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Please reply to the TORONTO OFFICE

February 4, 2009

File No. 2080627

BY COURIER

2/4/09
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Tillsonburg Hydro Inc. EB-2008-0246

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

Yours truly,

SHIBLEY RIGHTON LLP

per [Signature]
John De Vellis
JDV/tw
Enclosures

EB-2008-0246

OEB BOARD SECRETARY	
File No:	4-05File: 9
Panel	PJ, KA
Liaison to	Lee H.
Other	L.C.
00/04	2HC / TRIM

**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
Tillsonburg Hydro Inc. for an Order or Orders
approving or fixing just and reasonable rates and
other charges for the distribution of electricity
commencing May 1, 2009.**

**INTERROGATORIES
of the
School Energy Coalition**

General

1. Ref. Exhibit 1, Tab 1, Schedule 3-UI
 - (a) Please produce a table similar to Table 2- Estimated Bill Impact, 1,000kWh for the GS<50kW (assuming 15,000kWh consumption) and GS>50kW (assuming 200kW demand) rate classes.
 - (b) The revised (Dec. 15) application contains a modest increase in the revenue deficiency as compared to the August 15 filing, and the distribution revenues for GS<50 and GS>50 revenues show a modest (1% and 7% respectively) decline in distribution revenues for each rate class. However, it appears from Table 1 on pg. 1 that the total bill impacts for these two rate classes have increased substantially as between the August 22 and December filing (from 6.37% to 13.32% for GS<50 and from 2.64% to 11.39% for GS>50). It also appears that there have not been significant changes to revenue to cost ratios for these two rate classes as between the August and December filings (see Ex.1-1-3-U1,pg. 16). Therefore, please explain why the bill impacts for these two rate classes have increased so substantially between the two filings.
 - (c) The total bill impacts for the GS<50kW and GS>50kW rate classes are well above the 10% threshold for requiring rate mitigation (the distribution rate impacts for these two rate classes are astronomical: average of 34% for GS<50kW and 60% for GS>50-see Ex. 1-1-6, Att. A, pg. 2). Please

advise why Tillsonburg has not proposed rate mitigation measures for these rate classes that would see their total rate increase reduced to below 10%.

2. Ref. Ex. 1-1-3, pg. 2: with respect to the Master Service Agreement with the City of Tillsonburg, please advise how the cost rates for the various services listed in Schedule A- List of Services- is determined, and what mechanism is used to adjust the costs from year to year.

Rate Base

3. Ref. Ex. 1/1/3-UI, pg. 9: please explain why the 2009 working capital allowance increases by 2.5% as between the August and December filings given that THI has also decreased its throughput forecast by approximately 2%.

4. Ref. Ex. 2-1-1, pg. 9:

- (a) what is the basis for the statement "THI expects that its newly connecting customers will continue to be senior citizens who have relatively low electricity consumption and frequently reside elsewhere for extended periods."
- (b) Does the above statement mean that the customers have not been reflected in the load forecast as if they were regular residential customers?

5. With respect to smart meters:

- (a) Please state whether THI's smart meter plan has been approved and if so, when.
- (b) Please explain the reason for the amendment to THI's smart meter plan (see Ex. 2-1-1, p. 13) How does the statement that THI will be accelerating its smart meter implementation reconcile with the statement on the next page (p. 14) which states "Consistent with the Board's accounting direction, THI will defer its Smart Meter capital spending"?
- (c) Please provide the total smart meter spending so far.
- (d) Please provide the accumulated dollar amount collected through Smart Meter Rate Adder at the end of 2008 rate year.
- (e) Please provide the current balances of Account #1555 – Smart Meters Capital Variance Account, and Account # 1556 – Smart Meters OM&A Variance Account and the estimated balances of these accounts at the end of 2008 rate year.

6. Capital Expenditures:

- (a) Please provide a table showing capital expenditures in each of 2006, 2007, 2008 and 2009 and explain year to year variations.

Load Forecast

7. Ref. Exhibit 1, Tab 1, Schedule 3:

- (a) Please provide an update as to the status of Syncreon. The pre-filed evidence states that it was projected to wind-up all aspects of its commercial operations in the Town of Tillsonburg by December 31, 2008.
- (b) Please provide an update as to the planned lay-offs at DDM.

8. Ref. Ex. 1-1-3, pg. 1: please explain why the words "create 85 services lots" were substituted in place of the words "attach over 100 new residential customers". Does THI no longer assume, for the purposes of determining its load forecast, that the service lots will translate into new residential customers?

9. Ref. Exhibit 3, Tab 2, Schedule 1, pg. 2:

- (a) Please provide a summary of the changes to the "assumptions and inputs" used in THI's load forecast as between the August 2008 filing and December 2008 filings. Please include the impact that these changes have had on the demand/consumption forecast and on the revenue deficiency.

PILS

10. Ref. Ex. 1-1-3, pg. 2: the evidence states that THI is 100% equity financed. Please state whether THI's PILS have been adjusted for the tax deduction that it would receive in the event its capital structure reflected the Board's deemed capital structure of 60% debt/40% equity.

OM&A

11. Exhibit 4, Tab 1, Schedule 2, pg. 10: rate rebasing application costs:

- (a) The evidence indicates that the cost of the rebasing application is \$244,000 (\$61,000 in each of four years). Please provide a breakdown of

the anticipated cost (consultant, legal fees, etc.) and explain all assumptions used in the forecast.

12. Ex. 4-1-2, p. 9: Customer Information System

- (a) It appears as though the new CIS system will not be a capital asset for THI and will therefore not appear in its rate base. The asset will be purchased by the Town of Tillsonburg and leased to THI. Please confirm.
- (b) What is the total cost of the new CIS system?
- (c) Please explain what is meant by the phrase "this amount will provide for the recovery of the incurred capital costs, \$315k over three years". Does this mean THI is paying the Town of Tillsonburg's capital costs for the system over three years?
- (d) Over what period is the Town of Tillsonburg depreciating the asset?
- (e) Please state whether the new CIS will also support electricity, water and sewers. If so, please explain how the cost of the system is allocated to THI.
- (f) If the new CIS system will not support water and sewer services please explain why ownership of the asset remained with the Town of Tillsonburg. Why wasn't it purchased directly by THI and placed in rate base?
- (g) At line 10 THI states that the new CIS contributes to \$117,000 of the increase in OM&A. However, the text that follows appears to indicate that the amount should be \$111,000 $((\$315,000/3) + \$47,000 - \$41,000 = \$111,000)$. Please explain.

13. Ex. 4-1-2: OM&A Variation

- (a) 2006 to 2007:
 - (i) Please explain the reason for the increase in compensation paid to THI's Board of Directors in 2007. Does this increase continue to 2009?
 - (ii) Please provide the identities of the members of the Board of Directors and state whether they are affiliated with or employed by the Town of Tillsonburg (staff, councillors, etc.)
- (b) 2007 to 2008:
 - (i) The evidence states the increase in 2008 is \$7k, however the amounts described total \$78k. Please explain. (If it is other than

simply a typographical error in the first line please explain what accounts for the difference.)

- (c) 2008 to 2009:
- (i) The text indicates that the increase in 2009 is \$497k yet the items listed in the bullet points below (Ex. 4-1-2, p.14, lines 12-23) total \$338k: \$34k (net cost increase from new Operations Regulatory Affairs Manager); \$60k increase for full-year impact of two new linemen; \$117k for new CIS; \$62k for rebasing application; \$30k for paper and postage; and \$35k for labour cost increases=\$338k. Please explain the remaining increase of \$159,000.
 - (ii) With respect to the new Operations Regulatory Affairs Manager, please state whether the position has been filled and if not when in 2009 THI anticipates filling it.
- (d) With respect to the two new linemen, THI states in the pre-filed evidence (Ex. 4-1-2, p. 8) that "the exact timing of [the retirements of the existing linemen] is unknown". Does that mean THI is unable to determine how long the two new linemen will be working alongside the two existing linemen?

Cost of Capital

14. Ref. Exhibit 6, Tab 1, Schedule 1, p. 2:
- (a) Please advise whether THI currently has any outstanding liabilities with respect to either of the Letter of Credit or the Line of Credit and if so the amount of the outstanding liability and the cost rate.
15. Ref: Exhibit 6, Tab 1, Schedule 1, pg. 4: Return on Equity
- (a) THI has included a return on equity of 8.57% to calculate its cost of capital. The evidence states that "THI undertakes to update all necessary and appropriate schedules when the Board next updates the allowed return on equity." Please confirm that this means THI will adjust the return on equity used to calculate its cost of capital using the most recently available Consensus Forecast (currently January 2009).

Cost Allocation

16. Ex. 8, Tab 1, Schedule 1:
- (a) Please explain the column entitled "Comparison" in Table 1 on pg. 6. The amounts listed in the column do not appear to be the difference between the previous two columns, as the title would imply.

- (b) Please provide the revenue collected from each rate class for the years 2006, 2007, 2008, and 2009;

Rate Design

17. Ex. 9:

- (a) Please provide the proportion of total revenue from each rate class derived from fixed vs. variable rate for the years 2006, 2007, 2008, and 2009.
- (b) Please provide the Floor, Ceiling and 120% of Ceiling (using the definition set out in Section 4 of the Report of the Board, *Allocation of Cost Allocation of Cost Allocation for Electricity Distributors*, dated November 28, 2007) for the fixed monthly charge for each rate class.