RENFREW HYDRO INC ("RHI")

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

QUESTION #32

Reference: VECC #2 a) and VECC #10 d)

a) The response to VECC #2 a) suggests that, overall, the transformer capacity for Renfrew is more than sufficient to meet demand. The response to VECC #10 d) indicates that MS-2 is undersized relative to the load it serves. As an alternative to replacing MS-2 did Renfrew consider whether it was possible to "off-load" some of the demand currently served by MS-2 to one or more of the other four transformers? If not, why not? If yes , please comment on the practicality and relative costs of such an approach.

.

RESPONSE:

RHI did in fact consider the scenario proposed by VECC however, it was found not to be a viable option. When any of RHI's 5 distribution stations required maintenance, the 4 remaining stations must support the entire load. In order to maintain the ability to remove one of the five (5) 4160 volt distribution stations from service for regular maintenance, Renfrew Hydro Inc. decided it was optimum to have all five stations at a 5000 kVa capacity.

QUESTION #33

Reference: OEB Staff #7

a) Please confirm that the prices used in determining the electricity commodity costs are from the April 2010 OEB RPP Price Report and not the October 2009 Report as suggested in the "Electricity Price" tab of the RateMaker Model.

.

RESPONSE:

a) RHI confirms the prices used in determining the electricity commodity costs are from the OEB's April 2010 RPP Price Report.

QUESTION #34

Reference: VECC #12

a) Please provide the actual customer counts by customer class for the most recent 2010 month available.

.

RESPONSE:

a)

Residential	3652
GS<50 kW	441
GS>50kW	59
Unmetered Scatter load	34
Street Lighting	1174
TOTAL	5360

QUESTION #35

Reference: VECC #19 c)

a) The response states that the pricing of services to the Town of Renfrew is based on fully allocated costs and includes a markup for Renfrew Hydro's cost of capital. Please explain how the mark-up was determined. In particular, does the determination of the markup specifically consider the assets used by Renfrew Hydro supplying the services and assign a share to the associated capital costs (depreciation and return) to the cost of the services provided?

.

RESPONSE:

a) Markups on direct costs were based on management's judgment. In the absence of detailed cost studies for services provided to the Town of Renfrew, the markups on RHI's direct costs provide additional revenue intended to recover a share of RHI's indirect overhead and capital costs.

QUESTION #36

Reference: OEB Staff #22

Preamble: The corrected Compensation Table provided in response to OEB Staff #22 shows $613,972 in compensation costs transferred to OM&A for 2010. In contrast, the original Application (Exhibit 4, Tab 4, Schedule 1, Attachment 1, page 1) shows $675,101 in compensations costs transferred to OM&A in 2010. This change was not noted in the response to OEB #1 as impacting the Application's revenue requirement for 2010.

a) Does the response to OEB Staff #22 change the proposed OM&A for 2010? If yes, please provide the new value and update Exhibit 4, Tab 2, Schedule 1, Attachment 2. If not, please explain why.

RESPONSE:

The information presented at Exhibit 4, Tab, 4, Schedule 1, Attachment 1 of the original application was not the most up-to date information. The 2010 total should have been $655,454 not $675,101. The $675,101 was a preliminary figure that was revised prior to submission of the original application.

In the revised table presented as part of the responses to OEB Staff #22 the numbers were updated to 2009 Actuals. However, while doing so, the wrong figure was transposed into the 2010 total. The 2010 total should have been $655,454 and not $613,972.

RHI confirms that the amount requested for 2010 is in fact $655,454.

QUESTION #37

Reference: VECC #21 b) & c)
OEB Staff #1 – Updated Cost Allocation Model

a) With respect to the updated Cost Allocation Model filed in response to OEB Staff #1, please explain how the "Adjusted Revenue to Expense %" at the bottom of Sheet O1 were calculated. Specifically was the Total Revenue by customer class pro-rated up to achieve 100% overall or was the Base Distribution Revenue by Class prorated up?

b) Please confirm that the response to part c) is based on the Cost Allocation Model as originally filed and not the revised version submitted in response to OEB Staff #1.

c) Please explain why the ratios reported in response to part c) are different from those reported at the bottom of updated Sheet O1, where the adjusted revenue to cost ratios yield 100% overall.

RESPONSE:

a) The "Adjusted Revenue to Expense %" was calculated by taking the ratio for the class and dividing it by the overall ratio (which is less than 100% due to the revenue deficiency). This approach is equivalent to pro-rating up the total revenue by class to achieve 100% of the total service revenue requirement.

b) RHI confirms that its response to VECC IR #21(c) was based on the Cost Allocation model as originally filed, corrected only to exclude the smart meter rate adder proceeds from 2010 distribution revenues at existing rates. It was not based on the revised version filed in response to Board staff IR #1.

c) Sheet O1 in the updated model reflects all changes identified in the response to Board staff IR #1, whereas the response to VECC #21(c) reflects only the correction described in part (b) of this response.

QUESTION #38

Reference: VECC #22

a) Please provide a schedule that shows, for each customer class:
- 2010 Distribution Revenue at Existing Rates
- 2010 Revenue Requirement as proposed by Renfrew
- The resulting percentage increase in revenues to be recovered from each customer class as result of Renfrew's proposal.

RESPONSE:

See following table:

2010 Base Distribution Revenue		**Proposed Rates**		**% change vs existing rates**	
	Existing Rates *	**Initial Filing**	**Amended Application**	**Initial Filing**	**Amended Application**
Residential	973,185	1,116,958	1,108,205	14.8%	13.9%
General Service Less Than 50 kW	261,123	344,152	341,441	31.8%	30.8%
General Service 50 to 4,999 kW	317,625	386,083	383,041	21.6%	20.6%
Unmetered Scattered Load	6,335	12,897	12,876	103.6%	103.2%
Street Lighting	21,154	32,783	32,397	55.0%	53.1%
TOTAL	**1,579,423**	**1,892,874**	**1,877,960**	**19.8%**	**18.9%**

** Corrected from initial filing to exclude smart meter rate adder*

.

QUESTION #39

Reference: VECC #23 a) and b)

a) Please confirm that, In the updates provided in response to Staff #1, Renfrew has corrected for the issues/errors noted in its response to VEC #23 a)?

b) If the response to part (a) is affirmative, please confirm that the reason the Base Revenue Requirement % Allocations shown in Sheet F4 of the revised RateMaker Model don't match those provided in response to VECC #23 b) is that the revenues shown in VECC #23 still include the smart meter rate adder. If not, please explain the difference in both the %'s shown and the total revenues reported for the two references.

RESPONSE:

a) RHI confirms that the updated models were corrected for the issue noted in the response to VECC IR #23(a). This correction did not affect the proposed rates, since the proposed distribution revenue shares for each customer class were based on the revenue-to-cost ratios from the 2006 EDR Cost Allocation model as the starting point, and not those that would result from existing rates. As there was no impact on proposed rates, the first table in RHI's response to Board staff IR #1 did not include a line item for this correction.

b) RHI confirms the assertion in the question. VECC #23(b) requested distribution revenue percentages using the Net Distribution Revenue by Class from Exhibit 3/2/1/1/p.2, which incorrectly included proceeds from the smart meter rate adder.