A Chatham-Kent Energy Company

November 26, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge St, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

RE: Chatham-Kent Hydro Inc.
2011 Incentive Rate 3rd Generation Mechanism Application
OEB Case Number EB-2010-0074

Please find enclosed the Chatham-Kent Hydro Inc. responses to all parties' interrogatories relating to the above mentioned file.

If you have any further questions, please do not hesitate to contact David Ferguson at (519) 352-6300 x558 or email davidferguson@ckenergy.com.

Yours truly,

[Original Signed By]

Andrya Eagen
Senior Regulatory Specialist
(519) 352-6300 x243
Email: andryaeagen@ckenergy.com

CC: David Kenney, President of Chatham-Kent Hydro Inc.
Chris Cowell, Chief Financial & Regulatory Officer
David Ferguson, Director of Regulatory and Risk Management

Exhibit B1.1

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 1

Ref: Section 5: Revenue-to-cost ratios

In section 5, Chatham-Kent provides its Revenue-to-cost ("R/C") ratios for 2010, 2011 and 2012, to migrate the R/C ratios for all customer classes to within the bounds established by the Board. Chatham-Kent notes that it has adjusted the 2010 revenue requirement and R/C ratios to reflect that fact that smart meter costs approved and disposed of in its 2010 Cost of Service rate application, under File No. EB-2009-0261, should have been incorporated into the rate base and revenue requirement at that time rather than being recovered through an ongoing rate rider of $0.17 per month for metered customer classes. Chatham-Kent states that this adjusted the 2011 revenue adjustment by $65,848.

a) Please provide the R/C ratios for 2010 absent the adjustment for the smart meters approved in EB-2009-0261
b) Please explain and provide the derivation of the $65,848 adjustment explained in Note 1 to the table in Section 5.

Response:

a) Upon further review, CKH agrees that the revenue-to-cost ratios should not have been updated for the smart meter permanent capital rate adjustment. CKH has also removed the Standby adjustment from revenue-to-cost ratios (please refer to Exhibit B3.1 (a)(i))

   Please refer to Attachment 1 of this response for the updated revenue-to-cost ratios with the permanent capital rate adjustment and Standby adjustment removed.

b) Please note that the permanent capital rate adjustment amount adjusted in the Revenue-to-Cost Ratio Table should have been $66,676, rather than the value of $65,848 used to adjust the Table. The derivation of the $66,676 value is shown at the bottom of page 2 of the EB-2009-0261 Updated Draft Rate Order, Appendix G. As noted above the permanent capital rate has been removed from revenue-to-cost ratios.

Attachment 1

Chatham-Kent Hydro Revenue-to-Cost Ratios

Proposed 2011 Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Rate Class	Approved Revenues (including Misc. Revenue) Note 1	Approved Costs	2010 Settlement Agreement Ratio	Propose d 2011 Ratio	Proposed 2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.70%	96.2%	97.7%	85% - 115%	$8,887,770	$9,027,326	$139,557	$279,114
GS < 50 kW	$2,425,802	$2,275,268	106.62%	106.6%	106.6%	80% - 120%	$2,425,802	$2,425,802	$0	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.08%	86.5%	100.0%	80% - 180%	$2,146,031	$2,479,797	$333,766	$667,533
Intermediate	$2,087,955	$864,542	241.51%	178.3%	115.0%	85% - 115%	$1,541,089	$994,223	-$546,866	-$1,093,732
Streetlights	$210,884	$309,679	68.10%	81.5%	95.0%	70% - 120%	$252,539	$294,195	$41,656	$83,311
Sentinel Lights	$26,264	$43,850	59.89%	77.4%	95.0%	70% - 120%	$33,961	$41,658	$7,697	$15,394
Unmetered Scattered Loads	$19,463	$29,403	66.20%	80.6%	95.0%	80% - 120%	$23,698	$27,933	$4,235	$8,469
Intermediate with Self Gen.	$245,287	$335,527	73.11%	79.1%	85.0%	80% - 120%	$265,243	$285,198	$19,955	$39,911
Totals	**$15,576,133**	**$15,576,133**					**$15,576,133**	**$15,576,133**	**$0**	**$0**

Note 1 --- Revenues (including Misc. Revenue) in the EB-2009-0261 Proposed Settlement Agreement, Exhibit L, page 61 were shown as $15,595,304. The difference to the total of $15,576,133 above is due to Settlement updates made in the EB-2009-0261 Updated Draft Rate Order.

Exhibit B1.2

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 2

Ref: Section 3: Smart Meter Funding Adder and Disposition Rider, and Smart Meter Adder Calculation Model

In Section 3, Chatham-Kent has proposed a smart meter funding adder of $0.96 per month per metered customer. The derivation is provided in the Smart Meter model.

a) Please confirm that this proposed smart meter funding adder is intended to recover revenue requirement costs, both historically and for 2011, for smart meters deployed in 2009 and 2010 for which capital and operating costs have not been reviewed and approved by the Board, and for smart meters for 318 GS < 50 kW and 197 GS > 50 kW customers planned to be installed in 2011. In the alternative, please explain the purpose of the smart meter funding adder.
b) Please explain how new smart meters are being funded for residential customers serviced by Chatham-Kent in 2011. Does Chatham-Kent assume that base distribution rates for residential customers now and on a going forward basis, fully recover capital-related and operating costs of their smart meters, subject to inflation less productivity gains?
c) Chatham-Kent has assumed the Cost of Capital parameters published by the Board on February 24, 2010 in estimating the 2011 revenue requirement. Base distribution rates are not subject to cost of capital adjustments under IRM as the GDP-IPI – X adjustment implicitly factors in macroeconomic adjustments to the cost of capital. However, the smart meter funding adder is not subject to the price cap adjustment. Please provide Chatham-Kent's views on whether updated cost of capital parameters based on more recent data should be used to better proxy the cost of capital for calculating the revenue requirement in 2011 for the purposes of calculating the smart meter funding adder.
d) The Smart Meter Adder Calculation Model data implies that Chatham-Kent will have completed 100% deployment in 2011.
    i. Please confirm or, in the alternative, explain when Chatham-Kent expects to complete its smart meter deployment.
    ii. Please identify what further process Chatham-Kent anticipates that it will undertake to complete the regulatory process of having all of its smart meter costs reviewed and, subject to Board approval, included in rate base and revenue requirement like other distribution assets and costs.

Response:

a) Confirmed.

b) CKH intends to fund smart meter additions in 2011 via the smart meter adder described in (a) above. CKH anticipates seeking Board approval for smart meter recovery post deployment, at such time as CKH is certain that all smart meter deployment costs are known (including MDM/R costs and stranded meter costs). CKH does not assume that before the next Cost of Service application, base distribution rates for residential customers will fully recover capital-related and operating costs of smart meters, subject to inflation less productivity gains.

c) It is CKH's understanding that the cost of capital rates approved in EB-2009-0261 remain in effect until CKH's next Cost of Service application.

d)

i. CKH plans to complete its smart meter deployment by June 2011, consistent with the Board's August 4, 2010 determination that set mandatory dates by which distributors must complete certain activities required for the implementation of Time-Of-Use (TOU) billing.
ii. Please refer to (b) of this response above.

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 3

Regarding the regulatory ratemaking treatment of stranded meter costs, some distributors have transferred the cost of stranded meters from Account 1860, Meters, to "Sub-account Stranded Meter Costs" of Account 1555, while in some cases distributors have left these costs in Account 1860. Depending on which treatment Chatham-Kent has chosen, please provide the information under the two scenarios (a. and b.) below, as applicable to Chatham-Kent.

a) If the stranded meter costs were transferred to "Sub-account Stranded Meter Costs" of Account 1555, answer the following questions:
   i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes
   ii. Please provide the amount of the pooled residual net book value of the removed from service stranded meters, less any sale proceeds and contributed capital, which were transferred to this sub-account as of December 31, 2009.
   iii. Since transferring the removed stranded meter costs to the sub-account, was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, please provide the total depreciation expense amount for the period from the time the stranded meters were transferred to the sub-account to December 31, 2009
   iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, please provide the total depreciation expense amount that would have been applicable for the period from the time the stranded meters were transferred to the subaccount to December 31,2009.
   v. Please provide the estimated amount of the pooled residual net book value of the removed from service meters, less any sale proceeds and contributed capital, at the time when smart meters will have been fully deployed (e.g., as of December 31, 2010). If the smart meters have been fully deployed, please provide the actual amount
   vi. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts.
   vii. In the outlined format of the table shown below (after b.), Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year.

b) If the stranded meter costs remained recorded in Account 1860, Meters, please answer the following questions:
   i. Please describe the accounting treatment followed by the applicant on stranded meter costs for financial accounting and reporting purposes

ii. Please provide the amount of the pooled residual net book value of removed from service stranded meters, less any sale proceeds and contributed capital as of December 31, 2009

iii. Was the recording of depreciation expenses continued in order to reduce the net book value through accumulated depreciation? If so, provide the total depreciation expense amount for the period from the time the meters became stranded to December 31, 2009.

iv. If no depreciation expenses were recorded to reduce the net book value of stranded meters through accumulated depreciation, provide the total depreciation expense amount that would have been applicable for the period from the time the meters because stranded to December 31, 2009.

v. Please describe how the applicant intends to recover in rates stranded meter costs including the proposed accounting treatment, the proposed disposition period, and the associated bill impacts

vi. In the outlined format of the table shown below, Summary of Stranded Meter Cost, please provide the data to derive the total "Residual Net Book Value" amounts for each year

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Response:

Please note that for CKH both 3a) and 3b) of this question apply. This results because CKH has moved stranded meter costs to December 31, 2006 to Account 1555, while post-2006 stranded meter costs remain in Accounts 1860 and 2205.

a) Stranded meter costs - Account 1555:

i. The original asset value and the corresponding accumulated depreciation of Residential stranded meters to December 31, 2006 were removed from Accounts 1860 and 2205, and transferred to Account 1555.

ii. At December 31, 2009, the residential stranded meter residual net book value less sale proceeds and contributed capital in Account 1555 was $114,623 for stranded meters to December 31, 2006. This value was approved in EB-2009-0261.

iii. There were no depreciation entries on the residential stranded meters within Account 1555 after the time of transfer.

iv. Had CKH continued to record depreciation expense on the Residential stranded meters post December 31, 2006, the total depreciation expense that would have been applicable from the time of transfer until December 31, 2009 is $25,947.

v. Please refer paragraph to (a)(ii) of this response above.

vi. CKH received approval for recovery of these stranded meter costs in EB-2009-0261.

vii. Please refer to Attachment 1 of this response.

b) Stranded meter costs - account 1860:

i. The cost of Residential stranded meters post December 31, 2006 and all General Service stranded meters remain in Account 1860. These assets have continued to be depreciated.

ii. At December 31, 2009, the Residential stranded meter residual net book value less sale proceeds and contributed capital in Account 1860 was $126,117. A substantial portion of CKH General Service smart meter deployment occurred in 2010, and CKH continues to look for opportunities to realize sales proceeds on the remaining value of stranded meters. Accordingly as of November 2010, CKH has not finalized the net book value of the General Service stranded meters.

iii. Yes, depreciation expense has continued for the stranded meter assets remaining in Account 1860. The depreciation related to Residential stranded meters for the period from 2007 – 2009 is $33,042 (note: Residential only). As of November 2010, CKH has not finalized the reconciliation of the net book value of General Service stranded meters.

iv. Please refer to paragraph (b)(iii) of this response above.

v. Please refer to paragraph (a)(ii) of this response above.

vi. For CKH's intended means of recovery of stranded meter costs, please refer to Exhibit B1.2 . CKH plans on proposing a disposition period of a duration, dependent upon rate mitigation circumstances at the time. Given that the full stranded meter costs is unknown and the disposition period is yet to be determined, the bill impacts cannot yet be derived.

vii. Please refer to Attachment 2 of this response.

Attachment 1

The Appendix below relates to Residential stranded meters recorded in Account 1555 and approved in EB-2009-0261.

Line No.	Year (A)	Gross Asset (B)	Accumulated Amortization (C)	Net Asset (D) = (B) - (C)	proceeds on Disposition (E)	Contributed Capital (F)	Residual Net Book Value (G) = (D) - (E) - (F)
1	2006	$203,404	$73,669	$129,735	$15,112	$0	$114,623
2	2007						
3	2008						
4	2009						
5	2010 (1)						
6	2011 (1)						
7	Total	$203,404	$73,669	$129,735	$15,112	$0.00	$114,623

(1) Forecasted amounts for 2010 and 2011.

Attachment 2

The Appendix below is a hindsight view of Residential stranded meters after December 2006 in Accounts 1860 and 2205. As of November 2010, CKH has not finalized the reconciliation of the net book value of General Service stranded meters.

Line No.	Year (A)	Gross Asset (B)	Accumulated Amortization (C)	Net Asset (D) = (B) - (C)	Proceeds on Disposition (E)	Contributed Capital (F)	Residual Net Book Value (G) = (D) - (E) - (F)
1	2006						
2	2007	$275,346	$127,201	$148,145	$0	$0	$148,145
3	2008	$275,346	$138,215	$137,131	$0	$0	$137,131
4	2009	$275,346	$149,229	$126,117	$0	$0	$126,117
5	2010 (1)	$275,346	$160,243	$115,103	$1,010	$0	$114,093
6	2011 (1)	$275,346	$171,256	$104,089	$1,010	$0	$103,080

(1) Forecasted amounts for 2010 and 2011.

Exhibit B1.4

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 4

Ref: Smart Meter Funding Adder Model Sheet 2

Sheet 2. Smart Meter Capital Cost and Operational Expense Data

Smart Meter Unit Installation Plan: *assume calendar year installation*	2006 Audited Actual	2007 Audited Actual	2008 Audited Actual	2009 Actual	2010 Forecasted	2011 Forecasted	Later Forecasted	Total
Planned number of Residential smart meters to be installed	1,000	26,749	123	673	23			28,568
Planned number of General Service Less Than 50 kW smart meters			983	882	1,192	318		3,135
Planned Meter Installation (Residential and Less Than 50 kW only)	1,000	26,749	1,086	1,335	1,215	318	-	31,703
Percentage of Completion	3%	88%	91%	95%	99%	100%	100%	
Planned number of General Service Greater Than 50 kW smart meters			112	96	95	197		500
Planned / Actual Meter Installations	1,000	26,749	1,198	1,431	1,310	515	-	32,203

Other Unit Installation Plan: *assume calendar year installation*	2006 Audited Actual	2007 Audited Actual	2008 Audited Actual	2009 Actual	2010 Forecasted	2011 Forecasted	Later Forecasted	Total
Planned number of Collectors to be installed								-
Planned number of Repeaters to be installed		12		18		5		35
Other : Please specify								
Transceivers		224	16	1	14	9		264
								-
								-
								-

In Sheet 2 of the Smart Meter Funding Adder Model Chatham Kent has included 2006, 2007 and 2008 number of smart meters, collectors and repeaters to be installed.

a) Please explain why these units have been included when the costs associated with them were added into rate base as per Board Decision EB-2009-0261.

b) If it is agreed they should be removed please explain why the per meter split is so high.

Response:

a) CKH interpreted that the Smart Meter Funding Model required historical units as supporting data, in order to ensure that actual and planned smart meter deployment reconciled to the total number of applicable customers in CKH's service territory. CKH agrees that the 2006 through 2008 units should be removed from the Smart Meter Funding Adder Model.

b) The unit cost per installed meter increases in 2009-2011 for the following reasons:

(i) CKH completed the majority of its residential smart meter installations pre-2009, and the deployment focus since 2009 has increasingly been on general service smart meters. The cost of general service smart meters is substantially more than the cost of a residential smart meter. Further, general service meter installation is more complex than residential and requires scheduled outages.

(ii) The remaining residential smart meter deployments for 2009-2011 involve more effort. At the time of the original mass deployment, these meters could not be replaced for a variety of reasons. CKH has a service territory that spans 2,400 square kilometres, which makes one-off smart meter deployment relatively more costly.

(iii) CKH's 2011 smart meter capital costs per the Smart Meter Funding Model include the cost of replacement stock. However, the 2011 units per the Smart Meter Funding Model are reflective only of the planned 2011 installations. This results in the appearance of an inflated unit cost for 2011.

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 5

Ref: Tax Sharing Model – B1.1 Re-Based Bill Det & Rates

Rate Class and Re-Based Billing Determinants & Rates

Last COS Re-based Year: 2010

Last COS OEB Application Number: EB-2009-0261

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C	Rate ReBal Base Service Charge D	Rate ReBal Base Distribution Volumetric Rate kWh E	Rate ReBal Base Distribution Volumetric Rate kW F
RES	Residential	Customer	kWh	28,644	207,045,763		18.03	0.0084	
GSLT50	General Service Less Than 50 kW	Customer	kWh	3,038	90,210,202		33.10	0.0112	
GSGT50	General Service 50 to 499 kW	Customer	kW	421	189,939,582	494,092	94.43		2.6761
GSGT50	General Service Intermediate 1,000 To 4,999 kW	Customer	kW	28	139,888,648	382,377	123.54		5.8603
GSGT50	Intermediate With Self Generation	Customer	kW	1	32,205,189	87,305	1,100.17		2.7757
USL	Unmetered Scattered Load	Connection	kWh	194	1,081,178		7.60	0.0006	
Sen	Sentinel Lighting	Connection	kW	327	347,118	1,079	6.18		0.4390
SL	Street Lighting	Connection	kW	10,751	5,757,195	18,365	1.40		1.0460
NA	Rate Class 9	NA	NA						

a) Please explain why rates in columns D, E and F are not consistent with rates from Sheet "E1.1 Rate Reb Base Dist Rts Gen" of the 2011 IRM3 Rate Generator.

b) If Chatham-Kent is of the view that the data included in the application is more appropriate to use, please explain why. If not, please re-file the Tax Sharing model with the correct rates.

Response:

a) CKH inadvertently did not update the 2011 IRM3 Shared Tax Saving Workform Sheet B1.1, for the final version of the 2011 IRM3 Rate Generator.

b) CKH has updated the 2011 IRM3 Shared Tax Savings Workform accordingly.

Please see updated file submitted separately titled:
Chatham_2011 Shared Tax Savings Workform_revised_20101126.xls

Exhibit B1.6

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Board Staff

Question 6

Ref: Tax Sharing Model – F1.1 Z-Factor Tax Changes

Z-Factor Tax Changes

Summary - Sharing of Tax Change Forecast Amounts

1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2010	2011
Taxable Capital	$ 56,073,568	$ 56,073,568
Deduction from taxable capital up to $15,000,000	$ 15,000,000	$ 15,000,000
Net Taxable Capital	$ 41,073,568	$ 41,073,568
Rate	0.150%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	**$ 30,552**	**$ -**
2. Tax Related Amounts Forecast from Income Tax Rate Changes	**2010**	**2011**
Regulatory Taxable Income	$ 2,129,780	$ 2,129,780
Corporate Tax Rate	30.99%	28.25%
Tax Impact	$ 660,061	$ 601,620
Grossed-up Tax Amount	**$ 956,500**	**$ 838,472**
Tax Related Amounts Forecast from Capital Tax Rate Changes	$ 30,552	$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	$ 956,500	$ 838,472
Total Tax Related Amounts	**$ 987,052**	**$ 838,472**
Incremental Tax Savings		**-$ 148,580**
Sharing of Tax Savings (50%)		**-$ 74,290**

a) Please explain why Taxable Capital is not consistent with total rate base per the Revenue Requirement Work Form from the Board decision in EB-2009-0261.

b) Please explain why Regulatory Taxable income is not consistent with Taxable Income per the Revenue Requirement Work Form from the Board decision in EB-2009-0261.

c) If the data provided is correct, please provide evidence supporting the data entered for both a) and b). If the data is incorrect, please re-file the Tax Savings Calculation model with the correct data.

Response:

a) CKH inadvertently utilized the pre-Settlement Agreement Taxable Capital value of $56,073,567 in the original 2011 Shared Tax Saving Workform filed. The correct value per the EB-2010-0074 Settlement Agreement is $56,287,699.

b) CKH inadvertently utilized the pre-Settlement Agreement Regulatory Taxable Income value of $2,129,780 in the original 2011 Shared Tax Savings Workform filed. The correct value per the EB-2010-0074 Settlement Agreement is $2,459,986.

c) CKH has updated the 2011 IRM3 Shared Tax Savings Workform accordingly.

   Please see updated file submitted separately titled:
   Chatham_2011 Shared Tax Savings Workform_revised_20101126.xls

Exhibit B2.1

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
School Energy Coalition

Question 1

[p. 4] Please describe in detail how the proposed changes in the Revenue to Cost Ratios are in compliance with Section 7.2 of the Board-approved Settlement Agreement in EB-2009-0261. If the proposed Revenue to Cost Ratios are not fully in compliance with that Agreement:

a. Please show in the current Application where that non-compliance is disclosed in detail to the Board; and

b. Please file signed consents from all other parties to that Settlement Agreement (Energy Probe, Vulnerable Energy Consumers' Coalition, and School Energy Coalition) to an amendment to the Agreement.

c. If consents cannot be filed as requested, please

   i. Advise what steps the Applicant has taken to obtain consent of the parties to the Agreement to its amendment; and

   ii. Advise the legal basis on which the Applicant has applied for Revenue to Cost Ratios inconsistent with those required by the Agreement.

Response:

Chatham-Kent Hydro ("CKH") believes that it has complied with Section 7.2 of the Board-approved EB-2009-0261 Settlement Agreement (please refer to Attachment 1 of this response).

The Settlement Agreement indicated that migration to the lower or upper band, as applicable, would be done in two stages of equal increments in 2011 and 2012. However, CKH found that when the Settlement Agreement is applied literally, the distribution revenue adjustment does not balance. This occurs because the dollar impact of migrating the high-side Intermediate class (down to the upper band) exceeds the dollar impact of migrating the low-side outlier rate classes (up to the lower band).

Please refer to Exhibit B3.3 for the analysis conducted by CKH in order to create the proposed revenue-to-cost ratios.

(a), (b), (c) Not applicable.

Attachment 1

2010 Cost of Service Settlement Agreement

Chatham-Kent Hydro Inc.
EB-2009-0261
Settlement Agreement
Filed: March 2, 2010
(Page 22 of 73)

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

Status:	Complete Settlement
Supporting Parties:	CK Hydro, SEC, EP, VECC
Evidence:	Exhibit 7
	Interrogatory responses Board Staff IRs # 40, 41, 42, 43, Supplemental IR # 96
	Interrogatory response SEC IR # 16
	Interrogatory response EP IR # 64
	Interrogatory response VECC Supplemental IR # 8

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

Chatham-Kent Hydro Inc.
EB-2009-0261
Settlement Agreement
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Appendix L

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

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
School Energy Coalition

Question 2

[p. 4] With respect to the proposed Revenue to Cost Ratios:

a. Please provide the Table on page 4 of the Application, adding a column showing "2012 & Thereafter Distribution Revenue Adjustment (per year)", and adding columns for 2011 and 2012 showing the total distribution revenue collected from each class.

b. Please restate the Table, including the additional columns, on the basis of full compliance with the Settlement Agreement.

c. Please restate the Table, including the additional columns, on the basis that any adjustment required to bring Intermediate down to the top of the range over two years is recovered from the other classes:

   i. First, by bringing those classes up to the bottom of their range in two steps, as agreed in the Settlement Agreement, and

   ii. Second, with respect to any remaining adjustment required, by recovering that shortfall in revenue requirement from all classes other than Intermediate in proportion to their distribution revenues by class before that adjustment (i.e. maintaining the same distribution revenue percentages).

d. Please confirm that the proposed changes to Revenue to Cost Ratios would increase the rates for the GS>50 class, before any changes in revenue requirement, by 36.7% over two years.

Please provide all Tables set forth above in .pdf and Excel formats.

Response:

a. The requested columns have been added. Please refer to Exhibit B1.1, Attachment 1.

b. Please refer Exhibit B3.3, Attachment 2. A literal application of the Settlement Agreement results in a distribution revenue shortfall of $442,321 in 2011 and $884,642 in 2012 and thereafter.

c. Please refer to Attachment 1 of this response for the requested scenario.

d. CKH confirms that the distribution portion of rates for the GS>50 rate class would increase by 36.9 percentage points (over 2 years) under the proposed re-balancing of this rate class to a 100% revenue-to-cost ratio.

Attachment 1

Chatham-Kent Hydro Revenue-to-Cost Ratios

Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Scenario: Adjustment to Settlement Agreement Ranges with,

Distribution Revenue Shortfall Recovered from Rate Classes in Proportion to Distribution Revenue Percentages

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.7%	97.8%	100.9%	85% - 115%	$9,035,095	$9,321,977	$286,882	$573,764
GS < 50 kW	$2,425,802	$2,275,268	106.6%	110.1%	113.6%	80% - 120%	$2,505,352	$2,584,902	$79,550	$159,100
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	78.9%	84.8%	80% - 180%	$1,957,481	$2,102,697	$145,217	$290,433
Intermediate	$2,087,955	$864,542	241.5%	178.3%	115.0%	85% - 115%	$1,541,089	$994,223	-$546,866	-$1,093,732
Streetlights	$210,884	$309,679	68.1%	71.3%	74.5%	70% - 120%	$220,745	$230,606	$9,861	$19,723
Sentinel Lights	$26,264	$43,850	59.9%	66.9%	73.9%	70% - 120%	$29,341	$32,418	$3,077	$6,154
Unmetered Scattered Loads	$19,463	$29,403	66.2%	75.3%	84.3%	80% - 120%	$22,131	$24,799	$2,668	$5,335
Intermediate with Self Gen.	$245,287	$335,527	73.1%	78.9%	84.8%	80% - 120%	$264,898	$284,509	$19,611	$39,222
Totals	**$15,576,133**	**$15,576,133**					**$15,576,133**	**$15,576,133**	**$0**	**$0**

Exhibit B2.3

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
School Energy Coalition

Question 3

[p. 4] Please provide the source for the 85% to 115% range listed as the Board-approved range for the Intermediate class (1,000 KW to 4,999KW). Please reconcile this range with the statement at page 9 of the EB-2007-0667 Cost Allocation Revenue Report, as follows: "The GS≥50 Class comprises all subclasses whose monthly average peak demand falls within the range of 50 kW to 4,999 kW." Please provide the reason why the range for the Intermediate class would not therefore be 80% to 180%. Please restate the Table, including additional columns, described in the last question on the basis that the Intermediate class is reduced from its current ratio to 180% in two steps, and the Table otherwise complies fully with the Settlement Agreement.

Response:

The 85% to 115% range for CKH's Intermediate rate class is set out on page 61 of the Board-approved Settlement Agreement (please refer to Attachment 1). The kW range for CKH's Intermediate rate class falls within the 50-4,999 kW range in the Board's Report on Application of Cost Allocation for Electricity Distributors EB-2007-0667 ("the Board's Cost Allocation Report")

The former Large User rate class was eliminated in the CKH 2010 Cost of Service application. As a result, the former CKH Large User rate class customers migrated into the Intermediate rate class. The Board's Cost Allocation Report indicated a Large User rate class range of 85% to 115%. CKH consequently recognized that the Intermediate class revenue-to-cost ratio of 254.9% needed to be reduced in recognition of the following:

(i) the economic challenges in CKH's service territory and, in particular, its larger customers in the Intermediate rate class, and;
(ii) the need for equitable treatment for the Intermediate rate class versus other rate classes (specifically those other rate classes with revenue-to-cost ratios below 100%)

Please refer to Attachment 1 of this response for the additional scenario requested above. This scenario results in a distribution revenue shortfall of $161,345 in 2011 and $322,690 in 2012 and thereafter.

Attachment 1

Chatham-Kent Hydro Revenue-to-Cost Ratios

Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Scenario: Migration of Low-Side Outliers to Lower Band Range and Intermediate Rate Class to 180%

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.7%	94.7%	94.7%	85% - 115%	$8,748,213	$8,748,213	$0	$0
GS < 50 kW	$2,425,802	$2,275,268	106.6%	106.6%	106.6%	80% - 120%	$2,425,802	$2,425,802	$0	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	76.5%	80.0%	80% - 180%	$1,898,051	$1,983,837	$85,787	$171,573
Intermediate	$2,087,955	$864,542	241.5%	210.8%	180.0%	85% - 115%	$1,822,065	$1,556,176	-$265,890	-$531,779
Streetlights	$210,884	$309,679	68.1%	69.0%	70.0%	70% - 120%	$213,830	$216,775	$2,946	$5,892
Sentinel Lights	$26,264	$43,850	59.9%	64.9%	70.0%	70% - 120%	$28,480	$30,695	$2,216	$4,431
Unmetered Scattered Loads	$19,463	$29,403	66.2%	73.1%	80.0%	80% - 120%	$21,493	$23,522	$2,029	$4,059
Intermediate with Self Gen.	$245,287	$335,527	73.1%	76.6%	80.0%	80% - 120%	$256,854	$268,422	$11,567	$23,135
Totals	**$15,576,133**	**$15,576,133**					**$15,414,788**	**$15,253,443**	**-$161,345**	**-$322,690**

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition

Question 1

Reference: 2011 IRM Application, Manager's Summary, page 4 of 6

a) Please provide a fuller explanation of the adjustments described in Footnote #1 to the Table. In doing so please explain fully the nature of the issue and indicate whether the adjustments were included in the May 10, 2010 and/or May 20, 2010 Draft Rate Orders filed with the Board and the associated RRWF. If not, please provide revised versions of the 2010 RRWF and Draft Rate Order Tariff Sheets and explain the nature/rationale for the changes.

Response:

The adjustments described in Footnote #1 are comprised of two separate matters:

a) (i) In EB-2009-0261, a permanent capital rate adjustment of $0.17 was approved for smart meter additions up to December 31, 2008. Please refer to the EB-2009-0261 Updated Draft Rate Order, Appendix G, page 2. Note that there is a slight discrepancy between the value of $66,676 shown per Appendix G and the $65,848 (shown as $65,548 in #4(b) of this response) described in Footnote #1 to the Table. CKH confirms that the permanent capital rate adjustment of $0.17 was included in the May 10, 2010 and May 20, 2010 Draft Rate Orders.

   Please refer to Exhibit B1.1, where CKH has removed the permanent capital rate adjustment from the revenue-to-cost ratios.

   (ii) Intermediate with Self Generation was split out from Standby for greater clarity and consistency with the workings of the IRM3 model. Specifically, the IRM3 model separated Self Generation and Standby in order to calculate separate rates for each. This separation carried over throughout the model, including the Revenue to Cost Ratio Adjustment Work Form, Sheet C1.1. The Standby revenues of $30,942 are explained in further detail in Exhibit B3.2. In the absence approved Stand-by costs, CKH judgmentally utilized a cost ratio of 100% for 2010 and thereafter to split out Stand-By from Intermediate with Self Generation.

   Please refer to Exhibit B1.1, where CKH has removed the Standby adjustment from revenue-to-cost ratios in order to demonstrate consistency with the Settlement Agreement. However, please note that this change results in an out-of-balance Revenue Cost Ratio Adjustment Work Form, Sheet C1.5 (as noted in Exhibit B3.5).

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition

Question 2

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet B1.1

a) Please provide a reference to the EB-2009-0261 evidence that supports the 22,920 billed kW value used for Stand-By.

Response:

The 2010 revenues from Stand-By service of $30,942 are documented in CKH's 2010 EB-2009-0261 Rate Application, Exhibit 8, Tab 1, Schedule 1, Page 7 of 8, Table 8-8 Variable Distribution Charge Calculation.

The value of 22,920 billed kW is inherent in the $30,942 (at the approved Stand-By service rate of $1.35). CKH used historical information from 2007-2009 for CKH's Intermediate with Self Generation customer to derive the value of 22,920 kW.

Please refer to Exhibit B1.1, Attachment 1, where CKH has removed the Standby adjustment from revenue-to-cost ratios.

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition

Question 3:

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.1 EB-2009-0261, Proposed Settlement Agreement (Filed March 2, 2010), pages 22 and 61

a) Please provide a schedule that contrasts the 2011 revenue to cost ratios calculated per the Settlement Agreement with those set out in Sheet C1.1
b) Please rationale for any discrepancies between the ratios as calculated per the Settlement Agreement and those proposed in the current Application.
c) Neither the 2010 Rate Application nor the Settlement Agreement appear to include revenue/cost ratios for Stand-By. Please explain:
    - The source/basis for the current year ratio of 100%
    - The rationale for the proposed 2011 value
    - Why Stand-By was separated out for purposes of the 2011 Application.
d) Please provide a revised version of Sheet C1.1 where:
    - Those classes whose current (2010) revenue to cost ratio is outside the Board's guidelines is adjusted for 2011 per the Settlement Agreement.
    - If the adjustments result in an overall revenue shortfall, it is made up by increasing the ratios for the Residential and Intermediate with Self-Generation – such that for each percentage point increase to the Residential ratio there is a corresponding five percentage point increase to the Intermediate with Self-Generation ratio.
    - If the adjustments result in an overall revenue surplus, it is accounted for by decreasing the ratios for GS<50 and Intermediate – such that for each percentage point reduction to GS<50 there is a corresponding 12 percentage point reduction in the ratio for the Intermediate class.

Response:

a) Please refer to Attachment 1 of this response.

b) The Settlement Agreement indicated that migration to the lower or upper band, as applicable, would be done in two stages of equal increments in 2011 and 2012. However, CKH found that when the Settlement Agreement is applied literally, the distribution revenue adjustment does not balance. This occurs because the dollar impact of migrating the high-side Intermediate class (down to the upper band) exceeds the dollar impact of migrating the low-side outlier rate classes (up to the lower band). The consequence of this scenario would be a $442,321 distribution revenue shortfall in 2011 and an $884,642 distribution revenue in 2012 and thereafter (see Attachment 2 of this response).

Another approach CKH considered was to balance the Attachment 2 scenario by upwardly adjusting the two rate classes (Residential class and GS<50 kW class) currently within the Board ranges. However, this scenario results in the Residential class being taken above a 100% revenue-to-cost ratio (from 94.7% currently to 104.3% by 2012). The alternative of raising the GS<50 kW class further above its current 106.6% ratio did not appear to be equitable and the GS<50 kW class was not adjusted under this scenario (see Attachment 3 of this response).

CKH further considered balancing the Attachment 3 scenario by upwardly adjusting the low-side outlier rate classes to a common unified ratio above the lower band in order to be distribution revenue neutral. However, this scenario results in revenue-to-cost ratios above 100% for these rate classes (see Attachment 4 of this response). This also did not appear equitable.
After conducting the above scenarios as part of the 2011 IRM preparation, CKH reached the following tenets, which were used to create the proposed revenue-to-cost ratios:

i. Revenue-to-cost ratio adjustments should be kept as distribution revenue neutral;
ii. No rate class with a ratio currently below 100% should be adjusted to above 100%;
iii. The Intermediate with Self Generation / Standby rate class should not be increased significantly because the class represents a single customer;
iv. To facilitate (i)-(iii) above, the residential rate class needs to increase within the Board band range, while remaining at or below 100%, to ensure that distribution revenue remains neutral

CKH believes the proposed revenue-to-cost ratios are equitable and consistent with the intent of the Settlement Agreement.

c) Please refer to Exhibit B3.1(a)(ii) of this response. CKH has removed the Standby adjustment from revenue-to-cost ratios.

d) Please refer to Attachment 5 of this response for this scenario.

Attachment 1

Chatham-Kent Hydro Revenue-to-Cost Ratios

Comparison of Cost of Service Settlement Agreement Cost Ratios with Proposed 2011 IRM Cost Ratios

Proposed 2011 Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Rate Class	2010 Revenue-to-Cost Ratio per Settlement Agreement	Proposed 2011 Ratio	Settlement Agreement Ranges	Percentage Point Difference between 2011 Proposed Ratio and 2010 Cost of Service Ratio Note (1)
Residential	94.7%	96.2%	85% - 115%	1.5%
GS < 50 kW	106.6%	106.6%	80% - 120%	0.0%
GS > 50 kW to 999 kW	73.1%	86.5%	80% - 180%	13.5%
Intermediate	241.5%	178.3%	85% - 115%	-63.2%
Streetlights	68.1%	81.5%	70% - 120%	13.5%
Sentinel Lights	59.9%	77.4%	70% - 120%	17.6%
Unmetered Scattered Loads	66.2%	80.6%	80% - 120%	14.4%
Intermediate with Self Gen.	73.1%	79.1%	80% - 120%	6.0%

Note 1--- Please refer to 3b) of this response for the rationale supporting these differences.

Attachment 2

Chatham-Kent Hydro Revenue-to-Cost Ratios

Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Scenario: Migration of Low-Side Outliers to Lower Band Range

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.7%	94.7%	94.7%	85% - 115%	$8,748,213	$8,748,213	$0	$0
GS < 50 kW	$2,425,802	$2,275,268	106.6%	106.6%	106.6%	80% - 120%	$2,425,802	$2,425,802	$0	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	76.5%	80.0%	80% - 180%	$1,898,051	$1,983,837	$85,787	$171,573
Intermediate	$2,087,955	$864,542	241.5%	178.3%	115.0%	85% - 115%	$1,541,089	$994,223	-$546,866	-$1,093,732
Streetlights	$210,884	$309,679	68.1%	69.0%	70.0%	70% - 120%	$213,830	$216,775	$2,946	$5,892
Sentinel Lights	$26,264	$43,850	59.9%	64.9%	70.0%	70% - 120%	$28,480	$30,695	$2,216	$4,431
Unmetered Scattered Loads	$19,463	$29,403	66.2%	73.1%	80.0%	80% - 120%	$21,493	$23,522	$2,029	$4,059
Intermediate with Self Gen.	$245,287	$335,527	73.1%	76.6%	80.0%	80% - 120%	$256,854	$268,422	$11,567	$23,135
Totals	**$15,576,133**	**$15,576,133**					**$15,133,812**	**$14,691,491**	**-$442,321**	**-$884,642**

Attachment 3

Chatham-Kent Hydro Revenue-to-Cost Ratios

Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Scenario: Migration of Low-Side Outliers to Lower Band Range

Distribution Revenue Difference Adjusted to Classes Currently within Board Guidelines

(GS <50 Not Adjusted as Already Above Resulting Residential Ratio – i.e. 104.3%)

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.7%	99.5%	104.3%	85% - 115%	$9,190,534	$9,632,855	$442,321	$884,642
GS < 50 kW	$2,425,802	$2,275,268	106.6%	106.6%	106.6%	80% - 120%	$2,425,802	$2,425,802	$0	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	76.5%	80.0%	80% - 180%	$1,898,051	$1,983,837	$85,787	$171,573
Intermediate	$2,087,955	$864,542	241.5%	178.3%	115.0%	85% - 115%	$1,541,089	$994,223	-$546,866	-$1,093,732
Streetlights	$210,884	$309,679	68.1%	69.0%	70.0%	70% - 120%	$213,830	$216,775	$2,946	$5,892
Sentinel Lights	$26,264	$43,850	59.9%	64.9%	70.0%	70% - 120%	$28,480	$30,695	$2,216	$4,431
Unmetered Scattered Loads	$19,463	$29,403	66.2%	73.1%	80.0%	80% - 120%	$21,493	$23,522	$2,029	$4,059
Intermediate with Self Gen.	$245,287	$335,527	73.1%	76.6%	80.0%	80% - 120%	$256,854	$268,422	$11,567	$23,135
Totals	**$15,576,133**	**$15,576,133**					**$15,576,133**	**$15,576,133**	**$0**	**$0**

Attachment 4

Chatham-Kent Hydro Revenue-to-Cost Ratios

Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment

Scenario: Migration of Low-Side Outliers to a Common Unified Ratio

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	2012 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2012 Revenue Collected	2011 Distribution Revenue Adjustment	2012 & Thereafter Distribution Revenue Adjustment (per year)
Residential	$8,748,213	$9,238,066	94.7%	94.7%	94.7%	85% - 115%	$8,748,213	$8,748,213	$0	$0
GS < 50 kW	$2,425,802	$2,275,268	106.6%	106.6%	106.6%	80% - 120%	$2,425,802	$2,425,802	$0	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	89.8%	106.6%	80% - 180%	$2,227,303	$2,642,341	$415,039	$830,077
Intermediate	$2,087,955	$864,542	241.5%	178.3%	115.0%	85% - 115%	$1,541,089	$994,223	-$546,866	-$1,093,732
Streetlights	$210,884	$309,679	68.1%	87.3%	106.6%	70% - 120%	$270,431	$329,978	$59,547	$119,094
Sentinel Lights	$26,264	$43,850	59.9%	83.2%	106.6%	70% - 120%	$36,494	$46,725	$10,230	$20,461
Unmetered Scattered Loads	$19,463	$29,403	66.2%	86.4%	106.6%	80% - 120%	$25,397	$31,330	$5,933	$11,867
Intermediate with Self Gen.	$245,287	$335,527	73.1%	89.8%	106.6%	80% - 120%	$301,404	$357,520	$56,116	$112,233
Totals	**$15,576,133**	**$15,576,133**					**$15,576,133**	**$15,576,133**	**$0**	**$0**

Attachment 5

Chatham-Kent Hydro Revenue-to-Cost Ratios
Revenue-to-Cost Ratios Restated to Remove Permanent Capital Rate Rider Adjustment and Standby Adjustment
Scenario: Adjustment to Settlement Agreement Ranges with,
Distribution Revenue Shortfall Adjusted to Residential and Intermediate with Self Generation in a 1:5 Ratio

Rate Class	Approved Revenues (including Misc. Revenue)	Approved Costs	2010 Settlement Agreement Ratio	2011 Ratio	Settlement Agreement Ranges	2011 Revenue Collected	2011 Distribution Revenue Adjustment
Residential	$8,748,213	$9,238,066	94.7%	98.7%	85% - 115%	$9,122,554	$374,341
GS < 50 kW	$2,425,802	$2,275,268	106.6%	106.6%	80% - 120%	$2,425,802	$0
GS > 50 kW to 999 kW	$1,812,264	$2,479,797	73.1%	76.5%	80% - 180%	$1,898,051	$85,787
Intermediate	$2,087,955	$864,542	241.5%	178.3%	85% - 115%	$1,541,089	-$546,866
Streetlights	$210,884	$309,679	68.1%	69.0%	70% - 120%	$213,830	$2,946
Sentinel Lights	$26,264	$43,850	59.9%	64.9%	70% - 120%	$28,480	$2,216
Unmetered Scattered Loads	$19,463	$29,403	66.2%	73.1%	80% - 120%	$21,493	$2,029
Intermediate with Self Gen.	$245,287	$335,527	73.1%	96.8%	80% - 120%	$324,835	$79,548
Totals	**$15,576,133**	**$15,576,133**				**$15,576,133**	**$0**

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition

Question 4

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.4 EB-2009-0261, Updated Draft Rate Order, May 10, 2010, Appendix A, page 9

a) Please confirm whether the RRWF filed in Appendix A on May 10, 2010 is the RRWF consistent with the approved 2010 rates. If not, please provide the RRWF consistent with the approved 2010 rates and indicate when it was filed with the OEB.
b) Please reconcile the distribution revenue reported in Sheet C1.4 ($14,339,231) with that reported in the RRWF for 2010 rates ($14,273,683).
c) Please indicate where in the 2010 Rate Application (EB-2009-0261) the 2010 revenues from Stand-By service are documented and explain (with reference to the 2010 Rate Application) how the revenues from Stand-By service were treated in the 2010 Rate Application (e.g., were they considered part of Base Distribution Revenues or part of Miscellaneous Revenues).

Response:

a) Confirmed. The RRWF filed in Appendix A on May 10, 2010 is the RRWF consistent with the approved 2010 rates.

b) Please see the reconciliation per the table below:

Distribution Revenue per RRWF for 2010 rates	$14,273,683
Adjustment described in #1(a) of this response	$65,548
Distribution Revenue reported in Sheet C1.4	$14,339,231

c) The 2010 revenues from Stand-By service are documented in CKH's EB-2009-0261 Rate Application, Exhibit 8, Tab 1, Schedule 1, Page 7 of 8, Table 8-8 Variable Distribution Charge Calculation. The table shows Standby Charge revenue of $30,942, which is consistent with the Stand-By revenue shown in the 2011 Revenue to Cost Ratio Adjustment Work Form, Sheet C1.4.

Exhibit B3.5

Chatham-Kent Hydro Inc.

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition

Question 5:

Reference: Revenue to Cost Ratio Adjustment Work Form, Sheet C1.5

a) Please re-do the Work Form using the results from Question 3, part (d) for 2011 and any corrections required as a result of the preceding interrogatories.

Response:

a) For the Revenue to Cost Ratio Adjustment Work Form, Sheet C1.5 revision for the requested scenario please see file titled:
Chatham_2011 IRM3 Revenue Cost Ratio Adjustment Workform_revised 20101126.xls

Please note that the resulting changes from the preceding interrogatories result in an out-of-balance Revenue to Cost Ratio Adjustment Work Form, Sheet C1.5 (please refer Exhibit B3.1(a)(ii)).