



1500 Bishop Street, P.O. Box 1060, Cambridge, ON N1R 5X6

January 13, 2010

Ms. Kirsten Walli  
Board Secretary  
**Ontario Energy Board**  
P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Cambridge and North Dumfries Hydro Inc.  
Response to OEB Staff Supplemental Interrogatories  
2010 Electricity Distribution Rates, Board File EB-2009-0260.

In accordance with Procedural Order No. 2 received from the Ontario Energy Board on December 14, 2009, please find attached Cambridge and North Dumfries Hydro Inc.'s responses to OEB Staff Supplemental Interrogatories in the above proceedings.

A copy of this submission has been filed electronically through the Board's RESS system and two hard copies will be forwarded to your attention through regular mail.

Sincerely,

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.**

John W. Grotheer  
President and CEO

c.c. All Intervenors

**Board staff Supplemental Interrogatories  
2010 Electricity Distribution Rates  
Cambridge and North Dumfries Hydro Inc. (“C&ND Hydro”)  
EB-2009-0260**

***Administration***

**41. Responses to Letters of Comment**

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

**Response**

- a) No letters of comment were received by the applicant.
- b) Not applicable. See (a).

**42. Ref: Energy Probe IR # 1 – Harmonized Sales Tax**

It is likely that the Provincial Sales Tax (“PST”) and Goods and Services Tax (“GST”) may be harmonized into a Harmonized Sales Tax (“HST”) effective July 1, 2010. In response to Energy Probe IR # 1, C&ND Hydro provided its evidence with respect to the costs and other impacts of the current PST and of expected costs for the HST. Subsequent to the interrogatory responses, Bill 218, Ontario Tax Plan for More Jobs and Growth Act, 2009 passed third reading on December 9, 2009.

- a) In light of legislative activity since C&ND Hydro filed its responses to the initial round of interrogatories, would C&ND Hydro agree to the establishment of a variance account to capture the costs and cost reductions in OM&A and capital expenditures?
- b) Are there other alternatives that the Board might consider to reflect both costs and cost reductions in OM&A and Capex if harmonization of the PST and GST is enacted?

## Response

- a) Cambridge and North Dumfries Hydro Inc. believes that this is an industry-wide issue that should be applied consistently to all LDC's across the industry and requires a decision from the Board that could be the result of a public consultation process whereby all of the viable alternatives are discussed.

However, in the event that the Board directs all electricity distributors to capture the reductions in OM&A and capital expenditures re: HST in variance accounts, Cambridge and North Dumfries Hydro Inc. would follow the Board's direction and record all incremental reductions.

Cambridge and North Dumfries Hydro Inc. would like to note, however that the recording of differences stemming from PST and GST harmonization would require a substantial effort on the part of Cambridge and North Dumfries Hydro Inc. and administrative costs would increase significantly due to the following factors:

- Sales taxes are recorded in Cambridge and North Dumfries Hydro Inc.'s financial system at the invoice level so sales taxes paid are easily identifiable at the vendor invoice level; however, invoices will often be split between capital, OM&A and third party billings. Cambridge and North Dumfries Hydro Inc. would not be able to track "PST and GST harmonization" variances without tracking each single individual line item from every invoice where harmonized taxes were paid. The ultimate tracking of inventory items would be very complex.
- Recording variances would require a higher level of technical knowledge at the Accounts Payable entry point than is currently the case. The Accounts Payable clerk capturing this data would have to have technical expertise on the application of both PST and GST rules (old and new). For example, an expense that was previously PST exempt but will be subject to the full HST under the new rule. All this monitoring requires more skilled accounting personnel and labour intensive supervision on the AP process.
- There are also complicated transition rules that apply to businesses with greater than \$10 million sales.

Generally, we do not support the concept of a variance account considering the issues noted above and the potential on-going issues related to equitable disposition.

Additionally, the cost impact on Cambridge and North Dumfries Hydro Inc. of the switch from PST to HST is unknown at this time and may never be accurately determined. The cost impact will consist of the (effective) removal of an 8% tax component on both capital goods and other operating supplies and services, offset by the fact that depending on market conditions for each of these goods and services, prices will increase as suppliers fail to pass through the full tax reduction in prices. Information on the degree to which prices fail to reflect the full tax change will necessarily be speculative and in all probability could not form the basis for accounting entries. Therefore, Cambridge and North Dumfries Hydro Inc. does not accept that accurate entries could be made in such a deferral account if it were established.

- b) An alternative with respect to OM&A would be a reduction in the monthly fixed charges for all customers in all utilities (i.e. rate rebasing and IRM) effective May 1, 2010. The amount could be \$0.10 per month per customer to reflect the implementation date of July 1, 2010 for HST impacts.

With respect to Capex, we consider the impact not to be material based on the fact that the amortization periods spread the savings over long time periods and the rebasing process will capture the changes in a timely manner.

### ***Rate Base and Capital Expenditures***

#### **43. Ref: Energy Probe IRs # 9 and 10, and VECC IR # 22**

In Energy Probe IR # 9, C&ND Hydro indicates the 2009 capital expenditures to October 31, 2009 are \$9,007,377, with 2009 capital additions expected to be \$13,007,000. The amounts spent include \$607,216 for hardware and \$1,811 for software related to the CIS conversion.

In Energy Probe IR #10, C&ND Hydro indicates that it now expects to spend \$12,147,000 in capital additions that will be in service by the end of 2010.

- a) In VECC IR #22 a), C&ND Hydro indicates an increase in 2010 OM&A of \$94,000 as “[w]ith the transfer to the new CIS software platform, [C&ND Hydro] will be moving to a third party service that owns and operates the hardware as a host service for a fee.” Please explain the hardware costs of \$607,216 in 2009 if the hardware for the CIS system is owned or operated by a third party.

- b) Please clarify the use of capital expenditures and capital additions in the application and how Construction Work in Progress amounts are addressed in determining the test year rate base. Please explain what C&ND Hydro means by capital additions in a calendar/fiscal year.

Response

- a) The amounts reported were reversed. The correct information is Software \$604,216 and hardware \$1,811. The hardware relates to minor purchases for use at our facilities.
- b) Cambridge and North Dumfries Hydro Inc. understands that capital expenditures and capital additions are not equivalent. Capital expenditures relate to the acquisition of capital assets which includes work on progress. Once a capital asset is completed / put in service, it is then transferred and considered to be capital additions. Capital expenditures that are not complete/in service are defined as work in process and are therefore not included in the rate base.

**44. Ref: Board staff IRs # 3 and 5, and VECC IR # 29**

In response to Board staff interrogatories, C&ND Hydro states that the CIS software conversion, forecasted for November 2009, has been delayed to come into service in 2010. C&ND Hydro also states that the costs have been estimated to increase to \$1.8 million. Finally, C&ND Hydro states that it has served a Notice of Default on its system integrator.

- a) What remedies is C&ND Hydro seeking from its system integrator? If financial remedies or penalties are being sought, how is C&ND Hydro proposing to reflect these in its application?
- b) How has C&ND Hydro reflected the increased cost estimates and delays in the new CIS system in its capital additions, as documented in the table provided in response to Board staff IR # 3, and in the proposed rate base, depreciation, PILs and revenue requirement updated in the response to VECC IR # 29?
- c) If C&ND Hydro has not updated its fixed assets and rate base to reflect delays and forecasted costs increases, please explain.

Response

- a) Effective December 30, 2009, a Notice of Termination was issued to the system integration and our shared services agreement with the other utilities was cancelled. The costs associated with the failed project

(approximately \$1.0 Million plus any potential litigation settlement) will be excluded from the rate base, based on the concept of “not used and useful”.

- b) The conversion to a new CIS software is now planned for the last quarter of 2010.

Based on the revised plan, the following updates to the rate application are as follows:

1. The prior costs for settlement services, software support and applications management support included in the original application was \$271,238.

Based on the revised plan, it is anticipated that the 2010 costs will be \$250,250 but in future years, the amount estimated to \$275,000.

It is proposed that no changes would be made to the revenue requirement.

2. The 2010 cost for hosting included in the original application was \$94,000.

Based on the revised plan, hosting services would only apply to the last quarter of 2010 and are estimated to be \$30,000. In future years, the annual cost is estimated to be \$120,000.

The inclusion of \$120,000 in 2010 is deemed to be inappropriate but total exclusion, which would not recognize the incurrence of these fees after 2010 which is during the IRM phase, would leave our utility without the appropriate level of revenue to offset costs. We therefore request the original amount of \$94,000 a year until the next rebasing as an appropriate amount under the circumstances.

3. The 2010 Capex included in the original application was \$200,000 for CIS template upgrading.

Based on the revised plan, no upgrading will be required in 2010.

It is proposed that this amount be deleted.

4. The 2010 Capex included in the application did not include any amount for the CIS conversion.

Based on the revised plan, the CIS conversion will include \$1,850,000 in expenditures. This \$1,800,000 is for system implementation and \$50,000 for computer hardware. We have now included this in rate base, capital additions and depreciation continuity schedules.

Based on the fact that the expenditure is in excess of the materiality threshold and the Board allowed an exemption of the half-year rule in the case of Greater Sudbury Hydro Inc. – EB-2008-0230, it is proposed that Cambridge and North Dumfries Hydro Inc. be able to recover 79.17% of the amount as depreciation (38 months of the 48 months IRM period).

- c) The updating will be completed as part of OEB Staff Interrogatory 55 (a) and (b).

**45. Ref: Energy Probe IR # 11, Board staff IR # 3, and VECC IR # 29**

In response to Energy Probe IR # 11, C&ND Hydro has indicated that, of the projected spending for New Lines in 2009 of \$1,315,000, one project for the Boxwood Industrial Subdivision at a cost of \$350,000 has been deferred to 2010.

- a) How has C&ND Hydro reflected the delay in the Boxwood Industrial Subdivision in its capital additions, as documented in the table provided in response to Board staff IR # 3, and in the proposed rate base, depreciation, PILs and revenue requirement updated in the response to VECC IR # 29?
- b) If C&ND Hydro has not updated its fixed assets and rate base to reflect the delay in the Boxwood Industrial System, please explain.

Response

- a) No, the deferral to 2010 was not reflected in the responses.
- b) In the course of a year, some projects are delayed, others have differences between budget/estimate/actual and there are unbudgeted projected completed.

For 2009, the totals for electrical plant are as follows:

	<u>Rate Application</u>	<u>Updated Forecasts</u>
Gross	\$ 9,187,000	\$ 10,075,000
Less: Contributed Capital	<u>1,267,000</u>	<u>2,200,000</u>
Net	<u>\$ 7,920,000</u>	<u>\$ 7,875,000</u>

Based on the materiality factor, we propose that no adjustment be made.

### ***Service Reliability***

#### **46. Ref: Board staff IR # 7**

- a) In part b) of the response, Cambridge and North Dumfries Hydro Inc. ("C&ND Hydro) indicates that it met or exceeded the performance standard for all years except 2003, which is attributed to the northeastern blackout in August 2003. However, the table provided in response to a) shows SAIDI and SAIFI performance numbers that are higher than (and hence indicative of poorer reliability) for 2007 relative to all preceding years. Please provide an explanation for the degraded reliability shown in 2007.
- b) For the performance results shown in the table in part a), results for 2003 are the same for "All Service Interruptions" and "Service Interruptions excluding Loss of Supply (Cause Code 2)" are the same.
  - i) Please confirm that 2003 performance shown for "Service Interruptions excluding Loss of Supply (Cause Code 2)" exclude the August 2003 blackout. If this is the case please explain the observed 2003 performance numbers.
  - ii) In the alternative, please revise the table showing corrected numbers.

### **Response**

- a) Serious freezing rain damage occurred on March 2, 2007 that caused 30,804 customer hours of outage time. This one event therefore impacted the overall results for the year.



b) i) The service reliability information provided for 2003 for “ Service Interruptions excluding Loss of Supply (Cause Code 2) “ does not exclude the August 2003 blackout.

ii) A revised table with the corrected numbers is provided .

	All Service Interruptions			Service Interruptions exluding Loss of Supply ( Cause Code 2)		
	SAIDI	SAIFI	CAIDI	SAIDI	SAIFI	CAIDI
2002	0.82	1.47	0.56	0.68	1.19	0.56
2003	18.44	4.36	4.23	0.68	1.66	0.41
2004	0.75	1.04	0.73	0.75	1.04	0.73
2005	1.12	1.08	1.03	1.02	1.03	0.73
2006	0.93	1.36	0.69	0.95	1.38	0.65
2007	1.51	1.74	0.86	1.51	1.74	0.86
2008	0.70	1.08	0.65	0.68	1.04	0.65

### ***Load Forecasting***

#### **47. Ref: Board staff IR # 12**

Please file copies of any studies or documents that C&ND Hydro has relating to the average reduction in annual consumption per Unmetered Scattered Load connection per the initiatives that C&ND Hydro discusses in the response to Board staff IR # 12.

#### Response

Most of the average annual reduction in consumption per connection is a result of incandescent bulbs on traffic lights being replaced with LED bulbs during this time period. In 2006, bulbs on eight seven (87) traffic lights were replaced with LED bulbs as part of the Conservation and demand Management program. An annual savings of 1,456,887 kWh was calculated for this program.

A copy the program showing the kWh saving that was filed as part of the 2006 Conservation and Demand Management program reporting is attached.

## Appendix B - Discussion of the Program

(complete this Appendix for each program)

A. Name of the Program: Government and Institutional Customer Base

Description of the program (including intent, design, delivery, partnerships and evaluation):

Upgrade of traffic signals at 87 intersections performed in partnership with the Region of Waterloo.

Measure(s):

Base case technology: Incandescent bulbs - varied  
Efficient technology: LED light technology  
Number of participants or units delivered for reporting year: 87  
Measure life (years): 8  
Number of Participants or units delivered life to date: 87

B. TRC Results:	Reporting Year	Life-to-date TRC Results:
<sup>1</sup> TRC Benefits (\$):	(\$736,900.45)	(\$975,447.32)
<sup>2</sup> TRC Costs (\$):		
Utility program cost (excluding incentives):	\$2,100.45	\$250,542.58
Incremental Measure Costs (Equipment Costs)	\$634,800.00	\$634,800.00
Total TRC costs:	\$636,900.45	\$885,342.58
Net TRC (in year CDN \$):	(\$100,000.00)	(\$90,104.74)
Benefit to Cost Ratio (TRC Benefits/TRC Costs):	(1.16)	(1.10)

C. Results: (one or more category may apply)

Cumulative Results:

Conservation Programs:

Demand savings (kW): Summer 131  
Winter 131

	lifecycle	in year	Cumulative Lifecycle	Cumulative Annual Savings
Energy saved (kWh):	9,163,731	2014	16,949,267	1,456,887
Other resources saved:				
Natural Gas (m3):				
Other (specify):				

Demand Management Programs:

Controlled load (kW):  
Energy shifted On-peak to Mid-peak (kWh):  
Energy shifted On-peak to Off-peak (kWh):  
Energy shifted Mid-peak to Off-peak (kWh):

Demand Response Programs:

Dispatchable load (kW):  
Peak hours dispatched in year (hours):

Power Factor Correction Programs:

Amount of KVar installed (KVar):  
Distribution system power factor at beginning of year (%):  
Distribution system power factor at end of year (%):

**Line Loss Reduction Programs:**

Peak load savings (kW):

*lifecycle*

*in year*

Energy savings (kWh):

**Distributed Generation and Load Displacement Programs:**

Amount of DG installed (kW):

Energy generated (kWh):

Peak energy generated (kWh):

Fuel type:

**Other Programs (specify):**

Metric (specify):

<b>D. <u>Actual Program Costs:</u></b>		<b><u>Reporting Year</u></b>	<b><u>Cumulative Life to Date</u></b>
Utility direct costs (\$):	Incremental capital:	\$0.00	\$0.00
	Incremental O&M:	\$427.49	\$486.73
	Incentive:	\$87,000.00	\$335,442.13
	Total:	\$87,427.49	\$335,928.86
Utility indirect costs (\$):	Incremental capital:	\$0.00	\$0.00
	Incremental O&M:	\$2,100.45	\$3,346.95
	Total:	\$2,100.45	\$3,346.95

**E. Assumptions & Comments:**

- General CDM indirect costs not attributed to a specific program were evenly divided by the 14 programs completed and allocated respectively.
- TRC Calculations were performed using the following assumptions for Traffic Signal Upgrades: The EE Life of traffic signals is 8 years, there was a total of 87 intersections converted with a monthly savings of 91050kWh, each intersection therefore has a savings of 1.503kW, the Free Ridership Rate value is 0%, operating time was considered to be 730 hours/month, and the individual cost per intersection to upgrade is \$7,296.

<sup>1</sup> Benefits should be estimated if costs have been incurred and the technology has been deployed. Benefits reflect the present value of the measure for the number of units deployed in the year, i.e. the number of units times the net present value per unit.

<sup>2</sup> For technologies which have not been deployed but for which the LDC has incurred costs, report only the TRC costs on a present value basis. Incentives (e.g. rebates) from the LDC to a customer are not a component of the TRC costs. However, payments made

## **OM&A**

### **48. Ref: VECC IR # 19 – Bad Debt Expense**

Please provide further details of the cost/benefit analysis conducted by C&ND Hydro with respect to insurance on bad debt expense, and why it feels that such service is not warranted in light of the proposed increase in bad debt expense forecasted for 2010.

#### Response

A formal cost/benefit analysis was not completed. The restrictive terms of the coverage was the variable that swayed our decision. The listed customers on the policy are dropped if their credit rating deteriorates. In the case of our experience in the past few years, three of the larger losses would have never been included within the coverage definition or they would have been dropped before the loss was incurred and therefore would not be eligible for financial relief.

## ***Employee Compensation***

### **49. Ref: Board staff IR # 21 and SEC IR # 9 and Exhibits B, C and D**

The response to Board staff IR # 21 d) states: “[t]he incentive payments are a percentage of base salary ...”. Examination of the plans in Exhibits B, C and D referenced in the response to SEC IR # 9 indicates that the incentives are bonuses calculated as percentage and paid out above the base salary. In other words, the base salary of the employee is not at risk, and the performance incentive plan is in addition to the base salary. Using the example documented in Exhibit D, for a supervisor with a base salary of \$80,000, the incentive bonus ranges from \$0 to \$6400 ( $\$80,000 \times 8\%$ ), and hence the supervisor’s salary in a year could range from \$80,000 (base salary, no bonus) to \$86,400 (base salary plus full bonus). Please confirm or clarify this interpretation.

#### Response

Your interpretation is confirmed.

### ***Other Distribution Revenues***

#### **50. Ref: Energy Probe IR # 23**

In the table provided, both columns are labelled "YTD September 2009". Please correct showing which is YTD September 2009 and which is YTD September 2008.

#### **Response**

The column with a total revenue offset of \$1,245,713 is YTD September 2008.

### ***Property Taxes***

#### **51. Ref: Exhibit 4/Table 45 and Energy Probe IR # 42**

Board staff has prepared the following table that combines the historical and forecasted Property Taxes as shown in Exhibit 4/Table 45 and the actual 2009 Property Taxes paid as provided in the response to Energy Probe IR # 42 a)

Property Classification	Exhibit 4/Table 45					VECC IR #	Exhibit 4/Table
	2004 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	42	45
Distribution Station	\$31,751	\$32,022	28,811	\$24,283	\$10,827	\$ 3,215	\$4,500
Transformer Station	77,819	19,145	19,372	18,977	24,326	\$ 21,952	25,177
Office Location	144,957	142,076	143,535	145,566	154,124	\$ 145,783	159,518
<b>Total</b>	<b>\$254,527</b>	<b>\$193,243</b>	<b>\$191,718</b>	<b>\$188,826</b>	<b>\$189,277</b>	<b>\$170,950</b>	<b>\$189,195</b>

- Please confirm or correct the numbers shown in the above table.
- In response to VECC IR # 42 c), C&ND Hydro stated that the amounts in the rate application reflected a phased-in market value assessment increase of 3.8% for 2009 and a general tax increase of 2-3%. However, the 2008 and 2009 mill rates provided in response to VECC IR # 42 d) show decreases in the mill rate from 2008 to 2009. Is the general tax increase of 2-3% indicative of the combined affect of the market value assessment and the mill rate adjustment? Please explain your response.
- The response to VECC IR # 42 d) shows 2009 actual property taxes paid nearly 10% lower than forecasted. In light of actual 2009 property taxes, please explain if the 2010 forecast should be revised. Please support your answer. If appropriate, please provide an updated 2010 forecast, with an explanation.

## Response

- a) The numbers shown in the table above are confirmed.
- b) Yes. The general tax increase of 2 – 3 % is indicative of the combined effect of the market value assessment and mill rate adjustment.
- c) Cambridge and North Dumfries Hydro Inc. thinks that the 2010 forecast is reasonable based on the increase in the assessed market value for 2010 and a general tax rate increase on 2.5% in 2010. Details supporting Cambridge and North Dumfries Hydro Inc. position are presented below.

<b>Office Location</b>				
Assessed Value	2009 Tax Rates	Increase in 2010 2.5%	2010 Tax Rates	2010 Tax Amount
3,653,000	0.884120%	0.022103%	0.90622%	33,104
3,653,000	1.325170%	0.033129%	1.35830%	49,619
3,653,000	1.901920%	0.047548%	1.94947%	71,214
				<u>153,937</u>
<b>Transformer Station</b>				
Assessed Value	2009 Tax Rates	Increase in 2010 2.5%	2010 Tax Rates	2010 Tax Amount
427,057	0.952130%	0.023803%	0.97593%	4,168
427,057	1.427110%	0.035678%	1.46279%	6,247
427,057	2.428660%	0.060717%	2.48938%	10,631
				<u>21,046</u>
<b>Transformer Station</b>				
Assessed Value	2009 Tax Rates	Increase in 2010 2.5%	2010 Tax Rates	2010 Tax Amount
188,943	0.618880%	0.015472%	0.63435%	1,199
188,943	0.927620%	0.023191%	0.95081%	1,796
188,943	1.578630%	0.039466%	1.61810%	3,057
				<u>6,052</u>
<b>Total for 'Transformer Station</b>				<u>27,098</u>
<b>Forecast for 2010</b>				
Office Location				153,937
Transformer Station				27,098
Distribution Station				4,500
<b>Total</b>				<u><b>185,535</b></u>

## ***Embedded Distributors***

### **52. Ref: Board staff IR # 33**

- a) While C&ND Hydro has used a separate model to estimate the low voltage rates that would be applicable to its two embedded distributor customers, does C&ND Hydro agree that the rates for the embedded distributors should be updated at the time of the rate order to reflect the

cost of capital, and tax rate or methodology changes, or other changes to operating expenses or rate base as determined by the Board in its decision on this application?

- b) If C&ND Hydro's position is that the embedded distributor rates should not be updated to reflect updated cost of capital and other parameters, please explain C&ND Hydro's position.

### Response

- a) Cambridge and North Dumfries Hydro Inc. agrees that the rates for the embedded distributors should be updated at the time of the rate order to reflect the cost of capital, and tax rate or methodology changes, or other changes to operating expenses or rate base as determined by the Board in its decision on this application.
- b) Not applicable.

### ***Deferral and Variance Accounts***

#### **53. Ref: Exhibit 9/Page 11/Table 8 and Board staff IR # 35**

C&ND Hydro documents in Table 8 of Exhibit 9 that the kWh for non-RPP customers is used as the allocator for the sub-account of account 1588 for Power (Global Adjustment).

- a) Please provide a variation on Table 8 of Exhibit 9 excluding the Power (GA) sub-account from the calculations.
- b) Please calculate a separate rate rider for the recovery of the proposed balance of subaccount Power – Global adjustment of account 1588 using the amounts shown in 2010 and the 2010 non-RPP consumption data (kWh or kW as applicable) as the billing determinant. If C&ND Hydro does not have a forecast for 2010 non-RPP consumption data, please use 2008 actuals to determine this rate rider.
- c) If C&ND Hydro were to establish a separate rate rider to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, please provide C&ND Hydro's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- d) If the answer to c) is in the negative, does C&ND Hydro have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the disposition of the account 1588 subaccount Power (Global Adjustment) balance would apply?

### Response

- a) Table 8 of Exhibit 9 excluding the Power (GA) sub-account from the rate rider calculation is presented below.



Board Staff Supplemental Interrogatories  
2010 Electricity Distribution Rates  
Cambridge and North Dumfries Hydro Inc.  
EB-2009-0260

Deferral and Variance Accounts:	Amount	ALLOCATOR	Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	General Service > 5000 kW	Unmetered Scattered Load	Street Lights	Total
<b>Group 1</b>										
Low Voltage	\$ 438,375	kWh	\$ 110,717	\$ 48,671	\$ 138,423	\$ 71,427	\$ 65,832	\$ 604	\$ 2,701	\$ 438,375
WMSD - Account 1580	\$ (3,975,688)	kWh	\$ (1,004,108)	\$ (441,406)	\$ (1,255,375)	\$ (647,784)	\$ (597,043)	\$ (5,476)	\$ (24,496)	\$ (3,975,688)
Network - Account 1584	\$ (915,269)	kWh	\$ (231,162)	\$ (101,619)	\$ (289,008)	\$ (149,131)	\$ (137,449)	\$ (1,261)	\$ (5,639)	\$ (915,269)
Connection - Account 1586	\$ (3,064,069)	kWh	\$ (773,867)	\$ (340,192)	\$ (967,520)	\$ (499,248)	\$ (460,142)	\$ (4,220)	\$ (18,879)	\$ (3,064,069)
Power - Account 1588	\$ (4,139,109)	kWh	\$ (1,045,382)	\$ (459,550)	\$ (1,306,978)	\$ (674,411)	\$ (621,585)	\$ (5,701)	\$ (25,503)	\$ (4,139,109)
Power, Global Adjustment - Account 1588		kWh for Non RPP Customer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery of Regulatory Asset Balances	\$ (436,649)	2006 Reg. Assets %	\$ (534,667)	\$ (27,246)	\$ 56,581	\$ 10,711	\$ 57,860	\$ (1,380)	\$ 1,492	\$ (436,649)
<b>Subtotal</b>	\$ (12,092,408)		\$ (3,478,469)	\$ (1,321,342)	\$ (3,623,877)	\$ (1,888,435)	\$ (1,692,527)	\$ (17,434)	\$ (70,325)	\$ (12,092,408)
<b>Group 2</b>										
Other Regulatory Assets - Account 1508	\$ 727,101	Dx Revenue	\$ 360,881	\$ 101,549	\$ 178,790	\$ 56,814	\$ 23,818	\$ 2,302	\$ 2,947	\$ 727,101
Retail Cost Variance Account - Acct 1518	\$ (336,924)	# of Customers	\$ (300,112)	\$ (31,448)	\$ (4,640)	\$ (198)	\$ (21)	\$ (451)	\$ (55)	\$ (336,924)
Retail Cost Variance Account (STR) Acct 1548	\$ 62,416	# of Customers	\$ 55,597	\$ 5,826	\$ 860	\$ 37	\$ 4	\$ 84	\$ 10	\$ 62,416
One-Time WMSD - Account 1582	\$ 187,968	kWh	\$ 47,474	\$ 20,869	\$ 59,353	\$ 30,627	\$ 28,228	\$ 259	\$ 1,158	\$ 187,968
<b>Subtotal - Non RSVA, Variable</b>	\$ 640,561		\$ 163,839	\$ 96,797	\$ 234,363	\$ 87,279	\$ 52,029	\$ 2,193	\$ 4,061	\$ 640,561
Smart Meters Revenue and Capital, 1555 (Fixed)	\$ -	# of Metered Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Expenses, 1556 (Fixed)	\$ -	# of Metered Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal - Non RSVA Fixed</b>	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total to be refunded</b>	\$ (11,451,847)		\$ (3,314,630)	\$ (1,224,545)	\$ (3,389,514)	\$ (1,801,156)	\$ (1,640,499)	\$ (15,241)	\$ (66,264)	\$ (11,451,847)

Balance to be collected or refunded, Variable	\$ (11,451,847)		\$ (3,314,630)	\$ (1,224,545)	\$ (3,389,514)	\$ (1,801,156)	\$ (1,640,499)	\$ (15,241)	\$ (66,264)	\$ (11,451,847)
Balance to be collected or refunded, Fixed	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of years for Variable	1									
Number of years for Fixed	1									
Balance to be collected or refunded per year, Variable	\$ (11,451,847)		\$ (3,314,630)	\$ (1,224,545)	\$ (3,389,514)	\$ (1,801,156)	\$ (1,640,499)	\$ (15,241)	\$ (66,264)	\$ (11,451,847)
Balance to be collected or refunded per year, Fixed	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Class
Deferral and Variance Account Rate Riders, Variable
Billing Determinants

Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	General Service > 5000 kW	Unmetered Scattered Load	Street Lights
\$ (0.0086)	\$ (0.0072)	\$ (2.7243)	\$ (3.2510)	\$ (3.6746)	\$ (0.0072)	\$ (2.7507)
kWh	kWh	kWh	kWh	kWh	kWh	kWh



- b) The rate rider for the recovery of the proposed balance of sub account Power – Global adjustment of account 1588 using 2008 actual non – RPP kWh/kW as the billing determinant to determine this rate rider is presented below.

Board Staff Supplemental Interrogatories  
2010 Electricity Distribution Rates  
Cambridge and North Dumfries Hydro Inc.  
EB-2009-0260

Deferral and Variance Accounts:	Amount	ALLOCATOR	Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	General Service > 5000 kW	Unmetered Scattered Load	Street Lights	Total
<b>Group 1</b>										
Low Voltage		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
WMSC - Account 1580		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Network - Account 1584		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Connection - Account 1586		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Power - Account 1588		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Power, Gobar Adjustment - Account 1588	\$ 2,137,167	kWh for Non RPP Customer	\$ 126,811	\$ 51,480	\$ 915,681	\$ 548,817	\$ 472,306	\$ -	\$ 22,073	\$ 2,137,167
Recovery of Regulatory Asset Balances		2006 Reg. Assets %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal</b>	<b>\$ 2,137,167</b>		<b>\$ 126,811</b>	<b>\$ 51,480</b>	<b>\$ 915,681</b>	<b>\$ 548,817</b>	<b>\$ 472,306</b>	<b>\$ -</b>	<b>\$ 22,073</b>	<b>\$ 2,137,167</b>
<b>Group 2</b>										
Other Regulatory Assets - Account 1508		Dx Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail Cost Variance Account - Acct 1518		# of Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail Cost Variance Account (STR) Acct 1548		# of Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-Time WMSC - Account 1582		kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal - Non RSVA, Variable</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Smart Meters Revenue and Capital, 1555 (Fixed)	\$ -	# of Metered Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Expenses, 1556 (Fixed)	\$ -	# of Metered Customers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal - Non RSVA Fixed</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total to be refunded</b>	<b>\$ 2,137,167</b>		<b>\$ 126,811</b>	<b>\$ 51,480</b>	<b>\$ 915,681</b>	<b>\$ 548,817</b>	<b>\$ 472,306</b>	<b>\$ -</b>	<b>\$ 22,073</b>	<b>\$ 2,137,167</b>

Balance to be collected or refunded, Variable	\$ 2,137,167		\$ 126,811	\$ 51,480	\$ 915,681	\$ 548,817	\$ 472,306	\$ -	\$ 22,073	\$ 2,137,167
Balance to be collected or refunded, Fixed	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of years for Variable	1									
Number of years for Fixed	1									
Balance to be collected or refunded per year, Variable	\$ 2,137,167		\$ 126,811	\$ 51,480	\$ 915,681	\$ 548,817	\$ 472,306	\$ -	\$ 22,073	\$ 2,137,167
Balance to be collected or refunded per year, Fixed	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Class	Residential	General Service < 50 kW	General Service > 50 to 999 kW	General Service > 1000 to 4999 kW	General Service > 5000 kW	Unmetered Scattered Load	Street Lights
Deferral and Variance Account Rate Riders, Variable	\$ 0.0003	\$ 0.0003	\$ 0.7360	\$ 0.9906	\$ 1.0579	\$ -	\$ 0.9163
Billing Determinants	kWh	kWh	kWh	kWh	kWh	kWh	kWh

- c) If a separate rate rider were establish to dispose of the balance of the Power (Global Adjustment) sub-account of account 1588, Cambridge and North Dumfries Hydro Inc. is of the view that this rate rider should not be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers. The global adjustment is not applicable to RPP customers and since they were RPP customers during the period in which the global adjustment balance was accumulated the rate rider should not be applicable them.
- d) Cambridge and North Dumfries Hydro Inc. Hydro does not have the capability in its billing system to exclude MUSH sector customers to which the separate rate rider for the disposition of the account 1588 subaccount Power (Global Adjustment) balance would apply.

### Bill Impacts

#### 54. Ref: Energy Probe IR # 50

Assuming that the rate riders are calculated to refund the deferral and variance accounts over four years, as documented in Energy Probe IR # 50, please estimate the bill impacts of:

- a typical Residential customer with consumption of 800 kWh per month; and
- a typical GS < 50 kW customer with a consumption of 2,000 kWh per month.

### Response

- If the rate riders are calculated to refund the deferral and variance accounts over four years based on revenue requirement proposed in the rate application, the bill impact for a residential customer with consumption of 800 kWh per month is presented below.

RESIDENTIAL							
	2009 BILL			2010 BILL			
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	
<b>Consumption</b>							
<b>800 kWh</b>							
Monthly Service Charge			8.73			9.75	1.02
Distribution (kWh)	800	0.0142	11.36	800	0.0158	12.64	1.28
Smart Meter Rider (per month)			1.00			1.00	0.00
LRAM & SSM Rider (kWh)	800			800	0.0000	0.00	0.00
Regulatory Assets (kWh)	800	0.0000	0.00	800	(0.0021)	(1.65)	(1.65)
<b>Sub-Total</b>			<b>21.09</b>			<b>21.74</b>	<b>0.65</b>
Other Charges (kWh)	834	0.0216	18.00	823	0.0212	17.43	(0.57)
Cost of Power Commodity (kWh)	834	0.0570	49.64	823	0.0570	48.92	(0.73)
<b>Total Bill Before Taxes</b>			<b>88.74</b>			<b>88.10</b>	<b>(0.64)</b>
GST		5.00%	4.44		5.00%	4.40	(0.03)
<b>Total Bill</b>			<b>93.17</b>			<b>92.50</b>	<b>(0.67)</b>

- b) If the rate riders are calculated to refund the deferral and variance accounts over four years based on revenue requirement proposed in the rate application, the bill impact for a GS < 50 kW customer with consumption of 2000 kWh per month is presented below.

GENERAL SERVICE < 50 kW							
	2009 BILL			2010 BILL			Change \$
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	
<b>Consumption</b>							
<b>2,000 kWh</b>							
Monthly Service Charge			12.27			12.22	(0.05)
Distribution (kWh)	2,000	0.0131	26.20	2,000	0.0130	26.00	(0.20)
Smart Meter Rider (per month)			1.00			1.00	0.00
Regulatory Assets (kWh)	2,000	0.0000	0.00	2,000	(0.0017)	(3.44)	(3.44)
<b>Sub-Total</b>			<b>39.47</b>			<b>35.78</b>	<b>(3.69)</b>
Other Charges (kWh)	2,084	0.0209	43.55	2,057	0.0205	42.21	(1.34)
Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00
Cost of Power Commodity (kWh)	1,334	0.0660	88.03	1,307	0.0660	86.27	(1.76)
<b>Total Bill Before Taxes</b>			<b>213.80</b>			<b>207.01</b>	<b>(6.80)</b>
GST		5.00%	10.69		5.00%	10.35	(0.34)
<b>Total Bill</b>			<b>224.49</b>			<b>217.36</b>	<b>(7.14)</b>

### Manager's Summary, Revenue Requirement Form

#### 55. Ref: Exhibit 1, Revenue Requirement Work Form, and VECC IR # 29

- Based on the first and supplemental rounds of interrogatories from all parties, please submit an updated Microsoft Excel file containing the Revenue Requirement Work Form.
- Please provide an update to VECC IR # 29 b) listing of all changes made to C&ND Hydro's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts based on changes that C&ND Hydro is accepting or proposing as a result of responses to the first and supplemental rounds of interrogatories.

### Response

- Based on the first and supplemental rounds of interrogatories from all parties an updated version of the Revenue Requirement Work form is attached to this submission.

- b) An update to VECC IR # 29 b) listing of all changes made to Cambridge and North Dumfries Hydro Inc.'s original application, including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts based on changes that Cambridge and North Dumfries Hydro Inc. is accepting or proposing as a result of responses to the first and supplemental rounds of interrogatories is presented below.

Cambridge and North Dumfries Hydro Inc. is also requesting that its rate of return be updated to reflect any changes in rates approved by the board.

Service Revenue Requirement Proposed in Rate Application		24,958,934	
Changes from Interrogatory Process CNDHI are accepting:			
Round 1 Interrogatories:			
OEB, Q 20 a)	Reduce amount included for LEAP funding	(21,242)	
OEB Q 25	Reduction in capital tax expense as per calculation shown	(11,250)	
	Change resulting from amount included for Apprenticeship		
EP, Q 40 a)	Training Tax Credit	(4,968)	
EPQ 41	Change resulting from adjustment to 2010 CCA Schedule	<u>(128,660)</u>	(166,120)
Supplemental Interragatories:			
	Increase in Ontario apprenticeship training tax credit of \$19,500 (re taxable impact)	8,761	
EP, Q 61 a)			
	Increase in Federal training tax credit of \$2,000 (re taxable impact)	899	
EP, Q 61 b)			
	Remove capital addition amount of \$1,052,000 from 2009 rate base for billing system plus of amortization expense of \$105,200 for 2009 and \$210,400 for 2010	(133,284)	
OEB Q 44 a)			
	Remove capital expenditure of \$200,000 in 2010 for CIS template upgrading plus depreciation expense of \$20,000	<u>9,026</u>	<u>(114,598)</u>
OEB Q 44 b)			(280,718)
Changes from Interrogatory Process CNDHI are Proposing:			
Round 1 Interrogatories:			
	Change in amortization expense based on higher cost for ERP Software replacement (Increase from \$650,000 to \$1,000,000). Amortization increase from \$65,000 to \$100,000)	49,380	
OEB Q 4			
	Reduction in revenue requirement based on the updated Load Forecast CNDHI is proposing	<u>(89,157)</u>	<u>(39,777)</u>
VECC Q 14 c) & f)			
Supplemental Interragatories:			
	Increase in capital expenditure of \$350,000 in 2010 for ERP system (re rate base)	(65,175)	
EP, Q 65 b)			
	Add capital expenditure of \$1,850,000 in 2010 for billing system plus depreciation expense of \$292,929	<u>57,551</u>	<u>(7,624)</u>
OEB Q 44 b)			(47,401)
Revised Service Revenue requirement CNDHI is proposing			24,630,815
Revenue Offset Proposed in Rate Application		1,613,010	
Changes from Interrogatory Process CNDHI are accepting:			
	Forecasted Revenue from Retail Services and Transactions increase from \$15,000 to \$76,400. Thus increasing revenue offset	61,400	
EP, Q 24 a)			
Changes from Interrogatory Process CNDHI are Proposing:			
	Based on discontinuation of water and sewer billing in 2010 reduce revenue offset	<u>(110,290)</u>	<u>(48,890)</u>
EP Q 24 f)			1,564,120
Revised Base Revenue Requirement CNDHI is Proposing			23,066,695
CNDHI is accepting the following reduction in income taxes:			
	Tax saving of \$18,750 due to change in small business deduction and surtax rates effective July 01, 2010 (Gross up amount \$27,174)	(27,174)	
EP,Q 60			
EP, Q 61 a)	Ontario apprenticeship training tax credit of \$30,000	(30,000)	
EP, Q 61 b)	Federal training tax credit of \$2,000	<u>(2,000)</u>	<u>(59,174)</u>

## Updated Revenue Requirement

### Cambridge and North Dumfries Hydro Inc. Revenue Deficiency Determination

Description	2009 Bridge Actual	2010 Test Existing Rates	2010 Test - Required Revenue
<b>Revenue</b>			
Revenue Deficiency			3,382,858
Distribution Revenue	21,088,569	19,683,837	19,683,837
Other Operating Revenue (Net)	1,838,445	1,564,120	1,564,120
Smart Meter Deferral Account Adjustment			
<b>Total Revenue</b>	<b>22,927,014</b>	<b>21,247,957</b>	<b>24,630,815</b>
<b>Costs and Expenses</b>			
Administrative & General, Billing & Collecting	5,728,013	6,598,710	6,598,710
Operation & Maintenance	3,818,029	4,038,898	4,038,898
Depreciation & Amortization	6,304,479	6,588,267	6,588,267
Property Taxes	0	0	0
Capital Taxes	196,794	67,471	67,471
Deemed Interest	2,641,926	3,113,295	3,113,295
<b>Total Costs and Expenses</b>	<b>18,689,242</b>	<b>20,406,641</b>	<b>20,406,641</b>
Less OCT Included Above			
<b>Total Costs and Expenses Net of OCT</b>	<b>18,689,242</b>	<b>20,406,641</b>	<b>20,406,641</b>
<b>Utility Income Before Income Taxes</b>	<b>4,237,772</b>	<b>841,316</b>	<b>4,224,174</b>
<b>Income Taxes:</b>			
Corporate Income Taxes	1,298,502	(187,486)	861,200
<b>Total Income Taxes</b>	<b>1,298,502</b>	<b>(187,486)</b>	<b>861,200</b>
<b>Utility Net Income</b>	<b>2,939,270</b>	<b>1,028,802</b>	<b>3,362,974</b>
<b>Capital Tax Expense Calculation:</b>			
Total Rate Base	102,464,005	104,961,743	104,961,743
Exemption	15,000,000	15,000,000	15,000,000
Deemed Taxable Capital	<b>87,464,005</b>	<b>89,961,743</b>	<b>89,961,743</b>
Ontario Capital Tax	196,794	67,471	67,471
<b>Income Tax Expense Calculation:</b>			
Accounting Income	4,237,772	841,316	4,224,174
Tax Adjustments to Accounting Income	(302,917)	(1,446,109)	(1,446,109)
<b>Taxable Income</b>	<b>3,934,855</b>	<b>(604,793)</b>	<b>2,778,065</b>
<b>Income Tax Expense</b>	<b>1,298,502</b>	<b>(187,486)</b>	<b>861,200</b>
	33.00%	31.00%	31.00%
<b>Actual Return on Rate Base:</b>			
Rate Base	102,464,005	104,961,743	104,961,743
Interest Expense	2,641,926	3,113,295	3,113,295
Net Income	2,939,270	1,028,802	3,362,974
<b>Total Actual Return on Rate Base</b>	<b>5,581,196</b>	<b>4,142,097</b>	<b>6,476,269</b>
<b>Actual Return on Rate Base</b>	<b>5.45%</b>	<b>3.95%</b>	<b>6.17%</b>
<b>Required Return on Rate Base:</b>			
Rate Base	102,464,005	104,961,743	104,961,743
<b>Return Rates:</b>			
Return on Debt (Weighted)	4.99%	4.94%	4.94%
Return on Equity	9.00%	8.01%	8.01%
Deemed Interest Expense	2,726,843	3,113,295	3,113,295
Return On Equity	4,306,562	3,362,974	3,362,974
<b>Total Return</b>	<b>7,033,405</b>	<b>6,476,269</b>	<b>6,476,269</b>
<b>Expected Return on Rate Base</b>	<b>6.86%</b>	<b>6.17%</b>	<b>6.17%</b>
<b>Revenue Deficiency After Tax</b>	<b>1,452,209</b>	<b>2,334,172</b>	<b>(0)</b>
<b>Revenue Deficiency Before Tax</b>	<b>2,167,476</b>	<b>3,382,858</b>	<b>(0)</b>

Tax Exhibit	2010
Deemed Utility Income	3,362,974
Tax Adjustments to Accounting Income	(1,446,109)
<b>Taxable Income prior to adjusting revenue to PILs</b>	<b>1,916,865</b>
Tax Rate	31.00%
Total PILs before gross up	594,228
<b>Grossed up PILs</b>	<b>861,200</b>

### Updated PILs calculation

Description	Source or Input	Tax Payable	Description	Tax Payable
Accounting Income	10' Rev Def	4,224,174	<b>Total PILs</b>	802,026
Tax Adj to Accounting Income	10' Rev Def	(1,446,109)	<b>Net Capital Tax Payable</b>	67,471
Taxable Income		<b>2,778,065</b>	<b>PILs including Capital Taxes</b>	<b>869,498</b>
Combined Income Tax Rate	PILs Rates	31.000%		
Total Income Taxes		<b>861,200</b>		
Investment Tax Credits				
Miscellaneous Tax Credits		59,174		
Total Tax Credits		-		
<b>Total PILs</b>		<b>802,026</b>		

### Updated Rate Base and Working Capital Allowance calculation

WORKING CAPITAL ALLOWANCE FOR 2010	
Distribution Expenses	
Distribution Expenses - Operation	2,872,659
Distribution Expenses - Maintenance	1,166,239
Billing and Collecting	1,447,594
Community Relations	46,969
Administrative and General Expenses	5,104,147
Taxes Other than Income Taxes	-
<b>Less: Capital Taxes within 6105</b>	
<b>Total Eligible Distribution Expenses</b>	<b>10,637,608</b>
Power Supply Expenses	108,203,149
<b>Total Working Capital Expenses</b>	<b>118,840,757</b>
Working Capital Allowance rate of 15%	17,826,114

RATE BASE CALCULATION FOR 2010	
Fixed Assets Opening Balance 2010	84,882,534
Fixed Assets Closing Balance 2010	89,388,723
<b>Average Fixed Asset Balance for 2010</b>	<b>87,135,629</b>
Working Capital Allowance	17,826,114
<b>Rate Base</b>	<b>104,961,743</b>
Regulated Rate of Return	6.17%
<b>Regulated Return on Capital</b>	<b>6,476,269</b>
Deemed Interest Expense	3,113,295
Deemed Return on Equity	3,362,974



## Updated Cost of Power calculation

<b>Electricity - Commodity</b>	<b>2010</b>	<b>2010 Loss</b>			
<b>Class per Load Forecast</b>	<b>Forecasted Metered kWhs</b>	<b>Factor</b>	<b>2010</b>		
Residential	364,407,615	1.0262	373,947,619	\$0.0607	\$22,706,099
GS<50kW	157,267,686	1.0262	161,384,873	\$0.0607	\$9,799,289
GS>50kW	479,206,383	1.0262	491,751,759	\$0.0607	\$29,859,167
TOU	212,798,776	1.0262	218,369,738	\$0.0607	\$13,259,411
LU	159,305,102	1.0262	163,475,627	\$0.0607	\$9,926,240
ST.Light	9,470,257	1.0262	9,718,183	\$0.0607	\$590,088
Unmetered Scattered Load	1,855,931	1.0262	1,904,518	\$0.0607	\$115,642
<b>TOTAL</b>	<b>1,384,311,749</b>		<b>1,420,552,319</b>		<b>\$86,255,937</b>

<b>Transmission - Network</b>		<b>Volume</b>			
<b>Class per Load Forecast</b>		<b>Metric</b>	<b>2010</b>		
Residential		kWh	373,947,619	\$0.0045	\$1,664,254
GS<50kW		kWh	161,384,873	\$0.0040	\$651,430
GS>50kW		kW	1,272,096	\$2.5866	\$3,290,363
TOU		kW	455,751	\$1.9645	\$895,339
LU		kW	301,094	\$1.8616	\$560,503
ST.Light		kW	24,732	\$1.2998	\$32,146
Unmetered Scattered Load		kWh	1,904,518	\$0.0040	\$7,688
Embedded Distributor		kW	103,266	\$1.8616	\$192,235
<b>TOTAL</b>					<b>\$7,293,957</b>

<b>Transmission - Connection</b>		<b>Volume</b>			
<b>Class per Load Forecast</b>		<b>Metric</b>	<b>2010</b>		
Residential		kWh	373,947,619	\$0.0032	\$1,210,693
GS<50kW		kWh	161,384,873	\$0.0030	\$481,250
GS>50kW		kW	1,272,096	\$1.8511	\$2,354,720
TOU		kW	455,751	\$1.4527	\$662,091
LU		kW	301,094	\$1.4788	\$445,263
ST.Light		kW	24,732	\$0.9302	\$23,006
Unmetered Scattered Load		kWh	1,904,518	\$0.0030	\$5,679
Embedded Distributor		kW	103,266	\$1.4788	\$152,711
<b>TOTAL</b>					<b>\$5,335,413</b>

<b>Wholesale Market Service</b>					
<b>Class per Load Forecast</b>			<b>2010</b>		
Residential			373,947,619	\$0.0052	\$1,944,528
GS<50kW			161,384,873	\$0.0052	\$839,201
GS>50kW			491,751,759	\$0.0052	\$2,557,109
TOU			218,369,738	\$0.0052	\$1,135,523
LU			163,475,627	\$0.0052	\$850,073
ST.Light			9,718,183	\$0.0052	\$50,535
Unmetered Scattered Load			1,904,518	\$0.0052	\$9,903
<b>TOTAL</b>					<b>\$7,386,872</b>

<b>Rural Rate Assistance</b>					
<b>Class per Load Forecast</b>			<b>2010</b>		
Residential			373,947,619	\$0.0013	\$486,132
GS<50kW			161,384,873	\$0.0013	\$209,800
GS>50kW			491,751,759	\$0.0013	\$639,277
TOU			218,369,738	\$0.0013	\$283,881
LU			163,475,627	\$0.0013	\$212,518
ST.Light			9,718,183	\$0.0013	\$12,634
Unmetered Scattered Load			1,904,518	\$0.0013	\$2,476
<b>TOTAL</b>					<b>\$1,846,718</b>

	<b>2010</b>	<b>OEB Acct</b>
4705-Power Purchased	\$86,255,937	4705
4708-Charges-WMS	\$7,386,872	4708
4714-Charges-NW	\$7,293,957	4714
4716-Charges-CN	\$5,335,413	4716
4730-Rural Rate Assistance	\$1,846,718	4730
4750-Low Voltage	\$84,252	4750
<b>TOTAL</b>	<b>108,203,149</b>	

Updated Rates

**2010 TEST YEAR - BASE REVENUE DISTRIBUTION RATES**

Customer Class	Connection	Customer	kW	kWh
Residential	0.00	10.19	0.0000	0.0165
GS < 50 kW	0.00	12.72	0.0000	0.0136
GS >50	0.00	114.79	3.8656	0.0000
GS >1000 to 4999 kW	0.00	919.05	3.2313	0.0000
Large Users	0.00	6,575.49	1.8260	0.0000
Sentinel Lights				
Street Lighting	1.13	0.00	7.1803	0.0000
USL	7.16	0.00	0.0000	0.0153
Embedded Distributor				

**2010 TEST YEAR - Low Voltage Distribution Rates**

Customer Class	Connection	Customer	kW	kWh
Residential				0.0001
GS < 50 kW				0.0000
GS >50			0.0303	
GS >1000 to 4999 kW			0.0238	
Large Users			0.0242	
Sentinel Lights				
Street Lighting			0.0152	
USL				0.0000
Embedded Distributor				0.0000

**2010 TEST YEAR - Distribution Rates**

Customer Class	Connection	Customer	kW	kWh
Residential	0.00	10.19	0.0000	0.0166
GS < 50 kW	0.00	12.72	0.0000	0.0136
GS >50	0.00	114.79	3.8959	0.0000
GS >1000 to 4999 kW	0.00	919.05	3.2551	0.0000
Large Users	0.00	6,575.49	1.8502	0.0000
Sentinel Lights				
Street Lighting	1.13	0.00	7.1955	0.0000
USL	7.16	0.00	0.0000	0.0153
Embedded Distributor	0.00	0.00	0.0000	0.0000

Transformer Ownership Credit

(0.6000)

Updated Rate Riders as provided in response to OEB Q 35 part c).

**2010 Test Year - Rate Rider**

Customer Class	Deferral and Variance Account Rate Riders (\$ per kWh)	Deferral and Variance Account Rate Riders (\$ per kW)	Smart Meter Rate Rider (\$) per Metered Cust./Month
Residential	(0.0077)		1.00
GS < 50 kW	(0.0068)		1.00
GS >50		(1.9735)	1.00
GS >1000 to 4999 kW		(2.2380)	1.00
Large Users		(2.5959)	
Sentinel Lights			1.00
Street Lighting		(1.8099)	1.00
USL	(0.0071)		1.00
Embedded Distributor			

## Updated Bill Impact

RESIDENTIAL									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>500 kWh</b>									
Monthly Service Charge			8.73			10.19	1.46	16.72%	17.37%
Distribution (kWh)	500	0.0142	7.10	500	0.0166	8.30	1.20	16.90%	14.15%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.70%
LRAM & SSM Rider (kWh)	500			500	0.0000	0.00	0.00	0.00%	0.00%
Regulatory Assets (kWh)	500	0.0000	0.00	500	(0.0077)	(3.83)	(3.83)	100.00%	(6.53%)
<b>Sub-Total</b>			<b>16.83</b>			<b>15.66</b>	<b>(1.17)</b>	<b>(6.97%)</b>	<b>26.69%</b>
Other Charges (kWh)	521	0.0216	11.25	514	0.0212	10.90	(0.36)	(3.16%)	18.58%
Cost of Power Commodity (kWh)	521	0.0570	29.69	514	0.0570	29.31	(0.38)	(1.28%)	49.97%
<b>Total Bill Before Taxes</b>			<b>57.78</b>			<b>55.87</b>	<b>(1.91)</b>	<b>(3.30%)</b>	<b>95.24%</b>
GST		5.00%	2.89		5.00%	2.79	(0.10)	(3.30%)	4.76%
<b>Total Bill</b>			<b>60.67</b>			<b>58.66</b>	<b>(2.00)</b>	<b>(3.30%)</b>	<b>100.00%</b>

  

RESIDENTIAL									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>800 kWh</b>									
Monthly Service Charge			8.73			10.19	1.46	16.72%	11.46%
Distribution (kWh)	800	0.0142	11.36	800	0.0166	13.28	1.92	16.90%	14.93%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.12%
LRAM & SSM Rider (kWh)	800			800	0.0000	0.00	0.00	0.00%	0.00%
Regulatory Assets (kWh)	800	0.0000	0.00	800	(0.0077)	(6.13)	(6.13)	100.00%	(6.90%)
<b>Sub-Total</b>			<b>21.09</b>			<b>18.34</b>	<b>(2.75)</b>	<b>(13.05%)</b>	<b>20.62%</b>
Other Charges (kWh)	834	0.0216	18.00	823	0.0212	17.43	(0.57)	(3.16%)	19.61%
Cost of Power Commodity (kWh)	834	0.0570	49.64	823	0.0570	48.92	(0.73)	(1.46%)	55.01%
<b>Total Bill Before Taxes</b>			<b>88.74</b>			<b>84.69</b>	<b>(4.05)</b>	<b>(4.56%)</b>	<b>95.24%</b>
GST		5.00%	4.44		5.00%	4.23	(0.20)	(4.56%)	4.76%
<b>Total Bill</b>			<b>93.17</b>			<b>88.92</b>	<b>(4.25)</b>	<b>(4.56%)</b>	<b>100.00%</b>

RESIDENTIAL									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>1,500 kWh</b>									
Monthly Service Charge			8.73			10.19	1.46	16.72%	6.31%
Distribution (kWh)	1,500	0.0142	21.30	1,500	0.0166	24.90	3.60	16.90%	15.43%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.62%
LRAM & SSM Rider (kWh)	1,500			1,500	0.0000	0.00	0.00	0.00%	0.00%
Regulatory Assets (kWh)	1,500	0.0000	0.00	1,500	(0.0077)	(11.50)	(11.50)	100.00%	(7.12%)
<b>Sub-Total</b>			<b>31.03</b>			<b>24.59</b>	<b>(6.44)</b>	<b>(20.75%)</b>	<b>15.24%</b>
Other Charges (kWh)	1,563	0.0216	33.76	1,543	0.0212	32.69	(1.07)	(3.16%)	20.25%
Cost of Power Commodity (kWh)	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	21.19%
Cost of Power Commodity (kWh)	963	0.0660	63.55	943	0.0660	62.23	(1.32)	(2.08%)	38.56%
<b>Total Bill Before Taxes</b>			<b>162.54</b>			<b>153.71</b>	<b>(8.83)</b>	<b>(5.43%)</b>	<b>95.24%</b>
GST		5.00%	8.13		5.00%	7.69	(0.44)	(5.43%)	4.76%
<b>Total Bill</b>			<b>170.66</b>			<b>161.39</b>	<b>(9.27)</b>	<b>(5.43%)</b>	<b>100.00%</b>

GENERAL SERVICE < 50 kW									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
<b>2,000 kWh</b>									
Monthly Service Charge			12.27			12.72	0.45	3.67%	6.10%
Distribution (kWh)	2,000	0.0131	26.20	2,000	0.0136	27.20	1.00	3.82%	13.05%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.48%
Regulatory Assets (kWh)	2,000	0.0000	0.00	2,000	(0.0068)	(13.61)	(13.61)	100.00%	(6.53%)
<b>Sub-Total</b>			<b>39.47</b>			<b>27.31</b>	<b>(12.16)</b>	<b>(30.81%)</b>	<b>13.10%</b>
Other Charges (kWh)	2,084	0.0209	43.55	2,057	0.0205	42.21	(1.34)	(3.08%)	20.25%
Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	20.51%
Cost of Power Commodity (kWh)	1,334	0.0660	88.03	1,307	0.0660	86.27	(1.76)	(2.00%)	41.38%
<b>Total Bill Before Taxes</b>			<b>213.80</b>			<b>198.54</b>	<b>(15.26)</b>	<b>(7.14%)</b>	<b>95.24%</b>
GST		5.00%	10.69		5.00%	9.93	(0.76)	(7.14%)	4.76%
<b>Total Bill</b>			<b>224.49</b>			<b>208.46</b>	<b>(16.03)</b>	<b>(7.14%)</b>	<b>100.00%</b>

General Services >50 to 999kW									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>100,000 kWh</b>									
<b>199 kW</b>									
Monthly Service Charge			99.19			114.79	15.60	15.73%	1.21%
Distribution (kWh)	100,000	0.0000	0.00	100,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	199	3.3600	668.64	199	3.8959	775.28	106.64	15.95%	8.17%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.01%
Regulatory Assets (kW)	199	0.0000	0.00	199	(1.9735)	(392.72)	(392.72)	100.00%	(4.14%)
<b>Sub-Total</b>			<b>768.83</b>			<b>498.35</b>	<b>(270.48)</b>	<b>(35.18%)</b>	<b>5.25%</b>
Other Charges (kWh)	104,190	0.0135	1,406.57	102,857	0.0135	1,388.57	(18.00)	(1.28%)	14.63%
Other Charges (kW)	207	4.6717	968.62	205	4.4376	908.31	(60.31)	(6.23%)	9.57%
Cost of Power Commodity (kWh)	104,190	0.0607	6,326.42	102,857	0.0607	6,245.46	(80.96)	(1.28%)	65.79%
<b>Total Bill Before Taxes</b>			<b>9,470.43</b>			<b>9,040.70</b>	<b>(429.74)</b>	<b>(4.54%)</b>	<b>95.24%</b>
GST		5.00%	473.52		5.00%	452.03	(21.49)	(4.54%)	4.76%
<b>Total Bill</b>			<b>9,943.95</b>			<b>9,492.73</b>	<b>(451.22)</b>	<b>(4.54%)</b>	<b>100.00%</b>

General Services > 1,000 to 4,999kW									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>500,000 kWh</b>									
<b>1,500 kW</b>									
Monthly Service Charge			787.13			919.05	131.92	16.76%	1.91%
Distribution (kWh)	500,000	0.0000	0.00	500,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	1,500	2.8507	4,276.05	1,500	3.2551	4,882.65	606.60	14.19%	10.13%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
Regulatory Assets (kW)	1,500	0.0000	0.00	1,500	(2.2380)	(3,356.95)	(3,356.95)	100.00%	(6.97%)
<b>Sub-Total</b>			<b>5,064.18</b>			<b>2,445.75</b>	<b>(2,618.43)</b>	<b>(51.70%)</b>	<b>5.08%</b>
Other Charges (kWh)	520,950	0.0135	7,032.83	514,284	0.0135	6,942.83	(90.00)	(1.28%)	14.41%
Other Charges (kW)	1,563	3.6032	5,631.26	1,543	3.4173	5,272.35	(358.91)	(6.37%)	10.94%
Cost of Power Commodity (kWh)	520,950	0.0607	31,632.08	514,284	0.0607	31,227.30	(404.78)	(1.28%)	64.81%
<b>Total Bill Before Taxes</b>			<b>49,360.35</b>			<b>45,888.24</b>	<b>(3,472.11)</b>	<b>(7.03%)</b>	<b>95.24%</b>
GST		5.00%	2,468.02		5.00%	2,294.41	(173.61)	(7.03%)	4.76%
<b>Total Bill</b>			<b>51,828.37</b>			<b>48,182.65</b>	<b>(3,645.72)</b>	<b>(7.03%)</b>	<b>100.00%</b>

LARGE USER (> 5000 kW)									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Consumption</b>									
<b>2,850,000 kWh</b>									
<b>5,500 kW</b>									
Monthly Service Charge			4,382.74			6,575.49	2,192.75	50.03%	2.69%
Distribution (kWh)	2,850,000	0.0000	0.00	2,850,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	5,500	1.8333	10,083.15	5,500	1.8502	10,176.10	92.95	0.92%	4.17%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
Transformer Credit	5,500	(0.6000)	(3,300.00)	5,500		0.00	3,300.00	(100.00%)	0.00%
Regulatory Assets (kW)	5,500	0.0000	0.00	5,500	(2.5959)	(14,277.29)	(14,277.29)	100.00%	(5.85%)
<b>Sub-Total</b>			<b>11,166.89</b>			<b>2,475.30</b>	<b>(8,691.59)</b>	<b>(77.83%)</b>	<b>1.01%</b>
Other Charges (kWh)	2,857,695	0.0135	38,578.88	2,850,741	0.0135	38,485.00	(93.88)	(0.24%)	15.77%
Other Charges (kW)	5,515	3.5343	19,491.13	5,501	3.3404	18,376.80	(1,114.34)	(5.72%)	7.53%
Cost of Power Commodity (kWh)	2,857,695	0.0607	173,519.24	2,850,741	0.0607	173,096.99	(422.25)	(0.24%)	70.93%
<b>Total Bill Before Taxes</b>			<b>242,756.15</b>			<b>232,434.09</b>	<b>(10,322.05)</b>	<b>(4.25%)</b>	<b>95.24%</b>
GST		5.00%	12,137.81		5.00%	11,621.70	(516.10)	(4.25%)	4.76%
<b>Total Bill</b>			<b>254,893.95</b>			<b>244,055.80</b>	<b>(10,838.16)</b>	<b>(4.25%)</b>	<b>100.00%</b>

Unmetered Scattered									
	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
<b>Billing Determinants</b>									
<b>271 Connections</b>									
<b>112,194 kWh</b>									
Monthly Service Charge	271	6.1300	1,661.23	271	7.1574	1,939.66	278.43	16.76%	16.79%
Distribution (kWh)	112,194	0.0131	1,469.75	112,194	0.0153	1,716.57	246.83	16.79%	14.86%
Regulatory Assets (kW)	112,194	0.0000	0.00	112,194	(0.0071)	(799.63)	(799.63)	100.00%	(6.92%)
<b>Sub-Total</b>			<b>3,130.98</b>			<b>2,856.60</b>	<b>(274.37)</b>	<b>(8.76%)</b>	<b>24.73%</b>
Other Charges (kWh)	116,895	0.0209	2,443.11	115,399	0.0205	2,367.82	(75.29)	(3.08%)	20.50%
Cost of Power Commodity (kWh)	116,895	0.0570	6,663.03	115,399	0.0570	6,577.76	(85.26)	(1.28%)	56.94%
<b>Total Bill Before Taxes</b>			<b>12,237.11</b>			<b>11,002.56</b>	<b>(1,234.55)</b>	<b>(10.09%)</b>	<b>95.24%</b>
GST		5.00%	611.86		5.00%	550.13	(61.73)	(10.09%)	4.76%
<b>Total Bill</b>			<b>12,848.97</b>			<b>11,552.69</b>	<b>(1,296.28)</b>	<b>(10.09%)</b>	<b>100.00%</b>

Street Lighting										
		2009 BILL			2010 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Billing Determinants	Monthly Service Charge	9,871	0.2700	2,665.17	9,871	1.1316	11,170.02	8,504.85	319.11%	20.24%
9,871 Connections	Distribution (kWh)	405,311	0.0000	0.00	405,311	0.0000	0.00	0.00	0.00%	0.00%
405,311 kWh	Distribution (kW)	1,563.00	1.7229	2,692.89	1,563.00	7.1955	11,246.57	8,553.67	317.64%	20.38%
1,563 kW	Regulatory Assets (kW)	1,563.00	0.0000	0.00	1,563.00	(1.8099)	(2,828.95)	(2,828.95)	100.00%	(5.13%)
	Sub-Total			5,358.06			19,587.64	14,229.58	265.57%	35.49%
	Other Charges (kWh)	422,293	0.0135	5,700.96	416,889	0.0135	5,628.01	(72.95)	(1.28%)	10.20%
	Other Charges (kW)	1,628.49	2.3476	3,823.04	1,607.65	2.2300	3,585.01	(238.03)	(6.23%)	6.50%
	Cost of Power Commodity (kWh)	422,293	0.0570	24,070.72	416,889	0.0570	23,762.70	(308.02)	(1.28%)	43.05%
	Total Bill Before Taxes			38,952.78			52,563.35	13,610.57	34.94%	95.24%
	GST		5.00%	1,947.64		5.00%	2,628.17	680.53	34.94%	4.76%
	Total Bill			40,900.42			55,191.52	14,291.10	34.94%	100.00%