



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

March 11, 2011

Attention: Board Secretary

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

Enclosed please find responses to OEB and VECC supplemental interrogatories, as received by Kenora Hydro March 2, 2011. Copies have been filed through the OEB Portal, as well as e-mailed to contacts at VECC.

Should you require additional information, please contact me directly.

Yours truly,

A handwritten signature in black ink, appearing to read "David Sinclair", with a large, sweeping flourish at the end.

David Sinclair
President & CEO
Kenora Hydro
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KENORA HYDRO ELECTRIC CORPORATION LTD. (KENORA)
2011 RATE APPLICATION (EB-2010-0135)
BOARD STAFF INTERROGATORIES – ROUND #2

QUESTION Supplemental Board staff IR No. 1

Response to Board staff IR No. 1 (re: Exhibit 1/Tab1/Schedule 2 p.4)

In Procedural Order No. 2 and Order for Interim Rates issued on February 24, 2011, the Board declared Kenora Hydro's current rates interim, effective May 1, 2011. Kenora Hydro filed its 2011 COS rates application on Nov. 1, 2010, which is about 2 months after the filing date normally associated with a May 1 effective date for new rates.

- a) Is it Kenora Hydro's expectation that it should be allowed to re-coup any under-recovery in revenues for the period between May 1, 2011 and the date the new rates will be implemented?
- b) If so, please provide the reasons that the Board should consider in determining such a request.

RESPONSE

- a) Kenora Hydro does not have the expectation that potential under-recovered revenues between the period May 1, 2011 and the time new rates are implemented will be re-couped.
- b) N/A.

QUESTION Supplemental Board staff IR No. 2

Response to Board staff IR No. 2 (re: Ref: Exhibit 8 /Tab 1/ Schedule 4)

Kenora Hydro indicates that \$247,200 in spending on installing a substation transformer (T3) was delayed in 2010.

- a) Please indicate whether the following is accurate (sourced from the Asset Management Plan p.12 at Exhibit 2 Tab 3 Schedule 3 & Board staff IR 13). If not please correct.

Transformer T1: will be replaced in 2011 with the rebuilt T3; the replaced T1 will be rebuilt and serve as a spare.

Transformer T2: struck by lightning in 2007; replaced with a used unit from the U.S.

Transformer T3: failed in 2009 and has been replaced with the rebuilt T2

- b) What is the actual status of the replaced T1 transformer? Has it been rebuilt yet? What is the approximate time-span between the date that the decision is made to rebuild the transformer and the date the unit would be ready as a working spare?

RESPONSE

a) Yes, Transformer T1 will be replaced in 2011 with the rebuilt T3; the replaced T1 will be rebuilt and serve as a spare.

Yes, Transformer T2 was struck by lightning in 2007; replaced with a used unit from the U.S. T2 was then subsequently rebuilt.

Yes, Transformer T3 failed in 2009 and has been replaced with the rebuilt T2.

b) T1 remains in service and will be replaced with the rebuilt T3 unit currently on site. T1 has not yet been rebuilt. Kenora Hydro anticipates T3 to replace T1 the first week of June, 2011, and the rebuilt T1 will be refurbished and on-site by year end.

QUESTION Supplemental Board staff IR No. 3

Response to Board staff IR No. 3 (re: Ref: Exhibit 2 /Tab 2/ Schedule 2 p.20-21)

a) Is there any remaining net book value, in excess of \$5,000, (year-ended December 2010) for the underground conductor and conduit plant that will be replaced in 2011 associated with the downtown revitalization project?

b) If so, what is the amount and what accounting entries will be made in 2011, if any, regarding this residual value?

RESPONSE

a) The underground conductors and conduits planned for replacement during the downtown revitalization project were installed during the summers of 1985 and 1986. Having had a 25 year straight line amortization method applied to the assets, the assets installed will be fully amortized at the end of 2010 and there will be no net book value remaining in 2011.

b) N/A

QUESTION Supplemental Board staff IR No. 4

Response to Board staff IR No. 16 (re: Ref. Exhibit 3 /Tab 2 /Schedule 1 p. 11-12)

When did the Abitibi Consolidated mill close?

RESPONSE

The Abitibi Consolidated mill closed in January, 2006.

QUESTION Supplemental Board staff IR No. 5

Response to Board staff IR No. 19 (re: Ref: Exhibit 3/ Tab 3/ Schedule 1 p.2 and Exhibit 1/Tab2/Schedule 4 p.3)

Does Kenora Hydro agree that the rate setting exercise set out in the 2006 Handbook focused on actual results for 2004/05 and not proposed budgets for the test year?

RESPONSE

Kenora Hydro agrees that the 2006 rate setting focused on actual results from 2004/05 and not proposed budgets for the test year.

QUESTION Supplemental Board staff IR No. 6

Response to Board staff No. 34. (re: Ref: Exhibit 8 /Tab 1/ Schedule 4)

Please prepare tables, similar to those provided in the response, for 2005, 2006 and 2007.

RESPONSE

Provided below are tables using the logic as presented in response to Question #34.

	2005	Billed Cons.	2005			
	Billed	matched to	IESO			
	Consumption	IESO billed month	Purchases	Loss	Supply	Total Loss
Jan '05		10,256,619	12,380,728	1.207096	0.0045	1.211596
Feb		7,700,859	9,854,194	1.279623	0.0045	1.284123
March	10,256,619	8,265,923	10,084,081	1.219958	0.0045	1.224458
April	7,700,859	8,178,487	8,257,802	1.009698	0.0045	1.014198
May	8,265,923	7,001,078	8,356,524	1.193605	0.0045	1.198105
June	8,178,487	8,366,519	8,548,461	1.021746	0.0045	1.026246
July	7,001,078	7,305,150	9,513,797	1.302341	0.0045	1.306841
Aug	8,366,519	7,454,565	8,945,790	1.200042	0.0045	1.204542
Sept	7,305,150	8,130,820	8,205,950	1.00924	0.0045	1.01374
Oct	7,454,565	8,603,540	8,698,424	1.011028	0.0045	1.015528
Nov	8,130,820	12,703,533	9,807,382	0.77202	0.0045	0.77652
Dec	8,603,540	10,929,945	11,323,529	1.03601	0.0045	1.04051
Jan '06	12,703,533					
Feb '06	10,929,945					
	104,897,038	104,897,038	113,976,662	1.086557	0.0045	1.091057
	2006	Billed Cons.	2006			
	Billed	matched to	IESO			
	Consumption	IESO billed month	Purchases	Loss	Supply	Total Loss
Jan '06		11,726,327	10,841,989	0.924585	0.0045	0.929085
Feb		7,641,628	10,243,940	1.340544	0.0045	1.345044
March	11,726,327	7,960,831	9,905,060	1.244224	0.0045	1.248724
April	7,641,628	8,265,036	8,168,170	0.98828	0.0045	0.99278
May	7,960,831	7,600,125	8,402,821	1.105616	0.0045	1.110116
June	8,265,036	10,577,584	8,614,238	0.814386	0.0045	0.818886
July	7,600,125	8,062,990	9,760,955	1.210588	0.0045	1.215088
Aug	10,577,584	8,861,270	8,972,917	1.012599	0.0045	1.017099
Sept	8,062,990	7,117,479	8,177,822	1.148977	0.0045	1.153477
Oct	8,861,270	7,712,727	9,068,206	1.175746	0.0045	1.180246
Nov	7,117,479	12,157,106	9,787,932	0.80512	0.0045	0.80962
Dec	7,712,727	10,569,900	11,023,808	1.042943	0.0045	1.047443
Jan '07	12,157,106					
Feb '07	10,569,900					
	108,253,003	108,253,003	112,967,859	1.043554	0.0045	1.048054

	2007	Billed Cons.	2007			
	Billed	matched to	IESO			
	Consumption	IESO billed month	Purchases	Loss	Supply	Total Loss
Jan '07		11,398,374	11,626,906	1.02005	0.0045	1.02455
Feb		9,222,950	10,977,237	1.190209	0.0045	1.194709
March	11,398,374	10,360,463	10,087,357	0.97364	0.0045	0.97814
April	9,222,950	7,445,703	8,634,301	1.159635	0.0045	1.164135
May	10,360,463	9,367,521	8,203,383	0.875726	0.0045	0.880226
June	7,445,703	8,790,993	8,696,373	0.989237	0.0045	0.993737
July	9,367,521	8,402,749	9,734,098	1.158442	0.0045	1.162942
Aug	8,790,993	7,833,760	8,877,916	1.133289	0.0045	1.137789
Sept	8,402,749	8,372,494	8,163,012	0.97498	0.0045	0.97948
Oct	7,833,760	7,352,653	8,802,982	1.197252	0.0045	1.201752
Nov	8,372,494	12,770,300	9,835,595	0.770193	0.0045	0.774693
Dec	7,352,653	9,147,737	11,711,317	1.280242	0.0045	1.284742
Jan '08	12,770,300					
Feb '08	9,147,737					
	110,465,697	110,465,697	115,350,477	1.04422	0.0045	1.04872

QUESTION Supplemental Board staff IR No.7

The Board in its EB-2010-0295 decision, dated February 22, 2011, concerning the recovery of costs and damages arising from the Late Payment Penalty class action, directed affected electricity distributors to file with the Board by March 1, 2011 the detailed calculations for rate riders that would be put in place to recover the amounts as indicated in the decision.

Please provide a copy of the material, as directed in EB-2010-0295, that Kenora Hydro filed with the Board.

RESPONSE

Attached as Appendix A.

QUESTION Supplemental Board staff IR No. 8

Response to Board staff IR No. 15 (re: Ref. Exhibit 3 /Tab 2 /Schedule 1 p. 7 and 17)

Kenora Hydro states that a load factor of 30% results if one interprets the kWh targeted CDM reduction for 2014 of 5.220 GWhs to be an accumulated amount over the 2011-2014 period while the 0.860 MW reduction in Peak Demand Load is the level to be achieved in 2014. Kenora Hydro compares the 30% result to the IESO's 18 month outlook of about a 70% load factor. Kenora Hydro concludes that the kWh reduction in

2014 should not be interpreted as the accumulated amount over the 2011-2014 period. Rather the targeted level in 2014 should be in the 5.2 GWh range, which Kenora Hydro sees as more in keeping with a more reasonable load factor, being in the 70% range.

- a) Is the IESO outlook referenced by Kenora Hydro intended for the Kenora Hydro system or for the province-wide system?
- b) If the outlook is province-wide in scope, has Kenora Hydro, within the last 3 years, performed an analysis of its consumption and demand history to estimate its load factor? If so, please provide a copy of the analysis.

RESPONSE

- a) The IESO outlook referenced in response to Question #15 was for the Province, not specifically for Kenora Hydro.
- b) Kenora Hydro has not performed any analysis of its consumption and demand history to estimate its load factor.

QUESTION Supplemental Board staff IR No. 9

Response to Board staff IR No. 6 (re: Ref: Exhibit 1 /Tab 2 /Schedule 2)

- a) Please confirm that the 2011 Revenue Requirement should be reduced by \$13,096 related to PST that has been included in the 2011 test year OM&A budget.
- b) Kenora Hydro indicates that it will be filing the recorded incremental Input Tax Credit amounts "prior to the year-end file completion". By what date will Kenora Hydro file this information?

RESPONSE

- a) According to the estimation of savings related to the PST elimination, Kenora Hydro confirms that the 2011 OM&A expenditures should be reduced by \$13,096.
- b) Kenora Hydro has targeted March 28, 2011 as the date of completion of the year end files and draft financial statements. The calculation and recording of the "ITC" amounts will be completed for that date. There will be no formal 'filing' of this information unless requested. The use of the words "year-end file completion" referred to internal preparation of documentation (files) to support the year-end financial statements.

APPENDIX A

Kenora Hydro Late Payment Penalty Costs – Board File EB-2010-0295



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

March 4, 2011

Attention: Board Secretary

Re: Kenora Hydro Electric Corporation Ltd. – Late Payment Settlement - EB-2010-0295

Kenora Hydro Electric Corporation Ltd. submits to the Ontario Energy Board its proposed rate schedule allocating the \$16,378.00, as directed in the Board's February 22, 2011 Decision and Order on this matter.

Kenora Hydro will also send an electronic version of this response through the Board's web portal.

Yours truly,

A handwritten signature in black ink, appearing to read "David Sinclair", with a stylized flourish at the end.

David Sinclair
President & CEO
Kenora Hydro
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e-mail dsinclair@kenora.ca

Kenora Hydro Electric Corporation Ltd.
Late Payment Settlement Recovery Rate Rider
Board File EB-2010-0295

Class	2009 2.1.5 RRR Distribution Rev	Revenue Proportion	Recovery \$ 16,378	2009 2.1.5 Data # Customers	2009 2.1.5 Data # Connections	Annual Charge Per Cust/Conn	Monthly Fixed Rate Rider	Check Monthly RR
Residential	1,189,684.68	59.85%	\$ 9,802.25	4,777		\$ 2.05	\$ 0.17	\$ 9,745.08
GS < 50 kW	327,549.58	16.48%	\$ 2,698.80	733		\$ 3.68	\$ 0.31	\$ 2,726.76
GS > 50 kW	434,648.78	21.87%	\$ 3,581.23	69		\$ 51.90	\$ 4.33	\$ 3,585.24
Streetlights	35,890.38	1.81%	\$ 295.71		532	\$ 0.56	\$ 0.05	\$ 319.20
TOTALS	1,987,773.42	100.00%	\$ 16,378.00					\$ 16,376.28
Under Collect								\$ (1.72)