

Responses to Board Staff Interrogatories
2009 Electricity Distribution Rates
ENWIN Utilities Ltd. (“EWU”)
EB-2008-0227

GENERAL

1. Ref: n/a

ENWIN has received several letters of comment from ratepayers as a result of the Notice of Application in this proceeding. Please provide a response to the issues raised in each letter of comment received.

EWU has confirmed with Board Staff that there were 3 letters filed in this proceeding, 2 of which were from the same customer. EWU has not received any additional letters in response to the NOA or this Application more generally.

Letter 1 – Customer A

Issue 1: Rate increase amid economic turmoil

Response: EWU is aware of the economic turmoil currently facing its ratepayers in the City of Windsor service area. EWU’s employees as well as employees’ families, friends and neighbours are not immune from the impact of lost jobs, homes and stock market income. While there is a guttural reaction to want to defer these costs to better economic times, it is necessary to take a longer term and broader view on the importance of sustaining and enhancing infrastructure.

While macroeconomic issues are outside of EWU’s control, EWU believes it has a role to play in contributing the economic prosperity of the region. By maintaining electricity infrastructure and support systems, EWU is able to deliver safe and reliable power to the City’s largest employers. Particularly in Windsor’s manufacturing sector, reliably distributed electricity is an important component of efficiency and productivity.

The reality is that maintaining infrastructure, particularly in old urban centres, comes at a cost. It is also the case that enhancing infrastructure to improve safety, reliability, service and efficiency is costly. Fortunately, all ratepayers derive the benefits of those costs in the form of safe and reliable supplies of electricity for their own use and for the use of their employers, goods and services providers, and other organizations.

Issue 2: Rate increase amid other utility rate increases

Response: EWU does not control the costs or rates of other utilities. The rate increases, which amounts to \$3.72 or 3.4% on the monthly bill of a Residential customer who consumes 1,000kWh, provides the funds necessary to maintain the safe, reliable and well serviced distribution of electricity in the EWU service area.

Issue 3: Debt retirement charge and Ontario Hydro debt repayment

Response: The ratepayer may be confused that this is EWU debt. In fact it is the legacy debt of Ontario Hydro and, accordingly, unrelated to this Application.

Issue 4: Monthly budget plan

Response: The ratepayer has likely cited an amount from her total bill from EWU, which includes water and waste water charges unrelated to this Application, which EWU bills on behalf of the Windsor Utilities Commission and the City of Windsor respectively.

Issue 5: Rate increase compared to income

Response: The ratepayer may understand the Notice of Application to imply a 9.7% increase to the ratepayer's total monthly bill from EWU (including water and waste water). In fact, this Application would only increase the delivery line of the electricity component by 9.7% and the entire electricity bill by 3.4%. Assuming the electricity component is 50-60% of the total monthly bill from EWU (including water and waste water), the impact would be about 1.7 to 2.1%.

Issue 6: Regulator's responsibility to customers

Response: EWU recognizes the Board's legislated responsibilities to customers as well as to distributors and the safe and reliable operation of the electricity grid.

Letter 2 – Customer A

The customer's letter is in respect of an article in The Windsor Star on the topic of commodity rate increases effective November 1, 2008. While the customer requested that this second letter be added to the first letter, it may be more appropriately considered by the Board in the context of the next RPP adjustment. The ratepayers comments about the RPP increases in combination with distribution increases parallels issues from Letter 1 and EWU points to its responses, particularly in respect of Issues 1 and 2.

Letter 3 – Customer B

Issue 1: Rate increase amid economic turmoil

Response: Please see the response to Letter 1, Issue 1.

Issue 2: Previous EWU rate increases

Response: The 3 most recent EWU distribution rate increases were implemented on May 1, 2006 (2006 EDR), February 1, 2008 (2007 IRM), and May 1, 2008 (2008 IRM).

On May 1, 2006, a 1,000kWh Residential customer would have paid:

| | | | | | | |
|-------------|-----------------|-------|---------------|------------|-----------|---------------|
| 2006 | Total | | Volume | RPP | \$ | 128.35 |
| | Commodity | Below | 600 | 0.058 | \$ | 34.80 |
| | | Above | 439 | 0.067 | \$ | 29.41 |
| | Delivery | EWU | | | \$ | 31.66 |
| | | HONI | | | \$ | 10.39 |
| | Debt Retirement | | | | \$ | 7.00 |
| | Regulatory | EWU | | | \$ | 0.25 |
| | | Prov | | | \$ | 6.44 |
| | GST | | | | \$ | 8.40 |

On May 1, 2009, a 1,000kWh Residential customer is expected to pay:

| | | | | | | |
|-------------|-----------------|-------|-----|-------|-----------|---------------|
| 2009 | Total | | | | \$ | 124.61 |
| | Commodity | Below | 600 | 0.056 | \$ | 33.60 |
| | | Above | 438 | 0.065 | \$ | 28.47 |
| | Delivery | EWU | | | \$ | 32.75 |
| | | HONI | | | \$ | 10.17 |
| | Debt Retirement | | | | \$ | 7.00 |
| | Regulatory | EWU | | | \$ | 0.25 |
| | | Prov | | | \$ | 6.44 |
| | GST | | | | \$ | 5.93 |

Over this 3 year period, from rebasing year to rebasing year, the total monthly bill decreases by \$3.74 or 2.9% and the EWU portion increases by \$1.09 or 3.4%. The ratepayer's figures are likely in respect of another organization, not EWU.

Issue 3: Purpose of most recent rate increase

Response: EWU's most recent rate increase was implemented on May 1, 2008. The rates were increased in accordance with the Board's 2nd Generation IRM process and model. As set out in Exhibit 4-2-4, EWU's shared services and corporate cost allocation have the effect of offsetting EWU's costs and thereby providing the ratepayer with a higher quality of service for a lower cost.

Sewer (waste water) charges are collected by EWU on behalf of the City of Windsor as a corporate service. EWU's compensation system is not based on sewer charges. The ratepayer's concern is likely in respect of another organization, not EWU.

Issue 4: Audit

Response: EWU has never been audited in respect of waste water charges or surpluses. The ratepayer's assertions are likely in respect of another organization, not EWU.

Issue 5: Rate increase compared to income

Response: Please see the response to Letter 1, Issue 5.

Issue 6: Spending priorities

Response: The ratepayer has provided his address and it is clear from that address that he lives in a well established, middle class, residential neighbourhood that has been serviced since the post-WWII housing boom. Given that it is a built-out neighbourhood, EWU is not often involved in capital projects in that neighbourhood. However, EWU regularly performs OM&A work in that neighbourhood either directly or through agents to read meters, trim trees and perform maintenance.

The ratepayer's assertion about salaries is baseless. EWU's salary structure was reviewed by the Hay Group and, as set out at Exhibit 4-2-2 p5, "the executive employees continue to be compensated at levels below the 50th percentile."

RATE BASE (Exhibit 2)

Issue 2.1 Are the amounts proposed for Rate Base appropriate?

2. Ref: Exh1/Tab3/Sch1: 2007 Audited Financial Statements, p12

a) Please describe the nature of the service company, (and the services that it provided) that was absorbed into the utility that became ENWIN in 2007.

The former service company provided Managed Services. These included corporate administration, corporate communications, customer service and billing, finance, fleet management, human resources, information technology support, meter reading, purchasing and inventory management, and site services.

b) When that service company was absorbed, what percentage of staff were taken up by the utility and what was the number of staff absorbed?

100% of the staff from the services company was absorbed into the newly amalgamated company. The total number of staff absorbed from the services company totalled 160 employees. Prior to amalgamation, there was no duplication of staff functions between the services company and regulated company.

c) Please describe the nature of the major assets of the service company that were absorbed by the utility.

The major assets that were absorbed from the services company included land, buildings, computer hardware and software, office equipment and rolling stock. Prior to amalgamation, there was no duplication of asset functions between the services company and regulated company.

3. Ref: Exh2/Tab 2/ Sch2/p2 - Gross Assets & Exh2/Tab2/Sch3/p3 -Accumulated Depreciation

In 2007, when the merger took place, the gross plant of the utility increased by 24.3% (from \$205,696,422 to \$255,671,670) while accumulated depreciation increased by 51.6% (from \$58,264,830 to \$88,326,662). Please provide the major reasons why these two components of rate base are so different for that year.

These components would vary with the type of assets assumed during the amalgamation as these capital assets would have different useful lives and would be at different stages of their useful lives, with respect to depreciation taken. Accumulated depreciation assumed would be based on useful lives of assets and length of time assets in service. Accumulated depreciation has increased to a greater proportion than gross plant values due to shorter depreciable lives of some assets assumed on amalgamation and therefore higher ratio of accumulated depreciation levels to gross plant costs.

Issue 2.2 Are the amounts proposed for 2009 Capital Expenditures appropriate?

4. Ref: Exh2/Tab1/Sch1

On page 23 of Exhibit 2/Tab1/Schedule1, ENWIN has provided information on its Pole Replacement Program. The Kinectrics Report has identified approximately 3000 poles in the 27.6 kV system that are in poor condition and need replacement. Accordingly, ENWIN intends to replace 160 poles at a cost of \$800,000.

- a) Did ENWIN have a Pole Replacement Program prior to the Kinectrics Report. If “Yes”, please provide details. If “No”, what approach did ENWIN use to identify and replace poles?**

EWU has been performing annual pole inspections for well over 20 years. The regular inspection program assesses the condition of poles. Where poles are decayed, EWU schedules them for replacement.

- b) Does ENWIN intend to replace all 3000 poles over time as identified in the Kinectrics Report? Please provide details of timelines, number of poles that ENWIN intends to replace and total costs involved.**

Yes, EnWin plans on replacing all 3,000 poles. The program timelines, budgeted dollars and number of poles are set out in Attachment ST_IRR_4B.

The replacements are covered under 3 different categories: 28kv, 4kV and Maintenance. The 28kV replacements are those poles on the exclusively 26.7kV system. They are generally experiencing the greatest degree of decay and have the greatest impact to reliability and public safety if they were to fail. These poles will be replaced through the 26.7kV rebuild program.

The 4kV replacements are those poles that currently support both 26.7kV and 4kV lines (aka ‘underbuild’). These poles will be replaced through the 4kV rebuild program.

The maintenance pole replacement expenditures are single pole replacements that have been identified as requiring replacement through the pole inspection program. These poles have a lower reliability impact. They are mainly in customers' back yards and have only single phase primary conductors on them. They are also widely dispersed across the service territory. These poles will be replaced on a targeted basis.

Figure 4, p19 of the Kinectrics 27.6kV Report, filed in the Application and Evidence at Exhibit 2-1-1 Attachment B, shows 449 poles at their 'end-of-life'. All of these poles are scheduled for replacement by the end of 2009. As time passes, some of the poles currently in good condition will transition into the 'poor condition' state, as will some of the poles currently in the 'poor' condition transition into the 'very poor' condition. In order to systematically replace these poles as they reach their end-of-lives, dollars have been budgeted in concert with not only this ageing cycle, but also levelled with capital funding requirements for future years. As the 4kV program comes to completion in 2012-2013, the 27.6kV rebuild program is forecasted to increase, thereby, levelling capital dollars and manpower requirements.

- c) **On page 44 of the Kinectrics Report (Report No: K-013638-010-RA-0001-R00, "Condition Assessment for Enwin Utilities' 27.6 kV Assets"), Kinectrics notes that poles can be reinforced if they are weak at certain spots. The reinforcement can be made of steel trusses, at about \$600 per pole or reinforced epoxy wraps at \$1,400 per pole. Has ENWIN considered this alternative in its replacement strategy? Please provide details.**

EWU does use 'wraps', mainly to delay decay and extend the lives of the poles. These 'wraps' are installed as part of EWU's pole inspection program and only installed where warranted. Although these temporary measures delay ultimate replacement, the poles scheduled for replacement in the test year must be replaced.

Steel trusses have been used in the past and from time to time EWU may also install other means of providing physical support for the poles. Most of these measures are only temporary and many customers have concerns about the aesthetics as a large number of poles are in their backyards. So as not to inconvenience customers too frequently, by disturbing their privacy, gardens, landscaping, etc. through repeat visits, EWU prefers to make one trip and replace the poles entirely.

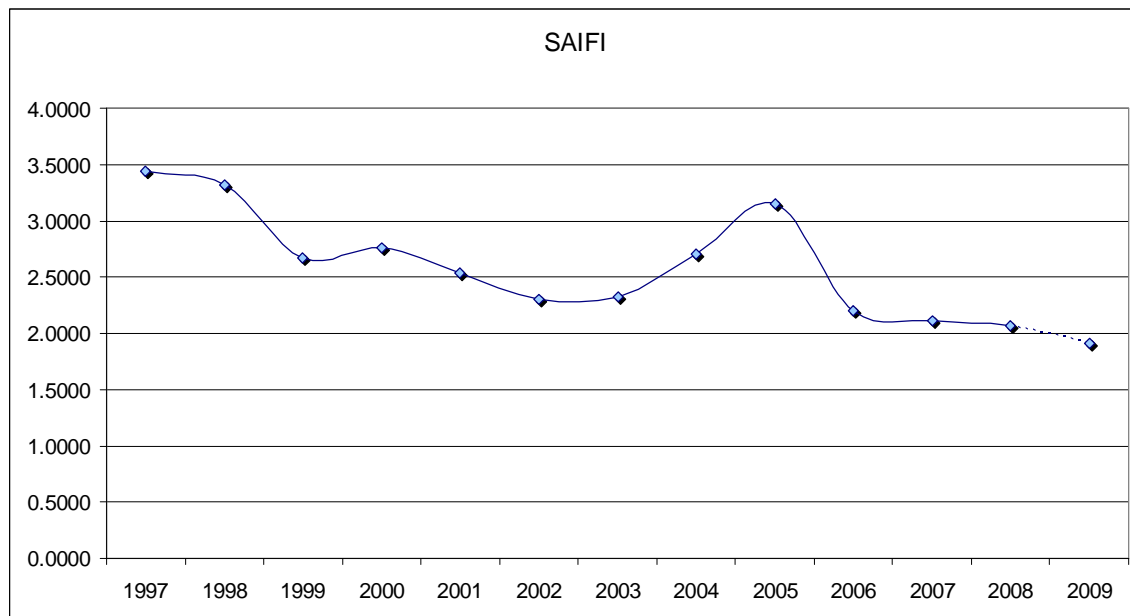
- d) **ENWIN has indicated that it intends to replace approximately 160 poles in 2009 at an average cost of \$5,000 per pole. Please provide a breakdown of the costs including labour costs.**

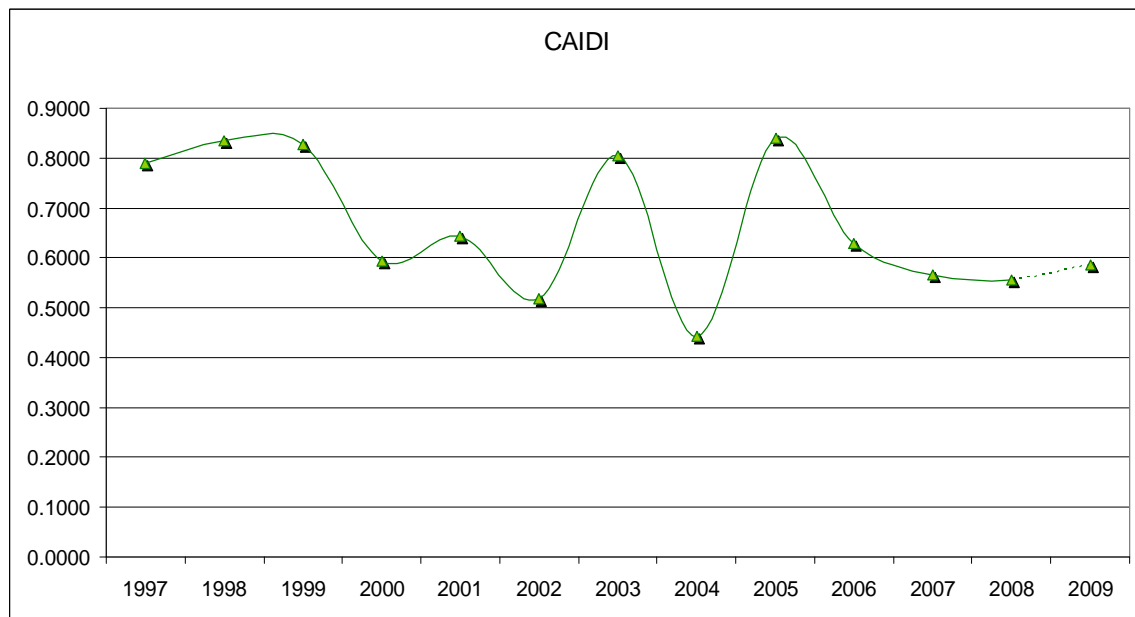
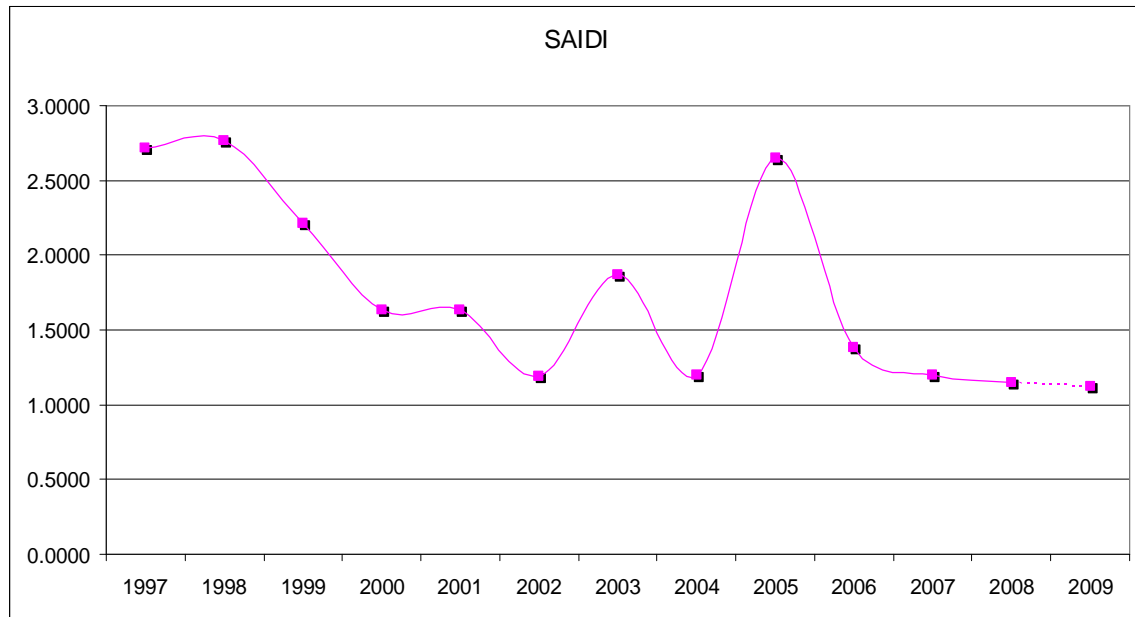
| Cost Category | Total Cost (160 Poles) |
|----------------------|------------------------|
| Labour | 341,302 |
| Material | 259,055 |
| Trucking | 74,461 |
| Services | 125,182 |
| Project Total | \$ 800,000 |

5. Ref: Exh2/Tab1/Sch1

- a) **Please provide a record of reliability indices for the years 2003 through 2009 (estimated) and indicate the desired values.**

EWU's anticipated reliability indices for 2009 are based a forecasted 10% improvement over a 3yr rolling average for SAIDI and SAIFI indices. Below are charts depicting the SAIFI, SAIDI and CAIDI indices from 2002 through 2009:





- b) **Indicate if and how the reliability indices relate to the capital expenditures for each of the projects that have been undertaken for reasons of reliability in bridge 2008 and projected 2009.**

Capital projects undertaken for reasons of reliability improvements are those projects identified as “Operations Enhancement” in Table 2-1-1B with greater details found in Section 3.2.2.2 Operation Enhancement within EWU’s Application and Evidence. Below is a listing of these Capital Enhancement programs along with comments as to how they will impact the reliability of the distribution system.

| Project | 2008 | 2009 | Projected Reliability Impact |
|------------------------------------|-------------|-------------|---|
| Padmounted Switchgear Replacements | 107,240 | 150,000 | Improvements to SAIDI |
| Pole Top Recloser | 0 | 0 | Improvements to SAIDI |
| Single-Phase Line Protection | 15,000 | 15,000 | Improvements to SAIDI and SAIFI |
| SCADA Improvements | 104,711 | 272,175 | Improvements to SAIDI and SAIFI |
| Transformer Station Upgrades | 355,427 | 166,500 | Reliability improvements realized through improved physical and cyber security. Future system enhancements can be realized through real time data |

6. Ref: Exh2Tab1/Sch1

Ontario and ENWIN’s service territory has experienced a significant downturn in current economic activity which will likely continue in the coming years.

Please provide a list of all capital projects for 2008 and their current status. If ENWIN will be unable to complete any of the scheduled projects for 2008, please provide details and the reasons for their delay or cancellation. Also, how will this impact projects planned for 2009?

Please see Attachment ST_IRR_6 for a listing and status report in respect of the 2008 capital projects. Historically, all capital projects are evaluated and re-examined throughout the year and this would continue to be the utility’s practice in 2009. The operational and fiscal situations will be taken into consideration when evaluating the 2009 capital projects along with any 2008 carry over projects.

7. Ref: Exh2/Tab3/Sch2

- a) **Please provide a list of criteria and the rationale that ENWIN has used in the prioritization and selection of 2009 maintenance and capital projects in its application.**

In respect of capital and O&M (Exhibit 2-3-2 p2 and Exhibit 4-2-1 p11):

“Prioritization is based on a number of considerations, including:

- Reliability;
- Health and safety;
- Environmental; and
- Location relative to other projects (i.e. coordination of crews for multiple projects within proximity reduces costs).”

In respect of administration expenses (Exhibit 4-2-1 p12):

“EWU prioritizes the potential projects based on a number of considerations, including:

- Health and safety;
- Environmental;
- Customer service; and
- Needs of operations.”

There is additional discussion of prioritization before and after those segments of the Application.

Ultimate selection of projects occurs through the budgeting processes. The processes are discussed starting at Exhibit 2-3-2 p4 and Exhibit 4-2-1 p13.

EWU does not have a “black box” approach or algorithm technology as part of its current project assessment and selection. Rather, EWU relies on the business and industry knowledge within the organization when prioritizing and selecting projects.

- b) **How will an economic downturn impact ENWIN’s planned capital expenditures and growth projections? Has ENWIN identified certain capital expenditures that it could reduce in terms of scope or delay it until economic activity picks up?**

EWU’s capital expenditures are based on the needs of the operational and support systems. For the most part, the needs of these systems do not vary with the economy. The exception are externally driven new services, which may vary to some extent with the economy.

To understand how new service varies with the economy, it is first important to understand that EWU’s service area is almost entirely built-out. That is, there is very

little land that does not have distributed electricity service. If the economy is strong, then in some cases expenditures on new services includes servicing new subdivisions or commercial plazas. The remaining new services tend to be spent in relation to municipal works, such as road widening. In rare cases, projects like the Casino and VACSIS (Exhibit 2-1-1 p11) materialize, but tend to involve contributed capital and thus do not affect rate base.

If the economy is weak, then new subdivisions and commercial plazas may not materialize. However, municipal works infrastructure projects undertaken to stimulate the economy may arise that have implications for the electricity distribution system (e.g. road projects). EWU has accordingly not changed its capital expenditure projections nor the scope and scheduling of those expenditures.

EWU projected no growth in the Application and Evidence and does not propose to amend its load forecast at this time.

- c) **Please identify, individually, maintenance and capital programs, if any, that ENWIN may consider as a candidate for a deferral, cut, or partial adjustment, given the current economic situation. Please identify these programs, if any, in a ranking order that ENWIN would consider, using a ranking of “1” as the first suitable candidate, ranking of “2” as the second suitable candidate, ranking of “3” as the third suitable candidate, etc.**

EWU vetted the projects as set out in the response to part “a” of this question. The projects EWU proposes to undertake in 2009 are not candidates for deferral, cut or partial adjustment, irrespective of the current economic situation.

- d) **Please identify the rationale for the selection of these maintenance and capital programs and projects.**

In light of EWU’s response to part “c” of this question, part “d” is not applicable.

- e) **Please describe the expected impacts on ENWIN’s revenue requirement, operations and service quality and reliability to customers if the identified programs are reduced, deferred or cut during the economic downturn.**

Regardless of the economic situation in Windsor, the customers in the EWU service area require a safe, reliable, well-serviced distribution system. When the economy is good, the distribution system facilitates customers maintaining and increasing use of electricity. When the economy is bad, the distribution system facilitates changes in usage patterns, while remaining ready to support a rebound in usage.

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 p10-15. 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 thoughts 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 costs and work based on the details of the requirement. In performing its re-evaluation, EWU would consider its revenue, service quality, reliability and other factors and would attempt to limit any potential negative impacts to safety, reliability and service to customers.

8. Ref: Exh2/Tab2/Sch2/pp1&2 and Exh1/Tab3/Sch4/p7

- a) **Using end-of-year balance differentials for a/c 1860 (meters), it would appear that the amounts spent on meters in 2007, 2008 and 2009 are respectively \$526,863, \$526,970 and \$851,983. Please provide the amount of capital expenditure on the smart metering installations in 2006, 2007, 2008 and projected 2009.**

There were no capital expenditures on Smart Metering installations in 2006 or 2007. There have been no amounts have been included in this Application for Smart Metering installations in 2008 or 2009. The increase in capital additions in 2009 over 2008 levels relate to forecasted expenditures for IESO Wholesale Metering Compliance, as set out at Exhibit 2-1-1.

- b) **Please confirm that the capital amounts quoted above for the respective years are/are not in the respective years' rate bases or subsequent years following installation.**

Account 1860 does not include any costs for smart metering installations in 2006 – 2009. Therefore, no smart metering capital expenditures have been included in the rate base of any of the years 2006 – 2009.

- c) **Regarding the DBRS' Rating Analysis of Electricity Distributors Finance Corporation (Exhibit1/Tab3/Schedule4/p7) in reference to ENWIN: "Annual capital expenditures from 2008 to 2010 are expected to average roughly \$18 million. Smart meter installations will comprise about 35% of the capital expenditure during 2008 to 2010 period". It appears from the above as if ENWIN is pursuing the implementation of smart meters possibly totalling \$18 (or \$6 million per year) over three years. It is not obvious where the capital items relating to this initiative is to be found in the application. Please clarify where these capital expenditures are to be found in the application material.**

In this Application, in respect of Smart Metering, EWU is only seeking to increase the Smart Meter rate adder. The Application and Evidence discusses Smart Metering in relation to the Smart Meter rate adder at Exhibit 5-2-1 and in relation to the Board's Guideline, G-2008-0002, at Exhibit 5-2-2.

No capital or OM&A amounts related to Smart Metering have been included in the 2009 Revenue Requirement. EWU has not installed any Smart Meters to date and therefore EWU is not seeking Smart Meter recovery through distribution or Smart Metering rates. EWU's approach is based on G-2008-0002, which states at p.11:

"An application for smart meter cost recovery must be based on costs already expensed (i.e. not forecast)...."

Issue 2.3 Are the 2009 sustaining/infrastructure capital expenditures proposed for the test year justified and appropriate, in particular the 4kv Conversion program and the Comprehensive ERP System?

9. Ref: Exh2/Tab1/Sch1

On page 51 of Exhibit 2/Tab1/Schedule1, ENWIN has provided information on a customer service project to be phased in over 2008 and 2009 at a cost of \$680,000 in 2008 and \$659,000 in 2009.

- a) **How will this project impact the Service Quality Indicators? Please provide details.**

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.

In respect of Service Quality Indicators (SQI), 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.

- b) **Will this project lead to a reduction in bad debt expenses? If “yes”, please provide estimated reductions and the years in which they will be realised.**

No, it is not anticipated that the current customer service project included in rate base for 2008 and 2009 would lead to any material reduction in bad debt expenses.

**10. Ref: Exh2/Tab1/Sch1/p59/3.3.3
2009 Capital Addition: ERP System**

- a) **Capital of \$7,250,000 for this project is proposed to be spent in 2009 with an additional \$8.3 million in 2010. In view of the current economic situation, what are the implications of delaying development and implementation of this project for such time when local manufacturing industries are less financially stressed?**

EWU’s current systems are approaching end of life and are no longer supported by their software vendors. As outlined in the SJH Consulting report: “Because EWU relies on its software systems for almost every aspect of its business, EWU is currently running a very high risk of a major failure due to having old, unsupported versions of their software. It is therefore inadvisable that it continues to rely on software systems that are unsupported by software vendors.” Delay of implementation would compound that risk.

- b) **What alternative, less costly solutions were considered and rejected that could provide a large portion of the benefits expected from the ERP system? Please summarise the costs and benefits of any alternatives considered.**

Given the age of EWU’s systems, alternatives would be to re-install to upgrade the existing software. This option was within the same price range as the implementation of a Comprehensive ERP, but provided fewer benefits.

c) **Please outline the future O&M savings expected due to the investment in the ERP system.**

EWU expects reduced IT maintenance costs due to consolidated software purchase. Additionally, the standardization of software products should allow rationalization of IT support. Based on the bids received, EWU expects the benefits to accrue within the range set out in the Application and Evidence.

Issue 2.4 Has the Working Capital Allowance been determined appropriately?

11. Ref: Exh2/Tab4/Sch1

In Exhibit2/Tab4/Schedule1, ENWIN provided a table titled “Working Capital Allowance by Account” with only information on the account level for the test year. Please provide a table with the same information for the Historic Board Approved, Historic (2007), Bridge (2008) and Test Year (2009).

Please see Attachment ST_IRR_11.

Issue 2.6 Is ENWIN’s overhead Capitalization Policy appropriate?

12. Ref: Exh2/Tab3/Sch3, Capitalization Policy.

Please confirm that AFUDC and overhead are included in the actual project costs, actual and estimated and are included in rate base. If not, please clarify where these items are included. Please confirm that no change in capitalization policy has taken place from and including 2006 through 2009.

Yes, overheads are included in the actual and estimated capital project costs that are included in rate base. The project costs do not include an AFUDC, as EWU does not record interest on construction. There has been no change in capitalization policy from 2006 through 2009.

REVENUE REQUIREMENT (Exhibit 3)

Issue 3.2 Is the proposed amount for 2009 Other Revenues, including Corporate and Shared Services appropriate? Is the methodology used to cost and price these services appropriate?

13. Ref: Exh3/Tab3/Sch1

The category of Other Revenue is forecast to decline from actual revenue of \$3.15 million actual in 2007 to \$2.44 million in 2009.

- a) **Please describe the basis for the forecast of Miscellaneous Service Revenue, in particular those components that are expected to decrease most.**

Miscellaneous Service Revenue is forecast based on prior experiences and future expectations based on planned work or known circumstances. In particular, for Miscellaneous Service Revenue, the revenue is forecast to decline by approximately \$207,000 from 2007 to 2009. This can primarily be attributed to loss of profit component of street light work (EWU no longer providing this service in 2008 or 2009), service provided in regards in hot water heater business (EWU no longer providing this service in 2008 or 2009) and removal of non-recurring refunds received in 2007.

- b) **Please describe the basis for the forecast of Miscellaneous Non-Operating Revenue, including whether the decrease in salvage value is due to a change in capital replacement plans or is due to a forecast in market prices.**

Miscellaneous Non-Operating Revenue is forecast based on prior experience and future expectations based on planned work. In particular, for Miscellaneous Non-Operating, the revenue is forecast to decline by approximately \$170,000 from 2007 to 2009. This decline can be attributed to a forecasted decrease in the sale of scrap revenues due to a change in projects.

Issue 3.4 Are ENWIN's Economic and Business Planning Assumptions for 2009 appropriate?

14. Ref: n/a

- a) **Given the general economic situation in Ontario, has ENWIN assessed the situation and identified any specific issues that may have a material impact on its load and revenue forecasts and bad debt expense forecast?**

The economic issues facing General Motors, Ford and Chrysler (the "Detroit Big 3") as well as the general economic situation are of concern to EWU.

Unfortunately, one of the predominant characteristics of the specific issues facing the "Detroit Big 3" and the general economic situation is uncertainty. That uncertainty makes it difficult to project the direction, magnitude and speed by which the economy will change.

At this juncture, particularly before there is more certainty about the fates of the Detroit Big 3, there are too many variables in flux for EWU to prepare or commission any assessment of the impact of the economic turmoil that has arisen since September 2008. EWU has prepared an Application and Evidence that, in the current climate, likely represents an optimistic picture of load, revenue and bad debt for 2009. In the event that EWU's load, revenue or bad debt expenses are substantially worse than projected, EWU would return to the Board with another Cost of Service rate application.

- b) **If so, please indicate if ENWIN will be updating its current application, in whole or in part, to address any material impacts. If yes, please provide an estimate of the timing of the update.**

EWU does not intent to further update its Application at this time.

Issue 3.5 Is the load forecast and methodology appropriate including the weather normalization methodology?

15. Ref:Exh3/Tab2/Sch2/ERA Report p11

On page 11, ENWIN states: "For EWU, the 10 year average from 1998 to 2007 has been adopted as the appropriate definition of weather normal." Also on page 11, ENWIN shows a comparison of Heating Degree Days and Cooling Degree Days based on 30 and 10-year periods. Please:

- a) **Provide any information that supports using a 10-year period as the definition of normal weather and the rationale for using this specific period instead of a longer period, and...**

ERA developed weather-normal load forecasts for several LDCs including EWU and has consistently adopted the most recent 10 years (1998 to 2007) as the definition of weather normal. ERA adopted this definition of "weather normal" as the Board has accepted this definition in other cases involving electricity distribution; for example, Toronto Hydro Electric System Limited ("THESL"). In their forward test year filing in the 2006 EDR process (EB-2005-0421), THESL proposed to use the most recent 10 years (1995 to 2004) as the definition of "weather normal." In its Decision with Reasons, dated April 12, 2006, the Board accepted the load forecast as proposed by THESL.

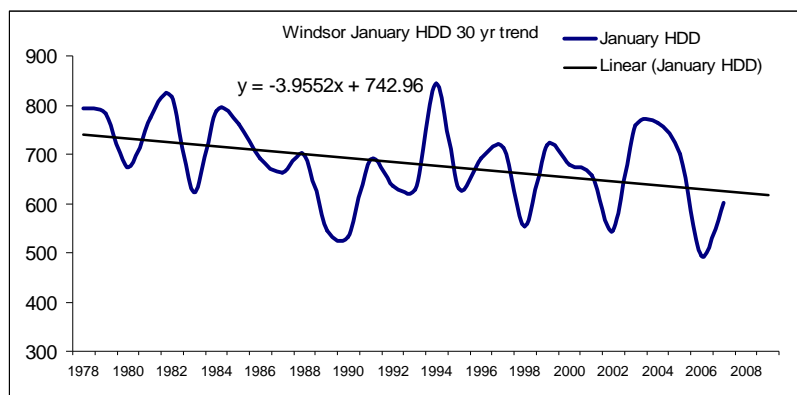
THESL again proposed the most recent 10 years (1996 to 2005) in their multi-year rate filing for 2008 – 2010 rates (EB-2007-0680). In its application, THESL explained that the 10 year average was chosen over the 30 year average due to a pronounced trend in HDD and CDD, as illustrated in Figure 2 at Exhibit K1, Tab 1, Schedule 1, Page 7 of the THESL application. Again, the Board in its Decision with Reasons issued May 15, 2008, accepted this definition of weather normal.

ERA has developed a model to weather normalize EWU's throughput based on best efforts and relying upon a definition that was previously filed and approved by the Board with the least amount of complexity necessary and that is consistent across LDCs (to the extent that data allows). EWU and ERA were careful to design the model and definition of weather normal based on what appeared to be reasonable and based on past practice of other LDCs that have had approval by the Board. In developing the model, it was paramount that the model specification and weather normal definition be as consistent as possible across LDCs and that model specification and weather normal definition not be driven by a desired result (i.e. choosing a specification and weather normal definition in order to get a particular result).

While there are many definitions of weather normal, it is worth noting that the US National Oceanic and Atmospheric Administration (NOAA) also uses the 10 year period 1998-2007 (among others) as a long term climatological base period comparator to calculate average anomalies and per cent of normal for climate mapping products.

- b) **Recalculate the resulting 2009 kWh load forecast (as summarized in Exhibit 3/Tab2/Schedule1/page 5) successively using**
- i. **the 30-year trend to define normal weather, and**
 - ii. **the 20-year trend to define normal weather.**

As requested by Board Staff, ERA has calculated 20 year and 30 year trends to define normal weather. Please note that a linear trend projection is a forecast using a straight line as opposed to a long-term average, which is the more usual definition of weather normal. For example, the 30-year trend projection for 2009 for January HDD at Windsor A is the last point on the trend line in the chart displayed below:



In the table below, ERA has summarized the 30-yr average (1971-2000) weather normal for Windsor from Environment Canada, the 10 year average (1998-2007) weather normal used in the ERA Report, and the 20-year (1988-2007) and 30-year (1978-2007) trend forecast for 2009 as requested by Board Staff:

| Comparison of Degree Days, Windsor A | | | | | | | | |
|--------------------------------------|------------------------------|--------------|------------------------------|--------------|---|--------------|---|--------------|
| | 30 Year Average 1971-2000 | | 10 Year Average 1998-2007 | | 20 Year Trend Forecast (2009) Based on 1988-2007 | | 30 Year Trend Forecast (2009) Based on 1978-2007 | |
| | HDD | CDD | HDD | CDD | HDD | CDD | HDD | CDD |
| Jan | 697.5 | 0 | 647.4 | 0 | 656.4 | 0.0 | 616.4 | 0.0 |
| Feb | 599.1 | 0 | 556.8 | 0 | 565.3 | 0.0 | 542.2 | 0.0 |
| Mar | 495.8 | 0.2 | 474.7 | 0.66 | 473.1 | 0.4 | 466.5 | 0.5 |
| Apr | 295.9 | 2.6 | 260.7 | 2.6 | 251.8 | 1.9 | 258.5 | 3.1 |
| May | 120.8 | 24.7 | 104.7 | 27.26 | 114.3 | 23.6 | 115.0 | 24.3 |
| Jun | 22.4 | 84.1 | 19.3 | 109.81 | 14.6 | 117.3 | 14.4 | 119.1 |
| Jul | 1.6 | 146.5 | 0.8 | 164.93 | 0.7 | 165.0 | 0.4 | 167.0 |
| Aug | 5.1 | 116.7 | 2.1 | 138.83 | 1.9 | 145.4 | 1.7 | 140.9 |
| Sep | 60.5 | 43.6 | 38.4 | 60.48 | 24.3 | 67.1 | 38.7 | 54.3 |
| Oct | 221.9 | 3.2 | 198.2 | 9 | 177.6 | 15.0 | 185.2 | 11.7 |
| Nov | 401.3 | 0 | 355.6 | 0 | 350.5 | 0.0 | 366.9 | 0.0 |
| Dec | 602.9 | 0 | 577.8 | 0 | 555.2 | 0.0 | 569.6 | 0.0 |
| Total | 3524.8 | 421.7 | 3,236.4 | 513.6 | 3,185.8 | 535.7 | 3,175.6 | 521.0 |

As requested, ERA has recalculated the 2009 kWh load forecast for the weather sensitive Residential, GS<50 and GS>50 classes and summarized the results below.

| EWU 2009 kWh Using 10-yr Avg, 20- and 30-yr trend | | | |
|---|------------------------|--------------------------|--------------------------|
| | 10-yr Avg 1998-2007 | 20-yr trend 1988-2007 | 30-yr trend 1978-2007 |
| Year 2009 | | | |
| Residential (kWh) | 642,120,095 | 645,478,519 | 642,131,833 |
| GS<50 (kWh) | 242,703,228 | 243,174,010 | 242,664,321 |
| GS>50 (kWh) | 1,013,230,091 | 1,137,573,331 | 1,012,413,845 |

16. Ref:Exh3/Tab2/Sch2/ERA Report pp 5 to 10

On pages 7, 8 and 9, ENWIN shows the Adjusted R-squared value for the three weather-sensitive classes to range from 0.80 to 0.92. On page 10, ENWIN shows the Mean Absolute Percent Error for the three weather-sensitive classes to range from 1% to 2%. Please:

- a) **Identify any changes in the model ENWIN plans to make in future applications in order to raise the Adjusted R-squared value for all classes closer to the normal 0.90-0.95 acceptance range and to reduce the Mean Absolute Percent Error closer to zero, and...**

Similar to the response to Board Staff question 15, please note that EWU along with ERA has endeavoured to develop as accurate a forecasting model as possible with the minimum amount of complexity. It may be possible to develop simple models that perform even better when a longer time series of data is available. As well, when Smart Meters are deployed and operational, it may be possible to develop more accurate weather normalization and forecasting models from the real-time consumption data rather than from billing-system generated data.

- b) **Provide any statistical information (including the Adjusted R-squared value) ENWIN may have that demonstrates ENWIN's load forecasting track record over the past number of years.**

The load forecast prepared by ERA and filed with the Application and Evidence is the first of its kind for EWU. ERA has experience performing load forecasts for LDCs.

17. Ref: Exh3/Tab2/Sch1/p3 and Exh3/Tab2/Sch2/ ERA Report p25

In Schedule 1, page 3, ENWIN states: "...EWU has not incorporated incremental conservation in its load or revenue forecast." In the ERA Report, page 25, ENWIN states: "Incremental conservation associated with new programs (implemented after 2007) and existing programs (e.g. changes in participation rates) is not incorporated in the underlying data and is therefore not reflected in the load forecast analysis." Please:

- a) **Reconcile the statements regarding the exclusion of incremental conservation with ENWIN's most recent annual CDM report to the Board, and...**

EWU's most recent annual CDM report to the Board was the "2007 Annual Report, CDM Third Tranche Funding, *ENWIN Utilities Ltd.*", dated March 28, 2008. That report highlights EWU's 2007 programs and Third Tranche expenditures to the end of 2007. It is an historical report.

EWU's load forecast is based on actual load data for the historical periods. This data includes the effects of Third Tranche CDM and all other conservation forces that materialized in the historical periods.

Since the load forecast is based on actual historical data, it does include the effect of CDM programming.

In the statements quoted, EWU attempted to express that EWU did not build on the historically realized conservations trends in its forecast. That is, EWU did not make any adjustments to the historical data for an incremental increase or decrease in conservation, as compared to historical levels. EWU took this approach because at the time of the load forecast EWU was:

- Not eligible to participate in further Third Tranche programming in 2009;
- Not enrolled in any 2009 OPA programmes;
- Anticipating that the implementation of further conservation initiatives by customers would be lessened due to the focus of customers on economic issues rather than conservation issues; and,
- Not aware of any Board rule, guideline, or decision that prescribed a different course of action.

As of this date, the bases for EWU's approach continue to exist.

- b) **Estimate the effect on ENWIN's 2009 load forecast of including the amount of incremental CDM reported in ENWIN's most recent annual CDM report to the Board.**

As stated above, the incremental conservation that occurred in 2007 (and years prior), has been built into the load forecast as filed.

18. Ref: Exh3/Tab2/Sch2/ERA Report pp 16-23

On page 16-23, ENWIN presents the historical load for the Intermediate and Large Use customer classes. While ENWIN, in its confidential filing, explains at a general level, the rationale used to establish the 2008 and 2009 loads and shows the resulting percentage changes in Table 12 on page 23, insufficient details are provided to reconstruct the forecasted values. Please provide, in a confidential response, for the Intermediate class and each of the Large Use sub-classes, calculations showing the establishment of the 2008 and 2009 values that are summarized in Table 12.

The confidential response is filed separately as:

- ENWIN_IRR_ST_18(Confidential)_20090109

19. Ref: Exh3/Tab2/Sch2/ERA Report pp 2 & 25, and Exh3/Tab2/Sch1/p5

On page 2 of the ERA Report ENWIN states: "The retail consumption amounts do not include losses; therefore distribution system losses are not part of the class retail volumes. These volumes will need to be adjusted for distribution system losses to reconcile with wholesale purchases by the LDC." On page 25 of the ERA Report and on page 5 of Exhibit3/Tab2/Schedule1, ENWIN shows its 2009 forecast to be 2,667,516,053 kWh. Please:

- Verify that distribution system losses have already been included and ENWIN's 2009 forecast of 2,667,516,053 kWh is the total of its retail volumes,**
- Describe, together with full calculations, how the statement: "These volumes will need to be adjusted for distribution system losses to reconcile with wholesale purchases by the LDC." has been effected in the filed forecast, and**
- Show ENWIN's historical pattern of distribution system losses and explain how the specific value for each customer class was developed from the historical data.**

In response to questions 19(a)-(c): Distribution system losses have not been factored into the filed forecast as this would be an incorrect basis to determine utility throughput for rate setting purposes. Distribution rates are billed based on the metered consumption at the customer's meter. This is exclusive of system losses. System losses are settled outside of the LDC's distribution rates. EWU does not have data on individual class distribution system losses and therefore cannot develop a historical pattern. The intent of the statement referenced from page 2 is to make it clear that total retail volumes are not equivalent to wholesale volumes due to distribution system losses. Wholesale purchases for forecast purposes include purchases made by Wholesale Market Participants within the EWU distribution system that are EWU distribution customers.

20. Ref: Exh3/Tab2/Sch1/p9 and Exh10/Tab1/Sch7/p2

In Schedule 1, page 9, where ENWIN shows the forecasted 2009 distribution revenue to be \$51,791,752, there is an explanatory note “Pro-forma, as if EDR rates became effective January 1st.” In Schedule 7, page 2, ENWIN shows the same forecasted value as the basis for calculating it 2009 rates. Please clearly explain the significance of the explanatory note.

The explanatory note in Exhibit 3-2-1 p9 is simply noting the fact that amounts shown in Table 3-2-1E are annualized for each year. All values are shown for a full calendar year for 2008 and 2009, notwithstanding that the rate years would usually be effective from May 1 to April 30. Values are projected using volumes and counts for each of 2008 and 2009 times the rates approved or sought for the 2008 and 2009 rate years. There is no other significance to this note.

21. Ref: Exh3/Tab2/Sch2/ERA Report pp15-16

On page 15, ENWIN notes that the monthly actual class load factor during 2007 is utilized in determining the GS>50 kW demand. On page 16, ENWIN shows the 2008 and 2009 forecasted kW demand values for the GS>50 kW class. Without additional data, an independent review of the kWh to kW conversion is not possible. Please:

- a) **Show, in tabular form, the historical actual class load factors during the 2003 to 2007 period, and...**

Please see data table as Attachment ST_IRR_21.

| Calculate trend for Load Factor per Board Staff request | | | | | | | |
|---|-------|-------|-------|-------|-------|------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Month | 2003 | 2004 | 2005 | 2006 | 2007 | Trend 2008 | Trend 2009 |
| Jan | 54.6% | 57.1% | 58.6% | 55.9% | 53.8% | 55.2% | 54.9% |
| Feb | 60.3% | 59.2% | 59.9% | 58.8% | 59.2% | 58.7% | 58.4% |
| Mar | 55.4% | 54.6% | 57.0% | 55.3% | 53.4% | 54.1% | 53.8% |
| Apr | 51.1% | 53.0% | 52.0% | 53.7% | 50.9% | 52.3% | 52.3% |
| May | 51.7% | 50.0% | 52.0% | 48.0% | 50.0% | 48.7% | 48.2% |
| Jun | 57.0% | 52.2% | 54.8% | 51.9% | 52.1% | 50.5% | 49.5% |
| Jul | 50.5% | 50.6% | 53.7% | 52.4% | 50.5% | 52.1% | 52.3% |
| Aug | 53.6% | 54.4% | 56.3% | 52.5% | 53.5% | 53.5% | 53.3% |
| Sep | 53.1% | 53.1% | 53.9% | 51.1% | 51.7% | 51.2% | 50.7% |
| Oct | 52.6% | 53.2% | 51.7% | 52.3% | 51.0% | 50.9% | 50.5% |
| Nov | 55.3% | 54.4% | 55.3% | 54.7% | 56.0% | 55.6% | 55.8% |
| Dec | 56.9% | 57.8% | 55.4% | 55.3% | 59.3% | 57.6% | 57.8% |

- b) **Calculate the difference in forecasted load for this class if trend data over the 2003 to 2007 period were used rather than the values for 2007 only.**

| Monthly GS>50 Class weather normal kWh forecast for 2009 | | | |
|--|----------------------|-----------------------|---------------------------|
| | kWh | kW (based on 2007 LF) | kW (based on trend'09 LF) |
| Jan | 90,884,146 | 227,080 | 222,528 |
| Feb | 86,058,640 | 216,309 | 219,114 |
| Mar | 87,915,673 | 221,446 | 219,666 |
| Apr | 80,408,874 | 219,305 | 213,551 |
| May | 78,036,622 | 209,737 | 217,765 |
| Jun | 83,414,429 | 222,360 | 233,970 |
| Jul | 87,679,393 | 233,216 | 225,398 |
| Aug | 84,933,239 | 213,270 | 214,318 |
| Sep | 82,263,857 | 220,892 | 225,323 |
| Oct | 81,186,818 | 214,107 | 216,099 |
| Nov | 82,891,706 | 205,740 | 206,411 |
| Dec | 87,556,694 | 198,529 | 203,596 |
| 2009 | 1,013,230,091 | 2,601,990 | 2,617,738 |

Annual difference using trend 2009 vs 2007 actual LF 15,748 kW

22. Ref: Exh3

Some of ENWIN's evidence may require adjustment in light of responses to the preceding load and revenue forecasting interrogatories. Please re-file any Exhibit 3 tables that require to be updated as a result of changes in ENWIN's evidence.

EWU does not propose to amend its load or revenue evidence at this time.

23. Ref: Exh3/Tab3/Sch1

In the table on page 1, ENWIN shows data for various accounts including Miscellaneous Service Revenue, Gain on Disposal on Property and Miscellaneous Non-Operating Revenue. For each of these accounts there is a significant difference between the "2007 Actual" and "2009 Test Year" values. The brief explanations on pages 2 and 3 do not fully explain the differences. Please explain in detail the development of the 2009 Test Year values for the three identified accounts including, for the Miscellaneous Service Revenue account, details of quantities and unit charges for the Specific Service Charges.

Please see the response to Board Staff question 13 for explanation of the differences between the 2007 and 2009 values for Miscellaneous Service Revenue and Miscellaneous Non-Operating Revenue. Gain on Disposal of Property has decreased by \$239,000 from 2007 to 2009. In 2007, this value represents the accounting gain recognized on the sale of miscellaneous capital items. No amounts are estimated for 2008 and 2009 as amounts would be unknown as values would be a factor of market conditions and net book values of assets sold (if any).

The Miscellaneous Service Revenue account balance does include some of the Specific Service Charges. This would account for \$359,946, \$324,178 and \$363,433 of the total balance in that account, for each of the respective years 2007, 2008 and 2009. The attached chart details the quantities and unit charges for those particular Specific Service Charges in 2007 – 2009. Please see Attachment ST_IRR_23.

COST OF SERVICE (Exhibit 4)

Issue 4.1 Are the overall levels of the 2009 Operation, Maintenance and Administration budgets appropriate?

24. Ref: Exh4/Tab2/Sch1

In Exhibit4/Tab2/Schedule1, ENWIN provided a table titled “OM&A Costs by Functional Areas” (Table 4-2-1 B) with only information on an aggregate basis. Please provide a table with detailed information on an account level for the Historic Board Approved, Historic (2007), Bridge (2008) and Test Year (2009).

Please see Attachment ST_IRR_24.

25. Ref: Exh4/Tab1/Sch1

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements (“RRR”) initiative of the OEB. The figures are available on the OEB’s public website. Please confirm the utility’s agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

| Table 1 | | | |
|--|------------------------------|------------------------------|------------------------------|
| | <i>Col. 1</i> 2003 | <i>Col. 2</i> 2004 | <i>Col. 3</i> 2005 |
| 1 Operation | \$1,503,630 | \$1,604,003 | \$1,938,190 |
| 2 Maintenance | \$1,936,648 | \$1,970,704 | \$2,299,822 |
| 3 Billing and Collection | \$189,617 | \$510,143 | \$188,859 |
| 4 Community Relations | \$45,477 | \$43,919 | \$38,483 |
| 5 Administrative and General Expenses | \$18,910,681 | \$18,689,024 | \$16,666,008 |
| 6 Total OM&A Expenses | <u>\$22,586,053</u> | <u>\$22,817,793</u> | <u>\$21,131,362</u> |

a) Please confirm ENWIN’s agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Total OM&A expenses are correct in the above table, but there is a misallocation in all years. For 2003, 2004 and 2005, the community relations balance should be \$7,279, \$10,857 and \$20,109 respectively. This reallocation would therefore result in a change to the administrative and general expenses balances as well. The revised balances should be \$18,948,879, \$18,722,086 and \$16,684,472 for each of 2003, 2004 and 2005. With these adjustments, the amounts will agree to EWU’s RRR filings.

Board staff prepared Table 2 below to review ENWIN's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

Table 2

| | Col. 1 2006 Bd Appr. | Col. 2 2006 Actual | Col. 3 2007 | Col. 4 2008 Bridge | Col. 5 2009 Test |
|--|----------------------------|-----------------------|----------------|--------------------------|---------------------|
| 1 Operation | | | \$2,326,928 | \$2,237,577 | \$2,284,473 |
| 2 Maintenance | | | \$2,143,136 | \$2,873,040 | \$2,953,609 |
| 3 Billing and Collection | | | \$1,243,284 | \$1,284,475 | \$1,283,494 |
| 4 Community Relations | | | \$43,602 | \$59,335 | \$53,949 |
| 5 Administrative and General Expenses | | | \$14,444,327 | \$16,192,418 | \$18,192,733 |
| 6 Total | | | \$20,201,277 | \$22,646,845 | \$24,768,258 |

Board Staff Table 3 below was created to review ENWIN's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

ENWIN Powerlines Ltd.

| | Col. 1 2006 Board Approved | Col. 2 Variance 2006/2006 | Col. 3 2006 Actual | Col. 4 Variance 2007/2006 | Col. 5 2007 Actual | Col. 6 Variance 2008/2007 | Col. 7 2008 Bridge | Col. 8 Variance 2009/2008 | Col. 9 2009 Test | Col. 11 Variance 2009/2006 |
|---------------------------------------|-------------------------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|------------------------|----------------------------------|
| 1 Operation | | | | | 2,326,928 | -89,351 | 2,237,577 | 46,896 | 2,284,473 | |
| 2 Maintenance | | | | | 2,143,136 | -729,904 | 2,873,040 | 80,569 | 2,953,609 | |
| 3 Billing & Collections | | | | | 1,243,284 | 41,191 | 1,284,475 | -981 | 1,283,494 | |
| 4 Community Relations | | | | | 43,602 | 15,733 | 59,335 | -5,386 | 53,949 | |
| 5 Administrative and General Expenses | | | | | 14,444,327 | 1,748,091 | 16,192,418 | 2,000,315 | 18,192,733 | |
| 6 Total OM&A Expenses | | | | | 20,201,277 | 2,445,568 | 22,646,845 | 2,121,413 | 24,768,258 | |
| Combined O&M (lines 1 & 3) | | | | | 4,470,064 | 640,553 | 5,110,617 | 127,465 | 5,238,082 | |

Table 3

- b) Please confirm that ENWIN agrees with the two tables prepared by Board Staff presented above. If ENWIN does not agree with any table please advise why not and provide amended tables with full explanation of changes made. Please complete the tables for 2006 Board Approved and 2006 Actual.

EWU is in agreement with the data in the two tables prepared by Board Staff as presented above. Please note that the name under Table 3 should read "ENWIN Utilities Ltd."

Please see the completed tables in Attachment ST_IRR_25B-2 (Table 2) and ST_IRR_25B-3 (Table 3) for inclusion of the 2006 Board Approved and 2006 Actual amounts.

- c) Please complete Table 4 by updating for 2006 historical and identifying the key cost drivers that are contributing to the overall increase of 26% over 2006 Historical relative to 2009 cost levels.

| Table 4 | | | | |
|-------------------------|---------------|---------------------|---------------------|---------------------|
| | <i>Col. 1</i> | <i>Col. 2</i> | <i>Col. 3</i> | <i>Col. 4</i> |
| | 2006 | 2007 | 2008 | 2009 |
| Opening Balances | | | \$20,201,277 | \$22,646,845 |
| 1 Cost Driver 1 | | | | |
| 2 Cost Driver 2 | | | | |
| 3 Cost Driver 3 | | | | |
| 4 Cost Driver 4 | | | | |
| ... Etc. | | | | |
| Closing Balances | | \$20,201,277 | \$22,646,845 | \$24,768,258 |

Please see Attachment ST_IRR_25C-4 (Table 4) for the completed table. The Board Staff question indicates an overall increase of 26% over 2006 Historical relative to 2009 cost levels. This is inaccurate. The actual overall increase is only 14% over 2006 Historical relative to 2009 cost levels.

26. Ref: Exh4/Tab2/Sch1

This Tab 2 contains a variance analysis for OM&A. The increase for maintenance of overhead services increased by \$389,723 from 2007 to 2008, and is forecast to again increase by \$136,404 from 2008 to 2009. The increase for 2008 was explained to be for storm related costs and the replacement of single poles. For 2009 the increase is explained to be due to tree trimming.

- a) Storm costs are claimed to have been lower in 2007, and that for 2008 they are forecasted to be \$174,000 higher.

- i Is the forecast for storm damages for 2008 based on a normalization or average of historical costs?

2008 budgeted figures were based upon forecasted weather activity resultant from costing data related to a variety of storm scenarios. The costing data was predominantly derived from its 2005 experience, which was the last year EWU experienced a usual level of storm related activity. Located in the "Isochronic Capital of Canada", EWU has extensive experience dealing with storm events and budgets accordingly.

ii If so, please explain the data used and how the forecast was developed from the data. If not, please explain how this cost level was determined.

EWU defines four different types of storm categories based upon their impact to system reliability:

- Normal (large number of small outages where the customer hours of interruptions were between 2,500 and 4,999);
- Bad (a few localized large scale outages where the customer hours of interruption were between 5,000 and 9,999);
- Severe (a number of large outages where the customer hours of interruption were between 10,000 and 99,999); and,
- Major (a number of simultaneous large scale outages city Wide where the customer hours of interruption were greater than 100,000).

In 2005, EWU experienced, two normal, one bad and four severe storms. 2006 and 2007 were unusually 'light' years for storm related activity.

iii Is the 2008 level of budgeted costs for storms the same as that for 2009? If not please explain.

The 2009 storm forecasted figures are lower than the 2008 budget figures by \$23,000. EWU moved away from the previous forecasting model and adopted the practice of using average historical costs for the 2009 budget. The 2009 budget figures were calculated based upon 2005-2007 storm costing data. As noted previously, 2006 and 2007 had little storm related activity, which lowered the 3-year average.

b) The explanation for the increase in maintenance of overhead expenses between 2007 and 2008 also states that an increase of \$198,000 is due to replacement of poles.

i Does ENWIN have a regular pole replacement programme?

EWU expenses the replacement of individual poles identified through its annual pole inspection program. Please see the response to Board Staff question 4(b) for more details.

ii Is this increased level sustained in the 2009 budget?

Please see the response to Board Staff question 4(b).

- iii **If the pole replacement programme is not sustained at the same cost level, please explain why costs for 2009 are not lower.**

In light of the response to Board Staff question 26(b)(ii), this question is not applicable.

- c) **ENWIN has budgeted increased costs in order to improve the clearances between trees and wires based on an internal engineering study.**

- i **Is this a one time cost?**

EWU is planning a pilot study to determine the effectiveness of different trimming practices (measured by reliability indices). Details of this study can be found in Attachments ST_IRR_26C-1 and ST_IRR_26C-2. If the pilot proves successful, it will likely transition into a multi-year program.

- ii **If this is not a one time cost, for what period of time will it take to bring all clearances into line with the new specifications?**

The nature of a multi-year program would depend on the outcomes of the pilot noted above.

- iii **Does ENWIN have a regular tree trimming programme?**

Yes.

- iv **If there is a programme, please explain the length of the cycle and the rationale for the cycle?**

The full service area is trimmed in a 3 year period, with one third of the service area trimmed annually. The program has been in place for over 20 years. A three year trimming cycle was found to be common with a number of Ontario LDC's (e.g. Brantford Power, Horizon Utilities, Hydro Ottawa, and Oshawa PUC Networks). Based upon experience, this has proven to be the trimming cycle which best balances public safety, costs and reliability.

27. Ref: Exh4/Tab2/Sch1

Page 6 states for Account 5665, Regulatory Expenses that the increase of \$392,835 is due to the 2009 COS Application and that this amount represents a two year amortization.

- a) **Please provide the breakdown for actual and forecast, where applicable, for the 2006 Board approved, 2006 actual, 2007 actual, 2008 bridge year, and 2009 Test Year regarding the following regulatory costs and present it in the table format shown below.**

- b) Under “Ongoing or One-time Cost”, please identify and state if any of the regulatory costs are “One-time Cost” and not expected to be incurred by ENWIN during the impending three year period when the applicant is subject to the 3rd Generation IRM process or it is “Ongoing Cost” and will continue throughout the 3rd Generation of IRM process.
- c) Please state ENWIN’s proposal on how it intends to recover the “One-time” costs as part of its 2009 rate application if it is not included in the two year amortization.

| Regulatory Cost Category | Ongoing or One-time Cost? | 2006 Board Approved | 2006 Actual | 2007 Actual | % Change in 2007 vs. 2006 | 2008 (As of Sept 2008) | % Change in 2008 vs. 2007 | 2009 Test Year | % Change in 2009 vs. 2008 |
|---|---------------------------|---------------------|-------------|-------------|---------------------------|------------------------|---------------------------|----------------|---------------------------|
| 1. OEB Annual Assessment | | | | | | | | | |
| 2. OEB Hearing Assessments (applicant initiated) | | | | | | | | | |
| 3. OEB Section 30 Costs (OEB initiated) | | | | | | | | | |
| 4. Expert Witness cost for regulatory matters | | | | | | | | | |
| 5. Legal costs for regulatory matters | | | | | | | | | |
| 6. Consultants costs for regulatory matters | | | | | | | | | |
| 7. Operating expenses associated with staff resources allocated to regulatory matters | | | | | | | | | |
| 8. Any other costs for regulatory matters (please define) | | | | | | | | | |
| 9. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources) | | | | | | | | | |
| 10. Other regulatory agency fees or assessments | | | | | | | | | |

Please see the table filed as Attachment ST_IRR_27. Discussion of the table follows.

Ongoing vs. One-time Costs: This distinction is potentially misleading because there are ongoing and one-time costs within many of these cost categories. Importantly, EWU has isolated its one-time costs related to the COS application process and has exclusively addressed them through the 2 year amortization mechanism. These one-time COS costs are set out below:

| | |
|--|----------------|
| 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) | |
| Total costs incurred by utility | 618,000 |
| Intervenor Cost Awards | 50,000 |
| OEB Cost Assessment | 50,000 |
| Total Incremental filing costs for 2009 EDR | 718,000 |
| Rebasing cycle (years) | 2 |
| Discount rate | 5.00% |
| Annual expense | 386,144 |

% Change (08 vs. 07 and 09 vs. 08): This comparison is potentially misleading because 2008 data is only as of September. Further, it would not be accurate to gross-up 2008 (x 12 / 9) for comparison purposes because of the uneven occurrence of most of these types of expenses.

Expert Witness Costs: To the extent these costs are EWU personnel, they are exclusively covered through OM&A because regulatory application duties comprise only one aspect of the employees' jobs. They are ongoing costs. To the extent these costs are consultants, they are exclusively covered in Consultant Costs and are a mix of one-time and ongoing costs.

Operating Expenses: To the extent these costs are EWU personnel, they are covered through OM&A because regulatory application duties comprise only one aspect of the employees' jobs. Since costs of incremental office materials (e.g. binding) have not historically been segregated from other office materials, no historical information is available. EWU has budgeted \$18,000 for incremental office materials. Of this, \$1,926 had been spent by the end of September 2008, about \$9,000 in total was expected to be spent by the end of December 2008 and \$13,000 is forecasted to be spent in 2009.

Other Costs for Regulatory: EWU participates in various OEB initiatives directly and through the EDA and other groupings of LDCs. EWU usually participates through webcasts, teleconferences and written submissions in order to manage the costs of participation as a non-GTA LDC. The costs for these regulatory activities are largely portions of employees' compensation and EDA membership fees. The other costs are subsumed in OM&A budgets throughout the company depending on which individuals are participating in regulatory activities.

28. Ref: Exh4/Tab2/Sch1

On Page 3 ENWIN itemizes the totals for the functional areas of the Company for OM&A expenses.

- a) **For the 2009 Forecast test year, please identify and describe any onetime costs other than those explained for regulatory costs above.**

The 2009 Forecast test year values for OM&A do not include any other material one time costs, other than those explained above in response to Board Staff question 27 regarding regulatory costs.

- b) **Are there any one time costs that were inadvertently carried forward from previous years?**

No, there are not any one time costs that were inadvertently carried forward from previous years.

- c) **Are there any expenses for charitable donations in the 2009 forecast? If there are please identify them.**

No, there are no expenses for charitable donations in the 2009 forecast.

- d) **Are there any costs in the forecast for conversion due to the adoption of International Financial Reporting Standards? If there are please itemize the costs and the rational of the drivers of the costs.**

No costs are specifically included in OM&A for conversion due to the adoption of International Financial Reporting Standards.

- e) **Does ENWIN partake in any Winter Warmth or other programmes to assist low income customers? If so what are the programmes and their costs for 2009?**

Yes, EWU participates in a Keep the Heat program. This is an energy assistance program to assist low income customers. \$25,000 is planned for this program in 2009.

f) Please identify any programmes in the 2009 forecast that are specifically aimed at productivity and efficiency improvements.

From an Operations perspective, EWU continuously monitors, tracks and improves its field work performance. There are no specific programs aimed towards this task, they are just refined/improved through the process of performing the tasks. An example of day to day operations whereby employees are used more efficiently and contractor costs may be avoided. This can be observed where substation maintenance work has been declining due to the 4kV rebuild program and the elimination of substations. The employees that used to perform this work are re-deployed to other value added activities such as performing Board-mandated field inspections, thermal scanning and a variety of capital projects which would have otherwise been contracted out.

From an Administration perspective, productivity and efficiency improvement opportunities are constantly being reviewed and implemented each year by the various department heads through prudent management of their respective departments. There are no significant or material OM&A program expenditures being specifically forecast in 2009 for productivity and efficiency improvements. Several of the capital programs would attract maintenance fees as a result of these programs. However, there are a number of capital programs specifically aimed at productivity and efficiency and these projects would attract maintenance fees that would be captured in the OM&A expenses. In particular, the 2009 capital forecast includes projects such as a comprehensive ERP, Contact Centre and VOIP application and a high efficiency boiler.

g) What inflation rate is used for 2009 and what is the source document for the inflation assumptions?

EWU uses product or service provider specified projections where that information is available. In cases where EWU cannot obtain those projections from outside sources, EWU management exercises judgment based on industry experience. Where the outside sources or management judgment indicate that increases are forecasted to follow general inflationary trends, EWU uses Bank of Canada published information. For 2009 projections, an inflation rate of 2.5% was used as a basis for general inflationary trends. This inflation rate was based on the Bank of Canada website information as at November 2007, which was the outset of preparing the 2009 EWU budget.

h) Has ENWIN a provision in its 2009 budget for bad debt? If so please state the amount of the provision and the account that it is in.

Yes, EWU has a provision for bad debts in its 2009 budget, in the amount of \$693,075. This amount is recorded in account #5335 Bad Debt Expense.

i) **How was the level for bad debt established?**

The level for bad debt was forecast for 2009 based on 2007 actual experience known at the time of preparation of the 2009 EWU budget.

Issue 4.2 Are the proposed Purchased Services and Shared Services appropriate?

29. Ref: Exh4/Tab2/Sch4

ENWIN has a cost allocation model which was developed by KPMG and reviewed by BDR to allocate corporate services between ENWIN and its affiliates. The model develops costs which are to be used in determining affiliate transactions.

a) **On page 12 of the BDR Report, is a table that defines the major cost allocators.**

i) **Are all of these factors set on a normalized annual basis (e.g. annual as opposed to monthly bills)?**

Yes, these factors are all set on an annual basis.

ii) **Are the factors set taking into account for any changes in the test year?**

All cost allocators for the test year are set based on 2007 actual experience with known modifications made for 2009 assumptions and information.

b) **Are there any steps taken to minimize year to year swings in allocated costs as ENWIN and its affiliates businesses change to meet new conditions by developing allocators with the longer term in mind?**

In terms of the costs that are allocated, there are several steps that EWU takes to manage and control those costs. First, annual budgets are developed using a zero based method of budgeting. The budget has several levels of review and is subsequently reported to the Board of Directors for approval. Second, once the budget is approved, costs are closely monitored and scrutinized. Any budget variances compared actual costs are investigated, explained and monitored on an on going basis. All cost drivers and allocators are reviewed and updated at least annually to ensure they are still relevant and appropriate given current business conditions. Any necessary changes are incorporated during these reviews.

In terms of the allocation of those costs, as a result of the allocators selected by KPMG for use by EWU, allocations remain relatively stable year-over-year. The exception to this stability is where EWU ceases to provide services to an organization, as occurred recently in respect of Maxess and Maxium.

- c) **ENWIN no longer provides services to Maxess and Maxium. On page 4 of the BDR report the costs of these services in 2007 is stated to have been nearly \$500,000. Have there been any steps to mitigate the impact of these costs that now will be borne by the surviving affiliates and ENWIN?**

These costs represented allocations assets and services such as floor space and shared administrative support. These represented an average allocation of approximately 2%. Because of the nature and scope of the shared services, it was not possible to eliminate assets or staff.

EWU has remained dedicated to the principle of sharing costs and, as set out in Exhibit 4-2-4 Figure 4-2-4 D, projects to allocate out to affiliates 49% of share costs. This represents an incremental change of 1% under 2007 allocations.

- d) **On page 5 BDR recommend a change in allocator for insurance.**

- i) **What is the impact of this change?**

The impact of this change in allocator would be very immaterial to OM&A expenses. For the 2009 test year, the change in allocator would result in a change of approximately \$20,000 or 0.079% to overall OM&A expense levels.

- ii) **Has ENWIN followed, or does ENWIN plan to follow BDR's recommendation?**

EWU plans to follow BDR North America's recommendation.

- iii) **Were the costs in the application be changed to reflect the new allocator?**

No, costs in the application were not changed to reflect the new allocator given the immaterial amount and the very insignificant impact to the OM&A expense levels and the overall revenue requirement.

- iv) **If ENWIN did not change the allocator, please explain why.**

Please see the response to Board Staff question 29(d)(iii).

Issue 4.4 Are the 2009 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?

30. Ref: Exh4/Tab2/Sch2

This schedule contains the compensation and benefits statistics.

a) Please provide a copy of the Hay Report referenced on page 5.

The Hay Report studied dozens of companies, including EWU. That document is filed in confidence in unredacted form. Disclosure of the document would hinder the Hay Group's competitive position. The document is ENWIN_IRR_ST_30A-1(Confidential)_20090109.

The Hay Report assesses incentive pay based on what is targeted to be paid instead of what is actually paid. Accordingly, EWU has prepared a series of comparison charts that allow one to consider the total compensation of EWU employees (by level) in 2006. The charts are set out in Attachment ST_IRR_30A-2.

b) The following Table summarizes the data found on this referenced schedule for Number of Employees and Base Wages. Please explain the drivers of the large percentage changes observed in Column 4, referencing the year over year changes for both Number of Employees and Base Wages by employee type that contribute to these increases.

Table 5

| ENWIN | | | | | |
|--------------------------------------|------------|---------------|---------------|---------------|---------------|
| EMPLOYEES | | | | | |
| | | <i>Col. 1</i> | <i>Col. 2</i> | <i>Col. 3</i> | <i>Col. 4</i> |
| Item | | 2007 | 2008 | 2009 | 09/07 |
| Number of Employees | | | | | |
| 1.1 | Executive | 9 | 9 | 9 | |
| 1.2 | Management | 18 | 19 | 20 | |
| 1.3 | Non-Union | 22 | 25 | 28 | |
| 1.4 | Union | 141 | 146 | 147 | |
| 1.5 | Total | 190 | 199 | 204 | |
| Increase | | | | | |
| 1.6 | Executive | | 0 | 0 | 0 |
| 1.7 | Management | | 1 | 1 | 2 |
| 1.8 | Non-Union | | 3 | 3 | 6 |
| 1.9 | Union | | 5 | 1 | 6 |
| 1.10 | Total | | 9 | 5 | 14 |
| Increase % | | | | | |
| 1.11 | Executive | | 0.0% | 0.0% | 0.0% |
| 1.12 | Management | | 5.6% | 5.3% | 10.0% |
| 1.13 | Non-Union | | 13.6% | 12.0% | 21.4% |
| 1.14 | Union | | 3.5% | 0.7% | 4.1% |
| 1.15 | Total | | 4.7% | 2.5% | 6.9% |
| Compensation - Avg. Base Wage | | | | | |
| 2.1 | Executive | 114,719 | 131,314 | 135,654 | |
| 2.2 | Management | 80,184 | 86,972 | 90,691 | |
| 2.3 | Non-Union | 72,931 | 75,797 | 81,068 | |
| 2.4 | Union | 60,621 | 59,241 | 62,570 | |
| 2.5 | Total | 66,462 | 67,228 | 71,090 | |
| Increase | | | | | |
| 2.6 | Executive | | 16,595 | 4,340 | 20,935 |
| 2.7 | Management | | 6,788 | 3,719 | 10,507 |
| 2.8 | Non-Union | | 2,866 | 5,271 | 8,137 |
| 2.1 | Union | | - 1,380 | 3,329 | 1,949 |
| 2.10 | Total | | 766 | 3,862 | 4,628 |
| Increase % | | | | | |
| 2.11 | Executive | | 14.5% | 3.3% | 15.4% |
| 2.12 | Management | | 8.5% | 4.3% | 11.6% |
| 2.13 | Non-Union | | 3.9% | 7.0% | 10.0% |
| 2.14 | Union | | -2.3% | 5.6% | 3.1% |
| 2.15 | Total | | 1.2% | 5.7% | 6.5% |

Please see Attachment ST_IRR_30B.

- c) **All employee groups receive incentive pay. Please describe the basis of determining the incentive payments? In the description identify the specific goals and the means of quantifying the payout versus results, and whether any of these incentives are tied to productivity or efficiency improvements or to return to the shareholder.**

EWU's Management Incentive Pay Program, which applies to all non-unionized employees, is set out at Attachment ST_IRR_30C-1. EWU's "Administration" Union Bargaining Unit Incentive Pay Program is set out at Attachment ST_IRR_30C-2. EWU's "Operations" Union Bargaining Unit Incentive Pay Program is set out at Attachment ST_IRR_30C-3.

- d) **Please complete the following table.**

| | <i>Col. 1</i> 2006 BAP | <i>Col. 2</i> 2006Act. | <i>Col. 3</i> 2007 | <i>Col. 4</i> 2008 | <i>Col. 5</i> 2009 |
|---------------------------------|----------------------------------|----------------------------------|------------------------------|------------------------------|------------------------------|
| 1 Total Compensation | n/a | 7,539,033 | 12,540,281 | 13,321,377 | 14,482,166 |
| 2 Less Capitalized Amount | n/a | 1,394,917 | 1,662,768 | 1,834,146 | 1,867,759 |
| 3 Less Billable | n/a | 352,076 | 409,191 | 121,907 | 124,893 |
| 4 Less Other | n/a | 2,775,390 | 3,234,364 | 3,946,062 | 3,644,435 |
| 5 Compensation charged to OMA&G | n/a | 3,016,650 | 7,233,958 | 7,419,262 | 8,845,079 |

EWU does not have the data available for column 1.

Issue 4.7 Is the amount proposed for 2009 Payments in Lieu of Taxes, including the methodology, appropriate?

31. Ref: Exh4/Tab3/Sch1/p12 - Reconciliation of Figures

At Exhibit 4/Tab 3/Schedule 1/ Page 12, P5 T2 S1 Line No 104: "Amortization of tangible assets, 2009": \$11,487,968 as against Exhibit 2/Tab 2/ Schedule 3/ Page 3: Amortization Variance, 2009 over 2008 Total: \$12,599,801.

- a) **Please reconcile these figures as with the \$11,487,968 used in the PILS calculation.**

The difference of \$1,111,833 relates to a depreciation adjustment done which reduces the depreciation expense for the amount of depreciation charged out to affiliates. The total depreciation expense used in the calculation of PILs agrees to the final depreciation expense used in the revenue requirement calculation as shown in Exhibit 1-2-3.

- b) **Exhibit 4/Tab 3/Schedule1/Page14, P6 T2 S1 Line 403 "Capital cost Allowance from Schedule 8": \$15,538,414. Please provide the backup material for this figure for CCA.**

Detailed calculations and build up of the Capital Cost Allowance from Schedule 8 in the amount of \$15,538,414 is shown in Exhibit 4-3-2, sheets labelled "P1 Undepreciated Capital Costs", on pages 3-7. In particular, the total Capital cost Allowance of \$15,538,114 is shown on page 6 under the column labelled "2009 CCA".

REGULATORY ASSETS (Exhibit 5)

Issue 5.1 Is the proposal for the amounts, disposition and continuance of ENWIN's existing Deferral and Variance Accounts (Regulatory Assets) appropriate?

32. Ref: Exh5/Tab1/Sch2

ENWIN's application to dispose of PILs-related accounts 1562 and 1563 will be considered in Board Proceeding EB-2008-0381. In addition to those accounts, ENWIN is requesting approval of rate riders that would accomplish the disposition of some twelve deferral and variance accounts.

- a) **Please provide a continuity schedule for ENWIN's deferral and variance accounts using the Excel spreadsheet attached. (It is not necessary to provide information here for Accounts 1562 and 1562. However, please note that the spreadsheet includes a number of accounts that ENWIN has not identified for disposition, and information is requested for all such accounts. Also, please note that forecasting principal transactions beyond December 31, 2007 and the interest on those transactions in columns AM – AP is optional.)**

Please see attached spreadsheet ST_IRR_32A that has been completed as requested. The format has not been modified to reflect EWU's claim. The spreadsheet format has not been modified from the file sent as part of the interrogatories.

It is important to note however that this does not and will not agree to amounts claimed or requested for disposal. This information is included in the application in Exhibit 5-1-2. Please see that schedule for detail on amounts claimed.

- b) **Footnote # 1 to Table C6 makes reference to a 'sheet C5' which is not included in the evidence. Please provide sheet C5 and/or any information that would be helpful to parties in understanding the balances in Account 1590.**

Footnote #1 to Table C6 makes reference to sheet C5, however sheet C5 is not relevant to amounts shown for recovery on Table C6, nor does it help explain the balances in Account 1590. The continuity of account balances in 1590 are shown in Attachment ST_IRR_32A, which will assist in understanding the activity in this account.

33. Ref: Exh5/Tab1/Sch3

The continuity schedule spreadsheet provides a sub-total for the accounts: 1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1592, and 2425. Please calculate a set of rate riders similar to those in Table C6 that would dispose of the net balance of these accounts.

Rate riders are calculated in Table C7 in the Exhibit cited above. A set of rate riders, similar to those in Table C7, that would dispose of the net balances in the following accounts (as noted below), is included as Attachment ST_IRR_33.

Accounts 1508, 1518, 1525, 1548, 1574, and 1582 are included in the Attachment with rate riders calculated.

Accounts 1570, 1571, 1572, and 2425 are excluded as these amounts have zero balances.

Account 1592 was also excluded as relates to deferred PILs and is noted in the spreadsheet as part of a separate PILs reconciliation requested. This information was not requested as part of this spreadsheet and therefore not included in the attachment for calculation of rate riders.

COST OF CAPITAL/DEBT (Exhibit 6)

Issue 6.2 Are ENWIN's proposed costs and mix for its short and long-term debt for the 2009 test year appropriate?

34. Ref: Exh6/Tab1/Sch1/p4

ENWIN has issued a Promissory Note to the City of Windsor, in the amount of \$3,255,973 on December 20, 2001 for an 8 year term, at an interest rate of 6%.

- a) **Please provide a copy of the original Promissory Note and any revisions or amendments made to this Note.**

Please see Attachment ST_IRR_34A for a copy of the 2001 Promissory Note.

- b) **ENWIN has used the current deemed long-term debt rate of 6.10% in its long term cost of debt calculation rather than the actual 6.0% that is being paid to the City of Windsor. Please provide the rationale for using the higher 6.1% when the actual cost of debt is 6.1%.**

EWU has utilised the current deemed long term debt rate of 6.10% that was in effect as time of filing for the Promissory Note to the City of Windsor. EWU used 6.1% in the cost of debt calculation, rather than the actual debt rate of 6%. As stated in the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006:

“For all variable rate debt and for all affiliate debt that is callable on demand, the Board will use the current deemed long term debt rate.”

Due to the fact that the Promissory Note is affiliate debt and is callable on demand, EWU has used the current deemed long term debt rate of 6.1% at time of filing, in the long term cost of debt calculation.

c) **Please provide a revised calculation of Attachment A and the Weighted Average Cost of Capital using a debt rate of 6.0% for the Promissory Note.**

Please see Attachment ST_IRR_34C for revised calculation of Attachment A. The difference to the 2009 costs is \$3,256.

As shown below, The Weighted Average Cost of Capital using a debt rate of 6% for the Promissory Note would remain unchanged at 7.4%, due to rounding and the relatively small balance of remaining principal of the Promissory Note in 2009.

Using a debt rate of 6% for the Promissory Note:

| 2009 | Deemed Capital Structure | Indicated Cost Rate | Return % |
|---------------------------------|--------------------------|---------------------|-------------|
| Short Term Debt | 4% | 4.47% | .18% |
| Long Term Debt | 56% | 6.76% | 3.79% |
| Common Equity | 40% | 8.57% | 3.43% |
| Weighted Cost of Capital | | | 7.4% |

As filed, using a debt rate of 6.1% for the Promissory Note:

| 2009 | Deemed Capital Structure | Indicated Cost Rate | Return % |
|---------------------------------|--------------------------|---------------------|-------------|
| Short Term Debt | 4% | 4.47% | .18% |
| Long Term Debt | 56% | 6.77% | 3.79% |
| Common Equity | 40% | 8.57% | 3.43% |
| Weighted Cost of Capital | | | 7.4% |

- d) **The Promissory Note is for an 8 year term and will expire in December 2009. Will ENWIN refinance this debt? If so, how? What will be the term and interest rate for the loan?**

EWU does not have any plans at the current time to refinance this debt.

- e) **Please provide the market rate for a similar loan from a third party.**

As noted above, EWU does not have any plans to refinance this Promissory Note.

Please note that the Promissory Note expires on December 31, 2009 and therefore the rate for a similar loan would have no impact on the 2009 revenue requirement.

COST ALLOCATION AND RATE DESIGN (Exhibit 8)

Issue 7.1 Is ENWIN's cost allocation appropriate?

35. Ref: Exh8/Tab1/Sch1

Please provide, for the record of this Application, an electronic copy of ENWIN's cost allocation study Run 3 that was done as a result of the report prepared by Elenchus Research Associates. Please also provide:

- **an electronic copy of Appendix 1.1 that was originally filed as part of EB-2007-0001,**
- **copies of worksheet I8 'Demand Data' from Run 3 and from the more relevant of Run 1 or Run 2 from the Informational Filing EB-2007-0001,**
- **copies of worksheet E2 'Allocators' from Run 3 and from the more relevant of Run 1 or Run 2 from the Informational Filing.**

The Board's Cost Allocation Informational Filing Guidelines for Electricity Distributors dated November 15, 2006 provides guidelines related to three runs that are referred to as Run 1, Run 2, and Run 3. The run that is documented in the report prepared by Elenchus Research Associates is a revised version of Run 1 that was filed by EnWin in 2007. To avoid confusion, the run prepared by ERA is referred to as Run 1R in this response as it is a revised version of Run 1 and it does not relate to Run 3 as described in the Guidelines. EWU did not have a Run 3 as described in the Guidelines.

Please find attached:

- an electronic copy of EWU's cost allocation study Run 1R (Attachment ST_IRR_35-1);
- an electronic copy of Appendix 1.1 that was originally filed as part of EB-2007-0001 (Attachments ST_IRR_35-2-1 and ST_IRR_35-2-2);
- worksheet I8 "Demand Data" from Run 1R (Attachment ST_IRR_35-3);
- worksheet I8 "Demand Data" from Run 1 (Attachment ST_IRR_35-4);
- worksheet E2 "Allocators" from Run 1R (Attachment ST_IRR_35-5);
- worksheet E2 "Allocators" from Run 1 (Attachment ST_IRR_35-6).

36. Ref: Exh8/Tab1/Sch1/Attachment A/p12 (Table 5)

It appears that the forecast 2009 energy consumption of the Intermediate class is some 43% lower than the 2006 amount, whereas the energy consumption of the Large Use -3TS class is lower by 35%. If this is the case, why did ERA or ENWIN not make an adjustment to the Intermediate class load in the same way as it adjusted the Large Use class load?

The adjusted 2006 cost allocation model was not intended as an update to 2009. Rather, it was a revised version of the 2006 cost allocation model. The revisions to the 2006 cost allocation model included adjustments to the coincident and non-coincident peak allocators. Properly adjusting these allocators required adjusting the hourly load profile in the hourly load profile information prepared by Hydro One in support of the 2006 cost allocation information filing.

The adjustments made were limited to changes to the demand of specific identified customers where the 2006 load profiles of the customers are known; hence, the impact of the specific customer changes on the coincident and non-coincident peak allocators could be determined without attempting a complete update of the load profiles of all of EWU's customer classes.

37. Ref: Exh8/Tab1/Sch1/Attachment A; Exh10/Tab1/Sch7/Table F4

The class revenue requirements shown in Table 8 (p. 18 of Attachment A), calculated in percentage terms, and the percentage breakdown in Table F4 do not match. For example, the Residential percentage calculated from Attachment A is 52.78% (i.e. \$25,584.9 / 48,470.6) whereas the percentage in Table F4 is 52.02% of the total base revenue requirement, which is a difference of nearly \$400,000 per year. Please provide an explanation of this disparity, and if possible identify one set of percentages to use and one to disregard.

Exhibit 8-1-1 Attachment A Table 8 values are the Service Revenue Requirement while the percentages in Exhibit 10-1-7 are based on the Base Revenue Requirement (that is, net of miscellaneous revenue). Neither should be disregarded.

Issue 7.2 Are the proposed revenue to cost ratios appropriate?

38. Ref: Exh8/Tab1/Sch1/Attachment A; Exh8/Tab1/Sch2/Table 8-1-2 A; Exh10/Tab1/Sch9/Table10-1-9 A

The revenue to cost ratios in Table 8 (p. 18 of Attachment A) match those in Table 10-1-9 A but do not match those in Table 8-1-2 A.

a) Please confirm that Table 8-1-2 A should be disregarded.

Tables 8-1-2 A and 8-1-2 B should read as follows. EWU offers the following tables as amendments to the corresponding tables in the Application and Evidence. Please note that these amendments do not impact rates. The correct values, as set out at both Exhibit 8-1-1 Attachment A Table 8 and Exhibit 10-1-9, were used in the calculation of proposed rates.

Table 8-1-2 A – Revenue-to-Cost Ratios

| Rate Classification | 2008 | 2009 | 2010 | 2011 | Range |
|----------------------------|-------------|-------------|-------------|-------------|--------------|
| Residential | 88% | | | | 85-115% |
| General Service <50 kW | 103% | | | | 80-120% |
| General Service >50 kW | 137% | | | | 80-180% |
| Intermediate | 41% | 62% | 71% | 80% | 80-180% |
| Large Use – Regular | 173% | 142% | 128% | 115% | 85-115% |
| Large Use – 3TS | 122% | 118% | 116% | 115% | 85-115% |
| Large Use – FA | 95% | | | | 85-115% |
| Street Lighting | 24% | 47% | 59% | 70% | 70-120% |
| Sentinel Lighting | 57% | 64% | 67% | 70% | 70-120% |
| USL | 241% | 170% | 145% | 120% | 80-120% |

Table 8-1-2 B – Revenue-to-Cost Ratios Adjustment – Bill Impacts for 2009

| Rate Classification | kW / kWh | \$ | % |
|----------------------------|---------------------|--------------|----------|
| Residential | 0 / 1,000 | \$0.20 | 0.2% |
| General Service <50 kW | 0 / 2,000 | \$0 | 0% |
| General Service >50 kW | 1,000 / 450,000 | \$0 | 0% |
| Intermediate | 4,000 / 1,750,000 | \$2,079.12 | 1.5% |
| Large Use – Regular | 10,000 / 7,500,000 | (\$5,959.08) | (1.0%) |
| Large Use – 3TS | 20,000 / 10,000,000 | (\$3,179.89) | (0.4%) |
| Large Use – FA | 10,000 / 7,500,000 | \$0 | 0% |
| Street Lighting | 1 / 100 | \$2.09 | 18.1% |
| Sentinel Lighting | 1 / 100 | \$1.26 | 8.6% |
| USL | 0 / 100 | (\$7.11) | (19.5%) |

- b) If disregarding the ratios in Table 8-1-2 A, please provide as necessary a new set of ratios converging toward the Board's policy boundary(ies) in 2010 and 2011.

Please see the amended figures in response to Board Staff question 38(a).

39. Ref: Exh8/Tab1/Sch2/Table 8-1-2-A; Exh10/Tab1/Sch6/Table F6; Exh10/Tab1/Sch9/Table 10-1-9 A

- a) Please demonstrate that the class revenues in Table F6 accomplish the revenue to cost ratios listed in the final column in Table 10-1-9 A (or in the 2009 column of Table 8-1-2 A).

Please see Attachment ST_IRR_39.

- b) **Given that the 2009 column of Table 10-1-9 A shows three classes with ratios that will increase from the current ratio and three that will decrease, please show that the changes in revenues offset each other. Alternatively, if they do not exactly offset, please identify a seventh class for an adjustment, or calculate an alternative new ratio for one of the six classes whose ratio is being adjusted.**

Please see Attachment ST_IRR_39.

40. Ref: Exh10/Tab1/Sch 5 & 9

Please describe the difference in costs allocated to the Large Use – 3TS class compared to the Large Use – Regular class, considering that the rates to the former class are considerably higher (Schedule 5) and the proposed revenue to cost ratio is considerably lower (Schedule 9).

The costs associated with the Large Use – 3TS customer rate class differ from those of the Large Use – Regular customer rate class because customers in the Large Use – 3TS class have dedicated transformer stations whereas the customers in the Large Use – Regular rate class are serviced from shared general distribution assets.

The Large Use – 3TS rate class (as well as the Large Use – Ford Annex rate class) were established by the Board in 2004 pursuant to an application filed by EWU (RP-2003-0189/EB-2003-0234). The costs associated with service from dedicated transfer stations significantly exceed those related to shared general distribution assets.

The costs and revenues associated with Large Use – 3TS customers were more easily identifiable because of the dedicated transformer stations and therefore in 2006 EWU was able to directly allocate costs to this class. In contrast, the costs and associated revenue for the Large Use – Regular rate class were not identified until the Cost Allocation study, which was filed in January 2007. Through this first rebasing since that study, EWU proposes to more closely align the costs and revenues of the Large Use – Regular class.

41. Ref: Exh1/Tab1/Sch18

Section 2.4.2 of ENWIN's Conditions of Service states that rates and charges for Wheeling of power vary with each application.

- a) **Please provide a copy of material that would be provided to an applicant, or if no standard package of information is available please provide a description of what a customer would be told in this situation?**

EWU has never had to deal with such a situation to date, as such no standard package of information exists. In the event a customer were to contact EWU with such a request, the Engineering Department would work with the customer and all interested parties to ensure the request was addressed in a timely manner. Such interested parties would likely include Hydro One and any other stakeholders which may be impacted by relevant studies.

b) Please describe the revenue obtained from the rates and charges for Wheeling in 2007, 2008 and forecast for 2009.

EWU did not receive any revenue related to Wheeling in 2007 and did not budget to receive any revenue related to Wheeling in 2008 or 2009.

c) Is revenue from Wheeling included in “Other Revenue” listed at Exhibit3/Tab3/Schedule1/Table 3-3-1 A?

EWU did not receive any revenue related to Wheeling in 2007 and did not budget to receive any revenue related to Wheeling in 2008 or 2009.

42. Ref: Exh3/Tab1/Sch1/Table 3-1-1 A

Please explain the meaning of the footnote to Table 3-1-1 A, which appears to assume an effective date at the beginning of 2009.

Please see response to Board Staff question 20. Again, this is not to assume or imply an effective date for rates of January 1, 2009. The footnote was included to note that fact that amounts have been shown on an annual basis for the throughput revenue, notwithstanding the fact that the timing of the rate years would differ.

RATE DESIGN (Exhibit 10)

Issue 8.1 Are customer charges and the fixed-variable splits for each class appropriate?

43. Ref: Exh10/Tab1/Sch 4 & 5

Please explain why the proposed Monthly Service Charge to the Residential class in Schedule 5 is some 55% higher than the existing charge in Schedule 4, whereas the proposed volumetric rate is some 11% lower.

At Exhibit 10-1-8, EWU proposes to adjust the rate design of the Residential rate class. The proposal is to establish a monthly fixed charge of \$13.45. The increase of the fixed charge is of a greater amount than the change to the distribution component of the bill as a whole, resulting in a somewhat offsetting decrease to the volumetric charge.

44. Ref: Exh10/Tab1/Sch5

Please provide the rationale for the comparatively high service charges that ENWIN proposes to continue to charge customers in the Large User – 3TS and Large User - Ford Annex classes.

As provided in response to Board Staff question 40 above, the costs underlying the determination of rates for the Large Use 3TS and the Large Use – Ford Annex rate classes reflect the costs associated with the dedicated transformer stations built to service the individual customers within these rate classes.

45. Ref: Exh10/Tab1/Sch6

Table F6 shows the revenue that results from the load forecast and the proposed rates, and totals \$53,201,478

- a) **Please add columns to table F6 showing the annual kW load class that is expected to qualify for the Transformer Ownership Allowance, and the dollar amount of the allowance.**

Please see Attachment ST_IRR_45A for updates to table F6, as requested.

- b) **Please provide the information that corresponds to the footnotes (numbers and asterisks) in the column headings of table F6.**

Attachment ST_IRR_45A has been expanded to include footnote references.

- c) **Please confirm that an adjustment for Transformer Ownership Allowance results in a reconciliation of the total in Table F6 (\$53,201,478) with the requested revenue requirement in Table 3-1-1 A, which is \$51,791,751. If it does not, please provide the other factors that are required for the reconciliation.**

EWU confirms that an adjustment for Transformer Ownership Allowance results in the reconciling item between the total in Table F6 and the requested revenue requirement in Table 3-1-1 A. This difference of \$1,409,727 is illustrated in attachment ST_IRR_45A as the total dollars of transformer allowance.

46. Ref: Exh10/Tab1/Sch6

Table F6 shows revenue from Back-up/Standby Power at \$0.

- a) **Please confirm that the forecast of sales in this rate classification is 0 kW, and if so please explain the basis for this forecast.**

EWU does not charge the Back-up/Standby Power charge to any of its customers and therefore there is no forecasted revenue.

As set out at Exhibit 1-2-1 p9, EWU proposes to maintain its Standby rate on an interim basis, but to maintain it in abeyance, pending the outcome of EB-2007-0031, the Board's proceeding in respect of rate design.

- b) **Please provide the definition of billing demand that would be used to determine a customer's bill, based on ENWIN's Conditions of Service or material that ENWIN would provide in response to a customer's query.**

As noted above, EWU does not charge the Back-up/Standby Power charge to any of its customers. EWU would advise inquiring customers that in light of the Board's proceeding in respect of rate design, EWU is maintaining the rate in abeyance.

47. Ref: Exh10/Tab1/Sch11/p1

ENWIN's Intermediate Use class is defined by consumption larger than 3000 kW and by the fact that the customers were "classified as Time of Use prior to market opening".

a) What is ENWIN's longer- term intention?

- **to introduce a classification based on size of consumption, eg. GS 50 – 2999 kW and GS 3000 – 4999 kW;**
- **to merge the two existing classes GS 50 – 4999 kW; or**
- **to maintain the existing classification based on the pre-market-opening classification.**

EWU is awaiting the outcome of EB-2007-0031, the Board's proceeding in respect of Rate Design, prior to establishing an intention in respect of the Intermediate rate class. This "wait and see" approach is appropriate because the members of the class have different characteristics that might warrant different treatment under the new rate design regime. For example, the rate class includes both primary and secondary metered customers. Post-EB-2007-0031, the primary customer(s) might end up in a rate class with Large Use customers, while the secondary customer(s) might end up in a rate class with GS 50 – 4,999 kW customers. The "wait and see" approach reduces the likelihood of repeated rate re-design.

b) If the first option is intended, how many customers are currently in the range above 3000 kW but not in the Intermediate Use class?

In light of the response to Board Staff question 47(a), this question is not applicable.

c) If the second option is intended, why is ENWIN not moving more quickly to harmonize the rates of the two classes?

In light of the response to Board Staff question 47(a), this question is not applicable.

Issue 8.3 Are the customer bill impacts appropriate?

48. Ref: Exh10/Tab1/Sch10

It appears that ENWIN intended to include an Attachment A. If so, please provide the Attachment. If the attachment does not comprise detailed 2008 and 2009 bills for representative customers, as anticipated, please provide such bill comparisons to substantiate the summary results that are found in Table 10-1-10 A.

EWU did intend to include Exhibit 10-1-10 Attachment A. On December 5, 2008, the absence of the attachment was discovered through correspondence with VECC. That same day, EWU filed a Supplement to the Application to rectify the omission. The supplement is enclosed as Attachment ST_IRR_48.

49. Ref: Exh10/Tab1/Sch9&10

The increase in the revenue to cost ratio for the Sentinel Lighting class is relatively small, from 57% to 64% shown in Schedule 9, but the bill impact that would be experienced by the class is by far the largest of any class as shown in Schedule 10, at 51.9%. Please confirm that the calculations are correct, and if correct please provide an explanation of this seeming inconsistency.

EWU proposes to retain the existing rate design for Sentinel Lighting, under which 100% of distribution revenues for the customer class are realized from (fixed) monthly service charges, on a per-connection basis.

The Cost Allocation model which produced a 57% Revenue to Cost ratio for the Sentinel Lighting class was based on a volume of 1,517 connections, consistent with the volumes approved in EWU's 2006 EDR Application.

EWU's load forecast for 2009 projects 770 connections for Sentinel Lighting (no change from 2007 actual results), or 49% lower than the volumes assumed in the Cost Allocation model. As a result, the per-connection bill impact is very significant, in order to achieve the required revenue increase over a much smaller volume.

In its adjustments to EWU's Cost Allocation information filing, Elenchus Research Associates did not adjust the number of connections or other volume metrics for the Sentinel Lighting class.

Issue 8.5 Are the proposed Retail Transmission Service Rates appropriate? (Exhibit 3)

50. Ref: Exh3/Tab5/Sch1/Attachment A; Exh3/Tab5/Sch2

Has ENWIN calculated total actual and projected costs and revenues for a one-year period, as distinct from the three month period described in Attachment A, and if so does the annual comparison of revenues with the corresponding projected costs yield the same ratios as the three-month comparison?

The total actual and projected costs and revenues for a nine-month period were initially calculated as a basis for adjusting current Retail Transmission Rates. The nine-month period selected was December 2007 (the first month that the Ontario Uniform Transmission Rate Changes (EB-2007-0759) were reflected on the IESO Bill) to August 2008 (the most current date to the filing of the Application.)

However, it was determined that this would not represent a fair representation of the Cost to Revenue Ratio given that the Retail Transmission Rates (Revenue) did not reflect the adjustment in the Ontario Uniform Transmission Charges (EB-2007-0759) until the May 1, 2008 effective date for the rates set out in EB-2007-0894, EWU's 2008 Distribution Rate Application.

A better representation of the actual Cost to Revenue Ratio was determined to be the period where the Ontario Uniform Transmission Rate (“OUTR”) was reflected in both the Revenues collected through the approved Retail Transmission Rates and the Costs incurred and reflected on the IESO monthly invoices relating to Transmission Charges (June 2008 to August 2008). The resulting Cost to Revenue Ratios from this calculation are closely aligned with the proposed rate changes in the newly issued Ontario Uniform Transmission Rate Decision and Rate Order (EB-2008-0113):

| | OUTR Decision | EWU Application |
|--|---------------|-----------------|
| Network Service Rate | 11.3% | 11% |
| Line Connection Service Rate | 18.6% | 18% |
| Transformation Connection Service Rate | 0.6% | 0% |

Issue 8.6 Are the proposed Loss Factors appropriate? (Exhibit 4)

51. Ref: Exh4/Tab1/Sch1; Exh4/Tab2/Sch6/p2

ENWIN is requesting approval of a Total Loss Factor of 1.0377 because its loss factors have improved in the interim since the last rebasing.

- a) **Please reconcile the statement about improving loss factors with the data in the table in Schedule 6 that shows a three-year increase in distribution loss factors.**

Under the Loss Factor heading on EWU’s Tariff of Rates and Charges, effective May 1, 2008, the Total Loss Factor for Secondary Metered Customers < 5,000 kW is 1.0390 and for Primary Metered Customers < 5,000 kW is 1.0286. EWU proposes to reduce those to 1.0377 and 1.0273, respectively.

While Distribution Loss Factors, which are calculated based on 3 year averages, have increased from 2005 to 2007, the DLF is still lower than in 2004.

Importantly, > 5,000 kW customers will see no change to the TLF used in calculating their bills and < 5,000 kW customers will see a decrease in the TLF used in calculating their bills.

- b) **Please describe steps that ENWIN is taking or plans to take to reverse the observed trend in distribution losses.**

Through good utility practices, EWU prudently manages its distribution losses. EWU’s distribution loss factors have always been well below the Board’s threshold of 1.05. EWU proposes to continue to improve the management of system issues, such as distribution losses, as more timely system condition and consumption data become available via additional intelligence initiatives such as smart metering and smart grid programs and technology.

OTHER ISSUES

Issue 9.1 Is the LRAM and SSM Proposal appropriate? (Exhibit 9)

52. Ref: Exh9/Tab1/Sch1 LRAM & SSM Allocation

Attachment D shows the determinations of the unit rate riders for the collection of the LRAM and SSM balances.

a) What volumes are used in Attachment D to allocate the balances?

The LRAM and SSM balances were allocated using the same billing units and volumes as the 2009 Normalized Forecast, which is set out at Exhibit 3-2-2 Table 14.

b) Please provide a detailed spreadsheet showing the allocations of the LRAM and SSM balances to the customer classes.

Please refer to Exhibit 9-1-1 Attachment D for the allocation of LRAM and SSM to the customer classes.

c) Please explain the allocators used in this spreadsheet.

The LRAM and SSM balances were allocated using the same billing units and volumes as the 2009 Normalized Forecast, which is set out at Exhibit 3-2-2 Table 14.

The SSM calculations in Attachment C project a total of \$311,164. This includes positive SSM amounts in 7 of the 9 instances, as set out in the bottom chart of that Attachment.

For 1 of the 9, it is a negative value for the Residential Media Campaign. That negative value is netted against the positive values for the other Residential programs. The net value is used in calculating the rate rider for the Residential class.

For the other 1 of 9, it is a negative value for the Large Use – Regular custom projects. There are no other programs in that class. Therefore, the negative value of \$67,524 cannot be netted out. The negative value arises because the anticipated program benefits did not materialize as fully as projected. EWU takes the same position as Horizon did in EB-2007-0697, which is that it is not proper to use the negative SSM value to create a negative or credit rate rider for a class. In EB-2007-0697, the Board approved of Horizon's approach to negative SSM.

d) Please provide bill impact for the proposed riders for a residential customer with a load of 1,000 kWh/month and a GS<50 customer with an load of 2,000 kWh/month.

The total bill impact to a Residential 1,000 kWh customer would be \$0.30 or 0.26%. There is no bill impact to a GS<50 kW customer because no rate rider is being proposed for this class.

e) Please explain the rationale for a two year recovery period.

EWU proposed two year recovery periods for both DVA disposition and LRAM/SSM disposition. The two year period was chosen with the goal of smoothing any rate increases or decreases that would arise from initially implementing rate riders and eventually removing those rate riders. EWU is not aware of any Board policy or directive specifying a particular recovery period.

53. Ref: Exh9/Tab1/Sch1

Please provide a list of all CDM programmes providing:

- a) a brief description of the technologies employed,**
- b) the programme duration,**
- c) whether they are funded through ENWIN's distribution rates or through the OPA,**
- d) the claimed LRAM and SSM amounts, and**
- e) the alternative LRAM and SSM amounts arising from the EnerSpectrum Group review.**
- f) If any programmes were funded through ENWIN's distribution rates, were there any recommendations on any forward looking evaluation work, or programme enhancements such as; design, performance, and uptake of customers?**

For responses to questions 53a-e, please see Attachment ST_IRR_53.

In response to 53(f): There were no recommendations beyond those set out in the EnerSpectrum Report at Exhibit 9-1-2 Attachment A.