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October 29, 2007

VIA Email and Courier

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

Dear Ms. Walli,

Re: Enersource Mississauga Hydro Inc. (Enersource)
2008 Electricity Rate Application
Board File No. EB-2007-0706

Please find interrogatories filed on behalf of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Enersource Mississauga Hydro Inc. (Enersource)

2008 Electricity Rate Application

Board File No. EB-2007-0706

VECC's Interrogatories

Question #1

Reference: i) Exhibit A/Schedule 7/Tab 1/page 1

a) Please provide copies of all Decisions and Orders issued by the OEB since January 1, 2005 regarding Enersource's rates and/or terms and conditions of service.

Question #2

Reference: i) Exhibit A/Schedule 8/Tab 2/page 4, lines 9-15
ii) Exhibit A/Schedule 8/Tab 4/page 1

a) Does the 600 amps performance criterion apply to all feeders, sub-transmission and distribution? If not, how does the criterion vary by voltage and why? If yes, why does the same criterion apply to all?

b) Do Enersource's neighbouring LDCs use a similar performance criterion? If not, what criterion do they use?

c) Do Enersource's neighbouring LDCs also try (in practice) not to load feeders beyond 300 amps?

d) What is Enersource's performance criterion and preferred practice with respect to the loading of its municipal substations? How does this compare with the policies and practices of its neighbouring LDCs?

Question #3

Reference: i) Exhibit A/Schedule 8/Tab 5/page 1

a) What is the amount of energy associated with each of the four load transfer circumstances set out on page 1?

Question #4

Reference: i) Exhibit A/Schedule 10/Tab 1

a) The "organization chart" suggests that Enersource Hydro Mississauga is 100% owned by Enersource Corporation. Please confirm whether or not this is the case. If not please provide a corrected "chart".

Question #5

Reference: i) Exhibit A/Schedule 12.1

a) Please provide the December 2005 and December 2006 balances for each of Enersource's Regulatory Asset and Liability accounts. Please provide a schedule setting out, for each account, the 2006:
   - Interest charges/credits to the account
   - The amount refunded/recovered from customers
   - Any new costs or credits posted to the account for the year.

b) Who received dividend payments In 2005 and 2006 (see page 2 of Financial Statements)? What is the shareholders' policy as to under what circumstances and in what amounts dividends will be declared each year?

Question #6

Reference: i) Exhibit A/Schedule 12/Tab 3

a) Please provide Enersource's overhead capitalization policy.

Question #7

Reference: i) Exhibit A/Schedule 12/Tab 4, page 2
ii) Exhibit E/Schedule 1/Tab 1, page 3

a) What account for the difference between the interest expense reported in reference (ii) of $18.675 M and that reported in reference (i) of $19.529 M for 2008?

Question #8

Reference: a) Exhibit A/Schedule 12/Tab 7

a) Please provide a similar schedule that sets out Enersource's Statement of Income for 2006, 2007 and 2008 in a format consistent with the USoA.

Question #9

Reference: a) Exhibit A/Schedule 14/Tab 1, page 1
b) Exhibit A/Schedule 14/Tabs 5 & 6

a) Please indicate where in the Application the following items are accounted for:
   - Revenues received from Enersource's affiliates for use of trucks and other vehicles.
   - Revenues received from the provision of Information Technology Services to affiliates.

b) Do the fees charged for services provided by Enersource to its affiliates (see page 171 of overall Application) include a mark-up for corporate overheads? If so, how is it determined? If not, why not?

c) Based on one of the services provided to affiliates, please provide an illustrative example of how Enersource determines the fees payable that sets out the various cost components included.

d) With respect to each of the services provided by Enersource Corporation to Enersource Hydro and their associated fees (see page 163 of the overall Application), please provide:
   - A schedule that sets out the calculation of the 2006 fees based on HOLDCO's 2006 budget (i.e., show total budget and basis on which proportion chargeable to Enersource Hydro was established)
   - A schedule that sets of the actual costs incurred for 2006 by HOLDCO and the resulting adjustment in charges to Enersouce Hydro

Question #10

Reference: i) Exhibit B/Schedule 1/Tab 1
ii) Exhibit A/Schedule 15/Tab 1.1, Appendix A
iii) Exhibit B/Schedule 2/Tab 4
iv) Exhibit B/Schedule 2/Tab 5, page 2

a) Please reconcile the monthly charges reported in reference (ii) for each customer class with the monthly charges used in reference (iii) to determine revenues at existing rates (e.g., the residential monthly services charges do not match).

b) Does Enersource have any other standby customers other than Brittania and GTAA? If so, where is the associated standby charge revenue accounted for?

c) Please describe further the new payment mechanisms that Enersource has recently introduced (reference (iv)).

Question #11

Reference: i) Exhibit B/Schedule 3/Tab 1
ii) Exhibit B/Schedule 3/Tab 2
iii) Exhibit H/Schedule 3/Tab 1

a) Please explain why the median temperature day (as opposed to the average) was selected to establish the normal weather scenario (see reference (i), page 1).

b) Please provide a table similar to that on page 5 of reference (ii) but based on weather corrected energy use.

c) Reference (i) only discusses how weather corrected energy use is established. However, Figure 3 on page 8 of reference (ii) appears to suggest that Enersource also establishes weather corrected peak use. Please describe how peak demands are weather normalized.

d) Please provide a table similar to that on page 8 of reference (ii) but based on weather corrected peaks.

e) Please provide details (e.g.,) regarding the MetrixND load forecasting methodology (reference (ii), page 13) including:
   - Whether there are separate models for demand and energy.
   - The specific parameters included in the model and their statistical significance.

- If there are other Ontario LDCs that also use this model.

f) In a schedule please set out:
   - The 2008 assumptions for the economic driver underlying the short-term load forecast for 2008.
   - The 1998 through 2006 values for the same parameters
   - The current 2007 projected values for the same parameters.

g) Did the load forecasting model used to forecast 2008 demand and energy usage utilize 2005 and/or 2006 load data?

h) If the response to (g) is yes, then is it reasonable to assume that the 2008 forecasts for demand and energy provided by the model include some C&DM effect? If not, why not?

i) Please describe how the overall forecast for Enersource's total energy requirements and peak demand is translated into a forecast of number of the customers, energy use and billing demand for each customer class.

Question #12

Reference: i) Exhibit B/Schedule 2/Tab 2.1
ii) Exhibit D/Schedule 2/Tab 10.2

a) Please provide a schedule that breaks down the contribution of C&DM included in the 2008 load forecast (reference (i)) by program, per reference (ii).

Question #13

Reference: i) Exhibit B/Schedule 2/Tab 2, page 1
ii) Exhibit D/Schedule 1/Tab 9.2
iii) Exhibit B/Schedule 3/Tab 2, page 5

a) Please reconcile the difference between the 2006 energy deliveries in reference (i) and the 2006 Retail kWh in reference (ii).

b) Please reconcile the 2006 Wholesale kWh reported in reference (ii) with the 2006 actual Total Energy reported in reference (iii).

Question #14

Reference: i) Exhibit C/Schedule 1/Tab 1
ii) Exhibit C/Schedule 3/Tab 2

Preamble: The last time Enersource's rates were based on a "cost of service" type approach was for 2006. In that process, rate base was determined by making various adjustments to 2004 year end actual values. Enersource is currently seeking approval for its 2008 rate base.

a) Please provide a continuity schedule for Enersource's Net Plant, Property and Equipment similar to reference (ii) but that:
   - Starts as of December 31, 2004.
   - Also shows separately:
     - The capital expenditures during the year
     - The in-service asset additions during the year
     - Year end assets under construction (CWIP)

Question #15

Reference: i) Exhibit C/Schedule 1/Tab 1, page 2
ii) Exhibit C1/Schedule 3/Tab 5

a) Please explain why Enersource has not performed a lead/lag study in order to justify its working cash requirements for 2008.

b) Working capital studies performed by other Ontario LDCs have resulted in requirements that are less than 15% of controllable costs plus the cost of power. For example, in its 2006 Rate Application, Hydro One Networks' Lead/Lag study resulted in a working capital allowance equal to 11.6% of controllable costs plus the cost of power (see Exhibit D1/Tab 1/Schedule 4 of the Application). Please comment on the reasonableness of using a similar value for Enersource.

Question #16

Reference: i) Exhibit C/Schedule 1/Tab 2, page 6

a) The Application indicates that loads and number of customers have grown significantly in the last three years and are expected to continue to do so. If there are tables in the Application that contrast recent (e.g., 2003-2006) customer and load growth with expected (2007 and 2008) growth that illustrates this expectation please provide the appropriate references. If not, please provide the appropriate schedules.

b) To what extent are the anticipated new customers expected to lead to "system expansion" that could trigger a potential capital contribution?

Question #17

Reference: i) Exhibit C/Schedule 1/Tab 3, page 3
ii) Exhibit C/Schedule 5/Tab 1, pages 62-68

a) Reference (i) indicates that one of Enersource's significant IT projects is implementation of an "Integrated Operating Model". However, there is no budget or business case provided in reference (ii) for this project. Please provide a more detailed description of the project, the annual capital expenditures and the business case supporting the initiative.

Question #18

Reference: i) Exhibit C/Schedule 4/Tab 1
ii) Exhibit C/Schedule 3/Tab 4
iii) Exhibit C/Schedule 5/Tab 1

a) Please provide the business cases for each of the 2007 projects set out in reference (i) with a cost of $250,000 or more.

b) Please provide a breakdown of the 2008 capital expenditures set out in reference (ii) into individual projects, similar to that done for 2007 in Appendix A of reference (i). Please identify the in-service date for each project.

c) Please provide the business cases for all capital projects in 2008 with a total cost of $250,000 which have not been already addressed in reference (iii).

Question #19

Reference: i) Exhibit D/Schedule 2/Tab 5 and Tab 6
ii) Exhibit A/Schedule 11/Tab 1

a) Please indicate how the 18 new positions in 2008 are distributed across the business units set out in reference (ii) – Head Count summary.

b) Please explain what gave rise to the need in 2008 for the new positions in each of these business units

c) Please indicate how the 12 new positions in 2007 were distributed across the business units in reference (ii).

d) Please explain what gave rise to the need in 2007 for the new positions in each of these business units

<u>Question #20</u>

Reference: i) Exhibit D/Schedule 1/Tab 11

a) Please breakdown the $8.243 M in Management Fees according to the service categories (i.e., page 163 of the overall Application).

b) Please provide a schedule that sets out the calculation of the 2008 fees by category based on HOLDCO's 2008 budget (i.e., show total budget and basis on which proportion chargeable to Enersource Hydro was established)

<u>Question #21</u>

Reference: i) Exhibit D/Schedule 2/Tab 2
ii) Exhibit A/Schedule 11/Tab 1

a) Please breakdown the 2006, 2007 and 2008 Administration costs (per reference (i)) as between the various underlying organizational units set out in reference (ii).

<u>Question #22</u>

Reference: i) Exhibit D/Schedule 2/Tab 1

a) Was any OM&A expense capitalized as overheads in 2006, 2007 or 2008? If not, why not?

b) If the response to (a) is yes, please indicate the OM&A amounts that were capitalized as overheads in 2006, 2007 and 2008 and provide schedules setting out how the amounts for each were determined.

<u>Question #23</u>

Reference: i) Exhibit D/Schedule 1/Tab 6, pages 1&2

a) The other expenses discussed appear to account for less than $2.5 M of the $3.534 M projected for 2008. Please provide a schedule showing a breakdown of the total other expenses for 2006 through 2008.

<u>Question #24</u>

Reference: i) Exhibit D/Schedule 2/Tab 10.3

a) Please provide the detailed calculations supporting the Total Benefits calculated for each program. Please document the source and assumptions underlying all inputs.

<u>Question #25</u>

Reference: i) Exhibit F/Schedule 2/Tab 1

a) Please provide a schedule setting out the components of the total proposed distribution cost of service (including interest expense, allowed return and taxes) for 2008.

b) Please indicate where "Amortization of Regulatory Assets" for 2008 is described and detailed in the Application. If not already in the evidence, please provide:
   - A description of each of the Regulatory Asset accounts contributing the 2008 amortization value.
   - The basis for the 2008 amortization value for each account.
   - A continuity schedule for each Regulatory Asset account from year end 2005 through to year end 2008.

<u>Question #26</u>

Reference: i) Exhibit G/Schedule 1/Tab 1
ii) Board's December 9, 2004 Decision regarding the
Recovery of
Regulatory Assets

a) Please provide a schedule linking the $124.108 in planned recoveries through base distribution rates set out on page 1 of reference (i) to the proposed 2008 distribution cost of service.

b) Please provide the filings Enersource made to the OEB in response to the direction on pages 86 and 87 of reference (ii).

c) Please provide continuity schedules for each of the Regulatory Asset accounts dealt with in reference (i) from December 31, 2003 through to December 31, 2006. For each account please show separately the annual amounts refunded to/recovered from customers, any new "postings" to the account and interest accrued.

d) Please provide a schedule detailing the variance and regulatory asset accounts whose December 31st, 2006 balances contribute to the $8.552 M being returned to customers through rate riders. In each case, please provide:
   - A description of each variance/regulatory asset account, including the Board decision authorizing the account, unless addressed in reference (ii)
   - A continuity schedule showing the annual changes in the account since its inception through to December 31st 2006, unless already addressed in response to c).

e) Please provide further details on each of the following items for which rate riders are proposed (including a description and details on the period over which the amount was accrued and how the accrued amount was determined):
   - Past Over Recovery of the LCT
   - Low Voltage Charges levied by HONI
   - Ontario Price Credit Administrative costs

f) Please provide details as to which Regulatory Asset accounts the $1.537 M in interest costs proposed for recovery is associated, including:
   - A breakdown the interest costs by Regulatory Asset account
   - The period over which the interest cost on each account were accrued, and
   - Why interest costs were not included in the determination of the Regulatory Asset account's balance.

<u>Question #27</u>

Reference: i) Exhibit G/Schedule 2/Tabs 3 and 4

Preamble: Tab 4, page 1 of reference (iii) states that the assignment of class responsibility of the refund/recovery is (with the exception of the LRAM and SSM) consistent with the 2006 EDR treatment of the subject amounts. The evidence then states that "historic revenue responsibility ratios" were used to allocate all amounts to classes except for those associated with the LRAM and SSM:

a) Please provide a schedule that sets out each of the variance and regulatory asset accounts and the other items contributing to the $5.118 M refund and, for each:
   - Indicate whether its assignment to customer classes was addressed in the 2006 EDR and, if so, how.
   - Indicate how it will be allocated to customer classes for 2008 rates

b) Please describe fully what is meant by "historic revenue responsibility ratios".

Question #28

Reference: i) Exhibit G/Schedule 2/Tab 5

a) Please provide a copy of Sheet O2 (Monthly Fixed Charge Min & Max Worksheet) from Enersource's January 15, 2007 filing.

Question #29

Reference: i) Exhibit H/Schedule 1/Tab 1, page 2

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 -> 800 kWh per month

Question #30

Reference: i) Exhibit H/Schedule 2/Tab 6

a) If not provided in response to Question #1, please provide copies of the Decision and Order for EB-2005-0465 and EB-2005-0560.

b) Did either decision identify any shortcomings in supporting data provided by Enersource or other analysis/information that Enersource should provide prior to the interim rates being made final?