

**Responses to CCC Interrogatories  
2009 Electricity Distribution Rates  
ENWIN Utilities Ltd. ("EWU")  
EB-2008-0227**

**ADMINISTRATION:**

- 1. Please indicate specifically when EWU intends to apply for its next rate adjustment. Why is EWU intending to apply for a cost of service adjustment rather than an adjustment under the Board's 3GIRM? On what basis will EWU's rates be set for 2010?**

EWU has not predetermined that it will file a COS rate application for the 2011 rate year. However, in light of the economic challenges that were facing the Detroit Big 3 automakers and their suppliers in early 2008, challenges that were compounded by the credit crises in late 2008, and given the importance of the automotive sector to Windsor's economy, EWU believes it is more likely than not that it will be required to file a COS rate application for the 2011 rate year.

The Board's 3GIRM process would not allow EWU to revise its load forecast and other potentially significant elements of its revenue requirement. EWU's preference is to use effective IRM rather than COS. To this end, EWU has actively participated in the Board's 3GIRM development process and has advocated for a flexible mechanism that could take into account a wide range of contingencies.

EWU anticipates that it will bring a 3GIRM application for 2010 rates.

**RATE BASE:**

- 2. Ex. 2/T1/S1/p. 8**

**Table 2-1-1 B sets out a Rate Base Additions Summary. Please confirm that these amounts are capital budget amounts and not rate base additions. If not, provide a schedule which sets out EWU's capital expenditures forecast for 2006-2009. Please include 2006 Board approved levels.**

EWU confirms that the amounts shown in Table 2-1-1-B represent capital budget amounts.

3. Ex. 2/T1/S1/p. 11

**With respect to new services the 2008 and 2009 budgets are \$2.43 million and \$2.42 million. Please provide a detailed list of all projects included in the 2009 budget. Please provide a detailed justification for those projects.**

For a detailed list of all “New Service” projects for 2009, see the response to SEC question 11. Detailed justifications for these projects can be found in EWU’s Application and Evidence at Exhibit 3-2-1 section 1.

4. Ex. 2/T1/S1/p. 31

**EWU’s 2008 forecast expenditures for Replacement of End of Life Equipment on Customer Property are \$651,944. The budget for 2009 is 0. What would be the implications of spreading these expenditures over three years? How much of the 2008 budget has been spent?**

The implications of delaying replacement of aged equipment on customer property are increased utility exposure to system reliability degradation and increased exposure to fire/safety risk to customer property and tenants.

In particular, the Windsor Housing Development area had recently experienced a number of cable faults and was in a position with no back-up supply available. In the event the last remaining supply conductor failed, the residents would experience a significant power outage. The Shoreline and Bayview Tower projects were not able to be completed before year end due to a variety of delays such as a shortage of engineering staff, customer convenience and weather. They will be completed by the end of January 2009 in order to most expeditiously mitigate the risks noted above.

5. Ex. 2/T1/S1/p. 36

**In 2007 EWU spent \$372,067 on its Pole Top Recloser Program. One of the rationales for proceeding was to reduce outage costs by \$1.1 million. Please identify where in the evidence the \$1.1 million reduction is set out.**

As stated in the exhibit cited above, “outage costs to EWU’s large industrial customers can be reduced by \$1.1 million/year”. These do not represent a reduction in outage costs to EWU. These represent a reduction in outage costs to customers. The calculations regarding this reference can be found in Attachment SEC\_IRR\_14 at p32 of Appendix A.

6. **Ex. 2/T1/S1/p. 40**

**Please provide a detailed budget for the complete multi-year GIS program. Please provide a business case for the program.**

Please see Attachment CCC\_IRR\_6 for details of Phase I of the multi-year GIS program (\$100,000), which has been implemented and put in service. Another \$100,000 has been budgeted in 2009 for Phase II of this project. The business case is currently under development with plans for this phase of the project to be in service prior to the end of 2009.

7. **Ex. 2/T1/S1/p. 42**

**EWU is spending \$1.08 million in 2008 and \$106 million on Administrative Sustainability. The projects include information technology, site services and fleet support. Please provide a detailed budget for each of these components of the Administrative Sustainability.**

Please see Attachment CCC\_IRR\_7 for detailed budgets of the various components within the Administrative Sustainability category.

8. **Ex. 2/T1/S1/p. 49**

**Over the three year period EWU is spending almost \$300,000 in “Other Administration” capital. Please provide a detailed account of these expenditures and a rationale for the individual elements of three-year budget.**

Please see Attachment CCC\_IRR\_8 for detailed breakdowns of spending in Other Administration capital category.

2007 Expenditures: \$81,601 was spent in the Other Administration category in 2007. Of this sum, EWU has spent \$24,624 to replace meter reading hand held equipment because EWU’s meter reading hand held equipment will no longer be supported by the vendor. In addition, EWU spent \$53,641 on various office equipment and renovations and \$3,336 on miscellaneous equipment.

2008 Expenditures: \$156,300 is budgeted in the Other Administration category in 2008. Of this sum, EWU budgeted \$30,000 for the purchase of additional meter reading hand helds as part of the same replacement program noted above for 2007. EWU budgeted \$60,000 for office equipment required to set up its project management office, including desks, chairs and office set up. In addition, EWU has budgeted \$60,800 for other office equipment and \$5,500 for miscellaneous equipment.

2009 Expenditures: \$57,850 is budgeted in the Other Administration category in 2009. Of this sum, EWU budgeted \$32,000 for the purchase of additional meter reading hand helds as part of the same replacement program noted above for 2007. In addition, EWU has budgeted \$24,850 for various other office equipment and \$1,000 for miscellaneous equipment.

9. **Ex. 2/T1/S1/p. 51**

**In 2008 and 2009 EWU is proposing to spend almost \$1.4 million in Customer Service capital. Please provide a business case for these expenditures.**

The Contact Centre and VOIP application project expenditures were driven by the need for a telephone system to replace the current outdated system which will no longer be vendor supported and which requires functionalities beyond those currently available. In addition to these base project expenditures, further functionalities will be introduced within the planned expenditures in 2009.

These expenditures will transfer “high volume, low value” administrative work from Customer Service Representatives (CSR) to automated technologies. This is possible through the use of Interactive Voice Response (IVR) technology. Accordingly, high volume calls (e.g. moving in/out and customer-provided meter readings) can be completed by the customer without the direct, immediate interaction of a CSR.

As a result of the shift in work, the CSR are expected to increase levels and quality of customer service during peak times by focusing staff on “high value” customer issues. In addition, any administrative interfacing between the automated customer service functionalities and the CSR can be increasingly managed during off peak time, effectively increasing overall productivity and efficiencies within the Customer Call Centre.

Much like moving from an out-of-date desktop computer to a current model, proceeding with a current telephone system will make it possible for EWU to explore other add-on functionalities. Some of these include an “auto dialler”, which could update customers during power outages, “call ahead”, which could remind customers of upcoming service appointments, and “web serve”, which through various manifestations and integrations with “phone serve” could further reduce the need for CSR involvement in “low value” work.

For additional discussion on the Customer Contact Centre, please see the response to VECC question 4(e).

10. Ex. 2/T1/S1/p. 60

**Please provide a schedule setting out the costs of the SJH Consulting Report and indicate how those costs are to be recovered. Was the contract subject to an RFP process? If not, why not? Please provide the cv of Sarah Horsley which appears to be missing from Appendix A.**

The report provided by SJH Consulting cost \$26,914.70. This contract was entered into without an RFP process due to the specialized nature of the expertise sought. Recommendations were sought and a discussion with SJH Consulting was undertaken. The contract was entered into on a time and materials basis at that point. The CV of Sarah Horsley is enclosed as Attachment CCC\_IRR\_10.

11. Ex. 2/T1/S1/p. 62

**Please indicate what elements of the Comprehensive ERP will be in-service in 2009, the expected costs to be incurred when the projected in-service dates.**

Based on the plans proposed by the bidders, the expectation at this time is that the following components would be in service in 2009: financial accounting and reporting, wholesale and retail management (part 1), supply chain, plant maintenance, distribution project maintenance, asset management, work management, human resources, purchasing, goods and services, inventory management and procurement. A specific plan will be developed by the selected service implementer.

## **REVENUE REQUIREMENT**

12. Ex 1/T2/S2/p. 1

**Please provide a schedule in the same format as that set out at Schedule 2 for each year 2006-2008.**

Please see Attachment CCC\_IRR\_12.

## **COST OF SERVICE**

### **13. Ex. 3/T2/S1**

**Please provide the total costs of the ERA distribution revenue forecast and weather normalization report. Please explain how those costs are recovered.**

The ERA load forecast (Exhibit 3-2-2) cost \$9,397.50. This amount is included in the “one-time” COS consulting costs, which EWU has proposed to recover over 2 years.

### **14. Ex. 4/T2/S1/p. 1**

**EWU is proposing an increase in OM&A costs of 8.85% for 2008 and 9.3% for 2009. If EWU was required to reduce its OM&A costs from 2008 to 2009 to 5% what elements of the budget would EWU reduce? Please provide a detailed explanation.**

EWU established its OM&A budget for 2009 based on the priorities and processes set out in the Application and Evidence at Exhibit 4-2-1 pp10-15. If a situation arose (e.g. Board order, loss of a major customer) that forced EWU to reduce its OM&A costs, it would be necessary to revisit similar priorities and processes as were used to establish the budget.

The hypothetical situation offered in this question is vaguer than the reality would be. For example, a Board order would likely express the Board’s opinion on cost issues that EWU would want to incorporate into its re-evaluation of the OM&A budget. Similarly, the loss of a particular major customer would have some very specific impacts on EWU’s distribution system, which would affect re-evaluation of the OM&A budget.

The 2009 OM&A budget presented in the Application and Evidence is based on the justified and reasonable costs of operating, maintaining and administering EWU’s distribution system. In the event there is a requirement to not incur these costs and therefore not perform the associated work (and vice versa), prudent management practice is to re-evaluate budgets based on the details of the requirement.

### **15. Ex. 4/T2/S1/p. 14**

**The evidence states that the consolidated OM&A budget is presented to the EWU Board of Directors and is formally approved. Please provide the 2009 budget presented to the Board and all materials provided in support of 2009 budget.**

The OM&A budget as presented to EWU’s Board of Directors is included in Attachments CCC\_IRR\_15-1, CCC\_IRR\_15-2 and CCC\_IRR\_15-3. Supporting budget memo, income statements, balance sheet, cash flows, capital plan and variance analysis are also included in support of the 2009 budgets.

It is important to note however that the budget presented includes all information and analysis reported on a gross basis, showing all expenses incurred by the LDC and revenues charged to affiliates. For EWU's 2009 COS Application, the expenses and related variance analysis is on a net basis, reflecting only the costs remaining in the LDC for OM&A expenses.

16. Ex. 4/T2/S1/p. 6

The evidence states that Regulatory Expenses are increasing by \$392, 835 over 2008 levels and that this represents 50% of the total costs. Please provide the following:

1. Total forecast regulatory expenses related to this cost of service filing. Please include a detailed breakdown of all costs including external legal and consulting costs;

Consultants	150,000
Legal Fees	450,000
Incremental Staff Costs	0
Production Costs	12,000
Public Notices	6,000
Other (specify)	
Other (specify)	
Other (specify)	
Other (specify)	
<b>Total costs incurred by utility</b>	<b>618,000</b>
Intervenor Cost Awards	50,000
OEB Cost Assessment	50,000
<b>Total Incremental filing costs for 2009 EDR</b>	<b>718,000</b>
Rebasing cycle (years)	2
Discount rate	5.00%
<b>Annual expense</b>	<b>386,144</b>

2. Total costs incurred to date and a detailed breakdown of those costs including legal and consulting costs;

Please see Attachment CCC\_IRR\_ 16.

3. A detailed breakdown of regulatory costs incurred with respect to the 2006 EDR rate application.

Please see Attachment CCC\_IRR\_ 16.

17. **Ex. 4/T2/S2/p. 4**

**Please explain the significant increase in average executive compensation from 2007 to 2009.**

Executive compensation for 2007 – 2009 was determined using the same methodology as all categories as defined in Exhibit 4-2-2. As was the case in 2006 when the Hay Group prepared its report, EWU's executives continue to be compensated at levels below the 50<sup>th</sup> percentile. The increase in executive compensation is explained by the budgeted average increases anticipated for the Bridge and Test Years as well as the addition of a fully dedicated executive member, Director, Regulatory Affairs, effective June, 2007. Also contributing to the increase in the average executive compensation is the allocation of shared executive employees to EWU. There are no anticipated FTE increases in this category.

18. **Ex. 4/T2/S2/p. 5**

**Please provide the 2006 forecast and actual amounts for overtime. Please provide a detailed description of EWU's overtime policy.**

The 2006 actual and budgeted overtime dollars are summarized below:

<b>Total 2006 Overtime \$'s</b>	
<b>Actual</b>	<b>Budget</b>
\$368,561	\$385,658

EWU overtime policy pays overtime to full-time unionized employees for all hours worked in excess of their scheduled daily hours, and for all hours worked on their scheduled days off and Paid Holidays. More specifically, the EWU–Hydro Division collective bargaining units also defines the eligibility of overtime as all hours worked in excess of eight hours a day or seven and one half hours a day in the case of Clerks, Monday to Friday, and for all hours worked on Saturdays, Sundays and Paid Holidays.

Overtime is paid at two times the standard hourly rate. All employees also have the option to request time off in lieu of a cash payment for overtime worked. Time off in lieu is credited to an employee in increments of one hour at a rate equal to two times the overtime hours worked. The EWU–Services Division collective agreement only grants time off in lieu equal to one and a half times the overtime hours worked.

Foreman supervisors which are non-unionized can also earn overtime. Overtime is earned if the overtime event exceeds two hours and must be approved by management. Overtime is paid at a rate of two times the standard rate. Time off in lieu is available to the Foreman supervisors as well.



## REGULATORY ASSETS

### 19. Ex. 5/T1/S1/p. 5

**Please indicate whether there are balances in account 1565 and 1566. If there are amounts recorded in those accounts please describe the nature of those entries and provide an explanation as to why clearance is not being sought in this proceeding.**

Yes, there are balances in account 1565 and 1566, as of December 31, 2007. These balances reflect the approved 3rd tranche CDM dollars that were obtained through rates to our customers in 2005 & early 2006, less any expenditures incurred to date for these specified CDM activities EWU has requested and received approval from the Board for an extension of the program to Dec 31, 2008 in order to fully utilize these funds. It is anticipated that all funds will be spent by the end of 2008 and therefore the balances in these accounts would be zero. This is why clearance is not being sought for these funds as the balance at the end of 2007 is a very temporary timing difference and will be fully cleared by the end of 2008.

### 20. Ex. 5/T1/S2

**Please provide a detailed schedule setting out all smart meter expenditures made to date and the forecast of expenditures going forward. Please indicate the nature of all of the costs and identify whether they are related to “minimum functionality.” To the extent EWU is undertaking expenditures that relate to activities beyond minimum functionality please describe all such activities and expenditures.**

EWU has not made any Smart Meter expenditures to date. EWU’s plan is to not pay for any functionality above minimum functionality. Accordingly, no smart meter costs are sought to be recovered in distribution rates in 2009.

The only smart meter related charge in 2009 would be the smart meter rate adder which would serve to offset the impact of recovery once recovery is sought by EWU and authorized by the Board.

Smart Meter expenditures should not be reviewed by the Board until such time as recovery is sought for those expenditures, in accordance with the Board’s Smart Meter Guideline, G-2008-0002: “The prudence of such costs will be examined, and the costs will be approved (or denied), at the time at which the distributor applies to recover them (see section 5 below).” (p8)

21. **Ex. 9/T1/S1/p. 1**

**The evidence indicates that in calculating the LRAM, where possible, load impacts were calculated based on approved savings per measure as set out in the TRC Guide. Please identify all circumstances where values that are not prescribed by the Guide were used and indicate the basis for the values selected.**

Where OEB tables did not include specific measure, information used was provided by the Summerhill Group for prescriptive measures. For Custom projects, customers provided detailed energy savings in their program application which was reviewed by an auditor or based on engineering estimates specific to that facility.

Please see Attachment CCC\_IRR\_21, for a detailed breakdown by project.

22. **Ex. 9/T1/S1/Attachment A**

**Please provide a complete program description of the following 2 CDM programs: “CFL Event” and “Keep Cool/Torchiere Exchange and Porchlight”. Please provide all program costs and a breakdown of how the TRC benefits were calculated.**

Please see the following attachments:

- CCC\_IRR\_22-1: Summerhill Group document on CFL program
- CCC\_IRR\_22-2: Cleanair Foundation document on Keep Cool/Torchiere Exchange program
- CCC\_IRR\_22-3: Final report on project Porchlight
- CCC\_IRR\_22-4: TRC calculations for project Porchlight