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DRAFT ISSUES LIST

2 There are a number of issues, some generic and some specific to CHE that are
3 anticipated to be examined in this application.

4 Capital Structure

5 CHE's current deemed capital structure is 56.7% debt and 43.3% equity. In its
6 December 20, 2006 Report on Cost of Capital and 2nd Generation Incentive Regulation
7 for Ontario Electricity Distributors, the OEB mandated a shift to a 60% debt & 40% equity
8 ratio for all distributors. Consequently, CHE is requesting a change in its deemed capital
9 structure. Specifically, CHE is requesting a decrease in the deemed equity ratio from
10 43.3% to 40% and increase the debt ratio from 56.7% to 60% consistent with the 3 year
11 phase-in of CHE's capital structure..

12 Return on Equity

13 In addition, CHE has assumed a return on equity of 8.01% consistent with the rate of
14 return on equity approved by the OEB for 2010 cost of service applications. CHE
15 understands the OEB will be finalizing the return on equity for 2010 rates based on
16 January 2010 market interest rate information.

17 Revision to the Cost Allocation

18 CHE, assisted by Elenchus Research Associated ("ERA"), proposes an appropriate cost
19 allocation study for its 2010 cost of service rate application. In the context of a cost of
20 service rate application based on a 2010 forward test year, the primary purpose of the
21 cost allocation study is to determine the proportions of a distributor's total revenue
22 requirement that are the "responsibility" of each rate class.

23 For the purpose of this application, a "Prospective Year CA Study" approach was used:
24 This approach ensures compliance with the Board's direction in the Filing Requirements
25 that the CA Study should "reflect future loads and cost". The proposed 2010 Cost

1 Allocation also addresses the correction of the treatment of the Transformer Ownership
2 Allowance. This evidence is presented at Exhibit 7

3 **Load Forecast**

4 As part of this application, CHE proposes a weather normal load forecast. Weather
5 normalization involves removing the year-to-year variations in consumption due to
6 weather. This is achieved by estimating a statistical relationship between observed
7 monthly weather and observed monthly consumption. Details of this evidence can be
8 found at Exhibit 3, Tab 1.

9 **Operating and Maintenance Costs**

10 As can be seen from the evidence at Exhibit 4, due to the benefits of ownership and
11 democratic control, CHE has managed to maintain their operating and maintenance
12 costs at a reasonable level. The major cost driver behind the increase is the cost of
13 complying with regulatory requirements. The increase in OM&A expenses over the 2006
14 EDR is \$103,704 in the 2010 test year.

15 **Smart Meter Infrastructure**

16 All of CHE's smart meters have been procured and are planned to be installed by end of
17 2009. CHE is requesting, as part of its 2010 Rate Application, a utility specific rate rider
18 for its smart metering infrastructure. Evidence related to this request can be found at
19 Exhibit 9, Tab 3, Schedule 1

20 **Transmission Rates**

21 As per the Board's Decision and Rate Order in the EB-2008-0272 proceeding, the new
22 UTRs were made effective July 1, 2009. In accordance with the minimum filing
23 requirements, CHE proposes to revise its RSTR. Historical transmission costs and
24 revenues as well as calculation of proposed retail transmission service rates are
25 presented at Exhibit 8, Tab 3, Schedule 1, Attachment 1.