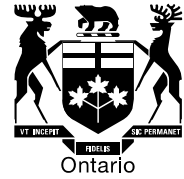


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**BY E-MAIL ONLY**

January 25, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Chatham-Kent Hydro Inc.  
2010 Distribution Rate Application  
Board Staff Questions – Technical Conference  
Board File No. EB-2009-0261**

In accordance with Procedural Order No. 3, please find attached Board staff's questions to Chatham-Kent Hydro Inc. in the above proceeding. These questions are posed in the usual format of interrogatories, and are numbered following the initial interrogatories. Board staff intends that these questions will aid Chatham-Kent Hydro Inc. and other parties in preparing for and participating in the Technical Conference scheduled for January 26 and 27, 2010. Board staff apologizes for the delay in filing this information.

Please forward the following to Chatham-Kent Hydro Inc. and to all other registered parties to this proceeding.

Yours truly,

*Original Signed By*

Keith C. Ritchie  
Project Advisor – Applications & Regulatory Audit

Att.

**Board staff Questions for Technical Conference  
2010 Electricity Distribution Rates  
Chatham-Kent Hydro Inc. ("CK Hydro")  
EB-2009-0261**

***Note: Numbering follows from the initial round of interrogatories.***

**70. Ref: Board staff IR # 5 – Capitalization and Work-in-Progress**

In its response to Board staff interrogatory 5, C-K Hydro states that: "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."

Please provide further explanation of how C-K Hydro applies this approach with respect to the following types of projects:

- a) Construction of a major new distribution station or refurbishment/replacement of an existing distribution station, if the work extends beyond the fiscal year-end.
- b) Acquisition of a major vehicle like a bucket truck or cable layer, where more than 12 months time may occur between ordering of the vehicle, receipt and customized installation of the specialized equipment.
- c) Building out its network to service extensions to its service area for new services (e.g. new residential or industrial/commercial developments) that may not be built until a subsequent year.

**71. Ref: Board staff IR # 9 and Energy Probe IR # 27 – Capital Contributions**

- a) Please provide 2009 actual capital contributions.
- b) In light of 2009 capital contributions from January to November being around \$330,000, and not much different from the annual average from 2004 to 2008, please indicate whether the 2010 estimate of \$275,000 is still reasonable. If not, please provide an update. Please explain your response.

**72. Ref: Exhibit 3/Tab 2/Schedule 1/pg. 11, Exhibit 3/Tab 2/Schedule 1/Appendix A, Board staff IR # 13, Board staff IR #15 – Heating Degree Days and Cooling Degree Days**

C-K Hydro did not answer the question posed in the interrogatory # 13. For its forecast, C-K Hydro indicates that it forecasted results through to the end of 2010 using a 12-month average for the prior year. Exhibit 2/Tab 3/Schedule 1/Appendix A indicates that the forecasts were developed on a monthly basis.

- a) Please explain why and how you use the 12-month average to accurately estimate the HDD or CDD for any specific month (e.g., February) where the

monthly average is expected to differ from the annual average because of seasonality.

- b) Please explain exactly how the HDD and CDD monthly forecasts shown in Exhibit 3/Tab 2/Schedule 1/Appendix A for 2009 and 2010 were developed.
- c) If the forecasts were developed as the average of prior actuals from 1998 to 2008, as described in the response to Board staff IR #15, doesn't this mean that the HDD and CDD are 11-year averages?

**73. Ref: Board staff IR # 16 – Weather Normalization**

Board staff interrogatory # 16 c) requested the load forecast excluding the manual adjustments for CDM and economic activity. The table shown in the response adjusts for both Weather Normalization and Economic Activity. Please provide the load forecast with weather normalization but excluding all manual adjustments as originally requested.

**74. Ref: Board Staff IR #12 and Exhibit 3/Tab 2/ Schedule 1, p. 9-11 – System Load Regression Model**

CK Hydro stated that percent variances of forecasted values to actual kWh revealed a cyclical variation in the error "hinting at a predictable unknown dependency". Furthermore, CK Hydro stated that an iterative process was used to develop a unitless value in the Seasonal Weighting Factor and the Industrial Weighting Factor.

- a) Please confirm that the Seasonal Weighting Factor as well as the Industrial Production Weighting Factor are manual inputs to the regression analysis as distinct from outputs.
- b) Please explain the process whereby the applicant developed the inputs for each for the weighting factors.
- c) Please explain the applicant rationale for using a Seasonal Weighting Factor input of -0.75 for each April and 0.75 for each September.
- d) Also, please explain the rationale for using an Industrial Production Weighting Factor input of 4 for each October and 3 for each May.
- e) In the regression equation the co-efficient for the Seasonal Weighting Factor is 3,995,126.88, the co-efficient for the Industrial Production Weighting Factor is 754,856.91 and the co-efficient for the intercept variable is -816,023,640.11. Please provide reasons why these three variables should not form a single *unitless* value.

**75. Ref: Board Staff IR # 15 - Demand and Customer Count**

Please provide 2009 Year-end demand (kWh and kW) and customer/connections counts by customer class. Please provide a variance analysis contrasting the 2009 actual against the bridge year forecast.

**76. Board Staff IR #14 and EP IR #34d) – Load forecast, historic data**

In the first reference CK Hydro stated that the load forecast was based on data from 2002 to 2008. In the second reference CK Hydro stated that consumption in 2007 and 2008 does not reflected CDM in both the historical data and regression analysis.

- a) Please confirm that CDM refers to the kWh reduction in consumption due to CDM.
- b) How was the reduction in consumption due to CDM excluded from the actual 2007 and 2008 data? And what were the actual kWh that were excluded?

**77. Ref: Board Staff IR# 12, Energy Probe IR# 30 and VECC IR# 11 – Load forecast - NAC**

Please provide a load forecast for 2009 and 2010 using the normalized average consumption (“NAC”) approach. Please provide all calculations in working Microsoft Excel spreadsheets.

**78. Ref: Board staff IR# 23 – Regulatory Costs**

- a) In addition to LEAP, please provide other examples of the increased regulatory activities that CK Hydro is referring to that result in increased regulatory expenses of \$101,190.
- b) Please provide a breakdown of costs included in regulatory expenses for existing regulatory requirements and each new regulatory activity that CK Hydro estimates that it must engage in 2010.
- c) Please provide an explanation of how CK Hydro has forecasted the expenses for new regulatory activities.
- d) Given that LEAP has been delayed/postponed, does CK Hydro see the need to update its forecasted 2010 regulatory expenses?
  - i) If not please explain, why not.
  - ii) If yes, please provide, with explanation, an estimate.
- e) Given the delay or postponement of LEAP, what treatment of any costs does CK Hydro suggest as being appropriate?

**79. Ref: Board staff IR # 24 – Monthly Billing**

- a) Other than LEAP, for what other reasons is CK Hydro anticipating a move to monthly billing?
- b) What, if any, cost savings or other benefits are there expected from a move to monthly billing?
- c) Have these cost savings or benefits been reflected in CK Hydro's application? If not, please explain. If so, please provide examples, with explanation.

**80. Ref: Board staff IR # 26 – Additional staff**

The amended Exhibit 4/Tab 2/Schedule 6, page 4 is showing a newly added FTE for Manager of Connections. Please provide further explanation of the need for this position.

**81. Ref: Board staff IR # 27 – IFRS Costs**

The interrogatory asked for a detailed breakdown and accounting treatment of costs related to IFRS. In its response, CK Hydro indicates that \$185,700, out of the increase of \$429,162 from 2008 to 2010, is identified as ongoing expenses allocated from its affiliate, CKUSI. One-time costs are stated to be tracked in a deferral account, but the amounts are not identified.

- a) Please provide a detailed breakdown of the increase of the \$429,162, including ongoing expenses for IFRS.
- b) Please provide the one-time IFRS costs incurred to date that are recorded in the deferral account. Please identify the account being used.

**82. Ref: Board staff IRs # 28 and 52, and SEC IR # 13 – Regulatory Costs**

In the response to Board staff IR # 28, CK Hydro estimates \$120,000 for legal and \$80,000 for consulting costs related to this application. In the response to SEC IR # 13, CK Hydro documents \$160,000 as costs to Borden Ladner Gervais for consulting work on this 2010 rate application. The response to SEC # 13 b) also indicates that this includes approximately \$50,000 in costs for work performed and billed in 2009.

- a) Please confirm that the reference to the response to Board staff IR # 23 indicated in the response to SEC IR # 13 should instead be to Board staff IR # 28.
- b) The response to Board staff IR # 28 refers to \$200,000 of legal and consulting costs for this application, absent an oral hearing, while SEC IR # 13 documents \$160,000. Please reconcile these responses.
- c) In the response to Board staff IR # 52, CK Hydro documents \$10,326 as being 2008 costs for the preparation of this 2010 application which CK Hydro recorded in deferral account 1508, but which recovery is being sought in this application as

part of the recovery of the 2010 application costs to be recovered over four years. Please explain whether any of the 2008 costs currently in account 1508 are for services provided by outside parties. If so, are these costs reflected in the amounts referred to in the responses to Board staff IR # 28 and/or SEC IR # 13.

- d) Please provide further explanation of the legal and consulting services that CK Hydro requires associated with the preparation and processing of this 2010 rate application.

**83. Ref: Board staff IR # 30 – Streetlighting Maintenance**

In light of the changes to section 2.2.4 of the ARC and the response to Board staff IR #30, please provide further information on whether the streetlighting maintenance contract between CK Hydro and the Municipality of Chatham-Kent will continue. If the agreement is continued, would there be changes in the forecasted revenues received for the 2010 test year for streetlighting maintenance services provided to the Municipality of Chatham-Kent. Please explain your response in detail.

**84. Ref: Exhibit 5 and Board staff IRs # 33 and 34 – Long-term Debt**

At Exhibit 5/Tab 1/Schedule 1 of its original application, CK Hydro discusses its existing debt:

“The current rate of 7.04% is being paid on the existing Long Term Debt (\$23,523,326) with the Municipality of Chatham-Kent, the major shareholder of Chatham-Kent Energy. In the Cost of Capital Report the OEB determined “that for embedded debt the rate approved in prior Board decisions shall be maintained for the life of each active instrument, unless a new rate is negotiated, in which case it will be treated as new debt”. Chatham-Kent Hydro has not renegotiated the interest rate on the current Long Term Debt and it is callable at the discretion of the Municipality of Chatham-Kent.”

In response to Board staff IR # 33 a), CK Hydro provided a copy of the existing Promissory Note with the Municipality of Chatham-Kent. The Note is dated November 1, 2009.

- a) Please provide copies of all previous versions of Promissory Notes that the current note has replaced. Please explain all changes to the terms and conditions that have been negotiated in each replacement note.
- b) Please explain why the debt arrangement between CK Hydro and the Municipality of Chatham-Kent at the time of application was replaced by the November 1, 2009 note.
- c) The Report of the Board on the Cost of Capital for Ontario’s Regulated Utilities (“the Cost of Capital Report”) issued on December 11, 2009 states the following under section 4.4.1, regarding the treatment of long-term debt:

“The Board recognizes that there is still a need for the deemed long-term debt rate, however its usage should become more limited in application. The Board wishes to reiterate that the onus is on the distributor that is making an application for rates to document the actual amount and cost of embedded long-term debt and, in a forward test year, forecast the amount and cost of new long-term debt to be obtained during the test year to support the reasonableness of the respective debt rates and terms.

...

**The deemed long-term debt rate will act as a proxy or ceiling for what would be considered to be a market-based rate by the Board in certain circumstances.** These circumstances include:

- For affiliate debt (i.e., debt held by an affiliated party as defined by the Ontario Business Corporations Act, 1990) with a fixed rate, the deemed long-term debt rate at the time of issuance will be used as a ceiling on the rate allowed for that debt.
  - For debt that has a variable rate, the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. This applies whether the debt holder is an affiliate or a third-party.
  - The deemed long-term debt rate will be used where an electricity distribution utility has no actual debt.
  - For debt that is callable on demand (within the test year period), the deemed long-term debt rate will be a ceiling on the rate allowed for that debt. Debt that is callable, but not within the period to the end of the test year, will have its debt cost considered as if it is not callable; that is the debt cost will be treated in accordance with other guidelines pertaining to actual, affiliated or variable-rate debt.
  - A Board panel will determine the debt treatment, including the rate allowed based on the record before it and considering the Board's policy (these Guidelines) and practice. The onus will be on the utility to establish the need for and prudence of its actual and forecasted debt, including the cost of such debt.” [pp. 52-54, Emphasis in original]
- i) In light of the recently issued Cost of Capital Report, please provide CK Hydro's views, with reasons, on the debt raise proposed for the November 1, 2009 Promissory Note with the Municipality of Chatham-Kent.

- ii) In response to Board staff IR #34, CK Hydro states that it has not sought alternative arrangements for the new debt, and that the forecasted debt for 2009 had not been issued at the time of the interrogatory responses, on December 23, 2009.
  - a. Please confirm whether the new debt for 2009 was issued. If not, does CK Hydro expect that its debt forecasted for 2010 will be increased as a result of this deferment?
  - b. Please provide further explanation of why CK Hydro has not sought alternative sources of debt financing from, for example, commercial financial institutions or from Infrastructure Ontario, for smart meter and other new and forecasted investments for the new 2009 and 2010 debt.
  - c. In light of the new guidelines in the Cost of Capital Report, please provide CK Hydro's views, with reasons, on the appropriate treatment and debt rate for the forecasted debt.

**85. Ref: Board staff IR# 46 and 47- Tariff Sheet**

Appendix J, referred to in the responses to Board staff IRs 46 and 47, contains an updated proposed tariff schedule. Unfortunately, the format splits the charges on different pages to the tariff elements. Please re-file Appendix J aligning the rates with the tariff elements.

**86. Ref: Board staff IR # 49 – Account 1525**

In response to Board staff IR # 49 e), CK Hydro states that “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.”

- a) Please identify the separate application referred to.
- b) Please confirm that CK Hydro's accounting records and its RRR filings with the Board have been updated to reflect the removal of this amount from account 1525.

**87. Ref: Board staff IR # 52 – Regulatory Assets**

Elsewhere in the application (for example, see the response to Board staff IR # 51 b)), CK Hydro indicates the materiality threshold as being \$79,126. In the response to Board staff IR # 52, CK Hydro documents costs with principals of \$13,888 for 2008 ESA fees, \$10,326 for 2008 costs related to the current 2010 rate application, and \$6,730 for 2005 and 2006 costs related to load data research.

- a) CK Hydro has proposed that the 2008 costs related to the 2010 application, along with the estimates for 2009 and 2010, be recoverable over four years. Please provide specific details of the work done in 2008 specifically for the 2010

rate application. How is this work separable from and incremental to what CK Hydro would be doing for its normal course of business (i.e., budget planning)? Also, please explain why CK Hydro believes that these costs are exogenous ("beyond the ability of management to control"). Does not CK Hydro's management have the ability to control the quantum and timing of such costs, at least in part?

- b) The Board's Decision with Reasons on the Recovery of Regulatory Assets – Phase 2, considered under Board File Nos. RP-2004-0117, RP-2004-0118, RP-2004-0100, RP-2004-0069, and RP-2004-0064 (the "Regulatory Assets Decision") was issued on December 9, 2004. Para. 7.0.3 of the Decision states:

In its January 15, 2003 Filing Guidelines, the Board determined that the materiality criterion should be applied on a period basis, rather than on an annual basis as provided for in APH480. However, the materiality test is still to be applied to the various transition cost initiatives as listed in APH480, on an ungrouped or segregated basis. APH480 states that the aggregation of costs that belong in a different category of activity is not permitted in order to meet the materiality (and causality) criteria in the [2000 Distribution Rate Handbook].

Para. 7.0.18 states:

However, Hydro One included certain market ready costs on the basis that they met the materiality test overall, when in fact they do not meet the test [referred to in para. 7.0.3] established in the Guidelines. We reiterate that the Guidelines are extremely important in ensuring efficiency, effectiveness, transparency and fairness, especially in a sector that involves so many regulated entities. Deviations from the Guidelines may be warranted and permitted by the Board if there is demonstrated uniqueness or special circumstances. The Board has shown flexibility in accepting some deviations in this case, but these are for presentation (e.g. Billed vs. Accrual) or clarification (e.g. interest rate, application of interest), not to reward deviations that are favourable to the Applicants, without adequate justification.

Please provide CK Hydro's views on how the ESA fees and 2005-6 Load Research costs meet the criterion of materiality on an individual basis in accordance with the Board's findings in the Regulatory Assets Decision.

**88. Ref: Board staff IR # 53 – Account 1550**

In the response to Board staff IR # 53, CK Hydro states that: "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.”

- a) Please confirm that CK Hydro’s accounting records and its RRR filings with the Board have been updated to reflect these corrections.
- b) Please provide a new rate rider with the amended numbers for account 1550.

**89. Ref: Board staff IR # 51 – Account 1572**

CK is requesting to dispose of \$103,209 for account 1572 – Extraordinary Event Costs. In its response to Board staff IR # 51, CK Hydro stated that these costs are related to retiree costs from Jan. 2005 to April 2006, and that these costs were not in rates at that time. Also, the balances up to Dec. 31, 2004 were recovered in the 2006 EDR process.

According to the 2000 EDR Handbook, “For extraordinary event related costs, the revenue or expense must be clearly outside of the base upon which rates are derived.”

- a) Are there retiree-related costs ongoing costs? If they are ongoing, they would not qualify as extraordinary event costs; in such case, what is CK Hydro’s rationale for recording these costs in this account?
- b) Did CK Hydro previously receive Board approval to record these amounts in this variance account? If so, please provide details.
- c) Has CK Hydro included these costs as part of its 2010 forecasted OM&A in its current application?

**90. Ref: Board staff IR #54 – Account 1570**

- a) Please explain the reason for a new prudential review being required of CK Hydro to meet IESO prudential requirements in 2005.
- b) Please provide any approval or direction by the Board for CK Hydro to record the costs of the 2005 prudential review in Account 1570.
- c) Article 220 of the Accounting Procedures Handbook states:

**1570 Qualifying Transition Costs**

- A. When authorized or directed by the Board, this account shall be used to record transition costs that meet the four qualifying criteria established in the 2000 Electricity Distribution Rate Handbook.

...

- E. Entries to this account, other than carrying charges, shall cease on the electricity market opening (i.e., May 1, 2002), unless otherwise authorized by the Board. Amounts approved on a final basis for recovery in rates shall be credited to this account. The offsetting

entry shall be to account 1590, Recovery of Regulatory Asset Balances.

Please explain how the costs for the 2005 prudential review qualify under Article 220 of the APH, and satisfy also the exogeneity and materiality criteria for qualifying costs.

**91. Ref: Board staff IR # 56 – Account 1588, Global Adjustment Sub-account**

- a) If CK 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 CK Hydro's views as to whether this rate rider would be applicable to MUSH ("Municipalities, Universities, Schools and Hospitals") sector customers.
- b) Does CK Hydro have the capability in its billing system of applying a rate rider that would only apply to non-RPP customers?
- c) If the answer to a) is in the negative, does CK 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?

**92. Ref: Board staff IR # 59 – Smart Meter – Other**

In response to part a), CK Hydro indicates that the meters for GS > 50 kW customers are "apartment buildings that will use the smart meter technology for meter reading."

- a) Please provide further details on the meters involved. Are the apartment customers bulk-metered or suite-metered? Please explain how these customers will use "smart meter technology for meter reading".
- b) Part c) of the response indicates that the average capital cost per meter for the GS > 50 kW customers is \$697.21. Please provide further explanation of the increased costs for these meters relative to CK Hydro's documented costs for residential and GS < 50 kW smart meters.
- c) In part b) of the response, CK Hydro states that the GS > 50 kW meters are not within the scope of O.Reg. 425/06 and that they should be included in general capital. In the combined smart meter proceeding conducted under file number EB-2007-0063 and in Toronto Hydro-Electric System Limited's 2008-9 Cost of Service rate application conducted under Board file number EB-2007-0680, costs for "smart meters" outside of the residential and GS < 50 kW classes were considered and approved as being "beyond minimum functionality". All customers, including the affected GS > 50 kW customers, have been paying the smart meter funding adders and rate riders since May 1, 2006. Why does CK Hydro consider that these costs should now be considered in general capital rather than considered as part of the smart meter deployment? What are the implications of treating these costs in general capital rather than as smart meter costs for which review and disposition is being sought in this application?

**93. Ref: Exhibit 9/Tab 2/Schedule 1/Table 9-10 and Board staff IR # 62 – Smart Meters and Cost Allocation**

Table 9-10 shows that CK Hydro solely deployed residential smart meters in 2006 and 2007. These residential smart meter costs have been reviewed and approved in prior applications, and CK Hydro states that these smart meter costs are incorporated in the rate base in the 2010 Cost Allocation study. The response to Board staff IR # 62 also indicates that smart meter costs post-2007, for which most of the meters and costs would be for GS < 50 kW and GS > 50 kW customers, are not approved and not incorporated in the 2010 Cost Allocation study. What, if any, implications are there for including the residential smart meter costs in the fixed assets for the 2010 cost allocation study but not including any smart meter costs for other classes, specifically with respect to the allocation of common costs amongst rate classes?

**94. Ref: Board Staff IR #37c) – Intermediate Class**

In response to IR #37c CK Hydro implies that in the event that a new customer as a Large User enters its service area CK Hydro "would propose that the customer continue to pay the rates of the Intermediate class until such time as another cost allocation study ...This typically would occur at the time of the next rebasing/cost of service rate application." However, section 2.5.1 of the DSC states that:

A distributor shall, at least once in each calendar year, review each non-residential customer's rate classification to determine whether, based on the rate classification requirements set out in the distributor's rate order, the customer should be assigned to a different rate class. Subject to section 2.5.3, other than at the request of the non-residential customer a distributor may not change a non-residential customer's rate classification more than once in any calendar year.

Please explain CK Hydro's rationale for proposing to treat any new or reclassified Large User as Intermediate class until its next rebasing, rather than proposing a Large Use rate applicable to the customer at the time that it should be (re)classified as a Large Use customer.

**95. Ref: Board Staff IR #39 - Standby class**

In the response to Board Staff IR #39a) CK Hydro seems to refer to a customer that has a generation capacity of 3,800 kW. In part b) of the interrogatory response, CK Hydro refers to a new standby customer class that would pertain only to this one specific customer.

- a) Are part a) and part b) referring to the same customer? If yes, please explain the need for a separate standby class as well as a standby rate on an interim basis in further detail.
- b) If no, please provide an overview of the customers to which a standby rate applies. What rate would be applied to new customers that own generation?
- c) What fixed/variable rate is currently charged to the proposed standby customer/s?
- d) Please provide further justification for a fixed charge of \$6099.12, which is significantly above the MSC ceiling amount.

**96. Ref: Board Staff IR #38 and Exhibit 7/ Tab 1/ Schedule 2, Appendix A – Cost Allocation**

In response to Board staff IR # 38 b), CK Hydro provided sheet O1 of the cost allocation model.

- a) Please confirm that the provided sheet O1 of the cost allocation model represents the proposed Revenue-to-cost Ratios.
- b) Please provide the same sheet that would represent current Revenue-to-Cost ratios as requested in IR # 38 b).
- c) Please provide a detailed explanation for the increase in the Revenue Requirement for Standby Power of \$363,930 over 2006, (i.e. is the increase due an increase in load or customers, etc.?)

**97. Ref: Board Staff IR #39 – 43 and Exhibit 7/ Tab 1/Schedule 2, Table 7-7 – Revenue to Cost Ratios**

Please confirm that the following table represents the current and proposed Revenue-to-Cost ratios accurately. If not please update the table to represent the most recent proposal.

	Existing Ratios	Proposed Ratios	Board Target Range
	Application Exhibit 7/ Table 7-7	2010	
Customer Class	%		
	1	2	3
Residential	100.06	98.12	85-115
GS< 50 kW	107.38	105.26	80-120
Gs 50-999 kW	63.32	101.92	80-180
Intermediate 50 - 4999 kW	245.4	133.6	80-180
Standby Power	32.86	55.29	70-120
Street Lighting	44.34	94.22	70-120
Sentinel Lighting	50.96	85.46	80-120

**98. Board Staff IR #45 – Fixed/Variable Split**

Please confirm that the fixed/variable splits laid out in the table below accurately represent CK Hydro's application and updates.

	F/V Split	Res	GS < 50	GS > 50	Intermediate	Street Light	Sentinel	USL	Standby
Current	Fixed	61.50	60.20	57.10	67.80	54.10	84.40	60.70	25.10
	Variable	38.50	39.80	42.90	32.20	45.90	15.60	39.30	74.90
Proposed	Fixed	78.60%	57.00%	19.60%	20.00%	54.10%	84.40%	75.90%	20.00%
	Variable	21.40%	43.00%	80.40%	80.00%	45.90%	15.60%	24.10%	80.00%

**99. Ref: Board Staff IR #66 – LRAM/SSM**

Please expand on how CK Hydro differentiates its Smart Meter Pilot Program from that of other distributors' Smart Meter Programs that have been or are being initiated due to the Provincial Government's mandate to roll-out the technology.

**100. Ref: Board Staff IR#66 – LRAM/SSM**

Please provide examples of other jurisdictions that have rolled out Smart Meters and have approved either one of, or both, LRAM and SSM amounts related to Smart Meters.

**101. Ref: Board Staff IR#68 – LRAM/SSM**

In CK Hydro's CDM Plan, dated January 13, 2005, it shows that both a Customer Awareness Program and Smart Meter Pilot Program would be offered with budgets of \$110,000 and \$325,000 respectively. It is unclear how the LRAM and SSM Claims of \$347,010.21 and \$181,266, respectively, for Smart Meters are divided amongst these two programs. Please provide a detailed division of LRAM Claims for each of these programs.

**102. Ref: Board Staff IR#68 – LRAM/SSM**

In CK Hydro's CDM Plan, dated January 13, 2005, CK Hydro indicates that a reduction in energy consumption of 5% by 2007 due to a customer awareness program is achievable. Please report whether CK Hydro observed such a reduction in energy consumption due to its Customer Awareness Program, and if so, whether this reduction is in addition to the 4% reduction claimed for the smart meter program.

**103. Ref: Energy Probe IR #16 and Exhibit 2/Tab 3/Schedule 2/pg. 36 – Load Transfer Projects**

CK Hydro stated that approximately 50% of the 9 projects related to Hydro One Load Transfers (E2/T3/S2, p. 36) will be completed by year end.

- a) Please provide a list of remaining projects including the new projected completion date.
- b) Are any of the remaining projects currently under construction?
- c) If yes, why are these projects not considered Construction Work in Progress?

**104. Ref: Energy Probe IR # 19 – Other Distribution Revenues**

In Response to EP IR #19 CK Hydro stated that "Revenue related to sale of vehicles being replaced is recorded by CK Hydro as Other Distribution Revenue in account 4360."

- a) Please confirm that the sale of vehicles is recorded as a gain from disposal rather than a loss. If yes, please explain why a gain on disposal is recorded in account 4360 rather than account 4355.
- b) Please provide a breakdown of amounts recorded in account 4360.

**105. Ref: Energy Probe IR # 20 – Capital Expenditures**

In the b) part of the interrogatory response, CK Hydro states:

“The significant increase in the 2010 capital equipment is due to the purchase of new primary cable fault locating equipment. This equipment failed at the end of 2008 at a time that was too late for inclusion in the 2009 capital equipment budget. Operations staff has been fortunate enough to locate primary cable faults in 2009, however they cannot continue to jeopardize system reliability.”

Equipment can fail at any time, and for many reasons, even beyond the ability of the utility’s management and staff to control. However, given the failure of this equipment, and despite the fact that the failure was after the 2009 capital budget was set, what reasons were there for CK Hydro to defer purchase until 2010? Could CK Hydro not have decided to re-prioritize purchases, or to incur the purchase if it was prudent to maintain system reliability and operate the network safely?

**106. Ref: Board Staff IRR #6, Energy Probe IR # 22 and Exhibit 2/Tab 3/Schedule 2, p. 56 – 320 Queen Street and Green Data Centre**

In the response to Energy Probe IR # 22, CK Hydro states that the proposed Green Data Centre building, to be located at 320 Queen St. will be owned by its affiliate CKUSI, and that no adjacent land has been purchased. However, CK Hydro also stated that 320 Queen Street is owned by CK Hydro and no cost associated with the Green Data Centre will be included in rate base. In response to Board staff IR #6 CK Hydro stated that the property purchase (for land adjacent to the property at 320 Queen St.) will be the only project that will carry over to 2010.

- a) Please elaborate on the location and related cost of the new building.
- b) How will property-related costs like property taxes, water and sewage, insurance, etc. associated with this new building at 320 Queen St. allocated between CK Hydro and CKUSI?
- c) Will CKUSI compensate CK Hydro for the rental and/or usage of this land/location at 320 Queen Street on which the Green Data Centre is built? Please explain your response.
- d) Please provide further justification for the purchase of land adjacent to the property at 320 Queen St., including a description of the intended land use.

**107. Ref: Energy Probe IR # 30, VECC IR #10 – Load Forecast**

- a) Please confirm that the following table provides an accurate depiction of the load forecast scenarios provided by CK Hydro in its Cost of Service application as well as in response to EP IR #30 and VECC IR #10.
- b) Please provide the total forecast kWh purchases for 2009 and 2010 excluding Weighting Factors, Ontario GDP and Median Age.

	Forecast kWh Purchases				
	per Application	per VECC IRR #10h	per EP IRR#30	per EP IRR#30	per EP IRR#30
		No GDP/No Median Age	No GDP	No GDP/ No Median Age/ Ontario Unemployment Rate	No Weighting Factor/ No GDP/ No Median Age
<b>Year</b>					
2009	802,584,558	864,727,907	798,251,338	832,854,583	
2010	776,861,807	851,684,437	773,713,048	855,491,335	

**108. Ref: Energy Probe IR # 33 – Load Forecast, Regression Model**

In response to Energy Probe IR # 33 c), where CK Hydro was asked to re-estimate the regression equation using historical kWh data without the kWh identified in table 3-11 and subsequently to provide the forecasted consumption for 2009 and 2010 in part d) of the interrogatory response, CK Hydro provided an overview over the historical kWh for customers affected by the closures and slow-down in CK Hydro's service area. However, no regression equation based on that data has been provided.

Please provide the regression equation that formed the basis for forecasted consumption as requested by Energy Probe.

**109. Ref: Energy Probe IRs # 44 and 45 – Late Payment Charges**

In the response to Energy Probe IR # 45 c), CK Hydro shows 2009 Bridge year and 2010 Test Year amounts for Late Payment Charges of \$170,000 and \$188,000, respectively. In the response to Energy Probe IR # 44, CK Hydro documents Late Payment Charges for January to October 2009 as being \$192,478, well above the annual estimate of \$170,000.

- a) Please provide 2009 Year-end Late Payment Charges, even if the amounts are not yet audited.
- b) Given that the 2009 actual late payment charges will be above the bridge year forecast, please provide CK Hydro's views on whether the 2010 test year

forecast should be updated. If CK Hydro believes that the 2010 test year forecast should be updated, please provide an update with explanation.

**110. Ref: SEC IR #3 and Exhibit 4/Tab 2/Schedule 4/pp. 1-5**

- a) The response to SEC IR # 3 lists new staff as a cost driver of \$150,000 in addition to OM&A Activities of \$470,000, which includes the costs (wages, salaries, etc.) of new staff. In Exhibit 4/Tab 2/Schedule 4/pg. 4, CK Hydro listed additional staff as a cost driver of \$300,000 in 2010 and 2 apprentices hired in 2009 as a cost driver of \$80,000. Please reconcile the incremental costs for new staff as documented in these two references.
- b) In the response to SEC IR # 3, CK Hydro states that miscellaneous activities are a cost driver of (\$208,438), while Table 4-8 in the Application shows miscellaneous cost drivers of \$256. Please reconcile the incremental costs labelled as Miscellaneous as documented in these two references.
- c) Please provide a variation of Table 4-8 showing all individual cost drivers as requested in SEC IR# 3.

**111. Ref: SEC IR # 5 – OM&A Cost Drivers**

In the response to SEC IR # 5, CK Hydro has provided further elaboration on the drivers of OM&A costs and whether these are one-time or permanent (i.e., ongoing). Most of the cost drivers identified for 2009 and 2010 are identified as permanent. What ongoing or permanent productivity improvements has CK Hydro identified with these drivers of costs, and how are these reflected in the 2009 and 2010 bridge and test year forecasts as efficiencies or cost savings?

**112. Ref: SEC IR #11 – Billing and Collecting Charges from CKUSI**

Please explain how any productivity gains or cost savings, other than savings in meter reading, are accounted for in the information provided in the response to SEC IR # 11. Please identify specific examples, if possible.

**113. Ref: SEC IR #12 and Exhibit 4/Tab 2/Schedule 4, p. 5 – Corporate Cost Allocation**

- a) Please provide a corporate cost allocation for all general financial services listed in the response to SEC IR #12 a).
- b) Please confirm that the new financial system is a cost of \$75,000 instead of \$7,500 as shown in the response to SEC IR # 12 a).

**114. Ref: VECC IR #4 – Vehicles and Fleet**

Appendices C and D to the VECC IR responses indicate the new vehicle purchases and the vehicles being replaced and disposed of. Appendix D indicates that the vintages of the replaced vehicles to 1999 or earlier, before CK Hydro was amalgamated and incorporated from the former MEUs. CK Hydro has been amalgamated and incorporated for around 10 years by now. One expected benefit of amalgamation would be to take advantage of economies of scale. While individual MEUs prior to restructuring might have had overlap in number and type of vehicles, over time it would be reasonable for CK Hydro to implement productivity gains through increased use of fewer vehicles over its service territory and removing duplicates. The response to VECC IR # 4 indicates a reduction from 14 to 13 bucket trucks to 2010.

- a) Please provide further explanation of the need for and expenditures on this type of vehicle as documented in the response.
- b) All of the vehicles referenced in the response to VECC IR # 4 and Appendices C and D are for bucket trucks and one forestry boom truck. These would primarily be used for servicing aerial infrastructure, including streetlights. Undergrounding of infrastructure would decrease the need for these vehicles. Please provide the percentage of CK Hydro's network (in circuit km.) that is underground and whether this has been increasing over time.

**115. Ref: Board staff IR # 31 – Depreciation Expense**

In the preamble to Board staff IR # 31, Board staff noted:

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.

In its response to that Board staff interrogatory, CK Hydro explained that it was following the Board's general amortization/depreciation policies as documented in the 2006 Electricity Distribution Rate Handbook, but that it made adjustments for major repairs and for small capital items.

In the example cited by Board staff above, there are no additions or removals from smart meter gross assets from 2009 to 2010, but CK Hydro has changed, and in fact increased, the remaining useful life of the assets in this class.

- a) What is the full expected life that CK Hydro uses for smart meters?
- b) Please explain fully the reasons for the change in the remaining useful life from 2009 to 2010 in the cited example.