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December 16, 2008

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Innisfil Hydro Distribution Systems Limited
Application for 2009 Electricity Distribution Rates
Board File No. EB-2008-0233

Please find enclosed the second round of interrogatories submitted on behalf of VECC.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Innisfil Hydro Distribution Systems Limited (IHDSL)

2009 RATE APPLICATION

VECC Round 2 IRs

Question #18

Reference: Energy Probe IR #2 d) and #4

a) Energy Probe #4 shows that the September 2008 customer count for the Residential and GS<50 customer classes exceeds IHSDL's 2008 year-end forecast. Please update the 2008 and 2009 customer count forecast for these two classes and update the overall 2009 load forecast by customer class provided in response to Energy Probe # 2 d) accordingly.

Response

Innisfil Hydro is further clarifying Exhibit 3/Tab 2/Schedule 3 page 2 of 2 the Customers (Year end) column reference should read as (Annualized).

Innisfil Hydro is also clarifying the table headings within Exhibit 3/Tab 2/Schedule 3 page 6 to page 9 for table 6 to table 12 in **Bold** as follows:

- Table 6 Historical **Year end** Customer/Connection Data
- Table 7 Growth Rate in **Year end** Customer/Connections
- Table 8 **Annualized** Customer/Connection Forecast
- Table 9 Historical Annual Usage per **Year end** Customer/Connection
- Table 10 Growth Rate in Usage per **Year end** Customer/Connection
- Table 11 Forecast Annual kWh Usage per **Annualized** Customer/Connection
- Table 12 Non-normalized Weather Billed Energy Forecast for **Annualized** Customers

Question #25

Reference: IHDSL's Interrogatory Responses

a) In its interrogatory responses IHDSL has identified a number of revisions required to its Application. Please add an additional column to Exhibit 7, Tab 1, Schedule 1 (page 2) to reflect the impact of the revisions IHSDL has acknowledged as being required and for each line item that has changed provide a cross reference to the appropriate IR responses.

Response

Innisfil Hydro is further clarifying the capital changes provided in the Summary of Proposed Changes under the OEB staff IRs' 3.1e), 3.2a) and 3.2b) with the following table:

Capital Changes to Innisfil Hydro Board file EB-2008-0233

Project Reference	Description of capital change	Capital Impact Increase (Decrease)	2008 Fixed Assets	2009 Fixed Assets	2009 Rate Base Impact (Average)	2009 Depreciation Impact	2009 Actual Debt Impact
Exhibit 2/Tab 3/Sch 2 2008 Cust Demand Road Widening	The road widening is a project estimated to occur over a 4 year span of 2008 to 2011 as explained in Exh 2/Tab 3/Sch 2 page 11 of 24. The first phase of the project has been delayed from 2008 to 2009. The cost for the first phase has increased from $750k to $1,050k. The project is expected to be staged from 2009 to 2012. This increase the cash on hand at the end of 2008 and flow through to the debt required May 2009 thus decreasing the 2009 debt by $750k.	(750,000)	(735,000)	(705,000)	(720,000)	(30,000)	(750,000)
Exhibit 2/Tab 3/Sch 2 2009 Cust Demand Road Widening	In May of 2007, the Town of Innisfil had released the Innisfil Beach Road Urban Design Study and Guideline, http://www.innisfil.ca/TownHall/files/InnisfilUrbanDesignStudy2.pdf?ID=94&CID=176 The project is a four phase streetscape design involving approximately 3.8 km of Innisfil Beach Road between the 20th Side Road and Lake Simcoe. Phase one of the project was originally scheduled to have utility relocates occurred in 2008. Without a completed streetscape design, Innisfil Hydro estimated their costs for utility relocates at $750,000 for 2008 budget purposes. When the streetscape design was completed in the Fall of 2008, the actual engineering design came in at $1,050,000. Waiting for the final approvals by Town Council and property acquisitions for the road widening, utility relocates for phase one is now anticipated to start in the Spring of 2009. The road widening is a project estimated to occur over a 4 year span of 2008 to 2011 as explained in Exh 2/Tab 3/Sch 2 page 11 of 24. The first phase of the project has received an updated cost estimate from Innisfil Hydro's design engineering consultant for an amount of $1,050,000. The amount in the 2009 capital expenditures by Key Category for road widening was $788,800. This results in increased capital cost for 2009 of $261,200 for this phase of the project.	261,200	-	255,976	127,988	5,224	261,200
Exhibit 2/Tab 3/Sch 2 2009 Infrastructure and Capacity 27 kV voltage	The 27 kV voltage conversion and voltage extension for the settlement area of Lefroy will be postponed until 2010 due to the subdivision development delay. In Exh 2/Tab 3/Sch 2 2009 there was estimated cost for infrastructure category totalling $184,700 and estimated cost for capacity category totalling $714,550. These combined cost equal $898,650 of capital cost postponed to 2010.	(898,650)	-	(880,677)	(440,339)	(17,973)	(898,650)
Exhibit 2/Tab 3/Sch 2 2009 Reliability Hydro One build double circuit	Innisfil Hydro has determine one of the two feeders can be deferred for a few years and will not be required to pay the estimated Hydro One contribution. There will also be further reduction of capital cost for 1 wholesale meter for $70,000 and related switches, insulators and wire totaling $123,100. In Exh 2/Tab 3/Sch 2 2009 there was an estimated cost for reliability category for the H1 double circuit totalling $500,000, estimated cost for metering category of one wholesale meter for $70,000 and estimated costs for the reliability category for the 9M3 9M6 extension is $853,186 of which $123,100 is for switches, insulators and wiring relating to the second circuit. These combined cost equal $693,100 of capital cost postponed for a few years.	(693,100)	-	(679,238)	(339,619)	(13,862)	(693,100)
	Totals	**(2,080,550)**	**(735,000)**	**(2,008,939)**	**(1,371,970)**	**(56,611)**	**(2,080,550)**

Innisfil Hydro is providing an Updated Summary of Changes due to the amount reference under the OEB IR #3.2a) was showing as $670,000 and it should read as $693,100. This did not change any figures in the table and only changes the note reference.

Innisfil Hydro Distribution Systems Limited
Revised Summary of Proposed Changes

		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Revenue Deficiency
IR #	**Original Submission August 15, 2008**	**$1,732,770**	**7.19%**	**$24,089,366**	**$20,952,180**	**$3,142,827**	**$1,980,834**	**$596,367**	**$3,931,720**	**$8,241,691**	**$7,750,434**	**$1,071,765**
EP 1c)	Loss factor chg to load forecast	**$1,735,078**	**7.19%**	**$24,121,443**	**$21,166,026**	**$3,174,904**	**$1,980,834**	**$597,025**	**$3,931,720**	**$8,244,657**	**$7,753,400**	**$1,046,120**
	Change	$2,308	-	$32,077	$213,846	$32,077	$0	$658	$0	$2,966	$2,966	-$25,645
EP 16a)	Loss factor chg to cost of power	**$1,739,201**	**7.19%**	**$24,178,765**	**$21,548,170**	**$3,232,226**	**$1,980,834**	**$598,202**	**$3,931,720**	**$8,249,957**	**$7,758,700**	**$1,051,420**
	Change	$4,123	-	$57,322	$382,144	$57,322	$0	$1,177	$0	$5,300	$5,300	$5,300
EP 16c)	Commodity & RTSR update	**$1,755,972**	**7.19%**	**$24,411,922**	**$23,102,550**	**$3,465,383**	**$1,980,834**	**$602,991**	**$3,931,720**	**$8,271,517**	**$7,780,260**	**$1,072,980**
	Change	$16,771	-	$233,157	$1,554,380	$233,157	$0	$4,789	$0	$21,560	$21,560	$21,560
OEB	Capital/Amortization/Debt	**$1,735,797**	**7.54%**	**$23,039,953**	**$23,102,550**	**$3,465,383**	**$1,924,223**	**$601,512**	**$3,931,720**	**$8,193,251**	**$7,701,994**	**$994,714**
	Change	-$20,175	0.35%	-$1,371,969	$0	$0	-$56,611	-$1,479	$0	-$78,266	-$78,266	-$78,266
3.1e)	2008 ($750.0k), 2009 +$261.2k											
3.2a)	2009 ($693.1k)											
3.2b)	2009 ($898.65k)											
OEB 4a)	Smart Meter Funding Adder (Bill Impact only)	**$1,735,797**	**7.54%**	**$23,039,953**	**$23,102,550**	**$3,465,383**	**$1,924,223**	**$601,512**	**$3,931,720**	**$8,193,251**	**$7,701,994**	**$994,714**
	Change	$0	-	$0	$0	$0	$0	$0	$0	$0	$0	$0
SEC 1b)	IFRS reporting standards	**$1,736,067**	**7.54%**	**$23,043,703**	**$23,127,550**	**$3,469,133**	**$1,924,223**	**$601,589**	**$3,956,720**	**$8,218,598**	**$7,727,341**	**$1,020,061**
		$270	0.00	$3,750	$25,000	$3,750	$0	$77	$25,000	$25,347	$25,347	$25,347
	Proposed at December 18, 2008	**$1,736,067**	**7.54%**	**$23,043,703**	**$23,127,550**	**$3,469,133**	**$1,924,223**	**$601,589**	**$3,956,720**	**$8,218,598**	**$7,727,341**	**$1,020,061**
	Change - Proposed vs. Original	0.19%		-4.34%	10.38%	10.38%	-2.86%	0.88%	0.64%	-0.28%	-0.30%	-4.82%
		$3,297		-$1,045,663	$2,175,370	$326,306	-$56,611	$5,222	$25,000	-$23,093	-$23,093	-$51,704

Innisfil Hydro is further providing updates to Exhibit 6/Tab 1/Schedule 3 Cost of Debt table due to the $2,080,550 delays in capital expenditures noted in the above table. The 2008 delay of the road widening project of $750,000 results in an increase of cash on hand at the end of 2008 and further decreases the loan requirements in May 2009 by ($750,000). The increase cost for the 2009 phase of the road widening project will increase the loan requirements in May 2009 by $261,200. The delay of the voltage conversion and extension for the Lefroy project will decrease the loan requirements in May 2009 by ($898,650). The delay of one of the Hydro One feeders will decrease the loan requirements in May 2009 by ($693,100).

The estimated Bank Loan May 1, 2009 has decreased from $3,950,000 to $1,869,450 and the weighted Debt Cost from 6.27% to 6.93% as reflected in the following Weighted Debt Cost table:

Debt & Capital Cost Structure

Weighted Debt Cost

Description	Debt Holder	Affliated with LDC?	Date of Issuance	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
Note payable	Town of Innisf	Yes	December 31, 2003	2,107,444	4	7.25%	2006	152,790
				2,107,444		7.25%	2007	152,790
			December 31, 2007	2,107,444	2	3.35%	2008	70,599
				2,107,444		3.35%	2009	70,599
Debentures	Town of Innisf	No	April 1, 1995	6,640,000	20	9.75%	2006	647,400
				6,155,000		9.75%	2007	600,113
				5,621,000		9.75%	2008	548,048
				5,032,000		9.75%	2009	490,620
Bank Loan	Infastructure C	No	May 1, 2009	1,869,450	25	5.08%	2009	63,312
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0

Total Long Term Debt Outstanding at end of 2006	8,747,444	Total Interest Cost for 2006	800,190
		Weighted Debt Cost Rate for 2006	9.15%
Total Long Term Debt Outstanding at end of 2007	8,262,444	Total Interest Cost for 2007	752,902
		Weighted Debt Cost Rate for 2007	9.11%
Total Long Term Debt Outstanding at end of 2008	7,728,444	Total Interest Cost for 2008	618,647
		Weighted Debt Cost Rate for 2008	8.00%
Total Long Term Debt Outstanding at end of 2009	9,008,894	Total Interest Cost for 2009	624,531
		Weighted Debt Cost Rate for 2009	6.93%

Innisfil Hydro updated calculations of its average debt outstanding for 2009 reduced by $2,080,550 and the related effective debt rate for 2009 increasing by 0.66%. The updated Exhibit 6/Tab1/Schedule 3 page 3 of 3 is as follows:

	2006 Board Approved	**2006**	**2007**	**2008 Bridge**	**2009 Test**
Debt Service Costs	900,562	800,190	752,902	618,647	624,531
Average Debt Outstanding	9,586,444	8,747,444	8,262,444	7,728,444	9,008,894
Effective Debt Rate-LT -Short Term	**9.19%**	**9.15%**	**9.11%**	**8.00%**	**6.93% 4.47%**

Innisfil Hydro updated calculations of its 2009 Return on Capital per Exhibit 6/Tab 1/Schedule 3 page 3 of 3 due to the reduction of the average debt outstanding decreasing by $2,080,550 and the cost of capital-long term increasing from 6.27% to 6.93% is as follows:

	Deemed Portion	**Effective Rate**	**Rate of Return**
Cost of Capital-Long Term	56.67%	6.93%	3.65%
Cost of Capital-Short Term	4.00%	4.47%	0.18%
Equity	43.33%	8.57%	3.71%
Return on Capital			**7.54%**

Innisfil Hydro is providing an updated deemed capital structure per Exhibit 6/Tab1/Sch 2 with an updated rate of return of 7.54% compared to the 7.19% originally submitted as follows:

CAPITAL STRUCTURE

2006 Board Approved

Description	$	% of Rate Base	Rate of Return	Return
Long Term Debt	9,799,359	50.00%	9.19%	900,561.09
Unfunded Short Term Debt				
Total Debt	9,799,359	50.00%		900,561.09
Common Share Equity	9,799,359	50.00%	9.00%	881,942.31
Total equity	9,799,359	50.00%		881,942.31
Total Rate Base	19,598,718	100%	9.10%	1,782,503.40

2006

Description	$	% of Rate Base	Rate of Return	Return
Long Term Debt	9,850,618	50.00%	9.15%	901,104.73
Unfunded Short Term Debt				
Total Debt	9,850,618	50.00%		901,104.73
Common Share Equity	9,850,618	50.00%	9.00%	886,555.64
Total equity	9,850,618	50.00%		886,555.64
Total Rate Base	19,701,236	100%	9.07%	1,787,660.37

2007

Description	$	% of Rate Base	Rate of Return	Return
Long Term Debt	10,045,679	50.00%	9.11%	915,396.67
Unfunded Short Term Debt				
Total Debt	10,045,679	50.00%		915,396.67
Common Share Equity	10,045,679	50.00%	9.00%	904,111.11
Total equity	10,045,679	50.00%		904,111.11
Total Rate Base	20,091,358	100%	9.06%	1,819,507.78

2008 Bridge Year

Description	$	% of Rate Base	Rate of Return	Return
Long Term Debt	10,956,827	53.33%	8.00%	877,072.66
Unfunded Short Term Debt				
Total Debt	10,956,827	53.33%		877,072.66
Common Share Equity	9,588,508	46.67%	9.00%	862,965.71
Total equity	9,588,508	46.67%		862,965.71
Total Rate Base	20,545,335	100%	8.47%	1,740,038.37

2009 Test Year

Description	$	% of Rate Base	Rate of Return	Return
Long Term Debt	11,965,253	52.67%	6.93%	829,477.66
Unfunded Short Term Debt	908,696	4.00%	4.47%	40,618.71
Total Debt	12,873,949	56.67%		870,096.36
Common Share Equity	9,843,448	43.33%	8.57%	843,583.49
Total equity	9,843,448	43.33%		843,583.49
Total Rate Base	22,717,397	100%	7.54%	1,713,679.86