

**Board staff Supplemental Interrogatories
2010 Electricity Distribution Rates
Kitchener-Wilmot Hydro Inc. ("KW Hydro")
EB-2009-0267**

Administration

26. Responses to Letters of Comment

- a) Following publication of the Notice of Application and Hearing, has KW Hydro received any letters of comment?
- b) If so, please confirm whether a reply was sent from KW Hydro to the customer.
 - i) If confirmed, please file that reply with the Board.
 - ii) If not confirmed, please explain why a response was not sent and confirm if KW Hydro intends on responding. If so, please file that response with the Board.

27. Harmonized Sales Tax

It is possible that the PST and GST may be harmonized effective July 1, 2010.

In the event that PST and GST are harmonized into the Harmonized Sales Tax effective July 1, 2010:

- a) Would KW Hydro agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?
- b) Are there other alternatives that the Board might consider to reflect the reductions in OM&A and Capex if harmonization of the PST and GST is enacted?

Depreciation Expense

28. Ref: Exhibit 4/Page 53 and VECC IR #29

On page 53 of Exhibit 4, KW Hydro states that: "Normally a full year's amortization is taken on capital additions during the current year. For this application, KW Hydro used the half year rule for calculating depreciation expense for the 2010 Test Year."

In response to VECC IR #29, KW Hydro provided the following table showing the depreciation expense calculation for Accounts 1815 and 1850:

Account	Account Description	2009 Depreciation Expense	2010 Capital Additions	Depreciation Rate	2010 Incremental Depreciation Expense	2010 Depreciation Expense
1815	Transformer Station Equipment - Normally Primary above 50 kV	989,635	15,201,162	2.50%	380,029	1,369,664
1850	Line Transformers	2,016,727	2,480,865	4%	99,235	2,115,962

- a) Please confirm that the calculation of the 2010 incremental depreciation expense for capital additions in 2010 for each of the accounts shown above is based on a full year's depreciation.
- b) Please explain why the full year's depreciation expense is calculated for these accounts when KW Hydro has stated that it has used the half year rule in this application.
- c) KW Hydro appears to use a complicated method for calculating depreciation/amortization expense for capital assets, in that pooled assets are given a full year's amortization, identifiable assets are amortized on a pro rate basis from the month that the asset goes into service, and KW Hydro uses the half year rule for rate regulation purposes.
 - i) Please confirm or correct the above summary of KW Hydro's depreciation expense policy.
 - ii) Please explain how long KW Hydro has used this policy, and KW Hydro's reasons for preferring this approach.

Operating Expenses

29. Ref: Energy Probe interrogatory # 23

In the response to Energy Probe IR # 23 e), KW Hydro agrees that the year-to-date inflation factor for 2010 for non-labour expenses should be used as an adjustment for the inflation at the time that the Board makes its Decision in this case.

- a) Please explain further what inflation factor should be used. Is KW Hydro agreeing to the change in the Gross Domestic Product – Implicit Price Index (Final Domestic Demand) ("GDP-IPI (FDD)") as discussed in the response to VECC IR # 23 b)?
- b) What is meant by the year-to-date inflation factor for 2010? If this measure is used, please provide KW Hydro's views as to whether the inflation adjustment should be based on the percentage change in the measure (e.g. GDP-IPI (FDD)) over the most recent 12-months of data as published by Statistics Canada relative to the 12-month period preceding it. For example, if the most recent published data was for 2009 Q3, the inflation would be calculated as the percentage change in the GDP-IPI (FDD) for the period 2008 Q4 to 2009 Q3 inclusive, relative to GDP-IPI (FDD) for the period 2007 Q4 to 2008 Q3. If KW Hydro is agreeing to or proposing an alternative calculation, please show and justify the methodology proposed.

Load Forecasting

30. Ref: VECC interrogatory # 15

- a) Please provide a copy of the Ontario Ministry of Finance fall update for the 2009 Ontario Economic Outlook and Fiscal Review issued on October 22, 2009 and referenced in the response to VECC IR # 15 e)
- b) Please provide any subsequent updates of this document, if available.
- c) Is KW Hydro proposing any update to its load forecast in light of the October 22, 2009 and subsequent economic updates? Please explain your response.

Deferral and Variance Accounts

31. Ref: Exhibit 7/Page 16/Table 5 and Board staff interrogatory # 23

KW Hydro documents in Table 5 of Exhibit 7 that the kWh for non-RPP customers is used as the allocator for the sub-account of account 1588 for Power (Global Adjustment).

- a) Please provide a variation on Table 5 of Exhibit 7 excluding the Power (GA) sub-account from the calculations.
- b) Please calculate a separate rate rider for the recovery of the proposed balance of subaccount Power – Global adjustment of account 1588 using the amounts shown in 2010 and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant. If KW Hydro does not have a forecast for 2010 non-RPP consumption data, please use 2008 actuals to determine this rate rider.
- c) If KW Hydro were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide KW Hydro's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- d) If the answer to c) is in the negative, does KW Hydro have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the disposition of the account 1588 subaccount Power (Global Adjustment) balance would apply?