RENFREW HYDRO INC. ("RHI")

RESPONSES TO BOARD STAFF INTERROGATORIES

QUESTION #1

It would appear that certain data have been variously stated in the application such that it is unclear which values the Applicant is relying on and what the appropriate resultant rates should be.

If in addressing these interrogatories and those of VECC, any data is found to be inconsistently filed *and this affects the rates requested*, please file one complete consistent set of models, worksheets, data, etc. covering all key aspects of the application, in a manner that reflects Board current policies, guidelines, etc.

RESPONSE:

In addressing interrogatories, RHI has determined the following amendments to its initial application which affect the proposed rates:

Application Amendments

IR	Amendment	Rate Base	Return on Capital	PILs	Distribution Expenses	Revenue Requir.
Initial Application		**6,021,836**	**436,576**	**57,195**	**1,538,880**	**2,032,651**
OEB-4	Line loss factor	(5,179)	(375)	(39)		(414)
VECC-14	Existing MSC rates *	0				0
VECC-20	Tax credits			(14,500)		(14,500)
Revised Application		**6,016,657**	**436,201**	**42,656**	**1,538,880**	**2,017,737**

** Affects Rate Design and Bill Impacts*

The total bill impacts resulting from these changes are as follows:

Total Bill Impacts

	Monthly Usage	Initial Appl.	With Changes
Residential	800 kWh's	2.6%	2.4%
General Service Less Than 50 kW	2,000 kWh's	3.7%	3.3%
General Service 50 to 4,999 kW	68500 kWh's, 190 kW's	(1.8%)	(2.1%)
Unmetered Scattered Load	397 kWh's	31.2%	30.9%
Street Lighting	80 kWh;s, 0.22 kW	7.0%	6.5%

Note that all RHI responses to these interrogatories rely on data as submitted in its initial application, unless otherwise requested in the question or explicitly noted in the response.

The following models have been revised and the updated versions submitted electronically, along with these interrogatory responses:

- Rate model ("RateMaker")
- RateMaker PILs model
- 2010 Cost Allocation Model
- Revenue Requirement Work Form

For version control, "IRr1" has been included in the file names of the revised models.

QUESTION #2

Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and confirm if the Applicant intends to respond and file a copy of the response if and when such response is given.

RESPONSE:

RHI has not received any letters of comment in respect of this Application.

QUESTION #3

Board records show that the Applicant filed its application on May 28, 2010, after the April 30, 2010 closing date for 2010 cost of service rate applications as set out in the Board's April 20, 2010, letter: "Application for Rates for the 2010 Rate Year – Direction Regarding Filing."

Please provide a comprehensive explanation for the Applicant's four-week delay in filing it 2010 cost of service rate application.

RESPONSE:

While RHI understood that its 2010 rates would not necessarily become effective May 1 if its rate application was after August 2009, RHI was not aware of any deadline for filing a cost of service application prior to the Board's letter dated April 20, 2010.

Given the level of progress RHI had made in preparing its rate application at the time the Board's letter was received, it would not have been possible to deliver a quality application within ten days. RHI and its consultant worked with all due intensity and diligence to complete a quality submission by the date specified in its response to the Board's letter.

QUESTION #4

Ref: Exhibit 1/2/2/p1

The Applicant states on page 1 of the exhibit that "RHI received its supply from Hydro One…" In Exhibit 3.1.2.1.p1 the Applicant states "Renfrew Hydro purchases its wholesale energy from an embedded generator and also from Hydro One…"

a) Please provide details of the energy purchased from the embedded generator.
b) Please identify the embedded generator.
c) Please confirm that the energy purchased from the embedded generator has been appropriately reflected in the various calculations in the application or provide alternative calculations as necessary.

RESPONSE:

a) The annual quantity of energy purchased from the embedded generator appears in the table below in response to part (c).

b) The embedded generator is Renfrew Power Generation

c) The energy volumes used in the line loss calculation in E8/3/3/1 reflected all energy purchases, including those from the embedded generator which would attract no distribution loss factor (DLF). As such, the calculated DLFs would be correct; however RHI acknowledges that the Supply Facility Loss Factor (SFLF) should not apply to energy purchased from the embedded generator. The following table presents the calculation of the revised Total Loss Factor (TLF), reflecting the adjustment to the SFLF:

Revised Total Loss Factor Calculation	**2005**	**2006**	**2007**	**2008**	**2009**
a Total Wholesale Energy Purchases (kWh) [1]	102,456,462	102,794,880	104,708,586	106,553,924	101,967,265
b Energy Purchased from Embedded Distributor (kWh)	10,421,914	14,854,183	12,505,577	14,853,996	14,585,047
c % Energy Purchased from Embedded Distributor: b / a	10.2%	14.5%	11.9%	13.9%	14.3%
d Default SFLF [2]	1.0340	1.0340	1.0340	1.0340	1.0340
e Adjusted SFLF: d x (1 - c) + (c x 1.0000)	1.0305	1.0291	1.0299	1.0293	1.0291
f Five-year Average Adjusted SFLF					1.0296
g Five-year Average DLF [2]					1.0499
h Revised TLF: f x g					**1.0810**
i Primary Metering Adjustment [2]					0.99
j TLF for Primary Metered Customer: i x (h-1) + 1					1.0802

[1] see Exhibit 3/1/2/1, page 4, Table 1
[2] see Exhibit 8/3/3/1

1

QUESTION #5

Ref: Exhibit 1/1/2/p2 and Exhibit 8/4/4/2/pp1-7

In the first referenced exhibit the Applicant provides select *summer* overall bill impacts. In the second referenced exhibit the Applicant provides additional *summer*, and separately *winter*, overall bill impacts.

For each customer class, please provide a comprehensive range of overall bill impacts encompassing the full year.

RESPONSE:

Bill impacts would vary by season only for the Residential class, due to the variation in monthly volume thresholds for block pricing under the Registered Price Plan (RPP). The following table presents the overall bill impacts for all the suggested monthly volume levels identified in the Board's latest filing requirements.

Residential Total Bill Impacts

Monthly	Summer		Winter	
kWh's	$	%	$	%
100	$1.90	7.5%	$1.90	7.5%
250	$2.05	5.0%	$2.05	5.0%
500	$2.35	3.5%	$2.35	3.5%
800	$2.65	2.6%	$2.69	2.7%
1,000	$2.85	2.3%	$2.85	2.4%
1,500	$3.40	1.9%	$3.40	1.9%
2,000	$3.93	1.7%	$3.93	1.7%

The seasonal differential in bill impacts is negligible. The same RPP block rates were used in the bill impact analysis, in accordance with the Board's filing requirements, to isolate the effect of changes to delivery rates. As a result, when comparing commodity charges between existing and proposed delivery rates, the only difference arises from the proposed change to the Total Loss Factor, and this change is independent of seasonality.

QUESTION #6

Ref: Exhibit 1/4/5/1/p1

The Applicant states that distribution revenue was forecast using weather normalized volumes multiplied by "both current approved distribution rates and by proposed rates in order to project the revenue for the 2010 test year".

Please explain the role(s) that the currently-approved distribution rates played in calculating the 2010 revenue and, in particular, state the weighting (i.e. number of months) if any, the currently-approved distribution rates were given in the 2010 revenue calculation.

RESPONSE:

The above-noted reference relates to the basis for the pro-forma financial projections in Exhibit 1/4/5/3, which shows separate 2010 forecasts for existing and proposed rates.

As stated in Exhibit 1/4//2, all test year projections assume that rates are constant for the entire calendar year.

QUESTION #7

Ref: Exhibit 2/1/1/1/p1, Exhibit 2.5.1.p2, Exhibit 3.1.3.pp1-2 and Exhibit 3.1.3.1.pp1-4.

The Applicant shows the Power Supply Expenses used in developing the Working Capital Allowance and outlines the methodology used.

Please provide detailed calculations in the form of a live Excel spreadsheet for the 2010 Power Supply Expenses forecast of $8,709,166 showing, in particular, the utilization of the RPP and non-RPP volumes and rates, and support any assumptions made.

RESPONSE:

The detailed calculation of projected Power Supply Expenses, shown in Exhibit 3/1/3/1, also appears in worksheet C2 of the Excel rate model ("RateMaker") submitted into evidence

RPP and non-RPP volumes were considered in deriving a weighted average commodity price, as shown in Exhibit 3/1/3. The RPP block rates were not explicitly considered in the calculation, as Power Supply Expenses are recorded based on spot price. Rather, the different commodity spot price forecasts for RPP and non-RPP volumes were considered to derive a weighted average price. This calculation, presented in Tables 1 and 2 of Exhibit 3/1/3, is also included in the RateMaker model, worksheet 'ElectricityPrice'.

QUESTION #8

Ref: Exhibit 2/2/2/p1

In discussing its Asset Retirement Policy the Applicant states: "The only other planned asset retirements are for vehicles reaching the end of their typical useful life. One such retirement is expected in 2010." It is noted that in Exhibit 2.4.4.p2 that Renfrew typically replaces its large vehicles after 20 years of service. It is also noted that in Exhibit 2.4.3.pp4-5 that the existing digger/derrick is a 1986 model and a new digger/derrick is part of the 2009 capital investments.

a) Please provide any supporting evidence that, in addition to its chronological age, the current digger/derrick needs to be replaced.

b) Has the 2009 planned acquisition been made?

.

RESPONSE:

a) The current digger/derrick is an essential piece of equipment and the only such vehicle owned by RHI, with no backup available. RHI therefore submits that its chronological age alone is sufficient cause for its replacement, and has no further supporting evidence to offer.

b) The replacement vehicle was purchased in the first quarter of 2009.

QUESTION #9

Ref: Exhibit 2/2/3/p1

In discussing its Depreciation Policy, the Applicant states: "For rate-setting purposes, Renfrew has applied the half-year rule for depreciation *retrospectively since the Board-approved balances for the 2006 EDR*." [Emphasis added.]

Please elaborate on the retrospect reference and, in particular, any changes in Renfrew's depreciation policy or practices respecting the application of the half-year rule.

.

RESPONSE:

RHI has not applied the half-year rule for depreciation in its financial statements (Exhibit 1/4/2) or its historical results (Exhibit 1/4/3), nor has there been any change in RHI's depreciation policy or practices. For rate-setting purposes only, depreciation was recalculated as though the half-year rule was in effect starting in 2005, in order to derive the rate base and annual expense on that basis.

QUESTION #10

Ref: Exhibit 2/2/3/p1

In discussing its Capital Contribution Policy the Applicant states: "To date, Renfrew has maintained a legacy practice of recovering incremental costs for system expansions through charges recorded as revenue from jobbing, rather than capital contributions."

Please calculate the cumulative impact (since the 2006 EDR) on the 2010 rate base of using this legacy practice and estimate the impact on the 2010 revenue requirement were capital contributions included as an offset to rate base.

.

RESPONSE:

The following table presents actual direct costs and net jobbing revenues for system expansions since the 2006 EDR.

System Expansion Costs	**2006**	**2007**	**2008**	**2009**	**Total**
Direct Costs	60,906	35,693	10,803	0	**107,402**
Net Revenues	13,833	10,477	2,512	0	**26,821**

Net Revenues are derived from charges to customers (including recovery of RHI's overhead costs), net of direct costs incurred for the expansion work (RHI does not capitalize these costs).

RHI cannot determine the precise cumulative impact on the rate base, without performing a detailed economic evaluation for each expansion job. The current rate base would be higher if RHI had recognized capital contributions, as the $107K in direct costs would have been capitalized. This increase would have been reduced by the portion of costs received as a capital contribution. The maximum impact of $107K (assuming all evaluations indicated no capital contribution requirement) would represent an increase of less than 1.8% to Renfrew's proposed rate base. The average annual net jobbing revenues represent less than 5% of its proposed revenue offsets. RHI therefore submits the impact of its legacy practice on its proposed rates is not material.

QUESTION #11

Ref: Exhibit 2/3/3/1/pp1-15

The Applicant provides details of its 2006 EDR approvals and the actual/planned capital expenditures in the 2006-2009 period.

Please provide any information available that compares the approved capital expenditures (i.e. OEB approved or Renfrew's Board of Directors approved) and the subsequent actual capital expenditures for each year in the 2006 to 2009 period and provide an explanation for the differences.

.

RESPONSE:

The following information, comparing actual capital expenditures to budgeted amounts, was provided to RHI's Board of Directors:

2006 Capital Expenditures	**Actual**	**Budget**	**Variance**
Distribution Overhead	137,216	180,000	42,784
Distribution Underground	47,277	30,000	(17,277)
Transformers	31,683	42,000	10,317
Meters	4,579	10,000	5,421
Computer Equipment	14,290	20,000	5,710
Misc. Tools & Equipments	2,667	5,000	2,333
Computer Software		5,000	5,000
Transportation Equip-Truck	32,700	37,000	4,300
Reclosure Switch - MS#3	16,249	20,000	3,751
TOTAL	**286,661**	**349,000**	**62,339**

Actual capital expenditures in 2006 of $287K were $62K lower than budget. The variance arose primarily from lower expenditures in Distribution overhead (-$43K), due to an atypical increase in jobbing work (see table in response to IR #10) which limited resource availability for planned capital work. A reduction in planned transformer replacements (-$10K), the replacement of the main server computer below budget (-$6K) and computer software deferrals (-$5K) also contributed to the variance.

2007 Capital Expenditures	Actual	Budget	Variance
Distribution Overhead	275,206	235,000	(40,206)
Distribution Underground	25,845	22,000	(3,845)
Transformers	54,657	52,000	(2,657)
Meters	21,045	20,000	(1,045)
Computer Equipment	5,835	5,000	(835)
Misc. Tools & Equipments		2,000	2,000
Computer Software	110,912	115,000	4,088
Transportation Equip-Truck	2,041		(2,041)
MS #3 - Recloser	13,244		(13,244)
TOTAL	**508,785**	**451,000**	**(57,785)**

Actual capital expenditures in 2007 of $509K were $58K higher than budget. The variance arose primarily from greater expenditures in Distribution Overhead due to additional time and material required for the Gillan road rebuild (+$40K), and the purchase of a recloser (+$13K).

2008 Capital Expenditures	Actual	Budget	Variance
Distribution Overhead	236,602	220,000	(16,602)
Distribution Underground	32,321	55,000	22,679
Transformers	27,130	35,000	7,870
Meters	5,945	15,000	9,055
Misc. Tools & Equipments	11,177	11,500	323
Transportation Equip		200,000	200,000
Reclosure Switch - MS#3	55,029	75,000	19,971
TOTAL	**368,204**	**611,500**	**243,296**

Actual capital expenditures in 2008 of $368K were $243K lower than budget. The variance arose primarily from the delay in the delivery of the new digger/derrick truck to 2009 (-$200K) and the postponement of the third phase of the Mayhew Subdivision (Underground: -$23K).

2009 Capital Expenditures	Actual	Budget	Variance
Distribution Overhead	225,230	255,000	29,770
Distribution Underground	55,765	50,000	(5,765)
Transformers	62,888	65,000	2,112
Meters		6,000	6,000
Misc. Tools & Equipments		5,000	5,000
Transportation Equip	259,894	245,419	(14,475)
Reclosure Switch - MS#3	29,879	20,000	(9,879)
TOTAL	**633,656**	**646,419**	**12,763**

Actual capital expenditures in 2009 of $634K were $13K lower than budget. The variance arose primarily from lower expenditures on overhead plant (-$30K), due to increased manpower spent on the MS-3 upgrade, partially offset by higher expenditures for transportation equipment (+$14K), due to the addition of a remote control package for a new truck.

QUESTION #12

Ref: Exhibit 2/3/3/1/pp1-15

In this exhibit where the Applicant provides details of its 2006-2010 capital expenditures, the expenditures seem to be concentrated within certain accounts.

Please provide a copy of any strategic investment plan being pursued or, in the absence of such a document, comment on any such informal plan the Applicant may be following.

.

RESPONSE:

RHI has no formal strategic investment plan. The pattern of capital expenditures reflects the following priorities:

Poles, Conductors, Transformers

From January to May of each year, approximately one third of RHI's physical infrastructure is inspected while tree trimming is being performed in the same area. Work orders are developed, prioritizing the repairs and the enhancements required to maintain a safe and reliable system. In each year, expenditures are incurred on pole, conductor and transformer enhancements based on these inspections.

Distribution Stations

RHI has five (5) 44Kv/4.16Kv substations. The substations range in age from 1953 to 1998. During the 2006-09 period, RHI rebuilt one substation, including the replacement of 35-year old air blast breakers. In 2010, a 58-year old station transformer will be replaced.

Vehicles

Line trucks are normally operated and maintained for twenty years or more. RHI staggers these high-cost purchases to limit the impact on cash flow, while ensuring timely replacements.

QUESTION #13

Ref: Exhibit 2/3/1/1/p2

In this exhibit and in Exhibit 2.3.3.1.p12 the Applicant shows its 2009 capital expenditures to be $633,656.

Please rationalize this value with the $640,725 value shown in Exhibit 2.4.3.1.p1 and provide the 2009 actual value.

.

RESPONSE:

The correct amount of capital expenditures in 2009 is $633,656. The amounts shown in page 1 of Exhibit 2.4.3.1, as well as those in pages 1-5 of Exhibit 2.4.3, are incorrect.

The following table presents the correct amount of 2009 capital expenditures by project and by account:

2009 Capital Expenditures	**Account #**							
Project	**1820**	**1830**	**1835**	**1845**	**1850**	**1855**	**1930**	**TOTAL**
2009-01 Annual Pole Replacements and Upgrades		51,128	43,479		10,099			104,706
2009-02 Annual O/H and U/G Services and Upgrades						17,082		17,082
2009-03 Annual Underground Additions				5,567				5,567
2009-04 Annual Transformer upgrades and critical spares					18,100			18,100
2009-05 McGarry St. Rebuild		17,304	16,123		7,702	2,148		43,277
2009-06 Hunter Gate				43,498	19,355	2,654		65,507
2009-07 Bonnechere St. Rebuild		37,729	39,472		7,632	4,811		89,644
2009-08 MS#3	29,879							29,879
2009-09 Transportation Equipment							259,894	259,894
TOTAL	**29,879**	**106,161**	**99,074**	**49,065**	**62,888**	**26,695**	**259,894**	**633,656**

QUESTION #14

Ref: Exhibit 2/5/1/1/p1

The Applicant shows the 2009 and 2010 entries for the 4730-Rural Rate Assistance Expense account.

Please rationalize the sign difference between the 2009 and 2010 values.

.

RESPONSE:

The negative sign in 2009 (and previous historical years) is incorrect; due to a journal entry that reflected revenue (credit amount) from Rural Rate Assistance charges in the 4730 account, rather than the expense (debit amount).

QUESTION #15

Ref: Exhibit 2/6/2/1/p1

In the Reliability Performance Measures table, the Applicant shows the 2007 CAIDI values for “All Interruptions” and “Excluding Loss of Supply” to be 1.53 and 2.08 respectively.

Please clarify why the “All Interruptions” value is less than the “Excluding Loss of Supply” value.

.

RESPONSE:

CAIDI is the ratio of SAIDI over SAIFI. The SAIDI and SAIFI results for All Interruptions are each higher than the corresponding results Excluding Loss Of Supply. The higher CAIDI in 2007 when Excluding Loss Of Supply signifies that the outage time experienced by customers was higher when excluding outages due to loss of supply. In other words, on average power was restored in less time for outages due strictly to loss of supply.

QUESTION #16

Ref: Exhibit 3/2/1/1/pp1-3

In the exhibit, the 2010 tables appear to be consistently based on currently approved (i.e. 2009) rates.

Please provide the three pages of tables utilizing the proposed 2010 rates..

.

RESPONSE:

See the following tables – note that the table format from the third page has been split into two tables in this response, for ease of legibility:

2010 Revenues @ Proposed Rates		Low Voltage Charges			Transformer Allowances		
		Rate [1]	Volume [2]	Revenue	Rate [3]	Volume [3]	Revenue
Residential	kWh	0.0011	31,881,465	34,258			
General Service Less Than 50 kW	kWh	0.0010	12,958,689	12,930			
General Service 50 to 4,999 kW	kW	0.3556	142,778	50,777	(0.6000)	84,962	(50,977)
Unmetered Scattered Load	kWh	0.0010	142,827	143			
Street Lighting	kW	0.2749	3,110	855			
TOTAL				**98,962**			**(50,977)**

[1] Exhibit 8/3/2/1
[2] Exhibit 3/1/1/1
[3] Exhibit 3/2/1/1

2010 Revenues @ Proposed Rates	Gross Distr. Revenue [1]	LV Charges	Transformer Allowances	Net Distr. Revenue
Residential	1,151,216	(34,258)		1,116,958
General Service Less Than 50 kW	357,082	(12,930)		344,152
General Service 50 to 4,999 kW	487,837	(50,777)	(50,977)	386,083
Unmetered Scattered Load	13,040	(143)		12,897
Street Lighting	33,638	(855)		32,783
TOTAL	**2,042,813**	**(98,962)**	**(50,977)**	**1,892,874**

[1] Gross Total in last table below

1

2010 Revenues @ Proposed Rates		Fixed Charges			Variable Charges		
		Rate [1]	Volume [2]	Revenue	Rate [1]	Volume	Revenue
Residential	kWh	14.75	43,620	643,395	0.0159	31,881,465	507,821
General Service Less Than 50 kW	kWh	30.22	5,688	171,891	0.0143	12,958,689	185,191
General Service 50 to 4,999 kW	kW	162.27	768	124,623	2.5439	142,778	363,214
Unmetered Scattered Load	kWh	30.51	360	10,984	0.0144	142,827	2,056
Street Lighting	kW	1.50	14,076	21,114	4.0269	3,110	12,524
TOTAL				**972,007**			**1,070,806**

[1] Exhibit 8/2/1/1
[2] Exhibit 8/2/1/2

2

2010 Revenues @ Proposed Rates	Revenue		
	Fixed	**Variable**	**Total**
Residential	643,395	507,821	1,151,216
General Service Less Than 50 kW	171,891	185,191	357,082
General Service 50 to 4,999 kW	124,623	363,214	487,837
Unmetered Scattered Load	10,984	2,056	13,040
Street Lighting	21,114	12,524	33,638
Gross Total	**972,007**	**1,070,806**	**2,042,813**
Transformer Allowances			(50,977)
Total Revenue			**1,991,836**
Less: Low Voltage			(98,962)
DISTRIBUTION REVENUE			**1,892,874**

3

QUESTION #17

Ref: Exhibit 3/1/2/p1

The Applicant states that the forecast was completed using the NAC method "as the approach which yielded the most reasonable results given the data available". Details of the methodology employed are contained in Attachment 1 of the exhibit.

a) Please explain why the NAC was based on "the *average* of the most recent 5 years actual average use per customer" [emphasis added] and thus any trends in the data were excluded.

b) Please provide the load forecast incorporating any trends in the data.

c) Please confirm that the only data available to, and utilized by the Applicant, to convert actual historical load to weather normalized load were that provided by HONI as input of the 2006 informational cost study.

d) Please explain what the Table 5 data "2004 H1 Retail NAC" were used for.

.

RESPONSE:

a) As explained on page 3 of Exhibit 3/1/2/1, a 5-year average definition of weather normal has been accepted by the Board in other proceedings, e.g. in several proceedings since 2004 for Natural Resource Gas (NRG). This approach was most appropriate for RHI given the data available.

b) Since the NAC approach employed relies on a 5-year average for weather normalization, there are no trends in this normalized volume metric as NAC values are not available for each individual year. Trends in actual volumes are influenced by weather and thus not particularly useful.

c) We cannot confirm the assertion in the question, since the forecasting approach did not use this weather normalized load data, rather a five-year historical average was used to derive weather-normalized NAC values.

d) Table 5 was provided for illustrative and comparative purposes only, and not used for any calculations.

QUESTION #18

Ref: Exhibit 3/1/2/1/p2

In Attachment 1 it states: "Using a wholesale forecasting approach and allocating normalized wholesale consumption based on class historical shares *yields unusually pessimistic forecasts for the residential class in particular*." [Emphasis added.]

a) Please describe in detail the methodology employed that yielded these "unusually pessimistic" results.

b) Please provide any mathematical expressions that were developed linking load and independent variables.

c) Please provide the "unusually pessimistic" kWh/kW values forecasted.

.

RESPONSE:

a) The methodology involved estimating a regression equation for wholesale kWh using heating and cooling degree days for Ottawa, peak days, number of days in the month, and Ontario full-time employment. These values were then forecast based on a 10-year average of monthly degree days and allocated to classes based on historical shares.

b) Results shown below:

```
OLS estimates using the 72 observations 2003:01-2008:12
Dependent variable: WholesalekWh
R-squared = 0.964597
Adjusted R-squared = 0.961915
F(5, 66) = 359.6494  (P-value(F) = 1.88e-46)
Durbin-Watson = 1.525327
Variable       Coefficient       t-statistic p-value
const          -10,016,882.1     -9.152      <0.00001
HDD_Ott        4,187.8           41.0954     <0.00001
CDD_Ott        13,215.9          16.1017     <0.00001
Peak Days      84,221.7          3.704       0.00044
FTE_Ont        2,258.2           16.2359     <0.00001
Month Days     98,215.6          3.348       0.00135
```

c) Results below:

	2008 Actual	2008 Normalized	2009f Normalized	2010f Normalized
Residential (kWh)	31,465,398	31,460,228	30,273,363	30,443,012

QUESTION #19

Ref: Exhibit 3/1/3/1/p3

The 2010 volume for Residential class is shown as 34,609,528 kWh.

Beginning with the Residential load forecast of 31,881,465 kWh in Exhibit 3/1/1/1/p1, please show the calculation of the 34,609,528 kWh value and explain any loss factors used.

RESPONSE:

The line loss factor calculated in Exhibit 8/3/3/1 was 1.08556894544045 (1.0856 after rounding). The unrounded factor was used to calculate projected Power Supply Expenses: 31,881,465 x 1.08556894544045 = 34,609,528 kWh.

QUESTION #20

Ref: Exhibit 3/1/2/1/p2

In Exhibit 3/1/2/1/p2 the total Other Revenue is shown as $141,527. In Exhibit 6/1/2/1/p1 the Revenue Offsets are shown as $139,777.

Please differentiate between the Other Revenue and Revenue Offsets entities as used in this application and reconcile the two values quoted.

RESPONSE:

This difference is addressed in Exhibit 3/3/4. It arises from the 50% offset applied to the projection for account 4355-Gain on Disposition of Utility and Other Property:

2010 Revenue Offsets

Other Revenue - Total			141,527
4355-Gain on Disposition of Utility and Other Property	3,500	(50%)	(1,750)
Revenue Offsets			**139,777**

QUESTION #21

Ref: Exhibit 4/2/1/3/p1

The OM&A Cost Driver Table shows the entry "Audit / Accounting / Tax filings" to be $15,000 for 2010.

Please explain this entry.

RESPONSE:

See Exhibit 4/2/2/p1: the test year cost of $15,000 is intended will allow RHI to recover the cost of transitioning to IFRS over four years, as RHI will incur external costs to effect the transition.

RHI's justification for including this cost in its test year OM&A, subject to a variance account, is described in the response to VECC IR #18.

QUESTION #22

Ref: Exhibit 4/4/1/1/p1

The Employee Costs Table shows the average 2009 and 2010 Salary & Wages for Union staff to be $56,704 and $62,130 respectively.

Please confirm that this one-year increase is in the order of 9.6% and explain the circumstances that have led – or are expected to lead – to an increase of this magnitude.

RESPONSE:

The referenced table was not updated for 2009 actuals. The corrected table appears below, and indicates an increase of 5.1% in 2010, due largely to the proposed hiring of an additional apprentice in 2010:

Total Compensation and Expenses by Employee Group

	2006 EDR	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
Number of Employees						
Mgmt/non-union	5.0	5.0	5.2	5.2	5.3	5.0
Union	5.0	5.0	5.8	5.8	5.3	5.8
Compensation (Salary & Wages)						
Total						
Mgmt/non-union		$ 255,359	$ 270,976	$ 273,892	$ 287,216	$ 288,002
Union		$ 268,500	$ 310,570	$ 328,882	$ 317,075	$ 361,058
Average						
Mgmt/non-union	$ 49,959	$ 51,072	$ 52,111	$ 52,672	$ 54,192	$ 57,600
Union	$ 56,549	$ 53,700	$ 53,547	$ 56,704	$ 59,825	$ 62,251
Compensation (Benefits)						
Total						
Mgmt/non-union		$ 69,630	$ 73,704	$ 76,209	$ 81,099	$ 81,019
Union		$ 65,625	$ 79,362	$ 80,892	$ 82,702	$ 90,259
Average						
Mgmt/non-union	$ 12,692	$ 13,926	$ 14,741	$ 14,656	$ 15,302	$ 16,204
Union	$ 14,797	$ 13,125	$ 13,683	$ 13,947	$ 15,604	$ 15,562
Total Compensation						
Total						
Mgmt/non-union		$ 324,989	$ 344,680	$ 350,101	$ 368,315	$ 369,021
Union		$ 334,125	$ 389,932	$ 409,774	$ 399,777	$ 451,317
Average						
Mgmt/non-union	$ 62,651	$ 64,998	$ 66,852	$ 67,327	$ 69,493	$ 73,804
Union	$ 71,346	$ 66,825	$ 67,230	$ 70,651	$ 75,430	$ 77,813
Total Compensation Charged to OM&A		**$ 515,357**	**$ 529,194**	**$ 551,032**	**$ 558,202**	**$ 613,972**

QUESTION #23

Ref: Exhibit 4/4/1/p1 and Exhibit 4/2/1/5/p1

Exhibit 4/4/1/p1 shows the headcount to be 10. Exhibit 4/2/1/5/p1 shows the Number of FTEEs for 2010 to be 12.

Please confirm that the headcount of 10 shown in Exhibit 4/4/1/p1 is for the year 2010 and reconcile this with the 12 FTEEs for the year 2010.

RESPONSE:

The corrected table for the first reference appears in the response to the preceding question. The corrected table for the second reference appears below:

OM&A per Customer and per Full Time Equivalent

	Actual			Bridge Yr	Test Yr
	2006	2007	2008	2009	2010
Number of Customers *	4,112	4,142	4,173	4,188	4,204
Total OM&A	$884,246	$995,011	$1,053,643	$1,032,421	$1,149,829
OM&A cost per customer	$215.04	$240.22	$252.49	$246.52	$273.51
Number of FTEEs	10.0	11.0	11.0	10.6	10.8
FTEEs/Customer	0.0024	0.0027	0.0026	0.0025	0.0026
OM&A cost per FTEE	$88,425	$90,456	$95,786	$97,398	$106,466

** Single customer included for Street Lighting, not number of connections*

QUESTION #24

Ref: Exhibit 4/6/1/1//p1

The "Table of Purchases by Supplier (2008)" provides the supplier, amount and method of deciding on the supplier and/or amount of the purchase.

Please explain in detail the meaning of "cost approach" and "contract" and describe any envisaged changes from the 2008 data provided to that expected in 2010.

RESPONSE:

"Cost Approach" refers to standard pricing from a supplier, for example retail prices. "Contract" refers to a negotiated agreement with a supplier for goods and services at a set rates or prices or a defined period of time, subject to the authorization requirements specified in Exhibit 4/6/1.

As noted in Exhibit 4/6/1, RHI does not project costs on this basis, but does not envisage any significant changes from the 2008 data, other than the one-time costs described in Exhibit 4/2/2.

QUESTION #25

Ref: Exhibit 6/2/1/1/p1

Total Net Revenues, OM&A Expenses and PILs/Income Taxes for 2010 are shown as $1,732,221, $1,171,594 and $10,029 respectively. The apparently-same entities are shown elsewhere as $1,757,554 (Exhibit 3/2/1/1/p2), $1,149,829 (Exhibit 4/1/2/p1) and $57,195 (Exhibit 4/8/3/1/p17) respectively.

Please differentiate between the apparently-same entities, reconcile the values and identify the values upon which the Applicant will rely.

RESPONSE:

The revenue amount reported in Exhibit 3/2/1/1/p2 is the gross base revenue from distribution charges, before deductions for transformer allowances and low voltage charges, and excludes revenue offsets. Reconciliation:

2010 Revenues at Existing Rates

Gross Base Revenue	1,757,554
Transformer Allowances	(50,977)
Low Voltage Charges	(114,133)
Net Base Revenue	1,592,443
Revenue Offsets	139,777
Total Net Revenue	**1,732,221**

The OM&A Expenses reported in Exhibit 6/2/1/1/p1 do not include the reduction for the elimination of the PST, which is reported separately in that table as *Taxes other than PILs / Income Taxes* (as explained in Exhibit 4/2/2). Reconciliation:

2010 OM&A

Total OM&A, before PST savings	1,171,594
PST savings	(21,765)
Total OM&A	**1,149,829**

The amount reported for PILs in Exhibit 4/8/3/1/p17 is the proposed allowance to be included in the revenue requirement. For purposes of computing the revenue deficiency, the amount reported for *PILs / Income Taxes* in Exhibit 6/2/1/1 refers to the estimated PILs for 2010 based on existing rates (also shown in Exhibit 4/8/3/1/p17). The difference

between the two is reported in Exhibit 6/2/1/1 as the *Provision for PILs/Taxes* (to derive the Gross Revenue Deficiency). Reconciliation:

2010 PILs / Income Taxes

PILs at Existing Rates	10,029
less: proposed PILS allowance	57,195
PILs Revenue Deficiency	**(47,166)**

QUESTION #26

Ref: Exhibit 9

On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVA Power and Account 1588 RSVA Power Sub-account Global Adjustment.

Please confirm whether the Applicant has complied with this bulletin and whether or not the Applicant plans on making any changes to its filing with respect to Account 1588.

RESPONSE:

The Applicant has complied with the aforementioned bulletin. No changes to the rate filing are contemplated with respect to Account 1588.

QUESTION #27

Ref: Exhibit 9/1/2/p2/lines 7-12

Account 1508 – The Applicant indicated that $7K of the approximately $59K for disposition is related to OEB assessment charges.

Please indicate if any of these amounts relate to periods after April 30, 2006. (According to Article 220 of the APH, "This account shall be used to record the difference between OEB costs assessments invoiced to the distributor for the Board's 2004/05 and 2005/06 (up to April 30, 2006) fiscal years and OEB costs assessments previously included in the distributors' rates.") .

RESPONSE:

The balance for disposition does not include any amounts for OEB assessment charges relating to periods after April 30, 2006.

QUESTION #28

Ref: Exhibit 9/1/2/1/pp5-6

The "Continuity Statements for Deferral/Variance Accounts", pages 5 and 6 show under Jan 1/09 to April 30/09, and under May 1/ 09 to Dec. 31/09, a column titled "Other".

Please explain what these columns represent.

How were the numbers in the column titled "Other" derived?

RESPONSE:

The figures under the 'Other' columns reflect all principal balance changes in the accounts (excluding carrying charges).

QUESTION #29

Refs: Exhibit 9/2/1/1/p1

The Applicant proposes to dispose of account 1590 – Recovery of Regulatory Asset Balances. According to the "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)" (EB-2008-0046), disposition of account 1590 is to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented.

Please clarify if the Applicant has based the allocation on kWh.

If a) is answered in the affirmative, please recalculate the rate rider using the default allocation factor as per the Board report EB-2008-0046.

RESPONSE:

The balance for disposition of account 1590 was allocated to the rate classes in proportion to the recovery share as established when the rate riders were implemented, as noted in Exhibit 9/2/2/2.