

**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 Centre
Wellington Hydro Ltd. 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: Transition to International Financial Reporting Standards (IFRS)

1. IFRS will replace Canadian GAAP for all publicly accountable enterprises effective January 1, 2011.

- (a) Please describe any processes and procedures taken by CWHL to date to facilitate the transition.
- (b) Please advise whether CWHL has conducted or is planning to conduct any study to identify and assess the potential impact on its regulatory accounting and reporting systems upon transitioning to IFRS reporting standards. If yes, please specify.
- (c) Choice of Accounting Policy: Upon transition from Canadian GAAP to IFRS, the utility now has the one-time opportunity to evaluate its current general-purpose financial reporting and make accounting policy decisions that could have a material impact on its future financial reporting. It implies that the utility could start a new even if its currently applied account policy is deemed to be appropriate under IFRS. It also implies that the choice of accounting policy and presentation of financial statements in

conformity with IFRS will require management to make judgments and justify certain assumptions. Please advise whether this applies to CWHL.

- (d) Cost of Conversion. Costs include both one-time upfront cost (for example, the establishment of multiple sets of books, integration of IFRS requirements into the utility's accounting and reporting systems for both internal and external reporting, IT costs etc) and on-going cost (for example, costs related to expanded disclosure requirements). Please advise of any such conversion costs that are anticipated.

General: Revenue Requirement

- 2. Please provide the approved revenue requirement for 2006, 2007 & 2008.

- 3. Ref: Ex 2/1/3/pg4 Account # 3500 – Distribution Expenses – Operation: When comparing 2007 actual to 2006 actual spending, CWHL identifies an increase of \$38,185 due primarily to the reallocation of existing staff labors and overheads to assist in the smart meter selection process.
 - (a) Please identify the account that shows an offsetting decrease in costs related to the reallocation of staff labor hours.

- 4. Ref: Ex 2/1/3/pg7: Account #3550 – Distribution Expenses – Maintenance: When comparing 2008 to 2007 actual spending, CWHL identifies the following factors contributing to the increase of \$43,487:
 - (i) \$8300 increase in the time allocated to the cost of maintenance supervision and engineering to meet the new ESA standards. Does this mainly represent a reallocation of the associated cost? If yes, what account would show an offsetting decrease?

 - (ii) \$22,000 increase in material and labor allocated to upgrades to maintenance of poles towers and fixtures. What is the amount for increased labor? Does this represent an incremental increase of labor cost (for example, new hires) or is this just a reallocation between different accounts?

Rate Base – Fixed Assets

5. Ref a: Ex 2/2/1/pg4

Ref b: Ex 2/1/2/pg1

Ref c: Ex 2/2/2/pg2

Ref d: Ex 2/2/3/pg1

Ref e: Ex 2/2/3/pg 15

Ref f: Ex 2/2/5/pg1

- (a) 2009 NBV balance: The amount is shown as \$6,859,362 in Ref a, \$6,898,562 in Ref b, Ref d and Ref f. Please reconcile or advise which one is correct.
- (b) 2009 Gross Assets balance: The amount is shown as \$15,764,996 in Ref a, \$15,804,996 in Ref c & Ref d, and \$15,759,996 in Ref d. Please reconcile or advise which one is correct.

Capital Plan

6. Ref: Ex 2/3/1/pg 20 – 2009 capital addition. New padmount underground transformers ordered in 2008 will be delivered to CWHL in 2009. Total amount is \$183,700. Please confirm that these transformers will be installed and put into rate base in 2009.

7. Ref: Ex 2/3/3/pg1 – Asset Retirements

- (a) Please advise the salvage value (by asset category) associated with the asset retirements over the past 4 years.
- (b) Which account was the realized salvage value booked under?

Customer Forecast

Table 1 of Ex 3/2/2/pg1

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Estimated	2009 Normalized
Residential	5163	5319	5400	5467	5510	5522	5710
Yr/yr % Change – Residential	3.5%	3%	1.5%	1.2%	0.8%	0.2%	3.4%
GS<50KW	615	627	624	640	673	673	687
Yr/yr % Change – GS<50	-1.4%	2%	-0.5%	2.6%	5.2%	0%	2.1%
GS>50KW	52	55	52	50 (or 52?)	55	56	53
Yr/yr % Change – GS>50	4%	5.8%	-5.5%	-3.8%	10% (or 5.77%)	1.8%	-5.4%

CWHL states that its customer forecasts were based on a trend forecast for annual customers based on the average customer additions from 2003 to 2007.

A. Residential:

- (a) It appears that the estimated number of residential customers in 2008 was based on the simple 5-year growth average of 0.2% from 2003 – 2007. Please confirm.
- (b) Please advise the methodology that CWHL has used to calculate the 2009 forecasted Residential customers.

B. GS<50KW:

- (c) 2008 customer growth rate for GS<50 class is shown as 0%, which does not appear to be a simple average of the historical year results. Please explain.
- (d) Please explain how was the 2.1% growth rate for 2009 was calculated.
- (e) On page 2 of Ex 3/2/6, CWHL states that the GS<50 customer growth rate for 2008 – 2009 “appears normal”. Historical and forecast growth rates from the period 2003 – 2009 vary significantly. Please explain why is this “normal”.

C. GS>50KW:

- (f) 2006 Actual number of customers: please confirm whether it is 50 (as per Ex 3/2/2/pg1) or 52 (as per Ex 3/2/2/pg2), as this affects the calculation of year over year growth rate. Please confirm whether the 2007 growth rate is 10% (as per Ex 3/2/2/pg1) or 5.77% (Ex 3/2/6/ pg 1, or as per Ex 3/2/2/pg2).
- (g) There is a decrease in the number of customers for 2009 in this rate class. CWHL has stated that the customer growth rate over this period “appears normal”. Please explain.

Load Forecast

9. Ref: Ex 3/2/9/pg1 – page 10 of “Weather Normalization System Load Forecast”
On page 10 of the “Weather Normalization System Load Forecast” summary, CWHL states that its KW load forecast values are based on the KW/KWh ratio **in 2007**.

- (a) Please confirm whether the forecast of KW for non-weather sensitive classes (GS>50, Streetlights, Sentinel Lights) is based on a review of the historical ratio of KW to KWhs and applying the average ratio to the forecasted KWh to produce the required KW.

OM&A Costs

10. Ref: Ex 4/2/2/pg2 – 2006 Board Approved vs. 2006 Actual, Operations

- (a) Account # 5005 – Operation Supervision & Engineering: 2006 actual spending was \$26,447 or 60% greater than the approved EDR amount (\$44,403). CWHL explains that this was due to the shift of hours from Account # 5105 (Maintenance Supervision & Engineering) to this category. 2006 actual spending in Account # 5105 was reduced by only \$13,570 compared to the approved 2006 figure. Please explain the remaining variance of \$30,833.

11. Ref: Ex 4/2/2/pg5 -- 2006 Board Approved vs. 2006 Actual, Admin & General
- (a) Account # 5665 – Misc. General Expenses: 2006 actual spending was \$125,209 less than 2006 approved amount. CWHL explains that the low voltage of \$152,520 was included in 2006 EDR but not in 2006 actuals. Excluding the low voltage adjustment, 2006 actual spending was greater than 2006 EDR by \$27,310. Please confirm whether the amount was all related to the remuneration adjustment for the directors.
12. Ref: Ex 4/2/2/pg6 – 2007 vs. 2006, Operations
- (a) Account # 5005 – Operation Supervision and Engineering. The variance is \$26,361, or 37% increase. CWHL explains that this was partly due to the increased time transferred from Account # 5105 (Maintenance Supervision & Engineering) as a result of additional time spent to meet ESA requirement. Account # 5105 has actually shown a decrease of \$13 in 2007, an amount not significant enough to prove a re-allocation of hours spent. Please explain.
13. Ref: Ex 4/2/2/pg12 – 2008 vs. 2007, Maintenance
- (a) Account # 5125 – Maintenance of Overhead Conductors and Devices: CWHL states that all small primary conductors will have to be replaced to reduce line losses. Please advise the percentage of conductors that are budgeted for replacement under 2008 spending of \$51,800.
14. Ref: Ex 4/2/2/pg 17 – 2009 vs. 2008, Community Relations
- (a) Account # 5415 – Energy Conservation
- (i) What is the duration of the proposed energy conservation plan?
- (ii) Is the proposed \$5300 additional spending covering the entire duration of the plan or is it only covering 2009 spending?

15. Ref: Ex 4/2/2/pg18 – 2009 vs. 2008, Admin & General Expenses

- (a) Account #5610, 5615, 5620: CWHL has provided for a general increase in general expenses such as travel, conferences, etc, “to keep abreast with changes in the industry”. What is the % increase budgeted for in these accounts?

Cost Allocation

16. Ref. Ex. 8: please advise what steps CWHL plans to take after 2009 to move the Residential, GS<50kW and GS>50kW rate classes to 100% revenue to cost ratios.

Rate Design

17. Ref. Ex. 9/1/7- The Bill Impact summaries set out in the pre-filed evidence show that, despite the fact that the Applicant faces a revenue deficiency in the amount of \$365,167, the Residential and GS<50kW rate classes face negative rate impacts.

- (a) The negative rate impacts for the Residential and GS<50kW rate classes appear to result from the fact that their respective revenue to cost ratios are falling (from 106.5% to 103% for Residential, and from 109.7% to 106.6% for GS<50kW). Please confirm that this is the case.
- (b) The revenue to cost ratio for the GS>50-2,999kW rate class is also falling, from 114.91% to 112.82%, yet the distribution bill impacts for this rate class range from an 11% increase for larger users within the class to 41.7% for smaller users [Ref. Ex. 9/1/7, pg. 3]. Please explain the large rate impacts for this rate class.
- (c) Please expand Table 3 on pg. 2 ("Allocation of Outstanding Base Revenue Requirement Plus Transformer Allowance") to include revenue by class based on existing rates and the 2008 revenue requirement.
- (d) Table 3 at Ex. 8/1/2, pg. 4 appears to show that the proportion of base revenue from the GS>50kW rate class, 19.39%, is unchanged from existing rates. Table 2 on the same exhibit, however, shows that the revenue to cost ratio for this rate class is being lowered from 115% to 113%, which implies that the proportion of total revenue from the class should come down. Please explain.
- (e) Please explain why the proportion of total revenue from GS>50kW rate class would remain the same given that the number of customers in the

rate class is projected to decrease from 56 in 2008 to 53 in 2009 [Ex 3/2/2/pg1]. Has CWHL simply spread the revenue to be derived from the GS>50 rate class across a smaller base of customers, resulting in a much larger distribution rate impact for this class than other rate classes?

- (f) Please demonstrate that the increase in the monthly fixed charge for the GS>50kW rate class is revenue neutral- i.e. it is offset by lower volumetric distribution rate such that, absent an increase to account for the revenue deficiency, there would be no increase in revenue from the class.

18. Ref. Ex. 9: The fixed service charge for the GS>50-2,999kW rate class is being increased substantially over the existing level.

- (a) Please provide the avoided cost for the GS>50kW rate class.
- (b) Please provide the "upper bound" for this rate class as defined in the Board's Report on Cost Allocation for Electricity Distributors.
- (c) Did CWHL consider a more gradual transition to the new fixed monthly charge so as to smooth the transition for smaller users within the class, some of which face distribution rate increases in 2009 of almost 42%?