



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

February 10, 2011

Attention: Board Secretary

Re: Kenora Hydro Electric Corporation Ltd. – EB-2010-0135 – Interrogatory Responses

Enclosed please find Kenora Hydro Electric Corporation Ltd's responses to the interrogatories filed by the Board and by VECC in the above noted proceeding.

The interrogatory responses have been filed through the Board's web portal (PDF) and 2 paper copies sent by courier.

Should there be any questions, please don't hesitate to contact me.

Yours truly,

A handwritten signature in blue ink, appearing to read 'David Sinclair', with a stylized flourish extending to the right.

David Sinclair
President & CEO
Kenora Hydro
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cc: Michael Buonaguro, VECC
Bill Harper, VECC

KENORA HYDRO ELECTRIC CORPORATION LTD.
VECC Interrogatories
2011 COS Rate Application
EB-2010-0135

QUESTION #1

Reference: Exhibit 1/Tab 1/ Schedules 14 and 16

- a) Please describe the activities of the Kenora Energy Corporation
- b) Does Kenora Hydro provide any services to or purchase any services from Kenora Energy?
- c) If the response to part (b) is yes, please provide the following:
 - A copy of the Service Agreement between the two entities
 - A list of services purchased/provided, the charges for each in 2009, 2010 and forecast for 2011 and the basis for the charges (e.g. allocated costs, actual costs incurred, etc).

RESPONSE

1. a) Kenora Energy is an inactive corporation. There has been no activity in this corporation.
- b) There have been no transactions between Kenora Hydro and Kenora Energy.
- c) N/A.

QUESTION #2

Reference: Exhibit 1/Tab 2/Schedule 1, Appendix C, page 1

- a) Please provide a similar schedule that compares the OM&A cost for 2008 and 2009.

RESPONSE

2. This table comparing the OM&A costs for the cohort grouping of "Small Northern Medium Undergrounding" was taken from the OEB report "Comparison of Ontario Electricity Distributors Costs (EB-2006-0268)". To our knowledge, there have been no more recent comparisons of costs by cohort groupings done by the OEB.

QUESTION #3

Reference: Exhibit 2/Tab 1/Schedule 1, pages 1, 6 and 10

a) Page 1 indicates that the 2011 spending forecasts included in the Application were approved by Kenora's President & CEO on April 30, 2010. Are there any more recent budget forecasts for Kenora that have been approved by the President & CEO and/or the Board of Directors? If yes, please provide.

b) Please provide the most recent rolling five year capital plan developed by Kenora.

RESPONSE

3. a) There have been no more recent 2011 forecasts produced since those approved April 30, 2010.

b) As provided in Ex 2, Table 18, this is the most recent capital budget forecast. The 2015 budgets are currently being developed.

Kenora Hydro 5 Year Capital Budget

Ex 2 - Table 18 - Five Year Capital Budget Summary

Asset Category	USofA	Budget 2010	Budget 2011	Budget 2012	Budget 2013	Budget 2014
Buildings and Fixtures	1908	\$ 365,000	\$ 155,000	\$ 10,000	\$ 10,000	\$ 10,000
Transformer Station Equip >50 kV	1815	\$ 280,000	\$ 605,000	\$ 480,000	\$ 10,000	\$ 10,000
Poles, Towers & Fixtures	1830	\$ 67,000	\$ 60,000	\$ 75,000	\$ 75,000	\$ 75,000
O/H Conductors & Devices	1835	\$ 75,000	\$ 100,000	\$ 110,000	\$ 110,000	\$ 110,000
Underground Conduit	1840	\$ 62,000	\$ 18,000	\$ 10,000	\$ 10,000	\$ 10,000
U/G Conductors & Devices	1845	\$ 90,000	\$ 40,000	\$ 30,000	\$ 30,000	\$ 30,000
Line Transformers	1850	\$ 97,000	\$ 119,000	\$ 80,000	\$ 30,000	\$ 30,000
Services	1855	\$ 33,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Meters	1860	\$ 3,000	\$ 3,500	\$ 3,000	\$ 3,000	\$ 3,000
Office Furniture and Equipment	1915	\$ 1,000	\$ 16,000	\$ 1,000	\$ 1,000	\$ 1,000
Computer Equipment - Hardware	1920	\$ 6,000	\$ 2,000	\$ 3,000	\$ 1,000	\$ 1,000
Computer Equipment - Software	1925	\$ 2,000	\$ 2,000	\$ 2,000	\$ 5,000	\$ 5,000
Fleet	1930	\$ -	\$ 150,000	\$ -	\$ 50,000	\$ -
Tools, Shop & Garage Eq	1940	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Measure & Test Equip	1945	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Communication Equipment	1955	\$ -	\$ -	\$ -	\$ 50,000	\$ -
Miscellaneous Equipment	1960	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Capital Contribution	1995	\$ (30,000)	\$ (30,000)	\$ -	\$ -	\$ -
TOTAL		\$ 1,060,000	\$ 1,284,500	\$ 848,000	\$ 429,000	\$ 329,000

QUESTION #4

Reference: Exhibit 2/Tab 1/Schedule 1, page 7 (lines 17-20)

a) What assets, apart from poles and transformers, does Kenora repair/replace on a proactive basis?

b) For each asset category that is repaired/replaced on a proactive basis, please describe how Kenora determines that repair/replacement is required.

RESPONSE

4. a) Kenora Hydro would repair or replace on a proactive basis the reclosures, buildings, and substation facilities.

b) On an individual item by item basis, the age and condition of each asset is assessed and based on staff and management's judgment on the risks of non-replacement or repair. The asset will be either left in service as is, repaired if financially feasible, or replaced if required.

QUESTION #5

Reference: Exhibit2/Tab 1/Schedule 1, page 9
Exhibit 2/Tab 3/Schedule 3, Appendix A (Asset Management Plan),

a) Please provide a copy of the overall substation reconstruction and refurbishment plan that outlines the scope of the work, the planned schedule and the rationale for undertaking the project. Note: What is being requested here is the overall multi-year plan for the work and the supporting justification regarding the 2006 redesign of the substation as described on page 10 of the Asset Management Plan.

b) Does the planned capital spending for 2010 and/or 2011 include any expenditures related to smart grid or distributed generation? If so, please identify the projects and the associated spending by year.

RESPONSE

5. a) In early 2006 Hydro One indicated that the last Hydro One owned 115 KV structure feeding our substation was due for replacement in 2007. We indicated a willingness to make substantial changes to the structure since all high voltage work required a full city outage since there was no way of isolating the feeds to the power transformers individually, Hydro One suggested some changes, a copy of which is available on request. We requested a review of the substation from Hatch Acres. A copy of their report is also available on request.

b) There is \$9,609.80 of additional expenditures posted to renewable connection, deferral account 1532, for distributed generation. There are no capital amounts forecasted for 2011.

QUESTION #6

Reference: Exhibit 2/Tab 3/Schedule 1, page 2
Asset Management Plan, Appendices L and M

- a) Please outline the scope of the building renovations undertaken in 2010 and how it differs from the work planned for 2011.
- b) How does Kenora determine when new vehicles need to be purchased (e.g. the new truck in 2011)?
- c) Please confirm that the City's plans regarding the Harbourfront redevelopment are unchanged from when the Application was prepared and the associated Harbourfront electrical upgrades are still expected to proceed. If not, please revise the capital budgets for 2010 and 2011.

RESPONSE

- 6. a) The building renovations undertaken in 2010 consisted entirely of demolishing and replacing the administrative offices. The scope of the work in 2011 involves the replacement of the warehouse roof that leaks consistently and shows many areas of significant rusting. Major water leaks occurred in the summer of 2010.
- b) Vehicle replacements are planned on the basis of age and condition. The vehicle replacement proposal in 2011 meets both requirements. Purchased in 1998, our mechanics now indicate that this unit is likely to fail CVOR (Commercial Vehicle Operator's Registration) renewals in 2011 or 2012. Attached as Appendix A, is a letter from the shop foreman, along with pictures of the areas of concern in the vehicle.
- c) To our knowledge, the City's plans for the Harbourfront renewal in 2011 remain unchanged.

QUESTION #7

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

- a) What portion of the costs of this new position (Manager, Conservation and CDM) is assumed to be funded through the OPA in 2011?

RESPONSE

- 7. a) It has been estimated that in order to attract an engineer, a total wage including benefits of \$100,000 will be incurred in 2011. The operating budgets as filed in this application include \$67,000 of wage and benefit expense, with approximately 33% of his time to OPA programs, or \$33,000. This figure was then deemed to be reasonable,

based on the billed amount by Thunder Bay Hydro in 2009 for OPA program administration of \$33,751.

QUESTION #8

Reference: Exhibit 2/Tab 4/Schedule 1, Appendix B

- a) What is the source for the 2010 and 2011 values used for commodity cost (\$0.065/kWh)?
- b) Why was the same Commodity cost used for both RPP and non-RPP customers?
- c) Based on the most recent 12 months of available data, what percentage of Kenora's kWh sales are to RPP customers by customer class?
- d) What is the source/basis for the 2010 and 2011 rates used for Transmission Network and Connection and why are the rates for the two years the same?

RESPONSE

- 8. a) The value of \$0.065 (the RPP rate in effect during the preparation of this COS model) was used for the cost of commodity, with the understanding that this will change before the final rates are determined. It is expected that we will be updating these figures to the most current rates when directed to do so by the OEB.
- b) \$0.065 was used as the RPP commodity costs as it was the tier one rate in effect at the time of this filing. The same cost was used for non-RPP customers as any future cost would have been a best guess, and the combined spot price and provincial benefit charges were \$0.068 on a sample customer as at July 22, 2010.
- c) Based on the 2010 year, the following are the % of RPP kWh by class.
 - Residential 83.2%
 - General Under 50 kW 82.02%
 - General Over 50 kW 13.20%
 - Streetlights 100%
 - Unmetered Scattered Loads 77.43%
- d) The source for the 2010 rates for Network and Connection are the rates in effect as of May 1, 2010. The 2011 rates were not linked to the proposed 2011 rates, which was an error. The 2011 figures should reflect the proposed rates as in this application and will be reflected when final rates are determined.

QUESTION #9

Reference: Exhibit 2/Tab 3/Schedule 2, page 1

a) Please provide a schedule setting out the actual capital spending for 2010 using the same categories as in Table 18.

RESPONSE

9. The table that follows indicates the 2010 capital accounts as of January 12, 2011 in the form requested. There are no accruals for year-end cut off as of this date, therefore, the numbers provided will change once year end file preparation is complete and the required payable accruals are made.

Kenora Hydro 2010 PRELIMINARY CAPITAL SPENDING 2010
Does not include any required accruals at year end.

Asset Category	USofA	Budget 2010	Preliminary 2010
Buildings and Fixtures	1908	\$ 365,000	\$ 281,399
Transformer Station Equip >50 kV	1815	\$ 280,000	\$ 304,437
Poles, Towers & Fixtures	1830	\$ 67,000	\$ 95,905
O/H Conductors & Devices	1835	\$ 75,000	\$ 49,520
Underground Conduit	1840	\$ 62,000	\$ -
U/G Conductors & Devices	1845	\$ 90,000	\$ 31,508
Line Transformers	1850	\$ 97,000	\$ 51,563
Services	1855	\$ 33,000	\$ 41,719
Meters	1860	\$ 3,000	\$ 1,162
Office Furniture and Equipment	1915	\$ 1,000	\$ 929
Computer Equipment - Hardware	1920	\$ 6,000	\$ 15,225
Computer Equipment - Software	1925	\$ 2,000	\$ -
Fleet	1930	\$ -	\$ 14,737
Tools, Shop & Garage Eq	1940	\$ 5,000	\$ 2,033
Measure & Test Equip	1945	\$ 2,000	\$ -
Communication Equipment	1955	\$ -	\$ -
Miscellaneous Equipment	1960	\$ 2,000	\$ -
Capital Contribution	1995	\$ (30,000)	\$ (30,000)
TOTAL		\$ 1,060,000	\$ 860,138

QUESTION #10

Reference: Asset Management Plan, Appendices K, L and M

10 a) Please identify the projects in Appendices L and M that give rise to the \$30,000 in contributed capital shown in Appendix K for both 2010 and 2011.

RESPONSE

10. The \$30,000 capital contribution in 2010 arises from the Qualico – Headwaters Condominium Project. The \$30,000 capital contribution projected for 2011 is from the next phase of the Qualico – Headwaters Condominium project.

QUESTION #11

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

- a) What are the forecast real GDP growth rates for 2010 and 2011 per the March 2010 Budget?
- b) Is Kenora aware of any more recently prepared forecasts for real GDP growth? If so, please provide and update the load forecast accordingly.
- c) How is customer count measured (e.g. what customer classes does it include)?

RESPONSE

- 11. a) The forecast real GDP growth rates for 2010 and 2011 per the March 2010 Budget are 2.7% and 3.2%; respectively.
- b) Based on the 2010 Ontario Economic Outlook and Fiscal Review dated November 18, 2010 from the Ministry of Finance a more recent forecasts of 2010 and 2011 Real Ontario GDP is 3.2% and 2.2%; respectively. With this updated forecast for Ontario GDP the forecast will move from 107,843,068 kWh to 107,827,917 kWh.
- c) The customer count includes the number of customers in the Residential, GS<50 and GS>50 rates classes.

QUESTION #12

Reference: Exhibit 3/Tab 2/Schedule 1, page 10

- a) Please provide estimates of weather normal purchases for 2008 and 2009. Please do so, by estimating the impact of weather on actual sales as follows:
 - Determine the difference in each year between the actual and weather normal values for HDD and CDD
 - Using the coefficients from the regression equation (page 9) estimate the impact of the actual vs. normal weather
 - Adjust the actual purchases for this impact.
- b) If known, please provide:
 - The actual purchases for 2010.
 - The weather normal purchases for 2010 following the steps set out in part (a).

RESPONSE

12. The requested information is provided below

Year	Actual	Predicted	Predicted Weather Normal	Estimated Actual Adjusted for Weather Normal
2008	115,525,373	115,775,323	114,969,735	114,719,785
2009	112,986,368	113,135,565	113,791,808	113,642,611
2010	110,527,335	110,851,684	113,270,735	112,946,386

QUESTION #13

Reference: Exhibit 3/Tab 2/Schedule 1, pages 11-12

- a) What were the average historical losses over the period 2002-2009?
- b) Please explain why the determination of customer growth rates only used data back to 2004 instead of 2002 similar to the overall load forecast.
- c) Presumably earlier data is available back as far as 2002, since it was used in the regression analysis. Please repeat Tables 8, 9 and 10 using data back to 2002.
- d) Is the historical data in Table 8 based on year end values or average annual values?
- e) Please provide the customer counts by class for the most recent month available (e.g. December 2010).
- f) Please provide the geometric mean for each customer as used to forecast customer/connection numbers for 2010 and 2011. Please also explain precisely how the value was calculated using Residential as an example.

RESPONSE

13. a) The average line loss from 2002-2009 was 4.14%.

b) Kenora Hydro converted billing systems in the spring of 2002 to be ready for "Market Opening". The old billing system is no longer supported and documents cannot be

located to give accurate consumption for all of 2002 by class. Where possible in the regression analysis, 2002 data was used, but complete data is not available until the 2003 year for all calculations.

c) Table 8

Ex 3 - Table 8 - Historical Customer /Connection Data

Year	Residential	GS<50	GS>50	SLR Connections	USL Connections	Total
Number of Customers/Connections						
2002	5,186	749	56	550	0	6,541
2003	5,051	803	63	550	23	6,490
2004	5,011	794	61	550	23	6,439
2005	4,989	797	60	550	25	6,421
2006	5,029	782	61	550	28	6,450
2007	5,012	794	66	550	28	6,450
2008	4,781	732	66	550	28	6,157
2009	4,783	713	70	550	28	6,144

Table 9

Ex 3 - Table 9 - Growth Rate in Customer /Connection Data

Year	Residential	GS<50	GS>50	SLR Connections	USL Connections
Growth (Decline) in Customers/Connections					
2002 to 2003	-2.6%	7.2%	12.5%	0.0%	100.0%
2003 to 2004	0.0%	0.0%	-3.0%	0.0%	0.0%
2004 to 2005	-0.4%	0.0%	-1.6%	0.0%	8.6%
2005 to 2006	0.0%	0.0%	1.6%	0.0%	12.0%
2006 to 2007	-0.3%	1.5%	8.2%	0.0%	0.0%
2007 to 2008	-4.6%	-7.8%	0.0%	0.0%	0.0%
2008 to 2009	0.0%	-2.6%	6.0%	0.0%	0.0%

Table 11**Ex 3 - Table 11 - Customer /Connection Forecast**

Year	Residential	GS<50	GS>50	SLR Connections	USL Connections
Annual kWh usage Per Customer/Connection					
2002					
2003	8,137	34,392	608,529	2,430	8,530
2004	8,096	32,356	544,008	3,927	8,530
2005	8,126	36,027	554,318	3,596	7,882
2006	7,787	34,319	677,880	2,842	7,672
2007	7,810	33,381	658,597	3,542	7,672
2008	8,228	32,797	682,718	3,377	5,655
2009	8,344	33,153	620,775	3,074	5,624

d) Data in Table 8 is based on the year end values.

e) The customer counts by class from December 31, 2010 are as follows:

- Residential = 4,770 accounts
- GS Under 50 kW = 744 accounts
- GS Over 50 kW = 69 accounts
- Streetlights = 2 accounts
- Unmetered Scattered = 3 accounts

f) The Geomean used in calculating the customer counts for 2010 and 2011 is:

	Residential	GS Under 50	GS Over 50	Streetlight	USL
Geomean used	.9885	.9930	1.0324	1.0000	1.0333

Using the residential counts as an example:

	<u>Residential</u>
2002	5,186
2003	5,051
2004	5,011
2005	4,989
2006	5,029
2007	5,012
2008	4,781
2009	4,783
2010	4,728
2011	4,674

Growth Rate in Customer Nu	
2002	
2003	0.9740
2004	0.9921
2005	0.9956
2006	1.0080
2007	0.9966
2008	0.9539
2009	1.0004
Used	0.9885
Geomean	0.9885

An excel formula, “=GEOMEAN” was used on the growth rate in customer numbers from 2003 – 2009 as presented in this table. The resulting geomean of .9885 is used to reach the residential customer counts presented here in green. 2010 takes the geomean of .9885 and multiplies it by the 2009 count of 4,783, to get 4,728. Similarly, the 2011 residential count is reached by taking the geomean of .9885 and multiplying it by the 2010 forecasted residential count of 4,674.

QUESTION #14

Reference: Exhibit 3/Tab 2/Schedule 1, page 17

- a) Please provide a detailed explanation as to how the 1.23 GWh “Adjustment for CDM Targets” was established and how it was apportioned to customer classes.
- b) Please confirm that Kenora’s cumulative energy target is 5.22 GWh. Please also confirm that this represents the total energy savings to be achieved over the 2011-2014 period.

c) Please confirm that if Kenora achieved 1.23 GWh of savings in 2011 and this value persists through to 2014, then this would contribute 4.92 GWh (i.e., 4×1.23) towards Kenora's target.

RESPONSE

14. a) Please see response to OEB Staff IR #15.

b) Kenora Hydro's cumulative energy target is 5.22 GWh, representing savings to be achieved over the 2011-2014 period.

c) Please see response to OEB Staff IR #15.

QUESTION #15

Reference: Exhibit 3/Tab 3/Schedule 1, page 2

Exhibit 3/Tab 3/Schedule 2, page 4

Exhibit 3/Tab 1/Schedule 1, page 1

a) Please confirm whether the interest and dividend income shown includes any interest charges or credits associated with deferral/variance accounts.

b) Please confirm that Table 22 does not include the revenues from SS Admin fees

RESPONSE

15. a) In Ex 3, Tab 3, Table 22, account 4405 - Interest and dividend income - does include carrying charges on deferral/variance accounts from 2006 to 2011.

b) Table 22 does not include revenues from SS Admin fees.

QUESTION #16

Reference: Exhibit 4/Tab 2/Schedule 1, page 2

a) Please provide the business case that supports/justifies the installation of the SCADA system.

b) How is the work for SCADA system installation being performed (i.e., internal or external resources)? How was this decision made and, if external resources are being used, how was the contractor selected?

RESPONSE

16. a) There was no business case prepared for the SCADA project. The SCADA is primarily data acquisition from existing ION substation metering and CALISTO power transformer

oil monitors. The data acquisition is required to provide details on various reporting requirements of the OEB pertaining to outage frequencies. The only supervisory control included was for under frequency load shedding to allow for Kenora Hydro to meet IESO code requirements which to date, we have been non-compliant.

b) Both internal and external resources were used to complete the work. A third party contractor that Kenora Hydro has used previously with substation and ION metering experience was chosen to assist our resources in setting up the monitoring. They were selected based on expertise.

QUESTION #17

Reference: Exhibit 4/Tab 2/Schedule 3, pages 7-10

- a) What services are obtained from Thunder Bay Hydro (per page 7)?
- b) Please provide a break down of the estimated \$150,000 cost for the Asset Management Plan (per page 9).
- c) If portions of the Asset Management Plan preparation were contracted out please explain what work was done by external parties, why and how the contractors were chosen.
- d) Is any of the \$150,000 for the Asset Management Plan internal staff costs? If yes, please indicate dollar amounts by year incurred. Have the reported OM&A costs in for the other USOSA accounts been reduced to reflect this recovery?
- e) Please explain what is included in the \$38,000 for OEB Hearing Assessments (per page 10).
- f) What is Kenora's required level of LEAP funding for 2011?
- g) Please explain the basis for the following Regulatory costs:
 - Expert Witness - \$6,000
 - Consultants Costs - \$55,000
 - Operating Expense Associated with Staff - \$30,000

RESPONSE

- 17. a) Thunder Bay Hydro provides the software for the billing system; any software upgrades or modifications to allow for new code changes, specific customer queries, listings, customized reports, billing assistance for non-routine transactions, assistance with EBT/Retailer billings, smart meter technical support; meter service provider; CDM assistance.

b) The following is the estimate of costs for the Asset Management Plan:

- Third party costs for GIS system updates \$80,000
- Third party development of system performance plan \$25,000
- Third party review and assessment of Asset Management Plan \$30,000
- Third party development of Dbase for system performance reporting and training \$15,000

c) Jordan Consulting was contracted out for data collection of existing assets, inputting the information, organizing the information, as well as GIS support. They were chosen because of their expertise as they set up the initial GIS systems for both the City and the utility.

d) Although staff will complete and update the Asset Management plan 'in-house', the staff time was not reduced from the OM&A for this purpose. It was thought that the costs would be for outside consultants.

e) Please refer to OEB IR #23 c).

f) Please refer to OEB IR #21 a).

g) Kenora Hydro has not been through such an extensive rate filing process. The costs for expert witnesses of \$6,000 was taken from budgets of other LDC's. This cost is unknown to us, a budget was put in place in the event that expert witnesses needed to be called. Consultant costs cover the expenses of hiring Toronto-based consultants to review the rate application, assist with interrogatories, and, on request, assist with any rate application related questions. Operating expenses will consist mainly of travel and accommodations. Travel to Toronto is very costly from the Northwest, one trip for one person can cost \$3,000, not including wage costs.

QUESTION #18

Reference: Exhibit 4/Tab 2/Schedule 5

a) Please provide the service agreement between Kenora Hydro and the City of Kenora regarding both the services purchased by and the services provided by Kenora Hydro.

b) If there is no agreement, please explain why.

c) With respect to the services provided by the City for Finance, Billing and Collecting and Customer Services please explain:

- Precisely what services are provided
- Precisely what costs are included for "cost recovery".

d) With respect to the Street Light maintenance service provided to the City, please explain precisely what costs are included for “cost recovery”

RESPONSE

18. a) Attached Appendix B, find a copy of the service agreement between Kenora Hydro and the City of Kenora.

b) N/A.

c) During the investigations for this response, it is noted that the GL account capturing the City Allocated costs also captures some charges from Thunder Bay Hydro. The GL for 2010 captures total allocated City charges of \$217,584, less the recoveries for our charges for billing and finance services for \$42,975, net charge by the City of \$174,609. The amount reported in Ex 4, Tab 2, Sch5, Table 8 of \$256,839 does not match the budgeted amount for the City in 2010 of \$232,815, and the \$232,815 should be \$217,584.

The City provides services relating to Finance, billing and Collecting, and Customer Services as follows, using the 2010 calculation as the example for costing. In 2011, it is estimated that the City will charge Kenora Hydro \$24,744 to recover their costs for accounting services, and \$199,366 for billing and collections costs.

SERVICES PROVIDED BY THE CITY OF KENORA

FINANCE

Payroll

- All payroll services including enter timesheets, bi-weekly payroll, calculates statutory deductions and remit, deduct bond/RRSP contributions and remit, provide pay statements, track sick time and vacation time, process and remit for garnishments and child support payments, Prepare T4 and T4 summary for employees and CCRA, complete year end reconciliation and filing for WSIB, complete year end reconciliation and filing for EHT, complete year end reconciliation and filing for OMERS, set up new employees for pension plan and benefits, audit monthly Great West Life invoices and submit for payment, assist employees with applications for LTD, provide retirement planning and advice as requested, provide payroll and benefits information to Hydro as requested

Accounts Payable

- input monthly cheques issued by Hydro into GL, issue some cheques to suppliers, relief for payroll person.

Charges Calculated as follows:

"Finance" for 2010 = \$24,024 posted to GL account 2956308

- 4.77% of City total Finance Department costs
 - 4.77% is the percent of Kenora Hydro expenses in relation to City expenses.
 - Total finance department costs for City are \$477,215
 - $\$477,215 * 0.0477 = \$22,763$ charged
- City Hall building charges and maintenance attributable to Finance Department = \$1,261
 - Square footage of Finance department * cost of maintenance * 4.77%
 - Square footage = 2,185 = Finance, 6,806 total = 32% is Finance Department
 - Total City Hall maintenance costs = \$82,353
 - $\$82,353 * 0.321 * 0.0477 = \$1,261$.

BILLING

- Customer Service
 - Front line customer service staff, set up new accounts, transfer locations/ownership, resolve customer complaints, request work orders on meters as required, answer customer questions, direct customers to other resources, assist billing with printing stuffing bills daily, process adjustments on accounts, provide information about OPA and local LDC conservation measures, process direct payments through banks onto accounts, check portal for internet payments and applies to account, relieve cashiers as required.
- Billing
 - Physically printing daily hydro bill runs, ensure folding and mailing performed daily, insert stuffers, both manually and by machine, as necessary, ensure sufficient supply on hand of bill stock and envelopes, update bill print messages as required or requested by Hydro, supervise cashiers and customer service reps, approve account adjustments as required, resolve customer issues/complaints escalated above customer service reps, remain current on regulations impacting billing, pre-authorized payment processing, new customer account set up, budget billing administration, deposit calculations and payment plan options, includes the costs of office supplies, postage, forms and envelopes
- Cashiers
 - Accept and process payments at City Hall by cash, cheque, Visa, MC, money order, phone in credit card payments, direct customer billing

questions/issues to customer service, balance day end, produce daily reports and provide specific information as required/requested

- Collections
 - All aspects of collections and arrears management, deposit calculations, billing deposits to accounts, refunding deposits according to regulation, arrears management including payment plan arrangements, follow up calls, issuing all late/arrears/final notices, disconnect/reconnect/limiter installation arrangements with Hydro work crew, credit bureau processing, write off processing, work with social agencies, budget bill set up and administration, aging accounts receivable analysis monthly
- Reception
 - First line of customer contact for account setup, billing inquiries, source of information on hydro services and programs, direct callers to appropriate contact.
- IT
 - Provide support as required for software, hardware and Internet issues, advice on It related purchases

Charges Calculated as follows:

"Billing" for 2010 = \$193,560 posted to GL account 2953153

- City Hall building charges and maintenance = \$15,461
 - Square footage of each of Customer Service, Cashiering, Billing, Collections and IT departments * cost of maintenance * percent of time based on detail review of staff time spent on Hydro services
 - Total City Hall maintenance costs = \$82,353
 - Charges are as follows:

▪ Customer Service	\$ 4,067
▪ Cash	\$ 3,133
▪ Billing	\$ 6,792
▪ Collections	\$ 986
▪ IT	<u>\$ 483</u>
TOTAL	<u>\$15,461</u>
- Finance & Admin charges = \$178,099
 - Based on "time" = staff wages and benefits * % time dedicated to Hydro services (analyzed annually by each staff member)

▪ Customer service (36.5% time)	\$ 40,760
▪ Billing (50.9% time) ***	\$ 35,296
▪ Cash (28.2% time)	\$ 32,042
▪ Collections (41.6% time)	\$ 28,277

▪ Reception (34.0% time)	\$ 24,525
▪ IT (2.7% *)	\$ 7,789
▪ Interac, Visa, MC fees (36.9%**) <u></u>	<u>\$ 9,410</u>
TOTAL	<u>\$178,099</u>

*= tracking system for work orders, trouble calls, department costs then prorated to Hydro based on use of IT department

**= based on cash collection ratio, Hydro accounts responsible for 36.9% of total cash intake at City Hall

*** = note – this is the calculation of the 2010 allocated costs, prepared before the reduction due to billing moving to Hydro in December of 2009. The actual allocated costs charged are less than those presented here.

The following table summarizes the charges from the City to Kenora Hydro, and provides the summary of the estimates for 2011, using the same basis and methodology as the above 2010 calculations, assuming a 3% wage increase in 2011. Please refer to OEEB IR # 24 for additional information.

2010 Actuals	Gross Charge	Offset in Revenue	Net Charge
Allocated Accounting	24,024	(13,462)	10,562
Allocated Billing	<u>193,560</u>	<u>(29,513)</u>	<u>164,047</u>
TOTAL	217,584	(42,975)	174,609
2011 Proposed Revised Budget			
Allocated Accounting	24,744	(13,850)	10,894
Allocated Billing	<u>199,366</u>	<u>(30,400)</u>	<u>168,966</u>
TOTAL	224,110	(44,250)	179,860

d) Streetlight maintenance provided to the city includes the following charges:

- Direct wages and benefits of staff time as work is performed. Staff codes timesheets to streetlight maintenance as work is performed.
- Cost of equipment used on each job.
- A portion of clearing account charges, allocated based on total payroll costs recorded.

- A 20% markup is included on total wage charges on the monthly invoices to the City, to compensate Hydro for costs not directly recovered through charging out wage costs, including our costs for general administration associated with managing the streetlight maintenance program.

The following table is a sample of an invoice billed to the City for the month of Sept 2010.

Item	Hours	Charge	Benefits at 26%	Handling Charge at 20%	Total Charge
Linesman	93	\$3,113.23	\$809.43	\$784.53	\$4,707.19
Truck # 4	31	\$775.00			\$775.00
Truck # 54	33	\$825.00			\$825.00
Truck # 19	4	\$140.00			<u>\$140.00</u>
Subtotal					\$6,447.19
HST					<u>\$838.13</u>
Total Invoiced					\$7,285.32

QUESTION #19

Reference: Exhibit 4/Tab 2/Schedule 7, pages 3-5

- The discussion pages 3-4 identify 3 new staff since 2008. However, the table on page 5 shows an increase of 4 – please reconcile.
- Does the total compensation shown in Table 10 include the compensation costs that will be i) charged to the City for Street Lighting maintenance and ii) charged to OPA programs and/or variance accounts for GEA projects?
- If the response to (b) is yes – what are the amounts assumed for items (i) and (ii) in part (b) for 2011?
- If the response to part (b) is no – what amounts have been removed for items (i) and (ii)?

RESPONSE

19. a) The discussion on pages 3-4 identifies 3 new staff, one linesman late in 2007, one Billing clerk and one Assistant Accountant. The Table on page 5 for the Bridge Year 2010 includes the anticipated addition of the Manager of CDM & Engineering, making 4 additions total.

b) The total compensation shown in Table 10 does include wages that will be charged out to the City of Kenora for streetlight maintenance. The Manager of CDM's compensation has all been included in the 2010 estimate. However, the 2011 operating budget only includes \$67,000 wage and benefit, while \$33,000 has been determined to be attributable to CDM activities, and has not been included as wages in Table 1.

c) Compensation to be recovered for Streetlight maintenance, included in Table 10;

2011 \$ 39,000

d) Compensation not included in Table 10, attributable to OPA programs

2011 \$33,000

QUESTION #20

Reference: i) Exhibit 4/Tab 2/Schedule 8, page 7

ii) Exhibit 8/Tab 1/Schedule 1, page 2

ii) Exhibit 4/Tab 3/Schedule 1

a) References (i) and (ii) have different values for depreciation in 2011 (\$468,460 vs. \$468,960). Please reconcile.

b) References (i) and (iii) also have difference values for deprecation (\$533,090 vs. \$533,590). Please reconcile.

c) Does Kenora have any apprentices or trainees that are eligible for tax credits in 2011? If yes, have these credits been taken into account in the determination of income taxes?

RESPONSE

20. a) Exhibit 4, Tab 2, Schedule 8, page 7, Table 13 was not updated to include amortization expense of \$500 on smart meter additions for 2011. In the question, the reference in part ii), Exhibit 8, Tab 1, Sch 1, Pg 2, there is no referencing to amortization, this page refers to revenue allocations. It was assumed that in this question, referencing to ii) should have been to Exhibit 8, Tab 1, Sch 1, page 1, Base Revenue Requirement. Net depreciation in Exhibit 4, Tab 2, Sch 8, Pg 7, should be \$468,960, matching Exhibit 6, tab 1, Schedule 1, page 1, Revenue Deficiency determination. The correct amortization of \$468,960 was used for the revenue deficiency calculation.

b) The difference in values flows again from the Table 13 referenced in 20. a). The additional \$500 in meter depreciation would make the subtotal \$533,590 in Table 13, matching the amortization in Exhibit 4, Tab 3, Schedule 1, Table 17, Income Taxes.

c) Kenora Hydro does not have any apprentices eligible for tax credits in 2011.

QUESTION #21

Reference: Exhibit 5/Tab 1/Schedule 1, page 2
Exhibit 5/Tab 1/Schedule 2, page 2 8

a) Has the construction load with IO been converted to a debenture? If yes, when and what is the effective rate? If no, when is the conversion expected to occur?

b) As necessary, please update the principal amounts and effective rates for the debt outstanding in 2011 (per Schedule 2) and recalculate the 2011 cost of long term debt.

RESPONSE

21. a) The construction loans with IO have not yet been converted to debentures. Conversion is expected to occur once the projects are substantially completed. It is now estimated that the remaining smart meter loan funds of \$228,200 will be drawn in June, 2011, converting this to a debenture at an estimated rate of 5.5%. The original \$900,000 and the additional 228,200 are expected to cost 5.5% after June 2011. The Substation loan is not expected to be converted until 2012, when the final stage of that project is expected. An additional draw of \$200,000 in June 2011 will still be at the construction rate, estimated at 1.5%.

b) With updated expected drawings dates and interest rates based on time of conversion to debenture for the smart meter loan (June 2011), the total expected interest cost in 2011 is \$130,275.

Substation Rebuild L	Infrastructure Ontario	N	October 1, 2010	400,000	40	1.50%	2011	6,000
Smart Meter Loan	Infrastructure Ontario	N	Dec/09	900,000	15	3.50%	2011	31,500
Shareholder Loan	City of Kenora	Y	January 1, 2000	3,069,279	40	2.77%	2011	85,000
Smart Meter Loan	Infrastructure Ontario	N	June 1, 2011	228,200	40	5.50%	2011	6,275
Substation Rebuild L	Infrastructure Ontario	N	June 1, 2011	200,000	40	1.50%	2011	1,500

TOTAL \$130,275

QUESTION #22

Reference: Exhibit 7/Tab 1/Schedule 2, pages 3-4

a) Please confirm that for purposes of determining the revenues at current rates in Table 2 Kenora has:

- Excluded the Smart Meter rate adder
- Allowed for the lower revenues due to the transformer ownership discount.

If not please re-do Table #2.

b) In Table 2 please explain why the revenues by class are the same for both the Current Rate x (d+1) column and the Proposed rates column even though in Table 3 there are proposed changes to the revenue to cost ratios for some customer classes in 2011.

RESPONSE

22. a) For the purposes of determining revenue at current rates, Kenora Hydro has:

- excluded the Smart Meter rate adder
- allowed for lower net revenues as a result of the payout for transformer allowances. In the "Rate Design Model" under the Deficiency Analysis tab, the gross revenue for the GS>50 class is \$477,455, which is then reduced by the required payout of \$21,295 for transformer credits. This tab is reproduced here:

Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions
Revenue At Existing Rates

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist. Rev. At Existing Rates %
Residential	38,188,926		56,085		758,825	378,070	1,136,895		1,136,895	58.55%
GS < 50 kW	22,359,418		8,436		217,407	89,438	306,844		306,844	15.80%
GS > 50	45,342,066	116,530	895		333,284	144,171	477,455	21,295	456,160	23.49%
Street Lighting	1,807,975	5,737		6,600	23,364	13,354	36,718		36,718	1.89%
USL	144,681			359	4,684	593	5,257		5,257	0.27%
	107,843,068	122,267	65,416	6,959	1,337,544	625,627	1,963,170	21,295	1,941,875	100%

b) The referencing in the table was not correct. The Proposed revenue allocations based on the Rate Design Model should read as follows, matching the figures in the proposed base revenue by class:

Cost Allocation Based Calculations

Class	Revenue Requirement - 2011 Cost Allocation Model	2010 Base Revenue Allocated Based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2011 Cost Allocation Model	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2011 Cost Allocation Model	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	1,875,272	1,669,122	218,819	1,887,941	100.7%	100.68%	100.67%	1,887,836	218,819	1,669,017	85%	115%
GS < 50 kW	683,802	450,491	73,284	523,774	76.6%	76.60%	80.00%	547,042	73,284	473,758	80%	120%
GS > 50	567,693	669,707	59,440	729,147	128.4%	128.44%	124.52%	706,905	59,440	647,465	80%	180%
Street Lighting	76,164	53,907	5,179	59,086	77.6%	77.58%	77.66%	59,149	5,179	53,970	70%	120%
USL	5,260	7,718	524	8,243	156.7%	156.72%	138.00%	7,258	524	6,734	80%	120%
TOTAL	3,208,191	2,850,945	357,246	3,208,191	100.0%	100.0%		3,208,191	357,246	2,850,945		

The Table in Exh 7/Tab 1/ Sch 2, Table 3 should be presented as follows:

Ex 7 - Table 2 - Calculated Class Revenues - 2011 Data

	2011 Load Forecast at Current Rates	2011 Load Forecast Current Rates X (1+d)	2011 Load Forecast at Proposed Rates	Miscellaneous Revenue
Residential	1,136,895	1,669,122	1,669,017	218,819
GS < 50 kW	306,844	450,491	473,758	73,284
GS > 50 kW	456,160	669,707	647,465	59,440
Streetlight	36,718	53,907	53,970	5,179
Unmetered Scattered Load	5,257	7,718	6,734	524
TOTAL	1,941,875	2,850,945	2,850,945	357,246

It should be noted that correcting the information originally presented in this Exhibit 7, Table 2, did not impact any calculations in the Model.

QUESTION #23

Reference: Exhibit 7/Tab 1/Schedule 2, Appendix A

a) Please provide an electronic copy of the Excel Cost Allocation model.

RESPONSE

23) Kenora Hydro will upload an electronic copy of the model onto the OEB site.

QUESTION #24

Reference: Exhibit 8/Tab 1/Schedule 1, pages 3-5

a) Please explain how the Base Revenue Requirement to be recovered from each class (per Table 6) was determined. In doing so please explain why the Base Revenue to be recovered from Residential (\$1,669,017) does not equal the Service Revenue Requirement allocated to Residential (\$1,875,272 – per Table 3) less the Miscellaneous Revenues allocated to Residential (\$218,819 – per Sheet O1 of the Cost Allocation Model).

b) Starting at line 20 on page 3 Kenora states that “the OEB indicated that for the time being, it does not expect distributors to make changes to the service charge that result in a charge that is greater than the ceiling as defined in the Methodology”. Based on this how does Kenora reach the conclusion on page 4 that “a monthly service charge ceiling has not been established”?

RESPONSE

24) a) Ex 8 Table 6, “Total Base Revenue Requirement” numbers by class, differs from the Exhibit 8 Table 3 figures, as can be seen in the Rate Design Model, “Cost Allocation Study” tab. The revenue allocations from the CA Model, O1 Revenue to Cost are input into the first column. The “Proposed Base Revenue” column is reproduced into Ex 8 Table 6. This column is the result of modifying the revenue to cost ratios for these classes. The “Cost Allocation Study” tab of the Rate Design Model is copied here:

Cost Allocation Based Calculations

Class	Revenue Requirement - 2011 Cost Allocation Model	2010 Base Revenue Allocated Based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2011 Cost Allocation Model	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2011 Cost Allocation Model	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	1,875,272	1,669,122	218,819	1,887,941	100.7%	100.68%	100.67%	1,887,836	218,819	1,669,017	85%	115%
GS < 60 kW	683,802	450,491	73,284	523,774	76.6%	76.60%	80.00%	547,042	73,284	473,758	80%	120%
GS > 60	567,693	669,707	59,440	729,147	128.4%	128.44%	124.52%	706,905	59,440	647,465	80%	180%
Street Lighting	76,164	53,907	5,179	59,086	77.6%	77.56%	77.66%	59,149	5,179	53,970	70%	120%
USL	5,260	7,718	524	8,243	156.7%	156.72%	138.00%	7,258	524	6,734	80%	120%
TOTAL	3,208,191	2,850,945	357,246	3,208,191	100.0%	100.0%		3,208,191	357,246	2,850,945		

Specifically, for Residential:

Total Revenue Requirement from the CA Model = \$1,875,272 (Table 3)
 Movement due to Rev to Cost Ratio adjustment \$ (12,564) (In Rate Adjustment Model)
 Proposed Total Res Revenue \$1,887,836 (From Rate Adjustment Model)
 Of which Misc Revenue is \$218,819 (Sheet 01 of CA Model)
 And Res Base Revenue Requirement is \$1,669,017 (Table 6)

b) Kenora Hydro is proposing to increase the monthly service charge for each rate class to a value that exceeds the ceiling for each class in order to maintain the current fixed variable split.

When the Board issued its Cost Allocation report in November 2007, the Board considered it to be inappropriate to make changes to the monthly service charge ceiling at that time, given the number of issues that remained to be examined within the scope of the Board's Rate Review proceeding (EB- 2007-0031). The Board decided "to defer completion of the rate design project while staff conducts more research and expands the ability to model rate impacts. Stakeholders will be advised when the Board decides to resume development of a policy and methodology for a new rate design". Until the Rate Review Proceeding is completed and consistent with Norfolk Power Distribution Inc.'s 2008 Rate Decision (EB-2007-0753), Kenora Hydro submits that a monthly service charge ceiling has not been established and that it is appropriate for the purposes of setting rates in this Application to maintain the current fixed and variable proportions of its rates.

On March 22, 2010, the Board notified stakeholders that it "is initiating a consultation process to examine the revenue adjustment and cost recovery mechanisms that are currently available to electricity and natural gas distributors to address revenue erosion resulting from un-forecasted changes in the volume of energy sold. Such mechanisms have now been in place for some time, and the Board has determined that a review is appropriate at this time to enable the Board to confirm whether such remain adequate and sufficient under current conditions." This is referred to as the Board's "Distribution Revenue Decoupling" proceeding (EB-2010-0060).

As noted in the Executive Summary the Review of Distribution Revenue Decoupling Mechanisms ("the Review"), commissioned by the Board and undertaken by Pacific Economics Group ("PEG") in the Distribution Revenue Decoupling proceeding, "The cost of energy distribution and customer care is driven, in the short run, chiefly by customer growth and is largely fixed with respect to system use." (p.5, paragraph 2). On January 18, 2011, the Board issued a letter to parties interested in the Distribution Revenue Decoupling proceeding, in conjunction with a staff report, also dated January 18th . In that letter, the Board wrote:

"In a letter issued October 27, 2010 the Board directed that the revenue decoupling consultation would not proceed until the substantial completion of three new priority policy initiatives the output of which will be considered in the Board's future work on this subject. With a view to revisiting these matters as and when appropriate, staff prepared a Report to the Board (the "Staff Report") to summarize the information and stakeholder views 1 provided to date and advise the Board on potential next steps. The Board's posting of the Staff Report should not be construed as necessarily indicating the Board's agreement with any view, conclusion or suggestion contained therein.

The Board is of the view that the issues and related matters raised in the course of this consultation can be considered for inclusion in other ongoing and prospective Board initiatives as appropriate. Accordingly, the present consultation can be drawn to a close at this time.”

The Board has concluded the Distribution Revenue Decoupling proceeding, but it is clear that the issues being considered in that proceeding are not yet resolved. The January 18, 2011 Staff Report, for example, contemplates certain issues (such as the application of advanced metering information to rate design) being considered in advance of the Board’s next electricity rate design consultation, and suggests that “The Board’s next electricity IRM framework review could also be informed by the results of this investigation; experience with the new CDM regime; and the information and stakeholder views garnered in the present consultation.” Kenora Hydro submits that it would not be prudent to adjust the fixed/variable split until the outcomes of the various other relevant Board initiatives are known.

QUESTION #25

Reference: Exhibit 8/Tab 1/Schedule 1, page 5
Exhibit 8/Tab 1/Schedule 5, Appendix C

a) Please provide a schedule that, based on the most recent 12 months available, sets out the number of residential customers with monthly usage:

- <250 kWh
- 250 - <500 kWh
- 500 kWh - <750 kWh
- 750 - <1,000 kWh
- 1,000 kWh or more

b) Please recalculate the variable distribution charge for Residential assuming the service charge is set equal to the Ceiling set by the Methodology - \$18.69.

c) Please re-do the bill impact calculations for Residential in Appendix C using the Residential rates as determined from part (b).

RESPONSE

25. a) Taken from our billing system, the Residential class has the following composition:

Average kWh Range (Jan – Dec 2010)	Residential Customer Count
250 kWh or less per month	152
251 to 500 kWh per month	786
501 to 750 kWh per month	1,275
751 to 1,000 kWh per month	934
1,001 kWh or more per month	1,623
TOTAL RES CUSTOMER COUNT (at Dec 31, 2010)	4,770

b) Holding the ceiling for the fixed charge at \$18.69, the new variable charge is \$0.0163 per kWh for Residential customers.

c) Residential bill impacts – holding the fixed charge at \$18.69.

BILL IMPACTS (Monthly Consumptions)

RESIDENTIAL									
Consumption		2010 BILL			2011 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
								% of Total Bill	
100 kWh	Monthly Service Charge			13.53			18.69	5.16	38.14%
	Distribution (kWh)	100	0.0099	0.99	100	0.0163	1.63	0.64	64.65%
	Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)
	Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%
	Deferral & Variance Acct (kWh)	100	0.0000	0.00	100	(0.0016)	(0.16)	(0.16)	(100.00%)
	Distribution Sub-Total			15.52			22.35	6.83	43.99%
	Retail Transmission (kWh)	104	0.0075	0.78	104	0.006918	0.72	(0.06)	(7.76%)
	Delivery Sub-Total			16.30			23.07	6.77	41.60%
	WMS (kWh)	104	0.0065	0.68	104	0.0065	0.68	0.00	0.00%
	Debt Retirement (kWh)	100	0.0070	0.70	100	0.0070	0.70	0.00	0.00%
	Late Payment Settlement (per month)	100	0.0000	0.00		0.2500	0.25	0.25	100.00%
	Special Purpose Charge (kWh)	100	0.0004	0.04	100	0.0004	0.04	0.00	0.00%
	Cost of Power Commodity (kWh)	104	0.0650	6.78	104	0.0650	6.78	0.00	0.00%
	Total Bill Before Taxes			25.28			32.23	6.77	26.77%
	HST		13.00%	3.29		13.00%	4.19	0.90	27.51%
	Total Bill			28.57			36.43	7.87	26.86%

RESIDENTIAL									
Consumption		2010 BILL			2011 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
								% of Total Bill	
250 kWh	Monthly Service Charge			13.53			18.69	5.16	38.14%
	Distribution (kWh)	250	0.0099	2.48	250	0.0163	4.08	1.60	64.65%
	Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)
	Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%
	Deferral & Variance Acct (kWh)	250	0.0000	0.00	250	(0.0016)	(0.39)	(0.39)	(100.00%)
	Distribution Sub-Total			17.01			24.66	7.65	44.40%
	Retail Transmission (kWh)	261	0.0075	1.96	261	0.006918	1.80	(0.15)	(7.76%)
	Delivery Sub-Total			18.96			26.36	7.40	39.02%
	WMS (kWh)	261	0.0065	1.69	261	0.0065	1.69	0.00	0.00%
	Debt Retirement (kWh)	250	0.0070	1.75	250	0.0070	1.75	0.00	0.00%
	Late Payment Settlement (per month)	250	0.0000	0.00		0.2500	0.25	0.25	100.00%
	Special Purpose Charge (kWh)	250	0.0004	0.09	250	0.0004	0.09	0.00	0.00%
	Cost of Power Commodity (kWh)	261	0.0650	16.95	261	0.0650	16.95	0.00	0.00%
	Total Bill Before Taxes			41.40			48.90	7.65	18.47%
	HST		13.00%	5.38		13.00%	6.36	0.97	18.11%
	Total Bill			46.79			55.26	8.62	18.43%

RESIDENTIAL

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption									
500 kWh									
Monthly Service Charge			13.53			18.69	5.16	38.14%	21.57%
Distribution (kWh)	500	0.0099	4.95	500	0.0163	8.15	3.20	64.65%	9.41%
Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)	0.10%
Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%	2.42%
Deferral & Variance Acct (kWh)	500	0.0000	0.00	500	(0.0016)	(0.79)	(0.79)	(100.00%)	(0.91%)
Distribution Sub-Total			19.48			28.24	8.76	44.96%	32.59%
Retail Transmission (kWh)	522	0.0075	3.91	522	0.006918	3.61	(0.30)	(7.76%)	4.16%
Delivery Sub-Total			23.39			31.85	8.85	37.84%	36.75%
WMS (kWh)	522	0.0065	3.39	522	0.0065	3.39	0.00	0.00%	3.91%
Debt Retirement (kWh)	500	0.0070	3.50	500	0.0070	3.50	0.00	0.00%	4.04%
Late Payment Settlement (per month)	500	0.0000	0.00		0.2500	0.25	0.25	100.00%	0.29%
Special Purpose Charge (kWh)	500	0.0004	0.19	500	0.0004	0.19	0.00	0.00%	0.22%
Cost of Power Commodity (kWh)	522	0.0650	33.90	522	0.0650	33.90	0.00	0.00%	39.12%
Total Bill Before Taxes			68.28			76.68	9.10	13.33%	88.50%
HST		13.00%	8.88		13.00%	9.97	1.09	12.30%	11.50%
Total Bill			77.15			86.64	10.19	13.21%	100.00%

RESIDENTIAL

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption									
750 kWh									
Monthly Service Charge			13.53			18.69	5.16	38.14%	16.40%
Distribution (kWh)	750	0.0099	7.43	750	0.0163	12.23	4.80	64.65%	10.73%
Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)	0.08%
Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%	1.84%
Deferral & Variance Acct (kWh)	750	0.0000	0.00	750	(0.0016)	(1.18)	(1.18)	(100.00%)	(1.03%)
Distribution Sub-Total			21.96			31.92	9.96	45.39%	28.01%
Retail Transmission (kWh)	782	0.0075	5.87	782	0.006918	5.41	(0.46)	(7.76%)	4.75%
Delivery Sub-Total			27.82			37.33	9.51	34.20%	32.75%
WMS (kWh)	782	0.0065	5.08	782	0.0065	5.08	0.00	0.00%	4.46%
Debt Retirement (kWh)	750	0.0070	5.25	750	0.0070	5.25	0.00	0.00%	4.61%
Late Payment Settlement (per month)	750	0.0000	0.00		0.2500	0.25	0.25	100.00%	0.22%
Special Purpose Charge (kWh)	750	0.0004	0.28	750	0.0004	0.28	0.00	0.00%	0.25%
Cost of Power Commodity (kWh)	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	34.22%
Cost of Power Commodity (kWh)	182	0.0750	13.67	182	0.0750	13.67	0.00	0.00%	11.99%
Total Bill Before Taxes			91.11			100.86	9.76	10.72%	88.50%
HST		13.00%	11.84		13.00%	13.11	1.27	10.71%	11.50%
Total Bill			102.95			113.98	11.03	10.72%	100.00%

RESIDENTIAL

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption									
800 kWh									
Monthly Service Charge			13.53			18.69	5.16	38.14%	15.52%
Distribution (kWh)	800	0.0099	7.92	800	0.0163	13.04	5.12	64.65%	10.83%
Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)	0.07%
Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%	1.74%
Deferral & Variance Acct (kWh)	800	0.0000	0.00	800	(0.0016)	(1.26)	(1.26)	(100.00%)	(1.04%)
Distribution Sub-Total			22.45			32.66	10.21	45.46%	27.12%
Retail Transmission (kWh)	834	0.0075	6.26	834	0.006918	5.77	(0.49)	(7.76%)	4.79%
Delivery Sub-Total			28.71			38.43	9.72	33.86%	31.91%
WMS (kWh)	834	0.0065	5.42	834	0.0065	5.42	0.00	0.00%	4.50%
Debt Retirement (kWh)	800	0.0070	5.60	800	0.0070	5.60	0.00	0.00%	4.65%
Late Payment Settlement (per month)	800	0.0000	0.00		0.2500	0.25	0.25	100.00%	0.21%
Special Purpose Charge (kWh)	800	0.0004	0.30	800	0.0004	0.30	0.00	0.00%	0.25%
Cost of Power Commodity (kWh)	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	32.38%
Cost of Power Commodity (kWh)	234	0.0750	17.58	234	0.0750	17.58	0.00	0.00%	14.60%
Total Bill Before Taxes			96.61			106.58	9.97	10.32%	88.50%
HST		13.00%	12.56		13.00%	13.86	1.30	10.32%	11.50%
Total Bill			109.17			120.44	11.27	10.32%	100.00%

RESIDENTIAL

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption									
1,000 kWh									
Monthly Service Charge			13.53			18.69	5.16	38.14%	12.78%
Distribution (kWh)	1,000	0.0099	9.90	1,000	0.0163	16.30	6.40	64.65%	11.14%
Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)	0.08%
Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%	1.43%
Deferral & Variance Acct (kWh)	1,000	0.0000	0.00	1,000	(0.0016)	(1.57)	(1.57)	(100.00%)	(1.07%)
Distribution Sub-Total			24.43			35.60	11.17	45.73%	24.34%
Retail Transmission (kWh)	1,043	0.0075	7.82	1,043	0.006918	7.22	(0.61)	(7.76%)	4.93%
Delivery Sub-Total			32.25			42.82	10.56	32.76%	29.27%
WMS (kWh)	1,043	0.0065	6.78	1,043	0.0065	6.78	0.00	0.00%	4.63%
Debt Retirement (kWh)	1,000	0.0070	7.00	1,000	0.0070	7.00	0.00	0.00%	4.79%
Late Payment Settlement (per month)	1,000	0.0000	0.00		0.2500	0.25	0.25	100.00%	0.17%
Special Purpose Charge (kWh)	1,000	0.0004	0.37	1,000	0.0004	0.37	0.00	0.00%	0.26%
Cost of Power Commodity (kWh)	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	26.66%
Cost of Power Commodity (kWh)	443	0.0750	33.23	443	0.0750	33.23	0.00	0.00%	22.71%
Total Bill Before Taxes			118.63			129.44	10.81	9.12%	88.50%
HST		13.00%	15.42		13.00%	16.83	1.41	9.12%	11.50%
Total Bill			134.05			146.27	12.22	9.12%	100.00%

RESIDENTIAL

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Consumption									
1,500 kWh									
Monthly Service Charge			13.53			18.69	5.16	38.14%	8.86%
Distribution (kWh)	1,500	0.0099	14.85	1,500	0.0163	24.45	9.60	64.65%	11.60%
Smart Meter Adder (per month)		1.0000	1.00		0.0899	0.09	(0.91)	(91.01%)	0.04%
Smart Meter Rider (per month)			0.00			2.09	2.09	100.00%	0.99%
Deferral & Variance Acct (kWh)	1,500	0.0000	0.00	1,500	(0.0016)	(2.36)	(2.36)	(100.00%)	(1.12%)
Distribution Sub-Total			29.38			42.97	13.59	46.24%	20.36%
Retail Transmission (kWh)	1,565	0.0075	11.73	1,565	0.006918	10.82	(0.91)	(7.76%)	5.13%
Delivery Sub-Total			41.11			53.79	12.67	30.83%	25.51%
WMS (kWh)	1,565	0.0065	10.17	1,565	0.0065	10.17	0.00	0.00%	4.82%
Debt Retirement (kWh)	1,500	0.0070	10.50	1,500	0.0070	10.50	0.00	0.00%	4.96%
Late Payment Settlement (per month)	1,500	0.0000	0.00		0.2500	0.25	0.25	100.00%	0.12%
Special Purpose Charge (kWh)	1,500	0.0004	0.56	1,500	0.0004	0.58	0.00	0.00%	0.27%
Cost of Power Commodity (kWh)	600	0.0650	39.00	600	0.0650	39.00	0.00	0.00%	18.50%
Cost of Power Commodity (kWh)	965	0.0750	72.34	965	0.0750	72.34	0.00	0.00%	34.31%
Total Bill Before Taxes			173.68			186.60	12.92	7.44%	88.50%
HST		13.00%	22.58		13.00%	24.26	1.68	7.44%	11.50%
Total Bill			196.26			210.86	14.61	7.44%	100.00%

QUESTION #26

Reference: Exhibit 8/Tab 1/Schedule 1, page 6

a) Please provide a schedule that sets out precisely how the “cost” of providing the transformer allowance is included in rates and recovered.

RESPONSE

26. a) The transformer allowance rate of \$.60 per kW has been a long-standing rate, LDC's were directed to give an allowance to each customer owing their own transformer. The wording in the paragraph in Exhibit 8, Tab 1, page 6, was not intended to indicate that Kenora Hydro has performed any costing study, or included any additional 'costs' in their rates for the transformer allowance.

In this model, the gross revenue required for the class is reduced by the transformer allowance, resulting in the net revenue required for the class.

For example, in the Rate Design Model, the Revenue Deficiency Analysis tab, shows the gross revenue requirement of \$477,455 which is then reduced below by the allowance of \$21,296 to reconcile to the revenue deficiency amount.

Forecast Revenue For 2011 Test Year Based on Existing Rates (Less Low Voltage Rate Component)

Customer Class	Annual kWh	Annual kW For Dx	Annual kW For Tx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Before TX Allow.
Residential	38,188,928			56,085		\$758,825	\$378,070	\$1,136,895
GS < 50 kW	22,359,418			8,436		\$217,407	\$89,438	\$306,844
GS >50	45,342,066	116,530	35,492	895		\$333,284	\$144,171	\$477,455
Street Lighting	1,807,975	5,737			6,600	\$23,364	\$13,354	\$36,718
USL	144,681				359	\$4,664	\$593	\$5,257
Total	107,843,068	122,267	35,492	65,416	6,959	\$1,337,544	\$625,627	\$1,963,170

Less Transformer Allowances:

GS >50	(\$21,295)
Large Use	\$0.00
Net Revenue At Existing Rates	\$ 1,941,875
Budgeted Revenue Offsets	\$ 357,246
Total Revenue	\$ 2,299,121
Revenue Requirement	\$ 3,208,191
Revenue Deficiency	\$ 909,070

QUESTION #27

Reference: Exhibit 8/Tab 1/Schedule 4, page 1

- Can Kenora explain the exceptionally low loss factor recorded for 2009 (1.0192)?
- Please explain more fully why Kenora proposes to maintain the existing loss factor as opposed to adopting a factor based on historical results.

RESPONSE

27. a) Please see OEB IR # 34.

b) Kenora Hydro is not proposing to change the loss factor in this rate filing. Once the Smart metering technology is in place and the year end unbilled consumption can be accurately captured, the loss in any given year is a calculation based on the estimated unbilled revenue and consumption done at year end. The smart metering technology will enable us to capture a true meter reading on all meters at December 31, eliminating the calculation.

QUESTION #28

Reference: Exhibit 9/Tab 1/Schedule 2, pages 1 and 3

a) Please explain what the costs recorded in Account #1508 that Kenora is seeking to recover represent (i.e., what are the sub-accounts, for what were the costs incurred and when?).

b) Please explain why kWh is considered the appropriate allocator for these costs.

c) What would the rate rider credit be (by customer class) if the amounts were refunded over 1 year or 2 years?

d) Please provide a schedule that set out the total bill impact for 2011 assuming a one year, two year or four year disposition period.

RESPONSE

28. a) Account 1508 – Other Regulatory Assets, has captured the following costs:

Sub Account – OEB Cost Assessments. This account captured the amounts paid to the OEB for cost assessments, reported as directed by the OEB.

Year	Principal in Year	Carrying Charges	Total For Year	Total Balance
2004	3,216.99	35.98	3,252.97	3,252.97
2005	4,746.00	233.00	4,979.00	8,231.00
2006	3,689.00	527.00	4,216.00	12,447.00
2006 = transfer to Account 1590	(3,217.00)	(347.00)	(3,564.00)	8,883.00
2007	0	291.00	291.00	9,174.00
2008	0	348.00	348.00	9,522.00
2009	0	116.00	116.00	9,638.00
2010	0	61.00	61.00	9,699.00
Proposed Recovery	8,434.99	1,264.98	9,699.97	9,699.97

Sub Account – OMERS Deferral – Captured incremental OMERS costs not included in prior rate filing as OMERS was on 'holiday' with no expenses until 2005, reported as directed by the OEB.

Year	Principal in Year	Carrying Charges	Total For Year	Total Balance
2005	45,697.65	738.09	46,435.74	46,435.74
2006	15,476.60	2,943.44	18,420.04	64,855.78
2007	0.00	1,617.65	1,617.65	66,473.43
2008	0.00	2,525.79	2,525.79	68,999.22
2009	0.00	838.62	838.62	69,837.84
2010	0.00	448.00	448.00	70,285.84
Proposed Recovery	61,174.25	9,111.59	70,285.84	70,285.84

Sub-Account – Costs of \$75 Rebate Cheques to Customers – third party billed cost to produce the \$75 rebate cheques, as directed by the OEB.

Year	Principal in Year	Carrying Charges	Total For Year	Total Balance
2005	1,000.00	0.00	1,000.00	1,000.00
2006	0.00	0.00	0.00	1,000.00
2007	0.00	47.15	47.15	1,047.15
2008	0.00	41.27	41.27	1,088.42
2009	0.00	13.70	13.70	1,102.12
2010	0.00	8.00	8.00	1110.12
Proposed Recovery	1,000.00	110.12	1110.12	1,102.12

Total Principal recovery \$70,609, total carrying charges recovery \$10,486, grand total to recover \$81,095.

b) All other regulatory account dispositions used a kWh based method of disposition, this method of allocation was used for this recovery as well.

c) The following table indicates the impacts on the bills based on a one, two and four year payback of the deferral accounts:

Residential: 800 kWh:

# of Years to Dispose Balances	Rate Rider per kWh	Credit on Bill (before HST)	Incremental Bill Reduction Compared to a 4 Year Disposition Period
4	(.0016)	(1.28)	-
2	(.0031)	(2.48)	(1.20)
1	(.0063)	(5.04)	(3.76)

General Service Under 50 kW: 2,000 kWh:

# of Years to Dispose Balances	Rate Rider per kWh	Credit on Bill (before HST)	Incremental Bill Reduction Compared to a 4 Year Disposition Period
4	(.0016)	(3.20)	-
2	(.0031)	(6.20)	(3.00)
1	(.0063)	(12.60)	(9.40)

General Service Over 50 kW: 30,000 kWh, 100 kW:

# of Years to Dispose Balances	Rate Rider per kWh	Credit on Bill (before HST)	Incremental Bill Reduction Compared to a 4 Year Disposition Period
4	(0.6117)	(61.17)	-
2	(1.2234)	(122.34)	(61.17)
1	(2.4469)	(244.69)	(183.52)

Streetlight: 130,000 kWh, 430 kW:

# of Years to Dispose Balances	Rate Rider per kWh	Credit on Bill (before HST)	Incremental Bill Reduction Compared to a 4 Year Disposition Period
4	(.4954)	(213.02)	-
2	(.9909)	(426.08)	(213.06)
1	(1.9818)	(852.17)	(639.15)

Unmetered Scattered Load: 10,000 kWh:

# of Years to Dispose Balances	Rate Rider per kWh	Credit on Bill (before HST)	Incremental Bill Reduction Compared to a 4 Year Disposition Period
4	(.0016)	(16.00)	-
2	(.0031)	(31.00)	(15.00)
1	(.0063)	(63.00)	(47.00)

QUESTION #29

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

a) Please explain the basis for the costs recorded in the following accounts:

- Renewable Connections
- Smart Grid

RESPONSE

29. **Renewable Connections:** This invoice is directly related to renewable enabling improvements:

2009 = \$12,431.48 = Hatch Ltd.
 \$ 5.70 = carrying charges
 \$12,437.18

During the year, Hatch Ltd. performed a distributed generation capacity review on Kenora Hydro's system. The report from Hatch is available on request.

Smart Grid: These expenses are for smart grid education and training:

2009 = \$1,201.49 = travel and training
 \$ 643.94 = travel and training
 \$ 1.70 = carrying charges
 \$1,847.13

These were expenses to travel to meetings with the OEB for the Green Energy Act and travel to attend an OPA meeting.

QUESTION #30

Reference: Exhibit 9/Tab 1/Schedule 4, Appendix A

- a) There are no balances reported for Account #1548. Does Kenora not have any customers served by retailers?
- b) In the table Account #1518 is labelled as "Smart Grid Deferral" and not "RCVA Retail Account". Please clarify.

RESPONSE

30. a) Yes, Kenora Hydro does have customers who have signed retailer contracts. There are no balances recorded in Account 1548 for RCVA – Service transaction requests. In 2010, the revenue posted to 4084 was \$439.00 for these STR's. The value of the time associated with tracking the associated administrative costs for such an insignificant difference between revenue collected and the related expense annually does not justify recording these amounts in a variance account, to track, calculate carrying charges and subsequently dispose of through rates. All STR revenues and related expenses are recorded as expense or revenue as they occur.
- b) The label on account #1518 was changed to track the Smart Grid costs.

QUESTION #31

Reference: Exhibit 9/Tab 2/Schedule 1, page 3

- a) Has Kenora completed the installation of smart meters as of the end of 2010?

RESPONSE

31. As reported to the OEB January 11, 2011, by December 31, 2010 Kenora Hydro has installed the following:

- Residential meters = 100% complete
- General Service under 50 kW = 97.9% complete.

Kenora Hydro received the shipment of 24 Rex 2 200A 600 VAC 3 phase meters December 21, from Elster metering. All attempts were made to complete the last few meters (16 remain uninstalled at year end).

QUESTION #32

Reference: Exhibit 9/Tab 2/Schedule 2

a) Apart from the 100 meters with remote disconnect capability, are all 5,097 smart meters installed the same type of meter? If not, please provide a schedule that sets out the different types of smart meters installed by customer class and the unit capital costs for each type of meter.

RESPONSE

32. The following table indicates the average purchase price of each meter type. Additional required information is not available at this level of detail.

Customer Class	REX 2	REX 2 / 3 PHASE	A3 / 3 PHASE
Residential	\$98.79		
GS Under 50 kW	\$98.79	\$149.85	\$532.03

QUESTION #33

Reference: Exhibit 9/Tab 3/Schedule 1

a) Given that the Board has initiated proceeding EB-2010-0295 to deal with the Settlement of the Late Payment Penalty Class Action, is Kenora still requesting a Late Payment Penalty Recovery as set out in the Application?

RESPONSE

33. Kenora Hydro will follow the determinations and recommendations as a result of the OEB deliberations on the Late Payment Recovery through rate applications. Should we be directed to remove or alter the proposed collection for the Late Payment settlement amount, Kenora Hydro will comply at that time.

APPENDIX A

Question 6 – Truck #54

TO: Dave Sinclair
FROM: Mike Mostow, Fleet/Solid Waste Supervisor
DATE: January 14, 2011
SUBJECT: H-54



The accompanying photos are of the rusted components of the service body on unit 54. Although the under body deterioration is hard to visualize through still photos, there is enough material corroded away to cause concern in the very near future. The actual body construction is that of fiberglass bins installed onto a steel sub frame assembly. At first look the fiberglass body components look good, but the material attaching them together and securing the components as an assembly, are deteriorating to the point of failure. The cross members securing the turret to the chassis is corroded as well but not showing signs of movement. The main truck frame in the area of the turret mounting has lost 25% of its original thickness due to rust.

Due to the components at this time, it would be my recommendation to start the proceeding of ordering a replacement unit as delivery will take anywhere from 6-11 months for delivery.

The photos and numbers are grouped into structure components of concern as follows:

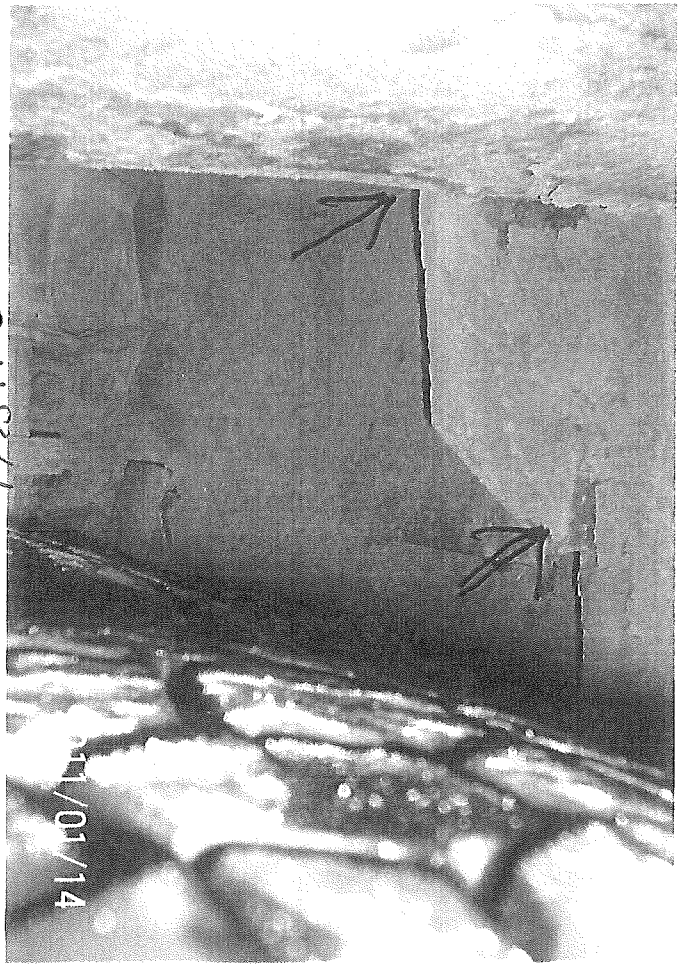
Substructure, 2484, 2490, 2491, 2495, 2498, badly rusted Gussets and Framework.

Main Frame 2485,2486,2487, Deteriorated main frame

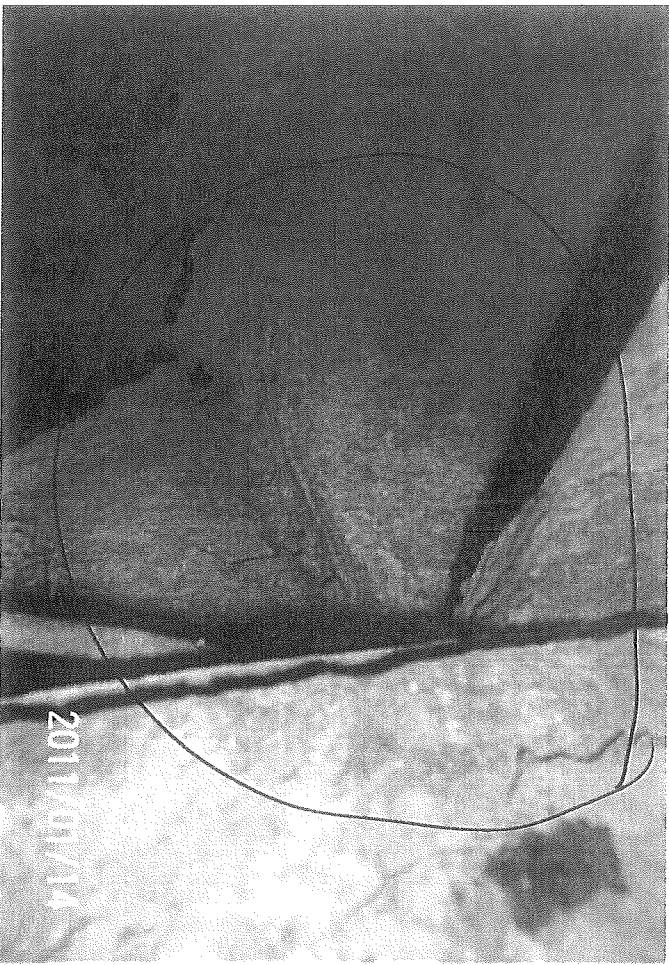
Wheel Wells and Bin Supports, 2488, 2489, 2492, 2493,2494, 2496, 2497

Inner Fenders and Side Bin Support, 2499, 2500, 2501, 2502

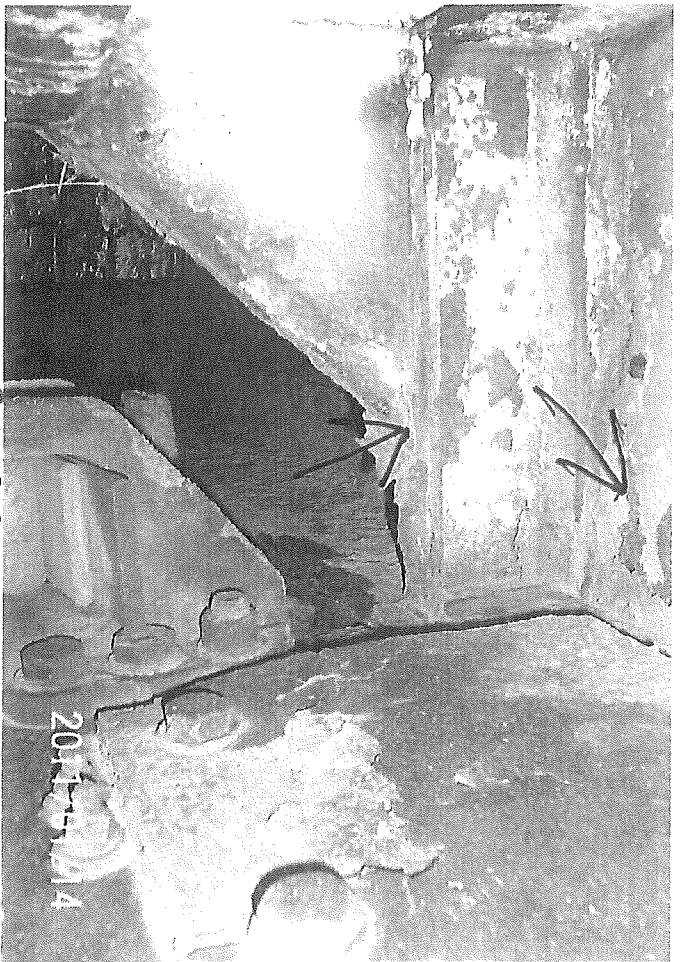
Exterior bin supports, 2503, 2504, 2505



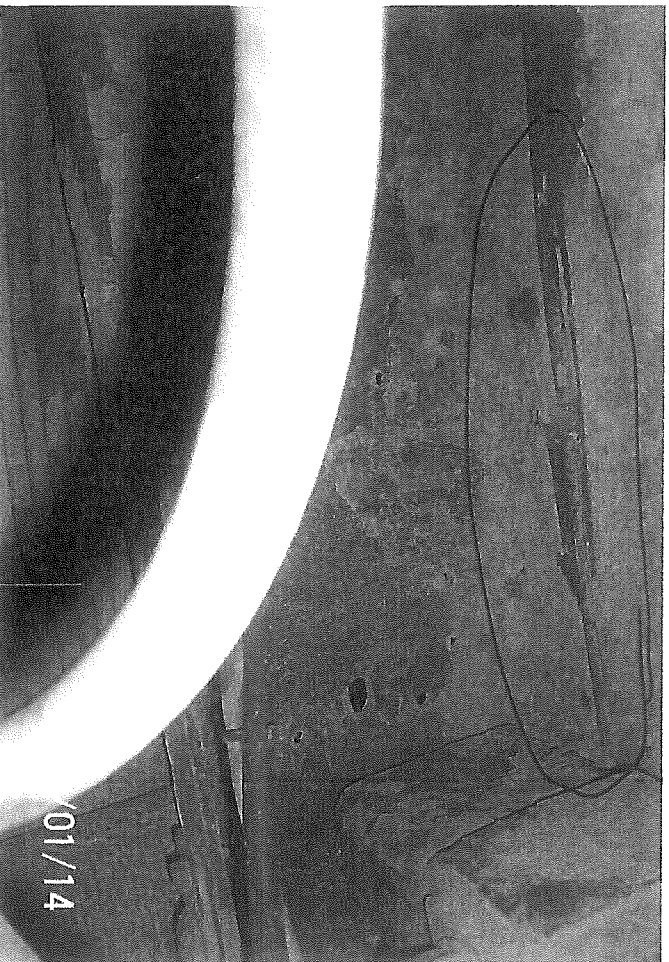
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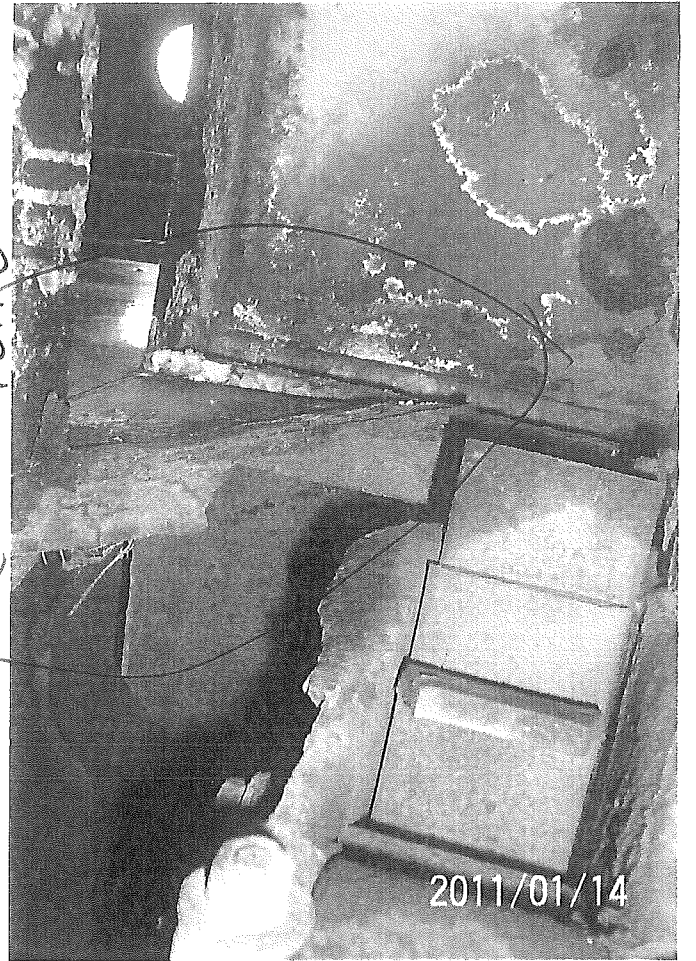
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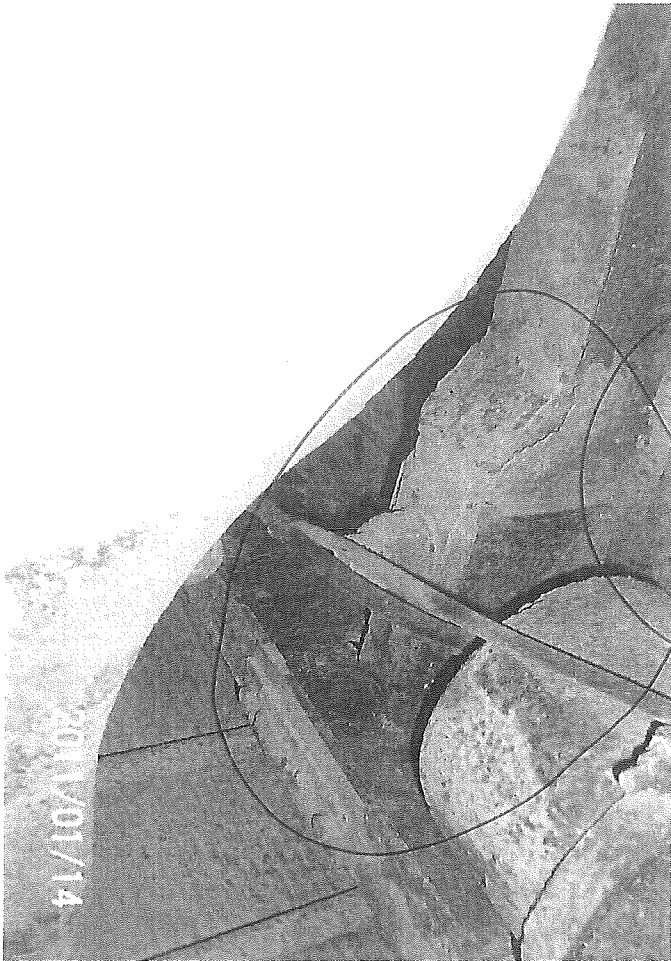
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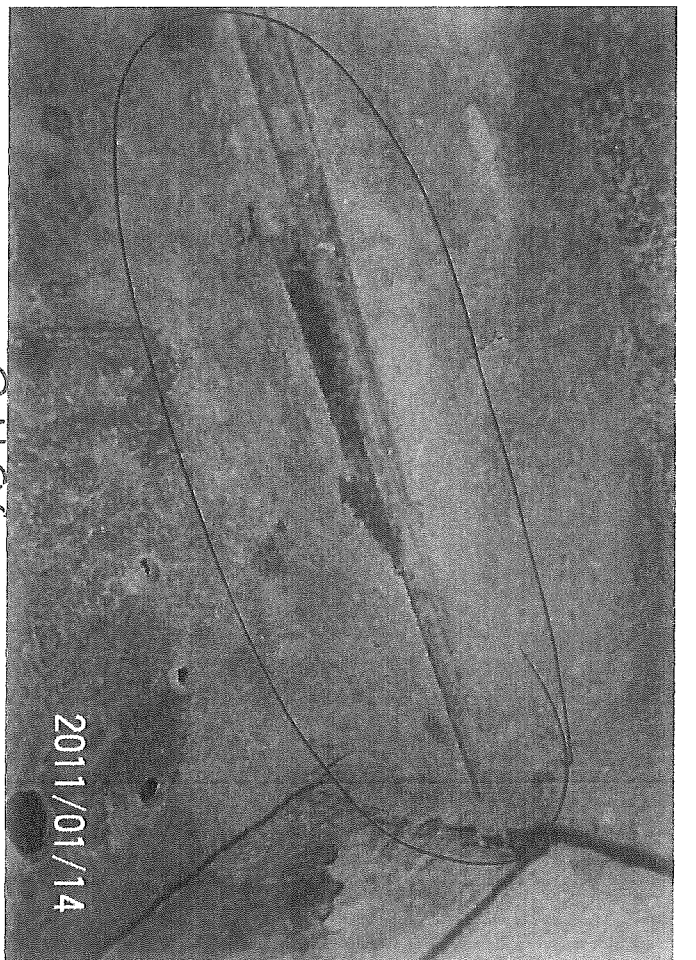
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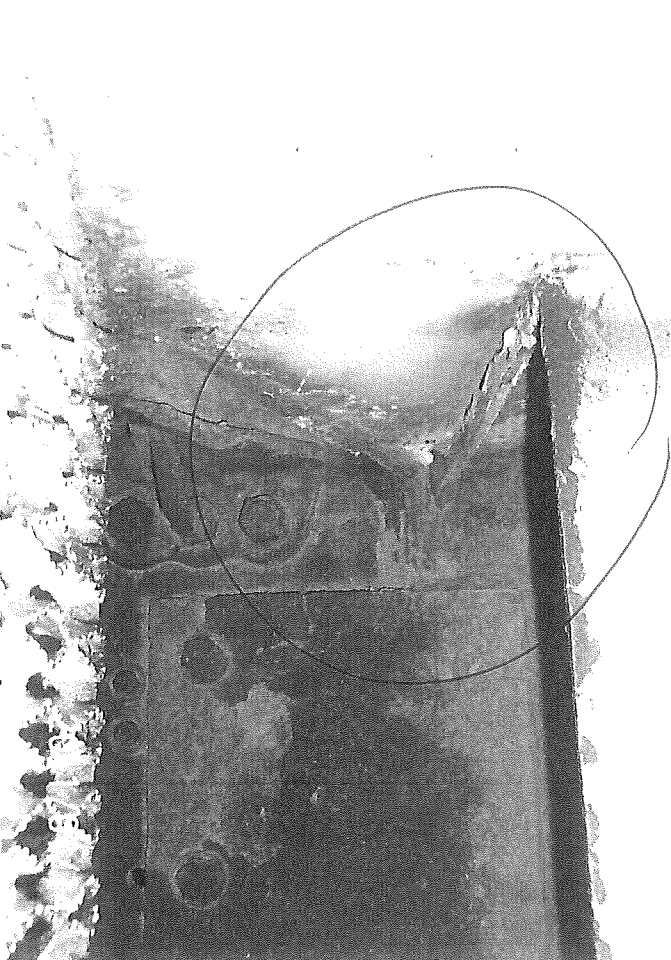
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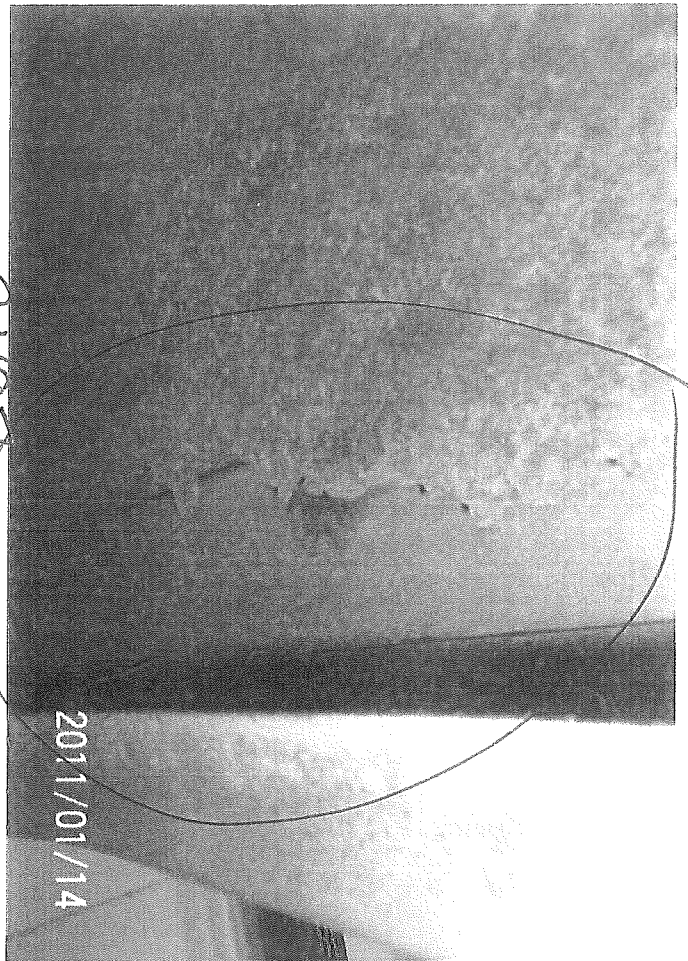
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2486

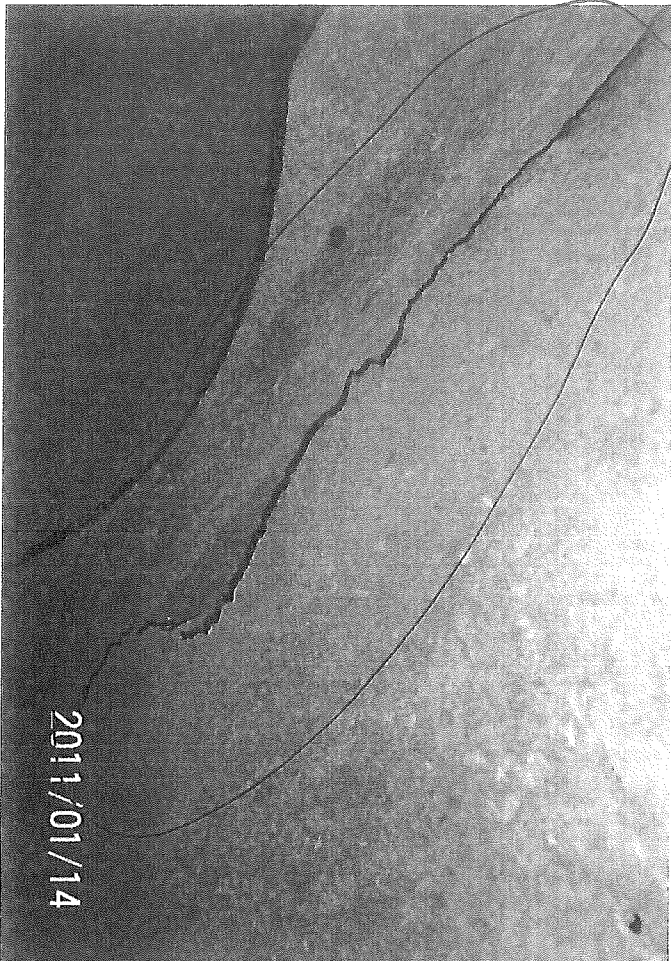


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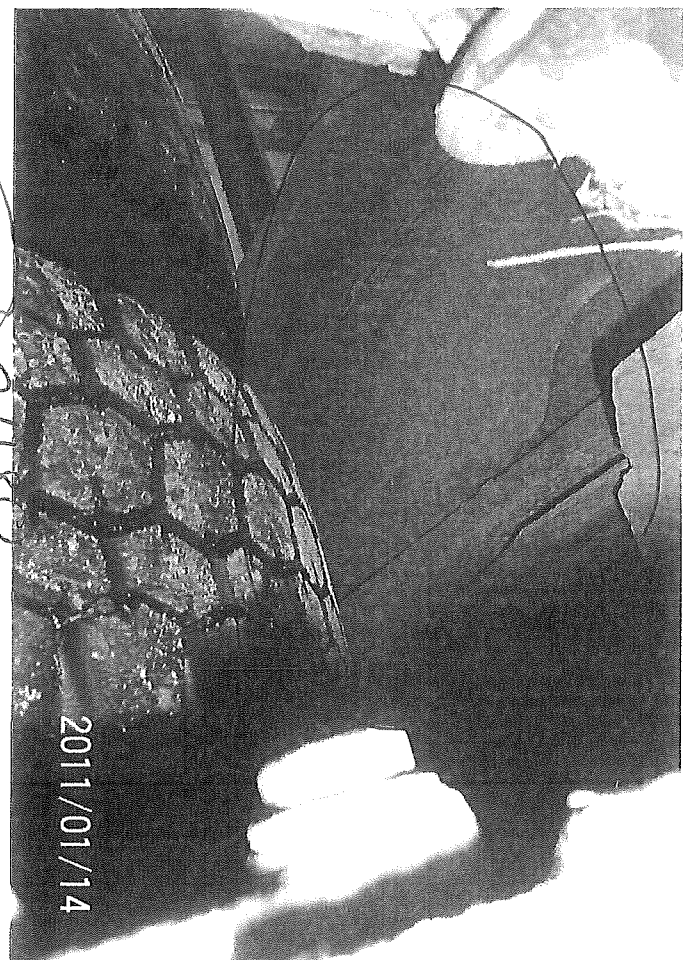
2011/01/14

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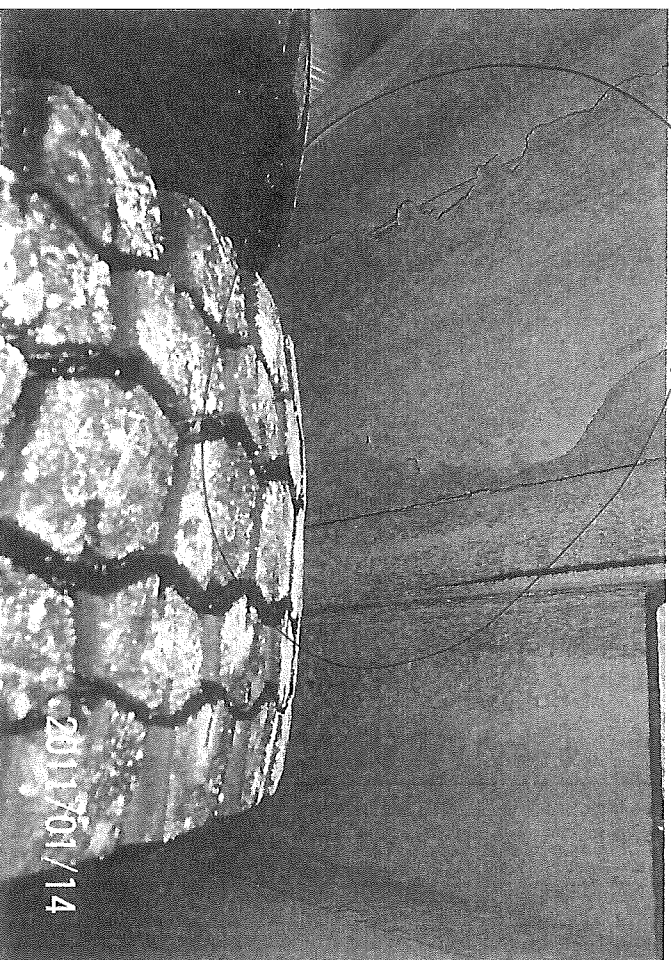
2011/01/14

2496



2011/01/14

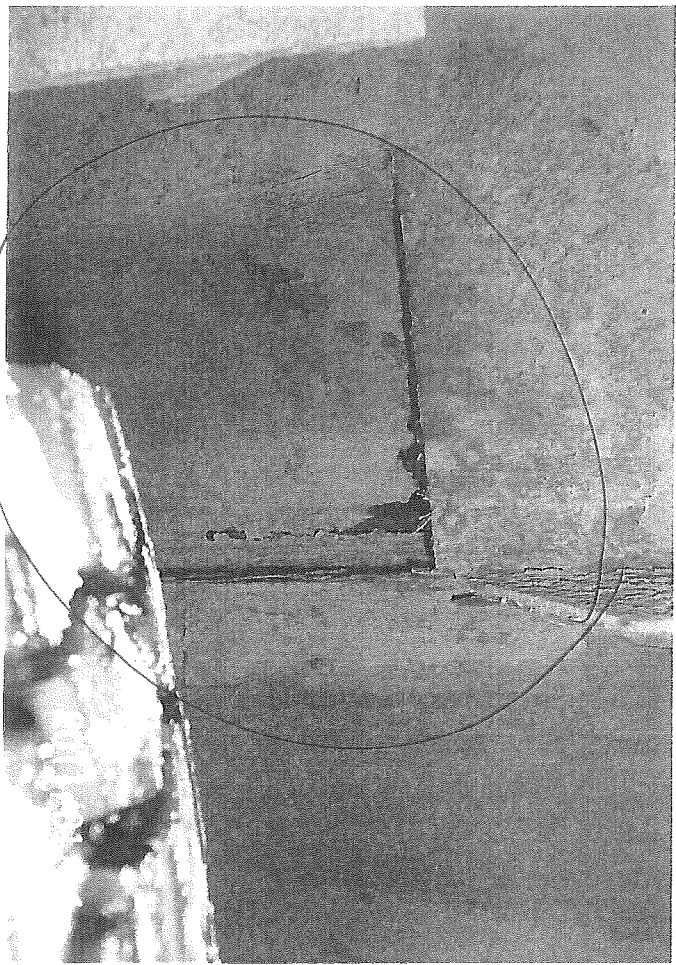
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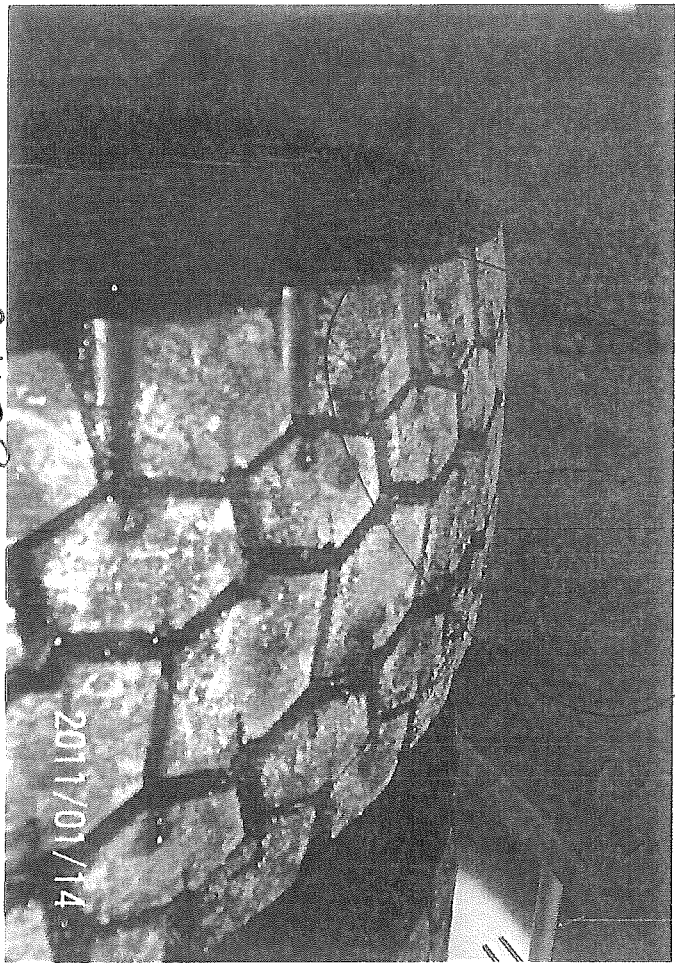
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2488

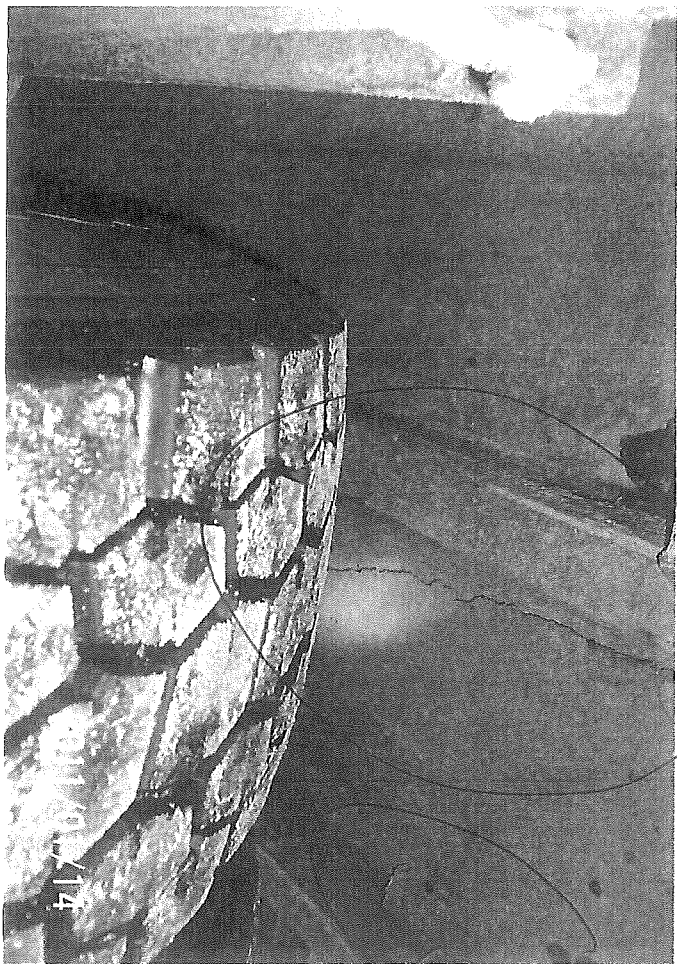
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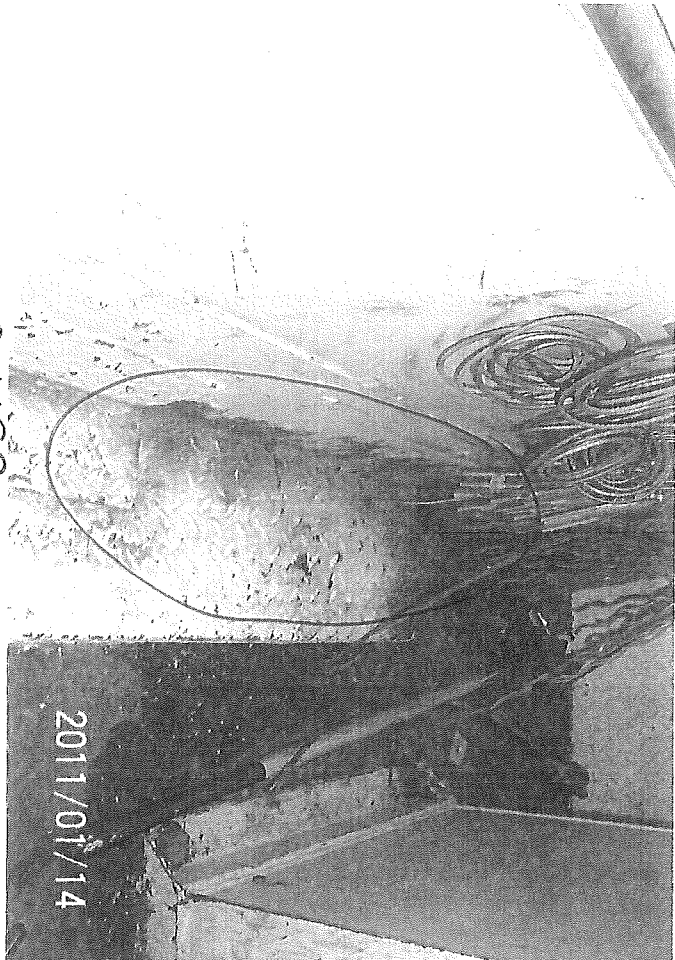
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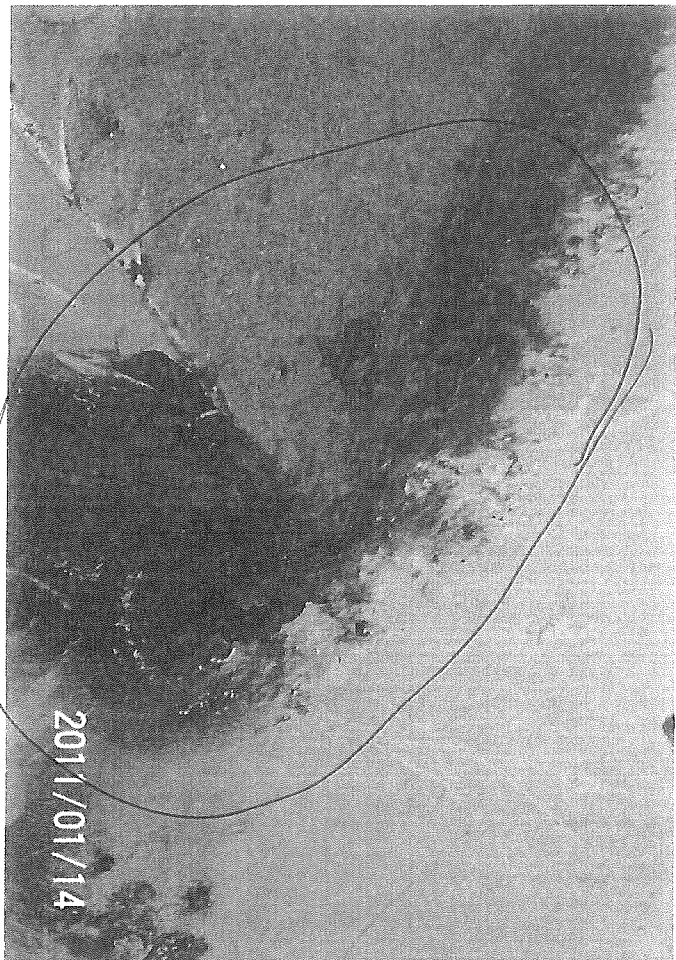
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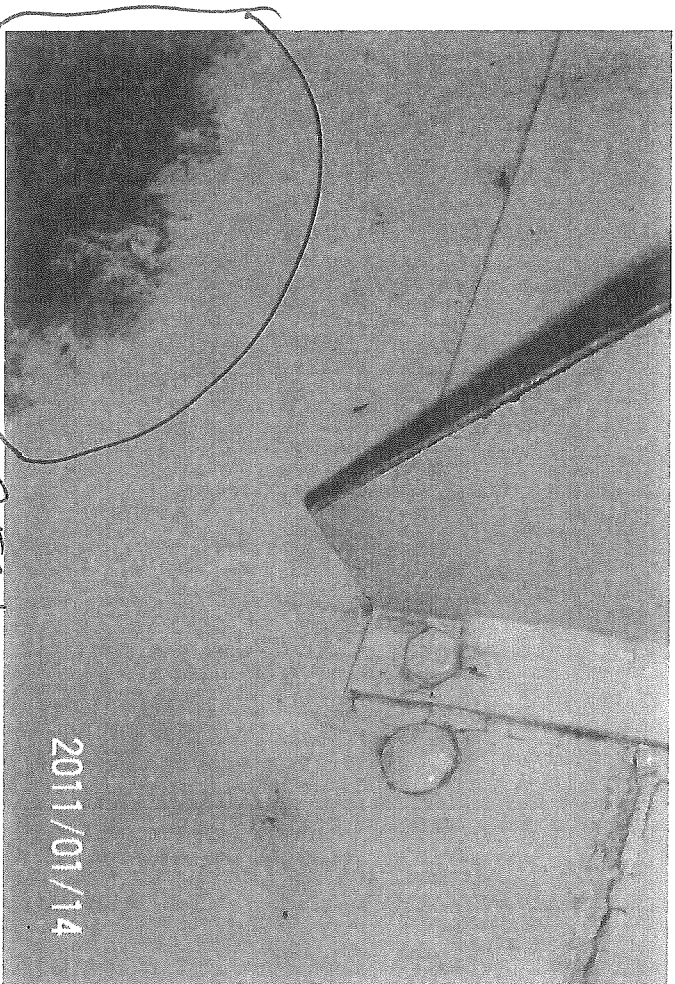
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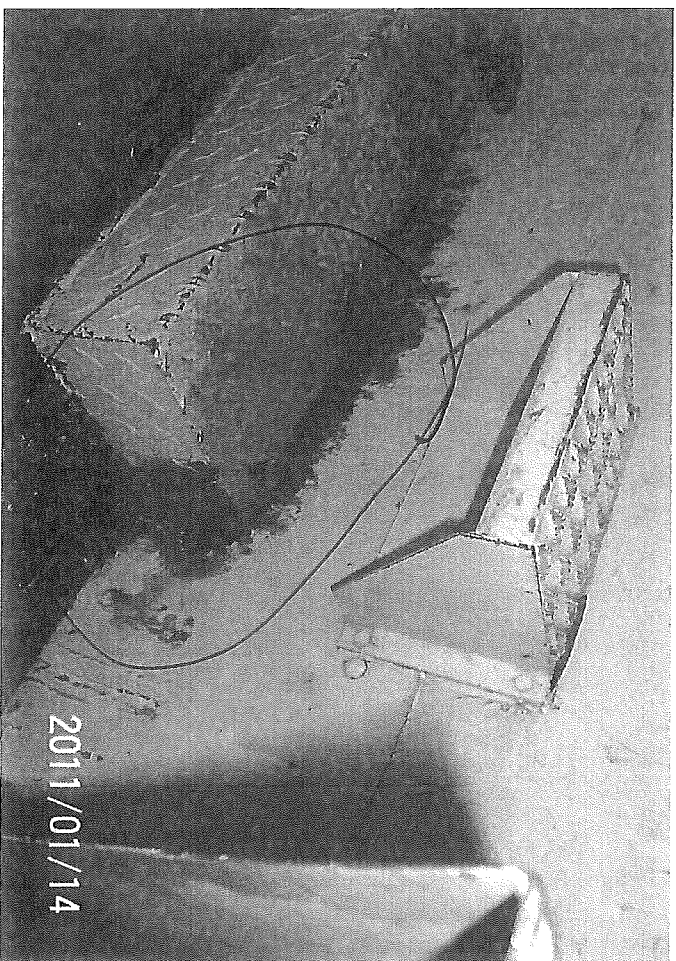
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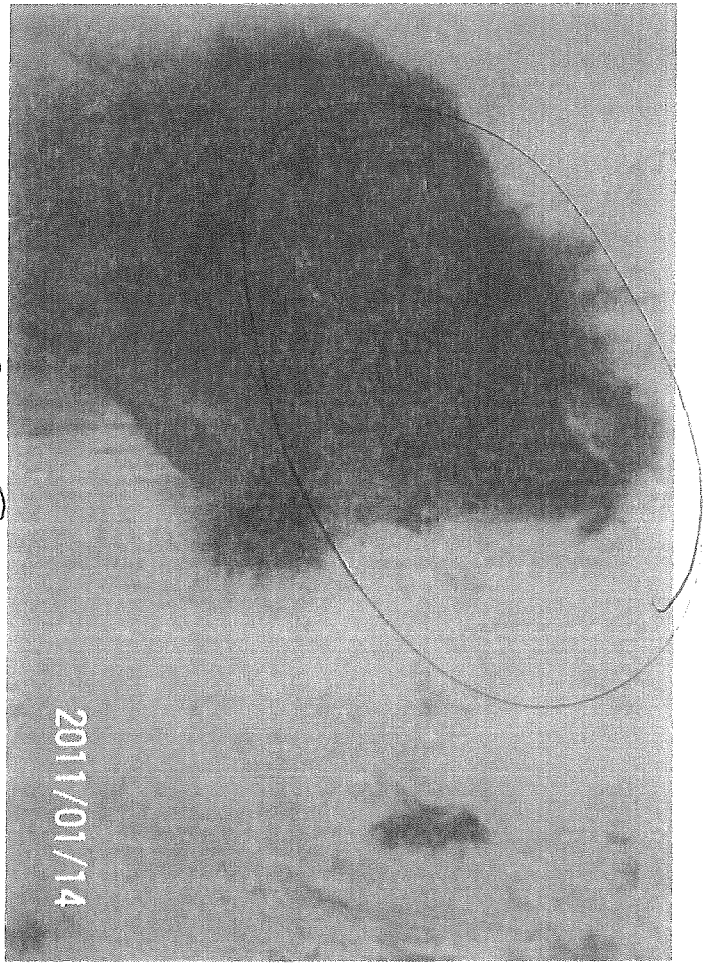


2501.



2500

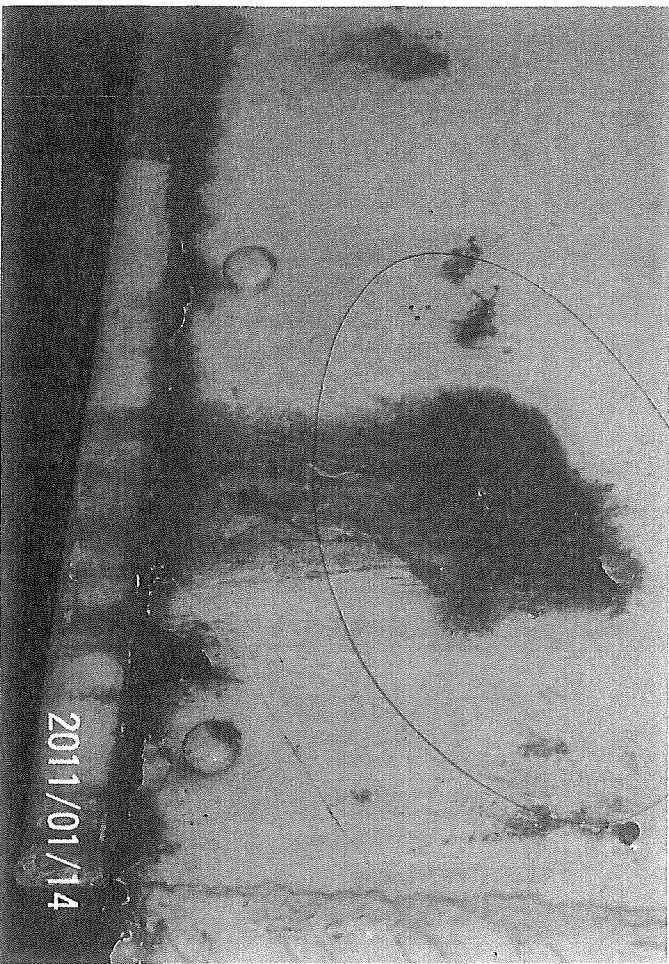




2503



2505



2504.

APPENDIX B

Question 18 – Services Agreement with the City of Kenora

THE CORPORATION OF THE CITY OF KENORA

BY-LAW NUMBER 147 - 2009

A BY-LAW TO EXECUTE AN AGREEMENT BETWEEN THE CORPORATION
OF THE CITY OF KENORA AND THE KENORA HYDRO ELECTRIC
CORPORATION LTD.

WHEREAS By-law Number 39-2003 established a contractual relationship between the Corporation of the City of Kenora and the Kenora Hydro Electric Corporation Ltd.; and

WHEREAS the Kenora Hydro Electric Corporation Ltd. and the Corporation of the City of Kenora are affiliated corporations; and

WHEREAS the Corporation of the City of Kenora and the Kenora Hydro Electric Corporation Ltd. wish to modify the existing contractual relationship previously established by By-Law 39-2003;

NOW THEREFORE the Council of the Corporation of the City of Kenora enacts as follows:

1. THAT the Corporation of the City of Kenora enters into an Agreement with the Kenora Hydro Electric Corporation Ltd., and that this Agreement forms part of this By-law as Attachment "A".
2. THAT the Mayor and Clerk be hereby authorized to execute the Agreement on behalf of The Corporation of the City of Kenora.
3. THAT By-law Number 39-2003 shall be repealed effective 1 January, 2010.
4. THAT this By-law, including the Agreement as outlined in Attachment "A" shall be in effect from the 1st day of January, 2010.

By-law read a First & Second Time this 19th day of October, 2009.

By-law read a Third & Final Time this 19th day of October, 2009.

THE CORPORATION OF THE CITY OF KENORA:

..........L. Compton, MAYOR

..........J. McMillin, CLERK

MAINTENANCE AND SERVICE AGREEMENT

THIS MAINTENANCE AND SERVICE LEVEL AGREEMENT
is entered into as of

January 1, 2010.

BETWEEN

KENORA HYDRO ELECTRIC CORPORATION LTD. (the "Corporation"),
a corporation incorporated under the laws of Ontario

- and -

THE CITY OF KENORA (the "City").

WHEREAS:

- (1) The Corporation is a licensed distribution company ED-1999-0240 that supplies electricity within the service area of the City, which is the municipal boundary of the former Town of Kenora and part of the former Town of Keewatin from the eastern boundary of Keewatin, westerly to Keewatin Beach Road, southerly to Lake-of-the-Woods, and northerly to Darlington Bay;
- (2) The City is the sole proprietor of the Corporation and an "affiliate", as defined by section 1 of the *Ontario Business Corporations Act 2002*;
- (3) The Corporation shares and/or utilizes services and/or resources with the City, it shall do so in accordance with this Agreement; and
- (4) It is a condition precedent for the sharing of services or resources that the Corporation and the City enter into this Agreement pursuant to the *Affiliate Relationships Code for Electricity Distributors and Transmitters*, which sets conditions on the business relationships between local distribution companies and any affiliated company by providing a clear separation between the regulated and non-regulated parts of the Corporation's business.

NOW, THEREFORE IT IS AGREED THAT in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Services Provided Under this Agreement

1.1 Reading, Billing and Service

1.1.1 The Corporation covenants and agrees that:

- (a) it shall perform all water meter reading as required for the City (**"Reading"**)
- (b) it shall perform certain billing functions as required for the City (**"Billing"**)
- (c) it shall provide the Reading and Billing in reasonable quantities that are sufficient for the area serviced by the Corporation;

1.1.2 The City covenants and agrees that:

- (a) it shall provide for services, including, but not limited to, customer service, billing, collections, cashiering, accounting, payroll, general administration, information technology, records keeping, and regulatory compliance on behalf of the Corporation (**"Service"**), or as more accurately outlined in *Schedule A* attached hereto, which may be amended or updated from time to time to reflect prevailing circumstances;
- (b) it shall provide the Service in reasonable quantities that are sufficient for the area serviced by the Corporation;
- (c) it shall provide and maintain the quality of Service at least equal to the service levels required by the Ontario Energy Board (**"OEB"**) for the term of the Agreement; and
- (d) it shall provide sufficient information to the Corporation to make all necessary filings and reports to the OEB with respect to the levels of Service as the OEB may require from time to time.

1.2 Failure to Maintain Reading, Billing and Service Levels

In the event the parties fail to maintain Reading, Billing and Service at levels referred to in Section 1.1 during the term of this Agreement:

- (a) either party shall be entitled, at its own expense, to retain a professional in the industry to review and analyze all relevant records and reports of the other to determine proper Maintenance, Reading and Service levels; and

- (b) the Corporation and the City shall meet to discuss remediation and agree, acting reasonably, on the appropriate course of action to be taken.

1.3 Apportionment of Risk

In the case of any actions that may arise during the course of this Agreement, each of the Corporation and the City shall:

- (a) indemnify, defend and save harmless the other from all fines, suits, proceedings, liabilities, losses, damages, costs, expenses, claims, demands or actions of any nature or kind whatsoever caused directly or indirectly related to the assets or operations which are the subject of this Agreement through a failure of either party to fully perform its obligations under this Agreement;
- (b) be individually responsible for all liability which results from:
 - a. the operations of the Corporation or the City;
 - b. any products, goods or materials brought onto the property or used by the Corporation or the City; or
 - c. any risks related to the under or over provision of Reading, Billing or Service provided by either of the parties.

1.4 Equal Access

The Corporation and the City shall take all reasonable steps to ensure:

- (a) that either party does not knowingly use either the Corporation's or the City's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between the Corporation and the City;
- (b) that either party does not purposely imply in its marketing material favoured treatment or preferential access to the other. If either party becomes aware of any significant inappropriate marketing activity by the other, it shall:
 - a. immediately take reasonable steps to notify affected customers of the violation;
 - b. take necessary steps to ensure the other party is aware of the concern; and

c. inform the Director of Licensing at the OEB of such activity and the remedial measures that were undertaken.

- (c) Requests by the City for access to the Corporation's transmission and distribution network or for utility services shall be processed and provided in the same manner as would be processed or provided for similarly situated non-affiliated parties;

1.5 Conduct of Work

In connection with the terms of this Agreement, each of the Corporation and the City shall ensure:

- (a) their respective employees, agents, contractors and subcontractors are duly qualified under any applicable federal and provincial laws; and
- (b) that all work performed by their respective employees, agents, contractors and subcontractors are in compliance with any applicable federal and provincial laws.

2. Pricing

In determining the price which either party shall charge the other, special consideration must be given to the circumstances of the transaction, specifically:

- (a) where either party performs the Reading, Billing or Service or shares a resource with the other, both parties shall ensure that the sale price is no more than the fair market value of the Reading, Billing, Service or resource;
- (b) in performing the Reading and Billing for the City, the Corporation shall charge the City a rate no less than the actual cost of providing that Reading and Billing and no greater than the fair market value;
- (c) in performing the Service for the Corporation, the City shall charge the Corporation an allocation of related expenditures based on budgeted expenditures and all other reasonable costs, which shall be negotiated annually based on budgeted expenditures and projected volumes/share of activity, but in any event, no more than fair market value; and

- (d) where a fair market value is not available for any Reading, Billing, Service or resource, the cost-based price of producing the service or resource shall be used.

3. Financial Transactions

3.1 Cost Allocation

Both parties shall be individually responsible for obtaining and maintaining in force, and charging at actual cost and expense, as applicable, all necessary licenses, permits and approvals in respect of providing the Reading, Billing or Service on behalf of the other.

3.2 Financial Support

The Corporation or the City shall ensure that any loan, investment or other financial support provided to the other is provided on terms no more favourable than what the Corporation or the City would be able to obtain on its own from the capital markets.

4. Confidentiality

Where the Corporation or the City shares information services with the other, all information relating to a consumer, retailer or generator ("Confidential Information") must be protected from access by the other unless:

- (a) either party receives the consent of that consumer, retailer or generator for release of the Confidential Information;
- (b) the Confidential Information is for:
 - a. billing or market operation purposes;
 - b. the purpose of complying with a legal or law enforcement requirement; or
 - c. the processing of past due accounts of the consumer that has been passed to a debt collection agency;
- (c) the Confidential Information may also be disclosed where the information has been sufficiently aggregated such that any individual consumer, retailer or generator's information cannot reasonably be identified. If such information is aggregated, it must be disclosed on a non-discriminatory basis to any party requesting the information.

5. Record Keeping and Reporting Requirements

5.1 Maintenance of Records

- (a) the parties shall maintain updated records in a form and manner as prescribed by the OEB so as to be able to substantiate compliance with the *Affiliate Relationships Code*, and provide such information to the OEB as requested; and
- (b) in any event, the City shall maintain the financial and accounting records on behalf of the Corporation as an independent entity separate from the financial records of the City.

5.2 Transactions over \$100,000.00

Where the total cost of transactions with the City exceeds on an annual basis \$100,000.00, the Corporation shall maintain, and make available upon request by the OEB, separate records showing:

- (a) the nature of the relationship amongst the City and the Corporation;
- (b) the product or service in question;
- (c) the form of price or cost determination; and
- (d) the start date and expected completion date of the transaction.

6. Dispute Resolution

An agreeable arbitration process shall settle any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, or the performance, breach or validity thereof.

7. Applicable Law

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all court competent to hear appeals therefrom.

8. Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

9. Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding unless consented to in writing, or as specified in the Agreement. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver otherwise provided.

10. Term

The term of this Agreement shall commence upon the date of execution hereof for a period of 5 years. Upon agreement, the parties may renew this Agreement no later than six (6) months from the end of the term for an additional period of 5 years.

11. Termination

Either party may terminate this agreement with written notice. Where notice is provided prior to June 30, the agreement termination date shall be no sooner than December 31 of that year. Where notice is provided after June 30, the agreement termination date shall be not less than six months from the day written notice was provided.

12. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement.


IN WITNESS WHEREOF this Agreement has been executed by the Parties.

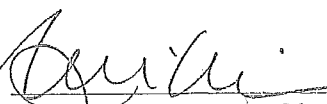
KENORA HYDRO ELECTRIC CORPORATION LTD.

By: 
Dave Sinclair, President & CEO

By: 
Gerry Lucas, Chair

THE CITY OF KENORA

By: 
Len Compton, Mayor

By: 
~~Joanne McMillan~~, City Clerk
J.L. McMillin, City Clerk

- SCHEDULE A -

APPENDIX TO SERVICES PROVIDED

1. GENERAL RULES GOVERNING THIS AGREEMENT

- A) This Agreement is based on the City and the Corporation having an affiliate Relationships as described in the Affiliate Relationships Code for Electricity Distributors and Transmitters.
- B) The City is not an energy service provider as described in the Affiliate Relationships Code for Electricity Distributors and Transmitters.
- C) The City is authorized to use the Corporation's logo for all information sent to customers on behalf of the Corporation.

2. SCOPE OF CUSTOMER SERVICE, CASHIERING, BILLING & COLLECTING ACTIVITY

- A) The City shall provide appropriate staff to administer and execute the following:
 - (a) initiation and maintenance of customer files that either party receives, including the consent of that consumer, retailer or generator for release of the Confidential Information;
 - (b) processing of customer inquiries, orders and adjustments;
 - (c) printing and mailing of regular customer billings on the basis of completed billing calculations as supplied by the Corporation;
 - (d) preparation and mailing of informational pamphlets with the regular customer billings as required;
 - (e) receipt and application of customer payments;
 - (f) such measures as may be required from time to time to effect the timely collection of accounts in arrears, including but not limited to the cut-off of power supply to the subject customer.
- B) The City shall ensure that its staff shall be adequately trained by enrolment in applicable courses pertaining to job function.
- C) The City shall supply all materials and services related to the provision of customer service, cashiering, billing and collecting and related training, as

outlined in Paragraphs A and B above. These materials and supplies shall include the costs of general office supplies and services, postage, billing forms and envelopes, as well as costs of maintenance of the HTE hardware and software as applicable to the water and sewer billing.

- D) The Corporation shall provide appropriate and adequately trained staff to administer and execute the following:
 - (a) the recording of customer consumption;
 - (b) the maintenance of consumption meters in good working order, according to the requirements of the Federal Ministry of Consumer and Corporate Affairs or the ultimate governing authority;
 - (c) the provision of billing services, including generation of any required and related work orders for water and sewer services, as well as costs of maintenance of the HTE hardware and software as applicable to the hydro billing;
 - (d) the performance of any required hydro related work orders, including cut-offs.
- E) The Corporation shall supply all materials and services related to the provision of meter reading and maintenance, as outlined in Paragraph D above.
- F) The Corporation shall take all reasonable steps to ensure the City is informed of all changes of meters and related specifications related to customer service and collecting on a timely basis.
- G) The Corporation shall not provide services to new customers without prior approval from the City customer service and/or collection staff.

3. SCOPE OF FINANCIAL & ACCOUNTING RECORDS KEEPING ACTIVITY

- A) The City shall provide appropriate staff to administer and execute the following:
 - (a) maintenance of all financial and accounting records; according to Generally Accepted Accounting Principles (GAAP);
 - (b) back-up documentation as required by the Corporation's Board of Directors and/or the Ontario Energy Board (OEB);

4. SCOPE OF PAYROLL & BENEFITS RECORDS KEEPING ACTIVITY

- A) The City shall provide appropriate staff to administer and execute the following:
- (a) maintenance of payroll records and administration of pay for the employees of the Corporation;
 - (b) maintenance and administration of benefits of the employees of the Corporation;
 - (c) preparation and mailing of informational pamphlets with employee pay deposit receipts as required

5. SCOPE OF INFORMATION TECHNOLOGY SERVICES

- A) The City shall provide appropriate staff to administer and execute the following:
- (a) set up and access to the internet;
 - (b) access to and maintenance of the HTE system;
 - (c) troubleshooting of all computer, application and internet problems encountered by the Corporation's employees.

6. SCOPE OF GENERAL ADMINISTRATION & REGULATORY COMPLIANCE SERVICES

- A) The City shall prepare any required documentation for necessary filings and reports to the OEB related to information generated with respect to Service provided by the City for the Corporation as the OEB may require from time to time.
- B) The Corporation shall ensure that all updates and changes relating to the electricity market are communicated to the appropriate employees.

7. PAYMENT OF MONIES

- A) On or before the 15th of the following month, the City shall remit to the Corporation the total amount of current billing, including such late payment charges levied and collected during the month.
- B) On or before the 15th of the following month, the Corporation shall remit to the City its payment for billing and collecting services, calculated as one twelfth (1/12th) of the total annual charge.

8. SETTLEMENT OF BAD DEBTS

- A) The City requires both Council and Board approval to remove accounts as uncollectible from active receivables. Once accounts are deemed by the City to be uncollectible, and approved by both Council and the Board, those accounts shall be removed from the City's active receivables list and their collection settled between the City and the Corporation on the basis of an equal sharing of the bad debt.
- B) Either of the parties shall be entitled to pursue the collection of bad debts, provided that both parties agree that vigorous collection of the debt should be undertaken and that both parties agree to share in the costs of that collection. In the event that one party is not prepared to pursue the collection of a bad debt, the other party shall be entitled to take whatever action is necessary to collect the debt, provided that party is solely responsible for all charges and expenses incurred in the collection. In the event that the debt is collected either in whole or in part, the expense incurred collecting the debt shall be paid first and thereafter, the amount collected shall be paid equally to each of the parties herein.