

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by
Newmarket-Tay Power Distribution Ltd. for an
Order or Orders approving just and reasonable
rates and other service charges for the distribution
of electricity within its Newmarket Service Area, as
of the date of the Ontario Energy Board's Rate
Order.

INTERROGATORIES OF
Vulnerable Energy Consumers Coalition
("VECC")

Question #1

Reference: Exhibit 1.1.1, page 4 and Exhibit 1.1.4, pages 23-24

a) Please confirm that Newmarket-Tay is not requesting Board approval of any new deferral or variance accounts apart from those listed as items (l) and (m) on pages 23-24. If this is not case, please describe all new variance/deferral accounts requested, including the rationale for the accounts.

Response:

The Applicant is not requesting any new variance/deferral accounts apart from those listed as items (l) and (m) on pages 23-24.

b) Please indicate where in the Application Newmarket-Tay has provided an explanation as to the reasons for each of the two new deferral accounts it is requesting. If not provided as part of the current Application, please provide the following for each of the new accounts requested:

- A description as to the purpose of the account (i.e., why is it needed)

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.

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 its rate structure. The applicant is seeking to be held harmless.

- An explanation as to precisely what costs/revenues will be recorded in the account

Response:

See above

- A draft accounting order for the account.

Response:

See above

c) Has Newmarket-Tay received the interim approval requested under item (b) – page 23? If not, what is the status of the request?

Response:

The Applicant received temporary approval on August 18, 2008 and implemented the rates effective that date.

Question #2

Reference: Exhibit 1.1.5, page 25 and Exhibit 1.1.12

Preamble: Exhibit 1.1.5 states that “the Applicant proposes to maintain separate rates for the two service areas for four years”. It also states that the current application represents the requirements of the old Newmarket Hydro service area and that a separate filing will be made for the Tay service area.

a) For 2008, does Newmarket-Tay operate the two service areas as if they were fully separate utilities? If not, in what areas are costs incurred jointly on behalf of both 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, technological and back office support functions; ie the annual OEB assessment is shared, these shared costs are allocated based on number of customers.

b) Does Exhibit 1.1.12 represent the organization for the Newmarket service area?

Response:

Yes, the Organization Chart is for the Newmarket Hydro Service Area.

• If yes, will any of the organizational units set out there provide services to the Tay service area in 2008 and, if so, how have the associated costs of those services been identified and removed from the application?

Response:

Please see a) above.

- If no, how have the costs associated with the Newmarket service area been determined?

c) With respect to Exhibit 1.1.12, please provide the equivalent chart for Tay Hydro. Does each service area have its own President, CFO & COO?

Response:

A copy of the Tay organizational chart will be included with the Tay rate filing. Tay does not have a President, CFO or COO

Question #3

Reference: Exhibit 1.1.10, page 32 and Exhibit 1.3.2, pages 52-53

a) Please confirm that the Newmarket service area is not (itself) an embedded distributor. If this is not the case, please explain.

Response:

The Newmarket service area is not embedded.

b) Please explain the reason why costs were previously reported in Account 1550 and why the Applicant is proposing to close the account.

Response:

Any costs reported to the 1550 account were in error.

Question #4

Reference: Exhibit 1.1.13, pages 34-35 and Exhibit 4.2.5, page 111

a) Newmarket-Tay Power Distribution Ltd's 2007 Financial Statements (page 12) make reference to transactions between the distribution company and its majority shareholder. Please provide a listing of all services and their associated costs provided to Newmarket-Tay Power Distribution Ltd. by either Newmarket Hydro Holdings Inc. or Tay Hydro Holdings Ind. in 2007. Please also provide the forecast values for 2008.

Response:

There are no services provided by either Holding company to the Distribution company

b) Please provide a listing of all services and their associated costs provided by Newmarket-Tay Power Distribution Ltd. to either Newmarket Hydro Holdings Inc. or Tay Hydro Holdings Ind. in 2007. Please also provide the forecast values for 2008.

Response:

Not applicable

c) Please provide the Service Agreements between Newmarket-Tay Distribution and the two Holding Companies.

Response:

Not Applicable

Question #5**Reference:** Exhibit 1.2, page 39

a) Please explain how spreading a decrease in revenue requirement to the other customer classes increases the revenue to cost ratios for these other customer classes.

Response:

The Applicant is not clear on this question. The purpose of the section on Cost Allocation was to explain how the applicant attempted to bring each customer class closer to the 100% Revenue to Expense ratio. The Increase in the Transformer Allowance and the Increase in Street Light Revenue (Rates) are both offset in other classes in order to keep the Applicant neutral with its revenue requirement. The methodology is described in full detail in Section 9.1 on page 146.

Question #6**Reference:** Exhibit 1.2.3, page 46

a) Please provide a schedule that sets out the calculation of the 2008 test year revenues at existing (2007) rates and show the rates and volumes used by customer class and the resulting revenues.

Response:**Base Data - 2008 Statistics @ Approved Rates & Revenue Shortfall**

	2008 Test Year		2005 Rates w/o RA's		Base Revenue	
	kWh	kW	Fixed	Variable	Total	%
Residential	242,306,934		13.34	0.0135	7,164,068	52.59%
GS<50	92,373,021		20.95	0.0171	2,241,853	16.46%
USL	211,968		20.95	0.0171	22,487	0.17%
GS>50	364,635,703	863,096	376.28	3.2075	4,470,888	30.30%
Street Lights	4,547,882	14,934	0.31	1.8466	54,640	0.40%
Sentinel Lights	309,346	945	1.74	3.0602	11,556	0.08%
Total	704,384,854				13,965,492	
GS>50 T/A		(688,163)		0.5000	(344,081)	
					13,621,411	100.00%
Distribution Revenue S	(From Rate Base Model)				814,914	
Revised Revenue Requ					14,436,325	
% Shortfall					5.98%	

b) Please confirm that Newmarket's currently approved distribution rates do not include a smart meter rate adder. If they do, please indicate what it is.

Response:

The Applicant has never requested and does not charge a smart meter rate adder in its Newmarket service area.

c) If Newmarket's currently approved distribution rates include a smart meter rate adder, please re-do part (a) excluding the smart meter rate adder from the currently approved rates used to determine revenues.

Response:

N/A

d) If the Newmarket service area is an embedded distributor, do the rates used in the revenue deficiency calculation include the LV Rate Adder? If yes, please re-do part (a) excluding the LV Rate Adder (and the Smart Meter Rate Adder, if applicable).

Response:

N/A

Question #7

Reference: Exhibit 1.2.4, page 47

a) Please provide the 2008 rate base associated with Smart Meter and TOU costs in the Revenue Requirement.

Response:

Smart Meter Rate Base Values

Net Fixed Asst Value (Avg 2007 & 2008)	4,438,953
Incremental OM&A Chart 1.2.4 pg 47	153,000
15% OM&A	22,950
<u>2008 Rate Base Impact</u>	<u>4,461,903</u>

b) Are the costs reported all associated with provision of "minimum functionality"? If not, please describe what aspects of the Newmarket-Tay Smart Meter (and TOU) program exceed minimum functionality and what the associated 2008 costs are in terms of revenue requirement and rate base.

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

Question #8

Reference: Exhibit 1.3.1, page 48

a) Please provide the April 2007 audited financial statements for Tay Hydro Electric Distribution Company.

Response:

Please see Exhibit A

b) Please provide the 2006 audited financial statements for both Newmarket Hydro and Tay Hydro.

Response:

Please see Exhibit B

Question #9

Reference: Exhibit 2.1.3, page 59 and Exhibit 2.1.5, page 63

a) Exhibit 2.1.3 indicates there were no additions for smart meters in 2006 while Exhibit 2.1.5 suggests there were \$294,833 in additions. Please reconcile.

Response:

In Exhibit 2.1.3, the Smart Meter Capital for 2006 was included in the Distribution Meter Category. The applicant adjusted this Exhibit 2.1.5 because of the difference in asset lives and erroneously did not make the change on 2.1.3.

Question #10

Reference: Exhibit 2.1.7, page 73

a) Please explain the basis for the estimated \$400,000 in Land Rights (i.e., how was this value determined?)

Response:

This was a 2008 budget value that was determined in 2007. It was comprised of 3 components including egress along the Hydro One ROW plus occupation of locally owned farm lands plus an allowance for occupancy within the station itself.

The value was based on estimated Hydro One ROW occupancy costs.

b) How old is the existing Leadbeater DS and what was the basis for the determination that it required a "full refurbishment"?

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.

c) What are the loadings on the existing stations that supply the south east portion of Newmarket, what is the anticipated load growth in the area and what are the dates at which the existing stations will not be able to reliably meet the area's load?

Response:

The current station that supplies the area is running at about 11 mVa on a 10 mVa transformer at peak times. There is a large residential development currently under construction in the area that will ultimately have about 1,000 new homes. The applicant expects to see about 500 of these completed by the end of 2010. This station is required now in order to provide reasonable reliability in the area.

Question #11

Reference: Exhibit 2.1.7, page 77

a) Please confirm whether Newmarket-Tay will have fully completed its Smart Meter installation program in 2008. If not, how many installations will be outstanding as of December 31, 2008?

Response:

The applicant has assumed the question is in regards to residential smart meters. The Smart Meter residential installation program will be finished by the end of 2008.

Question #12

Reference: Exhibit 2.1.7, page 78

a) Please explain Newmarket-Tay's policies/practices with respect to vehicle replacement? Are vehicles automatically replaced when they are fully depreciated? If so, why?

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. The applicant has tried keeping small vehicles beyond their service life (5 years) and has found that the vehicles become less reliable and require more maintenance expenditures.

b) Are there any efficiency gains in terms of rolling stock and equipment requirements as a result of the merger of Newmarket Hydro and Tay Hydro? If not, why not? If yes, how are these reflected in the 2008 capital spending?

Response:

No.

Question #13

Reference: Exhibit 2.2.1

a) Please provide a comparable capital budget summary for actual 2006 and the 2007 bridge year.

Response:

Actual costs are not maintained in the format shown. The applicant budgets in that way because budgeting allows itself to be assembled using units installed/purchased etc. and applying estimated unit values to them. The applicant records actual costs by the Uniform System of Accounts.

b) Please explain why there is a carry-over in capital spending of over \$1.5 M from 2007 to 2008.

Response:

The Applicant used the 2008 budget to forecast fixed assets for 2008 (Test Year). When the rate application was first prepared, the applicant expected to have all costs of the Smart Meter program complete by the end of the year.

As well, there was a small truck that was expected to be delivered in 2007 that was received in 2008. Since the Applicant wanted to keep its 2008 budget intact, these items were shown as carry-over.

c) Please breakdown Newmarket's 2006, 2007 and 2008 capital spending on lines (overhead and underground) and stations between that required to sustain/replace existing assets and that associated with facilities required to address load growth.

Response:

Actual costs are not maintained in the format shown. The applicant budgets in that way because budgeting allows itself to be assembled using units installed/purchased etc. and applying estimated unit values to them. The applicant records actual costs by the Uniform System of Accounts.

Question #14

Reference: Exhibit 2.3.1, page 86

a) Please provide a schedule breaking down the 2007 and 2008 Total Expenses for Working Funds Allowance into its components, including:

- OM&A
- Cost of Power (Commodity)
- Transmission Costs
 - Wholesale Market Costs

Response:

Working Funds Allowance	2006	2007	2008
Power Purchased (Energy)	40,080,226	40,677,129	41,582,574
Charges - WMS	3,542,199	3,509,348	3,587,463
One Time	32,335	85,093	86,987
Charges - NW	4,074,071	3,976,249	4,064,758
Charges - CN	3,348,913	3,354,803	3,429,478
Cost of Power Component	51,077,744	51,602,622	52,751,261
OM&A Component	4,996,308	5,020,559	5,747,977
Total for Allowance Calculation	56,074,052	56,623,181	58,499,238
Allowance	8,411,108	8,493,477	8,774,886

b) With the respect to the Cost of Power (commodity) component, please provide a schedule that sets out the calculation of the 2007 and 2008 values, showing the volumes and commodity rates assumed for each year.

Response:

2006 and 2007 are based on actual costs from the monthly Power Bill. 2008 was calculated using the projected 2008 kWh sales/actual 2007 kWh sales * 2007 actual cost for each component.

c) With respect to the Transmission Cost component, please provide a schedule that sets out the calculation of the 2007 and 2008 values, showing the volumes and transmission rates assumed for each year.

Response:

2006 and 2007 are based on actual costs from the monthly Power Bill. 2008 was calculated using the projected 2008 kWh sales/actual 2007 kWh sales * 2007 actual cost for each component.

Using this formula, the Transmission components are over priced by the amount of the decrease in the rate, priced out for a 10 month period. The Applicant has recalculated the Transmission Components of the Cost of Power and the resultant decrease is \$669,000. At 15%, this reduces the Working Funds Allowance by about \$100,000 and the Revenue Requirement by \$9,300.

Question #15

Reference: Exhibit 3.1.2, page 88 and Exhibit 2.2.1, page 81

a) Prior to 2008, was the customer count for USL included in GS<50? If not, how was USL treated prior to 2008? Please provide the historic customer count values for 2006 and 2007 for the USL customers.

Response:

They were included in GS<50.

The count was 75 for both years. The Applicant meters similar connections in order to avoid potential changes to the service. The historical metered data for these accounts was used extensively in order to help with the development of the Cost Allocation Model.

b) Please reconcile the Commercial/Industrial customer additions for 2008 reported on page 81 with the 2008 over 2007 customer count changes for the GS class.

Response:

The 15 customers shown on page 81 represent those fed from the 44 kV system only. They show up in the GS<50 Class and the GS>50 Class. The split between the classes is estimated at 10 in the GS<50 and 5 in the GS>50.

Question #16

Reference: Exhibit 3.2, pages 90-93 and Exhibit 3.1.2, page 88

a) Please reconcile the 2008 residential average use value of 9,964 kWh (per page 91) with the 9,862 value (per page 88). Which value is used to derive the proposed rates?

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 was used to derive the proposed rates.

b) With respect to the CDM savings set out on page 92:

- Please confirm that the kWh savings account for free-ridership

Response:

- Please confirm that the Lighting-related savings assume continued replacement with similar energy savings lights.

Response:

Not necessarily, however the Applicant uses the average life expectancy for the efficient equipment replacement bulbs, which is 4 years and therefore beyond the term of the Application.

What is the basis for this assumption?

Response:

The applicant follows the OEB Total Resources Guide (TRC) for these calculations

- Please provide Newmarket's CDM filings to the Board. If not included in the filings, please indicate the basis for the savings estimates for each program and whether the estimates were subject to third party audit.

Response:

The Applicants CDM filings have been submitted to the Board and are very detailed in nature. These are attached for your convenience as requested.

There has not been a third party audit

c) With respect to the OPA program reductions (page 93):

- Please provide the OPA documents (and page references) for each of the OPA programs.

Response:

A detailed description of all the OPA programs is available at:

http://www.powerauthority.on.ca/Page.asp?PageID=122&ContentID=5330&SiteNodeID=248&BL_ExpandID=

The Applicant is participating in all of the Programs and is surpassing the targets in all but one to the end of August.

- Please provide a schedule showing the derivation of the savings for each program as attributed to the Newmarket service area.

Response:

The following chart shows the calculations for the Applicants share of the provincial savings in kWh's.

OPA Programs			Province	
Appliance Retirement			49,000,000	
Summer Savings	2% Residential for 2 months	2%		
Demand Response	26MW of Summer Demand		7,000,000	
Business Incentive Program			12,000,000	
Program Totals			68,000,000	
Total Provincial Sales (per 2006 Yearbook of Electricity Distributors)			121,675,238,626	
			0.06%	
			Newmarket	
	Total	Res	<50	>50
Appliance Retirement	272,863	272,863		
Summer Savings (2% Res for 2 months)	771,475	771,475		
Demand Response	38,980	38,980		
Business Incentive Program	66,824		13,336	53,487
	1,150,142	1,083,318	13,336	53,487

- Did Newmarket approach the OPA to determine the actual level of participation by its customers in the OPA programs? If not, why not?

Response:

Yes.

- Given Newmarket's significant growth in new customers with new appliances, etc., why is it reasonable to assume that participation in OPA programs aimed at Appliance retirement will be proportional to population?

Response:

The applicant does not feel that buying a new home means that the buyer is also buying new appliances. The Applicant exceeded the 2007 target and has already surpassed the 2008 target as of August.

Question #17

Reference: Exhibit 3.2, page 94 and Exhibit 3.1.2, page 88

- a) Do the 2006 and 2007 GS<50 kW consumption figures include USL customers? If so, please provide the 2006 and 2007 average customer counts, the total consumption by the class for each year and the average use per customer excluding USL customers and their loads.

Response:

The consumption figures for the GS<50 class do include the USL customers. The consumption/customer was calculated using the consumption depicted/#customers in the Customer Count Chart. The following chart shows the same data with USL as a unique rate class for the 3 years.

Customer Class	Consumption	Customers (Yr End)	Average Consumption
2006			
USL	211,968	75	2,826
GS<50 (w/o USL)	88,053,456	2,557	34,436
GS<50 (Including USL)	88,265,424	2,632	33,535
2,007			
USL	211,968	75	2,826
GS<50 (w/o USL)	91,102,385	2,599	35,053
GS<50 (Including USL)	91,314,353	2,674	34,149
2,008			
USL	211,968	75	2,826
GS<50 (w/o USL)	92,373,021	2,642	34,967
GS<50 (Including USL)	92,584,989	2,717	34,080

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b) What was weather normalized average use per customer values for the GS<50 class (excluding USL) as developed for EB-2006-0247 (i.e., the Cost Allocation Informational filing)?

Response:

The “weather normalized average” used with the CA submission for the GS<50 class was 41,681 kWh. In recent years this value has decreased significantly due to the transfer of many of the largest customers from this class to the >50 class. The last three years have been 38,850 kWh (2005), 34,436 kWh (2006) and 35,053 kWh (2007).

c) Please provide a schedule showing precisely how the 2008 average use value for GS<50 was derived using the 2007 actual value as the starting point. Please provide the rationale each adjustment.

Response:

The Applicant started with the 2007 actual consumption + customer addition impact of +1.64% less OPA program impact of 0.015% and then subtracted the USL kWh from the result.

Consumption	
2007 class kWh	91,102,385
Customer Growth %	1.64%
OPA Programs	-0.0151%
Total	92,584,989
Less USL	211,968
Class Projection	92,373,021

Upon review of this formula, the Applicant should not have included the USL consumption in the calculation since it had already been removed from the 2007 total. The impact of this is that GS<50 revenue is under valued by \$3,632 (GS<50 kWh rate of \$0.0171 times 211,968 kWh). However, when the applicant compares the 2008 actual consumption to the end of August 2008 to August 2007 the class consumption is down by 1.46% while the Year End value was projected at plus 1.39%. As a result, the applicant would like to stay with the forecast.

d) What is the basis for the 2008 USL customer count forecast? If it is assumed to be the same as 2007, please explain why.

Response:

Please see response to 15 a) above.

Question #18

Reference: Exhibit 3.3.1, page 96

a) Please explain why the revenues from the SSS Administration charge are forecast to decline in 2008.

Response:

This value was developed along with the 2008 Budget and was not updated when the actual 2007 values were known.

Question #19

Reference: Exhibit 2.1.3, page 59

a) There are no asset values reported for buildings, etc.. Does Newmarket rent/lease all of its required office space and garage space for storage of vehicles, etc.?

Response:

Yes.

b) If the answer the answer to the previous question is no (i.e., there are asset values):

- Where are the assets values for these facilities reported?

Response:

N/A

- Are any of the facilities for which capital costs are included used to house staff or equipment that support the Tay service area? If so, how are the costs attributable to the Tay service area determined and removed?

Response:

N/A

c) If the answer to part (a) is yes:

- Where are the lease/rental costs capture in the forecast OM&A?

Response:

These costs are captured in the Admin and Building Account 5670 per Uniform System of Accounts.

- Are any of the facilities for which OM&A costs are included used to house staff or equipment that support the Tay service area? If so, how are the costs attributable to the Tay service area determined and removed?

Response:

There are no specific facilities costs allocated to Tay. If Newmarket staff or vehicles do work for Tay, they are charged out at the actual hourly rate including burdens.

Question #20

Reference: Exhibit 4.2.1, page 103 – Operations and Maintenance

a) Please explain the significant increase in 2008 for O/H Line Operation – Supplies & Expenses.

Response:

The 2008 (test) values were developed with the 2008 Budget and the 2007 actual totals were not known at the time. And it should be noted that the applicant will allow expenses overruns on line budgeted line items provided the total area does not exceed budget. The applicant in 2007 had a significant number of underground faults which lead to staff time being diverted away from other duties including overhead maintenance to underground maintenance.

b) Please explain the almost doubling of O/H Distribution Transformer Operation expense for 2008.

Response:

Historical average is \$18,500 per annum

c) Please explain the almost doubling in 2008 of O/H Distribution Lines Operation – Rentals Paid.

Response:

Historical average is \$15,000 per annum

d) Please explain the almost doubling in 2008 of sub-station maintenance.

Response:

Budget in line with prior years and historical average

Question #21

Reference: Exhibit 4.2.1, page 103 and pages 106-108 – Billing and Collecting

a) What is the cost in 2008 for reading meters?

Response:

Meter Reading costs are \$160,000 in 2008.

b) Is the cost of reading meters declining in 2008 relative to 2007? If so, by how much?

Response:

No,

c) When will meter reading be eliminated as result of the full implementation of Smart Meters?

Response:

Residential walk-up reads should be eliminated by spring of 2009. Small Commercial/Industrial will follow by the end of 2009.

d) Please explain the reason for the roughly 50% increase in bad debt expense for 2008.

Response:

The applicant looks at historical values to develop this amount. Similar write offs amount occurred 2006 and 2007. However on a longer trend, the average is significantly larger. For example the applicant had one large customer go bankrupt in 2003 and the applicant was charged with a bad debt of over 320,000. the applicant believes their estimate is prudent with the current economic climate.

e) What are the total OM&A costs associated with Smart Meters (and TOU) for 2008?

Response:

\$153,000

f) Please provide a breakdown of the various elements of the Smart Meter OM&A costs for 2008 and indicate which ones are one-time versus ongoing cost. For those that are deemed to be ongoing costs, please explain why.

Response:

Impacts of Smart Meters		
Meter information service contract	Annual	106,000
Security Audit	Annual	25,000
Annual software costs	Annual	22,000
Total		153,000

Meter information service contract

The applicant has a contract for the storing, testing, measurement, completeness, verification and compilation of smart meter data. The applicant is allowed to incur these costs under Ontario Regulation # 233/08 as needed to assist in the production of Time of Use bills for its customers.

Security Audits

On an annual basis, the process for collecting and transmitting meter information will need to be audited to ensure compliance with government regulations, service level contract agreements and data accuracy. This cost has been and built into the annual budget and submitted during the OEB "Smart Meter hearing" EB 2007-0063.

Annual software costs

A workforce management system is required to ensure the integration of the CIS system, the Smart Meter system and the MDR data repository to "talk". As a result, annual software maintenance and coordinate costs will increase. Furthermore, additional changes and modification will be required of the systems to ensure ongoing reliable operation and communication.

g) Please explain why there is a provision for interest expense on customer deposits? Doesn't Newmarket earn interest on the customer deposits that it holds?

Response:

Under Generally Accepted accounting principles revenue and expense should be shown on a gross up basis not net. Therefore there is provision for interest expense on customer deposits and the offsetting revenue earned is included as interest earnings.

Question #22

Reference: Exhibit 4.2.1, pages 109-111

a) What was the reason for the 2007 increase in building rent (Account 5670)?

Response:

The applicant had a 5 year rental agreement with the Town of Newmarket that ended in 2006. A new 5 year agreement was made in 2007. Both of these agreements were done at market value.

b) Page 109 makes reference to the allocation of management time to the Tay Hydro division. Please indicate all accounts where a portion of the costs were assigned to the Tay Hydro division.

Response:

Mainly 5605, 5610

c) In each case, was total number of customers used to perform the allocation and, if so, why? If not, what other allocators were used and why were they adopted? Please provide a schedule showing the allocation of costs for 2007 and 2008 between service division (by Account) and the allocation base used in each case.

Response:

2007 Costs were not allocated.

Total costs transferred from NHL will be \$94,000 and have been re allocated from the NHL original budget. They are allocated over the number of customers. They include costs incurred for the overall organization. Which are Board of Directors Costs of \$18,000. Costs associated with the President, Executive Secretary and the COO and the remainder belong to certain communication and safety training expenses which are budgeted in the admin cost line.

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d) With respect to Account 5655, please provide a schedule that for the years 2006-2008 provides a detailed breakdown. At a minimum please indicate the OEB fees, the fees to Other Organizations and Other Purchased Services related to Regulatory activities.

Response:

	2006	2007	2008
OEB - Annual Fee (GAAP)	98778	99599	103000
OEB - Study Support	84000		25000
OEB - Other	849	3836	7000
Professional consultants	106603	71517	30000
Electrical Safety	15098	15442	18000
Audit	56700	60000	55000
EDA MEMBERSHIP	34500	40000	41000
Simul (Customer Survey)	28025	15000	17995
Insurance	47868		
Other Support	61956	48102	63505
Total 5655 (GAAP)	534377	353496	360500

e) With respect to Account 5655, what are the additional anticipated budget expenses in 2008 for regulatory support (i.e., what are the costs and what activities do they support)?.

Response:

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. Therefore any amount budgeted above the annual assessment is an incremental amount.

f) Please provide the total 2008 costs include in the Application that are related to the preparation of the 2008 Rate Application. Are they all reported under Account #5655? If not, please explain where the costs are included.

Response:

The rate application took 100 percent of the 2008 budgeted amount. All the costs are allocated to account 5655

Question #23

Reference: Exhibit 4.2.6, page 112 and Exhibit 4.2.2, page 109

a) Newmarket-Tay does not appear to use Account 5630 (per page 109). Please explain where the purchased services reported on page 112 are included in the Applicant's reported costs.

Response:

The services that should be in 5630 are the External professional fees. They have historically been charged to 5655. Account 5630 will be opened and utilized in the future.

b) For each of the services listed on page 112, please provide the forecast 2008 expenses included in the Application.

Response:

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

Question #24

Reference: Exhibit 4.2.7, pages 113-117

a) Please confirm whether the compensation costs reported on pages 114-116 are prior to any allocation of cost to the Tay service area. If not, what are the total costs and FTEs prior to such allocation?

Response:

These are total or gross payroll costs of the applicant's staff.

Question #25

Reference: Exhibit 4.2.8, page 117

a) How were 2008 depreciation charges determined for in-service asset additions during 2008?

Response:

Assets commence depreciation in the month after they are in-service in the normal day-to-day course of business.

For 2008 (test year) mid year in-service date is assumed.

Question #26

Reference: Exhibit 4.2.9, page 118 and Exhibit 9.1.4, page 152

a) Can Newmarket-Tay explain the reason for the decrease in the TLF to 2.987% in 2007?

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% and the applicant believes that using a 3 or 5 year average would be prudent thus the applicant uses 3.5 percent.

Question #27

Reference: Exhibit 4.3, pages 119-120

b) Please revise the Ontario Capital Tax calculation to reflect the reduction in capital tax rates per Bill 44 which received Royal Assent on May 14, 2008.

Response:

Please see Energy Probe IR 25 and 30

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c) The amortization charges shown here total \$4,337,658. However, the amortization used in the revenue requirement determination (reported in Exhibit 1.2.3) is reduced by \$338,937. Please reconcile

Response:

The applicant assigns some depreciation costs to other departments for financial statement presentation purposes. Gross depreciation is 4,337,658. For Financial Statement purposes the applicant shows 3,998,721 under the amortization line item.

Question #28

a) Please indicate the basis for the carrying charges calculated for the various deferral and variance accounts and confirm that they calculated in accordance with the OEB's guidelines.

Response:

Carrying Charges are calculated on the previous month's balance using the "Cash" basis. The Applicant uses the quarterly rates as prescribed by the OEB. They are calculated in accordance with the OEB's guidelines.

b) Please confirm that the 2006 balances reported for the various deferral and variance accounts are based on Newmarket's 2006 audited statements.

Response:

The various balances are not directly based on the 2006 audited statements. The Applicant underwent a Deferral Account Compliance Audit in 2007 and made changes to procedures to follow the guidelines as prescribed by the OEB. There are currently a number of areas where Generally Accepted Accounting Practices (GAAP) and Generally Accepted Regulatory Practices (GARP) values are not the same. For instance, as mentioned in a) above, the applicant follows the "Cash" method of reporting deferral account balances and calculating carrying charges for GARP and Accrual Accounting for GAAP. The applicant set up a number of new Deferral Accounts where the values had been previously expensed.

c) Are the 2007 reported balances all based on audited results?

Response:

No, but the auditors have reviewed the differences.

d) For Account 1518, please provide a continuity schedule for all historic years contributing to the current balance and report separately the incremental costs and the related revenues.

Response:

Year	Cost	Life to Date	Revenues	Life to Date	Carrying Charges	Life to Date	Balance
2002	24,407	24,407	(14,074)	(14,074)	249	249	10,583
2003	36,346	60,753	(30,527)	(44,601)	747	996	17,148
2004	37,846	98,599	(33,809)	(78,410)	1,246	2,242	22,430
2005	39,196	137,794	(30,550)	(108,961)	1,744	3,986	32,819
2006	41,896	179,690	(36,369)	(145,330)	1,590	5,576	39,936
2007	45,804	225,494	(41,941)	(187,271)	1,713	7,289	45,512

e) For Account 1525, please confirm that the \$75 refund cheques were all issued prior to January 1, 2003 and indicate how many cheques were issued.

Response:

The \$75 cheques were issued in December 2002. There were approximately 19,500 cheques issued.

f) For Account 1548, please provide a continuity schedule for all historic years contributing to the current balance and report separately the incremental costs and the related revenues.

Response:

Year	Cost	Life to Date	Revenues	Life to Date	Carrying Charges	Life to Date	Balance
2002	6,807	6,807	(3,643)	(3,643)	265	265	3,429
2003	8,746	15,553	(730)	(4,373)	794	1,059	12,239
2004	9,046	24,599	(77)	(4,450)	1,324	2,383	22,532
2005	9,196	33,794	(632)	(5,083)	1,854	4,237	32,948
2006	9,496	43,290	(1,685)	(6,767)	1,690	5,927	42,450
2007	18,563	61,852	(9,815)	(16,582)	1,926	7,852	53,122

g) For Account 1556, were the activities related to these costs considered (and approved) by the OEB as part of the Board's review of Newmarket's Smart Meter program/costs? If yes, please provide the relevant Decision references, the costs approved by the Board and the related timeframe for this activity.

Response:

The costs in this account are the material costs of replacing customer owned meter bases. This is covered on page 17 of Decision with Reasons EB-2007-0063.

h) For Account 1570:

- Please confirm that to qualify for the "Minimum Review" a distributor must elect to accept 90% of reported transition costs (Account 1570) or \$60 per customer (based on 2003 data), whichever is less.

Response:

Confirmed.

- Based on \$682,610 cost and Newmarket's 2003 customer count, what were its per customer transition costs.

Response:

\$682,610 / 23,839 customers = \$28.63/customer.

- The Board's Decision on Regulatory Assets (December 2004) set out a number of requirements that distributors must meet in order to recover their Transition costs (paragraphs 10.0.5 and 10.0.9). Please indicate where in the Application each of the requirements has been provided and/or provide the necessary information as part of the response to this question.

Response:

Since the Applicant did not file for 2006 rates, this requirement has not been met. The necessary Supplementary Disclosure is included with this response.

Question #29

Reference: Exhibit 5.1.1, page 131 and Exhibit 9.1.2, page 150

- a) Please explain how the addition of MDMR charges and the elimination of the "Transmission Rights Clearing Account Credit" will both increase the costs posted to this account.

Response:

MDMR charges are expected to be part of the WMS value billed to us monthly and will therefore increase the cost per kWh. The Transmission Rights Clearing Account Credit" was a short term credit that began in April 2007 and ended in February 2008. Since the credit is no longer in place, the WMS monthly costs need to be adjusted accordingly. The removal of this credit again has the impact of increasing the unit price.

b) If MDMR costs are addressed through this account why does Newmarket-Tay require a new deferral account for the Provincial Meter Data Repository expenses (per page 24)?

Response:

The thinking here is that the applicant does not know the mechanics of how this will work and therefore want to make sure that it is covered. If it flows through a separate deferral account, the WMS rate can be adjusted accordingly.

c) Please confirm that on page 150, MDMR refers to Meter Data Management and Repository. Also, what is the basis for the assumed \$25,000 monthly charge?

Response:

Yes, it does refer to the Meter Data Management and Repository. At the time the Application was prepared, it was based upon an early estimate from the IESO. This amount was used to derive the adjusted WMS rate.

Question #30

Reference: Exhibit 5.1.2, page 134

a) Please provide a schedule that sets out for each deferral/variance account where the Applicant is seeking approval to recover the balance:

- The proposed balance to be recovered (including carrying charges)

Response:

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-Whistle 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-Whistle 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

The above chart shows the balance at the end of April 2008. The requested rate was designed to recover that balance over a 3 year period. Since the rate reduction has not occurred at May 1, the applicant would like to reduce the recovery rates further once there is a better idea of implementation. Essentially the applicant believes that rate stability would be better for the customer in these uncertain economic conditions and therefore would like to offset any additional distribution increase against recovery of regulatory assets.

- The method of allocation to customer classes

Response:

The proposed rates are based on 65% of the existing rates.

- The values of the allocation factor

Response:

Not sure of this request. Please see chart below.

- The resulting allocation of the balance to customer classes

Response:

	2008 Test Year		Deferral Account Recovery			
	kWh	kW	Current Rate	Proposed Rate	Annual Recovery	3 Year Recovery
Residential	242,306,934		0.0018	0.0012	281,155	843,465
GS<50	92,373,021		0.0018	0.0012	107,183	321,548
USL	211,968		0.0018	0.0012	246	738
GS>50		863,096	0.7774	0.5053	436,148	1,308,443
Street Lights		14,934	0.3425	0.2226	3,324	9,973
Sentinel Lights		945	0.5231	0.3400	321	964
Total					828,377	2,485,132

b) Base on the results from part (a) please show the determination of the rate rider that will recover the total recovery amount allocated to each customer class.

Response:

Please see above chart.

c) Please reconcile the total of the balances in the various deferral/variance accounts Newmarket-Tay is seeking to clear with the \$2,485,132 recovery amount set out on page 134.

Response:

The applicant did not do a reconciliation of the values. At 2008 consumption levels the recovery amounts to \$2,485,132 which is close to the April balance. Essentially the applicant believes that rate stability would be better for the customer in these uncertain economic conditions and therefore would like to offset any additional distribution increase against recovery of regulatory assets.

Question #31

Reference: Exhibit 6.1.1 and 6.1.2, page 136

a) In accordance with the Board's direction, Newmarket-Tay is proposing a 53.3% debt ratio for 2008 as it transitions to the 60% target debt ratio. However, the Applicant is proposing that the 53.3% be deemed to be 52% long-term debt and 1.3% short-term debt. What is the basis for this assumption as opposed to a debt composition of 49.3% long-term and 4.0% short-term?

Response:

The Applicant assumed that the 3 year transition would apply to all of the factors including the short term rate.

b) Please re-do the cost of capital calculation (Exhibit 6.1.2) assuming 4% short-term debt and 49.3% long-term debt.

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%

Question #32

Reference: Exhibit 7.1 and 9.1

a) Please provide a schedule that updates the proposed revenue requirement to reflect any changes or corrections Newmarket-Tay has identified as a result of the interrogatory process and now proposes to adopt in its Application. In each case, please identify the change and reference the relevant interrogatory response.

Response:

To Follow.

Question #33

Reference: Exhibit 8.1, page 139

Preamble: A number of distributors who filed for 2008 rates based on a cost of service application have expressed concerns regarding the OEB's Cost Allocation Model treatment of the transformer ownership allowance credit. An example of this can be found in the Guelph Hydro Application at Exhibit 8, Tab 1,

Schedule 2, page 2

(http://www.rds.oeb.gov.on.ca/webdrawer/webdrawer.dll/webdrawer/rec/30258/vi/ew/Guelph_APPL_2008EDR_20080226.PDF)

a) Does Newmarket-Tay agree with this alternate view as to how the transformer credit should be treated? If not, why not?

Response:

The Applicant has not studied the arguments in detail and therefore believes that it is not in a position to comment at this time.

However the Applicant feels that any review of the TA should be part of a larger review that focuses on other components of the model as well. The Applicant is of the opinion that the Street Light and Sentinel Light classes are receiving a disproportionate share of the costs through the model and that this should be addressed.

b) Please re-do the Cost Allocation model as presented in Appendix 2, with the following changes:

- Remove the transformer allowance as a "cost"
- For those classes where customers receive a transformer ownership credit – use the customer class revenues net of the credit.

Note: It is only necessary to provide Sheet O1 from the run.

Response:

Please see response to a) above.

Question #34**Reference:** Exhibit 8.1, page 141 and Appendix 2

a) Please confirm what year the cost, revenue and load data used in the Cost Allocation filing was based on.

Response:**2004**

b) Please explain why the Total Revenue reported in Sheet O1 (Appendix 2) of \$14,244,657 does not equal the Total Revenue Requirement (\$14,564,174).

Response:

The Applicant asked an OEB Analyst 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.

c) Please explain how the Revenue to Cost Ratio values in Sheet O1 were determined. Using Residential as an example, please provide an illustrative calculation.

Response:

The following table shows how each of the Rev/Cost ratios was determined. Due to the imbalance pointed out in b) above, the CA results were <100%. The Applicant determined the Factor by dividing 100% by 97.81.

Class	CA Results	Factor	Submission
Residential	90.81%		92.85%
GS<50	96.10%		98.26%
USL	146.37%		149.65%
GS>50	140.37%		143.52%
Street Lights	9.15%		9.36%
Sentinel			
Lights	38.74%		39.61%
Total	97.81%	102.24	100.00%

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d) The "Revised Rev to Exp %" values shown on page 141 apply cost shifts (based on 2008 costs) to the Cost Allocation informational filing which is based on a different year's costs and loads. Why is the mixing of different years' data appropriate?

Response:

Although the Applicant agrees that the mixing of data does not return perfect results, it is felt that the values are a good approximation of reality.

Question #35

Reference: Exhibit 8.2, page 142

a) Why is Newmarket-Tay proposing to increase the fixed charge for GS<50 given the current rate falls within the Board's range?

Response:

This proposal keeps the variable rate for this class at the same rate as the USL variable rate. The applicant has no problem changing this if need be.

b) Why is the proposed increase in the GS<50 fixed charge almost 20% when the increase in rates is less than 6% for the utility overall?

Response:

See response to a) above.

c) Why is Newmarket-Tay proposing to decrease the fixed charge for USL given the current rate falls within the Board's range?

Response:

This proposal keeps the variable rate for this class at the same rate as the GS<50 variable rate. The applicant has no problem changing this if need be.

Question #36

Reference: Exhibit 8.3, page 143

a) Please confirm that the OEB's Cost Allocation Model allocates the "cost" of the distributor's line transformers to customer classes based on the loads in each customer class that "use" the transformers. If this is not the case, please explain why.

Response:

The Applicant does not understand the nature of this question. There were no changes made to the Cost Allocation Model and therefore if that was how it was designed, that is how the costs were allocated.

Question #37

Reference: Exhibit 9.1, page 145

a) Why (under the first approach) did Newmarket-Tay allocate the shortfall to customer classes using the variable rate only as oppose to the % of total distribution revenues at existing rates? .

Response:

The Applicant used the cost Allocation Model to develop the Fixed Rate

b) Please re-do the second table on page 145, such that the total revenue requirement (\$14,436,325) is allocated to classes base on the percentages shown in the first table (i.e., revenue distribution at current rates) .

Residential	7,592,665
GS<50	2,375,975
USL	23,833
GS>50	4,738,363
Street Lights	57,909
Sentinel	
Lights	12,248
Sub Total	14,800,992
TA	(364,666)
Total	14,436,326

Question #38**Reference:** Exhibit 9.1, page 146

Preamble: In a number of its 2008 Rate Decisions the Board has required that distributors increase the revenue to cost ratios for those classes that are below the prescribed range to as to reduced the difference by 50% (Again, see the Guelph Hydro decision, page 25). Adopting this approach would lead to 2008 revenue to cost ratios for the Street Lighting and Sentinel Lighting classes of 39.68% and 54.81% respectively.

a) Starting with the results from 37 (b) – above – please re-do the allocation of revenues such that the Street Lighting and Sentinel Lighting revenue to cost ratios achieve the above percentages. The additional revenues should be applied so as to:

- First, reduce the ratio for USL to 120% and, then
- Any remaining surplus revenue should be applied to both the USL and GS>50 classes.

Note: For this calculation there should be no change to the revenue allocation %'s used for residential and GS<50.

Response:

	Revenue Shift	As Submitted Rev/Cost	As Requested Rev/Cost
Residential	0	93.02%	92.85%
GS<50	0	98.45%	98.26%
USL	(4,972)	120.25%	120.00%
GS>50	(217,430)	138.44%	136.07%
Street Lights	220,300	23.33%	39.68%
Sentinel Lights	(2,102)	69.28%	54.81%
	0	100%	100%

b) Please comment on the bill impacts that would result if rates were developed using the class revenue requirements developed in response to part (a).

Response:

The biggest impact of this approach is the increased burden on the Street Light Class and the offsetting credit going to GS>50. There are several other impacts of this approach:

1. This approach does not consider the Transformer Allowance rate. This can be corrected by assigning some of the GS>50 reduction to the TA rate much as was done with the submission.
2. The Applicant designed the submitted rates so that there was very little impact to customers at different levels of consumption with a focus on “out-of-pocket” costs. In the Residential Class, the increase in the Fixed Charge component impacts the small customers the most. For instance, at 100 kWh the distribution component goes up by 5.98% under the suggested method but only 1%. Although it can be argued that spreading the increase evenly across fixed and variable rates is the most fair to all, the smaller customers do not get nearly as much advantage from the other reductions in the submission such as Deferral Account Recovery, Transmission Rates, Wholesale Market Rates etc. These rates are based wholly on volume and therefore the smaller consumer does not see as much advantage.
3. The Applicant disagrees with the significant impact on the Street Light Class. The suggested method is placing a large amount of credibility on the Cost Allocation Model. It is the Applicant’s opinion that the CA Model allocates too much expense to this Class using the current formulae and would like to see this area of the model reviewed.
4. The Applicant does agree with the phasing in approach to the Sentinel Light rates. There was not much emphasis placed on the design of these rates because they are a very small component of the load. It was hoped that the increase here would encourage this Class to either meter their lights or find another alternative.

Question #39**Reference:** Exhibit 9.3.1, pages 160-162

a) a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:

- Consume less than 100 kWh per month
- Consume 100 -> 250 kWh per month
- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month

Response:

The following chart depicts the customer count in the above buckets:

	Customers	% of Total
Consumers 100 kWh Or Less	153	0.63%
Consumers Between 100 & 250 kWh's	806	3.34%
Consumers Between 250 & 500 kWh's	4,062	16.85%
Consumers Between 500 & 750 kWh's	5,930	24.60%
Consumers > 750 kWh's	13,150	54.56%
All Customers	24,101	100.00%

Question #40**Reference:** i) General

a) Please provide copies of all Board Decisions pertaining to Newmarket Hydro's or Tay Hydro's rates issued since December 31, 2000.

To follow under separate cover