February 10, 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 OEB Board Staff Interrogatories**

Ms. Walli

Please find enclosed HHI's response to Board Staff interrogatories dated January 12, 2012.

Yours Truly,

Michel Poulin

Manager, Hydro Hawkesbury Inc.
613-632-6689

# Board Staff Interrogatories

**2012 IRM3 Electricity Distribution Rates**
**Hydro Hawkesbury Inc.**
**EB-2011-0173**

## Z-factor Claim

**1.** Ref: E1/T2/S3 and E1/T2/S3, Appendix 1

Preamble: Reference (1) indicates that Hydro Hawkesbury is seeking a Z-Factor amount of $712,909 and is intended for the purchase of a replacement transformer for its 44 KV substation and site preparations. It is further stated that this transformer is required to assure electricity supply to Hydro Hawkesbury's customers in case of failure of the existing transformer and to provide redundancy.

Reference (2) indicates that "Hydro One advised that if faced with a situation where a transformer has failed, they may not provide an MUS facility even if one was available".

Question:

a. Please provide official confirmation from Hydro One that if Hydro Hawkesbury is faced with a situation where a transformer has failed, they may not provide an MUS facility even if one was available over the next 2-3 years.

HHI Response:

Exhibit 1, Tab 2 Schedule 3 page 11 of the application presents communication between HHI and Hydro One on the issue. The e-mail from Hydro One clearly states that even if faced with a situation where HHI's transformers fail, Hydro One may not provide a mobile unit if one is available. A pdf of the actual e-mail is presented at the next page.

From: mike.ritchie@hydroone.com [mailto:mike.ritchie@hydroone.com]
Sent: May-11-11 8:37 AM
To: michelpoulin@hydrohawkesbury.ca
Cc: mike.ritchie@hydroone.com
Subject: MUS Facilities

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Michel

I have spoken to a number of people on this subject. Hydro One expects all customers to maintain their own spare units to cover in-service failures in accordance with the Distribution System Code, Clause 4.5.6. As such, Hydro One's policy states that Hydro One shall respond **under a wide-spread emergency situation (and when MUS facilities are available)** to provide mutual assistance. We define a wide-spread emergency situation as "an emergency that impacts a large geographic area and affects a large number of jurisdictions simultaneously". Therefore, if you are faced with a situation where a transformer has failed, we may not provide an MUS facility even if one is available.

To answer your question, I can provide the following information, although it is by no means complete since each situation is unique. It is difficult to define the cost to transport and connect the mobile facility (MUS). There are five main components to the cost: Transportation, site preparation, connection, operation, disconnection and site restoration.

1. Transportation costs can vary widely. If the MUS which are stored at Hawthorne TS are available, transportation costs would be considerably lower than if MUS had to be brought in from elsewhere in the province. You would be billed based on actual charges.
2. Before the MUS can be connected, the site has to meet the required safety standards (i.e., accepted fenced area, etc.). Hydro One could proactively meet with you at Hawkesbury MS to advise of the specific enhancements that would be required to make the site compliant.
3. Based on recent experience, it would cost approximately $10k to install the MUS, plus an additional $10K to remove it. Note that you would be billed based on actual costs.
4. Daily operation rate for the MUS is $500 per day.

As I mentioned earlier, you should not be depending on a Hydro One MUS facility in the event of a transformer loss at one of your stations. We may not have any of these facilities available and, even if we do, we may not make it available if the circumstances do not meet our criteria for providing assistance.

Michael Ritchie
Hydro One Networks
(613) 274-6327

**2. Ref: 2012 IRM Incremental Capital Workform_44kV and E1/T2/S3 – Z-factor Claim**

Preamble: On page 10 of E1/T2/S3 Hydro Hawkesbury indicated that a Materiality Threshold of $50,000 was applied in the Z-factor calculation and that Hydro Hawkesbury's expected expenditures of $713k exceeds this threshold.
On page 4, Hydro Hawkesbury stated that "Hydro Hawkesbury receives its electricity at two delivery points, a substation at 110KV with two distribution transforms…and a 44KV station". Hydro Hawkesbury noted that both distribution transformers are 45 years old.
Board staff notes that Hydro Hawkesbury filed an Incremental Capital Model_44KV to calculate the Z-factor rate rider. The threshold test according to this model is $ 37,844.

Question:

a. Please confirm that Hydro Hawkesbury intended to file a Z-factor application as part of its 2012 IRM application for the amount of $713K.

i. If so, please provide further explanation as the differentiation of this capital expenditure as a Z-factor rather than Incremental Capital as defined in the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*, issued July 14, 2008.

HHI Response:

The utility originally debated as to whether to file an ICM combining both requests (replacement of the 110KV and 44KV) or to file a Z-Factor for the 44KV. As mentioned in the application and in various sections of these responses, the reason for the choice of Z-factor vs ICM was that HHI felt that the safety of its customers and the reliability of its distribution system were at serious risk and that the utility needed to take immediate action. HHI did not anticipate that the less problematic of both transformers would suddenly be a cause for concern and felt that it had no other choice but to address this issue without prior approval from the OEB. At the end of the day, HHI needs some type of funding adder to recover the cost of the replacement transformer. Whether it comes in form of an ICM or Z-Factor is irrelevant to the utility. What matters to the municipality of Hawkesbury, Hawkesbury Hydro and its Board of Director is the reliable, safe and continuous delivery of power to the residents of Hawkesbury.

Please see HHI's response to VECC's interrogatory #2 (copied below)

> *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.*

*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*

ii. Please provide further rationale as to why the replacement of the transformer for the 44kV substation should be considered an unforeseen event given the age of the asset.

HHI Response:

The utility is well aware of the age of its 2 transformers and as explained in the various responses to VECC and SEC's interrogatories, the utility took every precautionary measure in its power to monitor and prolong the life if its assets. (Please see the detailed timeline of actions taken by the utility at the response to VECC # 2 and SEC # 5). What HHI considers unforeseen is the sudden failure of the transformer considering that up until late 2009, the 44KV transformer had been the most reliable of all transformers.

The Board's "Forward Test Year" approach complete with Exhibits of evidence followed by subsequent stages of discovery, only came about in 2008 yet the Board seems to imply that the utility should have been financially prepared to deal with the sudden failure of its 44KV. Under the new regulatory process, HHI informed the Board at the earliest opportunity of its necessity for a transformer assessment but at the time; saw no reason to seek funding from its rate payers until the report was released and especially while both transformers were still functional.

**3. Ref: 2012 IRM Incremental Capital Workform_44kV and 25MVA, Rate Generator, Sheets 13 & 14 and E1/T2/S3 – Z-factor Claim**

Preamble: In E1/T2/S3 Hydro Hawkesbury provided a discussion regarding the rate rider calculation and listed the following steps in calculating the Z-factor rate rider:

1. HHI allocated the costs to rate class on the basis of the 2010 RRR. Non-adjusted KWh's and customer count.
2. Half of the capital expense to be recovered through a fix charge and the other half through a variable charge; both riders over a period of 120 months.
3. The fixed rider was calculated as per connection based over 120 months.

4. The variable rider was calculated on 2010 consumption, over 10 years.

Board staff notes that the Z-factor rate adder calculation is based on the ICM module_44KV.

Question:
a. Hydro Hawkesbury noted that its rate rider calculation is based on a recovery period of 120 month.
Please provide the detailed calculations, in an Excel format, supporting the derivation of the proposed Z-factor rate riders.

HHI Response:

Please disregard the statement presented 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.

ii. Please provide further justification as to why a recovery period of 10 years is being proposed.

HHI Response: See HHI's answer above

iii. Please indicate if Hydro Hawkesbury considered a scenario where the rate riders would be in effect until its next cost of service application. If not, why not?

HHI Response: Please see HHI's response above

iv. Board staff noted that Hydro Hawkesbury did not include a sunset date in the Rate Generator. Please confirm that Hydro Hawkesbury intends April 30, 2022 to be the sunset date for the Z-factor rate rider. If yes, Board staff will make the necessary adjustments to the Rate Generator.

HHI Response:

HHI did put in a sunset date of following the Board explanation as per Item ii). The rate rider for the ICM just provides a proxy rate until that time. (Rebasing year). A re-load of the model is added to the OEB site

v. Similarly, Hydro Hawkesbury did not provide a sunset date for the ICM rate rider in the Rate Generator. Please provide the sunset date for the ICM rate rider and enter it in the Rate Generator.

HHI Response: Please see explanation under Item IV)

**4. Ref: Incremental Capital Workform_44kV and E1/T2/S3 – Z-factor Claim**

Preamble: Hydro Hawkesbury noted that the Z-factor costs are allocated to rate classes on the basis of the 2010 RRR non-adjusted kWh's and customer count.
Question:
a. Board staff notes that the billing determinant applied in the ICM Workform used to calculate the Z-factor rate rider are based on Hydro Hawkesbury's re-based billing determinant. Please reconcile the above statement with the cost allocation methodology employed in the ICM Workform.

HHI Response:

Board Staff is correct. HHI did the changes accordingly and applied the actual 2010 data as requested in the manager's summary Exh1. Tab1, Schedule 5, Page 9.

The RRR consumption submitted by HHI for 2010 included the losses. See the table below showing adjusted and non-adjusted kWh. HHI would like to confirm that the total kWh's sold in 2010 without loss is 152,090,908.

| | 2010 actual data non adjusted | | | |
|---|---|---|---|---|
| | **NON ADJUSTED kWh** | **losses** | **total kWh sold adjusted** | OEB's RRR REPORTING Kwh'S |
| **Residential** | **50,277,839** | 2,520,820 | 52,798,659 | 52,798,659.00 |
| **General Service Less Than 50 kW** | **19,562,613** | 990,594 | 20,553,207 | 20,553,207.00 |
| **General Service 50 to 4,999 kW** | **80,745,583** | 4,174,748 | 84,920,331 | 84,920,330.00 |
| **Unmetered Scattered Load** | **242,514** | 12,326 | 254,840 | 254,840.00 |
| **Sentinel Lighting** | **105,383** | 5,208 | 110,591 | 110,591.00 |
| **Street Lighting** | **1,156,976** | 60,619 | 1,217,595 | 1,217,595.00 |
| | **152,090,908** | | | 159,855,222.00 |

**5. Ref: E1/T2/S3 – Z-factor Claim**

Preamble: Hydro Hawkesbury noted in E1/T2/S3 – Z-factor claim, that Hydro Hawkesbury submitted its purchase order in August of 2011 and that the manufacturing period for this transformer is expected to be approximately 32 weeks. Delivery is expected for January 2012.

Question:

a. Please provide the current expected delivery date for the transformer and state when the asset will be in service.

HHI Response: The last update from the manufacturer is now end of February, 2012. We expect this transformer to be in service within a month of delivery following all required testing and commissioning.

b. Please provide up-to-date spending on this asset.

HH ANSWER: As of December 31, 2011 the total spending is in the amount of $269,797.94.

c. Please provide a breakdown between capital and OM&A.

HH ANSWER: All expenditures are capital as detailed in the table below:

**CAPITAL EXPENDITURES for SUB STATIONS**

| COMPLETED | COMPLETED | COMPLETED | COMPLETED | 85% COMPLETED | 91% COMPLETED | COMPLETED | COMPLETED | |
|---|---|---|---|---|---|---|---|---|
| **CONCRETE** | **SORBWEB SYSTEM** | **FENCING** | **EXCAVATION** | **ENGINEERING STUDY** | | **LINE RELOCATION COSTS HYDRO ONE** | **TRANSFORMER ASSESSMENT GENERAL ELECTRIC** | **MISC.** |
| **SUB 44KV** | **SUB 44KV** | **SUB 44KV** | **SUB 44KV** | **SUB 44KV** | **SUB 115KV** | **SUB 44KV** | **SUB 115KV** | **SUB 44KV** |
| 75,907.00 | 74,176.80 | 4,348.00 | 13,636.79 | 17,044.00 | 58,059.86 | 17,213.93 | 9,400.00 | 11.56 |

**6. Ref: E1/T2/S2 - Incremental Capital Module, E1/T2/S3 - Z-Factor Claim, and Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment**

Preamble: Issue 1 from the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (EB-2008-0408), dated June 13, 2011, indicates information supporting rate adjustments during an IRM period should be provided in the same basis of accounting as the information upon which the rates were set. This means that if rates were set on CGAAP, the financial information supporting the adjustment must be provided under CGAAP, and the adjustment to rates will be made on the basis of the CGAAP filing.

In addition, a reconciliation of the CGAAP-based financial information to the relevant information in the last annual RRR reporting under modified IFRS is required. Where the distributor has adopted IFRS for financial reporting but has not yet made an annual RRR reporting under modified IFRS, the financial information mentioned above must be provided in both CGAAP and modified IFRS format, and a reconciliation provided between the two accounting standards.

Question:

a. On what basis was the Incremental Capital Module and Z-Factor adjustments prepared, CGAAP or modified IFRS? If the accounting basis to support the Incremental Capital Module and Z-Factor was not based on CGAAP, please explain what accounting basis was used and why.

HHI Response:

The Incremental Capital Module and Z-Factor adjustments were prepared using models provided by the Board. The information provided in the models was based on CGAAP, the reason being that the utility had not yet completed its conversion to IFRS.

b. Please confirm when Hydro Hawkesbury plans to adopt IFRS for financial reporting purpose.

HHI Response: HHI is in the planning process with the assistance of Deloitte. According to Deloitte the impact of IFRS will be available only late this summer.

c. Please confirm when Hydro Hawkesbury plans to file its RRR reporting under modified IFRS.

HHI Response:

At the earliest opportunity.

d. Please provide the Incremental Capital Module and Z-Factor claims in both CGAAP and modified IFRS formats and provide a reconciliation between the two accounting bases and explanations for the differences.

HHI's Response: See Question a) above

## Incremental Capital Claim

**7. Ref: Incremental Capital Workform_25MVA, Sheet E3.1 and Incremental Capital Workform_44kV, Sheet E3.1**

Sheet E3.1 IC Workform_25MVA

Number of ICPs: 1

| Project ID # | Incremental Capital Non-Discretionary Project Description | Incremental Capital CAPEX | Amortization Expense | CCA |
|---|---|---|---|---|
| ICP 1 | Replacement of 110kV with 25MVA to feed entire service area | 1,517,813 | 30,356 | 121,425 |
| | | 1,517,813 | 30,356 | 121,425 |

Sheet E3.1 IC Workform_44kV

Number of ICPs: 1

| Project ID # | Incremental Capital Non-Discretionary Project Description | Incremental Capital CAPEX | Amortization Expense | CCA |
|---|---|---|---|---|
| ICP 1 | Replacement of 44kV | 712,909 | 14,258 | 57,033 |
| | | 712,909 | 14,258 | 57,033 |

Preamble: Board staff noted that Hydro Hawkesbury filed two Incremental Capital Model, for two transformers (25MVA and 44KV). The threshold test according to these models is $ 37,844.

Board staff further notes that Hydro Hawkesbury did not provide the accompanying project Worksheet for either of the ICM models, thus Board staff is unable to verify whether the data on Sheet E3.1 is correct in either of the ICM Workform.

Question:
a. Please refile an Incremental Capital Model Workform including both transformer stations. Please enter the aggregate incremental capital expenditure (total capital expenditure minus threshold amount) in cell F24 on sheet E3.1 of the ICM Workform.

HHI's Response: The 2 updated ICM models are being filed on the OEB portal as well as a new model combining both projects under a single ICM. HHI did input the Capital Expenditure minus the threshold amount under cell F24 on sheet E3.1 on all ICM models

b. Please provide the associated Worksheet (see blank Worksheet below) for each of the capital projects, including the capital expenditure of $713K for the 44kV transformer station as incremental capital.

HHI's Response: The 3 models (2012 Incremental Capital Project Works) are being filed on the OEB portal

**8. Ref: Incremental Capital Workform_25MVA, E1/T2/S2 – Incremental Capital Module and Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673) – Appendix B – Amended Filing Guidelines**

Preamble: Hydro Hawkesbury did not provide all the filling requirements included as Appendix B to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673).

Question:

a. Please indicate whether continued expenditure levels could trigger another Incremental Capital Request before the end of the IR term.

HHI Response:

At the present time HHI as no plan to increase its level of capital expenditures beyond normal activities unless of course the request for recovery of costs related to both transformers are denied by the OEB. If that occurs, HHI will most likely find itself in a position where it will need to incur considerable capital expenses.

b. Please provide a description of the actions that the distributor will take in the event that the Board does not approve the Incremental Capital Request.

HHI Response:

Please see response to SEC IR#1

**9. Ref: E1/T2/S2, table 1, E1/T2/S3, table 1 and Hydro Hawkesbury EDR COS Application E2/T4/S5 (Asset Management Plan)**

Preamble: In E1/T2/S2, table 1 Hydro Hawkesbury has presented the Capital Spending for 2012 related to the 110 kV distribution transformers with a 25MVA transformer in the amount of $1.52M.

In E1/T2/S3, table 1 Hydro Hawkesbury presented the Capital Spending related to the 44kV distribution transformer in the amount of $712,909.

Question:

a. Please confirm that none of the capital costs ($1.52M and $713K respectively) have previously been included in rate base.

HHI Response: Neither of the two amounts has been included in the previous rate base.

b. Please confirm that none of the projects included in the 2012 Capital Budget are discretionary in nature.

HHI Response: Unlike larger utilities, HHI does not operate with a revenue requirement that allows the utility to incur capital expenditures that are discretionary in nature. As can be seen at the Response to VECC's question # 1, HHI's 2012 Capital budget is in line with 2010 Actuals and only about 20% the 2011 actual capital expenses. (Not including year-end adjustments and not audited). Although HHI would prefer not to do so, as it isn't the utility's policy to ignore the maintenance of its infrastructure, it could potentially differ certain capital project under account 1830 to a later rate year. (Poles, Tower, Fixtures). This would reduce the annual budget by approximately $20,000. (Out of the $40,000 planned, $20,000 must be performed to maintain safety and reliability)

**10. Ref: E1/T2/S2**

Preamble: In the reference, Hydro Hawkesbury requests approval of rate riders to recover the cost of replacing an existing 110 kV distribution transformer with a new 25MVA transformer. On page 6, Hydro Hawkesbury states that following an inspection and oil analysis of the existing transformers, both transformers would need an overhaul to extend their life expectancy and reliability. Hydro Hawkesbury further states that the overhaul would be very costly but no estimate is given.

Question:

a. What is the estimated cost of overhauling the existing transformers at the 110 kV station?

HHI Response: The report from GE doesn't show a cost estimate. Please note that in order to the revamp the present 110 transformers, HHI would have to physically remove the transformer from service which in turn means that HHI would need to secure a replacement unit for a period between 16 to 20 weeks. Based on the quote HHI obtained from GAL Power System., the cost of renting a transformer for that timeframe would cost $1,240,000 per month. (See quote from GAL Power, SEC Question # 1)

The PBR report clearly states that the preferred solution is one where redundancy will be provided. With this approach, HHI will be in a better position to provide power continuity in the future even if we need major repairs to our distribution transformers and even if a major failure occurs.

Please see E1, T2, S2, A2 of the assessment report for a list of recommendations.

Additional evidence:

HHI obtained a quote for the overhauling of a transformer. The estimated overhaul cost is $ 255,000 excluding transportation to the facility. This estimate is for an overhaul only. This type of intervention doesn't include the

*rewinding of the transformer*, which doesn't prolong the life of the transformer as if it was totally refurbished. The total price for a total revamp of a transformer is approximately 80% of the cost of a new transformer.

Furthermore according to the quote below, this overhauling only will take from 16 to 20 weeks. As indicated under question 8b) above the cost per month for a 2 Megawatt Generator is approximately $ 310 K. HHI will need 4 units obtain enough capacity, this means $1,240,000 per month.

Total cost would be in the surroundings of $5,215,000 to $6,455,000 for the generator rental & overhauling of ONE transformer for 16 weeks to 20 weeks (4 to 5 months). Furthermore, if another transformer fails in the future, this exercise will need to be put into place again since HHI'S capacity will still be the same and the loss of 1 unit may jeopardize our capability to supply our customers.

GE Energy

Quote No. Q01232012-001Budget

Date 01/23/2012

To: ***Hawkesbury Hydro Ltd.*** *(hereinafter Customer)*

Address: 850 Tupper Street
Hawkesbury, Ont.
K6A 3S7

Attn: Michel Poulin, BA
Gerant/ Manager
T:613-632-6689
F:613-632-8603
michelpoulin@hydrohawkesbury.ca

**NOTICE: This quotation is void unless accepted within 30 days from date hereof and is subject to change upon notice. However, if GEC elects to perform the services covered by the quotation in response to an order placed 30 or more days after the date of this quotation, the terms of this quotation will apply.**

**Type of Service**
- ● Factory Inspection Service
- ● Field Services
- ● Factory Repair Service
- ○ Transformer Rewind
- ○ Engineering Study / Inspection / Test

Work Description, Schedule, Price - General Electric Canada, action through its Energy Services business (hereinafter GEC) agrees as follows:

Subject: Budgetary proposal for the overhaul of your Moloney 7.5/10/12.5 transformer(s).

General Electric Canada
Jean Dion
Sales Manager
*GE Energy*

**GE Energy Services**

As a result of the GE Energy Industrial Solutions assessment of two 7.5/10/12.5 MVA transformers (ref #50616779), GEC is pleased to present this budgetary proposal for the field work and in-shop work as follows.

This transformer will be inspected and repaired by GEC at our **Stoney Creek transformer COE** "center of excellence".
GE Canada
180 Constellation Drive
Stoney Creek, Ontario
L8E 6B2
T +1 905 335 6301
F +1 905 643 4303

GEC reserves the right to assign in part or in whole the "Workscope- Field Services" to GECII.
General Electric Canada International Inc.
Att : François Kopal
Ref.: 225-FK-Q-11-11-R0
3060 Peugeot
Laval, Québec
7L 5C5
E-mail : francois.kopal@ge.com
Telephone : (450) 688-8690 x : 240
Facsimile : (450) 688-4730

**Proposed Work Scope:**

| | |
|---|---|
| Type of Work: | Factory Repair Service – Inspect and Refurbish |
| Type of Transformer: | Power |
| Construction: | Core Form |
| Freq: | 60 Hz |

Inspection:

1. Receive transformer at Transformer COE and unload.
2. Perform visual inspection of main unit and accessories to check for any external damage. Incoming bushings will be inspected and, if oil-filled, tested for power factor.
3. Inspect and test all gages, CT's, fans, controls, and accessories. Customer will be notified of defective items and the additional price to repair or replace.
4. Perform preliminary diagnostic electrical testing including: turns ratio (TTR), insulation resistance, and insulation power factor. Incoming bushings will be inspected and, if oil-filled, tested for power factor.
5. Core & coil assembly will be untanked and inspected.
6. Perform visual inspection of windings, switches, cable leads, and connections.

Refurbish Workscope may include the following: (to be finalized after initial inspection above)

1. Control Update
2. Tap Changer overhaul
3. Replace all gaskets
4. Paint with ANSI 70 light grey paint on exterior.
5. Remove all moisture and dirt in transformer
6. Pressure test main tank
7. All valves to be inspected, cleaned, and re-packed.
8. Testing report
    a. Turns Ratio (TTR)
    b. Phase Displacement
    c. Winding Resistance
    d. Insulation Resistance
    e. Insulation Power Factor (or Capacitance and Dissipation Factor)
    f. Excitation Current
    g. No-Load (Core) Loss
    h. Load (Copper) Loss
    i. Applied Potential
    j. Induced Potential
9. Dew point and oil quality tests to be performed prior to shipment
10. Prepare unit for return shipment.
11. Furnish a factory Testing Report.

**Workscope- Field Services**

1. Inbound- Removal and crating of bushings, radiators, and accessories to prepare for shipment; crane and rigging to load the transformer and accessories; and transportation to the repair facility.
2. Return- transport to site, crane and rigging to unload the transformer and accessories; assembly of bushings, radiators, and other accessories; vacuum fill with customer's oil; field electrical testing.

NOTES:

1. GEC assumes that OEM certified test reports are correct and free of errors.
2. A PCB report must be provided prior to the start of work. Additional costs will be incurred if the oil has a detectable PCB content. The PCB content must be < 2PPM, validated by a report issued no more than twelve (12) months prior to the commencement of work.
3. If the transformer contains lead paint, additional charges will be incurred.
4. GEC reserves the right to reject any portion of the work if, upon inspection, the safety or operational procedures of the job violate standard company practice.
5. GEC's objective is to improve the integrity of the equipment. During the repair process various parts or components may break due to age, or may prove to be unacceptable for continued use. If in-shop repairs or replacement parts are required and are beyond the general work scope, then additional charges may apply.
6. Reconditioned Components: Certain reconditioned items cannot be fully qualified without the application of full OEM testing specific for the item and may fall outside of GE Energy's

ability to determine their complete suitability for reuse. In the event any reused component or reused winding should fail during the course of remanufacturing or during the application of a specified electrical test performed in accordance with industry standards, an additional cost for the investigation, repair and/or replacement of the component or winding, and any consequential delay in GEC's schedule will apply. Customer will be notified of any additional charges at the time of the occurrence.

**PRICING(each unit)**

1. **Refurbish transformer as specified.** **$85,000.00***
   *Firm price will be provided upon in-shop inspection and detailed assessment.
2. **Field Services.**
   **Inbound** **$60,000.00**
   Per workscope listed above.
   **Return** **$110,000.00**
   Per workscope listed above.

**PAYMENT TERMS**

Invoices issued by GECII for Field Services work will be payable net 30 days, upon completion of each operation (inbound, return).

Invoices by GEC for in-shop work will be issued, payable Net 30 days, according to the milestone schedule below.

- 30% upon completion of design and materials ordered.
- 40% upon completion of core & coil assembly
- 20% upon completion of ANSI factory testing.
- 10% upon shipment (main transformer released to carrier).

**DELIVERY**

Initial Inspection/Assessment will be complete 2-4 weeks after receipt of unit at COE. Approximate delivery will be 14-16 weeks after final approval from customer to proceed with refurbishment. Estimated completion is based on current shop loading and is subject to change.

**WARRANTY**

All labor and material furnished by GEC/GECII is warranted for a **period of 12 months after energized or 18 months after shipment**, whichever occurs first.

**TERMS and CONDITIONS**

GEC Services standard terms and conditions are included as part of this submittal, see attached Form ES104CA (Rev 4).

b. What would be the expected life of the transformers after overhauling?

HHI Response:

If a total overhauling including the replacement of the internal windings is performed the expected life according to the comments from GE could be approximately the same as a new transformer. The quote provided above doesn't cover the winding replacement. A budget price for a total overhaul including the winding replacement is approximately 80% of a new transformer.

In each case (overhaul OR overhaul and winding replacement), the transformer must be removed from service for several months. HHI's situation remains the same. Not sufficient capacity to remove a transformer from service for a long period of time.

c. Could a partial overhaul be carried out to extend the operability of the transformers for some period of time? Please provide details.

HHI Response: A partial overhaul cannot be performed in the field. If some minor or major repairs are required to prevent a failure, the transformers would need to go in a maintenance shop.

**11. Ref: Manager's Summary – Use of Actual vs Forecasted**
**Ref: 2012 ICM Workform_25MVA, Sheet C1.1**
**Ref: 2012 ICM Workform_44kV, Sheet C1.1**
**Ref: Rate Generator, Sheet 10**

Preamble: In the Manager's Summary Hydro Hawkesbury stated in "this Application HHI applied the actual KWh from 2010 year end. The rationale behind the decision is that in HHI's CoS the kWh's used came from a Cost Allocation Study performed by Elenchus following the loss of the only large user. HHI feels that the data from the study is less representative than the 2010 actual data. HHI seeks Board approval to utilize real kWh data as of December 31, 2010. Board staff is unable to verify this data in that is differs from the audited RRR data as of December 31, 2010.

Question:

a. Please provide further explanation as to the variance between the billing determinants used by Hydro Hawkesbury in this application and the 2010 forecast load in Hydro Hawkesbury's last COS. Please provide further rational for the data provided in this application.

HHI's Response: Factors such as temperature, economy, loss of General Service customers and conservation programs are to be considered for difference between the 2010 CoS estimate and the actual kWh sold in 2010.

| | 2010 COS | 2010 ACTUALS | DIFFERENCE | |
|---|---|---|---|---|
| Residential | 53,559,119 | 50,277,839 | (3,281,280.0) | -6% |
| General Service Less Than 50 kW | 20,562,650 | 19,562,613 | (1,000,037.0) | -5% |
| General Service 50 to 4,999 kW | 86,186,766 | 80,745,583 | (5,441,183.0) | -6% |
| Unmetered Scattered Load | 220,667 | 242,514 | 21,847 | 10% |
| Sentinel Lighting | 108,470 | 105,383 | (3,087.0) | -3% |
| Street Lighting | 1,208,363 | 1,156,976 | (51,387.0) | -4% |
| | 161,846,035 | 152,090,908 | (9,755,127.0) | -6% |

b. Please reconcile the data provided as 2010 actual data with RRR data as of December 31, 2010 as reported to the Board.

HHI Response: please see Table and explanation below

The RRR consumption submitted by HHI for 2010 included the losses. See the table below showing adjusted and non-adjusted kWh. HHI would like to confirm that the total kWh's sold in 2010 without loss is 152,090,908.

| | 2010 actual data non adjusted | | | |
|---|---|---|---|---|
| | NON ADJUSTED kWh | losses | total kWh sold adjusted | OEB's RRR REPORTING Kwh'S |
| Residential | 50,277,839 | 2,520,820 | 52,798,659 | 52,798,659.00 |
| General Service Less Than 50 kW | 19,562,613 | 990,594 | 20,553,207 | 20,553,207.00 |
| General Service 50 to 4,999 kW | 80,745,583 | 4,174,748 | 84,920,331 | 84,920,330.00 |
| Unmetered Scattered Load | 242,514 | 12,326 | 254,840 | 254,840.00 |
| Sentinel Lighting | 105,383 | 5,208 | 110,591 | 110,591.00 |
| Street Lighting | 1,156,976 | 60,619 | 1,217,595 | 1,217,595.00 |
| | 152,090,908 | | | 159,855,222.00 |

c. Please expand the table (2010 forecast CoS vs. 2010 actual data) provided in the Manager's Summary to include the 2011 actual data. If audited numbers are not available, please use unaudited numbers.

HHI Response: Due to our billing cycles and processes, we will not be able to obtain the 2011 kWh sold up to December 31 2011, until we bill all our customers up to December 31st, 2011. The 2011 actual data will be available at the end of February 2012.

d. If necessary, Board staff will make adjustments in the relevant models.

**12. Ref: Incremental Capital Workform_25MVA, Sheet B1.2 and Incremental Capital Workform_44kV, Sheet B1.2**

Sheet B1.2
On sheetsB1.2 of the Incremental Capital Workform 25MVA and 44KV Hydro Hawkesbury entered the following rate adder amounts:

| Service Charge Rate Adders D | Distribution Volumetric kWh Rate Adders E | Distribution Volumetric kW Rate Adders F |
|---|---|---|
| 1.53 | | 0.0000 |
| 1.80 | (0.0070 ) | 0.0000 |
| 5.89 | (0.0022 ) | 0.1082 |
| 0.05 | (0.0022 ) | (0.7541 ) |
| 0.02 | (0.0022 ) | (1.4519 ) |
| (0.32 ) | (0.0077 ) | 0.0000 |

Preamble: Sheet B1.2 intends to remove any rate adders that are embedded in the base service rate as well as the base volumetric rate.

Board staff notes that Hydro Hawkesbury entered the Smart Meter funding adder and the Rate Rider for Recovery of Foregone Revenue in Column D as well as the volumetric rate riders for Recovery of Foregone Revenue, Global Adjustment Sub-Account Disposition and Deferral/Variance Account Disposition in Column E and F. These rate riders and rate adders are listed separately on the tariff sheet, not embedded in base rates.
Question:
a. Please explain why these amounts should be removed from base rates in the calculation of re-based base service charges and volumetric rates. Please provide supporting documentation.

HHI Response: this was due to a misinterpretation of the sheet B1.2. HHI did remove the adders.

b. If these amounts have been entered in error, Board staff will make the necessary adjustment.

HHI Response: HHI updated the models accordingly and a revised version is being filed in conjunction with these responses.

**13. Ref: Incremental Capital Workform_25MVA, Sheet E3.1, Manager's Summary, E1/T2 Incremental Capital Module, Table 1 and Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors (EB-2007-0673)**

Sheet 3.1

Number of ICPs: 1

| Project ID # | Incremental Capital Non-Discretionary Project Description | Incremental Capital CAPEX | Amortization Expense | CCA |
|---|---|---|---|---|
| ICP 1 | Replacement of 110kV with 25MVA to feed entire service area | 1,517,813 | 30,356 | 121,425 |
| | | 1,517,813 | 30,356 | 121,425 |

Preamble: Board staff noted that Hydro Hawkesbury included the total capital cost of $1,517,813 in the calculation of incremental revenue requirement in the ICM Workform. Table 1 of the E1/T2/S2 (Incremental Capital Module) shows this amount to be the 'Incremental Capital Project Expenditures'. On Sheet E2.1 of the ICM Workform Hydro Hawkesbury calculated a threshold amount of $ 37,844. Board staff further noted that Hydro Hawkesbury did not provide a ICM Worksheet (see Appendix A) with its Incremental Capital Workform_25MVA.

On page 31 of the Supplemental Report, the Board stated that "the incremental capital for which the Board may provide rate relief is the new capital sought in excess of the materiality threshold".

In the Decision and Order (EB-2010-0104)[1] the Board that the eligible incremental capital amount for recovery is the difference between non-discretionary capital expenditures and the threshold value.

Question:
a. Please confirm that Hydro Hawkesbury did not calculate incremental new capital in excess of the materiality threshold, but rather calculated the incremental revenue requirement based on the total capital costs for the new 25MVA transformer.

HHI's Response: HHI did omit to remove the Threshold from the Sheet E3.1. Updated model is being filed on the OEB portal for all ICM model.

b. If yes, please explain why.

HHI's response: Please see question a) above.

c. Please adjust the amount entered in cell F24 of Sheet E3.1 of the ICM Workform by subtracting the threshold amount from the total capital costs sought for recovery.

HHI's Response: HHI did the required changes to all ICM workform. Updated model is being filed on the OEB portal

c. Please file a 2012 Incremental Capital Project Worksheet (see below)


HHI's Response: See question 7 above. All 3 models are being filed on the OEB portal

## Rate Generator

**14. Ref: Rate Generator, Sheet 4**

Sheet 4_Current MFC

| | | | |
|---|---|---|---|
| **Unmetered Scattered Load** | | | |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs | $ | 0.75 | April 30, 2012 |
| Service Charge (per account) | $ | 6.26 | |

Preamble: Board staff noted that Hydro Hawkesbury did not enter a monthly fixed charge for the USL customer class

Question:

a. Please explain why. If these amounts were omitted in error, Board staff will update the Rate Generator and enter the monthly fixed service charges as per Hydro Hawkesbury's latest tariff or rates and charges.

HHI Response: HHI did enter $6.28 ( see below). Note that HHI inadvertently entered $6.26 as a rate instead of $6.28 as per the rate schedule. The amount has been corrected in the model filed in conjunction with these responses. Updated model is being filed on the OEB portal

| | | | | |
|---|---|---|---|---|
| 1 | **Unmetered Scattered Load** | | | |
| 2 | Service Charge (per account) | $ | 6.28 | |
| 3 | Rate Rider for Recovery of Late Payment Penalty Litigation Costs | $ | 0.75 | April 30, 2012 |
| 4 | | | | |

**15. Ref: Rate Generator, Sheet 9 – Continuity Schedule**

Preamble: Board Staff noted that in variance column (column BX) of the continuity schedule, there is a debit balance of $505,329 for 1588 RSVA – Power (excluding GA) and a credit balance of $505,329 for 1588 RSVA – GA.

Board Staff also noted the followings from the Board Decision EB-2010-0090:

> The Board noted in its April 29, 2011 Partial Decision and Order that there is an issue with respect to the amounts that were approved for disposition in Account 1588 – RSVA – Power (including the global adjustment sub-account) in Hydro Hawkesbury 2010 cost of service application (EB-2009-0186). In Hydro Hawkesbury's 2010 cost of service proceeding (EB-2009-0186), the Board approved the disposition of a credit balance in Account 1588 (excluding the global adjustment sub-account) of $144,324 and a credit balance in the global adjustment sub-account of $252,664. The total amount approved for disposition for account 1588 was a credit balance of $396,988. The Board noted that Hydro Hawkesbury indicated that the balances that should have been disposed in 2010 are as follows:
>
> Account 1588 (global adjustment sub-account) – debit balance of $252,664;
> Account 1588 (excluding global adjustment sub-account) – credit balance of $649,652.
>
> The Board has determined that Board staff's proposed methodology for correcting the balances in Account 1588 is appropriate since it is prospective in nature and easier to understand. Therefore, the Board directs that the balances in Account 1588 be corrected using Board staff's methodology. The Board notes that in order to correct the error in Account 1588 on a prospective basis, the opening principal balances for 2009 (as of January 1, 2010) must reflect the 2008 closing balances net of the amounts that were disposed related to those balances (as ordered by the Board in EB-2009-0186) whether or not the disposition amounts were correct. This allows the balances in Account 1588 to self-correct.

Question:
a. Please explain the nature of the variances of $505,329 for 1588 RSVA – Power (excluding GA) in cell BX 28 and $(505,329) for 1588 RSVA – GA in cell BX 29.

HHI Response: In the Board's « Supplemental Partial Decision and Order", the Board orders that Hydro Hawkesbury's new distribution rates shall be effective September 1, 2011.

Board staff stated that if Hydro Hawkesbury were to maintain the opening principal balances in Account 1588 and then adjust the Account 1588 balances by the amounts that were approved for disposition in the EB-2009-0186 proceeding, the errors in Account 1588 would self-correct on prospective basis.

Hydro Hawkesbury corrected its books as per OEB Decision in September of 2011. The following table demonstrates all of the activities pertaining to the 1588 Accounts and explains the reason for the variance.

## YEAR 2005

| | | Opening Principal Amounts as of Jan-1-05 | Transactions Debit / (Credit) during 2005 excluding interest and adjustments | Board-Approved Dispostion during 2005 | Adjustments during 2005 (Other) | Closing Principal Balance as of Dec 31-2005 | Opening Interest Amounts as of Jan 1-05 | Interest Jan-1 to Dec 31-05 | Board Approved Disposition during 2005 | Adjustments during 2005 (Other) | Closing Interest Amount as of Dec 31-05 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | $ 271,445 | -$ 84,237 | | | $ 187,208 | $ - | $ - | | | $ - |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 57,876 | -$ 31,151 | | | $ 26,725 | $ - | $ - | | | $ - |

## YEAR 2006

| | | Opening Principal Amounts as of Jan-1-06 | Transactions Debit / (Credit) during 2006 excluding interest and adjustments | Board-Approved Dispostion during 2006 | Adjustments during 2006 (Other) | Closing Principal Balance as of Dec 31-2006 | Opening Interest Amounts as of Jan 1-06 | Interest Jan-1 to Dec 31-06 | Board Approved Disposition during 2006 | Adjustments during 2006 (Other) | Closing Interest Amount as of Dec 31-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | $ 187,208 | -$ 10,718 | $ 271,445 | | -$ 94,955 | $ - | | | | $ - |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 26,725 | $ 109,867 | | | $ 136,592 | $ - | | | | $ - |

## YEAR 2007

| | | Opening Principal Amounts as of Jan-1-07 | Transactions Debit / (Credit) during 2007 excluding interest and adjustments | Board-Approved Dispostion during 2007 | Adjustments during 2007 (Other) | Closing Principal Balance as of Dec 31-2007 | Opening Interest Amounts as of Jan 1-07 | Interest Jan-1 to Dec 31-07 | Board Approved Disposition during 2007 | Adjustments during 2007 (Other) | Closing Interest Amount as of Dec 31-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 94,955 | -$ 209,739 | | | -$ 304,694 | $ - | | | | $ - |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 136,592 | $ 26,949 | | | $ 163,541 | $ - | | | | $ - |

## YEAR 2008

| | | Opening Principal Amounts as of Jan-1-08 | Transactions Debit / (Credit) during 2008 excluding interest and adjustments | Board-Approved Dispostion during 2008 | Adjustments during 2008 (Other) | Closing Principal Balance as of Dec 31-2008 | Opening Interest Amounts as of Jan 1-08 | Interest Jan-1 to Dec 31-08 | Board Approved Disposition during 2008 | Adjustments during 2008 (Other) | Closing Interest Amount as of Dec 31-08 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 304,694 | -$ 361,592 | | | -$ 666,286 | $ - | $ 25,466 | | | $ 25,466 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 163,541 | $ 68,904 | | | $ 232,445 | $ - | $ 17,171 | | | $ 17,171 |

## YEAR 2009

| | | Opening Principal Amounts as of Jan-1-09 | Transactions Debit / (Credit) during 2009 excluding interest and adjustments | Board-Approved Dispostion during 2009 | Adjustments during 2009 (Other) | Closing Principal Balance as of Dec 31-2009 | Opening Interest Amounts as of Jan 1-09 | Interest Jan-1 to Dec 31-09 | Board Approved Disposition during 2009 | Adjustments during 2009 (Other) | Closing Interest Amount as of Dec 31-09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 666,286 | $ 178,843 | | | -$ 487,443 | $ 25,466 | -$ 8,293 | | | $ 17,173 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 232,445 | $ 441,494 | | | $ 673,939 | $ 17,171 | $ 4,506 | | | $ 21,677 |

## YEAR 2010
### HYDRO HAWKESBURY'S BOOKS

| | | Opening Principal Amounts as of Jan-1-10 | Transactions Debit / (Credit) during 2010 excluding interest and adjustments | Board-Approved Dispostion during 2010 *** | Adjustments during 2010 (Other) | Closing Principal Balance as of Dec 31-2010 | Opening Interest Amounts as of Jan 1-10 | Interest Jan-1 to Dec 31-10 | Board Approved Disposition during 2010 | Adjustments during 2010 (Other) | Closing Interest Amount as of Dec 31-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 487,443 | $ 281,183 | -$ 666,286 | | $ 460,026 | $ 17,173 | $ 3,566 | $ 16,633 | $ - | $ 4,106 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 673,939 | $ 53,797 | $ 232,445 | | $ 495,291 | $ 21,677 | $ 3,262 | $ 20,220 | $ - | $ 4,719 |

*** SUM of (666,285.61)+232,444.73=(433,840.88) + 36,852.88 (16,633 + 20,220) (Approved carrying charges for disposition) = (396,988) **AMOUNT APPROVED FOR DISPOSITION OF ACCTS 1588**

## YEAR 2010
### SHOULD HAVE BEEN

| | | Opening Principal Amounts as of Jan-1-10 | Transactions Debit / (Credit) during 2010 excluding interest and adjustments | Board-Approved Dispostion during 2010 *** | Adjustments during 2010 (Other) | Closing Principal Balance as of Dec 31-2010 | Opening Interest Amounts as of Jan 1-10 | Interest Jan-1 to Dec 31-10 | Board Approved Disposition during 2010 | Adjustments during 2010 (Other) | Closing Interest Amount as of Dec 31-10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 487,443 | $ 281,183 | -$ 144,324 | | -$ 61,936 | $ 17,173 | $ 3,566 | | | $ 20,739 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 673,939 | $ 53,797 | -$ 252,664 | | $ 980,400 | $ 21,677 | $ 3,262 | | | $ 24,939 |

*** **SHEET 9 2012 Cont. Sched. Def_Var OF THE RATE GENERATOR WAS POPULATED WITH WHAT SHOULD HAVE BEEN**

## YEAR 2011
### HYDRO HAWKESBURY'S BOOKS

| | | Opening Principal Amounts as of Jan-1-11 | Transactions Debit / (Credit) during 2011 excluding interest and adjustments | Board-Approved Dispostion during 2011 | Adjustments during 2011 (Other) | Closing Principal Balance as of Dec 31-2011 | Opening Interest Amounts as of Jan 1-11 | Interest Jan-1 to Dec 31-11 | Board Approved Disposition during 2011 | Projected Interest from Jan 1 to Dec 31-11 on Dec 2010 Bal adjusted for Disposition during 2011 | Closing Interest Amount as of Dec 31-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | $ 460,026 | $ - | $ 178,843 | | $ 281,183 | $ 4,106 | $ - | -$ 5,561 | $ 4,998 | $ 14,665 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 495,291 | $ - | $ 441,494 | | $ 53,797 | $ 4,719 | $ - | $ 17,934 | $ 2,925 | -$ 10,290 |

GL ENTRY WAS MADE TO REFLECT BOARD'S DECISION AND TO FIX HYDRO HAWKESBURY'S BOOKS TO WHAT SHOULD HAVE BEEN. YOU WILL NOTICE THAT AFTER THE ADJUSTMENT, THE CLOSING BALANCES ARE THE TRANSACTIONS FOR YEAR 2010. ($281,183 POWER & 53,797 GA). THE TOTAL OF $178,843 + $441,494 = $620,337. THE BOARDS APPROVED AMOUNTS FOR DISPOSITION IN 2011 INCLUDING THE CORRECTION COMPOSED OF (343,119)+926,603 = $583,484. THE DIFFERENCE BETWEEN THE TWO IS EQUAL TO $36,853 WHICH ARE THE CARRYING CHARGES.

## YEAR 2011
### SHOULD HAVE BEEN

| | | Opening Principal Amounts as of Jan-1-11 | Transactions Debit / (Credit) during 2011 excluding interest and adjustments | Board-Approved Dispostion during 2011 | Adjustments during 2011 (Other) | Closing Principal Balance as of Dec 31-2011 | Opening Interest Amounts as of Jan 1-11 | Interest Jan-1 to Dec 31-11 | Board Approved Disposition during 2011 | Projected Interest from Jan 1 to Dec 31-11 on Dec 2010 Bal adjusted for Disposition during 2011 | Closing Interest Amount as of Dec 31-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | -$ 61,936 | $ - | -$ 343,119 | | $ 281,183 | $ 20,739 | $ - | $ 11,072 | $ 4,998 | $ 14,665 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 980,400 | $ - | $ 926,603 | | $ 53,797 | $ 24,939 | $ - | $ 38,154 | $ 2,925 | -$ 10,290 |

*** **SHEET 9 2012 Cont. Sched. Def_Var OF THE RATE GENERATOR WAS POPULATED WITH WHAT SHOULD HAVE BEEN**

**YOU WILL NOTICE THAT THE ENDING BALANCES OF HYRO HAWKESBURY'S BOOKS AND THE "WHAT SHOULD HAVE BEEN" AS PER THE BOARD ARE THE SAME.**

## YEAR 2011

| | | Opening Principal Amounts as of Jan-1-11 | Transactions Debit / (Credit) during 2011 excluding interest and adjustments | Board-Approved Dispostion during 2011 | Adjustments during 2011 (Other) | Closing Principal Balance as of Dec 31-2011 | Opening Interest Amounts as of Jan 1-11 | Interest Jan-1 to Dec 31-11 | Board Approved Disposition during 2011 | Projected Interest from Jan 1 to Apr 30-12 on Dec 2010 Bal adjusted for Disposition in 2011 | Closing Interest Amount as of Dec 31-11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RSVA - Power (excluding Global Adjustment) | 1588 | $ 281,183 | $ - | $ - | | $ 281,183 | $ 14,665 | $ - | $ - | $ 1,359 | $ 16,024 |
| RSVA - Power - Sub-Account - Global Adjustment | 1588 | $ 53,797 | $ - | $ - | | $ 53,797 | -$ 10,290 | $ - | $ - | $ 260 | -$ 10,030 |

| | |
|---|---|
| TOTAL CLAIM | $ 297,207 |
| | $ 43,767 |

The RRR Filing as of December 31, 2010, was submitted using the figures Hydro Hawkesbury's had on its books at that time. The corrections as per Boards Decision was made in September of 2011. Sheet 9 2012 Cont. Sched. Def_Var of the rate generator was populated using the figures after the corrections had been made; therefore explaining the variances of $505,329 for 1588 RSVA Power (excluding GA) in cell BX 28 and $(505,329) for 1588 RSVA GA in cell BX 29.

# SUMMARY

## RSVA 1588-POWER

| Actual<br>Hydro Hawkesbury's books | | OEB<br>What should have been | |
|---|---|---|---|
| Bal as of Dec 31 2008 | - 666,285.61 | Bal as of Dec 31 2008 | - 666,285.61 |
| 2009 Transactions | 178,842.56 | 2009 Transactions | 178,842.56 |
| | **- 487,443.05** | | **- 487,443.05** |
| Approved for disp. In 2010<br>As entered in Hydro Hawkesbury's books | 666,285.61 | Approved for disp. In 2010<br>As should have been | 144,323.61 |
| 2010 Transactions | 281,183.36 | 2010 Transactions | 281,183.36 |
| | 460,025.92 | | - 61,936.08 |
| Approved for disp. In 2011<br>As entered in Hydro Hawkesbury's books | - 178,842.56 | Approved for disp. In 2011<br>As should have been | 343,119.44 |
| | **281,183.36** | | **281,183.36** |

## RSVA 1588-GA

| Actual<br>Hydro Hawkesbury's books | | OEB<br>What should have been | |
|---|---|---|---|
| Bal as of Dec 31 2008 | 232,444.73 | Bal as of Dec 31 2008 | 232,444.73 |
| 2009 Transactions | 441,493.59 | 2009 Transactions | 441,493.59 |
| | **673,938.32** | | **673,938.32** |
| Approved for disp. In 2010<br>As entered in Hydro Hawkesbury's books | - 232,444.73 | Approved for disp. In 2010<br>As should have been | 252,664.39 |
| 2010 Transactions | 53,797.49 | 2010 Transactions | 53,797.49 |
| | 495,291.08 | | 980,400.20 |
| Approved for disp. In 2011<br>As entered in Hydro Hawkesbury's books | - 441,493.59 | Approved for disp. In 2011<br>As should have been | - 926,602.71 |
| | **53,797.49** | | **53,797.49** |

## Special Purpose Charge

**16. Ref: E1/T3/S2 - Special Purpose Charge and Manager's Summary**

Preamble: On April 23, 2010, the Board issued a letter to all licensed electricity distributors authorizing account 1521, Special Purpose Charge Assessment Variance Account. Any difference between the amount remitted to the Ministry of Finance for the SPC assessment and the amount recovered from customers was to be recorded in "Sub-account 2010 SPC Assessment Variance" of account 1521.

The letter also indicated, in accordance with section 8 of the SPC regulation, electricity distributors are required to apply to the Board no later than April 15, 2012 for an order authorizing them to clear any debit or credit balance in the "Sub-account 2010 SPC Variance". The Board expected that requests for disposition in "Sub-account 2010 SPC Variance" and "Sub-account 2010 SPC Assessment Carrying Charges" would be addressed as part of the proceedings for the 2012 rate year, except in cases where this approach would result in non-compliance with the timeline set out in section 8 of the SPC Regulation. In addition, the letter indicated in accordance with section 9 of the SPC Regulation, recovery of the SPC assessment is to be spread over a one-year period.

Hydro Hawkesbury stated that Hydro Hawkesbury seeks Board approval to recuperate the residual balance of $13,776.76 in this rate application. The variance with RRR vs. 2010 balance in the amount of $37,889.33 is caused by the 2011 recoveries from January 1 to June 30, 2011, recorded in CEL BI 38 of Sheet 9 of the 2012 IRM Rate Generator Model since the model did not permit to record any activities for that account in 2011.

Question:

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

HHI Response: Hydro Hawkesbury's SPC assessment was in the amount of $72,406. Find a copy of the invoice below

# Revised Invoice

Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

POSTED

Hydro Hawkesbury Inc.
Fournisseur: 150
GL: 5681.001
Approuvé par:

**To:** Hydro Hawkesbury Inc.
850 Tupper Street
Hawkesbury, ON K6A 3S7
Attn: Linda Parisien, President & CEO

| |
|---|
| Customer No./No du client **472582** |
| Customer Site No./ N° d'emplacement du client 1060830 |
| Invoice Date/Date de la facture **April 16, 2010** |
| Invoice No./ N° de la facture 50033 |
| Due Date/ Date d'échéance **July 30, 2010** |
| **Payment Amount/ Montant remis** **CAD $ 72,406** |

**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.

*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

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 Hawkesbury Inc.
850 Tupper Street
Hawkesbury, ON K6A 3S7
Attn: Linda Parisien, President & CEO

| |
|---|
| Customer No. / N° du client 472582 |
| Customer Site No./ N° d'emplacement du client 1060830 |
| Invoice No./ N° de la facture **50033** |
| **Payment Amount / Montant remis** **CAD $** . |

45 AR 50033

**b.** Please confirm the start date of when Hydro Hawkesbury began charging the SPC to its customers and the end date of when Hydro Hawkesbury stopped charging the SPC.

HHI Response: Hydro Hawkesbury began charging SPC to its customers on July 1, 2010 and ended on June 30, 2011.

c. Please complete the following table related to the SPC.

| SPC Assessment (Principal balance) | Amount recovered from customers in 2010 | Carrying Charges for 2010 | December 31, 2010 Year End Principal Balance | December 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 April 30, 2012 | Total for Disposition (Principal and Interest) |
|---|---|---|---|---|---|---|---|---|---|
| **72,406.00** | - 22,101.26 | 378.35 | 50,304.74 | 378.35 | - 37,889.33 | 350.14 | 739.48 | 243.12 | **13,387.02** |

d. Please confirm that the amount for disposition of account 1521, "Sub-account 2010 SPC Variance" amount is $ 12,415.41.If the amount is different; please explain the reason for the difference, if any.

HHI Response: Hydro Hawkesbury confirms that the PRINCIPLE amount for disposition of account 1521-Sub-account 2010 SPC Variance is in the amount of $12,415.41. A variance of $389.34 exists in the CARRYING CHARGES since the forecasted 2011 interests were over estimated. The total amount to be recuperated should be reduced to $13,387.02 from $13,776.36 indicated in Sheet 9 2012 Cont. Sched. Def_Var. (Difference of forecasted $739.48 and actual $350.14)

## Shared Tax Savings

### 17. Ref: 2012 IRM Shared Tax Savings Workform – Sheet 3

Sheet 3 is reproduced below:

Last COS Re-based Year was in 2010

| Rate Group | Rate Class | Fixed Metric | Vol Metric | Re-based Billed Customers or Connections A | Re-based Billed kWh B | Re-based Billed kW C | Rate ReBal Base Service Charge D | Rate ReBal Base Distribution Volumetric Rate kWh E | Rate ReBal Base Distribution Volumetric Rate kW F |
|---|---|---|---|---|---|---|---|---|---|
| RES | Residential | Customer | kWh | 4,817 | 50,277,839 | | 5.89 | 0.0079 | |
| GSLT50 | General Service Less Than 50 kW | Customer | kWh | 593 | 19,562,613 | | 13.60 | 0.0054 | |
| GSGT50 | General Service 50 to 4,999 kW | Customer | kW | 96 | 80,745,563 | 209,711 | 95.68 | | 1.5286 |
| USL | Unmetered Scattered Load | Connection | kWh | 5 | 242,514 | | 6.26 | 0.0031 | |
| Sen | Sentinel Lighting | Connection | kW | 21 | 105,383 | 311 | 1.60 | | 3.1724 |
| SL | Street Lighting | Connection | kW | 1,180 | 1,156,976 | 3,197 | 0.61 | | 6.6567 |

Preamble:
Sheet 3 - Column A request that the Applicant enters rebased customers or connection data. In column B and C rebased load data is requested. Board staff noted that Hydro Hawkesbury entered 2010 RRR data in column A. Board staff cannot verify the data entered in column B and C.

Question:

a. Please explain why 2010 RRR was used to populate column A. If this was done in error Board staff will make the necessary adjustments.

HHI Response: HHI did the changes accordingly and applied the actual 2010 data as requested in the manager's summary Exh1. Tab1, Schedule 5, Page 9.

Table can be found under question 4 and 11.

b. Please provide supporting material to verify the date used in columns B and C.

HHI Response: Under these circumstances, and since the Board requires utilities to provide the most up to date information in every other aspect of applications, HHI opted to provide "2010 Actuals" to ensure that rates are based on actual information rather than projections made in 2008 at the height of the economic downturn and therefore the height of economic uncertainties.

c. Please provide further justification for using the cited data.

HHI Response: See b) above

d. Please provide the 2011 actual load data, if audited data is unavailable used unaudited data.

Due to our billing cycles and processes, we will not be able to obtain the 2011 kWh sold up to December 31 2011, until we bill all our customers up to December 31st, 2011. The 2011 actual data will be available at the end of February 2012

**18. Ref: 2012 IRM Shared Tax Savings Workform – Sheet 3**

Sheet 3 is reproduced below:

| Rate Group | Rate Class | Fixed Metric | Vol Metric | Re-based Billed Customers or Connections A | Re-based Billed kWh B | Re-based Billed kW C | Rate ReBal Base Service Charge D | Rate ReBal Base Distribution Volumetric Rate kWh E | Rate ReBal Base Distribution Volumetric Rate kW F |
|---|---|---|---|---|---|---|---|---|---|
| RES | Residential | Customer | kWh | 4,817 | 50,277,839 | | 5.69 | 0.0079 | |
| GSLT50 | General Service Less Than 50 kW | Customer | kWh | 593 | 19,562,813 | | 13.60 | 0.0054 | |
| GSGT50 | General Service 50 to 4,999 kW | Customer | kW | 86 | 80,746,583 | 209,711 | 95.66 | | 1.5286 |
| USL | Unmetered Scattered Load | Connection | kWh | 5 | 242,514 | | 6.26 | 0.0021 | |
| Sen | Sentinel Lighting | Connection | kW | 21 | 105,383 | 311 | 1.80 | | 3.1724 |
| SL | Street Lighting | Connection | kW | 1,180 | 1,156,976 | 3,197 | 0.61 | | 6.6567 |

Preamble: In column D Hydro Hawkesbury entered a fixed monthly charge of $6.26 for the USL customer class. Board staff notes that on the tariff of rates and charges, the monthly fixed service charge for this customer class is $6.28.

Question:
a. Please confirm that the monthly fixed service charge should be $6.28. If so, Board staff will make the necessary adjustments.

HHI Response: HHI would like to confirm the typing error. The monthly fixed service charge is $6.28 Updated model is being filed on the OEB portal

**19. Ref: 2012 IRM RTSR Workform – Sheet 4**

Sheet 4 is reproduced below:

In the green shaded cells, enter the most recent reported RRR billing determinants. Please ensure that billing determinants are non-loss adjusted.

| Rate Class | Unit | Non-Loss Adjusted Metered kWh | Non-Loss Adjusted Metered kW | Applicable Loss Factor | Load Factor | Loss Adjusted Billed kWh | Billed kW |
|---|---|---|---|---|---|---|---|
| Residential Regular | kWh | 50,277,839 | | 1.0446 | | 52,520,231 | - |
| General Service Less Than 50 kW | kWh | 19,562,613 | | 1.0446 | | 20,435,106 | - |
| General Service 50 to 4,999 kW | kW | 80,745,583 | 209,710 | | 52.77% | 80,745,583 | 209,710 |
| Unmetered Scattered Load | kWh | 242,514 | | 1.0446 | | 253,330 | - |
| Sentinel Lighting | kW | 105,383 | 311 | | 46.44% | 105,383 | 311 |
| Street Lighting | kW | 1,156,976 | 3,197 | | 49.60% | 1,156,976 | 3,197 |

Preamble: This sheet request non-load adjusted 2010 RRR billing determinants. Board staff is unable to verify the data used.

Question

a. Please reconcile the above data with the RRR data reported to the Board and confirm that the volumes contained in column F, G and H do not include losses. If necessary, Board staff will update the Rate Generator to the 2010 RRR data.

HHI Response: the kWh filed in the RRR was inadvertently loss adjusted. The information in the RTSR workform-Sheet 4 is the correct consumption. See question 11

# LRAM

**20. Ref: Manager's Summary, pg. 5-6 and Elenchus 2006 to 2012 LRAM Report**

Preamble: Elenchus notes that the LRAM claim includes energy and demand savings that result from 2006 to 2010 programs, some of which continue through to the end of the filing period, which is April 30, 2012.

Question

a. Please confirm whether the LRAM claim is for $48,918.88 or for $49,918.88, and if the amount includes carrying charges.

HHI Response: HHI confirms this should have been reported as $48,918.88. HHI confirms this amount does not include carrying charges

b. If HHI is requesting carrying charges, please provide a table that shows the monthly LRAM balances, the Board-approved carrying charge rate and the total carrying charges by month for the duration of this LRAM request to support your request for carrying charges. Use the table below as an example:

HHI Response: HHI confirms this amount does not include carrying charges. See a) above

c. Please confirm that HHI has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.

HHI Response: HHI received the final 2010 evaluation results on November 15, 2011. The final report effectively changes the amount requested. This is detailed in d) below.

d. If HHI did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.

HHI Response: HHI received the final 2010 evaluation results from the OPA on November 15, 2011.

The following summarizes the updated results.

| Customer Class | Savings | LRAM |
|---|---|---|
| Residential | 5.0 GWh | $44,042.03 |
| General Service Less Than 50 kW | 0.5 GWH | $2,490.60 |
| General Service 50 to 4,999 kW | 3.4 MW | $2,448.78 |
| Total To April 2012 | | **$48,981.41** |

Therefore HHI includes in this response an updated LRAM claim in the amount of $48,981.41 for the years from January 1, 2006 through April 30, 2012. An amended third party review by the consulting firm Elenchus is enclosed herein, which supports this claim. Please see Appendix 2.

The following table calculates the updated proposed rate riders to be collected over a one year period ending April 30, 2013

| Customer Class | 2010 RRR | Units | LRAM | Proposed Rate Rider |
|---|---|---|---|---|
| Residential | 50,277,839 | kWh | $44,042.03 | $0.0009 |
| General Service Less Than 50 kW | 19,562,613 | kWh | $2,490.60 | $0.0001 |
| General Service 50 to 4,999 kW | 209,711 | kW | $2,448.78 | $0.0117 |
| Total To April 2012 | | | **$48,981.41** | |

HHI respectfully requests Board staff to make the appropriate changes in the model

e. Please identify the CDM savings that were proposed to be included in HHI's last Board approved load forecast.

HHI Response: There were no direct CDM savings from OPA programs included in CHEI's Board Approved load forecast.

f. Please provide a table that shows the LRAM amounts requested in this application by the year they are associated with and the year the lost revenues took place, divided by rate class within each year. Use the table below as an example and continue for all the years LRAM is requested:

## Residential

| Program Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|---|---|---|
| **2006 Total** | $4,622.10 | $4,673.46 | $4,673.46 | $4,724.81 | $ 704.64 | $ 704.64 | $ 214.85 | $20,317.96 |
| **2007 Total** | $ - | $3,748.92 | $2,337.81 | $2,186.31 | $1,877.37 | $1,877.37 | $ 606.10 | $12,633.89 |
| **2008 Total** | $ - | $ - | $1,816.67 | $1,830.12 | $1,571.51 | $1,571.51 | $ 459.23 | $ 7,249.05 |
| **2009 Total** | $ - | $ - | $ - | $1,067.00 | $ 893.02 | $ 893.02 | $ 297.28 | $ 3,150.33 |
| **2010 Total** | $ - | $ - | $ - | $ - | $ 310.40 | $ 286.67 | $ 93.73 | $ 690.80 |
| **Grand Total** | $4,622.10 | $8,422.38 | $8,827.94 | $9,808.24 | $5,356.95 | $5,333.22 | $1,671.20 | $44,042.03 |

# GS Less Than 50 kW

| Program Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|---|---|---|
| **2008 Total** | $ - | $ - | $ 2.50 | $ 2.50 | $ 2.64 | $ 2.64 | $ 0.88 | $ 11.16 |
| **2009 Total** | $ - | $ - | $ - | $ 734.65 | $ 75.44 | $ 75.44 | $ 25.15 | $ 910.67 |
| **2010 Total** | $ - | $ - | $ - | $ - | $ 1,279.33 | $ 217.08 | $ 72.36 | $ 1,568.77 |
| **Grand Total** | $ - | $ - | $ 2.50 | $ 737.15 | $ 1,357.41 | $ 295.16 | $ 98.39 | $ 2,490.60 |

# General Service Greater Than 50 kW

| Program Year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|---|---|---|
| **2006 Total** | $ 272.38 | $ - | $ - | $ - | $ - | $ - | $ - | $ 272.38 |
| **2007 Total** | $ - | $ 323.91 | $ - | $ - | $ - | $ - | $ - | $ 323.91 |
| **2008 Total** | $ - | $ - | $ 507.95 | $ 0.31 | $ 0.88 | $ 0.89 | $ 0.30 | $ 510.33 |
| **2009 Total** | $ - | $ - | $ - | $ 425.69 | $ 9.33 | $ 9.37 | $ 3.12 | $ 447.51 |
| **2010 Total** | $ - | $ - | $ - | $ - | $ 858.70 | $ 26.95 | $ 8.98 | $ 894.64 |
| **Grand Total** | $ 272.38 | $ 323.91 | $ 507.95 | $ 426.00 | $ 868.92 | $ 37.21 | $ 12.40 | $ 2,448.78 |

## PILs

**21. Ref: Exhibit 3 – 1562 Deferred PILs**

Preamble: Board staff noted that the evidence is missing the following information.

Question:
a. Excel 2001, 2002 and 2005 Board-approved PILs proxy models (active) that were filed with the respective applications in 2003 Excel compatible format.
b. Excel 2001/2002, 2004 and 2005 rate applications (active).
c. Excel continuity schedule for 2001 to 2012 including interest carrying charge calculations (active).
d. Excel PILs recoveries worksheet (active).
e. Notices of assessment and notices of reassessment and statements of adjustments for 2001 to 2005.
f. Financial statements submitted with tax returns for 2001 to 2005.
g. Excel 2001 to 2005 updated SIMPIL models (active).

HHI's Response. The models are being filed on the OEB portal

## PILs Proxy Amounts

**22. Ref: E3/T1/S1**

Preamble: The 2001 Board-approved PILs proxy model calculated the PILs entitlement for 2001 to be $27,981. This amount does not agree with the 2001 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2001 RAM Decision".

Question:

a. Please provide the corrected 2001 updated SIMPIL model that agrees with the 2001 application PILs proxy model on a line-by-line basis as approved by the Board.

HHI Response: A revised versions of the 2001 SIMPIL model is being filed in conjunction with this response.

**23. Ref: E3/T1/S1**

Preamble The 2002 Board-approved PILs proxy model calculated the PILs entitlement for 2002 to be $51,569. This amount does not agree with the 2002, 2003 and 2004 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2002 RAM Decision".

Question:

a. Please provide the corrected updated 2002, 2003 and 2004 SIMPIL models that agree with the 2002 application PILs proxy model on a line-by-line basis as approved by the Board.

HHI Response: A revised versions of the 2002, 2003 and 2004 SIMPIL model is being filed in conjunction with this response.

**24. Ref: E3/T1/S1**

Preamble The 2005 Board-approved PILs proxy model calculated the PILs entitlement for 2005 to be $48,859. This amount does not agree with the 2005 updated SIMPIL model TAXCALC sheet cell C95 "Total PILs for Rate Adjustment – Must Agree with 2005 RAM Decision".

Question:

a. Please provide the corrected updated 2005 SIMPIL model that agrees with the 2005 application PILs proxy model on a line-by-line basis as approved by the Board.

HHI Response: A revised version of the 2005 SIMPIL model is being filed in conjunction with this response.

**Income Tax Rates**

**25. Ref: E3/T1/S1 and Continuity Schedule – Elenchus ED Disposition 1562 Balance Model**

Preamble: In the SIMPIL models for 2001 through 2004, Hydro Hawkesbury selected the minimum income tax rates since its tax evidence indicated that Hydro Hawkesbury was eligible for the federal and Ontario small business deduction.

In its 2005 application, Hydro Hawkesbury used the minimum income tax rate to calculate the 2005 PILs proxy. In the revised 2005 SIMPIL, Hydro Hawkesbury used the following income tax rates in the table below to calculate true-up variances.

| | | 2005 |
|---|---|---|
| APPLICATION PILS PROXY CALCULATION | Blended income tax rate | 18.62% |
| | Income tax rate used for gross-up | 18.62% |
| 2005 SIMPIL MODEL TAXCALC SHEET | Cell E122: Calculation of true-up variance -income tax effect | 20.41% |
| | Cell E130: Income tax rate used for gross-up (excluding surtax) | 19.29% |
| | Cell E138: Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate | 20.41% |
| | Cell E175: Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax) | 19.29% |

Question:

a. How did Hydro Hawkesbury select the income tax rates for 2005? Please provide the calculations.

| Taxable income | Rates | Income taxes |
|---|---|---|
| | | |
| 300,000.00 | 18.62% | $55,860.00 |
| 74,516.00 | 27.62% | $20,581.00 |
| | | |
| 374,516.00 | 20.41% | $76,441.00 |
| | | |
| Surtax | 1.12% | |
| | | |
| Less surtax | 19.29% | |

HHI's Response: HHI's Taxable income was well under $300,000 and the %18.62 rate was applied.

HHI should have used %20.41. Please refer to the true up tables for the correction.

b. If Hydro Hawkesbury agrees that it should be subject to the minimum income tax rate in 2005, please make the adjustment and re-file the revised 2005 SIMPIL model and PILs continuity schedule.

HHI's Response. See Item a) above

**26.** Ref: Elenchus ED Disposition 1562 Balance Model - Amounts Billed to Customers - Unmetered Scattered Load (USL) Rate Class

Preamble: Unmetered scattered load is listed as one of the components of the billing and recovery in the Excel spreadsheet. However, while billing determinants have been entered, no rates have been entered. The approved rates for USL were identified in the Board's decisions for 2002, 2004 and 2005 as the GS<50kW rate which has associated PILs slivers.

Question:

Please explain why Hydro Hawkesbury did not use the Board-approved USL PILs rate slivers in the calculations of recoveries from customers. Please correct the PILs recovered worksheets.

HHI Response: From 2002 to 2008, HHI registered the USL revenues with the G<50KW revenues. The associated PILs Silvers are reordered under the G<50KW class.

**27.** PILs Continuity Schedule - Elenchus ED Disposition 1562 Balance Model -Deferral Account Variance Adjustments from SIMPIL Models

Preamble: Any deferral account variance adjustments and true-up variance adjustments calculated in the SIMPIL models should be recorded on the PILs continuity schedule in the year subsequent to the tax year since tax returns and the applicable SIMPIL model were not filed until the following summer. Entries related to the variances would not have been made in the general ledger until the following year.

The deferral account variance adjustment of - $1,100 calculated in the 2003 SIMPIL model should appear as an adjustment in 2004 on the PILs continuity schedule.

The deferral account variance adjustment of - $1,100 calculated in the 2004 SIMPIL model should appear as an adjustment in 2005 on the PILs continuity schedule.

The deferral account variance adjustment of $3,282 calculated in the 2005 SIMPIL model should appear as an adjustment in 2006 on the PILs continuity schedule.

Question:

Please re-file the PILs continuity schedule and carrying cost calculation worksheets with the SIMPIL deferral account variance adjustments for 2003, 2004 and 2005 entered in 2004, 2005 and 2006 respectively.

HHI's Response: Please refer to the updated ED Disposition 1562 Balance model Sheet E1.1. Amounts are entered in 2004, 2005 and 2006

**28. Ref: E3/T1/S1**

Preamble: When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in sheet TAXCALC as an extra deduction in the true-up calculations.

Question:

For the tax years 2001 to 2005:

a. Did Hydro Hawkesbury have interest expense related to liabilities other than debt that is disclosed as interest expense in its financial statements?

HHI's Response: NO

b. Did Hydro Hawkesbury net interest income against interest expense in deriving the amount it shows as interest expense in its financial statements and tax returns? If yes, please provide details to what the interest income relates.

HHI's Response: NO

c. Did Hydro Hawkesbury include interest expense on customer security deposits in interest expense for purposes of the interest true-up calculation?

HHI's Response: NO

d. Did Hydro Hawkesbury include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?

HHI's Response: NO interest income, but HHI did include interest expenses on security deposits.

e. Did Hydro Hawkesbury include interest expense on IESO prudentials in interest expense?

HHI's Response: YES

f. Did Hydro Hawkesbury include interest carrying charges on regulatory assets or liabilities in interest expense?

HHI's Response: NO

g. Did Hydro Hawkesbury include the amortization of debt issue costs, debt discounts or debt premiums in interest expense? If the answer is yes, did Hydro Hawkesbury also include the difference between the accounting and tax amortization amounts in the interest true-up calculations? Please explain.

HHI's Response: NO

h. Did Hydro Hawkesbury deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did Hydro Hawkesbury add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.

HHI's Response: NO

i. Please provide Hydro Hawkesbury's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.

HHI's Response: HHI feels that the Board should have its own opinion on the subject.

j. Please provide a table for the years 2001 to 2005 that shows all of the components of Hydro Hawkesbury's interest expense and the amount associated with each type of interest.

| | | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|
| | | | | | | |
| 6035-000 | Other Interest Expense | 5,749.20 | 5,938.82 | 5,917.72 | 4,395.60 | - |
| 6035-001 | Interest on Note Payable | 115,319.80 | 115,839.15 | 88,500.77 | 89,638.74 | 116,003.09 |
| 6035-002 | Interest on Security Deposits | 12,271.70 | 14,407.58 | 6,508.31 | 4,804.58 | 11,542.17 |
| | | | | | | |
| | | 133,340.70 | 136,185.55 | 100,926.80 | 98,838.92 | 127,545.26 |
| | | | | | | |
| | | | | | | |
| | | | | | | |

**29.** Ref: 1562 Balance Reported in RRR

Preamble: Hydro Hawkesbury reported a balance in account 1562 of - $ 59,858 at the end of December 2010 in its RRR filing 2.1.7. The 2010 balance according to the PILs continuity schedule is a debit balance of $4,086 consisting of principal of $2,575 and interest of $1,511.
Question:

Please explain the reason for the differences between the 2010 RRR balance and the evidence filed in this case.

HHI's Response: Models were re-done with the new instructions and the adjustments were done in year 2011 only; therefore explaining the difference with the 2010 RRR filing.

**30. Ref: E3/T2/S1 - Tax Years – Statute-barred**

Please confirm that all tax years from 2001 to 2005 are now statute-barred.

HHI's Response: to the best of our knowledge all tax years from 2001 to 2005 are now statute-barred