Tab 2, Schedule 1 have been calculated. Please provide more detailed calculations (including the weightings) that result in the figures for 2010 shown in Table 13.**

Question #11

Ref: Exhibit K2-2-11

The response indicates that the CIS will not be used or useful in Q4 2012 as originally planned, but will have a rollout date of Q3 or Q4 of 2013. Has Hydro Ottawa included any of the CIS Transition Project Costs in rate base in 2012? If so, what is the amount? Does Hydro Ottawa agree that none of these costs should be included in the 2012 rate base because the asset will not be used or useful until 2013? If not, why not?

Question #12

Ref: Exhibit K2-2-17 &
Exhibit B2, Tab 1, Sch. 1, Tables 6 & 7

a) **Does the reduction in the forecast for 2011 capital expenditures from $84.888 million to $78.255 million include any amounts being deferred from 2011 to 2012? If yes, please quantify.**

b) **Does the current forecast of $78.255 million include any amounts that will not be closed to rate base in 2011? If yes, please quantify.**

c) **Does the reduction reflect the reduction in CIS expenditures? If yes, how much of the reduction is accounted for by the CIS reduction in 2011?**

d) **Please provide the total capital expenditures for general plant expenditures for 2011 based on the most current projection available. Does this current projection include any amounts that will not be closed to rate base in 2011? If yes, please quantify.**

e) **Please update Table 6 in Exhibit B2, Tab 1, Schedule 1 to reflect both the current forecast for 2011 of $78.255 million as well as any other changes currently forecast for CIP and Disposals.**

f) **Please update Table 7 in Exhibit B2, Tab 1, Schedule 1 to reflect the updates requested for 2011 in part (e) above.**

Question #13

Ref: Exhibit K2-3-1

The response to part (d) indicates that the current contributed capital is approaching $8 million as of July for 2011. Please indicate the contributed capital received over the same year-to-date period in 2009 and 2010 as that shown for 2011.

Question #14

Ref: Exhibit K2-3-8

Please identify the dollar value associated with the large aerial devices that are not expected to be placed into service until 2012. Were these expenditures closed to rate base in 2011 in the current evidence?

Question #15

Ref: Exhibit K2-3-10

Please confirm that the two bucket trucks, at a cost of $250,000 each, have not been included in the calculation of the 2012 rate base because final delivery is not expected until 2013. If this cannot be confirmed, please explain why these vehicles should be included in the 2012 rate base.

Question #16

Ref: Exhibit K3-1-11

a) **Please provide month 1 in table provided in the response for 2012.**

b) **Please provide the loss factor used to convert the system forecast to the loss adjusted system forecast in 2012. Please explain how this loss factor was calculated, including the term over which it was estimated.**

c) **Please provide a version of the 2012 table that shows the forecasted sales by rate class before the application of the calibration factor. Please include a separate column that totals the forecasts for all the rate classes before the application of the calibration factor.**

Question #17

Ref: Exhibit K3-5-6 &
Exhibit C2, Tab 1, Sch. 1, Attachment Z &
Exhibit C2, Tab 2, Sch. 1, Table 6

a) **Please explain why the revenue of $102,544 shown in Table 6 of Exhibit C2, Tab 2, Schedule 1 for Mechanic Services For Generation Plant charged to Energy Ottawa are not included in the corresponding figures in Attachment Z of Exhibit C2, Tab 1, Schedule 1. Where is the $102,544 in revenue accounted for in Attachment Z?**

b) **The response to part (c) of Exhibit K3-5-6 is not clear. Are the revenues shown in Table 6 of Exhibit C2, Tab 2, Schedule 1 net revenues or gross revenues?**

c) **Please provide the fully allocated cost of providing the services for which Hydro Ottawa receives revenues from its affiliates shown in Table 6 of Exhibit C2, Tab 2, Schedule 1. Please confirm that these fully allocated costs are included in OM&A expenses and included in the revenue requirement, offset by the revenue received from the affiliates.**

d) **Does Hydro Ottawa include a mark up or return on work performed for its affiliates?**

e) **Are the revenues for water heating billing services ($174,125 in 2012) shown in Attachment Z to Exhibit C2, Tab 1, Schedule 1 related to services provided to an affiliate?**

f) **Are the water heating billing services revenue shown net of costs, or are the costs associated provision of these services included in the revenue requirement through the OM&A forecast?**

Question #18

Ref: Exhibit K3-5-9 &
Exhibit C2, Tab 1, Schedule 1, Attachment Z

a) **Where in Attachment Z of Exhibit C2, Tab 1, Schedule 1 are the revenues associated with the monthly charge for the micro fit customers?**

b) **What are the forecasted revenues for 2012 associated with the micro fit customers?**

Question #19

Ref: Exhibit K4-1-10

Based on the response provided, please confirm that Hydro Ottawa has not included any costs in the 2012 revenue requirement associated with the 2012 cost of service application. If this cannot be confirmed, please provide the total cost included in the 2012 revenue requirement associated with the 2012 cost of service application.

Question #20

Ref: Exhibit K4-1-12 &
Exhibit D1, Tab 5, Sch. 1

The evidence indicates that no adjustment to costs has been made for the 75% of the eligible employees that do retire each year. Of the 37 and 16 employees eligible to retire in 2011 and 2012 (shown in Table 1 of Exhibit D1, Tab 5, Schedule 1) please indicate how many would be replaced with new staff and how many would be replaced by current staff (for example, apprentices).

Question #21

Ref: Exhibit K4-6-2

The response to part (a) indicates that the 2009 UCC opening balance decreased by $4,503,650 to $549,905,612 from $545,409,270. This statement appears to be contradictory in that the UCC opening balance increased, while the statement indicates a decrease. Please reconcile.

Question #22

Ref: Exhibit K5-2-3

The response provided to part (g) of the interrogatory is incomplete. The question asked for the current rate available from Infrastructure Ontario for a term of the same length as currently contemplated for the 2011 and 2012 issuances. The answer provided was the rate for a 30 year term, while part (e) of the response indicates that the term contemplated for the 2011 and 2012 issuances ranges from less than 3 years to less than 4 years. Please provide the rates available from Infrastructure Ontario for a 5 year term loan.