January 27, 2012

Mrs. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

RE: Hydro Hawkesbury Inc.

Electricity Distribution Rate Application.

Board File No. EB-2011-0173 IRM3 2012

Response to VECC Interrogatories

Ms. Walli

Please find enclosed HHI's response to VECC interrogatories dated January 14, 2012.

Yours Truly,

Michel Poulin

Manager, Hydro Hawkesbury Inc.
613-632-6689

EB-2011-0173

ONTARIO ENERGY BOARD

IN THE MATTER OF
the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by
Hydro Hawkesbury Inc. for an order or orders
approving or fixing just and reasonable
distribution rates to be effective May 1, 2012.

Information Requests of the Vulnerable Energy Consumers Coalition (VECC)

INCREMENTAL CAPITAL / Z-FACTOR

VECC Question # 1

Reference: Exhibit 1, Tab 1, Schedule 5, Summary of Application, Page 3

Preamble: Hydro Hawkesbury requests the approval of rate riders to recover the cost ($1.52 million) of replacing an existing 110 kV distribution transformer with a 25MVA transformer. Hydro Hawkesbury also requests the approval to recover amounts through rates related to a z-factor. The funding request of $713,000 is required to replace a faulty 44 kV distribution transformer.

a) Please provide a Capital Spending Schedule that sets out, on a comparative basis, 2010 actual, approved 2010 (EB-2009-0186), 2011 actual and the proposed spending for 2012, using spending categories from EB-2009-0186.

HHI Response: See table below

b) Please provide explanations for any categories where the variance between the 2010 approved and 2010 actual, 2011 actual and the 2012 budget spending exceeds plus/minus 10%.

HHI Response: See table below

c) Please provide an explanation as to why the budgeted level of spending is required in 2012 and quantify any discretionary expenditures.

HHI Response: See table below

HYDRO HAWKESBURY INC.

Account	2010 Capital Expenses	2010 COS	variance %	NOTE #	2011 Capital Expenses	2012 budget	Variance 2011 actual vs 20120 budget	NOTE #
*** Please note that the 2011 ending balance is not final since year end adjustments are not completed at this time								
Land Rights Distribution Plant (Acct 1806)	-	-			-	-		
Transformer Station Equipment (Acct 1815)	$ 52,494.80	$ 82,000.00	-36%	1	$ 55,500.00	$ 50,000.00	-10%	13
Distribution Station Equipment (1820)	$ 9,059.01	$ 50,000.00	-82%	2	$ 66,690.82	$ 50,000.00	-25%	14
Poles, Towers & Fixtures (Acct 1830)	$ 28,410.75	$ 73,000.00	-61%	3	$ 27,658.52	$ 40,108.00	45%	15
Overhead Conductors and Device (Acct 1835)	$ 34,806.04	$ 33,000.00	5%		$ 3,636.30	$ 44,860.00	1134%	16
Underground Conduit (Acct 1840)	$ 147.42	$ -	100%	4	$ -	$ -		
Underground Conductors & Devices (Acct 1845)	$ 47,660.10	$ 17,500.00	172%	5	$ 585.31	$ 5,000.00	754%	17
Line Transformers (Acct 1850)	$ 24,321.22	$ 11,000.00	121%	6	$ 6,024.65	$ 9,500.00	58%	18
Meters (Acct 1860)	$ -	$ -	-		$ 7,796.64		100%	19
Land General Plant (1905)	$ -	$ -	-		$ -	$ -		
Buildings and Fixtures (1908)	$ -	$ 25,000.00	-100%	7	$ -	$ -		
Office Furniture & Equipment (Acct 1915)	$ 2,126.20	$ 19,500.00	-89%	8	$ 1,130.23	$ 7,650.00	577%	20
Computer Equipment Hardware (Acct 1920)	$ 3,691.20	$ 11,000.00	-66%	9	$ 2,103.38	$ 11,000.00	423%	21
Computer Software (Acct 1925)	$ 14,357.63	$ 9,200.00	56%	10	$ 8,639.34	$ 5,000.00	-42%	22
Transportation Equipment (Acct 1930)	$ -	$ -	-		$ -	$ -		
Tools, Shop & Garage Equipment (Acct 1940)	$ 6,006.67	$ 5,000.00	20%	11	$ 5,063.27	$ 5,000.00	-1%	
Power Operated Equipment (Acct 1950)	$ -	$ 30,000.00	-100%	12	$ -	$ -		
	$ 223,081.04	$ 366,200.00			$ 184,828.46	$ 228,118.00		

Note: Variance 2010 VS 2010 COS	1	Oil test came back OK so HHI simply replace 2 three phases reclosers
	2	Budget amount on hold. GE reports still show high TDCG but recommended to sample and follow progression Inhibitor added to transformer
	3	In 2010 our man force was utilized to meet the OEB smar merter instalation deadline Having only 3 men performing all task from Lay-out to line work, we cut down on pole replacement for 2010
	4	Underground service required installation of $147 of new conduit
	5 & 6	each year we plan for underground subdivisions. Hawkesbury is a low growing community, so developer are normally investing if there is a demand. A new subdivision was built in 2010 and more lots were built than usual.
	7	We expectd to do some renovation on the roof of our building. Inspection showed that this expenditure could be postponed.
	8	Cut down on office expenses. See note 10.
	9	Added 2 new computers for staff. See note 10
	10	software was greater that expected. New accounting versions were required. HHI did not know exactly the required expenditures required, so HHI cut down on 1915 and 1925

	11	extra expenses were required following an inspection from the ministry of labour. Safety issues were highly responisible for the extra expense.
	12	With the situation with our 44 KV transformer and the fact that HHI was on somewhat of an alert the Board opted to wait at a future date. (wood Chipper)
GENERAL NOTE 2010		HHI was concern about our 44KV situation. Some capital expenses were held back in case some capital interventions were required with our 44 KV station
NOTE: 2011 Actual VS 2012 Budget	13	In 2012 we expect a possible maintenance on our 110KV station. Obviouly we will perform oil samples to see what type of intervention may be required.
	14	Beside the ICM application, some $50,000 planned for the maintenance on the existing 44KV transformer in order to prevent major failure. Oil test will guide our decision. HHI will perform maintenance of the existing structure (insulators etc) . In 2011 the 2 three phase reclosers we changed, and GE did some minor maintenance in April during the internal inspection.
	15	HHI in 2010 & 2011 had to comply with the OEB smart meter replacement. In 2012 some poles that needed attention in the previous 2 years will be replaced
	16	HHI will be replacing some 3/0 primary conductor with 336 MCM on our main feeders.
	17	This betterment will improve line loss and well as provide more flexibility when the need to shift load to other main circuit may be needed. At the present time the low ampacity of the 3/0 primary conductor limits our options
	18	HHI has a padmount transformer on order. We expect the need of only 1 other padmount and 1 polemount transformer in 2012
	19	with the low growth in Hawkesbury we feel that the need for new meter will be minimal
	20	In 2010 and 2011 we did major expense reduction on account 1915. In 2012 we expect to upgrade some items left asside during the previous years
	21	HHI will upgrade 3 office computers as well as a server.
	22	With the upgrades we expect and expense of $5000 to upgrade the requried software

VECC Question # 2

Reference: Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, September 17, 2008, Eligibility Criteria, Appendix B: Amended Filing Guidelines, Page VII

Preamble: The Board's Report specifies that Z-factors are events that are not within management's control.

a) Please discuss why Hydro Hawkesbury believes the replacement of the 44 kV distribution transformers is an event not within management's control.

HHI Response: The "Risk management" surrounding the 44KV distribution transformer is undoubtedly within management' s control and in that respect, HHI along with the support of its Board of director, has taken every preventative and safety measure possible in order to adequately manage the uncertainty surrounding this particular asset. The distribution transformer was assessed with regularity and thoroughness in the hopes that its aging process may have been controlled and its life extended. An extended life for the transformer, along with the stability of its safety and reliability which accompany it, has allowed the utility mitigate rate impacts during the unstable economic conditions of 2009 and 2010.

Realizing the risk of operating a 45 year old distribution transformer at the 110 KV station, HHI, in its 2010 Cost of Service Application, filed a "utility load flow and evaluation study"[1] informing the Board it's concerns surrounding the condition of both its distribution transformers. That being said, HHI saw no reason to replace the less problematic of the two stations (44KV) that was then considered to be "reliable".

In the very short period of time between end of 2009 and the summer of 2011, the 44KV went from "Reliable to "Degenerated" to "Unreliable". HHI had hoped that all its preventative measures would have extended the life of its asset until it could have phased in its replacement in its next Cost of Service.

[1] [1] EB-2009-0186, Exhibit 8, Tab 3, Schedule 4

What HHI considered to be beyond the control of management is the sudden failure if 44KV. There is nothing the utility could have done to predict and prevent this failure from occurring. It is an event that is considered beyond the control of HHI management.

An in depth timeline of events and preventative measures is presented below at the Table1.

TABLE 1. TIMELINE OF EVENTS AND PREVENTATIVE MEASURES FROM HHI.

- Oil testing was performed in 2006, 2007, 2008, 2009, 2010 and 2011.

- Oil testing was performed on a regular basis and on a timeframe recommended by General Electric ("GE") to monitor the transformer adequately. The test results were used to provide a picture of the transformer and the condition it's in at a certain point in time.

- From **2007 to 2008** the Total Combustible Gas ("TDCG") percentage was stable. The 2008 report from GE recommendation was: Continue to operate normally. Resample in on year.

- In **2009** again the recommendation was to operate normally but GE advised HHI that a slight increase in TDCG was noticed. GE also recommended that some inhibitor be added to the transformer. This repairs was done. GE also mentioned that the aging of a transformer and the history of the same transformer should not be ignored and that constant monitoring would be valuable. It was noted that if the TDCG increased further, then the possibility of a major fault could occur.

- In **2009** 3 oil samples were taken in order to monitor TDCG.

- In **2010** again oil samples were taken on a regular basis to monitor the gases. TDCG % seemed to be constantly increasing. In 2010 as per oil test results (Exh1, Tab2, Sch3 App2), it was recognized that dangerous combustible gases was present in the oil. It was recommended to sample the transformer on a regular basis to see the progression of these gases.

- In **2011**, following the annual oils sampling exercise, a major increase in the TDCG was again found.

- On **April 2011**, HHI engaged GE to investigate further in order to obtain a better diagnostic of the transformer to better understand the issues. **On April 12, 2011**, (Exh1, Tab2, Sch3 App2), during our off peak season, HHI did a shut- down of the 44 KV transformer in order to perform tests and a visual inspection of the 44KV transformer.
- GE did some minor repairs and by-passed the Tap changer. No other action can be performed on site. There is no room within the transformer tank for anyone to go in and inspect and/or do repairs. The GE Technician doubts that this Tap Changer was the cause of high gases.

- During this intervention, GE's comment was: 'With the type of gas, we know some overheating at over 700 degree Celsius is happening inside the transformer. The amount of combustible gases is in constant rising and may degenerate to a major failure in the transformer.
- In **2011** following the intervention, oil samples were taken in June, July and October. All results did show a progression in the total TDCG %.

- In August of **201**1 HHI opted to purchase a replacement for the 44KV as it felt that the reliability and continuity of its service was at great risk.

VECC Question # 3

Reference: Exhibit 1, Tab 1, Schedule 3, Page 12

Preamble: Hydro Hawkesbury proposes recovery of the Z-Factor amount through a fixed and distribution volumetric rate rider, expiring April 30, 2022. (Proposed rider over a period of 10 years)

a) Please provide the rationale for this option.

b) Please confirm the design of the ICM rate rider and the rationale for this option.

HHI Response: Please disregard the statement presented at at Exhibit 1,Tab 2,Schedule 3,Page 12 that states that the rate rider is over a 10 year period. Originally, HHI had proposed a rate rider over a period of 10 years. Following a conversation with Board Staff, HHI proposes to implement a rate rider until its next rebasing (2014), at which point the asset would be move into Rate Base and would be recovered through rates. HHI now understands that the rate rider for the ICM just provides a proxy rate until that time.

The ICM rate rider presented in the models filed in conjunction with the application on November 11,2011 were in fact correctly derived.

LOST REVENUE ADJUSTMENT MECHANISM (LRAM)

VECC Question # 4

Reference: Exhibit 1, LRAM Report

Preamble: Hydro Hawkesbury seeks an LRAM claim of $49,918.88.

a) Please confirm the scope of the LRAM claim.

HHI Response: HHI confirms the scope of the LRAM claim is for 2006-2010 program results that persist into 2011 and to April 30, 2012.

b) Please provide a summary of prior LRAM claims.

HHI Response: As confirmed on Exhibit 1 Tab 1 Schedule 2 page 1, line 21of the LRAM report, there has been no previous LRAM application by HHI.

c) Please confirm that the LRAM amounts Hydro Hawkesbury is seeking to recover in this application are new amounts not included in past LRAM claims.

HHI Response: HHI confirms that the LRAM amounts HHI is seeking to recover in this application are new amounts not included in past LRAM claims

d) When was Hydro Hawkesbury's load forecast last approved by the Board? Please discuss how any CDM savings have been accounted for in Hydro Hawkesbury's approved load forecast.

HHI Response: HHI's last load forecast approved by the Board was in respect to its 2010 CoS application EB-2009-0186. HHI did not include any CDM savings in HHI's approved load forecast

VECC Question # 5

Reference: Exhibit 1, LRAM Report

a) Please provide the following details for each CDM Program by year that adds to the data shown in Table One: # units, unit and total kWh savings, lifetime, and free ridership rate. Reconcile to the lost revenues shown in Table Five.

HHI Response: Table Five simply displays a sub-set of the same information contained in Table Two.

b) List and confirm OPA's input assumptions for Every Kilowatt Counts (EKC) 2006 to 2010 including the measure life, unit kWh savings and free ridership rate for Compact Fluorescent Lights (CFLs) and Seasonal Light Emitting Diodes (LED). Confirm some of these assumptions were changed in 2007 and again in 2009 and compare the values.

HHI Response: OPA evaluation (EM&V) results over time and across dozens of measures can produce different measure life, unit kWh savings and free ridership rates, as needed and appropriate. Those are factored in to the energy and capacity savings calculations produced by the OPA. Since the OPA is the sole authoritative source of information regarding the results of its programs, HHI relies on the veracity of OPA data for its LRAM claim.

c) Demonstrate that savings for EKC 2006 Mass Market measures 13-15 W Energy Star CFLs & Seasonal LEDs have been removed from the LRAM claim beginning in 2010.

HHI Response: It is apparent that the energy savings from the EKC 2006 Mass Market program drop-off precipitously after 2009. The 4-year effective useful life of some of the dominant measures in that initiative is undoubtedly the mathematical explanation for that drop-off. Since an authoritative evaluation (EM&V) was not conducted on the 2006 EKC Mass Market program, and therefore not published by the OPA on its Website, all parties are reliant on the OPA's calculations as provided

to LDC's. Any further elucidation of the specifics would require the involvement of the OPA.

d) Adjust the LRAM claim as necessary to reflect the measure lives and unit savings for any/all measures that have expired.

HHI Response: HHI submits that the revised OPA prescriptive measure lives, assumptions and the unit savings were used to calculate the LRAM claim and that no adjustments are required.

VECC Question # 6

Reference: Exhibit 1, LRAM Report

Preamble: Elenchus used the OPA Final 2010 CDM Summary Results September 16, 2011 (2010 Final CDM Results Summary_Hydro Hawkesbury Inc..xlsx) to calculate lost revenue from 2010 CDM programs.

a) Please confirm that the above OPA results include input assumptions and free ridership rates for 2010 programs.

HHI Response: HHI would note that it received the 2010 Final OPA CDM Results on November 15, 2012 and have updated the report replacing the above noted report.

b) If not, when does Hydro Hawkesbury expect to receive 2010 Final OPA CDM Results with these details.

Response: HHI would note that it received the 2010 Final OPA CDM Results on November 15, 2012 and have updated the report

c) How will these results impact the LRAM claim?

Response: As shown in response to Board staff interrogatory #20 d) there is minimal impact from this change.