

Undertaking J1.3 To advise about projects in 2009 not expected to be used and useful for ratepayers at the end of the year.

Response:

Based on the Greater Sudbury Hydro capital budget submitted to the Ontario Energy Board in its Capital Asset Management Plan, the following projects are NOT expected to be used and useful for rate payers at the end of the calendar year 2009;

- A6 – Bell Park O/H to U/G conversion ----->\$ 62,011
- A8 – Hillsdale Lakeview Rebuild ----->\$ 610,298
- A10 – Shaughnessay O/H to U/G Rebuild ----->\$ 225,683
- A12 – 44 kV Tie between 28M4 and 9M4 ----->\$ 725,000
- A18 – Enterprise Resource Planning ----->\$ 540,000

The reasons for deferrals of these projects are as follows;

- A6 – Bell Park O/H to U/G conversion – The overhead line in question feeds several loads in the park including an Amphitheatre. The City of Greater Sudbury is seeking federal and provincial infrastructure money to rehabilitate and expand the Amphitheatre. Therefore it is premature to change the existing line until the scope of the renewal project is known.
- A8 – Hillsdale Lakeview Rebuild -- The poles involved in this project are owned by Bell Canada. They have yet to obtain internal approval to spend the money to replace the poles. This work will not be completed before April 30th 2010. GSHI expects to complete this project in late 2010.
- A10 – Shaughnessay O/H to U/G Rebuild – This work will have to be contracted and although the contract could be let and work begun and completed within the “2009 rate year” (i.e. by April 30, 2010) Greater Sudbury Hydro would not normally install underground systems during the winter months.
- A12 – 44 kV Tie between 28M4 and 9M4 – This work will have to be contracted and although the contract could be let and work begun and completed within the “2009 rate year” (i.e. by April 30 2010), there are significant property issues that cannot be resolved before the April 2010 date. Therefore the project will be deferred till late 2010.
- A18 – Enterprise Resource Planning – The ERP project cannot be started until the SAP Customer Information System is installed, running and stable. The ERP project is expected to be in place by April 30th 2010.

The above critical work has a total value of \$2,162,992. This does not imply that Greater Sudbury Hydro should receive approval to spent \$2,162,992 less in capital. It is normal and expected that when attempting to deal with the backlog of aging infrastructure that is faced by Greater Sudbury Hydro that priorities may shift due to unforeseen safety hazards that require immediate attention or legacy related job planning problems. The important point is that Greater Sudbury Hydro *must increase the level of spending on Plant Renewal*. Greater Sudbury Hydro expects the alternative critical projects listed below to be used and useful to the rate payers at the end of the calendar year 2009. Greater Sudbury Hydro is projecting the total year end capital spending for 2009 to be \$10.5 million.

The \$10.5 million projected year capital spending, that will be used and useful by year end 2009, includes the following projects which were not identified as 2009 projects in the 2009 Capital Asset Management Plan filed with the rate application;

- Southlane Road -----→ \$ 275,000
- Louis Street -----→ \$ 174,814
- Falconbridge Delta to Wye Conversion -----→ \$ 150,000
- AM/FM GIS Software Carryover -----→ \$ 160,610
- Barrydowne 44 kV Reconductor Carryover -----→ \$ 150,000
- 9M1 and 28M4 44 kV Line Rebuild -----→ \$ 450,409
- Vehicle Carryover -----→ \$208,888
- Building Carryover -----→ \$ 149,913
- Substation Security Carryover -----→ \$ 4,985
- Major Repairs to Substations Carryover -----→ \$ 11,691
- Webbwood Drive -----→ \$ 50,000
- Tilton Lake Road -----→ \$ 47,818
- Gary Street -----→ \$ 305,801
- Webpage Design -----→ \$ 21,658

Southlane Road – A project required to allow Bell Canada to attach to poles along Southlane Road.

Louis Street - The collapse of an underground switching chamber within the travelled portion of the road has necessitated a complete rebuild in this area.

Falconbridge Delta to Wye Conversion – An obligation required to be completed as part of the agreement of purchase and sale of the Falconbridge distribution system 2003 MADD application to the Board.

AM/FM GIS Software Carryover – Major concerns were raised in late 2008 as to the viability of our existing homegrown GIS software. The decision was taken to advance the purchase and conversion of the GIS system from the original 2010 Capital Asset Management Plan.

Barrydowne 44 kV Reconductor carryover – Carryover of a 2008 project to replace small 44 kV conductor on Barrydowne Road.

9M1 and 28M4 44 kV Line Rebuild – The 9M1 and 28M4 rebuilds were initiated due to the deteriorated condition of the existing wood poles. The 9M4 project was a complete rebuild, but the 28M4 project was just structure replacement.

Vehicle Carryover – Often major vehicle purchases are not “used and useful” in the year within which the order takes place. Long lead times mean that the order approved and given in year N, often does not arrive until year N+1. This was the case in 2009. The 2008 year end actual was adjusted to reflect this reality.

Building Carryover – In late 2008 we became aware that the federal PCB regulation were changing and we would have to move our primary PCB processing and storage site at 500 Regent Street to be compliant. This necessitated setting up a building at our alternate PCB Storage site at Moonlight Substation. The costs reflect the cost to build a small processing and storage building on site.

Substation Security Carryover – represents a contract for substation security measures that was let in 2008 that was completed in 2009.

Major Repairs to Substations Carryover – represents a contract for substation fencing that was let in 2008 that was completed in 2009.

Webbwood Drive – Represents the installation and connection of two large padmounted transformer to complete an industrial underground rebuild stated in 2006. The primary line and many of the new transformers were installed up and running and the project was definitely “used and useful”. However, two customers were served at 600volt delta and we could not change their transformers until the customers took action to convert to 347/600 volt grounded wye. The customers completed their work in early 2009 and outages were arranged to install the new transformers. Further charges to transfer the secondary's are expected.

Tilton Lake Road – Charges associated with Bell Canada transfers on this major rebuild.

Gary Street – Charges associated with service transfers and underground installation associated with the Gary Street 44 kV line rebuild.

Webpage Design – Costs associated with the new webpage require to meet the ARC.

At this time we project that WIP at year end 2009, mostly consisting of capital designs that have not begun construction, will be approximately \$50,000 over and above the \$10.5 million that will be posted to rate base.

The Capital Budget submitted with the rate application was \$11.8 million dollars. Details are found in the table in Undertaking J1.5 under the column entitled "Gross Budget". Through the hearings process Greater Sudbury Hydro has agreed to reduction in the metering budget (Project N1) from \$111,370 to \$50,000 and in the Porcelain Insulator Replacement program (Project A5) from \$937,197. The revised application budget is found in the table in Undertaking J1.5 in the column entitled "Revised Budget". Capital spending to June 30, 2009 is found in the column entitled "June 30, 2009 Actual" and the 2009 year end capital projection is found in the column entitled "Year End Projection 2009".