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ONTARIO ENERGY BOARD

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Please reply to the TORONTO OFFICE

BY COURIER

November 13, 2007
Our File No. 2070772

14/11/07
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Hydro Ottawa Limited EB-2007-0713

EB-2007-0713

OEB BOARD SECRETARY	
File No.	2070772
Panel	PV, BR
Licensing	HT
Other	DC
00/04	

Please find enclosed two hard copies of the School Energy Coalition Interrogatories in respect of the above-captioned matter. An electronic copy has already been sent to the parties.

Yours very truly,
SHIBLEY RIGHTON LLP

John De Vellis

c.c. Lynne Anderson, Hydro Ottawa Limited (email only)
Jerry Farrel and Helen Newland, Fraser Milner Casgrain LLP (email only)

**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 or Orders approving or
fixing just and reasonable rates and other charges for
the distribution of electricity commencing May 1, 2008.**

**INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION**

1. Audited Financial Statements

The Statement on Auditing Standards requires auditors to communicate reportable conditions to the audit committee. A reportable condition is a significant deficiency in the design or function of internal control that could adversely affect the organization's ability to record, process, summarize, and report financial data.

- a. Please advise whether HOL's Audit Committee is aware of any reportable conditions.
- b. Please advise whether any reportable conditions have ever been noted by HOL's external auditor during the past 3 years.

If yes, please provide a copy of each communication by the Applicant's auditors of "Internal Control related matters noted in an audit" issued to the Audit Committee.

2. Ref: Page 15 of the Audited Financial Statements for the year ended December 31, 2006

Note 14 "Contingent Liabilities" states that the Ministry of Finance (MOF) is currently auditing HOL's tax returns for fiscal years 2001, 2002, and 2003. An initial Statement of Adjustment (SOA) has been issued by the MOF for the fiscal year ended December 31, 2001. HOL is currently in discussion with MOF to substantiate an estimated \$5-6M adjustment to taxable income. A PILS payable provision will be accrued in the company's current operating results.

- a. Please provide a copy of the Statement of Adjustment (SOA) issued by the Ministry of Finance.

- b. Please provide any updates on the PILS audit and the impact on the operating results of the company.

3. Ref: Related Party Transactions - Note 16 to the Audited Financial Statement for the year ended December 31, 2006.

and

Ref: A1/7/3: Service Level Agreements

In the evidence, HOL stated that it provides certain services to its affiliates and purchases certain services from its affiliates in the normal course of business at commercial rates.

- a. Please provide a summary of amounts charged by HOL to its non-regulated affiliates for 2005-2008 by service category, separating cost and mark-up, with actuals for 2005 and 2006, forecast for 2007, and budget for 2008.

Capital Program

4. Ref: Exhibit B Generally

The evidence as presented makes it difficult to compare year over year spending in various programs. In some cases, spending is shown for a program in one year, but included in the category "Projects With Variances Less than Materiality" in other years. As an example, spending for Distribution Capital: Sustainment: Distribution Transformer Replacement is provided for 2006 Board approved and 2006 actual at B2/2/1 pg. 2. To find 2007 spending for Distribution Capital: Sustainment, one has to turn to B3/2/1. Spending for Distribution Transformer Replacement, however, is not listed at B3/2/1, but is, presumably, included in under "Projects with Variances less than Materiality" in Table 6 on pg. 3. therefore:

- a. please provide a table showing 2006 Board approved, 2006 actual, 2007, 2008, 2009 and 2010 capital spending by detailed sub-program.
- b. Please identify programs for which spending in one year not comparable to previous or subsequent years due to differences in definitions or capitalization policy.
- c. If possible, please provide a "normalized" version of the table that allows "apples to apples" comparisons year over year.

Capital Adjustment Factor

5. Ref: B4/T1/S1

HOL has proposed a capital adjustment factor (CAF) incorporating the proposed 2009 & 2010 capital expenditures with Smart Meters and Stranded Meters removed and adjusting for growth.

- a. Please explain in detail what is meant of “adjusting for growth”.
- b. Has HOL incorporated a 2009 & 2010 capital investment growth percentage in developing the CAF? If yes, what is it?

6. Ref: B4/T1/S1

The evidence states that the CAF will only apply to the capital portion of rates, and the percentage of base revenue requirement related to capital (CRR) is determined using 2008 numbers as a proxy. 60% of HOL’s 2008 base revenue requirement is based on capital.

- a. Please provide HOL’s CRR over the past 5 years.
- b. Using the past 5-year average CRR, what is the factor to apply to rates.
- c. Please explain why a single year (2008) rather than past 5-year average CRR should be used in the formula.

7. Ref: B4/T1/S1

The need for special treatment of capital spending under the IRM framework will be addressed in EB-2007-0673 “3rd Generation Incentive Regulation for Electricity Distributors” proceeding.

- a. If a provision for multi-year capital plan is provided by the Board under the 3rd Generation IRM framework, would the CAF portion developed by HOL be removed from the factor to be applied to rates? If not, how will HOL ensure there is no overlap between the 3GIRM adjustment and its proposed capital adjustment factor?
- b. If the Board in the 3GIRM proceeding rejects the inclusion of a separate capital adjustment mechanism in the incentive regulation period and HOL’s request in this proceeding is accepted, then HOL would be receiving treatment different than that given other distributors. Please explain why HOL believes it deserves special consideration in respect of its capital plan.

8. Ref: B4/T1/S1, Methodology for Capital Adjustment Factor

HOL has calculated a CAF for 2009 to be 0.0349 and a CAF for 2010 to be 0.0328 in the table “Methodology for Capital Adjustment Factor” in B4/T1/S1. HOL has also developed the following factor to apply to rates: $1 + (CRR * CAF + ORR * 3GIRM)$. Assuming 3GIRM equals to zero, the factor to apply to rates would be 1.021 for 2009, and 1.020 for 2010.

- a. Please calculate what the CAF would be using historical spending levels over the last five years (assuming 3GIRM equals zero).

9. Ref: B4/1/1

- a. It is unclear how HOL envisions the rate order emanating from this proceeding interacting with the rate order emanating from the 3GIRM process in respect of the 2009 and 2010 rate years. Does HOL propose that the rate order from this proceeding run concurrently with the rate order from 3GIRM or that the 3GIRM rate order supersede the rate order from this proceeding? If the former, does HOL have a legal opinion or regulatory precedent that would support it being subject to two rate orders at once? If the latter, does HOL propose that the 3GIRM panel be bound by the former rate order?

Distribution Asset Management Strategy

10. Ref: B1/T2/S2, pg2, Asset Management Plan

HOL's asset management process uses information about the asset condition, criticality, cost, and other drivers in a quantitative way to develop the intermediate program for each asset class. One of the drivers is "benchmarking to industry standards and practices". The purpose of the asset management process for each asset class is to ensure desired performance at minimum cost over the long term.

- a. Please provide detailed data of industry standards and practices used by HOL as benchmarks in developing its asset management process for each asset class.

11. B1/T2/S2, pg6, Distribution Transformers

Based on historical asset data, 6% or approximately 1800 transformers will have to be replaced. Based on the transformer survey program, only 2.84% or 852 units of transformers will be replaced. The evidence states that the accurate information (from the survey) prompted HOL to revisit its replacement program.

- a. Please list the factors contributing to the variances in the number of transformer units to be replaced based on results from the two sources (historical data and survey program).
- b. Compared to results collected from the actual asset survey program, how accurate is the data from historical record? Does it follow that data from asset survey programs is more reliable?
- c. Does HOL conduct asset survey for each asset class on a regular basis? If yes, please provide a comparison of the asset condition (by each asset class, if available) from the most recent survey results and from HOL's available historical record.

12. B1/T2/S2 pg8, Cables

HOL's intermediate program for underground cable replacement recommends \$11M spending per year until 2016.

- a. Please provide the length and unit cost of cable replacement per year, for PILC, XLPE, Tree-retardant Plastic and Non-tree-retardant plastic cables. Further separate unit cost into labour, material, overhead.

13. B1/T2/S2 pg9, Poles

HOL's 2004 survey showed a large concentration of poles in the middle condition range, meaning slight deterioration and between 20-35 years old (useful life 50 years).

HOL's intermediate program recommends a levelled replacement rate of 500 poles per year until 2015.

- a. Please provide the total number of distribution poles in HOL's distribution system.
- b. Please provide the average unit cost of pole replacement (broken down by labour, material, overhead).

14. B1/T2/S2 pg12, Station Transformers

70% of HOL's station transformers are between 30-40 years old.

Results of HOL's survey and Asset Management Plan suggest station transformer replacement of \$750K to \$1M per year.

- a. What is the average life expectancy of HOL's station transformers?
- b. What is the industry average of the useful length of life for station transformers?
- c. How many station transformers does HOL own and operate?
- d. With respect to the recommended replacement level of \$750K to \$1M per year, please provide: the number of units of station transformer asset addressed under this program, and the unit replacement cost (separating labour, material, and overhead).

15. Ref: B1/T2/S2, pg16, Insulators

There are 240,000 insulators installed on HOL's overhead network, 7,000 of them are porcelain horizontal post insulators (may develop cracks, breakage hazard).

HOL has selected a polymeric insulator for new installations and for replacement of old units. An insulator replacement program was introduced.

Questions:

- a. In what areas do polymeric insulators outperform the porcelain horizontal post insulators that HOL currently uses and glass insulators?
- b. What is the life expectancy of: the porcelain horizontal post insulator, and, the polymeric insulator.
- c. How many of HOL's existing porcelain insulators are reaching/beyond EOL?
- d. Please describe HOL's insulator replacement plan, in particular, provide details of the number of insulators to be replaced each year, average replacement cost (capital and non-capital).

16. B1/T2/S6, CIS Version Update Project

On page 5 of B1/T2/S6, HOL stated that it began a due diligence review of available options to consider when choosing its CIS solution both in the short-medium term and in the long term.

- a. Please describe all the available options that HOL considered.
- b. Please provide in detail the pros and cons of each option, including a detailed analysis of the incremental benefits, incremental costs and risks of each option.
- c. Is HOL aware of any other LDCs that also use the PS CIS system from the same vendor? If yes, do they choose to have their PS CIS systems fully upgraded or do they have other options?
- d. Table 1 on page 7 of B1/T2/S6: HOL's budget for CIS upgrade is \$7.4M. \$2.7M will be included in CWIP for 2008, with the remaining \$4.7M deferred until 2009. Full version upgrade is targeted in 2009.
 - (i) How is the \$1.2M burden derived;
 - (ii) Please explain the contingency expense of \$300K;
 - (iii) Please disclose all annual ongoing costs beyond 2009.

Capitalization Policy and Allocation Procedure Based on Updated Estimates

17. Ref B1/T3/S1

On page 3 of B1/T3/S1, HOL states that its new Cost Allocation methodology is based on the changes in accounting estimates and the methodology for allocating overhead costs reflects the simplified methodology using 3 burden rates to capitalize overhead costs.

- a. Please provide details of the 3 burden rates.

18. Ref: B1-3-1, Appendix U, Hydro Ottawa Limited "Revisions to Capitalization Policy and Allocation Procedure Based on Updated Estimates"

The following table is adapted from the table on pg. 4 of Appendix "U":

1	2	3	4	5	6	7	8	9	10	11	12	13	14
	2007 Approved Budget				2008 Proposed Budget @ New Capitalization Rate				2008 Budget @ Former Capitalization Rate				
	Total Capital	Op. Exp	Cap %		Total (D)	Capital (A)	Op.Exp	Cap %		Capital	Operating	A-B	
Indirect Costs	\$'M		C			\$'M				B=D*C	D-B		
1 IT	3	1.6	1.4	53%	3.3	0.1	3.2	3%		1.8	1.5	-1.7	
2 HR	3.5	1.9	1.6	54%	3.5	1.2	2.3	34%		1.9	1.6	-0.7	
3 Finance	3.2	1.8	1.4	56%	3.3	0.6	2.7	18%		1.9	1.4	-1.3	
4 Holdco	1.9	1	0.9	53%	1.9	0.2	1.7	11%		1.0	0.9	-0.8	
5 Corporate	1.9	1	0.9	53%	1.9	0.4	1.5	21%		1.0	0.9	-0.6	
6 Facilities	4	2.2	1.8	55%	3.6	1	2.6	28%		2.0	1.6	-1.0	
7 Other	2	1.1	0.9	55%	2.2	0.6	1.6	27%		1.2	1.0	-0.6	
8 Total	19.5	10.6	8.9	54%	19.7	4.1	15.6	21%		10.7	9.0	-6.6	

Calculated at the new capitalization rate, \$4.1 million of HOL's 2008 indirect cost will be allocated to capital, and the remaining \$15.6M will be expensed. Calculated at the former capitalization rate, \$10.7M will be allocated to capital, and the remaining \$9M will be expensed.

- Please confirm that the above calculations are correct.
- Please calculate the 2008 service revenue requirement under both the 2007 and proposed 2008 capitalization rates and show detailed revenue requirement components.

Distribution Capital Program Expenditures

19. Ref: B2/T2/S1/pg1, B3/T2/S1/pg1, B3/T2/S2/pg1 2006-2008 Capital Expenditures

- Please confirm that HOL does not add any cost associated with a capital project to rate base until the project's assets have been put into service.

20. Ref: B2/T2/S1 pg5, Distribution Transformer Replacement Program
Ref: B2/T2/S1 pg7, Stations Transformer Replacement Program

For HOL's 2006 distribution and stations transformer replacement programs, results of the survey were used in conjunction with the Asset Management Plan to quantify the number of distribution and station transformers to be replaced. Based on the survey results, distribution and stations transformer replacement plans were revised to a less intensive plan, resulting to 58% less

actual spending on distribution transformer replacement and 72% less actual spending on stations transformer replacement.

- a. Please explain, by category of capital program, how significantly HOL's Asset Management Plan deviates from the survey results?
- b. Data in the following table was extracted from Evidence B2/T2/S1:

	2006 Approved	2006 Actual	Ref
Distribution Transformer Replacement (\$000's) (A)	\$6,601	\$2,750	B2/T2/S1/pg2
Distribution Transformers (unit) (B)	540	372	B2/T2/S1/pg5
Distribution Transformer Unit Replacement cost (\$000's/unit) (A/B)	\$12,000/unit	\$7,400/unit	
Stations Transformer Replacement (\$000's) (C)	\$1,990	\$562	B2/T2/S1/pg2
Stations Transformers (unit) (D)			
Stations Transformer Unit Replacement Cost (\$000's/unit) (E=C/D)			

- (i) Please provide the number of 2006 approved and 2006 actual station transformers under the Stations Transformer replacement program, and calculate the unit replacement cost. Please explain any variation in the proposed and actual replacement cost per unit.
- (ii) Refer to Distribution transformer unit replacement cost. 2006 actual unit replacement cost of \$7,400/unit was 38% less than approved level. Please explain the variation.

Insulator Replacement Program

22. Ref: B2/T2/S1/pg 8

	2006 Approved	2006 Actual	Ref
Insulator Replacement (\$000's) (A)	\$475	\$1,230	B2/T2/S1/pg2
Insulator units (B)	1500	2500	B2/T2/S1/pg8
Unit Replacement Cost (\$/unit) (A/B)	\$320	\$490	

- a. The actual per unit replacement cost in 2006 was \$2,500 compared to \$1,500 forecast. The evidence states [at pg. 8] that 'per unit cost to replace insulators varies significantly on the installation particulars, such as pole framing, existence of adjacent circuits, pole location such as the road right of way or backyard, and other

factors.” Please explain specifically what specific factors led to the actual per unit replacement cost to be 52% above the forecast level.

Distribution Capital Program – Demand

23. Ref: B2/T2/S1/pg9: Commercial Development

	2006 Approved	2006 Actual	2007	2008	Ref
Commercial Development	\$4,331	\$7,504	\$5,401	\$5,811	B2/T2/S1/pg3 B3/3/1 B3/4/1

- Please explain in greater detail what “Commercial Development” capital programs consist of.
- Please provide a more detailed explanation of the additional work that was done in 2006 above the forecasted amount. If there are any differences in unit costs that explain the spending variation, please explain those as well.
- Please provide more detail as to the level work planned for 2008 as well as how that forecast was derived.

Infill Services

24. Ref: B2/T2/S1/pg9

	2006 Approved	2006 Actual	2007	2008	Ref
Infill Services (\$000's)	\$1,859	\$4,288	\$3,021	\$2,598	B2/T2/S1/pg3 B3/3/1 B3/4/1

- The Evidence states that higher spending in 2006 was due to higher than expected requests for infill service connections. Please provide a more detailed explanation of the extra work that was done in 2006 over the forecast amount (number of units, cost per unit) as well as the work forecast for 2008.

Plant Relocations and Upgrades

25. Ref: B2/T2/S1/pg10

The Evidence has identified 2 major projects covered under Plant Relocations and Upgrades capital program: Highway 7 relocation of existing pole lines to new right of way locations, and Overhead to Underground Conversion. Both projects are multi-year projects.

- a. Please provide capital spending by major project, from 2006 to 2011, and for each identified project, break down into detailed capital components: material, labor, overhead, etc.
- b. Please advise when would each project be completed.

Load Forecast

26. Ref: C1/2/1

- a. Pg. 15: Please explain why the growth rate for residential sales and sales of GS<50 rate class are projected to be below the growth rate of system energy sales.
- b. Please provide a more detailed explanation for the large decreases in most rate classes, as shown in Table 14. Specifically, what independent variables determined the decline in average use?

27. Ref: C1/2/1- Load Forecast- CDM Adjustments

Preamble

The evidence states that HOL has made an adjustment to its load forecast to take into account the OPA's forecasted CDM savings. In EB-2006-0501, the Board agreed with intervenors who argued that the OPA's total demand reductions included naturally occurring conservation, which would already be taken into account in the applicant's load forecasting model and which therefore should not be included in the adjustments to the load forecast to take into account CDM activities. The Board's findings can be summarized in the following passage:

The Board acknowledges that forecasting the impact of CDM on peak loads is not a simple task at this time. The impact and effectiveness of particular CDM programs is sometimes elusive, and hard to define with precision. Having said that, the Board is not satisfied that Hydro One's proposed CDM adjustments are appropriate. While we do not object to Hydro One starting its analysis with the provincial target of 1,350 MW for 2007, *we agree with intervenors that Hydro One has double counted the impact of natural conservation. It is clear from the evidence that the OPA intends to count natural conservation in determining if the 2007 target of 1,350 MW has been met.*³⁹ Hydro One testified that its forecast, before the CDM adjustment, already factors in natural conservation. Therefore, the Board fails to understand how Hydro One can rationalize not reducing the 1,350 MW target for estimated natural conservation. [Ontario Energy Board, EB-2006-0501 Decision With Reasons, pg. 91. Emphasis added]

In HOL's pre-filed evidence, at C1/2/1, pg. 22, it states that "average use per residential customer has clearly been decreasing and is forecasted to reduce as conservation becomes a way of life."

Please:

- a. Confirm that HOL's load forecasting model would take into account naturally occurring conservation. If not, why not?
- b. Confirm that the OPA's CDM savings that HOL used to determine a reduction in its load forecast would include naturally occurring conservation.
- c. Explain whether the OPA CDM savings that HOL used to reduce its load forecast have been adjusted to take into account naturally occurring conservation (i.e. has HOL used the OPA CDM savings net of naturally occurring conservation?). If not, why not?

Other Revenue

28. Ref: C2/1/3- Other Income, 2007 vs. 2006 variance analysis

- a. Please explain why Specific Service Charges (excluding poles) are expected to be \$300k lower in 2007 than in 2006.

29. Ref: C2/1/4: Other Income, 2008 vs. 2006 variance analysis

- a. Pg. 6: please provide details of the Dividend payment made to HOL's holding company. How much was the payment, and when was it issued?

O&M and Administration Costs

30. Ref: A2/T2/S1

The guidelines advise managers to target gross OM&A budget "at 2007 budget level (net of work for others plus 2%" THOL has stated that it targets gross OM&A before CDM at 2007 budget level plus 2%.

- a. Please explain how this is compatible with the statement under paragraph 1.1 of the exhibit that states, "The base budget must be developed used (sic) zero-based budgeting."
- b. The Guidelines state that budget results "will be reviewed by a budget review committee, in detail, on a line-by-line basis for each department." Please provide copies of the "line-by-line" review of the OM&A budgets that were performed by the budget review committee.

31. Ref: D1/1/1, pg. 11:

- a. please provide a copy of the contract with IBM.

- b. what was the basis for adjusting the agreement with IBM as a result of call volumes being 20% higher than originally contracted?
- c. Was any research done as to the cause of the increase in call volumes? For instance:
 - (i) Was any inquiry made as to whether the call volumes resulted from one-time events that were not likely to continue?
 - (ii) Was any inquiry made as to whether the increased call volumes resulted from the way in which IBM managed the calls?

32. Ref: D1/1/Schedules 2,3,4- Variance Analysis

The data as presented does not allow for an apples to apples comparison of expenditures year over year due to the fact that the "capital allocations" figure is only presented in aggregate form. For example, the 2006 Administration expenditure of \$6.9 million is not comparable to the 2007 estimated expenditures of \$7.571 million. Also the data for O&M is not broken down by the various programs (control room, general switching, etc.) described in paras. 3.1 to 3.13 in Exhibit D/Tab 1/Schedule 1). Therefore:

- (i) Please provide a table showing OM&A expenditures for 2006 Board approved, 2006 actual, 2007, and 2008 normalized to take into account different capitalization rates in each year.
- (ii) Under the "O&M" line please provide a breakdown of expenditures by sub-program (control room, general switching, etc.)

33. Ref. D1/1/3, pg. 5:

- a. Please provide a more detailed explanation for the increase in general administration costs of \$2.1 million in 2007 over 2006 actual. In particular, for each of the items listed at Exhibit D1/1/3, please explain the driver for the increased expenditures and a more detailed breakdown of the costs. For example:
 - (i) please provide a more detailed breakdown of the increase in human resources costs of \$300,000. What is the employee recognition program referred to and how much did it contribute to the additional expenditures?
 - (ii) explain the reasons for additional security patrols and other facilities maintenance costs totaling \$200,000;
 - (iii) with respect to the increased media communications costs of \$300,000, part of that increase appears to be related to overflow work from 2006. Are 2008 budgets expected to remain at the same level? If so, why?

(iv) Please explain why liability insurance increased by \$200,000;

34. Ref: D1/1/4: 2008 Administration costs

- a. Please provide a further breakdown of the \$2.5 million increase in Administration costs (excluding the \$10.2 million increase resulting from changes to allocations of costs to capital and O&M). In particular:
 - (i) Please provide a more detailed explanation for the 2%, or \$500,000, “increase in other miscellaneous costs”. Why does HOL have an additional level of cost increase for “miscellaneous” when it has already identified several specific areas of cost increases?

35. Ref: D1/1/4- Variance 2008 over 2007

- a. Of the \$2.3 million increase in compensation, how much is due to the addition of 20 apprentices, one stations electrician and one supervisor related to workforce planning, and how much is related to the general increase of 3.2% for unionized personnel and 3% for management?

36. Ref. D1/2/1: Services from Affiliates

- a. Please explain how the cost-based pricing is determined for Administration and Corporate Services (\$2.1 million in 2008, up from \$1.876 million in 2006) received from the Holding Company. Specifically, how are the services determined and how is the cost allocated to HOL?

37. Ref: G1/1/1- Calculation of Revenue Deficiency

- a. In Table 2 at Exhibit G1/1/1, pg. 3, it states that increases to OM&A expenses contribute to the revenue deficiency in the amount of \$15.151 million. However, Total Net OM&A shown at Exhibit D1/1/4 pg. 1 is \$12.483 million greater than 2007, not including taxes. Please explain.

38. Ref. D1/3/1: Procurement Strategy

- a. Please quantify the impact of increasing distribution equipment costs on total OM&A and/or capital costs for 2008 vs. 2007 and 2006.

39. Ref. D1/4/1: Health, Safety and Environment Overview

- a. Please provide the 2006, 2007 and 2008 expenditures for this program and explain any significant year over year variances.

40. Ref. D1/4/2- Vegetation Management

- a. Please provide the budget for this program for 2006, 2007, and 2008.
- b. How is the “Annual Average Cost of Failures” line in Figure 3 computed? What costs are included?
- c. What is the cost of moving from a three-year trim cycle to a two-year cycle?
- d. It appears from Figure 3 that even more significant savings could be achieved by switching to a 1-year trim cycle. Is that correct? If so, has HOL investigated that possibility?

41. Ref.: D1/4/3: Ungerground Locates

- a. Please expand Table 1 to show the total cost of the program and cost per request for each year.

42. Ref: D1/5/1: Compensation

- a. Please file details of HOL’s Incentive Compensation plan.

43. Ref: D2/1/1: PILS

- a. Please explain in greater detail what process HOL will use to update the PILS model for changes in tax legislation. Specifically, how will change in corporate income tax rates recently announced by the federal government be reflected?

44. Ref: H1/1/1: Cost Allocation

- a. Please restate the revenue to cost ratios and service charges shown in Table 1 assuming the revenue to cost ratios for Street Lights and Sentinel Lights were set at 70%, the minimum acceptable ratio according to the Board Staff proposal.

45. Ref: I1/3/1: Rate Design

- a. Please confirm the rate impacts shown in the table below (spreadsheet attached for ease of reference) are correct.

Monthly Distribution Rates by Rate Class*

	2007	2008	
<u>Residential @ 1,000kWh/mo.</u>			
Fixed	9.24	9.02	-2.38%
Distribution Vol. Rate	18.3	22	20.22%
Calendar Year Rate Rider	0	0.8	

Reg. Asset Recovery	1.3	-0.2	-115.38%
Low Voltage Service Charge	0	0.2	
Total	28.84	31.82	10.33%
Total Excluding Reg.-Asset and Calendar-Year Rate Rider	27.54	31.22	13.36%
<u>GS <50KW (@16,000kWh/mo.)</u>			
Fixed	10.3	10.3	0.00%
Distribution Vol. Rate	288	347.2	20.56%
Calendar Year Rate Rider	0	12.8	
Reg. Asset Recovery	16	-8	-150.00%
Low Voltage Service Charge	0	3.2	
Total	314.3	365.5	16.29%
Total Excluding Reg.-Asset and Calendar-Year Rate Rider	298.3	360.7	20.92%
<u>GS >50 < 1,499 (@380KW avg. mo. Demand)</u>			
Fixed	249.13	297.69	19.49%
Distribution Vol. Rate	967.594	1164.32	20.33%
Calendar Year Rate Rider	0	41.382	
Reg. Asset Recovery	231.724	-112.594	-148.59%
Low Voltage Service Charge	0	28.462	
Total	1448.448	1419.26	-2.02%
Total Excluding Reg.-Asset and Calendar-Year Rate Rider	1216.724	1490.472	22.50%

46. Ref: B3/6/1: working capital

- a. Please restate the working capital expense for 2008 by recalculating the OM&A expense in Table 1 using the existing allocation methodology. That is, what would the working capital allowance be if HOL did not change its capitalization rates?