Chatham-Kent Hydro Inc.

EB-2009-0261

Responses to Board Staff Interrogatories

Question #1

Ref: Exhibit 1/Tab 3/Schedule 1/Appendix F – Audited Financial Statements

Please file a copy of CK Hydro's 2007 Audited Financial statements.

Answer:

Please see CK Hydro's Appendix A.

Question #2

Ref: Exhibit 1/Tab 2/Schedule4/Appendix E – Revenue Requirement Work Form ("RRWF")

Please file a copy of the RRWF in working Microsoft Excel format.

Answer:

A copy of Revenue Requirement Work Form in excel format has been filed with the electronic version of these responses. It has the following file name: "Revenue Requirement Work Form_20091218.xls"

Question #3

Ref: Notice of Application and Hearing and Letters of Comment

a) Following publication of the Notice of Application and Hearing, has CK Hydro received any letters of comment?

b) If so, please confirm whether a reply was sent from the Applicant to the customer. Also, please file any reply or replies with the Board.

c) If CK Hydro did not send a reply to any letter of comment received, please explain why a response was not sent and confirm if and when CK Hydro intends on responding. Please file any subsequent responses with the Board.

Answer:

a) CK Hydro has not received any letters or comments concerning the Notice of Application and Hearing.

b) See a).

c) See a).

Question #4

Ref: Exhibit 2/Tab 2/Schedule 1 – Construction Work in Progress

The continuity schedules for fixed assets provided in Tables 2-5 through 2-11 show no entries for "Work in Progress". Please provide a thorough explanation of CK Hydro's treatment of Construction Work in Progress ("CWIP").

Answer:

All capital programs are in service at the end of year; therefore, no items are recorded in "Work in Progress". Please see CK Hydro's response to Board Staff Question #5 for further details.

Question #5

Ref: Exhibit 2/Tab 3/ Schedule 3 – Capitalization Policy

Please provide details regarding CK Hydro's capitalization policy. In particular, please include in your explanation how CK Hydro treats capital expenditures that are not in-service ("used and useful") at the end of a fiscal year.

Answer:

Expenditures which are expected to provide future economic benefits and expenditures relating to the betterment of existing assets are capitalized and depreciated over the estimated useful life of the asset.

The capital programs are broken into small projects such that all amounts are put in service and are "used and useful" at the end of the fiscal year.

Question #6

Ref: Exhibit 2/Tab 3/Schedule 2 - Capital Programs and Projects

In this Schedule, CK Hydro lays out its planned capital additions for 2009 and 2010. The size of the program increases by approximately 30% in 2010 from the 2009 level rising from $4.2 million in 2009 to $5.5 million in 2010.

a) Please provide the breakdown for each 2006 through 2010 showing the total of capital expenditures that are "one-time programs" vs. "ongoing programs".

b) Please discuss the extent to which CK Hydro considered a phased approach to its capital program and if a phased approach was considered, why it was not adopted. If a phased approach was not considered, please explain why not.

c) Please provide an explanation on the measures that CK Hydro has taken or will undertake, e.g. use of tendering process and deploying the lowest bid contractor, negotiations with suppliers on purchase of material and equipment, etc. to execute capital program projects in the most cost-effective way. Please file any evidence that demonstrates CK Hydro's effort in undertaking and implementing measures that would achieve cost savings for CK Hydro's capital programs.

d) Please state why CK Hydro believes that it has the capacity to complete such a large capital program in 2010. In this context, please provide an update as to where the 2009 capital program stands on a completion basis as of September 30, 2009. Please also discuss whether or not CK Hydro anticipates having any carryover projects from 2009 and if so what their impact would be in 2010.

Answer:

a) Please see CK Hydro's Appendix B.

b) CK Hydro often considers and implements a phased approach to capital programs. A phased approach to a capital program is normally adopted when the project will extend over more than one year, or when it will exhaust all of CK Hydro's resources during the year. The type of projects that would be phased would be voltage conversions and underground cable replacements. The phased approach to a project also ensures that system reliability is maintained on the legacy system while implementing the new phase of the project. Many projects are customer driven and must be completed in one phase in a timely manner.

Projects that have implemented a phased approach, where each phase is put in service in the year end because it is "used and useful", are:

- 33140 Tilbury Conversion – phased over an eight year period
- 33143 Dresden Conversion – phased over a ten year period
- 33147 Sub 7 Conversion – phased over a five year period

c) CK Hydro has been very proactive in using new measures in its tendering practices. In 2007, CK Hydro along with 6 other LDC's formed the South-West Utility Purchasing Group; please see CK Hydro's Appendix C. This group of seven LDC is located in south western Ontario.

The purpose of this group is to promote economic efficiency and effectiveness in the purchasing management field. Some of the ways this has been achieved are by:

- Jointly inviting tenders, proposals and or quotations
- Encouraging standardization of specifications and products amongst the utilities; please see CK Hydro's Appendix D
- Designating an administrator that manages and issues inventory product numbers and descriptions
- Encouraging standardization of terms and conditions in tenders and quotations
- Exchanging market information
- Discussing any other issues as agreed upon by resolution of the group

The principle is to carry out the aims and objectives of the group by reducing costs of goods and services by purchasing in larger volumes and at lower unit prices, and by avoiding possible duplication of effort. The Group's specifications are also written to ensure materials meet the ESA section 22/04 specifications.

In addition to material purchasing, CK Hydro tenders out the majority of the civil work required to complete projects. Contractors must be pre-qualified by completing and agreeing to the CK Hydro Contractor Pre-Approval Process document; please see CK Hydro's Appendix E.

d) CK Hydro does have the capacity to complete the capital program as identified on pages 2 and 3 of Exhibit 2,Tab 3,Schedule 2. This document identifies the General Equipment program as the area that includes the largest increase in expenditures. These projects will be primarily completed by external contractors. The additional staff identified in Exhibit 4, Tab 2, Schedule 6, Page 4 lines 8 through 11 will be involved in the planning, design, and construction of the projects in the Demand, Renewal, Security/Sustainment, Capacity and Substation work programs. As of September 30, 2009 the year-to-date actual capital budget was at $2,502,651.00, which is 75% of the year-to-date budget. Many capital projects have been completed in November; however, the total capital expenditures for the year are expected to be $300,000 less than budget. The property purchase will be the only project that will carry over to 2010.

Question #7

Ref: Exhibit 2/Tab 3/ Schedule 2, p. 44-45 – Fleet and Vehicles

CK Hydro states that "CK Hydro replaces the fleet on ongoing basis. The replacement period varies based on the type of truck: Pickup and Van 6-8 years, bucket truck 7-10 years, heavy trucks 12-15 years". CK Hydro estimates capital expenditures of $780,000 in the 2010 test year from $362,593 in the 2009 bridge year, which is an increase of 115%.

a) Please explain CK Hydro's vehicle budgeting process in further detail and provide a list of vehicles to be purchased in 2010.

b) Please provide CK Hydro's level of capital expenditures on vehicle replacement for the 2004 to 2009 period.

c) Please provide any quantitative analyses that were undertaken that support the proposed 2009 and 2010 level of expenditures on vehicle replacements.

d) Please provide a summary of the RFP process results leading to the 2009 and 2010 budgeted vehicle replacement amounts including the competing bids that were considered and how they were scored to determine the winning bidder.

Answer:

a) CK Hydro's vehicle replacement program is based on age, condition, maintenance expenses and safety concerns.

In year 2010 four vehicles will be replaced as follows:

i) One 83 foot material handler double bucket for $470,000.

ii) One 42 foot single bucket man lift for $230,000.

iii) Two small vehicles (cargo van and pickup) for $80,000.

Because new distribution lines are being built higher and farther off of the road, the 83 foot aerial unit is necessary to reach work areas in a safe and reliable manner. This unit will be replacing an aging 65 foot unit, which is no longer adequate for the distribution system.

b) Please see CK Hydro's Appendix F.

c) Budget quotes requested from a minimum of two manufacturer suppliers for the specific types of vehicles are used to establish the budget.

d) 2009 purchases:

i) 2009 van: awarded bid $19,411, competing bid $21,478

ii) 2009 van: awarded bid $19,411, competing bid $21,478

iii) 2009 cargo van: awarded bid $28,345, competing bid $28,744

iv) 2010 crew cab pickup: awarded bid $40,735, competing bid $41,400

v) 2010 pickup ; awarded bid $32,985, competing bid $33,977

vi) 2009 7400 International chassis for Radial boom Derrick plus labour and parts for transfer; awarded bid $116,174, competing bid $119,001

All vehicles met the specifications; the final decision was based upon price.

Question #8

Ref: Exhibit 1/ Tab 3/ Schedule 2, p. 61

This project describes the re-surfacing of a rear yard, which includes the application of new asphalt and three cement pads. CK Hydro states that by "pouring three separate cement pads for the storage of transformers the area will be able to hold up better in the summer heat". CK Hydro further states that "once all the work has been completed it will greatly reduce CK Hydro's yearly costs on preventative maintenance. With proper routine maintenance the asphalt exceed another twenty years of life cycle." Please provide further explanation of the justification for this project with respect to costs and timing for 2010, and the cost reductions that CK Hydro expects.

Answer:

CK Hydro has been at this location of 320 Queen Street since 1986. Because of the many areas of unevenness and the asphalt breaking up, CK Hydro has found it necessary to replace the existing pad. Over the years CK Hydro has tried to preserve the existing asphalt by sealing it and constructing frost expansion cuts.

a) 2004: $10,029 was spent to make the necessary repairs to five catch basins, route out cracks and fill with a hot rubber compound, spray the existing asphalt with a heavy duty oil based sealer, and saw cut around the area of asphalt to be repaired and re-asphalted.

b) 2005: $24,306 was spent to make further maintenance repairs to the existing asphalt. This included saw cutting around areas of asphalt to be repaired, the removal of the damaged asphalt, placing of gravel for a new base and then supplying new hot mix asphalt, routing out frost cuts and then filling them with hot rubber compound, and then power cleaning the asphalt to remove any debris. The asphalt was then spray sealed with heavy duty oil based sealer.

c) 2008: $7,408 to re-seal the yard again with oil based protective coating.

d) 2009: Received additional quote for $7,569 to clean and seal coat the remaining areas. Note: this job was put on hold in anticipation that CK Hydro would be allowed to resurface its compound in 2010.

The main principle behind replacing asphalt with cement pads in the transformer area is due to the weight of the transformers, and also the heat of the sun causing additional breakdown of the asphalt. The three separate pads will withstand the elements better. Two pads will be constructed to house the transformer stock, while the third pad will house older transformers taken out of stock. A cement oil retention barrier will be added to help contain any oil that may be leaking from a used transformer, which is an environmental benefit.

Over $40,000 in maintenance has been spent on the twenty-three year old asphalt. The life expectancy of the asphalt is approximately twenty years in areas where there is truck traffic combined with storage.

Please see CK Hydro's Appendix G for pictures of the existing asphalt.

Question #9

Ref: Exhibit 2/Tab2/Schedule 1

CK Hydro has forecast capital contributions of $275,000 for the 2010 test year. This is a decrease of $177,865 over 2006 actual. Please provide further explanation that would explain this decrease.

Answer:

Due to the local economic slowdown in the Chatham-Kent area, new residential subdivisions and commercial developments have consequently decreased. These are the two main drivers to this account.

Please refer to CK Hydro's response to Energy Probe Question #27.

Question #10

Ref: Exhibit 1/Tab 2/Schedule 1/pg. 2

CK Hydro states that it has selected AMI, SCADA and GIS systems that are the "backbones" of a smart grid that will improve reliable communication and control devices that will enable peak reduction and encourage renewable generation connections.

a) Please provide further explanation for the above statement, including examples.

b) Is CK Hydro aware of any applications under RESOP/FIT or Micro-Fit for distributed or renewable generation within CK Hydro's service area?

Answer:

a) A Smart Grid requires back-office systems capable of sorting, presenting, and analyzing incredibly complex large data sets. Data streams from numerous externally placed devices need to be collated and synthesized to detect system problems and react to system events either autonomously or in conjunction with operator actions. CK Hydro has decided to develop this back-office system first and start to integrate the devices currently deployed in the field. GIS and SCADA in particular provide a rich user interface and sophisticated data management tools to manipulate and present these complex and large datasets in a manner conducive to the future Smart Grid.

   By far the most widely deployed external monitoring devices are smart meters. The current version of smart meters from all vendors can relay energy consumption as well as varying degrees of power quality measurements including outages. It is CK Hydro's intent to begin the integration of these key systems, and in so doing form the nucleus of the smart grid that will eventually evolve throughout CK Hydro's system.

   Distributed generation increases the complexity of operating a distribution system. The ability to see near real time load and power quality data is essential for operations staff to properly and safely manage the system. Dispatching load and generation based on smart grid data will ensure the system operates efficiently and safely, thereby increasing reliability for all customers.

   The combination of AMI, SCADA and GIS data will allow staff to:
   - More effectively plan for generator additions
   - Allow safer operation and dispatching of load and generation to maintain system reliability
   - Consider actual data in system planning exercises as opposed to forecasted or assumed data

b) At the present time there is only 1 RESOP applicant in CK Hydro's service territory. There are no completed FIT applications at the time of preparation of this response.

Question #11

Ref: Exhibit 2/ Tab 3/ Schedule 2 and Exhibit 2/ Tab 4/ Schedule 1

Asset management consists of processes and systems that help evaluate, prioritize, and select the distributor's maintenance and capital plans to maximize the benefits to its customers and shareholder.

For the purpose of providing the information regarding its maintenance and capital plans for this interrogatory, CK Hydro should use its identified materiality threshold items.

With respect to CK Hydro's 2010 capital plans:

a) Please provide a list of criteria and rationale that CK Hydro has utilized in the prioritization and selection of its 2010 capital projects.

b) Please complete the following Table 8 and provide a ranking and description of the capital projects using the threshold test that is outlined above. Please note that a rating of "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.

c) Please explain and file with the Board evidence with respect to how the priorities of these projects are determined using the criteria identified in part "a", e.g. asset condition study, system planning, regulatory compliance, etc.

Table 8 – 2010 Capital Projects								
Priority Ranking	Project Name	Description of Project	Type of Program	Capital Investment ($)	Discretionary Or Non-discretionary	Start Date of Project	Date In Service	Rationale for Priority Selection
1								
2								
3	e.g. New 27.6 kV	This project is to build a new U/G feeder from Station ABC	Addition of a new asset	$	Non-discretionary	June 09	Dec. 09	To relieve the overloading of the existing underground feeders and meet the load growth of x% forecasted in the next y years.
4								
Total $ for Prioritized Programs				$$$				
Total $ Prioritized Programs as a % of Overall Total 2009 CAPEX				%				
Discretionary Programs as % of Total Prioritized Programs				%				
Non-discretionary Programs as % of Total Prioritized Programs				%				
Replacement Programs as % of Total Prioritized Programs				%				
Rehabilitation Programs as % of Total Prioritized Programs				%				
Upgrade Programs as % of Total Prioritized Programs				%				
New Additions as % of Total Prioritized Programs				%				

Notes:
Type of program can be replacement, rehabilitation, or upgrade of an existing asset, or an addition of a new asset.
Non-discretionary – a “must do” project or related directly to the core infrastructure (e.g. stations, feeders, etc.), or the need for which is determined beyond the control of the Applicant, e.g. regulatory or Government initiatives.
Discretionary – the need is determined at the discretion of the Applicant and the program can be deferred.
Some programs may have the same priority ranking.

Answer:

a) Each capital project is rated using the following criteria (not in order):

- Reliability improvements e.g. additional switches, SCADA, automated equipment, relocation of plant for easier/quicker access, additional backup supplies to critical loads
- Line-loss reduction e.g. voltage conversion, re-conductoring, VAR support
- Asset replacement e.g. fully depreciated, aging asset at end of life - this is heavily related to reliability issues as assets at end of life often decrease system reliability
- Safety hazard e.g. relocation of lines to increase clearances to comply with regulation, replacement of deteriorated equipment
- Load Growth e.g. connections and support of known upcoming load additions
- Expansion Request e.g. customer requests for relocation of plant or plant upgrades usually due to road widening or other regional initiatives
- Regulatory compliance e.g. required by regulatory order or regulation
- Environmental e.g. high PCB, oil spill/leak, lead cable

b) Please see CK Hydro's Appendix H.

c) Please refer to Exhibit 2, Tab 4, Schedule 1.

Question #12

Ref: Exhibit 3/Tab 2/Schedule 1 - System Load Regression Model

On page 4, CK Hydro states that "the result of the regression analysis produces an equation that predict the purchases based on the explanatory variables including: weather (heating and cooling degree days), economic output (GDP growth), and industrial production weighting factor, population, unemployment rate, Median age and calendar variables. On page 11 the applicant provided the equation resulting from the multifactor regression model.

a) Please provide a rationale for using the filed multivariate regression model to develop the load forecast, given that the estimated model includes a negative, although statistically insignificant, co-efficient for the economic variable (GDP) which is unintuitive.

b) CK Hydro states that the Seasonal Weighting Factor is a unitless value determined by an iterative process to maximize the R^2 value of the regression analysis. Please provide further explanations of how this variable was developed. Elaborate on the value of the Seasonal Weighting Factor as an explanatory variable.

c) CK Hydro states that the Industrial Production Weighting Factor is a unitless value that captures economical industrial demands and production cycles on a more global scale that was determined via an iterative process. Please explain in detail how this variable was developed. Elaborate on the value and interpretation of the Industrial Production Weighting Factor as an explanatory variable.

d) Please describe what alternative modelling efforts, such as alternative econometric model forms or additional variables, were examined by CK Hydro to improve the system load regression model.

e) Please provide further explanation of why CK Hydro believes that the multivariate regression modelling approach used is reasonable from both a theoretical and an applied sense, and is preferable to other approaches.

Answer:

a) Regression analysis is commonly used for forecasting. Most load forecasting models include a GDP dependency. Excluding the value from CK Hydro's analysis would not provide a better result. Also, the GDP value stated is the provincial GDP as reported by the Ministry of Finance. There is no available source for regional GDP, which would be more relevant to the local forecast. As a result, the GDP tStat is small, demonstrating that the local economy is weakly influenced by larger provincial trends.

b) When initially completed, the model did not include any Seasonal or Industrial Weighting Factors. Percent variances of forecasted values to actual kWh revealed a cyclical variation in the error hinting at a predictable unknown dependency. Through an iterative process, hundreds of

calculations were repeated with various values until the error value was minimized for most months. Once completed, a review indicated yet another cyclical variation and was derived using similar methods. It was critical that any derived dependency was logical and predictable. Attempts to combine both cyclical variations into one variable added a degree of randomness, making future forecast of this value unreliable and unsupportable. Keeping the variables separate showed a clearer cyclical pattern that was easily extended into the future.

As per answer a) above, the economy in Chatham-Kent seems to follow its own trend. The local area has a mix of large agricultural and industrial influences. The seasonal weighting factor relates more to the economic output of agricultural industries in the area, which of course are more heavily related to the season but may not, for one reason or another be directly synchronized with the change of season. This is due to agricultural processing techniques and processes.

c) Refer to answer b) above for the derivation of the industrial weighting factor. As stated above, the economic mix of the area results in a separate cycle of economic output that appears to have no agricultural relationship. CK Hydro's analysis of this factor shows it is timed more closely with industrial production related to model year change out and summer shutdowns, which are common occurrences in the automotive sector.

d) Prior to the development of Seasonal and Industrial Weighting Factors, many other inputs were sought to help explain the poor correlation between the early versions of the regression model and historical energy consumption. Alternative inputs tried were: relative humidity levels, customer counts (as opposed to population), forecast by customer class, automotive production, peak temperatures, standard deviation of monthly temperatures, as well as various models without the variables normally included such as: HDD, CDD, on peak hours and so on.

There were also early attempts to investigate the use of neural networks to develop a non-linear load forecasting model. It soon became apparent that this technique hides the resultant relationships and is very difficult to use on a consistent basis.

e) Multivariate regression analysis is both relatively simple to understand and setup, and is mathematically rigorous. The process calculates not only variable coefficients but also tStat values to help rank the relative importance of each input. It provides a good match to historical actual values, thereby increasing the likelihood and confidence level that short term forecast are within reasonable error limits.

If limited to short term forecast (1-2 years) and using predictable and reliable sources of data, the calculated forecast will be reasonable and objective.

Question #13

Ref: Exhibit 3/ Tab 2/ Schedule 1/pg. 11 – Weather Normalization

CK Hydro indicates that Heating Degree Days (HDD) and Cooling Degree Days (CDD) were forecasted using the previous 12 month average. Please provide further explanation how HDD and CDD were developed.

Answer:

HDD and CDD values are calculated as the daily offset of the average daily temperature from an ideal 18°C, the idea being that 18°C requires no heating or cooling. Any average daily temperature below 18°C is deemed a heating degree day and vice versa. These values are calculated for each day of the month and added together monthly to derive a monthly HDD and CDD value. CK Hydro used values calculated for the Windsor Essex area by Environment Canada. There is no other (closer) Environment Canada certified weather station within the same climate zone as Chatham-Kent.

Question #14

Ref: Exhibit 3/Tab 2/Schedule 1/pg. 3 – Weather Normalization

CK Hydro states that it uses the 6 year average HDD and CDD in the Regression Model. Please indicate the specific years used, and the basis for selecting this approach.

Answer:

HDD and CDD data is based on data from 1999 to 2008, which is 10 years; the evidence was incorrectly stated.

For clarification, the load forecast was based on data from 2002 to 2008, except for HDD and CDD data which is based on a 10 year average.

Question #15

Ref: Exhibit 3/ Tab 2/ Schedule 1/pg. 6 – Customer/Connection Forecast

CK Hydro states "that billed kWhs from 2002 to 2008 are weather actual and 2009 and 2010 are weather normalized. CK Hydro currently does not have a process to adjust weather actual data to a weather normal basis. However, based on the process outlined in this Exhibit, a process to forecast energy on a weather normalized basis has been developed and used in this Application".

Please explain in detail how this process was developed. Elaborate on the value used to weather normalize the load forecast.

Answer:

2002 to 2008 data are actual data measured at the time. This data was not adjusted to weather normal value. Future forecast and projections use normalized data.

The extent of weather normalization in the model includes the averaging of monthly CDD and HDD values over the 1998-2008 periods. For example, 1998 to 2008 February - HDD and CDD values were averaged and used for February 2009 and so on for subsequent months. At the time of the analysis actual HDD and CDD for January 2009 were known and used in the forecast.

Question #16

Ref: Exhibit 3/ Tab 2/ Schedule 1, p. 24, Table 3-23 – Load Forecast

In Table 3-23 CK Hydro has provided a load forecast following adjustments for weather and economic sensitive rate classes as well as manual adjustments (economic slowdown and CDM).

a) Please provide further explanation as to the necessity of two further economic adjustments after the regression model has already accounted for various economic and seasonal variables.

b) Please provide a load forecast excluding the weather normalization step on the final load forecast.

c) Please provide a load forecast excluding the manual adjustments noted above.

Answer:

a) CK Hydro's Load Forecast before the manual adjustments does not capture all of the economic adjustments that occurred. The commercial customers' usage started to decline in mid-2008, and a number of large customers had closed by end of 2008, and this would not have been captured in the Load Forecast for 2009 and 2010. For the adjustment, CDM was taken into consideration because the conservation from smart meters and the 2009 programs would not be completely reflected in the regression analysis. Therefore, a manual adjustment was made to account for the reduction in the commercial usage.

b) Please see the following table:

Year	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Standby	Total
Non-normalized Weather Billed Energy Forecast									
2009	229,705,301	97,907,768	222,742,674	209,092,094	6,278,245	377,285	1,093,169	33,558,224	800,754,759
2010	226,474,420	95,941,097	211,434,266	229,578,750	5,999,071	361,702	1,126,601	33,558,224	804,474,132
Manual Adjustment to Billed Energy Forecast									-
2009	(9,922,209)	(1,794,773)	(12,497,262)	(77,502,843)	-	-	-	-	(101,717,086)
2010	(9,922,209)	(1,794,773)	(12,497,262)	(77,502,843)	-	-	-	-	(101,717,086)
Final Billed Energy Forecast without Weather Normalization									
2009	219,783,092	96,112,995	210,245,412	131,589,251	6,278,245	377,285	1,093,169	33,558,224	699,037,673
2010	216,552,211	94,146,325	198,937,004	152,075,908	5,999,071	361,702	1,126,601	33,558,224	702,757,046

c) Please see the following table:

Year	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Standby	Total
Non-normalized Weather Billed Energy Forecast									
2009	229,705,301	97,907,768	222,742,674	209,092,094	6,278,245	377,285	1,093,169	33,558,224	800,754,759
2010	226,474,420	95,941,097	211,434,266	229,578,750	5,999,071	361,702	1,126,601	33,558,224	804,474,132
Adjustment for Weather and Economic Sensitivty									-
2009	(9,241,642)	(3,939,084)	(8,961,517)	(8,412,319)	(252,590)	(15,179)	(43,981)	(1,350,135)	(32,216,448)
2010	(17,050,847)	(7,223,231)	(15,918,501)	(17,284,567)	(451,659)	(27,232)	(84,820)	(2,526,538)	(60,567,394)
Weather Normalized Billed Energy Forecast									-
2009	220,463,659	93,968,683	213,781,156	200,679,775	6,025,655	362,105	1,049,188	32,208,089	768,538,311
2010	209,423,573	88,717,867	195,515,765	212,294,184	5,547,412	334,470	1,041,782	31,031,687	743,906,738

Question #17

Ref: Exhibit 3/ Tab 2/ Schedule 1, p. 21 – Average Usage per customer/connection

In Table 3-18 CK Hydro provided non-normalized forecast annual usage per customer/connection. Board staff has calculated Forecast Annual kWh Usage per Customer/Connection based on the normalized load forecast and customer forecast provided by CK Hydro, see below:

	Historical and Forecast Annual kWh Usage per Customer/Connection							
	Residential	GS < 50 kW	GS 50-999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered	Standby
2002	9,031	34,385	853,124	9,398,975	825	1,261	4,587	30,542,407
2003	8,805	34,469	766,687	9,498,905	771	1,040	4,587	27,611,150
2004	8,755	34,783	749,028	11,182,576	753	1,219	4,587	31,347,945
2005	9,020	33,585	678,456	11,339,203	727	1,172	4,587	37,615,872
2006	8,453	32,784	604,998	11,129,006	630	1,190	4,587	36,900,476
2007	8,315	32,202	606,275	10,831,341	634	1,164	5,496	37,331,496
2008	8,174	32,262	573,731	8,578,391	615	1,134	5,440	51,354,780
2009 (B) (WN)	7,368	30,053	485,021	4,927,077	562	1,053	5,408	32,208,089
2010 (T) (WN)	6,965	28,612	434,723	4,813,976	516	998	5,370	31,031,687

a) Please confirm that the annual forecast usage per customer/connection for the 2009 bridge year and the 2010 test year shown in the table above are correct.

b) If yes, please provide an explanation as to what ongoing change(s) account(s) for the reduction in average consumption per customer/connection in each customer class. Where possible, please provide additional support for the explanation of the reduced consumption.

c) If no, please provide a forecast annual consumption per customer/connection taking the weather-normalization process into consideration.

Answer:

a) Yes, the annual forecast usage per customer/connection for 2009 bridge year and 2010 test year as shown in the table above are correct.

b) The majority of the reduction in consumption for the Residential and General Services < 50 kWh is caused by weather. As for the 2008 consumption, it is not weather normalized and not adjusted for conservation and economic conditions.

Weather and Economic Sensitivity								
	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Standby
2009	-323	-1,284	-21,606	-339,916	-24	-45	-227	-1,350,135
2010	-595	-2,378	-37,844	-626,481	-42	-83	-436	-2,526,538

Manual Adjustment to Billed Energy Forecast								
	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Standby
2009	-347	-585	-30,130	-3,131,651	-	-	-	-
2010	-346	-591	-29,711	-2,809,098	-	-	-	-

Exhibit 3, Tab 2, Schedule 1, Table 3-11 summarizes the significant decrease in load caused by the slowdown in the economy. Reports in Exhibit 10, at Appendix A, B and C provide the information regarding conservation efforts.

The GS 50 – 999 kW and Intermediate class reduction are driven by the downturn in the economy. Table 3-11 shows the significant reduction in load that has occurred in the past 12 months.

The standby class had a large increase in 2008 because the one Standby customer had not generated as much of its own power as in the past. This trend is not expected to continue; therefore the average consumption between 2002 and 2007 was used.

c) N/A

Question #18

Ref: Exhibit 3/Tab 2/Schedule 1/p. 27 – Summary of Forecast Data

CK Hydro has provided a summary of forecast data including historical data for the past 5 years. Board staff notes that CK Hydro has shown zero load for the Large User class for the past 5 years, while CK Hydro has listed load in the Intermediate class being proposed.

a) Given that the applicant is requesting to eliminate the Large User class and establish a new Intermediate class for 2010, please confirm whether CK Hydro has shown the historical data for the Large Use for the proposed Intermediate class.

b) Please explain whether the historical Large Use data is comparable to the estimated Intermediate class, taking into account both changes in customer numbers as well as consumption reductions for the remaining customers in the proposed Intermediate class.

Answer:

a) Yes, CK Hydro has shown the historical data of the 2 Large Use customers in the Intermediate rate class.

b) The number of customers is comparable on the historical and forecast basis. The historical consumption for the Large Use customers is greater than the criteria for the Intermediate Class; it is not until 2009 or 2010 that these customers meet the criteria.

   For consistency and ease in analyzing the data, CK Hydro has put the historical and forecast data for these customers in the rate class they are in for the Test Year 2010.

Question #19

Ref: Exhibit 3/Tab 2/Schedule 1/pp. 18-19

Based on the customer/connection data provided by CK Hydro in tables 3-13 and 3-15, Board Staff has calculated the following growth rates:

	Customers/connections								
	Residential	GS < 50 kW	GS 50-999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered	Standby	Total
2002	28,087	3,282	376	18	10,465	402	193	1	42,824
2003	28,204	3,278	360	20	10,465	402	193	1	42,923
2004	28,200	3,233	360	20	10,465	361	193	1	42,833
2005	28,303	3,186	386	21	10,465	353	193	1	42,908
2006	28,347	3,140	399	21	10,570	346	193	1	43,017
2007	28,391	3,132	405	20	10,510	347	195	1	43,001
2008	28,504	3,097	409	22	10,679	344	194	1	43,250
2009 (B) (WN)	28,574	3,067	415	25	10,715	335	194	1	43,326
2010 (T) (WN)	28,644	3,038	421	28	10,751	327	194	1	43,403
	Average Annual Growth Rates								
2002 to 2008	0.21%	-0.83%	1.21%	2.91%	0.29%	-2.20%	0.07%	0.00%	0.14%
2008 to 2010	0.49%	-1.91%	2.93%	27.27%	0.67%	-4.94%	0.00%	0.00%	0.35%
2008 to 2009	0.2%	-1.0%	1.5%	13.6%	0.3%	-2.6%	0.0%	0.0%	0.2%
2009 to 2010	0.2%	-0.9%	1.4%	12.0%	0.3%	-2.4%	0.0%	0.0%	0.2%

Please confirm the growth rates shown above, and reconcile with the geometric mean approach used by CK Hydro shown in table 3-14. In the alternative, please provide, with explanation, CK Hydro's calculated geometric growth rates.

Answer:

Comparison of geometric mean submitted versus Board Staff geometric mean in the question

Year	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Standby
Geometric Mean Submitted	0.25%	-0.96%	1.41%	3.40%	0.34%	-2.56%	0.09%	0.00%
2009	0.20%	-1.00%	1.50%	13.60%	0.30%	-2.60%	0.00%	0.00%
2010	0.20%	-0.90%	1.40%	12.00%	0.30%	-2.40%	0.00%	0.00%

The differences in the geometric mean that are proposed in the application and the average growth rate calculated in Question 19 above are due to rounding differences.

The only exception is in the Intermediate Class. CK Hydro has added two customers to the projected numbers in each of 2009 and 2010, which reflects the possibility of customers on the edge of the boundary limits being moved to this class.

Question #20

Ref: Specific Service Charges and Conditions of Service

CK Hydro has its Conditions of Services posted on its website at:
http://www.chatham-kent.ca/cityBundle_services/downloadsService/downloadfiles/c44d4c0c-e63f-4bfd-8f63-c192920a40d9_Microsoft%20Word%20-%20ConditionsOfService.pdf

a) Please confirm that CK Hydro is not proposing changes to its existing Board-approved Specific Service Charges. In the alternative, please identify the Specific Service Charges that CK Hydro is proposing (either new or changed), and provide support for the proposal.

b) Please confirm that the Conditions and Services in the above link is CK Hydro's current version of its Conditions of Service. If not, please provide a version of the current version.

c) Please confirm that there are no rates and charges documented in CK Hydro's current Conditions of Service that are not documented on CK Hydro's proposed Board-approved Tariff of Rates and Charges. If there are charges that should be included on the Tariff of Rates and Charges, please identify and explain these. If necessary, please provide an updated proposed Tariff of Rates and Charges as documented in **Exhibit 8**.

Answer:

a) CK Hydro is not proposing any changes in the existing Board-approved Specific Service Charges.

b) The Conditions of Service located on CK Hydro's website is the current version. The document does not reflect the changes in the Distribution Service Connection changes that have been approved. The changes will be completed in CK Hydro's Condition of Service document in January 2010.

c) CK Hydro's current Conditions of Service does not have any charges that are not reflected in the current Tariff of Rates and charges.

Question #21

Ref: Exhibit 3/Tab 3/Schedule 1/pp. 2-3 – Late Payment Charges

Table 3-27, Summary of Other Distribution Revenue shows revenue from Late Payment charges of $170,000 and $188,861 for the 2009 bridge year and the 2010 test year respectively. Table 3-28 – Other Distribution Revenue Account Breakdown, shows no revenue from Late Payment Charges for the years 2009 and 2010. Please reconcile these two tables.

Answer:

The amounts recorded in Table 3-27 are correct for the Late Payments in 2009 and 2010. In Table 3-28 the amounts should be the same; the table that was submitted in the application was incomplete. The amounts for the Late Payments for 2009 and 2010 should be $170,000 and $188,861 respectively.

Please see response to CK Hydro's Energy Probe Question #45 c).

Question #22

Ref: Exhibit 3/Tab 3/Schedule 1/pg. 4 – Account 4405 Interest and Dividend Income

CK Hydro shows a decline in interest and dividend income of 86% from 2006 actual to 2010 test year. CK Hydro recorded no income in Inter-company loan interest, Interest on overpayment of PILs, Interest Income – Transition cost and Interest Income/Expenses RSVA for the 2009 bridge or 2010 test years. Please provide further explanation as to the absence of revenues for these sub-accounts in the 2009 bridge and 2010 test years.

Answer:

CK Hydro has no Inter-company loan for 2009 and 2010; therefore no interest was recorded for those years.

CK Hydro has excluded the interest for the Transition costs due to the fact that these amounts were included in the deferral and variance account recovery submitted in this application.

The Interest Income/Expense for the RSVA accounts was excluded from the application in accordance with the Board's decision on Innisfil Hydro's and Niagara-on-the-Lake's 2009 Cost of Service Rate Applications.

Question #23

Ref: **Exhibit 4/ Tab 2/ Schedule 4 – LEAP**

On page 12 of this exhibit, CK Hydro states that Regulatory Expenses has increased by $101,190 over the 2009 Test Year. CK Hydro has cited costs related to managing the regulatory changes for LEAP as a component of this expense. However CK Hydro does not identify which portion of this increase is related to a LEAP program.

a) Please clearly identify any cost in CK Hydro's 2010 budget associated with the Low-income Energy Assistance Program ("LEAP").

b) Identify whether these programs have been newly established or whether funds are being applied to existing programs.

Answer:

a) The costs referred to are the costs to monitor, participate in, and to work with the operation departments in meeting the regulatory changes. The budget does not have a specific amount for meeting the requirements of LEAP. LEAP is being referred to in this section of the application as one of the regulatory activities that CK Hydro must monitor, participate in, and make changes to in their operations.

b) Any programs that will be implemented to meet the requirements of LEAP will be new programs or enhancements to existing services.

Question #24

Ref: Exhibit 4/Tab 2/Schedule 4/Appendix D – Monthly Billing

On page 2 of this Exhibit, CK Hydro provides a breakdown of the cost involved in the move to monthly billing. CK Hydro has stated that the cost will be $142,381 per year. It is unclear if there are any one time costs associated with this move.

a) Please confirm whether these added staffing positions are within CK Hydro. If not, please provide further explanation.

b) CK Hydro has identified the need for four additional positions to administer a monthly billing process. Please provide further information on these staffing requirements, and, if applicable, any costs allocated to CK Hydro from CKUS.

c) Please provide further explanation whether these costs are ongoing in full, or whether a portion of these costs is considered one time.

d) Please identify if any employees are dedicated to the LEAP program either in full or partially. If so, please provide further details.

Answer:

a) Added staffing positions are not within CK Hydro. Billing services are provided by Chatham-Kent Utility Services which are detailed in Appendix D referenced above.

b) The billing staff will be required to issue approximately 169,200 (28,200 x 6) additional bills for the year.

The customer service rep will be required, as customer calls are usually bill-related; therefore, the call centre activity will be increased.

Collections and cashier positions are expected to be required to perform duties such as receipt of additional payments by customers (at the office or by other methods) and additional collection activities to issue late payment notices.

While CK Utility Services believes 5 staff members are required to provide the quality service, synergies are expected to be gained by the upgrade in the CIS. This upgrade will allow for only 4 staff members to be hired.

c) These costs are ongoing in full.

d) Costs included in Appendix D referenced above do not include LEAP program costs.

Question #25

Ref: Exhibit 6/Tab 1/Schedule 1, p.3 and Exhibit 4/Tab 2/Schedule 6, pp. 3-4

On page 3, CK Hydro lists its 2009 FTE level as 38, but shows 39 FTEs for 2009 on page 4, line 7.

a) Please confirm CK Hydro's expected 2009 FTE estimate.

b) Please indicate CK Hydro's current FTE count in 2009 year-to-date.

Answer:

a) CK Hydro had expected the 2009 FTE estimate to be 38. Two employees have retired and two others have unexpectedly resigned over the past 18 months. Due to the process of filling vacancies, the revised FTE estimate for 2009 will be 37.

b) The current FTE count is 37 YTD.

Question #26

Ref: Exhibit 6/ Tab 1/ Schedule 1, p.3 and Exhibit 4/ Tab 2/ Schedule 4, p. 4 – Additional staff

In the first reference CK Hydro states that it requires five new staff members in 2010 to ensure that CK Hydro has enough qualified linepersons and meter technicians. In the second reference, under 2010 cost drivers, CK Hydro lists 6 additional staff members (+ $300,000).

a) Please clarify CK Hydro's expectations for additions to staff in 2010.

b) Please indicate when in the 2010 year the new staff is expected to be added, and further explain how this is reflected in the 2010 test year labour costs.

Answer:

a) CK Hydro intends to add a total of 6 employees. Amended Exhibit 4, Tab 2, Schedule 6, Page 4, lines 7 through 12 are provided below:

FTE 2009 Actual/Board Approved	38
2010 Apprentices	2
Meter Technicians	1
Engineering/Operations Technician	1
Operations Supervisor	1
Manager of Connections	1
FTE 2010 Test Year	44

b) CK Hydro plans to fill the positions in the 2nd quarter of 2010. The 2010 Test Year has full year costs for the labour.

Question #27

Ref: Exhibit 4/Tab 2/Schedule 4, p. 4 – Management Salaries and Expenses

CK Hydro is showing a variance of $429,162 between 2008 Actual and the 2010 Test year. CK Hydro states that the increase in expense is caused by the requirements of meeting the International Financial Reporting Standards (IFRS) such that more staff time is required to meet the financial reporting requirements.

a) Please provide a breakdown of IFRS cost in terms of incremental, capital and ongoing cost.

b) Please provide a detailed explanation as to the accounting treatment of each of these costs.

Answer:

a) Costs in the 2010 test year relating to IFRS and staffing are $110,700, and for the new financial systems are $75,000. These costs are an allocation from CK Utility Services for the financial services to meet IFRS requirements. These ongoing costs are being recorded in the expense account.

   One-time IFRS costs for training and consulting is recorded in a deferral account.

b) Please see a).

Question #28

Ref: Exhibit 4/Tab 2/ Schedule 3, p. 5, – Regulatory Costs

In its Regulatory Cost Schedule CK Hydro provides a cost breakdown including ongoing as well as one-time regulatory expenses. CK Hydro has included one-time costs of $70,000 associated with the preparation of the 2010 rate application for recovery in this application. Please state the utility's proposal on how it intends to recover the "One-time" costs as part of its 2010 rate application. Does it propose that these be recovered as a one-time cost, or amortized over a period of four years (i.e. 2010 rebasing plus three years of IRM adjustments)?

Answer:

The one-time application-related costs that have been included for recovery in this Application are not $70,000 – those costs total $280,000 and CK Hydro proposes that they be amortized over four years. There are three one-time cost categories in the schedule. The one-time costs all refer to this 2010 Cost of Service rate application. These costs are being proposed to be recovered over the four year period. The total costs being applied for is $70,000 per year for a total recovery of $280,000 for this application.

	2010	Total Over 4 Years
Legal Costs	30,000	120,000
Consultants	20,000	80,000
Intervenor Costs	20,000	80,000
	70,000	280,000

The proposed regulatory costs in the 2010 Cost of Service application do not contemplate an oral hearing. An oral hearing was mentioned in the Notice of Application issued by the Board as to how this application may proceed. If CK Hydro were to go into an oral hearing, the total costs being requested to recover would be increased by approximately $40,000 or $10,000 per year for the next four years for a total of $320,000.

Question #29

Ref: Exhibit 4/Tab 2/Schedule 5, Table 4-14, 4-15 and 4-16 – Affiliate Services

CK Hydro states that Chatham-Kent Utility Services (CKUS) provides information technology, billing, collection, administration, financial, and regulatory services to CK Hydro. CKUS provides services worth $3.7 million to CK Hydro in 2010.

CK Hydro further states that it currently performs streetlight maintenance for the Municipality of Chatham-Kent. CK Hydro is also involved in Sentinel Light rentals to third party customers. CK Hydro provides certain services to the Municipality of Chatham-Kent in respect of these activities. Actual costs including labour, labour burdens, stores material and burden, along with vehicle costs are charged to CK Hydro. In addition, Billings to the Municipality of Chatham-Kent include a 10% profit mark up.

In Table 4-14, CK Hydro provides some information on the allocators for costs allocated between CK Hydro and affiliated companies.

a) With reference to the referenced tables, please provide a detailed explanation as to how costs for the above mentioned services are allocated, including identification of all allocators and the basis for the chosen allocator for each service.

b) Has CK Hydro conducted a shared service/corporate cost allocation study? If so, please provide a copy of the study to the Board.

c) If not, please provide an explanation why such a study has not been conducted.

d) Has CK Hydro or CKUS had an independent 3rd party review regarding the costing of these affiliate services charged to CK Hydro?

Answer:

a) Customer service charges for CK Utility Services to CK Hydro are for billing, collecting, and customer care services. The billing allocation is based upon the number of bills that are issued and prorated between CK Hydro and CK PUC, as CK Utility Services issues bills for both organizations. Collecting and customer care costs are allocated based upon the number of hours that staff performs for CK Hydro and CK PUC.

   General financial services consist of two main categories: administration costs for the CEO and financial services. Both types of services are allocated based upon the time spent overseeing and administrating CK Hydro. This allocator was chosen because it is indicative of the "time" and "resources" required to provide these functions.

   IFRS are the hours allocated for services provided by third party organizations to assist CK Hydro in becoming IFRS compliant. These costs will be recorded in the deferral account for future disposition.

Streetlight maintenance and streetlight conversion is based upon actual hours worked, actual material used, and actual time for vehicles used to provide the service.

CK Hydro to Middlesex Power for Management Charges and Inventory Staff Charge out is based on hours spent on site at the other Utility by our staff on a regularly scheduled basis. This allocator was chosen because we can clearly define time spent at the location.

CK Hydro to Middlesex Power for Engineering and other Service hours spent is based on actual hours/cost.

For CK Hydro to CK Energy and CK Utility Services for Rent, CK Hydro used square footage to allocate this cost. This is based on total building costs divided by the number of square feet occupied and in use by each affiliate.

b) CK Hydro has not conducted a shared service/corporate cost allocation study.

c) CK Hydro is a low cost utility; please refer to Exhibit 4, Tab 1, Schedule 1, and conducting a survey at this time was not a priority.

d) No, however in performing the 2008 audit, the auditors were asked to review the Affiliate Relationship Code and comment on the transactions between CK Hydro and its affiliates. The auditors found no issues with the allocations.

Question #30

Ref: Exhibit 4/Tab 2/Schedule 5, p. 1

CK Hydro states that as a result of recent changes to the Affiliate Relationship Code, CK Hydro is reviewing its provision of services to the Municipality of Chatham-Kent in respect of Street Light Maintenance and Sentinel Lights.

Please provide further information as to the kind of review the Applicant will undertake in response to recent changes to the Affiliate Relationship Code.

Answer:

CK Hydro has a Service Agreement with the Municipality for streetlight maintenance. CK Hydro was going to discontinue these services at the expiration of the current agreement due to the fact that Utilities are not permitted to perform street light services. However, due to the change in the ARC in item 2.2.4, it permits the sharing of employees that perform distribution and transmission maintenance between the LDC and its affiliates; therefore, CK Hydro may renew the services agreement.

Question #31

Ref: Exhibit 4/Tab 2/Schedule 7

In this Exhibit, CK Hydro documents its policy for depreciating/amortizing capital assets. CK Hydro states:

- CK Hydro uses the pooling of assets for all fixed assets with the exception of Computer Equipment/Software, Automotive Equipment, Furniture & Equipment, Communication Equipment, and Capital Tools. Amortization is calculated on a straight line basis over the estimated remaining useful life of the assets at the end of the previous year; plus:
- Normally a full year's amortization is taken on capital additions during the current year. For this rate application CK Hydro used the half year rule for calculating depreciation expense for the 2010 Test Year.

CK Hydro has provided its calculations of depreciation expense in Tables 4-23 to 4-27 for the 2006, 2007 and 2008 actual, 2009 Bridge and 2010 Test years.

Section 2.5.6 of the Filing Requirements states that the following information is required for Depreciation/Amortization/Depletion:

- The applicant must provide details for Depreciation, Amortization and Depletion by asset group for the Historical, Bridge and Test Years, including asset amount and rate of depreciation. This should tie back to the accumulated depreciation expense continuity schedule under Rate Base.
- The applicant must provide a statement as to whether it adheres to the Board's guidelines on amortization/depreciation rates (Appendix B of the 2006 Electricity Distribution Rate Handbook). If not, the applicant must summarize the differences from the handbook, and indicate whether these have been previously reviewed and approved by the Board (if so, file relevant references).
- Where the applicant is proposing new or changed depreciation/amortization rates, supporting documentation, preferably a depreciation study must be provided.
- The applicant must provide a copy of depreciation/amortization policy, if available. If not, the applicant should state that such a policy does not exist, or explain why it is not available.

Analysis of the data in Tables 4-23 to 4-27 indicates that CK Hydro's methodology for calculating depreciation expense may depart from that in Appendix B of the 2006 Electricity Distribution Handbook.

As one example, Board staff notes that, on Table 4-26, for account 1555 – Smart Meters, CK Hydro lists a gross book value of assets of $4,210,814, and a depreciation expense in the year of $375,787, based on an estimated remaining life of 11 years. For 2010, for the same account and with no additions or disposals from account 1555, CK Hydro shows the same gross book value for smart meters of $4,210,814, but a depreciation expense of $331,925 based on an estimated remaining life of 13 years. The change in the "straight line" depreciation expense from 2009 to 2010 is due solely to the change in the estimated remaining life – which has increased even though the assets have aged by one year.
For other accounts, there are similar changes from year to year on the estimated remaining life of assets.

a) Please confirm whether CK adheres to the Board's guidelines on Amortization/Depreciation as documented in Appendix B of the 2006 Electricity Distribution Rate Handbook. If not, please

explain fully CK Hydro's adopted amortization/depreciation approach and its reasons for preferring this method.

b) Please explain how CK Hydro determines the useful remaining life of assets each year. If CK Hydro has conducted depreciation studies to support the economic lives used for various assets and asset classes, please file copies of the most recent one(s).

c) Please indicate how CK Hydro determines that assets have been fully depreciated/amortized under this process of estimating remaining life. When an asset becomes fully depreciated or amortized, please explain the accounting treatment used.

Answer:

a) For major assets, including Smart Meters, CK Hydro follows the OEB guidelines for amortization/depreciation provided in Appendix B of the 2006 Electricity Distribution Rate Handbook. However, CK Hydro does revise the useful life for major repairs that are capitalized and small capital items to better match the life-expectancy.

b) No actual study was completed. The useful life for major repairs that are capitalized and small capital items is evaluated on a case-by-case basis when the expenditures are made. The following chart shows the assets where CK Hydro has adjusted the useful life.

Chatham-Kent Hydro Inc.
Variations to OEB Deprecation Schedule Guidlelines

	Asset Description	OEB Rate	Years used by Utility	Purchased Value
	Buildings			
2008	Surveillance System	50	10	$ 14,375.56
	Wireless Gate Opener	50	10	$ 3,935.52
	Front Office Renovation	50	10	$ 23,681.82
	HVAC Treatment System & Heat Pumps	50	10	$ 12,834.63
	Security System	50	10	$ 9,522.68
	Seal Coat Parking Lot	50	3	$ 7,408.00
2007	Window Tinting of Office Windows	50	10	$ 2,147.10
	Corporate Directors Office	50	25	$ 4,590.00
2006	Office Area for 8 Field Reps	50	25	$ 31,631.46
	Mail Room Renovations	50	25	$ 11,901.00
2005	Business Development Office	50	25	$ 6,822.08
	Generator	50	25	$ 77,219.37
	Enclose Radio Equipment Area	50	25	$ 8,440.68
2004	Boardroom Upgrade	50	25	$ 4,471.59
	Secure File Area	50	25	$ 2,134.00
	Generator	50	25	$ 56,616.08
	HVAC Upgrade	50	25	$ 8,015.63
	Office Equipment			
2008	Surveillance Camera	10	5	$ 1,976.96
2006	Carpeting Engineering Area	10	5	$ 7,289.25
	Tools			
2008	GPS - Vehicle Tracker	10	5	$ 1,515.41
	GPS - Vehicle Tracker	10	5	$ 1,515.40
2007	Load Limiter Devices	10	5	$ 7,581.82
2006	Upgrade Meter Test Board	10	5	$ 5,724.00
2004	Rope System for Tension Equipment	10	5	$ 6,166.80
	Vehicles			
2008	New Hydraulics for Bucket Truck	8	2	$ 1,675.39
2007	New Differential on Bucket Truck	8	3	$ 8,621.18
2006	Transmission on Bucket Truck	8	5	$ 10,516.90
	Recondition Boom on Bucket Truck	8	3	$ 5,933.10

c) By annually reviewing the deprecation schedules, CK Hydro is able to determine when assets are fully depreciated. Fully depreciated, readily identifiable assets are written off when they are taken out of service or sold. The capital account is credited and the corresponding accumulated depreciation account is debited.

Question #32

Ref: Exhibit 4/Tab 2/Schedule 6/pg. 4 and Exhibit 4/Tab 3/Schedule 1 – Apprenticeship Training Tax Credit

CK Hydro expects to hire 2 apprentices as part of its workforce succession and to meet new business requirements.

a) Please confirm whether the forecasted corporate income taxes for 2010 includes any amount for the Apprenticeship Training Tax Credit.

b) If CK Hydro is forecasting no ATTC in the 2010 test year, please provide an explanation.

Answer:

a) The forecasted corporate income taxes for 2010 do not include any amount for the Apprenticeship Training Tax Credit.

b) CK Hydro was not certain if the hired staff would qualify under the program and therefore did not include them in the forecast.

Question #33

Ref: Exhibit 5/Tab 2/Schedule 1/Appendix A and Section 2.6.2 of the Filing Requirements

a) In accordance with section 2.6.2, please provide a copy of the existing note with the Municipality of Chatham-Kent.

b) It is stated that the existing note has no repayment terms but is callable by the Municipality. Can CK Hydro negotiate repayment with the Municipality of Chatham-Kent? Has it done so in the past? If so, what has (have) been the outcome(s)?

Answer:

a) Please see CK Hydro's Appendix I.

b) CK Hydro has not negotiated repayment of the Note with the Municipality of Chatham-Kent. The legal terms of the Note do not provide the debtor with the option to negotiate repayment.

Question #34

Ref: Exhibit 5/Tab 2/Schedule 1/Appendix A – New Long-term Debt

CK Hydro indicates that it plans on incurring new Long-term Debt, of $1,000,000 in 2009 and $2,000,000 in 2010. CK Hydro states that the new debt is to come from its shareholder, Chatham-Kent Energy, and is to consist of the following terms:

- Interest rate paid will be the interest rate allowed in distribution rates and approved by the OEB
- There will be no set repayment terms
- Callable at the discretion of Chatham-Kent Energy.

a) Please indicate the status of the new debt that CK Hydro plans to incur in 2009. Please provide a copy of the debt instrument if it is in existence.

b) Please indicate the status of the debt that CK Hydro plans to incur in 2010. Please indicate when in 2010 CK Hydro expects that the debt will be actualized.

c) For the new debt in 2009 and 2010 please indicate the projects and assets for which the debt financing is to be incurred. Please also provide the expected economic lives of the assets being financed.

d) Please provide an explanation for the expected debt arrangements between CK Hydro and CK Energy for the new debt in 2009 and 2010. In particular, please explain how these terms reflect prudent and arms-length commercial arrangements that balance to cost to ratepayers and financial risk to CK Hydro and its shareholder. Why are there no maturity date or repayment terms or fixed rates for these notes?

e) What alternative debt financing arrangements has CK Hydro considered for the new debt financing.

Answer:

a) The new debt contemplated in 2009 has not been issued at this time.

b) The new debt contemplated in 2010 is expected to be issued in May 2010.

c) The new debt is required by CK Hydro, since CK Hydro has not incurred any new debt while maintaining the capital investment programs and investments in smart meters over the past few years. The new debt will ensure CK Hydro can continue to invest in new plant and maintain a reasonable cash balance. The expected lives of the assets being financed are 15 to 25 years.

d) The debt arrangements between CK Hydro and CK Energy are to ensure CK Hydro has enough cash to maintain the distribution system. The rate being contemplated, the deemed rate approved by the OEB, is a proxy for non-arms length transactions, and is deemed to be fair and reasonable

to the customers. As for the length of the debt, there is no maturity since CK Hydro's total debt is less than the deemed debt and will be in rates, there is no negative impact or increased risk to CK Hydro or the customers.

e) CK Hydro has not considered any other alternative debt financing.

Question #35

Ref: Exhibit 5/Tab 1/Schedule 1 and Exhibit 5/Tab 1/Schedule 2 – Actual Capital Structure and Actual Rate of Return

In **Exhibit 5/Tab 1/Schedule 1**, CK Hydro states: "Exhibit 5, Tab 1, Schedule 2 details CK Hydro's rate base, deemed debt/equity ratios, deemed rate of return, **actual debt/equity ratios and actual rates of return** for 2006 Board Approved, 2006 Actual, [2007 Actual], 2008 Actual, 2009 Bridge Year Forecast, and 2010 Test Year Forecast." [Emphasis added.]

Examination of the tables shown in **Exhibit 5/Tab 1/Schedule 2** indicates that the information is for the deemed capital structures.

a) Please provide similar tables for 2006, 2007, 2008 actuals, and with 2009 and 2010 forecasts for CK Hydro's actual capital structure.

b) Please provide CK Hydro's actual (achieved) rate of return on capital and actual (achieved) return on equity for each of 2006, 2007 and 2008 actuals.

Answer:

a) b)

Actual and Projected Capitalization Ratio

Application	Actual 2006		Actual 2007		Actual 2008		Projected Actual 2009		Projected Actual 2010		Deemed 2010	
	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)	(%)	($)
Debt												
Long-term Debt	47.75%	23,523,326	47.68%	23,523,326	46.00%	23,523,326	50.74%	24,523,326	53.34%	26,523,326	7.62%	2,392,771
Short-term Debt	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	1.33%	29,831
Total Debt	47.75%	23,523,326	47.68%	23,523,326	46.00%	23,523,326	50.74%	24,523,326	53.34%	26,523,326	7.20%	2,422,602
Equity												
Common Equity	52.25%	25,742,989	52.32%	25,816,544	54.00%	27,611,064	49.26%	23,805,040	46.66%	23,204,112	8.01%	1,796,597
Preferred Shares	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	$ -
Total Equity	52.25%	25,742,989	52.32%	25,816,544	54.00%	27,611,064	49.26%	23,805,040	46.66%	23,204,112	8.01%	1,796,597
Total	100%	49,266,315	100%	49,339,870	100%	51,134,390	100%	48,328,366	100%	49,727,438	7.52%	4,219,200
Net Income/ROE	**7.92%**	**$2,039,707**	**8.85%**	**$2,283,826**	**8.75%**	**$2,415,213**						
Return on Capital	**4.14%**		**4.63%**		**4.72%**							

Note: Return on Capital = Interest + Net Income/Net Fixed Assets

Question #36

Ref: Exhibit 7/Tab 1/Schedule 2/Appendix C – 2010 Cost Allocation Model

Please provide a copy of the 2010 Cost Allocation model (Run 2, without Transformer Allowance), as provided in Appendix C, in working Microsoft Excel format.

Answer:

A copy of the 2010 Cost Allocation Model has been filed with the electronic version of these responses, with the following file name: "Chatham-Kent_2010 Cost Allocation Mode without TA_20091218.xls"

Question #37

Ref: Exhibit 7/Tab 1/Schedule 2 – Intermediate Customer Class

Section 2.5 of the Board's *Distribution System Code* (the DSC) pertains to Frequency and Notice of Customer Reclassification and Notice of kVA Billing. In particular, sections 2.5.2, 2.5.3, 2.5.4, and 2.5.5 state the conditions for reviewing and reclassifying non-residential customers.

a) Please confirm that CK Hydro has complied with section 2.5 of the DSC to propose reclassification of the Large Use customers to the proposed Intermediate class. Please provide support for this.

b) In the alternative, please explain the basis on which CK Hydro has determined that reclassification of these customers is necessary and appropriate.

c) CK Hydro is proposing to eliminate its existing Large Use rate class. In the event that a new customer comes that would be classified as a Large User, or a proposed Intermediate class customer increases its demand such that it should be reclassified as a Large User in accordance with the DSC, please describe how CK Hydro proposes to establish appropriate rates for the class.

Answer:

a) CK Hydro has complied with section 2.5 regarding reclassification of the large use customers; one large use customer has discontinued operations and will be below the 5,000 kW threshold, and the other large user customer has decreased production and will also be below the 5,000 kW threshold.

b) See CK Hydro's response to part a)

c) CK Hydro would propose that the customer continue to pay the rates of the Intermediate class until such time as another cost allocation study would be completed to determine the appropriate rate for a customer using more than 4,999 kW. This typically would occur at the time of the next rebasing/cost of service rate application.

Question #38

Ref: Exhibit 7/Tab 1/Schedule 2/Appendix C – 2010 Cost Allocation Model

Class revenues would generally be equal to the revenue at current approved rates, all prorated by a uniform factor to yield the total distribution revenue requested.

a) Please include an explanation of which current rate is assumed for customers affected by re-classification

b) Please file Sheet O1 of a version of Cost Allocation model for Test Year Revenues that would represent current Revenue-to-Cost ratios.

Answer:

a) All customers reclassified into the Intermediate class have a current rate that was charged to this class in 2009, which is a fixed charge of $4,705.58 and a kW charge of $2.36.

b) Using the revenue requirement by rate class for Exhibit 8, Tab 1, Schedule 1, Table 8-3 in Sheet O1which produces revenue-to-cost ratios that tie into Exhibit 7, Tab 1, Schedule 2, Table 7-7 as follows:

2010 Cost Allocation Information Filing

Chatham Kent Hydro Inc.

EB-2005-0350 EB-2006-0247

September 28, 2010

Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	5 GS >50-Intermediate	7 Street Light	8 Sentinel	9 Unmetered Scattered Load	11 Back-up/Standby Power
crev	Distribution Revenue (sale)	$14,637,886	$7,927,879	$2,159,088	$2,510,397	$1,317,410	$292,758	$36,595	$27,812	$365,947
mi	Miscellaneous Revenue (mi)	$1,187,450	$766,486	$194,390	$150,085	$39,023	$11,303	$1,571	$1,075	$23,517
	Total Revenue	**$15,825,336**	**$8,694,365**	**$2,353,478**	**$2,660,482**	**$1,356,433**	**$304,061**	**$38,166**	**$28,887**	**$389,464**
	Expenses									
di	Distribution Costs (di)	$1,831,411	$873,046	$212,941	$378,845	$196,083	$48,053	$6,585	$4,568	$111,290
cu	Customer Related Costs (cu)	$2,224,420	$1,604,252	$412,465	$187,959	$16,801	$1,856	$282	$168	$637
ad	General and Administration (ad)	$2,747,280	$1,670,302	$421,265	$388,281	$145,930	$35,076	$4,830	$3,329	$78,267
dep	Depreciation and Amortization (dep)	$3,953,947	$2,091,162	$518,257	$737,549	$273,521	$98,191	$13,572	$9,338	$212,356
INPUT	PILs (INPUT)	$1,023,775	$540,848	$132,051	$190,553	$72,630	$26,467	$3,678	$2,518	$55,032
INT	Interest	$2,511,181	$1,326,625	$323,902	$467,400	$178,152	$64,919	$9,021	$6,177	$134,985
	Total Expenses	**$14,292,014**	**$8,106,235**	**$2,020,882**	**$2,350,586**	**$883,117**	**$274,561**	**$37,968**	**$26,098**	**$592,567**
	Direct Allocation	**($328,965)**	**($228,767)**	**($25,160)**	**($86,810)**	**$0**	**$0**	**$0**	**$0**	**$11,772**

NI	Allocated Net Income (NI)	**$1,862,287**	$983,823	$240,205	$346,623	$132,117	$48,144	$6,690	$4,581	$100,104
	Revenue Requirement (includes NI)	**$15,825,336**	$8,861,291	$2,235,926	$2,610,399	$1,015,234	$322,705	$44,658	$30,678	$704,443
		Revenue Requirement Input equals Output								
	Rate Base Calculation									
	Net Assets									
dp	Distribution Plant - Gross	**$69,286,960**	$36,389,423	$8,857,939	$13,043,226	$4,973,376	$1,785,057	$247,107	$169,829	$3,821,003
gp	General Plant - Gross	**$12,680,072**	$6,698,723	$1,635,526	$2,360,110	$899,567	$327,807	$45,551	$31,189	$681,599
accum dep	Accumulated Depreciation	**($32,028,240)**	($16,706,109)	($4,052,162)	($6,108,354)	($2,330,117)	($821,840)	($113,262)	($78,183)	($1,818,215)
co	Capital Contribution	**$0**	$0	$0	$0	$0	$0	$0	$0	$0
	Total Net Plant	**$49,938,792**	**$26,382,037**	**$6,441,304**	**$9,294,983**	**$3,542,825**	**$1,291,025**	**$179,396**	**$122,836**	**$2,684,386**
	Directly Allocated Net Fixed Assets	**($2,533,363)**	**($1,809,276)**	**($193,443)**	**($610,958)**	**$0**	**$0**	**$0**	**$0**	**$80,314**
COP	Cost of Power (COP)	**$50,984,482**	$15,838,738	$6,900,966	$14,530,137	$10,701,304	$440,418	$26,554	$82,709	$2,463,656
	OM&A Expenses	**$6,803,112**	$4,147,600	$1,046,672	$955,085	$358,815	$84,984	$11,697	$8,064	$190,194
	Directly Allocated Expenses	**$0**	$0	$0	$0	$0	$0	$0	$0	$0
	Subtotal	***$57,787,594***	***$19,986,338***	***$7,947,638***	***$15,485,221***	***$11,060,119***	***$525,403***	***$38,251***	***$90,773***	***$2,653,850***
	Working Capital	**$8,668,139**	**$2,997,951**	**$1,192,146**	**$2,322,783**	**$1,659,018**	**$78,810**	**$5,738**	**$13,616**	**$398,078**
	Total Rate Base	**$56,073,568**	**$27,570,712**	**$7,440,006**	**$11,006,808**	**$5,201,843**	**$1,369,835**	**$185,134**	**$136,452**	**$3,162,778**
		Rate Base Input equals Output								
	Equity Component of Rate Base	**$22,429,427**	**$11,028,285**	**$2,976,002**	**$4,402,723**	**$2,080,737**	**$547,934**	**$74,054**	**$54,581**	**$1,265,111**

Net Income on Allocated Assets	**$1,862,287**	**$816,897**	**$357,757**	**$396,706**	**$473,315**	**$29,500**	**$198**	**$2,790**	**($214,875)**
Net Income on Direct Allocation Assets	**($65,690)**	**($46,914)**	**($5,016)**	**($15,842)**	**$0**	**$0**	**$0**	**$0**	**$2,083**
Net Income	**$1,796,598**	**$769,982**	**$352,741**	**$380,864**	**$473,315**	**$29,500**	**$198**	**$2,790**	**($212,792)**
RATIOS ANALYSIS									
REVENUE TO EXPENSES %	**100.00%**	98.12%	105.26%	101.92%	133.61%	94.22%	85.46%	94.16%	55.29%
EXISTING REVENUE MINUS ALLOCATED COSTS	**$0**	($166,926)	$117,552	$50,083	$341,199	($18,644)	($6,492)	($1,791)	($314,979)
RETURN ON EQUITY COMPONENT OF RATE BASE	8.01%	6.98%	11.85%	8.65%	22.75%	5.38%	0.27%	5.11%	-16.82%

Question #39

Ref: Exhibit 7/ Tab 1/ Schedule 2 – Standby class

CK Hydro proposes new a Standby class for a customer which was previously in the Time of Use class and was charged a standby rate.

CK Hydro's current Board-approved Tariff of Rates and Charges, as approved in the Decision and Order on Board file number EB-2008-0155, currently includes a rate for Standby Power approved on an Interim Basis.

a) Please confirm with explanation whether CK Hydro is proposing to continue with its existing Standby Power rate approved on an interim basis. If there are any changes, please explain and support the proposal.

b) Please provide further detailed discussion of why there is a need to establish this customer in a separate Standby Rate class. Is CK Hydro proposing that this new Standby Class be approved on an interim or final basis? Please explain.

c) The revenue-to-cost (R/C) ratios shown in tables 7-7 and 7-5 range from an initial ratio of 30.7%; 33.0% when adjusted for the Transformer Ownership Allowance to a proposed R/C ratio of 55.29%. Please provide further detailed discussion of how initial R/C ratios were established and why the R/C ratios for this class are, initially, so low. What assumptions or allocators has CK Hydro made that factor into these low R/C ratios?

Answer:

a) CK Hydro is proposing to continue with the standby charge of $1.35 per kW. It is necessary for CK Hydro to have such a rate because CK Hydro is required to have capacity available for the customer with their own significant generation for periods of time when they do not generate power. The customer has a generator that has a generation capacity of 3,800 kWs.

b) The customer class is quite different than any other customer and therefore has different cost drivers. By creating a separate class, this will ensure that the customers with significant generation are being allocated their fair share of costs and that the potential for cross subsidization of costs is minimal.

   CK Hydro is proposing that this rate class be approved on a permanent basis.

c) The initial cost allocation filing provided a revenue-to-cost ratio that was low mainly due to the rates being so low. The customer was included in the GS > 50 kW Intermediate class and by being included in this class they were being subsidized by the other customers. In the new stand-by class they are on their own.

The cost allocation model allocated 8.84% of the demand costs and 1.64% of the administration costs. The demand costs were based upon the secondary NCP allocations.

Question #40

Ref: Exhibit 7/ Tab 1/Schedule 1/Tables 7-5 and 7-7 – Residential

In **Table 7-7**, the R/C ratio shown for the Residential customer class ranges from 98.9% for the initial Cost Allocation Study, 100.06% when adjusted for the Transformer Allowance and 98.12% for the updated 2010 Cost Allocation Study.

Please provide further explanation of why CK Hydro is proposing to move rates for this class to an R/C ratio below 100%.

Answer:

The proposed rates and the resulting revenue-to-cost ratio is within the Board approved guidelines.

CK Hydro is proposing a revenue-to-cost ratio slightly less than 100% to assist the residential customers in managing their electricity bills; the economic downturn has impacted them negatively, as Chatham-Kent has the highest unemployment rate in Canada.

Question #41

Ref: Exhibit 7/ Tab 1/Schedule 2, Table 7-5 and 7-7 – Intermediate Class

In **Table 7-5 and 7-7**, the R/C ratios shown for the Intermediate customer class ranges from 92.7% for the initial Cost Allocation Study, 245.40% when adjusted for the Transformer Allowance and 133.6% for the updated 2010 Cost Allocation Study.

a) The upper limit of the Board approved target range for this rate class is 180%. Please provide further explanation as to why CK Hydro is proposing to move well below the upper limit of the target range in rebasing rates for this class considering the high R/C ratio starting point.

b) Please include a detailed discussion on how the reclassification of customers from other classes to this class is factored into CK Hydro's proposed R/C ratio for this class. How, if it has, has CK Hydro determined "winners" and "losers" due to reclassification to the proposed Intermediate class?

c) What assumptions or allocators has CK Hydro made that factor into the R/C ratios for the Intermediate class, particularly for the 2006 studies, where there was no such class?

Answer:

a) CK Hydro is proposing a revenue-to-cost ratio that is within the Board approved guidelines.

The proposed revenue-to-cost ratio is to assist the customers in this class in managing their electricity bills. This class has been hit quite hard during this economic downturn and the proposed revenue-to-cost ratio provides a little relief for this class of customers.

b) CK Hydro has reclassified customers in this rate class based upon their load. These customers are now in a class that fit their load profiles and have similar cost drivers. CK Hydro has not done a separate analysis of the potential "winners" or "losers" in this new class. However, when reviewing the bill impacts for these customers in Exhibit 8 / Tab 1 / Schedule 11 / Appendix A, the analysis shows that the customers in the low range of this class actually see a decrease in their bill of approximately $2,357 or 3.2%, while the customers in the high end of this class will see a slight increase of $23 or 0.02%. CK Hydro believes that the customers' impacts are fair and reasonable.

c) In the 2006 cost allocation study CK Hydro prepared a Run 2, the differences in this version were the inclusion of the General Service > 50 kW Intermediate class, being defined as 1,000 kW to 4,999 kW, and the Standby class.

The Intermediate class had all customers meeting the criteria at that time; in the cost allocation model used in the application it now includes the former large user customers. The rates used in

the model were the Intermediate class rates, service charge of $4,705.58 and a demand charge of $2.36.

In allocating the costs based upon the various drivers the following allocators were used:

Drivers	**Original Model**	**Current Model**
Demand	15.07%	24.98%
Distribution and Administration	2.91%	5.25%

The demand allocation increased due to the fact that the other rate classes decreased significantly, while the Standby class did not decrease as significantly; therefore, the Standby class has a higher percentage of demand in 2010 compared to 2006.

The distribution and administration costs increased, since the Standby class has a higher percentage of consumption in 2010 which is a driver for these costs.

The customer related costs did not change materially, since the number of customer for CK Hydro did not change significantly since the 2006 cost allocation model.

Question #42

Ref: Exhibit 7/Tab 1/Schedule 2, Table 7-5 and 7-7 – Streetlighting

In **Tables 7-5 and 7-7**, the R/C ratio shown for the Streetlight customer class ranges from 44.0% for the initial Cost Allocation Study, 44.34% when adjusted for the Transformer Allowance and 94.22% for the updated 2010 Cost Allocation Study.

a) The lower Board approved target range for the Streetlight class is 70%. Please provide further explanation why CK Hydro is proposing to move above the lower boundary to 94.22% in rebasing rates for this class.

b) What assumptions or allocator has CK Hydro made/used that factor into these R/C ratios?

Answer:

a) The proposed revenue-to-cost ratio is within the Board's approved guidelines.

CK Hydro is proposing a revenue-to-cost ratio of 94.22% to assist in reducing the impact on the other rate classes. The classes that benefit the most from this allocation are the General Service < 50 kW, General Service > 50 kW and the Intermediate class. CK Hydro believes that the classes that serve the businesses require additional assistance in reducing the electricity bills as they have been impacted significantly during this economic downturn.

b) The allocation factors do not change significantly between the two models;

Drivers	**Original Model**	**Current Model**
Demand	1.07%	0.75%
Distribution and Administration	1.56%	1.23%

The slight decrease is due to the street light retro fit program which has reduced the demand and consumption of the Street Light class. The total costs being allocated changes by less than $10,000 between the two models; 2006 model total costs are $265,247 and the 2010 model total costs are $274,561.

Question #43

Ref: Exhibit 7/Tab 1/ Schedule 2, Table 7-5 and 7-7 – Unmetered Scattered Load

In **Table 7-5 and 7-7**, the R/C ratio shown for the Unmetered Scattered Load customer class ranges from 293.0% for the initial Cost Allocation Study, to 52.10% in the 2010 Cost Allocation study adjusted for the Transformer Allowance. CK Hydro is proposing an R/C ratio of 94.16% for this class.

a) The lower Board approved target range for the USL class is 80%. Please provide further explanation why CK Hydro is proposing to move above the lower boundary to 94.16% in rebasing rates for this class.

b) What assumptions or allocator has CK Hydro made/used that factor into these R/C ratios?

Answer:

a) CK Hydro's proposed revenue-to-cost ratio is within the Board's approved range.

CK Hydro has proposed the revenue-to-cost ratio that will provide little or no customer impact with the approved rates. In Exhibit 1/ Tab 2/ Schedule 1 / page 6, the bill impact for the unmetered scattered load customer is a 0.4% decrease. To reduce the revenue-to-cost ratio would be detrimental to the other rate classes.

b) The allocation factors do not change significantly between the two models;

Drivers	**Original Model**	**Current Model**
Demand	0.03%	0.08%
Distribution and Administration	0.13%	0.12%

The demand and volumes do not change significantly between the two years, and since the volumes are so small compared to CK Hydro's total volumes the ratios for allocation change minimally.

Question #44

Ref: Exhibit 8/Tab 1/Schedule 1/pp. 4-7 - Fixed/variable split

On page 5, CK Hydro recommends that the fixed charge be equal to the ceiling amount allowed in the Cost Allocation model with some exceptions. CK Hydro is proposing fixed charges that are lower than the ceiling amount for the street light and sentinel light class.

a) Please explain the impact of the reclassification of the various classes on the fixed/variable charges.

b) Please provide further detailed explanations why the applicant feels that the ceiling amounts should not be applied to the street light and the sentinel light class.

c) Please provide a scenario and subsequent bill impact calculations where the ceiling amounts are applied to these two classes.

Answer:

a) The following table identifies the change in the fixed/variable charges for the customers being reclassified into the Intermediate class.

2009						2010 Intermediate Class	
				Percentage		Percentage	
kW	Fixed charge	Fixed Revenue	Total Revenue	Fixed	Variable	Fixed	Variable
502,112	159.37	805,137	1,448,018	55.6%	44.4%	20%	80%
244,100	4,705.58	1,468,141	1,773,331	82.8%	17.2%	20%	80%
78,777	12,945.69	310,697	497,900	62.4%	37.6%	20%	80%
824,989		2,583,975	3,719,249	69.5%	30.5%	20%	80%

Consistent with the cost allocation model which was filed in 2007, the fixed portion of the revenue has decreased. This was expected for larger industrial customers.

b) The ceiling amounts for the Streetlight and Sentinel classes will create a large bill impact that requires a mitigation plan. The mitigation plan is to have a fixed charge less than the ceiling. By having a fixed charge that is between the floor and the ceiling, the customer impacts are minimized.

c) Streetlight bill impact is 210.98%when using the ceiling fixed charge of $9.02 for connected demand of 10,800 kW and energy consumption or 470,000 kWhs.

Sentinel Light bill impact is 70.52% when using the ceiling fixed charge of $11.37 for connected demand of 329 kW and energy consumption of 30,000 kWhs.

Question #45

Ref: Exhibit 8/Tab 1/Schedule 1, p. 4-7 and - Fixed/variable split

Please provide an explanation why rates above the ceiling amounts were used in the bill impact calculations for the GS<50 kW and the GS >50 kW customer class. Please reconcile the rates used for bill impact calculations with the proposed fixed distribution charges shown in Table 8-7.

Answer:

The base rates tie into the ceiling from the cost allocation model. The rates used in the bill impact calculations include more than just the base distribution rates. Other items included in the fixed service charge are the smart meter permanent rate and the smart meter adder.

The detailed calculations are found in Exhibit 8, Tab 1, Schedule 5,Table 8-16, Page 2, the chart titled "2010 Test Year – Distribution Rates".

	Base Rates	Smart Meter Permanent Rate	Smart Meter Adder	Final Rate
GS<50kW	33.74	0.18	0.51	34.43
GS<50kW	97.46	0.18	0.51	98.15

Question #46

Ref: Exhibit 8/ Tab1/Schedule 9 and Exhibit 8/ Tab 1/Schedule 11/ Appendix A – General Service Less Than 50 kW

The first reference refers to the rates shown in the Schedule of Proposed rates and Charges, which shows a service charge of $33.74. The bill impact calculations shown in Appendix A use a monthly service charge of $34.43.

a) Please indicate which monthly service charge for the General Service Less than 50 kW customer class CK Hydro is proposing in this application.

b) If necessary, please update the application evidence to reflect the correct proposed monthly service charge for this class.

Answer:

a) The monthly service charge should be $34.43 on the Proposed Rates and Charges schedule at Exhibit 8, Tab 1, Schedule 9. The service charge is calculated in Exhibit 8, Tab 1, Schedule 5, Table 8-16, Page 2, chart titled "2010 Test year – Distribution Rates".

   The service charge in Exhibit 8, Tab 1, Schedule 9 did not include the permanent smart meter rate and the smart meter adder being proposed.

b) For the updated Exhibit 8, Tab 1, Schedule 9, see CK Hydro's Appendix J.

Question #47

Ref: Exhibit 8/ Tab1/ Schedule 9 and Exhibit 8/ Tab 1/ Schedule 11/ Appendix A – General Service 50 to 999kW

The first reference refers to the rates shown in the Schedule of Proposed rates and Charges, which shows a service charge of $97.46. The bill impact calculations shown in Appendix A use a monthly service charge of $98.15.

a) Please indicate which monthly service charge for the General Service 50 – 999 kW customer class CK Hydro is proposing in this application.

b) If necessary, please update the application evidence to reflect the correct proposed monthly service charge for this class.

Answer:

a) The monthly service charge should be $98.15 on the Proposed Rates and Charges schedule at Exhibit 8, Tab 1, Schedule 9. The service charge is calculated in Exhibit 8, Tab 1, Schedule 5, Table 8-16, Page 2 chart titled "2010 Test year – Distribution Rates".

   The service charge in Exhibit 8, Tab 1, Schedule 9 did not include the permanent smart meter rate or the smart meter adder being proposed.

b) For an updated Exhibit 8, Tab 1, Schedule 9, see CK Hydro's Appendix J.

Question #48

Ref: Exhibit 8/ Tab 1/ Schedule 11, Appendix A – Unmetered Scattered Load

The bill impact calculations for Unmetered Scattered Load shows a monthly service charge amount of $194.33.

a) Please explain how CK Hydro estimated this charge.

b) Is this charge per customer or connection? If per customer, please provide the number of connections of each USL customer.

c) If necessary, please update the application evidence.

Answer:

a) The monthly charge in the Appendix A – Bill Impact Analysis was incorrect. The customer count was included in the schedule rather than the monthly service charge. The monthly service charge should have been $3.30 for 2009 and $9.06 for 2010.

b) The charge is per connection.

c) Updated bill impact for the Unmetered Scattered Load customer

Unmetered Scattered		**0.0037**			**0.0039**			**IMPACT**		
		Volume	**RATE $**	**CHARGE $**	**Volume**	**RATE $**	**CHARGE $**	**$**	**%**	**% of Total Bill**
Consumption	Monthly Service Charge			3.30			9.06	5.76	174.55%	0.01%
1,041,782	Distribution (kWh)	1,041,782	0.0054	5,625.62	1,041,782	0.0067	6,979.94	1,354.32	24.07%	7.58%
	Regulatory Assets (kW)	1,041,782	0.0000	0.00	1,041,782	(0.0015)	(1,598.51)	(1,598.51)	100.00%	(1.74%)
	Sub-Total			**5,628.92**			**5,390.49**	**(238.43)**	**(4.24%)**	**5.86%**
	RTSR - Network	1,090,746	0.0043	4,690.21	1,087,979	0.0042	4,569.51	(120.70)	(2.57%)	(1,285.51%)
	RTSR - Connection	1,090,746	0.0037	4,035.76	1,087,979	0.0039	4,243.12	207.36	5.14%	(1,193.68%)
	Sub- Total			**14,354.89**			**14,203.12**	**(151.77)**	**(1.06%)**	**(2,473.33%)**
	Wholesale Market Rate	1,090,746	0.0052	5,671.88	1,087,979	0.0052	5,657.49	(14.39)	(0.25%)	(1,591.58%)
	RRRP	1,090,746	0.0013	1,417.97	1,087,979	0.0013	1,414.37	(3.60)	(0.25%)	(397.89%)
	DRC	1,090,746	0.0070	7,635.22	1,087,979	0.0070	7,615.85	(19.37)	(0.25%)	8.28%
	Cost of Power Commodity (kWh)	1,090,746	0.0540	58,900.27	1,087,979	0.0540	58,750.86	(149.41)	(0.25%)	63.84%
	Total Bill Before Taxes			**87,980.23**			**87,641.69**	**-338.54**	**(0.38%)**	**(4,390.69%)**
	GST		5.00%	4,399.01		5.00%	4,382.08	(16.93)	(0.38%)	4.76%
	Total Bill			**92,379.24**			**92,023.77**	**-355.46**	**(0.38%)**	**(4,385.93%)**

Question #49

Ref: Exhibit 9/Tab 1/Schedule 2 – Account 1525

CK Hydro is requesting the disposition of the balance (principal and interest as of December 31, 2008 of $28,692 plus interest to April 30, 2010 of $472). The balance reported by CK Hydro to the Board under the annual RRR filing 2.1.7 does not agree with the submitted amount of $28,692.

a) The amount reported in the continuity schedule in the above exhibit for account 1525 is $27,418.10 for principal plus $1,274.10 interest in 2008. Please provide the amount reported to the Board for account 1525 in Chatham-Kent's 2008 annual filing pursuant to RRR 2.1.7.

b) Please identify the components of any difference between the amount reported in a) and the amount filed in Exhibit 9/Tab 1/Schedule 2.

c) Please explain each component of any difference identified in b). Please identify and provide an explanation for which other accounts now contain any such difference, by component.

d) Please state which amount (the amount in a) above or the amount in Exhibit 9/Tab 1/Schedule 2 is reflected in Chatham-Kent's most recent audited financial statements.

e) Please 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 such a different value.

Answer:

a) The amount reported to the Board for account 1525 in Chatham-Kent's 2008 annual filing pursuant to RRR 2.1.7 is $63,200.37.

b) The difference of $34,508.77 is Deferred Smart Meter costs.

c) Deferred Smart Meter costs consist of $25,000 from Chatham-Kent Utility Service in 2005, $6,662.50 for the Smart Meter study completed by Navigant in 2008, and $2,846.27 in interest related to these two items. The total cost of $34,508.77 is included in the Smart Meter OM&A account 1556.

d) The amount of $63,200.37 in a) is reflected in the most recent audited financial statements.

e) The Board should rely on the $28,692.00 reported in the current Application because the additional cost of $34,508.77 is related to Smart Meter OM&A costs, and these are before the Board in a separate application.

Question #50

Ref: Exhibit 9/Tab 1/Schedule 1 – Account 1525

According to the description of this account on page 4, lines 5 to 8: "This account includes all debits not provided for elsewhere. Specifically, Customer Information System expenses with respect to Ontario Price Credit (OPC) rebate cheques are tracked in this account. The OPC related costs were incurred by the distributors in 2002, and the balances in this account for all distributors (including Chatham Kent) were disposition in 2006 EDR proceedings."

a) Please explain why is there still a balance showing in account 1525, since the balance as of December 2004 was reviewed and disposed of in CK Hydro's 2006 EDR application (Board File Number RP-2005-0020/EB-2005-0350?

b) Has CK Hydro recorded any costs other than OPC-related costs, in account 1525 other costs? If so, please identify what these costs are, when they were recorded, and what these costs pertain to.

c) Please identify the instructions from a Board Decision, Order, or other document, or other regulatory precedent that CK Hydro is relying on for recording in account 1525 costs not related to the OPC.

Answer:

a) The account was used to record cost related to wholesale meter support, load transfer cost that incurred in 2004 and 2005, and customer surveys.

b)

	Amount	**Description**
Wholesale Meter support	6,541.82	Cost related to 2004 and 2005
Pre Market Opening Cost	3,676.23	Hydro One cost for 2004
Customer survey	17,200.00	Survey on the customers
	27,418.05	
Interest	1,273.45	
Total	**28,691.50**	

c) At time of recording these costs, CK Hydro did not realize account 1525 was only to be used for costs related to OPC. These costs were not in rates and were incurred to support market opening and the regulatory changes.

Question #51

Ref: Exhibit 9/Tab 1/Schedule 2 – Account 1572

CK Hydro is requesting approval for the disposition of a balance of $103,209, calculated as $93,463 principal as of December 31, 2008 plus interest to April 30, 2010.

a) Please identify the events which give rise to the claimed costs.

b) Please provide evidence that the amounts recorded in this account relate to extraordinary event costs that meet the qualifying criteria established in the Board's 3rd generation IRM report. Specifically, provide evidence that the extraordinary event related costs recorded are clearly outside of the base upon which rates were derived, and meet the materiality, inability of management to control, prudence, and causation tests as which the Board uses to assess such cost claims.

Answer:

a) These are costs related to retiree costs in 2005 (January to December) and 2006 (January to April) that were not in rates at that time. Balances up to December 31, 2004 were recovered in the 2006 EDR process for disposing of regulatory assets. This is the first opportunity to recover the costs between January 2005 and April 2006, when the amounts were included in base rates.

b) These costs were outside management's control. They are costs from negotiated contracts and the costs increases were significant, along with the accounting charge for future benefits liability.

The 3rd Generation IRM criteria are as follows:

Causation – these costs were caused by an increase in benefit costs for retirees, and the change in accounting treatment for future benefit liability. These costs were not included in the rate set in 2002.

Materiality – is 0.5% of the distribution revenue requirement. CK Hydro's revenue requirement in this application is $15,825,336; therefore, materiality is $79,126. The cost being requested of $103,209 is above the materiality threshold.

Prudence – CK Hydro has negotiated new rates of benefits for its retirees and continues to monitor these costs.

Question #52

Ref: Exhibit 9/Tab 1/Schedule 3 – Account 1508

For this account, CK Hydro shows a total of four sub-accounts that have amounts in them. Two of these sub-accounts are labelled "Other".

a) Please provide descriptions of the costs that have been recorded in the two sub-accounts labelled "Other".

b) Please provide regulatory precedent for recording these type(s) of costs in sub-accounts of account 1508.

c) Please indicate when CK Hydro requested and received Board approval to record these amounts in account 1508. In the alternative, please explain why these costs are being recorded in account 1508.

Answer:

a) Account 1508 – Other in the amount of $557,468.00 is made up of the following items:

	2008 Principle	2008 Interest	Total	Description
* 2008 Electricity Safety Authority fees	13,887.78	96.90	13,984.68	
* 2010 Rebasing	10,326.41	38.59	10,365.00	2008 cost related to the 2010 Rebasing
* 2008 LRAM estimate	418,901.00		418,901.00	
* Residential Rate Study	6,730.30	817.76	7,548.06	2005 and 2006 cost related to study
* Load Data Study with Hydro One	98,125.00	8,544.25	106,669.25	2006 costs related to Load data study, Invoices from Hydro One, customer survey costs and Chatham-Kent Utility Services
Total of the Other in Account 1508	547,970.49	9,497.50	557,467.99	

Other in the amount of $18,130.90 is made up of 2007 OEB proceeding costs for $16,954.90 plus interest of $1,176.00.

Some items listed above are being requested for recovery in other sections of the Application:

2010 Rate rebasing	$10,326.41 – Costs incurred in 2008 and to be recovered in Regulatory costs over four years.
2008 LRAM estimate	$418,901.00 – Included in the LRAM/SSM proposal
2007 OEB smart meter proceeding	$16,954.90 – included in the smart meter recovery
Total costs	$446,182.31 – in other sections of Application

The regulatory asset recovery is being adjusted as the items listed above for $446,182.31 are included in other sections of the application. The updated regulatory asset rate riders are:

Rate Class	Proposed Rates	
Residential	$	(0.0010)
GS < 50 KW	$	(0.0014)
GS > 50 kw	$	(0.7875)
Intermediate	$	(0.6006)
Standby	$	(0.7619)
Large Users		
Small Scattered Load	$	(0.0019)
Sentinel Lighting	$	(0.3004)
Street Lighting	$	(1.0240)

The updated customer impact for the customers is;

Residential customer using 800 kWhs is -0.2%

General Service < 50 kW customer using 2,000 kWhs is 1.7%

b) CK Hydro recorded the costs in this account as there was no specific account to record these costs.

c) The remaining items being requested in the regulatory asset rate riders of $128,105.09. These costs are not included in the current rates, they were incurred outside of managements control, were required for regulatory purposes and above the materiality threshold.

Question #53

Ref: Exhibit 9/ab 1/Schedule 3 – Account 1550

Please explain why the interest in the account is showing as a debit amount while the principal is a credit amount.

Answer:

For the period prior to Dec 2007 this account was in a debit position, which caused an accumulation of interest owing to CK Hydro. At the end of 2006 the principal balance was $ 280,769.51, whereas at the end of 2007 the principal balance was a credit of $ (7,169.97), and at the end of 2008 the principal balance was a credit of $(209,999.20).

Account 1550 is the low voltage variance account. The reason for the amount changing from the debit balance to credit balance is because some of the cost was put under the low voltage charge, and it should have been under the transmission charge account.

	2006		2007		2008	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Account 1550	280,769.51	7185.27	-7169.97	24,114.41	-209,999.20	23,715.20

Question #54

Ref: Exhibit 9/Tab 1/Schedule 3 – Account 1570

CK Hydro is applying to for review and disposition of the principal amount as of December 31, 2008 of $13,100 plus interest to April 30, 2010.

New entries in this account ceased on the opening of the electricity market on May 1, 2002 unless otherwise authorized by the Board. Also, in their 2006 EDR rate applications, the balances in this account were reviewed and disposed of, for all distributors including CK Hydro.

a) Please explain why there is still a balance showing for this account.

b) Please provide a detailed description of the amounts recorded in this account, including when these amounts were recorded.

c) Please indicate when CK Hydro requested and received Board approval to record these amounts in account 1570. In the alternative, please explain why these costs are being recorded in account 1570.

Answer:

a) The cost of $13,100.00 in account 1570 is relate to 2005, and was not included in the items reviewed and disposed of in the 2006 EDR rate application.

b) The cost of $13,100.00 relates to the 2005 expense for Standard and Poors to perform a Corporate Credit Rating. This was required by the utility to meet IESO prudential requirements.

c) In the 2006 EDR approval, identical costs to Dec 31, 2004 were approved by the Board in account 1570. In 2005 CK Hydro allocated these costs to account 1570 in the same manner as had been done in 2004 in anticipation of future approval by the Board, as had been received in the 2006 EDR proceeding.

Question #55

Ref: Exhibit 9 – Account 1588

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 C&ND Hydro plans on making any changes to its filing with respect to Account 1588.

Answer:

No.

Question #56

Ref: Exhibit 9 – Account 1588 – Sub-account Global Adjustment

a) Please identify separately, the balance associated with the Global Adjustment sub-account in Account 1588 Power, as of December 31, 2008 for the principal balance and April 30, 2010 for carrying charges.

b) Please confirm that the GA principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.

c) Please provide an allocation of the December 31, 2008 balance of the GA sub-account (plus interest to April 30, 2010) based on the 2008 kWhs for non-RPP customers.

d) Please calculate a separate rate rider for the recovery of the proposed GA balance using the allocated amounts in part 3 and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant.

e) Please discuss whether CK Hydro's billing system is capable of applying a separate GA rate rider to non-RPP customers effective May 1, 2010

Answer:

a) The principal balance in the Global Adjustment sub-account in Account 1588 Power as at December 31, 2008 is $1,134,050 and interest April 30, 2010 is $83,411.

b) Yes, the GA principal balance proposed for disposition is based on the procedures identified by the Accounting Procedures Handbook.

c) Allocation of December 31, 2008 balance of the GA sub-account is based on 2008 kWhs for non-RPP customers.

Global Adjustment to be allocated by Class: $ 1,217,461.00

Customer Class	kWh - 2008	Percentage Per Class	
Res - Retailer	46,751,025	8.65%	$ 105,310.38
GS<50 - Retailer	16,815,920	3.11%	$ 37,863.04
GS>50	236,908,609	43.83%	$ 533,613.16
Intermediate	188,724,594	34.91%	$ 425,015.64
Stand by	51,354,780	9.50%	$ 115,658.80
	540,554,928	100.00%	$ 1,217,461.00

d)

Customer Class	kWh - 2010		Global Adjustment to be allocated by Class	Rate
Res - Retailer	40,034,196	$	105,310.38	0.0026
GS<50 - Retailer	14,437,796	$	37,863.04	0.0026
GS>50	183,018,503	$	533,613.16	0.0029
Intermediate	134,791,341	$	425,015.64	0.0032
Stand by	31,031,687	$	115,658.80	0.0037
	403,313,523	$	1,217,461.02	

e) The CK Hydro billing system is capable of applying a separate GA rate rider to non-RPP customers effective May 01, 2010.

Question #57

Ref: Exhibit 9/Tab 2/Schedule 1/Appendix A – Smart Meters

a) Please provide a copy in Microsoft Excel format, and showing all inputs and calculations of CK Hydro's smart meter model that has been filed in Adobe pdf format under a claim of confidentiality.

b) Please provide CK Hydro's views, with reasons, as to whether the smart meter model should be updated at the time of the Board's Decision to reflect updated Cost of Capital parameters and other relevant parameters.

Answer:

a) A copy has been filed in confidence with the OEB.

b) CK Hydro believes that the smart meter model should be updated at the time of the Board's Decision to reflect updated Cost of Capital parameters and other relevant parameters. This will ensure consistency for setting rates for all aspects of this application.

Question #58

Ref: Exhibit 9/Tab 2/Schedule 1/pg. 7/ll. 9-14 – Stranded Meter Costs

CK Hydro is proposing recovery of stranded meter costs of $126,000.

a) Please provide further details, including source data and calculations, for CK Hydro's proposed stranded meter costs. Please indicate whether these costs are audited.

b) How has CK Hydro disposed of stranded meters? Are the above costs net of any net revenues received for sale of disposed conventional meters?

c) Please confirm whether this is the totality of stranded meter costs associated with CK Hydro's smart meter programme. If CK Hydro expects that there will be additional stranded meter costs, please provide an estimate and description of these costs expected in the future.

Answer:

a) In December 2007 CK Hydro calculated the Residential stranded meter costs to be $129,734.93. This item was included in CK Hydro's audited financial statements.

	Amount	Stranded Cost
Gross Assets	451,067.54	203,404.11
Accumulated Depreciation	216,611.26	73,669.18
Net Book Value	234,456.27	129,734.93

b) CK Hydro has sold some of the stranded meters. In 2006 CK Hydro sold meters for $4,564.16; in 2007 for $4,148.75; and in 2008 for $6,399.00. These values have been reflected in the balance in account 1555 which has reduced the amount to be recovered from customers.

	Amount	Stranded Cost
Gross Assets	451,067.54	203,404.11
Accumulated Depreciation	216,611.26	73,669.18
Net Book Value	234,456.27	129,734.93
Recovers/Sold		15,111.91
Balance in Stranded Meters		114,623.02

c) CK Hydro expects to have some additional stranded meters costs. This would be for additional Residential meters not included in the previous calculation plus meters related to the General Service customer class in 2009. Residential stranded meter costs will be an additional $112, 835 and General Service < 50 will be $23,448 (please see CK Hydro's response to Energy Probe Question #7).

Question #59

Ref: Exhibit 9/Tab 2/Schedule 1/pg. 8/Table 9-10

In this table, CK Hydro shows, under "Other", 112 smart meters deployed in 2008, 144 meters deployed or to be deployed in 2009, 100 meters to be deployed in 2010 and 94 more to be deployed in 2011 or later. These smart meters are for other than the Residential or General Service < 50 kW classes.

a) Please define what is in the "Other" category.

b) Please indicate whether these smart meters are beyond Minimum Functionality as defined in O. Reg. 425/06.

c) If these smart meters are for beyond minimum functionality, please provide further information on these smart meters, and the associated costs in aggregate and on a per meter basis.

d) Has CK Hydro had costs for these meters reviewed and approved by the Board in a prior application?

Answer:

a) The Other category is for some General Services > 50 kW customers. These customers are apartment buildings that will use the smart meter technology for meter reading.

b) These smart meters are not in the scope of O Reg. 425/06 and should be included in general capital.

c) General Service > 50 Average cost per meter

No of Meters	112
Capital cost	78,087.00
Avg per Meter	697.21

d) No.

Question #60

Exhibit 9/Tab 2/Schedule 1/Appendix B – Smart Meter Model

Please provide the spreadsheets shown in Appendix B in Microsoft Excel format, showing all data inputs and calculations.

Answer:

a) A copy of the Smart Meter Model has been filed electronically with the following file name: "Chatham-Kent_Smart Meter Model_20091218.xls"

Question #61

Exhibit 9/Tab 2/Schedule 1/pp. 10-11 – Smart Meter Permanent Rate

CK Hydro is proposing an amount of $0.18/month per metered customer and describes this as a permanent smart meter rate adder.

a) Please indicate where this rate adder is shown in the tariff of proposed rates shown in **Exhibit 8/Tab 1/Schedule 9**.

b) The smart meter model in Exhibit 9/Tab 1/Schedule 2/Appendix B (page 685 of the Adobe pdf version of the application) shows the $0.18 as recovering the incremental revenue requirement over a period of 12 months to recover the amount of $69,952 from 32,132 metered customers.

   i) Please explain why the model uses 2006 EDR customer counts. Would not updated customer counts be more accurate to reflect the amounts recovered and hence as the denominator for determining the rate rider?

   ii) If the $69,952 is to be recovered over one year, why is CK Hydro proposing this as a permanent smart meter rider?

Answer:

a) The smart meter permanent rate is added into the service charge. The calculation of the service charge rate is found in Exhibit 8, Tab 1, Schedule 5, Table 8-16, Page 2.

   The inclusion of the permanent rate in the service charge is the same approach the Board has approved in, EB-2007-0063 and EB-2007-0155, smart meter applications that CK Hydro brought before the Board.

b)

   i) The number of customers relates to this rate application. The title needs to be updated.

   ii) The revenue requirement is for assets that will be in place for the life of the assets. Therefore, the revenue requirement is not for only one year but for the life of the assets. The rate is permanent until the next rate rebasing period. This is the same method and process approved by the Board in EB-2007-0063 and EB-2007-0155.

Question #62

Exhibit 9/Tab 2/Schedule 1

CK Hydro has had audited costs for smart meters deployed to December 31, 2007 reviewed and approved by the Board, and is proposing that audited costs for smart meters installed in 2008 be reviewed and approved of in this application.

a) Please explain how the costs for smart meters installed to the end of 2007 are reflected in the 2010 Cost Allocation study.

b) Please explain how the costs for smart meters installed in 2008 and proposed for approval are reflected in the 2010 Cost Allocation study.

Answer:

a) The smart meter assets installed to the end of 2007 and approved by the Board are included in net fixed assets account 1861 for 2008 and are included in this account in the 2010 Cost Allocation study.

b) The smart meter assets installed in 2008 are recorded in deferral account 1555 and are being proposed for approval and recovery in Exhibit 9, Tab 2. These costs are not reflected in the 2010 Cost Allocation study as they have not received Board approval.

Question #69

Ref: Exhibit 10

Board staff is interested in CK Hydro's CDM expenditures. On March 28, 2005, CK Hydro received approval from the Board for its Conservation and Demand Management ("CDM") plan and accompanying budget of $1,000,000.

a) Please confirm that the total approved CDM plan budget of $1,000,000 has been completely expended on the components of the plan.

b) If the CDM budget has not been spent according to the plan, please indicate what of the plan remains, the related amounts, and discuss why the funding has not been exhausted. Also, please discuss how CK Hydro proposes to dispose of the approved funding.

Answer:

a) Yes, CK Hydro spent $1,066,766 on the CDM programs.

b) All CDM budget has been spent; see item a) above.

Appendices

Financial Statements of

CHATHAM-KENT HYDRO INC.

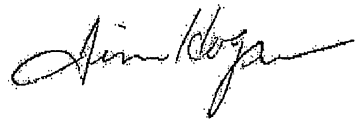
December 31, 2007

Management's Responsibility for Financial Reporting

Chatham-Kent Hydro's management is responsible for the preparation and presentation of the financial statements and all other information included in this annual report. Management is also responsible for the selection and use of accounting principles that are appropriate in the circumstances, and for the internal controls over the financial reporting process to reasonably ensure that relevant and reliable information is produced. Financial statements are not precise in nature as they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control over the financial reporting process. The Board exercises this responsibility through the Audit Committee of the Board. This committee, which is comprised of three directors of the Chatham-Kent Energy Board, with one member also on the Chatham-Kent Hydro board, meets with management and the external auditors to ensure that management responsibilities are properly discharged and to review the financial statements and other information included in the annual report before they are presented to the Board of Directors for approval. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, has been appointed by the audit committee and engaged to examine the accompanying financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the financial statements.



Dave Kenney
President

Jim Hogan
Chief Financial & Regulatory Officer

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
One London Place
255 Queens Avenue
Suite 700
London ON N6A 5R8
Canada

Tel: 519-679-1880
Fax: 519-640-4625
www.deloitte.ca

Auditors' Report

To the Chairman and Board Members of Chatham-Kent Hydro Inc.

We have audited the balance sheet of Chatham-Kent Hydro Inc. as at December 31, 2007 and the statements of earnings, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Licensed Public Accountants

February 29, 2008

CHATHAM-KENT HYDRO INC.

Balance Sheet
December 31, 2007

	2007	2006
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**4,091,078**	5,984,891
Accounts receivable (Note 4)	**3,407,706**	5,410,738
Accounts receivable -unbilled revenue	**9,336,743**	8,514,113
Taxes receivable	**838,981**	-
Due from Chatham-Kent Energy Inc.	**250,000**	1,600,000
Due from Middlesex Power Distribution Corporation	**324,993**	393,990
Inventories	**780,574**	700,506
Prepaid expenses	**68,359**	209,627
	19,098,434	22,813,865
CAPITAL ASSETS (Note 5)	**44,736,362**	42,379,469
OTHER		
Deferred assets (Note 6)	**3,681,778**	4,264,952
Computer software	**198,061**	12,734
	3,879,839	4,277,686
	67,714,635	69,471,020
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**9,382,408**	10,187,779
Taxes payable	**-**	1,308,615
Due to the Municipality of Chatham-Kent	**2,727,229**	4,448,100
Current portion of customer deposits	**842,699**	678,573
	12,952,336	16,623,067
LONG-TERM		
Note payable (Note 7)	**23,523,326**	23,523,326
Asset retirement obligation	**15,000**	30,000
Employee future benefits (Note 8)	**800,909**	754,683
Long-term portion of customer deposits	**2,982,893**	2,233,599
	27,322,128	26,541,608
	40,274,464	43,164,675
CONTINGENCY AND COMMITMENTS (Notes 11 and 16)		
SHAREHOLDER'S EQUITY		
Share capital (Note 12)	**23,523,425**	23,523,425
Retained earnings	**3,916,746**	2,782,920
	27,440,171	26,306,345
	67,714,635	69,471,020

CHATHAM-KENT HYDRO INC.

Statement of Earnings, Comprehensive Income and Retained Earnings
Year Ended December 31, 2007

	2007	2006
	$	$
SERVICE REVENUE		
Residential	**22,872,748**	23,428,947
General service	**42,408,480**	41,775,799
Street lighting	**661,073**	681,345
	65,942,301	65,886,091
Change in unbilled revenue	**(121,720)**	(1,118,336)
	65,820,581	64,767,755
Retailer energy sales	**11,600,231**	12,238,001
	77,420,812	77,005,756
COST OF POWER	**64,186,838**	63,748,446
GROSS MARGIN ON SERVICE REVENUE	**13,233,974**	13,257,310
OTHER OPERATING REVENUE	**1,579,746**	1,450,899
OPERATING INCOME	**14,813,720**	14,708,209
OPERATING AND MAINTENANCE EXPENSE		
Distribution	**2,287,642**	2,452,288
ADMINISTRATIVE EXPENSE		
Billing and collection	**1,281,282**	1,386,126
General administration	**2,063,134**	2,076,361
Interest	**2,009,246**	1,749,248
DEPRECIATION AND AMORTIZATION	**3,315,639**	2,970,412
	10,956,943	10,634,435
EARNINGS BEFORE PAYMENTS IN LIEU OF TAXES	**3,856,777**	4,073,774
Payments in lieu of taxes (Note 15)	**1,572,951**	2,034,067
NET EARNINGS AND COMPREHENSIVE INCOME	**2,283,826**	2,039,707
RETAINED EARNINGS, BEGINNING OF YEAR	**2,782,920**	1,843,213
LESS DIVIDENDS PAID	**(1,150,000)**	(1,100,000)
RETAINED EARNINGS, END OF YEAR	**3,916,746**	2,782,920

CHATHAM-KENT HYDRO INC.

Statement of Cash Flows
Year Ended December 31, 2007

	2007	2006
	$	$
OPERATING ACTIVITIES		
Net earnings	**2,283,826**	2,039,707
Adjustments for:		
Depreciation of capital assets	**3,590,366**	3,271,416
Depreciation of computer software	**84,734**	4,061
Amortization of contributed capital	**(142,742)**	(134,216)
Allowance for deferred assets	**(254,196)**	(168,800)
Gain on disposal of capital assets	**(63,083)**	(130,722)
Accretion of asset retirement obligation	**14,410**	-
Employee future benefits	**46,226**	31,148
Changes in non-cash working capital items (Note 13)	**(3,199,113)**	(2,453,438)
Change in asset retirement obligation	**(15,000)**	-
Change in long-term customer deposits	**749,293**	724,752
	3,094,721	3,183,908
INVESTING ACTIVITIES		
Change in deferred assets	**2,741,367**	(857,636)
Recovery of deferred assets	**(1,774,261)**	(83,650)
Proceeds on disposal of capital assets	**227,037**	144,767
Additions to capital assets and computer software	**(6,382,677)**	(4,884,102)
Repayment from Chatham-Kent Energy Inc.	**1,350,000**	-
	(3,838,534)	(5,680,621)
FINANCING ACTIVITIES		
Dividends paid	**(1,150,000)**	(1,100,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,893,813)**	(3,596,713)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**5,984,891**	9,581,604
CASH AND CASH EQUIVALENTS, END OF YEAR	**4,091,078**	5,984,891

See Note 13 for supplemental cash flow information.

1. NATURE OF OPERATIONS

(a) Incorporation of Chatham-Kent Hydro Inc.

Chatham-Kent Hydro Inc. ("the Company") was incorporated September 22, 2000 under the *Business Corporations Act (Ontario).*

The Company is wholly-owned by Chatham-Kent Energy Inc. which in turn is wholly-owned by the Municipality of Chatham-Kent ("the Municipality").

The principal activity of the Company is to distribute electricity to customers within the Municipality of Chatham-Kent, under the licence issued by the Ontario Energy Board ("OEB").

Under a Municipal by-law, dated September 5, 2000, the former Public Utilities Commission of the Municipality of Chatham-Kent – Electrical Division ("the Commission") and the Municipality transferred the assets, liabilities and employees associated with the distribution of electricity at book value effective October 1, 2000. The book value of the net assets transferred to the Company at October 1, 2000 was $47,046,751. In consideration for the transfer the Company issued long-term notes payable to the Municipality in the aggregate principal amount of $23,523,326. Shares valued at $23,523,425 have been issued to Chatham-Kent Energy Inc.

The incorporation and subsequent reorganization was required by provisions of Bill 35, *The Energy Competitions Act, 1998* enacted by the Province of Ontario to introduce competition in the electricity market.

(b) Rate Regulated Entity

The Company is a regulated Local Distribution Company (LDC) and has a distribution licence that is regulated by the OEB. The OEB has regulatory oversight of electricity matters in Ontario. *The Ontario Energy Board Act, 1998* sets out the OEB's authority to issue a distribution licence which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles and filing process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility of ensuring the electricity distribution companies fulfill obligations to connect and service customers.

1. NATURE OF OPERATIONS (continued)

The Company is required to charge its customers for the following amounts (all of which, other than the distribution rates, represent a pass through of amounts payable to third parties):

- Electricity Price – The electricity price represents the commodity cost of electricity.
- Distribution Rate – The distribution rate is designed to recover the costs incurred by the Company in delivering electricity to customers and the OEB allowed rate of return.
- Retail Transmission Rate – The retail transmission rate represents the wholesale costs incurred by Company in respect of the transmission of electricity from generating stations to the local areas.
- Wholesale Market Service Charge – The wholesale market service charge represents the various wholesale market support costs.

In order to operate in the Ontario electrical industry all market participants, including the Company, are required to satisfy and maintain prudential requirements with the Independent Electricity System Operator ("IESO"), which include credit support with respect to outstanding market obligations in the form of obtaining a credit rating, letters of credit, cash deposits or guarantees from third parties with prescribed credit ratings.

Market Based Rate of Return

The Company had received approval from the OEB for a change in rates effective May 1, 2006 which approved rates that included a rate of return of 9.0% on equity and rebased the rate base and operating costs at the 2004 historical levels. The rate of return of 9.0% is the maximum allowed by the OEB.

Incentive Rate Mechanism

The OEB regulates the rates of the Company in an Incentive Rate Mechanism ("IRM") regime for 2007-2010. The process includes a formulae approach to establishing 2007 rates with a rate rebasing approach (cost-of-service) to be staggered across all Ontario distributors between 2008 and 2010. The Company self-nominated for a rate rebasing in 2010.

The distribution rates increased by 0.9% in 2007 using the OEB's approved IRM.

Smart Meter Program

The Company has been named in Ontario Regulations 427/06 which gives the Company the ability to install smart meters to their low volume customers. By year end the Company had installed a smart meter to substantially all of their residential customers.

1. NATURE OF OPERATIONS (continued)

The Company participated in a regulatory proceeding along with the other utilities that were named in the Ontario Regulation. The regulatory process was to determine that the Company acted prudently in implementing its smart meter program. The Company was also seeking rate recovery for all capital costs invested up to April 30, 2007.

The OEB found the Company acted prudently and approved full recovery of all capital costs invested up to April 30, 2007.

In 2008, the Company will seek approval from the OEB for recovery of additional capital costs invested after April 30, 2007. The Company expects full recovery of these costs as it is an extension of the program that received full approval in 2007.

Consolidation in the Ontario Local Distribution Sector

The Provincial Government has provided a transfer-tax exemption window in order to entice LDC's to purchase, merge or amalgamate with one another. The exemption window closes October 18, 2008. The Company is reviewing its strategic options.

LDC's that purchase, merge or amalgamate will have the option to defer rate rebasing for up to five years. This will give the LDC's the benefit of keeping any possible synergies for a longer period of time which will offset the transaction costs. The benefits to the customers will be improved service and lower costs over the long term.

Regulatory Assets and Liabilities

Electricity distributors are required to reflect certain prescribed costs on their balance sheets until the manner and timing of distribution is determined by the OEB. These costs are:

- Transition costs resulting from preparation of Open Access;
- Settlement variance between amounts charged by the Company to customers (based on regulated rates) and corresponding cost of non-competitive electricity service incurred by it in the wholesale market administered by the IESO after May 1, 2002;
- The deferral of OEB annual cost assessments for the OEB's fiscal year 2004 and 2005; and
- The deferral of incremental Ontario Municipal Employees Retirement System pension expenditures for fiscal years starting after January 1, 2005.

1. NATURE OF OPERATIONS (continued)

The regulatory assets and liabilities balances are detailed on Note 6. The regulatory asset balances have been recovered in rates on an interim basis since April 2004. The Company had applied to the OEB for full and final recovery of the regulatory asset balances that were in place at December 31, 2004. The OEB approved the recovery of these assets over a two year period ending April 30, 2008.

Electricity Sector Reorganization

In December 2004, the Province initiated a further restructuring of Ontario's electricity industry with the passage of the Electricity Restructuring Act, 2004 ("Bill 100"). The restructuring was intended, among other things, to ensure efficient and effective management of electricity, promote the expansion of new electricity supply and capacity, encourage electricity conservation and renewable energy and regulate prices in parts of the electricity sector.

Bill 100:

i) Established the Ontario Power Authority ("OPA"), as an independent, non-profit, self-financed corporation, with a broad mandate to ensure adequate long-term electricity supply in the Province;
ii) Reorganized the Independent Electricity Market Operator as the IESO, a non-share corporation, which will continue to operate the wholesale market and be responsible for the operation and reliability of the integrated power system; and
iii) Established a Conservation Bureau within the OPA responsible for assuming a leadership role in planning and coordinating electricity conservation measures and load management in the Province.

Under Bill 100, the commodity cost of electricity for certain customer classes will be regulated by the OEB. Customers who did not wish to or were not eligible to participate in the regulated plan purchased electricity in the competitive market or through licensed retailers.

Effective January 1, 2005, the IESO implemented, pursuant to Bill 100, a new price adjustment applicable to customers not subject to price protection and rate caps. The new price adjustment, referred to as Global Adjustment, is a variable rate calculated by the IESO based on the difference between electricity market prices and the mix of regulated and contract prices paid to electricity generators. This calculation results in positive or negative bill adjustments depending on prevailing electricity market conditions.

1. NATURE OF OPERATIONS (continued)

The difference between the amount credited to customers and the amount received from the IESO by LDC is being tracked in a variance account and is currently reflected as a settlement variance regulatory liability. The disposition of the variance account balance shall be in accordance with the OEB's guidelines for reviewing variance and deferral accounts.

On February 23, 2005, the Minister of Energy announced a new fixed pricing structure for electricity supplied by OPG. The new pricing structure, effective April 1, 2005 through March 31, 2008, is based on a blended price for electricity supplied by OPG's regulated and unregulated assets.

The new pricing structure had an immediate impact on large industrial and commercial electricity customers who use more than 250,000 kWh per year. While residential, small business and other consumers were not immediately affected by the new pricing structure, the OEB blended the various prices paid to generators into a new fixed price that these consumers now pay under the Regulated Price Plan ("RPP"), which took effect on April 1, 2005.

The OEB has formulated two pricing plans for RPP-eligible customers, depending on how customers' electricity consumption is metered – that is, a pricing plan for customers without smart meters, and a pricing plan for customers with smart meters. For both plans, prices were effective April 1, 2005.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultations between the OEB and interested stakeholders, may affect the distribution rates, including payments in lieu of corporate taxes ("PILs") recoveries, that LDC may charge and the costs that LDC may recover, including the balance of its regulatory assets.

2. CHANGES IN ACCOUNTING POLICIES

Financial Instruments

The company adopted the following recommendations of the CICA Handbook:

a) Section 3855, Financial Instruments – Recognition and Measurement

This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method. The adoption of this recommendation did not have a material impact on the Company's earnings or cash flow.

b) Section 1530, Comprehensive Income

This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in Shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale and from foreign currency translation of self-sustaining foreign subsidiaries. The Company now presents a Statement of Earnings, Comprehensive Income and Retained Earnings.

c) Section 3865, Hedges

These recommendations expand the guidelines outlined in Accounting Guideline 13 ("AcG-13"), *Hedging Relationships*. This Section describes when and how hedge accounting can be applied, as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The Company did not designate any of its financial instruments for accounting purposes as hedges.

d) Section 3861, Financial Instruments – Disclosure and Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of this recommendation did not have a material impact on the Company's earnings or cash flow.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

e) Section 3251, Equity

This Section establishes standards for the presentation of equity and changes in equity during the reporting period. The adoption of this recommendation did not have a material impact on the Company's earnings or cash flow.

Future accounting changes

a) Inventories

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

b) Financial Instruments

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

The Company does not expect that the adoption of these new Sections will have a material impact on its financial statements.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes (continued)

c) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following policies as set forth in the Accounting Procedures Handbook issued by the OEB under the authority of the *Ontario Energy Board Act, 1998:*

Regulation

The Company is regulated by the OEB and any power rate adjustments require OEB approval.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with the bank

Unbilled revenue

Unbilled revenue is an estimate of customers' consumption of power from the last meter read to December 31st.

Inventories

Inventories are valued at the lower of cost and replacement cost with cost being determined using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost. Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and fixtures	25 – 50 years
Distribution station equipment	30 years
Distribution lines	25 years
Distribution transformers	25 years
Distribution meters	25 years
General office equipment	10 years
Computer equipment	5 years
Rolling stock	4 - 8 years
Tools	10 years
System supervisory equipment	15 years
Automated mapping facility management	15 years
Services	25 years
Contributions in aid of construction	25 years
Smart Meters	3 - 15 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions toward the cost of constructing the Company's assets. For the year ended December 31, 2007 $213,142 (2006-$452,866) of contributed capital has been charged to capital assets and recorded as an offset to capital assets. Amortization is on a straight-line basis over 25 years.

Computer software

Computer software is stated at cost less accumulated depreciation. Distribution software is depreciated over 5 years on a straight-line basis. Smart meter software is depreciated over 3 years on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred assets

Deferred assets consist of qualifying capital costs and related expenditures incurred in the preparation for market opening, costs for conservation programs which meet the Minister of Energy's Directive and investments in smart meters and other expenditures that are not currently recovered in rates.

Also included in deferred assets are retail settlement variance accounts. These variances are for non-competitive energy services which are a pass through for the Company.

Recovery of the deferred assets requires regulatory approval from the OEB.

Customer deposits

Customer deposits are recorded when received or paid. Deposits earn interest at a rate of prime less 2%.

Asset retirement obligations

The Company recognizes the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which it is incurred and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

Post employment benefits other than pension

The Company provides its current and retired employees with life insurance and medical benefits beyond those provided by government-sponsored plans. The cost of these benefits is expensed as earned through employment service.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and cost of power

Service revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used. Any discrepancies in the revenue collected and associated cost of power related to distribution are charged to deferred assets.

Payments in lieu of income taxes

Under the *Electricity Act, 1998*, the Company is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are recorded in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the *Income Tax Act* (Canada) and the *Corporations Tax Act* (Ontario) and modified by the *Electricity Act, 1998*, and related regulations.

The Company, regulated by the OEB, provides for payments-in-lieu of corporate income taxes using the taxes payable method instead of the liability method.

Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Future income taxes are expected to be reflected in future rates and, accordingly, are not recognized in the financial information. Payment in lieu of taxes is henceforth referred to as income taxes.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

	Classification
Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Accounts receivable - unbilled revenue	Loans and receivables
Due from Chatham-Kent Energy Inc.	Loans and receivables
Due from Middlesex Power Distribution Company	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to the Municipality of Chatham-Kent	Other liabilities
Current portion of customer deposits	Other liabilities
Note payable	Other liabilities
Long-term portion of customer deposits	Other liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liabilities as held for trading.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

4. ACCOUNTS RECEIVABLE

		2007	2006
Electrical energy	$	3,044,600	$ 3,531,065
Other		470,106	1,977,529
		3,514,706	5,508,594
Allowance for doubtful accounts		(107,000)	(97,856)
Net accounts receivable	$	3,407,706	$ 5,410,738

5. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Plant and distribution system:				
Land	$ 688,380	$ -	$ 688,380	$ 734,509
Buildings and fixtures	3,596,469	682,740	2,913,729	3,086,051
Distribution station equipment	199,845	91,229	108,616	120,216
Station retirement obligation	20,599	5,599	15,000	30,000
Distribution system:				
Overhead	21,784,553	6,479,663	15,304,890	15,110,441
Underground	15,048,221	5,339,648	9,708,573	10,079,033
Transformers	13,618,480	4,249,473	9,369,007	8,988,769
Meters	3,184,385	991,963	2,192,422	2,395,839
General office equipment	105,183	65,760	39,423	48,916
Computer equipment	357,668	316,504	41,164	60,053
Rolling stock	2,341,913	1,382,401	959,512	828,953
Tools	586,282	472,449	113,833	105,418
System supervisory equipment	767,510	494,844	272,666	301,730
Automated mapping facility	1,676,363	761,280	915,083	993,704
Services	3,006,411	527,565	2,478,846	2,283,998
Smart meters	2,697,282	223,503	2,473,779	-
	69,679,544	22,084,621	47,594,923	45,167,630
Contributions in aid of construction	(3,551,848)	(693,287)	(2,858,561)	(2,788,161)
	$ 66,127,696	$ 21,391,334	$ 44,736,362	$ 42,379,469

Depreciation and amortization in the amount of $256,721 (2006-$170,849) for rolling stock and $203,305 (2006-$166,788) for computer software is included with relevant cost centres.

6. DEFERRED ASSETS

Deferred assets and liabilities arise as a result of the rate-making process. As described in this note, Chatham-Kent Hydro has recorded the following regulatory assets and related provisions. Regulatory assets represent future revenues associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate setting process.

		2007	2006
Costs			
Regulatory asset prior 2004	$	**590,117**	$ 3,230,086
Retail settlement variance accounts post 2004		**(1,648,799)**	(880,784)
Conservation and demand management		**154,764**	-
PILs recoverable		**1,113,200**	759,200
Other deferred/transition costs		**1,097,780**	945,983
Smart Meter - capital and expense		**2,610,070**	2,399,393
Gross deferred assets		**3,917,132**	6,453,878
Recoveries			
Recovery of Regulatory asset prior 2004		**(73,545)**	(1,655,886)
Recovery of CDM		**(109,538)**	(96,465)
Provision		**(84,582)**	(338,778)
Smart meter revenue		**32,311**	(97,797)
Net deferred assets	$	**3,681,778**	$ 4,264,952

The introduction of Bill 210 in November 2002 has deferred future rate increases until 2007. However Bill 4 was introduced in December 2003 which allowed for the recovery of deferred assets over a four year period beginning in April 2004. Deferred asset revenue for 2007 was $709,938 (2006-$686,518). Since the recovery of the regulatory assets has begun the provision has been reduced by $254,196 (2006-$168,800). The Company obtained final approval from the OEB of the deferred asset balances at December 31, 2004 in May 2006. In 2007, $2,238,415 of deferred asset revenue was allocated towards $2,238,415 of deferred asset expense as per OEB guidelines. An interest receivable of $53,863 was recorded as per OEB guidelines. Deferred asset revenue will remain in place until April 30, 2008. It is expected at April 30, 2008 that the revenue collected will be sufficient to cover the Regulatory Assets costs prior to 2004. This revenue will be allocated to the remaining Regulatory Assets costs prior to 2004. In the absence of a rate regulated environment the revenue collected would have been recognized in the period it was collected and the costs would have been capitalized or expensed as per GAAP.

6. DEFERRED ASSETS (continued)

The retail settlement variance accounts post 2004, represent the variance between the revenue collected, using OEB approved rates for the non–competitive components of energy, and the corresponding cost of these non-competitive charges, beginning January 01, 2004 to the present. These variances will be held as a regulatory asset or liability, based on the expectation that the amounts held from one year to the next for rate setting purposes will be approved for collection from, or refund to, future customers. In the absence of rate regulation GAAP would require that the actual costs for the non–competitive components of energy would be recognized in the year they are actually incurred.

During 2007, the Company incurred costs for conservation and demand management of $154,764 (2006-$223,806). These costs are required in order to obtain the rate approval that was effective May 2005. The revenue received in 2007 was $13,073 (2006-$276,700). These approved CDM programs are expected to be completed by June 2008. At that time the costs will be moved into the balance sheet and income statement, as well, as the revenue will be recognized. A similar entry was made December 31, 2006. In the absence of rate regulation GAAP would require the revenue and expense to be recognized during the year in which it was actually incurred.

PIL'S – As prescribed by a regulatory rate order, income tax expense is recovered through customer rates based on taxes payable method. Therefore, rates do not include the recovery of future income taxes related to temporary differences between tax basis of assets and liabilities and their carrying amounts for accounting purposes. The Company has not recognized future income taxes, as it is expected that when these amounts become payable, they will be recovered through future rate revenues. In the absence of rate regulation, GAAP requires recognition of future income tax liabilities and future tax assets.

The Company incurred costs for the implementation of smart meters of $3,252,832 (2006-$2,399,393). Smart meter revenue collected in 2007 was $648,497 (2006-$97,797). Effective November 2007 the OEB approved the recovery of smart meter costs incurred up to April 30, 2007. This resulted in the capitalization of smart meter costs of $2,869,928 (2006- nil), and the recognition of smart meter revenue of $778,606 (2006- nil) to the income statement. In the absence of a rate regulated environment, the revenue collected would have been recognized in the period it was collected, and the costs would have been capitalized or expensed as per GAAP.

7. NOTE PAYABLE

The note payable is due to the Municipality with no set repayment terms and interest payable monthly at 7.04%. Interest expense for the year amounted to $1,654,320 (2006-$1,654,320).

8. EMPLOYEE FUTURE BENEFITS

The Company pays certain medical and life insurance benefits on behalf of its retired and current employees. The accrued benefit liability at December 31, 2007 of $800,909 (2006-$754,683) was determined by a full actuarial valuation.

Information about the Company's defined benefit plan is as follows:

	2007	2006
Accrued benefit liability, beginning of year	$ 754,683	$ 723,535
Expense for the year	46,226	31,148
Estimated accrued benefit liability, end of year	$ 800,909	$ 754,683

The main actuarial assumptions employed for the valuation are as follows:

General inflation

Future inflation levels, as measured by changes in the Consumers Price Index ("CPI"), were assumed to be 2.5% in 2008 and thereafter.

Interest (discount) rate

The present value of the future benefits, and the expense for the year ended December 31, 2007 was determined using a discount rate of 5.25% (2006-5.25%). Benefit expense for the year ended December 31, 2007 was determined using a discount rate of 5.50% (2006-5.75%).

Health costs

Health costs were assumed to increase at 10% per year for 10 years, and then at the CPI rate plus 1% thereafter.

Dental costs

Dental costs were assumed to increase at the CPI rate plus 1% for 2008 and thereafter.

8. EMPLOYEE FUTURE BENEFITS (continued)

Salary Growth Rate

Salary growth rate was assumed to increase at a rate of 3.5% for 2008 and thereafter.

9. PENSION AGREEMENT

The Company provides a pension plan for its employees through the Ontario Municipal Employees' Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. As there is insufficient information to apply defined benefit plan accounting, defined contribution plan accounting has been used by the Company. The Company's contribution for employees' current service in 2007 was $184,132 (2006-$187,389).

10. RELATED PARTY TRANSACTIONS

The Company provided the following services in the normal course of operations to the Municipality of Chatham-Kent:

		2007		2006
Energy (at commercial rates)	$	4,727,568	$	4,394,347
Streetlight maintenance		121,721		172,245
	$	4,849,289	$	4,566,592

Chatham-Kent Utility Services Inc. is a related party as it has the same ownership as the Company. Chatham-Kent Utility Services Inc. has provided the following services in the normal course of operations to the Company:

		2007		2006
Billing, collection & administrative services	$	2,933,878	$	2,861,035

Included in the costs above are deferred costs of $113,122 (2006-$114,599) that are reflected on the balance sheet.

10. RELATED PARTY TRANSACTIONS (continued)

Middlesex Power Distribution Corporation is a related party and received the following services in the normal course of operations to the Company.

	2007	2006
Management, engineering and purchasing	$ 87,722	$ 42,734

11. CONTINGENCY

Class Action Suit

This action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks $500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge.

In 2007, Enbridge filed an application to the OEB to recover the Court-approved amount and related amounts from ratepayers. In February 2008, the OEB approved recovery of these amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDC's. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDC's situation may be distinguishable from that of Consumers Gas.

The Company collected total late payment penalties of $2,736,198 between 1994 and April 2002 when the Company implemented an interest rate penalty. No determination of the portion of these payments which may have constituted interest at an impermissible rate has been made.

12. SHARE CAPITAL

The share capital of the corporation consists of the following:

		2007		2006
Authorized				
Unlimited common shares				
Issued				
2,000 common shares	$	23,523,425	$	23,523,425

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

		2007		2006
Accounts receivable	$	2,003,032	$	(2,744,269)
Accounts receivable - unbilled revenue		(822,630)		1,738,911
Inventories		(80,068)		(127,158)
Prepaid expenses		141,268		(144,019)
Due from Middlesex Power Distribution Corporation		68,997		61,963
Due to Municipality of Chatham-Kent		(1,720,871)		2,635,474
Accounts payable and accrued liabilities		(805,371)		(4,787,127)
Taxes payable		(2,147,596)		1,017,504
Increase in current portion of customer deposits		164,126		(104,717)
	$	(3,199,113)	$	(2,453,438)

Payments in lieu of taxes of $2,376,720 (2006-$1,268,999) and interest of $2,009,246 (2006-$1,749,248) were paid during the year.

14. FINANCIAL INSTRUMENTS

Fair value

The fair values of cash and cash equivalents, accounts receivable, unbilled revenue, due from related parties, accounts payable and accrued liabilities and due to related parties approximate their carrying amounts due to their short-term nature. As there is no secondary market for customer deposits, the calculation of their fair value with appropriate reliability is impractical. The Company has a Long Term Promissory Note Payable with the Municipality in the amount of $23,523,326. The Promissory Note was issued upon incorporation on September 22, 2000 with interest at 7.04%. There is no "term length" associated with the Promissory Note.

14. FINANCIAL INSTRUMENTS (continued)

In order to determine fair value, comparison was made to the approved interest rate from the OEB. The OEB approved the rate of return on the debt portion of "Cost of Capital" for non-arms length transactions. This maximum rate was set at 7.25% to calculate electricity distributor pricing effective May 1, 2001. The 7.04% interest rate has been approved by the OEB through the rate setting process on a number of occasions since May 2001.

To test the current market place, the Company obtained information on a ten year note with no principal repayment. Quoted rates were between 5.65% and 6.0%. At this rate, annual interest expense would be reduced by approximately $327,000 which is well within current OEB materiality threshold of $2,324,000. If the Company was able to obtain a reduced interest rate on the Note Payable the OEB would most likely reduce the revenue in a rate proceeding therefore the impact to the net income would be much less. As a result, no changes have been made to the current financial statements.

Credit risk

The Company is exposed to credit risk from its customers. However, the Company has a large number of diverse customers minimizing concentration of credit risk.

15. FUTURE INCOME TAXES

If the liability method of accounting for income taxes were used, a future tax asset of $3,046,463 (2006-$2,385,639) would be recorded.

16. COMMITMENTS

The Company has entered into Service Level agreements with Chatham-Kent Utility Services Inc., to have them provide the services of billing, account collections, customer inquiries and meter reading as well as administrative services such as office space usage, rate submission support and accounting and budgeting support. The value for 2007 is $2,903,872 (2006-$2,861,035).

The Company has entered into a Service Level agreement with Middlesex Power Distribution Corporation to provide them management, engineering and material purchasing services. The value for 2007 is $87,722 (2006-$42,734).

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Chatham Kent Hydro
Summary 2006 to 2010

Job Description	Year 2010 Grand Total	Year 2009 Grand Total	One-time Capital/ Ongoing Capital
Residential New Service	$254,128.35	$200,755.00	Ongoing Capital
Detached Residential	$191,487.64	$245,486.00	Ongoing Capital
Comm/Industrial New	$205,284.81	$149,521.00	Ongoing Capital
Account Cancellation	$6,181.00	$6,090.00	Ongoing Capital
Contributed Capital	-$275,000.00	-$275,000.00	Ongoing Capital
Residential Rebuild	$47,756.51	$30,780.00	Ongoing Capital
Comm/Industrial Rebuild	$202,394.15	$175,580.00	Ongoing Capital
Pole Replacement	$131,366.84	$126,347.00	Ongoing Capital
Transformer Replacement	$172,531.34	$168,985.00	Ongoing Capital
Ridgetown PCB Transformer Replacement		$75,000.00	One-time Capital
Insulator Replacement	$41,049.29	$35,279.00	Ongoing Capital
Retail Meter Replacement	$30,471.29	$30,010.00	Ongoing Capital
Primary Cable Replacement Program	$119,815.78	$100,000.00	Ongoing Capital
Low Voltage vault repairs	$104,317.94		One-time Capital
Parry st- Backyard removal		$43,232.00	One-time Capital
Emergencies	$75,000.00	$81,769.00	Ongoing Capital
Outage Management Software		$130,000.00	One-time Capital
LIS Switches	$71,049.29	$62,166.00	One-time Capital
Asset Management and System Optimization	$311,049.29		One-time Capital
Reduction of Step Down Transformers	$104,618.90		One-time Capital
Submarine Cable Replacement	$206,938.37		One-time Capital
Downtown Chatham	$247,556.71		One-time Capital
M5 Submarine Cable Replacement	$100,000.00	$319,010.00	One-time Capital
Sub 7/9 Conversion	$307,929.97	$574,739.00	One-time Capital
Capital Expansion Requests	$50,750.00	$50,000.00	Ongoing Capital
Load Transfers		$412,936.00	One-time Capital
Asset Management Development		$50,000.00	One-time Capital
Sub 6 Conversion	$347,929.97		One-time Capital
Sub 8 Conversion		$50,000.00	One-time Capital
Dresden Conversion (South)	$486,634.58	$384,653.00	One-time Capital
New Truck Purchases	$780,000.00	$362,593.00	Ongoing Capital
Computer upgrades	$56,000.00	$63,000.00	Ongoing Capital
Office Furniture	$12,000.00	$7,500.00	Ongoing Capital
Control Room Support Capital	$118,449.29	$60,000.00	Ongoing Capital
Upgrades to Scada System	$51,049.29	$40,000.00	Ongoing Capital
Upgrades to AM/FM	$91,790.43	$76,460.00	Ongoing Capital
Small Tools	$99,000.00	$47,000.00	Ongoing Capital
Customer Switches	$200,000.00		One-time Capital
Building Upgrades	$28,000.00	$73,500.00	Ongoing Capital
Fuel Tanks		$40,000.00	One-time Capital
Land	$25,000.00	$200,000.00	One-time Capital
Repave Parking Lot	$350,000.00	$25,000.00	One-time Capital
Environmental Storage Building	$50,000.00		One-time Capital
Secured Storage Building	$100,000.00		One-time Capital
Substation Repairs	$15,000.00		One-time Capital
Smart Meter Deployment			One-time Capital
Grand Total	$5,517,531.00	$4,222,391.00	

		Year 2008	
30301	New Furniture for Systems Engineer	$4,102.61	One-time Capital
30311	Spectrum Analyzer	$24,735.24	One-time Capital
30312	2 Presses	$4,860.00	One-time Capital
30313	ServSavor	$4,455.00	One-time Capital
30314	New Cable Locator	$4,366.98	One-time Capital
30315	Manhole lift	$6,745.68	One-time Capital
30316	Loadbreak tool	$4,137.05	One-time Capital
30317	GPS Tracking	$3,030.81	One-time Capital
30331	Purchase 2 Laptops John and Chris	$6,426.00	One-time Capital
30332	Upgrade CAD software to AutoCad Map 3D	$6,539.88	One-time Capital
30333	New Laptop for Admin Assistant and 2 Sub	$5,115.96	One-time Capital
30334	Virtual Server Cluster	$12,685.68	One-time Capital
30335	Chatham Kent Hydro Website	$18,300.00	One-time Capital
30336	UPS Upgrade	$10,940.71	One-time Capital
30341	Surveillance System	$16,352.52	One-time Capital
30343	Wireless Gate Opener	$6,001.65	One-time Capital
30344	Office Renovations- new flooring, wiring	$36,844.80	One-time Capital
30345	Fuel Service Chemical Treatment System	$5,550.00	One-time Capital
30346	Seal Coat Parking Lot 320 Queen St	$7,408.00	One-time Capital
30347	Security Alarm System	$9,522.68	One-time Capital
30348	Replace three failed heat pumps	$7,284.63	One-time Capital
30350	Building Capital - New Sidewalk 320 Quee	$6,326.63	One-time Capital
30360	Rolling Stock 07BK04 New Hydraulics	$1,675.39	One-time Capital
30361	Rolling Stock 08PU03	$35,714.64	One-time Capital
30362	Rolling Stock 08BK15	$130,458.12	One-time Capital
30363	Rolling Stock 07PU150	$45,373.31	One-time Capital
30370	SCADA Capital	$20,217.69	Ongoing Capital
30375	AM/FM Capital	$72,489.00	Ongoing Capital
30380	QMS and ISO Certification	$16,140.77	One-time Capital
30385	Outage Management System	$68,691.85	One-time Capital
30800	System Loss Project - CDM	$139,008.80	One-time Capital
31000	Residential New Services	$145,785.02	Ongoing Capital
31079	Braemar Blvd. Extension	$31,371.28	One-time Capital
31081	Dale Dr Phase 2 Detached Residential	$85,642.54	One-time Capital
31082	Morning Glory Ph2 Ext	$103,826.02	One-time Capital
31083	Install U/G St Clair College Residence	$38,141.72	One-time Capital
31084	Caleb Village Senior Residence	$59,526.94	One-time Capital
31085	Vander Ave. Townhousing Blenheim	$17,197.41	One-time Capital
31500	Residential Rebuild	$14,103.06	Ongoing Capital
31510	C & Ind New - 1 & 3 Phases	$61,011.30	Ongoing Capital
31567	New Com/Industrial 20 Mill St Tilbury Sh	$13,980.30	One-time Capital
31568	New Com/Ind Ecole St Marie 90 Dale Dr	$38,583.62	One-time Capital
31569	Ambulance Dispatch Centre Wallaceburg	$27,838.18	One-time Capital
31570	New/Comm Shoppers Drug Mart Talbot St Bl	$12,558.68	One-time Capital
31571	Goodwill Grand Ave W	$20,205.62	One-time Capital
32000	C & Ind Rbd - 1 & 3 Phase	$76,235.50	Ongoing Capital
32078	580 Lowe St., Millenium Building System	$16,740.64	One-time Capital
32084	Com/Ind Rebuild 10 Centre St Post Office	$59,653.59	One-time Capital
32085	Comm Rebuild 59 Adelaide St S Chatham	$31,063.38	One-time Capital
32087	Baseline Pump Wallaceburg	$61,896.83	One-time Capital
32088	King George School	$14,541.95	One-time Capital
32089	Gil & Sons Ltd 304 Arnold St Wburg	$4,025.26	One-time Capital
32400	Transformer Replacement	$134,401.81	Ongoing Capital
32401	Transformer Inventory	-$30,582.24	Ongoing Capital
32415	PCB Transformer Replacements	$46,364.02	One-time Capital
32435	Control Room Support Capital	$53,194.60	Ongoing Capital
32440	Account Cancellation	$16,872.77	Ongoing Capital
32445	OPA/CDM Program	$25,584.27	One-time Capital
32487	St Clair Street Widening	$664,470.62	One-time Capital
32500	Contributed Capital Received	-$334,905.00	Ongoing Capital
33504	Demand Meter Replacement	-$12,521.60	Ongoing Capital
34131	Distribution Automation	$3,200.00	One-time Capital
34170	Operations Support	-$1,149.60	Ongoing Capital
34200	Tilbury Conversion	$311,444.87	One-time Capital
34202	Load Transfers 476 McNaughton Ave - Pub	$19,685.81	One-time Capital
34203	Dresden North DS	$7,073.08	One-time Capital
34204	Replace Poles on Park Ave	$64,977.99	One-time Capital
34205	Reduction of Rabbits	$31.51	One-time Capital
34206	Dresden Park St- Single Phase Line	$166,665.84	One-time Capital
34207	Murray St Extension	$18,154.54	One-time Capital
34210	Sub 7 Conversion	$317,821.59	One-time Capital
34211	Insulator Replacement	$22,878.68	Ongoing Capital
34213	M7 Wholesale Meter Repair Carry Over	$30,061.61	One-time Capital
34214	St Anthony Primary Cable Replacement	$27,099.79	One-time Capital
34215	Primary Cable failure Collegiate Dr	$19,176.77	One-time Capital
34216	M5 Cable Repair- Chatham	$28,281.64	One-time Capital
34217	Storm June 8, 2008	$52,383.04	One-time Capital
34218	M6 Cable Repair River Crossing Wallacebu	$10,232.36	One-time Capital

34219	Blenheim DS Repairs (fire)	$6,327.95	One-time Capital
34220	Dec 28 CK Storm Repairs	$13,802.37	One-time Capital
34222	New LIS Switch #47 McFarlene & St Clair	$13,894.03	One-time Capital
34223	LIS Switch 2	$15,065.35	One-time Capital
34226	Blenheim/Bothwell WM	$58,887.67	One-time Capital
34227	Pole Replacement	$29,846.68	Ongoing Capital
34228	Capital Pole Replacement - Various Locat	$31,073.10	One-time Capital
34229	Capital Pole Replacement Merrit Ave Chat	$56,330.39	One-time Capital
35000	Smart Meter Deployment	$1,747,126.31	One-time Capital
	Grand Total	$5,308,683.56	

		Year 2007	
30170	SCADA Capital Support	$19,699.38	Ongoing Capital
30171	Repairs to Scadamate Switch	$5,360.58	One-time Capital
30175	AM/FM Capital Support	$50,904.60	Ongoing Capital
30180	Upgrade AM/FM to GIS	$10,800.00	One-time Capital
30186	Property 342 Queen St.	$3,870.00	One-time Capital
30200	new body & chassis for 06PU116	$44,964.79	One-time Capital
30201	07BK06 - 55" double bucket truck (replac	$278,017.16	One-time Capital
30202	07BK04 replacement truck for VEBK04	$2,261.09	One-time Capital
30217	Upgrade Parking Lot, 342 Queen St.	$41,627.64	One-time Capital
30219	Window Tinting 320 Queen St.	$2,147.10	One-time Capital
30220	Construction of New Director's Office	$4,590.00	One-time Capital
30233	Tablet PC for locator	$4,270.32	One-time Capital
30247	Springboard Management	$86,315.91	One-time Capital
30248	VEBK19 Differential Repair	$8,621.18	One-time Capital
30249	Servisavor	$4,455.00	One-time Capital
30250	Repair MUS	$28,786.87	One-time Capital
30251	Service Load Limiter	$7,581.82	One-time Capital
31000	Residential New Services	$181,461.67	Ongoing Capital
31075	Davies St. Subdivision Dresden	$40,717.04	One-time Capital
31077	Davies St. Dresden Subdivision (carry ov	$78,103.43	One-time Capital
31078	Morning Glory Ph2 Subdivision	$134,214.66	One-time Capital
31079	Braemar Blvd. Extension	$71,015.28	One-time Capital
31080	Port Sunilght Ph1 Development Pole Ext	$66,147.13	One-time Capital
31081	Dale Dr Phase 2 Detached Residential	$52,659.84	One-time Capital
31500	Residential Rebuild	$28,749.34	Ongoing Capital
31510	C & Ind New - 1 & 3 Phases	$48,562.63	Ongoing Capital
31560	Walmart - 58 mcNaughton Ave Wburg (use 3	$9,224.67	One-time Capital
31563	Walmart - McNaughton Ave. Wburg	$43,710.03	One-time Capital
31564	20 Mill St. Tilbury, Health Clinic	$14,492.54	One-time Capital
31565	37 Marlborough St. Blenheim	$10,084.72	One-time Capital
31566	Kent Essex Mutual Insurance Chatham New	$15,725.09	One-time Capital
31567	New Com/Industrial 20 Mill St Tilbury Sh	$26,385.36	One-time Capital
31568	New Com/Ind Ecole St Marie 90 Dale Dr	$17,724.51	One-time Capital
32000	C & Ind Rbd - 1 & 3 Phase	$16,332.23	Ongoing Capital
32078	580 Lowe St., Millenium Building System	$41,051.77	One-time Capital
32079	Artic Glasier 745 Park Ave W	$37,111.16	One-time Capital
32080	430 Catherine St. Blenheim-Curling Club	$17,453.12	One-time Capital
32081	St. Michael's School Upgrade	$22,381.33	One-time Capital
32082	Baseline Pump-In Line Switch	$13,336.18	One-time Capital
32400	Transformer Replacement	$142,467.66	Ongoing Capital
32401	Transformer Iventory	$331,662.04	Ongoing Capital
32408	Transformer Replacement-891 Mariner's Rd	$7,413.25	One-time Capital
32409	Transformer Replacement-Baldoon Rd.	$6,379.16	One-time Capital
32410	Meter Replacement - Retail	$8,520.32	Ongoing Capital
32412	Transformer Repl. Kyle Dr. S	$12,927.50	One-time Capital
32413	Transformer Repl. Keil Dr. (Pizza Hut/Ho	$28,946.91	One-time Capital
32414	Transformer Repl 175 Lindsley St W Dresd	$3,112.36	One-time Capital
32435	Control Room Support Capital	$55,892.58	Ongoing Capital
32440	Account Cancellation	$10,811.09	Ongoing Capital
32500	Contributed Capital	-$213,141.71	Ongoing Capital
33504	Demand Meter Replacement	$12,521.60	Ongoing Capital
34000	Tilbury Conversion	$40,157.94	One-time Capital
34002	Dresden Feeder Tie	$28,457.49	One-time Capital
34005	Sub 7 Conversion	$49,797.86	One-time Capital
34011	Storm Feb 3/4	$38.92	One-time Capital
34029	Ridgetown WM North	$0.30	One-time Capital
34038	Pole rep McNaugton ave/Craven Dr Chatham	$12.59	One-time Capital
34040	Operation Support (use 34170 in 2007)	$140.51	Ongoing Capital
34041	Wholesale Meter Exit Fees	$15,600.00	One-time Capital
34051	Elim. Load Tfrs. Chatham St. N Blenheim	-$820.21	One-time Capital
34100	Tilbury Conversion	$598,011.34	One-time Capital
34101	Sub 8 Conversion	$28,997.70	One-time Capital
34102	North Chatham Supply Enhancement	$101,648.16	One-time Capital
34103	Downtown Chatham	$12,176.47	One-time Capital
34104	Sub 7 Conversion	$167,064.95	One-time Capital
34105	Insulator Replacement	$22,664.89	Ongoing Capital
34106	Blenheim PME 40 Hwy (carryover from 2006	$14,025.30	One-time Capital
34107	Chatham St. N-Eliminate Load Transfers (	$53,839.03	One-time Capital
34108	Replace 3 ways & Elbows in the Maples	$36,045.99	One-time Capital
34110	Emergencies	$11,683.47	Ongoing Capital
34111	Storm Repairs April 16	$22,354.74	One-time Capital
34112	Dresden FI (primary) Cable Replacement	$12,289.79	One-time Capital
34113	Repair Manhole St Clair St @ Grand Ave	$3,019.00	One-time Capital
34114	M7 Wholesale Meter Repair	$6,848.64	One-time Capital
34131	Distribution Automation	$40,000.00	One-time Capital
34132	LIS Switch #43 Bloomfield Rd.	$24,789.72	One-time Capital
34133	LIS Switch #44 Richmond St.	$18,223.03	One-time Capital
34134	LIS #45 Arnold St Wallaceburg	$15,970.77	One-time Capital

34150	Pole Replacement	$20,850.26	Ongoing Capital
34151	Closed Recoverable Jobs 2006 (write-offs	$7,952.25	One-time Capital
34152	Replace 5 Wooden Poles-Wburg	$17,316.11	One-time Capital
34153	Pole Replacement-55 Gladstone Low Voltag	$5,227.25	One-time Capital
34154	Blenheim High School Pole Replacement	$37,225.80	One-time Capital
34155	Dresden Pole Replacement	$20,130.72	One-time Capital
34156	Pole Repl Powell Lane Erieau	$11,552.58	One-time Capital
34157	Pole Replacement Stanley St Merlin/Ridge	$23,606.42	One-time Capital
34200	Tilbury Conversion	$34,004.49	One-time Capital
35000	Smart Meter Deployment	$2,869,927.11	One-time Capital
	Grand Total	$6,369,261.30	

		Year 2006	
30800	System Loss Project CDM	$244,076.08	One-time Capital
30963	Smart Meter Pilot CDM	$357,780.55	One-time Capital
30125	Bucket Truck 06BK11	$243,808.99	One-time Capital
30126	46" Single bucket	$10,516.90	One-time Capital
30127	Repair Transmission VEBK08	$52,716.28	One-time Capital
30128	New Dump Truck 06DP77	$5,933.10	One-time Capital
30143	New Garage	$6,759.13	One-time Capital
30145	Building Capital	$7,507.75	Ongoing Capital
30146	Engineering Drawings meter shop	$4,360.00	One-time Capital
30147	Building Capital - US rep relocate	$19,206.00	One-time Capital
30148	Modify Mail Room	$11,901.00	One-time Capital
30149	Mezzanine & Meter Shop	$178,143.93	One-time Capital
30150	Office Equipment	$5,553.86	One-time Capital
30151	Laptop - J. Berkvens	$4,794.12	One-time Capital
30152	New Computer - IT	$2,795.04	One-time Capital
30153	2 Laptops for Engineering	$4,911.84	One-time Capital
30154	Furniture Mike Goodwin	$1,794.65	One-time Capital
30155	New Computer Control Room	$4,612.80	One-time Capital
30156	Meter Test Board	$1,126.44	One-time Capital
30157	New Laptop-Stations&Distribution Technol	$2,343.60	One-time Capital
30160	Distribution Analysis Program	$6,740.00	One-time Capital
30161	Temporary Residential Supply Equipment	$4,455.00	One-time Capital
30162	upgrade meter test console	$13,140.25	One-time Capital
30163	New Hydraulic Press	$3,167.64	One-time Capital
30164	Front Mounted John Deere Snow Plow Blade	$3,514.50	One-time Capital
30170	SCADA Capital Support	$16,488.81	Ongoing Capital
30175	AM/FM Capital Support	$147,567.19	Ongoing Capital
30180	Upgrade AM/FM to GIS	$26,771.03	One-time Capital
30181	New Carpeting - Engineering Dept	$7,289.25	One-time Capital
30183	Master Radio for Scada	$72,342.75	One-time Capital
30185	8 Cubicles for Field Reps	$12,425.46	One-time Capital
30186	Property 342 Queen St.	$358,875.48	One-time Capital
31000	Residential New Services	$186,801.04	Ongoing Capital
31068	Landings Phase 2 -Chatham	$115,907.77	One-time Capital
31069	Gateway twins Keil Trail	$66,400.03	One-time Capital
31070	Bloomfield Heights Retest	$23,768.99	One-time Capital
31071	Chelesa Meadows Keil Dr Chatham	$87,841.48	One-time Capital
31072	Paulus Sub Ph 1 Tilbury	$59,423.02	One-time Capital
31073	McNaughton Oaks - Phase 2	$50,131.89	One-time Capital
31074	Detached Residential - Lanz Subdivision	$84,416.42	One-time Capital
31075	Davies St. Subdivision Dresden	$15,290.99	One-time Capital
31076	Eastman Ave, Wheatley Townhousing	$23,077.18	One-time Capital
31500	Residential Rebuild	$31,328.87	Ongoing Capital
31501	Residential Rebuild-125 DD St. Dresden	$5,699.62	One-time Capital
31510	Com & Ind New -1 & 3 Phase	$82,352.06	Ongoing Capital
31550	Rogers commun tower Thamsville	$454.67	One-time Capital
31554	Interior feed Bloomfield Business Park	-$1,402.77	One-time Capital
31556	Ridgetown College additional service	$172.01	One-time Capital
31558	1540 Roberts Rd. Erieau	$9,521.81	One-time Capital
31559	346 Lacroix St. - Com/Ind Rebuild	$11,885.78	One-time Capital
31560	Walmart - 58 mcNaughton Ave Wburg	$38,358.60	One-time Capital
31561	Ridgetown College-Additional Service fro	$6,039.38	One-time Capital
31562	Engineered Waste Solutions Inc.	$38,312.42	One-time Capital
32000	Com & Ind Rebuild 1&3Phase	$61,682.29	One-time Capital
32065	Ridgetown college primary metering upgr	$5,172.99	One-time Capital
32066	Minacs Contact Centre	$10,785.21	One-time Capital
32067	Com reb 65 McNaughton Ave Wallacburg	$6,603.56	One-time Capital
32068	Global Design 985 Richmond st Chatham	-$15,525.80	One-time Capital
32069	Rewire CT 745 Richmond st Chatham	-$580.99	One-time Capital
32070	330 National Road Chatham Rebuild Ind	$36,035.35	One-time Capital
32071	Extend service on Kingsway Dr. - Thames	$13,777.26	One-time Capital
32072	Erieau Dock Facility - Extend Secondary	$3,315.90	One-time Capital
32073	132 Richmond St. - Com/Ind Rebuild	$30,629.51	One-time Capital
32074	Holy Trinity School - Wallaceburg	$18,495.12	One-time Capital
32075	St. Elizabeth School - Wallaceburg	$9,099.02	One-time Capital
32076	WJ Baird Public School, Blenheim-Comm Re	$2,714.39	One-time Capital
32400	Transformer Replacement	$92,013.21	Ongoing Capital
32401	Transformer Inventory	$112,825.81	Ongoing Capital
32405	Tx replace Bothwell/Thamesville	$808.97	One-time Capital
32407	Transformer reloc 21 Hagen court Wallace	$19,130.93	One-time Capital
32410	Meter Replacements-Retail	$30,371.05	Ongoing Capital
32435	Control Room Support Capital	$81,087.90	Ongoing Capital
32440	Account Cancellation	$9,052.23	Ongoing Capital
32500	Contributed Capital Recieved	-$452,865.33	Ongoing Capital
33060	Insulator Replace	$13,690.50	Ongoing Capital
33064	Operations Captial Support	-$202.84	Ongoing Capital
33140	Tilbury Conversion Queen St	$55,162.77	One-time Capital
33143	Dresden Conversion	$61,872.50	One-time Capital

33147	Sub 7 Birdland Conversion	$60,196.06	One-time Capital
33185	Wheatley PME	$4,570.94	One-time Capital
33187	Kent T4 WM	$4,242.35	One-time Capital
33188	Blenheim DSF3	$4,242.35	One-time Capital
33504	Demand Meter Replacement	$18,757.21	Ongoing Capital
34000	Tilbury Conversion	$310,672.43	One-time Capital
34001	Sub 8 Conversion	$305.63	One-time Capital
34002	Dresden Feeder Tie	$114,322.01	One-time Capital
34003	New TS	$46.50	One-time Capital
34004	Sub 9 Conversion	$78,930.56	One-time Capital
34005	Sub 7 Conversion	$445,159.01	One-time Capital
34006	Insulator Replacement	$23,016.24	Ongoing Capital
34007	Victoria & Gladstone ext. pole top	$407.10	One-time Capital
34008	M21 Overhead River Crossing	$104,981.08	One-time Capital
34011	Storm Feb 3/4	$11,219.77	One-time Capital
34012	Emergency M21 River Crossing	$71,729.31	One-time Capital
34013	Wind Damage December 1, 2006	$5,462.83	One-time Capital
34021	VanAllen Widening - Municipal Request	$17,372.38	One-time Capital
34025	Distribution Automation	$3,681.05	One-time Capital
34026	LIS Switches	$17,425.77	One-time Capital
34029	Ridgetown WM North	$41,366.21	One-time Capital
34030	Blenheim PME HWY 40	$43,860.00	One-time Capital
34031	Merlin DS Primary Meter	$39,801.41	One-time Capital
34032	Kent T1/T2	$301,412.92	One-time Capital
34033	Smart Meter Residential	$0.00	One-time Capital
34036	Pole repl Jane St Thamesville	$14,318.13	One-time Capital
34037	Pole repl Flemingo St Blenheim	$11,754.75	One-time Capital
34038	Pole rep McNaugton ave/Craven Dr Chatham	$4,848.16	One-time Capital
34039	Pole repl 42 Stanley Ave Chatham	$7,600.96	One-time Capital
34041	Wholesale Meter Exit Fees	$26,000.00	One-time Capital
34042	Pole Replacement various locations	$3,980.86	One-time Capital
34043	Transformer Replacement 583 King St. W	$8,799.38	One-time Capital
34051	Elim. Load Tfrs. Chatham St. N Blenheim	$95,206.90	One-time Capital
	Grand Total	$4,880,042.42	

South West Ontario Utility Buying Group as of June 2008
Constitution and Terms of Reference

FORMATION

The participating purchasing department representatives/ designates of the agencies listed as Appendix A, agree to engage in co-operative materials management ventures.

NAME

The name of the group shall be “The South West Ontario Utility Buying Group”.

MEMBERS

The membership will consist of the agencies listed in Appendix “A”, and one voting member will represent each agency:

Consideration will be given at any time to extending the membership to include other hydro facilities.

The expansion is to be agreed upon by resolution of the group. Similarly, breech of the constitution may result in termination of membership by an agency upon vote by all members.

PURPOSE

The purpose of the group shall be to promote efficiency, economy, and effectiveness in the purchasing management field by:

a) Jointly inviting tenders, proposals and/or quotations;

b) Encouraging standardization of specifications and products;

c) To manage and eliminate duplication of Harris Inventory product numbers.

d) To designate an administrator that will manage and issue Harris inventory product numbers and descriptions.

e) Encouraging standardization of terms and conditions in tenders and quotations;

f) Exchanging market information;

g) Encouraging professional development;

h) Discussing any other issues as agreed upon by resolution of the group.

MEETING PLACE

A permanent meeting place for the group shall not be established, it being the intent that members act as the host. The host will create an agenda with the group's input prior to the scheduled meeting and distribute via email1 week prior to the date.

MEETINGS

There will be 4 scheduled meetings annually, one (1), of which shall be designated as an annual general meeting.

PRINCIPLES

To carry out the aims and objectives of the group, it shall be understood that a major function will be co-operative ventures as a means of reducing costs of goods, and services by permitting purchasing in larger volumes and at lower unit prices; and by avoiding possible duplication of effort. To ensure materials meet the ESA section 22/04 specifications.

TERMS OF REFERENCE

The following terms shall apply to the groups program for co-operative materials management ventures:

a) Only those goods and services that lend themselves to cost reduction because of volume and/ or methods will be considered

b) It is understood that the interests of the representative's agency will at all times govern an individual decision as to whether or not that agency will participate in a particular activity;

c) No one member of the group shall be responsible for all activities, and it will be expected that all participants will take part in activities as agreed by the members

d) It is recognized that, having regard to the varying policies and procedures governing purchasing for the participating agencies, the specific policy applying to the group representative who calls the co-operative bid shall govern except as outlined in Section f) below

e) Once the group has agreed to issue a particular bid in accordance with the purchasing co-operative procedures, it will be expected that the participating members will maintain their commitment to the group

f) It is recognized that any acceptance of a bid for the benefit of any member agency, whether or not it is the “calling” agency, must be authorized, where required, by its governing body which has the sole discretion of accepting or rejecting any bid for the member’s benefit

g) Bids, unless dictated by the “calling” agency’s policy, shall be opened privately by the calling agency, or by the group representatives collectively

h) Sealed bids will be issued, as far as is possible, in a document form agreed upon by the group as to conditions, etc, and it is understood that individual specifications, delivery points, freight charges, terms of payment, etc, may vary

i) The control of ordering, receiving, and paying for co-operatively bid items will remain the responsibility of the individual agency for its portion of the co-operative bid total.

CONCLUSION

Group membership shall, at all times, be recognized as being entirely voluntary in nature but beneficial in practice for achieving savings and efficiency in the best interests of purchasing for the participating agencies.

June, 2008

APPENDIX “A”

MEMBERSHIP LIST

(As of June, 2008)

Chatham Kent Hydro

Erie Thames Services

Essex Power

Goderich Hydro

Middlesex Power Distribution Corporation

St. Thomas Energy Services

Woodstock Hydro

SOUTHWEST ONTARIO UTILITY BUYING GROUP

SPECIFICATION FOR LOW PROFILE, SINGLE PHASE, DEAD-FRONT, PAD-MOUNTED TRANSFORMERS SIZES 25 to 167KVA

SPECIFICATION PDTX-1

February 2009

Revision 1.6

CONTENTS

1.0 SCOPE

Single Phase, Low-Profile, Dead-Front, Pad-Mounted transformers shall be designed and manufactured in accordance with CSA Standard C227.3-06 or latest revision thereof.

The numbering of clauses in this specification is similar to that used in CSA Standard C227.3-06. Any additional or modifying statements are added to each section and in section 11 Optional Accessories. Additional sections, not part of the CSA specification, are added at the end of the document and numbered starting after the last numbered section of the CSA 227.3-06.

The required primary voltage will be specified on the request or at the time of order.

Where no reference is made, the CSA Standard C227.3-06 applies as written.

1.1 SPECIFICATION SUMMARY

- Taps
- 3 primary 2 position load break switches
- Markings
- Colour
- Optional Accessories

7.1 TAP CHANGERS

All Transformers shall be provided with +-2.5% and +-5.0% high voltage taps unless otherwise specified. Taps shall be designated either numerically or alphabetically on the template as follows:

Tap Position Designation

(Numerical)	1	2	3	4	5
(Alphabetical)	A	B	C	D	E
% of H.V. winding	105	102.5	100	97.5	95

7.2 LOAD-BREAK SWITCHES

3 – 2 position primary load break switches located at SWA, SWB and SWT. See figure 3 in CSA C227.3-06.

9.2 COLOUR

Colour shall be Equipment Green, Munsell 9GY1.5/2.6.

10.0 MARKINGS

Same as CSA Standard C227.3-06 except for the following options
- Black background nameplate

11.0 OPTIONAL ACCESSORIES

Options:
c) load-break switches,
f) load-break inserts complete with dust caps **(this item will be specifically requested by each utility as required),**
i) 1 - 25mm diameter hole, covered with a removable stainless steel plate, located as shown in Figure 10 (see C227.3-06) to be used for a remote fault indicator light,
k) high voltage taps
p) load-break switch nameplate. To be part of the transformer nameplate depicting an electrical schematic of each switch position.

13.0 TESTING

The purchaser reserves the right to select transformers, at random, from a production lot for the production tests, when necessary.

14.0 EVALUATION DATA

The following information must be supplied to the purchaser for evaluation of the transformer losses and characteristics:

- Routine tests and reports as specified in C227.3-06 Section 8.2

15.0 DRAWINGS

When requested, the manufacturer shall submit to the purchaser a copy of the following drawings for approval, prior to commencement of production;

- Outline and dimensional drawing.
- Nameplate data.

A copy of each drawing approved by the purchaser along with any remarks or comments will be returned to the manufacturer. If a revision

to the drawing(s) is made, re-submission for approval is required unless stated otherwise, in writing, by the purchase.

16.0 TRANSFORMER LOSSES EVALUATION

In cases where the final average measured losses of identical units exceed the guaranteed values, the purchaser reserves the right to reject all of said units. If the purchaser should choose to accept these units, the manufacturer must reimburse the purchaser for the additional cost of the transformer losses, which will be deducted from the manufacturer's invoice.

In order to assess the value of non-guarantee, the average value of the measured no load and full load losses, taken from all of the identical units or order, will be used as the basis for the losses calculation. In recognition of the inconsistent quality of the core steel, however, the cost of losses will be calculated as follows:

(a) If the no load losses exceed the guarantee while the full load losses are within the guarantee, the calculation for the cost of losses will be based on the no load losses component of formula (2).

(b) If the no load losses are within guarantee while the full load losses exceed the guarantee, the calculation for the additional cost of losses will be based on the full load losses component of formula (2) only.

(c) If both no load and full load losses exceed the guarantee, the calculation for the cost of losses will be based on formula (2).

Cost of Excess Losses = (XdN + YdL) (# of Units in Order) . .. (2)

Where:

dN =(Average Actual No Load Losses in Watts)-(Guaranteed No Load Losses in Watts)

dL=(Average Actual Full Load Loss in Watts)-(Guaranteed Full Load Loss in Watts)

X = $8.30 per watt of no load losses at rated voltage

Y = $4.10 per watt of full load losses at rated kVA and voltage.

17.0 CERTIFIED TEST REPORT

The manufacturer shall submit a Certified Test Report reflecting all production and type test results as outlined in this specification. The test report shall be sent by email in PDF format.

If the manufactured equipment does not comply with all the requirements of this specification, the purchaser reserves the right to reject all, or part of, the equipment under this contract. The right of rejection will apply whether the equipment is in plant, in purchaser's stores or final installed position.

18.0 SHIPMENT

Delivery is F.O.B. – purchaser's stores. Shipment shall be made when authorization is given by the purchaser

The manufacturer shall take all necessary precautions to avoid damage to the transformers during shipment and to ensure safe arrival at destination. Any damage to the paint, tank, cover, bushings or internal parts of any transformer on receipt at destination will be cause for rejection of the unit until satisfactory repairs are arranged by the manufacturer. Any claims against the transport company will be the responsibility of the manufacturer.

19.0 LATE DELIVERY

The manufacturer agrees that in the event he should fail to deliver the transformers within the time scheduled for delivery as specified in the purchase order, he may be required to pay to the purchaser a sum of monies, and the said sum, up to a maximum of ten percent (10%) of the Total Tender Price, will be deducted from the invoice. Said monies will be deducted only if the purchaser is required to construct and remove temporary facilities as a result of the shipment delay and which may be required to meet the purchaser's commitments to provide electric power.

The purchaser also has the right to cancel the order without cost to the purchaser if the late delivery is deemed unacceptable.

20.0 GUARANTEES

If a transformer is defective upon arrival or malfunctions in normal service for causes other than accident, misapplication or abuse, for a period of one year after the unit is placed in service or 24 months after delivery, whichever occurs first, the defective transformer will be returned to the manufacturer by common carrier at his own expense.

The manufacturer shall make good all defects or shall provide a new transformer to replace the defective one without cost to the purchaser If the manufacturer fails to repair or replace the returned transformer within a time period agreed upon, the manufacturer shall reimburse the purchaser for the purchase price of the transformer.

Repaired transformers returned to the purchaser under warranty shall be accompanied by certified test report and a report on the cause of the failure. Approval of tests by the purchaser or its appointed agents, shall not relieve the manufacturer of his responsibilities with respect to guarantee.

21.0 QUALITY ASSURANCE PROVISIONS

The manufacturer shall establish and maintain a quality verification program in accordance with the requirements of CSA Standard CAN/CSA-ISO 9001.

A Chatham-Kent Energy Company

Contractor Pre-Approval Process

Dec 23, 2009

Chatham-Kent Hydro Inc.

Please review Chatham-Kent Hydro General Rules for Contractors GRC-1.

Please sign and return the attached forms and also include copies of the following:

1. W.S.I.B. Clearance Certificate
2. Insurance Certificate (As specified in SECTION 3)
3. Proof of Related Safety Association Membership (i.e. EUSA or IAPA)
4. Company Safety Policy
5. Fill out and complete Tables 1 to 8, below.

Please return to:

Chatham-Kent Hydro Inc.,
320 Queen St. PO Box 70
Chatham, ON
N7M 5K2
C/o Dan Charron, Manager of Engineering.

Chatham-Kent Hydro Inc.
320 Queen St, Chatham ON, N7M 5K2
(519) 352-6300 Fax (519) 352-9860 www.ckhydro.com

Work Experience & Company Information (fill out all tables listed).

Table 1. - Staff

Number of years in business	Number of full time staff

Table 2. - Key Personnel in Company

Name	Expertise

Table 3. – Nature of Previous Work

Project Description	Location	Year

Chatham-Kent Hydro Inc.
320 Queen St, Chatham ON, N7M 5K2
(519) 352-6300 Fax (519) 352-9860 www.ckhydro.com

Table 4. – Staff & Supervisor Competency

Position	Level of Certification	Years Experience	Trade Certificate #	Electrical Safety Awareness	First Aid	CPR	Drivers License	Z Endorsement	Propane

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Table 5. - Injury Experience

Year (Previous 5)	Total Hours Worked ***A***	Lost Time Injuries ***B***	Frequency $\frac{B \times 200{,}000}{A}$

Table 6. - Accident List

List Any Fatalities in Last Five Years and Nature of Accident (if none please indicate)

I certify that the above information is correct, and understand that erroneous data may result in the rejection of the bid and removal from CK Hydro's approved contractor list.

Date _____ Authorized Signature _____

Chatham-Kent Hydro Inc.
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Table 7. – Safety Association Membership

Association Name	Since what year?

Chatham-Kent Hydro Inc.
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Table 8. – Equipment & Tools

Vehicle #	Description	Model Year	Dielectric Test				Meets Standard	
			Yes/No	Date			Yes/No	Date

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DECLARATION

I have read and understand the Chatham-Kent Hydro General Rules for Contractors (GRC) and will comply with these rules.

I will also indemnify and hold harmless Chatham-Kent Hydro, their agents and employees from and against claims, demands, losses, costs, damages, actions, suits, or proceedings (herein called “claims”) by third parties that arise out of, or are attributable to the Contractor’s performance of the contracts provided such claims are:

- Attributable to the bodily injury, sickness, disease, or death, or injury or destruction of tangible property and,
- Caused by negligent acts or omissions of the Contractor or anyone for whose acts the Contractor maybe liable

_____
(Name of Firm)

_____ _____
(Owner Signature) (Date)

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(519) 352-6300 Fax (519) 352-9860 www.ckhydro.com

GENERAL RULES FOR CONTRACTORS

SECTION 1. GENERAL

The purpose of this document is to establish an awareness of the requirements and the necessity to comply with these requirements to those parties entering into an agreement to perform work for Chatham-Kent Hydro.

SECTION 2. DEFINITION OF TERMS

2.1. "Hydro" shall mean Chatham-Kent Hydro

2.2. "Contractor" shall mean the Company to whom the contract is awarded. Unless otherwise specified and agreed to in writing, the "Constructor" for the purposes of the Occupational Health and Safety Act.

2.3. "Subcontractor" means a person, firm or corporation undertaking the execution of a part or parts of the work included in the contract of the furnishing of equipment called for in the contract.

2.4. "Contract" means and includes all or any part of the work to be executed under the agreement of contract, whether complete or incomplete, temporary or permanent, and may be as originally set forth or altered by the Hydro. The word "work" shall also mean any or all of the labour, equipment and materials supplied or used by the Contractor.

2.5. "Specification" means all written or printed descriptions or instructions pertaining to the time, method and manner of performing the work, or to the quantities or qualities of the material to be furnished and work to be carried out under the contract.

2.6. "Contract Documents" consist of the general conditions of contract, specifications, Contractor's quotation and Hydro purchase order.

SECTION 3. LIABILITY INSURANCE

3.1. The Contractor shall provide, maintain and pay for insurance, and pay all required assessments such as will protect himself and the Hydro from claims under the Workman's Compensation Acts and from any other claims for damages arising from personal injury, including death, and for claims for property damage which may arise from his operation under this contract.

3.2. The Liability Insurance Policy shall:

3.2.1. Have a liability limit of not less than $5,000,000 (five million dollars) aggregate and $2,000,000 (two million dollars) per occurrence involving bodily or property damage, or works involving the potential for environmental impairment.

3.2.2. Cover all operations and liability assumed or implied under the contract.

3.2.3. Name the Hydro as a co-insured party.

3.2.4. Contain a cross liability clause.

3.2.5. Not be reduced by the sum paid in any one occurrence and/or series of occurrences arising out of one event and shall continue for the full amount during the period of insurance.

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3.2.6. Be endorsed to provide that the policy will not be altered, cancelled or allowed to lapse without thirty days prior written notice to the Hydro.

3.2.7. The Contractor shall, at his own expense, insure and maintain insurance against liability for bodily injury and property damage caused by vehicles used by the Contractor on the work whether they are owned by the Contractor or not. Such insurance shall each have an inclusive limit at least equal to $2,000,000 (two million dollars). A vehicle shall be as defined in the Highway Traffic Act. If so requested by the Hydro the Contractor shall deposit certificates with the Hydro indicating that the Contractor has paid all applicable liability and vehicle insurances and assessments under the Workers Safety and Insurance Act.

SECTION 4. PRICING REQUIREMENTS

4.1. The prices tendered shall include provision for wages, travel, Workers Compensation and all other charges of every kind attributable to the work, overheads, administrative costs and profits.

4.2. The prices tendered shall be firm and not subject to adjustment for damages or any cost of the work to the Contractor.

SECTION 5. LAWS, REGULATIONS AND SAFETY

5.1. The Contractor shall comply with all Federal, Provincial and Municipal Statutes, regulations and by laws as well as the Electric Utilities Safety Association's (EUSA) Safety requirements pertaining to the work and without limiting the generality of the foregoing, shall comply with regulations made under the Occupational Health and Safety Act. The Contractor shall cooperate with safety associations operating under the authority of the Workplace Safety and Insurance Act and ensure that the workers are equipped with all safeguards and personal protective equipment necessary for the performance of the work.

5.2. It is expected that a Contractor perform daily safety meetings or tailboards to identify any hazards and the scope of work. These meetings may include a Hydro representative. The presence of a Hydro representative will be determined by Hydro on a case-by-case basis.

5.3. The Contractor must make available, upon request of the Hydro representative, copies of all tailboard or daily safety meeting minutes.

SECTION 6. INSPECTION

6.1. The Hydro's representative shall have the right to inspect the work at all times and may reject any part thereof which is found not in accordance with the contract. Any work so rejected shall forthwith be re-executed or corrected by the Contractor, at no expense to the Hydro and in a manner prescribed by the Contract.

6.2. It shall be the duty of the Contractor to keep the Hydro's representative informed daily of the location and progress of the work.

6.3. The Hydro's representative shall have the right to suspend work if there is not a sufficient quantity of suitable material, labour or equipment on the site to carry on the work properly. The Contractor shall not be allowed any extra compensation for such suspension of work.

6.4. The Hydro's representative shall have the right to determine if, in his opinion, there is an excess of labour or equipment on the site. Such equipment and labour shall be judged to

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be surplus and shall not be charged in any way to the Hydro. Failure of the Hydro's representative to condemn or object to defective work or material after inspections shall not constitute a waiver of any specification or the approval of acceptance of such defective work or material. The Contractor shall remain liable for such defective work or material and any loss, costs, charges or expenses in connection therewith.

6.5. The Hydro's representative must be notified and provided a copy of any Ministry of Labour orders should one be issued to the Contractor while performing contractual duties for the Hydro.

SECTION 7. ASSIGNMENT OR SUBLETTING

7.1. The Contractor shall not assign or sublet the contract or any portion thereof without the prior written consent of the Hydro. Hydro maintains the right to review the qualifications of a subcontractor and request a list of references and a history of previous work of a similar nature.

7.2. Sub Contractors are subject to the same guidelines and policies outlined in this document.

7.3. The Contractor shall be directly and fully responsible for the subcontractors and others he employs. He shall ensure that they comply with all the requirements of the contract and shall assume all liability for them.

SECTION 8. DEFAULT BY CONTRACTOR

8.1. The Hydro may, upon written notice to the contractor, terminate its obligations under the contract if the Contractor in any such case:

8.1.1. Fails to provide the labour or work equipment to perform the required service

8.1.2. Assigns or sublets the contract or any part thereof without Hydro's written consent

8.1.3. Refuses or fails to correct defective work

8.1.4. Commits any act of insolvency or bankruptcy

8.1.5. Is default in carrying out his part of any of the terms, conditions and obligations of the contract

8.2. In the event of such notice, the Hydro shall be obligated to pay the Contractor only for the portion of contract prices, which represent the work satisfactorily completed through the date of such notice.

SECTION 9. CONTRACTOR'S UNDERSTANDING AND INVESTIGATIONS

9.1. The Contractor declares that in the tendering for the work and in entering into the contract, he has investigated for himself the character of the work and all local conditions which might affect his tender or acceptance of the work. The Contractor shall make his own estimate of the conditions, difficulties and hazards to be encountered, and no claims will be entertained based on an assertion by the Contractor that he was not aware of the provisions or conditions intended to be covered by the contract.

SECTION 10. CHARACTER AND EMPLOYMENT OF WORKERS

10.1. The Contractor shall employ only orderly, competent and skilful workers to do the work. Contractor employees engaged for the purposes of the work must be "Competent Persons"

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as prescribed by the Occupational Health and Safety Act, R.S.O. 1980, and the rules of the Electrical Utilities Safety Association (EUSA) and must work in compliance with all applicable regulations and rules.

10.2. Whenever the Hydro's representative shall inform the Contractor in writing that any worker on the site is, in the opinion of the Hydro's representative, incompetent, unfaithful or disorderly such worker shall be discharged from the work and shall not be employed on the work without the consent in writing of the Hydro.

SECTION 11. CUSTOMER RELATIONS AND SITE TIDINESS

11.1. It is the desire of the Hydro for the work to proceed without complaints from or annoyance to the general public.

11.2. The Contractor, during the progress of the work, shall keep the site, work in as neat, and tidy a condition as practicable. Storage of equipment, materials and supplies along the working areas shall be subject to approval by the Hydro's representative.

11.3. Streets, driveways and sidewalks are not to be blocked with material, equipment or debris. Dooryards, lawns or grassed areas shall be raked daily to eliminate debris. Streets, driveways and sidewalks shall be swept daily to eliminate debris. In general, the Contractor shall clear the work site daily to the satisfaction of the Hydro's representative.

SECTION 12. HOURS OF WORK

12.1. Normal hours of work shall be 7:30 A.M. to 4:00 P.M., daily. Except in an emergency, work will not normally be permitted during the night, overtime hours, on Saturday or Sunday, or on a legal holiday. Should the Contractor wish to operate at any of these times, except in emergency cases, he shall obtain written permission from the Hydro's representative. Should the Hydro's representative consider it expedient to perform work other than during normal working hours and so order this in writing, the Contractor shall be entitled to compensation for any additional costs he incurs due to overtime rates. Said overtime rates shall apply to labour only and any equipment used during overtime hours shall be charged at straight time. All overtime to be worked, shall be at the discretion of the Hydro's representative, only.

SECTION 13. LOCATION OF UNDERGROUND SERVICES

13.1. No work shall be started until physical mark-outs have been obtained from Bell Canada, Union Gas Company, Public Works and Chatham-Kent PUC (plus any other underground Hydro in the work area).

13.2. In order to comply with the requirements of the OHSA Hydro may request locates for all utilities, on a Sub-Contractors behalf, if the nature of the work does not involve a Contractor, per se, as defined in OHSA. In these cases Hydro would be considered a Contractor and Constructor. Whether this is the case will be determined on a case-by-case basis depending on the nature and scope of the work.

13.3. If a separate formal contract exist between Hydro and the Contractor than the Contractor shall be responsible to request locates of all underground utilities' plant and services within the work area and shall obtain a certificate from each Utility concerned that the area has been so marked.

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13.4. When a Hydro gives clearance to work by telephone, then the Contractor shall keep a record including the time, date and name of person giving the clearance.

13.5. If the physical mark-out is refused or cannot be arranged in the period of request, then the Contractor shall immediately notify the Hydro's representative. Wherever necessary to avoid damage to an underground Hydro, the Contractor shall expose, by hand digging, the underground Hydro or utilities involved.

13.6. No work shall commence until all locates are completed within the planned work area.

SECTION 14. PROTECTION OF EXISTING UTILITIES

14.1. Where excavation is being carried out near or adjacent to a Hydro, the Contractor shall notify the appropriate Hydro. The Contractor shall, at his own cost and expense and in a manner approved by the owner of the appropriate Hydro, sustain in their places and protect from injury any and all poles, telephone and T.V. cables, electric conduits, railway tracks, service pipes, sidewalks, curbs and culverts, and all other structures or property in the vicinity of his work, whether above or underground or which appear in the excavation and the Contractor shall assume all costs and expenses for damage which may be occasioned by injury to any of them and for any temporary relocations required to facilitate the construction of the work.

14.2. If damages to any structure or Hydro occurs by reason of the Contractor's operation, even though special precautions have been employed, the Contractor shall be entirely responsible for such damage, whether such operations and work resulting there from have received the proper approval of the Hydro's representative or not and all such damage shall be satisfactorily rectified at the Contractor's expense.

SECTION 15. MUNICIPAL CONSENT, ROAD OCCUPANCY AND ENCROACHMENT PERMITS

15.1. The Contractor shall at all times carry on the work in a manner that will create a minimum of interference for both pedestrian and vehicular traffic, consistent with the efficient performance of the work.

15.2. Where a roadway is affected by construction, the roadway must be kept open to traffic, free of waste, debris and surplus materials, and the Contractor shall provide and maintain for the duration of the work, a roadway throughout the length of the work.

15.3. The Contractor shall at all times maintain traffic control in conjunction with the Ministry of Transportation "Traffic Control Manual or Roadway Work Operations".

15.4. The Contractor shall provide signs, delineators, barricades, lanterns and flashing lights, with the costs associated with same included in the total tendered price.

15.5. The Contractor shall provide at all times adequate access to private homes and commercial establishments unless written the affected property owners give authorization.

15.6. Fire hydrants shall not be obstructed at any time.

15.7. If, at any time, the Contractor fails to provide for safe passage and control of pedestrian and/or vehicular traffic on any existing street, road or sidewalk for which, under the contract, he is responsible, and if the Contractor fails to correct such unsatisfactory conditions upon being so directed in writing, the Hydro's representative may take any

Chatham-Kent Hydro Inc.
320 Queen St, Chatham ON, N7M 5K2
(519) 352-6300 Fax (519) 352-9860 www.ckhydro.com

necessary action to rectify the condition and deduct costs for such actions from monies due or about to become due the Contractor. No act or failure to act on the part of the Hydro's representative shall relieve the Contractor from his responsibilities under the contract.

SECTION 16. MATERIALS SUPPLIED BY THE HYDRO

16.1. Materials supplied by the Hydro are available at the Hydro's warehouse, at 320 Queen Street, Chatham. Materials will be made available from the warehouse daily from 7:45 A.M. to 12:00 Noon and 12:45 P.M. to 4:00 P.M. The Contractor shall transport the materials from the warehouse to the job site unless otherwise specified. All excess materials supplied by the Hydro shall remain the property of the Hydro and shall be returned to the Hydro's warehouse. The Contractor shall be responsible for all materials supplied by the Hydro and shall reimburse the Hydro for any loss, breakage, or other damage caused by the Contractor, his agents and all workmen, or persons employed by him under his control.

SECTION 17. MATERIALS SUPPLIED BY THE CONTRACTOR

17.1. All materials supplied by the Contractor shall conform to the requirements of the specifications and be subject to approval of the Hydro's representative.

17.2. Upon the direction of the Hydro's representative, the Contractor, at his own expense, shall replace or correct any defective work resulting from faulty materials, whether supplied by the Contractor or supplied by the Hydro and that had been damaged while under the Contractor's care.

SECTION 18. WORK AREA PROTECTION

18.1. When, during the performance of the work, the possibility exists that personnel, tools or equipment may cause an inadvertent contact with the lines, the Contractor shall arrange, through the Hydro's representative, for work area protection. The Hydro's representative will decide on the type of protection required and will be responsible for obtaining and surrendering the protection. When protection is no longer required, the Contractor shall notify the Hydro's representative immediately to arrange for the surrender of said protection.

SECTION 19. COMMUNICATIONS

19.1. If the Hydro's representative deems it necessary, the Hydro will supply a portable radio to the Contractor. This radio is to be picked up from and returned to the Hydro's representative daily.

19.2. The Hydro's representative will specify the procedures and details of the use of the radio to the Contractor and under no circumstances may the radio be used for any purpose other than that specified.
The Contractor shall be responsible for any damages to, loss or theft of the Hydro's supplied radio.

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OEB Staff Question 7 (b) Appendix
Vehicle Capital Expenditures:

Year 2004 :

Single Bucket Truck	04BK20	$	225,142.20
2005 Pick up	05PU127	$	29,926.28
2004 Pick up with Wilcox Box	04PU128	$	45,721.41
Vermeer Brush Chipper	04WC13	$	37,260.00
2004 Total		$	338,049.89

Year 2005 :

2005 Van	05VN148	$	23,298.00
2005 Van	05VN122	$	26,764.56
2005 Forestry Truck	05BK16	$	143,640.00
2005 Total		$	193,702.56

Year 2006 :

Single Bucket Truck	07BK11	$	243,808.99
Bucket Truck - Refurbishment of Transmission	VEBK08	$	10,516.90
2006 Dump Truck	06DP77	$	52,716.28
Bucket Truck - Recondition of Boom	VEBK19	$	5,933.10
2006 Total		$	312,975.27

Year 2007 :

2007 Bucket Truck	07BK06	$	278,017.16
Pickup 4X4 with Box	06PU116	$	44,964.79
Insurance replaced damage vehicle VEBK04	07BK04	$	2,261.09
Bucket Truck - Major Repair Differential	VEBK19	$	8,621.18
2007 Total		$	333,864.22

Year 2008 :

2008 Pick up	08PU03	$	35,714.64
2007 Bucket Truck	08BK15	$	130,458.12
Pickup 4X4 with Box	07PU150	$	45,373.31
Bucket Truck - New Hydraulics	07BK04	$	1,675.39
2008 Total		$	213,221.46

Year 2009 : Actual to Nov 30, 2009

New Chassis for RBD		$	145,200.25
Van		$	23,319.96
Van		$	20,929.20
Major Repairs		$	42,794.55
Van - Meter Shop		$	39,710.28
Pick up 4X4		$	49,356.71
Pick up 4X4		$	34,908.00
2009 Total		$	356,218.95

OEB Staff Question 8 Appendix

2010 Capital Projects

Priority Ranking	Project Name	Description of Project	Type of Program				Capital Investment $	Discretionary or Non-Discretionary	Start Date of Project	Date in Service	Rationale for Priority Selection
			Replacement	Rehabilitation	Upgrade	Addition					
1	Residential New	Connect new residential customers to Chatham-Kent Hydro's Distribution System				✓	**254,128**	Non-Discretionary	1-Jan-10	31-Dec-10	Supply new load connections. Support customer demand
1	Detached Residential	Connect any new Residential Development within Chatham-Kent Hydro Service territory. This would include Residential Subdivisions or Townhouse Development				✓	**191,488**	Non-Discretionary	1-Jan-10	31-Dec-10	Supply new load connections. Support customer demand
1	Residential Rebuild	Perform any minor rebuilds to service conductor or secondary buss that supply Chatham-Kent Hydro residential customers			✓		**47,757**	Non-Discretionary	1-Jan-10	31-Dec-10	Supply new load connections. Support customer demand
1	Commercial Industrial New	Connect new commercial/industrial customers to Chatham-Kent Hydro's Distribution System and fund any system expansions required to make these connections				✓	**205,285**	Non-Discretionary	1-Jan-10	31-Dec-10	Supply new load connections. Support customer demand
1	Commercial & Industrial Rebuild	Provide upgrades to Chatham-Kent Hydro's Distributions System when necessary to continue to supply Commercial and Industrial customers			✓		**202,394**	Non-Discretionary	1-Jan-10	31-Dec-10	Supply new load connections. Support customer demand
1	Transformer Replacement	Replace degenerated or overloaded transformers that have been identified during formal and informal inspection programs throughout the year	✓				**172,531**	Non-Discretionary	1-Jan-10	31-Dec-10	Replace overloaded, deteriorated, failed or damaged transformers
1	Retail Meter Replacement	Replace retail electric meters that have reached end of life, have failed, or seals have expired in compliance with Measurement Canada requirements.	✓				**30,471**	Non-Discretionary	1-Jan-10	31-Dec-10	Replace failed meters or meters requiring re-certification
1	Account Cancellation	Disconnect or cancel a customer services	✓				**6,181**	Non-Discretionary	1-Jan-10	31-Dec-10	Support customer requested disconnections
	Contributed Capital	Contributed Capital					**(275,000)**				

1	Capital Expansion Requests	Provide line relocations of the Chatham-Kent Hydro Distribution System carried out at the request of the Municipal and Provincial road authorities under applicable legislation and Ministry of Transportation guidelines				✓	**$50,750**	Non-Discretionary	1-Jan-10	31-Dec-10	Support requests for plant relocation or customer subsidized capital expansions
1	Reduction of Step Down Transformers	Eliminate 16KV to 2.4KV step down transformers in the Chatham-Kent Hydro Distribution System			✓		**$104,619**	Non-Discretionary	1-Apr-10	1-Oct-10	Replace specific type of transformers at end of life and to reduce overall losses
1	Sub 6 Conversion	Replace distribution equipment at end of life supplied by Chatham #6 Substation and decommission the substation			✓		**347,930**	Non-Discretionary	1-Apr-10	1-Dec-10	Voltage conversion to reduce losses and eliminate old and deteriorated plant
1	Dresden Conversion (South)	Relocate overhead primary back lot distribution system to the front lot, convert primary voltage and decommission Dresden South Distribution System			✓		**486,635**	Non-Discretionary	6/1/2010	30-Sep-10	Voltage conversion to reduce losses and eliminate old and deteriorated plant
1	Submarine Cable Replacement	Install a new primary submarine cable, crossing the Thames River, Chatham	✓				**206,938**	Non-Discretionary	1-Mar-10	1-Jun-10	Replace critical cable feeding north Chatham
1	Downtown Chatham	Convert a section of Chatham-Kent Hydro Overhead Distribution to a new Underground Distribution System, while converting from 2.4/4.16kV to 16/27.6kV primary			✓		**247,557**	Non-Discretionary	1-Mar-10	31-Aug-10	Eliminate old plant and increase clearances to publicly accessible areas
1	M5 Submarine cable refurbishment	Silicone injection to re-instate submarine cable intensity		✓			**100,000**	Non-Discretionary	1-Jul-10	31-Jul-10	Refurbish submarine cable to extend life and increase reliability of supply to north Chatham
1	Sub 7/9 Conversion	Convert Chatham #7 Substation feeders 7F02 and 7F04 Chatham #4 Substation feeders 4F03 from 2.4/4.16KV to 16/27.6KV primary and to decommission Chatham #9 Substation			✓		**307,930**	Non-Discretionary	1-Apr-10	31-Aug-10	Voltage conversion to reduce losses and eliminate old and deteriorated plant
1	Low voltage vault repairs	Replace underground secondary distribution vaults that have been damaged by vehicles or the environment		✓			**104,318**	Non-Discretionary	1-Mar-10	30-May-10	Repair low voltage connections in vaults to eliminate potential public hazard. Problem locations identified in previous survey
1	Primary Cable Replacement Program	Replace underground primary cable that is at end of life and has failed or portions of the related system have failed.	✓				**119,816**	Non-Discretionary	1-Apr-10	31-Oct-10	Replace primary residential cable at end of life

1	Insulator Replacement	Replace porcelain post top insulators that have been targeted as being susceptible to breaking prematurely with new polymer insulators. Not preceding with this program will leave known substandard equipment in the field jeopardizing reliability and safety to customers and employees	✓				**41,049**	Non-Discretionary	1-Jan-10	31-Dec-10	Remove porcelain insulators to eliminate hazard to crews and public
1	Emergencies	Capital expenditures to rebvuild major damage caused by storms, failed equipment, or damaged plant	✓				**75,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Capital work for major rebuild of plant damaged by storms
2	LIS Switches (3 Switches)	Replace a minimum of three existing Air Break Switches each year that have been identified as not operable and/or not repairable. This will maintain a reliable distribution system by targeting deteriorated equipment and ensure customers have a reliable supply of power	✓				**71,049**	Non-Discretionary	1-Oct-10	15-Dec-10	Replace old, damaged or malfunctioning primary switches to maintain/improve reliability of the system
1	Pole Replacment	Ensure that substandard & defective wood poles throughout Chatham-Kent Hydro Distribution System are identified and replaced on an annual basis	✓				**131,367**	Non-Discretionary	1-Jan-10	31-Dec-10	Replace rotted or damaged poles identified via ongoing surveys
1	Asset Management and System Optimization Program	Develop an asset management and optimization model for the distribution system		✓			**311,049**	Non-Discretionary	1-Jan-10	31-Dec-10	Investment in a class of processes, software and systems to establish a comprehensive asset management program with a focus on system optimization - loss reduction and reliability improvements
1	Small tools	Capital tool purchases				✓	**99,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Purchase of new tools for crews.
1	Rolling Stock	Vehicle purchases and major expenses/upgrades				✓	**780,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Replacement of end of life depreciated vehicles
1	SCADA Capital	Investment in new or upgraded SCADA equipment and software				✓	**51,049**	Non-Discretionary	1-Jan-10	31-Dec-10	New equipment to extend(failed or at end of life) or replace SCADA equipment and improve Operational efficiencies
1	AM/FM	Investment in new or upgraded AM/FM/GIS equipment and software.				✓	**91,790**	Non-Discretionary	1-Jan-10	31-Dec-10	Specific IT cost for GIS programs

1	Furniture	Office furniture				✓	**12,000**	Non-Discretionary	1-Jan-10	31-Dec-10	New furniture to replace warn and damaged furniture or to support new processes
1	Control Room	Control Room Support				✓	**118,449**	Non-Discretionary	1-Jan-10	31-Dec-10	Control room cost attributed to all capital work.
1	Land	Purchase of land				✓	**25,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Purchase of land to support capital projects
1	Storage Facility	Transformer storage facility				✓	**50,000**	Non-Discretionary	1-May-10	31-Oct-10	Specifically designed storage area for the storage of oil containing transformers or other items deemed for scrap
2	Secured Storage Building	Secured Storage Building				✓	**100,000**	Non-Discretionary	1-May-10	31-Oct-10	New building for the secure storage of copper and aluminum products, and temporary storage of PCB's
1	Substation Repairs	Substation Repairs		✓			**15,000**	Non-Discretionary	1-May-10	31-Oct-10	Major repair to substation buildings.
2	Repave lot	Repave parking lot				✓	**350,000**	Non-Discretionary	1-May-10	31-Oct-10	Replace end-of-life asphalt parking lot. Add concrete pads for storage of heavy stock items I.e. transformers
1	Disconnect Switches	Customer disconnect switches				✓	**200,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Purchase of new meter socket mounted disconnect switch for dispatching customer load
1	Computers	Purchase of new computers and software				✓	**56,000**	Non-Discretionary	1-Jan-10	31-Dec-10	IT Support for various programs, field and office staff
1	Building Upgrades	Major building enhancements or upgrades				✓	**28,000**	Non-Discretionary	1-Jan-10	31-Dec-10	Replacement and additions to critical components of fixed assets

Total	5,517,530
Total $ for Prioritized Programs (does not include contributed capital)	5,792,530
Discretionary Programs as a % of Overall Total 2009 CAPEX	0%
Non-Discretionary Programs as a % of Overall Total 2009 CAPEX	100%
Replacement Programs as a % of Total Prioritized Programs	14.75%
Rehabilitation Programs as a % of Total Prioritized Programs	9.16%
Upgrade Programs as a % of Total Prioritized Programs	30.12%
Addition Programs as a % of Total Prioritized Programs	45.97%

PROMISSORY NOTE

Principal Sum: C$23,523,326.00

FOR VALUE RECEIVED, the undersigned hereby unconditionally promises to pay to the Order of the Municipality of Chatham-Kent (the "Municipality") on demand by the Municipality the principal sum of TWENTY-THREE MILLION, FIVE HUNDRED AND TWENTY-THREE THOUSAND, THREE HUNDRED AND TWENTY-SIX DOLLARS ($23,523,326.00) in lawful money of Canada at 315 King W, Chatham, Ontario or such other place as the Municipality may Designate by notice in writing to the undersigned and to pay interest on the Principal Sum at the rate of 7.04% *per annum (*this "Rate" to be adjusted to equal the long term debt rate deemed from time to time by the Ontario Energy Board in keeping with the latest rate application approved by the Ontario Energy Board) calculated and accruing on the principal amount remaining unpaid and overdue interest, if any, on such date as agreed by the Municipality and the undersigned until the Principal Sum is repaid to the Municipality.

Interest shall be calculated and payable monthly in arrears on the last day of the following month at the same address. Interest both before and after default and judgement on the principal amount and overdue interest shall accrue or be payable at the aforementioned rate.

The payment of the Principal Sum and all interest on this Promissory Note is subordinated to debt issued by Chatham-Kent Hydro Inc. from time to time to a financial institution or other third party for the purpose of Chatham-Kent Hydro Inc. or its subsidiaries and the Municipality shall execute such documents as may reasonably be required by Chatham-Kent Hydro Inc. to evidence such subordination.

All payments or any part thereof may be extended, rearranged, renewed or postponed by the Municipality. No delay or failure by the Municipality to exercise any right or remedy against the undersigned shall be construed as a waiver of that or any right or remedy nor shall any waiver hereunder be deemed to be a waiver of subsequent default.

The undersigned hereby waives presentment, demand, protest of other notice of every kind in the enforcement of the promissory note. All amounts owing hereunder will be paid by the undersigned without regard for any equities between the undersigned and the Municipality or any right of set-off or cross-claim.

In the event of default hereunder, the undersigned agrees to pay all expenses, including without limitation, reasonable legal fees (on a solicitor and his own client basis), incurred by the Municipality in endeavouring to enforce its rights hereunder. All such amounts shall bear interest at the rate mentioned above.

This Promissory Note is non-negotiable and non-assignable without the prior written consent of the undersigned.

DATED at Chatham, Ontario as of the 1 day of November, 2009.

CHATHAM-KENT HYDRO INC.

By: _____
President

By: _____
Chief Financial Officer

Tariff Sheet

Residential	
Service Charge	$
Smart Meter Disposition Rider - effective until April 30, 2012	$
Distribution Volumetric Rate	$/kWh
Low Voltage Distribution Rate	$/kWh
Deferral and Variance Account Rider	$/kWh
LRAM/SSM Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kWh
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$
General Service Less Than 50 kW	
Service Charge	$
Smart Meter Disposition Rider - effective until April 30, 2012	$
Distribution Volumetric Rate	$/kWh
Low Voltage Distribution Rate	$/kWh
Deferral and Variance Account Rider	$/kWh
LRAM/SSM Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kWh
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$
General Service 50 to 999 kW	
Service Charge	$
Smart Meter Disposition Rider - effective until April 30, 2012	$
Distribution Volumetric Rate	$/kW
Low Voltage Distribution Rate	$/kW
Deferral and Variance Account Rider	$/kWh
LRAM/SSM Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW
Retail Transmission Rate – Network Service Rate – Interval Metered	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	$/kW
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$
General Service Intermediate - 1,000 to 4,999 kW	
Service Charge	$
Smart Meter Disposition Rider - effective until April 30, 2012	$
Distribution Volumetric Rate	$/kW
Low Voltage Distribution Rate	$/kW
Deferral and Variance Account Rider	$/kWh
LRAM/SSM Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$
Standby Power	
Service Charge	$
Smart Meter Disposition Rider - effective until April 30, 2012	$

Distribution Volumetric Rate	$/kW
Low Voltage Distribution Rate	$/kW
Deferral and Variance Account Rider	$/kWh
LRAM/SSM Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$
Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).	$/kW

Unmetered Scattered Load

Service Charge (per connection)	**$**
Distribution Volumetric Rate	$/kWh
Low Voltage Distribution Rate	$/kWh
Deferral and Variance Account Rider	$/kWh
Retail Transmission Rate – Network Service Rate	$/kWh
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$

Sentinel Lighting

Service Charge (per connection)	**$**
Distribution Volumetric Rate	$/kW
Low Voltage Distribution Rate	$/kW
Deferral and Variance Account Rider	$/kW
Retail Transmission Rate – Network Service Rate	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$

Street Lighting

Service Charge (per connection)	**$**
Distribution Volumetric Rate	$/kW
Low Voltage Distribution Rate	$/kW
Deferral and Variance Account Rider	$/kW
Retail Transmission Rate – Network Service Rate	$/kW
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW
Wholesale Market Service Rate	$/kWh
Rural Rate Protection Charge	$/kWh
Standard Supply Service – Administrative Charge (if applicable)	$

Specific Service Charges

Customer Administration	
Arrears certificate	**$**
Statement of Account	**$**
Easement letter	**$**
Credit reference/credit check (plus credit agency costs)	**$**
Returned cheque charge (plus bank charges)	**$**
Account set up charge/change of occupancy charge	**$**
Meter dispute charge plus Measurement Canada fees (if meter found correct)	**$**

Non-Payment of Account	
Late Payment – per month	%
Late Payment – per annum	%
Disconnect/Reconnect Charge – At Meter During Regular Hours	$
Temporary service install & remove – overhead – no transformer	$
Temporary service install & remove – overhead – with transformer	$
Specific charge for access to the power poles – per pole/year	$
Switching for company maintenance – Charge based on Time and Materials	$
Allowances	
Transformer Allowance for Ownership – per kW of billing demand/month	**$**/kW
Primary Metering Allowance for transformer losses - applied to measured demand and energy	%
Retail Service Charges (if applicable)	**Metric**
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	$
Monthly Fixed Charge, per retailer	$
Monthly Variance Charge, per customer, per retailer	$/cust.
Distributor-consolidated billing charge, per customer, per retailer	$/cust.
Retailer-consolidated billing credit, per customer, per retailer	$/cust.
Service Transaction Requests (STR)	
Request fee, per request, applied to the requesting party	
Processing fee, per request, applied to the requesting party	
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	
More than twice a year, per request (plus incremental delivery costs)	$

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	
Total Loss Factor – Secondary Metered Customer > 5,000 kW	
Total Loss Factor – Primary Metered Customer < 5,000 kW	
Total Loss Factor – Primary Metered Customer > 5,000 kW	

18.81
0.45
0.0085
0.0003
0.0002
0.0000
0.0047
0.0043
0.0052
0.0013
0.2500

34.43
0.45
0.0107
0.0003
(0.0007)
0.0000
0.0042
0.0039
0.0052
0.0013
0.2500

98.15
0.45
4.7091
0.1377
(0.6859)
0.0000
1.7495
1.5439
1.8642
1.6909
0.0052
0.0013
0.2500

796.52
0.45
3.5829
0.1505
(0.3825)
0.0000
1.8642
1.6909
0.0052
0.0013
0.2500

6,099.81
0.45

3.8455
0.1505
(0.6702)
0.0000
1.8642
1.6909
0.0052
0.0013
0.2500

1.3500

9.06
0.0064
0.0003
(0.0015)
0.0042
0.0039
0.0052
0.0013
0.2500

7.88
5.7266
0.0982
0.3111
1.3289
1.2171
0.0052
0.0010
0.2500

1.23
7.9163
0.0454
(0.8041)
1.3193
1.1926
0.0052
0.0010
0.2500

15.00
15.00
15.00
15.00
15.00
30.00
30.00

1.50
19.56
65.00

500.00
1,000.00
22.35

(0.60)
(1.00)

Current

100.00
20.00
0.50
0.30
0.30

0.25
0.30

no charge
2.00

1.0443
1.0430
1.0339
1.0141