



EB-2009-0261

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Chatham-Kent
Hydro Inc. for an order approving just and reasonable rates
and other charges for electricity distribution to be effective
May 1, 2010.

BEFORE: Paul Sommerville
Presiding Member

Ken Quesnelle
Member

**DECISION ON PARTIAL SETTLEMENT AND
PROCEDURAL ORDER NO. 5**

Background

Chatham-Kent Hydro Inc. (“CK Hydro” or the “Applicant”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 5, 2009 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that CK Hydro charges for electricity distribution, to be effective May 1, 2010. The Board assigned the File Number EB-2009-0261 to the Application. Three parties requested and were granted intervenor status: Energy Probe Research Foundation (“Energy Probe”), the School Energy Coalition (“Schools”), and the Vulnerable Energy Consumers Coalition (“VECC”). One party, Enwin Utilities Ltd, requested and was granted Observer status. No letters of comment were received.

The Board issued Procedural Order No. 1 on November 11, 2009. Board staff filed

interrogatories on November 25, 2009. All registered intervenors filed interrogatories by November 30, 2009. CK Hydro filed the majority of the responses to interrogatories on December 23, 2009 and the remainder on January 12, 2010.

Procedural Order No. 2 was issued on December 1, 2009. Procedural Order No. 2 invited submissions on certain evidence for which CK Hydro had requested confidential treatment. No submissions were received pursuant to Procedural Order No. 2.

The Board issued Procedural Order No. 3 on January 15, 2010. That Procedural Order provided for a transcribed Technical Conference and a Settlement Conference, and provided the Board's findings with respect to the request for confidential treatment of certain documents. The Technical Conference was conducted on January 26, 2010. Procedural Order No. 3 also established dates for filing of any settlement agreement and a subsequent oral proceeding.

The Settlement Conference was convened on February 4, 2010 and concluded on February 5, 2010, at the Board's offices. Representatives of the Applicant and all intervenors participated in the Settlement Conference, and Board staff participated in accordance with their role as set out in the Board's Settlement Conference Guidelines.

At the conclusion of the Settlement Conference, the parties advised the Board, through Board staff, that the parties were working on a possible settlement agreement, and requested additional time to file such agreement.

The Board issued Procedural Order No. 4 on February 10, 2010. Procedural Order No. 4 cancelled the dates for the oral hearing and directed that any settlement agreement be filed by February 26, 2010. On February 26, 2010, the parties advised the Board, through Board staff, that the filing of the settlement agreement would occur early the following week.

Partial Settlement

On March 2, 2010, CK Hydro filed a proposed partial Settlement Agreement (the "Partial Agreement") with the Board. CK Hydro, Energy Probe, Schools and VECC are parties (collectively, the "Parties") to the proposed Partial Agreement.

The Partial Agreement, included in Appendix A to this Decision, represents a comprehensive settlement of most issues, but also documents issues for which settlement was not attained. The Parties agreed that unsettled issues should be dealt with by way of written submissions.

Non-settled Issues

The issues for which settlement was not reached are summarized as follows:

- **Rate Base:**
 - The appropriateness of a lead-lag study being required for CK Hydro's next cost of service application.

- **Cost of Capital and Capital Structure:**
 - The percentage of CK Hydro's regulated capital structure that should be made up of short-term debt; and
 - The appropriate allowed Return on Equity.

- **PILS and Taxes**
 - The eligibility of CK Hydro to include the Ontario Small Business Tax Deduction in the calculation of the 2010 PILS allowance.

Further description of the unsettled issues is contained in Attachment A of the Partial Agreement.

Findings

On those matters for which settlement was reached by the Parties, the Board accepts the Partial Agreement as filed on March 2, 2010. The Board reminds the Parties that the elements of a settlement agreement do not create a precedent for the Board.

Next Steps

The Board will hear submissions on the unsettled issues, as documented in Attachment A of the Partial Agreement, and intends to do so by way of written submissions.

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. Board staff and intervenors who wish to do so shall file written submissions on the unsettled issues with the Board and deliver them to CK Hydro and all other intervenors no later than **March 17, 2010**.
2. CK Hydro, if it wishes to do so, shall file a written reply submission addressing any issues raised in any submissions filed by Board staff or intervenors no later than **March 24, 2010**.

All filings to the Board must quote the file number, EB-2009-0261, be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: Boardsec@oeb.gov.on.ca

Tel: 1-888-632-6273 (toll free)

Fax: 416-440-7656

DATED at Toronto, March 11, 2010

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

Settlement Agreement

**Chatham-Kent Hydro Inc.
EB-2009-0261**

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Chatham-Kent Hydro
Inc. for an order approving just and reasonable rates and other charges
for electricity distribution to be effective May 1, 2010.

SETTLEMENT AGREEMENT

FILED MARCH 2, 2010

INTRODUCTION:

Chatham-Kent Hydro Inc. (“CK Hydro”) owns and operates the electricity distribution system in its licensed service area which consists of twelve non-contiguous areas dispersed over 2,400 km² in The Municipality of Chatham-Kent, serving approximately 32,100 customers. CK Hydro’s service area is 76.9 km². CK Hydro has service areas that are directly connected to Hydro One Networks Inc.’s transmission system as well as many areas that are embedded in Hydro One Networks Inc.’s distribution system.

CK Hydro filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on October 5, 2009 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that CK Hydro charges for electricity distribution, to be effective May 1, 2010. The Board assigned File Number EB-2009-0261 to the Application. Three parties requested and were granted Intervenor status: Energy Probe Research Foundation (“EP”); the School Energy Coalition (“SEC”); and the Vulnerable Energy Consumers’ Coalition (“VECC”). One party, Enwin Utilities Ltd, requested and was granted Observer status.

The Board issued Procedural Order No. 1 on November 11, 2009. Board staff filed interrogatories on November 25, 2009, and all registered Intervenors filed interrogatories by November 30, 2009. CK Hydro filed the majority of the responses to interrogatories on December 23, 2009 and the remainder on January 12, 2010. The evidence in this proceeding (referred to here as the “Evidence”) consists of the Application and CK Hydro’s responses to both the initial and supplemental rounds of interrogatories, and its responses to Undertakings given during the Technical Conference.

By Procedural Order No. 3 the Board also scheduled a Settlement Conference to commence February 4, 2010 and continue on February 5, 2010 if necessary. The Settlement Conference was duly convened in

accordance with Procedural Order 3, with Mr. Ken Rosenberg as facilitator. The Settlement Conference concluded on February 5, 2010.

CK Hydro and all of the Intervenors participated in the Settlement Conference. The role adopted by Board staff in the Settlement Conference is set out in page 5 of the Board's Settlement Conference Guidelines. Although Board staff is not a party to this Agreement, as noted in the Guidelines, Board staff are bound by the same confidentiality standards that apply to the Parties to the proceeding.

A PARTIAL SETTLEMENT HAS BEEN REACHED IN THIS PROCEEDING:

The Parties are pleased to advise the Board that a settlement has been reached on the major issues in the proceeding. Three issues, however, remain unresolved. This document comprises the Settlement Agreement to the Board, and it is presented jointly by CK Hydro and EP, SEC and VECC (the "Parties"). It identifies both settled and unsettled matters, and contains such references to the Evidence as is necessary to assist the Board in understanding and approving the Settlement Agreement (the "Agreement"). The Parties confirm that the Evidence filed to date in respect of each settled or partially settled issue, as supplemented in some instances by additional information recorded in this Agreement, supports the settlement or partial settlement of the matters identified in this Agreement. In addition, the Parties agree that the Evidence, supplemented where necessary by the additional information appended to this Agreement, contains sufficient detail, rationale and quality of information to allow the Board to make findings in keeping with the settlement reached by the Parties.

The Parties agree that the three unsettled matters be resolved through written submissions.

It is acknowledged and agreed that none of the settled provisions of this Agreement are severable. If the Board does not accept the Agreement in its entirety, then there is no Agreement (unless the Parties agree that the portion of the Agreement that the Board does accept may continue as a valid agreement).

It is further acknowledged and agreed that none of the Parties will withdraw from this Agreement under any circumstances, except as provided under Rule 32.0.5 of the Board's Rules of Practice and Procedure.

It is also agreed that this Agreement is without prejudice to any of the Parties re-examining these issues in any subsequent proceeding and taking positions inconsistent with the resolution of these issues in this

Agreement. However, none of the Parties will in any subsequent proceeding take the position that the resolution therein of any issue settled in this Agreement, if contrary to the terms of this Agreement, should be applicable for all or any part of the 2010 Test Year.

The evidence supporting this Agreement on each issue is set out in each section of the Agreement. The Appendices to the Agreement provide further evidentiary support. The Parties agree that this Agreement and the Appendices form part of the record in EB-2009-0261. The Parties believe that the Agreement represents a balanced proposal that protects the interests of the customers, promotes economic efficiency and cost effectiveness. It also provides the resources which will allow CK Hydro to deliver a safe and reliable distribution system, while at the same time protecting the financial viability of CK Hydro.

ORGANIZATION AND SUMMARY OF THE SETTLEMENT AGREEMENT:

There is no approved Issues List for this proceeding. However, for the purposes of organizing this Agreement, the Parties have followed the Board's Filing Guidelines that address all of the revenue requirement components, load forecast, deferral and variance account dispositions, cost allocation and rate design and other issues relevant to determining CK Hydro's 2010 distribution rates and rate riders.

The following Appendices accompany this Settlement Agreement:

- Appendix A – List of Unsettled Matters
- Appendix B – Summary of the Significant Items Adjusted as a result of this Agreement
- Appendix C – Updated Fixed Asset Continuity Schedules
- Appendix D – Updated Cost of Power
- Appendix E – 2010 Test Year Updated Load Forecast
- Appendix F – 2010 Test Year Updated Other Revenue
- Appendix G – 2010 Test Year Updated OM&A
- Appendix H – 2010 Test Year Updated Depreciation Expense
- Appendix I – 2010 Test Year Updated PILs
- Appendix J – 2010 Test Year Updated Cost of Capital
- Appendix K – 2010 Test Year Updated Revenue Deficiency
- Appendix L – 2010 Test Year Updated Revenue to Cost Ratios
- Appendix M – Summary of Updated Customer Impacts
- Appendix N – Updated Deferral and Variance Account Rate Riders

- Appendix O – Updated Smart Meter Rates
- Appendix P – Updated LRAM and SSM Rate Riders

UNSETTLED MATTERS

All matters were settled except for the matters identified as issues 2.3, 4.3 and 5.1 below. A list of the unsettled matters, which the Parties request be disposed of by way of written submissions, accompanies this Agreement as Appendix A. A summary of changes to CK Hydro's proposed Revenue Requirement resulting from this Agreement accompanies this Agreement as Appendix K. In short, the unsettled matters may be described as follows:

- 1) Should a lead/lag study be prepared by CK Hydro for its next cost of service, rate rebasing application?
- 2)
 - a) The appropriate return on equity: The Application provides for an adjustment based on the Board's updated cost of capital parameters. CK Hydro's position is that the methodology for determining the Return on Equity for the 2010 Test Year is as set out in the December 11, 2009 Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, and that the Return on Equity applicable to CK Hydro should be determined on that basis. The Intervenor do not agree that the rate should be determined as provided for in that Report. The Parties have agreed that this matter will be the subject of written submissions.
 - b) The appropriate capital structure for CK Hydro: the Parties agree that the percentage CK Hydro's debt to equity ratio for rate making purposes, 60% to 40%, is appropriate. However, the Parties have not agreed on the appropriate level of short-term debt. The debt component is comprised of 56% long-term debt and 4% short-term debt. The intervenors do not agree that 4% short-term debt is an appropriate amount for CK Hydro for rate making purposes. The Parties have agreed that this matter will be the subject of written submissions.
- 3) Should the Ontario Small Business Tax Deduction be included in the calculation of the 2010 PILs allowance?

NEXT STEPS:

In Procedural Order No. 4, issued February 10, 2010, the Board established February 26, 2010 as the deadline for filing any settlement agreement. On February 26, 2010, CK Hydro advised Board Staff that discussions were continuing among the parties and that a brief extension of the filing deadline would be required.

The Parties propose the following dates with respect to final submissions in this proceeding:

- Board Staff and Intervenor submissions are to be filed by March 10, 2010; and
- CK Hydro's reply argument is to be filed by March 17, 2010.

The Parties respectfully request that the Board first consider and make a decision on this Settlement Agreement prior to the filing of any written submissions.

OVERVIEW OF THE SETTLED MATTERS:

This Agreement will allow CK Hydro to continue to make the necessary investments in maintenance and operation expenditures as well as capital investments to maintain the safety and reliability of the electricity distribution service that it provides. CK Hydro is a low cost service provider and has been recognized as such in the report issued by the Board's consultant, Pacific Economic Group (Exhibit 4, Tab 1, Schedule 1, Appendix A). This Agreement will allow CK Hydro to manage its aging workforce and implement new and enhanced billing options while maintaining a competitive cost structure compared to its cohort group. While the bill impacts are still subject to changes based on the outcome of the items submitted to the Board for disposal of through written submissions, and the Board's decisions on any matters, the Parties agree that, regardless of the ultimate determination on those issues, no rate classes face bill impacts in this proceeding that require mitigation efforts.

The revised Base Revenue Requirement including the updated cost of capital parameters issued by the Board on February 24, 2010 for the 2010 Test Year is \$14,292,854. This revenue requirement is subject to adjustment depending on the Board's decision on the three unsettled issues. This represents a revenue deficiency, based on forecast 2010 revenue at current rates, of \$1,197,225. The revised revenue deficiency of \$1,197,225 is \$602,479 lower than that set out in the pre-filed evidence, \$1,799,705.

Through the settlement process, CK Hydro has agreed to certain adjustments from its original 2010 Cost of Service Application. The changes are described in the following sections.

OUTLINE OF THE SETTLEMENT BY CATEGORY:

As noted above, there is no approved Issues List for this proceeding; however, for the purposes of organizing this Agreement, the categories in the filing guidelines have been utilized.

1. ADMINISTRATION (Exhibit 1)

1.1. Has CK Hydro responded to all relevant Board Directives from previous proceedings?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 1, Tab 1, Schedule 15
Interrogatory response EP IR # 2

CK Hydro's evidence had stated that there were no outstanding obligations or orders from previous Board decisions. All Parties agree that there are no outstanding obligations or orders from previous Board decisions.

2. RATE BASE (Exhibit 2)

2.1. Are the amounts proposed for Rate Base appropriate?

Status:	Complete Settlement
Supporting Parties:	CK Hydro, SEC, EP, VECC
Evidence:	Exhibit 2, Tab 1, Schedule 1 Exhibit 2, Tab 2, Schedule 1 Exhibit 2, Tab 5, Schedule 1 Exhibit 2, Tab 5, Appendix A
	Exhibit 2, Tab 1, Schedule 1 Interrogatory response EP Supplemental IR # 67 c)

For the purpose of achieving settlement on this issue, the Parties agreed to the following:

- A reduction in the 2009 capital additions by \$100,000 to better reflect the actual 2009 activities.
- An increase in 2009 contributed capital of \$5,000 to better reflect the actual 2009 activities.
- A reduction in the 2010 Test Year capital additions (see Section 2.2 below)
- An adjustment to the 2010 depreciation expense which impacts accumulated depreciation (see Section 4.2 below)
- An adjustment to the working capital (see Section 2.3 below).

Change in Rate Base

Description	As per Application	As per Settlement Agreement	Change
Gross Fixed Assets	81,411,060	81,031,060	(380,000)
Accumulated Depreciation	33,306,505	33,202,607	(103,898)
Net Book Value	48,104,555	47,828,453	(276,102)
Average Net Book Value	47,405,429	47,214,977	(190,452)
Working Capital	57,787,594	59,902,071	2,114,477
Working Capital Allowance	8,668,139	8,985,311	317,172
Rate Base	56,073,568	56,200,288	126,720

Change in Working Capital

Description	As per Application	As per Settlement Agreement	Change
Cost of Power	50,984,482	53,222,543	2,238,061
Operations	1,041,236	1,026,236	(15,000)
Maintenance	1,187,798	1,142,798	(45,000)
Billing & Collecting	1,826,798	1,826,798	(0)
Community Relations	56,529	56,529	-
Administration & General Expense	2,690,751	2,627,168	(63,583)
Property Taxes		-	-
Working Capital	57,787,594	59,902,071	2,114,477

2.2. Are the amounts proposed for the 2010 Test Year capital additions appropriate?

Status: **Complete Settlement**
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 2, Tab 1, Schedule 1
Exhibit 2, Tab 3, Schedule 1
Exhibit 2, Tab 3, Schedule 2
Interrogatory response EP IR # 3 f

The Parties agreed to a reduction of the 2010 capital additions of \$275,000 for the following two reasons:

- CK Hydro estimated that the anticipated capital reduction for the change in PST/HST was \$200,000 annually (EP IR #3(f)). Since the change is to be implemented in July 2010 the Parties agreed to a reduction of \$100,000 in the 2010 capital additions.
- The Parties agree to reduce the capital additions by a further \$175,000 by spreading the costs of repaving the CK Hydro parking lot/storage area over 2 years (2010 and 2011) rather than the one year (2010) set out in the Application. (Board Staff IR #8, EP IR #26).

The Parties agreed that the reduction in capital related to the PST/HST changes is sufficient and is not subject to a deferral account.

2.3 Has the Working Capital Allowance been determined appropriately?

Status: **Partial Settlement**
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 2, Tab 5, Schedule 1
Exhibit 2, Tab 5, Appendix A
Interrogatory responses EP IR # 28, EP Supplemental IR # 72

The Parties agree to the following two adjustments to the working capital allowance calculation:

i.) adjustments to the cost of power as follows:

- The total kWh purchases will be 695,000,000 kWhs, resulting in an increase of approximately 20,400,000 kWhs compared to the amount proposed in the Application
- The commodity rates to be used are based upon the rates issued in the October 15, 2009 report by the Board, which are 6.215 cents per kWh for the RPP customers and 6.062 cents per kWh for the non-RPP customers. The non-RPP kWhs will be 64% of the total kWhs purchased (see Appendix D).

ii.) adjustments related to OM&A changes set out in section 4.1 below.

The impact of the above adjustments to the working capital calculation resulted in an overall increase in rate base as shown in Section 2.1 above.

Unsettled Issue, Lead/Lag Study:

The parties agree that the requirement for a lead/lag study by CK Hydro for its next cost of service, rate rebasing application is an unsettled issue (see Appendix A). This issue will proceed to written submission.

3. OPERATING REVENUE (Exhibit 3)

3.1. Is the load forecast appropriate?

Status:	Complete Settlement
Supporting Parties:	CK Hydro, SEC, EP, VECC
Evidence:	Exhibit 3, Tab 2, Schedule 1 Interrogatory responses Board Staff IR # 16 b), EP Supplemental IR # 75

The Parties agree that CK Hydro's proposed 2010 Test Year load forecast is to be increased by approximately 20,400,000 kWhs to 695,000,000 million kWhs (see Appendix E), up from approximately 674,600,000 kWhs in the pre-filed evidence (Exhibit 3, Tab 2, Schedule 1, Table 3-7). While all Parties recognize that the economic slowdown will impact CK Hydro's load forecast, in particular for the commercial and industrial sectors, the Parties agree that a manual adjustment to the load forecast regression analysis is necessary in setting the weather normalized purchases for the 2010 Test Year. The adjustment is based in part on information about 2009 actual load, as set out in the response to EP IR # 75.

The 2010 Test Year forecast is approximately 4.3% lower than the 2009 actual purchases and is reflective of the continued reduction in the consumption of the commercial and industrial customers caused by the economic slowdown.

The agreed-to load forecast is used in the updated cost of power calculation (see Appendix D) of this Agreement, the billing determinants in rate design and in the updated bill impact tables (see Appendix M).

3.2. Is the proposed amount for 2010 Test Year Other Revenue appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 3, Tab 3, Schedule 1
Interrogatory responses EP IR # 45 a), c)

The Parties agree to the following increases in Other Revenue for the 2010 Test Year (see Appendix F):

- An increase of \$105,000 in SSS Admin fees which were not included in the proposed Other Revenue in the original Application; and,
- An increase in Late Payment revenue of \$10,000 from the amount forecasted in the initial Application to reflect the previous trend of this revenue category and the move to monthly billing.

3.3. Are the proposed Specific Service Charges for 2010 appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 8, Tab 1, Schedule 9
Interrogatory response Board Staff IR # 20

The Parties agreed that the Specific Service Charges proposed by CK Hydro are appropriate.

4. OPERATING COSTS (Exhibit 4)

4.1. Are the overall levels of the 2010 Test Year Operation, Maintenance and Administration costs appropriate?

Status:	Complete Settlement
Supporting Parties:	CK Hydro, SEC, EP, VECC
Evidence:	Exhibit 4, Tab 1 Exhibit 4, Tab 2 Interrogatory responses Board Staff IRs # 28, 48 Interrogatory responses EP IRs # 3, 4

The Parties agree to the following adjustments to CK Hydro's proposed 2010 Test Year Operation, Maintenance and Administration ("OM&A") costs:

- Reduction in regulatory costs of \$80,000 for the 2010 cost of service rate application which are to be recovered over a four year period. Therefore the 2010 Test Year adjustment is \$20,000.
- Reduction in ongoing regulatory costs of \$15,000.
- Elimination of Board of Director costs from Chatham-Kent Energy (shareholder of CK Hydro) and Chatham-Kent Utility Services (affiliate of CK Hydro) of \$28,583.
- Reduction of \$10,000 to reflect salary increases for management staff at the rate of inflation.
- CK Hydro identified that the OM&A reduction for the change in the PST / HST would result in an approximate decrease in OM&A costs in the amount of \$50,000 annually (EP IR #3 f). Since this change is to be implemented in July 2010 the parties agreed to a reduction of \$25,000 in the 2010 OM&A.
- A further general reduction of \$25,000 was agreed to.

The total reductions are \$123,583 to bring the agreed upon OM&A costs for the 2010 Test Year to \$6,679,529 (see Appendix G), down from \$6,803,112 as originally set out in the pre-filed evidence (Exhibit 4, Tab 2, Schedule 3, Table 4-7, Page 4). The agreed upon OM&A costs for the 2010 Test Year will allow CK Hydro to maintain its position as a low cost utility within its cohort. It will also ensure that the customers will receive a safe and reliable distribution service while allowing CK Hydro to earn a fair and reasonable return.

The Parties agreed that the reduction in OM&A related to the PST/HST changes is sufficient and is not subject to a deferral/variance account.

4.2 Is CK Hydro's depreciation expense appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 4, Tab 2, Schedule 7
Settlement Agreement 2.2, 2.3

The Parties agree to the following adjustments to the proposed 2010 Test Year depreciation expense:

- Reduction of \$94,296 to reflect the application of the half-year rule in determining depreciation expense in the year that capital expenditures are incurred;
- Reduction of \$9,200 to reflect changes agreed to in sections 2.1 and 2.2 of this Settlement Agreement.

The total reduction agreed to by the Parties is \$103,696, bringing total Depreciation Expense down from \$3,815,361 to \$3,711,665 (see Appendix H).

4.3. Is the amount proposed for the 2010 Test Year Payment in Lieu of Taxes, including CCA calculations, appropriate?

Status: **Partial Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 4, Tab 3
Interrogatory response Board Staff IR # 32
Interrogatory responses EP IRs # 56, 57, 58, 59, 60, Supplemental IR # 80

The Parties agree to adjust/reduce the Payment in Lieu of Taxes (“PILs”) for the following reasons:

- Flow through of agreed changes in OM&A expenses and capital purchases;
- Correction to the classification of some assets to the appropriate CCA class (see EP IR # 57).
- Application of the half year rule to all 2010 Test year capital additions
- CK Hydro will be hiring a number of apprentices in 2010 and will therefore be eligible for an Apprenticeship Training Tax Credit. The tax credit agreed to by the Parties is \$26,700.

The overall impact of the above noted changes in a reduction in 2010 PILs of \$74,597 before gross-up.

The Parties also agree to the change in PILs (see Appendix I) from the Application for the updated cost of capital for 2010 cost of service applications as approved by the Board in their letter dated February 24, 2010. The updated PILs is \$1,095,869, which is \$108,206 more than the application. The updated amount of PILs is subject to change based upon the Board’s decision on the unsettled issues.

Unsettled Issue, PILS:

The Intervenors are of the belief that CK Hydro will be eligible for the Small Business Deduction, which is estimated to be worth \$18,750. CK Hydro does not agree. The Parties agree that the question of whether CK Hydro is eligible for the Ontario Small Business Deduction will be addressed through written submissions.

5. COST OF CAPITAL (Exhibit 5)

5.1. Are the proposed Capital Structure and Rate of Return on Equity appropriate?

Status: Not Settled
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 5
Interrogatory response Board Staff IR # 35

The Parties agree that CK Hydro's proposed debt to equity ratio for rate making purposes of 60% to 40% is appropriate. However, the following two matters are not settled with respect to cost of capital:

- i.) The percentage of CK Hydro's regulated capital structure that should be made up of short-term debt. The debt component is comprised of 56% long term debt and 4% short term debt. The intervenors, do not agree that 4% short-term debt is an appropriate amount for CK Hydro for rate making purposes. The Parties have agreed that this matter will be addressed through written submissions.
- ii.) The Application provides for an adjustment based on the Board's updated cost of capital parameters. CK Hydro's position is that the methodology for determining the Return on Equity for the 2010 Test Year is as set out in the December 11, 2009 *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, and that the Return on Equity applicable to CK Hydro should be determined on that basis. The intervenors do not agree that the rate should be determined as provided for in that Report. The Parties have agreed that this matter will be the subject of written submissions.

For the purposes of this Agreement CK Hydro is proposing a total cost of capital of \$4,108,241 (see Appendix J), which is subject to change based upon the Board's decision on the unsettled issues.

5.2. Is the proposed Return on Debt appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 5
Interrogatory responses Board Staff IRs # 33, 34
Interrogatory responses EP IRs # 62, 63
Interrogatory response SEC IR # 15

CK Hydro, in the Application, had used a long term debt rate of 7.62%, which was the deemed rate approved by the Board for the 2009 cost of service applications. CK Hydro had also proposed that the debt rate would be updated to the deemed rate approved by the Board for the 2010 cost of service applications.

The Parties agreed that the long-term debt rate would be the lower of the nominal rate (7.04%) that is currently charged on the affiliate debt and the deemed rate to be approved by the Board. The Board issued a letter on February 24, 2010 outlining the approved deemed cost of capital rates that are to be included in the 2010 cost of service applications. The deemed-long term debt rate approved by the Board in the letter is 5.87%; therefore, the long term debt rate used in this Agreement is now 5.87%.

CK Hydro, in the Application, had used a short-term debt rate of 1.33%, which was the deemed rate approved by the Board for the 2009 cost of service applications. CK Hydro had also proposed that the debt rate would be updated to the deemed rate approved by the Board for the 2010 cost of service applications. The Parties agreed to update the short-term debt rate based upon the Board's approved rate for 2010 cost of service applications. The deemed short-term debt rate approved by the Board in the letter of February 24, 2010 is 2.07%; therefore, the short term debt in this Agreement is now 2.07%.

6. CALCULATION OF REVENUE DEFICICENY OR SURPLUS (Exhibit 6)

6.1. Is the Revenue Deficiency for the 2010 Test Year appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 6

All Parties have agreed that the adjusted revenue deficiency of \$1,197,225 (Settlement Agreement Appendix K) is appropriate; however, this may be adjusted further depending upon the Board's Decision on the three unresolved issues that will be dealt with by way of written submissions.

7. COST ALLOCATION (Exhibit 7)

7.1. Is CK Hydro's cost allocation appropriate?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 7

The Parties agreed that the cost allocation is appropriate.

7.2. Are the proposed revenue-to-cost ratios appropriate?

Status: **Complete Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 7

Interrogatory responses Board Staff IRs # 40, 41, 42, 43, Supplemental IR # 96

Interrogatory response SEC IR # 16

Interrogatory response EP IR # 64

Interrogatory response VECC Supplemental IR # 8

The Parties agree that the revenue-to-cost ratios for customer classes (all classes except Residential and General Service < 50 kW) that are outside of the Board's guidelines would be moved to the range over a three year period. The Parties agreed that the migration to the lower or upper band, as applicable, will be done by moving half-way to the applicable boundary in 2010, and then the rest of the way in equal increments in 2011 and 2012 (see Appendix L).

8. RATE DESIGN (Exhibit 8)

8.1 Are the proposed customer classes appropriate?

Status: Complete Settlement

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 8
Interrogatory responses Board Staff IRs # 37, 39, 41

The Parties agree to the following rate class changes:

- Elimination of the Large User class
- Introduction of a new rate class, Intermediate with Self-Generation class

The elimination of the large user class is due to there no longer being any customers in the large user class.

The new rate class, Intermediate with Self-Generation, will have the following customer characteristics to be eligible for the class:

- Customer demand will be between 1,000 kW and 4,999 kW
- Customer will have significant on site generation greater than 500 kW

There are no other changes to CK Hydro's existing customer classes.

8.2. Are the customer charges and the fixed-variable splits for each class appropriate?

Status: **Complete Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 8

Interrogatory responses Board Staff IRs # 44, 45

Interrogatory responses VECC IRs # 8, 17, Supplemental IR # 8

The Parties agree to the customer charges and the fixed-variable splits resulting from this proposal.

8.3. Are the customer bill impacts appropriate?

Status: **Complete Settlement**
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 1, Tab 2, Schedule 1, Table 1-2
Exhibit 8, Tab 11, Appendix A

The Parties agree that, regardless of the Board's findings on the three unsettled issues, the bill impacts provided in Appendix M of the Settlement Agreement are appropriate; however, these impacts may be updated depending upon the Board's decision on the three unsettled issues.

8.4. Are the proposed Retail Transmission Service Rates appropriate?

Status: **Complete Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 8, Tab 1, Schedule 3

Interrogatory responses VECC IR # 18, Supplemental IR # 9

The Parties agree to the Retail Transmission Service Rates as provided for in the interrogatory response to VECC Supplemental IR # 9 (2nd round IRs).

8.5. Are the proposed Loss Factors appropriate?

Status: Complete Settlement

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 8, Tab 1, Schedule 6
Interrogatory Response VECC Supplemental IR # 12

The Parties agree that loss factors have been trending down and that the loss factor for the 2010 Test Year should be 4.28% based on a five year average methodology, down from 4.43% as proposed in the pre-filed evidence.

9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)

9.1. Are the balances in the Deferral and Variance Accounts appropriate?

Status:	Complete Settlement
Supporting Parties:	CK Hydro, SEC, EP, VECC
Evidence:	Exhibit 9, Tab 1, Schedule 1 and 2 Interrogatory responses Board Staff IRs # 49, 50 51, 52, 53, 54, Supplemental IR # 87 Interrogatory response EP IR # 65 Interrogatory response VECC IR # 22

The Parties agreed that the balances in the Deferral and Variance Accounts are appropriate, subject to material adjustments resulting from future Board reviews as part of the RRR process.

9.2. Are the methods of disposition of the Deferral and Variance Accounts appropriate?

Status: **Complete Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 9, Tab 1, Schedule 3
Interrogatory responses Board Staff IR # 56, Supplemental IR # 91

The Parties agree that the disposition of the Global Adjustment, which is included in a sub-account of account 1588, should be disposed of differently than the other Deferral and Variance Accounts. The Global Adjustment will be recovered from customers in the following manner:

- From only on-RPP customers;
- The MUSH sector will not be charged this rate as they were not a non-RPP customer during the period that these costs were accumulated;
- The recovery period will be over two years.

All Parties agreed that all other Deferral and Variance Accounts will be recovered from the customers as proposed by CK Hydro over a one year period (see Appendix N).

9.3. Are the Smart Meter charges, rate rider, disposition rider and permanent rate rider appropriate?

Status: **Complete Settlement**

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 9, Tab 2
Interrogatory responses Board Staff IRs # 57, 58, 59, 60, 61, 62, Supplemental IRs # 92, 93
Interrogatory responses EP IRs # 6, 12
Interrogatory responses VECC IRs # 23, 24, 25

The Parties agree that the Smart Meter costs (both O&M A and capital) are appropriate for recovery from CK Hydro's customers. The Parties also agree that the return on the investment in smart meters should be updated for the cost of capital (Board staff IR # 57 b). The Parties also agree that the Smart Meter charges, rate rider, disposition rider and permanent rider, are appropriate after the updated cost of capital parameters are used.

10. LRAM / SSM (Exhibit 10)

10.1. Are the LRAM and SSM rate proposals appropriate?

Status: Complete Settlement

Supporting Parties: CK Hydro, SEC, EP, VECC

Evidence: Exhibit 10

Interrogatory responses Board Staff IRs # 63 – 69, Supplemental IRs # 99 - 102

Interrogatory responses EP IR # 66

Interrogatory responses VECC IRs # 26 – 31

CK Hydro had proposed to recover \$774,194 in LRAM and SSM (Exhibit 10, Tab 1, Schedule 1, Appendix A, page 6) for conservation programs that were implemented by CK Hydro as well as those supported by the Ontario Power Authority ("OPA"). Included in that amount was LRAM and SSM related to the implementation of Smart Meters and the education programs surrounding conservation initiatives. The Parties agree that a portion of LRAM and SSM related to smart meters during a period when smart meters were installed in CK Energy's service territory but not used for Time of Use Pricing should be removed from the requested LRAM/SSM claim. This results in a reduction of \$347,010, bringing the total to be recovered from customers to \$427,184 (see Appendix P).

10.2. Is the timing of recovery of the LRAM and SSM appropriate for rate mitigation purposes?

Status: Complete Settlement
Supporting Parties: CK Hydro, SEC, EP, VECC
Evidence: Exhibit 10

The Parties agreed to CK Hydro's rate mitigation proposal to defer the timing of the recovery of the LRAM / SSM until May 1, 2011. The Parties also agree that the billing determinants to be used to determine the LRAM/SSM rate riders are the approved 2010 Test Year amounts.

Appendix A
List of Unsettled Matters

Summary of Unsettled Items

- 1) Issue 2.3: Should a lead lag study be prepared by CK Hydro for its next cost of service, rate rebasing application?
- 2) Issue 5.1: the appropriate capital structure and the appropriate return on equity for CK Hydro.
 - a) The appropriate return on equity: The Application provides for an adjustment based on the Board's updated cost of capital parameters. CK Hydro's position is that the methodology for determining the Return on Equity for the 2010 Test Year is as set out in the December 11, 2009 Report of the Board on the Cost of Capital for Ontario's Regulated Utilities, and that the Return on Equity applicable to CK Hydro should be determined on that basis. The Intervenors do not agree that the rate should be determined as provided for in that Report. The Parties have agreed that this matter will be the subject of written submissions.
 - b) The appropriate capital structure for CK Hydro: the Parties agree that the percentage CK Hydro's debt-to-equity ratio for rate making purposes, 60% to 40%, is appropriate. However, the Parties have not agreed on the appropriate level of short-term debt. The debt component is comprised of 56% long-term debt and 4% short-term debt. The intervenors do not agree that 4% short-term debt is an appropriate amount for CK Hydro for rate making purposes. The Parties have agreed that this matter will be the subject of written submissions.
- 3) Issue 4.3: Should the Ontario Small Business Tax Deduction be included in the calculation of the 2010 PILs?

Appendix B

Summary of the Significant Items Adjusted as a Result of this Agreement

Summary of Significant Items Adjusted

	Original Submission (A)	Settlement Agreement		Difference = (B) - (A)	Difference = (C) - (A)
		Original Cost of Capital (B)	Updated Cost of Capital (C)		
Rate Base	\$56,073,568	\$56,200,288	\$56,200,288	\$126,720	\$126,720
<u>Capital Expenditures</u>					
2009 Bridge Year	\$4,222,390	\$4,117,390	\$4,117,390	(\$ 105,000)	(\$ 105,000)
2010 Test Year	\$5,517,531	\$5,242,531	\$5,242,531	(\$ 275,000)	(\$ 275,000)
Other Revenue	1,187,450	1,302,450	1,302,450	115,000	\$115,000
<u>Weather Normalized kWhs</u>					
Purchases	674,626,659	695,000,000	695,000,000	\$20,373,341	\$20,373,341
Loss Factor	4.43%	4.28%	4.28%	-0.15%	-0.15%
<u>Cost of Capital</u>					
Long Term Debt Rate	7.62%	7.04% *	5.87%	-0.58%	-1.75%
Short Term Debt Rate	1.33%	1.33% *	2.07%	0.00%	0.74%
Return on Equity	8.01%	8.01%	9.85%	0.00%	1.84%
Return on Long Term Debt	\$2,392,771	\$2,215,640	\$1,847,570	(\$ 177,131)	(\$ 545,201)
Return on Short Term Debt	\$29,831	\$29,899	\$46,538	\$68	\$16,707
Return on Equity	\$1,796,597	\$1,800,657	\$2,214,477	\$4,060	\$417,880
Total Return on Capital	\$4,219,199	\$4,046,196	\$4,108,585	(\$ 173,003)	(\$ 110,614)
<u>Operating Expenses</u>					
Operations	\$1,041,236	\$1,026,236	\$1,026,236	(\$ 15,000)	(\$ 15,000)
Maintenance	\$1,187,798	\$1,142,798	\$1,142,798	(\$ 45,000)	(\$ 45,000)
Administration and General	\$2,690,751	\$2,627,168	\$2,627,168	(\$ 63,583)	(\$ 63,583)
<u>Total Operating Expenses</u>	\$6,803,112	\$6,679,529	\$6,679,529	(\$ 123,583)	(\$ 123,583)
<u>Depreciation Expense</u>	\$3,815,361	\$3,711,865	\$3,711,865	(\$ 103,496)	(\$ 103,496)
<u>LRAM / SSM Recovery</u>	\$774,194	\$427,184	\$427,184	(\$ 347,010)	(\$ 347,010)

Note:

(A) - Original Submission

(B) - Proposed Settlement including change in the Long-Term debt rate to maximum of the current rate

(C) - Proposed Settlement including change in the Debt rates and Cost of Equity consistent with the cost of capital parameters issued by the Board on February 24, 2010.

The amounts shown in Column C are subject to adjustment depending on the Board decision on the three unsettled issues.

* While Columns B and C are presented to show the impact of the change in cost of capital parameters, the applicable debt rates are not in dispute. As stated in Section 5.2 above, the Parties have agreed that the cost of debt will be based on the new cost of capital parameters. As a result, the applicable rates for CK Hydro are the new deemed rates for long- and short-term debt, namely, 5.87% and 2.07% respectively.

Appendix C
Updated Fixed Asset Continuity Schedules

Fixed Asset Continuity Schedule (Distribution & Operations)
 As at December 31, 2009

CCA Class	OEB	Description	Cost				Accumulated Depreciation				
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	117,846			117,846	0		0		117,846
CEC	1806	Land Rights	0			0			0		0
47	1808	Buildings and Fixtures	339,972			339,972			13,591		138,916
13	1810	Leasehold Improvements	0			0					201,056
47	1815	Transformer Station Equipment - Normally P	0			0					0
47	1820	Distribution Station Equipment - Normally Pri	795,093			795,093			35,536		228,816
47	1825	Storage Battery Equipment	0			0					0
47	1830	Poles, Towers and Fixtures	4,227,639	519,294		4,746,932			189,877		959,450
47	1835	Overhead Conductors and Devices	18,772,941	855,653		19,628,594			915,617		7,679,647
47	1840	Underground Conduit	1,204,240	74,215		1,278,455			51,139		297,391
47	1845	Underground Conductors and Devices	14,616,203	565,628		15,181,831			818,708		6,756,356
47	1850	Line Transformers	14,359,934	987,823		15,347,757			732,602		5,673,862
47	1855	Services	3,354,546	400,929		3,755,475			150,219		811,966
47	1860	Meters	2,828,962	29,278		2,858,240			140,776		1,227,297
N/A	1861	Smart Meters	0			0			375,787		915,499
N/A	1865	Other Installations on Customer's Premises	568,511	100,000		668,511					668,511
CEC	1906	Land Rights	0			0					0
47	1908	Buildings and Fixtures	3,334,581	138,500		3,473,081			110,929		782,770
13	1910	Leasehold Improvements	0			0					0
8	1915	Office Furniture and Equipment	124,426	7,500		131,926			11,499		87,321
10	1920	Computer Equipment - Hardware	298,067			298,067			297,273		298,067
1920	1920	Computer - Hardware post Mar/22/04	55,331			55,331			9,854		45,409
1920	1920	Computer - Hardware post Mar/19/07	169,819	63,000		232,819			11,651		65,083
12	1925	Computer Software	483,095	130,000		613,095			66,787		244,350
10	1930	Transportation Equipment	2,519,106	362,000		2,881,106			245,048		1,806,008
8	1935	Stores Equipment	0			0					0
8	1940	Tools, Shop and Garage Equipment	638,613	47,000		685,613			28,190		526,284
8	1945	Measurement and Testing Equipment	0			0					0
8	1950	Power Operated Equipment	0			0					0
8	1955	Communication Equipment	0			0					0
8	1960	Miscellaneous Equipment	0			0					0
47	1970	Load Management Controls - Customer Prem	0			0					0
47	1975	Load Management Controls - Utility Premises	0			0					0
47	1980	System Supervisory Equipment	787,728	40,000		827,728			55,023		602,429
47	1985	Sentinel Lighting Rentals	0			0					0
47	1990	Other Tangible Property	1,750,427	76,572		1,826,998			150,325		1,056,867
47	1995	Contributions and Grants	(3,886,753)	(280,000)		(4,166,753)			(167,338)		(1,016,762)
		Total before Work in Process	71,671,139	4,117,390		75,788,529			3,946,613		29,187,027
W/IP		Work in Process	0			0					0
		Total after Work in Process	71,671,139	4,117,390		75,788,529			3,946,613		29,187,027

Less: Fully Allocated Depreciation
 Transportation 245,048
 Communication
 Net Depreciation 3,701,565

1925	Transportation	
1930	Stores Equipment	
		29,187,027

Fixed Asset Continuity Schedule (Distribution & Operator)
 As at December 31, 2010

CCA Class	OEB	Description	Cost				Accumulated Depreciation				
			Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	117,846			117,846					117,846
CEC	1806	Land Rights	0			0					0
47	1808	Buildings and Fixtures	339,972	65,000		404,972			14,899		153,815
47	1810	Leasehold Improvements	0			0					0
47	1815	Transformer Station Equipment - Normally Fed	0			0					0
47	1820	Distribution Station Equipment - Normally Fed	795,093	100,000		895,093			36,743		265,559
47	1825	Storage Battery Equipment	0			0					0
47	1830	Poles, Towers and Fixtures	4,748,932	559,444		5,306,377			201,066		1,160,516
47	1835	Overhead Conductors and Devices	19,628,594	653,418		20,282,012			907,059		8,586,706
47	1840	Underground Conduit	1,278,455	241,438		1,519,893			55,967		353,358
47	1845	Underground Conductors and Devices	15,181,831	813,840		15,995,671			820,461		7,576,817
47	1850	Line Transformers	15,347,757	1,034,560		16,382,317			755,478		6,429,340
47	1855	Services	3,755,475	423,737		4,179,211			158,694		970,660
47	1860	Meters	2,858,240	29,499		2,887,739			143,649		1,370,946
N/A	1861	Smart Meters	4,210,814			4,210,814			323,909		1,239,408
N/A	1865	Other Installations on Customer's Premises	0			0					0
N/A	1905	Land	688,511	25,000		693,511					693,511
CEC	1906	Land Rights	0			0					0
47	1908	Buildings and Fixtures	3,473,081	303,000		3,776,081			116,922		899,692
13	1910	Leasehold Improvements	0			0					0
8	1915	Office Furniture and Equipment	131,926	12,000		143,926			9,195		96,516
10	1920	Computer Equipment - Hardware	298,067			298,067					298,067
1920	1920	Computer - Hardware post Mar 22/04	55,331			55,331			6,916		52,325
1920	1920	Computer - Hardware post Mar 19/07	232,819	56,000		288,819			23,711		88,794
12	1925	Computer Software	613,095			613,095			76,637		320,987
10	1930	Transportation Equipment	2,881,106	780,000		3,661,106			303,916		2,109,924
8	1935	Stores Equipment	0			0					0
8	1940	Tools, Shop and Garage Equipment	685,613	299,000		984,613			41,756		568,040
8	1945	Measurement and Testing Equipment	0			0					0
8	1950	Power Operated Equipment	0			0					0
8	1955	Communication Equipment	0			0					0
8	1960	Miscellaneous Equipment	0			0					0
47	1970	Load Management Controls - Customer Premises	0			0					0
47	1975	Load Management Controls - Utility Premises	0			0					0
47	1980	System Supervisory Equipment	827,728	40,000		867,728			47,096		649,525
47	1985	Sentinel Lighting Rentals	0			0					0
47	1990	Other Tangible Property	1,826,998	81,595		1,908,593			143,677		1,200,544
47	1995	Contributions and Grants	(4,166,753)	(275,000)		(4,441,753)			(172,170)		(1,188,932)
		Total before Work in Process	75,788,529	5,242,531	0	81,031,060			4,015,581	0	33,202,608
WIP		Work in Process	0			0					0
		Total after Work in Process	75,788,529	5,242,531	0	81,031,060			4,015,581	0	33,202,608

Less: Fully Allocated Depreciation
 Transportation 303,916
 Communication
 Net Depreciation 3,711,665

1935	Transportation	
1940	Stores Equipment	

33,202,608

Appendix D
Updated Cost of Power

Electricity Commodity - non RPP		2010 Loss			
Class per Load Forecast		2010	Factor	2010	
Residential	132,509,288	1.0428	138,180,686	\$0.0606	\$8,376,513
General Service < 50 kW	57,734,529	1.0428	60,205,567	\$0.0606	\$3,649,661
General Service > 50 to 999 kW	121,561,332	1.0428	126,764,157	\$0.0606	\$7,684,443
Intermediate	89,528,735	1.0428	93,360,565	\$0.0606	\$5,659,517
Large Use	0	0.0000	0	\$0.0606	\$0
Streetlights	3,684,605	1.0428	3,842,306	\$0.0606	\$232,921
Sentinel Lights	222,156	1.0428	231,664	\$0.0606	\$14,043
Unmetered Scattered Loads	691,954	1.0428	721,570	\$0.0606	\$43,742
Intermediate with Self Generation	20,611,321	1.0428	21,493,486	\$0.0606	\$1,302,935
TOTAL	426,543,920		444,800,000		\$26,963,776

Electricity - Commodity RPP		2010 Loss			
Class per Load Forecast		2008 Actual	Factor	2010	
Residential	74,536,475	1.0428	77,726,636	\$0.0622	\$4,830,710
General Service < 50 kW	32,475,673	1.0428	33,865,631	\$0.0622	\$2,104,749
General Service > 50 to 999 kW	68,378,249	1.0428	71,304,838	\$0.0622	\$4,431,596
Intermediate	50,359,913	1.0428	52,515,318	\$0.0622	\$3,263,827
Large Use	0	0.0000	0	\$0.0622	\$0
Streetlights	2,072,590	1.0428	2,161,297	\$0.0622	\$134,325
Sentinel Lights	124,963	1.0428	130,311	\$0.0622	\$8,099
Unmetered Scattered Loads	389,224	1.0428	405,883	\$0.0622	\$25,226
Intermediate with Self Generation	11,593,868	1.0428	12,090,086	\$0.0622	\$751,399
TOTAL	239,930,955		250,200,000		\$15,549,930
	666,474,875		695,000,000		

Transmission - Network		Volume Metric			
Class per Load Forecast				2010	
Residential		kWh	215,907,322	\$0.0047	\$1,014,764
General Service < 50 kW		kWh	94,071,199	\$0.0042	\$395,099
General Service > 50 to 999 kW		kW	494,092	\$1.7495	\$864,414
Intermediate		kW	382,377	\$1.8642	\$712,827
Large Use		kW	0		\$0
Streetlights		kW	1,079	\$1.3193	\$1,423
Sentinel Lights		kW	18,365	\$1.3289	\$24,405
Unmetered Scattered Loads		kWh	1,127,452	\$0.0042	\$4,735
Intermediate with Self Generation		kW	87,305	\$1.8642	\$162,755
TOTAL			312,089,191		\$3,180,423

Transmission - Connection		Volume Metric			
Class per Load Forecast				2010	
Residential		kWh	215,907,322	\$0.0042	\$906,811
General Service < 50 kW		kWh	94,071,199	\$0.0038	\$357,471
General Service > 50 to 999 kW		kW	494,092	\$1.4788	\$730,663
Intermediate		kW	382,377	\$1.6196	\$619,298
Large Use		kW	0		\$0
Streetlights		kW	1,079	\$1.1423	\$1,232
Sentinel Lights		kW	18,365	\$1.1658	\$21,410
Unmetered Scattered Loads		kWh	1,127,452	\$0.0038	\$4,284
Intermediate with Self Generation		kW	87,305	\$1.6196	\$141,400
TOTAL			312,089,191		\$2,782,569

Wholesale Market Service					
Class per Load Forecast				2010	
Residential			215,907,322	\$0.0052	\$1,122,718
General Service < 50 kW			94,071,199	\$0.0052	\$489,170
General Service > 50 to 999 kW			198,068,996	\$0.0052	\$1,029,959
Intermediate			145,875,883	\$0.0052	\$758,555
Large Use			0	\$0.0052	\$0
Streetlights			6,003,603	\$0.0052	\$31,219
Sentinel Lights			361,975	\$0.0052	\$1,882
Unmetered Scattered Loads			1,127,452	\$0.0052	\$5,863
Intermediate with Self Generation			33,583,572	\$0.0052	\$174,635
TOTAL			695,000,000		\$3,614,000

Class per Load Forecast				2010	
Residential			215,907,322	\$0.0013	\$280,680
General Service < 50 kW			94,071,199	\$0.0013	\$122,293
General Service > 50 to 999 kW			198,068,996	\$0.0013	\$257,490
Intermediate			145,875,883	\$0.0013	\$189,639
Large Use			0	\$0.0013	\$0
Streetlights			6,003,603	\$0.0013	\$7,805
Sentinel Lights			361,975	\$0.0013	\$471
Unmetered Scattered Loads			1,127,452	\$0.0013	\$1,466
Intermediate with Self Generation			33,583,572	\$0.0013	\$43,659
TOTAL			695,000,000		\$903,500

2010	
4705-Power Purchased	\$42,513,706
4708-Charges-WMS	\$3,614,000
4714-Charges-NW	\$3,180,423
4716-Charges-CN	\$2,782,569
4730-Rural Rate Assistance	\$903,500
4750-Low Voltage	\$228,345
TOTAL	\$53,222,543

Appendix E
2010 Test Year Updated Load Forecast

2010 Test Year Load Forecast kWh

Calculation of the WN Billed	
Agreed Purchases	695,000,000
Loss Factor	1.0428
Billed	666,474,875
Original 2010 Billed Forecast	642,189,652
Difference	24,285,223

Year	Residential	General Service < 50 kW	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Unmetered Scattered Loads	Intermediate with Self Generation	Total
Original 2010 Forecast									
2010	199,501,364	86,923,094	183,018,503	134,791,341	5,547,412	334,470	1,041,782	31,031,687	642,189,653
Percentage Allocation									
2010	31%	14%	28%	21%	1%	0%	0%	5%	100%
Difference									
2010	7,544,399	3,287,108	6,921,079	5,097,307	209,782	12,648	39,396	1,173,503	24,285,223
Agreed 2010 WN Billed									
2010	207,045,763	90,210,202	189,939,582	139,888,648	5,757,194	347,118	1,081,178	32,205,190	666,474,876

2010 Test Year Load Forecast kW

Year	General Service > 50 to 999 kW	Intermediate	Streetlights	Sentinel Lights	Intermediate with Self Generation	Total
2010	494,092	382,377	18,365	1,079	87,305	983,218

Appendix F
2010 Test Year Updated Other Revenue

Other Operating Revenue

Uniform System of Account #	Description	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Actual	Original Submission	Proposed Settlement
4235	Specific Service Charges	260,640	398,075	435,314	444,996	494,368	494,368
4225	Late Payment Charges	247,177	250,221	206,625	170,000	188,861	198,861
	Other Distribution Revenue						
4082	RS Revenue	69,144	178,784	172,196	175,706	65,004	170,004
4084	Sev Tx Requests	3,724	3,105	1,773	1,996	1,996	1,996
4090	Electric Services Incidental to Energy Sales	-	-	-	-	-	-
4205	Interdepartmental Rents	156,996	156,996	156,996	156,996	156,996	156,996
4210	Rent from Electric Property	128,880	154,213	130,592	126,996	126,996	126,996
4215	Other Utility Operating Income	-	-	-	-	-	-
4220	Other Electric Revenue	12,170	10,528	9,246	9,996	9,996	9,996
4240	Provision for Rate Refunds	-	-	-	-	-	-
4345	Government Assist Directly Credited to Income	-	-	-	-	-	-
	Total Other Distribution Revenue	370,914	503,626	470,803	471,690	360,988	465,988
	Other Income and Expenses						
4305	Regulatory Debits	-	-	-	-	-	-
4310	Regulatory Credits	-	-	-	34,000	-	-
4315	Revenues from Electric Plant Leased to Others	-	-	-	-	-	-
4320	Expenses of Electric Plant Leased to Others	-	-	-	-	-	-
4325	Revenues from Merchandise, Jobbing, Etc.	-	-	-	-	-	-
4330	Costs and Expenses of Merchandising, Jobbing, Etc	-	-	-	-	-	-
4335	Profits and Losses from Financial Instrument Hedges	-	-	-	-	-	-
4340	Profits and Losses from Financial Instrument Investments	-	-	-	-	-	-
4345	Gains from Disposition of Future Use Utility Plant	-	-	-	-	-	-
4350	Losses from Disposition of Future Use Utility Plant	-	-	-	-	-	-
4355	Gain on Disposition of Utility and Other Property	-	-	-	-	-	-
4360	Loss on Disposition of Utility and Other Property	130,722	63,083	35,721	39,996	40,000	40,000
4365	Gains from Disposition of Allowances for Emission	-	-	-	-	-	-
4370	Losses from Disposition of Allowances for Emission	-	-	-	-	-	-
4375	Revenues from Non-Utility Operations	-	-	-	-	-	-
4380	Expenses of Non-Utility Operations	(13,405)	(20,108)	-	-	-	-
4385	Expenses of Non-Utility Operations	-	-	-	-	-	-
4390	Miscellaneous Non-Operating Income	67,136	35,051	26,835	30,996	30,996	30,996
4395	Rate-Payer Benefit Including Interest	-	-	-	-	-	-
4398	Foreign Exchange Gains and Losses, Including Amortization	-	-	-	-	-	-
4405	Interest and Dividend Income	529,194	329,691	69,402	100,608	72,237	72,237
	Total Other Income and Expenses	713,647	407,718	131,959	205,600	143,233	143,233
	Specific Service Charges	260,640	398,075	435,314	444,996	494,368	494,368
	Late Payment Charges	247,177	250,221	206,625	170,000	188,861	198,861
	Other Distribution Revenue	370,914	503,626	470,803	471,690	360,988	465,988
	Other Income and Expenses	713,647	407,718	131,959	205,600	143,233	143,233
	Total	1,592,379	1,559,639	1,244,700	1,292,286	1,187,450	1,302,450

Appendix G

2010 Test Year Updated OM&A

Summary of Operating Costs

Description	2008 Actual	Variance	2009 Bridge	Variance	Original Submission	Variance	Proposed Settlement	Variance
OM&A expenses								
Operation	898,928	73,122	786,225	(112,703)	1,041,236	255,011	1,026,236	(15,000)
Maintenance	1,031,028	126,329	975,626	(55,402)	1,187,798	212,172	1,142,798	(45,000)
Billing and Collections	1,423,199	134,865	1,579,767	156,568	1,826,798	247,031	1,826,798	(0)
Community Relations	53,431	(39,696)	41,145	(12,285)	56,529	15,384	56,529	-
Administrative and General Expenses	2,272,590	105,382	2,443,387	170,796	2,690,751	247,364	2,627,168	(63,583)
Total Controllables	5,679,177	400,002	5,826,150	146,974	6,803,112	976,962	6,679,529	(123,583)
Property Tax	0	0	0	0	0	0	0	-
Amortization Expenses	3,595,770	280,132	3,701,565	105,795	3,815,361	113,796	3,711,665	(103,696)
Total Operating Costs	9,274,947	680,134	9,527,716	252,769	10,618,473	1,090,757	10,391,194	(227,279)

Appendix H
2010 Test Year Updated Depreciation Expense

Chatham-Kent Hydro Inc.
 For Year 2010

Description	2010 NBV Opening Balance (A)	LESS Fully Depreciated (B)	Net For Depreciation (C) = (A)-(B)	2010 Additions (D)	Total For Depreciation (E) = (C) + 0.5 X (D)	Years (F)	2010 Depreciation Expense (G) = (E)/(F)
Land	117,846	-	-	-	-	-	-
Land Rights	-	-	-	-	-	-	-
Buildings and Fixtures	339,972	-	339,972	65,000	372,472	25	14,899
Leasehold Improvements	-	-	-	-	-	-	-
Transformer Station Equipment - Primary > 50 kV	-	-	-	100,000	845,093	23	36,743
Distribution Station Equipment - Primary <50 kV	795,093	-	795,093	-	-	-	-
Storage Battery Equipment	-	-	-	-	-	-	-
Poles, Towers and Fixtures	4,746,932	-	4,746,932	559,444	5,026,654	25	201,066
Overhead Conductors and Devices	19,628,594	-	19,628,594	653,418	19,955,303	22	907,059
Underground Conduit	1,278,455	-	1,278,455	241,438	1,399,174	25	55,967
Underground Conductors and Devices	15,181,831	-	15,181,831	813,840	15,588,751	19	820,461
Line Transformers	15,347,757	-	15,347,757	1,034,560	15,865,037	21	755,478
Services	3,755,475	-	3,755,475	423,737	3,967,343	25	158,694
Meters	2,858,240	-	2,858,240	29,499	2,872,989	20	143,649
Smart Meters	4,210,814	-	4,210,814	-	4,210,814	13	323,909
Other Installations on Customer's Premises	-	-	-	25,000	-	-	-
Land	668,511	-	-	-	-	-	-
Land Rights	-	-	-	-	-	-	-
Buildings and Fixtures	3,473,081	-	3,473,081	303,000	3,624,581	31	116,922
Leasehold Improvements	-	-	-	-	-	-	-
Office Furniture and Equipment	131,926	-	131,926	12,000	137,926	15	9,195
Computer Equipment - Hardware	298,067	298,067	-	-	-	-	-
Computer - Hardware post Mar 22/04	55,331	-	55,331	56,000	55,331	8	6,916
Computer - Hardware post Mar19/07	232,819	-	232,819	-	260,819	11	23,711
Computer Software	613,095	-	613,095	-	613,095	8	76,637
Transportation Equipment **	2,881,106	2,881,106	-	780,000	-	-	-
Stores Equipment	-	-	-	-	-	-	-
Tools, Shop and Garage Equipment	685,613	-	685,613	299,000	835,113	20	41,756
Measurement and Testing Equipment	-	-	-	-	-	-	-
Power Operated Equipment	-	-	-	-	-	-	-
Communication Equipment	-	-	-	-	-	-	-
Miscellaneous Equipment	-	-	-	-	-	-	-
Load Management Controls - Customer Premises	-	-	-	-	-	-	-
Load Management Controls - Utility Premises	-	-	-	-	-	-	-
System Supervisory Equipment	827,728	-	827,728	40,000	847,728	18	47,096
Sentinel Lighting Rentals	-	-	-	-	-	-	-
Other Tangible Property	1,826,998	-	1,826,998	81,595	1,867,796	13	143,677
Contributions and Grants	4,166,753	-	4,166,753	275,000	4,304,253	25	172,169
Total	75,788,531	3,179,173	71,823,001	5,242,530	74,041,766		3,711,665

Appendix I
2010 Test Year Updated PILs

Taxable Income Test Year

	T2 S1 line #	Test Year	Taxable Income
Net Income Before Taxes			2,214,291
Additions:			
Interest and penalties on taxes	103		
Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489	104		4,015,581
Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490	106		
Recapture of capital cost allowance from Schedule 8	107		
Gain on sale of eligible capital property from Schedule 10	108		
Income or loss for tax purposes- joint ventures or partnerships	109		
Loss in equity of subsidiaries and affiliates	110		
Loss on disposal of assets	111		
Charitable donations	112		0
Taxable Capital Gains	113		
Political Donations	114		
Deferred and prepaid expenses	116		
Scientific research expenditures deducted on financial statements	118		
Capitalized interest	119		
Non-deductible club dues and fees	120		
Non-deductible meals and entertainment expense	121		5,000
Non-deductible automobile expenses	122		
Non-deductible life insurance premiums	123		
Non-deductible company pension plans	124		
Tax reserves beginning of year	125		
Reserves from financial statements- balance at end of year	126		5,519,198
Soft costs on construction and renovation of buildings	127		
Book loss on joint ventures or partnerships	205		
Capital items expensed	206		
Debt issue expense	208		
Development expenses claimed in current year	212		
Financing fees deducted in books	216		
Gain on settlement of debt	220		
Non-deductible advertising	226		
Non-deductible interest	227		
Non-deductible legal and accounting fees	228		
Recapture of SR&ED expenditures	231		
Share issue expense	235		
Write down of capital property	236		
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237		
<i>Other Additions: (please explain in detail the nature of the item)</i>			
Interest Expensed on Capital Leases	290		
Realized Income from Deferred Credit Accounts	291		1,531,258
Pensions	292		
Non-deductible penalties	293		
	294		
	295		
	296		
	297		
Total Additions			11,071,037
Deductions:			
Gain on disposal of assets per financial statements	401		39,996
Dividends not taxable under section 83	402		
Capital cost allowance from Schedule 8	403		3,684,423
Terminal loss from Schedule 8	404		
Cumulative eligible capital deduction from Schedule 10 CEC	405		53,910
Allowable business investment loss	406		
Deferred and prepaid expenses	409		
Scientific research expenses claimed in year	411		
Tax reserves end of year	413		
Reserves from financial statements - balance at beginning of year	414		5,519,198
Contributions to deferred income plans	416		
Book income of joint venture or partnership	305		
Equity in income from subsidiary or affiliates	306		
<i>Other deductions: (Please explain in detail the nature of the item)</i>			
Interest capitalized for accounting deducted for tax	390		
Capital Lease Payments	391		
Non-taxable imputed interest income on deferral and variance accounts	392		
	393		
Deductible regulatory costs in deferred	394		1,531,258
	395		
	396		
	397		
Total Deductions			10,828,784
NET INCOME FOR TAX PURPOSES			2,456,544
Charitable donations	311		
Taxable dividends received under section 112 or 113	320		
Non-capital losses of preceding taxation years from Schedule 7-1	331		
Net-capital losses of preceding taxation years (Please show calculation)	332		
Limited partnership losses of preceding taxation years from Schedule 4	335		
REGULATORY TAXABLE INCOME			2,456,544

PILs, Tax Provision

		Wires Only	
Regulatory Taxable Income		\$ 2,456,544	A
Ontario Income Taxes			
Income tax payable	Ontario income tax	13.00% B \$ 319,351 C = A * B	
Small business credit	Ontario Small Business Threshold Rate reduction	\$ 500,000 D -8.50% E -\$ 42,500 F = D * E	
Surtax		\$ 1,000,000 G = A - D 4.25% H	
Ontario Income tax	Ontario surtax claw-back	\$ 42,500 I = G * H	
		\$ 319,351	J = C + F + I
Combined Tax Rate and PILs	Effective Ontario Tax Rate	13.00% K = J / A	
	Federal tax rate	18.00% L	
	Combined tax rate	31.00%	M = L + L
Total Income Taxes		\$ 761,529	N = A * M
Investment Tax Credits		\$ 26,700	O
Miscellaneous Tax Credits		\$ 26,700	P
Total Tax Credits		\$ 26,700	Q = O + P
Corporate PILs/Income Tax Provision for Test Year		\$ 734,829	R = N - Q
Corporate PILs/Income Tax Provision Gross Up		69.00% S = 1 - M	T = R / S - N
		\$ 330,140	
Income Tax (grossed-up)		\$ 1,064,969	U = R + T
Ontario Capital Tax (not grossed-up)		\$ 30,900	V
Tax Provision for Test Year Rate Recovery		\$ 1,095,869	W = U + V

Appendix J
2010 Test Year Updated Cost of Capital

Proposed Settlement Capital Structure for 2010				
Capitalization Ratio				
Description	%	\$	Cost Rate	Return
Debt				
Long Term Debt	56.00%	31,472,161	5.87%	1,847,416
Short Term Debt	4.00%	2,248,012	2.07%	46,534
Total Debt	60.00%	33,720,173		1,893,950
Equity				
Common Share Equity	40.00%	22,480,115	9.85%	2,214,291
Preferred Shares				
Total Equity	40.00%	22,480,115		2,214,291
Total Rate Base	100.00%	56,200,288	7.31%	4,108,241

Original Submission Capital Structure for 2010				
Capitalization Ratio				
Description	%	\$	Cost Rate	Return
Debt				
Long Term Debt	56.00%	31,401,198	7.62%	2,392,771
Short Term Debt	4.00%	2,242,943	1.33%	29,831
Total Debt	60.00%	33,644,141		2,422,602
Equity				
Common Share Equity	40.00%	22,429,427	8.01%	1,796,597
Preferred Shares				
Total Equity	40.00%	22,429,427		1,796,597
Total Rate Base	100.00%	56,073,568	7.52%	4,219,200

Appendix K
2010 Test Year Updated Revenue Deficiency

**Chatham-Kent Hydro Inc.
 Revenue Deficiency Determination**

Description	2009 Bridge	2010 Test Existing Rates	2010 Proposal Settlement
Revenue			
Revenue Deficiency			1,197,225
Distribution Revenue	12,800,555	13,095,629	13,095,629
Other Operating Revenue (Net)	1,292,286	1,302,450	1,302,450
Smart Meter Deferral Account Adjustment			
Total Revenue	14,092,841	14,398,079	15,595,303
Costs and Expenses			
Administrative & General, Billing & Collecting	4,064,299	4,510,495	4,510,495
Operation & Maintenance	1,761,886	2,169,034	2,169,034
Depreciation & Amortization	3,701,565	3,711,665	3,711,665
Property Taxes	0	0	0
Capital Taxes	90,986	30,900	30,900
Deemed Interest	2,088,763	1,893,950	1,893,950
Total Costs and Expenses	11,707,499	12,316,044	12,316,044
Less OCT Included Above			
Total Costs and Expenses Net of OCT	11,707,499	12,316,044	12,316,044
Utility Income Before Income Taxes	2,385,342	2,082,035	3,279,260
Income Taxes:			
Corporate Income Taxes	867,519	693,829	1,064,969
Total Income Taxes	867,519	693,829	1,064,969
Utility Net Income	1,517,823	1,388,206	2,214,291
Capital Tax Expense Calculation:			
Total Rate Base	55,438,286	56,200,288	56,200,288
Exemption	15,000,000	15,000,000	15,000,000
Deemed Taxable Capital	40,438,286	41,200,288	41,200,288
Ontario Capital Tax	90,986	30,900	30,900
Income Tax Expense Calculation:			
Accounting Income	2,385,342	2,082,035	3,279,260
Tax Adjustments to Accounting Income	243,504	242,252	242,252
Taxable Income	2,628,846	2,324,287	3,521,511
Income Tax Expense	867,519	720,529	1,091,669
Tax Credits	0	-26,700	-26,700
Net Income Tax Expense	867,519	693,829	1,064,969
	33.00%	31.00%	31.00%
Actual Return on Rate Base:			
Rate Base	55,438,286	56,200,288	56,200,288
Interest Expense	2,088,763	1,893,950	1,893,950
Net Income	1,517,823	1,388,206	2,214,291
Total Actual Return on Rate Base	3,606,586	3,282,156	4,108,241
Actual Return on Rate Base	6.51%	5.84%	7.31%
Required Return on Rate Base:			
Rate Base	55,438,286	56,200,288	56,200,288
Return Rates:			
Return on Debt (Weighted)	7.04%	5.62%	5.62%
Return on Equity	9.00%	9.85%	9.85%
Deemed Interest Expense	2,081,393	1,893,950	1,893,950
Return On Equity	2,328,574	2,214,291	2,214,291
Total Return	4,409,967	4,108,241	4,108,241
Expected Return on Rate Base	7.95%	7.31%	7.31%
Revenue Deficiency After Tax	803,381	826,085	0
Revenue Deficiency Before Tax	1,199,077	1,197,225	0

Tax Exhibit	2010
Deemed Utility Income	2,214,291
Tax Adjustments to Accounting Income	242,251.50
Taxable Income prior to adjusting revenue to PILs	2,456,543
Tax Rate	31.00%
Total PILs before gross up	734,828
Grossed up PILs	1,064,969

	Original Submission	Settlement Agreement	
		As filed Cost of Capital	Updated Cost of Capital
Net Fixed Assets	47,405,429	47,214,977	47,214,977
Working Capital	8,668,139	8,985,311	8,985,311
Rate Base	56,073,568	56,200,288	56,200,288
Deemed Long-Term Debt Component %	56.00%	56.00%	56.00%
Deemed Short-Term Debt Component %	4.00%	4.00%	4.00%
Deemed Equity Component %	40.00%	40.00%	40.00%
Long - Term Debt Rate	7.62%	7.04%	5.87%
Short- Term Debt Rate	1.33%	1.33%	2.07%
Return Equity	8.01%	8.01%	9.85%
Weighted Average cost of Capital	7.52%	7.20%	7.31%
Cost of Capital (Return on Rate Base)	4,219,200	4,046,196	4,108,241
OM&A	6,803,112	6,679,529	6,679,529
Municipal and Property Taxes	-	-	-
Depreciation and Amortizaion	3,815,361	3,711,665	3,711,665
PILS	987,663	910,034	1,095,869
Service Revenue Requirement	15,825,336	15,347,424	15,595,304
Revenue Offset	1,187,450	1,302,450	1,302,450
Base Revenue Requirement	14,637,886	14,044,974	14,292,854
Revenue Deficiency	1,799,705	949,345	1,197,225

Note:

Third Column includes the updated Cost of Capital information from the Board report dated February 24, 2010.

Appendix L
2010 Test Year Updated Revenue to cost Ratios

Customer Class	Existing Rates	Rate Application	Existing Rates	Rate Application	Miscellaneous Revenue	Cost Allocation incl Misc Rev	Existing Rates incl Misc Rev	Rate Application incl Misc Rev	Resulting Rev Cost Ratio	Rev Cost Ratio from Cost Allocation Study	Board Target Low	Board Target High
Residential	55.15%	55.20%	7,881,883	7,889,655	869,140	869,140	8,751,023	8,758,795	94.70%	94.62%	85%	115%
General Service < 50 kW	15.03%	15.48%	2,148,053	2,212,534	216,236	216,236	2,364,289	2,428,770	106.62%	103.79%	80%	120%
General Service > 50 to 999 kW	10.39%	11.60%	1,485,125	1,657,971	156,517	156,517	1,641,642	1,814,488	73.07%	66.11%	80%	180%
Intermediate	16.80%	14.38%	2,400,890	2,055,027	35,685	35,685	2,436,575	2,090,711	241.49%	281.44%	85%	115%
Large Use	0.00%	0.00%	0	0	0	0	0	0				
Streetlights	0.92%	1.40%	131,163	200,100	11,052	11,052	142,215	211,152	68.07%	45.85%	70%	120%
Sentinel Lights	0.14%	0.17%	20,582	24,727	1,571	1,571	22,153	26,297	59.87%	50.44%	70%	120%
Unmetered Scattered Loads	0.10%	0.13%	14,510	18,438	1,050	1,050	15,560	19,488	66.17%	52.83%	80%	120%
Intermediate with Self Generation	1.47%	1.64%	210,648	234,403	11,199	11,199	221,847	245,602	73.08%	66.01%	80%	120%
TOTAL	100.00%	100.00%	14,292,854	14,292,854	1,302,450	1,302,450	15,595,304	15,595,304				

Appendix M
Summary of Updated Customer Impacts

Bill Impacts from the Original Submission

Class – Typical Usage	Monthly Dollar Impact	Total Bill Impact %
Residential - 800 kWh		
2010 total bill	93.60	0.9%
2009 total bill	92.76	
General Service <50 kW – 2,000 kWh		
2010 total bill	229.37	2.3%
2009 total bill	224.00	
General Service >50 kW - 250 kW		
2010 total bill	9,426.40	6.9%
2009 total bill	8,815.60	
General Service Intermediate - 4,000 kW		
2010 total bill	146,411.85	0.0%
2009 total bill	146,388.04	
Street Lighting		
2010 total bill	61,714.65	30.9%
2009 total bill	47,143.13	
Sentinel Lighting		
2010 total bill	5,709.15	40.8%
2009 total bill	4,055.11	
Unmetered Scattered Load		
2010 total bill	97,360.35	-0.4%
2009 total bill	97,741.89	
Standby Charge - 8,000 kW		
2010 total bill	231,276.47	2.4%
2009 total bill	225,864.52	

Customer Impacts Including Cost of Capital Update

RPP Customers Bill Impact Summary

Class – Typical Usage	Monthly Dollar Impact	Total Bill Impact %
Residential - 800 kWh		
2010 total bill	91.53	-1.3%
2009 total bill	92.76	
General Service <50 kW – 2,000 kWh		
2010 total bill	223.92	0.0%
2009 total bill	224.00	
General Service >50 kW - 250 kW		
2010 total bill	8,687.64	-1.5%
2009 total bill	8,815.60	
General Service Intermediate - 4,000 kW		
2010 total bill	152,068.64	3.9%
2009 total bill	146,388.04	
Street Lighting		
2010 total bill	52,558.65	11.5%
2009 total bill	47,143.13	
Sentinel Lighting		
2010 total bill	4,601.67	13.5%
2009 total bill	4,055.11	
Unmetered Scattered Load		
2010 total bill	88,476.31	-9.5%
2009 total bill	97,741.89	
Intermediate with Self Generation - 8,000 kW		
2010 total bill	211,551.01	-6.3%
2009 total bill	225,864.52	

Non RPP Customers Bill Impact Summary

Class – Typical Usage	Monthly Dollar Impact	Total Bill Impact %
Residential - 800 kWh		
2010 total bill	92.73	0.0%
2009 total bill	92.76	
General Service <50 kW – 2,000 kWh		
2010 total bill	226.92	1.4%
2009 total bill	224.00	
General Service >50 kW - 250 kW		
2010 total bill	8,835.99	0.2%
2009 total bill	8,815.60	
General Service Intermediate - 4,000 kW		
2010 total bill	154,466.21	5.5%
2009 total bill	146,388.04	
Street Lighting		
2010 total bill	53,232.96	12.9%
2009 total bill	47,143.13	
Sentinel Lighting		
2010 total bill	4,646.62	14.6%
2009 total bill	4,055.11	
Unmetered Scattered Load		
2010 total bill	90,124.63	-7.8%
2009 total bill	97,741.89	
Intermediate with Self Generation - 8,000 kW		
2010 total bill	215,297.21	-4.7%
2009 total bill	225,864.52	

Appendix N
Updated Deferral and Variance Account Rate Riders

Appendix O
Updated Smart Meter Rates

Summary of the Smart Meter Adders and Rider

Rate	Filed	Updated
Smart Meter Adder for 2008 cost	0.45	0.45
Permanent Rider	0.18	0.18
Smart Meter Adder for 2009 and 2010	0.51	0.51

Note that the change in the cost of capital based upon the February 24th letter from the OEB has resulted in no change in the proposed Smart Meter adders and rider.

Smart Meter Revenue Requirement & Proposed Rates- Summary
 Chatham-Kent Hydro Inc.

Summary of Actual Costs claimed in this application	2008	2008	2009	Total Actual	Perm Adjust 2009
Capital Costs (must be installed, and used and useful)					
Smart Meters	\$ 419,116		\$ -	\$ 419,116	\$ 419,116
Computer Hardware	\$ 8,883		\$ -	\$ 8,883	\$ 8,883
Computer Software	\$ 7,066		\$ -	\$ 7,066	\$ 7,066
Tools & Equipment	\$ -		\$ -	\$ -	\$ -
Other Equipment (please specify)	\$ -		\$ -	\$ -	\$ -
Total Capital Costs	\$ 435,064		\$ -	\$ 435,064	\$ 435,064

O M & A

2.1 Advanced metering communication device (AMCD)	\$ -		\$ -	\$ -
2.2 Advanced metering regional collector (AMRC) (inc	\$ -		\$ -	\$ -
2.3 Advanced metering control computer (AMCC)	\$ -		\$ -	\$ -
2.4 Wide area network (WAN)	\$ -		\$ -	\$ -
2.5 Other AMI OM&A costs related to minimum functi	\$ 423,820		\$ -	\$ 423,820
Total O M & A Costs	\$ 423,820		\$ -	\$ 423,820

Summary of Revenue Requirement Calculation	2008	2008	2009	Total Actual	Perm Adjust 2009
Net Fixed Assets					
Net Fixed Assets Beginning of Year	\$ -	\$ 419,028	\$ 386,955		\$ 386,955
Net Fixed Assets End of Year	\$ 419,028	\$ 386,955	\$ -		\$ 354,882
Average Net Fixed Asset Values	\$ 209,514	\$ 402,992	\$ 193,478		\$ 370,919

Working Capital Allowance

Operation Expense	\$ 423,820	\$ -	\$ -		\$ -
Working Capital Allowance 15% (from approved 2006	\$ 63,573	\$ -	\$ -		\$ -

Smart Meters Rate Base	\$ 273,087	\$ 402,992	\$ 193,478		\$ 370,919
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Return on Rate Base

Deemed Debt 53.3% Times Weighted Debt Rate 7.04%	\$ 10,247	\$ 15,122	\$ 7,260	\$ 32,629	\$ 14,798
Deemed Equity 46.7% Times ROE 9%	\$ 11,478	\$ 6,045	\$ 8,132	\$ 25,655	\$ 14,465
Return on Rate Base	\$ 21,725	\$ 21,166	\$ 15,392	\$ 58,283	\$ 29,263

Operating Expenses

Incremental Operating Expenses	\$ 423,820	\$ -	\$ -	\$ 423,820	\$ -
Amortization Expenses	\$ 16,036	\$ 32,073	\$ -	\$ 48,109	\$ 32,073
Total Operating Expenses	\$ 439,857	\$ 32,073	\$ -	\$ 471,930	\$ 32,073
Stranded Cost	\$ 114,623			\$ 114,623	
Total Operating Expenses	\$ 554,480	\$ 32,073	\$ -	\$ 586,553	

	2008	2008	2009	Total Actual	Perm Adjust 2009
Revenue Requirement Before PILs	\$ 576,205	\$ 53,239	\$ 15,392	\$ 644,836	\$ 61,336
Grossed up PILs	\$ 5,765	\$ 6,833	\$ -	\$ 12,598	\$ 8,616
Revenue Requirement for Smart Meters	\$ 581,970	\$ 60,073	\$ 15,392	\$ 657,434	\$ 69,952

Rate Rider to Clear Actual Expenses to December 2008

Revenue Requirement for Smart Meters Installed					\$ 657,434
Carrying costs					\$ 2,988

The last available Board prescribed interest rate for approved accounts to be applied against deferral accounts is assumed to continue without change for the completion of

	Rate Adder	Customers	No. of Mths	Amount Recovered	
Less Smart Meter Adder Recovery					
November 2008 to April 30, 2009	\$ 0.54	31,872	6	\$ 103,265	
May 1, 2009 to April 30, 2010	\$ 0.54	32,132	12	\$ 208,215	
May 1, 2010 to April 30, 2012	\$ 0.45	32,132	24	\$ 347,026	
					-\$ 658,506
					\$ 1,916

**Metered
Customers per**

Permanent Capital Rate Adjustment	Rate Adder	2006 EDR	No. of Mths	Amount Recovered
May 2010	\$ 0.18	32,132	12	\$ 69,952

Smart Meter Revenue Requirement & Proposed Rates- Summary

Summary of Actual Costs claimed in this application	2009 Capital	2010 Capital	Total
Capital Costs <i>(must be installed, and used and useful)</i>			
Smart Meters	\$ 600,000	\$ 750,000	\$ 1,350,000
Computer Hardware	\$ -	\$ -	\$ -
Computer Software	\$ -	\$ -	\$ -
Tools & Equipment	\$ -	\$ -	\$ -
Other Equipment <i>(please specify)</i>	\$ -	\$ -	\$ -
Total Capital Costs	<u>\$ 600,000</u>	<u>\$ 750,000</u>	<u>\$ 1,350,000</u>
O M & A			
2.1 Advanced metering communication device (AMCD)	\$ -	\$ -	\$ -
2.2 Advanced metering regional collector (AMRC) (includes LAN)	\$ -	\$ -	\$ -
2.3 Advanced metering control computer (AMCC)	\$ -	\$ -	\$ -
2.4 Wide area network (WAN)	\$ -	\$ -	\$ -
2.5 Other AMI OM&A costs related to minimum functionality	\$ -	\$ -	\$ -
Total O M & A Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Summary of Revenue Requirement Calculation	2009 Capital	2010 Capital	Total
Net Fixed Assets			
Net Fixed Assets Beginning of Year	\$ -	\$ 580,000	
Net Fixed Assets End of Year	\$ 580,000	\$ 1,265,000	
Average Net Fixed Asset Values	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ 922,500</u>
Working Capital Allowance			
Operation Expense	\$ -	\$ -	\$ -
Working Capital Allowance	\$ -	\$ -	\$ -
Smart Meters Rate Base	<u>\$ 290,000</u>	<u>\$ -</u>	<u>\$ 922,500</u>
Return on Rate Base			
Deemed Debt	\$ 11,570	\$ 31,088	\$ 42,658
Deemed Equity	\$ 11,309	\$ 36,347	\$ 47,656
Return on Rate Base	<u>\$ 22,879</u>	<u>\$ -</u>	<u>\$ 67,435</u>
Operating Expenses			
Incremental Operating Expenses	\$ -	\$ -	\$ -
Amortization Expenses	\$ 20,000	\$ 65,000	\$ 85,000
Total Operating Expenses	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>
	2009 Capital	2010 Capital	Total
Revenue Requirement Before PILs	\$ 42,879	\$ 132,435	\$ 175,314
Grossed up PILs	\$ 5,322	\$ 17,104	\$ 22,426
Revenue Requirement for Smart Meters	<u>\$ 48,201</u>	<u>\$ 149,539</u>	<u>\$ 197,740</u>

Rate Adder for Capital In 2009 and 2010
 May 1, 2010 to April 30, 2011

	Rate Adder	Metered Customers per 2010	No. of Mths	Amount Recovered
	\$ 0.51	32,132	12	\$ 197,740

Deemed Capital Structure

	2009	2010
STD	0.0%	4%
LTD	56.7%	56%
Equity	43.3%	40.0%

Capitl Rates

	2009	2010
STD	0.0%	2.07%
LTD	7.04%	5.87%
Equity	9.0%	9.85%

Tax Rate

32%

Appendix P
Updated LRAM and SSM Rate Riders

LRAM/SSM Rate Rider

Class	Filed	Adjustment	Agreed to	Billing Units	Metrics	\$/Unit KWh/kW
Residential	\$ 733,173	\$ 347,010	\$ 386,163	207,045,763	KWH	0.00187
General Service < 50 kW	\$ 13,594		\$ 13,594	90,210,202	KWH	0.00015
Streetlight	\$ 27,427		\$ 27,427	18,365	kW	1.49344
Total	\$ 774,194	\$ 347,010	\$ 427,184			

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