PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC
ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Buonaguro
Counsel for VECC
(416) 767-1666

September 11, 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)
Greater Sudbury Hydro Inc. – 2009 Electricity Distribution Rate Application

Please find enclosed the written submissions of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC

EB-2008-0230

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF an Application by Greater Sudbury Hydro Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

September 11, 2009

Michael Buonaguro
Public Interest Advocacy Centre
34 King Street East
Suite 1102
Toronto, Ontario
M5C 2X8

Tel: 416-767-1666
E-mail: mbuonaguro@piac.ca

Vulnerable Energy Consumers' Coalition (VECC)
Final Argument

Administration

Compliance with the Board's Filing Guidelines

1. Technically GSHI has complied and submitted its Capital & Operating Budgets and Revenue Requirement and Revenue forecasts on a 2009 Calendar year basis.
2. However, GSHI has repeatedly presented testimony and in some cases written evidence on the basis of a May 1, 2009-April 30, 2010 rate year.

3. VECC submits that central to this difference is the fact that both Capital and Operating Budgets were increased beyond those approved by the GSHI Board of Directors and the delay in filing the Application is a major driver for GSHI's strategy for this case

4. This Board should reject GSHI's approach and should make its determinations on the appropriate levels of 2009 Capital and Operating Budgets and Distribution Revenue Requirement based on year over year Test/Calendar year budget comparisons. This will show that the increases in the as filed Capital and Operating Budgets for 2009 are excessive and that the Budgets approved by the GSHI Board are more reasonable as a starting point for review.

The Application

5. In its Application, Greater Sudbury Hydro Inc. (GSHI) is requesting the following approvals:

    - Approval of a 2009 Distribution Revenue Requirement of $28,818,357 and to charge rates effective May 1, 2009 to recover a **revenue deficiency** of **$2,645,783** as set out in Exhibit 7, Tab 1, Schedule 1. The schedule of proposed rates is set out in Exhibit 1 Tab 1 Schedule 2 Appendix A and Exhibit 9 Tab 1 Schedule 6.

- In the event that the OEB is unable to provide a Decision and Order in this Application for implementation by Greater Sudbury Hydro Inc. as of May 1, 2009, the Applicant requests that the OEB issue an interim Order approving the proposed distribution rates and other charges, effective May 1, 2009, which may be subject to adjustment based on its final Decision and Order;

- Approval to recover the costs of a new customer information system which the Utility was forced to implement based on circumstances beyond its control;

- Approval to establish a deferral account to accumulate the interest carrying charges associated with the (required) enhanced capital program, and the smart meter program until such assets are incorporated into the utility's rate base;

- Approval to harmonize the distribution rates of the former West Nipissing Energy
- Services Ltd. (WNES) with Greater Sudbury Hydro Inc. (GSHi) rates over a two year period;

- Approval of an enhanced capital program required to expedite the catch up of an identified infrastructure deficit while deferring the finance carrying charges for subsequent disposition;

- Approval of the utility's smart meter program on the basis of the utility specific charge while undertaking to defer the interim finance carrying charges for subsequent disposition;

- Approval to transfer the regulatory assets of the former West Nipissing Energy Services Inc. to the amalgamated utility's account 1590;

- Approval of the default rates for services provided by Greater Sudbury Hydro Inc. and accounted for as offset revenues;

- Approval of utility transmission rates;

- Approval of utility loss factor; and,

- Approval to recover a 2009 LRAM and SSM (for 2005-2007 CDM) over two (2) years.

6. GSHI has not revised its Application as a result of the Interrogatory Process or the Technical Conference. However some changes are contemplated post Decision:

> MR. SIDLOFSKY: Mr. Reeves do you contemplate any revisions to the application?
> MR. REEVES: Yes. At this time, we know that adjustments will be required in three areas. First, to address the OEB-approved cost of capital parameters issued earlier this year; Second, to incorporate updated transmission rates; and finally, To adjust our 2009 low voltage revenue calculation.[1]

[1] Tr Vol 1 Page 11 Line 9

7. The following sections contain VECC's final submissions regarding the various aspects of GSHI's Application.

Rate Base and Capital Spending

Overview

8. GSHI's proposed 2009 (average) rate base is $77,533,209, including additions based on proposed capital expenditures (net of contributions) of $10,868,524.

9. There are two major issues critical to determination of an appropriate 2009 Rate Base and Distribution Revenue Requirement for GSHI:

   1. The level of, and increase in, Capital Expenditures 2008-2009, and
   2. The methodology used or determining the amount closed to rate base in the calendar year.

Submissions

Capital Budget

10. The level of proposed Capital Budget has been the subject of considerable questioning in both the Technical Conference and the Hearing.

11. A number of Undertakings have been provided, notably J1.6 that shows *inter alia* that after receiving approval of the Utility Board for a budget of $9.03 million (net of contributions), utility staff filed a significantly jncreased 2009 capital budget of approximately $10.87 million (net). Several of the changes to the "as filed" CAPEX budget were related to projects that had been on the books for some time.

> MR. SHEPHERD: Of those projects, there is $2.5 million, by my add, of those projects that have been deferred already for five, six, seven, eight years that you want to do in 2009; is that right?
> MR. McMILLAN: Correct.[2]

12. With regard to the *level* of 2009 CAPEX' GSHI's position is that it needs to ramp up its spending to $15 million a year (gross) from historic levels:

> Mr. McMillan
> I would further draw the Board's attention to Exhibit 2, tab 1, schedule 1, appendix A, page 12 of 35, figure 7 and the text on pages 12 and 13 of 35, wherein the target capital budget amount to sustain the distribution system would be $14.8 million. [3]

[2] Volume #1 Page 62 Line 5
[3] Volume #1 Page 15 line 15

13. However the as filed levels are:

- 2009: $10,868,524 (net of contributions, includes CIS $2.1m and ERP $0.54m; see VECC 7(b))
- 2010: $8,446,610 (net)
- 2011: $9,141,532 (net)

14. GSHI witnesses were also unsure whether this $15 million (gross) level (~14 million net of contributions) included the major Expenditures on Major IT projects, notably a new CIS and ERP:

> Mr. McMillan
> Exhibit 2, tab 3, schedule 1, page 16, Table 1 shows our distribution plant capital expenditures for 2006 through 2011. Included in the plant renewal category for 2009 are three items I would like to mention.
>
> The first is a replacement of our CIS system, the capital expenditure of 2.1 million. This expenditure is discussed at Exhibit 2, tab 3, schedule 1, appendix C.
> The second is the replacement of our enterprise resource planning system, a capital expenditure of $540,000. This expenditure was discussed at Exhibit 2, tab 3, schedule 1, page 38.
>
> The third expenditure relates to an element of our porcelain insulator replacement program that was to have been brought forward into the 2009 capital budget from 2010 and 2011. The total expenditure for porcelain insulator replacement in 2009 had been budgeted at $937,000. This included both work initially planned for this year and work brought forward from 2010 and 2011. The program is discussed at Exhibit 2, tab 3, schedule 1, pages 28 and 45.[4]
>
> MS. NOWINA:
> Can I interrupt, Mr. Shepherd. I just have a question.
> Mr. McMillan, the table we have on the screen which is from your asset plan (Tab 3, Schedule 1, page 16.), does it include or does it not include the software changes, upgrades?
> MR. McMILLAN: I'm sorry, I must apologize to the Board. I am incorrect. That table does not include the 2.1 million for software. I apologize.
> MR. SHEPHERD: Anywhere?
> MR. McMILLAN: Anywhere. That table does not include that.[5]

15. A key Question is whether GSHI has the ability to carry out its 2009 $10.87 Capital Plan given the lateness of the Application and Board approval:

> MR. PAWLOWICZ:
> Thank you. My comments relate to the application as a whole, so I won't be repeating them on each witness panel.
> Sudbury Hydro intends to carry out all of the capital projects outlined for the -- for the

[4] Volume #1 Page 16 line 10
[5] Volume #1 Page 22 Line 18

year 2009 and intends to implement the OM&A plans scheduled for the 2009 rate year as set out in the application.
We have the labour capacity to carry out that work, even if we need to use outside contractors, and our application justifies the planned work as being required to ensure the reliability and safety of our distribution system.[6]

16. As to the *Increase* in CAPEX from Historic 2007 and 2008 levels the following exchange indicates the rationale for this:

> MR. SHEPHERD:
> So then you have 2008. You have a budget of $7.2 million. In 2009, you have a (GSHI Board Approved) budget of $8.2 million. But you are actually asking this Board for $10.8 million.
> MR. McMILLAN: Correct.
> MR. SHEPHERD: So help us with that.
> MR. McMILLAN: Well, what we decided to do was to bring forward three projects from 2010 and 2011 and to levelize it. This plan contemplated a ramping up of capital expenditures over a three-year period. Really, what we are trying to do is levelize our plant renewal. Tr Vol 1 Page 33 Line 18 ff
> MR. SHEPHERD: What about the ERP, is it in here?
> MR. McMILLAN: ERP is in here.[7]

17. VECC submits that here is no apparent major driver for the 2008-2009 year over year CAPEX increase, for example, a large critical Category A project. Rather the driver offered by GSHI is the trajectory to the $15 million level that GSHI believes is required to sustain the Distribution Plant.

18. VECC suggests it is also incorrect to suggest that GSHI is bringing forward 2010 and 2011 capital spending in order to levelize the budgets:

> MR. SHEPHERD: So you are, in fact, proposing a step-by-step increase in your plant renewal spending each year, with the exception of CIS and -- right?
> MR. McMILLAN: Yes, we are.
> MR. SHEPHERD: So then when you were talking about levelizing things out, how does that relate? Because it doesn't look like you did levelize anything out, all you did was put in CIS.
> MR. McMILLAN: I would have to say that is a correct conclusion.[8]

19. Another key issue is whether GSHI can spend its requested $10.8 million (net) 2009 capital budget by the end of the Budget/Calendar year (or even by the end of the Fiscal year given the adverse weather conditions from December –April.)

20. Undertaking J1.6 shows the YTD spending at June 30, 2009 and the Year end 2009 Calendar. The amounts are shown below:

[6] Volume #1 Page 17 line 11
[7] Volume #1 page 34 Lines 12-13
[8] Volume #1 Page 36 line 11

Revised Budget*	June 30 2009	End 2009	Difference
$11,229,582 (Gross)	$4,466,410	$10,549,192	~$680,000

*adjusted for porcelain Insulators and other items

21. VECC suggests that the Capital spending projection shown in J1.5 is not credible, since it shows that only 40% of the revised 2009 CAPEX Budget had been spent by the end of June and the remaining 60% is projected for the end of the 2009Test/Calendar year.

22. It should be noted that one of the large areas of under-spending is within the $2.1 million budgeted for the SAP CIS solution; the amount spent by year end is $1.525 or $0.5 million under budget. Further, it is by no means certain that the CIS will be in service by Calendar year end:

> MR. SHEPHERD: That's not my question, sorry. My question is: It is going to be operational by the end of December? If you go live on CIS in November, it's almost impossible, isn't it?
> MR. PAWLOWICZ: It will be an extreme stretch.[9]

Working Capital Allowance

23. The 2009 WCA is affected by the cost of power and operating costs. Accordingly the claimed amount should be recalculated in accordance with the Board's determination of these issues.

24. VECC further submits that GSHI is sufficiently large to require a specific lead/lag study prior to the next rebasing, using similar methodology to the Navigant Study for Hydro One Networks. VECC notes that for those distributors who have undertaken a lead/lag study the resulting working capital allowance can be reduced by several percentage points (from the standard 15%).

25. Based on Greater Sudbury Hydro's revised return on rate base of 7.22%[10], the working capital allowance increases the annual revenue requirement by roughly $970,000[11] (even before any allowance for taxes). This means that each percentage point of the 15% working capital allowance increases the annual revenue requirement by approximately $65,000. This translates into more than $250,000 per percentage point over a four year IRM period. VECC submits that this impact is sufficient to warrant the undertaking of a lead/lag study prior to the next rebasing application.

Summary of VECC's proposed adjustments to the 2009 DRR related to Capital Expenditures

26. VECC notes that the 2009 Capital Budget as filed is $2.7 million above the CAPEX

[9] Volume #2 Page 46 line 21
[10] Based on VECC #20 a) & b) but revised to reflect GSHI's requested 7.25% rate for its affiliate debt per Volume 2, page 159
[11] Based on the current WCA of $13.4 M per Exhibit 2/Tab 2/Schedule 2, page 1

Plan[12] and $1.8 million above the GSHI Board-Approved level. 2009 is also a higher than normal CAPEX year due to the CIS and ERP capital ($2.6 million as filed).

27. Accordingly VECC submits the Board should make the following Adjustments:

a) Reduction in 2009 Capital Expenditure envelope from as filed (revised per J1.5 and J1.8) of $11,229,582 gross of contributed capital (~$10.2 million net) to the GSHI-Board Approved level of $9.1 million (net of contributions). The estimated DRR impact is a reduction of ~ $90,000.
b) Reduction in Meter Capital to ~$50,000 (reduction of $61,000) with an estimated DRR impact of ~$4500.
c) Direct GSHI to Conduct Lead lag study and file this in next rate application

<u>Other Revenues, including Corporate and Shared Services</u>

28. VECC notes that this issue relates to two important matters affecting the 2009 DRR:

a) Shared Services and Corporate Allocations, and
b) OM&A related to billing and collection for City Water services.

29. VECC's submissions on the GSSPI shared services model, including cost allocations and the recovery of costs incurred to provide billing and collection for City Water Services, are addressed under the O&M –Shared Services section of this argument.

<u>Load Forecast and Revenue Offsets</u>

Load Forecast Methodology

30. GSHI's load forecast methodology consists[13] of five steps:

1) First, a weather normalized forecast of monthly system purchases is developed based on a multifactor regression analysis that includes weather, economic output and seasonal calendar variables as independent explanatory variables. The regression equation was developed using monthly data for the period January 1998 to July 2008[14].
2) Second, the projected total sales for 2008 and 2009 are adjusted to account for CDM programs that have been initiated since June 2006[15].
3) Third, the forecast is adjusted for losses to produce a weather-normalized billed energy forecast. Average weather conditions over the same period are used to determine the weather normalized forecast[16].
4) Fourth, a customer count forecast is developed for each customer class based

[12] Ex2 T1 S1 App A, App I 10 year Capital Plan
[13] Exhibit 3/Tab 2/Schedule 1, page 4
[14] Exhibit 3/Tab 2/ Schedule 1, page 4
[15] Exhibit 3/Tab 2/ Schedule 1, page 9
[16] Exhibit 3/Tab 2/ Schedule 1, page 5

on 2007 customer count values and historical growth rates[17].

5) Finally, based on these customer count forecasts and trends in non-weather normalized per customer use, forecasts of total (non-weather normalized) use are developed for each customer class[18]. These forecasts are then adjusted (based on the relative weather sensitivity of each class) so that the sum of individual customer class forecasts equals the total billed kWh forecast developed in Steps #1 through #3[19].

31. VECC has a number of concerns regarding Greater Sudbury's load forecast methodology. With respect to Step #1, VECC's main issue is that the regression equation for forecasting total purchased kWh does not include number of customers (either in total or by class) as an explanatory variable. VECC notes that GSHI rejected customer count as an explanatory variable on the basis that population was a better predictor[20]. However, as discussed further below, the absence of any linkage between the number of customers in the different classes and total sales can lead to anomalous results. VECC is also concerned that, while the regression model is meant to explain monthly sales, the monthly population data used is based on Census data[21] which is only produced once every five years.

32. With respect to Step #2, GSHI has adjusted the projected results for conservation programs initiated after June 2006, while at the same time claiming that its sales for 2006, 2007 and 2008 were impacted by these programs[22]. During the oral proceeding GSHI acknowledged this inconsistency and suggested that using 80% of the CDM savings would be more reasonable[23]. In VECC's view the correct approach would have been for GSHI to estimate its model used to predict 2008 and 2009 sales using historical purchase data adjusted to exclude the impacts of CDM. The resulting projections for 2008 and 2009 could then be adjusted for the full estimated impact of CDM. However, in the absence of such analysis, VECC submits that the approach suggested by GSHI is reasonable for purposes of the 2009 Test Year.

33. VECC has a number of concerns regarding the fourth step of the GSHI's methodology. First, this step relies heavily on a customer count forecast that is not tied to the overall purchased/billed kWh load forecast, as discussed above. Indeed, it not even linked to the population forecast used to project the total purchases for 2008 and 2009. Also, since there is no linkage, changing the forecast customer count for one customer class will impact the total sales forecast for the other (weather sensitive) customer classes.

34. Also, in Step #4, VECC has concerns regarding GSHI's process for determining what it

[17] Exhibit 3/Tab 2/Schedule 1, pages 10-12
[18] Note – These forecasts were also adjusted for CDM initiated since June 2006 as per Exhibit 3/Tab 2/Schedule 1, page 14
[19] Exhibit 3/Tab 2/Schedule 1, pages 12-15
[20] VECC #9 a)
[21] Exhibit 3/Tab 2/Schedule 1, page 9
[22] This claim is reflected in the LRAM request that GSHI is making for savings attributed to these programs in 2006 and 2007 per Exhibit 9/Tab 1/Schedule 10, pages 8-11
[23] Undertaking J2.10

deems to be a "non-weather normalized" forecast[24]. Greater Sudbury's forecast of non-weather normalized use in each customer class is calculated based on i) the projected customer count as discussed above and ii) a projected average use per customer which, in turn, is calculated by escalating the actual 2007 per customer use by the average growth rate in the class' per customer use over the 2002-2007 period[25] and then (for the Residential class) reducing the results for the impact of post-June 2006 CDM programs.

35. The problem with the second part of this approach is that by using the geometric mean the growth rate calculated only really reflects weather conditions in 2002 and 2007 and, therefore, is not reflective of year over year weather changes throughout the entire period and does not reflect average weather conditions as Greater Sudbury suggests[26].

36. Finally, with respect to Step #4, VECC has concerns regarding the adjustment process GSHI uses to reconcile its non-weather normal forecast by class with its projection of total weather-normalized loads. Greater Sudbury's assumptions that the Residential and GS<50 classes are 100% weather sensitive while GS 50-999 is only 89% weather sensitive are based on an interpretation of Hydro One Networks weather normalization work to provide data for Greater Sudbury's cost allocation filing[27]. However, in VECC's view, GSHI has not adequately substantiated that Residential and GS<50 customers' loads are 100% weather sensitive. Indeed, VECC submits that it is intuitively obvious that they are not[28] and notes that Greater Sudbury has acknowledged the problem[29].

37. During the proceeding Greater Sudbury indicated that the utility would be undertaking work to improve its load forecasting methodology but has not determined the areas for improvement[30]. Given the extent of the preceding concerns VECC submits that such work is essential and that the Board should indicate an expectation that the load forecast methodology used in future cost of service based rate applications will address many if not all of the issues raised above.

2009 Load Forecast

38. VECC acknowledges that the Board has approved load forecasts for 2009 for other electricity distributors based on a load forecast methodology similar to GSHI's[31]. However, in VECC submissions there are two specific adjustments that should be made to GSHI's current approach for 2009.

39. In preparing its 2009 load forecast, GSHI used the same economic forecast as Toronto

[24] Exhibit 3/Tab 2/Schedule 1, page 14
[25] Exhibit 3/Tab 2/Schedule 1, page 13-14 – for all classes except Street Lights, Sentinel Lights and USL – where the 2007 average use value is used
[26] VECC #13 b)
[27] Exhibit 3/Tab 2/Schedule 1, page 14 and VECC #13 g)
[28] Both the Residential and GS<50 classes have lighting loads which are not weather sensitive.
[29] VECC #13 g)
[30] VECC #40 and Volume 2, pages 142-143 and AIC, page 12
[31] Volume #2, page 130 and AIC, page 12

Hydro had used in its EB-2007-0680 Rate Application[32]. The resulting predicted purchases for 2009 (after adjustment of conservation) are 1,024.8 GWh[33]. In response to OEB Staff IRs (round 1) Greater Sudbury provided projections for 2009 based on the most up-to-date Ontario Real GDP monthly index which yielded a result of 1,043.2 GWh[34]. Greater Sudbury also provided, in response to OEB Staff's second round IRs[35], a 2009 purchase forecast of 1,055.0 GWh based on the most recent GDP forecast.

40. During the Technical Conference Greater Sudbury Hydro explained that it was not proposing to revise (i.e., increase) its load forecast as they did not believe it made sense that load was increasing even though GDP was declining[36]. However, VECC notes that this relationship results directly from negative coefficient attributed to GDP in GSHI's load forecast model. Furthermore, when asked during the oral proceeding about the reasonableness of this relationship, GSHI's witness explained why a "negative coefficient" was appropriate and that Greater Sudbury considered the model reasonable[37]. The witness went on to explain that the reason for not updating was that while this correction would increase the forecast they had noted an error in the weather data that, when corrected in the model, would reduced the load forecast[38].

41. The problem with this rationale is that the correction in the weather data only reduces the forecast by less than 0.5%[39], while updating the GDP values used increases the load forecast by either 1.8% or 2.9% depending upon which of the preceding referenced updates is used.

42. GSHI also argued that the higher 2009 forecasts were unreasonable when compared with the 2007 actual values. However, the higher 2009 values (versus 2007) are totally consistent the evidence presented at the oral hearing by GSHI that energy use goes up in communities such as Sudbury when the economy declines[40].

43. Overall, VECC submits that the two "corrections" do not offset each other and that, if the Board accepts GSHI's assurances regarding the appropriateness of the model it would be reasonable to increase the purchased load forecast by at least 1.0% for 2009 to account for the net effect of these two factors. In making this recommendation, VECC has taken a conservative approach in that the 1.0% is less than the 1.3% - 2.4% range suggested by the foregoing discussion.

44. VECC's second concern is with the 4.043653 GWh (billed) CDM adjustment GSHI has incorporated in its load forecast[41]. First, during the oral proceeding Greater Sudbury

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[32] OEB Staff 12 (iii)
[33] Exhibit 3/Tab 2/Schedule 1, page 19
[34] OEB Staff (Round #1) - #12 c)
[35] OEB Staff #2 b)
[36] Technical Conference, page 7
[37] Volume #2, pages 136-139
[38] Volume #2, pages 140-141 and OEB Staff (Round #1) #9 b)
[39] 969.5 GWh vs. 973.5 GWh of billed load – per OEB Staff (Round #1) #9 b)
[40] Volume #2, page 139
[41] VECC #40 b)

acknowledged that the adjustment should be reduced to 3.782928 GWh[42]. However, as VECC discusses later in Section 11, even this estimate is overstated due to the use of outdated assumptions regarding the savings attributable to CFLs. In response to a Technical Conference Undertaking[43], GSHI updated the estimated 2006 and 2007 CDM savings to reflect the best available input assumptions. The results showed savings for the two years of 2,510,616 kWh[44] as opposed to the 4,881,361 kWh[45] value in the original application – which represents a 48.6% reduction.

45. Unfortunately the undertaking response did not calculate the impact this change would have on the 4,043,653 kWh fully effective reduction calculated in the Application for 2008/2009 and used in the load forecast. However, if one applies the 48.6% reduction, this would suggest that the equivalent values (using the best available input assumptions) would be 2,079,760 kWh (in lieu of the 4,043,653 kWh used in the Application) and 1,945,662 kWh in lieu of the 3,782,928 corrected savings value present in Undertaking J2.11.

46. Second, based on the discussion in paragraph #22 above, the forecast should be reduced by only 80% of these estimated savings. This produces a 2009 conservation adjustment of 1,556,530 (versus the 4,043,652 kWh in the original Application). If this revision is not made the load forecast will significantly overstate residential CDM savings.

47. Overall, VECC submits that, subject to a) increasing the purchased forecast by 1% to account for more recent economic projections and errors in weather data initially used and b) revising the CDM adjustment from 4.045 GWh to 1.557 GWh, the 2009 forecasted load by customer class should be accepted by the Board for purposes of setting 2009 rates. However, VECC notes that this acceptance of the value for purposes of setting 2009 rates should <u>not</u> be viewed as an acceptance of Greater Sudbury's load forecast methodology..

COST OF SERVICE

2009 Operation, Maintenance and Administration (OM&A) Budgets

48. Greater Sudbury Hydro has provided evidence with respect to its proposed OM&A expenditures for the 2009 Test Year.

49. At Exhibit 4, Tab 2, Schedule 2 of the Application, Sudbury Hydro has provided its OM&A Cost Table, which illustrates Sudbury Hydro's OM&A costs from 2006 Board Approved (which was based on 2004 data) through the 2009 Test Year.

50. The net OM&A costs for the 2009 test year as filed are forecast to be approximately $11.7 million -an increase of approximately $1.4 million over 2008. This net amount

[42] Undertaking J2.11
[43] TC Undertaking #3
[44] TCU #3 – based on 2,471,161 kWh + 39,455 kWh
[45] Exhibit 9/Tab 1/Schedule 10, page 8 – based on 4,784,247 kWh + 97,114 kWh

excludes CDM costs, which are funded by a revenue offset.

51. The main drivers and variances are described in the evidence and variance analysis at Exhibit 4, Tab 2, Schedule 3, page 2.

52. VECC will address GSHI's 2009 OM&A request on an OM&A envelope basis with the exception of Staffing and Total Compensation.

53. The first issue is the level of the 2009 OM&A budget and the Increase over 2008:

> Mr Buonaguro
> The question (VECC IR#16) was: Compute the distribution OM&A costs per customer for the years 2007 to 2009.
> And I am focusing on the OM&A cost per customer. And what we have here is a trend that goes from 2006, $204.13 per customer; 2007, $215.75 per customer; 2008, which is $218.97 per customer; and then a forecast OM&A cost per customer of $252.07. Is that what that represents?
> MR. PAWLOWICZ: Yes, that does.
> MR. BUONAGURO: Okay. Now, we asked you -- I think you can maybe take it subject to check, the increase in OM&A cost per customer for 2008 to 2009 is about *15 percent*. Subject to check?
> MR. PAWLOWICZ: Yes, yes.
> MR. BUONAGURO: Okay. In part d) we ask, asked you to discuss trends in OM&A per customer per kilowatt-hour of energy distributed 2005 to 2009.
> MR. PAWLOWICZ: There are additional components to that answer. It might not be as complete as it could have been or should have been.
> Clearly the complexity of our business is increasing, as well, and that should have been reflected in those comments. Brian, do you want to supplement that?
> MR. McMILLAN: I think that in D, there should have also been included the reality that we have asked for some programs, some OM&A programs, specifically to do with substations, the hiring of a substation electrician, and some maintenance work that we have not been doing in the past and that we should be doing, need to be doing on an ongoing basis, and that would be one of the incremental costs there.[46]

54. VECC submits that the $33 increase in OM&A per customer 2008-2009 is unprecedented and is not justified on the basis of a tangible link to service quality. Further the utility could have identified offsetting operating savings to ensure this level of increase would not occur. It has not done so.

[46] Volume #1 Page 132 Line 11

55. The second issue is similar to an issue raised with respect to the applied for Capital Budget- GSHI is asking the OEB for an increase in OM&A significantly above the amount its own Board of Directors approved.

56. In its submission on the need for a hearing (Exhibit K1.1) GSHI addressed the issue:

> OM&A (BUDGET vs. RATE FILING): On page 104 of the technical conference transcript, line 20, the following question was posed, "How can you say to this Board it costs $11.9 million and your own board it costs $10.5 million?"
>
> We wish to clarify this question. As noted, GSHI's Board of Directors was made aware in October 2008 of our proposed rate submission that suggested a 15.3% increase in OM&A costs over the 2008 budget. Please find attached as Exhibit 4 a GSHI Board motion in support of this position.
>
> Our rate application reflects twelve months of revenues and costs on an annualized basis and essentially reflects May 1 through April 30th operations. Our fiscal budget reflects operations from January 1 through to December 31st.

57. The Issue of Calendar/Budget yearJanuary-December) vs rate/revenue year May-April) is critical to determination of this Issue:

> MR. BUONAGURO: Okay. If we come back to what you have to spend or what you told your board you have to spend in the 2009 calendar year, I haven't heard anything to suggest certainly when we talked about the capital side, when you're telling your Board what you have to spend in 2009, whether it is on the capital side or on the OM&A side which is the subject of this explanation, the figure is $10.5 million, the equivalent figure in the calendar year 2009; correct?
> MR. PAWLOWICZ: Yes.
> MR. BUONAGURO: And that the additional -- the difference between what's in the application of $11.9 million and the $10.5 million that you told your board of directors about, is actually spending that's going to occur in January 1st, 2010 to April 30th, 2010?
> MR. PAWLOWICZ: Actually, the timing of that could be accelerated. It is pending the outcome of these actions.
> We are putting on for -- four personnel additions is incorporated within our plan. We are deferring that until some particular point in time when the revenue stream is assured that we can support those expenditures.

58. VECC submits that the intent of the Board's filing Guidelines is that all forecast data used (i.e., load forecast, capital forecast, OM&A spending forecast) be consistent and based on a Calendar year

59. GSHI is attempting to obfuscate this fact in order to justify the higher capital and OM&A requests it has filed with the Board.

60. However VECC suggests GSHI is not really confused, because in several parts of the Application and interrogatory responses it talks about salary for new hires in December 2009 being in the budget for one month, .[47] revenues from Shared services are based

[47] VECC IRR #18 part b)

on calendar year contracts etc[48]

61. VECC submits that the Calendar 2009 OM&A Budget approved by the GSHI Board of Directors of approximately $10.5 million is a reasonable starting point from an OM&A envelope perspective, as it is the 2009 calendar year budget that 2009 rates are to be set by the Board. That does not however mean that VECC accepts all the elements of that Budget.

62. VECC submits that the Board should reject the inflated request for $11.9 million as requested by GSHI in K1.1 and Testimony. The year over year increase is simply too high at 15% and $33 per customer.

63. GSHI submitted in (k1.1?) that part of the reason that it should be allowed to recover 11.9 million in its new rates is because a) the anticipated start date of May 1, 2009 for 2009 rates produces a shortfall of $991,133 within the 2009 calendar year, and b) the lateness of GSHI's application will likely result in a later implementation date then May 1, 2009, producing an additional shortfall of $424,528:

> Our $11.9 million operating budget is still required. The costs that were submitted are required to effectively run our local distribution company year over year on a go forward basis. Our adjusted submission to our Board merely reflects a deferral of expenditures to match the timing of cash inflows from rates. Essentially, some of those costs submitted in our application to the Board would be deferred until after our rate application is approved. This is merely a time shift of a few months.
>
> Our load profile is such that almost 28% as shown in Exhibit 2 of our revenues occur in the first quarter of the year and 35.8% occur in the first four months. The anticipated start date for new rates is May 1, 2009. A calculation of revenues for the first four months of the year at old rates versus new rates produces a revenue shortfall of $991,133 (Exhibit 2). Our sensitivity analysis for GSHi's Board of Directors considered various scenarios for timing of approved rates. What was ultimately tabled with our Board was the conservative assumption that rates would be effective July 1, 2009. This two month delay in implementation results in an additional $424,528 (Exhibit 1) shortfall comparing old rates to new rates. The combined total of revenue shortfall is $1,415,661 (Exhibit 1).
>
> It would not be prudent for management or practically acceptable to submit a fiscal year budget to our Board that would reflect a net loss of greater than $1,000,000. Accordingly, it is our position that as a result of timing and operating prudence GSHi was justified in preparing two different budget presentations.

64. With respect, neither of these submissions from the Applicant have any bearing on the appropriate 2009 OM&A budget. That rates calculated to recover calendar year expenses are not implemented until May 1st, 2009 simply means that full recovery does not occur until April 30th of the following year; this happens for all the electric LDCs, and is not a shortfall. Further, that the rates may be implemented later than May 1st 2009 is not justification for increasing the OM&A budget; while such late implementation may produce a shortfall, it will be because the applicant was late in filing its application, not because the OM&A budget for 2009 is understated. The applicant's attempt to forestall this shortfall by asking the Board to intentionally approve an overstated 2009 budget is simply wrong.

48 School Energy IRR 16(b)

Purchased Services and Shared Services

65. In addressing these matters VECC submits that the first issue for the Board to address is whether the current Shared Services Model of Greater Sudbury Utilities Inc. (Parent/Holdco) and Greater Sudbury Hydro Plus Inc GSHPI (Serveco) is appropriate for the situation in Sudbury.

66. VECC submits that it is clear that the creation of a Service Company gives rise to a level of complexity that causes a number of concerns related to affiliate relations/transactions, rather than the alternative model of simply having the regulated utility provide discrete services/transactions to, or procure services from, affiliates.

67. ARC compliance is a major concern both with respect to 2009 GSHPI Corporate Services and Costs and also in regard to the provision of Customer Care Services provided to the City of Sudbury by GSHI.

68. A summary of GSHi's 2006 Actual, 2007 Actual and projected 2008 Bridge Year and 2009 Test Year shared services costs is presented in Table 4.2.5-2.[49]

69. Shared service costs are projected to rise from $5,624,875 in 2007 to $6,059,760 in 2008 ($434,885, or 7.73%) and to $6,576,100 in 2009 (a further $516,340, or 8.52%). Costs have therefore risen 16.9% over the two years.

70. As noted under the submissions on the overall 2009 OM&A budget these increases are excessive and should be reduced as part of the overall OM&A budget reduction.

71. Another Issue is *how the costs are allocated* to the affiliates under GSUI and GSHPI. Table 4.2.4.1 shows this allocation for 2009:

[49] Exhibit 4 Tab 2 Schedule 5 Table 4.2.5-2

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Exhibit 4
Tab 2
Schedule 4
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TABLE 4.2.4-1
SUMMARY OF INTRA-COMPANY COST ALLOCATIONS

ACTIVITY	Cost Allocators	Cost Allocation Percentages (%)			
		GSH Inc	GST Inc	GSHP Inc	1627596 Ont Inc
Billing & Customer Services	Estimate of time/cost per invoice	97	0.75	1.5	0.75
Cashier/Administrative Services	Estimate of time/cost per transaction	97.5	1.5	0.5	0.5
Board & Executive Salaries & Expenses	Estimate of time	90	6.2	1.9	1.9
Management Salaries & Expenses including Accounting/HR/Safety		90	6.2	1.9	1.9
General Administrative Salaries & Expenses including Accounting/HR/Safety		90	6.2	1.9	1.9
Property Management - Use & Maintenance of Facilities	Percentage of square footage utilized	92	4	2	2
IS Services - Mainframe Support	Estimate of resources utilized	97	1.5	0.75	0.75
IT Services - Network & System Support		94	3.7	1.15	1.15
Miscellaneous General Expenses		95	3.5	0.75	0.75
Inventory & Stores	Burden rate applied to materials utilized				
Fleet Management	Vehicle utilization hourly rate				

72. VECC submits that the allocation of shared services costs to GSHI is 90% or higher for all categories. There is no formal allocation model and how the allocation is made is not in evidence.

73. In addition, GSHI does not control this allocation, rather the Allocation is set out in Schedule B of the Service Agreement with GSHPI and is made by GSUI and GSHPI. This is a fundamental structural issue in terms of the Sudbury Shared Services Model.

74. GSHI acknowledges that a formal review of shared services is required and in response to J2.6 has provided a Draft Term of Reference and a Cost Estimate of ~$100,000. However GSHI does not directly control this Cost Allocation Study.

75. VECC submits that in the case of the specific services GSHI provides to Affilates it is in a better position to control this review, including the water services allocation:

> MR. SIDLOFSKY: And I note there that in the application, Sudbury Hydro notes that it is undertaking a review of transfer pricing methodologies and intra-company cost allocations once additional requested information and interpretations from the regulator are received.
>
> I take it, then, that water billing service would be included in that transfer pricing study; is that correct?
>
> MR. PAWLOWICZ: Yes, that is absolutely correct.[50]

[50] Volume #1 Page 114 line 14

76. VECC submits that under its Licencing powers the Board should direct GSUI/GSHPI to undertake a comprehensive review of Corporate Shared Services Allocations.

77. The allocation of $6.6 million in annual shared service costs, the majority of which is allocated to GSHI and its distribution customers, is suficiently material to warrant the cost of such a study. Several examples of such studies are available and the costs can be kept in line with the level of costs being allocated.

Customer Care Services Provided by GSHI to the City Water Services Division

78. GSHI provides customer care services (billing and collection) to the City of Sudbury Water Services Division under a 10 year contract at annual fee of ~$600,000.

79. VECC IR#34 f) shows the costs and the recovery of costs from the City:

f) Provide an estimate 2009 of the annual cost (capital related and operating) of customer care with the new CIS. Provide an estimate of the customer care cost per customer for utility services and water services

Meter Reading	$230,600	
Cashiers	$82,978	
Customer Account	$1,834,492	
Market Services	$95,501	
Overhead	$248,596	
Depreciation	$420,000	
Total:	$2,912,527	Utility Customers: 46,862
City Water Billing	$729,677	Water Customers: 46,482
Total:	$3,642,204	
Utility Cost per Customer	$62.15	
Water Billing Contribution	$15.69	

80. VECC Counsel clarified the costs in examination of GSHI panel 2:

MR. BUONAGURO: Okay.
Now, I think -- I am not going to pull it up (TCU Ex 4), but I think the equivalent to the total of $2,912,527, that number, the equivalent 2008 number is $2,515,000 or so. Does that sound right? I got that from TCU number 4, technical conference Undertaking No. 4. I can pull it up, if you like. It is just hard to read this one.
MR. PAWLOWICZ: That's correct. It is $2,515,000 is the 2009 test year.
MR. BUONAGURO: Okay. There is a variance – sorry, there is an increase of $259,543.
MR. PAWLOWICZ: Yes.
MR. BUONAGURO: Maybe actually you can tell me. How come I get a total of $2.9 million in the previous table and 2.5 million in 2008.
MR. PAWLOWICZ: Depreciation is out of that number.
MR. BUONAGURO: I see. So that $2.5 million I am showing here is -- there's no depreciation? Sorry.

R. PAWLOWICZ: The $2,515,000 number there is no depreciation.[51]

81. Based on J2.3-2-4 the total costs for 2009 for customer care (electricity and water) to the utilty are as shown above as $2.912 million and about $729,627 (2008). Increases in costs give a projected 2009 cost of $754,486.75 related to water (~$595,000 plus ~$160,00 direct meter reading cost) to be recovered under the 10 year Service contract. Therefore the above presentation that shows total 2009 costs of $3,642,204 is correct.

82. According to GSHI offsets are the recoveries from the City for a claimed net contribution of $429,000in 2009:

> MR. BUONAGURO: Sorry, getting how much of a contribution?
> MR. PAWLOWICZ: $429,000.[52]

83. GSHI is asking the Board to approve the status quo:

> MR. SIDLOFSKY: And finally, Mr. Pawlowicz, you discussed water billing in the context of rate base. Do you have any other comments, any further comments at this time on water billing in the context of operating costs?
> MR. PAWLOWICZ: Yes, I do.
> I would like the record to reflect that it should be noted that demands are considerably different between deregulated electricity billing and water billing. Water billing is extremely simple: The meter is read, the quantity is multiplied by a rate, as compared to electricity billing, requirements which include retailers, hourly pricing, RPP pricing, et cetera.
> In addition, there are no credit risks associated with water billing. As an attachment is made to the tax rolls. Whereas the obligations are quite significant to a LDC.
>
> Further to those comments, I think it is worth reiterating the response to VECC 34, to establish that the electricity customers gaining significant benefit from the billing services agreement as is. To establish the amount of the benefit, which has been quantified at $429,677, the reader must assume that if the contract were terminated what the ramifications would be.
>
> Under those circumstances, it has been determined that four staff persons would be eliminated at a cost reduction of $300,000. Accordingly, the $429,677 contribution would be foregone in total and the utility would increase by an equivalent amount to absorb 100 percent of the costs of postage, stationery, collection, meter reading as all synergy would be lost.
>
> The cost of the billing services department as submitted with the rate application is set at $2,515,000. If the contribution is lost, then the billing services department for electricity would increase to $2,944,000. This is clearly a disadvantage of the electricity ratepayer.
>
> I would also like the Board's consideration relative to our indications that in the application, Sudbury Hydro will be undertaking a comprehensive transfer pricing

[51] Volume #1 Page 154 line 1
[52] Volume #1 Page 158 line 21

> analysis. At Exhibit 4, tab 2, schedule 4, page 2 at line 13, as we previously addressed we advised Sudbury Hydro is undertaking a review of transfer pricing methodologies and intra-company cost allocation once additional requested information and interpretations from the regulator are received.
>
> The transfer pricing study will need to consider any updates to the Affiliate Relationships Code that may result from the enactment of the Green Energy and Green Economy Acts. *We are respectfully requesting that the Board allow the existing the arrangements to stand pending the outcome of this study and the expiry of the binding services contract.*[53]

84. However GSHI has not been able to quantify the differences in function and cost between electricity billing/customer care and water billing/customer care:

> MR. SHEPHERD: So then the second undertaking is the one you have already offered, and that is I wonder if you can undertake to tell us how your activities associated with the billing and collection of electricity bills are different from the water side.
> MR. PAWLOWICZ: Yes. And that's and Undertaking J2.2.[54]

85. Undertaking J2.2 purports to show the extra complexity of electricity charges vs. water charges. However, VECC notes that the additional complexity is built into the design of the CIS and once the fixed costs are covered, the variable costs of producing the combined bill are similar for water and electricity. Accordingly, the complexity argument only applies to the *capital costs* (and therefore depreciation) of the billing system not the annual operating costs.

86. VECC submits that with respect to water billing services there are two related issues:

    a) Compliance with the ARC provisions regarding transfer pricing for water services, and
    b) The cost consequences of the current situation for 2009 rates.

87. VECC submits that although the first issue will be addressed by the proposed study of transfer pricing the latter will not.

88. Accordingly VECC submits that the Board should deem an additional amount of 2009 revenue from the water billing services, particularly since the electricity ratepayers are facing increased customer care costs and the fact that rebasing of costs may not occur for two or three years.

89. VECC suggests that a 50:50 split of fully allocated costs is appropriate based on the respective numbers of water bills and electricity bills. This would translate to a cost of 3.64/2 million or $1.8 million for water services or an additional contribution of ~1 million (1.81-0.73)

[53] Volume #1 Page 119 line 13
[54] Volume #2 Page 11 Line 19

90. If the Board accepts the arguments advanced by GSHI that the fixed costs of electricity billing are higher than for water, then by eliminating the Depreciation charge related to the new CIS a 33% water and 66% split could be reasonable. This amounts to a required 2009 contribution of $1.2 million from water services i.e an increase in the 2009 contribution of $465,000. This will reduce the DRR by an equivalent amount.

Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels

91. Exhibit 4 Tab 2 Schedule 3 & Exhibit 4 Tab2 Schedule 6 Table 3 shows a significant Increase in Payroll costs ~ $400,000 which is driven by 4 new hires.

92. VECC IRR#18 provides more information**:**

> Greater Sudbury Hydro intends to add four (4) new positions in 2009. As has been explained elsewhere the System Operator 'A' is being added to operate the smart meter network, and under OEB guidelines is an "incremental" cost included in the smart meter funding adder and NOT in the base rate application.
>
> The following positions and incremental Total Compensation will be added in 2009:
> i. System Operator 'A' – $89,893.65
> ii. Substation Electrician 'A' -- $151,403.62
> iii. Powerline Electrician 'E' -- $10,478.52 (1month only December hire)
> iv. Powerline Electrician 'E' -- $10,478.52 (1month only December hire)

93. VECC estimates the total incremental increase in 2009 payroll costs to be $262,254.31. Not counting the System Operator A which is charged to the SM deferral account, the incremental cost is $172,360.66. *On a full year basis the incremental cost is $402,875.62.*

94. Exhibit 4 Tab 2 Schedule 6 Table 3 shows the 2008-2009 increase in payroll costs charged to O&M as 7,520,198-7,961,183 an increase of $441,000.

95. One key issue is whether GSHI has included the full year salary of the two Powerline Technician positions in its application to the OEB

96. Undertaking 1.11 shows that in fact two Powerline Electrician Positions were added in the larger O&M budget submitted to the OEB under the Operations Management Budget category at a cost to this account of $103,346, plus payroll burden of $60,000, for a total of $163,000. This is <u>not</u> the total hours for these positions. It is therefore clear that GSHI is charging the full year cost of these positions, even though they have not been hired yet and may not be hired until December 2009. The difference between the full year and one month cost is ($251,484.48-$20,957.04) $230,527.44.

97. This once again illustrates the strategy of GSHI for capital and operating budgets- to

submit these on a full rate year basis rather than as the evidence supports a Test year/Calendar year basis.

98. Another issue with regard to Payroll costs is how vacancies are accounted for. J2.5 shows a total of 5 vacancies in 2009 of which 2 are the new Power Line Technician Positions. However the other 3 are existing positions for which salary dollars are in the budget. Vacancy dollars will more than offset the costs of new hires in 2009.

99. Given VECC's submission regarding the overall OM&A envelope, lower annualized payroll costs are one of the measures GSHI can implement in order to accommodate their 2009 OM&A budget of about $10.5 million.

Summary -2009 OM&A Budget

100. VECC suggests that the Board accept the Test/Calendar OM&A budget of $10.5 million approved by the GSHI Board of Directors subject to the following directions:

a) An independent study of Corporate Services and Cost allocations at shareholder expense, and
b) A review of transfer pricing for City Water Customer Care Services, including analysis of fully allocated costs to provide the service and the appropriate contract price and its relationship to costs or the term of the current Agreement.

101. In addition, the Board should deem an amount of additional 2009 revenue from the City Water Services Customer Care Service. In the absence of better evidence the appropriate amount would be, as set out earlier,~ $1million. If the Board accepts that there may be difference in fixed costs (CIS related) due to the complexity of electricity billing, then the deemed additional amount should be as a minimum $460,000. Whatever amount is deemed will result in a reduction from the 2009 Distribution Revenue Requirement DRR.

102. VECC suggests $460,000 would be fair pending the results of the Fully Allocated Cost study for City Water.

Depreciation and Rate Base Additions-1/2 Year Rule

103. GSHI has not applied the regulatory approach to calculation of the test year that is termed "the ½ year rule":

> Mr Shepherd:
> You assumed that all new additions to rate base in 2009 were January 1st and got full depreciation in the first year; is that correct?
> MS. WHISSELL: That is correct.
> MR. SHEPHERD: And am I right in assuming that the impact of that on your depreciation number for 2009 is approximately $490,000? That is $490,000 more depreciation than would have been the case had you used the half-year rule?

MS. WHISSELL: We would have to undertake to do that calculation. [55]

104. Undertaking 1.4 shows that based on the 2009 budget s proposed for distribution assets and operations and using the ½ year rule, the 2009 Depreciation Expense is reduced from $5,597,109.60 to $5,191,551.48 a difference of *$405,558.12*.

105. In addition, the projection in Undertaking J1.6 shows that several major projects totaling $2.2 million (including $0.54 m for the ERP) will not be in-service (used or useful) by year end.

106. Therefore these items should not be closed to rate base in the calendar year resulting in a further reduction in 2009 Depreciation Expense.

107. Assuming that the main Assets (except the ERP) are all OH Conductors and Devices with a service life of 25 years, VECC estimates based on Undertaking J1.4 that a further reduction in 2009 Depreciation Expense of ($1,600,000*.4%) ~$64,000 is warranted.

108. With respect to the ERP and CIS not closing (or in the case of the CIS partial), another $1miilion reduction to year end net assets is required. The resulting change in Depreciation Expense (before CCA) of would be approximately $200,000.However, assuming that the ERP and CIS fully qualify for CCA, there may be no net reduction to the 2009 revenue requirement due to the CCA offset.

Smart meter Capital

109. GSHI is including in the 2009 rate base some capital related to Smart Meters. It appears that this relates to the replacement of standard meters due to failure and installations related to new connections.

110. Board Staff asked GSHI to identify the amount of this SM capital.[56] Undertaking 1.8 shows the amount for budget meter installation is $50,000 instead of $111,370 as indicated in the Application According to VECC's estimation, the corresponding reduction to the 2009 DRR would be about $4,600.[57]

COST OF CAPITAL/DEBT

Cost of Capital

111. VECC notes that GSHI's proposed Deemed Capital Structure conforms to the Board's Cost of Capital Guidelines.

[55] Volume #1 Page 56 Line 2
[56] Volume #1 Page 109 line 21
[57] Tr. Undertaking 1.8

112. The Board has updated its allowed cost rates for Equity and Short term debt, and GSHI has confirmed that it will apply these cost rates, as applicable, to its Board approved 2009 DRR when preparing the Draft Rate Order.

Long Term Debt

113. The main issue for the 2009 DRR and rates is the appropriate treatment of GSHI's Long Term Debt:

> MR. SIDLOFSKY: Perhaps I can ask you to go on, Mr. Pawlowicz, and comment on Sudbury Hydro's treatment of its debt costs.
> MR. PAWLOWICZ: Sudbury Hydro currently has only one outstanding debt instrument. That is a promissory note in favour of Greater Sudbury Utilities Inc., an affiliate of Sudbury Hydro, in the amount of $48,645,458, which bears a coupon rate of 7.26 percent.
> It was issued in November of 2000 and has not been modified. In all of our previous rate applications, the deemed debt rate of 7.25 percent has been applied by the Board for rate-making purposes. A copy of that note was filed in response to Board Staff Interrogatory No. 42 as appendix 42A.
>
> We have another debt instrument shown in our calculation of weighted long-term debt cost that is shown as a third party loan from the Toronto-Dominion Bank at 6.10 percent over a 20-year period.
> When we prepared this application, we assumed that the debt rate on the third party loan would be 6.1 percent, consistent with the Board's deemed long-term debt rate. We anticipated borrowing the money to support our smart metering initiative, an additional capital project.
> We used the rate of 6.1 percent, because at that time of the application, we did not know when the funds would be required or the terms under which they would be required. As a result, it would not have been practical at that time to obtain a quote.
> MR. SIDLOFSKY: Have you borrowed the money?
> MR. PAWLOWICZ: No, we have not.[58]

114. GSHI confirmed that the Cost of Debt requested and to be reflected in the Draft Rate order is as filed in the Appendix to VECC IR #20 a) and b):

> MR. BUONAGURO: Okay. Now, maybe I can pull up -- I don't think you have actually issued an official updated cost of capital set of numbers which are going to go into the draft order based on the Board's new parameters.
> MR. PAWLOWICZ: No, we have not. But it's something we understand must be done and we will do.
> MR. BUONAGURO: Okay. But you were asked in interrogatories, and I pull it up here, this is an interrogatory which is a VECC interrogatory appendix to 20(a) and (b), you see that?
> This first one and it's labelled here: "Recalculated based on Board revised rates issue March 16th, 2009" is the first page.
> The second page is the original as filed. And I just want to confirm, the original as filed, and I am going to blow it up for 2009, the weighted debt rate is a 6.83 percent;

[58] Volume #2 Page 131 Line 7

return on equity is 8.57; short-term debt is 4.47; and long-term debt is 7.01 percent. This is all based on 7.25 percent; correct?
MR. PAWLOWICZ: Yes [59]

115. The revised rates were confirmed by Counsel:

> MR. BUONAGURO: Okay. Then if we go, if we go to the recalculated based on Board revised, the weighted debt rate changes to 6.9 percent; the return on equity is 8.01 which is the Board's new parameter for return on equity. The short-term debt is 1.33, again straight of the Board's issuance of the new rates. The 7.33 percent, is that still based on the 7.25?
> MR. PAWLOWICZ: No, we bumped it up to the Board rates for the purposes of this presentation.
> MR. BUONAGURO: For the purposes of this presentation, okay.
> But my understanding is that not what you asking for.
> MR. PAWLOWICZ: That's not what we are asking for.[60]

116. VECC submits that the evidence is that the GSUI affiliate debt is technically callable on demand. However in a practical sense this is not the case since GSHI would have to have the guarantee of GSUI and the City for any major third party debt issue and that doing so would trigger limitations under the Municipal Act.

> MR. BUONAGURO: Do they have the same practical limitations on whether they can do that?
> MR. PAWLOWICZ: At this juncture, we believe that the practices are consistent. There would be no reason for them to initiate a call on that loan.
> MR. BUONAGURO: And what would happen if they did? Presumably you would have to refinance.
> MR. PAWLOWICZ: Exactly.
> MR. BUONAGURO: And where would you get the money?
> MR. PAWLOWICZ: Out of the open market.
> MR. BUONAGURO: Is that feasible?
> MR. PAWLOWICZ: As I mentioned yesterday, with the appropriate guarantees from the city, it would be feasible.
> MR. BUONAGURO: So the city would have to come and guarantee the loan.
> MR. PAWLOWICZ: Exactly.
> MR. BUONAGURO: Okay. But you did say that as a practical matter, they seem to be under the same restrictions in terms of doing that, that you are in terms of negotiating a term to make it payable.
> MR. PAWLOWICZ: Yes, as we understand, yes.[61]

117. Given this situation, VECC submits that the Long term Debt Rates that should be approved by the Board are 7.25% for the GSUI affiliate debt on a principal amount of

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[59] Volume #2 Page 159 line
[60] Volume #2 Page 159 line 1
[61] Volume #2 Page 157 line 12

$48,645,458 and 6.1% for the $12,600,000 of new debt from TD bank.

Deferral and Variance Accounts

118. GSHI is not proposing to refund./recover the existing balances in any of its existing deferral and variance accounts[62]. However, GSHI is requesting a new deferral account "to accumulate the interest charges associated with the (required) enhanced capital program, and the smart meter program until such assets are incorporated into the utility's rate base"[63]. When asked why a deferral account was required as opposed to simply recording the amounts as "Allowance for Funds Used During Construction" and "Smart Meter Capital", GSHI expressed concern that under such alternatives they would be "responsible" for the interest carrying charges until rebasing[64].

119. VECC submits that GSHI's request for a new deferral account should be denied. The Board has already established mechanisms that will allow utilities to address extraordinary capital spending requirements during an IRM period. Furthermore, if this mechanism is considered inadequate, GSHI has the option of filing a cost of service application during its 3-year IRM period. In VECC's view, GSHI has not adequately demonstrated why a deferral account is necessary in this case.

Cost Allocation

Results of Greater Sudbury's Cost Allocation Informational Filing

120. GSHI currently distributes electricity within the City of Greater Sudbury and Municipality of West Nipissing. However, at the time the cost allocation informational filings were prepared, Sudbury and West Nipissing were separate distributors and a cost allocation filing was only prepared for Sudbury. No Cost Allocation Informational Filing is available for the West Nipissing service area[65].

121. In preparing its 2009 Application GSHI discovered an error in the valuation of metering assets in its original Sudbury Cost Allocation Informational filing. GSHI's updated Cost Allocation Informational Filing produced[66] the following revenue to cost ratios:

Residential	94.61%
GS<50	117.22%
GS>50	121.08%
Street Lighting	6.53%
Sentinel Lighting	18.28%
USL	221.57%

[62] Exhibit 5/Tab 1/Schedule 1, page 1
[63] Exhibit 1/Tab 1/Schedule 5, page 1
[64] OEB Staff #65 a) & b)
[65] Volume 2, page 183
[66] Exhibit 8/Tab 1/Schedule 2, page 4

Use of the Cost Allocation Informational Filing Results in Setting 2009 Rates

122. Greater Sudbury has used the distribution (percentages) of revenue requirement from the Cost Allocation Informational filing to determine what portion of the 2009 revenue requirement would represent 100% cost responsibility for each customer class[67]. VECC has two concerns regarding this approach.

123. First, GSHI is proposing to allocate the "cost" of the transformer ownership allowance solely to the GS>50 class[68]. VECC agrees with this change. The treatment of allowance in the current OEB Cost Allocation model results in an over allocation of costs to those classes where customers generally do not own their own transformers (e.g. Residential and GS<50). This circumstance arises because the model not only allocates these classes the full cost of the transformers used to serve them but also a share of the discount. In principle the discount is an intra-class issue for those classes where some customers own their transformer and other don't. The Cost Allocation model recognizes that some customers own their transformers. However, unless a discount is introduced for these customers (and paid for by the other customers in the same class) those who own their transformer will pay too much and those who don't will not bear full cost responsibility for the transformers they use. VECC also notes that this change in the treatment of the transformer allowance is consistent with the approach approved for a number of distributors' 2008 and 2009 rates.

124. To accommodate this change, GSHI removed the cost of the transformer ownership allowance from the allocation of the 2006 revenue requirement to customer classes[69]. However, VECC submits that the approach used by Greater Sudbury is incorrect. First, the value of "cost of the transformer ownership allowance" removed by IDSL is incorrect. The amount of the transformer ownership allowance included in the 2006 Cost Allocation Informational filing is $137,728[70] not the $132,000 used in VECC #43. Second, GSHI deducted the cost from the GS>50 class' allocated revenue requirement[71]; while the OEB's Cost Allocation Model had allocated it to all customer classes[72]. To properly remove the cost of the transformer allowance the allocated costs must be removed from each customer class.

125. In response to VECC #23 c)[73], GSHI has provided a revised version of its Cost Allocation Informational filing that follows this approach and is consistent with its proposal regarding the transformer ownership allowance. VECC submits that these results more closely represent the appropriate reference point to use. Indeed the customer class Revenue Requirement allocation percentages from this response should be used in the "Service Revenue Requirement % - Cost Allocation" column in VECC #43 a). VECC notes that, in its Argument-in-Chief, GSHI has accepted this as the

67 Exhibit 8/Tab 1/Schedule 2, page 4, Table 4 and VECC #43
68 Exhibit 9/Tab 1/Schedule 1, page 11
69 VECC #43
70 Exhibit 8/Tab 1/Schedule 2, Appendix A, Sheet I3
71 See VECC #43
72 VECC #23 a)
73 See also Technical Conference Undertaking #4

appropriate starting point[74].

126. VECC's second concern is with Greater Sudbury's use of the class revenue requirement distribution from the Cost Allocation Informational filing to determine 100% cost responsibility for 2009[75]. This approach only works if the billing parameters (i.e., kWhs, kWs and customer count) represent close to the same proportions by class in 2009 as they did in the Cost Allocation filing. The reason for this is that costs are allocated to classes based on allocation factors that reflect the relative loads and customer count by class. If these relative values change then so will the relative cost responsibility by customer class. Indeed, a number of the utilities filing 2009 Rate Application have recognized this issue and have assessed the ongoing validity of their Cost Allocation Informational filing as part of their 2009 Rate Application[76].

127. In response to VECC #25 a) GSHI has provided the relative kWhs and customer count by class for both 2009 and its Cost Allocation filing and there are some differences. While they may look small, these differences could translate into a material changes in cost responsibility. One way to get an indication as to the overall shift is to compare the responsibility for distribution revenue from the Cost Allocation filing with that which arises from using 2009 billing parameters and 2008 rates. The following table provides such a comparison.

Revenue Responsibility by Customer Class

	2006 CA	**2009 @ 2008 Rates**
Residential	56.148%	56.626%
GS < 50	17.625%	16.640%
GS > 50	25.466%	26.028%
Street Lights	0.209%	0.274%
Sentinel Lights	0.034%	0.036%
USL	0.517%	0.396%

Sources: 2006 - VECC #23 c)
2009 @ 2008 Rates - VECC #24 c)

128. While the values are relatively close for many customer classes[77]; there are some material differences, such as for Street Lights and USL. In VECC's view, where

[74] AIC, Paragraph #86
[75] Exhibit 8/Tab 1/Schedule 2, Table 5
[76] Examples include Westario Power (EB-2008-0250); COLLUS Power (EB-2008-0226) and Bluewater Power (EB-2008-0221)
[77] For example, for Residential the difference is less than 1% (i.e., 56.626/56.148)

the potential for such anomalies exists, a preferred approach is to assume that revenues at current rates are consistent with the revenue to cost ratios determined via the cost allocation informational filing and use this as the starting point to determine the allocation of the distribution revenue requirement that would yield 100% cost responsibility for each class. VECC submits that since no efforts were made to realign the revenue to cost ratios in 2007 or 2008, there is no reason to assume that the current revenue to cost ratio for each class would be any different than those arising from the cost allocation informational filing. VECC notes that without this change in perspective the adjustment required to the revenue to cost ratio for Street Lights will be significantly understated as will, to a much lesser degree, the adjustment required for Sentinel Lights[78].

Proposed Revenue to Cost Ratios

129. The following Table compares the Greater Sudbury proposal for 2009 with the current revenue to cost ratios as determined using the CA Informational Filing and in VECC #23 c)[79].

Sudbury's Proposed R/C Ratio Shifts

	Starting Point		
	2006 CA	**VECC #23 c)**	**Sudbury Proposal**
Residential	94.61%	96.17%	96.95%
GS>50	117.22%	117.97%	110.00%
GS<50	121.08%	118.91%	113.88%
Street Lights	6.53%	6.60%	41.10%
Sentinel Lights	18.28%	18.45%	54.03%
USL	221.57%	223.05%	119.31%

Source: 2006 CA - Exhibit 8/Tab 1/Schedule 2, page 2
Sudbury Proposal - Exhibit 8/Tab 1/Schedule 2, page3

130. Greater Sudbury's general approach has been to move those customer classes with R/C ratios below the Board's target range (i.e., Street Lights and Sentinel Lights) approximately half-way to the lower end of the Board's target range[80]. VECC generally concurs with this approach subject to the adoption of an appropriate definition of 100%

[78] In both cases 2009 revenues at 2008 rates represent a higher percentage of total revenue suggesting that the benchmark for 100% cost responsibility will also have increased.
[79] The results presented in the this IR response are the same as those in Technical Conference Undertaking #4 referenced in GSHI's AIC (pages 26-27)
[80] Exhibit 8/Tab 1/Schedule 2, page 3

cost responsibility as discussed above and agreed to by GSHI[81]. VECC notes that the adoption of the Cost Allocation as set out in VECC #23 c) (as opposed to the 2006 CA) will have minimal impact on the starting point for these classes.

131. However, Greater Sudbury is also proposing to increase the revenue to cost ratio for the Residential even though the current ratio is well above 85% - the lower end of the Board's target range for the class. When asked about this during the proceeding GSHI witnesses went into a protracted explanation as to how rates were previously set; why the current ratios were not all equal to 100% and suggested that, on this basis, the proposal to further increase the ratio was reasonable[82]. In VECC's submission how rates were set prior to unbundling is relevant as to explaining the current revenue to cost ratios but is not a relevant consideration in determining what the revenue to cost ratio should be. Indeed, what is relevant in this regard is the policy guidelines the Board has established in its EB-2007-0667 Report of November 28, 2007.

132. There was some suggestion during the proceeding that if the revenue to cost ratios put forward by the utility are within the Board's target range then they meet the Board's policy guidelines[83]. With respect, VECC disagrees. The policy guidelines clearly require that for customer classes where revenue to cost ratio is outside the Board's target range, then the ratio should be increased/decreased so as to come within the target range subject to bill impact considerations[84]. However, for those customer classes whose ratio is currently within the target range, it is VECC's submission that the policy guideline does not give utilities licence to either move the ratio arbitrarily closer to 100% or to choose any other value within the target range.

133. The range approach adopted by the Board recognized the shortcomings of the current cost allocation methodology (and underlying data) which lead the Board to concluded that "an incremental approach is appropriate … and that a range approach is preferable to a specific revenue to cost ratio". The Board also concluded that "as a practical matter there may be little difference between a revenue to cost ratio near one and the theoretical ideal of one"[85]. Given this context and the Board's expressed concerns regarding rate impacts, VECC submits that for customer classes whose revenue to cost ratios are within the Board's target range there is no basis, in Board's stated policy guidelines, for changing the revenue to cost ratio. The only exception would be if such changes are necessary in order to permit the adjustment of the ratios for a customer classes who are currently outside the Board's target range.

134. In the current circumstance, the revenue to cost ratio for the Residential class is over 96%. In VECC's view, the fact the utility's proposed value is "within the range and closer to 100%" is not an acceptable rationale for increasing the ratio and, indeed, is contrary to the Board's own stated policy. VECC submits that it is inappropriate for the Board to adopt such results, simply because the utility has proposed them.

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81 AIC, pages 26-27
82 Volume 2, pages 161-164
83 Volume #2, pages 165-166
84 EB-2007-0667, pages 6-11
85 EB-2007-0667, page 4

135. Similarly, in VECC's view there is no need to reduce the ratios for the two GS classes as the results from VECC #23 c) indicate that both are less than 120% and less than the upper limit of the Board's target ranges for these classes. VECC agrees that the additional revenues obtained from increasing the ratios for Street Lights and Sentinel Lights should be first used to reduce the ratio for USL to the upper end of the Board's target range. Any additional revenue can then be used to reduce the ratios for all class currently above 100%.

Low Voltage Costs

136. In the original Application GSHI included LV costs of $224,166 in its proposed 2009 distribution rates[86]. In response to interrogatories, Greater Sudbury noted that this figure included prior years' recoveries and should be revised to $160,000[87].

137. It is not immediately clear to VECC what Hydro One Networks' ST rates were used to calculate the $160,000 and requests that Greater Sudbury clarify the basis for the $160,000 in its Reply submissions. In any event, VECC submits that the LV costs should be updated to reflect the Board's Decision in EB-2008-0187 and the resulting Rate Order issued June 1, 2009.

Rate Design

Rate Harmonization

138. Greater Sudbury proposes to harmonize the rates for its Sudbury and West Nipissing service areas over a two-year period (2009-2010)[88]. As a result, the 2009 rates for the West Nipissing service area are set so as to move ½ way to what the rates would be based on full harmonization with the Sudbury service area. The shortfall in revenues for 2009 is recovered from the Sudbury service area customers[89].

139. VECC generally supports Greater Sudbury's proposal to harmonize its rates and the two harmonization period. However, VECC has concerns regarding how Sudbury is recovering the 2009 revenue shortfall due to the phase-in of the rates for the West Nipissing service area. VECC also has concerns regarding the fixed-variable split used for the Residential class.

140. With respect to the recovery of the revenue shortfall from the Sudbury service area's customers, GSHI has allocated the remaining amount to its customer classes using the same revenue distribution as was initially applied to the total revenue requirement based on the proposed revenue to cost ratios[90]. VECC notes, and GSHI's witnesses agreed[91], that this changes the revenue to cost ratios for each customer such that they are no longer equal to those actually proposed by Greater Sudbury.

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[86] Exhibit 9/Tab 1/Schedule 1, page 12
[87] VECC #29 c) and OEB #61 b) and AIC, page 30
[88] Exhibit 9/Tab 1/Schedule 1, page 3.
[89] Exhibit 9/Tab 1/Schedule 1, page 7
[90] VECC #30 b) and Volume #2, page 169
[91] Volume #2, page 171

141. In VECC's submission the appropriate approach is to calculate and recover the shortfall on a class by class basis so as to maintain the 2009 revenue to cost ratio established for each customer class. The allocation by customer class, based on this approach, is set out in response to VECC #30 b) under the column "Calculated Difference". VECC notes that following GSHI's methodology will produce revenue to cost ratios for each customer class that are different from what the Board will ultimately approve.

Fixed-Variable Split

142. Greater Sudbury's general approach is to maintain the current fixed-variable split for each customer class except in the case of West Nipissing where minor adjustments were made in an effort to mitigate bill impacts[92]. In the case of the Residential class, the proposed monthly fixed charge is $17.06 for the Sudbury service area and $14.13 for the West Nipissing service area[93].

143. VECC notes that the Residential fixed charge per the approved 2006 EDR exceeds the upper end of the range adopted by the Board for monthly service charges[94]. The 2006 fixed charge was $15.00 as compared to the Upper Bound value of $13.86[95]. VECC also notes that the rate impacts for low volume are higher than for high volume residential customers and, indeed, exceed 10%[96]. Furthermore, a material number of residential customers (>15%) will see bill increases in excess of 10%[97].

144. VECC submits that the proposed residential service charge should be reduced so as to a) mitigate impacts and b) bring the value more in-line with the cost allocation results. . VECC acknowledges that the Board's guidelines do not require the residential service charge to be reduced to the Upper Bound value. However, in VECC's view when the bill impacts are also taken into account, there is a compelling case for reducing the emphasis on the fixed portion of the bill. VECC submits that fixed percentage used for the Sudbury area rates should be set such that the total bill impacts for both Sudbury area and West Nipissing area residential customers is no more than 10% based on 250 kWh use.

Retail Transmission Service Rates (RTSRs)

145. VECC has no submissions with respect to Greater Sudbury's proposed RTSRs.

Smart Meters

146. VECC Accepts GSHI's submission in its Argument in Chief (para 104-105) that the 2009 Smart Meter Adder should be revised in order to allocate net revenue equally in 2009, 2010 and 2010 resulting in a 2009 rate adder of $1.94 rather than the original

[92] Exhibit 9/Tab 1/Schedule 1, page 7 and AIC, page 27
[93] Exhibit 9/Tab 1/Schedule 1, pages 8-9
[94] EB-2007-0667 Report, page 12 – November 28, 2007
[95] Based on 120% of the $11.85 value reported in Undertaking J2.13.
[96] Volume #2, page 172
[97] Volume #2, page 172

as filed adder of $2.17.

<u>LRAM and SSM</u>

LRAM Claim

147. GSHI is proposing to recover an LRAM for 2005 (partial year) 2006 and 2007. Details of the Claim are provided at Exhibit 9 Tab 1 Schedule 10 Page 10.

148. There are 2 issues related to this claim:

1) The calculation of Mass market CDM savings includes savings from non-residential programs, and
2) The Calculation of mass market savings for 2007 does not use the OPA Every Kilowatt Counts (EKC) assumptions for kwh savings from CFLs.

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149. In the hearing GSHI acknowledged that it has included savings from non-residential programs in the Mass market KWH savings:

> MR. BUONAGURO: Okay, thank you. On a similar topic, sticking with reconciliation of numbers, I am going back to this Exhibit 9, tab 1, schedule 10, page 10 of 13, and I will blow it up, what I am looking at.
> So this shows the mass market programs that were targeted to residential customers, mostly; is that correct?
> MS. WHISSELL: That's correct.
> MR. BUONAGURO: And at the top, and I have highlighted here, we have fully effective kilowatt-hour savings of 3.92 gigawatts, and we have talked about it being used in the CDM adjustment. It appears to us to be greater than the sum of the values of the programs, the individual programs.
> So if you look at the table, under three-nine-twenty-ninety-three, you have all the different programs, and if you add them all up, it doesn't come near 3.920. So I was wondering if you could reconcile why that would be?
> I think if you sum the mass market programs, they come up to 3.66 gigawatt hours -- or kilowatt hours, sorry.
> MS. WHISSELL: So the difference appears to be the two-fifty-four-one-ninety-three below. That is what it appears to be.
> MR. BUONAGURO: Okay. Now, the Sudbury Hydro lighting retrofit project, that's what you're referring to here of two-five-four-one-nine-three?
> MS. WHISSELL: Yes.
> MR. BUONAGURO: That's not a residential program, a CDM residential program, is it?
> MS. WHISSELL: That's correct.
> MR. BUONAGURO: But you have factored it into the 3.92; is what you are telling me?
> MS. WHISSELL: We may have to make an adjustment here. I didn't take an add tape of it. I read mass markets as being exactly the subheadings here.

150. Undertaking J2.11 corrects the LRAM claim for Mass Markets for 2006 and results in a LRAM claim for the residential sector of $61,092.

151. The remaining issue is the use of best available CDM Input assumptions in accordance with Section 7.3 of the Boards CDM Guidelines for Electricity Distributors. VECC IRR #33 sets out the issue.

152. In 2007 OPA changed the input assumptions for CFLs distributed under its Every Kilowatt Counts (EKC) spring/ fall campaigns. The annual savings were reduced from 104 kwh for a 13/14 w CFL to 44.3 kwh. This assumption in VECC's submission was the best available at the time that GSHI's 2007 claim was prepared and should also apply to the carry forward savings from 2006.

153. The OEB Guidelines used a value of 104 kwh for annual CFL Savings until adoption of the OPA measures List in January 2009.

154. VECC submits that the use of 104kwh rather than 44.3 kwh by GSHI results in LRAM claims that are too high and also results in overstatement of CDM savings used in Load Forecasts. LRAM claims are supposed to compensate for actual lost revenue, such that the most up to date assumptions are required by the Board in order to avoid unnecessary windfalls or losses to the applicant. Likewise, Load Forecasts are supposed to capture the best available information at the time the forecast is made and incorporated into rates.

155. VECC notes that the independent audit of 2007 LRAM Kwh savings performed by Seeline for Horizon Utilities[98] used the revised OPA EKC values for (amongst other measures) savings from 13/14 watt CFLs.

156. VECC asked GSHI to recalculate the LRAM claim based on the lower OPA value for savings from CFLs. The result is TCU Exhibit 3 which shows a Residential LRAM claim of $29,165 instead of $61,092.

157. VECC requests the Board to make this adjustment to the LRAM claim.

Effective Date

158. The Board required utilities to file their applications for 2009 rates on or before August 15, 2008 in order to meet a target implementation date of May 1, 2009. In the case of GSHI, their application was not filed until December 22, 2009, very shortly before Christmas, such that it was late by over 4 months.

159. As noted by the applicant in K1.1, it anticipated a late implementation as a result of its late filing, suggesting that implementation would be delayed to July 1, 2009, presumably in the hope, at the time, that its application would proceed extremely

[98] EB-2009-0192, Horizon Utilities Corporation, Recovery of Amounts Related to CDM, Apppendix 1, page 4, Table 1

quickly. However, in its Argument-In-Chief [99]GSHI appears to be requesting an effective date of May 1, 2009. . VECC respectfully submits that the effective date of the new rates should reflect the lateness of the filing; a 4 month delay would mean that rates would be effective as of September 1, 2009.

<u>Recovery of Reasonably Incurred Costs</u>

160. VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of Which is Respectfully Submitted on this 11th Day of September, 2009

[99] Page 4