

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

**ENERGY PROBE RESEARCH FOUNDATION  
SECOND ROUND INTERROGATORIES**

**Interrogatory # 28**

Ref: Energy Probe Interrogatory # 2

- a) The response is not clear. Is all of the \$54,000 related to charges from Haldimand County Utilities Inc. related to the Board of Directors of Haldimand County Utilities Inc.? If not, what portion of the \$54,000 is directly related to the HCUI Board of Directors?

**Response**

***Refer to response to VECC Supplemental Interrogatory #29 (d) for cost details from 2006 to 2010.***

- b) What is the cost associated with the Board of Directors of Haldimand County Hydro Inc.?

**Response**

***Refer to response to VECC Supplemental Interrogatory #29 (f) for cost details from 2006 to 2010.***

## Interrogatory # 29

Ref: Energy Probe Interrogatory # 4 c)

The response to part (c) does not fully explain the changes in contributed capital. Contributed capital was \$353,000 in 2006, \$472,000 in 2007 and \$242,000 in 2008 and the new dwelling permits provided in the response were 141 in 2006, 131 in 2007 and 100 in 2008.

- a) Please explain the increase in 2007 contributed capital despite the decline in the number of new dwelling permits.

### **Response**

***Haldimand County Hydro assumes the assets from subdivision developers after two (2) years if the subdivision is substantially complete. The contributed capital is not recognized until the assets are assumed for each subdivision. In 2007 assets were assumed from build year 2005. This included three (3) residential subdivisions and one (1) industrial subdivision. This is an increase from 2006 where only two (2) residential subdivisions were assumed.***

- b) Please explain the nearly 50% reduction in 2008 contributed capital despite a decline in new dwelling permits of less than half of this amount.

### **Response**

***Haldimand County Hydro assumed the assets of only 2 small residential subdivisions.***

- c) Please provide the forecast of new dwelling permits for 2009 and 2010 that underlie the contributed capital forecasts of \$47,800 for 2009 and \$131,600 for 2010.

### **Response**

***New dwelling permits forecast 2009 / 2010 from Haldimand County Planning Department were requested but have not been provided to-date.***

***For the 2009 and 2010 Budgets it is anticipated that subdivision assets will not be assumed, therefore reducing the total contributed capital dollars.***

**General Comment**

***Further investigation determined that contributed capital is closely related to assumption of assets and developer refunds more so than the number of new dwelling permits.***

## Interrogatory # 30

Ref: Energy Probe Interrogatory # 4 d) & f)

- a) The response in part (d) indicates that year-to-date September capital expenditures total \$2.61 million in 2009, leaving more than \$1.8 million to be spent and placed in service by year-end. Is HCHI confident that it will meet its 2009 capital expenditure forecast of \$4.429 million and that this amount will be closed to rate base before year-end? If not, please provide details.

### Response

***Haldimand County Hydro is confident that it will meet its 2009 capital expenditure forecast of \$4.429 million. As at November 30, 2009 the 11-month year-to-date total capital expenditures net of contributions and grants are \$3.537 million.***

- b) Please explain the significant increase in year-to-date contributions and grants in 2009 of \$369,000 as compared to the forecast for the entire year of \$47,800.

### Response

***The forecast contribution for the entire year 2009 is actually \$175,000 less \$127,200 in refunds to developers for a net capital contribution of \$47,800. The referenced 2009 year-to-date contributions and grants of \$369,000 should be compared to the forecast \$175,000 as the developer refunds are not recorded until December of each year.***

***In 2009, a fast tracked Ontario Power Authority Renewable Energy Standard Offer Program project contributed capital in the total amount of \$211,069.***

***Hydro One deregistered eight (8) non-compliant IESO wholesale meter points. Haldimand County Hydro assumed these assets for \$44,800.***

***Regular, new services contributed a total of \$113,323.***

***The acquisition of contributed capital as a result of the connection of a renewable generation facility and eight (8) wholesale meter points from Hydro One were not foreseen and therefore not budgeted for in 2009.***

### **Interrogatory # 31**

Ref: Energy Probe Interrogatory # 6 a)

The response indicates that Project # 4 – Alder Street Conversion – has been postponed and will not proceed in 2010. Please explain why HCHI now plans to utilize this \$300,000 for other capital projects in 2010. In particular, please provide a full description of these projects in the same format as done in Exhibit 2, Tab 2, Schedule 3. Please also explain why these projects were not included in the original 2010 forecast.

#### **Response**

***Haldimand County Hydro maintains a five year capital forecast which is a prediction of future projects. This plan is referenced in Haldimand County Hydro's Distribution Asset Management Plan Exhibit 2 / Tab 3 / Appendix A with full descriptions of projects from pages 56 to 86 up to the year 2012. When the original 2010 forecast was completed it was Haldimand County's plan to go forward with a civil infrastructure rehabilitation project for deep services on Alder Street in Dunnville. However, since the original forecast Haldimand County Hydro has learned that the civil portion of this project has been delayed and is scheduled for 2011. When a project is delayed, such as Alder Street, projects slated for future years are reviewed with the potential of being constructed in the current year.***

***Refer to response to Board Staff Interrogatory #15 which explains the level of capital expenditures year over year.***

## Interrogatory # 32

Ref: Energy Probe Interrogatory # 6 b)

- a) Please confirm that HCHI has not included any revenue in the forecast related to the sale of the vehicle.

### **Response**

***There has been no revenue included in the forecast that relates to the sale of a vehicle.***

- b) Has HCHI sold a similar vehicle in the past at public auction? If yes, please indicate the proceeds from such sale.

### **Response**

***In 2010, two vehicles will be sold at auction. Truck # 3 (single bucket) was replaced by Truck # 32 late in 2009. Truck # 4 (radial boom derrick truck) will be replaced by Truck # 33; scheduled to be replaced in 2010. This replacement schedule is referenced in Board Staff Interrogatory #7 with the values of disposals as referenced in Appendix C of this same response. The only vehicle which is remotely similar to Trucks # 3 & 4 is Truck # 5 (double bucket) which sold at auction in 2009 for a net value of \$13,948. There are many variables affecting the sale price of vehicles including but not limited to age, condition, and market conditions at the time of the sale. The sale values of Truck # 3 & Truck # 4 are unknown and could easily be significantly different than Truck # 5 because the trucks are quite different.***

- c) Please provide a list of all vehicles sold by public auction, or otherwise, in 2006 through to the current date. For each vehicle please show the original purchase price and proceeds from the sale.

### **Response**

***Refer to Board Staff Interrogatory #7 and the values of disposals as referenced in Appendix C under the heading "Retired Trucks".***

### **Interrogatory # 33**

Ref: Energy Probe Interrogatory # 7 d)

Please explain the difference between the HCHI WAP for non RPP volumes of \$0.03592 per kWh based on the historical period Oct/08 to Sept/09 and the forecasted average HOEP price of \$0.03326 per kWh. Please explain why the forecasted average HOEP price should not be used.

#### **Response**

***The forecasted average HOEP price for the period November 1, 2009 to October 31, 2010 reflected in the most recently updated OEB "RPP Price Report", as at October 15, 2009, is \$0.03568 per kWh as indicated on page 5 of this report – not the \$0.03326 per kWh as queried above.***

***Haldimand County Hydro has used the weighted-average price ("WAP") of \$0.03592 per kWh for non-RPP volumes as indicated in response to Interrogatory #7 (d). This WAP is the calculated average price of electricity based on Haldimand County Hydro's net system load shape. The actual billing to the customer occurs at this WAP and not the forecasted average HOEP price.***

## **Interrogatory # 34**

Ref: Energy Probe Interrogatory # 15 e)

The revenue recorded in account 4090 consist of only 2 revenues – the revenues from Norfolk Power and the SSS Administration charge, as indicated in the response to part (b) of the response.

- a) Please confirm that the revenues in account 4090 are relatively flat month to month. If this cannot be confirmed, please explain any significant variance in the monthly revenue.

### **Response**

***In Haldimand County Hydro's 2010 Rate Application, account '4090' inadvertently includes the Norfolk Power Distribution Wheeling Service Revenue for the 2010 Test Year; as well, the amount has been changed from \$42,207 to \$14,068 as stated in response to Board Staff Interrogatory #14 (a) and Energy Probe Interrogatory #27.***

***In relation to the SSS Administration Charge revenue portion of account '4090', the revenue is relatively flat month to month. However, with regards to the Norfolk Power Distribution Wheeling Service revenue portion of account '4090', the revenue in the actual years 2006, 2007 and 2008 has fluctuated based on the demand readings from the metering points. In addition, the revenue also decreased effective September 2008 with the reduction in load required by Norfolk Power for the metering point at Concession 6 with the total elimination for supply at this metering point effective December 12, 2008. Refer to Exhibit 3 / Tab 1 / Schedule 2 / page 7.***



- b) What was the revenue in account 4090 for the three month period October 2008 through December 2008?

**Response**

***The revenue in account '4090' for the period October to December, 2008 is as follows:***

<b><i>Revenue Description</i></b>	<b><i>Amount (October to December 2008)</i></b>
<b><i>SSS Administration Charge</i></b>	<b><i>\$15,511</i></b>
<b><i>Norfolk Power Distribution Wheeling Service Revenue</i></b>	<b><i><u>\$15,118</u></i></b>
<b><i>Total Revenue Account '4090'</i></b>	<b><i><u>\$30,629</u></i></b>

### Interrogatory # 35

Ref: Energy Probe Interrogatory # 16

Please explain why the annual savings of \$256,000 in 2009 related to tree trimming should be considered a “one-time windfall”.

#### **Response**

***The cost for the annual tree trimming budget for 2009 was determined by grossing up the actual 2004 expense by a rate of inflation year over year. The actual expense in 2009 is forecasted to be \$256,000 less due to the following factors:***

- ***The hourly rates paid to contractors in 2009 were considerably less than in previous years. The rates paid to contractors from 2004 onward are shown in Table A.***

***Table A – Historical Hourly Crew Rates:***

Years	2004	2005	2006	2007	2008	2009
Service Provider						
Service Provider # 1	\$ 130	\$ 145	\$ 140	\$ 145	\$ 140	\$ 135
Service Provider # 2		\$ 140	\$ 140	\$ 145	\$ 138	\$ 118
Service Provider # 3						\$ 120
Service Provider # 4					\$ 137	
Average Hourly Rate	\$ 130	\$ 143	\$ 140	\$ 145	\$ 138	\$ 124

***Note – Due to the large geographic area within Haldimand County and the commitments of contractors at the time of the competitive bidding process it is often necessary to award the contract to multiple parties.***

- ***Rates from 2005 to 2008 are the most consistent and are in the range from \$138 to \$145 per crew hour or an average of \$141 per crew hour. In 2009, rates decreased substantially with an average decrease in rate over this time period of \$17 per crew hour.***
- ***In 2009 the number of hours required to trim this area was approximately 48% less than in 2004, the last time it was trimmed***

***The value for the annual tree trimming forecast for 2010 was determined by grossing up the actual 2005 expense by a rate of inflation year over year. Tree trimming rates are obtained through an annual competitive bidding process and rates for 2010 will not be known until this process concludes in late January or February 2010. Through the competitive bidding process the bidders are required to estimate the number of hours required in the given area. It remains to be seen whether the 2009 rates are sustainable since they are not representative of rates paid since 2004 and the growth in the area scheduled for trimming in 2010 is not known.***

***Savings in 2009 should be considered a windfall because:***

- Hourly rates were unexpectedly low***
- Growth was considerably less than previously required***
- Hourly rates and growth will be unknown until the competitive bidding process is complete***

### Interrogatory # 36

Ref: Energy Probe Interrogatory # 18 &  
Board Staff Interrogatory # 18

- a) Please provide a table that shows for each year 2006 though 2010 the cost share (in dollars) to HCHI and the cost share to the County associated with tree trimming & removals.

#### **Response**

***The cost share to the County is contained in Exhibit 4 / Tab 2 / Schedule 5 / Table 7 but the specific part of Table 7 referencing “tree trimming & removals” is copied below and updated for 2009 with actual charges to the end of November as indicated.***

**TABLE 7  
HCHI's CHARGES TO AFFILIATES**

<b>ACTIVITY</b>	<b>2006 Actual***</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Forecast</b>	<b>2010 Forecast</b>
Tree Trimming & Removals (Cost share to County)*	\$8,538	\$12,456	\$20,132	\$6,999 \$9,477	
Tree Trimming & Removals (Cost share to HCHI)	\$5,114	\$8,279	\$12,468	\$6,318	
Total	\$14,230	\$20,735**	\$32,600	\$15,795	
* Stump removal included in “Cost Share to County” above	\$330	\$0	\$1,430	\$0	

\*\*One invoice was split by the Contractor in hours for municipality & utility resulting in 62.5%/37.5% split.

\*\*\*Various splits from 50/50% to 70/30% for municipality/utility were used during 2006 for average 63.2/36.8%

- b) Please provide a table that shows for each year 2006 though 2010 the cost share (in dollars) to HCHI and the cost share to the County associated with pole relocations or “new” pole installs.

#### **Response**

***Refer to Exhibit 4 / Tab 2 / Schedule 5 / Table 7 for the requested information. However, the specific part of Table 7 referencing “tree trimming and pole relocation services to the City” is copied below and it has been verified that there is no change to the end of November 2009.***

**TABLE 7**  
**HCHI's CHARGES TO AFFILIATES**

<b>ACTIVITY</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Forecast</b>	<b>2010 Forecast</b>
Pole Relocations or "New" Pole Installs (Requested by County)	\$2,833	\$0	\$9,902	\$5,589	
Pole Relocations or "New" Pole Installs (Cost share to HCHI)	\$3,659	\$0	\$0	\$1,757	
<b>Total</b>	<b>\$6,492</b>	<b>\$0</b>	<b>\$9,902</b>	<b>\$7,346</b>	

***Cost sharing for such work is often dictated by the default provision in the "Public Service Works on Highways Act" which includes:***

***"Apportionment of costs of taking up***

***(2) The road authority and the operating corporation may agree upon the apportionment of the cost of labour employed in such taking up, removal or change, but, subject to section 3, in default of agreement such cost shall be apportioned equally between the road authority and the operating corporation, and all other costs of the work shall be borne by the operating corporation."***

- c) Please explain the increase in year-to-date revenues associated with water & wastewater billing & collecting administrative fee shown for 2009 as compared to 2008 in the response to part (e) of the Energy Probe interrogatory in light of the explanation provided in part (f) that the billing rate has not increased for 2009 or 2010.

**Response**

***The information in the response to referenced Energy Probe Interrogatory #18 (e) has been updated from September to November as indicated below and this response refers to the updated information.***

	<b><i>January to September November (excludes GST)</i></b>	
	<b><i>2008</i></b>	<b><i>2009</i></b>
<b><i>Water &amp; Wastewater Billing &amp; Collecting Administrative Fee</i></b>	<b><i><del>\$265,738.67</del> \$325,795.68</i></b>	<b><i><del>\$271,251.51</del> \$331,677.93</i></b>

***The increase amounts to \$5,582.25 or 1.8%. This increase is due to two factors – the rate increased 3% effective April 1, 2008 so 2009 reflects an additional 3 months at an increased rate over 2008 and the number of water bills issued increased 1%.***

### **Interrogatory # 37**

Ref: Energy Probe Interrogatory # 19 b)

- a) Please explain why the charges to HCHI and Haldimand County Energy total \$60,000 which is more than the Haldimand County Utilities Board of Director costs of \$39,347.

#### **Response**

***Firstly information provided in response to Energy Probe Interrogatory #19 (b) contained an error and the corrected full response should read "The total cost associated with the Haldimand County Utilities Board of Directors is forecast to be ~~\$39,347~~ \$46,396 during 2010. The charge from Haldimand County Utilities to Haldimand County Hydro is forecast to be \$54,000 and the charge from Haldimand County Utilities to Haldimand County Energy is forecast to be \$6,000. These charges were established early in 2002 based upon the expected level of involvement and have carried on since that time."***

***The last sentence of this response also provides the explanation requested in the current supplemental interrogatory.***

- b) How much of the \$39,347 Haldimand County Utilities Board of Directors costs has been allocated to HCHI as part of the \$54,000 management fee?

#### **Response**

***Refer to the correction noted in a) above.***

***The original cost allocation in 2002 provided for a 90/10 % split as evidenced by the \$54,000 / \$6,000 charge to Haldimand County Hydro Inc. / Haldimand County Energy Inc. This same split based upon the forecast cost of \$46,396 in 2010 would result in a charge of \$41,756 to Haldimand County Hydro and \$4,640 to Haldimand County Energy.***

### **Interrogatory # 38**

Ref: Energy Probe Interrogatory # 21 &  
Exhibit 2, Tab 2, Schedule 1, Table 9

Please provide a revised Table 9 from Exhibit 2, Tab 2, Schedule 1 where the depreciation calculated for 2010 is based on the standard half-year rule.

#### **Response**

***Haldimand County Hydro is not aware of any Board guidance that has been documented in either their Accounting Procedures Handbook, or the update to “Chapter 2 of the Filing Requirements for Transmission and Distribution Applications” making half-year depreciation a “standard rule”. Haldimand County Hydro is also not aware of any prescriptive guidance in the CICA Handbook stating that only one half-year’s depreciation should be taken in the year of acquisition.***

***However, as requested, Exhibit 2/ Tab 2/ Schedule 1/ Table 9 has been recalculated using half-year depreciation for 2010, as follows:***



Haldimand County Hydro Inc.  
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Energy Probe Research Foundation Supplemental Interrogatory Responses

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OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	0			0	0			0	0
1806	Land Rights	0			0	0			0	0
1808	Buildings and Fixtures	0			0	0			0	0
1810	Leasehold Improvements	0			0	0			0	0
1815	Transformer Station Equipment - Normally Prim	0			0	0			0	0
1820	Distribution Station Equipment - Normally Prima	580,903	0		580,903	232,918	20,994		253,911	326,992
1825	Storage Battery Equipment	0			0	0			0	0
1830	Poles, Towers and Fixtures	16,778,063	726,388		17,504,451	6,717,138	807,554		7,524,692	9,979,759
1835	Overhead Conductors and Devices	9,068,545	572,938		9,641,484	2,701,339	427,211		3,128,551	6,512,933
1840	Underground Conduit	608,270	364,927		973,197	87,407	31,233		118,641	854,557
1845	Underground Conductors and Devices	6,704,485	214,503		6,918,989	2,708,694	310,985		3,019,679	3,899,310
1850	Line Transformers	10,442,316	515,365		10,957,681	3,351,731	440,374		3,792,105	7,165,576
1855	Services	2,333,705	196,004		2,529,709	538,582	97,209		635,791	1,893,917
1860	Meters	2,773,947	87,763		2,861,710	960,978	112,535		1,073,513	1,788,197
1865	Other Installations on Customer's Premises	0			0	0			0	0
1870	Leased Property on Customer Premises	0			0	0			0	0
1875	Street Lighting and Signal Systems	0			0	0			0	0
1905	Land	139,071			139,071	0			0	139,071
1906	Land Rights	695,389	0		695,389	194,727	17,775		212,502	482,887
1908	Buildings and Fixtures	2,013,342	0		2,013,342	318,071	48,015		366,086	1,647,256
1910	Leasehold Improvements	0			0	0			0	0
1915	Office Furniture and Equipment	346,248	5,336		351,584	175,453	30,493		205,946	145,637
1920	Computer Equipment - Hardware	545,646	18,676		564,322	427,821	48,932		476,752	87,569
1925	Computer Software	2,192,909	429,068		2,621,977	1,155,006	345,871		1,500,878	1,121,100
1930	Transportation Equipment	1,772,083	273,600		2,045,683	1,022,873	160,270		1,183,143	862,539
1935	Stores Equipment	0			0	0			0	0
1940	Tools, Shop and Garage Equipment	515,535	39,333		554,868	278,135	27,120		305,255	249,613
1945	Measurement and Testing Equipment	0			0	0			0	0
1950	Power Operated Equipment	0			0	0			0	0
1955	Communication Equipment	66,281			66,281	66,282	0		66,282	(0)
1960	Miscellaneous Equipment	0			0	0			0	0
1970	Load Management Controls - Customer Premis	0			0	0			0	0
1975	Load Management Controls - Utility Premises	0			0	0			0	0
1980	System Supervisory Equipment	0			0	0			0	0
1985	Sentinel Lighting Rentals	0			0	0			0	0
1990	Other Tangible Property	0			0	0			0	0
1995	Contributions and Grants	(2,724,219)	(131,600)		(2,855,819)	(534,082)	(109,518)		(643,600)	(2,212,219)
	<b>Total before Work in Process</b>	<b>54,852,521</b>	<b>3,312,301</b>	<b>0</b>	<b>58,164,822</b>	<b>20,403,075</b>	<b>2,817,053</b>	<b>0</b>	<b>23,220,128</b>	<b>34,944,694</b>
	Work in Process	0			0	0			0	0
	<b>Total after Work in Process</b>	<b>54,852,521</b>	<b>3,312,301</b>	<b>0</b>	<b>58,164,822</b>	<b>20,403,075</b>	<b>2,817,053</b>	<b>0</b>	<b>23,220,128</b>	<b>34,944,694</b>

### Interrogatory # 39

Ref: Energy Probe Interrogatory # 26 &  
Board Staff Interrogatory # 22 &  
Exhibit 5, Tab 1, Schedule 3, Table 2

The response to the Energy Probe interrogatory indicates that HCHI entered into a financing agreement with Infrastructure Ontario Projects Corporation (OIPC) for current borrowing in the total amount of \$10,351,000.

- a) Please show how the figure of \$10,351,000 is related to the Infrastructure Ontario figures shown in Table 2 of Exhibit 5, Tab 1, Schedule 3 that are applicable to the 2010 test year.

#### **Response**

***The amount of \$10,351,000 per the financing agreement entered into with Infrastructure Ontario during 2009 relates to the following principal items shown in Exhibit 5/ Tab 1/ Schedule 3/ Table 2 applicable to the 2010 Test Year:***

***Debenture – Infrastructure Ontario – Principal - \$911,867***

***Debenture – Infrastructure Ontario – Principal - \$254,144***

***Debenture – Infrastructure Ontario – Principal - \$3,911,111***

***Debenture – Infrastructure Ontario – Principal - \$5,016,038***

- b) Have any of the debentures shown in Table 2 with a date of issuance of December 1, 2009 and/or any amounts related to the \$10,351,000 been issued? If yes, please provide details including amount, term and rate.

#### **Response**

***None of the debentures shown in Table 2 with a date issuance of December 1, 2009 have been issued.***

- c) Please provide a revised Table 2 for 2010 only that clearly shows the calculation of the weighted cost of debt for 2010 based on all debt instruments currently in place as well as those forecast to be in place for 2010. Please distinguish between debt instruments currently in place and those forecast to be in place during 2010. For any debt instruments yet to be issued, please use the applicable OIPC rate from their website as of January 11, 2010.

**Response**

***A revised Table 2 for 2010 only that shows the calculation of the weighted cost of debt for 2010 based on all debt instruments currently in place as well as those forecast to be in place for 2010 is provided below. In order to complete the response to this supplemental interrogatory in time for the January 13, 2010 filing deadline, it was necessary to use the OIPC rates from their website at the time of preparing the revised calculations; that is, indicative lending rates as of January 5, 2010 were applied. This revised Table 2 also incorporates the revision to the “Debtenture – Haldimand County” interest cost as a result of the response to Board Staff Supplemental Interrogatory # 14.***

**Table 2 – Revised for 2010 Only  
Long-Term Debt Details and Weighted Cost**

Description	Debt Holder	Affiliated with LDC?	Date of Issuance	Principal	Term (Years)	Interest Rate %	Year Applied To	Interest Cost \$	
Debtenture	Haldimand County	N	May 1, 2000	\$ 2,556,667	10	6.50%	2010	\$ 166,183	<i>Currently in place</i>
Term Loan	CIBC	N	December 21, 2001	\$ 300,000	10	4.52%	2010	\$ 13,548	<i>Currently in place</i>
Debtenture	Infrastructure Ontario	N	February 1, 2010	\$ 854,875	5	3.04%	2010	\$ 25,998	<i>Forecast to be in place</i>
Debtenture	Infrastructure Ontario	N	February 1, 2010	\$ 235,522	10	4.12%	2010	\$ 9,707	<i>Forecast to be in place</i>
Debtenture	Infrastructure Ontario	N	February 1, 2010	\$ 3,611,111	15	4.67%	2010	\$ 168,689	<i>Forecast to be in place</i>
Debtenture	Infrastructure Ontario	N	February 1, 2010	\$ 4,617,805	25	5.17%	2010	\$ 238,807	<i>Forecast to be in place</i>
Debtenture	Infrastructure Ontario	N	May 3, 2010	\$ 4,415,326	25	5.17%	2010	\$ 228,088	<i>Forecast to be in place</i>
<b>Total - 2010</b>				<b>\$ 16,591,305</b>				<b>\$ 851,020</b>	
							<b>Weighted Debt Cost Rate - 2010</b>	<b>5.13%</b>	

- d) Please explain why HCHI has forecast a 25 year term for the May 3, 2010 debt issue.

**Response**

***The terms for the debt issues have been forecast to match the capitalization policy useful life of the corresponding capital items being financed.***

## Interrogatory # 40

Ref: Board Staff Interrogatory 3 f)

The response indicates that a portion of the amortization costs associated with the CIS system is incorporated into the monthly fee that HCHI charges Haldimand County Energy.

- a) How has HCHI determined the proportion of the amortization costs associated with the CIS system to be allocated to Haldimand County Energy? Please provide all assumptions and calculations used.

### **Response**

***Refer to response to Board Staff Interrogatories # 2, # 8 and # 13.***

- b) Does HCHI also include costs in the monthly fee related to the return on capital (debt and equity) associated with the CIS system? If not, why not?

### **Response**

***The calculation methodology and allocators are shown in the response to Board Staff Supplemental Interrogatory # 8, including all components of the cost, which does not include cost related to the return on capital. While return on capital should be part of the calculation, refer to the response to Board Staff Supplemental Interrogatory # 13 which comments on the need to remain competitive so as not to lose the water billing to the detriment of the electric customers.***

### **Interrogatory # 41**

Ref: Board Staff Interrogatory # 20 c)

If HCHI follows the policy of excluding regulatory assets from taxable income and not claiming a deduction for regulatory liabilities, then please explain why it has included regulatory assets and liabilities in the calculation of the 2010 regulatory taxable income.

### **Response**

***Refer to response to Board Staff Supplemental Interrogatory # 10.***

## Interrogatory # 42

Ref: SEC Interrogatory # 7 a)

- a) Please explain why the amount advanced on May 1, 2010 of \$6,390,109 goes up on November 1, 2010 to \$6,523,144 despite a principal payment of \$133,125.

### **Response**

***The response to SEC Interrogatory # 7 (a) incorrectly referenced the principal balance as of May 1, 2011 in the amount of \$6,390,109. The amount expected to be advanced May 3, 2010 is \$6,656,270, net of the principal payment of \$133,125 on November 1, 2010 for a closing principal balance in 2010 of \$6,523,145.***

- b) Please provide the mathematical calculations that yield the average annual balance of \$4,415,326 based on the figures in (a) above.

### **Response**

***The weighted average annual principal balance was calculated as follows:***

***(\$6,656,270 x 6/12 = \$3,328,135) plus (\$6,523,145 x 2/12 = \$1,087,191) for a sum of \$4,415,326.***

- c) What is the source of the annual interest rate of 5.51%? What is the current rate forecast for this loan?

### **Response**

***As indicated in the response to Energy Probe Interrogatory # 26 (e):***

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

***The current rate forecast for this loan, and only as a result of the response to Supplemental Interrogatory # 39 above, is 5.17% - the indicative lending rates for OIPC as posted on their website on January 5, 2010.***

- d) Please provide the mathematical calculations that result in \$182,888 as the interest payment due November 1, 2010.

**Response**

***The interest payment in the amount of \$182,888 due November 1, 2010 was as per the OIPC loan payment calculator provided on their website, and is calculated as follows:***

***Advance at May 3, 2010 of \$6,656,270 x 5.51% x 182/365 days = \$182,878.***