Board Staff Interrogatories 2010 Electricity Distribution Rates Coopérative Hydro Embrun Inc. EB-2009-0132

-Responses-

As identified in the Procedural Order No. 1 issued on November 4, 2009, the Board has determined to proceed by way of written hearing at this point in time and has ordered written interrogatories and responses in the cost of service application of Coopérative Hydro Embrun Inc. ("CHE"). The following are Board Staff's interrogatories.

1 RATE BASE

Issue 1.1 Net Book Value

1 Ref: Exhibit(s) Exhibit 2 Tab 1 Schedule 1 Attachment 1, and Exhibit 1 Tab 4 Schedule 2

Board staff is interested in reconciling the financial statement with the filed evidence. The trend in net book values from 2006 to 2010 can be found in Exhibit 2 Tab 1 Schedule 1 Attachment 1. The ending balance does not reconcile with the net book value found on the balance sheet in Exhibit 1 Tab 4 Schedule 2 for 2008. Please provide a detailed explanation for the difference.

CHE Response;
Please find the detailed explanation of the variance below.

December 31 2008 ending balance as per the Appendix 2-2	$1,834,824
Study cost for a new substation	$13,500
December 31 2008 net book value as per financial statements	$1,848,324

CHE attests that the cost of the study for a new substation was not included in its Rate Base calculations nor its proposed rates.

Issue 1.2 Depreciation

2 Ref: Exhibit(s) Exhibit 2 Tab 3 Schedule 2, and Exhibit 1 Tab 4 Schedule 2

Board staff requires more information in the determination of depreciation expenses. The Amortization Expense of $234,820 for 2006 in Exhibit 2 Tab 3 Schedule 2 is significantly different from the $96,906 found in the Statement of Operations on the financial statements for the same year. Please provide a detailed explanation for the difference.

Note:
Please see issue 4 as to why the total depreciation expense of $234,820 has been updated with $211,237.

CHE Response
The amount of $211,237 in Exhibit 2 Tab 3 Schedule 2 does not correspond to the Amortization Expense in 2006. Rather, it reflects the variance in Accumulated Amortization between the 2006 EDR Approved balance and the actual 2006 year-end balance.

The variance amount is significantly higher than the annual amortization expense, since the 2006 EDR Approved balance was based on a historical year filing using the 2004 actual opening and ending balances. Thus the variance actually corresponds to one half of the 2004 actual expense, plus the entire amount of amortization actually recorded in 2005 and 2006.

3 Ref: Exhibit(s) Exhibit 2 Tab 2 Schedule 3

On this schedule CHE provides its depreciation policy. Missing from the table of depreciation rates are rates for lease hold improvements and for contributions and grants. Please provide:

a. The length of the lease period;
b. The depreciation rate for the lease; and
c. The depreciation rate for contributions and grants.

CHE Response

The $4,320 balance in account 1810 relates to two truck trailers boxes that are currently located on CHE property, adjacent the transformer station. These two boxes are being used to store equipment. They are located on a land own by CHE (not leased). This capital cost is therefore not subject to a lease period, depreciation rate for lease, contribution and grant.

4 Ref: Exhibit(s) Exhibit 2 Tab 3 Schedule 2, and
Exhibit 4 Tab 7 Schedule 1 Attachment 1

Board staff cannot replicate the Amortization Expenses in Exhibit 2 Tab 3 Schedule 2.

a. Please complete the following table for each of the 14 accounts for the inclusive years of 2006 actual to 2010 forecast.

			Col. 1		*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*		
			Openening		**Closing**	**Average**	**Depreciation**		**Depreciation**			
	Account		**Gross Asset**	**Additions**	**Retirements**		**Gross Asset**		**Gross Asset**		**Rate**	**Expense**
1	1810	Leashold Improvements										
2	1820	Dx Station <50 kV										
3		### etc.										
4		### etc.										
15		Total										

a. b. Please explain any differences between the tables in part "a" of this interrogatory and Exhibit 2 Tab 3 Schedule 2.

b. Please explain any differences between the tables in part "a" of this interrogatory and Exhibit 4 Tab 7 Schedule 1 Attachment 1 for the test year.

CHE Response to a) and b)
The Depreciation Expense Table at Exhibit 4, Tab 7, Schedule 1, Attachment 1, is in fact correct. However, the information entered in the RateMaker model was erroneous. CHE proposes to amend its rate models to be consistent with the Boards Depreciation Expense Table (Appendix 2-N of the Chapter 2 of the Filing Requirements for Transmission and Distribution Applications released May 27), this for 2006, 2007, 2008, Bridge Year and Test Year. Below are the Depreciation Expense Calculation tables for all years that required a revision.

The impact to the revenue requirement is a reduction of $2,193 (to $764,387 from $766,580). This reduction includes adjustments to PILs. The updated rate models will be provided when requested or required.

DEPRECIATION EXPENSE

end 2009

Account Description - 2010	Accumulated Amortisation USA #	Amortisation Expense	Opening Balance (a)	Less Fully Depreciated (b)	Net Of Depreciation (c) = (a) - (b)	Additions (d)	Total for Depreciation (e) = (c) + 0.5 x (d)	Years (f)	Depreciation Expense (g) = (e)/(f)	Closing Balance	
1805 - Land			50,000.00	-	50,000.00		50,000.00			50,000.00	
1810-Leasehold Improvements	2105	5705	4,320.00	-	4,320.00		4,320.00	10.00	**432.00**	4,320.00	
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	197,522.00	-	197,522.00		197,522.00	30.00	**6,584.07**	197,522.00	
1825-Storage Battery Equipment	2105	5705	-	-	-		-	25.00	**-**	-	
1830-Poles, Towers and Fixtures	2105	5705	470,477.00	-	470,477.00	36,000.00	488,477.00	25.00	**19,539.08**	506,477.00	
1835-Overhead Conductors and Devices	2105	5705	555,174.00	-	555,174.00	19,500.00	564,924.00	25.00	**22,596.96**	574,674.00	
1845-Underground Conductors and Devices	2105	5705	1,075,271.00	-	1,075,271.00	205,000.00	1,177,771.00	25.00	**47,110.84**	1,280,271.00	
1850-Line Transformers	2105	5705	627,087.00	-	627,087.00	35,000.00	644,587.00	25.00	**25,783.48**	662,087.00	
1855-Services	2105	5705	165,673.00	-	165,673.00	28,165.00	179,755.50	25.00	**7,190.22**	193,838.00	
1860-Meters	2105	5705	79,072.00	-	79,072.00		79,072.00	25.00	**3,162.88**	79,072.00	
1915-Office Furniture and Equipment	2105	5705	30,964.00	-	30,964.00	4,000.00	32,964.00	10.00	**3,296.40**	34,964.00	
1920-Computer Equipment - Hardware	2105	5705	21,392.00	-	21,392.00	4,000.00	23,392.00	5.00	**4,678.40**	25,392.00	*
1925-Computer Software	2105	5705	77,843.00	-	77,843.00	1,000.00	78,343.00	5.00	**15,668.60**	78,843.00	*
1945-Measurement and Testing Equipment	2105	5705	4,281.00	-	4,281.00		4,281.00	10.00	**428.10**	4,281.00	
1995-Contributions and Grants - Credit	2105	5705	(570,099.00)	-	(570,099.00)	(120,000.00)	(630,099.00)	25.00	**(25,203.96)**	(690,099.00)	
			2,788,977.00	-	2,788,977.00	212,665.00	2,895,309.50		**131,267.07**	3,001,642.00	

end 2008

Account Description - 2009	Accumulated Amortisation USA #	Amortisation Expense	Opening Balance (a)	Less Fully Depreciated (b)	Net Of Depreciation (c) = (a) - (b)	Additions (d)	Total for Depreciation (e) = (c) + 0.5 x (d)	Years (f)	Depreciation Expense (g) = (e)/(f)	Closing Balance
1805 - Land			50,000.00	-	50,000.00		50,000.00			50,000.00
1810-Leasehold Improvements	2105	5705	4,320.00	-	4,320.00		4,320.00	10.00	**432.00**	4,320.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	197,522.00	-	197,522.00		197,522.00	30.00	**6,584.07**	197,522.00
1825-Storage Battery Equipment	2105	5705		-	-		-	25.00	**-**	-
1830-Poles, Towers and Fixtures	2105	5705	436,177.00	-	436,177.00	34,300.00	453,327.00	25.00	**18,133.08**	470,477.00
1835-Overhead Conductors and Devices	2105	5705	536,674.00	-	536,674.00	18,500.00	545,924.00	25.00	**21,836.96**	555,174.00
1845-Underground Conductors and Devices	2105	5705	951,271.00	-	951,271.00	124,000.00	1,013,271.00	25.00	**40,530.84**	1,075,271.00
1850-Line Transformers	2105	5705	587,087.00	-	587,087.00	40,000.00	607,087.00	25.00	**24,283.48**	627,087.00
1855-Services	2105	5705	150,093.00	-	150,093.00	15,580.00	157,883.00	25.00	**6,315.32**	165,673.00
1860-Meters	2105	5705	79,072.00	-	79,072.00		79,072.00	25.00	**3,162.88**	79,072.00
1915-Office Furniture and Equipment	2105	5705	28,964.00	-	28,964.00	2,000.00	29,964.00	10.00	**2,996.40**	30,964.00
1920-Computer Equipment - Hardware	2105	5705	16,392.00	-	16,392.00	5,000.00	18,892.00	5.00	**3,778.40**	21,392.00
1925-Computer Software	2105	5705	15,643.00	-	15,643.00	62,200.00	46,743.00	5.00	**9,348.60**	77,843.00
1945-Measurement and Testing Equipment	2105	5705	4,281.00	-	4,281.00		4,281.00	10.00	**428.10**	4,281.00
1995-Contributions and Grants - Credit	2105	5705	(486,899.00)	-	(486,899.00)	(83,200.00)	(528,499.00)	25.00	**(21,139.96)**	(570,099.00)
			2,570,597.00	-	2,570,597.00	218,380.00	2,679,787.00		**116,690.17**	2,788,977.00

end 2007

Account Description - 2008	Accumulated Amortisation USA #	Amortisation Expense	Opening Balance (a)	Less Fully Depreciated (b)	Net Of Depreciation (c) = (a) - (b)	Additions (d)	Total for Depreciation (e) = (c) + 0.5 x (d)	Years (f)	Depreciation Expense (g) = (e)/(f)	Closing Balance
1805 - Land			50,000.00		50,000.00	-	50,000.00			50,000.00
1810-Leasehold Improvements	2105	5705	4,320.00		4,320.00	-	4,320.00	10.00	**432.00**	4,320.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	197,522.00		197,522.00	-	197,522.00	30.00	**6,584.07**	197,522.00
1825-Storage Battery Equipment	2105	5705	417,854.00		417,854.00	18,323.00	427,015.50	25.00	**17,080.62**	436,177.00
1830-Poles, Towers and Fixtures	2105	5705	463,183.00		463,183.00	73,492.00	499,929.00	25.00	**19,997.16**	536,675.00
1835-Overhead Conductors and Devices	2105	5705			-	-	-	25.00	**-**	-
1845-Underground Conductors and Devices	2105	5705	939,067.00		939,067.00	12,204.00	945,169.00	25.00	**37,806.76**	951,271.00
1850-Line Transformers	2105	5705	560,586.00		560,586.00	26,501.00	573,836.50	25.00	**22,953.46**	587,087.00
1855-Services	2105	5705	131,544.00		131,544.00	18,548.00	140,818.00	25.00	**5,632.72**	150,092.00
1860-Meters	2105	5705	79,072.00		79,072.00	-	79,072.00	25.00	**3,162.88**	79,072.00
1915-Office Furniture and Equipment	2105	5705	28,964.00		28,964.00	-	28,964.00	10.00	**2,896.40**	28,964.00
1920-Computer Equipment - Hardware	2105	5705	14,198.00		14,198.00	2,195.00	15,295.50	5.00	**(2,000.00)**	16,393.00
1925-Computer Software	2105	5705	15,643.00		15,643.00	-	15,643.00	5.00	**(2,598.00)**	15,643.00
1945-Measurement and Testing Equipment	2105	5705	4,281.00		4,281.00	-	4,281.00	10.00	**428.10**	4,281.00
1995-Contributions and Grants - Credit	2105	5705	(464,616.00)		(464,616.00)	(22,283.00)	(475,757.50)	25.00	**(19,030.30)**	(486,899.00)
			2,441,618.00		2,441,618.00	128,980.00	2,506,108.00		**93,345.87**	2,570,598.00

end 2006

Account Description - 2007	Accumulated Amortisation	Amortisation Expense	Opening Balance	Less Fully Depreciated	Net Of Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Closing Balance
	USA #		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + 0.5 x (d)	(f)	(g) = (e)/(f)	
1805 - Land			50,000.00	-	50,000.00		50,000.00		-	50,000.00
1810-Leasehold Improvements	2105	5705	4,320.00	-	4,320.00		4,320.00	10.00	**432.00**	4,320.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	195,423.00	-	195,423.00	2,099.00	196,472.50	30.00	**6,549.08**	197,522.00
1825-Storage Battery Equipment	2105	5705	-	-	-		-	25.00	**-**	-
1830-Poles, Towers and Fixtures	2105	5705	398,806.00	-	398,806.00	19,048.00	408,330.00	25.00	**16,333.20**	417,854.00
1835-Overhead Conductors and Devices	2105	5705	451,558.00	-	451,558.00	11,625.00	457,370.50	25.00	**18,294.82**	463,183.00
1845-Underground Conductors and Devices	2105	5705	884,334.00	-	884,334.00	54,733.00	911,700.50	25.00	**36,468.02**	939,067.00
1850-Line Transformers	2105	5705	508,585.00	-	508,585.00	52,001.00	534,585.50	25.00	**21,383.42**	560,586.00
1855-Services	2105	5705	109,085.00	-	109,085.00	22,459.00	120,314.50	25.00	**4,812.58**	131,544.00
1860-Meters	2105	5705	79,851.00	-	79,851.00	(779.00)	79,461.50	25.00	**3,178.46**	79,072.00
1915-Office Furniture and Equipment	2105	5705	24,122.00	-	24,122.00	4,842.00	26,543.00	10.00	**2,654.30**	28,964.00
1920-Computer Equipment - Hardware	2105	5705	12,115.00	-	12,115.00	2,083.00	13,156.50	5.00	**2,631.30**	14,198.00
1925-Computer Software	2105	5705	15,643.00	-	15,643.00	-	15,643.00	5.00	**3,128.60**	15,643.00
1945-Measurement and Testing Equipment	2105	5705	4,281.00	-	4,281.00		4,281.00	10.00	**428.10**	4,281.00
1995-Contributions and Grants - Credit	2105	5705	(371,502.00)	-	(371,502.00)	(93,114.00)	(418,059.00)	25.00	**(16,722.36)**	(464,616.00)
			2,366,621.00		2,366,621.00	74,997.00	2,404,119.50		**99,571.52**	2,441,618.00

end edr

Account Description - 2006	Accumulated Amortisation	Amortisation Expense	Opening Balance	Less Fully Depreciated	Net Of Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Closing Balance	(1/2 2004) + 2005 + 2006
	USA #		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + 0.5 x (d)	(f)	(g) = (e)/(f)		
1805 - Land			50,000.00	-	50,000.00	-	50,000.00		-	50,000.00	-
1810-Leasehold Improvements	2105	5705	1,404.00	-	1,404.00	2,916.00	2,862.00	10.00	**286.20**	4,320.00	**426.60**
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	193,600.00	-	193,600.00	1,823.00	194,511.50	30.00	**6,483.72**	195,423.00	**16,163.72**
1825-Storage Battery Equipment	2105	5705	-	-	-	-	-	25.00	**-**	-	**-**
1830-Poles, Towers and Fixtures	2105	5705	365,418.00	-	365,418.00	33,389.00	382,112.50	25.00	**15,284.50**	398,807.00	**36,621.90**
1835-Overhead Conductors and Devices	2105	5705	363,163.00	-	363,163.00	88,396.00	407,361.00	25.00	**16,294.44**	451,559.00	**34,738.38**
1845-Underground Conductors and Devices	2105	5705	778,877.00	-	778,877.00	105,456.00	831,605.00	25.00	**33,264.20**	884,333.00	**78,542.41**
1850-Line Transformers	2105	5705	469,688.00	-	469,688.00	38,897.00	489,136.50	25.00	**19,565.46**	508,585.00	**46,965.83**
1855-Services	2105	5705	71,902.00	-	71,902.00	37,183.00	90,493.50	25.00	**3,619.74**	109,085.00	**7,249.76**
1860-Meters	2105	5705	71,464.00	-	71,464.00	8,387.00	75,657.50	25.00	**3,026.30**	79,851.00	**7,067.56**
1915-Office Furniture and Equipment	2105	5705	6,171.00	-	6,171.00	17,950.00	15,146.00	10.00	**1,514.60**	24,121.00	**1,793.77**
1920-Computer Equipment - Hardware	2105	5705	7,090.00	-	7,090.00	5,025.00	9,602.50	5.00	**1,920.50**	12,115.00	**3,414.68**
1925-Computer Software	2105	5705	4,396.00	-	4,396.00	11,247.00	10,019.50	5.00	**2,003.90**	15,643.00	**1,733.71**
1945-Measurement and Testing Equipment	2105	5705	2,700.00	-	2,700.00	1,581.00	3,490.50	10.00	**349.05**	4,281.00	**595.95**
1995-Contributions and Grants - Credit	2105	5705	(220,832.00)	18,445.00	(239,277.00)	(132,225.00)	(305,389.50)	25.00	**(12,215.58)**	(371,502.00)	**(24,077.16)**
			2,165,041.00		2,146,596.00	220,025.00	2,256,608.50		**91,397.03**	2,366,621.00	**-** **211,237.09**

2004, 2005 Historical

Account Description - 2005	Accumulated Amortisation	Amortisation Expense	Opening Balance	Less Fully Depreciated	Net Of Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Closing Balance
	USA #		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + 0.5 x (d)	(f)	**(g) = (e)/(f)**	
1805 - Land			50,000.00	-	50,000.00	-	50,000.00		**-**	50,000.00
1810-Leasehold Improvements	2105	5705	1,404.00	-	1,404.00	-	1,404.00	10.00	**140.40**	1,404.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	193,600.00	-	193,600.00	-	193,600.00	30.00	**6,453.33**	193,600.00
1825-Storage Battery Equipment	2105	5705	-	-	-	-	-	25.00	**-**	-
1830-Poles, Towers and Fixtures	2105	5705	350,739.00	-	350,739.00	14,679.00	358,078.50	25.00	**14,323.14**	365,418.00
1835-Overhead Conductors and Devices	2105	5705	280,422.23	-	280,422.23	82,740.77	321,792.62	25.00	**12,871.70**	363,163.00
1845-Underground Conductors and Devices	2105	5705	767,529.57	-	767,529.57	11,357.43	773,208.29	25.00	**30,928.33**	778,887.00
1850-Line Transformers	2105	5705	460,377.73	-	460,377.73	9,310.27	465,032.87	25.00	**18,601.31**	469,688.00
1855-Services	2105	5705	58,783.70	-	58,783.70	13,118.30	65,342.85	25.00	**2,613.71**	71,902.00
1860-Meters	2105	5705	66,149.32	-	66,149.32	5,314.68	68,806.66	25.00	**2,752.27**	71,464.00
1915-Office Furniture and Equipment	2105	5705	416.88	-	416.88	5,754.12	3,293.94	10.00	**329.39**	6,171.00
1920-Computer Equipment - Hardware	2105	5705	4,274.18	-	4,274.18	2,815.82	5,682.09	5.00	**1,136.42**	7,090.00
1925-Computer Software	2105	5705	(2,676.91)	-	(2,676.91)	7,072.91	859.55	5.00	**171.91**	4,396.00
1945-Measurement and Testing Equipment	2105	5705	1,119.00	-	1,119.00	1,581.00	1,909.50	10.00	**190.95**	2,700.00
1995-Contributions and Grants - Credit	2105	5705	(215,400.00)	-	(215,400.00)	(5,432.00)	(218,116.00)	25.00	**(8,724.64)**	(220,832.00)
			2,016,738.70		2,016,738.70	148,312.30	2,090,894.85		**81,788.24**	2,165,051.00

Account Description - 2004	Accumulated Amortisation	Amortisation Expense	Opening Balance	Less Fully Depreciated	Net Of Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Closing Balance
	USA #		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + 0.5 x (d)	(f)	**(g) = (e)/(f)**	
1805 - Land			50,000.00	-	50,000.00	-	50,000.00	-	**-**	50,000.00
1810-Leasehold Improvements	2105	5705	(1,404.00)	-	(1,404.00)	2,808.00	-	10.00	**-**	1,404.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	2105	5705	193,600.00	-	193,600.00	-	193,600.00	30.00	**6,453.33**	193,600.00
1825-Storage Battery Equipment	2105	5705	-	-	-	-	-	25.00	**-**	-
1830-Poles, Towers and Fixtures	2105	5705	350,686.76	-	350,686.76	52.24	350,712.88	25.00	**14,028.52**	350,739.00
1835-Overhead Conductors and Devices	2105	5705	276,801.03	-	276,801.03	3,621.20	278,611.63	25.00	**11,144.47**	280,422.23
1845-Underground Conductors and Devices	2105	5705	667,458.35	-	667,458.35	100,071.22	717,493.96	25.00	**28,699.76**	767,529.57
1850-Line Transformers	2105	5705	419,527.35	-	419,527.35	40,850.38	439,952.54	25.00	**17,598.10**	460,377.73
1855-Services	2105	5705	42,846.99	-	42,846.99	15,936.71	50,815.35	25.00	**2,032.61**	58,783.70
1860-Meters	2105	5705	62,749.76	-	62,749.76	3,399.56	64,449.54	25.00	**2,577.98**	66,149.32
1915-Office Furniture and Equipment	2105	5705	(2,425.76)	-	(2,425.76)	2,842.64	(1,004.44)	10.00	**(100.44)**	416.88
1920-Computer Equipment - Hardware	2105	5705	2,880.98	-	2,880.98	1,393.20	3,577.58	5.00	**715.52**	4,274.18
1925-Computer Software	2105	5705	(6,165.07)	-	(6,165.07)	3,488.16	(4,420.99)	5.00	**(884.20)**	(2,676.91)
1945-Measurement and Testing Equipment	2105	5705	1,119.00	-	1,119.00	-	1,119.00	10.00	**111.90**	1,119.00
1995-Contributions and Grants - Credit	2105	5705	(98,294.00)	-	(98,294.00)	(117,106.00)	(156,847.00)	25.00	**(6,273.88)**	(215,400.00)
			1,959,381.39		1,959,381.39	57,357.31	1,988,060.05		**76,103.66**	2,016,738.70

Issue 1.3 Computer Software
5 Ref: Exhibit(s) Exhibit 2 Tab 4 Schedule 1

CHE explained a variance of $62,200 in Account 1925 Computer Software as a need driven by the existing billing system software vendor's notice in 2007 that it would stop supporting the software in 2 years.

Preamble

At the end of August 2006, Advanced Infinity was purchased by Harris. Upon the acquisition, Harris advised all users of the Advanced CIS System that they would no longer provide support or upgrades to the Advanced CIS System. Following this announcement, a group of utilities that found themselves in the same situation banded together to issued an RFP seeking a replacement for the Advanced Infinity CIS system. This group was referred to as CODAC and included amongst other utilities, Ottawa River Power Corporation and Hydro 2000.

The Following table presents the results of the RFP.

CIS Supplier	Cost in $
SPL IBM	$3,584,000
SAP IBM	$2,748,153
THE	$365,153
HARRIS	$187,585
DAFFRON	$382,865
SAP WIPRO	$340,000

ORPC negotiated a deal with Harris on behalf of CODAC. The agreement stated that the utilities would be given Harris' NorthStar CIS system version 6.2. The only charge to the utility was the cost of the data conversion from the legacy system to the new system.

a. Did CHE select the replacement software? If not, who was the party that selected the vendor?

CHE Response:
CHE selected a software through CODAC.

b. Who is the vendor for the replacement software?

CHE Response:
Harris NorthStar CIS Version 6.2.

c. Was the replacement software selected through a Request for Proposal

("RFP")?

CHE Response:
Yes, please see "Preamble for details

i If an RFP was used in the selection, please state the names of the other vendors, and the costs that CHE would have paid.

CHE Response:
Yes, please see "Preamble for details

ii If the software was not chosen through an RFP, what process was used to select the vendor?

CHE Response:
An RFP process was used, please see "Preamble for details

iii What were the selection criteria?

CHE Response:
This information is not readily available but the CODAC Group prepared the selection criteria.

iv If the software was chosen by a third party, did CHE have any Responsibility for selecting the vendor, and if so what were they?

CHE Response:
Coopérative Hydro Embrun Inc was part of CODAC by representation of Ottawa River Power Corporation.

d. If the software was chosen by a third party, did CHE have a right to back out of any existing billing arrangement?

CHE Response:
Yes, any alternate choice would have been more expensive and therefore backing out of the arrangement was not in the customer's nor CHE's best interest.

e. What factor(s) is(are) used to allocate capital costs to CHE.

CHE Response:
CHE capitalized the cost of Harris NorthStar CIS Version 6.2

f. What assurances are there that the new software is compatible with the new demands for time of use billing, smart meters and the Green Energy and Green Economy Act?

CHE Response:
The Time of Use billing software has been tested and works. Harris is known to accommodate and comply with changes in regulation. At the time of the application, no known upgrades or changes are planned.

g. What is the ongoing maintenance cost for the new software?

CHE Response:

COST

EBT-Processing	$ 1,800.00
EBT-Maintenance	$ 1,333.00
Utilismart – Settlement	$ 2,535.00
Annual MaiNtenance	$ 10,000.00
3rd Party Licence	$ 140.00

TOTAL
$ 15,808.00

h. Please explain the rationale behind any allocation of maintenance costs to CHE.

CHE Response:
With the *Advanced Infinity Software*, wholesale settlement, EBT HUB, 3rd Party License were services included in the software package. This was not the case with Harris NorthStar. Since CHE utilizes the service of Ottawa River Energy Service Inc. (“ORES”) for the purposes of preparing, producing, mailing invoices and bills, ORES bills CHE for these on-going costs on a yearly base.

i. Please compare the maintenance costs for the new system to that of the former Harris system.

CHE Response

Description	Former System(Advance)	New System (Harris)
EBT-Processing	$0.00	$ 1,800.00
EBT-Maintenance	$0.00	$ 1,333.00
Utilismart – Settlement	$0.00	$ 2,535.00
Annual Maintenance	$ 9,126.00	$ 10,000.00
3rd Party Licence	$0.00	$ 140.00
TOTAL	$ 9,126.00	$ 15,808.00

CHE incurs an additional $ 6,682.00 of new on-going cost with the new billing system

Issue 1.4 Working Cash Allowance
6 Ref: Exhibit(s) Exhibit 2 Tab 5 Schedule 1 Attachment 1

This exhibit shows the calculation of the working cash allowance. Board staff is interested in the derivation of the Power Supply Expenses for 2010.

Note:
Please note that CHE proposed to update its amount of power supply expense to reflect the OEB's bi-annual commodity price update (as per VECC IR#6). It also proposes to update its RTSR rates (see BS # 23 *Retail Transmission Rate Connect and Retail Transmission Rate Network charges*). The amount has changed from $2,448,370 to $2,472,348. CHE proposes to amend its rate models accordingly and file them upon request.

a. Please state the cost of power used in this calculation.

CHE Response:
The cost of power used in the calculation of the Working Cash Allowance for 2010 is in the amount of $2,472,348

b. Please show and explain the detailed derivation, showing volumes and unit costs, for the projected balance for Account 3350 Power Supply Expenses for 2010.

CHE Response:
This information can be found at the section of the application entitled "*Pass-through charges*" at Exhibit 3,Tab 1, Schedule 2, Attachment 1. For the sake of convenience, CHE has copied the schedule below.

C2 Pass-through Charges

Volumes from sheet C1, Account #s from sheet Y4

Electricity (Commodity)	**Customer**	**Revenue**	**Expense**	**2009**	*rate ($/kWh):*	**$0.06215**	**2010**	*rate ($/kWh):*	**$0.06215**
	Class Name	**USA #**	**USA #**	**Volume**		**Amount**	**Volume**		**Amount**
kWh	Residential	4006	4705	20,717,111		1,287,568	20,795,618		1,292,448
kWh	General Service Less Than 50 kW	4006	4705	5,244,545		325,948	5,264,418		327,184
kWh	General Service 50 to 4,999 kW	4035	4705	4,624,367		287,404	4,641,891		288,494
kWh	Unmetered Scattered Load	4006	4705	98,952		6,150	98,952		6,150
kWh	Street Lighting	4025	4705	410,755		25,528	410,755		25,528
	TOTAL			**31,095,729**		**1,932,600**	**31,211,634**		**1,939,803**
Transmission - Network	**Customer**	**Revenue**	**Expense**	**2009**			**2010**		
	Class Name	**USA #**	**USA #**	**Volume**	**Rate**	**Amount**	**Volume**	**Rate**	**Amount**
kWh	Residential	4066	4714	20,717,111	$0.0052	107,729	20,795,618	$0.0051	106,058
kWh	General Service Less Than 50 kW	4066	4714	5,244,545	$0.0048	25,174	5,264,418	$0.0047	24,743
kW	General Service 50 to 4,999 kW	4066	4714	12,730	$1.9313	24,585	12,779	$1.9043	24,335
kWh	Unmetered Scattered Load	4066	4714	98,952	$0.0048	475	98,952	$0.0047	465
kW	Street Lighting	4066	4714	1,066	$1.4565	1,553	1,066	$1.4362	1,531
	TOTAL			**26,074,403**		**159,516**	**26,172,833**		**157,132**
Transmission - Connection	**Customer**	**Revenue**	**Expense**	**2009**			**2010**		
	Class Name	**USA #**	**USA #**	**Volume**	**Rate**	**Amount**	**Volume**	**Rate**	**Amount**
kWh	Residential	4068	4716	20,717,111	$0.0050	103,586	20,795,618	$0.0043	89,421
kWh	General Service Less Than 50 kW	4068	4716	5,244,545	$0.0045	23,600	5,264,418	$0.0039	20,531
kW	General Service 50 to 4,999 kW	4068	4716	12,730	$1.7837	22,707	12,779	$1.5584	19,915
kWh	Unmetered Scattered Load	4068	4716	98,952	$0.0045	445	98,952	$0.0039	386
kW	Street Lighting	4068	4716	1,066	$1.3790	1,470	1,066	$1.2048	1,284
	TOTAL			**26,074,403**		**151,808**	**26,172,833**		**131,537**
Wholesale Market Service	**Customer**	**Revenue**	**Expense**	**2009**	*rate ($/kWh):*	**$0.00520**	**2010**	*rate ($/kWh):*	**$0.00520**
	Class Name	**USA #**	**USA #**	**Volume**		**Amount**	**Volume**		**Amount**
kWh	Residential	4062	4708	20,717,111		107,729	20,795,618		108,137
kWh	General Service Less Than 50 kW	4062	4708	5,244,545		27,272	5,264,418		27,375
kWh	General Service 50 to 4,999 kW	4062	4708	4,624,367		24,047	4,641,891		24,138
kWh	Unmetered Scattered Load	4062	4708	98,952		515	98,952		515
kWh	Street Lighting	4062	4708	410,755		2,136	410,755		2,136
	TOTAL			**31,095,729**		**161,698**	**31,211,634**		**162,300**
Rural Rate Protection	**Customer**	**Revenue**	**Expense**	**2009**	*rate ($/kWh):*	**$0.00130**	**2010**	*rate ($/kWh):*	**$0.00130**
	Class Name	**USA #**	**USA #**	**Volume**		**Amount**	**Volume**		**Amount**
kWh	Residential	4062	4730	19,583,241		25,458	20,795,618		27,034
kWh	General Service Less Than 50 kW	4062	4730	4,957,505		6,445	5,264,418		6,844
kWh	General Service 50 to 4,999 kW	4062	4730	4,371,270		5,683	4,641,891		6,034
kWh	Unmetered Scattered Load	4062	4730	93,536		122	98,952		129
kWh	Street Lighting	4062	4730	388,274		505	410,755		534
	TOTAL			**29,393,826**		**38,212**	**31,211,634**		**40,575**
Debt Retirement Charge	**Customer**	**Revenue**	**Expense**	**2009**	*rate ($/kWh):*	**$0.00700**	**2010**	*rate ($/kWh):*	**$0.00700**
	Class Name	**USA #**	**USA #**	**Volume**		**Amount**	**Volume**		**Amount**
	TOTAL								
Low Voltage Charges	**Customer**	**Revenue**	**Expense**	**2009**			**2010**		
	Class Name	**USA #**	**USA #**	**Volume**		**Amount**	**Volume**		**Amount**
	TOTAL (Input amount)	4075	4750		37,000	**37,000**		41,000	**41,000**
GRAND TOTAL						**2,480,833**			**2,472,348**

Issue 1.5 Asset Management
7 Ref: Exhibit(s) Exhibit 2 Tab 4 Schedule 5
Exhibit 2 Tab 4 Schedule 4 Attachment 2, and
Exhibit 2 Tab 6 Schedule 1

In Exhibit 2 Tab 4 Schedule 5 CHE state that it does not believe that an official asset management plan is required, nor that the costs for such a plan would justify itself. CHE is a small utility with a very small service territory.

Board staff notes the level of service interruptions found in Exhibit 2 Tab 6 Schedule 1 that was caused by defective equipment. In Exhibit 2 Tab 4 Schedule 5 CHE indicates that:

1.11 The company does not regularly evaluate and apply if appropriate, leading edge inspections,
2.6 Key performance indicators for critical assets are not in place,
2.8 AM process audits conducted to ensure that the process is consistent with the strategy and policy are not done, and
4.1, 4.2, and 4.3, Strategic planning for asset management appears not to exist.

Preamble:
Having a total service area of 5 square km allows CHE to be well informed on the condition of its distribution system. As indicated at Exhibit 2, Tab 4 and schedule 2 of the application entitled “Project/Program Classification”, CHE is fully compliant with the Minimum Inspection Requirements of the Distribution System Code and thus performs regular inspections of their distribution system, checking for general appearance, anomalies and damages.

a. Has CHE performed any potential failure analysis and determined a preventive failure plan as a result?

CHE Responses:
CHE has not performed such an analysis.

b. What capital projects will address plant at risk of failure, what are the estimated costs, and in what year would the projects be budgeted?

CHE Responses:
Once the annual inspection has been performed, a list of risk of failure is prepared and taken into account when preparing the following year’s budgets.

c. What forward planning is done by CHE to better assess equipment for the effects of age and the environment in order to estimate the potential for failure?

CHE Responses:
At the time of this application, CHE doesn't have any formal plan in place to assess its equipment. As a small utility, CHE believes that complying with the Minimum Inspection Requirements of the Distribution System Code and conducting annual patrol is sufficient. CHE will continue to informally review and improve their asset management practices where possible in a manner that is cost efficient and beneficial to its coop members.

d. Are there are any undocumented strategic asset management plans? If so, please state the plans?

CHE Responses:
CHE finds the schedule quoted in the "Preamble" to be a good description of its current assets management practices. For the sake of convenience, CHE has included it as part of the response. It can be found in the next page.

e. If there are now, after filing this application, any planning documents adopted or considered, please provide them.

CHE Responses:
For the time being or unless mandated by the Board, CHE does not have, nor is considering such a planning document.

PROJECT/PROGRAM CLASSIFICATIONS

Distribution Plant Capital Projects

The distribution plant capital projects are categorized into project pools. Each pool has a specific focus:

1) **Future Demand**

These are projects that CHE undertakes to meet its customer service obligations in accordance with the OEB's Distribution System Code (the "DSC") and CHE.'s Conditions of Service. Activities include all overhead and underground works to connect new customers or service upgrades, connection and inspection of new subdivisions and relocating system plant for roadway reconstruction work.

Capital contributions toward the cost of these projects are collected by CHE in accordance with the DSC and the provisions of its Conditions of Service.

2) **Capacity**

Load growth caused by new customer connections and increased demand of existing customers over time can result in a need for capacity improvements on the system. Projects can take the form of new or upgraded feeders, transformers or transformer stations.

3) **Replacement and Betterment**

Projects are completed when assets reach their end of useful life and must be replaced. CHE completes visual inspections of its plant , and replaces assets based on these inspections. In some cases the projects involve spot replacement of assets; in others, the projects involve complete asset replacement.

4) **Safety and Reliability**

The Distribution System Code (DSC) requires an LDC to maintain its distribution system in good working condition, as follows:

> "4.4.1. A distributor shall maintain its distribution system in accordance with good utility practice and performance standards to ensure reliability and quality of electricity service, on both a short-term and long-term basis."

The following components are regular activities undertaken by CHE to maintain reliability and promote safety.

4.1) **Overhead Lines**

4.1.1.) Tree Trimming:

Vegetation and Right of Way control is a requirement under the Minimum Inspection Requirements of the Distribution System Code and good utility practice. Where overhead hydro lines are in the proximity to trees, regular trimming is required to prevent vegetation form contacting energized lines and inflicting:

- Interruption of power due to short circuit to ground or between phases
- Damage to conductors, hardware and poles
- Danger to persons and property within the vicinity due to falling conductors, hardware, poles and trees
- Danger of electric shock potential from electricity energizing vegetation

In an effort of mitigating direct contact between trees and distribution assets, tree trimming is conducted on a one year cycle. CHE's contractor patrol the overhead lines and where tree trimming is needed the contractor will proceed with the necessary clearing.

During the patrol process, the following potential hazards are also examined.

4.1.2.) Conductors and Cables

- Low conductor clearance
- Broken/frayed conductors or tie wires
- Insulation fraying on secondary especially open-wire

4.1.3.) Poles/Supports/ Cross arms

- Bent, cracked or broken poles
- Excessive surface wear or scaling
- Loose, cracked or broken cross arms and brackets
- Woodpecker or insect damage, bird nests
- Loose or unattached guy wires or stubs
- Guy strain insulators pulled apart or broken
- Guy guards out of position or missing
- Grading changes, or washouts
- Indications of burning

Pole inspection is a requirement under the Minimum Inspection Requirements of the Distribution System Code as good utility practice, CHE conducts pole inspections annually to determine when poles need to be replaced. Pole Replacements are undertaken for the following different reasons:

- Structural damage
- taller or different class of pole required
- health and safety hazard to the public and
- Pole damaged

- Line rebuilds
- ESA compliance

4.1.4.) Hardware and Attachments

- Loose or missing hardware
- Insulators unattached from pins
- Conductor unattached from insulators
- Insulators flashed over or obviously contaminated
- Tie wires unraveled
- Ground wire broken or removed
- Ground wire guards removed or broken

4.1.5.) Switches

CHE meets the switch inspection requirements under the Minimum Inspection Requirements of the Distribution System Code. Switches are devices that allow or disallow the conductivity of high voltage conductors. They are available in single phase solid or fused configurations and three phase applications involving load break and air break. Fused cut-outs accept different sizes of fuses, which are used for the protection of lines, equipment or transformers from main feeder amperages. Fused switches (cutouts) are inspected during yearly patrol process.

Switch Replacements are undertaken for the following reasons:

- Mechanical or electrical failure
- Vehicle accidents, lightning strikes
- New customer requirements
- Line rebuilds or circuit reconfigurations

- ESA compliance

4.1.6.) Reclosures

As required under the Minimum Inspection Requirements of the Distribution System Code. CHE inspects and tests reclosures regularly and oil samples are taken on a yearly basis.

4.1.7.) Transformers

Transformer inspection is a performed as required under the Minimum Inspection Requirements of the Distribution System Code.

With visual inspection are conducted on an annual cycle basis to check for General appearance, loose wires, birds or animal nests.

4.2) **Underground Lines**

4.2.1.) Switching apparatus

Every 3 years, switching cubicles are visually inspected in accordance with the Minimum Inspection Requirements in the Distribution System Code.

4.2.2.) Primary Cables

Underground primary cable inspection is conducted annually by visually examining the riser poles with respect to cable, cable guards, terminators and arrestors

4.2.3.) Secondary Services

Similarly, with respect to underground secondary services, riser poles are examined yearly with a visual check of cable, cable guards and connections.

5) **Substations**

Substation investments are undertaken to improve or maintain reliability to large numbers of customers and to maintain security and safety at the substations. Age and condition of the transformers is also a major factor in this decision.

6) **Computer Hardware**

Computer equipment is used in all departments of utility operations and is a key enabler CHE initiative to maintain and improve reliability, improve customer service and reduce costs. New and replacement Computer hardware consists of the following equipment:

- Computer Desktops;
- Servers;
- Printers;
- Disk space and memory

CHE utilizes a five year life cycle for its server hardware and for its workstation hardware. It is common industry practice to keep both the hardware and software environments up to date. Increased incidence of hardware failure reduced technical support, new technical standards and higher performance requirements of current operating systems and applications drive this lifecycle. The upgrade of aging servers and consolidation of multiple servers to a more manageable volume provide cost effective migration of workload with higher performance efficiencies and lower maintenance costs. Other benefits of replacing computer equipment and adding new equipment include:

- Reducing the dependence on IT resources to support older equipment;
- Taking advantage of new technologies and increasing server utilization;
- Empowering employees to be more productive with the right equipment to do their jobs;
- Improving access to data and other information;

- Adhering to best practices; and
- Allowing for employee growth, skills and training.

7) **Computer Software**

Computer software, whether operating system software or application software, are programs written in machine-readable languages, that control the operations of hardware or that enable users to perform certain tasks on computers.

The operating system software controls the hardware and manages its internal functions: controls input, output and storage and, handles its interaction with application programs. Application software enables users to accomplish particular tasks.

Today, the functioning of computer software is tied closely into the hardware it resides on and it is important that the specification of any PC or Server is appropriate for the software being installed. Benefits of adding or replacing computer software include:

- Improvements in productivity from software enhancements;
- Empowering employees with the latest software technologies;
- Keeping up to date with industry standards;
- Ease of integration to other applications;
- Reduced costs using common operating system;
- Taking advantage of higher levels of security;
- Reduced dependence on IT resources; and
- Improved tools for web development/design

8) **Transportation and Related Equipment**

CHE does not own any vehicles and instead, hires contractors.

9) **Tools and Equipment**

Similarly, CHE does not own any tools and equipment and instead, hires contractors.

10) **Office Furniture and Equipment**

General office furniture and equipment need to be purchase or upgraded periodically. Examples of Office furniture and equipment include desks, ergonomic equipment and phones. The benefits produced from these purchases include:

- Productivity increase
- better employee communication and output,
- Fewer Complaints.
- Overall well-being of employees.

2 SMART METERS

Issue 2.1 Smart Meter Rate Adder

8 Ref: Exhibit(s) Exhibit 9 Tab 3 Schedule 2 Attachment 1

Board staff has found inconsistencies with the data filed in the Smart Meter Rate Adder calculation.

a. It appears that on page 1 of 5, the incorrect information has been used for the capital costs and for the tax rates for 2008. Please explain why CHE is using different capital cost and PILs values. If this is an error, please correct the calculation.

b. On page 2 of 5, CHE has used 11.2% for the percent of operating costs that is used to determine the working cash allowance. In Exhibit 2 Tab 1 Schedule 2, CHE state that working capital is determined at the rate of 15% of operating costs. Please explain the difference, or correct the calculation.

c. Please recalculate the smart meter rate adder using the applied for cost of capital for 2010 and the appropriate working cash allowance as determined in part “b” of this interrogatory.

CHE Response a) b) c):
CHE agrees with Board Staff in that certain errors were made while populating the smart meter model. CHE revised its model accordingly and the revised smart meter rate adder is recalculated as being 1.33 instead of 1.32. CHE proposes to provide the amended models upon request.

3 REVENUE

Issue 3.1 Load Forecast

9 Ref: Exhibit(s) Exhibit 3 Tab 1 Schedule 1; Elenchus Report

The document titled Weather Normalized Distribution System Load Forecast - 2010 test Year, April 23, 2009, is a draft document. Board staff is concerned about the forecasting models performance.

Preamble:
Board Staff "is concerned" about the forecast model performance. We are unclear about what performance issue is of concern. The Elenchus Report describes a model using monthly data from May 2002 to December 2008 (80 monthly observations). The model has an adjusted R-squared of 0.92 meaning that it captures 92 per cent of all month-to-month variation in energy consumption seen in the data. Further, on an annual basis, from 2003 to 2008 inclusive, the model has a mean absolute percentage error of only 2.2 per cent.

a. Please provide a final version of the document.

CHE Response:
The version of the document, dated April 23, 2009, is the final version. This was inadvertently left marked as "draft"; however, from referring to the filed application, it is clear this is the load forecast used.

c. Please state any data cleaning, such as treatment of outliers.

CHE Response:
No data cleaning was used. All data were included in the analysis

c. Some studies have shown that heating degree days should not be calculated based on 18oC. In the Ottawa area, 14oC has been found more appropriate. Please recalibrate the model using 14oC and provide the resulting forecast along with the statistical parameters as found in Table 3 of the Elenchus report. (If dummy variables need to be adjusted to reflect the different behaviour of the model, please adjust and explain).

d. Similarly, cooling degree days are region specific, with a balance point higher than 18oC for residential loads. Please recalibrate the model for a second run reflecting only the change in cooling degree days to 23oC and provide the resulting forecast along with the statistical parameters as found in Table 3 of the Elenchus report. (If dummy variables need to be adjusted to reflect the different behaviour of the model, please adjust and explain).

e. Please combine "c" and "d" in a third run of the model and provide the requested information.

CHE Response to c) d) e)
We are unaware of any studies suggesting degree days in the Ottawa region should be calculated differently from other regions. Furthermore, we are unaware of any direction from the Board to electricity distributors instructing Applicants to deviate from the accepted definition of degree days. Environment Canada, which is Canada's national weather agency, defines heating degree days and cooling degree days based on the basis of a mean daily temperature of 18 degrees Celsius. Environment Canada calculates this identically for all locations, whether Ottawa, Iqaluit, or Victoria. Other jurisdictions use similar definitions. For example, the United States Weather Service uses a similar definition (base of 65 degrees Fahrenheit or 18.3 degrees Celsius) for all 50 States, Puerto Rico, the Virgin Islands, and Pacific Islands. However, in the spirit of cooperation, we have performed the necessary analysis to answer the request.

We have calculated heating degree days for Ottawa on a base 14oC and cooling degree days on a base 23oC. The results of these calculations and the 10-yr average (1999-2008) are displayed below.

Using these data, the wholesale forecast regression equation was re-estimated, with results displayed below.

The statistical results are almost identical to the original model with a very slight reduction in adjusted R-squared. Actual vs predicted values 2003 to 2008 for the revised model are shown below.

	Actual kWh	Predicted kWh	Absolute Error
2003	27,517,170	28,571,288	3.8%
2004	28,610,973	28,146,791	1.6%
2005	30,335,824	28,794,022	5.1%
2006	28,814,681	28,608,764	0.7%
2007	30,020,517	29,889,450	0.4%
2008	29,993,741	30,508,153	1.7%

MAPE 2.2%
Mean Absolute Percentage Error is identical to the original model. Individual year absolute error is more volatile than the original model.

Forecasting using the revised model (everything held equal except for the definition of degree days) yields no material difference, as can be seen in the table below.

Weather Normal			
Forecast			
	Original	Revised	diff
2009	29,900,933	29,903,756	0.009%
2010	30,014,244	30,017,891	0.012%

The differences are approximately 1/10th of one per cent from the original forecasts.

f. Please provide the development of the percentages used to determine the class share of the 2009 and 2010 forecasts.

CHE Response:
As indicated on p.10 of the Elenchus Report, forecast class values are allocated based on the class share for 2008. These values (and historical values prior to 2008) are displayed in Table 8 of the report.

Issue 3.2 Customer Growth

10 Ref: Exhibit(s) Exhibit 3 Tab 1 Schedule 1;

Elenchus Report CHE has linked the customer growth in its territory directly to that of CMHC's forecast for the Ottawa Metropolitan area. Board staff has developed the following table from the evidence:

Residential Customer Growth

	Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*
				Actuals				
Forecast								
	2003		2004	2005	2006	2007	2008	2009	2010
Count									
1 Residential	1,417	1,522	1,589	1,634	1,689	1,743	1,787	1,834	
2 Change (units)	105	67	45	55	54	44	47		
3 Change (%)	7.4%	4.4%	2.8%	3.4%	3.2%	2.5%	2.6%		

a. Please confirm that the table is correct. If it is not, please provide a corrected table.

CHE Response:
The table is correct. However, Board Staff should be aware that the percentage change in row 3 that they have calculated above represents the year-to-year change in total residential customers, not the year-to-year change in additions. It is the latter rather than the former, that is analogous to year-to-year changes in housing starts. We present this in our answer to part b.

b. Please provide the actual growth from CMHC's data for the Ottawa Metropolitan area which are for the same actual growth found in the above table in a manner similar to that given in the table.

CHE Response:

Residential Customer Count

	Col. 1	*Col. 2*	*Col. 3*	*Col. 4*	*Col. 5*	*Col. 6*	*Col. 7*	*Col. 8*
				Actuals			**Forecast**	
	2003	2004	2005	2006	2007	2008	2009	2010
1. Count	1,417	1,522	1,589	1,634	1,689	1,743	1,787	1,834
2. Change (units)		105	67	45	55	54	44	47
3. Res Cust Change (%)		7.4%	4.4%	2.8%	3.4%	3.2%	2.5%	2.6%
4. Unit Change (%)			-36.2%	-32.8%	22.2%	-1.8%	-18.5%	6.8%
5. CMHC Starts (Ottawa CMA)[1]		7,243	4,982	5,875	6,506	6,998	5,375	5,500
6. CMHC Starts Change (%)			-31.2%	17.9%	10.7%	7.6%	-23.2%	2.3%

[1] Source: Housing Now - Ottawa (Ontario Part of Ottawa-Gatineau CMA), Oct 2009 and Housing Market Outlook, Spring 2009

c. Average residential growth in the provided table is 4.2%. CHE is estimating a 2.5% increase for 2008, and forecasting a 2.6% for 2009. Please explain why using the average growth is not appropriate?

CHE Response

As described in the Elenchus Report as well as in CMHC documents and the general press, housing starts in most communities in Ontario have declined considerably in late 2008 and 2009. In years prior to 2008, many communities in Ontario experienced high rates of customer attachments due to a strong housing market. This rate of growth is not expected in 2009 and 2010 by CMHC or other forecasters, such as the chartered banks. Therefore, it is inappropriate to use average growth from earlier this decade.

4 OPERATING COSTS

Issue 4.1 Administrative and General Costs

11 Ref: Exhibit(s) Exhibit 4 Tab 2 Schedule 1 Attachment 2

In 2008 Account 5615 General Administrative salaries increased from $4,200 to $36,033 and for 2010 is forecast to be $37,000. CHE state that they employ a General Manager and two Customer Service Representatives. Please explain the nature of these expenses in Account 5615 and the reason for the relatively large increase.

CHE Response

CHE uses account 5610 for management salaries and 5315 for the salaries of the billing clerks and the CSR. Account 5615 is used for general administrative expenses. The balance of account 5615 can be broken down as follows.

		2006	2008 Actual	2010 Test Year
GL/#	DESCRIPTION			
5615	Employer Portion of Pay Roll Deduction – General Expenses		20,169.98	22,400.00
5615	EDA Membership	4200.00	4,400.00	4,600.00
5615	Seminar Training		4,272.04	3,000.00
5615	Annual Meeting for members		2,312.84	3,000.00
5615	Transportation		4,878.53	4,000.00
	TOTAL	**42000.00**	**36,033.39**	**37,000.00**

Please note that prior to 2008, the (1) employer portion of pay roll deductions, (2) seminar training, (3) annual meeting for members and (4) transportation were booked in account 5620. With respect to salaries, the balances have remained fairly constant over the past 5 years.

Account Description	2006 Actual	2007 Actual	2008 Actual	2009 Projection	2010 Projection
5610-Management Salaries and Expenses	88,167	86,568	78,803	80,000	82,000

Account Description	2006 Actual	2007 Actual	2008 Actual	2009 Projection	2010 Projection
5315-Customer Billing	116,576	125,256	132,627	137,176	138,825

Issue 4.2 Regulatory Expenses
12 Ref: Exhibit(s) Exhibit 4 Tab 2 Schedule 1 Attachment 2
Exhibit 4 Tab 2 Schedule 3

CHE is forecasting $120,000 for this 2010 rebasing application. However, Account 5655 Regulatory Expenses shows a $30,000 increase from 2009 to forecast 2010.

Update: CHE is requesting an update the projected regulatory costs requested in its September 17th application to the board.

The decision to update its costs was brought about following a review of the cost of drafting interrogatories responses. CHE has found that Interrogatories required more resources than first expected. Also, CHE inadvertently overlooked certain regulatory costs that CHE are still expecting to incur. CHE is proposing to increase the cost of rebasing from $120,000 to $130,000

If approved, the impact to the revenue requirement would be an increase of $2,530 (from $766,580 to $769,110). This increase includes adjustments to PILs. If approved, these revised costs will be updated in CHE's rate models and the models provided upon request.

Please find below an update of the costs which is comprised of the removal of the cost of an expert witness; originally projected at $5,000, a new separate cost of $5000 for intervener costs, a revised separate cost of $15,000 for drafting responses to IRs and a projected $5000 for written submissions.

Total cost of rebasing

Consultants costs for regulatory matters		**$ 110,000.00**
Evidence Drafting		**$ 80,000.00**
Load Forecast		$ 5,000.00
Revisions to Cost Allocation		$ 5,000.00
Interrogatories		$ 15,000.00
Written Submission		$ 5,000.00
Intervener costs for regulatory matters		**$ 5,000.00**
Intervener cost 22hrs X$225		$ 5,000.00
Other Costs		**$ 5,000.00**
rate order		$ 5,000.00

Operating expenses associated with other resources allocated to regulatory matters (please identify the)		**$ 10,000.00**
2010 EDR Model		$ 10,000.00
2012 EDR Total		**$ 130,000.00**

a. Is CHE proposing to amortize the $120,000over 4 years?

CHE Response
As mentioned at page 2 of Exhibit 4, Tab 3, Schedule 1 as well as Exhibit 4, Tab 2, Schedule 1 Attachment 4,

"Regulatory costs have remained generally consistent from 2007 to 2009, with the exception of the additional costs required to undertake this rebasing application. This application is projected to cost $120,000, resulting in a quarter of that cost ($30,000) being included for recovery in this rate application"

Update: Please note that CHE is projecting the cost of the application to be $130,000 and that this cost would be amortized over a period of 4 years (or 32,500/year)

b. If not please explain the $30,000 increase and in what account are the rebasing costs?

CHE Response
Please see response to a)

Issue 4.3 International Financial Reporting Services ("IFRS")
13 Ref: Exhibit(s) Exhibit 4 Tab 2 Schedule 2

CHE state that it estimates that the one-time cost for converting to IFRS is $60,000 and that they propose to amortize the cost over four years. Will CHE remove these costs and use a deferral account as stated on page 27 in Report of the Board Transition to International Financial Reporting Standards, EB-2009-0408, July 28, 2009?

CHE Response

CHE was not aware of these changes and is therefore proposing to remove this cost from the rebasing application and use a deferral account as stated by the Board. If approved, the impact to the revenue requirement would be a reduction of $15,184 (from $766,580 to $751,396). This decrease includes adjustments to PILs. If approved, these revised costs will be updated in the rate models and the models provided upon request.

Issue 4.4 Low Income Energy Assistance Plan (LEAP)
14 Ref: Exhibit(s) Exhibit 4 Tab 2 Schedule 4

CHE states that the amount of $2,000 is included in the 2010 forecast. CHE intends to work with an outside consultant and link with social interest groups.

a. What is the estimate for the consultant?

CHE Response
CHE estimated consulting fees 10hrs at $200/hours

b. How was that estimate derived?

CHE Response
The VP of operating solutions at ERA provided the estimate based on her experience.

c. Please state of the $2,000, the amounts that represent existing programs and the amounts for new programs.

CHE Response
Since CHE does not currently have any programs related to LEAP, this amount would be allocated to new programs.

Note: Given that the economy has not yet fully recovered and that energy prices could potentially rise, one of the most effective way to address high energy burdens is by reduction consumption through targeted energy conservation measures for low-income households. Low-income consumers typically live in older drafty and poorly insulated building with inefficient appliance and heating systems. Although CHE has not yet explored its options in terms of specific programs, CHE is hoping to use the seed amount of $2000 to set in motion such programs. Doing so would most likely require assistance from a consulting firm to ensure that these programs meet both government and customer requirements.

Issue 4.5 Charitable Donations
15 Ref: Exhibit(s) Exhibit 4 Tab 2 Schedule 6

CHE states that the amount of $2,000 is included in the 2010 forecast for charitable donations. On page 39 of the 2006 EDR Handbook it states that charitable donations are not allowed unless they provide assistance to the customers paying their bills.

CHE Response:
As indicated at Exhibit 4, Tab 2, Schedule 6

"CHE acknowledges that the recovery of charitable donations is not be allowed for the purpose of setting rates, except for contributions to programs that provide assistance to the distributor's customers in paying their electricity bills and assistance to low income consumers. CHE confirms that the total amount of charitable donation listed below have been removed from Rate Base. CHE sets aside on average $2000 per year for charitable donations."

CHE wishes to clarify that that although the $2000/ year set aside for charitable donations, the amount it is not included in the Rate Base and thus is not included in the proposed 2010 rates.

a. Are any of the charities listed in the Exhibit assisting customers pay their bills?

CHE Response:
See response above

b. If they are, please state which ones and the amount of the donation.

CHE Response:
See response above

d. Please state why these costs in part b. should not be LEAP costs.

CHE Response:
See response above

Issue 4.6 Purchase of Services

16 Ref: Exhibit(s) Exhibit 4 Tab 6 Schedule 1 Attachment 1

CHE has provided a table of suppliers stating the amounts, the nature of the activity and whether a contract exists or not.

a. Please expand this table to include the inclusive years of 2006 to 2009.

SUMMARY OF PURCHASE OF SERVICES

Name of Company	Amount	Amount			Amount	Amount			Amount	As Of October 31st Amount		Summary of Nature of Activity	Cost or Contract Approach
	$2,006.00	$2,007.00			$2,007.00	$2,008.00			$2,008.00	$2,009.00			
BDO Dunwoody	$28,388.00	$17,307.00	-$0.39		$17,307.00	$15,731.00	-$0.09		$15,731.00	$12,069.00	-$0.23	Accounting services	cost approach
Bell Canada	$4,842.35	$3,765.70	-$0.22		$3,765.70	$2,773.47	-$0.26		$2,773.47	$3,444.70	$0.24	Telephone service	cost approach
Christie & Walther	$2,007.42	$1,622.53	-$0.19		$1,622.53	$2,564.87	$0.58		$2,564.87	$1,919.68	-$0.25	Telephone Messaging	cost approach
Claude Blanchard	$1,747.00	$1,222.25	-$0.30		$1,222.25	$1,590.00	$0.30		$1,590.00	$780.02	-$0.51	Disconnection letter delivery	cost approach
												Substation maintenance	cost approach
Electrical Safety Authority	$1,658.10	$1,695.42	$0.02		$1,695.42	$1,725.76	$0.02		$1,725.76	$1,772.94	$0.03	ESA Fees	cost approach
Elenchus Research Assoc. Inc.	$0.00	$0.00			$0.00	$12,809.94			$12,809.94	$81,134.76		Consultant Rebasing	contract
Halpenny Insurance	$5,883.84	$5,566.32	-$0.05		$5,566.32	$5,121.08	-$0.08		$5,121.08	$5,451.84	$0.06	Property Insurance	cost approach
Great-West Life Ass. Co.	$0.00	$0.00			$0.00	$2,490.46			$2,490.46	$10,553.64		Benefits	cost approach
Hydro Ottawa	$1,837.00	$3,135.76	$0.71		$3,135.76	$2,963.52	-$0.05		$2,963.52	$0.00	-$1.00	Meter reverification	cost approach
Le Reflet	$910.00	$1,989.00	$1.19		$1,989.00	$2,050.00	$0.03		$2,050.00	$3,265.00	$0.59	Classified ads	cost approach
Logten's Tree Service	$2,269.18	$920.00	-$0.59		$920.00	$6,250.00	$5.79		$6,250.00	$7,541.00	$0.21	Tree Trimming	cost approach
Mearie Insurance	$1,454.76	$1,496.08	$0.03		$1,496.08	$1,467.72	-$0.02		$1,467.72	$2,013.06	$0.37	Liability insurance	cost approach
Memberships-EDA	$4,200.00	$4,200.00	$0.00		$4,200.00	$4,400.00	$0.05		$4,400.00	$4,500.00	$0.02	memberships	cost approach
Michael T. Vandelst	$5,896.00	$6,045.00	$0.03		$6,045.00	$802.16	-$0.87		$802.16	$0.00	-$1.00	meter installation	cost approach
Ottawa River Power Corp.(mthly bill)	$45,952.66	$48,399.18	$0.05		$48,399.18	$44,594.29	-$0.08		$44,594.29	$35,941.80	-$0.19	Billing-ORPC	contract
Papeterie Germain	$12,231.00	$12,000.00	-$0.02		$12,000.00	$12,000.00	$0.00		$12,000.00	$11,270.00	-$0.06	Office Rent	cost approach

Papeterie Germain	$3,412.14	$2,445.00	-$0.28		$2,445.00	$3,103.74	$0.27		$3,103.74	$6,142.68	$0.98	Office supplies	cost approach
Primus Telecommunications	$1,353.00	$1,284.40	-$0.05		$1,284.40	$2,564.87	$1.00		$2,564.87	$1,523.77	-$0.41	Internet-Wireless Magma	cost approach
Julie McMahon	$9,047.44	$9,275.88	$0.03		$9,275.88	$11,463.84	$0.24		$11,463.84	$8,988.00	-$0.22	Meter Reader	contract
Quasar	$2,341.81	$1,950.48	-$0.17		$1,950.48	$1,983.88	$0.02		$1,983.88	$2,013.06	$0.01	Quasar Audit_ Reg22/04	cost approach
Saki Electical Maintenance	$853.00	$942.88	$0.11		$942.88	$1,080.00	$0.15		$1,080.00	$968.52	-$0.10	Disconnect meters	cost approach
Silicon Valley Computers	$1,512.00	$2,083.00	$0.38		$2,083.00	$1,520.57	-$0.27		$1,520.57	$1,960.00	$0.29	Computer maintenance etc.	cost approach
Societe Can. Des Postes	$2,358.01	$2,168.91	-$0.08		$2,168.91	$2,082.27	-$0.04		$2,082.27	$1,960.00	-$0.06	Postage	cost approach
Sproule Powerline Const. Ltd.	$0.00	$0.00			$0.00	$15,417.00	$0.00		$15,417.00	$0.00	-$1.00	U/G Transformer Operations	contract
Sproule Powerline Const. Ltd.	$262.50	$5,241.00	$18.97		$5,241.00	$4,987.50	-$0.05		$4,987.50	$3,774.00	-$0.24	U/G Oper-Customer Service	contract
Sproule Powerline Const. Ltd.	$0.00	$10,892.35	$0.00		$10,892.35	$0.00	-$1.00		$0.00	$7,540.00		Sub sttion maintenance	contract
Sproule Powerline Const. Ltd.	$1,845.23	$2,025.55	$0.10		$2,025.55	$1,992.50	-$0.02		$1,992.50	$1,552.00	-$0.22	Overhead Maint-Poles, fixtures	contract
Sproule Powerline Const. Ltd.	$7,021.00	$7,791.25	$0.11		$7,791.25	$5,842.75	-$0.25		$5,842.75	$2,243.00	-$0.62	Overhead Maint-Conduct	contract
Sproule Powerline Const. Ltd.	$0.00	$4,036.25	$0.00		$4,036.25	$5,013.69	$0.24		$5,013.69	$0.00		Dist Transformers-Overhead	contract

b. Please explain any year over year increase greater than 10%.

VARIANCE ANALYSIS

	2008 vs 2009 increase over 10 %			
	2008	**2009**	**Difference**	**Activity**
Bell Canada	2773.47	**3444.7**	**671.23**	Telephone service
Explanation	**MORE LONG DISTANCE IN THE YEAR**			
Elenchus Research Assoc. Inc.	12809.94	**81134.76**	**68324.82**	Consultant Rebasing
Explanation	**CHE IN 2008 SPEND FOR RATE MAKER MODEL THE 68,324.82 IS THE ON-GOING COST OF RATE REBASING**			
Great-West Life Ass. Co.	2490.46	**10553.64**	**8063.18**	Benefits
Explanation	**CHE START TO PAY BENEFIT IN AUGUST 2008**			
Le Reflet	2050	**3265**	**1215**	Classified ads
Explanation	**CHE PAID EXTRA COST FOR REBASSING FOR THE NOTICE OF APLLICATION**			
Logten's Tree Service	6250	**7541**	**1291**	Tree Trimming
Explanation	**CHE FOR THAT YEAR HAS EXTRA WORK IN TREE TRIMING**			
Mearie Insurance	1467.72	**2013.06**	**545.34**	Liability insurance
Explanation	**MEARIE INCREASE THE PREMIUM**			
Papeterie Germain	3103.74	**6142.68**	**3038.94**	Office supplies
Explanation	**NEW CABINET** **NEW CHAIR** **PRINTER CARTRIDGE** **KEY BOARD** **SHELF**			**700** **1100** **800** **400** **3000**
Silicon Valley Computers	1520.57	**1960**	**439.43**	Computer maintenance etc.
Explanation	**CHE BOUGHT ONE SCREEN FOR A COMPUTER STATION**			

	2007 vs 2008 increase over 10 %			
	2007	**2008**	**Difference**	**Activity**
Christie & Walther	1622.53	**2564.87**	**942.34**	Telephone Messaging
Explanation	**MORE PHONE CALL FROM CUSTOMER DURING THE YEAR**			
Claude Blanchard	1222.25	**1590**	**367.75**	Disconnection letter delivery
Explanation	**MORE DISCONNECTION LETTER DELIVRY**			
Elenchus Research Assoc. Inc.	0	**12809.94**	**12809.94**	Consultant Rebasing
Explanation	**REBASING CONSULTANT START 2008**			
Great-West Life Ass. Co.	0	**2490.46**	**2490.46**	Benefits
Explanation	**BENEFIT START IN AUGUST 2008**			
Logten's Tree Service	920	**6250**	**5330**	Tree Trimming
Explanation	**CHE IN 2008 HAS JUST A FEW TEEMING TREE**			
Papeterie Germain	2445	**3103.74**	**658.74**	Office supplies
Explanation	**ORDER LETTER HEAD/ENVELOPPE EVERY 2-3 YEARS**		**650**	
Julie McMahon	9275.88	**11463.84**	**2187.96**	Meter Reader
Explanation	**THE DIFFERENCE IS 2 MONTH TRAINING WITH FROMER METER READER**			
Saki Electical Maintenance	942.88	**1080**	**137.12**	Disconnect meters
Explanation	**THE DIFFERENCE OF 137.12 IS FEWER DISCONNECT METERS**			
Sproule Powerline Const. Ltd.	0	**15417**	**15417**	U/G Transformer Operations
Explanation	**U/G TRANSFORMER OPERATION SCHEDULE FROM 3 TO 5 YEARS**			
Sproule Powerline Const. Ltd.	4036.25	**5013.69**	**977.44**	Dist Transformers-Overhead
Explanation	**THE DIFFERENCE IS BASED ON THE TIMEFOR DIFFERNET WORK**			

	ORDER

	2007 vs 2008 increase over 10 %			
	2006	2007	Difference	Activity
Hydro Ottawa	1837	3135.76	1298.76	Meter reverification
Explanation	**CHE'S METERS WERE SUBJECT TO MORE REVERIFICATION IN THAT PARTICULAR YEAR**			
Le Reflet	910	1989	1079	Classified ads
Explanation	**MORE ADDS WERE PUBLISHED IN THAT PARTICULAR YEAR**			
Saki Electical Maintenance	853	942.88	89.88	Disconnect meters
Explanation	**THE DIFFERENCE IS BASED ON THE TIMING OFVARIOUS WORK ORDERS**			
Silicon Valley Computers	1512	2083	571	Computer maintenance etc.
Explanation	**CHE ACQUIRE A COMPUTER SCREENS**			
Sproule Powerline Const. Ltd.				
1	262.5	5241	4978.5	U/G Oper-Customer Service
2	0	10892.35	10892.35	Sub sttion maintenance
3	1845.23	2025.55	180.32	Overhead Maint-Poles, fixtures
4	7021	7791.25	770.25	Overhead Maint-Conduct
5	0	4036.25	4036.25	Dist Transformers-Overhead
	9128.73	29986.4		
Explanation	**THE DIFFERENCE OF $ 20,857.67 IS AS FOLLOW:**			
1	**DEPENDENT ON WORK THAT NEEDED TO BE DONE THAT YEAR**			
2	**MAINTENANCE ON SUB-STATION DONE 2-3 YEAR**			
3	**DEPENDENT ON WORK THAT NEEDED TO BE DONE THAT YEAR**			
4	**DEPENDENT ON WORK THAT NEEDED TO BE DONE THAT YEAR**			
5	**DEPENDENT ON WORK THAT NEEDED TO BE DONE THAT YEAR**			

5 PILS

Issue 5.1 Tax Rates

17 Ref: Exhibit(s) Exhibit 4 Tab 8 Schedule 1

The table below was prepared by Board staff. Please state why CHE is not using the Blended Tax Rate of 16% and Ontario Capital Tax Rate of 0.150%

CHE Response:
CHE acknowledges that table prepared by Board Staff is correct and proposes to update its PILs model accordingly. If approved, the impact to the revenue requirement would be a decrease of $663 (from $766,580 to $765,917). If approved, these revised costs will be updated in the rate models and the models provided upon request.

6 COST OF CAPITAL AND RATE OF RETURN

Issue 6.1 Cost of Debt

18 Ref: Exhibit(s) Exhibit 5 Tab 1 Schedule 2

In the Summary of Cost of Capital table in Exhibit 5 Tab1 Schedule 2, CHE is requesting debt to be solely composed of long term debt at a rate of 7.19%. No justification is given for deviation from the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors, December 20, 2006 where the Board found that the short term debt amount will be fixed at 4% of rate base. No supporting evidence was submitted for the long term debt rate of 7.19%.

a. Please provide sound reasons for deviating from the Board's policy on debt, which is that a short term component is to be fixed at 4%.

b. If there are no sound reasons, please provide a short term debt rate with sound justification if the proposed rate varies from the current Board approved rate of 1.33%.

c. Please provide support for the requested long term rate of 7.19% for this rate varies from the current Board policy of 7.62%. The support should in the least provide for each debt instrument, the name of the debt holder, the relationship of the debt holder to CHE, the date it was effective, the term of the instrument, the interest rate, whether the interest rate is fixed or variable, and the terms as to whether the instrument can be called or retired at any time. Please substantiate any request with the Board's findings in the above mentioned Report of the Board, December 20, 2006.

CHE Response a) b) c):
CHE acknowledges that there was a typing error in the table "Summary of Cost of Capital table at Exhibit 5, Tab 1, Schedule 2. The short term debt should have stated 4%. The Cost of Capital information in CHE's RateMaker Model was however correct and consistent with the Board's calculation presented in the "Revenue Requirement Work Form"

Excerpt from Exhibit 8, Tab 4, Schedule 1, Attachment 3

Rate Base		
2009 ending Net Fixed Assets	1,928,519	
2010 ending Net Fixed Assets	2,006,953	
Average Net Fixed Assets		1,967,736
Working Capital Allowance Base	2,922,875	
Working Capital Allowance	15.0%	438,431
Rate Base		**2,406,167**

Return On Rate Base		
Deemed Short-Term Debt %	**4.00%**	96,247
Deemed Long-Term Debt %	**56.00%**	1,347,453
Deemed Equity %	**40.00%**	962,467
Short-Term Interest	**1.13%**	1,088
Long-Term Interest	**7.62%**	102,676
Return On Equity	**8.01%**	77,094
Return On Rate Base		**180,857**

REVENUE REQUIREMENT WORK FORM

Name of LDC: Coopérative Hydro Embrun Inc.
File Number: EB-2009-0132
Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio (%)	Capitalization Ratio ($)	Cost Rate (%)	Return ($)
	Application				
	Debt				
1	Long-term Debt	56.00%	$1,347,453	7.62%	$102,676
2	Short-term Debt	4.00%	$96,247	1.13%	$1,088
3	**Total Debt**	60.00%	$1,443,700	7.19%	$103,764
	Equity				
4	Common Equity	40.00%	$962,467	8.01%	$77,094
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$962,467	8.01%	$77,094
7	**Total**	100%	$2,406,167	7.52%	$180,857
	Per Board Decision				
	Debt				
8	Long-term Debt	56.00%	$1,347,453	7.62%	$102,676
9	Short-term Debt	4.00%	$96,247	1.13%	$1,088
10	**Total Debt**	60.00%	$1,443,700	7.19%	$103,764
	Equity				
11	Common Equity	40.0%	$962,467	8.01%	$77,094
12	Preferred Shares	0.0%	$ -	0.00%	$ -
13	**Total Equity**	40.0%	$962,467	8.01%	$77,094
14	**Total**	100%	$2,406,167	7.52%	$180,857

Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.

7 COST ALLOCATION

Issue 7.1 Revenue to Cost Ratios

19 Ref: Exhibit(s) Exhibit 7

Please provide a table of revenue to cost ratios based on the proposed class revenues and the allocated 2010 costs.

CHE Response:

Customer Class	CHE-2006	CHE-2006C	CHE-2010 At 2009 Rates	CHE-2010 With uniform Increase	**CHE-2010 At proposed 2010 Rates**	Board Target Range
Residential	105.78	105.78	87. 71	105.56	**102.88**	85-115
GS < 50 kW	91.08	91.08	74.27	89.38	**92.10**	80-120
GS > 50 kW	121.05	121.05	99.85	120.17	**119.43**	80-180
Street Lighting	49.63	49.63	35.34	42.53	**60.70**	70-120
USL	21.48	21.48	19.76	23.78	**54.71**	80-120
Total	100.00	100.00	83.09	100.00	**100.00**	-

Issue 7.2 Transformer Ownership Allowance
20 Ref: Exhibit(s) Cost Allocation Model

Please confirm that CHE does not have customers who own their own transformers.

CHE Response:
CHE confirms that it does not have any customer who own their own transformers

8 LOSS FACTORS

Issue 8.1 System Loss Improvement Work

21 Ref: Exhibit(s) Exhibit 8 Tab 3 Schedule 3

Between 2006 and 2007, CHE improved its distribution system in an effort to reduce losses. This work was on the basis of the Utility Load Flow Study by Stantec Consulting Ltd. Distribution losses for 2006 - 2008 appear to be lower, as found on line G of Attachment A. What reasons would CHE have for not using the three year average for 2006-2008 rather than the five year average for distribution loss factors?

CHE Response

CHE was merely complying with the Board's direction at pages 22 of the minimum filing requirements when it opted to use a 5 year average. That being said, CHE agrees with the Board's logic that using a 3 year average is more accurate representation of the utilities losses. CHE's revised calculations are presented below. CHE is therefore proposing to update its loss adjustment factor accordingly. If approved, the impact to the revenue requirement would reflect a reduction of $242 (from $766,580 to $766,338). This decrease includes adjustments to PILs. If approved, these revised costs will be updated in the rate models and the models provided upon request

	Losses in Distributor's System	2006	2007	2008	5 Year Average
A1	"Wholesale" kWh delivered to distributor (higher value)	-	-	-	
A2	"Wholesale" kWh delivered to distributor (lower value)	28,814,681.00	30,020,517.00	29,993,741.00	29,609,646.33
B	Portion of "Wholesale" kWh delivered to distributor for Large Use Customer(s)	-	-	-	
C	Net "Wholesale" kWh delivered to distributor (A2)-(B)	28,814,681.00	30,020,517.00	29,993,741.00	29,609,646.33
D	"Retail" kWh delivered by distributor	28,275,060.00	29,064,673.00	29,483,564.00	28,941,099.00
E	Portion of "Retail" kWh delivered by distributor for Large Use Customer(s)	-	-	-	
F	Net "Retail" kWh delivered by distributor (D)-(E)	28,275,060.00	29,064,673.00	29,483,564.00	28,941,099.00
G	Loss Factor in distributor's system [(C)/(F)]	1.0191	1.0329	1.0173	1.0231
	Losses Upstream of Distributor's System				
H	Supply Facility Loss Factor	1.034	1.034	1.034	1.034
	Total Losses				
I	Total Loss Factor [(G)x(H)]	1.0537	1.0680	1.0519	1.0579

9 RATE DESIGN

Issue 9.1 Retail Transmission Service Rates

22 Ref: Exhibit(s) Exhibit 8 Tab 3 Schedule 1
Exhibit 1 Tab 2 Schedule 1

The Retail Transmission Sales Rates which CHE uses for developing the distribution rate rider are the Uniform Transmission Service rates. However CHE describes itself as entirely embedded in Hydro One Network Inc.'s low voltage system. Staff would like clarification of the transmission service CHE is receiving. Does CHE pay Hydro One for transmission service on Hydro One rates, or does CHE pay the Uniform Transmission Service rate?

CHE Response:
CHE is fully embedded to its host Hydro One. Each month CHE received a Power Bill on which CHE pays transmission costs directly to Hydro One.

23 Ref: Exhibit(s) Exhibit 8 Tab 3 Schedule 1 Attachment 1

The determination of the proposed Retail Transmission Rate Connect and Retail Transmission Rate Network charges appears to use historical costs. Over time these costs have changed, and provides a historical cost that is not totally reflective of current rate levels. As such, the ratios derived on this Exhibit could lead to results that would not match total costs incurred to total revenues.

a. Please recast the total period costs for Network Service Charge and Transformation Connect Service Charge based on the current rates that CHE pays.

b. Please also recast the respective billings based on current Retail Transmission Rates - Network and Retail Transmission Rates - Connect.

c. Based on "a" and "b" please develop new proposed Retail Transmission Rates - Network and Retail Transmission Rates - Connect.

CHE Response a) b) c):
CHE has recast and recalculated its Network and Retail and Transmission Rates based on current rates. The information is presented in the following pages. CHE proposes to update its pass-thru charges accordingly.

Historical Transmission Costs and Revenues based on current rates

MONTH	IESO Network Service Charge	IESO Line Connection Service Charge	IESO Transformation Connection Service Charge	Network Billings	Connection Billings
Jun-07	12835.2	$0	11402.7	10337.14	9823.29
Jul-07	12169.92	$0	10811.67	12546.87	11942.24
Aug-07	13065.92	$0	11607.67	12326.27	11717.10
Sep-07	12420.8	$0	11034.55	13646.17	12990.90
Oct-07	10122.56	$0	8992.81	9668.25	9174.03
Nov-07	12888.96	$0	11450.46	12400.66	11787.96
Dec-07	14828.8	$0	14103.13	15274.46	14530.41
Jan-08	14629.44	$0	12996.69	10063.49	9524.10
Feb-08	13592.32	$0	12075.32	15314.42	14569.81
Mar-08	12035.52	$0	10915.15	18664.34	17723.79
Apr-08	10250.24	$0	9106.24	12118.46	11522.83
May-08	8189.44	$0	7361.01	12288.60	11681.43
Jun-08	12738.88	$0	11317.13	10805.68	10277.84
Jul-08	11880.96	$0	10554.96	13639.95	12995.58
Aug-08	12835.2	$0	11402.7	11184.92	10643.98
Sep-08	12976.32	$0	11528.07	12567.66	11970.59
Oct-08	13451.2	$0	11949.95	11170.25	10617.12
Nov-08	12398.4	$0	11285.29	14040.41	13362.70
Dec-08	15621.76	$0	13878.26	14247.23	13560.65
Jan-09	15370.88	$0	13655.38	14270.78	13563.29
Feb-09	14170.24	$0	12588.74	15529.90	14782.31
Mar-09	12747.84	$0	11557.92	15316.34	14602.57
Apr-09	10704.96	$0	9510.21	12153.39	11555.31
May-09	8877.12	$0	7886.37	12383.97	11799.75
Jun-09	12837.44	$0	11404.69	10735.82	10211.42
Subtotal	$225,308	$0	$200,974	$236,496	$224,965
	(a)	**(b)**	**(c)**	**(d)**	**(e)**
Total	$225,308	$0	$200,974	$236,496	$224,965
	(f)	**(g)**	**(h)**		
	3.50%		-2.20%		
	(l)	**(m)**	**(n)**		
Est Revised IESO Cost	$233,194	$0	$196,553		

Method #1

Adjustements	Network	Connection
Old		
IESO Costs	$225,308	$200,974
Billing Revenues	$236,496	$224,965
Ratio	**0.953**	**0.893**
Current Rates		
Residential	$0.0052	$0.0050
GS < 50kW	$0.0048	$0.0045
GS 50 to 4999 kW	$1.9313	$1.7837
USL	$0.0048	$0.0045
Street Lights	$1.4565	$1.3790
Proposed Adjustment		
in order to eliminate trend in an excess in revenue		
Residential	$0.0050	$0.004467
GS < 50kW	$0.0046	$0.004020
GS 50 to 4999 kW	$1.8399	$1.593481
USL	$0.0046	$0.004020
Street Lights	$1.3876	$1.231939
Proposed Adjustment		
adjustment as per Guideline G-2008-0001_EDRTSR		
	+3.5%	**-2.20%**
Residential	**$0.0051**	**$0.0044**
GS < 50kW	**$0.0047**	**$0.0039**
GS 50 to 4999 kW	**$1.9043**	**$1.5584**
USL	**$0.0047**	**$0.0039**
Street Lights	**$1.4362**	**$1.2048**

Note: both method result in the same proposed RSTR

Method #2

Adjustements	Network	Connection
Estimated New		
IESO Costs	$233,194	$196,553
Billing Revenues	$236,496	$224,965
Ratio	**0.986**	**0.874**
Current Rates		
Residential	$0.0052	$0.0050
GS < 50kW	$0.0048	$0.0045
GS 50 to 4999 kW	$1.9313	$1.7837
USL	$0.0048	$0.0045
Street Lights	$1.4565	$1.3790
Based on Estimated New Ratios		
Residential	**$0.0051**	**$0.0044**
GS < 50kW	**$0.0047**	**$0.0039**
GS 50 to 4999 kW	**$1.9043**	**$1.5584**
USL	**$0.0047**	**$0.0039**
Street Lights	**$1.4362**	**$1.2048**

Historical Costs based on current Hydro One Rates

MONTH	Volume	Rate	Hydro One Network Service Charge		Volume	Rate	Hydro One Transformation Connection Service Charge
Jun-07	5,730.00	$ 2.24	$ 12,835.20		5,730.00	$ 1.99	$ 11,402.70
Jul-07	5,433.00	$ 2.24	$ 12,169.92		5,433.00	$ 1.99	$ 10,811.67
Aug-07	5,833.00	$ 2.24	$ 13,065.92		5,833.00	$ 1.99	$ 11,607.67
Sep-07	5,545.00	$ 2.24	$ 12,420.80		5,545.00	$ 1.99	$ 11,034.55
Oct-07	4,519.00	$ 2.24	$ 10,122.56		4,519.00	$ 1.99	$ 8,992.81
Nov-07	5,754.00	$ 2.24	$ 12,888.96		5,754.00	$ 1.99	$ 11,450.46
Dec-07	6,620.00	$ 2.24	$ 14,828.80		7,087.00	$ 1.99	$ 14,103.13
Jan-08	6,531.00	$ 2.24	$ 14,629.44		6,531.00	$ 1.99	$ 12,996.69
Feb-08	6,068.00	$ 2.24	$ 13,592.32		6,068.00	$ 1.99	$ 12,075.32
Mar-08	5,373.00	$ 2.24	$ 12,035.52		5,485.00	$ 1.99	$ 10,915.15
Apr-08	4,576.00	$ 2.24	$ 10,250.24		4,576.00	$ 1.99	$ 9,106.24
May-08	3,656.00	$ 2.24	$ 8,189.44		3,699.00	$ 1.99	$ 7,361.01
Jun-08	5,687.00	$ 2.24	$ 12,738.88		5,687.00	$ 1.99	$ 11,317.13
Jul-08	5,304.00	$ 2.24	$ 11,880.96		5,304.00	$ 1.99	$ 10,554.96
Aug-08	5,730.00	$ 2.24	$ 12,835.20		5,730.00	$ 1.99	$ 11,402.70
Sep-08	5,793.00	$ 2.24	$ 12,976.32		5,793.00	$ 1.99	$ 11,528.07
Oct-08	6,005.00	$ 2.24	$ 13,451.20		6,005.00	$ 1.99	$ 11,949.95
Nov-08	5,535.00	$ 2.24	$ 12,398.40		5,671.00	$ 1.99	$ 11,285.29
Dec-08	6,974.00	$ 2.24	$ 15,621.76		6,974.00	$ 1.99	$ 13,878.26
Jan-09	6,862.00	$ 2.24	$ 15,370.88		6,862.00	$ 1.99	$ 13,655.38
Feb-09	6,326.00	$ 2.24	$ 14,170.24		6,326.00	$ 1.99	$ 12,588.74
Mar-09	5,691.00	$ 2.24	$ 12,747.84		5,808.00	$ 1.99	$ 11,557.92
Apr-09	4,779.00	$ 2.24	$ 10,704.96		4,779.00	$ 1.99	$ 9,510.21
May-09	3,963.00	$ 2.24	$ 8,877.12		3,963.00	$ 1.99	$ 7,886.37
Jun-09	5,731.00	$ 2.24	$ 12,837.44		5,731.00	$ 1.99	$ 11,404.69
Subtotal			$313,640				$280,377

Historical Billings based on current RTSR

2007

RESIDENTIAL	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jun-07	$ 0.0052	1,260,766.69	$ 6,555.99		1,260,766.69	$ 0.0050	$ 6,303.83
Jul-07	$ 0.0052	1,638,615.47	$ 8,520.80		1,638,615.47	$ 0.0050	$ 8,193.08
Aug-07	$ 0.0052	1,495,971.77	$ 7,779.05		1,495,971.77	$ 0.0050	$ 7,479.86
Sep-07	$ 0.0052	1,814,543.95	$ 9,435.63		1,814,543.95	$ 0.0050	$ 9,072.72
Oct-07	$ 0.0052	1,104,518.09	$ 5,743.49		1,104,518.09	$ 0.0050	$ 5,522.59
Nov-07	$ 0.0052	1,538,834.50	$ 8,001.94		1,538,834.50	$ 0.0050	$ 7,694.17
Dec-07	$ 0.0052	1,925,431.19	$ 10,012.24		1,925,431.19	$ 0.0050	$ 9,627.16

2007

BELOW 50 KW	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jun-07	$ 0.0048	359,520.80	$ 1,725.70		359,520.80	$ 0.0045	$ 1,617.84
Jul-07	$ 0.0048	411,833.94	$ 1,976.80		411,833.94	$ 0.0045	$ 1,853.25
Aug-07	$ 0.0048	511,856.17	$ 2,456.91		511,856.17	$ 0.0045	$ 2,303.35
Sep-07	$ 0.0048	390,403.64	$ 1,873.94		390,403.64	$ 0.0045	$ 1,756.82
Oct-07	$ 0.0048	348,550.57	$ 1,673.04		348,550.57	$ 0.0045	$ 1,568.48
Nov-07	$ 0.0048	413,934.03	$ 1,986.88		413,934.03	$ 0.0045	$ 1,862.70
Dec-07	$ 0.0048	584,262.61	$ 2,804.46		584,262.61	$ 0.0045	$ 2,629.18

2007

OVER 50KW-Kw	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE
Jun-07	$ 1.9313	984.08	$ 1,900.55		984.08	$ 1.7837
Jul-07	$ 1.9313	980.88	$ 1,894.37		980.88	$ 1.7837
Aug-07	$ 1.9313	1000.08	$ 1,931.45		1000.08	$ 1.7837
Sep-07	$ 1.9313	1127.61	$ 2,177.75		1127.61	$ 1.7837
Oct-07	$ 1.9313	1083.68	$ 2,092.91		1083.68	$ 1.7837
Nov-07	$ 1.9313	1161.34	$ 2,242.90		1161.34	$ 1.7837
Dec-07	$ 1.9313	1172.26	$ 2,263.99		1172.26	$ 1.7837

2008

RESIDENTIAL	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jan-08	$ 0.0052	982,822.17	$ 5,110.68		982,822.17	$ 0.0050	$ 4,914.11
Feb-08	$ 0.0052	1,951,619.64	$ 10,148.42		1,951,619.64	$ 0.0050	$ 9,758.10
Mar-08	$ 0.0052	2,265,823.71	$ 11,782.28		2,265,823.71	$ 0.0050	$ 11,329.12
Apr-08	$ 0.0052	1,537,411.41	$ 7,994.54		1,537,411.41	$ 0.0050	$ 7,687.06
May-08	$ 0.0052	1,525,506.98	$ 7,932.64		1,525,506.98	$ 0.0050	$ 7,627.53
Jun-08	$ 0.0052	1,345,786.44	$ 6,998.09		1,345,786.44	$ 0.0050	$ 6,728.93
Jul-08	$ 0.0052	1,850,969.29	$ 9,625.04		1,850,969.29	$ 0.0050	$ 9,254.85
Aug-08	$ 0.0052	1,429,443.68	$ 7,433.11		1,429,443.68	$ 0.0050	$ 7,147.22
Sep-08	$ 0.0052	1,693,519.72	$ 8,806.30		1,693,519.72	$ 0.0050	$ 8,467.60
Oct-08	$ 0.0052	1,362,708.34	$ 7,086.08		1,362,708.34	$ 0.0050	$ 6,813.54
Nov-08	$ 0.0052	1,841,077.81	$ 9,573.60		1,841,077.81	$ 0.0050	$ 9,205.39
Dec-08	$ 0.0052	1,841,498.68	$ 9,575.79		1,841,498.68	$ 0.0050	$ 9,207.49

2008

BELOW 50 KW	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jan-08	$ 0.0048	471,716.34	$ 2,264.24		471,716.34	$ 0.0045	$ 2,122.72
Feb-08	$ 0.0048	553,321.31	$ 2,655.94		553,321.31	$ 0.0045	$ 2,489.95
Mar-08	$ 0.0048	526,636.53	$ 2,527.86		526,636.53	$ 0.0045	$ 2,369.86
Apr-08	$ 0.0048	353,772.11	$ 1,698.11		353,772.11	$ 0.0045	$ 1,591.97
May-08	$ 0.0048	410,669.11	$ 1,971.21		410,669.11	$ 0.0045	$ 1,848.01
Jun-08	$ 0.0048	432,878.44	$ 2,077.82		432,878.44	$ 0.0045	$ 1,947.95
Jul-08	$ 0.0048	437,984.13	$ 2,102.32		437,984.13	$ 0.0045	$ 1,970.93
Aug-08	$ 0.0048	422,861.55	$ 2,029.74		422,861.55	$ 0.0045	$ 1,902.88
Sep-08	$ 0.0048	384,149.06	$ 1,843.92		384,149.06	$ 0.0045	$ 1,728.67
Oct-08	$ 0.0048	420,794.40	$ 2,019.81		420,794.40	$ 0.0045	$ 1,893.57
Nov-08	$ 0.0048	423,474.79	$ 2,032.68		423,474.79	$ 0.0045	$ 1,905.64
Dec-08	$ 0.0048	517,127.66	$ 2,482.21		517,127.66	$ 0.0045	$ 2,327.07

2008

OVER 50KW-Kw	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE
Jan-08	$ 1.9313	1,291.11	$ 2,493.52		1,291.11	$ 1.7837
Feb-08	$ 1.9313	1,212.55	$ 2,341.80		1,212.55	$ 1.7837
Mar-08	$ 1.9313	2,171.04	$ 4,192.93		2,171.04	$ 1.7837
Apr-08	$ 1.9313	1,172.55	$ 2,264.55		1,172.55	$ 1.7837
May-08	$ 1.9313	1,151.29	$ 2,223.49		1,151.29	$ 1.7837
Jun-08	$ 1.9313	812.15	$ 1,568.51		812.15	$ 1.7837
Jul-08	$ 1.9313	906.81	$ 1,751.32		906.81	$ 1.7837
Aug-08	$ 1.9313	806.80	$ 1,558.17		806.80	$ 1.7837
Sep-08	$ 1.9313	907.96	$ 1,753.54		907.96	$ 1.7837
Oct-08	$ 1.9313	984.03	$ 1,900.46		984.03	$ 1.7837
Nov-08	$ 1.9313	1,172.26	$ 2,263.99		1,172.26	$ 1.7837
Dec-08	$ 1.9313	1,032.38	$ 1,993.84		1,032.38	$ 1.7837

2009

RESIDENTIAL	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jan-09	$ 0.0052	1,726,485.00	$ 8,977.72		1,726,485.00	$ 0.0050	$ 8,632.43
Feb-09	$ 0.0052	2,045,833.00	$ 10,638.33		2,045,833.00	$ 0.0050	$ 10,229.17
Mar-09	$ 0.0052	2,171,030.00	$ 11,289.36		2,171,030.00	$ 0.0050	$ 10,855.15
Apr-09	$ 0.0052	1,501,027.00	$ 7,805.34		1,501,027.00	$ 0.0050	$ 7,505.14
May-09	$ 0.0052	1,683,959.00	$ 8,756.59		1,683,959.00	$ 0.0050	$ 8,419.80
Jun-09	$ 0.0052	1,354,187.00	$ 7,041.77		1,354,187.00	$ 0.0050	$ 6,770.94

2009

BELOW 50 KW	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE	TRANS CONN
Jan-09	$ 0.0048	582,688.00	$ 2,796.90		582,688.00	$ 0.0045	$ 2,622.10
Feb-09	$ 0.0048	479,169.00	$ 2,300.01		479,169.00	$ 0.0045	$ 2,156.26
Mar-09	$ 0.0048	371,228.00	$ 1,781.89		371,228.00	$ 0.0045	$ 1,670.53
Apr-09	$ 0.0048	464,352.00	$ 2,228.89		464,352.00	$ 0.0045	$ 2,089.58
May-09	$ 0.0048	395,125.00	$ 1,896.60		395,125.00	$ 0.0045	$ 1,778.06
Jun-09	$ 0.0048	379,642.00	$ 1,822.28		379,642.00	$ 0.0045	$ 1,708.39

2009

OVER 50KW-Kw	RATE	USAGE kWh	TRANS NET		USAGE kWh	RATE
Jan-09	$ 1.9313	1,208.80	$ 2,334.56		1,208.80	$ 1.7837
Feb-09	$ 1.9313	1,258.20	$ 2,429.96		1,258.20	$ 1.7837
Mar-09	$ 1.9313	1,078.80	$ 2,083.49		1,078.80	$ 1.7837
Apr-09	$ 1.9313	1,013.60	$ 1,957.57		1,013.60	$ 1.7837
May-09	$ 1.9313	812.50	$ 1,569.18		812.50	$ 1.7837
Jun-09	$ 1.9313	885.50	$ 1,710.17		885.50	$ 1.7837

			2007								2007												
RE	TRANS CONN		STREET LIGHT -Kw	RATE	USAGE KW	TRANS NET		USAGE KW	RATE	TRANS CONN		UNMETERED	RATE	USAGE kWh	TRANS NET		USAGE KW	RATE	TRANS CONN		Network	Transmission
	$ 1,755.30		Jun-07	$ 1.4565	81.02	$ 118.01		81.02	$ 1.3790	$ 111.73		Jun-07	$ 0.0048	7,685.83	$ 36.89		7,685.83	$ 0.0045	$ 34.59		**10,337.14**	**9,823.29**
	$ 1,749.50		Jul-07	$ 1.4565	81.02	$ 118.01		81.02	$ 1.3790	$ 111.73		Jul-07	$ 0.0048	7,685.83	$ 36.89		7,685.83	$ 0.0045	$ 34.59		**12,546.87**	**11,942.24**
	$ 1,783.84		Aug-07	$ 1.4565	83.09	$ 121.02		83.09	$ 1.3790	$ 114.58		Aug-07	$ 0.0048	7,881.39	$ 37.83		7,881.39	$ 0.0045	$ 35.47		**12,326.27**	**11,717.10**
	$ 2,011.32		Sep-07	$ 1.4565	83.09	$ 121.02		83.09	$ 1.3790	$ 114.58		Sep-07	$ 0.0048	7,881.39	$ 37.83		7,881.39	$ 0.0045	$ 35.47		**13,646.17**	**12,990.90**
	$ 1,932.96		Oct-07	$ 1.4565	83.09	$ 121.02		83.09	$ 1.3790	$ 114.58		Oct-07	$ 0.0048	7,870.76	$ 37.78		7,870.76	$ 0.0045	$ 35.42		**9,668.25**	**9,174.03**
	$ 2,071.48		Nov-07	$ 1.4565	90.05	$ 131.16		90.05	$ 1.3790	$ 124.18		Nov-07	$ 0.0048	7,870.76	$ 37.78		7,870.76	$ 0.0045	$ 35.42		**12,400.66**	**11,787.96**
	$ 2,090.96		Dec-07	$ 1.4565	107.1	$ 155.99		107.1	$ 1.3790	$ 147.69		Dec-07	$ 0.0048	7,870.76	$ 37.78		7,870.76	$ 0.0045	$ 35.42		**15,274.46**	**14,530.41**

			2008								2008												
RE	TRANS CONN		STREET LIGHT -Kw	RATE	USAGE KW	TRANS NET		USAGE KW	RATE	TRANS CONN		UNMETERED	RATE	USAGE kWh	TRANS NET		USAGE KW	RATE	TRANS CONN		Network	Transmission
	$ 2,302.95		Jan-08	$ 1.4565	107.1	$ 155.99		107.1	$ 1.3790	$ 147.69		Jan-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**10,063.49**	**9,524.10**
	$ 2,162.33		Feb-08	$ 1.4565	88.7	$ 129.19		88.7	$ 1.3790	$ 122.32		Feb-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**15,314.42**	**14,569.81**
	$ 3,872.48		Mar-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Mar-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**18,664.34**	**17,723.79**
	$ 2,091.48		Apr-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Apr-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**12,118.46**	**11,522.83**
	$ 2,053.56		May-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		May-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**12,288.60**	**11,681.43**
	$ 1,448.53		Jun-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Jun-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**10,805.68**	**10,277.84**
	$ 1,617.48		Jul-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Jul-08	$ 0.0048	8,138.92	$ 39.07		8,138.92	$ 0.0045	$ 36.63		**13,639.95**	**12,995.58**
	$ 1,439.09		Aug-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Aug-08	$ 0.0048	8,687.67	$ 41.70		8,687.67	$ 0.0045	$ 39.09		**11,184.92**	**10,643.98**
	$ 1,619.53		Sep-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Sep-08	$ 0.0048	8,687.67	$ 41.70		8,687.67	$ 0.0045	$ 39.09		**12,567.66**	**11,970.59**
	$ 1,755.21		Oct-08	$ 1.4565	83.9	$ 122.20		83.9	$ 1.3790	$ 115.70		Oct-08	$ 0.0048	8,687.67	$ 41.70		8,687.67	$ 0.0045	$ 39.09		**11,170.25**	**10,617.12**
	$ 2,090.96		Nov-08	$ 1.4565	89.76	$ 130.74		89.76	$ 1.3790	$ 123.78		Nov-08	$ 0.0048	8,208.39	$ 39.40		8,208.39	$ 0.0045	$ 36.94		**14,040.41**	**13,362.70**
	$ 1,841.46		Dec-08	$ 1.4565	107.1	$ 155.99		107.1	$ 1.3790	$ 147.69		Dec-08	$ 0.0048	8,208.39	$ 39.40		8,208.39	$ 0.0045	$ 36.94		**14,247.23**	**13,560.65**

			2009								2009												
RE	TRANS CONN		STREET LIGHT -Kw	RATE	USAGE KW	TRANS NET		USAGE KW	RATE	TRANS CONN		UNMETERED	RATE	USAGE kWh	TRANS NET		USAGE KW	RATE	TRANS CONN		Network	Transmission
	$ 2,156.14		Jan-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		Jan-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**14,270.78**	**13,563.29**
	$ 2,244.25		Feb-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		Feb-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**15,529.90**	**14,782.31**
	$ 1,924.26		Mar-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		Mar-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**15,316.34**	**14,602.57**
	$ 1,807.96		Apr-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		Apr-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**12,153.39**	**11,555.31**
	$ 1,449.26		May-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		May-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**12,383.97**	**11,799.75**
	$ 1,579.47		Jun-09	$ 1.4565	83.90	$ 122.20		83.90	$ 1.3790	$ 115.70		Jun-09	$ 0.0048	8208.00	$ 39.40		8208.00	$ 0.0045	$ 36.94		**10,735.82**	**10,211.42**

Issue 9.2 Monthly Rates and Charges
24 Ref: Exhibit(s) Exhibit 8 Tab 4 Schedule 3 Attachment 1
This exhibit is incomplete.

a. Please provide the proposed Specific Service Charges.

CHE Response
The list of proposed specific service charges are presented in the next page

b. Please identify and substantiate any changed or new charge.

CHE Response
CHE does not propose any changes to its current specific service charges

c. Please review the Conditions of Service and state any charges in the Conditions of Service that are not stated in the current Specific Service Charges and provide justification for the level of the charge.

CHE Response
CHE does not propose any changes to the specific service charges presented in its conditions of service.

c. Please provide the proposed loss adjustment factors.

CHE Response
The revised proposed loss adjustment factor is 1.0579. The derivation of the loss factor is presented in issue 8.1

Specific Service Charges

Customer Administration		
Arrears Certificate	$	15.00
Statement of Account	$	15.00
Duplicate invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Income tax letter	$	15.00
Account history	$	15.00
Credit reference/credit check (plus credit agency costs)	$	25.00
Returned cheques charge (plus bank charges)	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	15.00
Special meter reads	$	20.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	$	20.00
Collection of account charge – no disconnection – after regular hours	$	50.00
Disconnect/Reconnect Charge - At Meter during Regular Hours	$	25.00
Disconnect/Reconnect Charge - At Meter after Regular Hours	$	50.00
Disconnect/Reconnect at pole – during regular hours	$	185.00
Disconnect/Reconnect at pole – after regular hours	$	415.00
Install/Remove load control device – during regular hours	$	25.00
Install/Remove load control device – after regular hours	$	50.00
Service call – customer owned equipment	$	30.00
Service call – after regular hours	$	165.00
Temporary service installation and removal – overhead – no transformer	$	500.00
Temporary service installation and removal – underground – no transformer	$	300.00
Temporary service installation and removal – overhead – with transformer	$	1,000.00
Specific charge for access to power poles $/pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, per request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	$	2.00

10 DEFERRAL AND VARIANCE ACCOUNTS

Issue 10.1 Reconciliation of Balances

25 Ref: Exhibit(s) Exhibit 1 Tab 4 Schedule 2, Attachment 2, and 2008 Audited Financial Statements

CHE's Balance Sheet as of December 31, 2008 shows total Regulatory Liabilities of $155,252. This total includes a debit of $12,810 for Rebasing Costs. The total Regulatory Liabilities as reported on the Audited Financial Statements differ from the amounts reported to the Board under RRR 2.1.7.

a. Please reconcile the amounts reported in the Audited Financial Statements as of December 31, 2008 under Note 5, Regulatory Liabilities (page 11 of the Audited Financial Statements) to the amounts reported to the Board under the annual RRR 2.1.7 filing.

b. Identify the components of any difference between RRR 2.1.7 and the Audited Financial Statements, including an explanation of which other accounts now contain any such difference by component.

CHE Response a) and b):
Two differences were identified between the RRR filing and the financial statements at December 31 2008;

Account #	Description	Total
	RRR 2.1.7 filing for December 31, 2008	(160,412)
	CDM contra account not included in the RRR filing	(8,971)
	RPP settlement account	1,322
5655	Rebasing costs (incurred in 2008)	12,810
	As per Balance Sheet as of Dec 31, 2008	(155,251)

c. State which value should be relied upon in this proceeding, and, if different from the value reported in the 2008 audited financial statements, explain why the Board should rely on the different value.

CHE Response:
The values provided in RateMaker should be relied upon. Updating either the RRR filing or restating the financial statements were not options that were feasible at the time of the application at the time of the application.

Issue 10.2 Continuity of Records
26 Ref: Exhibit(s) Exhibit 9 Tab 1 Schedule 1 Attachment 1

CHE has not used the Continuity Schedule model provided by the Board as per the filing requirements. Please use this path to access this model, and refile the Continuity Schedule:
http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/7_Continuity_Schedule.XLS.
Please file both, Excel as well as PDF versions of the Continuity Schedule.

CHE Responses
CHE submits that the continuity schedule provided in the rate application conforms to the requirements identified under section 2.10.1 of the filing requirements, notwithstanding certain differences in presentation with the form of schedule posted on the Board's web site.
In the interests of assisting Board staff, CHE is submitting the requested form of continuity schedule, in both Excel and PDF versions, along with its interrogatory responses.

b. There appear to be arithmetic errors in this schedule. For example, Account 1508 has an opening principal balance on January 1, 2006 of $4,587, and the changes during 2006 were $1,328. The ending principal balance on page 2 is shown to be $3,516, and not $5,915. Please correct and refile all impacted schedules including the Continuity Schedule model provided by the Board. Please ensure that the amount dispositioned in 2006 EDR are correctly shown on the Continuity Schedule.

CHE Responses
CHE submits that there was in fact an error in the schedule and that the formula had inadvertently been overwritten. The error has been rectified in CHE's rate models. These models will be provided upon request.

c. CHE has not provided the interest rates applied to calculate the carrying charges for the regulatory deferral and variance accounts. Please provide the rates by quarter for each year.
CHE Response
The rates used should be the same as per the OEB website, first column in the table shown at:
http://www.oeb.gov.on.ca/OEB/Industry+Relations/Rules+Codes+Guidelines+and+Forms/Prescribed+Interest+Rates

d. CHE has applied to clear a credit amount of $127,209 for account 1562,

Deferred Payments in Lieu of Taxes. The Board has commenced a proceeding to review PILs, EB-2008-0381. The Board has indicated that the results of this proceeding will inform its policies on the disposition of balances in the PILs accounts 1562, 1563 and 1592. If CHE intends to disposition the balance in PILs account 1562 before the Board reaches its decision on the matters in case EB-2008-0381, please provide reasons.

CHE Responses

CHE recognizes that in its Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR) issued July 31, account 1562 was classified under "Group 2". Accounts classified under group 2 require a prudence review and lend themselves to a disposition threshold. CHE inadvertently included this account in the disposition of balances and thus proposes to remove this account and its balance from the disposition/recovery of deferral of variance account until further direction can be issued.

The impact to the account balance recoveries is a reduction of $127,169 (to $26,772 from $153,941) or a reduction in the amount to be refunded to the customer. CHE proposes to update its rate model accordingly and provide the updated model upon request.

Proposed Rate Rider excluding the disposition of the balance in PILs account 1562

	Residential	General Service Less Than 50 kW	General Service 50 to 4,999 kW	Unmetered Scattered Load	Street Lighting
Proposed Rate Rider	**($0.0012)**	**($0.0008)**	**$0.0508**	**($0.0001)**	**$0.1595**
per	kWh	kWh	kW	kWh	kW

Proposed Rate Rider as per Application

	Residential	General Service Less Than 50 kW	General Service 50 to 4,999 kW	Unmetered Scattered Load	Street Lighting
Proposed Rate Rider	**($0.0058)**	**($0.0046)**	**($1.1469)**	**($0.0067)**	**($1.3292)**
per	kWh	kWh	kW	kWh	kW

Issue 10.3 Account 1588

27 Ref: Exhibit(s) Exhibit 9 Tab 1 Schedule 1 Attachment 1
On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVA Power and Account 1588 RSVA Power Sub-account Global Adjustment. Please confirm whether or not CHE plans on making any changes to its filing with respect to Account 1588.

Preamble: the following is an e-mail from the OEB providing guidelines on the treatment of the disposition of the balance in Account 1588-RSVA Power sub-account Global Adjustment

"The Board's accounting policies and procedures for the global adjustment (GA) sub-account 1588 are clear in that this account balance is attributable to non-Regulated Price Plan ("RPP") customers only. The Accounting Procedures Handbook (APH) in Articles 220 (page 36) and 490 (pages 21-22) specify that Account 1588, RSVAPower, "Sub-account Global Adjustment", is established for the purpose of recording the "net difference" in the global adjustment attributable to non- RPP customers only.

For the purposes of the disposition of the sub-account balance in rates, the "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)" EB-2008-0046, specify that the default cost allocation methodology for the "Sub-account Global Adjustment" would be on kWh basis for non-RPP customers. In terms of the rate design, the distributor may consider a few options when requesting disposition of the balance in a cost of service application. Some options are outlined below.

1. Use the existing deferral and variance rate rider, where the account balance is recovered from /refunded to all Customers in all Rate Classes

2. Use a new and separate variance account rate rider, where the account balance is recovered from /refunded to all Non-RPP Customers only in all Rate Classes

Option 1 allocates the GA sub-account balance to only Non-RPP customers in all customer classes to derive the rate rider. Under this approach however, although the GA is allocated to only Non-RPP customers, all customers (RPP and Non-RPP) will be charged/refunded for the GA amount in the rate rider. The reason for this is that the allocated GA amounts to Non-RPP customers are combined with all other account disposition amounts to derive the rate rider, which does not distinguish Non-RPP from RPP customers. Therefore, a distributor will need to assess the impacts as to whether this approach would pose any material unfairness by including the RPP customers. The onus would be the distributor to make this assessment. The distributor should consider option 2 (below) if this approach is considered inappropriate.

Option 2 is the same as option 1, except that is new and separate rate rider is used. This approach is purer in that it assigns direct cost responsibility associated with the GA account balance to only Non-RPP customers. The determination of the derived GA amount for Non-RPP customers only in each class is done on the same basis as discussed above. However, the Non-RPP allocated amounts for each class are included in a separate rate rider calculation sheet to derive a charge/refund amount for Non-RPP customers only in each class under a new and separate rate rider. The merits for having a separate rate rider could be considered in the context of assigning direct cost responsibility to non-RPP customers only.

Lastly, I suggest that a distributor will need to assess it own customer base (RPP and Non-RPP), classes, billing system, customer relations, etc. in order to make a determination for selecting an option. The distributor should be able to justify its methodology for clearing the GA account balance in rates, be it under one of the options I have identified, or some other method"

Upon receipt of the direction provide by the Board, CHE created a materiality analysis based on both options listed above. The materiality analysis can be found at the next page. After reviewing the bill impact for both options, CHE determined that the option that offered the less impact to customers was the first option; namely that all customers (RPP and Non-RPP) will be charged/refunded for the GA amount in the rate rider.

CHE also provided an update table separating the history of the balance in account 1588 – RSVA Power (excluding the Global Adjustment and account 1588 – RSVA Power – Global Adjustment Sub-account

CHE proposes to amend their model to reflect these changes. The models will be provided when required or requested by the board

Materiality Analysis on Global Adjustment rate rider

Estimated non-RPP kWh's in 2010

	2010 kWh's	% kWh's non-RPP	2010 non-RPP kWh's	Allocation Factor
Residential	19,657,452	8.68%	1,707,030	70.34%
GS < 50 kW	4,976,291	3.69%	183,458	7.56%
GS > 50 kW	4,387,835	12.22%	536,345	22.10%
USL	93,536			
Street Lighting	388,274			
Total	29,503,388		2,426,834	100.00%

GA sub-acct balance as at Dec 31/08

Principal	7,175			
Interest	21			
Total	7,196			
Interest to Apr 1/2010		158	rate:	0.55%
Disposition Amount		7,196		

Option 1: Rate rider for all customers

	Balance Allocation	2010 kWh's/kW's	Rate Rider
	(a)	(b)	(a)/(b)
Residential	5,062	19,657,452	$0.0003
GS < 50 kW	544	4,976,291	$0.0001
GS > 50 kW	1,590	12,779	$0.1245
USL			
Street Lighting			
TOTAL	7,196	24,646,522	

Option 2: Distinct rate rider

	Balance Allocation	2010 kWh's	Rate Rider
	(a)	(b)	(a)/(b)
Residential	5,062	1,707,030	$0.0030
GS < 50 kW	544	183,458	$0.0030
GS > 50 kW	1,590	536,345	$0.0030
USL	0	0	
Street Lighting	0	0	
TOTAL	7,196	2,426,834	

Average Bil Impact

	# Customers	Avg. monthly kWh's / kW's	Option 1 Charge	Option 2 Charge
Residential	1,834	893	$0.23	$2.65
GS < 50 kW	162	2,560	$0.28	$7.59
GS > 50 kW	12	89	$11.04	$0.26
USL	20	0		
Street Lighting	407	0		

	Total Bill 2010		Option 1 Impact	Option 2 Impact
Residential	$100.25		0.2%	2.6%
GS < 50 kW	$286.40		0.1%	2.7%
GS > 50 kW	$3,435.25		0.3%	0.0%

Non-RPP Customer - 2006

CLASS	QUARTER	RRR Filing -kWh		Total kWh as per LF			Percentage non-rpp
		including line losses	no line losses(1.0628)				
Residential	1	-	-				
	2	91,692.00	86,274				
	3	171,567.00	161,429				
	4	206,686.30	194,473				
	Total	469,945.30	442,176.61	18,751,453.00			2.36
Below 50 Kw -Commercial	1	12,797.00	12,041				
	2	17,531.00	16,495				
	3	22,118.00	20,811				
	4	6,076.00	5,717				
		58,522.00	55,063.98	4,878,333.00			1.13
Over 50Kw -Commercial	1	68,465.00	64,419				
	2	27,471.00	25,848				
	3	8,587.00	8,080				
	4	34,179.00	32,159				
		138,702.00	130,506.21				
Over 50Kw -Commercial	1	159,249.00	149,839				
HOEP	2	138,023.00	129,867			4,214,106.00	15.74
	3	133,147.00	125,279				
	4	135,868.00	127,840				
		566,287.00	532,825.56				

Non-RPP Customer - 2007

CLASS	QUARTER	RRR Filing With Adj	kWh's No Ajd(1.0628)				
Residential	1	374,987.00	352,829				
	2	283,010.00	266,287				
	3	455,819.00	428,885				
	4	545,400.00	513,173				
		1,659,216.00	1,561,174.26	19,386,628.00			8.05
Below 50 Kw -Commercial	1	3,555.10	3,345				
	2	39,783.00	37,432				
	3	51,825.00	48,763				
	4	40,783.00	38,373				
		135,946.10	127,913.15	5,051,327.00			2.53
Over 50Kw -Commercial	1	30,694.00	28,880				
	2	3,996.00	3,760				
	3	-	-				
	4	-	-				
		34,690.00	32,640.20				
Over 50Kw -Commercial	1	148,282.00	139,520				
HOEP	2	131,277.00	123,520			4,158,885.00	13.23
	3	135,528.00	127,520				
	4	134,848.00	126,880				
		549,935.00	517,439.78				

Non-RPP Customer - 2008

CLASS	QUARTER	RRR Filing With Adj	kWh's No Ajd(1.0628)				
Residential	1	508,809.00	478,744				
	2	391,496.40	368,363				
	3	482,704.00	454,181				
	4	429,983.00	404,576				
		1,812,992.40	1,705,864.13	19,644,024.00			8.68
Below 50 Kw -Commercial	1	61,597.00	57,957				
	2	40,645.30	38,244				
	3	45,765.00	43,061				
	4	46,839.20	44,072				
		194,846.50	183,333.18	4,972,892.00			3.69
Over 50Kw -Commercial	1	144,710.00	136,159				
HOEP	2	133,807.00	125,900				
	3	139,439.00	131,200				
	4	151,682.00	142,719				
		569,638.00	535,978.55	4,384,838.00			12.22

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%	1-Jan-2005 to 31-Dec-2005					
Deferral / Variance Account	**Open. Principal**	**Changes**	**End. Principal**	**Open. Interest**	**Changes**	**End. Interest**
1508-Other Regulatory Assets		4,587	4,587		112	112
1550-LV Variance Account						
1556-Smart Meters OM&A Variance Account						
1562-Deferred Payments in Lieu of Taxes	(56,101)	(13,418)	(69,519)	(3,158)	(4,422)	(7,580)
1565-Conservation and Demand Management Expenditures and Recoveries		9,928	9,928			
1566-CDM Contra Account		(9,928)	(9,928)			
1580-RSVAWMS	44,160	8,318	52,478	1,501	973	2,474
1584-RSVANW	(24,961)	255	(24,706)	(419)	(1,296)	(1,715)
1586-RSVACN	6,539	(2,206)	4,333	(950)	(1,579)	(2,529)
1588-RSVAPOWER	67,966	106,313	174,278	12,326	11,877	24,203
1598-1588 RSVAPOWER sub-acct GA		5,723	5,723		242	242
TOTAL	**37,603**	**109,572**	**147,175**	**9,300**	**5,906**	**15,206**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%

Deferral / Variance Account	1-Jan-2006 to 31-Dec-2006					
	Open. Principal	Changes	End. Principal	Open. Interest	Changes	End. Interest
1508-Other Regulatory Assets	4,587	1,328	5,915	112	217	329
1550-LV Variance Account		5,204	5,204		179	179
1556-Smart Meters OM&A Variance Account		(3,381)	(3,381)		(52)	(52)
1562-Deferred Payments in Lieu of Taxes	(69,519)	(34,891)	(104,410)	(7,580)	(6,553)	(14,133)
1565-Conservation and Demand Management Expenditures and Recoveries	9,928	(957)	8,971			
1566-CDM Contra Account	(9,928)	957	(8,971)			
1580-RSVAWMS	52,478	(42,708)	9,770	2,474	1,143	3,616
1584-RSVANW	(24,706)	(3,611)	(28,317)	(1,715)	(1,618)	(3,334)
1586-RSVACN	4,333	(40,744)	(36,411)	(2,529)	(2,113)	(4,643)
1588-RSVAPOWER	174,278	(58,672)	115,607	24,203	10,680	34,883
1598-1588 RSVAPOWER sub-acct GA	5,723	1,844	7,568	242	506	748
TOTAL	**147,175**	**(175,630)**	**(28,456)**	**15,206**	**2,388**	**17,594**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%	1-Jan-2007 to 31-Dec-2007					
Deferral / Variance Account	**Open. Principal**	**Changes**	**End. Principal**	**Open. Interest**	**Changes**	**End. Interest**
1508-Other Regulatory Assets	5,915	(664)	5,251	329	116	445
1550-LV Variance Account	5,204	2,822	8,026	179	279	458
1556-Smart Meters OM&A Variance Account	(3,381)	(5,994)	(9,375)	(52)	(294)	(346)
1562-Deferred Payments in Lieu of Taxes	(104,410)	1,515	(102,895)	(14,133)	(4,714)	(18,847)
1565-Conservation and Demand Management Expenditures and Recoveries	8,971		8,971			
1566-CDM Contra Account	(8,971)		(8,971)			
1580-RSVAWMS	9,770	1,905	11,675	3,616	(1,932)	1,685
1584-RSVANW	(28,317)	14,822	(13,495)	(3,334)	2,316	(1,018)
1586-RSVACN	(36,411)	11,713	(24,698)	(4,643)	2,899	(1,744)
1588-RSVAPOWER	115,607	(8,722)	106,884	34,883	(18,156)	16,728
1598-1588 RSVAPOWER sub-acct GA	7,568	779	8,346	748	373	1,121
TOTAL	**(28,456)**	**18,175**	**(10,281)**	**17,594**	**(19,113)**	**(1,518)**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%

Deferral / Variance Account	1-Jan-2008 to 31-Dec-2008					
	Open. Principal	Changes	End. Principal	Open. Interest	Changes	End. Interest
1508-Other Regulatory Assets	5,251		5,251	445	113	558
1550-LV Variance Account	8,026	2,704	10,730	458	337	795
1556-Smart Meters OM&A Variance Account	(9,375)	(5,867)	(15,242)	(346)	(482)	(828)
1562-Deferred Payments in Lieu of Taxes	(102,895)		(102,895)	(18,847)	(4,095)	(22,942)
1565-Conservation and Demand Management Expenditures and Recoveries	8,971		8,971			
1566-CDM Contra Account	(8,971)		(8,971)			
1580-RSVAWMS	11,675	(3,239)	8,435	1,685	446	2,131
1584-RSVANW	(13,495)	(12,646)	(26,141)	(1,018)	(848)	(1,866)
1586-RSVACN	(24,698)	(17,650)	(42,347)	(1,744)	(1,334)	(3,078)
1588-RSVAPOWER	106,884	(35,047)	71,837	16,728	4,487	21,214
1598-1588 RSVAPOWER sub-acct GA	8,346	(1,171)	7,175	1,121	313	1,434
TOTAL	**(10,281)**	**(72,917)**	**(83,197)**	**(1,518)**	**(1,064)**	**(2,582)**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%	31-Dec-2008 Balance			1-Jan-09 to 30-Apr-09		
Deferral / Variance Account	**Principal**	**Interest**	**Total**	**Interest**	**Other**	**Balance**
1508-Other Regulatory Assets	5,251	558	**5,809**	18		5,827
1550-LV Variance Account	10,730	795	**11,525**	36		11,561
1556-Smart Meters OM&A Variance Account	(15,242)	(828)	(16,070)	(51)		(16,121)
1562-Deferred Payments in Lieu of Taxes	(102,895)	(22,942)	**(125,837)**	(343)		(126,180)
1565-Conservation and Demand Management Expenditures and Recoveries	8,971		**8,971**			8,971
1566-CDM Contra Account	(8,971)		**(8,971)**			(8,971)
1580-RSVAWMS	8,435	2,131	**10,566**	28		10,594
1584-RSVANW	(26,141)	(1,866)	**(28,008)**	(87)		(28,095)
1586-RSVACN	(42,347)	(3,078)	**(45,425)**	(141)		(45,567)
1588-RSVAPOWER	71,837	21,214	**93,051**	239		93,291
1598-1588 RSVAPOWER sub-acct GA	7,175	1,434	8,609	24		8,633
TOTAL	**(83,197)**	**(2,582)**	**(85,779)**	**(277)**		**(86,057)**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%	1-May-09 to 31-Dec-09			1-Jan-10 to 30-Apr-10		
Deferral / Variance Account	**Interest**	**Other**	**Balance**	**Interest**	**Other**	**Balance**
1508-Other Regulatory Assets	35		5,862	18		5,879
1550-LV Variance Account	72		11,633	36		11,668
1556-Smart Meters OM&A Variance Account	(102)		(16,222)	(51)		(16,273)
1562-Deferred Payments in Lieu of Taxes	(686)		(126,866)	(343)		(127,209)
1565-Conservation and Demand Management Expenditures and Recoveries			8,971			8,971
1566-CDM Contra Account			(8,971)			(8,971)
1580-RSVAWMS	56		10,651	28		10,679
1584-RSVANW	(174)		(28,269)	(87)		(28,356)
1586-RSVACN	(282)		(45,849)	(141)		(45,990)
1588-RSVAPOWER	479		93,770	239		94,009
1598-1588 RSVAPOWER sub-acct GA	48		8,681	24		8,705
TOTAL	**(555)**		**(86,611)**	**(277)**		**(86,888)**

B5 Deferral / Variance Account Balances

Interest Rate (from sheet Y1) = 1.00%	31-Dec-08 Balance + Interest to 30-Apr-10			1-May-10 to 31-Dec-10		
Deferral / Variance Account	**31-Dec-08**	**Interest**	**Total**	**Interest**	**Other**	**Balance**
1508-Other Regulatory Assets	5,809	70	5,879	35		5,914
1550-LV Variance Account	11,525	143	11,668	72		11,740
1556-Smart Meters OM&A Variance Account	(16,070)	(203)	(16,273)	(102)		(16,375)
1562-Deferred Payments in Lieu of Taxes	(125,837)	(1,372)	(127,209)	(686)		(127,895)
1565-Conservation and Demand Management Expenditures and Recoveries	8,971		8,971			8,971
1566-CDM Contra Account	(8,971)		(8,971)			(8,971)
1580-RSVAWMS	10,566	112	10,679	56		10,735
1584-RSVANW	(28,008)	(349)	(28,356)	(174)		(28,531)
1586-RSVACN	(45,425)	(565)	(45,990)	(282)		(46,272)
1588-RSVAPOWER	93,051	958	94,009	479		94,488
1598-1588 RSVAPOWER sub-acct GA	8,609	96	8,705	48		8,752
TOTAL	**(85,779)**	**(1,109)**	**(86,888)**	**(555)**		**(87,443)**

Issue 10.4 Rate Rider Calculation

28 Ref: Exhibit(s) Exhibit 9 Tab 2 Schedule 1 Attachment 2

Board staff has reviewed the determination of the proposed rate riders for conformance to Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative, EB-2008-0046, July 31, 2009.

a. Please explain why CHE is allocating Account 1550 LV Variance Account on the basis of transmission connection revenue rather than class kWh?

CHE Response:
CHE allocated the account balance based on transmission connection revenue in accordance with the practice in effect at the time the rate application was prepared. CHE agrees to modify the allocation on the basis of class kWh's. CHE proposes to amend their rate model and file them when requested and required.

b. Please explain why CHE has determined the unit rate based on forecasted volumes rather than the most recent Board-approved volumes?

CHE Response:
CHE submits that the proposed forecasted volumes are more likely to ensure the intended dispositions are achieved, and will in fact constitute the most recent Board-approved volumes at the time the rate riders come into effect. CHE proposes to amend the forecasted volumes to the extent any changes are made to the forecast approved in the Board's decision on this rate application.

Summary of proposed updates

Updates impacting RR	**$ impact**
Update to depreciation expense	($2,193.00)
Removal of IFRS Costs	($15,184.00)
Increase to Regulatory Costs	$2,530.00
Update to Loss Factor	($242.00)
Update PILs to 16% blended tax rate	($663.00)
Total	**($15,752.00)**
Other factors affecting total bill	**$ impact**
Removal of disposition of the 1562 deferral account. (results in a reduction in the amount to be refunded to the customer)	$127,169
Smart meter rate adder (1.33 from 1.32)	0.01/meter/ month
1588 sub account rate-rider	Approx 0.23/month