Board Staff Interrogatories for Newmarket – Tay Power Distribution Ltd. Regarding the 2008 Electricity Distribution Rates Application for its Newmarket Service Area EB-2007-0776

Board Staff interrogatories for the application from Newmarket – Tay Power Distribution Ltd. (Newmarket – Tay) for its Newmarket Service Area are as follows.

General

1 The Applicant states in its covering letter that as of May 1, 2007 Newmarket Hydro and Tay Hydro merged their operations to become Newmarket – Tay Power Distribution Ltd. Despite this merger, the present application is for rates only in its Newmarket service area. Please provide an explanation as to why the application does not cover the entire operation of Newmarket – Tay Power Distribution Ltd. including the Tay service area. In addition to any plan regarding the harmonization of the rates between the two service areas, what plan does the applicant have to present both the Tay component and the complete distributor's operation?

Response:

The applicant is still in the process of integrating the local distribution operations of Newmarket Hydro and Tay Hydro. The applicant has delayed full rate harmonization as it evaluates capital infrastructure requirements and combines and integrates the operating process and costs for the two utilities. Due to these and other complexities of the integration process, the applicant would like to continue with two distinct rate structures for the different service areas until the next cost of service filing. At that time, all integration will be complete.

2 Please provide the cost allocation methodology used to allocate costs between the Newmarket and Tay service areas.

Response:

As part of the merger agreement, local offices and operations remain distinct and are accounted for separately as they have been historically. Certain management and technological and back office support functions are shared. These shared costs are allocated based on number of customers.

Capital Related

Rate Base, Capital Budget (excluding Smart Meters) and Asset Management

3 Ref: Exhibit 2.1.3 – Fixed Asset Continuity Schedule

Please provide Exhibit 2.1.3 in the following format.

Class	2005	2006			2007 Bridge (actual)			2008 Test			An			
		Additions	Write-offs and Retirements	Total	Additions	Write-offs and Retirements	Total	Additions	Write-offs and Retirements	Total	200 200			
stribution – nd	1,458,440	1,002,269	0	2,460,709	51,481	0	2,512,190	0	0	2,512,190	68.			
stribution – nd Rights	0	0	0	0	0	0	0	400,000	0	400,000				
n Trans < 50kW	7,550,885	251,794	0	7,802,679	170,980	0	7,973,659	981,700	0	8,955,359	3.			
st Lines – Poles	10,332,531	485,363	0	10,817,893	593,497	0	11,411,390	1,671,173	0	13,082,563	4.			
st Lines – Cable	12,740,603	798,005	0	13,538,608	662,239	0	14,200,847	2,068,927	0	16,269,774	6.			
st Line nduit	6,652,456	50,953	0	6,703,409	386,509	0	7,089,918	255,000	0	7,344,918	0.			
st Lines u/g ible	21,031,207	746,379	0	21,777,586	720,238	0	22,497,824	1,568,587	0	24,066,411	3.			
rvices	2,205,426	824,912	0	3,030,338	1,140,348	0	4,170,687	960,000	0	5,130,687	37.			
stribution ansformers	12,560,147	680,397	0	13,240,544	943,393	0	14,183,937	973,680	0	15,157,617	5.			
stribution eters	6,081,742	419,433	0	6,501,175	389,000	0	6,890,175	401,640	0	7,291,815	6.			
nart Meters	0	294,833	0	294,833	3,296,111	0	3,590,944	1,696,019	0	5,286,963				
asehold provements	347,913	42,303	0	390,216	29,019	0	419,236	58,000	0	477,236	12.			
fice uipment	225,377	11,302	0	236,679	38,555	0	275,235	5,000	0	280,235	5.			
mputer uipment	448,949	136,932	0	585,881	66,612	0	652,493	17,900	0	670,393	30.			
mputer ftware	623,131	321,695	0	944,826	193,978	0	1,138,804	91,500	0	1,230,304	51.			
illing Stock Equip.	2,711,898	250,268	(159,877)	2,802,289	139,883	0	2,942,172	843,080	0	3,785,252	3.			
ores arehouse uipment	136,279	4,592	0	140,871	1,227	0	142,099	0	0	142,099	3.			
sc. Tools &	393,600	10,195	0	403,794	15,932	0	419,726	64,000	0	483,726	2.			

uip.														
easurement Test uipment	37,312	51,176	0	88,488	14,047	0	102,535	26,600	0	129,135	137.			
stem pervisory uipment	727,538	7,018	0	734,556	4,479	0	739,035	20,000	0	759,035	0.			
ntinel ghting Units	13,085	0	0	13,085	0	0	13,085	0	0	13,085	0.			
ntributed pital	(11,011,550)	(1,536,492)	0	(12,548,042)	(1,354,200)	0	(13,902,242)	(2,137,082)	0	(16,039,324)	13.			
tal Fixed sets	75,266,968	4,853,327	(159,877)	79,960,419	7,503,328	0	87,463,747	9,965,724	0	97,429,471	6.			
cumulated preciation	(36,574,974)	(3,571,475)	140,588	(40,005,861)	(3,708,810)	0	(43,714,671)	(4,337,658)	0	(48,052,329)	9.			
t Fixed sets	38,691,995	1,281,852	(19,289)	39,954,557	3,794,519	0	43,749,076	5,628,067	0	49,377,143	3.			

4 Ref: Exhibits 2.1.3 and 2.1.4 – Rolling Stock and Equipment

In Exhibit 2.1.3, Newmarket - Tay shows increases (additions less write-offs/retirements) of $90,391 in 2006, $139,883 in 2007 and $843,080 in 2008. Explanations in Exhibits 2.1.4 describe these as being attributable to replacement of fully depreciated vehicles. For 2008, Newmarket - Tay is forecasting the following vehicle replacements, as documented on page 78:

Fully depreciated bucket truck ($280,000)
Fully depreciated RBD line truck ($350,000)
Fully depreciated Dump Truck ($70,000)
2 fully depreciated pickup trucks ($94,000)

a) Please describe Newmarket - Tay's policy for determining when vehicles need to be replaced.

Response:

Small vehicles are fully depreciated over 5 years and are generally replaced at that time. Large vehicles are depreciated over 8 yrs to 10 yrs and are assessed annually for functionality; the applicant will replace assets in this category when they are fully depreciated or if functionality is deemed impaired.

b) What other options did Newmarket - Tay consider before deciding that replacement of all of these vehicles in 2008 was necessary and prudent?

Response:

The applicant follows the process described in a) above. Also given the importance the applicant places upon reliability and employee and public safety, the applicant does not seek to minimize capital expense when evaluating equipment functional capability. Also the replacement of certain "long lead time" vehicles can be subject to delays in the delivery schedule. This was the case with one of the large vehicles ordered in 2007 and received in early 2008.
Also, one of the 2008 pickup trucks is a carryover from 2007.

c) Are the vehicles which Newmarket - Tay is including in this application dedicated to serving customers in the Newmarket service area? If not, has Newmarket - Tay allocated the costs between the Newmarket and Tay customer bases for recovery?

Response:

Yes.

5 Ref: Exhibits 2.1.3 to 2.1.7 – Overhead and Underground Line and Cable Replacement, Asset Condition and Asset Management In Exhibits 2.1.3 through 2.1.7, Newmarket - Tay has documented ongoing capital expenditures for replacement of overhead and underground line and cable replacement. For underground cable, Newmarket - Tay states that "Cable has deteriorated beyond repair and must be replaced."

a) Please provide documentation, including any recent Asset Condition Assessment studies, that Newmarket - Tay has conducted and relied on to identify the need for replacement of overhead and underground lines.

Response:

The underground cable in question is within one large subdivision, "Quaker Hill" that was built in the early 1970's. The cable in question is unjacketed direct buried and therefore cannot be rehabilitated. The cable's concentric neutral has started to deteriorate. The life expectancy of this cable was 25 years when it was first installed.

The applicant's policy is to service and maintain its system as long as reliability and safety meet utility standards. The applicant considers replacement a clear requirement of underground installations when three major faults have occurred within one year. Line faults started to appear in this development in 2000 and one section was replaced at that time. There have been additional faults since then and more recently, occurrences have increased in frequency. There are three documented faults in the first half of 2008.

b) Please provide information on Newmarket - Tay's service reliability in the service area of Newmarket which supports and has been considered by Newmarket - Tay in deciding to and prioritizing the overhead and underground replacements documented from 2006 to 2008.

Response:

Please see the response to c) below. The applicant submits reliability indices quarterly.

c) Please provide options that Newmarket - Tay has considered rather than full replacement of overhead and underground lines.

Response:

No lines are replaced before the need arises.

For underground replacement the applicant follows the process as described above in a), repairing the faults as they occur and doing full replacement as the frequency of these faults increases.

For overhead lines, the applicant reviews all older lines annually and conducts a replacement program that ensures that the ones in the poorest condition are replaced first. These lines generally have a life expectancy of 35 to 40 years and the replacement is usually driven by the condition of the poles and the combined load that they service.

d) Please describe Newmarket - Tay's business practice for conducting asset condition assessment.

Response:

Please see c) above.

e) Please describe Newmarket - Tay's practices, including Asset Management practices, for incorporating asset condition information into its budgeting and prioritization plans for operating and capital expenditures.

Response:

Please see a) and c) above. Newmarket has a policy of servicing and maintaining lines as long as system reliability and safety are not compromised. Replacement is warranted when three major faults have occurred within one year.

Given the relatively recent adoption of undergrounding cable, major underground replacement projects are new to the industry in Ontario. The applicant has followed a process as described above, repairing the faults as they occur and going for full replacement as the frequency of faults increases.

For overhead lines, the applicant reviews all older lines annually and conducts a replacement program that ensures that the ones in the poorest condition are replaced first. These lines generally have a life expectancy of 35 to 40 years and the replacement is usually driven by the condition of the poles and the combined load that they service.

6 Ref: Exhibit 2.1.7 – 2008 Fixed Asset Details – Municipal Transformer Stations

Under account 1820, Newmarket - Tay documents $981,700 of capital expenditures for this account in the 2008 test year, primarily driven by $440,000 for refurbishment, including replacement of 13.8 kV and 44 kV metal clad enclosures at the existing Leadbeater D.S., and $483,000 for a new 10 MVA Bogarttown D.S. to accommodate load growth in south-eastern Newmarket.

a) Please provide further information on the Leadbeater D.S. replacement project, including the age and net book value of the station assets, the condition of assets and the factors that have contributed to the need for refurbishment at this time.

Response:

Leadbeater D.S. was initially installed in 1984 and the current NBV is $365,000. The station was built to respond to the increasing development of the area. Since the time of construction, this station has become an integral part of the service grid handling one of the larger station loads in the applicant's service territory. The development of the surrounding properties has led to drainage problems, premature rusting of the equipment and switchgear and erosion of the concrete foundation. [Property development has changed the relative elevation of the property to the detriment of Leadbeater D.S.] This circumstance has shortened the life of the asset. The refurbishment includes an elevation change that will raise it to the level of its surroundings and restore station reliability to an acceptable level.

b) Is Newmarket - Tay receiving contributions in aid of construction from the customers to be served from Bogarttown D.S.? Why or why not? If contributed capital is being provided, please document the amount.

Response:

There are no direct contributions in aid of construction for this asset. Assets of this nature are considered as a "System Expansion" component of the Economic Evaluation of all development in the utility's area. These costs are considered a factor of the Capital Contribution towards that development.

This area of Newmarket has expanded substantially over the past few years and is contributing to the overloading of other stations in the utility. Overloading has now reached a point where a station is required.

7 Ref: Exhibit 2 – Rate Base and Capital Expenditures

Please provide information for the period 1999 to 2008 (forecasted test year) in the following table format:

Response:

The Applicant has completed the table as requested with the exception of the Capital Expenditures area. Records are not maintained of expenditure in the empty categories given in the table. Rather, records are retained in the format of the Uniform System of Accounts.

	1999	2000	2001	2002	2003	2004	20			
Allowed Return on Equity (%) on the regulated rate base	9.88%	9.88%	9.88%	9.88%	9.88%	9.88%				
Actual Return on Equity (%) on the regulated rate base	1.27%	-1.66%	2.51%	4.06%	4.68%	5.24%				
Retained Earnings		-821,034	-244,275	105,845	777,151	1,579,215	3,3			
Dividends paid to shareholders				258,000			2			
Sustaining capital expenditures (excluding smart meters)										
Development capital expenditures (excluding smart meters)										
Operations capital expenditures										
Smart Meters capital expenditures										
Other capital expenditures (please specify)										
Total capital expenditures (including smart meter meters)	3,850,322	2,418,942	1,226,060	1,697,199	2,960,995	5,020,922	3,(			
Total capital expenditures (excluding capital expenditures)	0	0	0	0	0	0				
Depreciation expense	.	2,894,814	2,681,606	2,516,979	2,883,311	3,249,587	3,3			
Construction Work in Progress	0	0	0	0	0	0				
Rate Base (yr end)	49,063,827	47,332,037	44,938,197	42,465,542	43,661,466	45,920,476	47,(			
Number of Customer Additions (total)	858	256	97	798	786	1,026	4			
- Residential	676	268	74	759	733	989	4			
- General Service < 50 kW	182	(12)	(246)	30	32	20	(2			

- General Service > 50 kW, Intermediate and Large Use			269	9	21	17	4			
Number of Customers (total, December 31)	22,688	22,944	23,041	23,839	24,625	25,651	26,			
- Residential	19,862	20,130	20,204	20,963	21,696	22,685	23,			
- General Service < 50 kW	2,826	2,814	2,568	2,598	2,630	2,650	2,6			
- General Service > 50 kW, Intermediate and Large Use			269	278	299	316	3			

Working Capital Allowance

8 Ref: Exhibit 2.3 – Working Capital Allowance

Please provide a detailed schedule showing, at account level, all cost of power and controllable expenses that add to the Total Expenses for Working Funds Allowance.

Response:

Please see chart below:

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Operating Expenses/Allowance for Working Funds

	US of A	2006	2007	2008 Test
Cost of Power				
Power Purchased	4705	40,080,226	40,677,129	41,582,574
Charges - WMS	4708	3,542,199	3,509,348	3,587,463
One Time		32,335	85,093	86,987
Charges - NW	4714	4,074,071	3,976,249	4,064,758
Charges - CN	4716	3,348,913	3,354,803	3,429,478
Total COP		**51,077,744**	**51,602,622**	**52,751,261**
OM&A				
Substn Operation	5016	27,189	39,118	37,325
O/H Line Operation-Labour	5020	271,678	76,655	255,522
O/H Line Op'n-Supplies & Exp	5025	1,599	2,319	15,000
O/H Dist Transformer Operation	5035	10,407	12,167	22,250
U/G Line Op'n-Labour	5040	245,578	234,898	202,300
U/G Line Op'n-Supplies & Exp	5045	11,138	18,516	18,000
U/G Dist Transformer Operation	5055	64,809	49,377	58,650
Dist Meters-Reverification	5065	126,658	156,875	135,675
Customer Premises	5070	75,072	99,424	88,630
Engineering & Ops Training	5080	16,799	18,703	5,000
O/H Lines Op-Rentals Paid	5095	10,513	10,542	20,000
Substation Maintenance	5114	14,674	42,853	84,980
O/H Line Mtce-Poles	5120	176,614	213,597	203,862
O/H Line Mtce-Conductor	5125	217,436	210,367	218,650
Tree Trimming & ROW Mtce	5135	56,661	57,321	45,000
U/G Line Mtce-Conduit	5145	40,285	18,334	34,600
U/G Line Mtce-Cable	5150	170,189	315,654	186,650
Dist Transformer Mtce	5160	44,384	43,806	62,055
Dist Meter Maintenance	5175	(1,490)	32,398	18,600
Operation & Maintenance		1,580,192	1,652,925	1,712,749

Bill & Collect - Supervision	5305	100,505	106,041	91,746
Reading-Labour, Vehicles & Exp	5310	(273)	(510)	1,000
Reading-Contract Services	5310	138,945	150,586	247,000
Billing-Labour & Expenses	5315	400,052	415,658	583,536
Collecting-Lab, Vehicles $ Exp	5320	434,531	494,983	534,515
Collecting-Cash Over & Short	5325	335	426	1,000
Billing-Bad Debts	5335	37,705	40,382	0
Interest Expense on Customer Deposits	6035	93,121	114,164	100,000
Billing & Collecting		1,204,921	1,321,729	1,558,797
Community Relations-Xmas Lts	5410	93,811	61,739	60,000
Energy Conservation	5415	160,595		0
Sales Exp-Advertising	5515	6,493	9,968	7,000
Community Relations & Advertising		260,900	71,707	67,000
Director's Lab & Expense	5605	137,105	109,467	110,667
Administration Labour & Exp	5610	616,514	461,908	384,579
Office Labour & Expenses	5615	222,710	217,263	256,299
Insurance-Admin Bldgs	5635	77,479	69,282	116,800
Admin-Fees(Audit, MEA, etc)	5655	185,377	265,647	270,500
Telephone SC/LD/Eq Rent	5620	174,729	197,388	231,715
Employee Pensions & Benefits	5645			360,000
Admin Bldg-Rental	5670	180,000	270,000	270,000
Admin Bldg-Lab & Vehicle	5675	117,362	125,737	143,924
Administration Labour & Exp		1,711,275	1,716,692	2,144,482
Total OM&A		**4,757,288**	**4,763,053**	**5,483,028**
Property & Capital Tax				
Property & Cap Tax		239,020	257,506	264,949
Total for Working Funds Allowance Calc		56,074,052	56,623,181	58,499,238
Working Funds Allowance	15%	8,411,108	8,493,477	8,774,886

Cost of capital

9 Ref: Exhibit 6.1.1 – Capital Structure

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors (the "Board Report"), issued December 20, 2006 states in section 2.2.2 that there will be a deemed short-term debt component of 4% in the deemed capital structure.

a) Please explain Newmarket - Tay's reasons for assuming a transition for the short-term debt component of the deemed capital structure for rate-setting purposes.

Response:

In the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors there is a 3 year implementation plan indicated in Section 3.1 Term and Starting Base. The application was included as part of the 2007 rebasing and therefore the applicant is applying for a 3 year phase in of the new structure from the current 50:50 structure to the new 40:56:4 structure. 1/3rd of the 4% Short Term % is 1.3% which is used in the application. The applicant is expecting to transition to the new structure during Interim Adjustments over the following 2 years from the date of initial implementation.

b) b) Please provide the calculation of the cost of capital for the 2008 test year according to the following table:

Response:

2008 Test	$	Ratio %	Cost Rate %	Return %	Return	WACC
Long Term Debt - Municipal	27,281,632	49.30%	6.10%		1,664,180	
Long Term Debt - Financial Institutions	0	0.00%				
Short Term Debt	2,213,520	4.00%	4.47%		98,944	
Deposits						
Common Equity	25,842,844	46.70%		8.57%	2,214,732	**7.19%**

10 Ref: Exhibit 6.1.2, 6.2, and Audited Financial Statements

In Exhibit 6.2, Newmarket - Tay documents its long-term debt as follows:

> The Applicant long-term debt rate consists of an unsecured Promissory Note in the amount of $22,000,000 with the Town of Newmarket. This note was initially issued on November 1, 2001. The interest rate on the debt when issued was 7.25% and the current rate is now 6.1%. This rate reflects the OEB's deemed long-term debt rate.

In the Table in Exhibit 6.1.2, Newmarket - Tay shows long-term debt of $28,775,757.

Appendix 3 contains Audited Financial Statement with Notes ("AFS") corresponding to Newmarket Hydro for the period January 1 to April 30, 2007 and for Newmarket - Tay for the period May 1 to December 31, 2007.

Note 11 of Newmarket Hydro's January 1 to April 30, 2007 AFS documents long-term debt as follows:

The note payable is an unsecured promissory note to the Town of Newmarket. The note bears interest at a deemed rate as permitted by the Ontario Energy Board. The rate for April 2007 was 6.25% (2006 – 7.25%). Changes to the terms of the note require 13 months notice. The note has been subordinated to the IESO letter of credit referred to in Note 15.

Note 10 of Newmarket - Tay's May 1 to December 31, 2007 AFS list three long-term debt instruments:

	$
Note payable, 6.25% - Town of Newmarket	22,000,000
Note payable, 6.25% - Township of Tay	1,742,821
Debenture payable – Township of Tay	436,000
	24,178,821
Less principal payments due within one year	200,000
Due beyond one year	23,978,821

The Note also states:

The notes are unsecured and have no specific terms of repayment. Changes to the terms of the notes require 13 months notice. The notes are subordinated to IESO letters of credit referred to in Note 18.

The debenture is payable to the Township of Tay and bears interest at rates of 5.05% to 6%. Principal payments are due annually May 31 until 2009.

a) Please provide copies of the current notes payable to each of the Town of Newmarket and the Township of Tay.

Response:

See Exhibit A

b) Please confirm that the debenture payable to the Township of Tay is retired effective May 31, 2009, and identify the current interest rate payable on the debenture.

Response:

The final payment for the above debenture is due on May 31, 2009 and the interest rate is between 6% and 6.1%.

c) Please reconcile the long-term debt documented in Note 10 of Newmarket - Tay's May 1 to December 31, 2007 AFS $24,178,821 versus $22,000,000 documented in Exhibit 6.2 and $28,775,757 long-term debt shown in Exhibit 6.1.2. Please update Exhibit 6.2 and the table in 6.1.2 if necessary.

Response:

The Financial Statements for 2007 are Consolidated with the Tay. The values are reconciled below:

Actual Long-Term Debt	
Newmarket LTD =	**$22,000,000**
Tay LTD =	**$2,178,821**
Total Debt	**$24,178,821**

Deemed Long Term Debt	
Newmarket Only =	**$28,775,757**

d) Please explain why Newmarket - Tay believes that cost of capital for determining distribution rates for the Newmarket service area should not be set on a corporate basis, reflecting all long-term debt of Newmarket-Tay.

Response:

The Applicant will be filing a separate Rate Application for the Tay service area using Tay's unique cost of capital. The debenture debt in Tay is directly attributable to activities unique to the predecessor Tay Hydro company and therefore should not be reflected in rates on the Newmarket Hydro service area.

Depreciation

11 Ref: Exhibit 4.2.8 – Depreciation Expense

Newmarket - Tay has documented the following as its depreciation expense by year.

Year	2006 Historical	2007 Bridge	2008 Test
Depreciation Expense	($3,571,475)	($3,708,810)	(4,337,658)

Newmarket - Tay further states:

> The Applicant follows the OEB's guidelines as outlined in the Accounting Procedures handbook. The following is a schedule of the depreciation account. Please see Exhibit 3 for amortization schedules by asset class – a detailed chart of each is included.

Exhibit 3 of the application covers Operating Revenues and does not appear to contain the detailed documentation. Please provide a detailed schedule of the derivation of the depreciation expense for each year, by asset class and total, showing the amortization rate used and the calculation of the amortization/ depreciation expense.

Response:

The Application should have referred to Exhibits 2.1.5, 2.1.6 and 2.1.7.

The following table represents a close approximation of how the system calculated depreciation for 2008. The values are not exact due to the reasons mentioned above:

Asset Account			2008 Data	Avg Years for the Class	Depn Exp
1806	Distribution - Land Rights	Forward	0		
		Less Fully Depreciated	0		
		Net	0	30	0
		Additions	400,000		6,667
		Total 2008 Depreciation			6,667
1820	Mun Trans Stn<50kv	Forward	7,973,659		
		Less Fully Depreciated	1,350,000		
		Net	6,623,659	30	220,789
		Additions	981,700		16,362
		Total 2008 Depreciation			237,150
1830	Distribution Lines o/h Poles	Forward	11,411,390		
		Less Fully Depreciated	1,190,000		
		Net	10,221,390	25	408,856
		Additions	1,671,173		33,423
					442,279
1835	Distribution Lines o/h Cable	Forward	14,200,847		
		Less Fully Depreciated			
		Net	14,200,847	25	568,034
		Additions	2,068,927		41,379
					609,412
1840 & 1845 & 1855	Distribution Lines u/g & Services	Forward	33,758,429		
		Less Fully Depreciated			
		Net	33,758,429	21	1,607,544
		Additions	2,783,587		55,672
					1,663,216
1850	Distribution Transformers	Forward	14,183,937		
		Less Fully Depreciated			
		Net	14,183,937	22	636,051
		Additions	973,680		19,474
					655,525
1860	Distribution Meters	Forward	6,890,175		
		Less Fully Depreciated			
		Net	6,890,175	25	275,607
		Additions	401,640		8,033
					283,640
1860	Smart Meters	Forward	3,590,944		

		Less Fully Depreciated			
		Net	3,590,944	15	239,396
		Additions	1,696,019		56,534
					295,930
1910	Leasehold Improvements	Forward	419,236		
		Less Fully Depreciated	175,000		
		Net	244,236	5	48,847
		Additions	58,000		5,800
					54,647
1915	Office Equipment	Forward	275,235		
		Less Fully Depreciated	88,000		
		Net	187,235	10	18,723
		Additions	5,000		250
					18,973
1920	Computer Equipment	Forward	652,493		
		Less Fully Depreciated	475,000		
		Net	177,493	5	35,499
		Additions	17,900		1,790
					37,289
1925	Computer Software	Forward	1,138,804		
		Less Fully Depreciated	125,000		
		Net	1,013,804	5	202,761
		Additions	91,500		9,150
					211,911
1930	Rolling Stock & Equip.	Forward	2,942,172		
		Less Fully Depreciated	1,260,000		
		Net	1,682,172	7	240,310
		Additions	843,080		60,220
					300,530
1935	Stores Warehouse Equipment	Forward	142,099		
		Less Fully Depreciated	65,000		
		Net	77,099	10	7,710
		Additions	0		0
					7,710
1940	Misc. Tools & Equip.	Forward	419,726		
		Less Fully Depreciated	210,000		
		Net	209,726	10	20,973
		Additions	64,000		3,200
					24,173
1945	Measurement & Test Equipment	Forward	102,535		

		Less Fully Depreciated	44,000		
		Net	58,535	10	5,854
		Additions	26,600		1,330
					7,184
1980	System Supervisory Equipment	Forward	739,035		
		Less Fully Depreciated	70,000		
		Net	669,035	15	44,602
		Additions	20,000		667
					45,269
1985	Sentinel Lighting Units	Forward	13,085		
		Less Fully Depreciated	11,000		
		Net	2,085	10	209
		Additions	0		0
					209
1995	Contributed Capital	Forward	(13,902,242)		
		Less Fully Depreciated			
		Net	(13,902,242)	25	(556,090)
		Additions	(2,137,082)		(42,742)
					(598,831)
Total Depreciation Expense					4,302,881

Taxes (PILs)

12 Ref: Exhibit 4.3 – Taxes/PILs

For each of the years 2006 and 2007, please provide the following:

a) Newmarket - Tay's (or its predecessor utilities') actual Federal T2 tax returns and supporting schedules;

Response:

Attached as Exhibit B are the following:

- **2006 NHL PIL's return**
- **April 30 2007 NHL PIL's return**
- **December 31, 2007 Newmarket Tay Power Distribution Limited PIL's return**
- **2007 NHL proxy tax return**
- **2008 NHL proxy tax return**
- **Excel spreadsheet Reconciling the T2 S 1 for the April 30th NHL PIL return and NT Power December 31, 2007 tax PIL return to the 2007 NHL proxy tax return used for the rate filing**
- **Excel Spreadsheet reconciling CCA additions for the April 30th NHL PIL return and NT Power December 31, 2007 tax PIL return to the 2007 NHL proxy tax return used for the rate filing**
- **The 2006 NHL tax return, April 30, 2007 NHL return and NT power tax return have been resubmitted to record the change in fixed assets additions from CCA class 1 to CCA class 47. This was done to reflect the correct the CCA class. These returns have not been reassessed at this date.**

Note the applicant prepared the 2007 and 2008 PIL's proxy return on a stand alone basis.

b) Newmarket - Tay's (or its predecessor utilities') actual Provincial CT23 tax returns and supporting schedules;
Notices of Assessment; and

Notices of Re-assessment(s), if any, including Statement of Adjustments, received from the Ministry of Finance for each tax year. ;

Response:

See response in 12 a)

13 Ref: Exhibit 4.3 – Taxes/PILs

Please explain the entry of $965,000 for the "Loss on disposal of fixed assets" shown as an add-back for the 2007 bridge year.

Response:

This represents the book value of the old mechanical meters that were replaced by Smart Meters.

14 Ref: Exhibit 4.3 – Taxes/PILs

Please recalculate the 2008 PILs allowance to reflect the following:
Deemed capital structure of 46.7% equity, 4% short-term debt and 49.3% long-term debt.
ROE of 8.57%, short-term debt rate of 4.47% and long-term debt rate of 6.10%.
Federal tax rate of 33% and tax rate of 0.225% for Ontario Capital Tax.

Response:

$1,441,363

15 Ref: Exhibit 4.3 PILs

As noted in the application, Newmarket - Tay was formed through the merger of Newmarket Hydro and Tay Hydro effective May 1, 2007.

a) Please identify any non-distribution activities within Newmarket -Tay.

Response:

There are none.

b) Please provide an Excel spreadsheet that shows Newmarket - Tay's 2007 T2 federal Schedule 1 tax return data allocated between the Newmarket and Tay service areas, plus the total.

Response:

See response in 12 a)

c) Please provide an Excel spreadsheet that shows the calculation of the federal T2 taxable income, starting with net income for tax purposes as shown in T2 Schedule 1, and allocate each of the tax return items between the Newmarket and Tay service areas. Please show the calculation of income tax PILs.

Response:

See response in 12 a)

d) Please provide an Excel spreadsheet for the calculation of Ontario CT23 taxable income and income tax PILs allocated between the Newmarket and Tay service areas.

Response:

See response in 12 a)

e) Please provide an Excel spreadsheet that shows the allocation between the Newmarket and Tay service areas of Undepreciated Capital Cost and Capital Cost Allowance, from federal T2 Schedule 8. .

Response:

See response in 12 a)

f) Please provide an Excel spreadsheet that allocates the Ontario capital tax, as filed in the CT23 return, between the Newmarket and Tay service areas. .

Response:

See response in 12 a)

g) Please provide an analysis for Cumulative Eligible Capital (CEC) and the deductions claimed. .

Response:

See response in 12 a)

Smart Meters

16 Ref: Exhibit 5.1.1 / page 130. Smart Meter OM&A expenses

Newmarket - Tay is requesting disposition of $49,914 as the balance as of December 31, 2007 being tracked in deferral/variance account 1556. Newmarket - Tay states that this is the cost of meter bases that had to be converted in order to install smart meters. Please identify the number of meter bases replaced and the average cost per meter base replaced or refurbished.

Response:

There were a total of 635 meter bases converted at a cost of $78.61 (material only) each.

17 Ref: Exhibit 2 – Rate Base: Smart Meter installations

Newmarket - Tay was an applicant utility whose costs for smart meters installed were reviewed in the combined smart meter proceeding conducted under file number EB-2007-0063. The Board's Decision with Reasons was issued on August 8, 2007. In that Decision, the Board approved costs of $2.111 Million for capital expenditures and $0.237 Million for operating expenditures related to smart meters installed to June 8, 2007. The approved smart meter costs relate to 19,000 smart meters installed to that date in the Newmarket service area. There were no costs and no installed smart meters for the Tay service area as reviewed in that proceeding.

a) Please provide the following for smart meters installed in the Newmarket service area:

Response:

		2006	2007		2008 projected
			January 1 to June 8	June 9 to December 31	
Smart Meters Installed during period	(A)	500	18,500	3,069	4,500
Cumulative smart meters installed	(B)	500	19,000	22,069	26,569
Smart Meter Capital Costs		294,833	2,098,996	1,197,144	1,696,019
- Meeting Minimum Functionality	(C)	294,833	2,098,996	1,197,144	1,696,019
- Exceeding Minimum Functionality	(D)	0	0	0	0
Smart Meter Operating Costs	(E)	0	0	0	153,000
Per installed Meter Costs		589.67	125.90	162.71	204.75
- Meeting Minimum Functionality	(F)=(C)/(A)	589.67	125.90	162.71	204.75
- Total	(G)=[(C)+(D)]/(A)	589.67	113.45	390.07	376.89

Smart Meter / Time of Use Project Costs
Projected Cumulative Costs to December 31, 2008

Smart Meters	26,569
Cumulative smart meter capital costs	$ 5,286,992
Smart Meter Operating cost	$ 153,000
Capital Cost Per per Resident on Time of Use rates	$ 198.99

b) Please provide a description of smart meter costs exceeding minimum functionality for each period. Please include a description of the benefits to Newmarket – Tay's Newmarket service area ratepayers of such functionality.

Response:

The applicant has not incurred any smart meter expenses above the minimum functionality. Included in the applicant's costs are amounts which relate to the testing, measurement, completeness, verification, and accuracy of the data originating from the "Smart Meter" and into the associated billing and presentment mediums including the integration with the Provincial Smart Meter Entity. The applicant has been named in provincial legislation as a rapid deployment utility under Ontario Regulation 428/06 and has been allowed to incur costs in this manner under Ontario Regulation 233/08 and 426/06. The applicant is implementing the Ontario Government's policy of implementation of Time of Use rates for its eligible consumers.

c) For smart meter costs per installed smart meter meeting minimum functionality, please explain any variance in the per meter cost in the table above compared to the cost of $123.59 per installed meter approved for Newmarket - Tay for the Newmarket service area in the combined smart meter proceeding EB-2007-0063.

Response:

The cumulative capital Smart Meter project costs are budgeted in the cost of service application to total $5,286,963 or approximately $198.99. The reasons for the incremental difference of $75.40 per meter are as follows:

- **Network meters are about $570/meter installed. This accounts for incremental costs of 22.33/meter. These were not included in the original proceeding.**
- **Small commercial meters installed cost is about $230/meter. This accounts for incremental costs of $8.01/meter. Again, these were not included.**

- **The remainder of the variance is due to the testing, measurement, completeness, verification, and accuracy of the data originating from the "Smart Meter" and into the associated billing and presentment mediums including the integration with the Provincial Smart Meter Entity. The applicant has been named in provincial legislation as a priority deployment utility under Ontario Regulation 428/06 and has been allowed to incur costs in this manner under Ontario Regulation 233/08 and 426/06. The applicant is implementing the Ontario Government's policy of implementation of Time of Use rates for its eligible consumers.**

d) For smart meters installations for each of the following periods, please provide information in the format filed in Exhibit A9 Confidential by Newmarket - Tay for the Newmarket service area in the combined smart meter proceeding EB-2007-0063:

i) June 9 to December 31, 2007;
ii) January 1 to August 31, 2008; and
iii) September 1 to December 31, 2008.

Response:

Newmarket Smart Meter Costs

Residential Smart Meters	
Residential smart meters purchased to June 8, 2007	19,000
Expected total smart meters to be purchased	26,000
Elsters	500
Network Residential Smart Meters	
Nework smar t meters purchased to June 8, 2007	0
Expected total network meters to be purchased	1,600
Alpha 3D's	100
Total meters to be purchased	28,200

1 CAPITAL COSTS

				Costs at		
1.1	**Advanced Metering Communication Device**	*Forecasted per unit cost*	*Actual Dec 31, 2006*	*Actual June 8, 2007*	*Actual Dec 31 2007*	*Projected Dec 31 2008*
1.1.1	**Smart Meters**					
	Residential Smart Meter					
	Capital Outlay (Form 2S)	82	0	1,549,500	2,097,845	2,083,249
	Net Scrapping	(0)	0	(6,922)	(6,922)	(6,922)
	Non-2S Residential Smart Meters					
	Smart meter 7 jaw 300 meters required Form 16S	570	0	0	111,488	296,734
	Network smart meter 4 jaw 1300 meters required Form 12S	175	0	0		231,366
	Non-Residential Smart Meters (Avg / unit $)	302				797,979
	Total Smart Meter Capital Costs			1,542,578	2,202,411	3,402,406
1.1.2	**Installation cost**					
	Average outside smart meter installation cost	9	0	170,050	178,169	178,184
	Average ins ide smart meter installation cost:	162	0	0	4,228	4,228

	(300 inside installations)					
	Network smart meter 4 jaw installation cost	4	0	0	0	
	Network smart meter 7 jaw installation cost	4	0	0	0	
	Capital parts for insta llation:					
	Seals	0	0	6,080	8,758	10,293
	Rings	5	0	86,070	96,645	97,552
	Total smart meter installation costs			262,200	287,801	290,257
1.1.3	**Workforce Automation and MDM/R CIS Interface**	1	0	28,523	28,523	
1.5	**Other Smart Meter Capital Costs**					
	Pilot and testing of different technologies	2	23,544	45,126	182,633	285,000
	Software	1	0	17,000	17,000	17,000
	Legal contract costs	3	0	42,402	47,300	47,300
	Project management	17	94,900	141,731	234,828	300,000
	Direct Staff Time and Public Communication	28	130,189	237,439	418,868	625,000
	MDM/R pilot and IESO MDM/R integration	10	46,200	76,800	171,578	320,000
	Total other smart meter capital costs		294,833	560,498	1,072,208	1,594,300
	Total Newmarket Smart Meter Capital Costs		294,833	2,393,799	3,590,944	5,286,963

18 Ref: Exhibit 2.1.7 – 2008 Smart Metering Capital Expenditures

On page 77, Newmarket - Tay documents 2008 smart metering capital expenditures of $1,696,019 in account 1860, and documents the primary drivers as follows:

Subdivision Development Program (Metering Component). The Developers pay a large share of these costs ranging from about 50% to 70% depending on the design of the installation. The 2008 gross costs for this category are expected to be $125,000.

Completion of the Smart Meter installation program, primarily at small commercial customer locations. ($1,550,000)

a) Under the Subdivision Development Program (Metering Component), please clarify if Newmarket - Tay is stating that 50% to 70% of the procurement and installation costs for smart meters in new residential and small General Service developments (i.e. subdivisions) are paid for through contributions in aid of construction?

Response:

For existing customers the new smart meter is replaced at the cost to the utility and recovered as a capital expenditure. For new services costs are factored into the offers to connect. The general statement made along with the rate application as quoted above was simply repeated in each capital Category that is affected by the installation.

b) Is this treatment the same as for conversion of existing residential and small general service customers? If not, please explain the reasoning for different cost recovery treatment.

Response:

See answer to a) above.

Operation and Maintenance Related

OM&A Expenses – overall

19.

Please confirm that Newmarket - Tay has not made changes to the company's accounting policies with respect to capitalization of operation expenses and/or has not made any significant changes to accounting estimates used in allocation of costs between operations and capital expenses. If any accounting policy changes or any significant changes in accounting estimates have been made, please provide supporting documentation and a discussion of the changes.

Response:

Confirmed

20 Ref: Exhibit 4 – Productivity

Please identify any directives, programmes, or initiatives in the business planning process that are directed at productivity improvements or cost savings in the forecast test year. If there are any past programmes in the historical or bridge years, please describe these programmes and their outcomes.

Response:

The applicant reviews all major expenditures on an annualized basis to ensure prudence. The major initiative for 2008 is an administrative organizational review. The applicant has engaged BDO for this purpose. The process started in the summer of 2008 but has been delayed due to available staff time and is now expected to be completed early in 2009.

21 Ref: Exhibit 4, Page 102 - Reconciliation

Newmarket – Tay has provided the Summary of Operating Costs Table on page 102, which include the years 2006 through 2008. Staff has compared this table with the following table from Newmarket's RRR Filing. Please, with full explanation, provide a reconciliation between the two sets of information.

Newmarket RRR Filing

Item		*Col. 1* 2007	*Col. 2* 2006	*Col. 3* 2005
	Staff Proposed Cost Centre Groupings			
1	Total OM&A	$5,804,941.99	$5,081,302.00	$4,901,766.85
2	Operation and Maintenance	$1,837,041.92	$1,662,771.00	$1,718,329.85
3	Administration	$3,916,100.52	$3,380,826.00	$3,170,686.00
4	Bad Debt Expense	$ 51,799.55	$ 37,705.00	$ 12,751.00
5	Amortization Expense	$3,677,282.87	$3,259,164.00	$3,001,408.00
6	**Total**	$9,482,224.86	$8,340,466.00	$7,903,174.85

Response:

Exhibit 4, Pg 102 is based on audited GAAP values. 2006 is essentially the same, with the exception of a small transposition error in compiling the values. The following chart shows the 2006 reconciliation:

	2006			
	RRR	Submission	Difference	
Total OM&A	5,081,302	5,174,072	(92,770)	
Operation & Maintenance	1,662,771	1,662,430	341	#1
Administration Labour & Exp	1,793,854	1,793,844	10	
Billing & Collecting (w/o Bad Debts)	1,247,273	1,247,273	(0)	
Community Relations	93,811	93,811	0	
Advertising	6,493	6,493	(0)	
Taxes Other Than Income Taxes	239,395	239,395	0	
Interest on Customer Deposits		93,121	(93,121)	#2
Subtotal	3,380,826	3,473,937	(93,111)	
Billing-Bad Debts	37,705	37,705	(0)	
Amortization Expense	3,259,164	3,259,163	1	
Total	8,340,466	8,433,235	(92,769)	

#1 There was a transposition error in the calculation of this value. The total should have been $1,662,771.

#2 The Applicant included Interest on Customer Deposits as part of Billing and Collecting Costs.

The reconciliation for 2007 is shown below. The largest difference is due to the Tay service area being consolidated into the submission. There are also differences due to GAAP vs. GARP as detailed below.

				2007			
	RRR	Submission	Difference	Tay	Newmarket	Difference	
Total OM&A	5,804,943	5,378,550	426,393	898,547	5,378,550	(472,154)	
Operation & Maintenance	1,837,042	1,710,875	126,167	184,117	1,710,875	(57,950)	#1
Administration Labour & Exp	2,108,716	1,871,067	237,649	392,025	1,871,067	(154,375)	#2
Billing & Collecting (w/o Bad Debts)	1,456,052	1,312,849	143,203	288,868	1,312,849	(145,666)	#3
Community Relations	66,646	61,739	4,907	4,907	61,739	0	
Advertising	12,829	9,968	2,861	2,861	9,968	0	
Taxes Other Than Income Taxes	271,857	257,506	14,351	14,351	257,506	0	
Interest on Customer Deposits		114,164	(114,164)	0	114,164	(114,164)	#4
Subtotal	3,916,101	3,627,293	288,808	703,012	3,627,293	(414,205)	
Billing-Bad Debts	51,800	40,382	11,418	11,418	40,382	0	
Amortization Expense	3,677,282	3,384,779	292,503	292,503	3,384,779	(0)	
Total	9,482,225	8,763,329	718,896	1,191,051	8,763,329	(472,155)	
						0	

#1 This difference represents the OMERS pension and Life Insurance costs charged to Operations and transferred to Account 1508 for GARP purposes.

#2 This difference represents the OMERS pension, Mearie life insurance and incremental OEB costs charged to Administration and transferred to Account 1508 for GARP purposes.

#3 This difference represents the OMERS pension and Mearie life insurance transferred to Account 1508 plus Retail Cost Variance Costs transferred to 1518 and 1548 for GARP purposes.

#4 The Applicant included Interest on Customer Deposits as part of Billing and Collecti ng Costs.

22 Ref: Exhibit 4, page 102 - Trends

In reviewing an application, the Board finds historical trends in expenditures of value. The following table was developed by Board staff using the information on page 102.

OM&A Trends

Newmarket

Item		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
		2006 Actual	Variance 2007/2006	2007 Actual	Variance 2008/2007	2008 Forecast	Variance 2008/2007	Variance 2008/2006
1	**Operation & Maintenance**	1,662,430	48,445	1,710,875	25,865	1,736,740	25,865	74,310
2			*2.9%*		*1.5%*		***1.5%***	***4.5%***
3	**Billing & Collections**	1,378,099	89,296	1,467,395	245,403	1,712,798	245,403	334,699
4			*6.5%*		*16.7%*		***16.7%***	***24.3%***
5	**Community Relations**	100,304	-28,597	71,707	-4,707	67,000	-4,707	-33,304
6			*-28.5%*		*-6.6%*		***-6.6%***	***-33.2%***
7	**Administrative and General Expenses**	1,793,844	77,223	1,871,067	93,415	1,964,482	93,415	170,638
8			*4.3%*		*5.0%*		***5.0%***	***9.5%***
9	**Total Controllable Expense**	**4,934,677**	**186,367**	**5,121,044**	**359,976**	**5,481,020**	**359,976**	**546,343**
10			3.8%		7.0%		***7.0%***	***11.1%***
11	**Taxes other than income taxes**	239,020	18,486	257,506	7,443	264,949	7,443	25,929
12			*7.7%*		*2.9%*		***2.9%***	***10.8%***
13	**Other Operating Costs**	4,944,163	-184,389	4,759,774	580,947	5,340,721	580,947	396,558
14			*-3.7%*		*12.2%*		***12.2%***	***8.0%***
15	**Total Operating Costs**	**10,117,860**	**20,464**	**10,138,324**	**948,366**	**11,086,690**	**948,366**	**968,830**
16							***9.4%***	***9.6%***

a) Please confirm that Newmarket - Tay agrees with the table prepared by Board staff presented above. If Newmarket – Tay does not agree with the table please provide an explanation as to why Newmarket – Tay does not agree. If Newmarket – Tay determines that the table requires changes, please provide an amended table with full explanation of changes made.

Response:

The applicant agrees with the above chart.

Newmarket -Tay has included in their Application the costs of implementing and operating smart meters. Please provide a similar table with the expenses for smart meters removed.

Response:

	2006	2007	Variance 2007/2006	2008	Variance 2008/2007	Variance 2008/2006
Operation & Maintenance	1,662,430	1,710,875	48,445	1,736,740	25,865	74,310
			2.91%		1.51%	4.47%
Billing & Collecting	1,378,099	1,467,395	89,296	1,559,798	92,403	181,699
			6.48%		6.30%	13.18%
Community Relations & Advertising	100,304	71,707	-28,597	67,000	-4,707	-33,304
			-28.51%		-6.56%	-33.20%
Administration Labour & Exp	1,793,844	1,871,067	77,223	1,964,482	93,415	170,638
			4.30%		4.99%	9.51%
Total Controllable Expenses	4,934,677	5,121,044	186,367	5,328,020	206,976	393,343
			3.78%		4.04%	7.97%
Property & Capital Tax	239,020	257,506	18,486	264,949	7,443	25,929
			7.73%		2.89%	10.85%
Other Operating Costs	4,944,163	4,608,486	-335,677	5,340,721	732,235	396,558
			-6.79%		15.89%	8.02%
Total Operating Costs	10,117,860	9,987,036	-130,824	10,933,690	946,654	815,830
			-1.29%		9.48%	8.06%

Conservation and Demand Management

23 Ref: Exhibit 4, General – CDM

The Applicant filed a Conservation and Demand Management Plan on November 10, 2004 as part of the third instalment of their incremental market adjusted revenue requirement ("MARR"). In RP-2004-0203/EB-2005-0236 the Board granted approval of the plan, totalling $1,267,010.

a) Are there any costs associated with this MARR included in Newmarket's proposed 2008 revenue requirement? If there are, please identify and explain.

Response:

None.

b) Are there any other incremental CDM costs included in the proposed 2008 revenue requirement? If there are, please identify and explain.

Response:

None.

Purchase of Services

24 Ref: Exhibit 4, page112: - Purchase of Services
The Applicant has provided information concerning its purchase of services for 2006 and 2007 for contracts above a threshold of 0.5% of OM&A. In total, there has been a $179,261 or 25% increase in the one year.

a) Are any of these costs in the table on page 112 incurred for services rendered to Tay? If so, what is the amount, and explain how their portion is determined?

Response:

None. This is a cost of service application for the Newmarket Service Area and the costs contained therein are the applicants only

b) Please provide a similar forecast of purchase of services for 2008 and include to which expense category they are allocated. If a forecast cannot be provided, please explain why.

Response:

Purchased Services

Number	Vendor	2008	Nature of Expense Process
C031	CUMMINS HYDRAULICS LTD.	25,000	Large Vehicle Hydraulic Systems Maintenance *5 Year Review*
C098	CAYENTA CANADA CORP	39,535	Financial System Support *Contingent on Financial System*
C107	COLLINS BARROW KAWARTHAS	45,000	External Audit Services *5 Year Competitive Tender*
E029	EQUIFAX CANADA INC	26,965	Credit Checks *Periodic Review*
H015	HILL-SAN AUTO SERVICE	27,644	Small Vehicle Maintenance *5 Year Review*
I015	THE ITM GROUP INC.	29,265	IT System Support *5 Year Review*
K007	JERRY KUNSCH EXCAVATING LTD.	56,000	Underground Excavating *3 Year Competitive Tender*
M037	McCARTHY TETRAULT LLP IN TRUST	79,000	Legal Services *Experts in Field*
O027	OLAMETER INC.	383,299	Meter Reading, Billing, Collecting & Mailing Sevices *Constant On-going Review*
S061	SAVAGE DATA SYSTEMS	59,000	Settlement Services *Contigent on Settlement Software*
U002	UTILITY LINE CLEARING	108,952	Line Clearing and Insulator Washing *3 Year Competitive Tender*
	Meter Information Service Contract	106,000	
		985,658	

Please provide the total amount of 2006 and 2007 purchases and a 2008 forecast for contracts less than $27,000. Are any of these costs incurred for Tay? If so, what is the amount, and is their portion determined?

Response:

Total contracts including those < $27,000 for 2006 and 2007 are as follows:

2006 $833,339

2007 $1,007,336

For 2008, the applicant expects contracts of < $27,000 to total about $107,800.

None of these costs are incurred for Tay.

Employee Compensation

25 Ref: Exhibit 4, page 114 - Compensation
Board staff has compiled the following table from the information provided in the Applicant's table on page 114. This table determines the average wage change and the resulting percentage change by employee group.

Newmarket - Tay Compensation

Item		*Col. 1* **2006**	*Col. 2* **2007**	*Col. 3* **2008**
	Average Wage			
1	Managem	101,721	105,749	108,921
2	Supervisor	73,705	81,982	84,441
3	Non-union	46,448	48,073	49,515
4	Union	62,214	69,876	71,957
	Wage Change $			
5	Management		4,027	3,173
6	Supervisory		8,276	2,460
7	Non-union		1,625	1,442
8	Union		7,661	2,081
	Wage Change %			
9	Management		4.0%	3.0%
10	Supervisory		11.2%	3.0%
11	Non-union		3.5%	3.0%
12	Union		12.3%	3.0%

On page 114 the explanation for increases states that "…the increases reflect existing contracts. They are 3.25% for 2007 and 3% per year through 2009."

Please explain the apparent discrepancy between this statement and the percentage changes determined in the table above. The reference is to contracts; however, it would be useful to explain why all groups exceed the 3.25%.

Response:

Management category:

The variance above 3.25% is due to vacation payouts in 2007. Due to the implementation of Smart Meters, a cost of service filing and merger with Tay Hydro, certain management staff did not have the opportunity to take vacation. The Applicant limits the number of days of vacation that can be carried forward.

Supervisor Category:

In the supervisor category a new position added to deal with smart meters and operational issues. In addition to this, three supervisors moved up their pay grid level which added an additional 9,500 in salary costs

Union Category

Early in 2006 the unionized category lost two FTE's early in the year and the calculation average was done using the total FTE in the year. If the 2006 average per employee calculation is adjusted for two lost FTEs, the average becomes approximately $68,200. This amount is more consistent with the actual 2007 and the estimated 2008 amounts.

26 Ref: Exhibit 4, Page 114 - Compensation
For each of the three years provided:

a) Please provide the percentage of the total compensation that is capitalized.

Response:

Percentage of Total Compensation Capitalizied

2006	35.6%
2007	34.3%
2008	34.0%

b) Are benefits also capitalized? If so at what percentage.

Response:

Response:

Yes

	Percentage of Total Benfits Capitalizied
2006	37.9%
2007	37.0%
2008	35.7%

27 Ref: Exhibit 4, page 116 - Incentive Plan
Newmarket – Tay state that a supervisor can earn an incentive of approximately 5% of base salary.

a) Are any of the incentives associated with cost reductions or productivity improvements?

Response:

No Incentives are part of the annual performance review and tied to the mission statement and corporate objectives contained therein, The objectives are safety, system reliability, excellence in customer service, environmental stewardship and financial integrity.

b) Are there incentives or bonuses for management or executive levels?

Response:

No

c) If there are management and/or executive incentives or bonuses, are they:

Associated with cost reductions of productivity improvements?

Response:

NA

Associated with improved return on equity?

Response:

NA

General Regulatory Costs

28 Ref: Exhibit 4, page 110 - Regulatory Costs

The Applicant states that for account 5655, Administration Fees, that there are some additional budgeted expenses for regulatory support in 2008.

a) Please provide a breakdown for actual and forecast regulatory costs, where applicable, for the 2006 actual, 2007 bridge year, and 2008 test year and present it in the format shown in the following table.

Response:

See Regulatory Cost table below

b) Under "Ongoing or One-time Cost", please identify and state if any of the regulatory costs are a "One-time Cost" and are not expected to be incurred by the applicant during the impending two year period when the applicant is subject to the 3rd Generation IRM process, or it is an "Ongoing Cost" and will continue throughout the 3rd Generation of IRM process.

Response:

See Regulatory Cost table below

c) Please state Newmarket – Tay's proposal on over what time period it intends to recover the "One-time" costs given that it will be using incentive rate adjustments for 3 years after this rebasing proceeding.

Response:

Regulatory Cost Table

	on going / one time	2006 Actual	2007 Actual	% change 2006/2007	2008 Forcast	% change 2007/2008
1 Annual OEB Assessment	on going	$ 98,778.00	$ 99,599.00	0.83%	$ 103,000.00	3.41%
2 OEB Hearing (applicant initiated)		0	0		0	
3 OEB Section 30	on going	$ 849.00	$ 3,836.00	351.83%	$ 7,000.00	82.48%
4 Expert Witness	one time		See note 2 below			
5 legal costs	one time	See note 1 below	$ 62,000.00		see note 3 below	
6 Consultants costs	one time	$ 84,000.00		-26.19%	$ 25,000.00	-59.68%
7 operating expense with staff allocated	See note 4 below					
8 operating expense with material allocated to regulatory matters	See note 4 below					
9 other regulatory fees ESA	ongoing	$ 15,098.00	$ 15,442.00	2.28%	$ 18,000.00	16.57%

Note 1 The costs contained therein included legal fees and consultant costs.

Note 2 The costs contained therein were for legal fees in regards to the Smart Meter hearing EB-2007-0063.

Note 3 The **applicant's annual forecasted budget for 2008 onwards for involvement with OEB process is $25,000. In prior years, the applicant had only budgeted the OEB annual assessment amount.**

Note 4. Staff time and material costs spent on OEB process are assigned to their home cost centre and not broken out.

Forecasting Related

Weather Normalization

29 Ref: Exhibit 3.2/ pages 90-93
On page 91, the Applicant references the EB-2006-0247 cost allocation filing which provided the weather-normalized data for the current application. The Applicant also shows how, for the Residential customer class, weather normalization is taken into account by modifying the 2004 kWh average residential consumption (by including CDM and OPA conservation effects) to arrive at a 2008 estimate for this kWh/customer quantity. On pages 91-93, CDM and OPA conservation effects are calculated. On page 90, the kWh/customer quantity is multiplied by both the average number of Residential customers and the variable $/kWh rate to determine the variable revenue for that class.

a) Please provide the Hydro One report and any spreadsheets containing data supporting the calculation of the weather-normalized historical load.

Response:

Newmarket Hydro Load data- Run #2.xls shows the HONI weather normalized values for 2004.

b) Please provide the calculations for the $/kWh quantities for the other weather-sensitive classes in a format similar to that used on page 91 for the Residential class customers.

Response:

The Applicant feels that the other classes are not as subject to weather sensitivity as they are to movement between classes and impacts by type of customer added. However, the following chart may provide what you are requesting:

	GS <50	GS>50-Regular
CA Weather Normalized	107,329,770	325,509,927
CA Customers	2,575	316
Avg Use	41,681	1,030,095
Submission Customers	2,621	377
Customers x Avg Use	109,226,276	388,345,704
CDM & OPA	-0.015%	-0.249%
Adjusted Average	109,209,733	387,378,766

These values are clearly not supported by recent history.

c) Please confirm that the Applicant's separate estimates for CDM and OPA conservation effects are consistent with the Applicant's annual CDM report(s) and any other energy-saving reports the Applicant may have.

Response:

The CDM savings of 3,585,134 kWh is cumulative aggregate of 3 years of savings. These values were reported to the OEB on an annual basis as required.

The savings of 1,083,318 kWh is an estimate of the impacts of the OPA approved programs in the Newmarket service territory. The estimate uses the OPA targets by program as a percentage of Provincial kWh's by class and applies this percentage to the Applicants total kWh by class. The applicant is participating in all programs that fit the customer profile(s) and are exceeding the targets in every program but one to the end of July 2008.

d) Please comment on whether a 20-year trend analysis for weather normalization would provide a more accurate assessment of the impact of weather on consumption.

Response:

The applicant used the CA model as a starting point and confirmed that it was realistic by providing the 7 year actual average. Reality is that 2008 average to date is lower than that forecast in the Submission. The applicant is not in a position to agree or disagree with the statement; however based upon the last five years the weather it is the applicants opinion that twenty years may not yield a correct value due the decreasing temperature in the summer and warming in the winter.

Load Forecast

30 Ref: Exhibit 3/ pages 87 to 100
On page 88, in the second unnumbered table, the Applicant shows the average consumption for classes on a per customer basis. Also, on page 89, the Applicant explains that the increase in GS>50kW revenue is primarily due to a new municipal recreation centre but this increase is expected to be offset by a significant downturn in the automotive manufacturing sector.

a) Please reconcile the 2008 average consumption for Residential customers (9,862 kWh) with the 9,964 kWh value for Residential customers shown on page 91.

Response:

9,964 is the total kWh / Customer Count at the end of the year.
9,862 is the total kWh / average of 2007 and 2008 Customer Counts. 9,862 should have been used throughout the Submission for kWh/Res Cust/Yr.

b) Please provide details of the timing and start-up load profile of the new municipal recreation centre load and the timing and close-down load profile of the lost automotive manufacturing sector load.

Response:

The recreation centre had very little impact in 2007. The applicant forecast a total impact of +15,000 billed kW for 2008. However, the applicant offset this increase and additional increases due to customer growth with the downturn in economic conditions (mainly automotive sector) and projected billed kW at the same level as 2007. This has now been supported by actual billed kW in the class of 567,748 to the end of August compared with 568,167 for the same period in 2007.

c) Please provide any data that demonstrates the accuracy of the Applicant's kWh forecasts over the past 5 years.

Response:

The Applicant feels that it can best support the forecast by showing the actual billed quantities to August 2008 vs the same period last year. The following Table demonstrates this:

		2008	2007	Change %	Forecast Change
Res	kWh	158,769,273	158,395,603	0.236%	1.31%
GS < 50	kWh	60,154,044	61,050,127	-1.468%	1.39%
GS > 50	kW	**567,748**	**568,167**	-0.074%	0.00%

forecasts for Residential and GS > 50 are reasonable; however, the applicant did not see the negative growth in the < 50 Class. The overall percentage of error is -.58% of Distribution Revenue.

31 Ref: Exhibit 3/ pages 87 to 100
On page 90, the Applicant shows in the unnumbered table, the 2008 expected load (both kWh and kW) and revenue for the three customer classes that appear to use the kW charge determinant; i.e. GS>50kW, Street Lights and Sentinel Lights. No explanation is provided regarding the development of the kW loads for these three classes that account for approximately one third of the Applicant's revenue.

Please provide details for the development of the kW values shown in the table including the process and values used to establish any kWh/kW conversion factors that may have been used.

Response:

Please see Response to 30 b & c above regarding the development of the 2008 kW for the GS > 50 Class.

The Street Lighting load is normally developed using previous years as a base and then applying the Residential growth factor to it. It appears that there was an error in the 2007 base and that the applicant over-projected 2008 by about 2,000 kW.

For Sentinel Lights, the applicant uses historical load as the projection. No new lights are added to this class and the historical load has been 945 kW for some time now.

Customer Forecast

32 Ref: Exhibit 3/ pages 87 to 100
On page 88 in the first unnumbered table, the Applicant shows the 2006, 2007 and 2008 kWh loads for the GS<50kW class to be increasing from each year to the next. In the third unnumbered table on page 88, the Applicant shows:
(i) customer count for the Residential class to be increasing from 24,069 in 2007 to 24,569 in 2008;
(ii) the customer count for the GS<50kW class to be 2,632, 2,674 and 2,642 for the years 2006, 2007 and 2008 respectively; and
(iii) the number of customers in the GS>50kW class to be increasing by 6 customers from 2007 to 2008.

a) Please reconcile the quantitative changes in customer count for the GS<50kW class shown on page 88 with the explanation given on page 89, specifically;

"The increases in both customer numbers and consumption are consistent between 2006, 2007, and estimated 2008".

Response:

For 2008, the applicant is requesting a new rate class for Unmetered Scattered Load. There are 75 accounts in this Class that have been shifted from the GS < 50 Class.

b) Please explain the circumstances that saw the customer count for the GS<50kW class increase by 42 from 2006 to 2007 but expect the customer count to drop by 32 from 2007 to 2008.

Response:

For 2008, the applicant is requesting a new rate class for Unmetered Scattered Load. There are 75 accounts in this Class that have been shifted from the GS < 50 Class.

c) Please reconcile the 2008 average customer count for the GS<50kW class (i.e. 2,658 which is the mid-year average of 2,674 and 2,642 for 2007 and 2008 respectively) with the value of 2,620 shown in the unnumbered table on page 90.

Response:

2007 Count	**2674 less USL's (75) =**	**2599**
2008 Count		**2642**
Average =		**2620**

d) Please reconcile the 2007 to 2008 increase of 6 customers in the GS>50kW class with the expected increase of 15 new 44kV system customers (referenced in various pages from 78 to 83).

Response:

There is a relationship between the two values in that the 15 customers referenced for budget purposes are all GS customers, but are split between the < 50 and > 50 classes. For instance, a commercial strip plaza is usually fed from the 44 kV system, but the individual customers in the plaza are often GS < 50 customers depending on their expected individual load.

e) Please provide any data the Applicant may have that demonstrates the accuracy of the Applicant's customer count forecasts over the past 5 years.

Response:

The Applicant feels that it can best support the forecast by showing the actual customer count as at August 2008. The following Table compares this value to the Forecast:

Customer Count	Aug 2008 Actual	Submission
Residential	24,441	24,569
GS<50	2,627	2,642
USL (removed from <50 for Aug actual)	75	75
GS>50	381	380
	27,524	27,666

Revenue Forecast

33 Ref: Exhibit 1.2.1/ page 44
On page 44, it states: "The Applicant uses historical consumption patterns, class growth rates and estimates from the Town of Newmarket as primary drivers to make informed projections of its revenue requirements."

Please provide source references to the materials obtained from the Town of Newmarket and from any other external organizations.

Response:

These estimates are obtained verbally.

34 Ref: Exhibit 3/ pages 87 to 100
On page 90, the Applicant shows in the unnumbered table, the 2008 expected load (both kWh and kW) and revenue for the three customer classes that appear to use the kW charge determinant; i.e. GS>50kW, Street Lights and Sentinel Lights. Also, for all six classes, the base revenue calculated is not necessarily the straight-forward multiplication of the values in the table but involves some form of approximation.

Please recalculate the base revenue values without any approximations; i.e. using only the input values in the table.

Response:

There are no "approximations" in the table. The $/Class are determined multiplying the existing Distribution Fixed and Variable rates times the appropriate unit value and then added together. All values show on the chart.

Cost Allocation and Rate Design

Cost Allocation and Rate Design

35 References:
Exhibit 8, Section 8.1, page 139
Appendix 2, 2006 Cost allocation Informational Filing, Sheet O1
Exhibit 8, Section 8.2, page 142
Appendix 2, 2006 Cost allocation Informational Filing, Sheet O2
Exhibit 9, Section 9.1, page 147
Exhibit 9, Section 9.3, pages 160-169
Exhibit 9, Section 1.2, page 39

The 1st reference provides a brief statement about the inclusion in the application of a revised version of the Cost Allocation Informational Filing caused by the removal of the Large User rate class.
The 2nd reference comprises Sheet O1 of the revised Cost Allocation Informational Filing.
The 3rd reference provides data on fixed or monthly service charges.
The 4th reference comprises Sheet O2 of the revised Cost Allocation Informational Filing.
The 5th reference provides the revenue requirement for each rate class.
The 6th reference provides bill impacts resulting from 2007 and proposed 2008 rates.
The 7th reference provides revenue to cost ratios for each rate class with respect to proposed rates for 2008.

a) In the 2nd reference in the "Total" column, "Total Revenue" and "Revenue Requirement (includes NI)" are respectively shown as $14,244,657 and $14,654,174.

Please explain the difference given the fact that Revenue Requirement and Total Revenue would be intended to be the same.

Response:

The Applicant asked this question prior to submitting the CA Models in January 2007. The answer had something to do with the fact that the applicant is not on 2006 EDR rates and therefore would not balance. The following is O1 from Version 2 of that filing.

	Total	Residential	GS <50	GS>50-Regular	Large Use >5MW	Street Light	Sentinel	Unmetered Scattered Load
Distribution Revenue (sale)	$13,252,456	$6,765,362	$2,431,520	$3,769,267	$212,458	$46,425	$4,938	$22,487
Miscellaneous Revenue (mi)	$992,201	$580,067	$175,197	$200,034	$8,635	$22,032	$539	$5,696
Total Revenue	$14,244,657	$7,345,429	$2,606,718	$3,969,300	$221,093	$68,457	$5,477	$28,183
Expenses								
Distribution Costs (di)	$2,056,242	$1,144,156	$371,396	$360,030	$37,422	$139,086	$2,571	$1,581
Customer Related Costs (cu)	$1,663,779	$1,086,623	$282,414	$263,806	$1,005	$15,479	$296	$14,155
General and Administration (ad)	$2,213,210	$1,301,642	$394,093	$383,407	$26,373	$97,665	$1,807	$8,223
Depreciation and Amortization (de	$2,826,438	$1,536,924	$528,984	$528,907	$51,972	$174,461	$3,206	$1,985
PILs (INPUT)	$1,569,774	$812,656	$300,641	$329,176	$34,487	$90,094	$1,682	$1,037
Interest	$1,778,564	$920,745	$340,628	$372,959	$39,074	$102,077	$1,906	$1,175
Total Expenses	$12,108,006	$6,802,746	$2,218,156	$2,238,285	$190,333	$618,862	$11,469	$28,156
Direct Allocation	$0	$0	$0	$0	$0	$0	$0	$0
Allocated Net Income (NI)	$2,423,753	$1,254,753	$464,194	$508,252	$53,249	$139,106	$2,598	$1,602
Revenue Requirement (include	$14,531,759	$8,057,499	$2,682,350	$2,746,537	$243,582	$757,967	$14,066	$29,758
	Revenue Requirement Input equals Output							
Rate Base Calculation								
Net Assets								
Distribution Plant - Gross	$72,607,606	$38,654,308	$13,900,928	$13,929,966	$1,363,458	$4,624,125	$81,962	$52,860
General Plant - Gross	$4,837,001	$2,545,706	$929,116	$948,022	$94,039	$311,114	$5,433	$3,570
Accumulated Depreciation	($31,944,054)	($17,253,140)	($6,090,066)	($5,960,161)	($572,893)	($2,008,659)	($36,286)	($22,850)
Capital Contribution	($7,925,324)	($4,478,856)	($1,542,593)	($1,063,414)	($63,698)	($757,407)	($10,746)	($8,608)
Total Net Plant	$37,575,230	$19,468,018	$7,197,386	$7,854,413	$820,906	$2,169,173	$40,363	$24,971
Directly Allocated Net Fixed As	$0	$0	$0	$0	$0	$0	$0	$0
Cost of Power (COP)	$46,040,778	$15,754,318	$7,064,940	$20,801,093	$2,095,546	$289,696	$20,801	$14,385
OM&A Expenses	$5,933,231	$3,532,421	$1,047,904	$1,007,243	$64,800	$252,230	$4,674	$23,959
Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	***$51,974,009***	***$19,286,739***	***$8,112,844***	***$21,808,336***	***$2,160,345***	***$541,926***	***$25,475***	***$38,343***
Working Capital	$7,796,101	$2,893,011	$1,216,927	$3,271,250	$324,052	$81,289	$3,821	$5,752
Total Rate Base	$45,371,331	$22,361,029	$8,414,312	$11,125,663	$1,144,958	$2,250,462	$44,185	$30,723
	Rate Base Input equals Output							
Equity Component of Rate Base	$22,685,666	$11,180,515	$4,207,156	$5,562,832	$572,479	$1,125,231	$22,092	$15,361
Net Income on Allocated Assets	$2,136,650	$542,683	$388,562	$1,731,015	$30,759	($550,405)	($5,991)	$27
Net Income on Direct Allocation	$0	$0	$0	$0	$0	$0	$0	$0
Net Income	$2,136,650	$542,683	$388,562	$1,731,015	$30,759	($550,405)	($5,991)	$27
RATIOS ANALYSIS								
REVENUE TO EXPENSES %	98.02%	91.16%	97.18%	144.52%	90.77%	9.03%	38.94%	94.71%
EXISTING REVENUE MINUS AL	($287,103)	($712,070)	($75,632)	$1,222,763	($22,490)	($689,511)	($8,589)	($1,574)
RETURN ON EQUITY COMPON	9.42%	4.85%	9.24%	31.12%	5.37%	-48.91%	-27.12%	0.18%

b) The "Revenue To Expenses %" is intended to be a ratio of Total Revenue and Revenue Requirement. Given the difference noted above, please explain why the ratio is shown as 100% in the total column.

Response:

Once the applicant made the changes to remove the LU Class, the applicant prorated the outcome (98.02% as shown above) upwards to 100% and then calculated each of the others around that.

c) With respect to the "Revenue To Expenses %" for individual rate classes such as Residential, a division of Total Revenue ($7,346,636) and Revenue Requirement ($8,089,822) results in 90.8% versus 92.85% as provided in the 2nd reference. Please indicate which is correct. In the same fashion, please comment on the "Revenue To Expenses %" for the remaining rate classes.

Response:

Please see b above.

d) With respect to the Customer Unit Cost per month – Minimum System: Please explain the reason why this amount is different for every rate class when comparing the revised version of the Cost Allocation Informational Filing as shown in the 4th reference and the application as shown in the 3rd reference.

Response:

The correct values are those shown in the Model. The following chart summarises this:

	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	4.25	12.69	39.36	0.19	0.25	5.11
Customer Unit Cost per month - Directly Related	6.52	18.23	61.11	0.32	0.48	8.37
Customer Unit Cost per month - Minimum System with PLCC Adjustment	12.50	24.18	127.68	9.37	6.94	16.38
Fixed Charge per approved 2006 EDR	13.34	20.95	376.28	0.31	1.74	20.95
Max Based on OEB Report	15.00	29.02	153.21	11.24	8.33	19.66

e) In the 3rd reference, please explain why the "Ceiling" is shown as a higher dollar number than the Customer Unit Cost per month – Minimum System.

Response:

This value uses the Maximum of +20% suggested in the Application of Cost Allocation for Electricity Distributors Report of the Board EB-2007-0667 dated November 28, 2007 in 4.2.2 and applies it to the Customer Unit Cost per Month – Minimum System to show what this upper limit is as suggested in the report.

f) With respect to the GS>50 rate class, please explain the sharp increase in the class revenue requirement expressed as a percentage of total revenue requirement, in the proposed structure (29.8% after adjustment for transformer allowance as shown in the 5th reference) compared to the structure in the revised Cost Allocation Informational Filing (20.5% deduced from the 2nd reference), given that the revenue to cost ratio has dropped to139.4% (7th reference) in the former from143.5% in the latter (2nd reference).

Response:

There is an error in the calculation for the GS>50 revenue requirement. The TA was not included as part of their revenue in the chart. Once this correction has been made, the RR drops to 29.8%.

g) With respect to the GS>50 rate class, please explain the method by which the transformer allowance ("GS>50 T/A") of $137,633 (5th reference) is allocated amongst the rate classes, including the rationale for doing this allocation.

Response:

The TA was allocated to the classes at the ratio of kWh in the class to total kWh with kWh relating to TA Customers removed from the equation.

h) With respect to the GS<50 rate class, please explain the reason for the Monthly Service Charge proposed for 2008 as shown in the 6th reference being higher than the Customer Unit Cost per month – Minimum System, as shown in the 4th reference.

Response:

Please see response to d) above.

i) With respect to the GS<50 rate class, as shown in the 6th reference comparing 2007 to 2008, please explain why the percentage increase in the monthly service charge (19.3%) is greater than the percentage increase in the volumetric rate (2.9%).

Response:

The monthly service charge for the GS<50 Class was developed this way to keep the variable rate the same as the variable rate for USL.

j) With respect to the GS<50 rate class, please provide a calculation of rates where the percentage increase in the monthly service charge is the same as the percentage increase in the volumetric rate and comment on how the resulting monthly service charge compares with the Customer Unit Cost per month – Minimum System.

Response:

This request results in a fixed rate for the class of $22.57. Customer Unit Cost/Month is $24.18.

k) With respect to the Street Light rate class, please explain the reason for the Monthly Service Charge proposed for 2008 as shown in the 6th reference being higher than the Customer Unit Cost per month – Minimum System, as shown in the 4th reference.

Response:

Not sure about this question. Requested fixed rate for Street Lights = $0.90/unit/month and is used on the 6th reference (bill impacts). The revised Customer Unit Cost per month – Minimum System shown in d) above is $9.37 or in the original application is $8.21. The $0.90 rate was used to spread the class increase about evenly over the 2 components and falls well within the Min/Max levels. However, a shift from one to the other makes virtually no difference here in that there is only one customer in the class and the revenue requirement will be collected from that customer.

l) With respect to the Street Light rate class, the revenue to cost ratio has increased/improved from 9.36% in the Cost Allocation Informational Filing (2nd reference) to 23.33% in the proposal for 2008 (7th reference). In order to analyze the impact of further improvement, please provide a calculation of rates that would yield a revenue to cost ratio of 40% together with a total bill impact calculation.

Response:

To achieve this request, an additional $122,000 has to be billed to the class for a total impact of $222,000. Bill impacts show in the following chart (The Applicant has adjusted both the fixed and variable rates so the increase in each is about the same).

Street Lights

Class Average Consumption	
378,990	kWh
1,245	kW
7,227	Lights

	2007 BILL			2008 BILL			IMPACT	
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Monthly Service Charge	7,227	0.31	2,255.21	7,227	1.60	11,562.85	9,307.64	412.72%
Distribution (kW)	1,245	1.8466	2,298.11	1,245	9.5308	11,861.14	9,563.02	416.12%
Deferred Account Recovery (kW)	1,245	0.3425	426.21	1,245	0.2226	277.03	(149.17)	-35.00%
Sub-Total			**4,979.53**			**23,701.02**	**18,721.49**	**375.97%**
Other Charges (kWh)	392,823	0.0062	2,435.50	392,098	0.0055	2,156.54	(278.97)	-11.45%
Debt Retirement Charge (kWh)	378,990	0.0070	2,652.93	378,990	0.0070	2,652.93	0.00	0.00%
Other Charges (kW)	1,245	2.9826	3,711.85	1,245	2.7424	3,412.87	(298.98)	-8.05%
Cost of Power Commodity (kWh)<750	750	0.0500	37.50	750	0.0500	37.50	0.00	0.00%
Cost of Power Commodity (kWh)>750	392,073	0.0590	23,132.32	391,348	0.0590	23,089.52	(42.81)	-0.19%
Regulated Price Plan Administration Charge/Connection/Month	7,227	0.2500	1,806.69	7,227	0.2500	1,806.69	0.00	0.00%
Total Bill w/o GST			**38,756.32**			**56,857.06**	**18,100.74**	**46.70%**
GST		6%	2,325.38		5%	2,842.85	517.47	22.25%
Total Bill			**41,081.70**			**59,699.92**	**18,618.21**	**45.32%**

Specific Service Charges

36 References:
Exhibit 3, Section 3.3.4, page 98
Exhibit 3, Section 3.3.4.1, page 99

The 1st reference provides a list of currently approved and proposed specific service charges.
The 2nd reference provides information on non-standard specific service charge rates.

Please confirm that, with four exceptions, the proposed specific services charges as shown in the 1st reference are identical to standard charges in Schedule 11-3 of the 2006 EDR Handbook. In the four instances where the proposed charges are different from the levels shown in Schedule 11-3 of the 2006 EDR Handbook, please confirm that the proposed charges are lower than the standard charges.

Response:

The Applicant confirms that the rates listed on page 98 are the same as those listed in Schedule 11-3 of the 2006 EDR Handbook with the exception of the four rates highlighted in yellow that are all lower as shown in Section 3.3.4.1 on page 99 and detailed in Section 3.3.4.2 Non-Standard Rate Calculation. Also, the Applicant has used the Non-Standard Rate Calculation provided with the 2006 EDR Model to calculate the non-standard rate.

Loss Factor

37 References:
Exhibit 4, Section 4.2.9, page 118
Exhibit 9, Section 9.1.4, page 152

The 1st reference provides a brief statement on Newmarket-Tay's loss factor relating to the Newmarket service area.
The 2nd reference provides the current loss factor plus a calculation of actual total loss factors (TLF) for 2003 to 2007 and the weighted average for the 5-year period.

a) With respect to the historical and average/proposed loss factors plus current loss factor provided in the table in the 2nd reference, please provide the historical and average loss factors in the framework of the 2006 EDR Handbook Schedule 10-5.

Response:

The Applicant has re-calculated the Loss Factor as requested. The results are based on weighted averages and both the 3 and 5 year results are shown.

	2003	2004	2005	2006	2007
"Wholesale" kWh (IESO)	659,301,476	685,456,915	727,741,286	707,635,390	717,120,320
"Wholesale" kWh for Large User (IESO)	0	0	0	0	0
Net "Wholesale" kWh (A)-(B)	659,301,476	685,456,915	727,741,286	707,635,390	717,120,320
"Retail" kWh (Distributor)	636,823,652	661,514,842	700,635,236	681,601,671	695,700,606
"Retail" kWh for Large User (IESO)	0	0	0	0	0
Net "Retail" kWh (D)-(E)	636,823,652	661,514,842	700,635,236	681,601,671	695,700,606
TLF Loss Factor [(C)/(F)]	1.03530	1.03619	1.03869	1.03819	1.03079
DLF	1.03205	1.03219	1.03612	1.03575	1.02826
SFLF	1.00325	1.00400	1.00256	1.00244	1.00253
Total Loss Factor Adjustment (3 year average)			1.03678	1.03772	1.03588
Total Loss Factor Adjustment (5 year average)					1.03583

b) The 4th column in the table titled "TLF%" suggests that the historical loss factors provided plus the loss factor proposed for 2008 (1.0346) are Total Loss Factors (TLF). If this is correct, for each TLF, please provide the underlying Distribution Loss Factors (DLF) and Supply Facilities Loss Factor (SFLF). If this is not correct, i.e. the loss factors provided are DLFs rather than TLFs, please provide the TLFs and SFLF.

Response:

Please see chart in a) above.

c) Similar to the above, please confirm if the current loss factor (1.0365) refers to TLF or DLF. If it is the former, please provide the underlying DLF. If it is the latter, please provide the TLF. In either case, please also provide the SFLF.

Response:

1.0365 is the TLF. This is composed of a DLF of 1.0320 and a SFLF of 1.0045.

d) Please confirm if the proposed and current loss factors refer to secondary metered customers < 5,000 kW.

Response:

The applicant confirms that the loss factors only apply to secondary metered customers < 5,000 kW

e) Please provide TLF's proposed for 2008 for each of secondary and primary metered customers > and < than 5,000 kW.

Response:

All of the Applicant's customers are secondary metered and all customers are <5,000 kW.

f) Please confirm whether or not the proposed and current loss factors include losses incurred in the distribution network of a host distributor. If yes, please quantify such losses on a percentage basis.

Response:

N/A

g) Please provide an explanation or rationale for proposing an average loss factor (1.0346 or 3.46%) for the test year 2008 rather than a lower loss factor such as the actual loss factor for 2007 (1.02987 or 2.987%).

Response:

The Applicant has analyzed the historical factors due to the lower rate calculated for 2007. It is felt that part of the reason for the 2007 result is included in the calculation for Unbilled Revenue kWh for 2006. The Applicant's annual values have been reasonably consistent around the 3.5% area and feels more comfortable using a 3 or 5 year average.

h) Please describe any steps that are contemplated to decrease the loss factor in the Newmarket service area during the test year (2008) and/or during a longer planning period.

Response:

There are no specific plans to reduce this factor. The Applicant continues to seek out areas of losses through its normal course of business by constantly being on the lookout for potentially by-passed meters. Also, the applicant continues to upgrade old assets at a constant rate that keeps them in acceptable condition.

Deferral and Variance accounts

38 References:
Exhibit 5, pages 127-134
Exhibit 9, Section 9.1.3, pages 151-152
Exhibit 1, Section 1.2, pages 40-42
Exhibit 1, Section 1.1.4, pages 23-24, items l) and m).

The 1st reference provides an overview and account specific details on deferral and variance accounts.
The 2nd reference provides a write-up on the integration of deferral account recovery in rate design.
The 3rd reference provides currently approved and proposed rates and charges.
The 4th reference provides a summary on the creation of two proposed new accounts.

a) In both the 1st reference (page 134) and 2nd reference, the outstanding deferral account balance as of April 2008 is shown as $2,604,905. The recovery amount between May 1, 2008 and April 30, 2011 under currently approved recovery rates is shown as $3,823,280 and under proposed recovery rates is shown as $2,485,132.

Please calculate and provide the date by which the outstanding balance of $2,604,905 as of April 2008 would be fully recovered under current recovery rates.

Response:

The Applicant is aware that the balance will be collected at a faster pace than the Application suggests and would like to re-calculate the rate as more is known about the implementation date and duration of this submission. The applicant is currently collecting about $105,000/mn. At the current recovery rate, the April balance will be fully recovered in about 25 Months, or by May 31, 2010.

Under proposed recovery rates (decrease of 33% over current recovery rates), the recovery amount ($2,485,132) is less than the outstanding balance of $2,604,905 as of April 2008. Please explain Newmarket - Tay's plans for full recovery following April 30, 2011.

Response:

The 33% reduction was not recalculated once the 2007 actual values were known. In order to recover the total in the Model as submitted and under those criteria which are now out of date, the rate does not change when rounded to 4 places.

b) On page 128 of the 1st reference, the total balance in the "2008 Test" column is shown as $2,213,298. As this amount is less than the balance referenced above (balance of $2,604,905 as of April 2008), please provide the month corresponding to it.

Response:

$2,213,298 is the projected balance at the end of 2008 (Test Year. It assumes that rate changes and recovery rates requested come into effect on Apr 1, 2008.

c) Please list and provide a brief description of all outstanding deferral and variance accounts. This includes the deferral and variance accounts not being requested for disposition.

Response:

The following is a complete list showing the makeup of the $2,604,905 that is included in the Submission. It includes all of the Deferral Accounts with the exception of the Smart Meter OM&A balance of $49,914. Full descriptions of all accounts are included in Section 5.1.1 Description of Deferral and Variance Accounts.

Deferral Account Balances

	Account	2006	2007	Apr-08	2008 Test
Other Regulatory Assets	**1508**	703,031	1,056,989	1,168,289	**1,168,289**
Carrying Charges		37,751	78,440	95,877	134,399
Other Regulatory Assets	**1508**	**740,782**	**1,135,428**	**1,264,166**	**1,302,688**
Retail Cost Variance - Retail	**1518**	34,360	38,223	40,000	43,000
Carrying Charges		5,576	7,289	7,944	9,376
Retail Cost Variance - Retail	**1518**	**39,936**	**45,512**	**47,944**	**52,376**
Misc Deferred Debits	**1525**	27,579	27,579	27,579	27,579
Carrying Charges		6,508	7,812	8,284	9,229
Misc Deferred Debits	**1525**	**34,087**	**35,391**	**35,863**	**36,808**
Retail Cost Variance - STR	**1548**	36,523	45,270	48,270	54,270
Carrying Charges		5,927	7,852	8,628	10,411
Retail Cost Variance - STR	**1548**	**42,450**	**53,123**	**56,898**	**64,681**
Smart Meter - OM&A	**1556**		**49,914**		**49,914**
Carrying Charges					
Smart Meter - OM&A	**1556**		**49,914**		**49,914**
PILS	**1562**	135,171	135,171	135,171	135,171
Carrying Charges		158,809	165,199	167,515	172,146
PILS	**1562**	**293,979**	**300,369**	**302,685**	**307,317**
PILS Contra	**1563**	(135,171)	(135,171)	(135,171)	(135,171)
Carrying Charges		(158,809)	(165,199)	(167,515)	(172,146)
PILS Contra	**1563**	**(293,979)**	**(300,369)**	**(302,685)**	**(307,317)**
Transition Costs	**1570**	281,663	281,663	281,663	281,663
Carrying Charges		74,700	88,016	92,841	102,493
Transition Costs	**1570**	**356,363**	**369,679**	**374,504**	**384,156**
RSVA-Whlsle Market Serv	**1580**	(85,337)	(1,032,430)	(1,201,803)	**(1,201,803)**
Carrying Charges		(14,095)	(37,290)	(52,900)	(92,900)
RSVA-Whlsle Market Serv	**1580**	**(99,432)**	**(1,069,720)**	**(1,254,703)**	**(1,294,703)**
RSVA-One Time Charges	**1582**	97,644	99,667	126,969	149,969
Carrying Charges		7,722	12,618	14,518	19,357
RSVA-One Time Charges	**1582**	**105,366**	**112,285**	**141,487**	**169,327**
RSVA-Trans Network	**1584**	902,389	1,099,695	1,020,060	**1,027,969**
Carrying Charges		40,609	87,731	107,467	143,882
RSVA-Trans Network	**1584**	**942,998**	**1,187,426**	**1,127,527**	**1,171,851**
RSVA-Trans Connection	**1586**	210,081	261,601	214,555	**212,728**
Carrying Charges		(22,099)	(11,821)	(7,669)	(75)
RSVA-Trans Connection	**1586**	**187,981**	**249,780**	**206,886**	**212,653**
RSVA-Power	**1588**	629,626	1,118,747	629,626	**629,626**
Carrying Charges		(342,938)	(312,109)	(303,543)	(279,271)
RSVA-Power	**1588**	**286,687**	**806,638**	**326,083**	**350,355**
Approved Reg Assets		3,446,594	3,446,594	3,446,594	3,446,594
Carrying Charges		1,264,365	1,287,090	1,203,248	1,188,973
Reg Asset Recovery		(2,996,114)	(4,261,473)	(4,674,278)	(5,229,694)
Approved Reg Assets	**1590**	**1,714,844**	**472,210**	**(24,437)**	**(594,127)**
Total w/o PILS Contra		**4,646,043**	**3,748,036**	**2,604,905**	**2,213,298**

d) Newmarket - Tay is requesting disposition of regulatory variance accounts (1st reference, page 128). Please provide the information as shown in the attached continuity schedule in excel format for regulatory assets. Please note that forecasting principal transactions beyond 2007 and the accrued interest on these forecasted balances and including them in the attached continuity schedule is optional.

Response:

The Spreadsheet has been completed to Dec 2007.

e) What are the interest rates being used to calculate carrying charges for each regulatory deferral and variance account for the period from January 1, 2005 to present?

Response:

The following chart shows the interest rates the Applicant has used from Jan1, 2005 to the second quarter of 2008 for all accounts except Smart Meter OM&A which is 0%.

		2005	2006	2007	2008
Q1	Deferral Accts	7.25%	7.25%	4.59%	5.14%
	OEB (1508)	5.75%	5.00%	4.59%	5.14%
	OMERS/Mearie (1508)	3.88%	5.00%	4.59%	5.14%
Q2	Deferral Accts	7.25%	4.14%	4.59%	4.08%
	OEB (1508)	5.75%	5.00%	4.59%	4.08%
	OMERS/Mearie (1508)	3.88%	5.00%	4.59%	4.08%
Q3	Deferral Accts	7.25%	4.59%	4.59%	
	OEB (1508)	5.75%	5.00%	4.59%	
	OMERS/Mearie (1508)	3.88%	5.00%	4.59%	
Q4	Deferral Accts	7.25%	4.59%	5.14%	
	OEB (1508)	5.75%	5.00%	5.14%	
	OMERS/Mearie (1508)	3.88%	5.00%	5.14%	

f) With respect to the two new deferral accounts proposed to be created, i.e.
(i) to capture potential lost distribution revenue resulting from new 2008 Ontario Power Authority conservation related programs, and
(ii) for the Provincial Meter Data Management Repository (MDMR) expenses when enabled (4th reference):

- What is the regulatory precedent for this proposed deferral account?
- What is the justification for this account?

- What are the journal entries to be recorded?
- When does the applicant plan to ask for its disposition?
- How does the applicant plan to allocate this amount by rate class?
- If the costs or fees are not known, what would be the basis of the approval to record these amounts in a deferral account?
  What new or additional information is available that would improve the Board's ability to make a decision to approve the recording of these costs or fees in a deferral account?

Response:

2008 Ontario Power Authority conservation related programs

The applicant is seeking to be held harmless in regards to the potential success of the ERIP and Power Blitz Programs in 2008 and forward. Any reduced energy consumption resulting from these programs were not reflected in the application. The applicant has not requested any compensation for lost revenue prior to this rate application.

Response:

Provincial Meter Data Management Repository (MDMR)

The applicant is merely suggesting that since it is LDC #1 in testing with the new provincial smart meter entity, it could be first to be charged with a tariff from the smart meter entity which it currently does not have in it rate structure. The applicant is seeking to be held harmless. In regards to the question above a similarity would be the OMERS/OEB costs that were not in the rate structure.

g) The Accounting Procedures Handbook states that account 1508 sub-account OEB Cost Assessments and sub-account OMERS closed as of April 30, 2006.

Why is Newmarket - Tay accruing balances beyond April 30, 2006 into this account?

Response:

The Applicant has continued to accrue these amounts beyond April 30, 2006 because there has never been any allowance included in the distribution rates to cover them. In the description of the account in the aforementioned handbook, it clearly states "Where OEB

(OMERS) cost assessments were incorporated in the distribution rates, the distributor shall cease recordings in this account after April 30, 2006, or the day prior to the date when new rates were otherwise implemented, except for carrying charges. The Board will determine the timing and manner of disposition of the balance in this account."

What would the balance be in both sub-accounts if principal accruals ceased at April 30, 2006?

Response:

The following chart depicts the account balances assuming the principal ceased on April 30, 2006 and Carrying Charges have accrued to Apr 2008.

Other Regulatory Asset Balances (1508) **Balances at Apr 30, 2006**	
Incremental OEB Costs	174,630
Carrying Charges	27,780
Sub-Total OEB	202,409
OMERS	267,754
Carrying Charges	33,801
Sub-Total OMERS	301,555
MEARIE Insurance	24,180
Carrying Charges	3,036
Sub-Total Mearie	27,216
Total Other Regulatory Assets (1508)	**466,563**
Total Carrying Charges to Apr 30, 2008	**64,617**
Grand Total	**531,180**

h) Account 1588 is subject to quarterly reviews under section 78 (6.1) of the Ontario Energy Board Act. The Board has launched an initiative on a review and disposition process and is considering extending this initiative to include all the RCVA and RSVA accounts (1st reference, page 128).

Why should the following accounts: 1518, 1548, 1580, 1582, 1584, 1586 and 1588 be cleared outside this process?

Response:

The Applicant missed the notification about this process.

Please re-calculate the total outstanding balance in the "2008 Test" column absent the above mentioned RCVA and RSVA accounts.

Response:

The 2008 Test balance without these accounts totals $1,486,758.