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Michael Janigan
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January 18, 2013

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: EB-2012-0146/0380 London Hydro Inc.

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Encl.
cc. London Hydro Inc.
Attn: Mr. Mike Chase
chasem@londonhydro.com

REQUESTOR NAME	**VECC**
INFORMATION REQUEST ROUND NO:	**# 1**
TO:	**London Hydro Inc. (London or London Hydro)**
DATE:	**January 18, 2013**
CASE NO:	**EB-2012-0146/0380**
APPLICATION NAME	**2013 Cost of Service Electricity Distribution Rate Application**

GENERAL (Exhibit 1)

1.0 Reference: Exhibit 1, pg. 21, Strategic Plan

a) At section 7.3.0 "Distribution Rate Regulation", page 21 of the Strategic Plan it states "Other changes, aside from extraordinary, will have to wait until the next cost of service in 2013 with a submission in 2012 In all our initiatives, we should keep in perspective our rate making cycle when deciding allocation of resources to various initiatives arising out of the Strategic Plan." Please explain what is meant by this statement and comment on what, if any impact the particular rate year should have on the necessary investments of the Utility

b) The Plan refers to the foundation of Watts Laboratories. Please explain more fully what this refers to

2.0 Reference: Exhibit 1

a) Please provide the inflation factors for each year 2008 through 2013 assumed for comparison basis in this application. Please identify the source of the inflation factor.

RATE BASE (Exhibit 2)

3.0 Reference: Exhibit 2, pg. 68 / OEB IR # 3

a) Please file the results of the annual worst performing circuits for 2009 through 2012.

b) When is London Hydro expecting the results of its assessment of underground plant?

4.0 Reference: Exhibit 2, pg. 30

a) Please indicate whether the Charts 2-1 , 2-2 and 2-3 show reliability metrics with or without loss of supply. If the former please revise the charts to show the trends without loss of supply.

5.0 Reference: Exhibit 2, pg. 44, Table 2-16

a) Please confirm that the column marked "2009 Budget" are the 2009 Board approved amounts.

b) Please update the table for 2012 actuals.

6.0 Reference: Exhibit 2, pg. 44

a) Please explain how the capital contributions for the 2013 test year are estimated.

b) Please provide the amount in 2012 capital contributions. Please include the amount remaining outstanding (receivables) in contributions for projects completed in 2012.

c) Please provide the capital contributions paid by the City of London for each of the years 2009 through 2013 (forecast).

7.0 Reference: Exhibit 2, pg. 44

a) In the three years prior to 2011 the average spending on vehicles was approximately $1.7 million. Please explain the decrease in capital spending on vehicles in 2011 to $685k.

b) Please provide the budgetary directions for the 2011 reduction in vehicle spending.

8.0 Reference: Exhibit 2, pg. 56 / Board Staff IR #4

a) How many kilometres of underground plant does London Hydro have?

b) How many kilometres of underground plant was refurbished by silicone injections in each year since the beginning of this program and up to and including the 2013 test year?

c) How many remaining kilometres will be left to complete after 2013?

9.0 Reference: Exhibit 2, pg. 63 / Board Staff IR # 5

a) In the interrogatory response London Hydro states that believes that "*it is prudent to include these cost estimates beyond 2013, and has therefore made allowance for the potential for continued road*

redevelopments in the 2014 and 2015 capital spending forecasts". Please explain what is meant by this statement. Specifically, has London Hydro included any forecast expenditures for 2014 and 2015 in the 2013 capital estimate?

10.0 Reference: Exhibit 2, pg. 99 / Board Staff IR # 7

a) Please provide the business case, including the benefit-cost analysis for the Business Intelligence/Reporting and CIS Customer Relations Management Upgrade IT projects.

LOAD FORECAST (Exhibit 3)

11.0 Reference: Exhibit 3, pages 13-14 and 19

a) What customer classes are included in the "customer count" variable used in the regression analysis?

b) For purposes of the regression analysis London uses data from 1996-2011 (including customer/connections count data). However, at page 19 London claims that such data is only available back to 2000. Please reconcile.

12.0 Reference: Exhibit 3, pages 15 -16 / OEB #20 a) / OEB #21 b)

a) It is noted that the economic forecast used is from the Fall of 2011. Please indicate if there are more recent forecasts available and update the economic projections for 2011-2013.

b) Please provide a copy of the OPA's Final 2011 CDM Report for London, referred to in OEB #20 a).

c) Please provide a copy of the OPA's 2006-2010 Final CDM Results report for London.

d) With respect to Table 3-7, if the CDM results reported by the OPA are annualized values (per OEB #21 b)) please explain why the impact of 2011 CDM programs is higher in 2012 than it is in 2011.

13.0 Reference: Exhibit 3, pages 14 & 16

a) Did London test any regression models using more local economic indicators such as local employment instead of Ontario GDP? If yes, please provide the resulting equations and the equivalent of Table 3-8.

b) If the response to (a) is no, please undertake such an analysis.

c) Please re-do the regression analysis as described in parts (a) & (b) but excluding the CDM variable and provide the resulting equation and the equivalent of Table 3-8.

14.0 Reference: Exhibit 3, page 18 / OEB #20 b) / OEB #22 a)

a) Please provide an update version of Appendix 3A as used for OEB 20 b).

b) Is London adopting the regression model and results set out in OEB 20 b) for purposes of its 2013 Rate Application?

c) It is noted that the weather normalized forecast using the 16-year period proposed by London is less than the forecast produced using either a 10-year period or a 20-year period.

i. What is London's (and its external advisors') understanding of the weather normalization period used by other Ontario distributors in their Rate Applications?

ii. Please explain why 10 years would not be a more appropriate period, based on the same "middle of the road" argument as presented by London in OEB 22 a),.

15.0 Reference: Exhibit 3, page 23 & 25

a) Does London agree that the difference between gross and net CDM can be characterized as "natural conservation" (i.e., conservation that takes place without any specific programs)?

b) Does London agree that by definition, the amount of conservation that would take place if there were no CDM programs is independent of the actual CDM programs implemented by a utility? If not, please explain why not.

16.0 Reference: Exhibit 3, pages 24 & 25 / OEB #20 b) and c)

a) Please provide a revised version of Table 3-19 consistent with the response to OEB 20 b) and the OPA's Final 2011 CDM Report.

b) With respect to OEB #20 c), please explain why the 2013 CDM manual adjustment has increased from 37.85 GWh in the initial application (page 25) to 74.28 GWh and provide the derivation of the 74.28 value.

17.0 Reference: Exhibit 3, page 28 /OEB #20 b)

a) Please provide a revised Table 3-25 based on OEB 20 b). It is noted that the 2012 and 2013 Predicted kWh Purchases in Table 3-25 do not appear to have been reduced to account for the manual CDM adjustment. Please address this as part of the response.

OTHER OPERATING REVENUE (Exhibit 3)

18.0 Reference: Exhibit 3, page 34

a) Please provide the 2012 year to date Other Revenues (broken down as per Table 3-26). If the values are not for all of 2012, please provide the year to date values for 2011 for the same period.

19.0 Reference: Exhibit 3, page 38

a) Please explain why the rent charged to the OPA is significantly lower than that charged previously to the City for the same space.

20.0 Reference: Exhibit 3, page 41, lines 7-11

a) Are vehicles and transformers non-depreciable assets?

b) If not, please reconcile this treatment with the 2006 Electricity Distribution Rate Handbook, page 28, section 4.6.1.

OM&A EXPENSES (Exhibit 4)

21.0 Reference: Exhibit OEB #28,

a) Please provide details explaining $230,000 in OEB audit costs.

22.0 Reference: Exhibit 4, pgs., 59 - 73

a) Please update Tables 4-27 through 4-31, Tables 4-33, 4-35 and 4-36 for the year-end 2012 results.

23.0 Reference: Exhibit 4, pgs. 62-63

a) Does London Hydro purchase insurance from The MEARIE Group?

b) If yes, please provide the premiums paid for the years 2009 through 2013. Explain what due diligence London undertakes to ensure that the policy(ies) it purchases are competitive with similar offerings?

24.0 Reference: Exhibit 4, pg. 73

a) Please provide the EDA membership fees paid by London Hydro in each of 2009 through 2013 (forecast).

25.0 Reference: Exhibit 4, pg. 5, Table 4-45 pg. 96

a) At the above reference it states "*At any given time, London Hydro will have a number of open positions, which impacts the total FTEs reported, however this does not impact the total OM&A cost. The overall operating plan*." Are the number of 288 FTEs listed at Appendix 2-K net of unfilled/vacant positions?.

b) What is London Hydro's average annual vacancy rate? How is the churn rate taken into account in the derivation of compensation costs for 2013 in this Application?

26.0 Reference: Exhibit 4, pg. 56, Appendix 2-K

a) At page 56 it states "[*H]eadcount in OM&A has increased from 199.2 FTE to 215.9 FTE*." Please explain the difference in these figures from those shown in Appendix 2-K (278.9 to 319.5 respectively).

b) Please provide a table which shows each new incremental position since 2009, the OM&A area in which the position reports (e.g., Operations, Maintenance, Billing and Collection, Administration etc.), a brief description of the position, whether it is full time or part-time; the incremental responsibility (e.g. smart meters) for which the position was required.

27.0 Reference: Exhibit 4, pg. 94

a) Please provide the total pay for performance envelop (maximum available)in each of 2009 through 2013 (forecast) and the percentage of that envelope that was, or is forecasted to be paid out in incentive pay.

b) Please provide the metrics which are used to establish pay for performance for each of the employee categories.

c) Please show for 2009 through 2013 (forecast) for each employee group (Executive, Management, Non-Union, Union) the percentage achieved of the performance metrics on both individual (average for the group) and corporate level.

28.0 Reference: Exhibit 4, pgs. 100 - OEB #33

a) Please explain why London Hydro continues to offer meter reading services to the City of London when 92% of meters read are water meters?

b) In 2013 how many electricity meters require manual reads on a regular basis (i.e. for each billing cycle? How many manual meters are expected remain by 2015?

c) Does London Hydro intent to continue to use an outside contractor for meter reading? How many internal staff work in meter reading and related activities?

d) Has the new service agreement with the City of London for shared billing and meter reading been signed? If not when is it expected to be finalized.

29.0 Reference: Exhibit 4, pgs. 33 -34 / Appendix 2-H Excel Spreadsheet

a) At Table 4-16 it shows ¼ recoveries of one-time regulatory costs as $90,546 and at Table 4-17 the on-going regulatory costs is shown as $417,200 for 2013. Please reconcile the total of these two figures - $507,746 with the regulatory expense shown in Account 5655 of $537,700.

30.0 Reference: Appendix 2-H Detailed OM&A Live Excel Spreadsheet.

a) Please update the above referenced Excel Spreadsheet to include actual 2009 and 2010 and actual year end (or most current year-end estimate) 2012 CGAAP and MIFRS values.

31.0 Reference: Exhibit 4, pg.76, Table 4-38

a) Please explain why significantly less was spent on remedial environmental projects in 2009 through 2011 than was anticipated in 2009 and is forecast to be spent in 2013.

b) What was the actual amount spent in this area in 2012

GREEN ENERGY PLAN

32.0 Reference: Exhibit 4, Tab pg. 134 / Appendix 2-G / Exhibit 9, Table 9-3 pg. 17

a) For each of the years 2010 through 2017 please show the OM&A and Capital costs (separately) for implementation of London Hydro's Green Energy Plan.

COST OF CAPITAL (Exhibit 5)

33.0 Reference: Exhibit 5, pg. 1

a) Please provide the actual and deemed return on equity for the each of 2009 through 2012. Please show the calculation for each value.

34.0 Reference: Exhibit 5, pg. 1

a) Why did London Hydro reduce the promissory note value from $95 million to $70 million in 2009?

b) What due diligence did London Hydro do to ensure it was negotiating a competitive rate for a long-term loan with its affiliate? Please provide the analysis and briefing material supplied to the Board of Directors relating to renegotiating this loan.

35.0 Reference: Exhibit 5, pg. 13

a) What was London Hydro's interest coverage ratio in each of the years 2007 through 2011?

COST ALLOCATION (Exhibit 7)

36.0 Reference: Exhibit 7, page 4 / OEB #40 a)

a) Please explain why the Billing and Collection factor is considered to be the same for Residential as for Street Lighting. Does the Street Lighting factor include consideration of: i) the need to manage/monitor the numbers and wattage of street lighting devices and b) the need to produce consolidated bills for street lighting customers?

b) With respect to the referenced 16 USL customers whose bills are recorded on a non-USL service billing, what are the other associated customer classes?

c) Apart from being updated to include more recent data, have there been any improvements in London's engineering record keeping or financial records keeping since 2008 that would result in an improvement in the assignment of costs to USOA accounts and/or the breakout of assets as performed on Sheet I4. If yes, please describe what these improvements were and how they affected/improved the assignment of costs to USOA accounts and/or the breakout of assets.

37.0 Reference: Exhibit 7, page 6, line 7

a) Please confirm that the "original informational filing" referred to is the CA filing made by London in 2007.

b) What year's load data was used to establish the load profiles in the "original informational filing"?

c) Please provide a schedule that for each customer class sets out the average monthly use per customer forecast for 2013 and compares it with the average use per customer for the year that the load profiles are based on (i.e., not the year that the informational CA filings cost data is based on).

38.0 Reference: Exhibit 7, page 8 /OEB #40 a)

a) Based on the CA results in OEB 40 a), what would be the revenue deficiency if:

i. the ratios for GS >50-4,999 (Cogeneration) and Large User were reduced to 120% and 115% respectively

ii. the ratio for Street Lights was increased to 70% and

iii. the ratios for Sentinel, USL and Standby were increased to 80%.

b) How much would the ratio for the GS >50-4,999 class need to increase in order to offset this revenue deficiency?

RATE DESIGN (Exhibit 8)

39.0 Reference: Exhibit 8, pages 2 & 18

a) On pages 2 through 9 the Co-Generation class is defined GS>50 to 4,999 whereas on page 18 it is defined as GS 1,000 – 4,999. Please reconcile.

b) Please explain why London requires a separate GS Co-Generation class and a Standby class. Why couldn't customer in the GS>50 Cogeneration class simply be classified to the standard GS>50 class and contract for Standby Service?

40.0 Reference: Exhibit 8, pages 4 - 6

a) Are the fixed/variable split percentages based on gross or net variable revenues (i.e., revenues before or after deduction of the transformer allowance)?

b) If they are based on gross, please re-do Tables 8-5 based on net.

c) Table 8-5 shows a fixed/variable split for Residential of 58/42 and Table 8-6 indicates that the proposed 2013 Fixed Rate of $12.63 is meant to maintain this split. However, Table 8-7 indicates that the proposed fixed/variable split for the class is 56/44. Please reconcile.

41.0 Reference: Exhibit 8, page 16

a) Please explain the significantly higher loss factor reported for 2009 (i.e., 1.0529).

DEFERRAL AND VARIANCE ACCOUNTS / LRAM (Exhibit 9)

42.0 **Reference: Exhibit 9, pg. 22, pg. 59**

a) Please provide the stranded meter cost and show the calculation of the class balances for recovery.

b) Please provide the average installed cost for pre-smart (thermal) meters for residential and GS customers.

c) Please comment on how the proposed methodology for the stranded meter cost disposition reflects class cost causality.

d) Why was a one-year disposition period chosen rather than a two or three year period or a period coinciding with the anticipated IRM period?

43.0 Reference: OEB # 47 , Appendix B, Appendix C

a) Does the response to Board Staff IR #47 and Appendix B and C constitute London's entire application for LRAM and SSM recovery?

44.0 Reference: OEB IR # 47 Appendix B, pg. 204

a) Please clarify whether London Hydro retained a third-party to review its LRAM proposal for 2010 or 2011.

b) Do the tables at pages 206-208 constitute the entire OPA report on London Hydro's CDM results? If not, please file the source document from which these tables are extracted.

45.0 Reference: OEB IR #47 Appendix B & C

a) Please provide a table for 2010 and 2011 CDM programs showing for each row:

i. Program Name

ii. Energy Efficiency Measure

iii. Rate Class

iv. Number of Units-Participation

v. Measure Life

vi. LRAM free Ridership rate (%)

vii. Annual Energy Saving – (kWh annual)

viii. Annual Peak Demand Savings (kW annual)

ix. Dollar value contribution to LRAM

End of Document