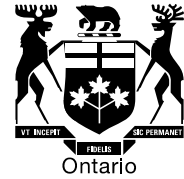


Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

December 18, 2007

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Chatham-Kent Hydro Inc.
2008 Incentive Regulation Mechanism (2008 IRM) Rate Application
Board File Number EB-2007-0881**

Please find attached Board Staff Interrogatories for the above proceeding for distribution to the applicant and any intervenors.

Yours truly,

Original signed by

Alexandre Ruest
Policy Advisor, Regulatory Policy Development

Encl.

**2008 Incentive Rate Mechanism Application
Ontario Energy Board Staff Interrogatories for
Chatham-Kent Hydro Inc. — EB-2007-0881**

For each of the interrogatories below, please provide a complete explanation. Where applicable, clarify whether there were errors, confirming what the correct entry should have been, or justify the noted discrepancies. The format of the response should repeat the references and the interrogatories.

Ref.: Manager's Summary, Smart Meter Adder

1. A reference is made to the "2007 EDR Smart Meter Rate Calculation Model for the November 1 2007 approved rates".
 - a. Please clarify whether this is the model that was filed with the Board following the Board's EB-2007-0063 Decision with Reasons and had a submission date of October 19, 2007.
 - b. In the affirmative, please indicate whether the model was filed on a confidential basis as part of the EB-2007-0063 and EB-2007-0517 proceedings. If so, please resubmit the file in Microsoft Excel format with the Board Secretary to make it part of the record in this proceeding, mentioning whether or not you wish the model to remain confidential.
 - c. If they are not the same model, please submit the file you describe as the "2007 EDR Smart Meter Rate Calculation Model for the November 1 2007 approved rates" in Microsoft Excel format.
2. The \$1.35 rate rider that became effective on November 1, 2007, included a recovery of OM&A and a return equivalent to a return on rate base up to December 31, 2007, for the smart meters installed up to April 30, 2007.

The \$1.09 rate adder that became effective on November 1, 2007, relates to funding for smart meter installations made and to be made after May 1, 2007.

Please clarify whether the proposed service charges of \$0.16 and \$0.43 per month per metered customer relate to new smart meter installations between May 1, 2007, and December 31, 2007. Please provide a detailed explanation of the nature of the costs, the reference period, and rationale underpinning those proposed service charges.

3. If Chatham-Kent Hydro Inc. ("Chatham-Kent") is requesting approval of additional smart meter costs beyond those approved up to April 30, 2007 in the Board's EB-2007-0063 Decision with Reasons, please file the evidence requested in accordance with the minimum filing requirements set out in Procedural Order No. 3 of EB-2007-0063 issued on June 5, 2007. Please also explain why it would be appropriate to do such a cost review at this time, if it is part of your application.

4. Please indicate if the costs associated with the requested \$0.16 and \$0.43 service charges per metered customer per month relate only to meeting the minimum functionality set out in Ontario Regulation 425/06. If any of the costs are associated with functionality exceeding the minimum functionality set out in Ontario Regulation 425/06, please provide a breakdown in accordance with Appendix A to the EB-2007-0063 Decision with Reasons, clearly separating costs associated with the minimum functionality from those relating to functionality that goes beyond the minimum requirements.
5. If Chatham-Kent is applying for costs related to functionality that exceeds Ontario Regulation 425/06 in terms of minimum functionality, please justify why any of those costs should be considered for approval by the Board.

Ref.: Appendix A (Chatham_APPL_APPENDIXA_20071123.XLS)

6. The Microsoft Excel file provided has links to sheets that have been removed from the original file. Please provide the complete Microsoft Excel file.

Ref.: Manager's Summary, Z Factor Rate Rider Adjustment

7. Chatham-Kent is "requesting for a Z factor caused by a few significant bad debt accounts for a total of \$200,000." The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distribution dated December 20, 2006, states on page 34 that:

"For 2nd Generation IRM, the Board will limit reliance on Z-factors to well-defined and well-justified cases only — specifically, Z-factors will be limited to changes in tax rules and to natural disasters."

Please clearly explain why the Board should consider establishing a Z-factor for bad debt at this time.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, Sheet 3 (3. 2007 Tariff Sheet)

8. Monthly Rates and Charges for General Service 50 to 4,999 kW
 - a. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the "Retail Transmission Rate – Network Service Rate" on row 336 should include the descriptor "- Interval Metered".
 - b. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the "Retail Transmission Rate – Line and Transformation Connection Service Rate" on row 337 should include the descriptor "- Interval Metered".

9. Monthly Rates and Charges for Unmetered Scattered Load

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the Service Charge should include the descriptor "(per connection)".

10. Monthly Rates and Charges for Unmetered Scattered Load

You have entered "\$/kW" as the unit of the items in rows 394, 398, and 399. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the unit for these items should be "\$/kWh".

11. Monthly Rates and Charges for Sentinel Lighting

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the Service Charge should include the descriptor "(per connection)".

12. Monthly Rates and Charges for Street Lighting

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the Service Charge should include the descriptor "(per connection)".

13. Monthly Rates and Charges for Street Lighting

You have entered a Retail Transmission Rate – Line and Transformation Connection Service Rate of 1.4800 \$/kW. A review of your current 2007 Board approved Tariff of Rates and Charges shows this rate as 1.4600 \$/kW.

14. Monthly Rates and Charges for Standby Power

You have entered "Distribution Volumetric Rate" as the descriptor for the charge on row 442. A review of your current 2007 Board approved Tariff of Rates and Charges shows the descriptor for this charge as "Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility)."

15. Monthly Rates and Charges for Allowances

A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the unit for "Transformer Allowance for Ownership - per kW of billing demand/month" should be "\$/kW", rather than "\$".

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, Sheet 4 (4. Smart Meter)

16. You have entered \$1.92 in cells F17 to F32, inclusively. Please confirm whether this number is the aggregation of the amounts mentioned in the “Smart Meter Adder” section of the Manager’s summary. That is, \$1.33, \$0.16 and \$0.43 per metered customer per month.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, Sheet 5 (5. Rates)

17. You have entered \$0.000181/kWh as a conservation and demand management rate rider for the Residential rate classes and \$0.000176/kWh for the General Service Less Than 50 kW rate class. In its Decision and Order dated April 12, 2007 (re: EB-2007-0517 and EB-2007-0109), the Board stated that “Together with the operating expense and an allowance for working capital, the total amount to be collected in 2007 rates is \$18,785. This amount has been allocated to the Residential and General Service Less Than 50 kW rate classes.” The rate riders that the Board reflected in rates in that decision were \$0.00007/kWh for the Residential rate classes and \$0.00001/kWh for the General Service Less Than 50 kW rate class. Please explain the reason for the discrepancies.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, Harmonized Rate

18. The volumetric rates for the Residential classes, as shown in cells F10 to F20, include the conservation and demand management rate rider. The resulting proposed harmonized volumetric rate in cell I22 therefore also includes this rate rider and is not being removed, as required, prior to the rate adjustment on sheet 7. Please confirm whether you concur that it is the case. If you agree that it is the case, please provide the correction to the model to be filed as per Board staff interrogatory 21 below. If you disagree, please provide a complete explanation why you believe the current calculation is appropriate.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, Sheet 6 (6. K-Factor)

19. You have entered \$481,469.40 for the Transformer Allowance Credit. Cell R120 of the Board Approved 2006 EDR Model, on Sheet 6-3, shows this amount as \$0.00.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls, 12. Bill Impact GS

20. Chatham-Kent reports that the total bill impact for the General Service 50 to 4,999 kW — Time of Use for the Blenheim service area may exceed 10% for certain consumption profiles, but Chatham-Kent is not proposing to mitigate rates at this time. According to information provided on the sheet called “Harmonized Rate”, there appears to be only one customer falling under this rate class in the Blenheim service area.

a. Please confirm whether this customer, and any other falling under this rate class in Blenheim, would in fact have a total bill impact in excess of 10% based on its consumption profile.

b. Please indicate what would be the total bill impact for this customer with the inclusion of Chatham-Kent’s RTS proposal.

c. If there is a customer expected to face a total bill impact in excess of 10%, please provide the rationale for not proposing any rate mitigation for this rate class in Blenheim at this time.

Ref.: 2008 IRM Model, Chatham_APPL_Harmonized_20071101.xls

21. You have made changes to the model for the purpose of illustrating and calculating the impact of the final phase of your rate harmonization plan. Please file a new 2008 IRM model with your proposed harmonized rates, as adjusted in light of these interrogatories, where applicable, using the version 2.0 of the password protected copy of the model as issued by the Board on October 12, 2007.