HALDIMAND COUNTRY HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0265

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 2 & Exhibit 4

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

a) Please confirm that HCHI has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.

Response

Haldimand County Hydro has not made any adjustments to the OM&A forecasts to reflect the elimination of the 8% provincial sales tax.

b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.

Response

Refer to response to (c) below.

c) Please provide the amount of provincial sales tax paid by HCHI in each of 2006, 2007, 2008 and 2009 on OM&A expenses.

Response

Haldimand County Hydro is not able to provide the amount of provincial sales tax paid in either of the historic actual or forecast OM&A expenses and capital expenditures. Provincial sales tax paid is part of the landed cost of materials allocated from inventory and direct purchases allocated to these expenses, so tracking this component of costs has never been

required. It would be a considerable and time consuming task to determine the component of provincial sales tax embedded within the actual or estimated OM&A expenses and capital expenditures for any given year. Further with respect to the 2010 OM&A and capital forecasts, the impact of the component of provincial sales tax embedded in the landed cost of inventory on hand at the beginning of the test year would need to be carefully considered – as further explained in response to part (h) below.

d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on HCHI to comply with two separate sets of tax rules?

Response

Haldimand County Hydro would not expect any reduction in compliance costs as it does not expect any reduction in administrative burden; in fact, the expectation is that there may be more administrative burden particularly during the initial implementation and transition to this single sales tax. During the first five years of the single sales tax implementation there are to be temporary restrictions to large businesses on input tax credits applicable to the provincial portion of the tax – restrictions that are to be phased out over a three year period after that. So effectively there remain, to a certain extent, two separate sets of tax rules. Haldimand County Hydro will have to continue to scrutinize purchases and ensure that vendor tax codes are appropriately established to maintain this distinction when claiming input tax credits. Also, Haldimand County Hydro's purchase order system was designed to incorporate the provincial sales tax into the purchase price of each item automatically through the landed cost component of the software. It is further expected that as a minimum, a one-time cost to modify this component of the software will be required.

e) Please confirm that HCHI has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.

Response

Haldimand County Hydro has not made any adjustments to the capital expenditure forecasts to reflect the elimination of the 8% provincial sales tax.

f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.

Response

Refer to response to (c) above.

g) Please provide the amount of provincial sales tax paid by HCHI on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.

Response

Refer to response to (c) above.

h) If HCHI is unable to quantify the impact of the removal of the provincial sales tax, is HCHI agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

Response

Haldimand County Hydro is unable to quantify the impact of the removal of the provincial sales tax – as noted in response to (c) above. Haldimand County Hydro would be concerned with the additional administrative process of determining and tracking the resulting savings in a deferral account, presumed savings which wouldn't begin to occur until after the implementation of the HST, which is proposed to not be effective until July 1, 2010. Inventory (i.e. materials issued to both OM&A expenses and capital expenditures) will be on hand at the beginning of 2010 at a landed cost; that is, inclusive of the provincial sales tax originally paid. Haldimand County Hydro's inventory is valued on the weighted average cost basis, so receipts of goods that do not include the provincial sales tax portion subsequent to July 1, 2010 will simply reduce the average cost of each item and it won't be until over time that the full effect of the savings from the provincial sales tax portion will be realized. The administrative burden of determining the actual provincial tax savings during this time would be unreasonable. Haldimand County Hydro is also unclear on how to recognize the savings generally for non-inventory items. You could not just assume that the 8% now claimed as input tax credits is equal to savings. For example, on a supply and install contract which currently incorporates the vendor's provincial sales tax, one is to expect that their new contract price should first be reduced to exclude the provincial sales tax before adding on the new HST, and there is no way to determine that the expected reduction is exactly 8%.

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 14

Are any of the costs associated with Haldimand County Utilities Inc., Haldimand County Energy Inc., and/or Haldimand County Generation Inc. including their Board of Directors, included in the costs included in the filing by HCHI for recovery through the revenue requirement? If yes, please and identify and quantify these costs.

Response

Please see Exhibit 4/ Tab 2/ Schedule 5/ page 4/ Table 8 entitled "Haldimand County Hydro's Charges from Affiliates" and associated description below the table, which includes $54,000 from Haldimand County Utilities Inc.

Interrogatory # 3

Ref: Exhibit 2, Tab 1, Schedule 2, Table 3

a) Please explain why the 2006 Board Approved figure of $34,637,381 is derived from the net book value rather than the average net book value figure shown in Table 3.

Response

The 2006 Board Approved figure of $34,637,381 is derived from the average net book value as calculated using the OEB's 2006 EDR model submitted in Haldimand County Hydro's 2006 EDR Application (RP-2005-0020, EB-2005-0373). Table 3 in Exhibit 2/ Tab 1/ Schedule 2 is incorrect as well as Table 1 in Exhibit 2/ Tab 1/ Schedule 1. Revised Tables 1 and 3 are shown below.

"Revised" Table 1 - Summary of Rate Base

Description	2006 OEB Approved	2006 Actual Year	2007 Actual Year	2008 Actual Year	2009 Bridge Year	2010 Test Year
Gross Fixed Assets	38,846,307	42,892,325	45,728,619	50,423,422	54,852,521	58,164,822
Accumulated Depreciation	8,775,450	13,088,866	15,302,560	17,589,099	20,403,075	23,335,161
Net Book Value	30,070,857	29,803,460	30,426,058	32,834,323	34,449,446	34,829,661
Average Net Book Value	29,835,192	29,386,766	30,114,759	31,630,191	33,641,885	34,639,553
Working Capital	32,014,592	34,269,497	35,678,413	34,344,561	35,781,987	36,383,347
Working Capital Allowance	4,802,189	5,140,425	5,351,762	5,151,684	5,367,298	5,457,502
Rate Base	34,637,381	34,527,190	35,466,521	36,781,875	39,009,183	40,097,055

"Revised" Table 3 – Rate Base Variances

Description	2006 OEB Approved*	2006 Actual Year	Variance from 2006 OEB Approved	2007 Actual Year	Variance from 2006 Actual	2008 Actual Year	Variance from 2007 Actual Year	2009 Bridge Year	Variance from 2008 Actual Year	2010 Test Year	Variance from 2009 Bridge Year
Gross Fixed Assets	38,846,307	42,892,325	4,046,018	45,728,619	2,836,293	50,423,422	4,694,803	54,852,521	4,429,099	58,164,822	3,312,301
Accumulated Depreciation	8,775,450	13,088,866	4,313,416	15,302,560	2,213,695	17,589,099	2,286,538	20,403,075	2,813,976	23,335,161	2,932,087
Net Book Value	30,070,857	29,803,460	(267,397)	30,426,058	622,598	32,834,323	2,408,265	34,449,446	1,615,123	34,829,661	380,214
Average Net Book Value	29,835,192	29,386,766	(448,426)	30,114,759	727,994	31,630,191	1,515,431	33,641,885	2,011,694	34,639,553	997,669
Working Capital	32,014,592	34,269,497	2,254,905	35,678,413	1,408,916	34,344,561	(1,333,852)	35,781,987	1,437,426	36,383,347	601,360
Working Capital Allowance	4,802,189	5,140,425	338,236	5,351,762	211,337	5,151,684	(200,078)	5,367,298	215,614	5,457,502	90,204
Rate Base	34,637,381	34,527,190	(110,191)	35,466,521	939,331	36,781,875	1,315,354	39,009,183	2,227,308	40,097,055	1,087,873

b) Has HCHI used the average net book value for all other years, including the bridge and test years to calculate rate base? If not, please explain why not.

Response

Yes, Haldimand County Hydro has used the average net book value for all other years, including bridge and test years to calculate rate base.

Interrogatory # 4

Ref: Exhibit 2, Tab 2, Schedule 1, Tables 5 – 9

Tables 5, 6 & 7 all show the historical continuity of the fixed assets in each of the years 2006, 2007 and 2008, and that the disposals related to original costs exceeded that for accumulated depreciation. In particular in 2008, the net reduction in rate base related to disposals was more than $120,000.

a) Please indicate why there are no disposals shown for costs and accumulated depreciation in either 2009 or 2010.

Response

Generally the expectation at budget time is that there will be little to no residual net book value attributed to disposals, so the capital forecasts do not include disposal costs and offsetting accumulated depreciation.

b) Based on the most recent year-to-date information for 2009, what is the total disposal for costs and accumulated depreciation in 2009?

Response

The 9-month (as at September 30, 2009) year-to-date information for 2009 for total disposals is as follows:
Costs - $48,160
Accumulated Depreciation - $(42,300)

c) Please explain the significant reduction in contributions and grants from levels of $353,000 in 2006, $472,000 in 2007 and $242,000 in 2008 to only $48,000 in 2009 and $132,000 in 2010.

Response

The following table provided by Haldimand County shows the number of new home building permits for the years indicated. The number shows a decreasing trend.

Haldimand County Planning and Economic Development Department data

Year	New Dwelling Permits
2003	171
2004	244
2005	170
2006	141
2007	131
2008	100

Development in Haldimand County is stagnant because of 2 main factors;

1) ***First Nations land claim issues within Haldimand County Hydro service territory. The land claim issues arose in 2006 and have not been settled to-date.***
2) ***Recession.***

Developers are taking a wait and see approach to the economy and land claim issues as the inventory of already serviced lots is being drawn down. A major development in Caledonia of over 600 lots has been abandoned because of protestors and land claim issues. Other potential developments have also been abandoned.

d) What is the most recent year-to-date total capital expenditure for 2009? Please indicate how many months of actual this figure includes.

Response

The 9-month (September 30, 2009) year-to-date total capital expenditures net of contributions and grants are $2,610,000.

e) What was the corresponding figure for the same period in 2008?

Response

Corresponding capital expenditures net of contributions and grants for the 9-month (September 30, 2008) year-to-date are $3,072,000.

f) What is the most recent year-to-date figure for 2009 for contributions and grants?

Response

The 9-month (September 30, 2009) year-to-date contributions and grants amount is ($369,000).

g) There are significant capital expenditures forecast in both 2009 and 2010 for transportation equipment, but no disposals. Does this mean that no vehicles are being replaced in either 2009 or 2010?

Response

No – Vehicles are being replaced and disposed of in 2009 and 2010. See response to Energy Probe Interrogatory #6 (b) for a description of the disposal process and accounting treatment.

Interrogatory # 5

Ref: Exhibit 2, Tab 2, Schedule 3, pages 48 – 57

a) For each of the 7 projects listed on page 48 and detailed on pages 49 through 54, please confirm that each of these projects is still expected to be completed and in service by the end of 2009. If this cannot be confirmed, please provide which projects will not be in service by the end of 2009.

Response

Project # 2 - Pole Replacement Program, Various Locations

In 2009, $492,520 was budgeted to replace 140 poles in the distribution system. It is forecasted that in 2009, 70 poles will be replaced with the budgeted funds. The estimated cost for replacing these poles was based on actual experience in 2008. The complexity of poles changed in 2009 has lead to increased costs per pole. A detailed explanation of pole replacement costs is contained in Haldimand County Hydro's response to Board Staff Interrogatory #6.

All other projects will be completed and in service by year end 2009.

b) When was the 2009 capital budget forecast prepared?

Response

The 2009 capital budget forecast was prepared on November 17, 2008.

c) What is the most recent estimate of the 2009 capital expenditures for betterments, which was forecast to total $257,366?

Response

2009 capital expenditures for betterments are forecasted to be $360,139.

d) Why are capital expenditures on services in 2009 significantly higher than the level recorded in 2008? Has HCHI not experienced a slowdown in customer growth as a result of the recession?

Response

The services budget is created by formulating a trend based on past history from 2003 onward. The 2009 budget was based on this trending mechanism. At the time the 2009 budget was created only data to the end of September was available and the total annual impact as compared with budget was unknown.

The services budget for 2008 was $310,796 and 2009 was $211,212. Actual costs for 2008 were $195,428. The trending function based on past history did predict a much lower spend in 2009.

As of September 2009 the actual expenditure is $80,303 and it is forecasted to be $94,922 at year end 2009. Actual experience followed the downward trend predicted from 2008 to 2009.

e) A number of the vehicles to be purchased are described as replacement vehicles on page 56. Please explain why these vehicles have not been reflected as disposals (both cost and accumulated depreciation) in the 2009 continuity schedule.

Response

Refer to response to Interrogatory #4 (a) above.

f) Please provide the original cost of all vehicles being replaced in 2009, along with the accumulated depreciation for these vehicles.

Response

There are two trucks scheduled to be replaced in 2009. The following table indicates original cost and accumulated depreciation to September 30, 2009 with respect to these two vehicles:

Vehicles Scheduled to be Replaced in 2009	***Original Cost***	***Accumulated Depreciation to September 30, 2009***
Truck 19	***$ 31,277***	***$(28,671)***
Truck 3	***$ 117,400***	***$(116,312)***

g) Will all of the large trucks that require building be in service before the end of 2009? If not, please identify which vehicles and their cost that will not be in service until 2010.

Response

All trucks scheduled for completion and delivery in 2009 will be in service by year end 2009.

i) The capital expenditures forecast for 2009 for line extensions is similar in magnitude to 2008 and previous years. Has HCHI not seen a reduction related to these expenditures based on the 2009 recession?

Response

Given the activity to date in 2009 it is expected that the magnitude of expenditures for line extensions will meet budget.

Interrogatory # 6

Ref: Exhibit 2, Tab 2, Schedule 3, pages 57-65

a) Given the economic environment, does HCHI still plan to proceed with each of the 6 projects shown in the table on page 58? If not, please explain which projects will be delayed.

Response

Project # 4 – Alder Street Conversion – Phase 1 – Civil Work – Dunnville – Page 60 of 65 - It is our understanding at this time that the Municipality has postponed this project by 1 year. It would be Haldimand County Hydro's intent to do the same. The allocated funds for this project of $300,000 will be utilized for other capital projects in 2010.

All other projects are related to customer reliability and sustainment. The economic environment has little impact on these types of projects.

b) The transportation equipment forecast to be purchased in 2010 is all related to replacement of existing vehicles. Please explain why there are no disposals (costs and accumulated depreciation) shown in the 2010 continuity schedule.

Response

The disposal of vehicles is performed by placing equipment in public auctions. The sale price at auction has a high degree of uncertainty and as a result proceeds from the sale(s) are not budgeted. Also, refer to response to Interrogatory #4 (a) above.

c) Please provide the original cost and accumulated depreciation associated with the vehicles scheduled to be replaced in 2010.

Response

There is only one truck, Truck #4, scheduled to be replaced in 2010. As at September 30, 2009, its original cost is $47,707 and its accumulated depreciation is $(47,707).

Interrogatory # 7

Ref: Exhibit 2, Tab 4, Schedule 1 &
Exhibit 9, Tab 1, Schedule 3, Table 5 &
Exhibit 3, Tab 2, Schedule 2, Table 13

a) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of $.06215 per kWh.

Response

Please refer to table below for update to the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report. It is Haldimand County Hydro's understanding that the cost of power component will be further updated to the OEB's April 15, 2010 RPP Report when published and at that time, Haldimand County Hydro will incorporate the changes to working capital into its' 2010 Rate Application.

	2010 Test Updated for Oct.15/09 OEB RPP Report	Cost of Power Allowance for Working Capital
Cost of Power		15%
4705-Power Purchased	22,542,379	3,381,357
4708-Charges WMS	2,373,264	355,990
4714-Charges NW	1,955,675	293,351
4716-Charges CN	1,775,798	266,370
4750-Charges LV	209,412	31,412
Total	**28,856,528**	**4,328,479**

b) Has HCHI reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?

Response

Yes, Haldimand County Hydro has reflected the different rates applicable to RPP and non-RPP customers in Haldimand County Hydro's service territory in the cost of power calculation.

c) Table 5 of Exhibit 9, Tab 1, Schedule 3 shows that the allocation factor for the RSVA – Power – Global Adjustment is kWh – non RPP. Please provide the total non RPP kWh used for this allocation. Is this figure a 2010 forecast or an actual historical figure? Please provide the percentage of the total kWh represented by the non RPP kWh based on either the forecast or the actual historical period used.

Response

Haldimand County Hydro calculated the total non-RPP kWh using a historical percentage allocation between RPP and non-RPP customers by rate class based on the 2008 Billing Statistics. These percentages were then applied to the 2010 load forecast to break-out the kWh associated with non-RPP customers in each rate class. The following table details the calculation of non-RPP kWh by rate class.

Rate Class		2010 Load Forecast kWh	Historical Non-RPP % (Based on 2008 Actual)	2010 Load Forecast kWh (Non-RPP Customers)
Residential		169,492,357	15%	24,603,768
General Service < 50 kW		60,923,412	16%	9,562,188
General Service 50 to 4999 kW		109,459,903	68%	74,833,758
Sentinel Lights		418,928	12%	49,265
Street Lighting		2,328,757	0%	-
Unmetered Scattered Load		482,264	0%	-
Total		343,105,621		109,048,979

As a result of our review in conjunction with this IR, Haldimand County Hydro has determined that the non-RPP customer kWh's used as the allocator for the disposition of RSVA – Power – Global Adjustment in Table 5 of Exhibit 9/ Tab 1/ Schedule 3, were originally reported incorrectly. Refer to "revised" Table 5 below, which incorporates the correct kWh's as noted above.

"Revised" Table 5
Derivation of Deferral and Variance Account Rate Riders

DEFERRAL AND VARIANCE ACCOUNTS	Account No.	Total Claim	Allocation Factor	Residential	General Service < 50 kW	General Service 50 to 4999 kW	Sentinel Lights	Street Lighting	Unmetered Scattered Load
RSVA - Wholesale Market Service Charge	1580	$ (930,595)	kWh	$ (459,709)	$ (165,241)	$ (296,885)	$ (1,136)	$ (6,316)	$ (1,308)
RSVA - Retail Transmission Network Charge	1584	$ (29,698)	kWh	$ (14,670)	$ (5,273)	$ (9,474)	$ (36)	$ (202)	$ (42)
RSVA - Retail Transmission Connection Charge	1586	$ 152,981	kWh	$ 75,572	$ 27,164	$ 48,805	$ 187	$ 1,038	$ 215
RSVA - Power	1588	$ 222,149	kWh	$ 109,740	$ 39,446	$ 70,871	$ 271	$ 1,508	$ 312
RSVA - Power - Global Adjustment	1588	$ 240,786	kWh - Non RPP	$ 54,326	$ 21,114	$ 165,237	$ 109	$ -	$ -
Sub-Total - RSVAs		$ (344,377)		$ (234,741)	$ (82,790)	$ (21,446)	$ (606)	$ (3,972)	$ (822)
Other Regulatory Assets - Pension Contributions	1508	$ 205,783	Dist'n Revenue	$ 141,408	$ 34,365	$ 25,189	$ 1,212	$ 3,238	$ 371
Retail Cost Variance Account - Retail	1518	$ 351,891	# Customers	$ 265,271	$ 33,735	$ 2,047	$ 8,430	$ 41,206	$ 1,202
Retail Cost Variance Account - STR	1548	$ 4,845	# Customers	$ 3,652	$ 464	$ 28	$ 116	$ 567	$ 17
LV Variance Account	1550	$ (306,222)	kWh	$ (151,272)	$ (54,374)	$ (97,693)	$ (374)	$ (2,078)	$ (430)
Qualifying Transition Costs	1570	$ (530,391)	# Customers	$ (399,832)	$ (50,847)	$ (3,085)	$ (12,706)	$ (62,108)	$ (1,812)
Recovery of Regulatory Asset Balances	1590	$ 392,995	kWh	$ 194,137	$ 69,782	$ 125,376	$ 480	$ 2,667	$ 552
Sub-Total - Non RSVAs		$ 118,901		$ 53,364	$ 33,125	$ 51,862	$ (2,843)	$ (16,508)	$ (100)
TOTAL DEFERRAL AND VARIANCE ACCOUNTS TO BE RECOVERED (REFUNDED)		**$ (225,476)**		**$ (181,377)**	**$ (49,665)**	**$ 30,416**	**$ (3,448)**	**$ (20,480)**	**$ (923)**
Disposition Period (default) - One Year									
Volumetric Rate Rider - *Billing Determinants*				***kWh***	***kWh***	***kW***	***kW***	***kW***	***kWh***
DEFERRAL AND VARIANCE ACCOUNTS RATE RIDER (Volumetric)				**$ (0.0011)**	**$ (0.0008)**	**$ 0.1026**	**$ (2.9548)**	**$ (3.1629)**	**$ (0.0019)**

d) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (c) above using the RPP price of $0.06215 per kWh and a price of $0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of $0.03326 per kWh and the forecasted global adjustment of $0.02494 per kWh for the RPP year).

Response

Haldimand County Hydro has provided below the calculation for cost of power based on RPP and non-RPP volumes and incorporating the OEB RPP Report dated October 15, 2009 as well as the weighted-average price ("WAP") calculated based on Haldimand County Hydro's net system load shape.

RPP customer billed power has been calculated using a price of $0.06215 per kWh. Non-RPP customer billed power has been calculated using Haldimand County Hydro's WAP of $0.03592 per kWh (historical WAP for period Oct/08 to Sept/09) plus non-RPP customer billed global adjustment has been calculated using a price of $0.02494 per kWh for a total non-RPP customer price of $0.06086 per kWh.

	Actual kWh	Loss-Adjusted kWh		
Billed Revenue				
Commodity:				
RPP Customers kWh	234,056,642	249,065,558	$ 0.06215	$ 15,479,424
Non-RPP Customers kWh (HCHI WAP - Oct08 to Sept09)	109,048,979	116,052,501	$ 0.03592	$ 4,168,606
	343,105,621	365,118,059		$ 19,648,030
Global Adjustment:				
RPP Customers kWh	234,056,642	249,065,558	$ -	$ -
Non-RPP Customers kWh	109,048,979	116,052,501	$ 0.02494	$ 2,894,349
	343,105,621	365,118,059		$ 2,894,349
			Total Cost of Power	**$ 22,542,379**
Cost of Power				
Power Purchased: (Net of Global Adjustment)				
Total Charged by IESO (Charge Type 0101)	366,436,803	$ 0.03721	$ 13,635,113	
		($.06215 less $0.02494)		
Form 1598 Addition on account of RPP CoP vs HCHI WAP (Portion of Charge Type 0142)	249,065,558	$ 0.02623	$ 6,532,990	
		($.06215 less $0.03592)	$ 20,168,103	
Global Adjustment:				
Total Charged by IESO (Charge Type 0146)	366,436,803	$ 0.02494	$ 9,138,934	
Form 1598 Deduction on Account of RPP GA (Portion of Charge Type 0142)	249,065,558	$ 0.02494	$ (6,211,695)	
			$ 2,927,239	
				$ 23,095,342
			RSVA - Power Variance for 2010	$ (520,073)
			RSVA - Power - Global Adjustment Variance for 2010	$ (32,890)
				$ (552,963)
			Total Cost of Power	**$ 22,542,379**

The related impact of the above recalculation of cost of power on the working capital allowance is set out in part a). The updated Cost of Power portion of the working capital allowance is $4,328,479 as compared to $4,301,690 as filed in Haldimand County Hydro's 2010 rate application. As a result of this working capital update, the resulting impact on the revenue requirement is immaterial at an amount of $386 to increase the base revenue requirement to $12,824,028.

However, as stated in part (a), Haldimand County Hydro will incorporate changes to the cost of power section of the working capital allowance when the OEB's April 15, 2010 RPP Report is published.

e) Please reconcile the 2010 cost of power forecast of $22,363,781 with the forecast kWh to be purchased of 366,436,804 shown in Table 13 of Exhibit 3, Tab 2, Schedule 2 and the cost of power of $0.06072 per kWh used for 2010 (page 3).

Response

The reconciliation for the 2010 cost of power forecast of $22,363,781 (rounded) is provided below.

	Actual kWh	Loss-Adjusted kWh		
Billed Revenue				
Commodity:				
RPP Customers kWh	234,056,642	249,065,558	$ 0.06072	$ 15,123,261
Non-RPP Customers kWh (HCHI WAP - May08 to April09)	109,048,979	116,052,501	$ 0.04813	$ 5,585,607
	343,105,621	365,118,059		$ 20,708,868
Global Adjustment:				
RPP Customers kWh	234,056,642	249,065,558	$ -	$ -
Non-RPP Customers kWh	109,048,979	116,052,501	$ 0.01426	$ 1,654,909
	343,105,621	365,118,059		$ 1,654,909
			Total Cost of Power	**$ 22,363,777**
Cost of Power				
Power Purchased: (Net of Global Adjustment)				
Total Charged by IESO (Charge Type 0101)	366,436,803	$ 0.04646 ($.06072 less $0.01426)	$ 17,024,654	
Form 1598 Addition on account of RPP CoP vs HCHI WAP (Portion of Charge Type 0142)	249,065,558	$ 0.01259 ($.06072 less $0.04813)	$ 3,135,735	
			$ 20,160,389	
Global Adjustment:				
Total Charged by IESO (Charge Type 0146)	366,436,803	$ 0.01426	$ 5,225,389	
Form 1598 Deduction on Account of RPP GA (Portion of Charge Type 0142)	249,065,558	$ 0.01426	$ (3,551,675)	
			$ 1,673,714	
				$ 21,834,103
			RSVA - Power Variance for 2010	$ 548,479
			RSVA - Power - Global Adjustment Variance for 2010	$ (18,805)
				$ 529,674
			Total Cost of Power	**$ 22,363,777**

Interrogatory # 8

Ref: Exhibit 3, Tab 2, Schedule 1, pages 7-8

a) Does HCHI have a variance account approved by the Board in which to record variances in the revenues received from Norfolk Power? If yes, please provide details.

Response

No, Haldimand County Hydro does not have a variance account approved by the Board in which to record variances in the revenues received from Norfolk Power.

b) Has HCHI contacted Norfolk Power since their letter dated January 6, 2009 to ascertain more information on the termination of their use of the feed from the Jarvis TS? If not, why not? If yes, please provide the latest information available from Norfolk Power.

Response

A letter dated November 2, 2009 was sent to Norfolk Power to request an update and their reply dated November 3, 2009 states "…we should be able to discontinue our feed from Jarvis TS by the end of August 2010." A copy of each letter is attached as Appendix A.

c) Were any of the assets (including lines, poles, meters, etc.) used by HCHI to serve Norfolk Power at Jarvis TS 57M4 at Concession 6 not used and useful following discontinuation of service by Norfolk Power from that point? If yes, have these assets been removed from the calculation of the test year rate base? Please also quantify the gross and net book values of any such assets at the end of 2009.

Response

No. All of the assets (including lines, poles, etc.) used by Haldimand County Hydro to serve Norfolk Power at Jarvis TS 57M4 at Concession 6 have continued and will continue to be used and useful following discontinuation of service on December 12, 2008 by Norfolk Power from that point. The metering equipment at this location belonged to Norfolk Power and it has been removed by Norfolk.

d) Will any of the assets (including lines, poles, meters, etc.) used by HCHI to serve Norfolk Power at Jarvis TS 57M4 at Highway 6 no longer be used and useful following discontinuation of service by Norfolk Power in 2010. If yes, please quantify the gross and net book value of any such assets at the beginning of 2010. Have these assets been removed from rate base at the end of 2010?

Response

No. All of the assets (including lines, poles, etc.) used by Haldimand County Hydro to serve Norfolk Power at Jarvis TS 57M4 at Highway 6 will continue to be used and useful following discontinuation of service by Norfolk Power from that point. The metering equipment at this location belongs to Norfolk Power.

e) Assuming that HCHI is not allowed to used the forecasted 2010 revenue from Norfolk Power to offset losses of previous years, would HCHI be willing to record any revenue received from Norfolk Power in 2010 in a deferral account for rebate to customers at future time if the associated revenues are removed from the test year forecast, thereby increasing the service revenue requirement? If not, why not?

Response

Please see VECC Interrogatory #6 (d).

f) What is the forecasted 2010 kWh volume associated with the embedded distributor customer Norfolk Power?

Response

Although Haldimand County Hydro does not bill Norfolk for kWh (see response to (g) below) and consequently has not forecasted this kWh number, we are aware that the non-loss adjusted energy metered to Norfolk by the IESO for the period January 1, 2009 to April 30, 2009 is 16,786,330 kWh and from May 1, 2009 to August 31, 2009 is 16,460,800 kWh. These numbers may serve as an approximation for the number requested in this question.

g) Based on the HCHI proposal to exclude revenues associated with Norfolk Power from the analysis, has HCHI excluded the kWh associated with Norfolk Power from the cost of power calculation used for the working capital allowance? If not, please provide the estimated cost of power and impact on rate base of removal of these volumes.

Response

Yes, Haldimand County Hydro has excluded the kWh associated with Norfolk Power from the cost of power calculation used for the working capital allowance. Actually Haldimand County Hydro has historically never paid for any of the kWh supplied to Norfolk as an embedded distributor. Norfolk has always been a wholesale market participant at both supply points and has paid the IESO directly for all kWh supplied to it.

Interrogatory # 9

Ref: Exhibit 3, Tab 2, Schedule 2, Table 12

Please explain the significant drop in Sentinel Light average use in both 2009 and 2010 relative the small decrease that took place in 2008.

Response

Haldimand County Hydro has been experiencing a decline in sentinel lights since 2004. The Sentinel Light geometric annual growth rate was calculated using data from 2004 to 2008 in order to accurately forecast for 2009 and 2010 the historical pattern of connections declining year over year.

Interrogatory # 10

Ref: Exhibit 3, Tab 2, Schedule 2, page 10

a) Please provide the most recent year-to-date information for 2009 and 2010, in place of the June 30th data shown at lines 19 through 20.

Response

Retail consumption (billed plus estimate of unbilled) as at September 30, 2009 of 247,670,408 kWh as compared to the same period as at September 30, 2008 of 261,270,027 kWh – a 5.2% decrease.

b) Is the year-to-date June 30 information for 2008 and 2009 normalized? If not, of what value is the comparison when the weather impacts have not been taken into account?

Response

No, the information provided is not normalized but the following normalized information has been provided to show more comparable numbers.

As part of Haldimand County Hydro's 2010 Rate Application a load forecast model was prepared in order to forecast 2010 load. In this model, Haldimand County Hydro could predict "actual" purchases and weather normalized purchases. Haldimand County Hydro has used this model to predict "actual" purchases and weather normalized purchases for the first nine months of the year for both 2008 and 2009.

A percentage variance was then calculated between predicted purchases and weather normalized predicted purchases for each of 2008 and 2009 (9-months). These same % variances have now been applied to the retail consumption to-date to account for weather impacts. They are as follows:

	September 30, 2008	***September 30, 2009***
Actual Billed plus Unbilled	***261,270,027***	***247,670,408***
% Variance on Predicted Purchases to Weather Normalized Predicted Purchases	***1.16%***	***3.11%***
Weather Normalized Billed plus Unbilled	***264,300,759***	***255,382,241***
Decrease in Retail Consumption – 2009 compared to 2008		***(3.40%)***

Interrogatory # 11

Ref: Exhibit 3, Tab 2, Schedule 2, pages 12-15

a) Please explain why HCHI has included the number of peak hours and blackout flag as explanatory variables when the t-statistics for the coefficients for these variables are so low.

Response

Haldimand County Hydro Inc.'s objective was to develop a multi-regression model that achieved an R-square value higher than or equal to 95%. This objective was not achieved but including the number of peak hours and the blackout flag as explanatory variables produced results closer to a 95% than if these variables were not included.

b) Please explain why HCHI has included a GDP and a population variable that have incorrect signs on the estimated coefficients.

Response

Please see response to Board Staff Interrogatory #8 (c).

c) Is the predicted kWh figure provided in Table 13 for 2008 the figure predicted by the equation, or the normalized figure? If it is not the normalized figure, what is the normalized figure for 2008?

Response

The predicted kWh figure in Table 13 for 2008 is the figure predicted by the equation. The weather normalized predicted figure for 2008 is 382,853,565 kWh.

d) Please show how the 2009 predicted kWh figure is calculated, based on the 2008 predicted kWh figure shown and the IESO based adjustment.

Response

The 2009 weather normalized predicted figure shown of 367,539,422 kWh is not calculated on the 2008 predicted kWh shown in Table 13 but on the weather normalized predicted kWh figure indicated in response to (c) above.

(382,853,565 less (4% * 382,853,565) = 367,539,422)

e) Using the same methodology as used by HCHI to calculate the 2008 normalized kWh, please provide the normalized kWh for each of 2001 through 2007 (i.e. use the HCHI 8-year average for HDD and CDD).

Response

The table below has been provided to show weather normalized kWh for 2001 through 2008.

Weather Normalized Energy (kWh) 2001 to 2008								
	2001	2002	2003	2004	2005	2006	2007	2008
January	33,032,893	35,779,035	35,602,748	36,236,106	36,864,483	37,128,723	36,619,453	36,355,527
February	29,720,015	32,196,666	32,005,286	33,730,541	33,194,414	33,439,294	32,892,804	33,711,063
March	29,590,951	31,753,109	31,569,780	32,487,135	33,112,885	32,934,641	32,349,918	32,272,860
April	26,407,305	28,389,725	28,146,656	29,023,974	29,677,054	29,318,833	28,752,398	28,932,186
May	26,764,967	28,431,908	28,174,729	29,137,551	29,817,936	29,392,234	28,857,537	28,895,352
June	28,990,411	30,363,847	30,126,021	31,276,858	31,984,796	31,241,106	30,922,638	30,908,074
July	32,909,017	34,056,993	33,966,484	35,227,613	35,559,570	34,715,778	34,646,262	34,764,283
August	31,836,986	32,670,471	32,334,459	33,807,508	34,303,853	33,429,152	33,194,736	33,391,016
September	26,669,313	27,275,912	27,838,512	28,645,973	28,871,085	28,391,928	27,797,391	28,182,333
October	28,418,730	28,731,993	29,315,785	30,001,936	30,242,826	29,836,551	29,259,440	29,617,826
November	28,968,564	28,988,281	29,720,314	30,420,021	30,469,144	30,147,445	29,683,256	30,073,362
December	34,790,992	34,651,902	35,382,659	36,029,464	36,094,450	35,775,843	35,309,982	35,749,685
Total	358,100,145	373,289,843	374,183,432	386,024,680	390,192,496	385,751,528	380,285,818	382,853,565

Interrogatory # 12

Ref: Exhibit 3, Tab 2, Schedule 2 & Exhibit 6, Tab 1, Schedule 1

Please redo the regression equation shown on page 12 by removing the variables that have counter-intuitive signs (i.e. Ontario Real GDP & Population) and variables with coefficients that are not statistically significant (i.e. Number of Peak Hours & Blackout Flag). Please provide the following based on this new equation:

a) The Summary Output for the new equation;

Response

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.945537392
R Square	0.89404096
Adjusted R Square	0.886897654
Standard Error	1054837.461
Observations	96

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	6	8.35565E+14	1.39261E+14	125.1578688	3.53226E-41
Residual	89	9.90287E+13	1.11268E+12		
Total	95	9.34594E+14			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-37719654.62	6952508.049	-5.425330594	4.93225E-07	-51534139.73	-23905169.52	-51534139.73	-23905169.52
Heating Degree Days	10104.7775	915.5565943	11.03675902	2.37903E-18	8285.58609	11923.96891	8285.58609	11923.96891
Cooling Degree Days	70787.71436	6176.448866	11.46090835	3.26814E-19	58515.24229	83060.18643	58515.24229	83060.18643
Number of Days in Month	1021031.821	138911.0914	7.350254116	9.15683E-11	745018.4474	1297045.195	745018.4474	1297045.195
Spring / Fall Flag	-2722253.028	412296.5447	-6.602657875	2.84246E-09	-3541477.462	-1903028.593	-3541477.462	-1903028.593
Summer Months Flag	-2028331.636	700560.8332	-2.895296939	0.004764874	-3420331.059	-636332.2126	-3420331.059	-636332.2126
Number of Customers	1734.381722	285.7728953	6.069091055	3.08177E-08	1166.557079	2302.206366	1166.557079	2302.206366

b) The resulting normalized 2008 volumes using the HCHI methodology;

Response

2008 Predicted – 385,577,466 kWh
2008 Weather Normalized Predicted – 390,147,087 kWh

c) The resulting total system purchases forecast for 2009 and 2010 using the HCHI IESO-based methodology;

Response

2009 Weather Normalized Predicted – 374,541,204 kWh
2010 Weather Normalize Predicted – 373,417,580 kWh

d) The resulting kWh and kW forecasts by rate class shown in Table 26;

Response

Resulting Forecast Data by Rate Class

		2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Year Weather Normalized	2010 Test Year Weather Normalized
Customer Class:							
Residential							
Customers	Customers	17,776	18,026	18,139	18,245	18,389	18,534
kWh	Consumption - kWh	176,632,472	171,538,632	173,795,327	171,781,096	172,632,795	173,594,448
General Service < 50 kW							
	Customers	2,303	2,318	2,343	2,351	2,354	2,357
	Consumption - kWh	55,899,141	57,302,192	58,537,616	58,711,522	60,508,041	62,397,894
General Service 50 to 4999 kW							
	Customers	150	150	135	137	140	143
	Consumption - kWh	126,947,371	127,213,861	124,717,255	118,305,016	114,296,022	110,419,638
	Demand - kW	350,276	365,911	344,767	324,837	310,033	299,229
Sentinel Lights							
	Connections	729	693	665	647	617	589
	Consumption - kWh	494,247	516,624	489,923	475,594	446,132	418,928
	Demand - kW	1,393	1,423	1,361	1,313	1,243	1,167
Street Lighting							
	Connections	2,777	2,758	2,794	2,879	2,879	2,879
	Consumption - kWh	2,216,168	2,232,308	2,297,657	2,328,757	2,328,757	2,328,757
	Demand - kW	6,115	6,222	6,403	6,475	6,475	6,475
Unmetered Scattered Loads							
	Connections	81	88	84	84	84	84
	Consumption - kWh	502,646	507,664	499,320	482,264	482,264	482,264
Total (Excluding Embedded Distributor)							
	Customers / Connections	23,816	24,033	24,160	24,343	24,463	24,586
	Consumption - kWh	362,692,045	359,311,281	360,337,098	352,084,249	350,694,011	349,641,929
	Demand - kW	357,784	373,556	352,531	332,625	317,751	306,871
Embedded Distributor - HONI							
Customers		0	0	0	0	8	8
kWh		0	0	0	0	81,924,442	83,184,875
kW		0	0	0	0	274,235	276,949

e) The resulting impact on the revenue deficiency shown in Table 1 of Exhibit 6, Tab 1, Schedule 1.

Response

Based on the resulting kWh and kW forecast by rate class in part d), Haldimand County Hydro's net revenue deficiency is $974,367 and when grossed up for PILs, Haldimand County Hydro's revenue deficiency is $1,412,126. Haldimand County Hydro would only earn a rate of return of 1.93% if revenues remained at the 2009 approved rates calculated at the 2010 load forecast in part (d) above.

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 2, Table 15

For each rate class shown, please provide the most recent month information that is available for the number of customers in 2009. Please provide the same information for the corresponding month in 2008.

Response

		Number of Customers	
Rate Class		**2009 as at October 31st**	**2008 as at October 31st**
Residential		18,296	18,221
General Service < 50 kW		2,380	2,349
General Service 50 to 4999 kW		137	137
Sentinel Lights		656	649
Street Lighting		2,868	2,867
Unmetered Scattered Load		84	84
Total		24,421	24,307

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 2, Table 26

Are the kWh's shown for 2010 forecast for HONI as an embedded customer included in the cost of power calculation used in the working capital calculation? If yes, please explain why.

Response

No, the kWh used for the 2010 forecast for HONI as an embedded distributor are not included in the cost of power calculation.

Interrogatory # 15

Ref: Exhibit 3, Tab 3, Schedule 1

a) In which account shown in Table 27 has HCHI recorded income received from Norfolk Power?

Response

In Table 27, Haldimand County Hydro has recorded the Distribution Wheeling Service Revenue received from Norfolk Power in account '4090'.

b) What is the source of the significant decrease in revenues forecast for 2009 and 2010 in Account 4090?

Response

The only two revenues shown in account '4090' in Table 27, are the Distribution Wheeling Service Revenue for Norfolk Power and the revenue collected on account of the SSS Administration charge. As detailed in Table 28 of Exhibit 3, Tab 3, Schedule 1, the significant decrease in revenue forecast for 2009 and 2010 is solely attributed to the decline in revenue to be collected from Norfolk Power. Refer to Exhibit 3/ Tab 2/ Schedule 1/ pages 7 to 8, and Energy Probe Interrogatory #8, Board Staff Interrogatory #14, and VECC Interrogatory #6.

c) What accounts for the significant increase in 2009 in revenues in Account 4210?

Response

Prior to 2009, Haldimand County Hydro accrued pole rental revenue in account '4210' for the year in which it occurred for all parties except Bell Canada. Bell Canada pole rentals were previously recorded in the year received on account of the prior year. Commencing in 2009, Haldimand County Hydro accrues all pole rental revenue, including Bell Canada, in the year that the rental occurs. This resulted in two years, 2008 and 2009, of Bell Canada pole rental revenue recorded in 2009 in order to catch up and be consistent amongst all parties.

The 2010 Test Year represents one year of pole rental revenue from all parties.

d) Would the gain or loss on disposition accounts (4355 & 4360) be where any gain or loss associated with disposal of vehicles being replaced in 2009 and 2010 would be recorded? If not, where would the impacts of these disposals be recorded?

Response

Haldimand County Hydro is not forecasting to have a gain or loss on the disposal of any vehicles in 2009 and 2010. Refer to Energy Probe Interrogatory #6 part (b).

However, if Haldimand County Hydro had forecast a gain or loss on the disposal of vehicles, it would be recorded in account '4355' or '4360'.

e) Please provide the most recent year-to-date figure for 2009 and the corresponding figure for the same period in 2008 for each of the following accounts:

i) Account 4090
ii) Account 4210
iii) Account 4355
iv) Account 4360.

Response

Uniform System of Account	Description	2009 9-Months (as at Sept.30th)	2008 9-Months (as at Sept.30th)
4090	Electric Services Incidental to Energy Sales	$ 93,182	$ 106,299
4210	Rent from Electric Property	$ 100,073	$ 58,846
4355	Gain on Disposition of Utility and Other Property	$ 12,293	$ 22,092
4360	Loss on Disposition of Utility and Other Property	$ (669)	$ (9,281)
	Total	**$ 204,879**	**$ 177,956**

Interrogatory # 16

Ref: Exhibit 4, Tab 1, Schedule 1

a) Please provide the most recent year-to-date OM&A expenses for 2009 that is currently available and provide the corresponding figures for 2008 for the same period in the same level of detail as shown in Table 1.

Response

OM&A Comparison 2008 to 2009 (9-Month Actual)

	2008 & 2009 Actuals Comparison 9-Months (January to September)			
Description	2008 Actual (Jan to Sept.) ($)	2009 Actual (Jan. to Sept.) ($)	Variance (2009 to 2008) ($)	Percent Change (2009 to 2008)
OM&A expenses				
Operation	904,135	887,062	(17,073)	-2%
Maintenance	2,202,902	1,693,925	(508,977)	-23%
Billing and Collections	980,394	950,268	(30,126)	-3%
Community Relations	24,863	19,712	(5,151)	-21%
Administrative and General Expenses	1,288,479	1,337,065	48,586	4%
Total OM&A Expense (Controllables)	5,400,773	4,888,032	(512,741)	-9%

b) Please explain any variances between the year-to-date 2009 and 2008 figures that are not in line with the forecast increase shown for 2009 in Table 1.

Response

In comparing the first nine months of 2008 to 2009 two explanations are relevant:

1. ***Expenses do not always occur in the same order from year to year and budgets are prepared based on predicted expenditures per annum and not by the expenses occurring in any given month. For example tree trimming expenses may occur from March to June one year and April to October in the next year. Due to the timing of expenses, comparing month to month actual with month to month budget has a high degree of error.***

2. Expenses are lower in 2009 due to the following reasons:

- ***In 2008/09 the Line Supervisor was on long term disability benefits. In 2009 this represents approximately $79,000 in expense which was not incurred. However, this expense will be required going forward.***
- ***In 2009 the actual costs for tree trimming are considerably less than projected. Budget costs are based on past experience in terms of cost and the extent of trimming based on tree growth. In 2009 hourly rates for third party contractors was favorable and the amount of trimming was less than previously experienced. This is expected to result in an annual savings of approximately $256,000 in 2009. This savings was not anticipated and is considered a one-time windfall.***
- ***Some maintenance activities were displaced by the need to perform customer work. These would include the recloser maintenance program, switch maintenance, and repairs (of a minor nature) to distribution system plant (these are issues identified by the inspection process). The effect of this is to reduce the expense costs in 2009. This work is part of a planned work schedule but customer connections take priority. The planned work is part of the 2010 budget as well.***

Interrogatory # 17

Ref: Exhibit 4, Tab 2, Schedule 4, Table 6

a) Please confirm that the total costs associated with the 2010 rate application as forecast is $222,500, of which $55,625, or one-quarter, is included in the 2010 rate application. If these figures are not correct, please provide the total forecast cost and the total forecast cost included in 2010.

Response

Yes, the above figures are correct.

b) Has HCHI included any costs associated with intervenors in the 2010 rate application? Are these the costs shown as OEB Section 30 Costs? If not, please identify where these costs have been included.

Response

The intervenor costs associated with the 2010 rate application are shown as OEB Section 30 Costs.

c) How much of the total forecasted cost associated with each component of the 2010 rate application costs is associated with the need for an oral (technical conference, hearing) component of the application?

Response

Haldimand County Hydro has forecast $45,000 of costs, including legal and consulting, associated with the potential need for an oral component of the 2010 rate application of which one quarter, $11,250, has been included in the 2010 Test Year OM&A expenses.

Interrogatory # 18

Ref: Exhibit 4, Tab 2, Schedule 5, Table 7

a) Please explain in detail why there is no pole relocation or "new" pole install revenue for 2010 when there was revenue for 3 of previous 4 years.

Response

Please see response to Board Staff Interrogatory #18 (d).

b) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from pole relocations or "new" pole installs from the County.

Response

	January to September (excludes GST)	
	2008	***2009***
Pole Relocations or "New" Pole installs ***(Requested by County)***	***$8,092.76***	***$5,589.42***

c) Please explain in detail why there is no tree trimming & removal revenues shown for 2010 when there is revenue for all previous 4 years shown.

Response

Please see response to Board Staff Interrogatory #18 (d).

d) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from tree trimming & removals from the County.

Response

	January to September (excludes GST)	
	2008	***2009***
Tree Trimming & Removals ***(Cost share to County)***	***$16,200.00***	***$9,951.12***

e) Please provide the most recent year-to-date figure for 2009 and the corresponding period for 2008 for revenues from HCEI for water and wastewater billing & collecting administrative fee.

Response

	January to September (excludes GST)	
	2008	***2009***
Water & Wastewater Billing & Collecting Administrative Fee	***$265,738.67***	***$271,251.51***

f) Please explain why no increase is forecast for 2010 despite increases in each of the previous years shown.

Response

The water billing rate paid by Haldimand County to Haldimand County Energy Inc. was increased 91.6% for a compounded average of 11.5% per year from $2.14 per bill in 2002 to $4.10 per bill in 2008. The customers of Haldimand County Hydro Inc. benefit from this billing arrangement because the revenue exceeds the marginal cost as evidenced by the fixed nature of some of the costs recovered by the arrangement. It is also important that the cost to the municipality be market based as they compare their alternatives.

The water billing rate was not increased for 2009 or 2010 in order to avoid becoming uncompetitive and possibly losing the arrangement. For example the evidence filed December 5, 2008 by London Hydro in EB-2008-0235, Exhibit 4, Page 67 of 174, includes "Based upon a limited 2008 telephone survey with other utilities, an average market rate of approximately $2.00 per bill or $24.00 per year per account is currently being charged by other utilities. London Hydro's rate continues to be above the average market rate, however, London Hydro bills on a monthly basis versus bi-monthly as with certain other utilities."

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 5, Table 8

a) Please explain in detail the "governance and oversight services" provided by the parent company HCUI Board of Directors to HCHI.

Response

The "governance and oversight services" provided by the parent company HCUI Board of Directors to Haldimand County Hydro include the following:

- ***The Nominating Committee for recruiting Haldimand County Hydro directors is a committee of Haldimand County Utilities Inc.***
- ***The Audit Committee is a committee of Haldimand County Utilities with invited attendance extended to Haldimand County Hydro directors***
- ***Formal interaction with the municipal shareholder is through the Haldimand County Utilities Board but the matters requiring such interaction usually involve Haldimand County Hydro, particularly the Annual Meeting, dividend discussions, and establishment and review of bylaws and the Shareholders Direction and Unanimous Shareholder Declaration.***

b) What is the total cost associated with the HCUI Board of Directors? How is it determined what portion of this amount is to be allocated to HCHI, as compared to HCEI?

Response

The total cost associated with the Haldimand County Utilities Board of Directors is forecast to be $39,347 during 2010. The charge from Haldimand County Utilities to Haldimand County Hydro is forecast to be $54,000 and the charge from Haldimand County Utilities to Haldimand County Energy is forecast to be $6,000. These charges were established early in 2002 based upon the expected level of involvement and have carried on since that time.

Interrogatory # 20

Ref: Exhibit 4, Tab 2, Schedule 7

a) Based on the table found on page 1, please confirm that the annual wage increase for all employees (union and non-union) for 2010 will be 2% on April 1, 2010 and an incremental 1% on October 1, 2010. If this cannot be confirmed, please explain what and when the increases slated for 2010 are.

Response

Yes, the annual wage increase for all employees for 2010 will be 2% on April 1, 2010 and an incremental 1 % on October 1, 2010.

b) Please provide the actual number of FTE positions that were vacant for each of the historical years (2006 through 2008). For example, if one position was vacant for 6 months in 2008 while another position was vacant for 3 months in 2008, the number of FTE vacancies would be 0.75.

Response

Number of FTE Vacancies for each of the historical years as follows:

	2006 Historical	***2007 Historical***	***2008 Historical***
FTE Vacancies	***1.10***	***0.40***	***0.00***

c) Does HCHI currently have any vacant positions included in the 54 FTE's? If yes, please quantify.

Response

When the 2010 Rate Application was filed, Haldimand County Hydro had a full complement of staff; that is, no vacant positions included in the 54 FTE's. However, as of September 1, 2009 Haldimand County Hydro has one FTE vacancy, the Line Supervisor position. Haldimand County Hydro has subsequently filled the position with an external candidate commencing employment December 7, 2009.

d) Does the 2010 test year forecast assume all positions are filled for the entire year? If not, what assumptions have been used to calculate the total costs associated with the 54 FTE's?

Response

The 2010 Test Year forecast assumes all 54 positions are filled for the entire year; that is, no FTE vacancies.

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 8

The evidence states that amortization on capital additions during the current year commences in the month that the asset is acquired. Please explain how HCHI has forecast the amortization on capital additions in the bridge and test years. For example, has HCHI assumed a mid-year acquisition for additions in 2009 and 2010?

Response

For all classes, amortization is calculated on a straight-line basis with rates as set out in the OEB's Accounting Procedures Handbook.

For budget purposes, and consequently the 2009 Bridge and 2010 Test Years, amortization estimates on existing assets are calculated, for a full 12 months, based on the estimated remaining useful life of the asset at the end of the previous year; plus amortization estimates on capital additions forecast during the year are calculated assuming a full 12 months in the year of acquisition.

However, when actual capital additions occur in 2009 and 2010, the actual amortization will be calculated commencing in the month that the asset is actually put into service.

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 8 &
Exhibit 2, Tab 2, Schedule 1, Tables 8 & 9

Computer software and transportation equipment account for a sizable portion of the total capital additions in both 2009 and 2010 and both of these asset categories have relatively high depreciation rates associated with them.

a) What in-service date was forecasted for each of computer software and transportation equipment categories in 2009 to reflect when accumulated amortization on these assets would begin to increase as a result of the additions?

Response

For the 2009 Bridge year, a 12 month amortization period was used for reporting purposes. Actual amortization will occur at the time the asset is acquired.

b) What is the actual in-service date for each of computer software and transportation equipment and how does any deviation from that forecast impact on the accumulated depreciation?

Response

Interrogatory (b) and (c) – combined below.

c) What are the in-service dates used for computer software and transportation equipment for purposes of calculating the depreciation expense?

Response

When Haldimand County Hydro purchases capital items the in-service date is typically the date the item is received. For large projects where there are multiple components of the job, the amortization time would be staggered.

For the purposes of budgeting, the forecasted accumulated amortization is applied for the entire year (12 month period). There have been some exceptions for larger projects. For example the CIS conversion incurred capital costs in 2008 but the system not in service until March 1, 2009. This project was considered in-service as of March 1, 2009 rather than a staggered amortization schedule.

Interrogatory # 23

Ref: Exhibit 4, Tab 3, Schedule 1

a) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

Response

Haldimand County Hydro is aware that the 2009 Ontario Budget, announced March 26, 2009, proposed to reduce the small business tax rate from 5.5% to 4.5% and eliminate the 4.25% surtax or "clawback" effective July 1, 2010. Haldimand County Hydro further understands that these proposals have not yet received legislative approval.

b) Please confirm that the 2010 provincial tax savings resulting from the above change is $18,750, the difference between the following calculations on the first $1,500,000 of taxable income:

* 13% x $1,500,000 = $195,000 and

* 5% x $500,000 = $25,000
  13% x $1,000,000 = $130,000
  2.125% x $1,000,000 = $21,250
  Total = $176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

Response

The amount of the tax savings from the elimination of the surtax may be in the order of $18,750 and only in the case where the taxable income exceeds $1,500,000 in the year and the company was entitled to the full $500,000 small business deduction. Haldimand County Hydro is not able to confirm this amount of 2010 Ontario tax savings as we are not certain how the calculations will eventually work since the corporate taxation year straddles the proposed effective date and rates will be pro-rated, presumably similar to the example provided above. Haldimand County Hydro opted to use the Board's Tax Model released on May 27, 2009, and understands that while it incorporated the small business rate reduction – that is, it includes an Ontario income tax rate of 13%, which is the average of 14% current and 12% effective July 1, 2010 – the model did not provide for the proposed elimination of the Ontario surtax.

Interrogatory # 24

Ref: Exhibit 4, Tab 3, Schedule 1, Table 17 &
Exhibit 2, Tab 2, Schedule 1, Tables 8 & 9

Tables 8 & 9 in Exhibit 2, Tab 2, Schedule 1 shows capital additions in Account 1925 – Computer Software of $420,105 in 2009 and $429,068 in 2010, while the CCA schedules in Table 17 of Exhibit 4, Tab 3, and Schedule 1 show CCA Class 12 Computer Software additions of only $242,605 in 2009 and $241,243 in 2010. The remaining amounts shown in Account 1925 appear to have been placed in CCA Class 8 – General Office/Stores Equipment.

a) Please explain the significant differences in both 2009 and 2010 between the amounts recorded in asset Account 1925 and CCA Class 12.

Response

The differences in both 2009 and 2010 may be explained as follows:

- ***For accounting purposes, Capital Asset Account 1925 includes all costs related to computer systems and applications software, as well as additional costs associated with the internal development of the ESRI Distribution Mapping System, which include gathering field GPS and attribute data on distribution system assets.***
- ***For tax purposes, CCA Class 12 is to include only the costs of computer non-systems software. In the absence of a CCA Class specific to the development costs of the ESRI Distribution Mapping System these costs are included in CCA Class 8, to be used for property that is not included in any other class.***

b) Please provide a detailed description of the capital additions included in asset Account 1925, but included in CCA Class 8.

Response

As per (a) above, the capital additions included in Capital Asset Account 1925 that are included in CCA Class 8 are those related to the ESRI Distribution Mapping System. For a detailed description of that capital project, refer to Haldimand County Hydro's response to Board Staff Interrogatory #5.

c) Could any of the assets included in CCA Class 8 be classified as computer hardware (asset Account 1920) and included in CCA Class 50? If not, why not? If yes, please quantify.

Response

With respect to the ESRI Distribution Mapping System asset costs included in CCA Class 8, none of these costs are related to computer hardware and systems software, and as such could not be included in CCA Class 50.

d) Is HCHI aware that a new CCA class (Class 52) has been established for computer hardware and systems software purchased after January 27, 2009 and prior to February, 2011 that has a rate of 100% and removes the half year rule that effectively allows the write-off of the full amount of the capital addition in the year that the addition was made?

Response

Haldimand County Hydro is aware that the 2009 Ontario Budget, released March 26, 2009, announced the intention of Ontario to adopt the previously adopted Federal measure with respect to the 100% accelerated capital cost allowance rate with no half-year rule for eligible computers and systems software acquired after January 27, 2009 and before February 2011. However, since this budget measure had not been enacted at the time of filing this application, Class 52 was not included.

e) Please revise Table 17 to reflect the CCA Class 52 described in part (d) above.

Response

The revised Table 17 "UCC, CCA and CEC Continuity Schedules" incorporating a CCA Class 52, as described in (d) above, is provided immediately below.

Table 17 "Revised"
UCC, CCA and CEC Continuity Schedules

2009 BRIDGE YEAR

Class	Class Description	UCC Bridge Year Opening	Additions	Disposals	UCC Before 1/2 Yr Rule	1/2 Year Rule {1/2 Addn's Less Disposals}	Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge
1	Distribution System - post 1987	$ 25,811,722	$ -	$ -	$ 25,811,722	$ -	$ 25,811,722	4%	$ 1,032,469	$ 24,779,253
8	General Office/Stores Equip	$ 787,784	$ 231,364	$ -	$ 1,019,148	$ 115,682	$ 903,466	20%	$ 180,693	$ 838,455
10	Vehicles	$ 295,110	$ 586,656	$ -	$ 881,766	$ 293,328	$ 588,438	30%	$ 176,531	$ 705,235
12	Computer Software ("non-systems")	$ 208,192	$ 238,605	$ -	$ 446,797	$ 119,303	$ 327,495	100%	$ 327,495	$ 119,303
17	Electrical Generating Equip - other than Bldgs (post Feb 27, 2000)	$ 67,985	$ -	$ -	$ 67,985	$ -	$ 67,985	8%	$ 5,439	$ 62,546
45	Computers & Systems Software (post Mar 22, 2004)	$ 36,345	$ -	$ -	$ 36,345	$ -	$ 36,345	45%	$ 16,355	$ 19,990
46	Data Network Infrastructure Equipment (post Mar 22,2004)	$ 401	$ -	$ -	$ 401	$ -	$ 401	30%	$ 120	$ 281
47	Distribution System (post February 2005)	$ 7,911,618	$ 3,306,497	$ -	$ 11,218,115	$ 1,653,249	$ 9,564,867	8%	$ 765,189	$ 10,452,926
50	Computers & Systems Software (post Mar 18, 2007)	$ 44,654	$ -	$ -	$ 44,654	$ -	$ 44,654	55%	$ 24,560	$ 20,094
1	Buildings (post March 18, 2007)	$ 81,263	$ 19,435	$ -	$ 100,698	$ 9,718	$ 90,981	6%	$ 5,459	$ 95,239
52	Computers & Systems Software (post Jan 27,2009 - Feb, 2011)	$ -	$ 46,542	$ -	$ 46,542	$ -	$ 46,542	100%	$ 46,542	$ -
	UCC and CCA - TOTAL	**$ 35,245,074**	**$ 4,429,099**	**$ -**	**$ 39,674,173**	**$ 2,191,279**	**$ 37,482,895**		**$ 2,580,852**	**$ 37,093,321**
CEC	**Cumulative Eligible Capital**	**$ 296,681**	**$ -**	**$ -**	**$ 296,681**	**$ -**	**$ 296,681**	7%	**$ 20,768**	**$ 275,913**

2010 TEST YEAR

Class	Class Description	UCC Test Year Opening	Additions	Disposals	UCC Before 1/2 Yr Rule	1/2 Year Rule {1/2 Addn's Less Disposals}	Reduced UCC	Rate %	Test Year CCA	UCC End of Test
1	Distribution System - post 1987	$ 24,779,253	$ -	$ -	$ 24,779,253	$ -	$ 24,779,253	4%	$ 991,170	$ 23,788,083
8	General Office/Stores Equip	$ 838,455	$ 232,494	$ -	$ 1,070,949	$ 116,247	$ 954,702	20%	$ 190,940	$ 880,008
10	Vehicles	$ 705,235	$ 273,600	$ -	$ 978,835	$ 136,800	$ 842,035	30%	$ 252,610	$ 726,224
12	Computer Software ("non-systems")	$ 119,303	$ 239,000	$ -	$ 358,303	$ 119,500	$ 238,803	100%	$ 238,803	$ 119,500
17	Electrical Generating Equip - other than Bldgs (post Feb 27, 2000)	$ 62,546	$ -	$ -	$ 62,546	$ -	$ 62,546	8%	$ 5,004	$ 57,543
45	Computers & Systems Software (post Mar 22, 2004)	$ 19,990	$ -	$ -	$ 19,990	$ -	$ 19,990	45%	$ 8,995	$ 10,994
46	Data Network Infrastructure Equipment (post Mar 22,2004)	$ 281	$ -	$ -	$ 281	$ -	$ 281	30%	$ 84	$ 196
47	Distribution System (post February 2005)	$ 10,452,926	$ 2,546,288	$ -	$ 12,999,214	$ 1,273,144	$ 11,726,070	8%	$ 938,086	$ 12,061,128
50	Computers & Systems Software (post Mar 18, 2007)	$ 20,094	$ -	$ -	$ 20,094	$ -	$ 20,094	55%	$ 11,052	$ 9,042
1	Buildings (post March 18, 2007)	$ 95,239	$ -	$ -	$ 95,239	$ -	$ 95,239	6%	$ 5,714	$ 89,525
52	Computers & Systems Software (post Jan 27,2009 - Feb, 2011)	$ -	$ 20,919	$ -	$ 20,919	$ -	$ 20,919	100%	$ 20,919	$ -
	UCC and CCA - TOTAL	**$ 37,093,321**	**$ 3,312,301**	**$ -**	**$ 40,405,622**	**$ 1,645,691**	**$ 38,759,931**		**$ 2,663,377**	**$ 37,742,244**
CEC	**Cumulative Eligible Capital**	**$ 275,913**	**$ -**	**$ -**	**$ 275,913**	**$ -**	**$ 275,913**	7%	**$ 19,314**	**$ 256,599**

Interrogatory # 25

Ref: Exhibit 4, Tab 3, Schedule 1, Table 19

a) Please show the figures used to calculate the investment tax credit of $6,000 in 2010.

Response

The Federal Investment Tax Credit ("ITC") from Apprenticeship Job Creation was calculated on the assumption that 3 apprentices, in their first 24 months of apprenticeship, would each qualify for the maximum $2,000 ITC.

Upon further review of these credits, and due to the "24 month" criteria, only 2 of the 3 apprentices would be eligible for this ITC in 2009 for a total claim of $4,000 (versus the $6,000 as originally reported) and none would be eligible for this ITC in 2010 for a total claim of $0 (versus the $6,000 as originally reported).

Refer to response in (g) below for the impact on taxes on account of this adjustment.

b) Is this investment tax credit related to the apprenticeship tax credit shown in Table 18?

Response

The "Investment Tax Credit" reported on Table 19 represents the current year credit claimed against income taxes payable. The "Prior Year Job Apprenticeship Job Creation Tax Credit" reported on Table 18 is related, and represents the prior year's claim being included in taxable income in the subsequent year.

Further to the response in a), since the current year ITC amounts should be revised in 2009 and 2010 to $4,000 and $0 respectively, this add-back in 2010 of the prior year's ITC (i.e. 2009) should be revised to $4,000 (versus the $6,000 as originally reported).

Refer to response in (g) below for the impact on taxes on account of this adjustment.

c) Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of $10,000 per position and extending the eligibility period from 36 months to 48 months if this has not been done in the current calculation.

Response

Haldimand County Hydro is aware that the 2009 Ontario Budget, announced March 26, 2009, proposed to increase the ATTC refundable credit to 35% for expenditures incurred after that date to an annual maximum of $10,000, and available for wages paid during the first 48 months of apprenticeship with no sunset date. Haldimand County Hydro further understands that this proposal has not yet received legislative approval.

Haldimand County Hydro estimates the ATTC using the proposed tax change rates to be $30,000 in 2009 and $30,000 in 2010.

Refer to response in (g) below for the impact on taxes on account of this adjustment to the proposed tax change.

d) Please show the figures used to calculate the miscellaneous tax credit of $15,000 in 2010.

Response

The "Miscellaneous Tax Credits", in the amount of $15,000 for the 2010 Test Year, reported on Table 19 was intended to include both of the Ontario programs – the Apprenticeship Training Tax Credit ("ATTC") and the Cooperative Education Tax Credit ("CETC").

The $15,000 total only represents the ATTC, which was calculated, based on 3 apprentices each being eligible for the current maximum $5,000. Upon further review of these credits it was determined that the CETC, in an estimated amount of $6,000 (representing 6 work term placements during the year based on the current program maximums), for each of 2009 and 2010 were omitted from the calculations.

e) Are these miscellaneous tax credits related to the Ontario Specified tax credits shown in Table 18?

Response

The "Miscellaneous Tax Credits" reported on Table 19 is intended to be the same as the "Ontario Specified Tax Credits" reported on Table 18; that is, a combination of the ATTC and the CETC.

f) Has HCHI included any tax credits related to the Co-operative Education Tax Credit? If not, why not, given that there was a tax credit claimed on the 2008 tax return of $4,517? If yes, please provide the calculations used to calculate this credit and indicate where in the calculation of income taxes it can be found.

Response

Refer to response in (d) above which indicates that the CETC of $6,000 was omitted from the original PILs calculation.

g) Is HCHI aware that the as part of the 2009 provincial budget the Co-operative Education tax Credit has been increased to 25% of the salaries and wages paid to a maximum of $3,000 per person? If these figures have not been used in the calculation, please revise the calculation to reflect the above noted figures.

Response

Haldimand County Hydro is aware that the 2009 Ontario Budget, announced March 26, 2009, proposed to increase the CETC refundable credit to 25% for expenditures incurred after that date to a placement maximum of $3,000. Haldimand County Hydro further understands that this proposal has not yet received legislative approval.

Haldimand County Hydro estimates the CETC using the proposed tax change rates to be $12,950 in 2009 and $14,342 in 2010.

The impact on taxes on account of this adjustment to the proposed tax change, as well as those adjustments identified in (a), (b), (c) and (d) above, are incorporated into the revised Table 18 "Taxable Income" and Table 19 "PILS/Tax Provision Calculations" provided immediately below.

The resulting PILs/Tax Provision for the 2010 Test Year is now calculated as $720,158 – a reduction of $21,545 from the amount of $741,703 as originally filed.

Table 18 "Revised"
Taxable Income

	Historic	Historic	Bridge	Test
	~~2008~~ Board Approved	2008 "Actual"	2009 Forecast	2010 Forecast
Income Before PILs/Taxes	**$ 1,558,682**	**$ 3,285,446**	**$ 1,418,970**	**$ 1,284,710**
Additions:				
Amortization of tangible assets	$ 2,139,317	$ 2,442,300	$ 2,813,977	$ 2,932,087
Loss on disposal of assets	$ 3,156	$ -	$ -	$ -
Taxable Capital Gains	$ 8,980	$ 6,782	$ -	$ -
Non-deductible meals and entertainment expense	$ -	$ 9,093	$ 9,366	$ 9,647
Financing fees deducted in books	$ -	$ 9,706	$ 9,706	$ 3,235
Prior year apprenticeship job creation tax credit (ITC)	$ 2,659	$ 2,000	$ 6,000	$ 4,000
Ontario Specified Tax Credits (ATTC and CETC)	$ -	$ 19,243	$ 42,950	$ 44,342
Regulatory Assets - Opening Balance	$ 3,954,667		$ 728,070	$ 4,457,505
Total Additions	**$ 6,108,779**	**$ 2,489,124**	**$ 3,610,069**	**$ 7,450,815**
Deductions:				
Gain on disposal of assets per financial statements	$ 23,474	$ 23,778	$ -	$ -
Capital cost allowance from Schedule 8	$ 1,538,446	$ 2,235,888	$ 2,548,009	$ 2,667,679
Cumulative eligible capital deduction from Schedule 10 CEC	$ 27,762	$ 22,331	$ 20,768	$ 19,314
Regulatory Assets - Closing Balance	$ 1,924,076	$ 728,070	$ 4,457,505	$ 4,344,457
Regulatory Liabilities - Opening Balance	$ -	$ 480,776	$ -	$ -
Total Deductions	**$ 3,513,758**	**$ 3,490,843**	**$ 7,026,282**	**$ 7,031,450**
REGULATORY TAXABLE INCOME	**$ 4,153,703**	**$ 2,283,727**	**$ (1,997,243)**	**$ 1,704,075**

Table 19 "Revised"
PILS/Tax Provision Calculations

	HISTORIC	HISTORIC	BRIDGE YEAR	TEST YEAR
	2006 Board Approved	2008 "Actual"	2009 Forecast	2010 Forecast
Taxable Income	**$ 4,153,703**	**$ 2,283,727**	**$ (1,997,243)**	**$ 1,704,075**
Combined Tax Rate				
Ontario Tax Rate	22.12%	13.96%	14.00%	13.00%
Federal tax rate	14.00%	19.55%	19.00%	18.00%
Combined tax rate	36.12%	33.50%	33.00%	31.00%
Total Income Taxes	$ 1,500,318	$ 765,127	$ (659,090)	$ 528,263
Tax Credits				
Investment Tax Credits	$ -	$ 6,000	$ 4,000	$ -
Miscellaneous Tax Credits	$ 2,659	$ 19,243	$ 42,950	$ 44,342
Total Tax Credits	$ 2,659	$ 25,243	$ 46,950	$ 44,342
Income Tax Provision	$ 1,497,659	$ 739,884	$ (706,040)	$ 483,921
Income Tax Provision Gross Up	63.88% $ 846,829		67.00% $ (347,751)	69.00% $ 217,414
Income Tax (grossed-up)	**$ 2,344,487**	**$ 739,884**	**$ (1,053,791)**	**$ 701,335**
Ontario Capital Tax (not grossed-up)	**$ 88,962**	**$ 60,190**	**$ 54,021**	**$ 18,823**
PILS/TAX PROVISION FOR YEAR	**$ 2,433,449**	**$ 800,074**	**$ (999,771)**	**$ 720,158**
Ontario Capital Tax				
Rate Base	$ 39,653,961	$ 41,581,173	$ 39,009,183	$ 40,097,055
Less: Exemption	$ 10,000,000	$ 14,830,262	$ 15,000,000	$ 15,000,000
Taxable Capital	$ 29,653,961	$ 26,750,911	$ 24,009,183	$ 25,097,055
OCT Rate	0.300%	0.225%	0.225%	0.075%
Ontario Capital Tax	$ 88,962	$ 60,190	$ 54,021	$ 18,823

Interrogatory # 26

Ref: Exhibit 5, Tab 1, Schedule 3, Table 2

a) Please explain the significant increase in the rate for debenture payable to Haldimand County from 6.57% included in the 2009 cost to 9.75% included in the 2010 cost.

Response

Refer to response to Board Staff Interrogatory #22 (d).

b) Why has HCHI indicated that this is not affiliate debt in Table 2?

Response

Haldimand County Hydro indicated that this is not affiliate debt in Table 2 because the municipality was only a vehicle through which the borrowing was done at the time, effectively a pass through. The old Power Corporation Act legislated many of the activities of the former hydro-electric commissions and included a section 76(4) which provided that any debentures issued for the purpose of municipal electric utility functions were excluded from any debt limitations set out in the Municipal Act of any other Act. Thus, our understanding is that the common practice was for any hydro-electric commission to borrow through its municipality and for the municipality to borrow through its regional municipality, if one existed. This was considered to be the most cost effective process for borrowing.

Haldimand Hydro-Electric Commission, one of the predecessor utilities to Haldimand County Hydro, purchased assets from Ontario Hydro allowing it to expand its service territory to serve its entire municipality on February 1, 1999. This transaction was initially financed with short term borrowing from the bank until all the costs were finalized and then a request was made to the then Town of Haldimand and the then Regional Municipality of Haldimand-Norfolk (both entities ceased to exist on December 31, 2000 when Haldimand County and Norfolk County were formed) to include the $11,300,000 borrowing requirement to finance these assets with their next debenture issuance. The Regional Municipality debentures were sold on the open market and market interest rates applied.

Also refer to response to Board Staff Interrogatory #22 (a) which provides a copy of correspondence and documentation related to this debt issue.

c) Is this debenture callable on demand by Haldimand County? Is it callable on demand by HCHI? Does the debenture have a variable interest rate?

Response

The debenture is not callable on demand. The debenture has variable interest rates over the 10-year term.

d) When was the interest rate of 9.75% determined and agreed to?

Response

Refer to response to Board Staff Interrogatory #22 (d).

e) Please provide the information used by HCHI to forecast the debt rates for the Infrastructure Ontario loans with a date of issuance of December 1, 2009 and May 3, 2010. Have any agreements been entered into with Infrastructure Ontario at the current time?

Response

The forecasted debt rates for the Infrastructure Ontario loans were based on the indicative lending rates of the Ontario Infrastructure Projects Corporation ("OIPC"), as posted on their website on June 23, 2009, at the time of preparing these forecasts.

Haldimand County Hydro has entered into a financing agreement with the OIPC, executed on April 8, 2009, for current borrowing in the total amount of $10,351,000.

f) Are the Infrastructure Ontario rates shown based on serial or amortizer loans?

Response

The forecasted Infrastructure Ontario rates are based on serial loans.

g) Has HCHI entered into any long-term debt arrangements since the production of the evidence? If yes, please provide details in the same format as Table 2 and show any resulting changes to the forecast issuances for 2010.

Response

Haldimand County Hydro has not entered into any long-term debt arrangements since the production of the evidence.

Interrogatory # 27

Ref: Exhibit 8, Tab 1, Schedule 1

Please confirm that the base revenue requirement shown in Table 1 of $12,823,642 would be $42,207 lower if the forecasted revenues associated with the embedded distributor Norfolk Power were to be included as a revenue offset.

Response

The base revenue requirement of $12,823,642 is already lower by the $42,207 of forecasted Norfolk Power Distribution Wheeling Service revenue. Haldimand County Hydro inadvertently included this revenue as a revenue offset when preparing its 2010 Rate Application.

Haldimand County Hydro has requested to remove this revenue from the revenue offsets for consistency purposes with Haldimand County Hydro's proposal to use the Norfolk Power Distribution Wheeling Service revenue to somewhat offset losses incurred in prior years due to Norfolk Power eliminating one supply point from the Jarvis TS on December 12, 2008.

This number has also changed from $42,207 to $14,068 which represents the period May 1, 2010 to August 31, 2010 (updated discontinuation date of the Norfolk Power feed from Jarvis TS). Refer to Board Staff Interrogatory # 14 (a).

HALDIMAND COUNTRY HYDRO INC.

2010 RATES REBASING CASE

EB-2009-0265

ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORIES

APPENDIX A

Norfolk Power Distribution Inc.

Correspondence with respect to Elimination of Feed from Jarvis TS

Haldimand County Hydro

HALDIMAND COUNTY HYDRO INC.
1 Greendale Drive
Caledonia, ON
N3W 2J3
Tel: (905) 765-5344
Toll Free: (877) 872-2570
Fax: (905) 765-5316

November 2, 2009

Mr. Brad Randall
President & CEO
Norfolk Power Distribution Inc.
P.O. Box 588
70 Victoria Street
Simcoe ON N3Y 4N6

Brad

Dear Mr. Randall:

Re: Embedded Supply Projections via Jarvis TS 57M4 Feeder

Your letter of January 6, 2009 (copy attached) stated "*Based on current installation projections, we should be able to discontinue our feed from Jarvis TS by the end of 2010*". About 11 months have passed since receiving your letter and we would appreciate an update on the date by which you now forecast the discontinuance of the supply to Norfolk from our 57M4 feeder at Highway 6. Are you able to more accurately forecast the date at this time?

We would appreciate a reply at your earliest convenience in order that we may respond by November 16, 2009 to an intervenor question from our 2010 Cost of Service Rate Application.

Yours truly,
HALDIMAND COUNTY HYDRO INC.

Lloyd

Lloyd Payne
President & CEO

Enclosure
LP: nm

Norfolk Power

IN BUSINESS TO SERVE.

January 6, 2009

Haldimand County Hydro
1 Greendale Drive
Caledonia, ON N3W 2J3

COPY

Attn: Mr. Lloyd Payne
President & CEO

Re: Embedded Supply Projections via Jarvis TS 57M4 Feeder

Dear Lloyd,

In response to your letter of December 30, 2008, we are pleased to provide you the following information regarding our future supply requirements. For 2009, our approved capital budget includes a project to double the capacity of our Bloomsburg TS. Based on current installation projections, we should be able to discontinue our feed from Jarvis TS by the end of 2010.

The installation of our new transformer at Bloomsburg TS will coincide with the doubling of the 115kV A1N circuit which supplies much of Norfolk County. However, we will need to build a feeder extension into Port Dover before a load transition from Jarvis TS to Bloomsburg TS can occur. Some minor system re-configuration will also be necessary to facilitate a loop feed into the area.

Hopefully, this information will be helpful in preparation of your 2010 rate rebasing. Please do not hesitate to contact me if you have any other questions.

Sincerely,

Brad Randall, P.Eng.
President & CEO
Norfolk Power Inc.

pc: B. Pereira

P.O. Box 588 ~ 70 Victoria Street ~ Simcoe, Ontario ~ N3Y 4N6
Tel 519 426-4440 ~ Fax 519 426-6509 ~ 1-800-465-0291

Norfolk Power

IN BUSINESS TO SERVE.

November 3, 2009

Haldimand County Hydro
1 Greendale Drive
Caledonia, ON N3W 2J3

Attn: Mr. Lloyd Payne
President & CEO

Re: Jarvis TS 57M4 Feeder Connection - Update

Dear Lloyd,

As part of our 2010 budgeting process, we have reviewed our asset management plan and anticipate less reliance on the Jarvis TS 57M4 than previously expected. Given the current economic climate and the opportunity for very competitive contract labour pricing, we have accelerated our design to extend an existing feeder into the Port Dover area. With the completion of this feeder extension, we should be able to discontinue our feed from Jarvis TS by the end of August 2010.

I will keep you informed of any changes to our schedule. Please do not hesitate to contact me should you have any other questions.

Sincerely,

Norfolk Power Inc.

B Randall

Brad Randall, P.Eng.
President & CEO

pc: B. Pereira

P.O. Box 588 - 70 Victoria Street - Simcoe, Ontario - N3Y 4N6
Tel 519 426-4440 - Fax 519 426-6509 - 1-800-465-0291