RENFREW HYDRO INC ("RHI")

RESPONSES TO INTERROGATORIES OF THE *VULNERABLE ENERGY CONSUMERS COALITION* ("VECC")

QUESTION #1

Reference: Exhibit 1, Tab 1, Schedule 2, page 2 (lines 1-2)

a) What is Renfrew's view as to the appropriate effective date for its proposed 2010 rates?

.

RESPONSE:

On June 24, 2010, the Board issued a *Decision and Order on Interim Rates* which states:

> The Board has determined that Renfrew's current distribution rates shall be declared interim as of July 1, 2010. The Board will render its decision on the effective date of Renfrew's final rates in its final decision. By making rates interim as of July 1, 2010, the Board has the authority to make the final rates effective as of that date, but not the requirement to do so.

Accordingly, RHI's current view is that final rates should be effective July 1, 2010. RHI reserves the right to propose a later effective date for its final 2010 distribution rates, based on the progress of this proceeding up to final submissions to the Board on this Application.

QUESTION #2

Reference: Exhibit 1, Tab 2, Schedule 2, page 1
OEB Staff IR #4

a) Please comment on the total number of transformers installed at Renfrew's sub-stations and their overall capacity relative to the peak load requirements Renfrew is required to provide.

b) As part of the response to OEB Staff #4, please indicate whether the two hydro-electric plants which are connected to Renfrew's distribution system are owned by Renfrew Power Generation Inc.?

.

RESPONSE:

a) There are five (5) station transformers, one per station as specified in Table 1 of Exhibit 1/2/2/p1. Peak load in July 2010 was 19.1 Mw. An estimated 14.1 Mw was transformed at RHI substations, with the balance on customer owned stations. The total capacity of RHI's substations is 23Mw/29.4Mw fan-cooled.

b) The two hydro-electric plants connected to RHI's distribution system are owned by Renfrew Power Generation Inc.

QUESTION #3

Reference: Exhibit 1, Tab 2, Schedule 4, page 1 and Attachment 1

a) It appears that the Rental Agreement was entered into on or before November 2000. Please confirm whether this is the case.

b) How were the market based rates for the rental agreement determined? When was the last time the appropriateness of the rental rates was assessed?

.

RESPONSE:

a) The Rental Agreement was entered into on November 1, 2000

b) Inquiries were made into rental rates at the time for local storage space in Renfrew. The rate at the time was $3.00 - $4.00 per square foot. The agreed upon rate was $3.25 / sq. foot for 4,108 square feet, for a total of $1100 per month. In 2008, the monthly rent was increased to $1300.00 per month to reflect local rates.

QUESTION #4

Reference: Exhibit 1,Tab 4, Schedule 5, Attachment 2

a) Please confirm that Renfrew has the necessary systems in place to track the PST amounts actually paid in the first six months of 2010.

b) Please provide a schedule that sets out the actual capital spending and OM&A expense for 2008 and 2009 along with the actual PST amounts associated with each.

.

RESPONSE:

a) RHI has the capability to track actual PST amounts paid, with a manual process using spreadsheets.

b)

PST Amounts Paid	**2008**	**2009**
Total Capital	*368,204*	*633,656*
Total PST on capital	**10,263**	**29,850**
Total OM&A Expense	*1,053,643*	*1,032,421*
Total PST on OM & A	**19,950**	**21,030**

QUESTION #5

Reference: Exhibit 2, Tab 3, Schedule 1, Attachment 1, pages 1 - 2
Exhibit 2, Tab 3, Schedule 3, Attachment 1, pages 10-15
Exhibit 1, Tab 4, Schedule 5, Attachment 1, page 1

a) If not done already, please update the Gross Asset Variance Tables and the Fixed Asset Continuity Statements for 2009 and 2010 to reflect actual 2009 capital spending.

RESPONSE:

The Gross Asset Variance tables and the Fixed Asset Continuity Statements reflect actual 2009 capital spending.

QUESTION #6

Reference: Exhibit 2, Tab 4, Schedule 3, Attachment 1, page 1

a) Were all of the capital projects planned for 2009 completed as forecast (timing and budget)? If not please update the referenced schedule and indicate what projects (and spending) is forecast to be carried over to 2010.

RESPONSE:

All capital projects planned for 2009 were completed; there were no projects carried over to 2010.

RHI's response to Board Staff interrogatory #11 includes explanations on 2009 capital expenditure variances to original budget

RHI's response to Board Staff interrogatory #13 includes an update to the referenced schedule which reflects actual spending on capital expenditures in 2009.

QUESTION #7

Reference: Exhibit 2, Tab 1, Schedule 1, Attachment 1, page 1
Exhibit 2, Tab 3, Schedule 3, Attachment 1, page 15

a) The opening and closing balances for 2010 net fixed assets reported in the first reference do not match those reported in the second reference. Please reconcile and update the requested 2010 rate base as necessary.

RESPONSE:

The balances used in the first reference are correct; no update to the 2010 rate base is required. Incorrect balances appeared in the second reference: the corrected capital continuity statements appear in worksheet X21 of RHI's rate model, filed concurrently with this response.

QUESTION #8

Reference: Exhibit 2, Tab 4, Schedule 2
Exhibit 2, Tab 4, Schedule 3

a) Please provide (in a single table) the 2004-2010 capital spending broken down as follows:

- Account 1808
- Account 1820
- Accounts 1830 & 1835
- Accounts 1840 & 1845
- Account 1850
- Account 1855
- Account 1860 (excluding smart meter spending recorded in deferral accounts)
- Account 1915
- Account 1920
- Account 1930
- Account 1935
- Account 1940

(Note: This listing should reflect all of the accounts where capital spending to be included in rate base is reported, if not please add any additional accounts as needed)

RESPONSE:

Capital Expenditures	**Account**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Buildings and Fixtures	1808	567						23,000
Distribution Station Equipment-Below 50 kV	1820	113,527	97,527	16,249	13,245	55,029	29,879	131,173
Poles, Towers and Fixtures	1830	117,928	69,185	71,187	144,090	95,011	106,161	133,624
Overhead Conductors and Devices	1835	79,845	135,750	57,886	112,856	127,894	99,074	118,990
Underground Conduit	1840	756	9,014	8,856	3,178	3,538		
Underground Conductors and Devices	1845	20,244	48,035	33,679	9,183	23,179	49,065	25,272
Line Transformers	1850	26,235	13,881	31,683	54,656	27,130	62,888	35,066
Services	1855	18,118	19,945	12,885	31,744	19,301	26,696	21,354
Meters	1860	451	10,525	4,579	21,045	5,945		5,520
Office Furniture and Equipment	1915							
Computer Equipment - Hardware	1920	2,552	2,575	14,290	5,835			4,600
Computer Software	1925	3,348			110,912			13,800
Transportation Equipment	1930			32,700	2,041		259,894	
Tools, Shop and Garage Equipment	1940	2,543	1,858	2,667		11,177		4,600
TOTAL		**386,114**	**408,295**	**286,661**	**508,785**	**368,204**	**633,657**	**516,999**

QUESTION #9

Reference: Exhibit 2, Tab 4, Schedule 4
Exhibit 2, Tab 4, Schedule 3, Attachment 1, pages 1 & 2

The first reference states that investment planning involves the identification and prioritization of potential capital projects. Please provide the initial list of potential capital projects identified for 2010 and explain why the proposed projects were prioritized to proceed in 2010.

RESPONSE:

The justifications for the projects selected to proceed are provided in Exhibit 2/4/3. The following projects were also identified in RHI's initial list of potential capital projects for 2010, but were not selected to proceed:

2010 Potential Capital Projects Not Selected to Proceed

Project	Cost	Description	Status
Plaunt St.	$65K	3 phase, cedar poles, legacy	Defer - possible new customer
Bonnechere Feeder	$35K	3 phase, cedar poles, legacy	Defer - pending MS1 plan
Work Truck 1 ton	$50K	Replace existing 1996	Defer - maintain
New Chipper	$40K	20 year old chipper	Defer - maintain

QUESTION #10

Reference: Exhibit 2, Tab 4, Schedule 3

a) Why is there no spending on Annual Meter Replacements and Upgrades in 2009?

b) Why was there no spending on the Argyle Street rebuild in 2009 (i.e., there is spending in 2008 and then again in 2010)?

c) Project 2010-09 is referred to as the third phase of a residential development. However, there does not appear to be any historic spending on this project in prior years. Please provide additional background on the development including the timing of past spending and the number of new services installed each year (up to 2010).

d) Please explain why MS #2 is considered to be "undersized" for the application and the increase in "size" required.

RESPONSE:

a) There was no need to purchase and install 3 phase meters for customers in the GS>50 kW class. Smart meters are planned for the remaining customers in 2010.

b) RHI determined the McGarry Street and Bonnechere Street rebuild took precedence over the Argyle rebuild, due to the deteriorated condition of the cedar poles on these two streets.

c) The Town of Renfrew is a low growth area. As a result, development of subdivisions is typically completed in stages. The previous phases of project 2010-09 were completed as follows:

Mayhew Development History

	Expansion Date	**Description**	**Completion Date(s)**
Phase 1	June 1994	6 Garden Homes 28 Units	1997 - Filled
Phase 2	September 2003	17 Single Family Homes	2004: 4 2005: 4 2006: 5 2007: 2 2008: 2

d) The 58 year old transformer at MS-2 is 3000 kva in size and non-fan cooled. The temperature gauge on this transformer indicates maximum temperatures of 75C on this transformer. Fans normally provide cooling when the transformer temperature rises above 60C. The high temperature indicates that the transformer is overheating and undersized for this application.

RHI has standardized on 5000 kva/6,666 kva fan cooled transformers at its stations.

QUESTION #11

Reference: Exhibit 2, Tab 5, Schedule 1, Attachment 1, page 1
Exhibit 3, Tab 1, Schedule 3, Attachment 1
OEB Staff IR #7

a) Please provide a schedule that sets out for Renfrew's actual 2009 billing determinants for Hydro One Networks' Transmission Network charges. Using Hydro One Networks' approved 2010 rate for Network charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.

b) Please provide a schedule that sets out for Renfrew's actual 2009 billing determinants for Hydro One Networks' Transmission Connection charges. Using Hydro One Networks' approved 2010 rate for Connection charges, please include in the same schedule the charges from Hydro One Networks based on 2009 billings determinants and 2010 rates.

c) Please reconcile the 2009 Power Supply Expenses reported in the first reference with those reported in the second (e.g. Transmission Network Charges of $405,287 vs. $449,140).

RESPONSE:

a)

HONI Transmission Network Charges

	2010 Rate:	**2.65**
	kW's	**Charge**
Jan-09	18,646	49,412
Feb-09	16,845	44,639
Mar-09	16,195	42,917
Apr-09	14,234	37,720
May-09	12,378	32,802
Jun-09	16,071	42,588
Jul-09	14,587	38,656
Aug-09	17,828	47,244
Sep-09	14,770	39,141
Oct-09	14,969	39,668
Nov-09	15,360	40,704
Dec-09	17,009	45,074
TOTAL	**188,892**	**500,564**

b)

HONI Transmission Connection Charges

	2010 Rate:	**1.50**
	kW's	**Charge**
Jan-09	18,646	27,969
Feb-09	16,845	25,268
Mar-09	16,195	24,293
Apr-09	14,234	21,351
May-09	12,378	18,567
Jun-09	16,071	24,107
Jul-09	14,587	21,881
Aug-09	17,828	26,742
Sep-09	14,770	22,155
Oct-09	14,969	22,454
Nov-09	15,360	23,040
Dec-09	17,009	25,514
TOTAL	**188,892**	**283,338**

c) The amount reported in the first reference is the 2009 actual result. The figure reported in the second reference is calculated using actual 2009 volumes and current retail rates applied consistently throughout the year. The difference in the two amounts is due to the retail rate changes in May 2009, and the over-collection of network charges which resulted in credit amounts being recorded to variance account *1584-RSVA/NW*.

QUESTION #12

Reference: Exhibit 3, Tab 1, Schedule 1 (including Attachment 1)

a) Are the customer counts reported in Attachment 1 year-end or average annual values?

b) Please confirm that the Attachment reflects the actual customer counts by class for 2009. If not, please update.

c) In what year did the mall demolition referenced in Schedule 1 take place?

RESPONSE:

a) The table presents average annual values.

b) The Attachment reflects the actual customer counts for 2009.

c) The mall demolition occurred in September 2009.

QUESTION #13

Reference: Exhibit 3, Tab 1, Schedule 2, Attachment 1 (Load Forecast Report)

a) Page 2 explains that the wholesale forecasting approach was attempted for Renfrew but yielded unrealistic results. Please provide a schedule that sets out the actual annual Heating and Cooling degree days for 2005 to 2009 inclusive. In the same schedule please include the Heating and Cooling degree days associated with the Consultant's definition of "weather normal" and contrast with the average over these five historical years.

b) Based on the Consultant's and Renfrew's understanding of the customer base will variations in Heating degree days or Cooling degree day have a greater effect on Renfrew's load?

c) With respect to page 5, why is it reasonable to base the forecast customer count for the GS<50 and GS>50 customer classes on historic trends when, in both cases, discreet/unique events (e.g. a fire in 2009 and a mall demolition) have had a significant effect on the growth in customer count over this period?

RESPONSE:

a) The schedule is provided below. The Consultant's definition of "weather normal" is the 10-yr average of monthly degree-days from 1999 to 2008.

Heating Degree Days 2005 - 2009, Ottawa International Airport

	2005	2006	2007	2008	2009	Avg	10-yr 99-08 Average
Jan	920.7	733.5	797.1	754.2	979.5	837.0	853.6
Feb	700.6	720.9	820	774.3	711.5	745.5	742.2
Mar	668.8	600.4	643	721.1	598.3	646.3	632.0
Apr	324.8	321.6	361.1	299.6	334.3	328.3	353.4
May	205	128.2	157.3	185.4	181.6	171.5	156.9
Jun	16.1	27.6	34.2	22.4	50.4	30.1	36.4
Jul	2.9	0.3	11.8	0.3	13.1	5.7	6.2
Aug	8.4	18.2	20.1	14.4	26.1	17.4	14.9
Sep	59.2	121	76	95.4	106.5	91.6	83.0
Oct	269.7	335.7	227.5	321.8	355.5	302.0	302.7
Nov	484.2	417.3	517	502.8	417.4	467.7	471.6
Dec	762	610	787.7	796.7	759.4	743.2	739.8
Total	**4422.4**	**4034.7**	**4452.8**	**4488.4**	**4533.6**	**4386.4**	**4392.6**

Cooling Degree Days 2005 - 2009, Ottawa International Airport

	2005	2006	2007	2008	2009	Avg	10-yr 99-08 Average
Jan	0	0	0	0	0	0.0	0.0
Feb	0	0	0	0	0	0.0	0.0
Mar	0	0	0	0	0	0.0	0.0
Apr	0	0	0	0	2.5	0.5	1.2
May	1.9	16.9	17.3	0	3.2	7.9	9.5
Jun	111.6	48.2	66.9	60.5	44.9	66.4	61.5
Jul	128.6	130.6	65.1	78.9	42.9	89.2	98.0
Aug	115.4	68.1	79.3	49.5	82.1	78.9	81.8
Sep	33.1	5.3	25.7	25	5	18.8	26.5
Oct	6.4	0	1.9	0	0	1.7	1.2
Nov	0	0	0	0	0	0.0	0.0
Dec	0	0	0	0	0	0.0	0.0
Total	**397**	**269.1**	**256.2**	**213.9**	**180.6**	**263.4**	**279.6**

b) Renfrew is a winter peaking utility and the majority of energy is consumed in the winter months. Therefore, percentage variations in heating degree-days are more likely to affect Renfrew's total load than percentage variations in cooling degree-days. However, the elasticity of total demand with respect to a variation in a single degree-day is far more sensitive to cooling degree-days than heating degree-days.

c) While certain "discrete" events have been identified as causes for customer declines in the GS<50 and GS>50 classes, it is evident from examination of Table 3 in the Load Forecast Report that the customer count in the GS<50 class has been declining since 2005. This trend has continued into 2010 with the actual customer count for the GS<50 class at 471 in June 2010, a decline from the average of 483 in 2009 and less than the 474 forecast for 2010 in the Elenchus Report. Likewise, the GS>50 customer count, as of June 2010, is 58. This is substantially less than the 64 forecast in the Elenchus Report. While the discrete events referenced explain part of the decline, these events are not the only cause of customer loss and customers in the GS>50 class are continuing to disappear, above and beyond the specific discrete events identified.

QUESTION #14

Reference: Exhibit 3, Tab 2, Schedule 1, Attachment 1
Exhibit 9, Tab 3, Schedule 2

a) Please confirm that the fixed monthly charges for 2009 include $0.26//monlth for the smart meter adder.

b) If yes, please explain why the smart meter adder was included in the rates used to determine Net Distribution Revenue.

c) Please provide revised schedules as necessary.

RESPONSE:

a) The fixed monthly charges for 2009 in the first reference include the $0.26 adder for smart meters.

b) The inclusion of the smart meter adder was due to an input error in RHI's rate model.

c) The corrected schedules for the first reference appear in the updated RateMaker model (see worksheets 'NetDistrRev' and 'C4.DistRevenue'), which has been filed with RHI's responses.

QUESTION #15

Reference: Exhibit 3, Tab 3, Schedule 1, Attachment 2, page 3
Exhibit 2, Tab 2, Schedule 4, page 1
Exhibit 2, Tab 4, Schedule 3, page 8

a) Are there any Jobbing (Contributed Capital) revenues associated with the Mayhew Residential Phase 3 Development in 2010? If not, why not?

b) If yes, are these revenues reflected in the revenues reported for Account #4325. If yes, why are the revenues for 2010 virtually the same as those for 2009?

RESPONSE:

a) There are no jobbing revenues or costs in Phase 3. The jobbing costs were incurred at the start of the Project in phase one when the original overhead to underground connections were made.

b) Not applicable.

QUESTION #16

Reference: Exhibit 4, Tab 2, Schedule 1, Attachment 3
Exhibit 4, Tab 3, Schedule 1
Exhibit 4, Tab 4, Schedule 1, Attachment 1

a) Page 5 of the second reference indicates that an apprentice lineman was recruited in 2006 as part of Renfrew's succession plan.
- Has the lineman this apprentice was hired to replace retired or is he still employed by Renfrew in 2010?
- If retired by 2010, why was there no reference to this in the Cost Driver Explanation (first reference)?
- If retired by 2010, where is this reflected in the year over year changes in union head count and wages in the third reference?
- If not retired, when is this expected to occur?

b) Page 3 of the second reference indicates that an additional apprentice lineman was recruited in 2008 to replace a lineman who went on permanent WSIB.
- The Cost Driver explanation (first reference) includes the addition of the apprentice. Why does it not also include the transfer of the existing lineman to permanent WSIB as a cost offset for 2008 and/or 2009?
- Please confirm whether the head counts and labour costs reported in the third reference include the lineman transferred to WSIB.

c) How many apprentices does Renfrew have in 2010?

RESPONSE:

a) Responses:

- The replaced lineman retired in May 2007
- A new additional lineman position was filled in January 2007, offsetting the retirement
- See response to Board Staff IR #22 for revised headcount data

b) Responses:

- There was no cost offset as RHI incurred additional labour expenses for two relief workers to assist with line work

- The head counts in Exhibit 4/4/1/1 include the lineman that was transferred to WSIB, up the time of his transfer in October 2008. They also include the FTEE's for the relief workers.

c) RHI has one apprentice on staff currently and is planning to add another apprentice in October 2010. In Exhibit 4/3/1p2 RHI identifies the need for the second apprentice as part of its succession planning. Although the apprentice is not scheduled to come on staff until October, RHI has had to hire incremental relief workers to assist with tree trimming and summer line work..

QUESTION #17

Reference: Exhibit 4, Tab 2, Schedule 1, Attachment 4

a) The costs of an annual IRM filing in 2011-2013 are estimated at $25,000. However, total regulatory costs for 2008 were only $11,361. Please reconcile.

b) What external costs did Renfrew incur in the preparation of its IRM Applications for 2008 and 2009 Rates?

RESPONSE:

a) RHI's rate filing in 2008 was pursuant to the Board's Second Generation Incentive Regulation Mechanism. RHI expects far more extensive evidentiary requirements in its filings for 2011-2013 under the Board's Third Generation Incentive Regulation Mechanism, including:

- Revenue-to-Cost ratio adjustments, pursuant to this cost of service application;
- Disposition of variance account balances relating to smart meters, subject to prudence reviews;
- Disposition of balances in Group 1 deferral and variance accounts, in accordance with Board policy;[1]
- New distinct rate riders applicable to non-RPP customers, to dispose of balances in account 1588-RSVA/Poiwer, sub-account Global Adjustment;
- Multiple concurrent rate riders to address the aforementioned dispositions; and
- Incremental Capital Module (following evaluations to determine if such an application component would be appropriate).

RHI has limited resources available to address regulatory requirements, and notes that the magnitude and complexity of ongoing requirements (other than rate

[1] Ontario Energy Board, Report of the Board on Electricity Distributors' Deferral and Variance Account Initiative (EDDVAR) (EB-2008-0046), July 31, 2009

applications) continues to increase, particularly in relation to new requirements under the *Green Energy and Green Economy Act* and the transition to International Financial Reporting Standards. The incremental efforts of internal staff needed to address these requirements further limit the time available to prepare rate filings.

b) RHI did not incur external costs in the preparation of its Second Generation Incentive Regulation Mechanism Applications for 2008 and 2009 rates.

QUESTION #18

Reference: Exhibit 4, Tab 2, Schedule 2

a) Why are the costs associated with the transition to IFRS not recorded in a deferral account as per Board Report – EB-2008-0408, page 43?

RESPONSE:

RHI accepts that the costs associated with the transition to IFRS will be subject to Board review as stated in the referenced Board Report. However, RHI's view is that this policy does not preclude an amount being included in rates under a cost of service application. Indeed, the same reference explicitly contemplates such a situation, stating: *Any distributor that has IFRS related costs already approved in rates must record in a variance account the variances between the previously approved costs and actual costs of transitioning to IFRS*.

RHI therefore proposes to track the variance between its actual IFRS transition costs and the amounts recovered from ratepayers as part of its approved distribution expenses, the disposition of such variance being subject to Board approval in accordance with the criteria specified in the Board Report.

RHI expresses a strong preference for this approach. As a small utility, RHI must be particularly attentive to its financial position and cash flow, and this approach will reduce if not eliminate the amount of costs deferred for future recovery. Although RHI had a cash balance of $2.4 million at 2009 year-end, most of that amount will be returned to ratepayers through its proposed rate riders for deferral/variance account dispositions. RHI also notes that the Board is already following a similar practice with respect to smart meters, in that case through funding adders. Finally, RHI's proposed approach reduces inter-generational inequity, by providing for a more timely recovery of IFRS transition costs from ratepayers, leaving only the variance for future disposition rather than 100% of RHI's eligible costs for the IFRS transition..

QUESTION #19

Reference: Exhibit 4, Tab 5, Schedule 1
Exhibit 1, Tab 2, Schedule 4

a) The second reference indicates that:

- Renfrew Hydro provides streetlight and traffic light maintenance services to the Town of Renfrew.
- Renfrew Hydro rents garage, office and storage space from its affiliate – Renfrew Power Generation Inc.

Are these all the service transactions (apart from the sale/purchase of power) that Renfrew is expected to have with its affiliates in 2010?

b) If not please provide a table listing the additional services, the service provider, the service recipient, the 2010 value of the transaction and the basis for the pricing.

c) The second paragraph of the second reference suggests that services are "priced" based on allocated costs. However, the next paragraph states they are priced using a "market-based pricing methodology". Please provide additional information as to precisely how the prices for the services provided are established.

d) Does Renfrew have a Service Agreement with the Town for the services provided? If yes, please provide. If not, why not?

RESPONSE:

a) Yes, the second reference specifies all service transactions RHI expects to have with affiliates in 2010.

b) Not Applicable.

c) The second reference should have stated that service pricing is based on fully allocated costs, which RHI believes to be consistent with comparable market pricing. Prices for services are determined based on fully allocated costs, comprised of the direct costs of providing the service, plus markups to address indirect overheads and RHI's cost of capital.

d) RHI does not currently have a written services agreement with the Town for streetlight and traffic light maintenance. RHI has initiated discussions with Town officials to establish such an agreement, and intends to have an agreement completed before May 1, 2011.

QUESTION #20

Reference: Exhibit 4, Tab 8, Schedule 3, Attachment 1

a) Is Renfrew eligible for any federal or provincial apprenticeship/training tax credits in 2010? If yes, have they been included in the tax calculations? If no, why not given Renfrew has one or more apprentices in 2010.

RESPONSE:

Yes, RHI is eligible for certain credits related to apprentices, and acknowledges such credits should have been reflected in the calculation of its proposed allowance for PILs.

The amount of tax credits for which RHI is eligible will vary annually from 2010 to 2013. Therefore, RHI proposes to normalize the amount assumed for its test year PILs, by taking the average of the projected tax credits over the aforementioned period, as summarized in the following table:

Apprenticeship Tax Credits

	2010	**2011**	**2012**	**2013**	**Total**
2008 Hire					
Ontario	10,000	10,000	2,500	0	**22,500**
Federal	0	0	0	0	**0**
2010 Hire					
Ontario	2,521	10,000	10,000	10,000	**32,521**
Federal	979	2,000	0	0	**2,979**
TOTAL	**13,500**	**22,000**	**12,500**	**10,000**	**58,000**
Annual Average					*14,500*

Accordingly, RHI is amending its proposed allowance for PILs to reflect an annual tax credit amount of $14,500.

QUESTION #21

Reference: Exhibit 7, Tab 1, Schedule 1, Attachment 1

a) With respect to page 11, please file a schedule that sets out the 2010 revenue to cost ratios for each class assuming that the 2009 rates were all increased by the same percentage sufficient to recover the requested Base Distribution Revenue Requirement.

b) If the calculation of 2010 revenue at 2009 rates used fixed monthly charges that included the smart meter adder (see Question # 14), please re-do the 2010 Cost Allocation using distribution revenues by customer class that are based on 2009 rates that exclude the smart meter adder.

c) Please re-do part (a) using the results from part (b) as the starting point.

RESPONSE:

a)

2010 Adjusted Revenue-to-Cost Ratios *

Residential	1.22
General Service Less Than 50 kW	0.91
General Service 50 to 4,999 kW	0.79
Unmetered Scattered Load	0.41
Street Lighting	0.32

** per 2009 rates increased uniformly to eliminate 2010 revenue deficiency*

b) A revised 2010 Cost Allocation model has been submitted into evidence – see RHI's response to Board Staff Interrogatory #1.

c)

2010 Adjusted Revenue-to-Cost Ratios, Amended **

Residential	1.22
General Service Less Than 50 kW	0.92
General Service 50 to 4,999 kW	0.80
Unmetered Scattered Load	0.44
Street Lighting	0.32

*** per previous table, with revenues corrected to exclude smart meter rate adder*

QUESTION #22

Reference: Exhibit 7, Tab 1, Schedule 2

a) Renfrew's rationale for setting the target ratio for GS<50 at 100% (per page 1) is that is that this permits the ratio for the Residential class to be reduced to within the range prescribed by the Board. Why did Renfrew choose to increase the ratio for GS<50 (which is already at 96%) as opposed to further increasing the ratios for GS>50, Street Lighting and USL all of which are being moved upwards to no more than 80%?

RESPONSE:

RHI used this approach to avoid an excessive increase to the ratio in any given customer class. Compared to the 2006 EDR ratios, the proposed 2010 ratio for the GS<50 reflects a lower increase than those proposed for either the GS>50, Street Lighting or USL classes.

QUESTION #23

Reference: Exhibit 7, Tab 1, Schedule 2, Attachment 1, page 1

a) Please confirm that the revenues by customer class used to calculate the Outstanding Base Revenue Requirement % - Existing Rates (e.g. Residential – 58.19%) are based on 2009 rates that included the LV adder and did not allow for the fact some GS>50 customers receive a transformer ownership discount.

b) Please recalculate the percentages referenced in part (a) using the Net Distribution Revenue by Class as set out n Exhibit 3/Tab 2/Schedule 1/Attachment 1, page 2 for 2010 at 2009 rates.

c) Renfrew claims that its proposal reduces the revenue to cost ratio for the Residential class in 2010 relative to current rates. However, this schedule indicates that the Residential revenues collected under proposal will be 59.01% in 2010 as opposed to 58.19% at existing 2009 rates – which is an increase in revenue responsibility for 2010. Please reconcile.

RESPONSE:

a) RHI confirms that the revenues used to calculate the 'Outstanding Base Revenue Requirement % - Existing Rates' are based on 2009 rates that included the LV adder and did not allow for the fact some GS>50 customers receive a transformer ownership discount. RHI acknowledges the LV adder should not have been included and the transfer ownership discount should have been reflected in this calculation.

b)

2010 Net Distribution Revenues per 2009 Rates

Residential	$	984,527	61.82%
General Service Less Than 50 kW	$	262,602	16.49%
General Service 50 to 4,999 kW	$	317,825	19.96%
Unmetered Scattered Load	$	6,335	0.40%
Street Lighting	$	21,154	1.33%
TOTAL	**$**	**1,592,443**	**100.00%**

c) RHI did not claim that its proposal reduces the revenue to cost ratio for the Residential class in 2010 *relative to current rates*, as the question asserts. Rather,

the referenced schedule states that RHI proposes to increase the ratio for GS>50 so that the ratio for Residential, *which was above the applicable range*, can reach a target lying within its prescribed range. The initial or starting point ratio values are those from the 2006 EDR Cost Allocation model (as corrected), and not based on existing rates.

QUESTION #24

Reference: Exhibit 8, Tab 1, Schedule 1

a) Please confirm that the monthly rates used to determine the fixed variable splits in Table 2 included the smart meter rate adder. If yes, please re-do the Table with the smart meter rate adder excluded.

RESPONSE:

RHI confirms that the monthly rates to determine the fixed/variable splits in Table 2 included the smart meter rate adder, and acknowledges the adder should have been excluded.

The corrected table appears in the RateMaker model submitted with these responses, at worksheet 'FixedVarRevenue'.

QUESTION #25

Reference: Exhibit 8, Tab 2, Schedule 1

a) What are the maximum upper boundaries for the fixed charge for the Residential, GS<50 and GS>50 classes as established by the 2010 Cost Allocation?

b) Please explain why the Rate Application fixed charges for Street Lighting and USL shown Attachment 1, page 1 and Attachment 2, page 1 are not the same (e.g. for USL - $30.51 vs. $29.97).

c) With respect to the second paragraph on page 1, why were the fixed charges not derived in a manner consistent with the Board's findings in other rate applications? What would the services charges for USL and Street Lighting be using this approach? Please provide the supporting calculations.

d) Please explain why the resulting variable rates for each customer class shown in Attachment 1, page 1 don't match those in Attachment 2 (e.g., for Residential - $0.0159 vs. $0.0161).

e) Please set out the allocated revenues by class used to derive the "resulting usage rates" in Attachment 1.

f) Please reconcile the total allocated revenues by class in Attachment 2 ($2,057,046) with the Gross Base Revenue figure shown in Exhibit 8, Tab 4, Schedule 2 ($2,042,813).

RESPONSE:

a) The following table presents the maximum boundaries for the fixed charge as established by the 2010 Cost Allocation model:

2010 Fixed Charge Upper Boundatries

Residential	$11.80
General Service Less Than 50 kW	$27.87
General Service 50 to 4,999 kW	$106.93
Unmetered Scattered Load	$54.86
Street Lighting	$6.70

Note that in Attachment 1 / page 1 of the reference, the values under the heading 'Cost Allocation – Maximum Fixed Rate' reflect the higher of the existing fixed charge rate and the upper boundary from the Cost Allocation model. RHI acknowledges the existing fixed

charge rate should not have included the smart meter adder – the corrected table appears in the RateMaker model submitted with these responses, at worksheet 'F5.RateDesign'.

b) The values shown in Attachment 2 are incorrect. The inconsistency has been corrected in the RateMaker model submitted with these responses: the table in Attachment 2 appears on worksheet 'F6.RatesCheck'.

c) RHI disagrees with the assertion that fixed charges were not derived in a manner consistent with the Board's findings in other rate applications. Page 2 of Attachment 1 shows that the fixed / variable splits for USL and Street Lighting (excluding low voltage and transfer allowance recoveries) are essentially identical under both current and proposed rates; indeed the proposed fixed charge level was set so as to preserve the existing split.

d) See answer to part (b)

e) The allocated revenues used to derive the resulting usage rates are as follows:

2010 Base Revenue Allocation

	Net Base Revenue	Transformer Allowance	Low Voltage Charges	Gross Base Revenue
Residential	1,116,958	0	34,258	1,151,216
General Service Less Than 50 kW	344,152	0	12,930	357,082
General Service 50 to 4,999 kW	386,083	50,977	50,777	487,837
Unmetered Scattered Load	12,897	0	143	13,040
Street Lighting	32,783	0	855	33,638
TOTAL	**1,892,874**	**50,977**	**98,962**	**2,042,813**

f) See answer to part (b)

QUESTION #26

Reference: Exhibit 8, Tab 3, Schedule 1, Attachment 2

a) Please provide the derivation of the 18.3% and 7.91% 2010 increases in HON's RTSR rates for Network and Connection.

RESPONSE:

HONI's 2009 and 2010 transmission service rates appear in the reference. The rate increases were calculated as follows:

HONI Transmission Rates

	2010	2009	% change
Network	$2.6500	$2.2400	18.30%
Connection	$1.5000	$1.3900	7.91%

QUESTION #27

Reference: Exhibit 8, Tab 3, Schedule 2, Attachment 1

a) Please provide the derivation of the 1.8% 2010 load increase adjustment factor.

RESPONSE:

The schedule preceding the referenced attachment explains that the 1.8% factor represents the forecast load increase in 2010 as compared to 2009 actual throughput. The calculation was based on data presented in Exhibit 3/1/1/1:

2010 Forecast Load Increase

2009 Actual kWh's	96,981,360
2010 Forecast kWh's	98,720,895
% increase	**1.8%**

QUESTION #28

Reference: Exhibit 8, Tab 3, Schedule 3, Attachment 1

a) What is the basis for the 1.034 Supply Facility Loss Factor?

RESPONSE:

RHI is embedded within Hydro One's service area, as stated in Exhibit 1/2/2/p1. Page 53 of the Board's filing requirements states that where the host distributor is Hydro One, the Supply Facility Loss Factor (SFLF) is 1.0340.

RHI acknowledges that its proposed SFLF should reflect the fact that a portion of its throughput is supplied by an embedded generator – see the response to Board Staff IR #4(c).

QUESTION #29

Reference: Exhibit 9, Tab 1, Schedule 1, page 3

a) Exhibit 4, Tab 2, Schedule 1, page 1 shows the elimination of PST from OM&A expenditures for 2010. Please indicate where in the Application the removal of PST from capital spending is set out.

RESPONSE:

RHI used a single account to isolate the impact of removing the PST from its projected OM&A expenses. This approach was not feasible for capital expenditures, as all amounts must appear in the appropriate individual accounts in order to calculate related depreciation expenses. Rather, RHI revised its initial cost projections for 2010 capital spending to exclude PST from individual gross asset accounts: these revisions yielded a total reduction of $20,382 which is already reflected in RHI's capital spending projections for 2010. The reduction amount is in line with the average of actual PST paid on capital costs in the past two years, shown in RHI's response to VECC IR #4(b).

QUESTION #30

Reference: Exhibit 9, Exhibit 3, Schedule 1, Attachment 1, page 1

a) What is the basis for the $62,500 in incremental OM&A cost for smart meters in 2010?

b) Please provide more details basis for the forecast capital cost of $514,358 for Renfrew's smart meters.

c) Does Renfrew expect there to be a difference in the smart meter unit capital cost or unit OM&A cost for the Residential vs. GS<50 and Other? If yes, please provide the unit capital and/or OM&A costs for each class.

d) Please reconcile the 2010 funding adder revenues shown here ($13,020) with the 2010 smart meter revenue requirement of $102,694 used to determine the proposed 2010 funding adder.

RESPONSE:

a) The breakdown of OM&A expenses for smart meters is as follows:

Annual Smart Meter OM&A Expenses

Elster MAS *	$	11,600
Collector phone lines-	$	3,000
Harris – ODS - software	$	10,900
Training	$	2,500
Web Presentment	$	10,800
MDMR	$	23,700
Total	**$**	**62,500**

** provided by Ottawa River Power Corp.*

b) See tables below for details of RHI's 2009 and 2010 capital costs for smart meters:

2009 Smart Meter Capital Costs

	Quantity	Unit Cost	Material	Installation	TOTAL
London RFP fee					$ 2,724
Fairness commissioner fees					$ 500
Elster Contract					$ 21,600
Capitalized costs - 2009					$ 24,824
Collectors	7	$ 2,296	$ 16,074	$ 3,751	$ 19,825
TOTAL					**$ 44,648**

2010 Smart Meter Capital Costs

	Quantity	Unit Cost	Material	Installation	TOTAL
Residential	3,642	$ 89	$ 324,648	$ 344,845	$ 359,133
GS < 50kW	441	$ 109	$ 48,117	$ 27,390	$ 75,507
GS > 50kW	42	$ 456	$ 19,160	$ 15,910	$ 35,070
TOTAL					**$ 469,710**

c) The 2010 funding adder revenues shown in the reference ($13,020) reflect proceeds based on the existing $0.26 monthly adder amount. The proposed 2010 smart meter revenue requirement ($102,894) would result in a monthly adder of $2.05.

QUESTION #31

Reference: Exhibit 9, Tab 3, Schedule 2

a) Renfrew's request for a utility-specific smart meter adder does not include all of the information required in accordance with the Board's G-2008-0002 Guideline (pages 10-11). Please provide the required support information.

b) Have the projected 2010 smart meter costs been adjusted to account for the introduction of HST?

RESPONSE:

a) Guideline G-2008-0002 states that an application for a utility-specific funding adder should be supported by the following information:

(1) a detailed smart meter plan which includes the number of meters proposed to be installed and an installation schedule for each month during which the proposed smart meter funding adder is expected to be in effect

RHI's smart meter plan is described in Exhibit 9/3/1. The number of meters to be installed appears in Exhibit 9/3/1/1. The installation schedule is as follows:

Smart Meter Installation Quantities

	Residential	GS<50	GS>50
February-2010			4
March-2010	391		4
April-2010	843		4
May-2010	636	100	4
June-2010	447	200	4
July-2010	500	100	4
August-2010	500	11	4
September-2010	325	10	4
October-2010		10	4
November-2010		10	4
December-2010			2
TOTAL	**3,642**	**441**	**42**

(2) the actual or estimated costs in total and on a per meter basis for:

- *procurement and installation of the components of the AMI system*
- *customer information system*
- *incremental operating and maintenance activities*
- *changes to ancillary systems*
- *stranded meters*

See RHI's response to VECC IR #30(b), which includes all deployment costs anticipated by RHI at this time. The estimated cost of stranded meters at 2010 year-end is $189,627 (see Exhibit 2/3/3/1/p14, 2010 Balance of Net Book Value for account *1860-Meters*)

(3) a business plan justification for any smart meter or AMI costs that are incurred to support functionality that exceeds the minimum functionality adopted in O. Reg. 425/06, and an estimate of those costs

Renfrew Hydro Inc. participated in the London RFP and purchased meters from Elster Manufacturing meeting the minimum functionality

(4) a statement as to whether the distributor has incurred, or expects to incur, costs associated with functions for which the SME has the exclusive authority to carry out pursuant to O. Reg. 393/07, and an estimate of those costs

RHI has included costs to add the Harris ODS – Operational Data Store module to its billing system. This module will allow RHI to test the accuracy of its remote meter reads, provide customer education on Time Of Use before the MDMR registration process is complete, and provide the ability to improve response to power outages.

b) No adjustment was required for the HST. All smart meters were purchased prior to July 1, 2010 and will therefore be capitalized at RHI's cost inclusive of PST. The PST paid on smart meters will not be included in RHI's proposed variance account described in Exhibit 9/1/1/p.2-3.

1