



Hawkesbury Hydro Inc.  
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March 29, 2010

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**Re: Amendments to responses to Board Staff supplemental Interrogatories**

Please find attached Hawkesbury Hydro (HHI)'s amendments to Board Staff Supplemental Interrogatories related to HHI's Cost of Service Application EB-2009-0186.

Should there be any questions, please do not hesitate to contact me at the number below.

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**Board Staff Interrogatories**  
**2010 Electricity Distribution Rates**  
**Hydro Hawkesbury Inc.**  
**EB-2009-0186**  
**AMENDMENTS**

Hawkesbury Hydro would like to amend their responses to the following sections of Board Staff's supplemental interrogatories.

**RateBase:**

HHI found that the Statement of Rate Base (Exhibit 1, Tab 1, Schedule 1), presented in its response to the supplemental interrogatories was incorrect. Please find at the next page a revised Statement of Rate Base.

## Statement of Rate Base

	2006 EDR Approved	2006 Actual	2007 Actual	2008 Actual	2009 Projection	2010 Projection
<i>Net Capital Assets in Service:</i>						
Opening Balance		2,021,354	2,037,153	1,946,484	1,921,968	2,057,629
Ending Balance		2,037,153	1,946,484	1,921,968	2,057,629	2,254,031
Average Balance	2,058,337	2,029,253	1,991,818	1,934,226	1,989,799	2,155,830
Working Capital Allowance (see below)	2,260,393	2,215,124	2,264,864	2,162,052	2,229,660	2,114,431
<b>Total Rate Base</b>	<b>4,318,730</b>	<b>4,244,377</b>	<b>4,256,682</b>	<b>4,096,279</b>	<b>4,219,459</b>	<b>4,270,262</b>
<i>Expenses for Working Capital</i>						
<i>Eligible Distribution Expenses:</i>						
3500-Distribution Expenses - Operation	52,662	51,684	54,765	64,402	72,789	75,463
3550-Distribution Expenses - Maintenance	123,155	130,222	175,050	159,889	173,142	171,887
3650-Billing and Collecting	267,315	228,770	236,346	303,877	314,905	327,572
3700-Community Relations	100	60,810	12,668	100	104	2,108
3800-Administrative and General Expenses	350,188	274,250	290,168	269,155	285,636	390,351
3950-Taxes Other Than Income Taxes	24,654	25,171	25,634	26,205	26,916	28,262
<b>Total Eligible Distribution Expenses</b>	<b>818,074</b>	<b>770,907</b>	<b>794,632</b>	<b>823,628</b>	<b>873,492</b>	<b>995,643</b>
3350-Power Supply Expenses	14,251,214	13,996,585	14,304,462	13,590,055	13,990,908	13,100,567
<b>Total Expenses for Working Capital</b>	<b>15,069,288</b>	<b>14,767,492</b>	<b>15,099,094</b>	<b>14,413,683</b>	<b>14,864,400</b>	<b>14,096,210</b>
Working Capital factor	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Working Capital Allowance</b>	<b>2,260,393</b>	<b>2,215,124</b>	<b>2,264,864</b>	<b>2,162,052</b>	<b>2,229,660</b>	<b>2,114,431</b>

**Global Adjustment**

Since it formulated its responses to Board Staff Interrogatories (Filed February 4, 2010), HHI has learnt from its software provider (E-Caliber) that it will be able to accommodate the allocation of a subgroup within the rate class. HHI also confirms that it will be able to separate MUSH from other non-RPP customers.

**Smart Meters**

The OCT rate presented as part of the responses to the supplemental interrogatories was incorrect. The proper OCT tax rate should have been 0.015%. As a result, HHI is providing an updated Smart Meter Model reflecting this change.

## Smart Meter Costs

### 2010 EDR Data Information

Third-party long-term debt	0.0%
Deemed long-term debt	56.0%
Short-term debt	4.0%
Deemed Equity	40.0%
Third-party long-term debt rate	7.62%
Deemed long-term debt rate	7.62%
Short-term debt rate	1.33%
Return on Equity	8.01%
Weighted Average Cost of Capital	7.52%

### 2010 Tax Rate

Corporate Income Tax Rate	16.00%
Capital Tax Rate	15.000%

### Capital Data:

	01-May-08 to 31-Dec-08	01-Jan-09 to 31-Dec-09	01-Jan-09 to 31-Dec-10	
Smart meter including installation			\$ 864,347	<-----
Tools and Equipment (Work force management)	\$ -	-		<-----
Computer Hardware Costs	\$ -	\$ -	-	<-----
Computer Software	\$ -	\$ -	-	<-----
Total Capital Costs	\$ -	\$ -	\$ 864,347	

### LDC Amortization Policy:

Smart Meter Amortization Rate	\$ 15
Tools and Equipment (Work force management)	\$ 10
Computer Hardware Amortization Rate	\$ 5
Computer Software Amortization Rate	\$ 10

### Operating Expense Data:

	01-Jan-10 to 31-Dec-10	
Incremental OM&A Expenses	\$ 30,992	<-----
Total Incremental Operating Expense	\$ 30,992	

## Smart Meter Revenue Requirement Calculation 2010

### Average Asset Values

	31-Dec-10	
Net Fixed Assets Smart Meters	\$ 417,768	
Net Fixed Assets Tools and Equipment	\$ -	
Net Fixed Assets Computer Hardware	\$ -	
Net Fixed Assets Computer Software	\$ -	
Total Net Fixed Assets	\$ 417,768	\$ 417,768

### Working Capital

Operation Expense	\$ 30,992	
15 % Working Capital	\$ 4,649	\$ 4,649

### Smart Meters included in Rate Base

\$ 422,417

### Return on Rate Base

Third-party long-term debt	0.0%	\$ -
Deemed long-term debt	56.0%	\$ 236,553
Short-term debt	4.0%	\$ 16,897
Deemed Equity	40.0%	\$ 168,967
		<u>\$ 422,417</u>

Third-party long-term debt rate	7.62%	\$ -
Deemed long-term debt rate	7.62%	\$ 18,025
Short-term debt rate	1.33%	\$ 225
Return on Equity	8.01%	\$ 13,534

### Return on Rate Base

\$ 31,784 \$ 31,784

### Operating Expenses

Incremental Operating Expenses	\$ 30,992
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### Amortization Expenses

Amortization Expenses - Smart Meters	\$ 28,812
Amortization Expenses - Tools and equipment	\$ -
Amortization Expenses - Computer Hardware	\$ -
Amortization Expenses - Computer Software	\$ -

### Total Amortization Expenses

\$ 28,812

### Revenue Requirement Before PILs

\$ 91,588

### Calculation of Taxable Income

Incremental Operating Expenses	-\$ 30,992
Depreciation Expenses	-\$ 28,812
Interest Expense	-\$ 18,250
	<u>\$ 13,534</u>

### Taxable Income For PILs

\$ 13,534

### Grossed up PILs

\$ 1,606

Revenue Requirement Before PILs	\$ 91,588
Grossed up PILs	\$ 1,606

### Revenue Requirement for Smart Meters

\$ 93,194

### Net Revenue Requirement for 2010

\$ 93,194

Average customer # -----> 5,350

Rate Adder per month per metered customer \$1.45

## PILs Calculation 2010

31-Dec-10

### INCOME TAX

Net Income	\$	13,534
Amortization	\$	28,812
CCA - Class 47 (8%) Smart Meters	-\$	34,574
CCA - Class 8 (20%) Tools and Equipment	\$	-
CCA - Class 45 (45%) Computers		
CCA - Class 12 (100%) Computers Software	\$	-
Change in taxable income	\$	<u>7,772</u>
Tax Rate		<u>16.00%</u>
Income Taxes Payable	\$	<u>1,244</u>

### ONTARIO CAPITAL TAX

Smart Meters	\$	835,535
Tools and Equipment	\$	-
Computer Hardware	\$	-
Computer Software	\$	-
Rate Base	\$	<u>835,535</u>
Less: Exemption	\$	<u>-</u>
Deemed Taxable Capital	\$	<u>835,535</u>
Ontario Capital Tax Rate		<u>0.015%</u>
Net Amount (Taxable Capital x Rate)	\$	<u>125</u>

### Gross Up

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	\$ 1,244	16.00%	\$ 1,480
Change in OCT	\$ 125		\$ 125
PIL's	<u>\$ 1,369</u>		<u>\$ 1,606</u>



# **Smart Meter Average Net Fixed Assets**

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
<b>Net Fixed Assets - Smart Meters</b>			
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment Year 1	\$ -		
Capital Investment Year 2		\$ -	
Capital Investment Subsequent Years			\$ 864,347
Closing Capital Investment	\$ -	\$ -	\$ 864,347
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (15 Years Straight Line)	\$ -	\$ -	\$ -
Amortization Subsequent Years			\$ 28,812
Closing Accumulated Amortization	\$ -	\$ -	\$ 28,812
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ 835,535
Average Net Fixed Assets	\$ -	\$ -	\$ 417,768

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
<b>Net Fixed Assets - Tools and Equipment</b>			
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment Year 1	\$ -		
Capital Investment Year 2		\$ -	
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -	\$ -
Amortization Year 2 (10 Years Straight Line)			\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
<b>Net Fixed Assets - Computer Hardware</b>			
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment Year 1	\$ -		
Capital Investment Year 2		\$ -	
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -	\$ -
Amortization Year 2 (5 Years Straight Line)			\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
<b>Net Fixed Assets - Computer Software</b>			
Opening Capital Investment	\$ -	\$ -	\$ -
Capital Investment Year 1	\$ -		
Capital Investment Year 2		\$ -	
Closing Capital Investment	\$ -	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -	\$ -
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -	\$ -
Amortization Year 2 (5 Years Straight Line)			\$ -
Closing Accumulated Amortization	\$ -	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -	\$ -

<b>Total Assets</b>			
Total Fixed Assets	\$ -	\$ -	\$ 864,347
Total Accumulated Amortization	\$ -	\$ -	\$ 28,812
Closing Net Fixed Assets	\$ -	\$ -	\$ 835,535

**For PILs Calculation**

**UCC - Smart Meters**

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
CCA Class 47 (8%)			
Opening UCC	\$ -	\$ -	\$ -
Capital Additions	\$ -	\$ -	\$ 864,347
UCC Before Half Year Rule	\$ -	\$ -	\$ 864,347
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ 432,174
Reduced UCC	\$ -	\$ -	\$ 432,174
CCA Rate Class 47	8%	8%	8%
CCA	\$ -	\$ -	\$ 34,574
Closing UCC	\$ -	\$ -	\$ 829,773

**UCC - Tools and Equipment**

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
CCA Class 8 (20%)			
Opening UCC	\$ -	\$ -	\$ -
Capital Additions	\$ -	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -
Reduced UCC	\$ -	\$ -	\$ -
CCA Rate Class 8	20%	20%	20%
CCA	\$ -	\$ -	\$ -
Closing UCC	\$ -	\$ -	\$ -

**UCC - Computer Equipment**

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
CCA Class 45 (45%)			
Opening UCC	\$ -	\$ -	\$ -
Capital Additions Hardware	\$ -	\$ -	\$ -
Capital Additions Software	\$ -	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -
Reduced UCC	\$ -	\$ -	\$ -
CCA Rate Class 45	55%	55%	55%
CCA	\$ -	\$ -	\$ -
Closing UCC	\$ -	\$ -	\$ -

**UCC - Computer Software**

	01-May-08 to 31-Dec-08	31-Dec-09	31-Dec-10
CCA Class 12 (100%)			
Opening UCC	\$ -	\$ -	\$ -
Capital Additions Hardware	\$ -	\$ -	\$ -
Capital Additions Software	\$ -	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -
Reduced UCC	\$ -	\$ -	\$ -
CCA Rate Class 12	100%	100%	100%
CCA	\$ -	\$ -	\$ -
Closing UCC	\$ -	\$ -	\$ -