

**Waterloo North Hydro Inc. (“Waterloo North Hydro”)  
RP-2005-0020/EB-2005-0448:  
Board Staff Interrogatories**

***2006 EDR Rate Application***

1. In Schedule 3-1, Waterloo North Hydro notes that its Tier 1 adjustment for OEB Annual Assessment and Other Fees Paid to Energy Regulators includes an amount of \$19,122 paid to the Electrical Standards Authority (ESA):
  - a) Please confirm that the reference is to the Electricity Safety Authority;
  - b) Please provide further description or documentation on what the amounts charged by the ESA are for; and
  - c) Please confirm that these charges are expected to be incurred in 2006 and are not “one-time” charges.
  
2. With respect to Schedule 3-1, Waterloo North Hydro states the following for the adjustment for OEB Annual Assessment and Other Fees Paid to Energy Regulators:

“Amounts other than OEB annual assessments include - Other Fees were amounts paid to Electrical Standards Authority (ESA) in the amounts of \$19,122 (2005 Actual) and \$8,888 (2004 Actual); OEB Licence Fees \$800 (2005 Actual) and \$500 (2004 Actual)”. Please confirm that Waterloo North Hydro was charged by and paid to the Ontario Energy Board a licence fee amount of \$500 in 2004.
  
3. With Respect to Schedule 10-2 – Unmetered Scattered Loads:
  - a) Please provide the estimated consumption per Unmetered Scattered Load connection on an annual and monthly basis for each of the years 2002, 2003, and 2004; and
  - b) Please explain the increase in the number of connections and the per connection estimated consumption for 2003 and 2004 relative to 2002.
  
4. With respect to Note 9 (b) of Waterloo North Hydro’s 2004 Audited Financial Statements, it is stated that “The junior long-term note payable is due to Waterloo North Hydro Holding Corporation, bears interest at a rate of 1 1/8% per annum above the interest rate on debt which the Ontario Energy Board permits the corporation to pay for rate making purposes in the establishment of distribution rates, has no set principal repayment and is due on demand.” Please provide the interest rate that interest will be calculated on for this note during the period May 1, 2006 to April 30, 2007.
  
5. With respect to Tab 5-2 of the 2006 EDR model, Waterloo North Hydro documents the number of credit reference/credit checks per annum as 0 (nil) in 2002, 147 in 2003 and 484 in 2004.

- a) Please provide for 2005 year-to-date actual counts and an estimate of year-end;
  - b) Please explain the variation observed over the period 2002 to 2004 inclusive;
  - c) Please provide Waterloo North Hydro's view of whether the three year average or the 2004 actual would be more representative of the expected volume of credit checks or credit references for 2006.
6. With respect to Schedule 10-4 and to Tab 6-3 of the 2006 EDR model regarding the Transformer Ownership Allowance, please provide an explanation for the decrease in the Large Use customer class, from 292,205 kW in 2002 to 250,248 kW in 2003 and to 232,121 kW in 2004.
  7. With respect to Tab 10-3 of the 2006 EDR model, please provide an updated proposed Retail Transmission tariff schedule showing the Retail Transmission Network Service rate, which Waterloo North Hydro is not proposing to change, for each customer class or sub-class.

### **PILs**

8. In Tab 2-2 of the 2006 EDR model, Waterloo North Hydro documents that its bad debt expense in 2004 is \$114,820. In the 2006 PILs model on the sheet "Test Year Sch 13 Tax Reserves", cell B26, Waterloo North Hydro provides an amount of \$104,000. Please provide a reconciliation of these two entries.
9. In Tab 1-1 of the 2006 PILs spreadsheet, in response to Question 7, Waterloo North Hydro has indicated that it has deducted regulatory assets for tax purposes in 2004 and/or prior years. Please provide a continuity schedule detailing by year the provisions taken or received.
10. In the 2006 PILs spreadsheet, on sheet "Test Year Taxable Income", the Schedule 8 Capital Cost Allowance for the "test year" is \$5,289,844 compared to the 2004 Adjusted Capital Income CCA of \$5,796,270. This is a difference of (\$506,426), of which Waterloo North Hydro has explained that \$150,083 is due to the adjustment for the software system that will be fully amortized before 2006. Please provide an explanation for the additional variance of about \$350K.
11. In the 2006 PILs spreadsheet, on sheet "Test Year Sch 13 Tax Reserves", Waterloo North Hydro has entered the value of \$3,141,233 for opening and closing tax reserve balances. This results in a \$0 change for the listed reserves. Between 2003 and 2004 Waterloo North Hydro had an incremental change of \$157,421 as shown as a variance on sheet "Test Year Taxable Income" cell E68. Should Waterloo North Hydro not expect a similar increase in the test year?

12. With respect to sheet "Test Year Sch 7-3 Interest" of the 2006 PILs spreadsheet, please explain why Waterloo North Hydro has not calculated an interest expense related to its Tier 1 adjustment of \$665,000 for smart meters.

### ***Regulatory Assets***

13. With respect to Sheet 1 of the Regulatory Asset model, for each of the Retail Settlement Variance Accounts 1580, 1582, 1584, 1586 and 1588:
- a) Please identify the interest rate used to calculate the interest expense for the January 1 to December 31, 2005 and January 1 to April 30, 2006 periods;
  - b) Please provide the derivation of the calculated interest expense for each of the above periods;
  - c) Please provide documentation on the methodology and any assumptions used in these calculations;
  - d) With respect to account 1588, RSVA – Power, please explain why interest expense is calculated for the period January 1, 2005 to April 30, 2006 when the account is in a credit situation of (\$410,715) as of December 31, 2004.
14. With respect to item 3.g and section 6.0 of Tab 3 "Distribution Rate Rider Application", for each applicable RSVA and Regulatory Asset account, please provide a reconciliation between the December 31, 2004 amounts shown on sheet 1 of the Regulatory Asset model with:
- a) the December 31, 2002 amounts filed in Waterloo North Hydro's 2004 RAM model; and
  - b) the December 31, 2003 amounts filed in Waterloo North Hydro's 2005 RAM model.