February 6, 2009

BY EMAIL & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0233
Innisfil Hydro Distribution Systems Limited – 2009 Rates Rebasing Application
Argument of Energy Probe

Pursuant to Procedural Order No. 5, issued by the Board on January 9, 2009, please find two hard copies of the Argument of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0233 proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Laurie Ann Cooledge, Innisfil Hydro (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

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EB-2008-0233

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 **Innisfil Hydro Distribution Systems Limited** for an order approving just and reasonable rates and other charges for electricity distribution of electricity to be effective May 1, 2009.

ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

ARGUMENT

February 6, 2009

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED
2009 RATES

EB-2008-0233

ARGUMENT OF ENERGY PROBE RESEARCH FOUNDATION

INTRODUCTION

This is the Argument of the Energy Probe Research Foundation ("Energy Probe") related to the setting of 2009 rates for Innisfil Hydro Distribution Systems Limited ("Innisfil") effective May 1, 2009.

This Argument has been structured to reflect the major components of the Innisfil evidence. Where readily available, Energy Probe has attempted to provide the impact of its submissions on the revenue requirement of Innisfil. However, in order to minimize intervenor time and costs, a comprehensive impact analysis has not been undertaken. If the Board accepts any or all of the Energy Probe submissions, it is assumed that the direct and indirect impacts will be determined by Innisfil and reviewed by intervenors and Board Staff through the associated draft rate order. An example of a comprehensive impact analysis would include the direct impact on rate base of a reduction in $10,000 in OM&A expenses and a $25,000 reduction in capital expenditures. Depreciation expense would also be directly impacted by the capital expenditure change. The indirect impacts would include the change in total cost of capital and taxes (due to CCA, interest and OM&A expense changes).

RATE BASE

a) Working Capital

Energy Probe accepts the approach taken by Innisfil to calculate the working capital allowance component of rate base, with the adjustments noted below. However, Energy Probe continues to believe that the 15% methodology may be overstating the required allowance for working capital and recommends that the Board direct Innisfil to prepare a working cash (lead lag) study for its next rebasing application.

i) Cost of Power

Energy Probe submits that the cost of power component of the working capital allowance should be updated to reflect the most recent cost of power forecast presented to the Board. It should also be updated to reflect the forecast of network and connection transmission services provided by Hydro One Networks.

The impact of these changes is an increase in rate base in the amount of $233,157, as shown in the response to Energy Probe Interrogatory # 16c. Energy Probe submits that the Board should direct Innisfil to update the calculation based on the most recent information available to the Board at the time of its Decision.

Energy Probe does, however, have concerns over the methodology used to calculate the commodity component of the cost of power. As shown in the response to Energy Probe Interrogatory # 16c, Innisfil has used an updated rate of $0.0603 per kWh for all commodity in all rate classes. This price is the Average Supply Cost for RPP Consumers taken from the October 15, 2008 Regulated Price Plan Price Report. It is not clear to Energy Probe that this RPP price should be applied to all consumers. Energy Probe submits that the Board should direct Innisfil to estimate the kWh's that are associated with RPP consumers and the kWh's associated with non-RPP consumers and then apply the appropriate price to these two different sets of volumes to calculate the cost of power component of the working capital allowance.

ii) Incorrect Loss Factor

Innisfil has determined that an incorrect loss factor was used in the calculation of the energy quantities used in the calculation of the cost of power portion of the working capital component of rate base (Energy Probe Interrogatory # 16a). The impact on working capital is an increase of $57,322 as shown in this response. Energy Probe submits that this increase is appropriate.

iii) Changes to Controllable Expenses

Energy Probe submits that if the Board makes any adjustments to the controllable OM&A expenses in its Decision, these changes should be reflected in the calculation of the working capital component of rate base.

b) Capital Expenditures in 2008 & 2009

Innisfil has made significant changes to their forecast of capital expenditures in both 2008 and 2009 from that originally filed. The following table shows the changes now proposed by Innisfil.

Forecast	Source	Description	2008	2009
Original	Ex. 2, Tab 2, Sch. 1		3,442,560	6,497,891
Changes	Energy Probe IR #24a	Road Widening Deferral	(750,000)	750,000
	VECC # 25 Revised	Increase in Cost	0	300,000
	Energy Probe IR #24b	Road Widening Deferral	0	(788,800)
	Energy Probe IR #24b	Subdivision Delay	0	(898,650)
	VECC # 25 Revised	Feeder Deferral	0	(693,100)
	Energy Probe #29	Other Reductions	(115,300)	0
Revised			2,577,260	5,167,341
Reduction ($)			(865,300)	(1,330,550)
Reduction (%)			21.8%	20.5%

As shown in the revised response to VECC Interrogatory #25, the net impact of these changes is a reduction in rate base of $1,371,970. Energy Probe accepts this estimate as correct with the following provision. It does not appear that in the response to VECC Interrogatory #25, the additional reduction of $115,300 in capital expenditures in 2008 has been taken into account. Energy Probe accepts the changes as calculated related to the decline in the required return on capital, PILS and depreciation that result in a total revenue reduction of $78,266 with the same provision related to the additional decline in 2008 capital expenditures of $115,300.

Energy Probe accepts these changes as appropriate, with one exception noted below. However, Energy Probe still has significant concerns with the increase in capital expenditures projected for 2009. The increase in 2009 is more than 90% above the

forecast for 2008, which in turn, is higher than actual capital expenditures in 2005, 2006 and 2007 (Energy Probe Interrogatory # 23). The revised forecast for 2008 is more than 60% higher than the average of the expenditures in 2005 through 2007.

Energy Probe acknowledges that a significant portion of the increase in 2009 is related to the road widening project which now has a revised forecast cost of $1,050,000. However, removing this amount from the 2009 budget leaves $4,117,341, which is still an increase of nearly 53% from 2008.

The exception noted above relates to the $300,000 increase in cost associated with the road widening project. Energy Probe submits that Innisfil has not provided sufficient evidence to support the 40% increase in the cost of this project (from $750,000 to $1,050,000). Energy Probe further submits that if this increase is allowed, there should be some increase in the contributions that offset the increase in capital expenditures. As Innisfil notes in Exhibit 2, Tab 3, Schedule 3, page 2, the Public Service Works on Highway Act provides for a cost sharing for projects requested by municipalities and road authorities related to road widening. Innisfil is responsible for 100% of the cost of material, but only 50% of the labour and equipment costs. Energy Probe submits that the Board should direct Innisfil to increase the contributions that offset capital expenditures to reflect higher contributions related to the $300,000 increase in the cost of this project.

Energy Probe also notes that Innisfil is forecasting an increase in capital expenditures related to customer connections and metering in 2009 to $144,000 from a level of $80,000 in 2008 (Energy Probe Interrogatory # 23). This is despite a reduction of more than 50% in the estimated new dwelling construction activity as provided by the Town of Innisfil Planning Department, shown in the response to VECC Interrogatory # 19. Given that there would be some carryover of the 2008 numbers into connection and meter costs in 2009, Energy Probe submits that the 2009 figure should be no higher than the 2008 forecast, or $80,000. This would result in a reduction in capital expenditures in 2009 of $64,000.

Energy Probe also submits that expenditures for general plant should be maintained at 2008 levels in 2009. As shown in the response to Energy Probe Interrogatory # 23, expenditures in 2008 are forecast to be $431,900, a level on par with 2007, but significantly higher than in 2005 or 2006. Innisfil is projecting a further increase in 2009 of more than $50,000. This increase is primarily driven by computers and vehicles, but also includes additional expenditures on facilities (Exhibit 2, Tab 3, Schedule 2, Table 6). Some of these expenditures can be deferred to later years in order to mitigate the impact on ratepayers. Energy Probe submits that expenditures on general plant in 2009 should be limited to the 2008 level, resulting in a decrease in the forecast of an additional $50,000.

OM&A EXPENSES

a) 2009 Rate Rebasing Costs

Innisfil is forecasting costs associated with the 2009 rates rebasing application of $148,000 (Energy Probe Interrogatory # 8). Further, Innisfil has included one-fourth of this cost in the revenue requirement for 2009. Energy submits that this is the appropriate approach to be taken for these costs, as this will recover the costs over the current test year and the following three years that will be subject to IRM.

The estimated $148,000 cost includes an amount of $43,000 for legal costs. Legal costs are heavily influenced by time spent preparing for and attending an oral technical conference or oral hearing process. Energy Probe notes that neither an oral technical conference nor an oral hearing was required for this hearing. As a result there should a reduction in the legal costs associated with the 2009 rates rebasing. Given that an oral component can add substantially to the costs of a proceeding for legal counsel, it would seem reasonable to reduce the costs from the forecasted level of $43,000 by approximately one-third or $14,000. This reduction of $14,000 would appear reasonable given the time involved for legal counsel in preparing for and attending a technical conference and/or an oral hearing. The reduction in these costs, recovered over four years, results in a reduction in the revenue require of $3,500 in the 2009 test year.

b) Onetime Setup Charge Associated with Post-Retirement Benefits

Innisfil has included one-third of a onetime setup charge associated with post-retirement benefits (Exhibit 4, Tab 2, Schedule 7). This onetime setup charge is $22,604 (Energy Probe Interrogatory # 11). Therefore, one-third of this amount, or $7,535, has been included in the 2009 revenue requirement. Energy Probe submits that this cost should be treated in the same manner as the regulatory costs associated with the 2009 rebasing application. That is, the amount should be recovered through rates over a four year period. The resulting cost for 2009 would be $5,651, resulting in a reduction of $1,884 in the revenue requirement.

c) Transition to International Financial Reporting Standards (IFRS)

Innisfil has adjusted their evidence to include $25,000 in the 2009 revenue requirement for costs related to IFRS (SEC Interrogatory # 1b). Innisfil has estimated the total cost associated with the transition to IRFS to be $100,000 and proposed to spread this amount out over four years. However, Innisfil fails to provide any evidence in support of the cost estimate. In fact, in the reply to Energy Probe Interrogatory # 26a, Innisfil indicates that it "will require an understanding of the OEB requirements vs. IFRS presentation of our financial record to better estimate the additional cost."

Energy Probe submits that this request for additional funding related to the transition to IFRS should be rejected by the Board. The Innisfil request is premature. The Board has initiated a Consultation on Transition to International Financial Reporting Standards and Consequent Amendments to Regulatory Instruments (EB-2008-0408). It has not been established at this point whether the conversion is required by all distributors. It has not been established at this point the degree to which changes may be required. It has not been established at this point whether conversion costs can be minimized through a joint effort through either the Board or the EDA.

If the costs for transition do materialize and are significant, Energy Probe would expect Innisfil to apply for Z factor treatment of the costs under the Third Generation IRM if

these costs are incurred post 2009. If the costs are incurred in 2009, Energy Probe would expect the Board to deal with these costs for all distributors, including the use of a deferral or variance accounts to track actual costs.

d) Inflation Forecast and Impact

In response to SEC Interrogatory #16, Innisfil has indicated that inflation is one of the major cost drivers increasing OM&A costs in both 2008 and 2009. For 2008, Innisfil indicates that the increase in OM&A costs related to inflation is $110,506 and is based on an inflation forecast of 3.5%. The increase due to inflation in 2009 is $103,895 and is based on an inflation forecast of 2.9%. These inflation forecasts are based on forecasted inflationary increases by the banking institutions and the forecasted cost of living being communicated by government agencies via newspapers and business journals (SEC Interrogatory #15).

Energy Probe submits that these inflation forecasts are out of date and out of tune with the current economic situation. The actual inflation rate for 2008 in Ontario was 2.3%, as reported in January, 2009 by Statistics Canada. More recent forecasts for 2009 are publicly available. In particular, BMO Capital Markets is forecasting inflation for Ontario of 0.3% based on their January, 2009 Provincial Economic Outlook. Similarly, TD Economics, in their December, 2008 Provincial Economic Outlook is forecasting an inflation rate of 0.5% for Ontario in 2009.

In light of the substantial changes in the inflation outlook from when Innisfil did their forecast, Energy Probe submits that the following changes should be made to their OM&A forecast for 2009.

First, since the inflation rate was substantially lower in 2008 at 2.3% as compared to the 3.5% forecast by Innisfil, the increase related to 2008 of $110,506 should be reduced to $72,618 ($110,506 x 2.3/3.5). The corresponding reduction of $37,888 should be carried forward as a reduction in 2009.

Second, the impact of inflation in 2009 should be reduced from $103,895 which is based on an inflation forecast of 2.9% to 1.0%. This increase is still substantially above the current forecasts for Ontario. This change would reduce OM&A expenses in 2009 to $35,826 ($103,895 x 1.0/2.9). This is a further reduction to the OM&A expenses in 2009 of $139,721.

In summary, Energy Probe submits that a reduction of $177,609 ($37,888 + $139,721) is appropriate given the lower actual inflation in 2008 and the lower forecast for 2009.

e) Management Base Wages & Overtime

As shown in Table 1 in Exhibit 4, Tab 2, Schedule 7, Innisfil is forecasting an 8.0% increase in the average yearly base wages for management, from $84,218 in 2008 to $90,994 in 2009.

As shown in the response to Energy Probe Interrogatory #10, one of the main drivers in the 8.0% increase is that management time will no longer be spent on Innisfil Energy management issues. In particular, 2.4% of the 8.0% is due to this change. In the absence of this change, the increase in management base wages would have been 5.6%, from $84,218 to $88,934 for a reduction from the current forecast of $2,060. With a management FTE of 8, this would result in a reduction of $16,480.

Innisfil has also projected an increase in average yearly overtime for management, to $4,505 per year. Energy Probe submits that a reduction of $1,000 should be approved by the Board, for a total cost reduction of $8,000 based on the 8 FTE's. This reduction is because management at Innisfil will no longer be required to provide any services to Innisfil Energy.

As shown in Exhibit 4, Tab 2, Schedule 4, Innisfil Energy will no longer be provided with services by Innisfil Hydro in 2009. In the past, this resulted in revenues for Innisfil

Hydro of between $26,000 and $31,000. The total reduction in management base wages and overtime as proposed by Energy Probe above total $24,480.

In the response to Energy Probe Interrogatory #9, Innisfil indicates that the staff time that was used to provide these services to its affiliate will be shifted to the distribution company and its ongoing service requirements. Furthermore, Innisfil claims there will be no cost reductions by not providing these services. At the same time, Innisfil is planning the addition of a regulatory analyst position to assist with the increasing demands in this area.

Energy Probe submits that costs that were recovered for work performed for an affiliate should not automatically be recovered from customers of the regulated company. Innisfil has projected an increase in FTEs from 25.3 to 26.3 in Exhibit 4, Tab 2, Schedule 7. The increase reflects the addition of the regulatory analyst, but no reduction is shown to reflect that management time, billing and collecting services and AP services are no longer required for the affiliate. A reduction of only 0.3 FTE would result in a reduction of total salary, wages and benefits of approximately $22,500 (based on a simple prorating of the total cost). This is similar to the amount recommended for exclusion by Energy Probe above.

f) Overall Increase in OM&A Costs

Innisfil is proposing an increase in overall OM&A costs in 2009 of $408,895 or 11.6% over the 2008 forecasted levels. These figures can be determined from the figures provided in the response to Board Staff Interrogatory # 1.2. This increase does not include the additional $25,000 now requested by Innisfil related to the costs associated with the transition to IFRS.

The increase forecast for 2009 is on top of an increase forecast for 2008 of 10.7% and an actual increase in 2007 of 9.5%. Increases in previous years were 7.4% (2006), 1.4% (2005) and 11.8% (2004) (Board Staff Interrogatories 1.1 and 1.2).

Energy Probe submits that an increase in excess of 11% following the substantial increases for 2008 and 2007 is not reasonable. Another way to view these continuing substantial increases is to look at the response to SEC Interrogatory #14. The OM&A costs per customer are forecast to increase from $196 per customer in 2005 to $271 per customer in 2009. This represents a compound annual increase of nearly 8.5% over this period.

Based on the submissions of Energy Probe above in (a), (b), (c), (d) and (e), there would be a reduction in the OM&A costs claimed for 2009 of approximately $207,473, excluding the removal of the IFRS related costs. The resulting increase over the 2008 forecast would be approximately $201,422, or 5.7%. Energy Probe submits that this is a much more reasonable increase than the 11.6% requested by Innisfil.

DEPRECIATION & AMORTIZATION

a) Computer Software – Account 1925

Innisfil is depreciating computer software over a three year period (Exhibit 2, Tab 2, Schedule 5). Energy Probe submits that the depreciation expense should be based on a five year period.

The 2006 EDR Handbook does not include a specific rate that is to be used for account 1925. However, the only other IT account is account 1920 for computer hardware and the depreciation rate is 20%, based on a five year life for assets in this account.

Energy Probe has reviewed a number of 2008 cost of service applications and has found that the distributors appear to have used a 20% depreciation rate for all IT assets, including computer software. Energy Probe believes that a consistent approach should be applied across distributors and therefore recommends the use of a 20% (five year life) for computer software.

Based on the rate used and the depreciation figure of $118,065 shown in Exhibit 2, Tab 2, Schedule 1, Table 4 changing the amortization period from three years to five (changing the depreciation rate from 33.3% to 20%) would reduce the 2009 depreciation expense for this account from $118,065 to approximately $70,910, for a reduction of $47,155. This reduction in the revenue requirement would be partially offset by the increase in the return on equity and debt costs associated with the resulting increase in the remaining net book value and resulting rate base associated with the lower accumulated depreciation value.

b) Changes to Gross Assets

Innisfil has made significant changes to the capital expenditure forecast for both 2008 and 2009. These changes, along with any further changes that may result from the Board's Decision in this matter, should be reflected in changes to the depreciation expense calculated for the 2009 test year.

TAXES

Energy Probe submits that Innisfil should calculate its income and capital taxes using the most recent information available, including tax rates that are expected to be applicable to 2009. This would include any changes resulting from the recent federal budget. It would also include any other changes as the result of any provincial budget that is known to the Board and other parties when the Decision is issued.

a) Capital Tax

Energy Probe agrees with the methodology used by Innisfil to forecast the capital tax in 2009 (Exhibit 4, Tab 3, Schedule 1). In addition, Energy Probe accepts both the tax rate of 0.225% and the exemption level of $15 million used by Innisfil in this calculation for 2009.

Energy Probe submits that the rate base changes that result from the change in the forecasted capital expenditures, changes in the working capital allowance and any further changes in capital expenditures and/or OM&A costs as determined by the Board should be reflected in this calculation.

b) Income Tax

i) Tax Rates

Innisfil used a total tax rate of 33.00% in the calculation of income taxes in 2009 (Exhibit 4, Tab 3, Schedule 1). This rate included a federal tax rate of 19.00% and a provincial tax rate of 14.00%.

The rates used by Innisfil are appropriate because their forecasted regulatory taxable income is in excess of $1.5 million for the 2009 test year. However, if their regulatory taxable income falls to less than $1.5 million as a result of the changes proposed by Innisfil and/or the changes that result from the Board's Decision in this proceeding, then the calculation should reflect the provincial small business income tax rates. Energy Probe submits that these rates are 5.50% applied to the first $500,000 of taxable income, a general tax rate of 14.0% for taxable income in excess of $500,000 and the claw back rate of 4.25% that is applicable to taxable income above $500,000 up to $1,500,000. Energy Probe submits that, if applicable, Innisfil should use the above noted provincial income tax rates and associated taxable income thresholds in the calculation of income taxes.

ii) Changes to the Capital Cost Allowance

There are a number of changes to the capital cost allowance (CCA) that should be taken into account when calculating the regulatory taxable income.

The first of these is the reduction in the CCA associated with the change in the capital expenditure forecast for both 2008 and 2009 proposed by Innisfil. Changes in each of these years will have an impact on the 2009 CCA calculation.

The second change that should be taken into account is dealt with in the response to Energy Probe Interrogatory # 13c. Innisfil confirmed that it recorded costs associated with the distribution system acquired post February 22, 2005 in 2005 in Class 1 rather than in Class 47. Innisfil further stated that it was currently working with its tax auditors to determine the impact of recording these 2005 expenditures in Class 1 rather than in Class 47. Energy Probe submits that the UCC at the end of 2008 associated with this misclassification in 2005 should be moved from Class 1 to Class 47 for the calculation of the 2009 CCA amount.

Energy Probe notes that Innisfil indicated in its response to Energy Probe Interrogatory #13c that it recorded costs associated with the distribution assets acquired post December 31, 2005 in CCA Class 47. However, a review of the CCA schedule for 2006 attached to that interrogatory response shows that approximately $1.4 million was added to Class 47, while more than $1.9 million was added to Class 1. Energy Probe invites Innisfil to clarify this in their reply argument. It is unclear what this $1.9 million, net of the associated adjustment of $1.0 million in Class 1 is related to. If it is determined that this amount, or some portion thereof should have been put into Class 47 rather than Class 1, then Energy Probe submits that Innisfil should calculate the impact on the 2009 CCA in the same manner as that proposed for the 2005 misclassification noted above.

iii) Impact of the Federal Budget

The January 27, 2009 federal budget introduced two changes that may have an impact on the regulatory taxable income in 2009. The first of these is an increase in the small business limit. The budget increased the amount of business income earned by a small business that is taxed at the lower federal corporate tax rate of 11%, as compared to the general federal corporate rate of 19%, from $400,000 to $500,000. Given that the Innisfil taxable capital (rate base) is in excess of $15 million, this change does not appear to impact on Innisfil.

However, the second tax change does have an impact on Innisfil. This change increases the CCA deduction for computers and system software in Class 50 acquired after January 27, 2009 and before February, 2011 from 55% to 100%. It also eliminates the half-year rule. In other words, businesses can fully deduct the cost of these computers and systems software in 2009.

As shown in Exhibit 4, Tab 3, Schedule 3, Table 2, Innisfil has forecast the addition of $95,000 to this Class in 2009. This results in a deduction to taxable income of $26,125 ($95,000 x ½ x 55%). The allowable deduction is now the full $95,000, or a reduction in taxable income of $68,875. At a marginal tax rate of 33%, this results in a reduction in the revenue requirement of approximately $22,730.

iv) Update to Regulatory Taxable Income

Energy Probe submits that if the regulatory taxable income is changed as a result of the Board's Decision and/or adjustments that Innisfil has agreed to make, then the income tax calculation should also be updated to reflect the revised level of regulatory taxable income.

c) Loss Adjustment Factor

Innisfil has calculated a three year average distribution loss factor of 1.0477 using data from 2005 through 2007, as shown in Table 1 in Exhibit 4, Tab 2, Schedule 9. Innisfil is proposing to use a supply facility loss factor of 1.0257. This figure is based only on the 2007 level. Innisfil indicates that the supply facility loss factor has been trending down and therefore recommends the use of the last historical figure (2007) for the 2009 test year. The resulting total loss factor of these proposals is 1.0746 for secondary metered customers and 1.0638 for primary metered customers.

Energy Probe submits that the methodology proposed by Innisfil is appropriate and recommends their adoption. The use of the three year average for the distribution loss

factor and the 2007 figure for the supply facility loss factor both recognize the decline in these loss factors and reflect a better estimate than using a longer term historical average.

REVENUES

a) Forecast Methodology

i) A Flawed Methodology

Innisfil uses a combination of a top down and a bottom up approach to preparing a forecast of volumes by rate class. The top down methodology involves the use of an econometric model to forecast total system purchases. This forecast is a normalized forecast. Energy Probe has a number of submissions on the econometric equation used in this top down approach in section (ii) below. Energy Probe also has a number of adjustments that it believes should be made to arrive at the total energy billing forecast. These suggested adjustments are detailed in part (b) below.

The bottom up approach takes a projection of the number of customers by rate class and multiplies it by a projection of the average use by rate class to arrive at a non-normalized volume forecast. The weather sensitive rate classes (or portions thereof) are then adjusted so that the total bottom up forecast by rate class in aggregate equals the normalized total energy billing forecast from the top down approach.

Energy Probe has a number of concerns with this approach. Suggestions for future forecast methodologies are presented in section (iii) below.

The major concerns with this methodology that forces the rate class non-normalized forecasts to add up to the normalized total energy billing forecast are summarized below.

- The weather adjustment shown in Table 14 of Exhibit 3, Tab 2, Schedule 3 is done to force the sum of the non-normalized forecasts to add up to the normalized total energy billing forecast that is derived through the use of the econometric equation. There are two flaws with the methodology used. The first flaw assumes that the weather adjustment is proportional to the weather sensitive kWh forecast for each of the rate classes. For example, in Table 14, for 2009, the residential class has 73% of the weather sensitive energy, so the

weather adjustment assigned to the residential class is 73% of the total adjustment needed to bring the two forecasts into agreement (i.e. 7.7 GWh). There is no reason to expect that residential customers have the same level of sensitivity to the weather as do GS < 50 kW or GS > 50 kW customers. Indeed, it would be expected that all three classes have different levels of sensitivity to the weather.

- Second, the use of non-normalized average use forecasts for the weather sensitive accounts will bias the forecast because the impact of weather on average use is different by rate class. A change of one degree day or heating degree days cannot be expected to have the same proportional impact on the average use of the weather sensitive customer classes. This bias can be seen by looking at the forecasts proposed by Innisfil for the residential and GS < 50 kW classes. Innisfil proposes to use the actual 2007 average use for both of these customer classes as the base to which the growth in average use is applied. The average use for the GS < 50 kW class in 2007 is the highest it has been in the 2002 through 2007 period (Table 9, Exhibit 3, Tab 2, Schedule 3). The residential average use in 2007, however, is at the third lowest level over the same period. If Innisfil had used the average uses for these rate classes over the 2002 through 2007 period, the GS < 50 kW average use would be lower, while the residential figure would have been higher. This would result in a shift to more residential volumes and less GS < 50 kW volumes.

- If there are more customers in a class than originally forecast, addition of these customers to the forecast will not have an impact on the total energy billing forecast using the Innisfil methodology. This is a perverse result. As an example, if the number of GS < 50 kW customers is higher than that forecast by Innisfil, the result would be an increase in volumes for the GS < 50 kW class. However, because the total energy billed is unchanged, there would be a reduction in volumes to other classes under this methodology. However, this has nothing to do with converting a non-normalized forecast to a normalized forecast. In fact, following the methodology as proposed has the perverse impact of changing normalized average use for all weather sensitive rate classes! This result is shown in response to Energy Probe Interrogatory #2b and c in comparison to the Summary of Forecast Table in Exhibit 3, tab 2, Schedule 3 at page 12.

  Based on the weather normalized billed forecast for 2009 shown in the Summary of Forecast Data table, the normalized average use for the residential class is 11,386 kWh, for the GS < 50 kW class is 37,509 kWh and for the GS > 50 kW class it is 555,252 kWh.

  The response to Energy Probe #2b and c shows the impact on volumes by rate class for a higher forecast of GS < 50 kW customers. The net impact on volumes is that the GS < 50 kW volumes increase (as expected), but there is a

decline in the residential volumes and in the GS > 50 kW volumes. This is necessary because of the methodology used. The total kWh's do not change; they remained fixed at 227,182,694, independent of the number of customers.

The impact is a reduction in weather normalized billed forecast volumes for the residential and GS > 50 kW rate classes, with no change in the number of customers in either of these classes. This means that there is a reduction in normalized average use for all three of the weather sensitive customer classes. In particular, based on the response to Energy Probe #2b and c, the normalized residential use per customer declines to 11,317 kWh, the GS < 50 kW class declines to 37,285 kWh and the GS > 50 kW class declines to 553,104 kWh. In other words, the addition of customers in one class has impacted on the normalized average use forecast for all the weather sensitive customers. This result is neither logical nor defensible.

- The econometric equation used to forecast the total system purchases cannot adequately and/or accurately reflect the relevant drivers when these drivers are different for different rate classes. Further details are provided in the following section.

ii) Econometric Equation

The econometric equation used to forecast the total system purchases suffers from a number of deficiencies. Each of these deficiencies is noted below.

- By aggregating all volumes into a single equation, the methodology assumes that all rate classes are affected by the same drivers such as heating degree days, cooling degree days and real GDP. This is most likely not true.

- By aggregating all volumes into a single equation, the methodology assumes that all rate classes are affected to the same degree for each driver included. It is unlikely that the weather, for example, has the same impact on residential customers as it does on large general service customers. Similarly, general service volumes are likely to be more influenced by changes in real GDP than are residential volumes.

- The equation does not have any explicit relationship to the number of customers. It is in effect, independent of the number of customers. It is not reasonable to expect that the total purchases are not driven in part by the number of new customer additions.

- The equation implicitly assumes that the impact of weather (heating and cooling degree days) has the same impact across all months (or seasons) of a year. For example, 1 additional heating degree day in January has the same impact on total system purchases as one additional heating degree day in July.

It is extremely doubtful that this is true. The impact of weather will be different by month.

- The data used is based on total system purchases. The resulting forecast is then adjusted for the distribution loss factor to arrive at total energy billed. This approach does not recognize the actual loss factors each month over the historical period. The data used should have been the actual total energy billed each month. No adjustment for losses would then be required and the equation would have been estimated based on the true figures. This is important as the loss factor between 2002 and 2007 ranges from under 4% to just under 11% (Exhibit 3, Tab 2, Schedule 3, Table 5).

- The model used does not include any type of variable to model conservation. The inclusion of a simple trend variable may capture both conservation (including naturally occurring conservation) and other trends in the use of electric appliances.

- The equation used has two of the explanatory variables that have t-statistics significantly below 2.00 (Energy Probe Interrogatory #3). This means that these variables are statistically no different from zero at a 95% confidence interval. In fact, the number of peak hours variable is not statistically significant at an 80% confidence level and the real Ontario GDP variable is not statistically significant at a 70% confidence level.

Energy Probe submits that these are the major deficiencies of the current econometric equation and the forecast that results from its use. In the following section, suggestions are provided for improvements in the forecast methodology, including using a bottom up regression analysis by rate class that would eliminate or minimize most of the deficiencies noted above.

iii) Future Forecasts

Energy Probe recommends that the Board direct Innisfil to develop a forecasting methodology that generates a forecast of billed energy on a bottom up basis. In other words, a forecast is developed for each rate class and these forecasts add up to the overall forecast, rather than the top down approach used by Innisfil in this application.

The forecast for each rate class would be based on a forecast for the number of customers in each rate class and a forecast of normalized average use for each rate class. The latter would be based on an econometric estimation of average use based on a number of explanatory variables that could differ by rate class. The forecast of customers could be driven by economic activity and/or local developments.

Such a process would enable Innisfil to distinguish between the drivers of volumes by rate class. The current methodology groups all volumes together and attempts to determine what the drivers are of the total. Energy Probe submits that this approach loses much of its explanatory power because different rate classes are driven by different factors. As well, different classes are driven to different degrees by the same factor. As noted earlier, the impact of weather on residential customers is likely to be different than the impact on large general service customers. The current methodology attempts to "average" these impacts across all customer classes.

b) Adjustments to the Forecast

Energy Probe submits that a number of adjustments should be made to the forecast as filed. The adjustments are listed below.

i) Loss Factor Adjustment

Innisfil converts the total system weather normalized purchases forecast by dividing this forecast by a loss factor of 1.058 to determine the weather normalized energy billing forecast (Exhibit 3, Tab 2, Schedule 3, page 5). The loss factor is the average over the 2002 through 2007 period.

Energy Probe submits that Innisfil should be using a loss factor that reflects actual losses over recent history. Innisfil is proposing a distribution loss factor of 4.77%, which is the average loss calculated over the 2005 through 2007 period. In the response to Energy Probe Interrogatory #1a, Innisfil indicates that this three year average better reflects the downward trend in the loss factor.

As indicated in the response to Energy Probe #1c and #26a, Innisfil is now proposing to use the three year average loss factor of 4.77% instead of the 5.8% originally used in the evidence. Energy Probe supports this change. As shown in the response to Energy Probe #1c, this change increases the kWh forecast by 1% or 2,301,874 kWh (as compared to Summary of Forecast Data on page 12 of Exhibit 3, Tab 2, Schedule 3).

ii) Customer Forecast

Energy Probe submits that the customer forecast provided by Innisfil at Exhibit 3, Tab 2, Schedule 3, Table 8 should not be accepted for the residential, GS < 50 kW or GS > 50 kW rate classes. In each of these rate classes, Energy Probe submits that these forecasts are too low.

Innisfil has used a mixture of year-end customer counts and annualized customer counts in its forecast (VECC Interrogatory #18 Revised). Innisfil shows the calculation of the annualized customer forecasts in the original response to VECC Interrogatory # 18. Innisfil is forecasting an increase in annualized residential customers of 192, a decline in GS < 50 kW customers of 2, and no change in the number of GS > 50 kW customers for 2009. The change in forecast numbers for 2008 is similar, with an increase of 189 residential customers, a loss of 2 GS < 50 kW customers and no change in the number of GS > 50 kW customers. These figures are provided in the response to Board Staff Interrogatory #6.2.

However, as shown in the response to Energy Probe Interrogatory #4, the actual number customers as of September 2008 compared to the same month in 2007 has grown much faster than the forecast additions for 2008. In particular, residential customers are up by 329, as compared to an annualized increase of only 189. GS < 50 kW customers have increased by 15, rather than declining by 2 and GS > 50 kW have increased by 2 rather than staying unchanged.

Moreover, as shown in the original response to VECC Interrogatory #18, Innisfil is now forecasting that it will finish 2008 with 13,463 residential customers and 846 GS < 50 kW customers. Innisfil's position, however, is that the customer count and load provided for 2009 for residential and GS < 50 kW classes in the cost of service application do not require upward adjustments. Energy Probe respectfully disagrees.

Energy Probe submits that a conservative forecast for 2009 residential customers would be to take the 192 additions forecast for 2009 by Innisfil and add them to the current forecast for December 2008 of 13,463 at a flat rate of 16 per month. Using the weighted monthly methodology used by Innisfil to calculate the annualized number of customers for 2009, as shown in the response to VECC Interrogatory # 18, yields an annualized residential figure of 13,567. This calculation, using the Innisfil methodology is shown in Appendix A to this Argument. This is an increase of 55 customers compared to the Innisfil forecast shown in Table 8 of Exhibit 3, Tab 2, Schedule 3.

A conservative forecast for the annualized number of GS < 50 kW customers would be to take the December, 2008 level of 846 and assume no further additions in 2009, despite the increase in 2008 and previous years. Based on the Innisfil weighting methodology, this forecast would be 19 customers higher than the Innisfil forecast of 827. Similarly, assuming no increase whatsoever in the number of GS > 50 kW customers, there would be an increase in the number of these customers from the forecast of 72 to the current September, 2008 forecast level of 74.

Applying the annual kWh usage for each of these rate classes found in Table 11 of Exhibit 3, Tab 2, Schedule 3, the following increase in kWhs would result:

Residential	55 x 11,803 =	649,165
GS < 50 kW	19 x 38,884 =	738,796
GS > 50 kW	2 x 571,470 =	1,142,940
Total		2,530,901 kWh

This increase is approximately 1.1% over the forecast derived by Innisfil.

As illustrated above under the forecast methodology discussion, Energy Probe believes that this addition of 2,530,901 kWh should be on top of the total forecast and not simply an increase for some rate classes accompanied by a decrease in some rate classes to make the totals fit to the overall forecast total. This adjustment should be made to the overall forecast total because it is the result of additional customers that were not included in the original forecast. The incremental revenue generated would reflect both the increase in volumes for all three rate classes and the increase in the annualized number of customers. It would also reflect a change in the forecast level of kW's for the GS > 50 kW class.

Energy Probe believes that in the future the customer forecast should be more sophisticated than simply using a geometric mean annual growth rate of past growth. More emphasis should be provided on local information specific to the distributor's area. This is especially important for small distributors like Innisfil. Information from local planning departments should be used, as should local knowledge of subdivision and commercial development that is taking place, or forecast to take place.

iii) Average Use Changes

The average use figures calculated in Tables 9 and 10 of Exhibit 3, Tab 2, Schedule 3 are based on dividing the volumes by the year end number of customers (VECC Interrogatory #18 Revised). The figures in Table 11 are, therefore, the average use per year end customer in 2007, adjusted for the growth rate in theses averages. These averages are then applied to the annualized number of customers. The result is that there is an under forecasting of the volumes. This is because the average usage calculated using year end customer number is less than the corresponding average calculated using annualized customer numbers.

Using the information for 2007 provided in the responses to Board Staff Interrogatory #6.5 and VECC Interrogatory #18, the residential average use based on annualized customers can be calculated to be 152,967,169 / 13,024 = 11,745 kWh. This is 97 kWh higher than figure used as the 2007 base (11,648) for the 2008 and 2009 forecast.

Similarly, the GS < 50 kW average use based on annualized customers can be calculated to be 28,694,771 / 822 = 34,908 kWh. This is 378 kWh higher than the 2007 base of 34,530 used by Innisfil.

Taking this increased use per annualized customer and multiplying it by the forecasted number of customers yields the following increase in volumes:

Residential	97 x 13,567	= 1,315,999
GS < 50 kW	378 x 846	= 319,788
Total		1,635,787

This increase is approximately 0.7% over the forecast derived by Innisfil.

iv) Summary

In aggregate, the adjustments proposed by Energy Probe for 2009 total approximately 6,441,562 kWh (2,301,874 kWh to reflect change in loss factor; 2,503,901 kWh to reflect higher than forecast customers and 1,635,781 kWh to reflect adjustment for average use). This represents an overall increase in the billed kWh of approximately 2.8%. The increase in the number of annualized customers in 2009 would also generate additional revenue.

c) Other Distribution Revenue

Innisfil is forecasting an increase in other distribution revenue from $530,953 in 2007 to $547,613 in 2008. This increase in 2008 is followed by a decline in 2009 to $491,257. These figures are provided in Exhibit 3, Tab 3, Schedule 1.

As shown in the response to Energy Probe Interrogatory #5, the year-to-date September 2008 actual revenues are ahead of the corresponding period revenues in 2007 by about the same amount as the overall forecast increase in 2008 revenues as compared to 2007.

The decline in Other Distribution Revenue is based on a decline in revenues from non-utility operations and a decline in interest and dividend income. The decline in non-utility operations is the result of no longer providing services to the Innisfil Energy affiliate in 2009. This revenue reduction is offset by gains in miscellaneous service revenues and a reduction in expenses for non-utility operations.

The decline in interest and dividend income is explained on page 3 of Exhibit 3, Tab 3, Schedule 2 and is based on Innisfil Hydro going from a cash position to a debt position to fund the operations and capital expenditures for 2009. However, as noted in the response to VECC Interrogatory #25 Revised, there have been significant delays and deferrals in capital expenditures in both 2008 and 2009. These delays and deferrals total more than $2 million. In light of this change, Energy Probe submits that the significant decline in interest and dividend income should be at least partially mitigated. Energy Probe submits that given the $2.0 million reduction in capital expenditures represents about 30% of the original expenditure forecast for 2009 of just under $6.5 million, that about 30% of the $60,300 (or approximately $18,000) reduction should be added back in as revenue to reflect a delay in going from a cash position to a debt position and a reduction in the magnitude of the debt position.

Based on the explanations provided for the variance in the interest and dividend accounts for 2007 versus 2006 and 2006 versus Board Approved, it appears that Innisfil has included the interest carrying charges for regulatory assets in this account. It is not clear if there are any such carrying charges (either positive or negative) included in this account as part of the 2009 forecast.

Energy Probe submits that the interest income or expense associated with deferral and variance accounts should not be included in the calculation of these revenue offsets. This is because this interest income or cost will be cleared to customers at the time that the associated deferral and variance accounts are cleared to customers.

If Innisfil is including this interest income or cost in 2009, they are effectively double counting the impact. Innisfil will recover these costs or rebate the income when it clears the balances in the associated accounts, including interest. At the same time, Innisfil has changed the level of other distribution revenues which are used to offset the revenue requirement that needs to be recovered through distribution rates. Ratepayers would be, therefore, effectively paying this interest cost twice, or receiving the benefit of the interest income twice. Energy Probe respectfully submits that the Board should direct Innisfil to remove any interest income or expense that may be currently included in the interest and dividend income forecast of $44,300 in 2009.

DEFERRAL AND VARIANCE ACCOUNTS

Innisfil proposes to recover the debit balances related to two accounts: 1508 Other Regulatory Assets and 1550 Low Voltage Variance. The balance to be cleared includes the forecasted interest on the account balances through to the end of April, 2009.

The allocation of these accounts is based on 2007 kWh for the low voltage account and on 2007 distribution revenue for the other regulatory assets account, as shown in Appendix D to the response to Board Staff Interrogatory # 7.1. The resulting proposed rate riders would recover these costs over a two year period.

Energy Probe accepts the Innisfil proposals with the exception of the two following items.

a) Interest Calculation

Innisfil used an interest rate of 3.35% for the January 1, 2009 through April 30, 2009 period in the calculation of the interest carrying costs. This rate is shown in Appendix C to the response of Board Staff Interrogatory # 7.1. This was the OEB prescribed interest rate for the fourth quarter of 2008.

Since the filing of the application, the Board has set the prescribed interest rate for the first quarter of 2009 at 2.45%. Energy Probe submits that this rate should be used to calculate the interest over the January 1, 2009 through April 30, 2009 period. The total requested for disposition and the resulting rate riders should then be updated to reflect this change.

b) Recovery Period

As noted above, Innisfil is requesting recovery of the balances in these accounts over a two year period. Energy Probe submits that this recovery period should be extended to four years to match the length of the 3rd Generation IRM plan (i.e. rate rebasing year plus three years). This extension would also help mitigate the distribution related rate increase forecast by Innisfil of 20.8% for a residential customer consuming 1,000 kWh per month. This figure is the forecast shown in Exhibit 9, Tab 1, Schedule 9, Appendix A, page 3. The rate rider accounts for $1.00 of the $7.30 monthly increase or nearly 14%. Extending the rate rider from 2 years to 4 years would reduce the cost impact by $0.50 per month and reduce the distribution related increase from 20.8% to 19.4%.

COST OF CAPITAL

a) Capital Structure

Innisfil is requesting a deemed equity component of 43.33%, short term debt of 4.00% and long term debt of 52.67%. Energy Probe accepts this capital structure as it is in compliance with the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors* dated December 20, 2006.

b) Return on Equity

Innisfil has requested a return on equity of 8.57% in the test year, reflecting the OEB's March 7, 2008 letter regarding the cost of capital updates for the 2008 cost of service applications (Exhibit 6, Tab 1, Schedules 1 & 3). Innisfil also states that the OEB will update the return on equity rate in early 2009 for rates effective May 1, 2009. Energy Probe accepts this position because it is compliance with the *Report of the Board on Cost*

of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006.

c) Short Term Debt Rate

Innisfil has requested a short term debt rate of 4.47% in the test year (Exhibit 6, Tab 1, Schedules 2 & 3). This reflects the OEB's March 7, 2008 letter regarding the cost of capital updates for the 2008 cost of service applications. Innisfil is silent on whether or not this short term debt rate should be updated by the Board in early 2009 for rates effective May 1, 2009. Energy Probe submits that it should be updated to be compliant with the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors* dated December 20, 2006 and consistent with the approach taken related to the return on equity.

d) Long Term Debt Rate

Innisfil has three sources of long term debt for the 2009 test year, as shown in Exhibit 6, Tab 1, Schedule 3, page 2. These three sources include a note payable to an affiliate at an interest rate of 3.35%, a debenture payable to the Town of Innisfil at a rate of 9.75% and bank loan to be obtained in 2009 at a rate of 5.08%. Innisfil has indicated that it does not view the debenture payable to the Town of Innisfil to be an affiliate debt instrument (Energy Probe Interrogatory # 15b).

The debenture payable to the Town of Innisfil at a rate of 9.75% does not appear to be callable, nor is the interest rate variable. As a result, Energy Probe does not believe there would be any impact on the deemed cost of long term debt of whether or not the debenture is with an affiliate or not.

The note payable to the affiliate is at an interest rate lower than the Board deemed rate, and as such should be accepted as forecast.

The bank loan to be obtained in 2009 was originally forecast to be for an amount of $3.95 million (Exhibit 6, Tab 1, Schedule 3, page 2). However, as a result of the reduction in forecasted capital expenditures, this amount has fallen to $1.86945 million (Revised response to VECC Interrogatory # 25a). Energy Probe accepts this reduction as reasonable.

Innisfil had forecast a rate for the bank loan of 5.08%. This rate was based on information from Infrastructure Ontario as indicated in the response to Board Staff Interrogatory # 2.1. In that response Innisfil indicated that as of October 31, 2008, the 25 year rate for a serial loan had increased to 6.17%. Further Innisfil proposed that the debt rate to be used for the bank loan would be based on the debt rate quoted by Infrastructure Ontario for a 25 year serial loan when the OEB sets the deemed long term debt rate.

Energy Probe has two submissions on this proposal. First, Energy Probe agrees in principle with the use of the most recent Infrastructure Ontario debt rate available at the time the OEB sets the deemed long term debt rate as this rate reflects the cost of borrowing in the market. In this regard, Energy Probe notes that the 25 year serial loan rate from Infrastructure Ontario has fallen from 6.17% to 5.47%, as of January 30, 2009.

Second, it is unclear to Energy Probe why the 25 year term is the appropriate term to use. Lower rates for shorter terms are available from Infrastructure Ontario, currently ranging from 3.27% for a 5 year serial loan, to 4.35% for a 10 year serial loan, to 4.92% for a 15 year serial loan, to 5.27% for a 20 year serial loan. In this respect, Energy Probe notes that the original forecast rate of 5.08% for a 25 year loan is higher than the current rates for a shorter term loan. Energy Probe submits that the Board should approve a deemed long term weighted debt rate that includes the original forecast rate of 5.08%. Innisfil has access to rates in this order of magnitude and lower for terms less than 25 years.

COST ALLOCATION & RATE DESIGN

Innisfil proposes to decrease the revenue to cost ratio for the residential, GS < 50 kW, GS > 50 kW while increasing the ratio for unmetered scattered load, street lighting and sentinel lighting customers.

Based on the 2006 cost allocation informational filing, the unmetered scattered load, street lighting and sentinel lighting classes are below the revenue to cost range identified as appropriate in the Board's "Report on Application of Cost Allocation for Electricity Distributors" dated November 28, 2007. Similarly, the ratio for the GS < 50 kW class is above the revenue to cost range identified as appropriate by the Board. The remaining classes are all within the ranges identified as appropriate.

Energy Probe accepts the movement of the unmetered scattered load ratio to 80% from its current level of 78.9%, as shown in Table 2 of Exhibit 8, Tab 1, Schedule 2 is appropriate as this is the lower end of the Board approved range for this class of customers.

Innisfil has proposed to move the revenue to cost ratio for the street and sentinel lighting classes 50% of the way from what the current ratio is to the bottom of the OEB proposed range of 70%. Innisfil also proposed to move the ratio for these two customer classes the remainder of the way to 70% in 2010 and 2011 (Exhibit 8, Tab 1, Schedule 2, page 3). Energy Probe believes this movement is appropriate given that in the various 2008 Decisions the Board expected the applicants to achieve the remaining 50% move to the bottom of the range in equal increments in the two years following the rebasing year. Energy Probe therefore recommends that the Board adopt this movement.

Energy Probe submits that there is no reason to adjust the revenue to cost ratios for the residential or GS > 50 kW classes since the ratios for these classes are already within the ranges approved by the Board. This is based on the Decision and Order for Wellington North Power Inc. (EB-2007-0693), where the Board stated at page 29 that:

> "An important element in the Board's report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges."

Energy Probe also submits that the additional revenue generated by increasing the revenue to cost ratio for the street lighting, sentinel lighting and unmetered scattered load classes should be used to reduce the corresponding ratio for the GS < 50 kW class down to the top of their range of 120%. If the increase generated by these accounts is more than enough to get the GS < 50 kW class to 120%, either in 2009 or through the additional revenues generated in 2010 and 2011 resulting from the increase in the revenue to cost ratios for the street and sentinel lighting classes, then this additional revenue should be applied in tandem to the GS < 50 kW and GS > 50 kW classes to jointly reduce their revenue to cost ratios.

COSTS

Energy Probe requests that it be awarded 100% of its reasonably incurred costs. Recognizing the size of Innisfil, Energy Probe has attempted to minimize its time on this application, while at the same time ensuring a thorough review.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

February 6, 2009

Randy Aiken

Consultant to Energy Probe

Appendix A

	Residential Customers	Monthly Change	Monthly Weighting	Annualized Customers
JAN	13,479		1	13,479
FEB	13,495	16	0.92	13,494
MAR	13,511	16	0.83	13,507
APR	13,527	16	0.75	13,519
MAY	13,543	16	0.67	13,530
JUN	13,559	16	0.58	13,539
JUL	13,575	16	0.50	13,547
AUG	13,591	16	0.42	13,554
SEP	13,607	16	0.33	13,559
OCT	13,623	16	0.25	13,563
NOV	13,639	16	0.17	13,566
DEC	13,655	16	0.08	13,567