Hydro Hawkesbury Inc. ("HHI")

Board File Number EB-2009-0186

Responses to Round #2 Interrogatories of the Vulnerable Energy Consumers' Coalition ("VECC")

(Note: Numbering continues from First Round)

Question #27

Reference: VECC #5 d) and g)

a) Based on the class percentages set out in response to 5 d) and HHI's forecast sales by customer class for 2010, please provide a calculation of the non-RPP kWh's forecast for 2010.

HHI Response:

From Response to VECC 5 (d)

kWh's SOLD TO NON-RPP CUSTOMERS - YEAR 2008

2008 kWh's for RESIDENTIAL Customers	2008 kWh's for GS<50KW Customers	2008 kWh's for GS>50KW Customers	2008 kWh's for Non-RPP Customers
4,555,755	2,469,498	89,586,711	123,491,102
3.689%	2.000%	72.545%	

2010 FORECAST SALES

2008 kWh's for RESIDENTIAL Customers	2008 kWh's for GS<50KW Customers	2008 kWh's for GS>50KW Customers
53,559,119	20,562,650	86,186,766

kWh's SOLD TO NON-RPP CUSTOMERS - FORECAST YEAR 201O
USING PERCENTAGES SET OUT IN RESPONSE TO VECC 5 (d) AS REQUESTED

2010 kWh's for RESIDENTIAL Customers	2010 kWh's for GS<50KW Customers	2010 kWh's for GS>50KW Customers	2010 kWh's for Non-RPP Customers
2,083,450	411,253	62,524,190	65,018,892

Question #28

Reference: VECC #5 h)

a) Please confirm that the $68,765.10 is the actual LV cost for 2009. If not, please explain what the value represents.

HHI Response: Confirmed. This figure is the actual December 31st, 2009 year-end balance.

b) What adjustments were made to the 2009 costs in order to develop the projection for 2010?

HHI Response: The 2010 projection of $70,600 was based on a review of the 2009 year-end balance. This amount represents LV charges that reflect the loss of HHI's large user.

Question #29

Reference: VECC #6 a) and b)

a) The original 6 a) question asked for HHI to reconcile whether the LV costs for 2010 were $70,600 or $105,452. The response in part 6 b) includes tables with both values. Which value is the correct one for 2010?

HHI Response: VECC is correct in stating that the table include both value however, each values appear under its own heading. The amount of $70,600 is presented under the heading "*2010 projected distribution revenue at existing rates*" and therefore represents the 2010 projected LV costs.

b) Please confirm that the rates proposed in Exhibit 8 were developed using $70,600. Based on the response to part (a), please revise the rates proposed in Exhibit 8 as necessary.

HHI Response: HHI confirms that the rates presented at Exhibit 8 were based on the 2010 projections of $70,600. No recalculation is required.

Question #30

Reference: Board Staff #9 i)

a) Please confirm that 2008 weather normal purchases are greater than actual 2008 purchases.

HHI Response
The methodology adopted by Hydro Hawkesbury Inc. for its load forecast was to develop a weather sensitive net system load or “WSL” (weather sensitive load) as described in the load forecast report prepared by consultants Elenchus Research Associates (Exhibit 3, Tab 1, Schedule 1, Attachment). WSL kWh is derived by subtracting the consumption of the large use customer from wholesale purchases. WSL is then forecast using a regression equation model and weather normalized WSL is derived. While it is true that 2008 weather normal WSL kWh is greater than 2008 actual WSL kWh, Hydro Hawkesbury Inc did not calculate “2008 weather normal purchases”. Therefore HHI cannot confirm that 2008 weather normal purchases are greater than 2008 actual purchases. However, HHI can confirm that the difference between weather normal and weather actual WSL in 2008 is approximately 1.5 million kWh whereas the 2008 actual consumption of the large user, which is not weather sensitive, is more than 26.7 million kWh.

b) If the response to part a) is yes, please confirm that for weather sensitive classes the share of actual purchases in 2008 will be less than the share of weather normal purchases.

HHI Response
As outlined in the response to a), HHI cannot confirm this as HHI has not calculated 2008 weather normal purchases. However, HHI can confirm that the only “non-weather sensitive” consumption contained in WSL kWh is Street Lighting, Sentinel Lighting and USL. In 2008, these classes actual consumption comprised only 0.92% of actual WSL kWh and only 0.79% of actual consumption.

c) Based on the response to parts (a) and (b), please confirm that applying the actual 2008 share of purchases for weather sensitive classes to the 2010 weather normalized purchases forecast will understate the weather normalized 2010 sales for these classes. If not, please explain why.

HHI Response
HHI cannot confirm this for the reasons outlined in the response to a).

d) Please provide a schedule that sets out the HHI’s forecast purchases for 2010; its total 2010 forecast retail sales and the implied loss factor for 2010. Please contrast this implied loss factor with HHI’s historic loss factor and its proposed loss factor for 2010.

HHI Response
HHI cannot confirm this due to the fact that it did not forecast purchases for 2010.

<u>Question #31</u>

Reference: Board Staff #18
VECC #11 b)

Please explain why HHI considers the 2006 Cost Allocation results to be the appropriate starting point for the revenue to cost ratios for each class.

HHI Response:
HHI believes that the ratios in its 2006 cost allocation model constitute the most appropriate reference point for determining proposed revenue to cost ratios. Chapter 2 of the Filing Requirements for Transmission and Distribution Applications provides the following direction to distributors.

2.8.3 Revenue to Cost Ratios

> *The applicant must file a table showing the following three sets of revenue to cost ratios for each customer class from:*
>
> - *the initial cost allocation model;*
> - *the initial cost allocation model revised with the adjusted transformer ownership allowance (where applicable); and*
> - *the updated cost allocation model (including the adjustment for the transformer ownership) proposed for the Test Year.*
>
> *The applicant must complete both tables in Appendix 2-P.*

HHI believes there is a good reason for filing the 2006 revenue to cost ratios and using them as the reference point for adjusting the revenue to cost ratios for the test year – the impact of "changes in load patterns and allocated costs between 2006 and 2010" should not be reflected in the reference point used to determining the changes in the revenue-to-cost ratios that are appropriate. If, for example, the revenue-to-cost ratio for an LDC's residential class were 95% in 2006 but increased to 105% under a hypothetical uniform rate increase for the test year, HHI believes that it would not be appropriate to propose rates that resulted in a revenue-to-cost ratio in excess of 100% for the test year. It is the revenue-to-cost ratio that resulted from the last non-IRM rate setting process (95%) that would be most appropriate to use as the reference point for determining the just and equitable revenue-to-cost ratio for the test year. That is, if the R/C ratio were below 100% in 2006 it should remain so for the test year.

Whatever reference point is used, it must be applied in a consistent and symmetrical manner. HHI believes that the only acceptable reference point is one that resulted from previous Board-approved rates. The revenue-to-cost ratio that results from a simple uniform increase that is neither proposed or approved by the Board does not provide a suitable reference point for just and reasonable rates or revenue-to cost ratios.

<u>Question #32</u>

Reference: VECC #10 b) & c)

Preamble: The response makes reference to dropping some of the comparators and resubmitting evidence.

a) Please provide whatever additional evidence HHI wishes the Board to consider with respect it proposed 2010 fixed charges.

HHI Response: In addition to the Board considering all of the evidence on the record that it considers relevant to approving fixed changes, HHI expects that the Board will rely on the tables in HHI's response to VECC#10(c) which show that the proposed charges fall well within the Cost Allocation results (Sheet O2) and the Board's recommended range for service charges; that HHI's proposed fixed charge for residential customers is the lowest in the Province; and, that HHI's variable charge for the residential class is the second lowest in the Province.

In response to VECC#10(b), HHI confirmed that four of the distributors in its cohort group excluded the smart meter rate adder and included the LV cost adder and the discount for the transformer allowance. Since HHI was not aware of what was included in the CNP rates, it proposed to remove the two CNP utilities and resubmit the calculation of the F/V split to show that the change would not materially change the analysis. This exercise was subsequently determined not to be relevant since all of the proposed charges are within the Board's approved ranges. As pointed out in VEEC#10(c), the use of the average fixed charge from its cohort group was simply used as a reasonable starting point for assessing its fixed charges and when this resulted in the lowest fixed charge for residential customers and reasonable charges for its other customer classes, HHI presumed that the proposed charges and the resulting F/V split would be approved as just and reasonable.

b) Please confirm what HHI's proposal is with respect to the 2010 fixed charges for each customer class.

HHI Response: HHI's proposal is based on the F/V percentages for each customer class as presented in the first table in HHI's response to VECC #10(c) which, as noted above, fall within the Board's recommended ranges and the cost allocation results. When setting the proposed F/V ratios increases in the fixed charges are offset by corresponding reductions in the variable charge so it is not possible to set one charge independently of the other.

c) The response to 10 c) states that HHI has the second lowest residential volumetric rate in the Ontario. Based on this fact, please explain why its fixed charge should be considered as too low.

HHI Response: HHI requires a higher percentage of fixed rates to provide a higher level of revenue certainty. As one of the smaller distributors in the province, managing volume risk can be more difficult for HHI than for other distributors with larger more diversified customer bases. When consumption fluctuates due to the changing weather patterns, energy conservation and local economic conditions, HHI needs to be able to rely on the revenues from its fixed rates to ensure the safe and reliable maintenance of its distribution system.

Question #33

Reference: Board Staff #19

a) Please provide the basis for the $2.97 / kW Networks charge and the $0.73 / kW Line Connection Charge used in the calculations.

HHI Response: Ontario Transmission Rate Schedule (Ref. EB-2008-0272) issued January 21, 2010.

	Monthly Rate ($ per kW)
Network Service Rate (PTS-N): $ Per kW of Network Billing Demand[1,2]	**2.97**
Line Connection Service Rate (PTS-L): $ Per kW of Line Connection Billing Demand[1,3]	**0.73**
Transformation Connection Service Rate (PTS-T): $ Per kW of Transformation Connection Billing Demand[1,3,4]	**1.71**

b) Please re-do the calculations using $2.66 and $0.70 respectively for Networks and Line Connection charges.

HHI Response: HHI feels that transmission rates are no different that the commodity prices and that it is appropriate for HHI to use the current rates charged by IESO and Hydro One.

Question #34

Reference: Board Staff #11

a) Please indicate when HHI first realized that its costs for drafting the rebasing evidence would exceed the initially estimated amount of $80,000, by $30,000.

HHI Response: HHI realized during the first week of December 2009, that the costs of drafting the evidence had increase by $30,000. A large portion of the drafting costs are incurred during the 30 days prior to filing ("production month"). During the production month, as the many pieces of the application come together, issues tend to surface causing the number of hours of work, from both internal and external resources, to rise. Since HHI is billed by consultants on a monthly basis and the application was submitted during the first week of November, it was not until the first week of December did HHI realize that the cost of drafting had increased.

Question #35

Reference: Board Staff #16

a) If possible, please provide the historical amounts paid in PST for each year 2006-2009 inclusive with projected figures for 2009 if actual are unavailable. In providing this information, please show separately the amounts of PST paid on OM&A spending and capital expenditures for each year.

HHI Response: VECC refers to Board Staff#16, however, the table below was provided as part of the response to VECC's Question #17.

Tax Amount					
	OM&A Expenses			Capital Expenditures	
2006	$	3,898.45		$	13,241.26
2007	$	2,307.56		$	4,543.26
2008	$	4,150.17		$	9,806.41
2009	$	8,370.27		$	4,951.11
2010	**$**	**11,079.11**		**$**	**16,603.00**

Question #36

Reference: VECC #8 b)

a) Please provide the impact of the changes made to Accounts 4325 and 4330 on the 2010 revenue requirement.

HHI Response: the impact of the proposed changes to account 4325 and 4330 on the 2010 Revenue Requirement is a reduction of approximately $96,400

Question #37

Reference: VECC #23 b)

a) Please confirm that actual OM&A costs in 2004 were $818,074 for HHI. If unable to so confirm, please provide actual 2004 OM&A costs.

HHI Response: The $818,074 represents the actual 2004 costs as adjusted for 2006 Rate Calculations.