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February 20, 2009

BY EMAIL & BY COURIER

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

EB-2008-0235

FILED BOARD SECRETARY	
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0094	

FEB 23 2009

ONTARIO ENERGY BD

Dear Ms. Walli:

Board File No. EB-2008-0235
London Hydro Inc. – 2009 Rates Rebasing Application
Energy Probe Interrogatories

Pursuant to Procedural Order No. 1, issued by the Board on January 26, 2008, please find attached two hard copies of the Interrogatories from Energy Probe Research Foundation (Energy Probe) to London Hydro in the EB-2008-0235 proceeding. An electronic version of this communication will be forwarded in PDF format.

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

Yours truly,

David S. MacIntosh
Case Manager

cc: David B. Williamson, London Hydro Inc. (By email)
James C. Sidlofsky, Borden Ladner Gervais LLP (By email)
Peter Faye, Energy Probe Counsel (By email)
Interested Parties (By email)

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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 London Hydro
Inc. for an order approving just and reasonable rates and other
charges for electricity distribution to be effective May 1, 2009.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 20, 2009

**LONDON HYDRO INC.
2009 RATES REBASING PROCEEDING
EB-2008-0235**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit 2, Page 2, Table 2

The evidence on this page features Table 2, a Summary of Working Capital Allowance. At line 15-17 the statement is made that:

“Given that the 2006 Board Approved Year is based largely on 2004 Actual results, the average annual increase in the working capital allowance over the five year period is approximately 3.8%.”

- a) Please quantify the term “largely” in this statement.**
- b) Other than 2004 actual results, what else was the Board approval based on?**

Interrogatory # 2

Ref: Exhibit 2, Pages 3-4

Lines 1-3 on page 4 present forecasts of customer growth rates. These are noted on page 3 as based on “historical trends and current outlook”. Does the current outlook take into account the probable effects of the developing recession?

Interrogatory # 3

Ref: Exhibit 2, Pages 3-4

Lines 6-8 on page 4 show residential and small commercial consumption decreasing by 2.4% and 0.8% respectively while large commercial and industrial consumption is expected to increase by 1.7%

- a) If large commercial and industrial customer growth is expected to be 0% what does London Hydro expect will drive an increase in consumption by existing customers?**
- b) Does London Hydro have any large industrial customers in the automotive sector? If yes, has the expectation of plant closures in the automotive sector been considered in these forecasts?**

Interrogatory # 4

Ref: Exhibit 2, Page 31

Project 8E3 shown on page 31 is for residential underground distribution. Reference is made to a Canada Mortgage and Housing estimate that London's residential starts in 2008 would be 5.1% lower than 2007.

- a) How did actual 2008 housing starts compare with this forecast?**
- b) What is the comparable 2009 forecast for housing starts?**
- c) Does the 2009 forecast consider the impact of the developing recession?**

Interrogatory # 5

Ref: Exhibit 2, Page 32

Project 8E5 shown on this page is for installation of commercial overhead and underground distribution systems. It is noted that this budget is solely dependent on market conditions.

- a) How did actual market conditions for 2008 compare with forecast for this sector?**
- b) How much of the \$1,750,000 budgeted in this project was actually spent?**

Interrogatory # 6

Ref: Exhibit 2, Pages 56 and 80

Table 17 on page 56 and Table 21 on page 80 of this exhibit are Capital Plan summaries.

- a) Please confirm that the differences in figures in the 2009 and 2010 years are the result of preparation of these tables one year apart. If this is not the case please explain why the numbers are different.**
- b) Table 21 lists developer works at \$5.1 M while Table 17 shows it at \$7.3 M. Given the retraction in housing starts forecast by CMHC, why has London Hydro increased its budget for this category of work from its previous forecast?**

Interrogatory # 7

Ref: Exhibit 2, Pages 56 and 80

Table 21 shows City Works increasing over the Table 17 forecast for years 2010 and 2011. Has the City of London provided London Hydro with information supporting the conclusion that road works will expand in those years? If not, what is the increased estimate between the two tables based on?

Interrogatory # 8

Ref: Exhibit 2, Pages 59

Table 18 on this page shows project 9E1 for developer driven distribution system expansions and circuit relocations budgeted at \$2,780,000 for 2009.

- a) Please break this total figure down into the amount for relocations and the amount for expansions.**
- b) What is London Hydro's practice for recovering developer driven line relocation costs?**
- c) Why is there no cost recovery shown for this category of work?**

Interrogatory # 9

Ref: Exhibit 2, Pages 56, 59, 80 and 83

Table 21 on page 80 shows Developer works estimated at \$5.0 M for 2009 while Table 17 on page 56 shows the estimated 2009 cost in this category as \$7.3 M. The difference appears to be attributable to project 9E1 Developer driven distribution circuit expansions and relocations shown on Table 18 page 59. Please explain why this major expansion would not have been recognized at the time the 2008 forecast for 2009 was prepared?

Interrogatory # 10

Ref: Exhibit 2, Page 59

Table 18 on this page shows project 9E2 as Residential Secondary Service Upgrades. Assuming that an upgrade implies an existing house and service, please explain service upgrades fits into the category of Developer Works?

Interrogatory # 11

Ref: Exhibit 2, Pages 59, 83

Table 18 on page 59 and Table 22 on page 83 show 2009 and 2008 distribution projects respectively.

Projects 8E3 and 9E3 show \$2,000,000 budgeted for new single family residential underground distribution in years 2008 and 2009.

- a) Does London Hydro have commitments from developers to construct the subdivisions associated with these projects despite the downturn in the economy?**
- b) Have developers provided London Hydro with sufficient security in the form(s) specified in the Distribution System Code to pay for the distribution systems associated with this project?**
- c) Does London Hydro expect any decline in new housing starts in 2010 or 2011?**

Interrogatory # 12

Ref: Exhibit 2, Pages 59, 83

Table 18 on page 59 and Table 22 on page 83 show 2009 and 2008 distribution projects respectively.

Projects 8E5 and 9E5 show new commercial distribution services increasing from \$1.75 M in 2008 to \$1.90 M in 2009.

- a) Does London Hydro have commitments from developers to proceed with projects associated with these estimates?**
- b) Has London Hydro taken sufficient security from developers to finance these distribution system projects?**
- c) Does London Hydro expect any decline in commercial development in 2010 and 2011?**

Interrogatory # 13

Ref: Exhibit 2, Pages 65, 123

The evidence at Lines 19-21 refers to “*plans to replace equipment that is fully depreciated and/or in very poor condition*”. Page 123 references project 9G3 to Rebuild overhead depreciated areas at a cost of \$1.7 M.

- a) Does London Hydro undertake replacement of plant solely on the basis of its book value?**
- b) Please provide details of the plant that will be replaced in project 9G3 and explain the evaluation process that led to the replacement decision.**

Interrogatory # 14

Ref: Exhibit 2, Page 93

Lines 6 to 19 discuss the replacement of rolling stock.

- a) What is the current size of London Hydro's fleet broken down by work equipment and transport equipment?**
- b) What are the threshold values of age, hours of use and mileage that trigger replacement of a vehicle or piece of major equipment?**
- c) What is London Hydro's process for disposing of surplus vehicles and equipment?**
- d) What is the rationale for buying "11 pre owned vehicles"? Are these transport or work equipment?**

Interrogatory # 15

Ref: Exhibit 2, Page 72

Lines 13-22 discuss the impact of smart metering on IT requirements.

- a) Does London Hydro intend to resource management and storage of smart meter data in house?**
- b) If yes, what are the expected staff costs associated with that strategy?**
- c) Has London Hydro evaluated options such as contracting the service out or partnering with other distributors to share IT infrastructure and storage for smart metering data?**
- d) If yes, what considerations led London to reject these options?**

Interrogatory # 16

Ref: Exhibit 2, Page 98

Lines 1-5 present the need for a new IVR system.

- a) Is the IVR system primarily used to answer and route calls during business hours?**
- b) What after hours features are provided by the IVR other than power outage notification?**
- c) Will the distribution automation initiatives described elsewhere in the evidence eliminate the need for customers to identify where the system is not operating?**
- d) How many staff would be needed to replace the IVR system and provide live call answering and routing? How much would this cost compared to the proposed IVR solution?**
- e) How does the IVR system reduce the risk of bad debt?**

Interrogatory # 17

Ref: Exhibit 2, Page 98

Lines 6 to 10 discuss the need for a call monitoring system.

- a) Is this a companion system to the IVR?**
- b) Why does London Hydro need to monitor and record all incoming and outgoing calls?**
- c) How does London Hydro intend to “monitor” calls? How many staff will be needed for this monitoring effort and what will the cost be?**
- d) What data is generated by the monitoring and recording effort and how is it used as a “management and training tool”?**

Interrogatory # 18

Ref: Exhibit 3, Page 16

Lines 11-13 reference a consulting report prepared for the City of London and relied upon by London Hydro to validate its load forecasts.

- a) The referenced report was prepared in 2006. Has London Hydro used other more recent studies to check the validity of the assumptions used in the 2006 report by Clayton and Associates?**
- b) Does the most recent CMHC forecast of housing starts in London agree with the Clayton forecasts?**
- c) Has London Hydro prepared a sensitivity analysis of its load forecasts using pessimistic forecasts of customer growth more consistent with recent economic forecasts?**

Interrogatory # 19

Ref: Exhibit 3, Page 33

Interest income is noted as declining in 2009 as a result of spending on smart meters with an attendant decrease in invested funds. Has London Hydro considered the effect of lower interest rates in 2009 as a result of government monetary policy to combat the recession?

Interrogatory # 20

Ref: Exhibit 4, Page 31

Table 19 lists purchased services vendors for 2007. City of London Treasurer is listed as a vendor for construction services totaling \$584 k. Please explain what construction services were provided and why they were considered a sole source supply.

Interrogatory # 21

Ref: Exhibit 4, Page 47

Table 26 shows fleet operations and maintenance expenses.

- a) Fuel expense is projected to increase in 2009. Has London Hydro considered the recent decline in fuel costs as a result of the worldwide recession in its projections?**
- b) Fleet replacements dealt with in Exhibit 2 indicate that London Hydro will be replacing some of its transport and work equipment in 2009. What affect will the addition of these new vehicles and equipment have on the cost of maintenance of the fleet?**

Interrogatory # 22

Ref: Exhibit 4, Page 47

Table 5-9 on page 17 attribute the base labour increase in OM&A between the 2006 Board approved year to the proposed test year partly to wage increases.

- a) Has London Hydro compared its wages and benefits to those of other distributors in its cohort? Please provide the comparison if available.**
- b) Have the wage increases in Table 10 on page 15 been above the average for other distributors in its cohort?**
- c) Does London Hydro expect labour cost increases to continue at the same 5.2% average noted in line 20 on page 10 into the foreseeable future?**

Interrogatory # 23

Ref: Exhibit 4, Page 17

Lines 5-9 on page 17 attribute the base labour increase in OM&A between the 2006 Board approved year to the proposed test year partly to succession planning.

- a) Succession planning appears to be focused exclusively on trade apprenticeships. Does London Hydro have similar succession challenges in other employee categories? If so, please provide details of the succession plan for them.**

- b) Lines 2-4 on page 17 state that the “headcount will decline post 2013 as a net result of future retirements and apprentices becoming fully certified”. How much does London Hydro expect the headcount to decline post 2013 as a result of retirements and apprentices becoming fully qualified?**

Interrogatory # 24

Ref: Exhibit 4, Page 17

Lines 5-9 on page 17 attribute the base labour increase in OM&A between the 2006 Board approved year to the proposed test year partly to corporate reorganization and industry changes.

- a) Please describe the corporate reorganization that resulted in increased staff levels.**
- b) What industry changes have resulted in the need for increased staff?**

Interrogatory # 25

Ref: Exhibit 4, Page 17

Table 13 shows a management to union ratio of about 50%.

- a) Please provide an organization chart for the corporation showing all positions, FTE complement for each position and reporting relationships.**
- b) How does London Hydro’s management to union ratio compare with other similar distributors?**
- c) How many management staff are supervisors?**
- d) Is it customary among distributors for all IT staff to be management?**

Interrogatory # 26

Ref: Exhibit 4, Page 19

Table 14 on this page shows Benefit cost increases of 32.2% between 2004 – 2009.

- a) How much of the benefit cost increase is attributable to the increased employee numbers at London Hydro?**
- b) What factors other than employee numbers is driving benefit costs up?**
- c) Does London Hydro expect benefit costs to continue to increase at a similar rate into the foreseeable future?**
- d) Are there any actions that London Hydro can take to mitigate and/or reduce benefit cost increases?**

Interrogatory # 27

Ref: Exhibit 4, Page 20

Lines 12-13 reference post retirement benefits for employees.

- a) What do these benefits consist of?**
- b) Do retired employees contribute to the cost of the benefits?**
- c) Are the benefits time-limited?**
- d) Is there a cap on the amount of benefits that a retiree is entitled to?**
- e) Does the plan also cover a retiree's spouse and dependants?**
- f) Has London Hydro compared its post retirement benefit plan to those of similarly situated distributors? If yes, please provide the comparison.**

Interrogatory # 28

Ref: Exhibit 4, Page 9

Table 7 on page 9 shows an increase in purchased services between 2006 and 2009 of about \$700 k.

- a) Approximately how many FTEs are represented by this \$700 k?**
- b) Notwithstanding the explanations offered for purchased services variances later in the exhibit, does London Hydro expect the trend to increasing purchased services to continue into the foreseeable future?**