



Oakville Hydro
Electricity Distribution Inc.
P. O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-5831
email: hydro@oakvillehydro.com
www.oakvillehydro.com

November 20, 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: Oakville Hydro Electricity Distribution Inc.
Oakville Hydro's Responses to the Energy Probe Interrogatories on 2010
Electricity Distribution Rate Application – EB-2009-0271**

Please find enclosed Oakville Hydro's responses to the interrogatories of the School Energy Coalition (SEC) in the above-noted proceeding.

Respectfully submitted,

Cristina Birceanu
Oakville Hydro Electricity Distribution Inc.
Manager, Regulatory Affairs
Direct Line: (905)-825-4422
Direct Fax: 905-825-4435
Cell: 416-578-2553
cbirceanu@oakvillehydro.com

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

AND IN THE MATTER OF an Application by Oakville Hydro Electricity Distribution Inc. for an Order or Orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2010.

**Oakville Hydro Electricity Distribution Inc.
Responses to Interrogatories**

Energy Probe

Filed: November 20, 2009

Index

1	Responses to Energy Probe Interrogatories
Appendix EP 34	Smart Meter Rate Calculation Model

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 14, pages 3-4

- a) **Are there any costs associated with the Board of Directors for any of the affiliates, including the parent company Oakville Hydro Corporation, included in the revenue requirement of Oakville Hydro Electricity Distribution Inc.?**

RESPONSE:

Yes.

- b) **If yes, please quantify and describe these costs.**

RESPONSE:

There is a \$ 7,568 charge in 2010 from the parent company – Oakville Hydro Corporation’s Board for work done on behalf of all companies within the Oakville Hydro group of companies.

- c) **What is the total cost included in the revenue requirement associated with the 13 member Board of Directors of Oakville Hydro Electricity Distribution Inc.?**

RESPONSE:

The total cost of stipends and meeting fees, for the 13 member Board of Directors, included in the 2010 budget is \$124,300, plus \$20,000 for one Board member to attend Director College. The Directors College teaches directors to look out for the best interests of the organization over the long term, educates them on corporate governance issues and provides directors with the knowledge to help them develop a framework within the company for making ethical decisions.

Interrogatory # 2

Ref: Exhibit 1, Tab 2, Schedule 2

Has Oakville Hydro made changes to its OM&A and/or capital expenditure forecasts related to the proposed harmonization of the GST and RST (retail sales tax) into the HST effective July 1, 2010? If not, why not?

RESPONSE:

Oakville Hydro has not made changes to its OM&A and/or capital expenditure forecasts related to the proposed harmonization of GST and PST effective July 1, 2010.

At the time of submission, very little information was provided by CRA as they relate to transition rules, exemptions, and zero-rated items. Oakville Hydro is currently in the process of attending seminars, in addition to conferring with our auditors, to ensure proper implementation of the new HST.

Interrogatory # 3

Ref: Exhibit 1, Tab 2, Schedule 5

- a) **Please list all of the efficiency gains, and the resulting reduction in costs, associated with the 2 new executive positions.**

RESPONSE:

The following are the efficiencies and potential cost reductions that will result from these two new positions:

- Improved reporting to management and directors
- Focused leadership to analyze and re-shape key business processes
- Tighter standards and controls on job and project administration associated with cost estimation, tracking control of expenditures to approved estimates and timelines.
- Establishment of asset management accountability structure
- More integrated construction program management structure
- More frequent review of financial variances
- More robust budget analysis
- In depth analysis completed across business units and affiliates to identify opportunities towards improved collaboration and sharing of resources.

Oakville Hydro has a number of initiatives underway that will improve overall efficiency in several areas notably connecting customers, managing the construction program more effectively and tighter administration of material management.

- b) **Please provide a copy of the Mercer comprehensive compensation study.**

RESPONSE:

The Mercer compensation study has not been completed. It is in progress with the consulting firm.

Interrogatory # 4

Ref: Exhibit 2, Tab 1, Schedule 3

- a) **Please explain why there are no disposals shown in any year. How does Oakville Hydro record the disposals of assets? As an example, how does Oakville Hydro deal with the replacement of a vehicle where the vehicle being replaced is sold?**

RESPONSE:

Oakville Hydro normally holds all fixed assets for their full useful lives. Vehicles have been recorded on the pooling method

- b) **Based on the most recent information available, how much of the forecasted 2009 capital expenditures of \$24,728,098 have actually been closed to rate base?**

RESPONSE:

Project information is very limited after a project is closed in the financial system therefore, Oakville Hydro's current practice is not to close projects on the system and transfer to the fixed asset ledger for depreciation until the end of the year. Therefore, no 2009 capital expenditures have been closed to the rate base yet.

- c) **Based on the most recent information available in part (b) above, what is the current forecast of capital expenditures that will be closed to rate base before the end of 2009?**

RESPONSE:

See Oakville Hydro's response to Interrogatory 6 (a).

- d) **Over the period 2006 through forecast 2009, the level of contributions and grants has ranged from \$3.4 million to \$4.5 million. Please explain the reduction to only \$2.6 million in 2010.**

RESPONSE:

Oakville Hydro in the past 3 years has had substantially new developments of subdivisions in various areas south of Dundas Street, which has resulted in large levels of contributed capital. The pace has slowed down and the prospects

in the near future appear to continue with this trend, until the area north of Dundas Street begins to develop in late 2010. Developments north of Dundas Street are expected to begin at a slow pace, with contributions rising in future years.

The downturn of the economy has also slowed subdivisions and development in Oakville. This decrease is evident and reflected in the current contributions for the ten months of 2009. The contributions are \$2,233,440.

2006-\$4,512,481
2007-\$3,738,639
2008-\$3,684,353
YTD October 31, 2009-\$2,233,440

Interrogatory # 5

Ref: Exhibit 2, Tab 3, Schedule 3

- a) **Please confirm that the price of \$0.0672 per kWh shown on line 7 should be \$0.06072 as shown in Table 15.**

RESPONSE:

Yes, the price of \$0.0672 per kWh shown on line 7 should be \$0.06072 as shown in Table 15.

- b) **Please update the cost of power calculation and the resulting impact on the working capital allowance to reflect the Regulated Price Plan price as issued by the OEB on October 15, 2009.**

RESPONSE:

Oakville Hydro has updated the cost of power calculation to reflect the RPP price of \$0.06215 per kWh as issued by the OEB on October 15, 2009.

The resulting impact on working capital is an increase of \$323,004, or 1.67%.
The impact on 2010 revenue requirement is an increase of \$29,416 or 0.08%
(considering a regulated rate of return of 7.52%)

Please see the Cost of Power calculation details below:

Electricity - Commodity	2010 Forecasted Metered kWhs	2010 Proposed Loss Factor			
Class per Load Forecast			2010		
Residential	545,392,460	1.0396	566,970,679	\$0.06215	\$35,237,228
GS<50kW	179,011,079	1.0396	186,093,575	0.06215	\$11,565,716
GS 50kW to 999kW	595,468,621	1.0396	619,028,082	0.06215	\$38,472,595
GS 1000kW to 4999kW	112,278,338	1.0396	116,720,583	0.06215	\$7,254,184
Large Use			0	0.06215	\$0
Unmetered Scattered Load	3,780,548	1.0396	3,930,124	0.06215	\$244,257
Sentinel Lighting	140,163	1.0396	145,709	0.06215	\$9,056
Street Lighting	12,463,256	1.0396	12,956,360	0.06215	\$805,238
TOTAL	1,448,534,465		1,492,743,044		\$93,588,274

Transmission - Network	Volume Metric			
Class per Load Forecast		2010		
Residential	kWh	566,970,679	\$0.0055	\$3,110,176
GS<50kW	kWh	186,093,575	\$0.0051	\$943,791
GS 50kW to 999kW	kW	1,655,087	\$1.9781	\$3,273,976
GS 1000kW to 4999kW	kW	265,326	\$1.9781	\$524,849
Large Use	kW	0		\$0
Unmetered Scattered Load	kWh	3,930,124	\$0.0051	\$19,932
Sentinel Lighting	kW	389	\$0.3841	\$149
Street Lighting	kW	33,349	\$1.5986	\$53,311
TOTAL				\$7,926,185

Transmission - Connection	Volume Metric			
Class per Load Forecast		2010		
Residential	kWh	566,970,679	\$0.0046	\$2,582,827
GS<50kW	kWh	186,093,575	\$0.0042	\$781,257
GS 50kW to 999kW	kW	1,655,087	\$1.6273	\$2,693,309
GS 1000kW to 4999kW	kW	265,326	\$1.6273	\$431,762
Large Use	kW	0		\$0
Unmetered Scattered Load	kWh	3,930,124	\$0.0042	\$16,499
Sentinel Lighting	kW	389	\$0.3159	\$123
Street Lighting	kW	33,349	\$1.3150	\$43,855
TOTAL				\$6,549,632

Wholesale Market Service	Volume Metric			
Class per Load Forecast		2010		
Residential	kWh	566,970,679	\$0.0052	\$2,948,248
GS<50kW	kWh	186,093,575	\$0.0052	\$967,687
GS 50kW to 999kW	kWh	619,028,082	\$0.0052	\$3,218,946
GS 1000kW to 4999kW	kWh	116,720,583	\$0.0052	\$606,947
Large Use	kWh	0	\$0.0052	\$0
Unmetered Scattered Load	kWh	3,930,124	\$0.0052	\$20,437
Sentinel Lighting	kWh	145,709	\$0.0052	\$758
Street Lighting	kWh	12,956,360	\$0.0052	\$67,373
TOTAL				\$7,830,395

Rural Rate Assistance	Volume Metric			
Class per Load Forecast		2010		
Residential	kWh	566,970,679	\$0.0013	\$737,062
GS<50kW	kWh	186,093,575	\$0.0013	\$241,922
GS 50kW to 999kW	kWh	619,028,082	\$0.0013	\$804,737
GS 1000kW to 4999kW	kWh	116,720,583	\$0.0013	\$151,737
Large Use	kWh	0	\$0.0013	\$0
Unmetered Scattered Load	kWh	3,930,124	\$0.0013	\$5,109
Sentinel Lighting	kWh	145,709	\$0.0013	\$189
Street Lighting	kWh	12,956,360	\$0.0013	\$16,843
TOTAL				\$1,957,599

2010	
4705-Power Purchased	\$93,588,274
4708-Charges-WMS	\$7,830,395
4714-Charges-NW	\$7,926,185
4716-Charges-CN	\$6,549,632
4730-Rural Rate Assistance	\$1,957,599
4750-Low Voltage	\$259,726
TOTAL	118,111,810

monthly average
9,842,651

- c) **Does Oakville Hydro intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?**

RESPONSE:

Oakville Hydro intends to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board.

Interrogatory # 6

Ref: Exhibit 2, Tab 4, Schedule 3

- a) **Please provide a version of Table 16 that reflects the most recent year-to-date capital expenditures for 2009 and a second version of Table 16 that reflect the most recent forecast for 2009 based on actual expenditures to date.**

RESPONSE:

Please see the following tables:

PROJECT	2009 YTD Sept
Substations	\$ 1,957,795
Rebuild for Road Widening/Railway Wc	201,820
Load Transfer Safety & Security	104,488
Voltage Conversion	172,153
27.6 Kv Additions	447,977
Rebuild Underground Distribution System	1,021,040
Rebuild Overhead Distribution System	4,317,235
New Development & Services	1,281,787
Supervisory Control & Communications	327,910
Metering	175,120
Vehicles	326,057
Tools	117,143
Information Technology	572,407
Buildings	163,874
Total	\$ 11,186,806

PROJECT	2009 FORECAST
Substations	\$ 2,269,101
Rebuild for Road Widening/Railway Wc	233,911
Load Transfer Safety & Security	210,000
Voltage Conversion	703,501
27.6 Kv Additions	905,478
Rebuild Underground Distribution System	2,091,576
Rebuild Overhead Distribution System	6,262,031
New Development & Services	2,041,938
Supervisory Control & Communications	597,571
Metering	582,465
Vehicles	326,057
Tools	127,523
Information Technology	906,443
Buildings	171,874
Total	\$ 17,429,469

- b) **There is a total of \$26,000 in annual maintenance cost savings identified in relation to substation costs. Please indicate where in the OM&A forecast this reduction is shown.**

See response to OEB interrogatory # 6.

RESPONSE:

- c) **Please explain the \$500,000 forecast for 2009 expenditures on distribution meters. Are these smart meters?**

RESPONSE:

The \$500,000 forecast for 2009 expenditures on distribution meters does not include smart meters. In accordance with Oakville Hydro's Conditions of Service, Oakville Hydro funds metering equipment for secondary metered services. This would include commercial, retail, industrial and institutional services. These funds would also be utilized for any meter changes as required by Measurement Canada.

Interrogatory # 7

Ref: Exhibit 2, Tab 4, Schedule 4

Please explain the \$500,000 forecast for 2010 expenditures on distribution meters. Are these smart meters?

RESPONSE:

The \$500,000 forecast for 2010 expenditures on distribution meters does not include smart meters. In accordance with Oakville Hydro's Conditions of Service, Oakville Hydro funds metering equipment for secondary metered services. This would include commercial, retail, industrial and institutional services. These funds would also be utilized for any meter changes as required by Measurement Canada.

Interrogatory # 8

Ref: Exhibit 3, Tab 2, Schedule 1

- a) **Please provide the forecast GWh for 2009 and 2010 from each of the 5 versions of the regression equation tested.**

RESPONSE:

Please see Exhibit 3, Tab 2, Schedule 1, Page 12.

- b) **Why has Oakville Hydro used a historical loss factor calculated over a 7 year period, as shown in Table 5 rather than the loss factor based on the same period used to estimate the regression analysis?**

RESPONSE:

Oakville Hydro's sales data are not available from 1998 to 2001 (please see Oakville Hydro's response to the Board Staff's Interrogatory #10 (c)).

- c) **Please provide the loss factor, using the same methodology as in Table 5 for 1998 through 2001.**

RESPONSE:

N/A. Please see Oakville Hydro's response to interrogatory # 8 (b) above.

Note: Oakville Hydro provided 7-year period for loss factor calculation, which is more than the minimum filing requirement of three years of data, and more than the preferred requirement of five years of data as the Board stated in its revised Chapter 2 of the Filing Requirements for Transmission and Distribution Applications.

Interrogatory # 9

Ref: Exhibit 3, Tab 2, Schedule 1

Please rerun the regression analysis chosen (Version 5) by first removing the historical consumption data over the historical period (January 1998 through May, 2009) for customers A, B, C, D and E and removing the Large User explanatory variable.

- a) **Please provide the regression statistics in the same manner as shown on page 11.**

RESPONSE:

The historical consumption data over the period January 1998 to December 2001 is not available for customers B, C, D, and E. Please see Oakville Hydro's answer to the Board Staff Interrogatory #10 (c).

- b) **Please provide the 2010 GWh forecast using the above equation.**

RESPONSE:

N/A. Please see Oakville Hydro's response to Board Staff Interrogatory #10 (c).

- c) **Please provide updates to the historical tables reflecting the removal of customers A through E from this historical data. In particular, please provide Tables 5, 6, 7, 9, 10, 15 and 16 excluding historical data for customers A through E.**

RESPONSE:

N/A. Please see Oakville Hydro's response to Board Staff Interrogatory #10 (c).

- d) **Based on the methodology used by Oakville Hydro and the revised historical information provided above, please provide revised Tables 8, 11, 12, 14 and 17 that reflect the removal of customers A through E from the historical data.**

RESPONSE:

N/A. Please see Oakville Hydro's response to Board Staff Interrogatory #10 (c).

- e) **Instead of the Total Loss of Customer and Load table shown on page 46, please provide a table that shows the forecasted consumption based on**

historical average (excluding customers A through E), the estimated consumption for customers A through E and the Adjustments to the Load Forecast where the two components are added together.

RESPONSE:

N/A. Please see Oakville Hydro's response to Board Staff Interrogatory #10 (c).

- f) Please provide revised tables from pages 52 and 53 that reflect the forecast generated in (e) above.**

RESPONSE:

N/A. Please see Oakville Hydro's response to Board Staff Interrogatory #10 (c).

Interrogatory # 10

Ref: Exhibit 3, Tab 3, Schedule 1

- a) The evidence at page 5 related to Account 4235 Miscellaneous Service Revenues indicates that the 2010 test year forecast is based on the average of 2007-2009. However, the data for these years for account 4235 shown in the table on page 3 yields an average of \$351,900 rather than the 2010 forecast figure of \$342,325. Please reconcile the difference.

RESPONSE:

The difference between the average of \$351,900 and \$342,325 is created by subdivision administration fee account. Due to a new system implementation, the process of administration fee for subdivisions has been changed. The actual fees are now assigned directly to each particular job. Therefore, this account was inactivated in 2007 and the average balance for this particular line was not included in 2010 test calculation.

- b) A review of accounts 4375 (Revenues from Non-Utility Operations) and 4380 (Expenses of Non-Utility Operations) yields the following table:

	2006	2007	2008	2009	2010
Revenue	114,465	313,640	317,569	65,000	50,000
Costs	0	187,096	217,382	0	0
Net Revenue	114,465	126,544	100,187	65,000	50,000

- i) Please explain the significant reduction in net revenues related to non-utility operations from more than \$100,000 in each of 2006 through 2008 to \$65,000 in 2009.

RESPONSE:

The significant reduction of net revenues is detailed in Exhibit 3, Tab 4, Schedule 2, Appendix 2-D, Page 3 of 5. The main reason for lower anticipated revenues is that in previous years there were some unusual non-recurring revenue items as well OPA program incentives which have not been included in revenues as they can change and be cancelled at the OPA's discretion. Please find below a normalized table of the year 2006 to 2010, which sets out the non-recurring items.

Account 4375 & 4390	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net revenues	\$ 114,465	\$ 126,544	\$ 100,187	\$ 65,000	\$ 50,000
<u>Less: One time items (not expected to occur annually)</u>					
Sale of Shares	(22,989)	(18,179)			
Write-off of stale dated cheques- cumulative of multiple years		(42,237)			
GST audit- overpayments			(10,005)		
Extraordinary - sale of materials	(28,683)		(24,231)		
CDM -third tranche operating costs			125,565		
<u>Less: Unpredictable OPA incentives</u>		(18,710)	(107,175)		
<u>Less: Banner Hanging charges</u> *** terminated services in 2007	(11,250)	(10,550)			
Normalized Net revenues	\$ 51,544	\$ 36,868	\$ 84,341	\$ 65,000	\$ 50,000
Average 2006-2008					57,584

ii) Please explain the further reduction in net revenues in 2010 from \$65,000 to \$50,000.

RESPONSE:

The further reduction in 2010 of \$15,000 reflects the fact that as of July 2009, there were lower proceeds on the sale of materials and the 2010 forecast reflects this trend.

c) Please provide the actual year-to-date figures for 2009 for each account shown in the table on page 3 based on the most recent information available. Please also provide the year-to-date 2008 revenue for each account for the same period.

RESPONSE:

OEB	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Sep</u>	<u>2008</u> <u>Sep</u>
4080 Distributions Services	\$ (165,274)	\$ (126,372)	\$ (124,493)
4210 Rent from Elec Property	\$ (118,566)	\$ (146,947)	\$ (109,975)
4220 Other Elec Revenue	\$ (412,631)	\$ (376,736)	\$ (296,520)
4225 Late Payment Chgs	\$ (261,337)	\$ (202,631)	\$ (193,021)
4235 Misc Serv Revenues	\$ (343,182)	\$ (205,195)	\$ (254,552)
4380 Expenses of non-utility	\$ 217,382	\$ 84,470	\$ (564)
4375 Rev from non-utility	\$ (317,569)	\$ (374,481)	\$ (89,779)
4398 Foreign exch gain/loss	\$ (1,728)	\$ (1,767)	\$ (106)
4385 Non-util rent income	\$ (10,299)	\$ (7,672)	\$ (7,911)
4390 Misc Non-Oper Income	\$ (332,662)	\$ (101,971)	\$ (189,164)
4405 Int and Div Income	\$ (1,068,008)	\$ (418,059)	\$ (873,165)

- d) Where are revenues recorded for the sale of vehicles that are being replaced? Please provide the forecast revenue associated with vehicles being replaced in 2009 and 2010.**

RESPONSE:

Revenues received on the sale of vehicles are recorded in miscellaneous income – please see Oakville Hydro’s response to interrogatory 4(a). Oakville Hydro does not forecast gains or losses on vehicles as any amount will need to be determined at the time of receipt of the new replacement and will depend on the condition of the old vehicle at that time. As Oakville Hydro’s vehicles are on the road practically every day, 5 days a week, by the time we determine that they need to be replaced, there is little value remaining in the vehicle. When there has been a market for used large vehicles (i.e. - digger derricks or bucket trucks) and we are disposing of one of these vehicles, we have taken advantage of this situation and sell those types of vehicles through a reseller and have been able to make a gain on disposal. These gains are recorded in miscellaneous income.

- e) Please explain the significant increase in 2008 revenues in Account 4390 – Miscellaneous Non-Operating Income from \$97,174 in 2007 to \$332,662 in 2008.**

RESPONSE:

The increase in 2008 is due to a catch-up in the billings for chargeable work. Oakville Hydro had a billing system error in late 2007 that carried into 2008. Included in these billings are invoices for car accidents that damaged Oakville Hydro’s property, plant & equipment totaling \$136,565 and a temporary service installation worth \$27,345. Oakville Hydro does not budget for car accidents.

To the end of September we have recorded revenue of \$101,700.00 versus a budget of \$60,000.

- f) Please explain the significant decrease in forecast revenues in 2009 in Account 4390 from \$332,662 in 2008 to \$60,000 in each of 2009 and 2010.**

RESPONSE:

As described in response to interrogatory 10e), the 2008 year had significant revenues for chargeable catch-up billings for both 2006 and 2007 years. The 2009 and 2010 projections are based on annualized expectations.

- g) **Given that the revenues in Account 4390 are related to the recovery of costs for unexpected accidents, please explain why the 2009 and 2010 forecasts of \$60,000 are significantly below the 2007 level of more than \$97,000.**

RESPONSE:

Revenues in Account 4390 are related to chargeable work and vehicle accidents. Oakville Hydro does not budget for car accidents. As noted in the response to interrogatory (e), in 2009 Oakville Hydro has recorded \$101,700 in chargeable revenue to the end of September 2009.

- h) **Please confirm that there are no interest credits or debits included in Account 4405 – Interest Income associated with deferral and variance accounts. If this cannot be confirmed, please indicate the amount in Account 4405 excluding balances associated with interest on deferral and variance accounts.**

RESPONSE:

In Exhibit 3, Tab 4, Schedule 2, Appendix 2-D, Page 4 of 5, there is a detailed breakdown of Account 4405. This schedule identifies all categories of interest revenue. Both interest credits and debits on deferral and variance accounts itemized as “Interest on Regulatory Assets/liabilities” are included in years 2006 through 2008. Beginning in 2009 Oakville Hydro has changed its accounting practice to comply with the Accounting Procedures Handbook and Uniform System of Accounts and now records interest expense in Account 6035.

The revenue requirement calculation for the 2010 Test Year excludes both interest expense and interest revenue associated with deferral and variance accounts.

<u>Account 4405</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total interest reported	1,463,777	1,206,411	1,068,008	715,767	638,230
Less: Interest on deferral and variance accounts	(179,776)	368,064	365,742	(50,767)	(80,048)
Account 4405- without interest on deferral and variance accounts	1,284,001	1,574,475	1,433,750	665,000	558,182

- i) **The evidence indicates that Oakville Hydro has loans receivable from affiliates. Please provide the 2010 average outstanding balance for these loans in aggregate and show the interest calculation.**

RESPONSE:

<u>Affiliate</u>	<u>2010 Avg Outstanding Bal</u>	<u>Interest Income @ 5%</u>
Blink Communications Inc.	\$ 8,362,213	\$ 418,110.65
El-Con Construction Inc.	\$ 1,451,074	\$ 72,553.70
Golden Horseshoe Metering Systems Inc.	\$ 83,309	\$ 4,165.45
Oakville Hydro Corporation	\$ 72,120	\$ 3,606.00
Oakville Hydro Energy Services Inc.	\$ (85,076)	\$ (4,253.80)
	\$ 9,883,640	\$ 494,182

Note that these are not loans issued by Oakville Hydro to its affiliates
 Oakville Hydro charges interest on the monthly intercompany balances owed

- j) **How does Oakville Hydro finance the amounts loaned to its affiliates? Does Oakville Hydro borrow some or all of the funds? If yes, please provide the rate applicable to these borrowings for Oakville Hydro in 2010.**

RESPONSE:

Oakville Hydro's intercompany accounts with its affiliates represent normal operating expenses or allocations from Oakville Hydro. These accounts are funded from normal cash flows. Oakville Hydro has not drawn on its debt facilities.

- k) **Please identify the source and amount by year of the subsidy received for hiring qualified students from local community colleges shown for Account 4375 for 2006 through 2010.**

RESPONSE:

Oakville Hydro has received the following subsidies for its students, which forms part of Account 4375:

Source	Actual 2006	Actual 2007	Actual 2008	Budget 2009	Budget 2010
Sheridan College: Summer Job Services Program	\$5,600	\$6,680	\$10,544	\$10,000	\$10,000

YTD 2009-Oakville Hydro has only received \$2,632.

- 1) **Does the subsidy noted under Account 4375 include the Co-operative Education Tax Credit (CETC) and/or the Apprenticeship Training Tax Credit? Please provide the actual and forecasted amounts for both of these tax credits that have been included in Account 4375 showing the number of positions eligible and the amount for each position. If these tax credits are not included in Account 4375, please indicate where they are included for revenue requirement purposes.**

RESPONSE:

Account 4375 does not include any Co-operative Education Tax Credit or Apprenticeship training credit. These credits are a reduction of PILs expense. In the 2010, no such credit has been included. Oakville Hydro intends only to have one further apprentice in the control room.

Interrogatory # 11

Ref: Exhibit 3, Tab 3, Schedule 2

- a) **Please confirm that the total revenues in Account 4390 for the 2006 through 2008 period totaled \$486,918, or an average of more than \$162,000 in those years, after taking into account the administrative and billing delays identified on page 3.**

RESPONSE:

Yes, Oakville Hydro confirms that \$486,918 is the cumulative revenues for account 4390 from 2006 to 2008. However, some one-time costs were associated with this, as explained in Oakville Hydro's answer to question 10(e), (f) and (g).

- b) **Please explain the drop of more than \$100,000 from the 2006 through 2008 average in Account 4390 for 2009 and 2010.**

RESPONSE:

See Oakville Hydro's response to interrogatory #11 (a) above.

- c) **Please explain how the declining interest rate in 2010 from 0.8% to 0.5% results in a reduction in interest of \$373,445, the same decline shown in 2009 when interest rates fell from 3.1% in 2008 to 0.8% in 2009.**

RESPONSE:

The statement on Exhibit 3, Tab 3, Schedule 2, Page 4 of 4 "Declining interest rates from an average of 0.8% in 2009 to 0.5% in 2010 test year: resulting in a reduction of \$373,445", is an error. This should have said "resulting in a reduction of \$37,000", as shown in Exhibit 3, Tab 4, Schedule 2, Appendix 2-D Page 4 of 5.

- d) **Please provide the most recent rate that reflects what the affiliates could borrow at from a chartered bank.**

RESPONSE:

Each of the affiliates would need to make an individual application to a chartered bank for a loan. Rate would vary depending on the financial condition of the individual borrower.

Interrogatory # 12

Ref: Exhibit 3, Tab 4, Schedule 2-D

- a) **Please explain the significant drop in Other Income/Deductions shown for proceeds on sale of materials in Account 4375.**

RESPONSE:

The significant drop in Other Income/Deductions shown for proceeds on sale of materials in Account 4375 is mainly due to the metal recycling process. Approximately every one and one-half to two years, there is a higher sale of extra scrap metal caused by the cable rebuilds and upgrades. Since the actual proceeds for 2008 were \$84,760, a drop is expected for 2009.

- b) **What is the average bank deposit amount in 2010 that generates interest revenue of \$60,000? Please explain why Oakville Hydro has not invested some of this amount in short term investments that may generate more interest income.**

RESPONSE:

The average bank deposit amount in 2010 that generates interest revenue is estimated at \$12,000,000. At an anticipated interest rate of 0.5% this would result in interest revenue of $\$12,000,000 \times 0.005 = \$60,000$ per annum. Oakville Hydro has a conservative investment policy to ensure we do not expose funds held to pay for the cost of power to any undue risk. The most aggressive approach would involve investing in low risk Bankers' Acceptances or Bankers' Demand Notes. The rates currently offered for these instruments are 0.24% and 0.22% respectively. Interest earned in our bank account is currently at 0.525% and thus we are retaining the funds in our bank account until the economy improves and bank instrument rates increase.

Interrogatory # 13

**Ref: Exhibit 4, Tab 2, Schedule 1 &
Exhibit 4, Tab 2, Schedule 2**

- a) **Please confirm that the difference between the 2010 total OM&A expenses shown in Appendix 2-F of \$12,781,961 with the figure of \$12,506,961 in Appendix 2-F, which totals \$275,000, is one-fourth of the IFRS and Pandemic planning costs identified on page 10 of Exhibit 4, Tab 2, Schedule 2.**

RESPONSE:

Yes, this is confirmed. These two appendices 2-F, have been differentiated in the title on the top of each respective page.

- b) **Please confirm that the total OM&A costs of \$12,781,961 shown in Appendix 2-F of Exhibit 4, Tab 2, Schedule 1 only includes one-fourth of the 2010 cost of service application costs, or \$83,438 as detailed on page 10 of Exhibit 4, Tab 2, Schedule 2.**

RESPONSE:

Yes, this is confirmed.

Interrogatory # 14

**Ref: Exhibit 4, Tab 1, Schedule 1 &
Exhibit 4, Tab 2, Schedule 5**

Please reconcile the statement at page 1 of Exhibit 4, Tab 1, Schedule 1 that in 2010 there will be 21 staff members (approximately 25% of the total employees) over the age of 55 with the FTEE figure of 35 in 2010 shown in Appendix 2-J of Exhibit 4, Tab 2, Schedule 5.

RESPONSE:

Please refer to Oakville Hydro's response to Board Staff Interrogatory #21.

Interrogatory # 15

Ref: Exhibit 4, Tab 1, Schedule 1, pages 2-3

- a) **For each of the replacement positions shown, please provide the current cost associated with wages, salaries and benefits of the existing position, along with the forecast cost associated with the replacement.**

RESPONSE:

The current cost of wages, salaries and benefits associated with the positions to be replaced is \$462,055. The annual costs for the replacements will be \$403,608. The breakout by each replacement position will effectively show the salaries of identifiable individuals and therefore Oakville Hydro has filed the table in confidence, in accordance with the Board's Practice Direction. As with the report requested in VECC Question 6(c), Oakville Hydro submits that in the absence of any overriding formal disclosure requirements, salary information is highly sensitive personal information, and its public disclosure could expose those individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

- b) **For each replacement position where it is forecast that there will be an overlap between the existing employee and the replacement employee for all or part of 2010, please provide the total wage, salary and benefit cost associated with the replacement.**

RESPONSE:

As discussed in the preceding response, the breakout by each replacement position will effectively show the salaries of identifiable individuals and therefore Oakville Hydro has filed the requested information in confidence, in accordance with the Board's Practice Direction. As with the information requested in the preceding question, Oakville Hydro submits that in the absence of any overriding formal disclosure requirements, salary information is highly sensitive personal information, and its public disclosure could expose those

individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

Interrogatory # 16

Ref: Exhibit 4, Tab 2, Schedule 2

- a) **Please confirm that all of the incremental personnel shown for 2009 on page 7 have or will have been hired before the end of 2009. If this cannot be confirmed, please identify the positions that will not be filled by the end of 2009.**

RESPONSE:

This confirms that all the incremental personnel for 2009 on page 7 have been filled, except for the Financial Analyst which was budgeted to be hired July 2009. The Financial Analyst position has not yet been filled as a full time employee; however a contractor has been hired to perform these financial duties until such time as the position is filled permanently.

- b) **Please provide details on the new accounts receivable credit insurance that will be used to mitigate bad debts. In particular, which accounts/rate classes are covered by this insurance and how will any amounts covered be determined?**

RESPONSE:

The insurance purchased is in two parts. The policy covers only commercial customers, no residential or MUSH related customers. The first part of the insurance covers approximately 25 accounts on a named basis, initially with the amount of coverage based upon 2 months of average customer billings (minimum \$15,000). The second part of the coverage provides up to \$50,000 of coverage on a no name commercial customer basis. The deductible amount in this part of the policy is a cumulative amount of \$25,000.

- c) **Has Oakville Hydro put in place the accounts receivable insurance in 2009? If yes, please provide the actual annualized cost of this insurance.**

RESPONSE:

Yes, the policy is in place in 2009. The annual premium, plus application fee, for the period July 2009 to June 2010 is \$40,425.00 plus PST.

- d) **The evidence states that the accounts receivable credit insurance will reduce bad debt exposure in the future. Please explain the increase in bad debt expense from \$200,000 in 2009 to \$276,587 in 2010 as shown in Exhibit 4, Tab 2, Schedule 5, Appendix 2-G.**

RESPONSE:

In 2008 Oakville Hydro had one significant customer who had a very good payment history go into bankruptcy without any warning. That bad debt cost the company approximately \$ 250,000. The credit insurance we have purchased is on a named commercial account basis, with a general allowance of up to \$ 50,000 on an unnamed commercial account basis (residential accounts are excluded). The coverage by account fluctuates depending upon the credit position of the specific company.

The economy in Oakville is significantly affected by the automotive industry and has not yet recovered from the recession. There is an increase in the collection activity for residential customers as well as small commercial customers on both their electricity accounts and customer requested construction activity accounts. There has also been an increase in residential and small commercial customer requests for extended payment terms.

At the time of the preparation of the application Oakville Hydro had 7 months of actual experience on which to base its forecast, but as we not yet seen a clear improvement in the economy, Oakville Hydro felt it was prudent to increase our allowance for doubtful accounts to cover any unexpected unnamed or residential accounts.

- e) **Given the addition of new employee positions to accommodate upcoming retirements and conversion of contractors to permanent full-time positions (page 2 of Exhibit 4, Tab 1, Schedule 1), please explain why there is a decrease of more than \$600,000 in costs allocated to capital. In particular, why will more of the capital work be performed by third party contractors when the number of employees at Oakville Hydro is increasing?**

RESPONSE:

Oakville Hydro engaged a private consultant to perform a review of current asset management practices and deliver a report and recommendations in January 2009. The consultant conducted interviews with key personnel and presented an overview of these practices with particular focus on the following: condition and age assessments of existing infrastructure, the systematic

approach of inspection and maintenance activities, and the process of planning and prioritization of activities to maintain assets, and recommendations to work towards formalizing an asset management plan. Since January 2009, Oakville Hydro has also been benchmarking with other LDC's in an effort to better understand asset management best practices.

Oakville Hydro has reviewed the reports, recommendations and benchmarking findings, and refined our maintenance practices accordingly. These refinements result in more labour intensive maintenance programs requiring Oakville Hydro to divert resources away from capital projects. This capital work then needs to be performed by third parties.

With respect to hiring apprentices to replace upcoming retirements, these new employees will not be fully productive until they obtain journeyman status several years from now.

- f) **Please provide all the data and calculations used to determine the amount of operating costs recovered from affiliates in both 2009 and 2010.**

RESPONSE:

The data used to develop the charges to the affiliates starts with the budgets for the coming year for the following departments – Executive, Human Resources, Information Technology (IT) and Finance. For each of these departments Oakville Hydro starts with the management salaries and adds to that the other department costs that affect all affiliates. The allocation for each department is based upon different methodologies as follows:

Executive & Finance – based upon revenues of all affiliates

Human Resources & Safety – based upon affiliate headcount.

IT – based upon the numbers of system users.

Interrogatory # 17

Ref: Exhibit 4, Tab 2, Schedule 2

- a) **Will the operations manager position be refilled, left vacant, or eliminated, when the individual filling that position is promoted to the existing Director of Operations position?**

RESPONSE:

When the Operations Manager is promoted to the position of Director of Operations, the Operations Manager's position will be eliminated.

- b) **What is the all in salary, wage and benefits cost associated with the operations manager position?**

RESPONSE:

As this response refers to the total cost of one individual's salary and benefits, Oakville Hydro has filed the response in confidence, as per the Board's Practice Direction on Confidential Filings. Oakville Hydro submits that in the absence of any overriding formal disclosure requirements, salary information is highly sensitive personal information, and its public disclosure could expose those individuals to pecuniary harm in the employment market as it could affect their competitive positions with other potential employers. Information of this kind is protected from disclosure under Section 21 of FIPPA.

Oakville Hydro is prepared to provide unredacted copies of this material to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to Oakville Hydro's right to object to the OEB's acceptance of a Declaration and Undertaking from any person.

- c) **Why has Oakville Hydro not proposed to amortize the \$75,000 cost associated with the third party comprehensive compensation study over 4 years?**

RESPONSE:

These third party comprehensive compensation surveys are done on a periodic basis in order to ensure that we are able to attract, hire and retain qualified staff

at current market prices. It is a snapshot at that point in time and may not be relevant to future year's compensation levels.

- d) **Please provide the management training costs for each of 2006 through 2009 related to professional development of qualified professional engineers.**

RESPONSE:

The management training costs related to training for the professional development of professional engineers for the years 2006-2009 are as follows:

Actual 2006-	\$ 3,500
Actual 2007-	\$10,500
Actual 2008-	\$ 8,750
Budget 2009-	\$ 5,000
Budget 2010-	\$20,000

- e) **Please provide the costs for hydro and water in each of 2006, 2007, 2008 and 2009, along with the forecast for 2010. What is driving the increase of \$30,025 in 2010?**

RESPONSE:

The major cause of the increase is in the hydro. One of Oakville Hydro's tenants has opened an offsite data center site in the basement of Oakville Hydro's head office building, which is causing a significant increase to our monthly consumption. This increase is offset by an increase in the occupancy charge (starting in 2009) paid by the tenant, which can be seen in Exhibit 3, Tab 4, Schedule 2, Appendix 2-D, page 2, Account 4220. Starting in 2009, these charges will be trued up at year end based upon actual costs.

Summary of Hydro and Water Charges – Head Office/Substations

	2006	2007	2008	2009	2010
Water/Sewer	10,722.96	10,659.75	13,775.82	11,455.00	19,920.00
Hydro	<u>136,103.81</u>	<u>148,092.30</u>	<u>184,207.79</u>	<u>175,800.00</u>	<u>187,360.00</u>
Total	146,826.77	158,752.05	197,973.61	187,255.00	207,280.00
Variiances					30,025.00

- f) What is the impact on the 2010 revenue requirement if the unionized personnel annual increase is reduced from 3% to 2%?**

RESPONSE:

If the annual wage increase for unionized employees was reduced from 3% to 2%, working capital would decrease by \$37,107, further reductions in the regulated rate of return and income taxes of \$419 and \$88 respectively would result in a decrease of \$37,614 in the revenue requirement.

- g) What is the impact on the 2010 revenue requirement if the non-unionized annual increase is reduced from 3.5% to 2%?**

RESPONSE:

If the annual wage increase for non-unionized employees was reduced from 3.5% to 2%, the wages would decrease by \$94,224 further reductions in the regulated rate of return and income taxes of \$1,063 and \$224 respectively would result in a decrease of \$95,511 in the revenue requirement.

Interrogatory # 18

Ref: Exhibit 4, Tab 2, Schedule 1, Appendix 2-F

Please provide a table in the same level of detail as that shown in Appendix 2-F that shows the most recent available year-to-date OM&A expenses for 2009 and the corresponding figures for the same period in 2008.

RESPONSE:

September 2008 & 2009 Actual OM&A

	2009		2008
	<u>Sep</u>		<u>Sep</u>
Operation	\$ 2,782,280	\$	2,378,102
Maintenance	\$ 1,652,891	\$	1,422,692
Billing and Collecting	\$ 1,080,987	\$	1,187,678
Community Relations	\$ 56,715	\$	68,266
Administrative and General	\$ 2,563,679	\$	2,562,369
Property Taxes	\$ 285,900	\$	277,500
Subtotal	<hr/> \$ 8,422,452	\$	<hr/> 7,896,608
IFRS	<hr/> \$ 160,570		
Total	\$ 8,583,022	\$	7,896,608

Interrogatory # 19

Ref: Exhibit 4, Tab 2, Schedule 5

- a) **Please provide the costs incurred to date for the cost of service application, in the same format as shown in Table 1.**

RESPONSE:

Cost of Service Application
to October 31, 2009

NAME	DESCRIPTION	AMOUNT
Student	Provide support with 2010 Rate Application	32,847.87
Consultants	Provide professional services and assistance in connection with rate application filing	58,078.26
Legal	Legal review and preparation and distribution costs	57,120.34
TOTAL		\$148,046.48

- b) **Please identify all amounts or portions of amounts that would be eliminated if there was not any oral component to the Application.**

RESPONSE:

If there was no oral component to this Application, Oakville Hydro estimates that there would be \$60,000 eliminated. The costs are identified on Exhibit 4, Tab 2, Schedule 5, Table 1:

Transcription costs	10,000
Legal-expert witness, hearing	50,000

- c) Please provide the costs incurred to date for the IFRS conversion, in the same format as shown in Table 2.

RESPONSE:

IFRS costs

Description	Incurred To- Date	Total IFRS Cost
External Advisory Fees	88,000.00	260,000.00
Backfill - Controller (18months)	45,793.85	250,000.00
Project Manager	33,141.66	100,000.00
Contract Technical Support		90,000.00
IT system changes and consulting	-	300,000.00
Total Project Cost	166,935.51	1,000,000.00

- d) Why has Oakville Hydro proposed to amortize the IFRS related costs over a 4 year period? Would Oakville Hydro be willing to amortize these costs over a longer period, up to and including 10 years? If not, please explain why not, given the long term benefit of such an expenditure.

RESPONSE:

Oakville has proposed to amortize the IFRS over 4 years in order to mitigate the impact on customer rates, by having a large increase in one year, followed by a significant decrease in rates the following year.

A 4 year amortization is most appropriate as by that time Oakville Hydro's IFRS conversion will be fully implemented with a couple of years of history under IFRS.

Oakville Hydro expects that as the United States gets ready for their conversion, there will likely be more changes that will be required and more costs incurred.

- e) **Will any of the expenditures incurred by Oakville Hydro for the IFRS conversion be applicable to any of its affiliates? If not, why not? Have any of the affiliates made plans to incur costs related to the IFRS conversion? Have any of the forecast costs to be incurred by Oakville Hydro been allocated to its affiliates?**

RESPONSE:

The expenditures as outlined in Table 2 represent Oakville Hydro's portion of the expenditure. The majority of the costs and efforts are focused in the area of property, plant and equipment. There exists an International Financial Standards Board Exposure Draft on Rate Regulated Industries that was issued in the summer of 2009 but that will not be finalized until June 2010 which could have a major impact on how IFRS will be implemented at Oakville Hydro. As such, we are striving to develop processes that provide the greatest flexibility to adjust to whatever the ultimate outcome of this exposure draft is. This issue does not exist in any other affiliate.

The affiliates will be handled by internal staff and if required will be billed directly or allocated their respective portion of any invoices which are applicable to them

- f) **Are any of the costs shown in Table 2 eligible to be capitalized (e.g. IT system changes). If not, why not? If yes, why has Oakville Hydro expensed the costs?**

RESPONSE:

There are costs included in the IT System changes and consulting that may be eligible for capitalization, but these costs would be written off over a three year period. Since the OEB has now created a regulatory asset to accommodate these costs we are asking that the total costs of the IFRS implementation be recovered over 4 years and therefore also mitigate the impact to the customer.

.

- g) Why has Oakville Hydro proposed to amortize the Pandemic and Emergency Planning costs over a 4 year period? Would Oakville Hydro be willing to amortize these costs over a long period, up to and including 10 years? If not, please explain why not, given the long term benefit of such an expenditure.**

RESPONSE:

The Pandemic and Emergency Planning costs are being written off over a 4 year period, as Oakville Hydro believes that this is the period of benefit of such a plan. There should be advances in medicine that will be able to cure the current pandemic of viruses over this four year period but there will be new procedures and viruses to deal with which will require new Emergency plans to be developed.

- h) Has Oakville Hydro discussed the need for a Pandemic and Emergency Plan with the Electricity Distributors Association or some other grouping of electricity distributors in order to minimize the cost and duplication by other distributors in setting up such a plan, especially in relation to the generic components of such a plan? If not, why not?**

RESPONSE:

Oakville Hydro has had discussions on its Pandemic and Emergency Plan with another large electricity distributor and we both have some similar elements in our plans. We have also taken some of the generic components from the Canadian Electrical Association's guidelines.

- i) Will any of the Pandemic and Emergency Plan be used by any of the affiliates of Oakville Hydro? If not, why not? How much of the total cost for this plan has been allocated to affiliates?**

RESPONSE:

Yes the affiliates will benefit from the Pandemic and Emergency Plan, and the affiliates have been allocated \$38,000 for their appropriate share. This amount is included in their management fee.

- j) What is the basis for the \$40,000 forecast cost for the OEB for the review and disposition of the 2010 cost of service application? Is this cost in addition to the annual OEB assessment?**

RESPONSE:

The \$40,000 is the estimated cost Oakville Hydro believes it will be charged by the OEB to review and finalize this Cost of Service Application. This cost is in addition to the annual OEB assessment costs that are paid by Oakville Hydro to the OEB.

Interrogatory # 20

Ref: Exhibit 4, Tab 2, Schedule 5, pages 4 – 6

In the Report of the Board, Transition to International Financial Reporting Standards (EB-2008-0408) issued on July 28, 2009, the Board stated:

“The Board will establish a deferral account for distributors for incremental one-time administrative costs related to the transition to IFRS. This account is exclusively for necessary, incremental transition costs and is not to include the other two types of costs listed at the beginning of this section: ongoing compliance costs or impacts on revenue requirement arising from changes in the timing of the recognition of expenses.”

- a) **Based on the above, why is Oakville Hydro proposing to include the one-time administrative costs related to the transition to IFRS in the revenue requirement rather than in a deferral account?**

RESPONSE:

Oakville Hydro was finalizing and in review of its rate application with the costs of IFRS included in the revenue requirement when the report of the Board was issued. Upon reviewing the OEB’s Accounting Procedures Handbook Frequently Asked Questions issued on October 29, 2009, Question 1 states that a variance account for distributors who does not have a Board approved rate for recovery, can record one time administrative costs. It also states “In the distributor’s next cost of service rate application immediately after the IFRS transition period, the balance in this sub-account should be included for review and disposition.” Therefore being in a cost of service rate application year has incorporated all IFRS costs in this submission.

- b) **Would Oakville Hydro be amenable to the inclusion of the transition costs (amortized over 4 years or some longer period) in the 2010 revenue requirement and the establishment of a variance account that would track the actual costs as compared to that being recovered in rates? If not, why not?**

RESPONSE:

Oakville Hydro would be amenable to inclusion of the transition costs in the 2010 revenue requirement and the establishment of a variance account that

would track the actual costs vs. recovered amounts through rates, as long as the period of recovery is no more than 4 years.

- c) **Please provide a breakdown of the \$1,000,000 total project cost into each of the four stages.**

RESPONSE:

Oakville Hydro IFRS Project (000's)

Budget	<u>Phase1</u>	<u>Phase2</u>	<u>Phase3</u>	<u>Phase4</u>	<u>Total</u>
External Advisory	8	80	80	92	260
Backfill-controller			80	170	250
Project management		10	65	25	100
Contract Technical			40	50	90
IT Consulting			20	280	300
Total	8	90	285	617	1,000

Actual	<u>Phase1</u>	<u>Phase2</u>	<u>Phase3</u>	<u>Phase4</u>	<u>Total</u>
External Advisory	8	80	10		98
Backfill			28		28
Project management		10	25		35
Contract Technical			11		11
IT Consulting					-
Total	8	90	74	-	172

Variance	<u>Phase1</u>	<u>Phase2</u>	<u>Phase3</u>	<u>Phase4</u>	<u>Total</u>
External Advisory	-	-	70	92	162
Backfill	-	-	52	170	222
Project management	-	-	40	25	65
Contract Technical	-	-	29	50	79
IT Consulting	-	-	20	280	300
Total	-	-	211	617	828

- d) For each of the two stages that have been completed, please provide the actual cost and provide a variance explanation for any significant variance from the forecast for those stages provided in response to part (c) above.**

RESPONSE:

There have been no significant variances to date in the IFRS from the forecast.

Interrogatory # 21

Ref: Exhibit 4, Tab 2, Schedule 6, page 10 & 11 & 12

- a) **Oakville Hydro indicates that it is forecasting an average fuel price of \$1.30 per litre in 2010 as compared to an average fuel cost of \$1.03 in 2008. Does this increase account for the total increase of \$51,331? If not, what is the total increase associated with moving from a cost of \$1.03 per litre to a cost of \$1.30 per litre?**

RESPONSE:

The increase of \$51,331 referred to in the Application is solely for fuel.

- b) **The evidence indicates that \$20,000 has been included in the 2010 revenue requirement for the training of one member of the Board of Directors. Please explain why this cost should be recoverable from ratepayers, rather than from the owner of the distributor?**

RESPONSE:

The \$ 20,000, as stated, is to send one Board member to Director's college. The cost should be recoverable from ratepayers as the Board member learns about his/her role, responsibilities and how to discharge those responsibilities as it relates to the employees and operations of the LDC. They learn about how to instill a culture of ethical leadership, what governance models, theories and principles will ensure an optimal operation and control resources.

All these factors will be used in helping the individual understand the business, its operations, its management, its budgets and its rate applications.

- c) **Please confirm that the current collective agreement that expires in July, 2010 has a term of 3 years.**

RESPONSE:

Yes, the company is in the final year of a 3 year of a collective labour agreement that expires on June 30, 2010

- d) Why is Oakville Hydro not proposing to amortize the costs of \$30,900 associated with the negotiation of a new collective agreement over a time period similar to the length of the current agreement?**

RESPONSE:

The company is not proposing to amortize the costs of \$30,900 for this labour negotiation due to the immateriality of the expense. Historically these costs have been recorded in the year of negotiation.

Interrogatory # 22

Ref: Exhibit 4, Tab 2, Schedule 7

The evidence indicates that the number of Directors went from 3 prior to 2008 to 13, with an associated increase in the number of paid directors from 3 to 10 over the same period.

- a) Please provide the total cost associated with the Board of Directors for each of 2006, 2007 and 2008, along with the forecast for 2009 and 2010.**

RESPONSE:

The total cost of stipend and meeting fees associated with the Board of Directors by year is as follows:

2006		\$ Nil
2007	Actual	\$ 16,295
2008	Actual	\$ 62,447
2009	Forecast	\$ 132,696
2010	Budget	\$ 124,300

- b) Please explain why 3 directors are not paid, while the other 10 are paid.**

RESPONSE:

The 3 unpaid directors are employed by the Corporation of the Town of Oakville. The ultimate shareholder, being the Town, determined that each of these 3 people were being paid by the Town and their position on the Board was similar to that of a Town committee member, which did not provide additional compensation.

- c) **What was the rationale for the significant increase in the number of directors from 3 to 13 in 2008?**

RESPONSE:

The Corporation and Shareholder had reviewed governance guidelines which indicated that the optimal board size for performance was 11-13 directors. The Conference Board of Canada, in its Research Report # R-1425-08-RR, entitled "Director's Compensation and Board Practices in 2007" states that most companies have between 8 to 12 board directors at the median. Specifically within the energy industry, the range runs from 90% of companies having at least 6 directors to 10% having more than 12 directors. The Corporation and Shareholder also looked at Epcor Utilities Inc. as a comparator. Epcor has a board of 13.

The Governance and Risk Nominating committee conducted a search within Oakville and 130 qualified applicants came forward. The committee was looking for experience in Finance, HR, Governance, Legal and Operations. After an extensive review 13 nominees were put forward to the shareholder for approval.

Of the 13, 4 were returning directors to allow for continuity while the new members were in the orientation phase

Interrogatory # 23

Ref: Exhibit 4, Tab 2, Schedule 7, Appendix 2-L

Please provide a table for 2006 through 2010 that shows the total number of customers/connections (excluding sentinel and street lighting connections as shown in the second Appendix 2-J of Exhibit 4, Tab 2, Schedule 5), the number of total FTE's and the resulting number of customers/connections per FTE.

RESPONSE:

The following table provides the number of customers or connections per full time equivalent employee.

Modified Appendix 2-J
Number of Customer / Connections per Full Time Equivalent Employee (FTEE)
Excluding Sentinel and Street Lighting Connections

	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Year	2010 Test Year
Number of Customers/Connections	57,552	59,140	60,950	63,073	65,271
Number of FTEEs	98	98	98	106	113
Customers/Connections per FTEE	587	603	622	595	578

Interrogatory # 24

Ref: Exhibit 4, Tab 2, Schedule 8, Table 5

- a) **Please explain the decrease in cost of services provided by Oakville Hydro for billing administration from \$2,392,102 in 2008 to \$2,335,000 in 2009 and to \$2,315,333 in 2010.**

RESPONSE:

See Oakville Hydro's response to SEC Interrogatory #22(e). The costs of service for the billing and administration have been corrected to be:

2007	\$ 2,124,252
2008	\$ 2,442,101
2009	\$ 2,335,000
2010	\$ 2,428,384

The cause of the large increase in 2008 was one large bad debt, where Oakville Hydro wrote off just over \$250,000. The main reason for the increase in 2010 is the full year effect of hiring a billing supervisor in 2009. This was a new position in 2009.

- b) **Please explain the decrease in executive services costs forecast for 2010 as compared to 2009.**

RESPONSE:

The decrease in executive services cost forecast is due to 1) in 2009 there is \$ 100,000 for our Emergency Pandemic Plan and 2) a cost for a contract payroll clerk. Both these costs will be repeated in 2010. The contract payroll clerk has been replaced by a full time payroll person whose costs are recorded in the Finance department in 2010.

- c) **Please explain the decrease in occupancy services costs in 2010 as compared to 2009.**

RESPONSE:

The decrease in occupancy costs in 2010 occurs as we had not excluded all of the substation building maintenance costs in the 2009 allocation. They have been excluded from the allocation in 2010.

Interrogatory # 25

Ref: Exhibit 4, Tab 2, Schedule 8, page 10

For each of the services acquired by Oakville Hydro from its affiliates, please indicate whether the service was awarded to an affiliate as the result of a tendering process. For each such tendering process, please indicate whether or not the affiliate that now provides that service was the low bidder. In any instance where the affiliate was not the low bidder, please provide the premium paid to the affiliate.

RESPONSE:

The following services are being acquired from an affiliate:

Meter recalibrating & sealing services – the affiliate provides the same service to other utilities. Oakville Hydro pays the same price as the other utilities.

Sale, installation & commissioning of meters for multi residential condo applications – the affiliate provides the same service to other utilities. Oakville Hydro pays the same price as the other utilities. This affiliate is a single source supplier of the Quadlogic meters in Canada.

Construction services – competitive bid. The affiliate was able to offer better services at a lower price. In the rear lot conversion project the affiliate was the low bidder. See also Oakville Hydro's response to SEC # 22 (i).

Locating services – this service was provided as replacement for 1 in-house staff and an outside service. No RFP was issued, but pricing is market based, using third party comparables. (see Oakville Hydro's response to SEC # 22 (j)).

Fibre optic communication services – market priced, only \$ 4,500 per year.

Tree trimming – This is a cost based price from the Town of Oakville arborist division. The use of the Town provides efficiency, as they do similar work and provides an official presence when on site. This official presence reduces calls to Oakville Hydro to explain who is trimming trees and why.

Vehicle maintenance & fuel purchases – this is a cost based price. Oakville Hydro had its own maintenance department until 2001, when its operations moved to its current location. The current location does not have garage facilities, so the maintenance was outsourced and the company transferred its mechanics to the Town. The company takes advantage of the bulk buying pricing that the Town receives and pays their market based price.

Building lease – the lease rates are negotiated for a term of 10 years, based upon outside 3rd party market data and negotiations with the lessor.

.

Interrogatory # 26

Ref: Exhibit 4, Tab 3, Schedule 1

- a) **Please confirm that the 2009 provincial budget proposed to reduce the provincial corporate income tax rate from 14.0% to 12.0% effective July 1, 2010.**

RESPONSE:

Yes, the provincial budget has proposed to reduce the corporate income tax rate from 14.0 % to 12.0 % but it has not yet been passed by the Government or been substantially enacted.

- b) **Please recalculate the income taxes payable based on a 13.0% provincial income tax rate for 2010 and show the impact of this on the revenue requirement.**

RESPONSE:

An Ontario Tax Rate of 13% reduces PILS and revenue requirement from \$33,041,523 to \$32,947,840, a reduction of \$93,684.

Calculation of Revenue Deficiency or Surplus
Proposed Tax Rate of 31%

	2010 Test Existing Rates	2010 Test Proposed Rates
Revenue		
Suff/ Def From Below.		\$ 4,441,438
Distribution Revenue	\$ 28,506,402	28,506,402
Other Operating Revenue (Net)	2,093,240	2,093,240
Total Revenue	30,599,642	35,041,080
Distribution Costs		
Operation, Maintenance, and Administration	12,571,361	12,571,361
Depreciation & Amortization	10,230,261	10,230,261
Property & Capital Taxes	298,686	298,686
Interest- Deemed Interest	5,722,287	5,722,287
Total Costs and Expenses	28,822,595	28,822,595
Utility Income Before Income Taxes	1,777,047	6,218,485
Net Adjustments per 2010 PILs	151,994	151,994
Taxable Income	1,929,041	6,370,479
Tax Rate	31.0%	31.0%
Income Tax	598,003	1,974,849
Utility Net Income	\$ 1,179,044	\$ 4,243,636
Rate Base	132,448,078	132,448,078
Return On Equity	8.01%	8.01%
Equity Component Rate Base	40.0%	40.0%
Target Return -Equity on Rate Base	\$ 4,243,636	\$ 4,243,636
Rate of Return	5.21%	7.52%
Revenue Deficiency After Tax	3,064,592	
Revenue Deficiency Before Tax	4,441,438	

- c) **Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 and eliminated the 4.25% surtax on taxable income over \$500,000.**

RESPONSE:

The provincial budget does propose these changes; however, Oakville Hydro is not eligible for the small business tax rate and the provincial surtax.

- d) **Please provide a calculation showing the reduction in provincial income taxes as a result of the changes to the small business tax rates and claw back.**

RESPONSE:

Oakville Hydro is not affected by the small business tax rates and the clawback and therefore there is no impact.

- e) **Based on a combined federal provincial tax rate of 31%, and assuming the SR&ED claim for 2010 was the same as for 2008 (\$89,293) and that Oakville Hydro pays 25% of the claim to the third party consultant for preparing the claim, please calculate the resulting reduction in the revenue requirement.**

RESPONSE:

As shown in part A, an Ontario Tax Rate of 13% reduces PILS and revenue requirement from \$33,041,523 to \$32,947,840, a reduction of \$93,683. The revenue requirement would be decreased to \$32,840,142, a further reduction of \$107,698, if it is assumed that the SR&ED claim for 2010 will be the same as that in 2008 and that 25% of the claim would be paid to a third party consultant.

Calculation of Revenue Deficiency or Surplus

SR&ED Tax Credit

	2010 Test Existing Rates	2010 Test Proposed Rates
Revenue		
Suff/ Def From Below.		\$ 4,333,741
Distribution Revenue	\$ 28,506,402	28,506,402
Other Operating Revenue (Net)	2,093,240	2,093,240
Total Revenue	30,599,642	34,933,383
Distribution Costs		
Operation, Maintenance, and Administration	12,593,684	12,593,684
Depreciation & Amortization	10,230,261	10,230,261
Property & Capital Taxes	298,689	298,689
Interest- Deemed Interest	5,722,431	5,722,431
Total Costs and Expenses	28,845,065	28,845,065
Utility Income Before Income Taxes	1,754,577	6,088,317
Net Adjustments per 2010 PILs	151,994	151,994
Taxable Income	1,906,571	6,240,312
Tax Rate	31.0%	31.0%
Income Tax	591,037	1,934,497
SR&ED Tax Credit	- 89,923 -	89,923
Utility Net Income	\$ 1,253,463	\$ 4,243,744
Rate Base	132,451,427	132,451,427
Return On Equity	8.01%	8.01%
Equity Component Rate Base	40.0%	40.0%
Target Return -Equity on Rate Base	\$ 4,243,744	\$ 4,243,744
Rate of Return	5.27%	7.52%
Revenue Deficiency After Tax	2,990,281	
Revenue Deficiency Before Tax	4,333,741	

- f) **Please explain why Oakville Hydro has not included any deductions in 2010 that are comparable to the \$266,229 deduction from taxable income shown for 2008 as a scientific research expense. How is this deduction related to the Investment Tax Credit of \$89,293 shown for 2008?**

RESPONSE:

Oakville Hydro has not included any deduction that is comparable to the \$266,229 shown in 2008. The \$266,229 is the SR&ED deduction, which has the offset in the addition to income on the same schedule of \$318,541 in Exhibit 4, Tab 3, Schedule 3, Appendix B, Page 24 of 116. The net amount is \$52,312 (\$318,541-\$266,229) which represents the previous years SR&ED claim which becomes taxable in the 2008 year. See Exhibit 4, Tab 3, Schedule 3, Appendix B, Page 63 of 116.

The deduction related to the investment tax credit of \$89,293, is the 2008 investment tax credit which is calculated in Exhibit 4, Tab 3, Schedule 3, Appendix B, Page 38 of 116 and which is deducted from taxes on Exhibit 4, Tab 3, Schedule 3, Appendix B, page 8 of 116.

- g) **Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of \$10,000 per position and extending the eligibility period from 36 months to 48 months.**

RESPONSE:

Oakville Hydro has not included any Apprenticeship Training credits in the 2010 PILs calculation. This is referenced in Exhibit 4, Tab 3, Schedule 1, Page 4 of 7. This credit is considered immaterial, and the credit itself becomes taxable in the year of the deduction. Therefore for one apprentice:

Tax credit received	\$5,000
Tax on Credit(5,000 @32%)	(1,600)
Net	\$3,400

- h) Has Oakville Hydro included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If yes, please provide the calculations used to calculate this credit and indicate where in the calculation of income taxes it can be found.**

RESPONSE:

Oakville Hydro has not included any tax credits related to the Co-operative Education Credit, as it is unpredictable how many or whether the utility will continue to use these co-operative students in the future. In recent years, some departments have had productive and knowledgeable candidates, while other departments have not. In addition, these credits are immaterial because although you receive the credit, the credit is taxable in the same year.

For the 2008 year, Oakville Hydro received a credit of \$8,205 in Exhibit 4, Tab 3, Schedule 3, Appendix B, pages 115 of 116, however was taxed on this amount in Exhibit 4, Tab 3, Schedule 3, Appendix B, Page 24 of 116 as part of "Ontario Specified Credits". Therefore, the net reduction to PILs is \$5,456, which is immaterial.

Interrogatory # 27

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 17 &
Exhibit 2, Tab 4, Schedule 3, Appendix 2-B**

Appendix 2-B of Exhibit 2, Tab 4, Schedule 3 shows capital expenditures in 2009 for computer hardware and systems software of \$330,084 (account 1920) and \$252,740 for computer software (account 1925). The total of these two categories is \$582,824.

In Table 17 of Exhibit 4, Tab 3, Schedule 2, this amount is split into an amount of \$291,811 as an addition to CCA Class 45 and \$291,013 as an addition to CCA Class 50. Both of these CCA classes are for computer hardware and system software. The difference between the classes is when the assets were purchased (i.e. before or after January 27, 2009).

- a) Please explain why none of the computer software identified as expenditures in account 1925 has been put into CCA Class 12.**

RESPONSE:

Based on Oakville Hydro's review there should have been \$149,500 of non-systems software reallocated to Class 12.

- b) How has Oakville Hydro determined the amount to be put into Class 45? Did Oakville Hydro actually purchase assets of \$291,811 in computer hardware before January 27, 2009? Should these expenditures be put in CCA Class 50 with a rate of 55%? If not, why not?**

RESPONSE:

Based on the definition of Class 50, which specifically excludes computer hardware and software used principally as monitoring equipment, the SCADA project has been included in Class 45. Oakville Hydro defines the SCADA system as a monitoring system of our distribution system. These costs were mainly incurred in January 2009.

- c) How has the \$252,740 related to computer software (account 1925) been allocated between CCA classes 45 and 50?**

RESPONSE:

There was no allocation between these classes. This amount is for the SCADA project.

- d) Please identify the software to be purchased in 2009 and explain why it would be considered systems software as defined for inclusion in CCA classes 45 or 50, rather than computer software as defined for inclusion in CCA class 12.**

RESPONSE:

As described in (b) and (c) above, the only project categorized as Class 45 is the SCADA system and it fits the description of monitoring equipment. As described in above in (4a) \$149,500 should have been in Class 12, with the remainder in Class 50.

- e) Please confirm that CCA Class 50 is for property acquired after March 18, 2007, not Jan 27, 2009 as indicated in Table 17.**

RESPONSE:

In Table 17, there are two lines for Class 50. The first states “ Computer Equipment and related system software (acquired post January 27, 2009)”, this should have been “Computer equipment and related System Software (acquired after March 18, 2007. This line calculates depreciation on the 2008 balance in Class 50 at the 55% rate. The second line for Class 50 calculates depreciation on additions in 2009 in the same class but with the CCA rate of 100% with no half year rule.

Interrogatory # 28

**Ref: Exhibit 4, Tab 3, Schedule 2, Table 18 &
Exhibit 2, Tab 4, Schedule 4, Appendix 2-B**

Appendix 2-B of Exhibit 2, Tab 4, Schedule 4 shows capital expenditures in 2010 for computer hardware and systems software of \$165,200 (account 1920) and \$1,041,800 for computer software (account 1925). The total of these two categories is \$1,207,000.

In Table 18 of Exhibit 4, Tab 3, Schedule 2, this amount is split into an amount of \$611,000 as an addition to CCA Class 45 and \$596,000 as an addition to CCA Class 50. Both of these CCA classes are for computer hardware and system software. The difference between the classes is when the assets were purchased (i.e. before or after January 27, 2009).

- a) Please explain why none of the computer software identified as expenditures in account 1925 has been put into CCA Class 12.**

RESPONSE:

Based on Oakville Hydro's review there should have been \$125,000 of non-systems software reallocated to Class 12.

- b) How has Oakville Hydro determined the amount to be put into Class 45? Why would these amounts not be included in Class 50 with a CCA rate of 55%?**

RESPONSE:

Based on the definition of Class 45, the SCADA project is the only item entered into this class. Oakville Hydro defines this to be a monitoring system of our distribution system which is specifically excluded from Class 50.

- c) How has the \$1,041,800 related to computer software (account 1925) been allocated between CCA classes 45 and 50?**

RESPONSE:

There was no allocation between these classes, only the SCADA project was defined as Class 45.

- d) **Please identify the software to be purchased in 2010 and explain why it would be considered systems software as defined for inclusion in CCA classes 45 or 50, rather than computer software as defined for inclusion in CCA class 12.**

RESPONSE:

As described in Oakville Hydro's responses to interrogatories b) and c) above, the only project categorized as Class 45 is the SCADA system and it fits the description of monitoring equipment. As described in above in a) \$125,000 should have been in Class 12, with the remainder in Class 50.

- e) **Please explain why Oakville Hydro has included additions to CCA Class 45 in both 2009 and 2010 but there were no additions to this class in 2008 (Exhibit 4, Tab 3, Schedule 3, Appendix B, page 27).**

RESPONSE:

Oakville Hydro has included additions to Class 45 in the 2009 and 2010 year for the SCADA project which will be capitalized in 2009. In the 2008 tax year, there was no project capitalized in this class.

Interrogatory # 29

**Ref: Exhibit 4, Tab 3, Schedule 1, page 4 &
Exhibit 4, Tab 3, Schedule 3, Appendix B, pages 108 & 109**

The evidence at Exhibit 4, Tab 3, Schedule 1 states that for the 2010 test year, only one apprentice is included in the budget and therefore this credit will be immaterial in future years.

- a) Please identify the one apprentice that is included in the budget for 2010 that is eligible for the apprenticeship tax credit from the four positions shown in CT23 Schedule 114 for the 2008 taxation year (Exhibit 4, Tab 3, Schedule 3, Appendix B, pages 108 & 109). If the one apprentice included in the 2010 budget is none of the four shown, please provide details.**

RESPONSE:

The one apprentice that would be eligible for the apprenticeship credits is the new control room apprentice described in Exhibit 4, Tab 1, Schedule 1, page 3 of 3.

- b) Three of the four positions shown on CT23 Schedule 114 for 2008 have registration dates that would seem to indicate that all or a portion of 2010 would qualify for an apprenticeship tax credit paid during the first 36 months of an apprenticeship program. Please explain why Oakville Hydro has not forecast any apprenticeship tax credit associated with these existing eligible apprenticeship positions.**

RESPONSE:

Oakville Hydro omitted this in its tax calculation. Three of the apprentices in Exhibit 4, Tab 3, Schedule 3, Appendix 3, Pages 108 and 109 would qualify for this tax credit in the 2010 year and it would be the last year for this credit.

Interrogatory # 30

Ref: Exhibit 7, Tab 1, Schedule 3

- a) **Why is Oakville Hydro proposing to increase the revenue to cost ratio for the GS > 50 kW to 85% rather than the 80% lower boundary in the Board's range?**

RESPONSE:

In its report entitled "Application of Cost Allocation for Electricity Distributors" (the Report) issued on November 28, 2007, the Board outlines its expectations about how electricity distributors are to allocate the costs of providing distribution service to different customer classes.

In Section 2.3.4 of the Report, the Board states two principles of managing the movement of rates closer to allocated costs: rate stability and the avoidance of rate shock. The Board also states that "*distributors should endeavor to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations*" and that distributors should not move their revenue-to-cost ratios further away from one.

Oakville Hydro considered the bill impact and the above principles and directions, when it proposed the revenue to cost ratio of 85% for the GS 50 to 999 kW class.

Please note that Oakville Hydro's revenue to cost ratio proposal is supported by an improved Cost Allocation study (updated to 2010 Test Year).

Oakville Hydro's principles in developing its proposed revenue to cost ratios are stated in Exhibit 7, Tab 1, Schedule 3, Page 4 to 5.

- b) **Why is Oakville Hydro not proposing to increase the revenue to cost ratio over three years for the sentinel lights and street lighting to 75%, the same amount above the lower bounds of the Board's ranges as it is proposing to do for the GS > 50 kW class?**

RESPONSE:

In its previous decisions on Cost of Service applications, the Board has adopted the general principle that, the revenue to cost ratios could move half way towards the bottom of the target range (i.e. 70% for Street Lighting and Sentinel Lighting classes) in the first year and then move the rest of the way over 2 years (e.g. Wellington North, EB-2007-0698, Brantford Power, EB-2007-0901).

In addition to the general principle above, Oakville Hydro took in consideration the bill impact.

- c) **In calculating the Customer Unit cost per month – Avoided Cost, Oakville Hydro has indicated that it has excluded miscellaneous revenues from the calculation because it believes that the allocation of these miscellaneous revenues for the purpose of calculating the floor and ceiling is inappropriate.**
- i) **Is Oakville Hydro aware of any 2008 or 2009 cost of service Decisions by the Board where the Board allowed the distributor to do what Oakville Hydro is proposing?**

RESPONSE:

Oakville Hydro is not aware of any 2008 or 2009 cost of service applications where a Distributor proposed that miscellaneous revenues should be excluded from the calculation of the Customer Unit cost per month – Avoided Cost.

- ii) **What is the impact on the table on page 8 of Exhibit 8, Tab 1, Schedule 2 if Oakville Hydro were to include the miscellaneous revenues in the calculation of the floors and ceilings for the rate classes?**

RESPONSE:

If Oakville Hydro were to include the miscellaneous revenues in the calculation of the floors and ceilings for the rate classes the impact on the table on page 8 of Exhibit 8, Tab 1, Schedule 2 would be as shown in the table below. The Customer Unit Cost per Month – Avoided Cost and the Customer Unit per Month – Directly Related for the General Service Greater than 1,000 kW are negative values.

It is Oakville Hydro's opinion that it is inappropriate to consider miscellaneous revenue in the calculation of the ceiling and floor for fixed charges since, in most cases, there is no proportional relationship between the miscellaneous revenues earned and the number of customers.

Summary

Customer Unit Cost per month - Avoided Cost

Customer Unit Cost per month - Directly Related

Customer Unit Cost per month - Minimum System with PLCC Adjustment

Fixed Charge per approved 2009 IRM

Proposed Monthly 2010 Fixed Charges

1	2	3	4		6	7
Residential	General Service Less than 50 kW	General Service 50 to 999 kW	General Service Greater than 1,000 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
\$2.86	\$6.90	\$43.57	-\$81.41	\$0.20	\$0.21	\$2.48
\$3.87	\$10.09	\$65.83	-\$47.16	\$0.40	\$0.41	\$4.00
\$10.95	\$19.11	\$91.26	\$560.42	\$9.96	\$16.64	\$9.56
\$14.72	\$31.09	\$199.71	\$3,160.88	\$0.31	\$0.04	\$15.05
\$14.08	\$34.88	\$294.66	\$3,662.59	\$1.84	\$1.69	\$12.33

Interrogatory # 31

Ref: Exhibit 8, Tab 2, Schedule 1

- a) **For each of Table 24, 26, 28, 30 and 31, please provide a breakdown of the loss of distribution revenue into each of calendar 2008, 2009 and 2010.**

RESPONSE:

Oakville Hydro has recalculated the revenue loss by correcting Customer D's distribution rates from GS 1000 to 4999 kW rates to GS 50 to 999 kW rates and by grouping per year the revenue losses by year

The results are:

Customer	The Loss of revenue started	Revenue Loss in 2008	Revenue Loss in 2009	Revenue Loss in 2010
A	Dec-08	\$45,796	\$646,420	\$247,208
B	Jul-08	\$40,519	\$93,743	\$31,110
C	Feb-08	\$35,515	\$48,201	\$16,060
D	Apr-08	\$13,903	\$18,547	\$6,184
Annual Total		\$135,733	\$806,910	\$300,562
Total Lost Revenue	\$1,243,205			

- b) For each of Table 24, 26, 28, 30 and 31, please provide a breakdown of the loss of distribution revenue into each of the following periods: up to and including April, 2009; May, 2009 through April, 2010.

RESPONSE:

Customer	Ending April, 2009	May 2009 to April 2010	Total
A	\$229,517	\$709,907	\$939,423
B	\$72,042	\$93,330	\$165,372
C	\$51,597	\$48,179	\$99,776
D	\$20,082	\$18,551	\$38,634
Total Lost Revenue	\$373,238	\$869,967	\$1,243,205

- c) Please confirm that if, during the period before the next rebasing application by Oakville Hydro, the four facilities that have experienced significant reductions in use have actual use that is greater than forecast and the additional revenue is in excess of the materiality threshold of \$170,000, that this excess revenue will be returned to customers through a rate rider or a decrease in the proposed rate rider. If this cannot be confirmed, please explain why not.

RESPONSE:

Oakville Hydro has requested that it be permitted to record the variance between the amount approved for recovery and the amount collected through the rate riders in 1572 Extraordinary Event Costs account. After the four-year recovery term, any remaining balance will be proposed for disposition.

Reconciliation between the anticipated and actual amount of distribution revenue of the four facilities that have experienced significant reductions in use will be performed in the 2010 rate year (after May 1, 2010). Oakville Hydro is willing to adjust the balance with any existing variance calculated up to April 30, 2010, if the Ontario Energy Board approves the methodology. Any remaining balance will be requested for disposition at an appropriate future date.

In addition, please see the Oakville Hydro's response to Board Staff interrogatory # 11.

d) Please explain why Oakville Hydro is requesting Z factor treatment for lost revenues as far back as February, 2008.

RESPONSE:

Oakville Hydro has been monitoring the economic recession's effect on its sales since January 2008, when the very first indicators and public concerns were released by mass media. In Oakville Hydro's opinion, the economic recession is one unforeseen and extraordinary event that started in early 2008 and will continue in 2010 which is consistent with the following Z-factor criteria:

1. Causation: The events were not within management's control and are clearly outside of the base upon which rates were derived (2006 EDR-Allocation of the Base Revenue Requirement).
2. Materiality: The amount exceeds the Board-defined materiality threshold and has a significant influence on Oakville Hydro's operation. The distribution revenue loss is 4.0% of the 2009 approved Revenue Requirement (3.7% of the 2010 proposed Revenue Requirement).
3. Prudence: Oakville Hydro's staff worked with these customers during early stages of their consumption pattern change, and gathered business forecast information.

e) If Oakville Hydro adds new loads or existing customers (other than the four addressed in this evidence) increase their use, will Oakville Hydro commit to bringing forward a Z factor reduction to rates to reflect the gain of distribution revenue if this gain is in excess of the materiality threshold of \$170,000? If not, why not?

RESPONSE:

New loads are already considered in forecasted 2010 sales (other than the four addressed in this evidence); the Z factor refers to historical and up to April 30, 2010 revenue losses (pre-2010 rate year). Therefore, Oakville Hydro does not agree that a reduction to rates is justifiable.

The establishment of specific revenue requirements through cost causality determinations is a fundamental rate-making principle. Cost allocation is key to implementing that principle.

Taking in consideration the cost causality principle, Oakville Hydro believes that adding existing customers (i.e. reclassification of existing customers) does not qualify as a replacement for other lost customer loads.

In addition, please see Oakville Hydro's response to Board Staff interrogatory # 11.

- f) **Please clarify whether the rates set for 2008 and 2009 were set under first generation PBR, second generation IRM or third generation IRM.**

RESPONSE:

Oakville Hydro's 2008 and 2009 rates were set under second generation IRM.

Interrogatory # 32

Ref: Exhibit 9, Tab 1, Schedule 3

The evidence indicates that Oakville Hydro inadvertently did not apply for the embedded LV rate in the 2006 EDR and the variance in this cost is recorded in account 1550.

- a) **Has Oakville Hydro recovered any of the LV charge since market opening? If yes, please indicate over what period it has been recovering the LV charge.**

RESPONSE:

Oakville Hydro has not recovered any LV charges since market opening.

- b) **Please confirm that the amount in Account 1550 at the end of 2008 of \$1,409,137 (Exhibit 9, Tab 1, Schedule 6, page 4) consists of only LV charges.**

RESPONSE:

Oakville Hydro confirms that Account 1550 consists only of LV charges with a balance of \$1,409,137 at the end of 2008.

- c) **Please confirm that the interest shown in the same schedule in Account 1550 at the end of 2008 of \$84,842 is all related to the LV balances only. If not, please calculate the amount of the interest that is associated solely with the LV balances.**

RESPONSE:

Oakville Hydro confirms that interest of \$84,842 consists only of interest on LV charges.

- d) Why does Oakville Hydro consider it appropriate that ratepayers should pay interest on balances that are the direct result of Oakville Hydro's omission?**

RESPONSE:

Oakville Hydro was aware that it would have LV charges from Hydro One commencing at market opening. Once the market opened in May 2002, Hydro One was subject to a freeze, which did not allow them to bill the utilities for these charges. Therefore, Oakville Hydro accrued the estimated LV charges it believed it would eventually be charged by Hydro One. It was not until May 2005 that Hydro One commenced billing Oakville Hydro for the LV charges back to market opening over a three year period. Oakville Hydro did miss applying for an LV rate in the 2006 EDR, however, Oakville Hydro had not paid for any of the LV charges for 3 years with only estimate balances in place.

It is appropriate that the ratepayers should pay interest on this balance because Hydro One's rates and billings to Oakville Hydro were not done on a timely basis and the Account 1550 is now reflective of the true costs paid to Hydro One for all actual LV charges. Account 1550 became effective May 1, 2006 and was previously recorded in Account 1586.

Interrogatory # 33

Ref: Exhibit 9, Tab 2, Schedule 1

- a) Please confirm that the total interest associated with Account 1550 is \$103,220 as shown in Table 8.

RESPONSE:

Yes, the total interest associated with account 1550 is \$103,220.

- b) Please explain the comment on page 2 that a one year disposition of \$7,386,841 due to customers would increase the interest expense in light of the fact that Oakville Hydro has actual long term debt that is more than \$6.2 million less than the deemed amount of long term debt on which it is earning a return.

RESPONSE:

The comment in Exhibit 9, Tab 2, Schedule 1, Page 2 is stating that if it repaid the customers in one year, Oakville Hydro would need to obtain a third party loan. This loan would be assumed to be at market rate.

Based on this Cost of Service Application, the deemed long term debt is \$74,170,924 and Oakville Hydro's actual long term debt is \$76,161,636 (Promissory Note: \$67,945,839 + Capital Lease Obligation: \$8,215,797) from Exhibit 1, Tab 3, Schedule 2, Appendix G, pages 15 & 16), this exceeds the deemed amount.

The deemed interest for 2010 is \$5,722,287, and the actual interest Oakville Hydro would incur if it had to repay the Deferral accounts would be \$6,237,936 (see detailed calculation below). Therefore, Oakville Hydro would experience a shortfall.

<u>Deemed Interest</u>			<u>5,722,287</u>
<u>Actual Interest</u>			
Interest on promissory Notes	51,957,430		
	<u>15,988,409</u>		
	67,945,839	7.62%	5,177,473
Interest on customer deposits			55,000
Interest on Capital Leases			636,121
Loan for Regulatory Liabilities	7,386,841	5%	<u>369,342</u>
			<u>6,237,936</u>

- c) **Does Oakville Hydro believe it is appropriate to withhold money that is owed to customers and pay them 0.55% on these balances, while at the same time earning a return of 7.62% on debt that does not exist?**

RESPONSE:

Oakville Hydro does not earn a return on deferral and variance accounts. The deferral and variance accounts are a debt to the customer and Oakville Hydro believes that it is appropriate to apply the OEB prescribed interest rate of 0.55% to that debt. In addition, please see Oakville Hydro's response to Energy Probe Interrogatory #34 (a).

Interrogatory # 34

Ref: Exhibit 9, Tab 3, Schedule 1, Appendix C

- a) **Does Oakville Hydro propose to update the calculations to reflect the short term debt rate, long term debt rate and return on equity for 2010 when they are released by the Board (page 5)?**

RESPONSE:

Oakville Hydro will update the calculations to reflect the short term debt rate, long term debt rate and return on equity for 2010 when they are released and approved by the Board for Oakville Hydro's final rates..

- b) **Will the new cost of capital parameters for 2010 also be used for 2011 and later?**

RESPONSE:

It is Oakville Hydro's understanding that the approved cost of capital parameters will be used until the next rebasing. However, Oakville Hydro will update the cost of capital parameters for 2010 and 2011 if directed to do so by the Board.

- c) **Please update the calculation to reflect a corporate income tax rate of 28.25% for 2011 and 26.25% for 2012 (and later) which are based on the most recent federal and provincial budgets.**

RESPONSE:

All tax calculations for this rate application are based on "substantially enacted rates", therefore the 28.25% and 26.25% are only proposed rates with no certainty that the rates will come into effect.

Oakville Hydro has updated the smart meter rate calculation model to reflect a corporate income tax rate of 28.25% for 2011 and 26.25% for 2012 and later. Please see Appendix EP 34.

- d) **Why is there no interest cost associated with the short term debt component of the return on rate base (page 7)?**

RESPONSE:

Oakville Hydro has corrected the smart meter rate calculation model to calculate interest associated with short-term debt.

See Appendix EP 34.

- e) **The CCA calculation on page 12 appears to underestimate the CCA deduction, as well as delay the timing of the CCA deduction. Please recalculate based on separate CCA calculations for computer hardware (Class 50) and computer software (Class 12). In particular, Class 50 has a rate of 100% for 2009 and 2010 and 55% beyond that. In addition, the half year rule does not apply for additions in 2009 and 2010. Class 12 has a rate of 100%, and the half year rule applies to all years.**

RESPONSE:

Oakville Hydro has corrected the smart meter rate calculation model to correctly place Class 12 assets in the appropriate CCA class.

See Appendix EP 34.

Interrogatory # 35

Ref: Exhibit 2, Tab 1 & Exhibit 4, Tab 2

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

- a) **Please confirm that Oakville Hydro has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.**

RESPONSE:

Oakville Hydro has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax effective July 1, 2010.

- b) **Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.**

RESPONSE:

Oakville Hydro does not budget the provincial sales taxes separately as part of the OM&A costs. However, Oakville Hydro has performed a high level best estimate based on types of expenses that are currently subject to PST and has calculated the total PST estimate on OM&A costs in 2010 to be \$82,500 (\$41,250 for July to Dec 2010). However, as mentioned in its response to Interrogatory #2 above, at this time Oakville Hydro is not fully aware of all the implications and rules of this new HST tax and all the possible negative and positive impacts it may have.

- c) **Please provide the amount of provincial sales tax paid by Oakville Hydro in each of 2006, 2007, 2008 and 2009 on OM&A expenses.**

RESPONSE:

Oakville Hydro's general practice is to record the Provincial Sales Tax charged on an expense item to the cost code of that expense item. The PST follows the expense and is not recorded in a separate account. However, Oakville Hydro has reviewed the expenses and determined which costs are generally subjected to PST. Therefore, based on this high level review Oakville Hydro estimates

for each of 2006, 2007, 2008 and 2009 the PST on OM&A expenses is approximately:

2006	\$77,000
2007	\$69,000
2008	\$71,000
2009	\$76,000

- d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Oakville Hydro to comply with two separate sets of tax rules?**

RESPONSE:

Oakville Hydro anticipates that any reduction in compliance costs that will result from the reduction in administrative burden to Oakville Hydro will be minimal. Initially, the costs would likely increase due to the administering of 2 sets of tax rules throughout the transition period of the HST program. In addition, costs will be incurred in the planning and implementation of the program to ensure software modifications are made and tested. Additional costs will be associated with the review and revision of supplier/customer profiles as they relate to exemptions. Purchase orders, contracts and agreements will also need to be reviewed and potentially revised. All changes and adjustments will be made in conjunction with our audit firm to ensure we comply with the HST program.

- e) Please confirm that Oakville Hydro has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.**

RESPONSE:

Oakville Hydro has not made any adjustments to the Capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.

- f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.**

RESPONSE:

The 2010 forecast of capital expenditures, at this point, represents projected amounts for the projects Oakville Hydro plans to undertake in 2010. Current contracts with Contractors /Subcontractors do not specifically disclose the PST charged or included in the cost base. As such, Oakville Hydro cannot provide a credible estimate of PST that would be included in the capital expenditure forecast.

- g) Please provide the amount of provincial sales tax paid by Oakville Hydro on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.**

RESPONSE:

Provincial Sales Tax paid by Oakville Hydro for each of 2006, 2007, 2008, and 2009 on capital expenditures is not attainable with any certainty or reasonableness. Oakville Hydro pays for its materials used and contractors services for capital projects and does not segregate the PST paid on these items. In some instances the contractors charge PST on some of their services and not on others, and some contractors also have capital projects with the PST built into their charge therefore making it impossible to obtain a reasonable estimate.

Sheet 1 Utility Information Sheet

Name of LDC: Oakville Hydro Electricity Distribution Inc.

Licence Number: ED-2003-0135

Date of Submission: August 28, 2009

Contact Information

Name: Cristina Birceanu

Title: Manager, Regulatory Affairs

Phone Number: 905-825-4422

E-Mail Address: cbirceanu@oakvillehydro.com



Sheet 2. Smart Meter Capital Cost and Operational Expense Data

Smart Meter Unit Installation Plan:

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
Planned number of Residential smart meters to be installed				13,980	39,716			53,696
Planned number of General Service Less Than 50 kW smart meters				1,312	3,543			4,855
Planned Meter Installation (Residential and Less Than 50 kW only)	-	-	-	15,292	43,259	-	-	58,551
Percentage of Completion	0%	0%	0%	26%	100%	100%	100%	
Planned number of General Service Greater Than 50 kW smart meters								-
Planned / Actual Meter Installations	-	-	-	15,292	43,259	-	-	58,551

Other Unit Installation Plan:

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
Planned number of Collectors to be installed								-
Planned number of Repeaters to be installed								-
Other : Please specify								-
								-
								-
								-
								-

Capital Costs

\$ 10,239,002

1.1 ADVANCED METERING COMMUNICATION I Asset Type

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
1.1.1 Smart Meter				\$ 1,980,044	\$ 5,929,883	\$ 117,721	\$ 64,818	\$ 8,092,466
<i>may include new meters and modules, etc.</i>								
1.1.2 Installation Cost				\$ 249,620	\$ 692,160			\$ 941,780
<i>may include socket kits plus shipping, labour, benefits, vehicle, etc.</i>								
1.1.3a Workforce Automation Hardware				\$ 11,746	\$ 35,239			\$ 46,985
<i>may include fieldworker handhelds, barcode hardware, etc.</i>								
1.1.3b Workforce Automation Software								\$ -
<i>may include fieldworker handhelds, barcode hardware, etc.</i>								
Total Advanced Metering Communication Device (AMCD)	\$ -	\$ -	\$ -	\$ 2,241,410	\$ 6,657,282	\$ 117,721	\$ 64,818	\$ 9,081,231

1.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
1.2.1 Collectors				\$ 472,439				\$ 472,439
<i>may include radio licence, etc.</i>								
1.2.2 Repeaters								\$ -
<i>may include radio licence, etc.</i>								
1.2.3 Installation				\$ 576,284	\$ 156,033			\$ 732,317
<i>may include meter seals and rings, collector computer hardware, etc.</i>								
Total Advanced Metering Regional Collector (AMRC) (includes LAN)	\$ -	\$ -	\$ -	\$ 1,048,723	\$ 156,033	\$ -	\$ -	\$ 1,204,756

1.3 ADVANCED METERING CONTROL COMPUTER (AMCC)

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
1.3.1 Computer Hardware								\$ -
<i>may include AS/400 disc space, backup & recovery computer, UPS, etc</i>								
1.3.2 Computer Software				\$ 163,194				\$ 163,194
<i>may include AS/400 disc space, backup & recovery computer, UPS, etc</i>								
1.3.3 Computer Software Licence & Installation (includes hardware)								\$ -
<i>may include AS/400 disc space, backup & recovery computer, UPS, etc</i>								
Total Advanced Metering Control Computer (AMCC)	\$ -	\$ -	\$ -	\$ 163,194	\$ -	\$ -	\$ -	\$ 163,194

1.4 WIDE AREA NETWORK (WAN)

	2006	2007	2008	2009	2010	2011	Later	Total
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
1.4.1 Activation Fees				\$ 61,803				\$ 61,803
<i>may include AS/400 disc space, backup & recovery computer, UPS, etc</i>								
Total Wide Area Network (WAN)	\$ -	\$ -	\$ -	\$ 61,803	\$ -	\$ -	\$ -	\$ 61,803

Sheet 2. Smart Meter Capital Cost and Operational Expense Data

1.5 OTHER AMI CAPITAL COSTS RELATED TO MINIMUM FUNCT		2006	2007	2008	2009	2010	2011	Later	Total
		Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted	
1.5.1 Customer equipment (including repair of damaged equipme	Other Equip.								\$ -
1.5.2 AMI Interface to CIS	Comp. Soft.								\$ -
1.5.3 Professional Fees	Comp. Soft.				\$ 76,818	\$ 92,988			\$ 169,806
1.5.4 Integration	Comp. Soft.				\$ 109,966	\$ 278,867			\$ 388,832
1.5.5 Program Management	Comp. Soft.				\$ 19,527				\$ 19,527
1.5.6 Other AMI Capital	Comp. Soft.								\$ -
Total Other AMI Capital Costs Related To Minimum Functionality		\$ -	\$ -	\$ -	\$ 206,311	\$ 371,855	\$ -	\$ -	\$ 578,166
Total Capital Costs		\$ -	\$ -	\$ -	\$ 3,721,441	\$ 7,185,169	\$ 117,721	\$ 64,818	\$ 11,089,150

Sheet 2. Smart Meter Capital Cost and Operational Expense Data

OM & A

2.1 ADVANCED METERING COMMUNICATION DEVICE (AMCD)

	2006 Audited Actual	2007 Audited Actual	2008 Actual	2009 Forecasted	2010 Forecasted	2011 Forecasted	Later Forecasted	Total
2.1.1 Maintenance <i>may include meter reverification costs, etc.</i>								\$ -
Total Incremental AMI Operation Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.2 ADVANCED METERING REGIONAL COLLECTOR (AMRC) (includes LAN)

2.2.1 Maintenance				\$ 125,534	\$ 128,044	\$ 130,605	\$ 269,099	\$ 653,283
Total Advanced Metering Regional Collector (AMRC) (includes LAN)	\$ -	\$ -	\$ -	\$ 125,534	\$ 128,044	\$ 130,605	\$ 269,099	\$ 653,283

2.3 ADVANCED METERING CONTROL COMPUTER (AMCC)

2.3.1 Hardware Maintenance <i>may include server support, etc.</i>								\$ -
2.3.2 Software Maintenance <i>may include maintenance support, etc.</i>				\$ 78,401	\$ 79,969	\$ 81,569	\$ 168,064	\$ 408,004
Total Advanced Metering Control Computer (AMCC)	\$ -	\$ -	\$ -	\$ 78,401	\$ 79,969	\$ 81,569	\$ 168,064	\$ 408,004

2.4 WIDE AREA NETWORK (WAN)

2.4.1 WIDE AREA NETWORK (WAN) <i>may include serial to Ethernet hardware, etc.</i>								\$ -
Total Incremental Other Operation Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

2.5 OTHER AMI OM&A COSTS RELATED TO MINIMUM FUNCTIONALITY

2.5.1 Business Process Redesign								\$ -
2.5.2 Customer Communication <i>may include project communication, etc.</i>				\$ 66,397	\$ 66,397	\$ 132,794		\$ 265,587
2.5.3 Program Management								\$ -
2.5.4 Change Management <i>may include training, etc.</i>				\$ 3,402	\$ 278,867			\$ 282,269
2.5.5 Administration Cost								\$ -
2.5.6 Other AMI Expenses						\$ 34,020	\$ 68,040	\$ 102,060
Total 2.5 Other AMI OM&A Costs Related To Minimum Functionality	\$ -	\$ -	\$ -	\$ 66,397	\$ 69,799	\$ 445,680	\$ 68,040	\$ 649,916

Total O M & A Costs

	\$ -	\$ -	\$ -	\$ 270,332	\$ 277,813	\$ 657,855	\$ 505,204	\$ 1,711,203
--	------	------	------	------------	------------	------------	------------	--------------

Sheet 5. PILs

PILs Calculation

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
INCOME TAX							
Net Income	\$ -	\$ -	\$ -	\$65,722.73	\$225,354.09	\$0.00	\$0.00
Amortization	\$ -	\$ -	\$ -	\$151,277.92	\$571,550.28	\$0.00	\$0.00
CCA - Smart Meters	\$ -	\$ -	\$ -	(\$131,135.47)	(\$522,903.14)	(\$756,902.78)	(\$703,652.13)
CCA - Computers	\$ -	\$ -	\$ -	(\$381,251.23)	(\$407,093.44)	\$0.00	\$0.00
CCA - Other Equipment	\$ -	\$ -	\$ -	(\$30,901.50)	(\$30,901.50)	\$0.00	\$0.00
Change in taxable income	\$ -	\$ -	\$ -	(\$326,287.56)	(\$163,993.70)	(\$756,902.78)	(\$703,652.13)
Tax Rate (3. LDC Assumptions and Data)	36.12%	36.12%	33.50%	\$0.33	\$0.31	\$0.28	\$0.26
Income Taxes Payable	\$ -	\$ -	\$ -	(\$107,674.89)	(\$50,838.05)	(\$213,825.03)	(\$184,708.68)
ONTARIO CAPITAL TAX							
Smart Meters	\$ -	\$ -	\$ -	\$3,169,107.24	\$9,502,688.05	\$8,946,054.61	\$8,330,432.98
Computer Hardware	\$ -	\$ -	\$ -	\$9,788.54	\$35,238.73	\$19,577.07	\$3,915.41
Computer Software	\$ -	\$ -	\$ -	\$332,554.49	\$593,322.72	\$445,050.79	\$296,778.85
Tools & Equipment	\$ -	\$ -	\$ -	\$58,712.85	\$52,532.55	\$46,352.25	\$40,171.95
Other Equipment	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Rate Base	\$ -	\$ -	\$ -	\$3,511,450.27	\$10,131,249.50	\$9,410,682.47	\$8,631,127.24
Less: Exemption	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Deemed Taxable Capital	\$ -	\$ -	\$ -	\$3,511,450.27	\$10,131,249.50	\$9,410,682.47	\$8,631,127.24
Ontario Capital Tax Rate	0.300%	0.225%	0.225%	\$0.00	\$0.00	\$0.00	\$0.00
Net Amount (Taxable Capital x Rate)	\$ -	\$ -	\$ -	\$7,900.76	\$7,598.44	\$0.00	\$0.00
Gross Up							
	PILs Payable	PILs Payable	PILs Payable	PILs Payable	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ -	\$ -	\$ -	(\$107,674.89)	(\$50,838.05)	(\$213,825.03)	(\$184,708.68)
Change in OCT	\$ -	\$ -	\$ -	\$7,900.76	\$7,598.44	\$0.00	\$0.00
PIL's	\$ -	\$ -	\$ -	(\$99,774.13)	(\$43,239.61)	(\$213,825.03)	(\$184,708.68)
	Gross Up	Gross Up	Gross Up	Gross Up	Gross Up	Gross Up	Gross Up
	36.12%	36.12%	33.50%	\$0.33	\$0.31	\$0.28	\$0.26
	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs	Grossed Up PILs
Change in Income Taxes Payable	\$ -	\$ -	\$ -	(\$160,708.80)	(\$73,678.33)	(\$298,013.99)	(\$250,452.45)
Change in OCT	\$ -	\$ -	\$ -	\$7,900.76	\$7,598.44	\$0.00	\$0.00
PIL's	\$ -	\$ -	\$ -	(\$152,808.03)	(\$66,079.89)	(\$298,013.99)	(\$250,452.45)

Sheet 6. Avg Net Fixed Assets &UCC

Smart Meter Average Net Fixed Assets

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
Net Fixed Assets - Smart Meters							
Opening Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$3,278,386.80	\$10,056,462.59	\$10,174,184.04
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -	\$3,278,386.80	\$6,778,075.79	\$117,721.45	\$64,817.90
Closing Capital Investment	\$ -	\$ -	\$ -	\$3,278,386.80	\$10,056,462.59	\$10,174,184.04	\$10,239,001.93
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$109,279.56	\$553,774.54	\$1,228,129.43
Amortization (15 Years Straight Line)	\$ -	\$ -	\$ -	\$109,279.56	\$444,494.98	\$674,354.89	\$680,439.53
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$109,279.56	\$553,774.54	\$1,228,129.43	\$1,908,568.96
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$3,169,107.24	\$9,502,688.05	\$8,946,054.61
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$3,169,107.24	\$9,502,688.05	\$8,946,054.61	\$8,330,432.98
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$1,584,553.62	\$6,335,897.64	\$9,224,371.33	\$8,638,243.79

Net Fixed Assets - Computer Hardware

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
Net Fixed Assets - Computer Hardware							
Opening Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$11,746.24	\$46,984.98	\$46,984.98
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -	\$11,746.24	\$35,238.73	\$0.00	\$0.00
Closing Capital Investment	\$ -	\$ -	\$ -	\$11,746.24	\$46,984.98	\$46,984.98	\$46,984.98
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$1,957.71	\$11,746.24	\$27,407.90
Amortization (3 Years Straight Line)	\$ -	\$ -	\$ -	\$1,957.71	\$9,788.54	\$15,661.66	\$15,661.66
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$1,957.71	\$11,746.24	\$27,407.90	\$43,069.56
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$9,788.54	\$35,238.73	\$19,577.07
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$9,788.54	\$35,238.73	\$19,577.07	\$3,915.41
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$4,894.27	\$22,513.63	\$27,407.90	\$11,746.24

Net Fixed Assets - Computer Software

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
Net Fixed Assets - Computer Software							
Opening Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$369,504.99	\$741,359.69	\$741,359.69
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -	\$369,504.99	\$371,854.70	\$0.00	\$0.00
Closing Capital Investment	\$ -	\$ -	\$ -	\$369,504.99	\$741,359.69	\$741,359.69	\$741,359.69
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$36,950.50	\$148,036.97	\$296,308.90
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -	\$ -	\$36,950.50	\$111,086.47	\$148,271.94	\$148,271.94
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$36,950.50	\$148,036.97	\$296,308.90	\$444,580.84
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$332,554.49	\$593,322.72	\$445,050.79
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$332,554.49	\$593,322.72	\$445,050.79	\$296,778.85
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$166,277.24	\$462,938.61	\$519,186.75	\$370,914.82

Net Fixed Assets - Tools & Equipment

	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
Net Fixed Assets - Tools & Equipment							
Opening Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$61,803.00	\$61,803.00	\$61,803.00
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -	\$61,803.00	\$0.00	\$0.00	\$0.00
Closing Capital Investment	\$ -	\$ -	\$ -	\$61,803.00	\$61,803.00	\$61,803.00	\$61,803.00
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$3,090.15	\$9,270.45	\$15,450.75
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -	\$ -	\$3,090.15	\$6,180.30	\$6,180.30	\$6,180.30
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$3,090.15	\$9,270.45	\$15,450.75	\$21,631.05
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$58,712.85	\$52,532.55	\$46,352.25
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$58,712.85	\$52,532.55	\$46,352.25	\$40,171.95
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$29,356.43	\$55,622.70	\$49,442.40	\$43,262.10

Sheet 6. Avg Net Fixed Assets &UCC

Net Fixed Assets - Other Equipment	2006	2007	2008	2009	2010	2011	Later
	Audited Actual	Audited Actual	Actual	Forecasted	Forecasted	Forecasted	Forecasted
Opening Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Capital Investment (3. LDC Assumptions and Data)	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Closing Capital Investment	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Opening Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Closing Accumulated Amortization	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Opening Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Closing Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Average Net Fixed Assets	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00

Sheet 6. Avg Net Fixed Assets &UCC

For PILs Calculation

UCC - Smart Meters

	2006 Audited Actual	2007 Audited Actual	2008 Actual	2009 Forecasted	2010 Forecasted	2011 Forecasted	Later Forecasted
Opening UCC	\$ -	\$ -	\$ -	\$0.00	\$3,147,251.33	\$9,402,423.98	\$8,763,242.65
Capital Additions	\$ -	\$ -	\$ -	\$3,278,386.80	\$6,778,075.79	\$117,721.45	\$64,817.90
UCC Before Half Year Rule	\$ -	\$ -	\$ -	\$3,278,386.80	\$9,925,327.12	\$9,520,145.43	\$8,828,060.55
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -	\$1,639,193.40	\$3,389,037.89	\$58,860.72	\$32,408.95
Reduced UCC	\$ -	\$ -	\$ -	\$1,639,193.40	\$6,536,289.22	\$9,461,284.70	\$8,795,651.60
CCA Rate Class	47	47	47	47	47	47	47
CCA Rate	8%	8%	8%	8%	8%	8%	8%
CCA	\$ -	\$ -	\$ -	\$131,135.47	\$522,903.14	\$756,902.78	\$703,652.13
Closing UCC	\$ -	\$ -	\$ -	\$3,147,251.33	\$9,402,423.98	\$8,763,242.65	\$8,124,408.42

UCC - Computer Equipment

	2006 Audited Actual	2007 Audited Actual	2008 Actual	2009 Forecasted	2010 Forecasted	2011 Forecasted	Later Forecasted
Opening UCC	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
Capital Additions Computer Hardware	\$ -	\$ -	\$ -	\$11,746.24	\$35,238.73	\$0.00	\$0.00
Capital Additions Computer Software	\$ -	\$ -	\$ -	\$369,504.99	\$371,854.70	\$0.00	\$0.00
UCC Before Half Year Rule	\$ -	\$ -	\$ -	\$381,251.23	\$407,093.44	\$0.00	\$0.00
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -	\$381,251.23	\$407,093.44	\$0.00	\$0.00
Reduced UCC	\$ -	\$ -	\$ -	\$381,251.23	\$407,093.44	\$0.00	\$0.00
CCA Rate Class	45	50	50	50	50	50	50
CCA Rate	45%	55%	55%	100%	100%	55%	55%
CCA	\$ -	\$ -	\$ -	\$381,251.23	\$407,093.44	\$0.00	\$0.00
Closing UCC	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00

UCC - General Equipment

	2006 Audited Actual	2007 Audited Actual	2008 Actual	2009 Forecasted	2010 Forecasted	2011 Forecasted	Later Forecasted
Opening UCC	\$ -	\$ -	\$ -	\$0.00	\$30,901.50	\$0.00	\$0.00
Capital Additions Tools & Equipment	\$ -	\$ -	\$ -	\$61,803.00	\$0.00	\$0.00	\$0.00
Capital Additions Other Equipment	\$ -	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00
UCC Before Half Year Rule	\$ -	\$ -	\$ -	\$61,803.00	\$30,901.50	\$0.00	\$0.00
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -	\$30,901.50	\$0.00	\$0.00	\$0.00
Reduced UCC	\$ -	\$ -	\$ -	\$30,901.50	\$30,901.50	\$0.00	\$0.00
CCA Rate Class	12	12	12	12	12	12	12
CCA Rate	100%	100%	100%	100%	100%	100%	100%
CCA	\$ -	\$ -	\$ -	\$30,901.50	\$30,901.50	\$0.00	\$0.00
Closing UCC	\$ -	\$ -	\$ -	\$30,901.50	\$0.00	\$0.00	\$0.00