



December 10, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: Middlesex Power Distribution Corporation
2011 Incentive Rate 2nd Generation Mechanism Application
OEB Case Number EB-2010-0275**

Dear Ms. Walli:

Please find enclosed Middlesex Power Distribution Corporation's responses to all parties' interrogatories relating to the above mentioned file.

If you have any further questions, please do not hesitate to contact David Ferguson at (519) 352-6300 x558 or email davidferguson@ckenergy.com.

Regards,

Andrya Eagen
Senior Regulatory Specialist
(519) 352-6300 x243
Email: andryaeagen@ckenergy.com

CC: David Kenney, President of Chatham-Kent Hydro Inc.
Chris Cowell, Chief Financial & Regulatory Officer
David Ferguson, Director of Regulatory and Risk Management

Board Staff

Question 1

1. Ref: 2011 IRM Rate Generator Model, Sheet 4.1 Current Rates and Charges
Sheet C4.1 Current Rates & Charges General is reproduced below.

CURRENT MONTHLY RATES AND CHARGES

Residential

Monthly Rates and Charges - Delivery Component

Service Charge	\$	11.90
Service Charge Smart Meters	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0120
Low Voltage Volumetric Rate	\$/kWh	0.0043
Distribution Volumetric Regulatory Asset Recovery – effective until April 30, 2013	\$/kWh	0.0064
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0054

Monthly Rates and Charges - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

The descriptions for all rate classes are not identical to Middlesex Power - Newbury's current Tariff sheet:

- a) If the descriptions provided are correct, please provide evidence supporting the new descriptions. If the descriptions are incorrect, please re-file sheet C4.1 with the correct descriptions and Board staff will make the necessary changes to the model.

Response:

- a) MPDC – Newbury acknowledges that the descriptions do not agree with the rate schedule. The descriptions used were from the IRM2 Model provided. We have subsequently exported and updated the Current Monthly Rates and Charges Schedule.

Please see attached file 'Middlesex-Newbury_CurrentRatesSheet4-1_20101210.xlsx' for updates.

Board Staff

Question 2

2. Ref: 2011 Transmission Service Rates (“RTSR”) Adjustment Workform Sheet B1.2 – 2009 Distributor Billing Determinants is reproduced below.

2009 Distributor Billing Determinants

Enter the most recently reported RRR billing determinants

Loss Adjusted Metered kWh **Yes**
 Loss Adjusted Metered kW **No**

Rate Class	Vol Metric	Metered kWh A	Metered kW B	Applicable Loss Factor C	Load Factor D = A / (B * 730)	Loss Adjusted Billed kWh E = A * C
Residential	kWh	1,466,596	0	1.0580		1,551,659
General Service Less Than 50 kW	kWh	495,321	0	1.0580		524,050
General Service 50 to 4,999 kW	kW	1,585,480	3,837	1.0580	56.63%	1,677,438
Street Lighting	kW	61,374	163	1.0580	51.61%	64,934
Total		3,608,771	4,000			3,818,080

- a) Please explain why the billing determinants in Columns A and B (Metered kWh and Metered kW) are not identical with the values reported in the 2009 RRR filing 2.1.5 customer demand and revenue filing.
- b) If Middlesex Power – Newbury is of the view that the data included in the application is more appropriate to use, please explain why. If not, please refile Sheet B1.2 with the correct data and Board staff will make the necessary changes to the model.

Response:

- a) On April 30, 2009, MPDC purchased Newbury Power Inc. and Dutton Hydro in MAAD EB-2008-0350 and MAAD EB-2008-0322, respectively. As noted on page 3 of the EB-2010-0275 IRM Application Manager’s Summary, the billing determinants used in the 2011 IRM Application do not agree to the 2009 RRR filings. Specifically, the 2009 billing determinants used in the EB-2010-0275 RTSR Adjustment Workform represent 12 months of activity of MPDC - Newbury, but excludes any activity for MPDC- Main and MPDC – Dutton. In contrast the RRR filing includes 12 months of activity for MPDC – Main and 7 months post-acquisition activity for MPDC – Dutton and MPDC – Newbury.

Please see Attachment 1, specifically columns (H) and (J) for a reconciliation between billing determinants and RRR filing.

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- b) MPDC – Newbury utilized only service area specific billing determinants for RTSR’s due to the existence of separate loss factors for MPDC – Main, MPDC – Dutton and MPDC - Newbury. Accordingly, MPDC – Newbury believes that the data included in the application is appropriate because it results in billing determinants that are consistent with the service territory of MPDC - Newbury.

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Question 3

3. Ref: 2011 Transmission Service Rates (“RTSR”) Adjustment Workform Sheet B1.3 – Uniform Transmission and Hydro One Sub-Transmission Rates is reproduced below.

Uniform Transmission and Hydro One Sub-Transmission Rates

Rate Description	Vol Metric	Effective May 1,	Effective May 1,	Effective May 1,	Effective May 1,
		2008	2008	2010	2011
		Rate	Rate	Rate	Rate
Network Service Rate	kW	\$ 2.01	\$ 2.24	\$ 2.86	\$ 2.86
Line Connection Service Rate	kW	\$ 0.60	\$ 0.60	\$ 0.64	\$ 0.64
Transformation Connection Service Rate	kW	\$ 1.38	\$ 1.39	\$ 1.60	\$ 1.60
Both Line and Transformation Connection Service Rate	kW	\$ 1.88	\$ 1.89	\$ 2.14	\$ 2.14

Sheet C1.1 – Historical Wholesale Transmission is reproduced below.

2009 Historical Wholesale Transmission

Enter billing detail for wholesale transmission for the same reporting period as the billing determinants on sheet B1.2.

Hydro One

Month	Network			Line Connection			Line Transformation			Total Line
	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Units Billed	Rate	Amount	Amount
January	683	\$ 2.01	\$ 1,373		\$ -		683	\$ 1.38	\$ 943	\$ 943
February	639	\$ 2.01	\$ 1,284		\$ -		639	\$ 1.38	\$ 882	\$ 882
March	569	\$ 2.01	\$ 1,144		\$ -		569	\$ 1.38	\$ 785	\$ 785
April	573	\$ 2.01	\$ 1,152		\$ -		573	\$ 1.38	\$ 791	\$ 791
May	535	\$ 2.05	\$ 1,095		\$ -		535	\$ 1.38	\$ 739	\$ 739
June	756	\$ 2.24	\$ 1,693		\$ -		756	\$ 1.39	\$ 1,051	\$ 1,051
July	685	\$ 2.24	\$ 1,534		\$ -		685	\$ 1.39	\$ 952	\$ 952
August	738	\$ 2.24	\$ 1,653		\$ -		738	\$ 1.39	\$ 1,026	\$ 1,026
September	563	\$ 2.24	\$ 1,261		\$ -		563	\$ 1.39	\$ 783	\$ 783
October	497	\$ 2.24	\$ 1,113		\$ -		497	\$ 1.39	\$ 691	\$ 691
November	562	\$ 2.24	\$ 1,259		\$ -		562	\$ 1.39	\$ 781	\$ 781
December	634	\$ 2.24	\$ 1,420		\$ -		634	\$ 1.39	\$ 881	\$ 881
Total	7,434	\$ 2.15	\$ 15,982	-	\$ -	\$ -	7,434	\$ 1.39	\$ 10,304	\$ 10,304

- a) Please explain the discrepancies between the Line Connection Service Rate recorded on Sheet B1.3 and those shown on Sheet C1.1. If the data is incorrect, please re-file sheet C1.1 with the correct data and Board staff will make the necessary changes to the model.

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Response:

MPDC – Newbury has confirmed with Hydro One that the nil values shown on Sheet C1.1 under the line connection column are correct. MPDC – Newbury is connected directly to a station which acts as both a load connecting station and a network station, and thereby attracts only a line transformation charge, and not a line connection charge.

Accordingly, MPDC – Newbury notes that Sheet B1.3 should be updated to reflect a nil Line Connection Service rate on a go forward basis. In the event that MPDC – Newbury was charged for line connection in the future, MPDC – Newbury's understanding is that the variance would be captured in the Group 1 Deferral reconciliation.

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Question 4

4. Ref: 2011 Deferral and Variance Account Adjustment Workform

Sheet B1.3 Rate Class and Billing Determinants

Rate Class and Billing Determinants

Rate Group	Rate Class	Fixed Metric	Vol Metric	2009 Audited RRR		Billed kWh for Non-RPP customers	1590 Recovery Share Proportion 1
				Metered kWh	Metered kW		
RES	Residential	Customer	kWh	1,466,596		270,656	44.5%
GSLT50	General Service Less Than 50 kW	Customer	kWh	495,321		28,834	15.8%
GSGT50	General Service 50 to 4,999 kW	Customer	kW	1,585,460	3,837	489,640	38.7%
SL	Street Lighting	Connection	kW	61,374	163		1.1%

- a) Please explain why the billing determinants for the Metered kWh and Metered kW (Columns J & K) are not identical with the value reported in the 2009 RRR filing 2.1.5 customer demand and revenue filing.
- b) If the data provided is correct, please provide evidence supporting the data. If the data is incorrect, please re-file sheet B1.3 with the correct data and Board staff will make the necessary changes to the model.

Response:

- a) On April 30, 2009, MPDC purchased Newbury Power Inc. and Dutton Hydro in MAAD EB-2008-0350 and MAAD EB-2008-0322, respectively. As noted on page 3 of the EB-2010-0275 IRM Application Manager’s Summary, the billing determinants used in the 2011 IRM Application do not agree to the 2009 RRR filings. For the 2011 EB-2010-0275 Deferral and Variance Account Adjustment Workform, the 2009 billing determinants used represent 12 months of activity for MPDC – Newbury. In contrast, the RRR filing includes 12 months of activity for MPDC – Main and 7 months post-acquisition activity for MPDC – Dutton and MPDC – Newbury.

Please see Attachment 1, specifically columns (H) and (J) for a reconciliation between billing determinants and RRR filing.

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- b) For the Deferral and Variance Account Adjustment Workform, MPDC – Newbury utilized calendar year 2009 billing determinants for MPDC – Newbury specific service area. The balances in the Group 1 Deferral accounts represent costs incurred by the former Newbury Power Inc. in 2005 to 2008. Accordingly, MPDC - Newbury believes that the data included in the application is appropriate because it results in billing determinants that are consistent with the costs incurred.

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Question 5

5. Ref: 2011 IRM Smart Meter Rate Calculation Workform

Below is Sheet 5 of the Smart Meter Rate Calculation Workform:

Sheet 5. PILs

PILs Calculation

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Audited Actual	Audited Actual	Forecasted	Forecasted	Forecasted
INCOME TAX							
Net Income	\$ -	\$ -	\$ -	\$ 823.10	\$ 1,098.66	\$ -	\$ -
Amortization	\$ -	\$ -	\$ -	\$ 1,085.63	\$ 2,171.05	\$ -	\$ -
CCA - Smart Meters	\$ -	\$ -	\$ -	\$ 1,302.83	\$ 2,501.05	\$ 2,300.97	\$ -
CCA - Computers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CCA - Other Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in taxable income	\$ -	\$ -	\$ -	\$ 405.99	\$ 788.66	\$ 2,300.97	\$ -
Tax Rate (3. LDC Assumptions and Data)	38.12%	38.12%	33.50%	33.00%	31.00%	28.25%	26.25%
Income Taxes Payable	\$ -	\$ -	\$ -	\$ 133.98	\$ 237.67	\$ 660.02	\$ -

- a) Please explain why there is no input under “2011 Forecasted” Net Income (Cell H8) and Amortization (Cell H9). If this is an omission, please provide the correct inputs and refile the Smart Meter Rate Calculation model.

Response:

- a) MPDC – Newbury has reviewed the Workform and confirms the 2011 Forecasted Net Income and Amortization were entered correctly but not carried forward in Workform.

MPDC – Newbury requests that the Board to update cells references in cells H8 and H9 as follows:

Reference	Original Formula	Updated Formula	Correct Value
Net Income	='4. Smart Meter Rev Req!'R49	='4. Smart Meter Rev Req!'T49	\$1,114.70
Amortization	=- '4. Smart Meter Rev Req!'R47	=- '4. Smart Meter Rev Req!'T47	\$2,171.05

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Attachment 1

Table 1: Reconciliation of 2009 Billing Determinations for MPDC in KWh										
Line No.	Description	Main	Dutton			Newbury			Combined CY 2009 Total (2)	2009 RRR Filing
		Jan - Dec (1)	Jan - Apr	May - Dec	Total 2009 (1) (2)	Jan - Apr	May - Dec	Total 2009 (1) (2)		
	(A)	(B)	(C)	(D)	(E) = (C) + (D)	(F)	(G)	(H) = (F) + (G)	(I) = (B) + (E) + (H)	(J) = (B) + (D) + (G)
1	Residential	56,192,789	2,049,043	2,376,521	4,425,564	576,714	889,882	1,466,596	62,084,949	59,459,192
2	General Service <50	18,279,724	1,486,483	1,906,255	3,392,738	193,591	301,730	495,321	22,167,783	20,487,709
3	General Service >50	84,572,093	0	0	0	507,320	1,078,160	1,585,480	86,157,573	85,650,253
4	Large User	17,181,839	0	0	0	0	0	0	17,181,839	17,181,839
5	Unmetered Scattered Load	304,425	0	0	0	0	0	0	304,425	304,425
6	Sentinel Lights	42,498	367	514	881	0	0	0	43,379	43,012
7	Street Lighting Connections	1,464,757	55,042	61,490	116,532	26,190	35,184	61,374	1,642,663	1,561,431
8	TOTAL	178,038,125	3,590,935	4,344,780	7,935,715	1,303,815	2,304,956	3,608,771	189,582,611	184,687,861

(3)
(3)

Table 2: Reconciliation of 2009 Billing Determinations for MPDC in KW										
Line No.	Description	Main	Dutton			Newbury			Combined CY 2009 Total (2)	2009 RRR Filing
		Jan - Dec	Jan - Apr	May - Dec	Total 2009	Jan - Apr	May - Dec	Total 2009		
	(A)	(B)	(C)	(D)	(E) = (C) + (D)	(F)	(G)	(H) = (F) + (G)	(I) = (B) + (E) + (H)	(J) = (B) + (D) + (G)
1	Residential	0	0	0	0	0	0	0	0	0
2	General Service <50	0	0	0	0	0	0	0	0	0
3	General Service >50	231,274	0	0	0	1,243	2,594	3,837	235,111	233,868
4	Large User	38,952	0	0	0	0	0	0	38,952	38,952
5	Unmetered Scattered Load	0	0	0	0	0	0	0	0	0
6	Sentinel Lights	119	0	0	0	0	0	0	119	119
7	Street Lighting Connections	4,657	114	229	343	54	109	163	5,163	4,994
8	TOTAL	275,002	114	229	343	1,297	2,703	4,000	279,345	277,933

Notes:

- (1) Source of billing determinants for RTSR for respective 2011 IRM2 rate filing.
- (2) Source of billing determinants for Group 1 Deferrals.
- (3) In preparation of the 2009 RRR filing, a reclass adjustment (6,392 KWh) was made between General Service <50 and Unmetered Scattered Load since the Unmetered Scattered Load class does not exist in MPDC-Dutton/Dutton Hydro.