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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: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0225
Centre Wellington Hydro Ltd. – 2009 Electricity Distribution Rate
Application

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

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Centre Wellington Hydro Limited (CWHL)
2009 Electricity Rate Application
Board File No. EB-2008-0225

VECC's Interrogatories

Question #1

Reference:

- i) Exhibit 1/Tab 1/Schedule 7
- ii) Exhibit 2/Tab 1/Schedule 3, page 9 (lines 15-21)

- a) Please describe what CWHL's current understanding is as to when it will receive authorization to start installing smart meters.
- b) Please describe what, if any, activities CWHL has undertaken to date in preparation for such authorization and what the associated costs incurred (and reported in the Smart Meter variance accounts)

Question #2

Reference:

- i) Exhibit 1/Tab 1/Schedule 8, page 2
- ii) Exhibit 5/Tab 1/Schedule 3, page 1

- a) What is rationale for selecting 3 years as the recovery period for deferral accounts 1508, 1550, 1584 and 1586?

Question #3

Reference:

- i) Exhibit 1/Tab 1/Schedule 9

- a) Please provide a schedule that sets out the derivation of 2009 Net Revenues. For Distribution Service revenues please provide the rates and volumes used and confirm whether:
 - The fixed charges included the smart meter rate adder
 - The variable charges included any adder for LV cost recovery
 - The variable charges provided for the transformer ownership allowance discount where applicable.

Question #4

Reference: i) Exhibit 1/Tab 1/Schedules 11-13

- a) Please provide copies of all prior Board decisions regarding CWHL's rates.

Question #5

Reference: i) Exhibit 1/ Tab 2/ Schedule 10

- a) The application states that the capital budget process begins with a review of accounts and the previous year's work. Does CWHL identify and factor the condition of its assets and the requirement for future expansion/system upgrades into its capital budgeting process? If yes, how is this done?

Question #6

Reference: Exhibit 1/Tab 3/Schedule 1, Attachment
Exhibit 1/Tab 3/Schedule 2, Attachment

- a) Both the 2006 (page 11) and 2007 (page 13) Financial Statements make reference to CWHL providing water and sewage billing and collection services as well as providing streetlighting maintenance services. Will the provision of such services continue in 2008 and 2009?
- b) If the response to (a) is yes, please indicate the following:
- Where is the "revenue" captured under Other Distribution Revenue (Exhibit 3/Tab 1/Schedule 2, page 1) and how much is it for 2006, 2007, 2008 and 2009?
 - How are the charges for these services determined and where are the costs reported in Exhibit 4/Tab 2/Schedule 1? What are the estimated O&M costs for 2006, 2007, 2008 and 2009 associated with these services?
 - Does the provision of these services involve usage of CWHL's assets? If so, how the rates charged for the services recover the cost asset usage?

Question #7

Reference: i) Exhibit 2/Tab 2/Schedule 1, pages 3-4
ii) Exhibit 2/Tab 3/Schedule 1, page 17
iii) Exhibit 4/Tab 1/Schedule 2, page 1

- a) Reference (i) indicates total 2008 additions of \$512,600. However, in reference (ii) the sum of the Jobs < \$25,000 (\$93,400) and Jobs > \$25,000 (\$359,200) is only \$452,600. Please reconcile.
- b) Reference (i) shows amortization expense for 2007, 2008 and 2009 of \$589,401.4, \$671,278.11 and \$719,077 respectively. Please reconcile these values with those set out in reference (iii)
- c) With respect to reference (i), why is there no amortization of Contributions and Grants in 2008 or 2009?

Question #8

Reference: Exhibit 2/Tab 3/Schedule 1

- a) For many capital programs (e.g., #06-027; #06-071; #06-081; #07-060, and #09-002), the need is based on the fact current poles/cables are "old". Please describe how CWHL determines that the age of its assets is such that replacement is required in a particular budget year.
- b) How does CWHL determine (per page 11) the number of new transformers it will require each year for budgeting purposes? In responding, please discuss how CWHL determines the number of transformers it will need to replace each year for budgeting purposes?
- c) What were problems (per page 9) with CWHL's Harris PUBS system? What options/alternatives did CWHL consider before deciding to convert from Harris PUBS to Harris Northstar and on what basis was the selection made.
- d) What are the reliability issues that determined the Job #08-005 conductor upgrade was required? (per page 14)?
- e) Was a cost/benefit analysis or business case prepared with respect to purchase of:
 - The Digital Filing and Search System and
 - The Cognos Reporting Tool?If yes, please provide.

- f) Please provide the overall implementation plan (including timelines and costs) for the Financial System upgrade (per pages 15 and 20).

Question #9

Reference: Exhibit 3/Tab 1/Schedule 2, Attachment 1

- a) Please confirm whether the rates used in each year to determine the revenues shown on page 1 include the smart meter rate adder.

Question #10

Reference: Exhibit 2/Tab 4/Schedule 2, pages 3-4

- a) Please update the Power Supply Expense component of the Working Capital calculation to reflect the OEB's October 15th, 2008 cost of power forecast.

Question #11

Reference: Exhibit 3/Tab 1/Schedule 2, page 1

- a) Please explain why "Other Income & Deductions" decreases from \$52,746 in 2007 to \$4,700 in 2009.
- b) Please provide the 2008 and 2009 rates and volumes used to determine the Distribution Revenues by customer class. Please confirm that these rates:
- Exclude the Smart Meter adder
 - Exclude any LV charge adder
 - Reflect the Transformer Ownership Allowance when applicable.

Question # 12

Reference: Exhibit 3/Tab 2/Schedule 2

- a) Page 1 states that the forecast customer counts are based on the average customer additions from 2003-2007. However, for the Residential, GS<50 and GS 50-2999 the customer growth rates for 2008 and 2009 are significantly different. Please explain more fully how the values set out in this schedule for 2008 and 2009 were determined.

- b) Exhibit 2/Tab 3/Schedule 1 identified a new commercial building being constructed in 2008 (Job #08-002) and new industrial lots being serviced in 2008 (Job #08-003). Into what customer classes will these new commercial and industrial customers fall?

Question#13

Reference: Exhibit 3/Tab 2/Schedule 3

- a) Please provide the average (per customer) weather normalized usage for each customer class as determined by Hydro One Networks and used for CWHL's Cost Allocation informational filing and confirm which year the data represents.
- b) For the same year, please provide the average (per customer) weather normalized usage for each class using the ERA/CWHL's weather normalization methodology. Please explain the reason for any material differences between these values and those provided in response to part (a).

Question #14

Reference: i) Exhibit 3/Tab 2/Schedule 7
ii) Exhibit 3/Tab 2/Schedule 8

- a) Reference (i) reports "average number of customers" in each year while reference (ii) reports year end customer counts. Please reconcile the following:
- Why are the residential and GS<50 average values for 2008 higher than the year end value, if customer counts are increasing annually?
 - Why are the 2009 average and year end values for residential and GS<50 the same?
 - For GS 50-2,999, why are the average values the same for 2007-2009 but the year end values are typically higher?

Question #15

Reference: Exhibit 3/Tab 2/Schedule 9 – ERA Load Forecast
Attachment

- a) Page 2 states that the forecast is based on monthly class specific data for January 2002 to December 2007.

- How frequently does CWHL read the meters for its Residential and GS<50 customer classes?
 - How was the billing data adjusted to account for the effect of meter reading dates?
 - Please comment on the validity of simply prorating billing data to account for the effect of meter reading dates, when the weather and/or the occurrence non-holiday weekdays could vary significantly over the period requiring prorating.
- b) Page 3 indicates that the HDD and CDD data used was from that reported at the Pearson International Airport. Are there no weather stations closer to Centre Wellington that could have been used instead?
- c) With respect to pages 8-10, what is the impact on the Residential and GS<50 usage forecast for 2008 and 2009 of using a 30 year definition of “climate normal”?
- d) With respect to pages 9-10, are there more recent updates available for any of the economic forecasts presented in Table 5? If so, please provide and update the weather corrected consumption forecast in Table 6 accordingly.
- e) With respect to pages 10-11, the 2008 and 2009 growth rates for GS>50 and the Intermediate class were set equal to growth in employment. Did ERA test the historical relationship between electricity growth in for these classes and employment growth to confirm this 1:1 relationship? If not, what is the basis for the approach used?
- f) With respect to the customer connections forecast on page 13, please provide year end 2007 customer count and the current 2008 customer count (indicate which month) for each customer class.

Question #16

Reference: i) Exhibit 4/Tab 1/Schedule 1, page 1

- a) Please provide further details as to prioritization and risk-based decision making processes CHWL used in developing its proposed OM&A expenses for 2008 and 2009 (per lines 19-21).
- b) What are the key risks and priorities identified by the process and how do the planned expenditures address them.

Question #17

Reference: Exhibit 4/Tab 2/Schedule 2

- a) Please provide a schedule that sets out the main cost drivers (e.g. one time costs, new/reduced requirements, annual inflation adjustments, etc.) for the year over year variance in total OM&A (excluding taxes and amortization) between the 2006 actuals and the 2009 forecast. In doing so, please separate out recurring from non-recurring factors.
- b) With respect to Page 6 (lines 26-28) and page 12 (line 6), has CWHL approached Measurement Canada for dispensation regarding the need to reverify/reseal meters given the pending conversion to smart meters?
- c) With respect to page 12 (lines 19-25), please explain why the pole and conductor replacements are treated as O&M expense as opposed to capital spending.
- d) With respect to page 17:
 - Please provide details regarding the low income conservation program (lines 21-23).
 - Is this program distinct from programs offered through the OPA?
 - Has CWHL sought funding for the program from the OPA? If not, why not?
- e) With respect to page 19, why are the regulatory expenses being amortized over three years when the Board's Third Generation IRM runs for four years (i.e., test year plus 3)?

Question #18

Reference: Exhibit 2/Tab 1/Schedule 3, pages 4 and 10

- a) Please provide more details regarding the Business Credit Risk Insurance that CWHL has obtained (e.g., what was the business case for obtaining the insurance; what are the annual premiums {2007-2009}; what claims/coverage has it provided for to-date; what are the reduced costs experienced in terms of bad debt).
- b) What was CWHL's bad debt expense for each of three years prior to taking out the Business Credit Risk Insurance and what has been its annual actual (and forecast 2008 & 2009) bad debt expense since?

Question #19

Reference: Exhibit 4/Tab 2/Schedule 6

- a) Please identify all external service purchases associated with the preparation of the 2009 Rate Application.
- b) Exhibit 1/Tab 2/Schedule indicates that CWHL is a member of the CHEC group. Does the above referenced schedule include all payments in excess of \$2,000 associated with CHEC activities? If not, please list.

Question #20

Reference: Exhibit 4/Tab 2/Schedule 7

- a) Does the schedule's employee count and reported compensation capture:
 - Summer students (per 4/2/2, page 9)
 - Contract staff used to replace employees on leave and provide other coverage for staff (4/2/2, page 13 & 14)
 - Contract staff to assist with the 2009 Rate Application (page 14)
- b) Why did the average cost of non-unionized employees (Total Salary and Wages) increase by more than 12% from 2006 to 2007?

Question #21

Reference: Exhibit 4/Tab 2/Schedule 8

- a) Please explain more fully what lines A and B in the schedule represent.

Question #22

Reference: Exhibit 4/Tab 2/Schedule 11, pages 1-2

- a) Please explain more fully how the Total Annual 2009 Network Transmission Network (\$819,704) and Transmission Connection (\$680,519) were established – as shown in the second column of each table. Are these the estimated charges from HON for transmission service?

Question #23

Reference: Exhibit 4/Tab 3/Schedule 2, page 1

- a) Please explain the Non-Utility Revenue and Expense entries.

Question #24

Reference: Exhibit 4/Tab 3/Schedule 3

- a) The CCA rates for certain asset groups have changed over time (e.g. 2007 Federal budget) and vary depending upon when the capital expenditures were made. Why aren't these varying rates (by expenditure timing) reflected in the schedule?

Question #25

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

- a) Please explain the basis for the regulatory assets recorded in Account #1508 (i.e., what activity/expenses do they represent?).
- b) Please explain the rationale for each of the "Basis for Allocation To Customer Classes" for each of the four accounts.
 - Does the reference to existing rates for accounts 1584 and 1586 mean existing distribution rates or existing retail transmission rates?

Question #26

Reference: i) Exhibit 7/Tab 1/Schedule 1
ii) Exhibit 9/Tab 1/Schedule 1

- a) Reference (i), page 1 (lines 25-26) states that the \$2,739,753 includes LV charges and Transformer Ownership Allowance. However, page 1 of reference (ii) states it does not. Please reconcile.
- b) Please provide a schedule that sets out the LV charges for 2007, 2008 and 2009. Please include the annual volumes and rates used to derive the total charges for each year.

Question #27

Reference: i) Exhibit 8/Tab 1/Schedule 2, page 4

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

b) Based on the results from part (a), please comment on the appropriateness of assuming that the revenue requirement proportions from the Cost Allocation Informational filing are appropriate to utilize for setting 2009 rates.

Question #28

Reference: Exhibit 8/Tab 1/Schedule 2

a) Please confirm that for purposes of the Cost Allocation Informational Filing:

- The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
- The Costs include the cost of the Transformer Ownership Allowance
- The cost of the Transformer Ownership Allowance is allocated to all customer classes

- b) Please confirm that (per page 7) CWHL is proposing to allocate the cost of the Transformer Ownership Allowance to just the GS>50 classes.
- c) Please provide the results of an alternative cost allocation run which is consistent with CWHL's proposed treatment of the Transformer Ownership Allowance where:
- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
 - The Costs allocated exclude the "cost" of the Transformer Ownership Allowance.
- (Note: For purposes of the response please just file the revise Output Sheet O1)

Question #29

Reference: Exhibit 8/Tab 1/Schedule 2, page 4

- i. Please provide a schedule that sets of the calculation of revenues at existing rates by customer class supporting the %'s in the third column of Table 3.
- ii. Please confirm that the rates used in the calculation referenced in part (a):
- Exclude the Smart Meter Rate Adder
 - Exclude the LV charge adder
 - Reflect the lower rates applicable for transformer ownership where applicable.
- iii. If part (b) is not answered in the affirmative, please re-do part (a) using the rates as defined in part (b).
- iv. Please provide a schedule that shows how the revenue proportions set out in Table 3 (page 6) are derived using the proposed revenue to cost ratios in Table 2 (page 3).
- v. Please confirm whether the "Outstanding Base Revenue Requirement %" in the "Cost Allocation" Column is based solely on the % allocation of distribution service revenues as determined in the Cost Allocation Informational filing or whether it also included the allocation of miscellaneous revenues.
- vi. If the calculation of the Column referenced in part (e) also included miscellaneous revenues, please confirm that this is inconsistent with the way in which the next two columns ("Existing Rates" and "Cost

Allocation”) are determined and indicate the adjustments required to make the value comparable.

Question #30

Reference: Exhibit 9/Tab 1/Schedule 1, page 2

- a) Please provide the derivation of the allocation factors used to allocate the LV costs to customer classes.

Question #31

Reference: Exhibit 9/Tab 1/Schedule 1, pages 3-5

- a) Please provide a schedule that sets out the billing determinants; rates; and resulting revenues used to derive the Fixed/Variable %'s at Existing rates in Table 4 and confirm whether the rates used:
- Exclude the Smart Meter rate adder
 - Exclude the LV charge adder
 - Allow for the transformer ownership allowance.
- b) If different from that provided in response to part (a), please provide a schedule that sets out the 2009 fixed and variable billing determinants and revenues (dollars and %) by customer class based on current (approved 2008) rates. For purpose of the schedule please use: a) the monthly service charges excluding the smart meter rate adder; b) variable charges excluding any charges for LV cost recovery and c) GS>50 variable revenues that include the transformer ownership discount (where applicable).
- c) Please provide a schedule that contrasts CWHL's proposed monthly service charges for each customer class with the OEB Target Range as derived from CWHL's Cost Allocation Informational filing.
- d) Using the fixed percentages provided set out in Table 3, please calculate the monthly fixed service charge that would result from maintaining the fixed/variable split for each class. Note: Please use the fixed/variable splits from the response to part (a) if different from Table 3.

Question #32

Reference: Exhibit 9/Tab 1/Schedule 9, page 1

- 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 -> 750 kWh per month
 - Consume 750 -> 1,000 kWh per month
 - Consume 1,000 -> 1,500 kWh per month

Question #33

Reference: CWHL's Rate Maker Model, Received by OEB August 18, 2008

- a) The above files are not "expandable" to full screen size and therefore difficult to use. Please provide a revised electronic version that can be "maximized" to full screen size,