Hydro 2000 Inc.
265 St.Phillippe St P.O 370
Alfred, ON
K0B 1A0

February 10, 2012

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

Re: Hydro 2000 Inc. Responses to Board Staff Interrogatories, EB-2011-0326, 2012 Cost of Service Application

Dear Ms. Walli:

Please find enclosed responses to Board Staff Interrogatories filed for Hydro 2000 Inc.

This document is being filed pursuant to the Board's e-Filing Services. Two hard copies of the Responses will be delivered to the Board shortly.

Should you have any questions, please do not hesitate to contact me at the number below.

Sincerely,

Rene C. Beaulne (Bone)
Hydro 2000 Inc.
Manager/CEO
Tel: 613-679-4093
Fax:613-679-4939

Board Staff Interrogatories
2012 Electricity Distribution Rates
Hydro 2000 Inc. (“Hydro 2000”)
EB-2011-0326

Administration

1. Ref: Conditions of Service

a) Please identify any rates and charges that are included in Hydro 2000’s conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

Response: Please note that there are no tariffs and charges listed in Hydro 2000’s current the Conditions of Service that do not appear in the proposed tariff sheet.

b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2010 and the revenue forecasted for the 2011 Bridge and 2012 Test years.

Response: N/A

c) Please explain whether in Hydro 2000’s view, these rates and charges should be included on Hydro 2000’s tariff sheet.

Response: N/A

d) In reference to Exhibit 8/ Tab 4/ Schedule 3, Hydro 2000 proposed changes to its Conditions of Service. It is Board staff’s understanding that the Board does not approve Conditions of Service. Please confirm Hydro 2000’s understanding of the same.

Response: This is Hydro 2000’s understanding as well. The Board reviews the conditions of service to make sure they meet the Board’s policies and guidelines however the Board does not approve a utility’s conditions of service.

Capital Expenditures

2. Ref: Exhibit 2/ Tab 4/ Schedule 3/ Page 23 & 25– Overhead conductors

Hydro 2000 proposes capital expenditure for "Maintenance on overhead conductor devices" for 2011 and 2012, and the expenditures are $14,000 and $10,000 respectively. Hydro 2000 described that this work involves maintenance of Overhead distribution system following its yearly ESA inspection.

a) Please provide the details of this inspection.

Response: Response: In the last two year new rules new standard have been imposed by ESA for safety and Hydro 2000 must comply with these new rules Each year Hydro 2000 Inc performs a completed visual inspection by an independent inspector in order to comply with Reg 22-4 of the ESA. ESA also sends its own inspectors which will inspect the overhead distribution system. .

b) Please explain how the costs are estimated.

Response: The costs are based on the previous year and estimated budget are calculated on previsions. $10,000 to $14,000 for maintenance upgrade and meet all ESA new standards for a 22 kilometers divided in two service area is a challenge by itself. Prioritized work is done base on the safety and reliability.

3. Ref: Exhibit 2/ Tab 4/ Schedule 3/ Page 1 – Capital Project Tables

In the above reference, Hydro 2000 states that the totals presented in the capital summary table do not include capital contributions. However, footnote 1 states that "Capital contributions are taken into account for rate making purposes."

Response: Correct. The tables presented in the capital summary tables do not show the capital contribution but continuity statements at Exhibit 2/ Tab 3/ Schedule 4 as well as information presented in RateMaker do in fact take into consideration the capital contribution.

In reference to Exhibit 2/ Tab 3/ Schedule 4/ page 5, no capital contributions are included in the 2012 Fixed Asset Continuity Schedule. Please explain why the capital contributions are excluded from 2012 capital expenditures.

Response: There are no new development planned for 2012 therefore, Hydro 2000 does not anticipate any capital contribution for that period.

4. Ref: Exhibit 2/ Tab 6/ Schedule 1 – Service Reliability Indices

In Table 1 of the above reference, Hydro 2000 indicates that 2010 SAIDI, SAIFI, and CAIDI, for all interruptions, are 2.1, 0.64, and 3.29, respectively. And 2010 SAIDI, SAIFI, CAIDI, excluding Loss of Supply, are 3.24, 1.4, and 2.31, respectively. Please explain why the values of the SAIDI and SAIFI excluding Loss of Supply are higher than the values of the SAIDI and SAIFI with all interruptions.

Response: The loss of Supply was not included in the all interruptions.

The SAIDI presented as 2.10 should be 5.34
The SAIFA presented as 0.64 should be 2.04
The CAIDI presented as 3.29 should be 2.62

Load and Customer Forecasting

5. Ref: Exhibit 3/ Tab 1/ Schedule 2/ Attachment 1 – Load Forecast - kWh

On page 5 of the load forecast report states: "the following table (Table 7) presents class specific weather normal historic and forecast values for those classes that have weather sensitive load. Class specific kWh consumption for weather sensitive classes is allocated based on the 2007 to 2010 average of each class' share in wholesale kWh, exclusive of distribution losses."

In the Table 6 of the same reference, the weather corrected wholesale KWh for 2011 and 2012 are 26,543,664 and 26,490,916 respectively.

a) Please provide the detailed calculations to demonstrate how 2011 and 2012 weather corrected wholesale kWh are allocated to each class as indicated in Table 7.

   Response: Please find the requested calculations at Appendix A

b) Please provide the distributor loss factor used to convert the wholesale kWh to retail kWh for 2011 and 2012.

   Response: As illustrated in the response in part (a), the share used to allocate class specific consumption is based on retail volumes exclusive of losses.

Therefore, no loss factor adjustment is necessary. The effect of this is using the average of the actual losses over the 2007 to 2010 period.

c) Please confirm whether the 2012 weather normalized load forecast includes any CDM adjustment. If so, please provide the amount of the adjustment made in 2012.

Response: The 2012 weather normalized load forecast in Exhibit 3/Tab 1/Schedule 2/Attachment 1 does not include any adjustment for CDM.

Operating, Maintenance and Administrative ("OM&A") Expenses

6. Ref: Exhibit 4/ Tab 2/ Schedule 1/ Appendix 2-E – Summary of OM&A Expenses

Please identify the inflation rate used for 2011 and 2012 OM&A forecast and the source document for the inflation assumptions.

Response: Although in some cases Hydro 2000 may apply and inflation rate to its certain budgeted costs, in general, the utility does not use the inflation rate to determine its budgets as it often causes the projections to be unnecessarily high.
Being a small utility allows it to be well informed of its supplier prices and services and therefore the utility uses a combination of past trend and communication with its suppliers to determine its budgets.

7. Ref: Exhibit 4/ Tab 2/ Schedule 1/ Page 3/ Appendix 2-G – OM&A Cost Driver Table

In the above reference, Hydro 2000 provides its OM&A cost driver table for the period from 2008 to 2012. However, the closing balance for each year does not match the balances provided in Exhibit 4/ Tab 2/ Schedule 1/ Appendix 2-E. Please reconcile the difference or provide a revised Appendix 2-G.

Response: In Hydro 2000's view, Appendix 2-G represents cost drivers which can be defined as major contributors to the unit of an activity that causes the change of an activity cost". Information presented at 2-E represents a summary of all costs (expected costs + one-time costs). Hydro 2000 does not expect the balances of these Schedules to reconcile.

8. Ref: Exhibit 4/ Tab 2/ Schedule 1/ Page 2/ Appendix 2-F – Detailed OM&A Expense Table

a) In the above reference, the Customer Billing cost (account 5315) is shown as increasing from $81,079 in 2008 to $115,734 in 2012, an increase over 42%. Most of this increase occurs in the 2010/2011 period. Please explain the reasons for these increases.

   Response: Hydro 2000 as started since January 2011 its billing on a monthly calendar basis in preparation for the Time of Use (TOU). A part time employee was hired in 2011 for customer services due to additional workload and function due to IESO integration and testing and implementation of TOU. There is also extra work due to all conservation programs that we have to implement and deliver to meet the OPA requirements on Hydro 2000's Distribution License.

b) In the above reference, the Bad Debt Expense (account 5335) is shown as increasing from $8,391 in 2008 to $12,000 in 2012, an increase over 43%. Most of this increase occurs in the 2010/2011 period. Please explain the reasons for these increases.

Response: Given the global economic downturn which began in 2008, it should be expected that the level bad debt for a utility such as Hydro 2000 would increase during the year following the recession. Alfred & Plantagenet are no strangers to the sobering realities of declining and aging populations, young people fleeing to cities, and sky-high unemployment. Through payment plans and payment options, Hydro 2000's focus is to assist its customers in pay their hydro bills.

9. Ref: Exhibit 4/ Tab 2/ Schedule 1/ Page 4/ Appendix 2-H – Regulatory Cost Schedule

In the above reference, Hydro 2000 provides its Regulatory cost schedule for the Test year.

a) The Test year amount for Consultants' costs for regulatory matters is $50,000. Please confirm whether this amount consists of two amortized amounts of $35,000, related to the rate application, and $15,000, related to the transition to IFRS.

Response: correct, the $50,000 consists of 200000 amortized over 4 years. $140K for the cost of service application and 60K for IFRS.

b) If the answer to (a) is affirmative, please confirm whether the amortized amount of $35,000, related to the rate application has included intervenor costs.

Response: Correct, the $35,000 includes $15,000 of intervenor costs as explained at Ex4, Tab 2, Sch3, Att 2. Please note that Appendix 2-H at Ex4, Tab,2, Sch1, Att 4 is incorrect as it shows the intervenor costs as a separate cost from the $35,000.

c) The Test year amount for Operating expenses associated with other resources allocated to regulatory matters is $30,000. The Bridge year amount for this same item is $17,000.

i. Please provide the details of the costs consists of.

Response: Please find a revised schedule at Appendix B. As Board Staff can see, if one was to remove the one-time rebasing cost of 50K, the increase from Bridge to Test is only of $5,075.

ii. Please explain the reason(s) for this significant increase from the Bridge year to Test year.

Response: This increase can be attributed to an increase in Deloitte and Touche services in order to address issues related to the Cost of Service.

10. Ref: Exhibit 4/ Page 31 - Low Income Energy Assistance Program (LEAP)

Please state whether or not Hydro 2000 has included an amount in its 2012 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

Response: Hydro 2000 has included an amount of $2000.00 in its 2012 test year revenue requirements, the minimum as required by OEB. Hydro 2000 retained the service of Centraide United Way Prescott-Russell. 497 rue St. Phillippe
PO Box 180, Alfred, ON, K0B 1A0. Please find further details at Appendix C.

11. Ref: Exhibit 4/ Page 50 – 51 - Ontario Municipal Employees Retirement System Pension Expense

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013. Please state whether or not Hydro 2000's proposed pension costs include this increase. If so, please provide the forecasted increase by years and the documentation to support the increases. If not, please state how Hydro 2000 proposes to deal with this increase.

Response: Hydro 2000 does not offer pension plan through OMERS.

12. Ref: Exhibit 4/ Tab 7/ Schedule 1 – Depreciation Expense

On page 5 of the above reference, the amount for 2012 depreciation expense is $76,702.32. However, in reference to Exhibit 2/ Tab 3/ Schedule 3/ Page 1, the annual amortization expense for 2012 is $566,346. Please reconcile these two numbers and the differences found in 2008, 2009, 2010 and 2011.

Response: Firstly, please find below a revised summary of Hydro 2000's accumulated depreciation.
With respect to Board Staff's specific question on the reconciliation between $76,702.32 and $566,346 (revised to -531,412), the former represents the depreciation expense for 2012 while the ladder represents the accumulated depreciation for 2012.

	Oct 10,2011	Prelim IRs
2008 Board Approved	-296,647	-274,136
2008 Actual	-321,666	-321,677
2009 Actual	-374,148	-374,059
2010 Actual	-432,329	-429,400
2011 Bridge	-496,778	-454,709
2012 Test	-566,346	-531,412

Green Energy Plan

13. Ref: Exhibit 4/ Tab 2/ Schedule 5;
Filing Requirements: Distribution System Plans – Filing under Deemed Condition of Licence, issued March 25, 2010 [EB-2009-0397], Part II, p.5 "Requirement to file GEA Plan";
Filing Requirements, Part V, Section 2, p.11-12 "Planned development of the system to accommodate renewable generation connection"

At reference Exhibit 4/ Tab 2/ Schedule 5, Hydro 2000 states that:

> Having reviewed the Basic Green Energy Plans currently before the Board, Hydro 2000 has taken the approach that it needs to gain knowledge, experience and expertise before it can invest in the necessary resources to complete such a Plan. Hydro 2000 also seeks to gain efficiencies in working with its cohorts and minimizing its costs by earning from other applications.

The Filing Requirements, Part II, page 5 allows the Board to "require the preparation and filing of a GEA Plan from a distributor at a time other than the time set out in [the] Filing Requirements, or may exempt a distributor from the requirement to file a GEA Plan."

The Filing Requirements, Part V, section 2, p.11-12 state in part that:

> Where a distributor is aware that no applications from renewable generators have been received by the OPA through the FIT program for connection within the distributor's service area, and the distributor has not received requests for microFIT connection, the description of the planned development of the system may consist of the following, in lieu of the information referred to above:
>
> - A statement regarding the lack of FIT applications and microFIT connection requests; and
> - The letter of comment from the OPA.

a) Has Hydro 2000 received any applications from renewable generators to connect to its system?

Response: Hydro 2000 as received 9 Micro-Fit applications up-to now.

- 3 applications were discontinued by the customers.
- 1 application is in the process of having a contract from OPA
- 2 applications have received a connection offer
- 3 applications without action from the customers.

b) If the answer to (a) is no, please outline the reasons why Hydro 2000 chose not to file a statement regarding the lack of FIT applications and the OPA letter of comment?

Response: Hydro 2000 is at the mercy of Hydro One when it comes to MicroFit generation. Hydro One Networks Inc. will only allow Micro-FIT generation of a capacity more than 10KW and even then, there is not guarantee that the application will be approved. The Board might want to bring this up with Hydro One instead of Hydro 2000. .

c) If the answer to (a) is yes, please explain why Hydro 2000 is seeking an exemption instead of asking for a delay to file its Plan as permitted by the Filing Requirements.

Response: Nowhere in this application does it say or imply that Hydro 2000 is seeking an exemption. Exhibit 4 Tab 2 Schedule 5 Page 1 of 2 states that Hydro 2000 needs to gain knowledge, experience and expertise before it can invest in the necessary resources to complete such a Plan. Hydro 2000 also seeks to gain efficiencies in working with its cohorts and minimizing its costs by learning from other applications.

d) If Hydro 2000 is still seeking an exemption then please provide the Board with evidence supporting this request, namely information pertaining to:
- Future foreseeable connections over the 5 year horizon; and,
- Hydro 2000's technical ability to accommodate any renewable connection request over the 5 years.

Response: As mentioned above, Hydro 2000 is not seeking an exemption. In response to the two specific questions above; Due to the fact that Hydro 2000 Inc. is fully embedded and therefore must request permission and approval from Hydro One for every application that it receives, it cannot effectively plan ahead for Micro-fit generation.

Cost of Capital and Rate of Return

14. Ref: Exhibit 5/ Tab 1/ Schedule 2 – Cost of Capital parameters

In the above reference, Hydro 2000 states: "The proposed cost rates for cost of capital in 2012 are presented on the last page of Exhibit 5, Tab 1, Schedule 2, Attachment 1. The rates shown for short-term debt and return on equity are those set out in the Board's letter of March 3, 2011, *Cost of Capital Parameter Updates for 2011 Cost of Service Application*. "

a) Please confirm whether Hydro 2000 will update the ROE and short term debt rate based on the new parameters for 2012 for May 1 rates.

Response: Confirmed

b) Please also confirm whether the updated deemed Long term debt rate will be used based on the new parameters for 2012 for May 1 rates.

Response: Confirmed

Cost Allocation

15. Ref: Exhibit 7/ Tab 1/ Schedule 1 – Cost Allocation Model

In reference to page 26 of the Board Report *Review of Electricity Distribution Cost Allocation Policy* (EB-2010-0219) dated March 31, 2011, the Board states that “the Board is of the view that default weighting factors should be utilized only in exceptional circumstances. …Default values and the basis on which they were derived will be included in the documentation; however, any distributor that proposes to use those default values will be required to demonstrate that they are appropriate given their specific circumstances.”

Hydro 2000 is following the Board’s requirement and provides its own weighting factors for Services (account 1855) and for Billing and Collecting in worksheet I5.2. The change in weighting factors appears to have had a sizable effect on the class revenue requirements and revenue to cost ratios produced by the cost allocation model.

a) Please describe the basis for the weighting factors used by Hydro 2000 in worksheet I5.2.

Response: a. Hydro 2000 believes that line work e.g. after an outage equally benefits all connections, so all connection types are assigned an equal weighting.

Hydro 2000 outsources their customer billing to Ottawa River Power Corporation (ORPC). As it stands, ORPC charges a fixed rate per bill. The residential class (which is comprised mostly elderly and welfare residents) takes up most of the billing clerk ‘s time. A large portion of the residential customers come in the office in person to pay their bills.)

b) In order to understand the impact of Hydro 2000’s weighting factors, please provide the worksheet O1 for an alternative run of the 2012 model in which the weighting factors are based on default values:

	Residential	GS<50	GS>50	Streetlight	USL
Services	1	2	10	1	1

Billing and Collecting	1	2	7	1	5

Response: Please refer to the table presented at the next page.

2012 COST ALLOCATION
Hydro 2000
EB-2011-0xxx
August-31-11

Sheet O1 Revenue to Cost Summary Worksheet - 2012 EDR Application

Instructions:
Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	9 Unmetered Scattered Load
crev	Distribution Revenue at Existing Rates	$314,301	$196,826	$80,104	$29,192	$7,144	$1,036
mi	Miscellaneous Revenue (mi)	$20,303	$14,391	$3,255	$1,210	$1,311	$137
		Miscellaneous Revenue Input equals Output					
	Total Revenue at Existing Rates	$334,604	$211,216	$83,359	$30,401	$8,454	$1,173
	Factor required to recover deficiency (1 + D)	1.7917					
	Distribution Revenue at Status Quo Rates	$563,134	$352,653	$143,522	$52,303	$12,799	$1,856
	Miscellaneous Revenue (mi)	$20,303	$14,391	$3,255	$1,210	$1,311	$137
	Total Revenue at Status Quo Rates	$583,437	$367,044	$146,777	$53,513	$14,110	$1,994
	Expenses						
di	Distribution Costs (di)	$14,825	$9,548	$2,311	$1,918	$1,032	$17
cu	Customer Related Costs (cu)	$144,502	$90,183	$38,971	$11,488	$125	$3,735
ad	General and Administration (ad)	$275,507	$172,601	$70,950	$23,297	$2,265	$6,394
dep	Depreciation and Amortization (dep)	$76,703	$50,561	$11,981	$8,925	$5,151	$85
INPUT	PILs (INPUT)	$5,328	$3,529	$836	$586	$371	$6
INT	Interest	$29,652	$19,641	$4,655	$3,259	$2,064	$34
	Total Expenses	$546,517	$346,064	$129,704	$49,472	$11,007	$10,270
	Direct Allocation	$0	$0	$0	$0	$0	$0
NI	Allocated Net Income (NI)	$36,920	$24,455	$5,795	$4,057	$2,570	$42
	Revenue Requirement (includes NI)	$583,437	$370,518	$135,499	$53,529	$13,578	$10,312
		Revenue Requirement Input equals Output					
	Rate Base Calculation						
	Net Assets						
dp	Distribution Plant - Gross	$1,013,467	$663,439	$157,428	$118,379	$73,028	$1,194
gp	General Plant - Gross	$177,392	$117,223	$27,787	$19,741	$12,437	$203
accum dep	Accumulated Depreciation	($523,141)	($339,425)	($80,622)	($63,813)	($38,650)	($631)
co	Capital Contribution	($118,182)	($77,365)	($18,358)	($13,804)	($8,516)	($139)
	Total Net Plant	$549,536	$363,872	$86,235	$60,503	$38,299	$627
	Directly Allocated Net Fixed Assets	$0	$0	$0	$0	$0	$0
COP	Cost of Power (COP)	$2,324,713	$1,397,846	$447,972	$444,176	$32,961	$1,757
	OM&A Expenses	$434,834	$272,332	$112,232	$36,703	$3,421	$10,146
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0
	Subtotal	*$2,759,547*	*$1,670,179*	*$560,204*	*$480,879*	*$36,382*	*$11,903*
	Working Capital	$413,932	$250,527	$84,031	$72,132	$5,457	$1,785
	Total Rate Base	$963,468	$614,399	$170,266	$132,635	$43,756	$2,412
		Rate Base Input equals Output					
	Equity Component of Rate Base	$481,734	$307,200	$85,133	$66,317	$21,878	$1,206
	Net Income on Allocated Assets	$36,920	$20,980	$17,073	$4,041	$3,103	($8,277)
	Net Income on Direct Allocation Assets	$0	$0	$0	$0	$0	$0
	Net Income	$36,920	$20,980	$17,073	$4,041	$3,103	($8,277)
	RATIOS ANALYSIS						
	REVENUE TO EXPENSES STATUS QUO%	100.00%	99.06%	108.32%	99.97%	103.92%	19.33%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($248,833)	($159,302)	($52,141)	($23,128)	($5,123)	($9,139)

2012 COST ALLOCATION
Hydro 2000
EB-2011-0xxx
August-31-11
Sheet O1 Revenue to Cost Summary Worksheet - 2012 EDR Application

Instructions:
Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets	Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	9 Unmetered Scattered Load
	Deficiency Input equals Output					
STATUS QUO REVENUE MINUS ALLOCATED COSTS	$0	($3,474)	$11,278	($17)	$532	($8,319)
RETURN ON EQUITY COMPONENT OF RATE BASE	7.66%	6.83%	20.05%	6.09%	14.18%	-686.24%

Rate Design

1. Ref: Exhibit 8/ Tab 3/ Schedule 4/ Attachment 1 – Low Voltage

a) Table 8.3.4 listed the 2012 proposed total Low Voltage cost as $100,429. Please provide the details of how this proposed amount is determined.

Response: Please find below the derivation of the low voltage amount. Also note that the amount included in the application was erroneous and should have included meter charges and monthly service charges. Hydro 2000 plans to revise the amount of of 100429 to reflect the missing charges. The revised amount is $128,226

Hydro 2000					474.4	297.75
2011		LV ESTIMATED CHARGES	3 METEERING POINTS			
Month		Units Billed	Rate	Amount	Meter Charge	MONTHLY SERVICES CHARGES
January		5536	$ 1.9780	$ 10,950	$ 1,423.20	$ 893.25
February		6,368	$ 1.9780	$ 12,596	$ 1,423.20	$ 893.25
March		5,306	$ 1.9780	$ 10,495	$ 1,423.20	$ 893.25
April		5,032	$ 1.9780	$ 9,953	$ 1,423.20	$ 893.25
May	pro-rate new rates	3,940	$ 1.9780	$ 7,793	$ 1,423.20	$ 893.25
June		3,318	$ 1.9780	$ 6,563	$ 1,423.20	$ 893.25
July		3,091	$ 1.9780	$ 6,114	$ 1,423.20	$ 893.25
August		3,365	$ 1.9780	$ 6,656	$ 1,423.20	$ 893.25
September		3,418	$ 1.9780	$ 6,761	$ 1,423.20	$ 893.25
October		3,116	$ 1.9780	$ 6,163	$ 1,423.20	$ 893.25
November		3,669	$ 1.9780	$ 7,257	$ 1,423.20	$ 893.25
December		4,614	$ 1.9780	$ 9,126	$ 1,423.20	$ 893.25
Total		50,773	$ 1.9780	$ 100,429	$ 17,078.40	$ 10,719.00

b) Please provide the actual Low Voltage costs for 2008, 2009 and 2010.

Response: The actual low voltage costs for 2008 is $121,011.07
The actual low voltage costs for 2009 is $118,745.09

The actual low voltage costs for 2010 is $120,603.31

2. Ref: Exhibit 8/ Tab 3/ Schedule 5/ Attachment 1/ Page 1 and Table C1 – Loss Factors

a) Board Staff notes that Hydro 2000's actual distribution loss factor (DLF), i.e. the loss factor in Hydro 2000's system (line G in Table C1) has increased from 1.0304 to 1.0535 over a one year period from 2009 to 2010. Please provide an explanation for this increase.

Response: As Hydro 2000 tried to explain at Exhibit 8, Tab 3, Schedule 5, Page 1, Hydro 2000 is an embedded distributor with Hydro One Networks Inc (HONI) as its host distributor. Alfred is fed from the 44kV HONI owned Utility Substation located outside of the boundaries of Hydro 2000s service area. Wholesales kWh measured at this particular substation include a Feeder that is shared between Hydro One rural and Hydro 2000. Hydro 2000 investigated its own distribution system to find problems that could possibly cause this increase in loss but has not found any issues. Hydro 2000 can only assume that the loss may be due to an issue with Feeder 2 which feeds Hydro One service area.

b) Please describe any steps that are contemplated to decrease the DLF during the Test year (2012) and/or during a longer planning period.

Response: Hydro 2000's distribution system is relatively small and manageable. With the help of regular inspections by the ESA and the asset management program that is currently in progress, the utility remains constantly informed on the conditions of its assets Hydro 2000 also plans to discuss the issue with Hydro One before it commits to any resource intensive investigation such as a line loss study.

3. Ref: Exhibit 8/ Tab 4/ Schedule 2 – Bill Impacts

Please reconcile and explain the difference of the bill impacts as stated in the following table.

Reference	Residential	GS < 50 kW
Exh.8/T4/S2/table H4 – Bill Impact summary	7.2%	3.9%
Exh.7/T2/S1/p.1 /Table 1	7.00%	3.80%
Exh.1/T2/S3 – RRWF Bill Impact	9.26%	5.99%

Response: Table H4 presented at Exhibit 8, Tab 4, Schedule 2 should have been updated to reflect changes to the model.

LRAM / SSM

4. Ref: Exhibit 9/ Tab 3 – 2006-2012 LRAM Report, Sept. 28, 2011

Elenchus notes that the sum of all LRAM calculations is $13,512.26 and that this amount is based on lost revenues from programs implemented from 2006-2010 with savings persisting to April 30, 2012.

a) Please confirm that Hydro 2000 has not collected any LRAM amounts it has requested in this application in past LRAM applications.

Response: Hydro 2000 has not collected any LRAM amounts in all the previous application.

b) Please confirm that Hydro 2000 used final 2010 program evaluation results from the OPA to calculate its LRAM amount.

Response:

Hydro 2000 received the final 2010 evaluation results on November 15, 2011. The final report effectively changes the amount requested. This is detailed below. An updated report is attached.

Customer Class	Savings	LRAM
Residential	1.4 GWh	$12,493.89
General Service Less Than 50 kW	0.1 GWH	$386.61
General Service 50 to 4,999 kW	0.3 MW	$629.63
Total		**$13,510.13**

c) If Hydro 2000 did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.

Response: Please see the answer above.

d) Please confirm when Hydro 2000's last load forecast was approved by the Board.

Response:

Hydro 2000 confirms its last load forecast was approved by the Board (EB-2007-0704) on March 14, 2008

e) Please identify the CDM savings that were included in Hydro 2000's last Board approved load forecast for CDM programs deployed from 2006 to 2010 inclusive.

Response:

Hydro 2000 did not include any CDM savings in it last Board approved load forecast. The Board accepted the use of the 2004 weather normalized data prepared by Hydro One Networks Inc. for setting Hydro 2000's 2008 rates. Hydro 2000 would note that no CDM activity was initiated in 2004.

f) Please provide an updated table with an LRAM amount exclusive of any persisting CDM savings that take place after Hydro 2000's last Board-approved load forecast.

Response:

Customer Class	Savings	LRAM
Residential	0.4 GWh	$3,308.38
General Service Less Than 50 kW	0.0 GWH	$0.00
General Service 50 to 4,999 kW	0.1 MW	$182.36
Total		**$3,490.74**

Hydro 2000 would note that the Board's Guidelines for Electricity Distributor Conservation and Demand Management (the "CDM Guidelines") were issued on March 28, 2008. Hydro 2000 confirms its last load forecast was approved by the Board (EB-2007-0704) on March 14, 2008. Hydro 2000 maintains it is entitled to its full claim of $13,510.13.

Smart Meters

5. Ref: Exhibit 9 /Tab 3/ Schedule 2 & 3 – Smart Meter Costs

a) Please confirm whether Hydro 2000 is using the smart meter disposition rate rider ("SMDR") to recover the residual revenue requirement that is made up of smart meter costs up to the time of disposition, less amounts collected through the smart meter funding adder and associated interest. If not, please explain why.

Response: In its application, Hydro 2000 did not use the SMDR to recover the difference between costs and revenues from funding adders. As per a preliminary discussion with the Board and VECC, Hydro 2000 has opted to adopt both VECC and Board' Staff's recommendation to do so. The smart meter model has been revised accordingly and is filed in conjunction with these responses.

b) In reference to Exhibit 9/ Tab 3/ Schedule 2/ page 1, it states: "Hydro 2000 is applying for the transfer of its Smart Meter Related Capital expenditures in the amount of $223,059 from account 1555 to the capital asset account 1860-Meters."
   i. Please confirm whether the associated accumulated depreciation of installed smart meters are also added to rate base. If so, please provide the amount.

      Response: Confirmed. The accumulated depreciation for Smart Meter Related Capital expenditures is in the amount of $6,443. This information was presented at E2/T3/S4/A5 of the application

c) In reference to Exhibit 9/ Tab 3/ Schedule 2/ page 2, it states: "Hydro 2000 is also seeking approval to dispose of the remaining balance in account 1555 which represents revenues collected from the smart meter funding adders from June 6, 2006 to April 12, 2012." Please confirm whether the revenues collected from the smart meter funding adders are disposed through the SMDR. If not, please explain why.

   Response: see response to question a)

d) In reference to Exhibit 9/ Tab 3/ Schedule 2/ page 2, it states: "Hydro 2000 is also applying for the transfer of its Smart Meter Related OM&A expenditures in the amount of $38,386 from account 1556 to OM&A account 5065-Meter Expense. ……Of the $38,386, $22,472 are consider "one time" costs. Hydro 2000 proposes to recover these costs over a period of 4 years."
   i. Please clarify why the amount of $22,472 is transferred to an OM&A expense account and not recovered by way of the SMDR.

      Response: Hydro 2000 had originally planned to treat smart meter related "one-time" in the same manner as other "one-time costs" have been treated in the past. In other words, amortize them over a period of 4 years. Subsequent to a discussion with Board Staff and VECC, Hydro 2000 opted to adopt the SMDR approach instead. Please see response to question a) for more details.

e) In reference to Exhibit 9/ Tab 3/ Schedule 2/ page 2, it states: “Distributors scheduled to file 2012 cost of service application would be expected to apply for the disposition of smart meter costs, subsequent inclusion in rate base, and for recovery of stranded costs, in that application. Hydro will be filing for a prudence review in parallel with this application.” Please clarify whether Hydro 2000 is seeking a prudence review of the smart meter costs in this instant application.

Response: Hydro 2000 had originally planned to file for a prudence review but later decided that the information that would have been presented in a prudence review filing would be identical to the information presented in the application. Hydro 2000 therefore requests that the information presented in the application, related to the disposition of the smart meter costs be considered as a request for prudence review.

Please note that the Board’s “Guideline G-2011-0001 “Smart meter funding and recovery” document was published and released on December 15th 2011, almost 4 months after the deadline for Cost of Service Application deadline.

f) In reference to Exhibit 9/ Tab 3/ Schedule 3/ page 1, Hydro 2000 includes $20,679 of 2011 expenses related to the MDMR in account 1555.

i. Please explain the nature of the expenses of $20,679 for MDMR.

Response: All the expenses are related to phone line communications, external storage of the data on server, business processes for MDMR required by IESO for operation and a P-Sync operator shared with 3 others utilities to minimize cost.

ii. Please also confirm whether or not these expenses are for meter data functions that are the responsibility of the Smart Meter Entity.

Response: Yes all those expenses are related to the Smart Meter Entity operations.

iii. If the expenses are for meter data functions that are the responsibility of the Smart Meter Entity, please provide the reasons for why these expenses are recoverable pursuant to O.Reg.426/06.

Response: The expenses are recoverable because they were incurred to meet IESO requirements.

g) Please provide average total capital costs per installed meter and average total OM&A costs per installed meter.

Response: capital cost is $216,111 divided by 1190 Residential and GS less than 50 kW is $182 per customer.

Capital cost for GS over 50 kW is $6948 divided by 7 customers is $993 per customer.

6. Ref: Exhibit 9 /Tab 3/ Schedule 3 – Smart Meter Model

Please rerun and submit the attached Board Smart Meter Model which adjusts for the following two matters:

a) Corrects for compounded interest on funding adder revenues, and

Response: The new model was completed and corrected

b) Adds simple interest expense on the opening monthly balance for OM&A and amortization expenses.

Response: Same as above.

Miscellaneous

7. Ref: Harmonized Sales Tax (HST)

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

a) Please state whether or not the applicant has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that the applicant realized due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.

Response: Yes we considered the reduction due to HST. The actual reduction from July to December 2010 is $397.

b) The Board's decision on the applicant's 2010 IRM application established a deferral account and directed the applicant to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account until the effective date of the applicant's next cost of service rate order. Has Hydro 2000 recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.

Response: Yes Hydro 2000 records the provincial portion of the HST in account 1592 and also in a contra account. Please see Appendix D entitled " Pst GL transaction" for further details.

8. Ref: Revenue Requirement Work Form (RRWF)

a) Based on the responses to the interrogatories from all parties, please submit a Microsoft Excel file containing an updated RRWF that represents any changes the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column.

Response: This document will be filed with the board within a week of these responses.

b) Please provide a list of all changes made to Hydro 2000's original application (by exhibit), including an updated derivation of its revenue requirement, PILs calculation, base rates, rate adders/riders, and bill impacts.

Response: This document will be filed with the board within a week of these responses.

Deferral and Variance Accounts

9. Ref: Exhibit 9 – General

Has Hydro 2000 made any adjustments to deferral and variance account balances that were previously approved by the Board, subsequent to the balance sheet date that was cleared in the most recent rates proceeding? If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

Response: Hydro 2000 has made no adjustments.

10. Ref: Exhibit 9 / Schedule 1 - 2 – Special Purpose Charges

According to the Board letter of April 23, 2010 on the Special Purpose Charge: "In accordance with section 9 of the SPC Regulation, recovery of your SPC assessment is to be spread over a one-year period, starting from the date on which you begin billing to recover your assessment. The request for disposition of the balance in "Sub-account 2010 SPC Variance" and "Sub-account 2010 SPC Assessment Carrying Charges" should be made after that one-year period has come to an end, and all bills that include amounts on account of that assessment have come due for payment."

a) Please confirm Hydro 2000's SPC assessment amount and provide a copy of the original SPC invoice.

   Response: The amount is $9888. Please see Appendix E for a copy of the invoice.

b) Please complete the following table related to the SPC.

   Response:

SPC Assessment (Principal Balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	Dec. 31, 2010 Year End Principal Balance	Dec. 31, 2010 Year End Carrying Charges Balance	Amount Recovered from Customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Total for Disposition (Principal & Interest)
$9888	$3889	$51	$5999	$51	$4929	$42	$1070	$93	$1163

11. Ref: Exhibit 9 / Schedule 1 - 2 – Cost of Power

In regards to account 1588 RSVA Power and 1588 RSVA Sub-account Global Adjustment:

a) Please provide a breakdown of energy sales and cost of power expense, as reported in the audited financial statements, by Uniform System of Accounts (USoA) account number.

Response: Please note that for the year 2010 commercial energy sales were reported in account 4015 instead of 4010.

USoA Account #	USoA Account Name	2008	2009	2010
Energy Revenue				
4006	Residential Energy Sales	$ 889,054	$ 947,937	$ 675,558
4010	Commercial Energy Sales	$ 542,822	$ 562,985	$ 383,223
4025	Street Light Energy Sales	$ 21,337	$ 23,875	$ 12,131
4035	General Energy Sales	$ -	$ -	$ 107,000
4055	Energy Sales for Resale	$ -	$ 23,712	$ 24,697
4062	Billed WMS	$ 162,467	$ 168,871	$ 130,483
4066	Billed NW	$ 132,842	$ 127,241	$ 116,202
4068	Billed CN	$ 119,293	$ 116,543	$ 99,297
4075	Billed - LV	$ 121,011	$ 118,745	$ 79,950
		$1,988,826	$2,089,909	$1,628,541
Cost of Power				
4705	Power Purchased	$1,453,213	$1,558,509	$1,202,609
4708	Charges-WMS	$ 162,466	$ 168,871	$ 130,483
4714	Charges-NW	$ 132,842	$ 127,241	$ 116,202
4716	Charges-CN	$ 119,294	$ 116,543	$ 99,297
4750	Charges - LV	$ 121,011	$ 118,745	$ 79,950
		$1,988,826	$2,089,909	$1,628,541

b) Please reconcile these numbers to the audited financial statements.

Response: The total above matches the audited financial statements. Please note that for the year 2008 you have to look at the comparative figures of 2009 financial statement. This is the year where we converted from accrual basis to cash basis for the energy only.

c) If there is a difference between the energy sales and cost of power expense reported numbers, please explain why Hydro 2000 is making a profit or loss on the commodity.

Response: There are no differences.

d) Does Hydro 2000 pro-rate IESO Charge Type 146 Global Adjustment into the RPP portion and non-RPP portion? If not, why not? If so, please provide the supporting spreadsheet for the year 2010 which prorates the IESO Charge Type 146 Global Adjustment into RPP and non-RPP portions.

Response: Hydro 2000 prorates the IESO Charge Type 146 Global Adjustment into RPP and non-RPP portions

While preparing the attachment we noticed that an error had been made in 2010 and corrected in 2011. The Board does not allow re-opening the submitted RRR filing to make corrections. The error was discovered and corrected in 2011.

The Global Adjustment Variance Sub Account has to be credited by $70,863 and the Power Variance Sub-Account has to be debited by $70,863.

The Principal balance as of December 31st, 2010 should be:

158801-05	Global Adjustment Variance	-$38,603
158801	Power Variance	$47,083

Please see Appendix F entitled for further details

e) Is the RPP portion included in the 4705 control account and then incorporated into the variance reported in the 1588 control account? If not, why not? If so, please provide journal entries for the month of December 2010 to record the RPP portion of global adjustment in Account 4705 control account and incorporated into the variance reported in Account 1588 control account.

Response: Hydro 2000 transfer the portion of Global Adjustment to non-RPP Sub account 158801-05 and Global Adjustment for RPP is transfer to 158801.

f) Is the non-RPP portion included in Account 4705 sub-account Global Adjustment and then incorporated into the variance reported in Account 1588 sub-account Global Adjustment? If not, why not? If so, please provide journal entries for the month of December 2010 to record the non-RPP portion of global adjustment in Account 4705 sub-account Global Adjustment and incorporated into variance reported in Account 1588 sub-account Global Adjustment.

g) Response: Yes. See next page

This entry was done in December 2010 to post the Power Bill.

		DR	CR
Power Purchase	470502	$81,883.67	
Bill 210 Adjustement			
RPP	158803	$ -	2.88
Provincial Benefit	158801-05	$ 56,506.96	
Wholesale	470800	$ 10,596.71	
RAR-2010-GENERAL	470800	$ 17.74	
RAR-2010-WMSC	470800	$ (1,039.85)	
Transmission Connection Charge	471600	$ 7,857.66	
Transmssion Network Charge	471400	$ 9,722.85	
Incremental Capital	150800-06	$ -	
Common ST lines	475000	$ 1,568.22	
Shared LV Line Plantagenet	475000-11	$464.18	
Shared LVDS Plantagenet	475000-21	$ 1,940.72	
Shared LV Line Alfred PME	475000-12	$464.18	
Shared LVDS PME	475000-22	$ 1,037.43	
Shared LV Line Alfred F3	475000-13	$464.18	
Shared LVDS F3	475000-23	$ 2,116.24	
gst	229031	$22,567.73	
bank	100501		$196,165.74

The next entry shows the posting of Global Adjustment.

158801	RSVA - POWER VARIANCE		$ -	$(106,127.09)
158801-05	RSVA - PROVINCIAL BENEFIT		$ 26,019.86	$ -
400600-47	ENERGY REVENUE VARIANCES		$ 80,107.23	$ -

h) If any of part “d”, “e”, or “f” above is not followed, please make appropriate adjustments and file the updated evidence. Please provide explanations for the changes made by Applicant, if any.

Response:

The adjustment for the error in d) is considered in the new evidences submitted.

12. Ref: Decision and Order, Hydro 2000 Inc., EB-2009-0229, dated April 12, 2010, page 11-12

The Board decision, in part stated the following:

> The Board will approve the disposition of the December 31, 2008 balances and projected interest to April 30, 2010 as reported by Hydro 2000 but not on a final basis. Any adjustments to the 2008 Group 1 account balances shall be brought forward to the Board in Hydro 2000's next rate proceeding.

Hydro 2000 did not bring forward to the Board in its EB-2010-0089 proceeding any adjustments to the 2008 Group 1 account balances as per Decision and Order EB-2009-0229. In addition, Hydro 2000 did not apply to the Board to dispose of the December 2008 balances on a final basis in its IRM proceeding EB-2010-0089.

Please file any adjustments to the 2008 Group 1 account balances that were disposed on an interim basis in EB-2009-0229, as directed by the Board in that Decision and Order.

Response: An amount of $66,409 was transferred from 1590 to 1595 during year 2008. The remaining balance was transferred in 2010.

13. Ref: Exhibit 9 / Tab 2/ Schedule 2, Table 9.2.21 Global Adjustment Rate Rider and Table 9.2.2.2 Group 1 and Group 2 Rate Rider

a) Hydro 2000 has calculated the Global adjustment rate rider for recovery over a one year period, but the remaining deferral and variance account credit balances are to be refunded to the customers over 2 years. Please provide the rationale for not proposing the rate riders for a consistent term.

Response: Hydro 2000 selected to dispose the Global adjustment rate rider over a year period because this account can have major variance from one year to the other. All the remaining accounts are being disposed on a two year term to have a more stabilize rates not dropping one year and then increasing the following that would be our case

b) Please provide calculations for the recovery of Global adjustment over 2 years.

Response: Please see Appendix G for details

14. Ref: Exhibit 4 / Tab 1/ Schedule 4/ Page 2, line 6-7

Hydro 2000 has indicated that its deferral and variance accounts were reviewed and restated for Global adjustment. Also, that the RRR filings were revised accordingly.

a) Were any other accounts besides Global Adjustment restated? If so, then please provide the account numbers.

   Response: No. Only the Power accounts and Global Adjustment were restated

b) Please provide the following information for each account that was restated:
   i) Account number, dollar impact, year that was impacted and restated

GL Account	# 158801	Power Variance	-$136,350	year 2010
GL Account	# 158801-05	Global Adjustment	$136,350	year 2010

   ii) Have any of the impacted and restated accounts been previously disposed on final basis by the Board? If so, then please provide the account number, dollar impact and the year impacted.

   Response: No.

c) Please file a copy of the Deloitte and Touche report.

   The $30,000 was the cost to transfer from Accrual basis to Cash Basis from 2005 to 2009 resubmit all the RRR filings and also revised all the Global adjustment Variance and Power Variance Account.

15. Ref: Exhibit 9 / Tab 2/ Schedule 1/ Attachment 1, page 1

In its application, Hydro 2000 stated,

> The only account that is being excluded from the proposed disposition is account 1592.

Why is Hydro 2000 not proposing disposition of account 1592?

Response: Hydro 2000 did not dispose of account 1592 because it is part of the group 2 and there for need prudence review before it can be disposed of.

16. Ref: Exhibit 9/ Tab 2/ Schedule 3 – Account 1562

The Board accepted the settlement in the combined PILs proceeding that regulatory assets and liabilities should be excluded in the determination of the balance in account 1562.[1] In order to comply with this direction, Applicants must use SIMPIL[2] model sheet TAXREC3 to record tax items that should not true up to ratepayers.

In the 2002 SIMPIL model in sheet TAXREC cell C65 $18,353 has been entered. From the 2002 tax return schedule T2S1 this amount is described as "Amortissement frais de transition" which in English means transition costs.

In the 2003 SIMPIL model in sheet TAXREC cell C65 $22,530 has been entered. From the 2003 tax return schedule T2S1 this amount is described as "Amortissement frais de transition" which in English means transition costs.

Please explain why these regulatory asset amounts were not entered on SIMPIL sheet TAXREC3 to avoid the true-up to ratepayers consistent with the decision in the combined proceeding.

Response: The models were modified to reflect the changes required on SIMPIL sheet TAXREC3 to be consistent with the decision in the combined proceeding.

Please see the six attachments for all the models.

---

[1] EB-2008-0381, Decision and Order, June 24, 2011, Settlement Agreement, Issue #4, page 8.
[2] Spreadsheet implementation model for payments-in-lieu of taxes

Modified International Financial Reporting Standards

**17. Ref: Exhibit 1/ Tab 2/ Schedule 3;
Exhibit 1/ Tab 3/ Schedule 1 – Attachment 3 (of 3): 2010 Audited Statements with 2009 comparative information;
Exhibit 4/ Tab 2/ Schedule 2/ page 2**

On page 6 of its 2010 Audited Statements and under note section 2, Future accounting changes - New accounting framework, Hydro 2000 stated the following:

> The Corporation, a qualifying entity with rate-regulated activities, selected the option proposed by the Canadian Accounting Standards Board **to defer its adoption of International Financial Reporting Standards for the first time until its period beginning on January 1, 2012.** The impact of this transition has not yet been determined [emphasis added].

In reference to Exhibit 4/ Tab 2/ Schedule 2/ Page 2, Hydro 2000 stated the following:

> While many other utilities have been collecting IFRS funds for 1-2 years, Hydro 2000 has not. Moreover, unlike other larger utilities, Hydro 2000 does not have qualified internal resources that can undertake such a project. The utility currently uses the accounting firm of Deloitte and Touche to perform its accounting function. The utility believes that its distribution revenues at current rates did not permit them to hire external consultants to convert from CGAAP to IFRS.
>
> Hydro 2000 has consulted with its auditor, financial system support and similarly-situated utilities in arriving at an estimated one-time incremental cost of $60,000 to complete the transition to IFRS. One quarter of the total cost ($15,000) has been included in the Test year projections for account '5630-Outside Services Employed', to enable full recovery over four years.

a) Does Hydro 2000 currently use the accounting firm of Deloitte and Touche to perform both its regulatory and non-regulatory accounting functions?

   Response: Yes

b) If Deloitte and Touche provides day-to-day accounting function services to Hydro 2000, please provide the cost of this function for the historical year 2010, the bridge year 2011, and the Test year 2012.

   Response:
   Hydro 2000 perform the day to day operations and does only Audit and income tax and help in all related regulatory accounting filling.

c) Please confirm if Hydro 2000 did not file its 2012 rebasing application under MIFRS because of a lack of adequate financial resources.

Response: Hydro 2000 confirms it did not file its 2012 rebasing application under MIFRS because of lack of adequate time and financial resources.

d) Please confirm that $60,000 is the one-time cost to complete Hydro 2000's transition to IFRS.

Response: Hydro 2000 confirms that $60,000 is an educated estimate one-time cost to complete Hydro 2000's transition to IFRS

e) As per its note of 2010 audited financial statements, please confirm that Hydro 2000 will adopt IFRS as of January 1, 2012.

Response: Hydro 2000 will adopt IFRS as of January 1, 2012

f) Is Hydro 2000 planning to prepare its 2012 audited financial statements under IFRS and its 2011 financial information under IFRS for comparative purposes?

Response: Hydro 2000 will prepare its 2012 audited financial statements under IFRS and its 2011 financial information under IFRS for comparative purposes.

g) Please provide details regarding Hydro 2000's transition plan to MIFRS.

Response: Hydro 2000 and Hawkesbury Hydro will work together to plan its transition plan to MIFRS. On February 6, 2012 Hydro 2000 and Hawkesbury Hydro are meeting with Deloite IFRS specialist from Toronto with the Deloite local office to put in motion a plan to meet all the challenges and the requirements of the OEB.

APPENDIX A

APPENDIX B - Board Staff IR #5

kWh Analysis

Weather Actual Consumption

												Non-weather sensitive						
Year	Wholesale kWh	%chg	Residential kWh	%chg	share	GS<50 kWh	%chg	share	GS>50 kWh	%chg	share	Street kWh	%chg	share	USL kWh	%chg	share	Total Retail
2007	27,134,454		14,898,655		0.549067801	4,927,790		0.181606381	4,950,140		0.182430057	332,714		0.01226168	18,486		0.000681274	25,127,785
2008	26,547,550	-2.2%	14,810,998	-0.6%	0.557904515	4,755,195	-3.5%	0.179119919	4,779,975	-3.4%	0.180053338	338,189	1.6%	0.012738991	18,486	0.0%	0.000696335	24,702,843
2009	26,907,152	1.4%	15,239,230	2.9%	0.566363545	4,739,499	-0.3%	0.176142722	4,701,848	-1.6%	0.174743429	342,383	1.2%	0.012724609	18,486	0.0%	0.000687029	25,041,446
2010	25,611,898	-4.8%	14,005,778	-8.1%	0.546846548	4,472,865	-5.6%	0.174640122	4,309,284	-8.3%	0.168253208	346,706	1.3%	0.013536912	18,486	0.0%	0.000721774	23,153,119
					0.555045602			**0.177877286**			**0.176370008**							

Weather Normal kWh

												Non-weather sensitive						
Year	Wholesale kWh	%chg	Residential kWh	%chg	share	GS<50 kWh	%chg	share	GS>50 kWh	%chg	share	Street kWh	%chg	share	USL kWh	%chg	share	Total Retail
2007	26,790,447		14,869,920			4,765,412			4,725,031			332,714			18,486			24,711,563
2008	26,421,722	-1.4%	14,665,261	-1.4%		4,699,824	-1.4%		4,659,999	-1.4%		338,189	1.6%		18,486	0.0%		24,381,759
2009	26,525,840	0.4%	14,723,051	0.4%		4,718,344	0.4%		4,678,363	0.4%		342,383	1.2%		18,486	0.0%		24,480,627
2010	26,410,218	-0.4%	14,658,875	-0.4%		4,697,778	-0.4%		4,657,970	-0.4%		346,706	1.3%		18,486	0.0%		24,379,815
2011	26,543,664	0.5%	14,732,944	0.5%		4,721,515	0.5%		4,681,506	0.5%		346,706	0.0%		18,486	0.0%		24,501,157
2012	26,490,916	-0.2%	14,703,667	-0.2%		4,712,132	-0.2%		4,672,203	-0.2%		346,706	0.0%		18,486	0.0%		24,453,194

APPENDIX B

File Number:	EB-2012-0xxxx
Exhibit:	4
Tab:	2
Schedule:	1
Page:	4
Date:	September 30, 2011

Appendix 2-H
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	One-time Cost? [2]	Last Rebasing Year	Last Year of Actuals	Bridge Year	Annual % Change	Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment			On-Going	$ 1,696	$ 1,920	$ 2,120	10.42%	$ 2,120	0.00%
2	OEB Hearing Assessments (applicant-originated)									
3	OEB Section 30 Costs (OEB-initiated)									
4	Expert Witness costs for regulatory matters									
5	Legal costs for regulatory matters									
6	Consultants' costs for regulatory matters			On-Time	$ 28,736	$ 27,800		-100.00%	$ 50,000	
7	Operating expenses associated with staff resources allocated to regulatory matters									
8	Operating expenses associated with other resources allocated to regulatory matters [1]			On-Going			$ 17,000		$ 22,000	29.41%
9	Other regulatory agency fees or assessments			On-Going			$ 3,180		$ 3,255	2.36%
10	Any other costs for regulatory matters (Cost of Publication)									
11	Intervenor costs				$ 5,070					
12	Sub-total - Ongoing Costs [3]		$ -		$ 1,696	$ 1,920	$ 22,300	1061.46%	$ 27,375	22.76%
13	Sub-total - One-time Costs [4]		$ -		$ 28,736	$ 27,800	$ -	-100.00%	$ 50,000	
14	Total		$ -		$ 30,432	$ 29,720	$ 22,300	-24.97%	$ 77,375	246.97%

Notes: #10 (the 3255 in Other Costs presents expected costs for publication)

[1] Please identify the resources involved. (Deloitte and Touche)

[2] Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.

[3] Sum of all ongoing costs identified in rows 1 to 11 inclusive.

[4] Sum of all one-time costs identified in rows 1 to 11 inclusive.

APPENDIX C

COMMUNIQUÉ

Vous avez des problèmes financiers? Vous êtes peut-être admissible à du support financier.

- Vous devez avoir 18 ans et plus
- Vivre en Ontario
- Gagner 21 000$ et moins par année.
- Vous êtes admissible à des prestations d'invalidité ou de réadaptation.
- D'autres conditions peuvent s'appliquer.

Vous pouvez communiquer à l'un des deux numéros ci-bas indiqué et vérifier avec eux s'il n'y aurait pas un programme pour vous aider financièrement.

You have financial problems? You may be eligible for financial support.

- You must be 18 years and over
- Living in Ontario
- Earn $ 21 000 or less per year.
- You are eligible for disability benefits or rehabilitation.
- Other conditions may apply.

You can Contact any of the two numbers indicated below and check with them if there's a program to help you financially.

<u>Communiquez avec / Contact</u> :

Mary-Ann Tisdall
Services Sociaux de Prescott Russel
613 675-4642 postes 6102

Ontario Disability Service Program
1-800-267-8097

Hydro 2000 Inc.

Hydro 2000 inc.

440 rue St-Philippe St., C.P./P.O. Box 370, Alfred, ON K0B 1A0
Tel.: 613-679-4093 / Fax: 613- 679-0452
email: jghydro2000@hawk.igs.net

Le 21 décembre 2011

Centraide Prescott-Russell
497, rue St-Philippe CP : 180
Alfred (Ontario) K0B 1A0

Objet : Programme LEAP

Madame,
Monsieur,

J'ai le plaisir de vous envoyer ci-joint un chèque de 2000.00$ représentant la remise qui vous est consentie pour le programme LEAP.

Nous vous transmettons ce chèque tel que convenu.

Je vous prie d'agréer, Madame, Monsieur, l'expression de mes bons sentiments.

HYDRO 2000 INC.
440 ST-PHILIPPE CP 370
ALFRED, ON K0B 1A0
Tél: (613) 679-4093

5507

DATE 2 0 11 - 12 - 19
A A A A M M J J

FOLIO 740

PAYEZ à l'ordre de Centraide Prescott & Russell — 2000.00 $

— Deux mille — 00/100 DOLLARS

Caisse populaire d'Alfred
C. de s.: Bourget et Wendover
S.S.: 499, St-Philippe, C.P. 231
Alfred, Ontario K0B 1A0
Desjardins

HYDRO 2000 INC.
PAR
PAR

POUR LEAP - 2012

⑈005507⑈ ⑆00137⑉829⑆ 000⑉740⑉1⑈

Josiane Genest,
Adjointe Administrative

Hydro 2000 inc.
440 rue St-Philippe St., C.P./P.O. Box 370, Alfred, ON K0B 1A0
Tel.: 613-679-4093 / Fax: 613- 679-0452
email: jghydro2000@hawk.igs.net

Le 21 décembre 2011

Centraide Prescott-Russell
497, rue St-Philippe CP : 180
Alfred (Ontario) K0B 1A0

Objet : Programme LEAP

Madame,
Monsieur,

J'ai le plaisir de vous envoyer ci-joint un chèque de 2000.00$ représentant la remise qui vous est consentie pour le programme LEAP.

Nous vous transmettons ce chèque tel que convenu.

Je vous prie d'agréer, Madame, Monsieur, l'expression de mes bons sentiments.

Object : LEAP program

Madam,
Sir,

I am pleased to send you enclosed a check for $2000.00 representing the return you are given for the LEAP program.

We send you the check as agreed.

Please accept, Madame, Sir, the assurances of my good feelings.

Josiane Genest,
Adjointe Administrative

APPENDIX D

HYD60 - G/L Journal Entry

File Settings Help

Batch Number 000591

Batch Description Recurring Entries 2011-10-31

Entry Number 00013

Entry Description

Date 2011-10-31 Year/Period 2011 - 10

Source Code GLJE G/L Journal Entry

Entry Mode Normal Quick Auto Reverse

Entries: 19

Debits: 556 572.89

Credits: 556 572.89

Type: Recurring

Status: Posted

Li...	Account Description	Description	Account	Debit	Credit	Reference
1	TELEPHONE-50% OPERATION	ANS. SERVICE	562000-05	204.80	0.00	5380
2	COMMODITY TAXES - GST	ANS. SERVICE	229031	26.62	0.00	5380
3	VARIANCE PST	ANS. SERVICE	159201	0.00	16.38	5380
4	VARIANCE PST CONTRAT	ANS. SERVICE	159202	16.38	0.00	5380
5	CAISSE POPULAIRE	ANS. SERVICE	100501	0.00	231.42	5380

Debits 247.80 Credits 247.80 Out of Balance By 0.00

Save Delete Clear Detail... Reverse... Close

APPENDIX E

Revised Invoice

Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Hydro 2000 Inc. 265 St. Philippe Street, P.O. Box 370 Alfred, ON K0B 1A0 Attn: Rene Beaulne, Manager	Customer No./No du client **472580**
	Customer Site No./ N° d'emplacement du client 1060827
	Invoice Date/Date de la facture **April 16, 2010**
	Invoice No./ N° de la facture 50032
	Due Date/ Date d'échéance **July 30, 2010**
	Payment Amount/ Montant remis **CAD $ 9,888**

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.
Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

4529

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440 -7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.

Detach here/ Détacher ici

Ontario

Ministry of Finance/Ministère des Finances
Payment Processing Centre/Centre de traitement des paiements
33 King St. West/33 rue King Ouest
PO Box 647/CP 647
Oshawa, ON L1H 8X3

Customer No. / N° du client 472580
Customer Site No./ N° d'emplacement du client 1060827
Invoice No./ N° de la facture **50032**
Payment Amount / Montant remis **CAD $** 9888.00

Please detach and return this portion with your payment in the enclosed envelope. Make your cheque or money order payable to the Minister of Finance. Veuillez détacher et retourner cette partie avec votre remise dans l'enveloppe ci-jointe. Libellez votre chèque ou votre mandat à l'ordre du ministre des Finances.

Hydro 2000 Inc.
265 St. Philippe Street, P.O. Box 370
Alfred, ON K0B 1A0
Attn: Rene Beaulne, Manager

45 AR 50032

APPENDIX F

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Total kWh's billed to customers	3,206,616	3,265,255	2,764,767	2,330,891	1,892,943	1,636,978	1,519,562	1,774,414	1,611,904	1,547,896	1,815,738	2,317,724	25,684,686
kWh's billed to RPP customers	2,555,525	2,564,214	2,168,574	1,781,719	1,444,777	1,298,707	1,181,291	1,432,783	1,247,885	1,181,628	1,460,775	1,895,522	20,213,400
kWh's billed to non-RPP customers	651,091	701,041	596,193	549,172	448,166	338,271	338,270	341,631	364,018	366,268	354,963	422,202	5,471,287
% kWh's billed to RPP customers	79.70%	78.53%	78.44%	76.44%	76.32%	79.34%	77.74%	80.75%	77.42%	76.34%	80.45%	81.78%	78.70%
% kWh's billed to non-RPP customers	20.30%	21.47%	21.56%	23.56%	23.68%	20.66%	22.26%	19.25%	22.58%	23.66%	19.55%	18.22%	21.30%
Total GA amount invoiced by IESO	99,565.53	88,161.89	77,611.46	91,067.91	62,239.88	39,844.04	37,472.40	13,308.11	19,745.82	42,604.39	73,246.87	77,461.20	$ 722,329.50
GA invoiced re: RPP customers	79,349.14	69,233.78	60,875.36	69,611.76	47,504.20	31,610.52	29,130.65	10,745.88	15,286.60	32,523.21	58,927.67	63,350.67	$ 568,149.43
GA invoiced re: non-RPP customers	20,216.39	18,928.11	16,736.10	21,456.15	14,735.68	8,233.52	8,341.75	2,562.23	4,459.22	10,081.18	14,319.20	14,110.53	$ 154,180.07
GA billed to non-RPP customers	(24,575.11)	(21,390.43)	(19,455.41)	(14,694.41)	(19,974.35)	(11,755.95)	(7,469.79)	(8,844.23)	(2,516.44)	(12,766.40)	(4,691.50)	(11,909.33)	$ (160,043.35)
Variance Non-RPP customers	(4,358.72)	(2,462.32)	(2,719.31)	6,761.74	(5,238.67)	(3,522.43)	871.96	(6,282.00)	1,942.78	(2,685.22)	9,627.70	2,201.20	$ (5,863.29)
Cumulative	(4,358.72)	(6,821.04)	(9,540.35)	(2,778.61)	(8,017.28)	(11,539.71)	(10,667.75)	(16,949.75)	(15,006.97)	(17,692.19)	(8,064.49)	(5,863.29)	$ (5,863.29)

APPENDIX G

Hydro 2000 (ED-2002-0542)

2012 EDR Application (EB-2011-0326) version: 10
February 10. 2012

G5 Global Adjustment Rate Rider

Allocate recoveries of deferral / variance account balances

Variance Account:	**1589**	**1589-1588 Global Adjustment sub-account**	
Balance Date:	30-Apr-11	33,659	*from sheet G1*
Additional Interest to 30 Apr/11?	YES		
Total for Recovery		**33,659**	
Recovery Period (years)	**2**		
Annual Recovery		**16,829**	

			Billing Determinant:	**Volumetric**		
Customer Class	**non-RPP kWh's [1]**	**% share**	**Annual $**	**Volume [2]**	**Rate**	**per**
Residential	564,448	10.7%	1,798	564,448	$0.0032	kWh
General Service < 50 kW	62,265	1.2%	198	62,265	$0.0032	kWh
General Service > 50 to 4999 kW	4,309,284	81.6%	13,728	11,021	$1.2457	kW
Unmetered Scattered Load						kWh
Street Lighting	346,706	6.6%	1,105	967	$1.1422	kW
TOTAL	**5,282,703**	**100.0%**	**16,829**			

[1] *from sheet C7*
[2] *if rate per kWh: non-RPP kWh's;*
if rate per kW: total class kW's in 2011, multiplied by ratio of non-RPP kWh's to total class kWh's in 2009 (total class data from sheet C2)