



Jerry Van Ooteghem
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December 22, 2009

BY COURIER

Energy Probe Research Foundation
225 Brunswick Avenue
TORONTO, ON M5S 2M6
Attn: David MacIntosh

Re: EB Number: EB-2009-0267
Kitchener-Wilmot Hydro Inc. Response to Energy Probe Interrogatories
2010 Electricity Distribution Rates, Licence No. ED-2002-0573

Dear Mr. MacIntosh:

On November 16, 2009, Kitchener-Wilmot Hydro Inc. (KWHI) submitted its responses to Board Staff interrogatories as per the Board's Procedural Order #1 dated October 15, 2009. Subsequently, on December 2, 2009, the Board issued Procedural Order #2, allowing for the exchange of a supplemental set of interrogatories.

The second round of interrogatories were issued to KWHI by Board Staff and registered Intervenor per the Board's Order. KWHI now files its responses to those interrogatories.

A copy of this package has been electronically filed through the Ontario Energy Board's RESS system and emailed to the Board Secretary. The original has been couriered to the Board's offices.

Should you require any further information or clarification of any of the above, kindly contact the writer.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng.

President & CEO

cc All Intervenor



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President & C.E.O
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December 22, 2009

BY COURIER

Aiken & Associates
578 Mcnaughton Avenue West
CHATHAM, ON N7L 4J6
Attn: Randy Aiken

Re: EB Number: EB-2009-0267
Kitchener-Wilmot Hydro Inc. Response to Energy Probe Interrogatories
2010 Electricity Distribution Rates, Licence No. ED-2002-0573

Dear Mr. Aiken:

On November 16, 2009, Kitchener-Wilmot Hydro Inc. (KWHI) submitted its responses to Board Staff interrogatories as per the Board's Procedural Order #1 dated October 15, 2009. Subsequently, on December 2, 2009, the Board issued Procedural Order #2, allowing for the exchange of a supplemental set of interrogatories.

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Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng.

President & CEO

cc All Intervenor

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an Application by Kitchener-
Wilmot Hydro Inc. for an Order or Orders approving or
fixing just and reasonable distribution rates and other
charges, effective May 1, 2010.

**SECOND ROUND
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 11, 2009

**KITCHENER-WILMOT HYDRO INC.
2010 RATES REBASING CASE
EB-2009-0267**

**ENERGY PROBE RESEARCH FOUNDATION
SECOND ROUND INTERROGATORIES**

Interrogatory # 37

Ref: Energy Probe Interrogatory #1

In interrogatory responses to Energy Probe interrogatories (Exhibit H, Table 3, Schedule 12, 21 & 22) as part of its distribution rate case for 2010 and 2011 (EB-2009-0096) Hydro One indicates that a process will be developed to estimate the savings in OM&A and capital expenditures costs after July 1, 2010, that result from the PST/GST harmonization and that such estimated savings will be reflected in the deferral Account 1592.

- a) Does KW Hydro agree that the establishment of such a process is appropriate given the unknown amounts and uncertainty surrounding the impact on costs related to harmonization at this time?

Response

See Board Staff Interrogatory #27

- b) Does KW Hydro have any suggestions as to the most accurate way to estimate the savings in OM&A and capital expenditures costs after July 1, 2010 that result from the PST/GST harmonization? If yes, please provide details.

Response

See Board Staff Interrogatory #27

Interrogatory # 38

Ref: Energy Probe Interrogatory #3 a

The response provided that KW Hydro expects to have an updated to both capital and operating budgets by the end of November 2009.

- a) Please provide revised Tables 1, 7 & 8 of Exhibit 2, as well as the fixed asset continuity schedules shown in Tables 15 & 16 that reflect the updated capital budgets for 2009 and 2010.**

Response

PLEASE NOTE THAT THE REVISED NUMBERS ARE KW HYDRO'S INTERNALLY UPDATED BUDGETS AND DO NOT REFLECT ADJUSTMENTS THAT WOULD BE MADE THROUGH A RATE REBASING PROCESS ; HOWEVER, SMART METER ADJUSTMENTS ARE COMPLETED.

Table 1 Revised below. Note that 2009 and 2010 are the only years that have been revised.

The primary driver for the changes in 2009 and 2010 is the failure, during test, of the two large power transformers for Wilmot TS #9, which will delay the delivery (and remaining payments) for these two large units until early 2010.

Revised 2004 - 2012 Capital Expenditures Summary

OEB	Description	2004	2005	2006	2007	2008	Revised 2009	Revised 2010	2011	2012
1805	Land	829,040	1,590	10,988	187,113	-	-	-	-	-
1806	Land Rights	-	-	3,750	-	-	-	-	-	-
1808	Buildings and Fixtures	7,207	321,129	163,753	202,930	1,295,001	659,000	141,400	-	-
1815	Transformer Station Equipment	3,455,835	1,322,864	483,853	1,035,485	3,642,662	3,940,900	10,396,200	2,800,000	1,700,000
1820	Distribution Station Equipment	-	-	-	94,049	-	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,258,004	1,434,052	1,390,966	2,178,610	1,834,566	1,568,000	1,886,700	2,859,200	3,289,200
1835	OH - Conductors and Devices	1,579,147	1,357,555	1,118,232	1,784,515	1,589,150	1,625,000	1,540,000	2,604,200	3,060,900
1840	UG - Conduit and Ductwork	1,012,674	1,673,095	1,293,290	1,010,458	1,822,499	1,168,000	1,380,000	2,061,100	2,178,500
1845	UG - Conductors and Cables	1,355,278	1,530,613	1,770,876	1,738,628	1,098,326	1,176,000	2,045,700	1,090,400	1,198,400
1850	Line Transformers	1,935,318	2,500,991	3,014,360	2,749,860	2,305,447	2,060,000	2,488,700	3,529,600	3,730,900
1855	Services	2,503,715	2,697,447	3,368,862	3,197,482	2,200,140	1,986,000	1,991,900	2,250,700	2,443,600
1860	Meters	396,251	457,810	508,196	468,307	293,785	301,400	385,000	625,000	625,000
1908	Buildings and Fixtures	1,315,350	66,476	115,216	328,227	-	-	-	-	200,000
1915	Office Equipment	53,841	63,344	64,565	61,092	53,254	60,000	63,000	65,000	65,000
1920	Computer Hardware	130,715	253,520	420,290	174,716	170,702	339,100	307,500	200,000	292,500
1925	Computer Software	296,691	186,516	235,380	277,283	294,549	182,900	287,500	500,000	357,500
1930	Transportation Equipment	293,342	1,116,613	605,712	852,979	714,591	711,800	865,000	900,000	900,000
1935	Stores Equipment	-	-	-	-	-	2,400	1,000	-	-
1940	Tools, Shop and Garage Equipment	58,596	70,605	70,458	42,854	158,954	75,200	73,000	100,000	100,000
1945	Measurement and Testing Equipment	24,871	8,424	5,184	29,495	18,501	10,900	12,000	-	-
1950	Power Operated Equipment	-	-	19,527	156,347	101,679	118,200	-	-	-
1955	Communication Equipment	-	-	-	99,514	-	-	-	-	-
1960	Miscellaneous Equipment	-	18,443	-	-	6,183	-	-	-	-
1980	System Supervisory Equipment	37,778	-	-	-	-	-	-	-	-
CAPITAL EXPENDITURES		16,543,654	15,081,086	14,663,461	16,669,946	17,599,990	15,984,800	23,864,600	19,585,200	20,141,500
	\$\$ Increase / (Decrease)		(1,462,568)	(417,625)	2,006,485	930,044	(1,615,190)	7,879,800	(4,279,400)	556,300
	% Increase / (Decrease)		(8.8%)	(2.8%)	13.7%	5.6%	(9.2%)	49.3%	(17.9%)	2.8%

Table 7 Revised below. Note Contributed Capital reduced by \$800K in 2009.

Revised 2009 Capital Expenditures					
OEB	Description	Bridge	WIP	WIP	Change to Rate Base
		2009	Year End 2008	Year End 2009	2009
1805	Land	-	-	-	-
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	659,000	1,486,285	(2,077,420)	67,865
1815	Transformer Station Equipment	3,940,900	3,575,052	(6,367,405)	1,148,547
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,568,000	352,391	(265,100)	1,655,291
1835	OH - Conductors and Devices	1,625,000	174,251	(141,500)	1,657,751
1840	UG - Conduit and Ductwork	1,168,000	293,531	(285,200)	1,176,331
1845	UG - Conductors and Cables	1,176,000	88,922	(110,800)	1,154,122
1850	Line Transformers	2,060,000	122,471	(194,300)	1,988,171
1855	Services	1,986,000	165,389	(403,800)	1,747,589
1860	Meters	301,400	-	-	301,400
1908	Buildings and Fixtures	-	-	-	-
1915	Office Equipment	60,000	-	-	60,000
1920	Computer Hardware	339,100	-	-	339,100
1925	Computer Software	182,900	35,000	(35,000)	182,900
1930	Transportation Equipment	711,800	516,269	(510,000)	718,069
1935	Stores Equipment	2,400	-	-	2,400
1940	Tools, Shop and Garage Equipment	75,200	-	-	75,200
1945	Measurement and Testing Equipment	10,900	-	-	10,900
1950	Power Operated Equipment	118,200	-	-	118,200
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		15,984,800	6,809,560	(10,390,525)	12,403,836
	Additions 2009	10,403,836			
	Contributed Capital	2,000,000			
	Total	12,403,836			

Table 8 Revised below. Note that Contributed Capital is expected to remain at \$2.8M as originally forecast for 2010, rather than being reduced to \$2.0M as answered in Energy Probe Interrogatory #4. The reduction of \$0.8M only applied to year 2009.

Revised 2010 Capital Expenditures					
OEB	Description	Test	WIP	WIP	Change to Rate Base
		2010	Year End 2009	Year End 2010	2010
1805	Land	-	-	-	-
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	141,400	2,077,420	(55,922)	2,162,898
1815	Transformer Station Equipment	10,396,200	6,367,405	(2,379,681)	14,383,924
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,886,700	265,100	(365,365)	1,786,435
1835	OH - Conductors and Devices	1,540,000	141,500	(184,960)	1,496,540
1840	UG - Conduit and Ductwork	1,380,000	285,200	(298,824)	1,366,376
1845	UG - Conductors and Cables	2,045,700	110,800	(263,127)	1,893,373
1850	Line Transformers	2,488,700	194,300	(213,235)	2,469,765
1855	Services	1,991,900	403,800	(420,062)	1,975,638
1860	Meters	385,000	-	-	385,000
1908	Buildings and Fixtures	-	-	-	-
1915	Office Equipment	63,000	-	-	63,000
1920	Computer Hardware	307,500	-	-	307,500
1925	Computer Software	287,500	35,000	-	322,500
1930	Transportation Equipment	865,000	510,000	(715,000)	660,000
1935	Stores Equipment	1,000	-	-	1,000
1940	Tools, Shop and Garage Equipment	73,000	-	-	73,000
1945	Measurement and Testing Equipment	12,000	-	-	12,000
1950	Power Operated Equipment	-	-	-	-
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		23,864,600	10,390,525	(4,896,175)	29,358,949
	Additions 2010	26,558,949			
	Contributed Capital	2,800,000			
	Total	29,358,949			

Table 15 Revised below.

Revised Fixed Asset Continuity Schedule (Distribution & Operations)										
as at December 31, 2009										
OEB	Description	Cost				Accumulated Depreciation				Net Book Value
		Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
1805	Land	2,331,738			2,331,738	0			0	2,331,738
1806	Land Rights	265,449			265,449	244,610	2,700.00		247,310	18,139
1808	Buildings and Fixtures	6,227,536	67,865		6,295,401	1,561,369	118,300.77		1,679,670	4,615,731
1810	Leasehold Improvements	0			0	0	-		0	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	38,712,090	1,148,547		39,860,637	13,689,712	983,785.78		14,673,498	25,187,139
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,853,105			2,853,105	1,733,558	77,456.79		1,811,015	1,042,089
1825	Storage Battery Equipment	0			0	0	-		0	0
1830	Poles, Towers and Fixtures	25,851,567	1,655,291	505,439	27,001,419	10,871,393	1,114,575.69	505,439	11,480,530	15,520,889
1835	Overhead Conductors and Devices	29,774,758	1,657,751	697,480	30,735,029	14,001,767	1,277,028.44	697,480	14,581,315	16,153,713
1840	Underground Conduit	20,010,044	1,176,331		21,186,375	8,096,264	897,679.24		8,993,943	12,192,432
1845	Underground Conductors and Devices	35,933,596	1,154,122		37,087,718	17,898,677	1,608,175.06		19,506,852	17,580,866
1850	Line Transformers	48,710,018	1,988,171	389,183	50,309,007	23,857,364	2,004,930.76	389,183	25,473,112	24,835,895
1855	Services	36,788,796	1,747,589	63,845	38,472,540	14,275,083	1,620,534.65	63,845	15,831,773	22,640,767
1860	Meters	11,606,960	301,400		11,908,360	5,953,616	472,032.71		6,425,648	5,482,711
1861	Smart Meters	0			0	0	-		0	0
1905	Land	1,395,300			1,395,300	0	-		0	1,395,300
1906	Land Rights	0			0	0	-		0	0
1908	Buildings and Fixtures	9,369,791			9,369,791	2,896,573	166,170.41		3,062,743	6,307,048
1910	Leasehold Improvements	0			0	0	-		0	0
1915	Office Furniture and Equipment	969,240	60,000	30,300	998,940	683,091	49,200.00	30,300	701,991	296,949
1920	Computer Equipment - Hardware	2,179,346	339,100	243,300	2,275,146	1,582,539	236,500.00	243,300	1,575,739	699,408
1925	Computer Software	2,360,459	182,900		2,543,359	1,650,178	269,600.00		1,919,778	623,580
1930	Transportation Equipment	6,874,197	718,069	410,500	7,181,766	4,524,920	645,500.00	410,500	4,759,920	2,421,847
1935	Stores Equipment	36,630	2,400		39,030	36,630			36,630	2,400
1940	Tools, Shop and Garage Equipment	828,508	75,200	49,700	854,008	454,527	72,657.50	49,700	477,484	376,524
1945	Measurement and Testing Equipment	622,261	10,900	48,000	585,161	504,343	44,011.21	48,000	500,354	84,807
1950	Power Operated Equipment	680,955	118,200	39,500	759,655	343,143	62,119.79	39,500	365,763	393,892
1955	Communication Equipment	173,729			173,729	84,996	12,411.50		97,407	76,322
1960	Miscellaneous Equipment	30,566			30,566	19,688	6,200.00		25,888	4,678
1970	Load Management Controls - Customer Premises	0			0	0			0	0
1975	Load Management Controls - Utility Premises	0			0	0			0	0
1980	System Supervisory Equipment	1,608,893		9,061	1,599,832	1,296,759	71,682.82	9,061	1,359,381	240,451
1985	Sentinel Lighting Rentals	0			0	0			0	0
1990	Other Tangible Property	0			0	0			0	0
1995	Contributions and Grants	(35,269,965)	(2,000,000)		(37,269,965)	(6,363,499)	(1,203,200)		(7,566,699)	(29,703,266)
	Total before Work in Process	250,925,565	10,403,836	2,486,307	258,843,093	119,897,299	10,610,053	2,486,307	128,021,045	130,822,048
2070	Other Utility Plant	551,269		41,269	510,000					510,000
WIP	Work in Process	6,258,291	4,132,234		10,390,525	0	0		0	10,390,525
	Total after Work in Process	257,735,125	14,536,069	2,527,576	269,743,618	119,897,299	10,610,053	2,486,307	128,021,045	141,722,573

Table 16 Revised below.

Revised Fixed Asset Continuity Schedule (Distribution & Operations)										
as at December 31, 2010										
		Cost				Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	2,331,738			2,331,738	0			0	2,331,738
1806	Land Rights	265,449			265,449	247,310	2,700		250,010	15,439
1808	Buildings and Fixtures	6,295,401	2,162,898		8,458,299	1,679,670	161,559		1,841,229	6,617,070
1810	Leasehold Improvements	0			0	0	-		0	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	39,860,637	14,383,924		54,244,561	14,673,498	1,343,384		16,016,881	38,227,679
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,853,105			2,853,105	1,811,015	77,457		1,888,472	964,633
1825	Storage Battery Equipment	0			0	0	-		0	0
1830	Poles, Towers and Fixtures	27,001,419	1,786,435	529,910	28,257,944	11,480,530	1,186,033	529,910	12,136,653	16,121,291
1835	Overhead Conductors and Devices	30,735,029	1,496,540	731,249	31,500,320	14,581,315	1,336,890	731,249	15,186,956	16,313,364
1840	Underground Conduit	21,186,375	1,366,376	601,433	21,951,317	8,993,943	952,334	601,433	9,344,844	12,606,473
1845	Underground Conductors and Devices	37,087,718	1,893,373	1,492,881	37,488,210	19,506,852	1,683,910	1,492,881	19,697,881	17,790,329
1850	Line Transformers	50,309,007	2,480,865	2,004,412	50,785,460	25,473,112	2,104,165	2,004,412	25,572,865	25,212,594
1855	Services	38,472,540	1,964,538	987,325	39,449,753	15,831,773	1,699,116	987,325	16,543,564	22,906,189
1860	Meters	11,908,360	385,000	374,316	11,919,043	6,425,648	497,699	374,316	6,549,031	5,370,012
1861	Smart Meters	0			0	0			0	0
1905	Land	1,395,300			1,395,300	0			0	1,395,300
1906	Land Rights	0			0	0			0	0
1908	Buildings and Fixtures	9,369,791			9,369,791	3,062,743	166,170		3,228,913	6,140,877
1910	Leasehold Improvements	0			0	0			0	0
1915	Office Furniture and Equipment	998,940	63,000	30,300	1,031,640	701,991	54,800	30,300	726,491	305,149
1920	Computer Equipment - Hardware	2,275,146	307,500	243,300	2,339,346	1,575,739	265,900	243,300	1,598,339	741,008
1925	Computer Software	2,543,359	322,500		2,865,859	1,919,778	396,500		2,316,278	549,580
1930	Transportation Equipment	7,181,766	660,000	507,900	7,333,866	4,759,920	663,000	507,900	4,915,020	2,418,847
1935	Stores Equipment	39,030			39,030	36,630			36,630	2,400
1940	Tools, Shop and Garage Equipment	854,008	73,000	49,700	877,308	477,484	96,940	49,700	524,724	352,584
1945	Measurement and Testing Equipment	585,161	12,000	48,000	549,161	500,354	58,720	48,000	511,074	38,087
1950	Power Operated Equipment	759,655	1,000	76,700	683,955	365,763	82,881	76,700	371,943	312,011
1955	Communication Equipment	173,729			173,729	97,407	16,559		113,967	59,762
1960	Miscellaneous Equipment	30,566			30,566	25,888	3,700		29,588	978
1970	Load Management Controls - Customer Premises	0			0	0			0	0
1975	Load Management Controls - Utility Premises	0			0	0			0	0
1980	System Supervisory Equipment	1,599,832		33,352	1,566,480	1,359,381	71,683	33,352	1,397,712	168,768
1985	Sentinel Lighting Rentals	0			0	0			0	0
1990	Other Tangible Property	0			0	0			0	0
1995	Contributions and Grants	(37,269,965)	(2,800,000)		(40,069,965)	(7,566,699)	(1,315,200)		(8,881,899)	(31,188,066)
		0			0	0			0	0
	Total before Work in Process	258,843,093	26,558,949	7,710,779	277,691,263	128,021,045	11,606,901	7,710,779	131,917,167	145,774,096
2070	Other Utility Plant	510,000	205,000		715,000	0			0	715,000
	Work in Process	10,390,525	(6,209,350)		4,181,175	0			0	4,181,175
	Total after Work in Process	269,743,618	20,554,599	7,710,779	282,587,438	128,021,045	11,606,901	7,710,779	131,917,167	150,670,271

- b) Please provide revised Tables 1 & 5 of Exhibit 4 that reflect the updated operating budgets for 2009 and 2010.

Response

PLEASE NOTE THAT THE REVISED NUMBERS ARE KW HYDRO'S INTERNALLY UPDATED BUDGETS AND DO NOT REFLECT ADJUSTMENTS THAT WOULD BE MADE THROUGH A RATE REBASING PROCESS; HOWEVER, SMART METER ADJUSTMENTS ARE COMPLETED.

Table 1 Revised below.

Main changes to the budget for 2009 include 4 Powerline Technician vacancies not filled until December 2009 and 1 Engineering vacancy was filled in May of 2009.

Revised Summary of Operating Costs	
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[illegible]

Table 5 Revised below.

Revised Detailed, Account by Accounts, OM&A Expense Table						
Expense Description	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Adjusted	2010 Adjusted
Operation						
5005-Operation Supervision and Engineering	370,542.44	405,729.22	441,668.18	445,714.40	533,100.00	659,600.00
5010-Load Dispatching	424,771.69	506,821.96	566,957.17	578,537.89	630,000.00	659,000.00
5012-Station Buildings and Fixtures Expense	0.00	0.00	0.00	0.00	0.00	0.00
5014-Transformer Station Equipment-Operation Labour	258,275.01	255,544.36	281,926.97	280,485.55	297,850.00	307,920.00
5015-Transformer Station Equipment-Operation Supplies & Expenses	240,892.63	319,406.36	295,842.08	471,004.00	500,150.00	517,080.00
5016-Distribution Station Equipment-Operation Labour	10,154.70	7,455.03	8,140.48	7,829.39	8,030.00	8,350.00
5017-Distribution Station Equipment-Operation Supplies & Expenses	7,989.91	8,498.51	9,262.14	16,544.96	16,970.00	17,650.00
5020-Overhead Distribution Lines & Feeders-Operation Labour	27,060.47	31,125.94	20,897.74	41,591.04	14,830.00	29,650.00
5025-Overhead Distribution Lines & Feeders-Operation Supplies & Expenses	24,045.38	38,785.87	27,559.61	56,600.45	20,170.00	40,350.00
5030-Overhead Subtransmission Feeders-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5035-Overhead Distribution Transformers-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5040-Underground Distribution Lines & Feeders-Operation Labour	397,489.54	367,347.91	283,128.48	295,343.14	287,490.00	318,300.00
5045-Underground Distribution Lines & Feeders-Operation Supplies & Expenses	8,482.87	76,552.12	114,150.14	140,307.87	132,510.00	146,700.00
5050-Underground Subtransmission Feeders-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5055-Underground Distribution Transformers-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5065-Meter Expense	494,721.23	520,537.25	638,217.67	611,647.72	325,000.00	353,000.00
5070-Customer Premises-Operation Labour	12,970.63	7,914.32	11,293.86	14,955.31	9,130.00	10,040.00
5075-Customer Premises-Materials and Expenses	10,743.49	9,069.71	12,911.00	17,820.52	10,870.00	11,960.00
5090-Underground Distribution Lines & Feeders-Rental Paid	23,167.65	12,460.80	4,756.04	21,503.41	20,000.00	20,000.00
5095-Overhead Distribution Lines & Feeders-Rental Paid	(9,729.45)	18,470.55	16,390.55	16,398.00	20,000.00	22,000.00
5096-Other Rent	150.00	150.00	150.00	0.00	0.00	0.00
Subtotal - Operation	2,301,728.19	2,585,869.91	2,733,252.11	3,016,283.65	2,826,100.00	3,121,600.00

Maintenance	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5105-Maintenance Supervision and Engineering	0.00	0.00	0.00	0.00	0.00	0.00
5110-Maintenance of Buildings and Fixtures-Distribution Stations	128,113.47	124,163.66	86,334.05	92,560.36	108,700.00	116,000.00
5112-Maintenance of Transformer Station Equipment	494,638.86	552,488.61	465,660.32	400,378.23	365,000.00	480,000.00
5114-Maintenance of Distribution Station Equipment	78,810.55	52,148.38	66,880.16	34,838.39	60,000.00	40,000.00
5120-Maintenance of Poles, Towers and Fixtures	198,040.00	288,872.62	303,297.39	306,343.94	300,000.00	325,000.00
5125-Maintenance of Overhead Conductors and Devices	469,181.08	451,455.16	519,840.19	732,539.59	890,000.00	880,000.00
5130-Maintenance of Overhead Services	850,411.84	1,061,866.18	1,120,163.37	1,291,210.17	1,250,000.00	1,380,000.00
5135-Overhead Distribution Lines and Feeders-Right of Way	0.00	0.00	330.86	6,490.91	0.00	0.00
5145-Maintenance of Underground Conduit	194,523.65	466,775.29	374,783.42	241,910.55	205,000.00	360,000.00
5150-Maintenance of Underground Conductors and Devices	292,142.94	275,960.03	354,099.26	417,729.21	420,000.00	490,000.00
5155-Maintenance of Underground Services	248,588.20	130,662.74	102,441.36	200,094.86	190,000.00	225,000.00
5160-Maintenance of Line Transformers	161,556.56	197,436.30	210,596.33	244,026.71	285,000.00	340,000.00
5175-Maintenance of Meters	566.66	428.23	1,118.90	194.64	500.00	500.00
Subtotal - Maintenance	3,116,573.81	3,602,257.20	3,605,545.61	3,968,317.56	4,074,200.00	4,636,500.00
Billing and Collections	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5305-Supervision	181,803.46	186,284.84	213,070.44	191,383.27	189,900.00	207,900.00
5310-Meter Reading Expense	446,703.94	467,518.02	483,688.55	472,900.54	449,600.00	327,400.00
5315-Customer Billing	1,024,270.12	1,203,237.25	1,247,189.51	1,323,120.39	1,274,600.00	1,350,300.00
5320-Collecting	595,993.33	598,165.86	638,668.07	684,670.21	687,500.00	766,100.00
5325-Collecting- Cash Over and Short	85.02	2.23	(30.81)	5.70	100.00	100.00
5330-Collection Charges	20,545.56	17,746.80	18,857.91	26,314.49	23,000.00	25,000.00
5335-Bad Debt Expense	91,619.20	203,718.62	171,222.59	166,753.69	210,000.00	220,000.00
5340-Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00	(410.48)	0.00	0.00
Subtotal - Billing and Collections	2,361,020.63	2,676,673.62	2,772,666.26	2,864,737.81	2,834,700.00	2,896,800.00

Community Relations	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5405-Supervision	0.00	0.00	0.00	0.00	0.00	0.00
5410-Community Relations - Sundry	76,443.40	90,360.88	86,541.25	98,788.26	105,000.00	105,000.00
5415-Energy Conservation	142,134.04	552,479.73	646,502.97	46,108.29	57,200.00	48,800.00
5420-Community Safety Program	50,811.93	59,381.94	58,259.18	62,780.39	71,400.00	76,300.00
5425-Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00	0.00	0.00	0.00
5515-Advertising Expense	0.00	0.00	0.00	0.00	0.00	0.00
5520-Miscellaneous Sales Expense	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal - Community Relations	269,389.37	702,222.55	791,303.40	207,676.94	233,600.00	230,100.00
Administrative and General Expenses	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5605-Executive Salaries and Expenses	38,000.13	47,500.32	45,700.32	47,445.00	49,000.00	50,600.00
5610-Management Salaries and Expenses	778,988.91	864,016.93	887,706.75	885,082.44	930,500.00	942,700.00
5615-General Administrative Salaries and Expenses	126,900.76	215,910.40	290,117.28	190,044.12	243,500.00	352,400.00
5620-Office Supplies and Expenses	140,594.31	138,408.93	134,998.46	135,234.67	143,400.00	152,100.00
5625-Administrative Expense Transferred Credit	(245,456.41)	(279,282.05)	(254,198.88)	(185,703.25)	(110,200.00)	(87,100.00)
5630-Outside Services Employed	72,834.22	108,700.80	122,796.87	135,012.39	199,800.00	178,100.00
5635-Property Insurance	74,773.80	77,807.52	79,529.04	86,960.51	102,300.00	165,000.00
5640-Injuries and Damages	211,127.10	167,682.95	194,619.02	202,870.56	192,000.00	196,000.00
5645-Employee Pensions and Benefits	96,503.95	399,235.25	421,771.11	216,208.65	235,500.00	253,200.00
5655-Regulatory Expenses	211,438.55	257,433.24	241,101.35	386,513.50	413,600.00	489,300.00
5660-General Advertising Expenses	0.00	0.00	0.00	0.00	0.00	0.00
5665-Miscellaneous General Expenses	49,380.66	20,919.21	27,525.17	42,263.38	46,800.00	48,800.00
5670-Rent	0.00	0.00	0.00	0.00	0.00	0.00
5675-Maintenance of General Plant	519,620.60	375,208.98	297,941.32	315,000.96	325,300.00	340,600.00
5680-Electrical Safety Authority Fees	30,964.70	33,728.35	34,326.88	34,985.60	36,400.00	37,300.00
6205-Charitable Donations	155,560.00	157,800.00	110,760.00	80,200.00	90,000.00	90,000.00
Subtotal - Administrative and General Expenses	2,261,231.28	2,585,070.83	2,634,694.69	2,572,118.53	2,897,900.00	3,209,000.00

Taxes Other Than Income Taxes	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
6105-Property Taxes	526,417.03	510,416.26	527,007.73	506,521.92	258,400.00	426,500.00
Subtotal - Taxes Other Than Income Taxes	526,417.03	510,416.26	527,007.73	506,521.92	258,400.00	426,500.00
Total Operating, Maintenance and Administration Expenses	10,836,360.31	12,662,510.37	13,064,469.80	13,135,656.41	13,124,900.00	14,520,500.00

Interrogatory # 39

Ref: Energy Probe Interrogatory #4

- a) The response to part (a) indicates a significant drop between 2008 and 2009 in the aid to construction associated with the accounts shown. Please confirm that the figures in the following table are correct. The table totals accounts 1830, 1835, 1840, 1845, 1850, 1855 and 1860. The capital additions are taken from Tables 14, 15 & 16 of Exhibit 2. If the figures are not correct, please provide a table with the correct figures.

	2006	2007	2008	2009	2010
Additions	13,106,200	13,892,433	11,055,257	9,680,655	11,373,127
Contributed Capital	4,989,896	5,162,355	4,498,583	2,800,000	2,800,000
Percentage	38.1%	37.2%	40.7%	28.9%	24.6%

Response

The numbers provided are confirmed for the original application as filed August 31, 2009. Note that KW Hydro now expects contributed capital to fall to \$2M for 2009. \$2.8M is still expected for 2010.

- b) Please explain the significant reduction, in percentage terms, forecast for contributed capital in relation to 2006, 2007 and 2008 levels.

Response

KW Hydro's capital additions are increasing while at the same time the amounts for contributed capital for 2009 and 2010 are decreasing in relation to the additions. The significant reduction of contributed capital simply *cannot* be explained by comparing to capital additions as the two are not directly correlated. Increases in contributed capital are, for the most part, directly correlated with the number of housing starts and/or subdivisions under construction within the service territory. Housing starts are down in KW Hydro's service territory due in part to the recession.

When housing starts and/or subdivision requirements are down, staff is then available to work on KW Hydro's other capital requirements (for example, building a pole line required for future expansion) that are not related to contributed capital.

- c) The response to part (a) indicates that KW Hydro is now forecasting contributed capital to decrease to \$2 million for each of 2009 and 2010. Please provide the percentage that this \$2 million represents as compared to the capital additions now forecast for the relevant accounts. In other words, updated the table in part (a) to reflect the new addition and contributed capital forecasts for 2009 and 2010.

Response

Note KW Hydro has only adjusted its contributed capital forecast for 2009 down to \$2.0M. 2010 remains unadjusted at \$2.8M.

	2006	2007	2008	2009	2010
Additions	13,106,200	13,892,433	11,055,257	9,680,655	11,373,127
Contributed Capital	4,989,896	5,162,355	4,498,583	2,000,000	2,800,000
Percentage	38.1%	37.2%	40.7%	20.7%	24.6%

- d) In the response to part (d) of the interrogatory (labeled as part (f)), it is indicated that the change in WIP in account 1808 was the result of a misclassification in account 1815. Please explain why the figures for account 1815 are unchanged between Tables 5 & 6. Please also explain why the total WIP shown for year-end 2007 in Table 6 is \$92,859 higher than the corresponding figure in Table 5 if this was simply a misclassification between accounts.

Response

The \$92,859 was spent in 2007 and was charged directly to the capital accounts, rather than to WIP. This error was identified in 2008 and was transferred out of capital and into WIP in 2008. The money spent was related to Transformer Station #9, which will be put in service in 2010. The same amount is shown as a disposal in 2008 in the Fixed Asset Continuity Schedule.

Interrogatory # 40

Ref: Energy Probe Interrogatory #5

- a) How has KW Hydro determined the percentages associated with Non-RPP consumption and RPP consumption in the first and second tiers? In particular, is the 47.5% share for non-RPP consumption based on historical data or on the 2010 forecast? In either case, does the share reflect the move of more customers to non-RPP status effective November, 2009? In not, please provide an estimate that reflects the movement of these additional volumes to non-RPP?

Response

The 47.5% share for non-RPP consumption is based on historical data and does not reflect the move of more customers to non-RPP status effective November 2009. An analysis conducted by KW Hydro showed that non-RPP consumption should increase 2.51% due to the exit of customers from RPP in November 2009.

- b) The price of 0.0607 per new RPP price does not match the \$62.15/MWh shown in the October 15, 2009 regulated price plan report as the average supply cost for RPP consumers. Please explain the difference.

Response

The price of \$0.0607 was the published RPP price at the time KW Hydro filed its 2010 rate application August 31, 2009. Attached below is a revised schedule showing the new price.

		Application (2010)	Per New RPP Price	Variance	Impact on Working Capital
Commodity Price (\$/kWh)		0.06072	0.06215		
RPP Price (\$/kWh)					
First Tier			0.058		
Second Tier			0.067		
Consumption (kWh)		1,918,855,997			
Non-RPP Consumption	50.01%		959,535,336		
RPP Consumption					
First Tier	35.00%		671,524,463		
Second Tier	15.00%		287,796,198		
Commodity Charge (\$)		116,512,936	117,865,885	1,352,949	202,942
Non-RPP Consumption			59,635,121		
RPP Consumption					
First Tier			38,948,419		
Second Tier			19,282,345		

- c) Please explain why the RPP price appears to be applied to the non-RPP consumption volumes.

Response

For comparison purposes, the same methodology was used as the original application. Below is the same table using a revised market price of \$0.06062 (\$0.03568 market price RPP year + \$0.02494 global adjustment impact) taken from the latest RPP report.

		Application (2010)	Per New RPP Price	Variance	Impact on Working Capital
Commodity Price (\$/kWh)		0.06072	0.06062		
RPP Price (\$/kWh)					
First Tier			0.058		
Second Tier			0.067		
Consumption (kWh)		1,918,855,997			
Non-RPP Consumption	50.01%		959,535,336		
RPP Consumption					
First Tier	35.00%		671,524,463		
Second Tier	15.00%		287,796,198		
Commodity Charge (\$)		116,512,936	116,397,796	-115,140	-17,271
Non-RPP Consumption			58,167,032		
RPP Consumption					
First Tier			38,948,419		
Second Tier			19,282,345		

- d) Please calculate the cost of power and the related impact on the working capital allowance to reflect the non RPP volumes at a price of \$0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of \$0.03326 per kWh and the forecasted global adjustment of \$0.02494 per kWh for the RPP year). Please note that these figures are taken from the October 15, 2009 RPP report. Please comment if KW Hydro has any concerns with the approach for the non-RPP volumes.

Response

		Application (2010)	Per New RPP Price	Variance	Impact on Working Capital
Commodity Price (\$/kWh)		0.06072	0.05862		
RPP Price (\$/kWh)					
First Tier			0.058		
Second Tier			0.067		
Consumption (kWh)		1,918,855,997			
Non-RPP Consumption	50.01%		959,535,336		
RPP Consumption					
First Tier	35.00%		671,524,463		
Second Tier	15.00%		287,796,198		
Commodity Charge (\$)		116,512,936	114,478,726	-2,034,211	-305,132
Non-RPP Consumption			56,247,961		
RPP Consumption					
First Tier			38,948,419		
Second Tier			19,282,345		

KW Hydro supports this method of calculation of the commodity price.

Interrogatory # 41

Ref: Energy Probe Interrogatory #7

The response indicates that accounts 1850 and 1855 are impacted the most by the forecasted 50% reduction in housing starts. A review of Tables 14, 15 & 6 in Exhibit 2 reflect a reduction of 25 to 30% in account 1855 in 2009 and 2010 as compared to 2008 and a reduction of only 3% in 2009 and an increase of 5% in 2010 in account 1850 relative to 2008. Please reconcile these changes with the 50% reduction in housing starts.

Response

Housing starts are (more or less) a measure of how many housing units are constructed on vacant lots. Note that not all housing starts require vacant lots.

Expenditures on subdivision servicing are a measure of how many vacant lots are being created.

Expenditures on subdivision servicing are only a fraction of our total expenditures on capital expansions.

Housing starts are not a reliable measure of capital expenditures on subdivisions. When developers and builders are increasing their inventories of vacant lots, more money is spent servicing subdivisions (increasing the number of vacant lots) than the number of new housing starts. When inventories are decreasing, the reverse is true.

Capital expenditures on subdivisions are not a reliable measure of total capital expenditures. It is quite reasonable to have higher than normal capital activity in other areas of the distribution system at a time when subdivision construction is slow.

In 2009 and 2010, large capital expenditures are required for underground ducts and cables required to strengthen the distribution system as the next steps in a number of long term multi-year construction projects. The need for these projects is essentially independent of short term fluctuations in subdivision servicing or housing starts.

Since they each have separate drivers, subdivision servicing and total capital expenditures cannot be expected to expand and contract at the same time and at the same rate.

KW Hydro has analyzed its contributed capital for 2007 and 2008 and has found that there seems to be correlation between decreased housing starts and contributed capital. Between 2007 and 2008, contributed capital for 1840 and 1850 was down 30%, 1850 was down 50% and 1855 decreased by 26%.

Interrogatory #42

Ref: Energy Probe Interrogatory #8

- a) Please confirm that the aggregate forecast variance over the five year period 2004 through 2008 based on the KW Hydro equation is 357 GWh and that the forecast was higher than actual purchases for all five years in this period. Please also confirm that the Mean Absolute Percentage Error (MAPE) over this period is 3.6%.

Response

Confirmed.

- b) Please confirm that the aggregate forecast variance over the five year period 2004 through 2008 based on the equation requested in part (d) of the Energy Probe interrogatory is 252 GWh in absolute terms and 48 in net terms, reflecting that the equation over forecast in 3 years and under forecast in 2 years. Please also confirm that the MAPE over this period is 2.5%.

Response

Confirmed for first statement. The MAPE over this period is 3.5%.

Interrogatory # 43

Ref: Energy Probe Interrogatory #11 & 12

How did KW Hydro account for the load losses shown for GS > 50 kW and large use customers in late 2005 and through 2006, 2007 and 2008 in relation of the data used by KW Hydro used for the actual GWh purchased in estimating the regression equations? For example, did KW Hydro adjust the historical data for the removal of consumption by the GS > 59 kW and large use customers that ceased operations 2005 and 2008? If not, why not?

Response

No adjustment has been made to the historical data for load losses. This is because, upon adding the load losses from GS>50 kW and Large Use customers to the historical data, the model was still unable to produce more than a 90% R square value, reducing the reliability of the data.

Interrogatory # 44

Ref: Energy Probe Interrogatory #17

In light of the Board suspending the LEAP initiative at the direction of the Minister, and in light of the fact that the late payment charges are approximately 4% higher year to date September in 2009 than in 2008, does KW Hydro agree its forecast for late payment charges decrease in 2009 and 2010 relative to 2008 may not be accurate?

Response

KW Hydro has analyzed its late payment charges to customers up to December 14, 2009. Total late payment charges as of that date are \$202,174, an increase of 2% from 2008.

Based on this updated information, KW Hydro would agree that its late payment charges forecast is understated and would revise to the following figures:

2009 - \$211,000

2010 - \$215,220

The 2009 forecast has been calculated by extrapolating the year to date figure for 2009 and estimating to the end of the year.

The 2010 forecast is an increase of 2% over 2009.

Interrogatory # 45

Ref: Energy Probe Interrogatory #19

The response to the question posed is not clear. The revised tables shown an increase in retailer services revenue and service transaction request revenues in 2009 and a declines in 2010, yet the paragraph following the table talked about a 10% increase in these revenues for both 2009 and 2010. In addition, there is reference made to the difference between revenues and costs being transferred to a variance account. Finally the evidence states that these revenues are expected to increase, despite the reduction in the 2010 level shown in the table.

- a) Please provide more details about the variance account referred to in the response and show the amounts that have accumulated in this account in 2006 through 2008 and the amounts forecasted to be included in this account for 2009 and 2010.**

Response

For the calculation of the two variances, the lower of revenue and cost is recorded in the income statement. See below excerpts taken from Exhibit 9 of the original application for descriptions of the accounts.

1518 Retail Cost Variance Account - Retail Service Charges

This account is used to record the difference between the amount billed and the incremental costs of providing retail services other than those related to a Service Transaction Request (STR).

1548 Retail Cost Variance Account – Service Transaction Request Charges

This account is used to record the difference between the amount billed in relation to a STR and the incremental costs of providing the initial screening and actual processing services for the STR.

	2005	2006 *	2007	2008	2008
	Opening Balance	Additions / (Deletions)	Additions / (Deletions)	Additions / (Deletions)	Closing Balance
1518 RCVA - Retail Cost Variance	(13,141)	(18,983)	(33,722)	(35,097)	(100,945)
1548 RCVA - STR Services Variance	83,148	(52,571)	9,952	10,533	51,063

* 2006 includes the close out of 2004 Regulatory Asset Balances

1518 close out amount was a debit of \$2,021. Net change after close out was (\$21,004)

1548 close out amount was a credit of (\$65,059. Net change after close out was \$12,488

	2009	2010	2010 *
	Additions / (Deletions)	Additions / (Deletions)	Closing Balance
1518 RCVA - Retail Cost Variance	(28,100)	(49,100)	(77,200)
1548 RCVA - STR Services Variance	12,644	12,642	25,286

* Assumes clearance of variances in 2010 per request in EB-2009-0267

- b) Please provide, for 2009 and 2010, the gross revenues associated with both retailer services revenue and service transaction request revenue, along with the gross costs associated with these activities. Please show how these figures correspond to the figures shown in the table and the amounts forecast to be included in the variance account.

Response

	2009		2010	
	Retail Services	STR	Retail Services	STR
Revenue	102,600	6,400	112,800	7,000
Cost	(74,500)	(19,044)	(63,700)	(19,642)
Unadjusted Profit/Loss	28,100	(12,644)	49,100	(12,642)
Record Lower of Revenue & Cost		2009	2010	
Retail Services		74,500	63,700	
STR		6,400	7,000	
		80,900	70,700	

- c) Please explain why any amounts forecast to be included in the variance account in 2010 should not be reflected in the revenues projection.

Response

The amounts that are expected to be included in the variance account in 2010 should not be reflected in the revenues projection because the variance monies will ultimately be refunded to or received from customers through the clearance of the variance accounts at a later date. Including the amounts that would be transferred to a variance would create a double-dipping situation because:

- In the current rate year, the amounts would increase the revenue offset, increasing/decreasing distribution revenue
- In a future rate year, the amounts would be refunded to/charged to customers

In other words, in order for KW Hydro to be kept revenue neutral, the revenues must equal the costs. The RCVA for retailer-retailer services are no different than the RSVAs for the cost of power components and should be treated in a similar manner.

Interrogatory # 46

Ref: Energy Probe Interrogatory #20

Please confirm that KW Hydro has revised the Street lighting capital and maintenance services revenues from \$1,265,524 to \$1,375,808, an increase of \$110,284. Please also confirm that this results in an increase in Other Income and Deductions from \$441,868 shown in Table 31 to \$552,152.

Response

Both are confirmed.

Interrogatory # 47

Ref: Energy Probe Interrogatory #23

KW Hydro indicates that it agrees that the year-to-date inflation factor for 2010 for non-labour expenses should be used as an adjustment when the Board makes its Decision. However, it is not clear what the impact of a change in the inflation rate forecast shown on page 9 of Exhibit 4 would be.

- a) Based on the 2.25% inflation forecast for 2010, please indicate the dollar amount associated with this forecast for non-labour related costs.**

Response

The dollar amount associated with the 2.25% inflation forecast for 2010 is \$5,789,118, amounting to non-labour inflationary increases of \$130,255.

- b) Please indicate the impact in dollars of a 10 basis point difference in the inflation figure for 2010 (for example, if inflation were 2.15% or 2.35%).**

Response

The impact in dollars of a 10 basis point difference in the inflation figure for 2010 would be an increase or decrease of \$5,789.

Interrogatory # 48

**Ref: Board Staff Interrogatory #14 &
Energy Probe Interrogatory #26 &
VECC Interrogatory #28**

- a) Based on the additional \$74,000 for an oral hearing, please confirm that KW Hydro is now proposing to amortize this amount over 4 years and that this would reduce the revenue requirement in 2010 by \$55,500.

Response

See VECC Interrogatory #55.

- b) The response to the VECC interrogatory indicates that if there is an oral hearing, costs are expected to increase by \$80,000 for legal costs and by \$15,000 for the rates consultant, for a total increase of \$95,000. Why have no additional costs been forecast for costs for intervenors and/or the OEB?

Response

An additional \$40K was included in the original budget. See VECC Interrogatory #28 b).

- c) Please reconcile the \$74,000 noted in part (a) above with the incremental cost of \$95,000 noted in part (b) above. If the \$95,000 is in addition to the \$74,000, please indicate what the \$74,000 is related to.

Response

In the event of an oral hearing, KW Hydro did expect costs to increase, possibly to a total of \$95K; however, only \$74K was budgeted for and included in its rate application for 2010.

Interrogatory # 49

Ref: Board Staff Interrogatory #16

Please explain the following statement in the response to Board Staff:

“For 2009 and 2010, KW Hydro expected to increase the number of apprentices that it would employ, estimating a credit of \$25,000 (5,000 x 10 apprentices).”

- a) Why was the forecast ATTC not equal to \$50,000 (\$5,000 x 10 apprentices)?

Response

The ATTC was understated; however, these amounts have all been revised due to changes to the ATTC. See Board Staff Interrogatory #16.

- b) Has KW Hydro included the \$2,000 federal training tax credit available for the 24 months of such positions in its tax calculations? If not, why not? Please provide the number of positions eligible for this credit in 2010.

Response

No, KW Hydro did not include the \$2,000 federal training tax credit mentioned above as it was not aware that a federal apprenticeship tax was available.

Since this tax credit would be available for the first 24 months of the apprenticeship, KW Hydro forecasts that it may have 8 apprenticeships available for the credit in 2010.

Interrogatory # 50

**Ref: Energy Probe Interrogatory #21 b &
SEC Interrogatory #6 &
Exhibit 4, Table 10**

It is unclear from these responses as to the exact amount related to IFRS proposed by KW Hydro to be recovered.

- a) What is the amount currently included in the 2010 revenue requirement related to IFRS?

Response

\$43,000.

- b) Does KW Hydro propose to recover the 2010 forecast of \$43,000 or does it propose to recover the full cost shown for 2009 and 2010 of \$109,650?

Response

KW Hydro has proposed to fully remove the \$109,650 for both years 2009 and 2010 from the revenue requirement and move to the Board approved variance account. See VECC Interrogatory #32 g).

- c) Are there currently any IFRS implementation costs forecast for after 2010?

Response

Yes, KW Hydro will incur additional IFRS implementation costs after 2010 for IT systems changes, additional accounting assistance, consulting and audit fees.

Interrogatory # 51

Ref: Board Staff Interrogatory #9, part e

- a) The response indicates that the difference between the original Table 7 and the corrected version provided in the response is an understatement of \$29,916, yet the corrected 2010 test year total Street Lighting revenue is shown as \$1,375,808, while the corresponding figure in the original Table 7 of Exhibit 4 is only \$1,003,344. Please reconcile.

Response

The understatement is \$110,284 upon the revision to the Street lighting capital and maintenance services revenues from \$1,265,524 to \$1,375,808. See VECC Interrogatory #32 g).

Please refer to the original application Exhibit 3 page 69.

4375 Non-Utility Operations-Streetlighting	2010
Streetlighting Capital & Maintenance Services - Adjusted	1,375,808
Streetlighting Capital & Maintenance Services - Original	1,265,524
Increase to Revenue Offset	110,284

- b) Please explain why there is no capital tax shown in the calculations. Has the associated capital tax cost been included as part of the applicable overheads?

Response

In the past, KW Hydro did not apply a rate of return to Street Lighting capital and maintenance service revenues so there was no effect on retained earnings; thus capital tax would not apply. The amount that might apply in 2009 and 2010 is considered to be of an immaterial nature. Based on revenues of \$1,375,808, the applicable amount of capital tax could be calculated to be \$1,032 (by multiplying by the capital tax rate for the half-year 2010), which is quite low. In addition, the Ontario Capital Tax is discontinued mid-year 2010 so it may be applicable not to include it after all.

Interrogatory # 52

Ref: Board Staff Interrogatory #10, part a & Exhibit 4, page 58

Please explain why the \$40,000 to complete Garage B in 2010 would not be capitalized.

Response

The \$40,000 to complete Garage B in 2010 is planned repairs to the catch basins due to wear and tear over time and is considered a cost to maintain the service potential of the asset and is therefore expensed.

Interrogatory # 53

**Ref: VECC Interrogatory #29 &
Exhibit 4, page 53**

The response to the VECC interrogatory appears to show that capital additions in the test year have a full year of depreciation assigned to the additions. This is in contrast to the evidence at page 53 of Exhibit 4 where it is stated that for this rate application, KW Hydro used the half year rule for calculating depreciation expense for the 2010 test year.

NOTE THE FOLLOWING ADJUSTMENTS REQUESTED BY ENERGY PROBE HAVE BEEN CALCULATED USING THE ORIGINAL REVENUE REQUIREMENT MODEL FILED AUGUST 31.

a) Please clarify this apparent contradiction.

Response

See Board Staff Interrogatory #28. KW Hydro does not agree with the half-year rule methodology for the calculation of depreciation expense suggested by Energy Probe and other intervenors.

b) Please consider the following calculations for 2010 test year depreciation expense for account 1815 that yields a total depreciation expense of \$1,192,380

Opening Balance	\$40,094,599 (Exhibit 2, Table 16)
	<u>x 2.5%</u>
	\$1,002,365
Additions	\$15,201,162 (Exhibit 2, Table 16)
	<u>x 2.5%/2</u>
	\$190,015

- i) **Please confirm that this approach increases the depreciation associated with the assets added in 2009 (i.e. \$1,002,365 as compared to \$989,635 shown in the VECC response).**

Response

Confirmed

- ii) **If the above approach were applied to the accounts that use the pooling of assets approach, what would be the impact on the 2010 depreciation expense?**

Response

If the above approach were applied to the accounts that use the pooling of assets approach, there would be a reduction to depreciation expense of (\$394,436) for 2010.

- iii) **If the above approach were applied to the accounts that use the pooling of assets approach, what would be the impact on the 2010 rate base?**

Response

If the above approach were applied to the accounts that use the pooling of assets approach, there would be an increase to the 2010 rate base of \$197,217.

- iv) **If the above approach were applied to the accounts that use the pooling of assets approach, what would be the impact on the 2010 revenue requirement?**

Response

If the above approach were applied to the accounts that use the pooling of assets approach, there would be a decrease to the 2010 revenue requirement of \$553,590.

- v) **For each account where the pooling approach is NOT used, please indicate the assumptions used for in-service dates for the assets as to when depreciation expense will start to be calculated.**

Response

For assets where the pooling approach is not used, each individual asset is depreciated separately and depreciation end dates recognized separately. For additions in the current year, the assumption used is that all additions will be subject to 6 months depreciation (in essence, the half year rule).