

***1 PUBLIC INTEREST ADVOCACY CENTRE
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Michael Buonaguro Counsel for VECC February 23, 2009 **VIA MAIL and E-MAIL** Ms. Kirsten Walli Board Secretary Ontario Energy Board P.O. Box 2319 2300 Yonge St. Toronto, ON M4P 1E4 Dear Ms. Walli: **Re: Vulnerable Energy Consumers Coalition (VECC) EB-2007-0776 Newmarket – Tay Power Distribution Limited – Newmarket Service Area – 2008 Electricity Distribution Rate Application** Please find enclosed the second round interrogatories of the Vulnerable Energy Consumers Coalition in the above-noted proceeding. Yours truly, Michael Buonaguro Counsel for VECC Encl.

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Newmarket-Tay Power Distribution Ltd. (Newmarket-Tay)
2008 Electricity Rate Application
(Newmarket Service Area)
Board File No. EB-2007-0776
VECC's Interrogatories
(Round #2)

Question #41

Reference: VECC#1 b)

a) Is Newmarket acting as the delivery agent and/or supporting the OPA's delivery of the ERIP and Power Blitz programs in its service area?

Response:

Yes.

b) Why does Newmarket require a deferral account as opposed to simply seeking a Lost Revenue Adjustment after the fact as is currently provided for by the Board?

Response:

The need for a deferral account has been superseded by the Board processes for Lost Revenue Adjustment and Shared Savings Mechanisms. The Applicant withdraws the request for a deferral account and will apply for recovery of lost revenue due to conservation programs.

c) If granted approval for the lost revenue deferral account, what information will Newmarket provide to support the lost revenue when it seeks disposition of the account. Will the information provided be similar to that required to support a Lost Revenue Adjustment Mechanism and, if not, why not?

Response:

Please see the response for Question #41 b).

d) Please provide Newmarket's best estimate as to when the IESO is likely to start charging for the Provincial Meter Data Repository.

Response:

The Applicant is not in a position to provide this information.

e) Does Newmarket have any basis for assuming that it will be charged for the MDMR before other LDCs are? If so, please provide.

Response:

The Applicant has installed all residential time-of-use (TOU) meters and is planning to bill TOU for all those customers through the MDM/R before the end of fiscal 2009. The Applicant is currently one of the lead LDC's working with the IESO in MDM/R testing. It is expected that the MDM/R service will attract costs.

Question #42

Reference: VECC #2 a)
Exhibit 4, pages 103-104

a) With reference to the OM&A accounts listed on pages 103 and 104, please indicate which accounts involve activities/costs that are shared with the Tay service area. For such account, please indicate the 2008 costs "allocated" to Tay.

Response:

Account	Description	Total	NHL	Tay
5635	Insurance	\$ 136,000	\$ 116,800	\$ 19,200
5630	Audit	\$ 48,000	\$ 41,200	\$ 6,800
5630	EDA Membership	\$ 43,000	\$ 37,080	\$ 5,920
5655	OEB FEES & OTHER FEES	\$ 124,500	\$ 107,120	\$ 17,380
5630	Customer Satisfaction Survey	\$ 20,000	\$ 16,995	\$ 3,005
5630	Legal of a corporate nature	\$ 24,000	\$ 20,600	\$ 3,400
5630	Board Development/ Training	\$ 16,000	\$ 13,905	\$ 2,095
5630	ESA	\$ 24,000	\$ 20,600	\$ 3,400
5677	Financial Software Maint/support	\$ 49,000	\$ 42,000	\$ 7,000
5677	CIS Software support	\$ 17,000	\$ 14,500	\$ 2,500
5315	Interactive Voice Software maintenance	\$ 23,000	\$ 18,540	\$ 4,460

Question #43 Reference: VECC #5

a) The Application states "the above changes (including moving the transformer allowance credit to \$0.70 / kW) have the effect of ... and increasing the ratios of other classes". The original question was asking why this was the case (i.e., why increasing the transformer allowance credit and spreading the decrease in revenue other customer classes as the Application states) would result in an increase in those classes' revenue to cost ratios. Please explain.

Response:

Through the Cost Allocation Model, the Transformer Allowance is calculated using cost per kW, regardless of customer class. In the Applicant's service area, the entire customer-owned transformation is in the GS>50 class. The change from \$0.50 to \$0.70/kW results in approximately \$137,000 of additional credit to these customers. As a result, rates must be adjusted for the remaining customers to recover this amount. This value was distributed across all classes on a ratio of kWh. Since GS<50 had the highest Cost to Revenue ratio, this approach effectively reduced the GS<50 ratio while increasing all other rate classes where the additional cost was prorated.

Question #44 Reference: VECC #13

a) Please provide a schedule that tracks the total capital spending for each "bolded" item in the 2008 Capital Budget Summary to the relevant USOA accounts and, then, show the total planned 2008 capital spending by USOA account.

Response:

	US of A	\$	Gross Cost	Capital Contribution (1995)	Net Cost
Grand Totals		12,102,806	12,102,806	(2,137,082)	9,965,724
Holland Junction TS Holland Junction T.S. is to be constructed by Hydro One in 2008 as a result of recommendations from the Ontario Power Authority to relieve the overloaded Armitage T.S. and supply future load to northern York Region. Newmarket Hydro will be constructing underground and overhead facilities to accommodate four 44kv circuits that will remove approximately 70MVA of load from Armitage T.S. and allow for future load growth			3,225,000	(150,000)	3,075,000
	1806	400,000			
	1830/1835	2,525,000			
	1860	300,000			
Distribution Stations					
Bogarttown Station			483,000	0	483,000
Legge DS 3 feeder protection DPU 2000r inst & 3 for Cook			40,500	0	40,500
Leadbeater refurbishment DS			480,000	0	480,000
Landscape & pave Twinney DS			13,200	0	13,200
Replace fence at Cook DS			5,000	0	5,000
	1820	981,700			
	1845	40,000			
Customer Additions					
Residential Single Family			2,006,640	(1,304,316)	702,324

Residential Townhomes			346,040	(224,926)	121,114
Commercial Industrial (44kV System)			97,500	0	97,500
Commercial Industrial (44kV System)			300,000	0	300,000
	1830/1835	144,100			
	1840/1845	707,400			
	1860	155,000			
	1855	960,000			
	1850	783,680			
44KV Overhead Line Additions, Rebuilds					
Re-insulate 41M23			95,000		95,000
Line to join Boggartown Station e/s Leslie & w/s feeder rearrangement; Mulock: Leslie to HWPkwy pole line			100,000		100,000
Install 5 new poles to reconfigure 41M13 to improve reliability			20,000		20,000
Mattamy Homes 1-44kV 2-13.8kV r.o.w. relocate 6-8 poles due to regrading			100,000	(100,000)	0
	1830/1835	315,000			
13.8KV Overhead Line Addition, Rebuilds					
Leslie: Mulock to Kingdale (formerly line e/s Leslie s/o Mulock to new subdivision (Copper Hills & Gates of Newmarket)			145,000	0	145,000
EG Heights Walter Ave from Barbara to Septone			125,000	0	125,000
Lundy's Lane feeder tie & open bus			80,000	0	80,000
York Region - Bathurst from Mulock to Newmarket/Aurora Town Boundary (Bathurst s/o Mulock relocation due to YR road widening)			65,000	0	65,000
Davis Dr. fr Niagara to Longford replace 18 old poles (50 years) with conc. Poles			126,000	(42,840)	83,160
Pole Replacement Program			240,000	(30,000)	210,000
Franklin & Asa: rebuild end of life pole line			40,000	0	40,000
	1830/1835	756,000			
	1850	65,000			
Underground					
Replace end of life line 15 London Rd. area (1976)			120,000	0	120,000
Roywood Quaker/Eagle Hills rehab-changing txs (30 yrs old)			344,000	0	344,000
UG Cane Pkwy with Town			205,000	(205,000)	0
Beman Ph 2 in conjunction with the Town improvement			22,687	0	22,687
Sutherland secondary rearrangement underground rear lot services for safety reasons			25,000	0	25,000
Replace leaking transformers			185,000	0	185,000
Facilitate Municipal capital/road improvements			160,000	(53,333)	106,667
Facilitate York Regional capital/road improvements			80,000	(26,667)	53,333
Market Square - Main St Improvement			19,500	0	19,500
Alduti/Omni Rupter Switches - Replace 2			40,000	0	40,000
	1840/1845	1,076,187			
	1850	125,000			
Metering					
Smart Meter Installation Program Completion - Pimarily Small Commercial/Industrial Customers			1,461,019	0	1,461,019
Faulted circuit indicators (old Wildwood area; various locations)			65,000	0	65,000
Interval meters on >50kW & MUSH Customers			25,000	0	25,000
44 KV Switches (in conjunction with CP095 and other jobs)			60,000	0	60,000
Instrument Transformers (PT's) - Replacements			4,320	0	4,320
Instrument Transformers (CT's) - Replacements			4,320	0	4,320
Self Contained Demand (polyphase) Meter Replacements			10,000	0	10,000
Meter Test blocks			3,000	0	3,000
Wholesale metering contingency			10,000	0	10,000
	1860	1,642,659			
Leasehold Improvements					
Skylight Shade - Operations Lunch/Meeting Room			3,000	0	3,000

Fencing			35,000	0	35,000
Other (Ops & Engin)			20,000	0	20,000
	1910	58,000			
Major Tools & Instruments					
Line Department (small tools)			20,000	0	20,000
10000 V Megger			10,000	0	10,000
Hydraulic Drill (replacement)			4,500	0	4,500
Cable Locators (replacements)			5,600	0	5,600
Replacement Stringing ropes 18000 ft			18,000	0	18,000
Meter base temp Jumpers			5,000	0	5,000
EUSA Safety - Personal protective equipment - Contingent			10,000	0	10,000
Ops cell phones (replacements)			1,000	0	1,000
Meter Department contingency			12,500	0	12,500
Defibrillators			4,000	0	4,000
	1940	64,000			
	1945	26,600			
Vehicles and Equipment					
Ford F-450 4X4 Dump truck vehicle #120			70,000	0	70,000
Intl. Navistar Model 4900vehicle #310			280,000	0	280,000
RBD additional (			350,000	0	350,000
Chev Silverado #04			50,000	0	50,000
Lease Renewals			44,000	0	44,000
Replace fully depreciated Pickup			49,080	0	49,080
	1930	843,080			
System Supervisory Equipment					
Surveylant capital software			5,000	0	5,000
RTU & radio for motorized switch			15,000	0	15,000
	1980	20,000			
Computer Hardware					
Tech Workstations & 22-inch Monitors			5,800	0	5,800
Manager Tech Serv replace BIG monitor			1,000	0	1,000
Working Ops computer work station c/w operating software for access to USF standards, smart metering outage data, outage management system, fleet management system etc.			3,500	0	3,500
Mobile Laptop - Tech replacement			4,000	0	4,000
IT replacement of working Workstation - co-op/3rd Tech c/w monitors for cad			3,000	0	3,000
Replace obsolete printer for tech			300	0	300
Replace obsolete printer for Ops contingency			300	0	300
	1920	17,900			
Computer Software					
Asset management/ Work estimate & reliability; material standards/specification management			19,500	0	19,500
Operation mngmt software e.g. outage management in conjunction with smart metering operations; fleet management; construction standards and material; work project management; locates.			19,500	0	19,500
Design & Analytical engineering software e.g. p&c; standards; material tracking			15,000	0	15,000
ESA Audit Project tracking			10,000	0	10,000
System Optimization (Dromey) carried over			17,500	0	17,500
Miscellaneous (ops & engin)			10,000	0	10,000
	1925	91,500			
Office Equipment					
Miscellaneous	1915	5,000	5,000	0	5,000

b) Please provide break down of the 2006 and 2007 capital spending and capital in-service additions (if different) by USOA account.

Response:

Class		2006			2007 Bridge (actual)		
Description	US of A	Additions	Write-offs and Retirements	Total	Additions	Write-offs and Retirements	Total
Distribution – Land	1805	1,002,269	0	2,460,709	51,481	0	2,512,190
Distribution – Land Rights	1806	0	0	0	0	0	0
Mun Trans Stn < 50kW	1820	251,794	0	7,802,679	170,980	0	7,973,659
Dist Lines – o/h Poles	1830	485,363	0	10,817,893	593,497	0	11,411,390
Dist Lines – o/h Cable	1835	798,005	0	13,538,608	662,239	0	14,200,847
Dist Line Conduit	1840	50,953	0	6,703,409	386,509	0	7,089,918
Dist Lines u/g Cable	1845	746,379	0	21,777,586	720,238	0	22,497,824
Services	1855	824,912	0	3,030,338	1,140,348	0	4,170,687
Distribution Transformers	1850	680,397	0	13,240,544	943,393	0	14,183,937
Distribution Meters	1860	419,433	0	6,501,175	389,000	0	6,890,175
Smart Meters	1860	294,833	0	294,833	3,296,111	0	3,590,944
Leasehold Improvements	1910	42,303	0	390,216	29,019	0	419,236
Office Equipment	1915	11,302	0	236,679	38,555	0	275,235
Computer Equipment	1920	136,932	0	585,881	66,612	0	652,493
Computer Software	1925	321,695	0	944,826	193,978	0	1,138,804
Rolling Stock & Equip.	1930	250,268	(159,877)	2,802,289	139,883	0	2,942,172
Stores Warehouse Equipment	1935	4,592	0	140,871	1,227	0	142,099
Misc. Tools & Equip.	1940	10,195	0	403,794	15,932	0	419,726
Measurement & Test Equipment	1945	51,176	0	88,488	14,047	0	102,535
System Supervisory Equipment	1980	7,018	0	734,556	4,479	0	739,035
Sentinel Lighting Units	1985	0	0	13,085	0	0	13,085
Contributed Capital	1950	(1,536,492)	0	(12,548,042)	(1,354,200)	0	(13,902,242)
Total Fixed Assets		4,853,327	(159,877)	79,960,419	7,503,328	0	87,463,747
Accumulated Depreciation		(3,571,475)	140,588	(40,005,861)	(3,708,810)	0	(43,714,671)
Net Fixed Assets		1,281,852	(19,289)	39,954,557	3,794,519	0	43,749,076

Question #45 Reference: VECC #17

a) Please confirm that the average usage values reported in response to part (b) are actual sales divided by average customer count. If not, what was the basis for the values?

Response:

The values shown were the actual sales divided by the year end customers. These values were shown only to support the Applicant's rationale for not using the weather normalized values from the Cost Allocation. The following chart shows similar values using average customers.

GS<50 kWh Usage/Year		
Year	Total kWh/Yr- End Customers	Total kWh/Average Customers
2007	35,053	35,338
2006	34,436	34,497
2005	38,850	38,782

b) Please provide the actual year end and average 2008 customer count for each class.

Response:

Class	2008 (Actual)	2,007	Avg	Growth
Residential	24,667	24069	24,368	598
GS<50	2,653	2599	2,626	54
USL	75	75	75	0
GS>50	377	374	376	3

Question #46 Reference: VECC #18

a) Please update the 2008 budget for SSS Administration charge revenue based on the projected customer count.

Response:

Actual SSS Administration was \$93,814 vs. \$90,500 in the Submission.

Question #47 Reference: VECC #20

a) In each case, the explanations provided for the significant increases in 2008 make reference to historical spending levels. However, the projected 2008 values are all higher than the historical average quoted and higher than past spending in 2006 or 2007. Please justify the 2008 spending levels projected for Accounts #5035, #5095 and ##5114.

Response:

Actual

5035 = \$18,628	More effort was placed in this category for 2008 and will continue into 2009.
5095 = \$10,542	The increase in budget was due to the original plans for Holland Junction, where the applicant was expecting to incur more joint use cost with Hydro One. Holland Junction has been delayed.
5114 = \$73,405	Essentially, as the Applicant's stations age, they are requiring more maintenance to ensure reliability. In 2008, the Applicant increased maintenance at the stations.

Question #48 Reference: VECC #21 Exhibit 3.3.1, page 96

a) Why isn't Newmarket recording the OM&A costs associated with smart meters in Account #1556. Similarly, why isn't Newmarket recording its smart meter-related capital costs in Account #1555?

Response:

The Applicant follows Generally Accepted Accounting Principles; time-of-use costs are segregated into accounts that correspond with Financial Statement presentation and are grouped in the appropriate place for that purpose. These costs are also segregated into their own general ledger

accounts for tracking purposes. The applicant moves these amounts into the appropriate places for the Ontario Energy Board's RRR filing.

b) With respect to VECC #21 (g), please provide a break down of the interest earned for 2008 per Exhibit 3.3.1 and, in doing so, specifically show the interest income on customer deposits held by Newmarket component.

Response:

The Applicant earns Canadian Business prime less 1.75 per cent on its deposits. The Applicant pays Canadian Business prime less two percent on consumer deposits. Deposit interest paid on customer deposits in 2008 was budgeted at \$100,000 revenue and revenue was budgeted at \$42,000. *The applicant was predicting a serious cash flow deficit due to the Board ordered Holland Junction station, Time of Use expenses for 2006-2008 and ongoing capital expense. The applicant calculated Interest revenue to be \$ 42,000, This is composed of 110,000 revenue on customer deposits, and potential deficit due to capital financing of 68,000.*

Question #49 Reference: VECC #22

a) Please confirm that the dollar values quoted in the response to part c) are for 2008.

Response:

The Applicant confirms that the \$94,000 quoted is referring to 2008.

b) Does the Application assume Newmarket will incur any external expenses (consultants, legal fees, etc.) in 2008 related to preparation of the Rate Application? If so, please itemize.

Response:

Please see Energy Probe IR 29. Legal fees and consulting costs are being incurred. No firm estimates are available at this time.

Question #50 Reference: VECC #30

a) The Board's Decision on Regulatory Assets (December 2004) approved specific allocation methodologies for allocating the regulatory balances in various accounts to customer classes. For example, the RSVA Power Account is allocated to customer classes based on kWhs. Please re-do the allocation to customer classes using the Board's prescribed methodologies.

Response:

The Applicant has re-calculated the Deferred Asset Recovery Rates using the 2004 allocators. In the Board's decision, there was no allocator prescribed for 1508, 1562, or 1590, as a result, the Applicant used kWh for these accounts. The resulting rates are show in the following chart:

**Annual Recovery of Deferral Accounts at 2008 Activity
@ Proposed Rates with 2008 Statistics**

Class	kWh	kW	As Submitted		Revised Allocators	
			DA Rate	Recovery	DA Rate	Recovery
Residential	242,306,934		0.0012	281,155	0.0016	393,085
GS<50	92,373,021		0.0012	107,183	0.0012	106,595
USL	211,968		0.0012	246	0.0030	646
GS>50		863,096	0.5053	436,148	0.4203	362,782
Street Lights		14,934	0.2226	3,324	0.3015	4,503
Sentinel Lights		945	0.3400	321	0.7301	690
Total Annual Recovery				828,377		868,302
Recovery May 1, 2008 to Apr 30, 2011				2,485,132		2,604,905

Question #51 Reference: VECC #32 b)

a) Please provide the revised Cost Allocation Run as originally requested.

Response:

In the Applicant's copy of the original VECC document, there was no # 32 b), therefore the Applicant will assume that the request relates to 33 b). The Applicant adjusted the values as requested. To do so, the Transformer Allowance was changed to \$0 on the "TB Data" sheet, cell F16. The cost was re-allocated on the "O1 Revenue to Cost" by reducing the revenue applied to the GS >50 Class by the amount of the Transformer Allowance. The values on the "O1 Revenue to Cost" sheet are as follows:

		1	2	3	7	8	9
	Total	Residential	GS <50	GS>50- Regular	Street Light	Sentinel	Unmetered Scattered Load
Distribution Revenue (sale)	\$12,947,984	\$6,765,362	\$2,431,521	\$3,677,251	\$46,425	\$4,938	\$22,487
Miscellaneous Revenue (mi)	\$992,201	\$581,275	\$177,846	\$208,365	\$21,567	\$540	\$2,608
Total Revenue	\$13,940,184	\$7,346,636	\$2,609,367	\$3,885,617	\$67,991	\$5,478	\$25,095

Expenses							
Distribution Costs (di)	\$1,784,184	\$996,783	\$297,685	\$363,954	\$122,135	\$2,239	\$1,388
Customer Related Costs (cu)	\$1,663,779	\$1,088,812	\$288,708	\$264,737	\$15,444	\$296	\$5,782
General and Administration (ad)	\$2,213,210	\$1,312,035	\$383,730	\$417,744	\$93,806	\$1,741	\$4,155
Depreciation and Amortization (dep)	\$2,826,438	\$1,543,337	\$532,875	\$579,629	\$165,374	\$3,223	\$2,001
PILs (INPUT)	\$1,569,774	\$814,105	\$302,222	\$362,533	\$88,189	\$1,685	\$1,039
Interest	\$1,778,564	\$922,386	\$342,420	\$410,753	\$99,918	\$1,910	\$1,177
Total Expenses	\$11,835,948	\$6,677,458	\$2,147,639	\$2,399,349	\$584,865	\$11,094	\$15,542
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$2,423,753	\$1,256,990	\$466,635	\$559,757	\$136,165	\$2,602	\$1,604
Revenue Requirement (includes NI)	\$14,259,701	\$7,934,448	\$2,614,274	\$2,959,105	\$721,030	\$13,697	\$17,147
Rate Base Calculation							
Net Assets							
Distribution Plant - Gross	\$72,607,606	\$38,912,031	\$14,028,460	\$15,273,820	\$4,257,050	\$82,664	\$53,581
General Plant - Gross	\$4,837,001	\$2,563,105	\$937,761	\$1,040,739	\$286,296	\$5,481	\$3,618
Accumulated Depreciation	(\$31,944,054)	(\$17,364,596)	(\$6,144,920)	(\$6,524,563)	(\$1,850,226)	(\$36,589)	(\$23,161)
Capital Contribution	(\$7,925,324)	(\$4,602,968)	(\$1,584,640)	(\$1,140,915)	(\$576,685)	(\$11,105)	(\$9,011)
Total Net Plant	\$37,575,230	\$19,507,573	\$7,236,662	\$8,649,081	\$2,116,435	\$40,451	\$25,027
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$46,040,778	\$15,754,318	\$7,064,940	\$22,896,639	\$289,696	\$20,801	\$14,385
OM&A Expenses	\$5,661,172	\$3,397,630	\$970,122	\$1,046,434	\$231,385	\$4,277	\$11,325
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$51,701,950	\$19,151,947	\$8,035,062	\$23,943,073	\$521,081	\$25,077	\$25,710
Working Capital	\$7,755,293	\$2,872,792	\$1,205,259	\$3,591,461	\$78,162	\$3,762	\$3,857
Total Rate Base	\$45,330,522	\$22,380,366	\$8,441,921	\$12,240,542	\$2,194,597	\$44,213	\$28,884
Equity Component of Rate Base	\$22,665,261	\$11,190,183	\$4,220,961	\$6,120,271	\$1,097,298	\$22,106	\$14,442
Net Income on Allocated Assets	\$2,104,236	\$669,178	\$461,728	\$1,486,268	(\$516,874)	(\$5,616)	\$9,553
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$2,104,236	\$669,178	\$461,728	\$1,486,268	(\$516,874)	(\$5,616)	\$9,553
Ratio Analysis							
REVENUE TO EXPENSES %	100.00%	94.71%	102.10%	134.32%	9.65%	40.91%	149.71%
Existing Rev. less Allocated Cost	(\$319,517)	(\$587,812)	(\$4,908)	\$926,511	(\$653,039)	(\$8,218)	\$7,949
Return on Equity Component of Rate Base	9.28%	5.98%	10.94%	24.28%	-47.10%	-25.40%	66.15%

The Applicant does not agree with this treatment of the Transformer Allowance. This approach appears to allocate the cost (expense) of the Allowance back to the GS>50 Class.

Please consider the following scenario:

Suppose the LDC has only 2 customers: 1 Residential and 1 GS>50. Each is on a single transformer of equal size (i.e. 2 transformers), and they have equal load. The LDC owns the Residential (class) transformer and the GS>50 customer (class) owns his own transformer. In this case, the only related costs to the LDC are those for the Residential (class) transformer and therefore should be absorbed by that class. The GS>50 customer (class) should not have any related costs. In the suggested approach, the Transformer Allowance gets allocated back to the GS>50 class and therefore the class pays a portion of the LDC costs that should not apply to it.

Question #52 Reference: Board Staff #30 a)

a) Since the year end customer count is higher than the annual average (i.e., 24,569 vs. 24,319) one would expect average use to be higher if the average customer count for the year is used in the denominator. However, this is not the case in the response. Please reconcile and explain how the 9,862 average use value was determined.

Response:

The reply to the OEB #30 was in error. (9,964 is the average number of customers for the year divided by the estimated total KWH, while 9,862 is the total estimated kWh divided by the year end estimate.) 9,964 was used to calculate the revenue amount. The average number of customers for the year divided by the actual pre-audited statistics is 9,685.

Question #53 Reference: General

a) Please provide a schedule that lists all of the corrections and changes to the 2008 Service Revenue Requirement and the resulting Deficiency based on the responses to the first and second round interrogatories. For each change/correction, please provide a cross reference to the relevant interrogatory.

Response:

The Applicant is working to prepare this information, however, due to time constraints, may be unable to at this time.

b) Based on the changes and corrections from part (a) please provide an updated version of the following schedules from the original Application:

- Schedule 1.2.3 (page 46)
- Schedule 1.2.4 (page 47)
- Schedule 2.1.2 (page 57) – Year End and Average Values

- Schedule 4.3 (page 119)

Schedule 1.2.3

Revenue Deficiency

	2008 Test Existing Rates	2008 Test Proposed Rates
Revenue		
Deficiency From Below		782,115
Distribution Revenue (from Rate Model)	13,621,411	13,621,411
	13,621,411	14,403,526
Distribution Rate Impact		5.74%
Other Operating Revenue	753,945	753,945
Total Revenue	14,375,356	15,157,471
Distribution Costs		
Operation Maintenance & Administration	5,483,028	5,483,028
Depreciation & Amortization	4,337,420	4,337,420
Depreciation & Amortization (Vehicle, Tools & Stores Adj)	(338,937)	(338,937)
Property & Capital Tax	234,422	234,422
Deemed Interest	1,783,969	1,783,969
Total Costs & Expenses	11,499,903	11,499,903
Income Before Income Tax	2,875,453	3,657,569
Income Tax @ 33.5%	1,185,176	1,447,185
Income After Income Tax	1,690,277	2,210,383
Return On Equity w/Pils	3,657,569	
Revenue Deficiency	782,115	

The above Revenue Deficiency reflects the following changes to the Submitted values.

Transmission costs reduced due to rate decrease in fall of 2007	(10,286)
CCA Uplift Adjustment	8,013
Capital Tax rate reduced from .285 to .225%	(30,526)
Total Decrease	(32,799)

2.1.2

Actual Rate Base at End of Period

2006 to 2008	2008 Submitted	2008 Revised
Gross Fixed Assets	97,429,471	97,416,386
Accumulated Depreciation	(48,052,329)	(48,039,243)
Net Fixed Assets	49,377,143	49,377,143
Allowance for Working Funds	8,774,886	8,666,357
Rate Base	58,152,029	58,043,500

4.3

4.3 Income Tax, Large Corporation Tax

	2008 test (\$)	2008 adjusted (\$)
Regulatory Income	\$ 2,214,732.00	\$ 2,210,383.00
<i>Add Back</i>		
Accounting Amortization	4,337,658.00	4,337,658.00
Non-Deduct portion of Meals & Entertainment	20,000.00	20,000.00
Reserves End of Year		
Post employment benefits	814,000.00	814,000.00
Allowance for AR	130,667.00	130,667.00
Loss on disposal of fixed assets	-	-
<i>Subtract Off</i>		
Gain/loss on disposal of fixed assets		
CCA (see schedule below)	(3,720,133.00)	(3,720,133.00)
CEC (see schedule below)	(104,118.00)	(104,118.00)
Reserves beginning of year		
Post Employment Benefits	(727,000.00)	(727,000.00)
Allowance for AR	(107,000.00)	(107,000.00)
Taxable Income	\$ 2,858,806.00	\$ 2,854,457.00

<i>Taxes</i>		
Federal Proxy	\$ 1,440,150.00	\$ 1,447,185.00
Provincial Proxy		
<i>Taxable Capital for Ontario Capital Tax</i>		
Taxable Capital	58,668,644.00	67,830,829.00
Reduction	14,505,511.00	14,505,511.00
Rate	0.00285	0.00225
	\$ 125,864.93	\$ 119,981.97

Calculation for Regulatory Income

Capital Structure

2008 Test	Ratio %	Cost Rate %	Return %	Return
Long Term Debt - Municipal	52.00%	6.10%		\$ 1,755,321.00
Long Term Debt - Financial Institutions	0.00%			
Short Term Debt	1.30%	4.47%		32,157.00
Deposits				
Common Equity	46.70%		8.57%	2,214,732.00
Total				\$ 4,002,210.00