EB-2009-0269

Ontario Energy Board

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 Newmarket-Tay Power Distribution Ltd. for an Order or Orders approving just and reasonable rates and other charges for the distribution of electricity and related matters.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

October 8, 2010

NEWMARKET-TAY POWER DISTRIBUTION LTD.
2010 RATES REBASING CASE
EB-2009-0269

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1
Ref: Exhibit 9, Tab 1, Schedule 2

The total account balances to be recovered from ratepayers are nearly $2 million. This balance relates to balances that accrued prior to the implementation of the HST on July 1, 2010. Please explain:

a) **Whether Newmarket-Tay believes that this balance to be recovered from customers should attract the 5% GST or the 13% HST? Please explain, including any discussions with Revenue Canada.**

Response
The Applicant has not had any discussion with Revenue Canada and does not have a view on this matter. If the intervenor has any information on this matter, this can be brought to the Applicant's and the Board's attention in the proceeding. The Applicant will implement the Board's decision. Should the matter not be concluded by the time this proceeding is completed, the Board may chose to order a specific disposition and it may also order the establishment of a variance account.

b) **Can Newmarket-Tay accommodate billing the rate rider portion of the bill associated with the deferral and variance account balances at the 5% GST, while the remainder of the bill attracts the 13% HST?**

Response
Yes

Interrogatory # 2

Ref: Decision and Order on Interim Rates dated July 30, 2010

An issue in this proceeding will be the date upon which the new rates should become effective. Given that Newmarket-Tay missed the August, 2009 deadline for filing for May 1, 2010 rates by 11 months, please explain why Newmarket-Tay believes that rates should be adjusted at any time prior to April 1, 2011.

Response

The Applicant recognizes the regulatory risk that a late application creates. The timing of the application may affect the effective date of the rates sought and if there is a revenue deficiency, the financial burden associated with a delay in the implementation of the rates may be borne by the Applicant.

The Applicant has no staff dedicated to its regulatory affairs. These matters are added to the duties of staff who are already fully engaged addressing the business needs of the company. A cost of service rate and other significant regulatory applications create a lump in the Applicant's resource requirements. To have staff available on a full-time basis for these lumps would not be cost efficient. Rather, the Applicant assembles a mix of internal and external resources to meet the filing guidelines of the Board on any given proceeding in which it is involved. As demonstrated by Energy Probe's IR No. 31 and others, the Applicant is being scrutinized for the costs of external resources retained for this application, as it expected it would.

As explained in the response to Board Staff IR No. 1, the complexity of this application greatly added to the magnitude of the lump in resource requirements. In response to this challenge, the Applicant attempted to fairly balance the cost of additional resources and allowing staff to have some relief from unpaid overtime and deferred vacations.

The upshot is, the Applicant made every effort to fairly balance regulatory costs, requirements, and extraordinary efforts by its staff and in this vein, respectfully expects fair regulatory treatment.

The Applicant's existing rates were declared interim by the Board on August 1, 2010 and as such, new rates cannot be effective earlier than this date. This represents a three month revenue deficiency of approximately $650,000. The question suggests an effective date of May 1, 2011; fully nine months after interim rates were set. The Applicant believes that it acted prudently in balancing the cost of the application with the risk of a late filing date. To set an effective date nine months after interim rates were established would suggest that all of the risk the Applicant assumed in fairly balancing regulatory costs, requirements, and extraordinary efforts by its staff is of no value to its customers and indeed implies that it should be further penalized. This penalty would amount to approximately $1,950,000, being nine months of the 2010 deficiency. The Applicant is seeking an effective date of August 1, 2010.

Interrogatory # 3

Ref: Exhibit 1, Tab 1 & EB-2007-0776

a) **Please indicate where in Exhibit 1, Tab 1 Newmarket-Tay requests an effective date for 2010 rates.**

Response

The application made no specific reference to an effective date. All analysis and data contained in it is based on an effective date of May 1, 2010.

b) Please confirm that in EB-2007-0776, which was also filed late for 2008 rates, Newmarket requested an effective date as of the date of the OEB rate order.

Response
The effective date was the result of a settlement agreement in the EB-2007-0776 proceeding.

Interrogatory # 4
Ref: Exhibit 1, Tab 2, Schedule 3

a) Are any costs associated with Newmarket Hydro Holdings Inc. or Tay Hydro Holdings Inc., including their Board of Directors, included in the revenue requirement of Newmarket-Tay? If yes, please provide details and quantify.

Response
There are none.

b) Are any costs associated with the other corporate entities in the organizational chart included in the revenue requirement of Newmarket-Tay? If yes, please provide details and quantify.

Response
There are none.

Interrogatory # 5
Ref: Exhibit 1, Tab 4, Schedule 8

Please update the schedule to show actual 2009 figures if any of the 2009 projection figures do not reflect actual data.

Response
The schedule shows actual 2009 data. The heading should read 2009 actual.

Interrogatory # 6
Ref: Exhibit 2, Tab 1, Schedule 1

a) Is the $2.3 million spent to the end of 2009 related to the Holland TS included in rate base at the end of 2009?

Response:
The actual costs spent to the end of 2009 were $2.7 million.
The completed phases and associated costs of 2.7 million dollars were energized by year end 2009 and included in Rate Base.

b) **Were the assets related to the $2.3 million spent to the end of 2009 all in service before the end of 2009?**

Response

Yes. Please see response to a) above.

Interrogatory # 7

Ref: Exhibit 2, Tab 1, Schedule 1

With respect to the smart meters discussion on page 3 please provide the following:

a) **A breakdown of the $1,319,722 test year revenue requirement impact of the expenditures between 2006 and April of 2009.**

Response

With CP 276 & TP 276 and MDMR Capital Costs

Smart Meter /TOU effect on Revenue Requirement					
	2008		2010		
			Total	Tay	Newmarket
Amortization	$ 245,000.00		$ 423,872.00	$ 45,626.00	$ 378,246.00
Cost of Capital	$ 270,574.78		$ 396,244.00	$ 41,390.00	$ 354,854.00
PIL's component	$ 75,889.00		$ 100,504.00	$ 10,499.00	$ 90,005.00
Lost Interest Revenue	$ 60,750.00		$ 27,102.00	$ 2,831.00	$ 24,271.00
OM&A	$ -		$ 372,000.00	$ 57,000.00	$ 315,000.00
Total	$ 652,213.78		$ 1,319,722.00	$ 157,346.00	$1,162,376.00

Smart Meter /TOU effect on the 2010 Revenue Requirement	
	Total
Amortization	$ 423,872
Cost of Capital	$ 396,244
PIL's component	$ 100,504
Lost Interest Revenue	$ 27,102
OM&A	$ 372,000
Total	$ 1,319,722
Ave number of effected customers	
Residential	29,370
GS<50	2,901
Total	32,271
2010 Revenue Requirement per customer	$ 40.89

Without CP 276 & TP 276 and MDMR Capital Costs

Smart Meter /TOU effect on Revenue Requirement					
	2008		2010		
			Total	Tay	Newmarket
Amortization	$ 245,000.00		$ 356,287.00	$ 40,685.00	$ 315,602.00
Cost of Capital	$ 270,574.78		$ 324,606.63	$ 36,155.63	$ 288,451.00
PIL's component	$ 75,889.00		$ 82,333.80	$ 9,170.56	$ 73,163.24
Lost Interest Revenue	$ 60,750.00		$ 22,202.03	$ 2,473.03	$ 19,729.00
OM&A	$ -		$ 372,000.00	$ 57,000.00	$ 315,000.00
Total	$ 652,213.78		$ 1,157,429.46	$ 145,484.22	$1,011,945.24

Smart Meter /TOU effect on the 2010 Revenue Requirement	
	Total
Amortization	$ 356,287
Cost of Capital	$ 324,607
PIL's component	$ 82,334
Lost Interest Revenue	$ 22,202
OM&A	$ 372,000
Total	$ 1,157,429
Ave number of effected customers	
Residential	29,370
GS<50	-
Total	29,370
2010 Revenue Requirement per customer	$ 39.41

b) Please confirm that none of the costs associated with smart meters up to April 2009 have been included in any revenue requirement for those years.

Response

As part of the settlement agreement resulting from EB 2007-0776, the agreed to revenue requirement did include all capitalized smart meter costs up to December 31, 2008.

c) Please confirm that none of the costs are related to capital expenditures related to smart meters that were included in rate base as a result of the EB-2007-0776 Settlement Agreement.

Response

The Applicant does not understand the question. However, the Applicant's response to 7b) may be of assistance.

Interrogatory # 8
Ref: Exhibit 2, Tab 1, Schedule 2

Please confirm that the rate base variance table includes actual data for 2009. If this cannot be confirmed, please update the table to reflect actual 2009 data.

Response
Confirmed

Interrogatory # 9

Ref: Exhibit 2, Tab 2, Schedule 3

a) **Please confirm that Newmarket-Tay does not have any Account 1985 (Sentinel Lighting Units) included in rate base for the test year.**

Response
Confirmed

b) **Please explain why Account 1910 (Leasehold Improvements) has an asset life of 5 years when Appendix B of the 2006 Electricity Distribution Rate Handbook indicates that leasehold improvements are to be amortized over the term of the lease.**

Response
At the time of preparation the Applicant believed that the lease had one year left and could be extended for two periods of two years for a total term of 5 years. The actual term of the existing lease is one year.

c) **For each item included in Account 1910, please provide a table showing the amount included in rate base and the term of the lease.**

Response
The Applicant is providing the following updated information with respect to Account 1910 – Leasehold Improvements:

In 2010, NTPDL spent $$900,615.00 on leasehold improvements at its 590 Steven Court location ("Steven Court") in Newmarket.

Steven Court was originally purchased by the former Newmarket Hydro Electric Commission (the "HEC") in 1995. Prior to this, it was an industrial facility manufacturing pole line hardware.

The building was renovated at that time and specialized facilities added such as:

- *Air handling equipment in the garage area to accommodate diesel truck parking*
- *High-rise garage doors to accommodate bucket trucks*
- *"Clean Room" for storage of rubber and fiberglass safety equipment*
- *Emergency power supply for communication and essential IT functions*
- *Practice yard for lineperson emergency rescue practices*
- *Excavated material storage area*
- *Outdoor secure and non-secure Inventory storage areas*

When the HEC was restructured in 2000, Steven Court was retained by the Town of Newmarket and the successor utility, Newmarket Hydro Ltd. entered into a lease agreement, which has subsequently been assumed by NTPDL. Under the terms of the lease, NTPDL is responsible for any leasehold improvements.

In 2008, NTPDL reviewed its office space requirements at Steven Court as the single board/conference room was frequently over-booked, central filing and record storage had exceeded capacity and some staff were placed in temporary cubicles. Additionally, facilities to accommodate external audit, seasonal and contract administration staff were non-existent. This review identified a need for up to an additional 3,700 square feet of space to accommodate:

- *2nd conference/meeting/training room*
- *Expanded central filing facility*
- *Interview room*
- *2 additional offices*
- *9 workstations for external audit/seasonal/contract resources*
- *Warehouse renovations to provide space for inventory management records and job kitting of materials*

NTPDL then retained an architect, Allen & Sherriff (the "Architect") through a RFP process to assess Steven Court and make recommendations with respect to meeting the needs identified in the office space review. Due to the specialized facilities that Steven Court is equipped with, the option of seeking a new location for the Newmarket service centre was ruled out.

The Architect tabled an initial draft report with NTPDL which provided an analysis of the existing building and a preliminary budget to add office space and address deficiencies for the Applicant's consideration. The report is included as Attachments 1a and 1b. The deficiencies identified through the analysis of the existing building included:

- *Asphalt areas in the front entrance driveway and parking areas in poor condition*

- ***Design not barrier free in contravention of the Ontario Building Code (the "OBC")***
- ***Interior finishes in need of replacement***
- ***Number of washroom fixtures inadequate per OBC***
- ***Barrier-free washroom does not meet OBC requirements***
- ***Lunchroom facilities need replacement***
- ***Building exterior absorbs rain-driven water at a high rate and should have a rain screen***
- ***Evidence of roof leakage.***

The specific OBC barrier-free issues included:

1. ***Access to office areas from main entrance vestibule could not accommodate a wheelchair***
2. ***Disabled washroom fixtures inadequate***
3. ***No disabled access to second floor office area (elevator required)***

The Architect prepared a preliminary budget for additional office space and renovations as follows:

	Sq. Feet	Cost
1. New addition	***3,700***	***$740,000***
2. Renovations	***7,700***	***$770,000***
3. Garage/Warehouse Renovations		***$ 40,000***
4. Roof deck repainting		***$ 72,000***
5. Driveway/site work		***$120,000***
Total		***$1,742,000***

Given this cost estimate and the Applicant's understanding of the value of leasehold improvements, particularly where the landlord is in the majority shareholder in NTPDL, a decision was made to forgo adding additional office space.

In lieu of a new addition, conventional desks were removed in the Central Administration, Accounting and Customer Service offices and the areas were re-fitted with workstations that made optimal use of the existing floor space. This has accommodated:

- ***1 additional office***
- ***2nd conference/meeting/training room***
- ***6 workstations for audit/seasonal/contract resources***
- ***Expanded central filing facilities***

The need for additional workstations or offices for audit/seasonal/contract resources beyond those accommodated by this re-fit will be managed on a pro-tem basis as they were in the past.

The renovations were limited to providing a reasonable level of comfort for staff, eliminating potential safety hazards for customers, visitors and staff, and addressing only the most blatant violations of the OBC. These included:

- *barrier free access only on the main floor of the office area*
- *refitting washroom and lunchroom facilities*
- *replacement of finishes; and*
- *driveway/site work*
- *Warehouse renovations to provide space for inventory management records and job kitting of materials*

NTPDL also added specific security features that were identified as part of the risk assessments conducted for implementation of Bill 168, Occupational Health and Safety Amendment Act (Violence and Harassment in the Workplace), 2009. These included:

- *video surveillance of payment counter, employee parking and high value inventory storage areas*
- *controlled access to operations yard*
- *master key system; and*
- *electronic ID/swipe card building access*

Addressing the issues of the need for barrier-free access to the second floor office area, water absorption of the building exterior and roof leakage were deferred. The water absorption and roof deficiencies are being monitored on a regular basis and incremental repairs made as required. Barrier free access to the second floor of the office will be addressed if and when a complaint or need arises.

The table below details the actual expenses incurred to July 31, 2010 for the leasehold improvements

	Lease expiry date	Actual incurred $ Cumulative Gross Costs	$ Value to be included rate base net of amortization
Security Upgrades	December 31, 2010	94,983.00	72,179.36
Building upgrades	December 31, 2010	692,604.00	521,312.00
Pavement upgrades	December 31, 2010	113,028.00	45,212.00

If the Applicant were to amortize the capital costs to December 31, 2010 the Applicant's amortization expense would increase by $633,000 over actual and

$659,000 over the amount in the original rate filing, assuming that the 2010 additions are fully expensed in the period.

Interrogatory # 10

Ref: Exhibit 2, Tab 1, Schedule 1 &
Exhibit 2, Tab 3, Schedule 1, Table 5

a) **Please reconcile the total projected cost of the projects listed under Holland Junction TS on page 2 of Exhibit 2, Tab 1, Schedule 1 of $3.3 million with the figures in Table 5 of Exhibit 2, Tab 3, Schedule 1.**

Response:
In responding to this question, the Applicant finds that the figure of $33 million and Table 5 of Exhibit 2, Tab 3, Schedule 1 were incorrect in the pre-filed evidence. The table below shows the correct amounts for the Holland TS project.

Newmarket Tay Power Distribution Ltd.
Government Jobs

	2006	2007	2008	2009	2010	Total
CP 212 Holland Junction TS						
Land & Land Rights			286,839	149,794		436,633
Distribution Lines			493,086	1,298,939	868,039	2,660,064
Distribution Meters			0	53,000		53,000
Total Job			779,925	1,501,733	868,039	3,149,697
CP 193 Bayview Avenue Feeders to PowerStream						
Distribution Lines				577,428		577,428
Contributed Capital				(130,078)		(130,078)
Total Job				447,350	0	447,350
CP287 Yonge St Feeders to Hydro One						
Distribution Lines					221,440	221,440
Contributed Capital					(80,000)	(80,000)
Total Job					141,440	141,440
Total Holland Junction	0	0	779,925	1,949,083	1,009,479	3,738,487
CP 276 & TP 276 Smart Meter Program						
Distribution Meters	294,833	3,727,070	849,116	473,285	1,980,681	7,324,985
Total Job	294,833	3,727,070	849,116	473,285	1,980,681	7,324,985
CP 198 VIVA Infrastructure Project						
Distribution Lines				10823	2,136,075	2,146,898
Distribution Transformers					660,229	660,229
Contributed Capital					(893,995)	(893,995)
Total Job	-	-	-	10,823	1,902,309	1,913,132
Total Government Jobs	294,833	3,727,070	1,629,041	2,433,191	4,892,468	10,922,032

b) **Please confirm that all of the government related projects shown in Table 5 will be completed and in service by the end of 2010.**

Response
Commercial Smart Meters; CP 276 TP 276 and the VIVA project CP198 will not be completed and in service by the end of 2010.

Interrogatory # 11

Ref: Exhibit 2, Tab 3, Schedule 1, Table 6 and Table 7

a) **Is there any impact on the contributed capital shown in Table 6 as a result of the shifted Leadbeater MS shown in Table 7? If yes, please indicate the shift between 2009 and 2010.**

Response
There is no contributed capital related to the Leadbeater project.

b) **Please explain the decline in contributed capital shown in Table 6 between 2009 and 2010. In particular, please explain why the amount of contributed capital is forecast to decline even through the total non-government job expenditures (even after removal of the Leadbeater MS cost in 2010) increases in 2010 relative to 2009.**

Response
The majority of the Applicant's 2010 contributed capital is incurred from customer connections. Customer connections in 2010 were forecasted to decrease compared to 2009. The following tables show the impact. The customer connections chart below is based on projected December 31 data.

Customer Connections

	2009 Actual	2010 Test	Change	%
Residential	654	464	(190)	-29.05%
GS<50	23	16	(7)	-30.43%
GS>50	4	6	2	50.00%
Total	681	486	(195)	-28.63%

Customer Addition Capital Costs

	2009 Actual	2010 Test	Decrease	%
Gross Cost	3,319,828	2,296,073	(1,023,755)	-30.84%
Capital Contribution	(2,021,935)	(1,455,066)	566,869	-28.04%
Net Cost	1,297,894	841,007	(456,886)	-35.20%

Interrogatory # 12

Ref: Exhibit 2, Tab 3, Schedule 1, Attachment 1 &
Exhibit 2, Tab 1, Schedule 1, page 3

Please explain the inclusion of the smart meter capital expenditures shown in Attachment 1 of Exhibit 2, Tab 3, Schedule 1 beginning in 2007 with the statement on page of Exhibit 2, Tab 1, Schedule 1 that between 2007 and April of 2009 all costs associated with smart meters and TOU billing were borne by the applicant.

Response
From the period of 2006 until April 2009; all the costs of smart meter procurement, installation and the transition to TOU billing in the Newmarket Service area were funded by the Applicant. The Applicant did not request, nor receive any funding through rate riders or rate adders in the Newmarket service area. The Applicant had treated the smart meter government initiative similar to any other capital job undertaken by the Applicant.

Interrogatory # 13
Ref: Exhibit 2, Tab 4, Schedule 2

a) **Please explain why Newmarket-Tay requires a one year cycle for tree trimming? Is Newmarket-Tay aware of any other urban distributor that has a one year cycle for tree trimming?**

Response:
The Applicant realizes that the evidence for this activity in the application is not properly set out and regrets the confusion it has caused. Reference should be made to Exhibit 4, Tab 1, Schedule 2.

For both the Newmarket and Tay service areas, the following is completed on an annual basis:

- ***Inspection of 1/3 of the distribution system such that, over a three year cycle, the entire system is inspected in compliance with the Distribution System Code***
- ***Tree trimming of up to 1/3 of the service area, with spot trimming of problem areas identified by the system inspection.***

b) **What is the total cost associated with tree trimming in the 2010 test year?**

Response
$177,236

c) **The tree trimming is discussed in the rate base section of the evidence. Does Newmarket-Tay capitalize any or all of the tree trimming costs? Please provide details.**

Response

The Applicant does not capitalize any of its tree trimming maintenance costs. The discussion of trimming in the rate base section was in the context of the discussion relating to reliability and safety.

Interrogatory # 14
Ref: Exhibit 2, Tab 4, Schedule 3

a) **Please explain the reduction in single family additions from 494 in 2009 (page 1) to 300 in 2010 (page 9) for Newmarket.**

Response:

Customer connections vary from year to year for many reasons, market conditions and developer activity being primary drivers. The Applicant has experienced fewer customer connections in 2010 as compared to 2009.

b) **Please provide the corresponding number of single family additions for each of 2006 through 2008 for Newmarket.**

Response:

Total Residential customer connections for the Newmarket service area are:

2006	*529*
2007	*422*
2008	*598*
2009	*644*
2010 (estimated)	*438*

c) **Please provide the number of town home additions for 2006 through 2008 that are comparable to the 150 in 2009 and the forecast of 150 in 2010 for Newmarket.**

Response

2006	*71*
2007	*313*
2008	*102*

Note that town home additions above are included in the customer connections presented in Energy Probe 14b) above.

d) **Please provide the number of commercial/industrial additions for 2006 through 2008 that are comparable to the 3 shown for 2009 and the 6 forecast for 2010 for Newmarket.**

Response:

Commercial /Industrial Additions

2006	*3*
2007	*6*
2008	*3*

e) **Please explain the increase in single family residential additions from 8 in 2009 (page 7) to 30 in 2010 (page 15) for Tay.**

Response:

The increase is attributable to the "Skyline" development in Tay, expected to add 20 customers in 2010 and a further 40 customers through 2013.

f) **Please provide the number of single family and commercial/industrial additions for 2006 through 2008 that are comparable to the figures provided for 2009 and 2010 for Tay.**

Response:

Commercial /Industrial Additions

2006	*3*
2007	*3*
2008	*0*

Total Residential

2006	*48*
2007	*38*
2008	*25*

Interrogatory # 15

Ref: Exhibit 2, Tab 4, Schedule 4

a) **Please confirm that each project described will be in service by the end of the test year based on the most current information available to Newmarket-Tay.**

Response

Please see the response to Consumers Council of Canada's IR #3.

b) Project CP 224 indicates that one-half of the 1,000 new homes will be completed for connection by the end of 2010. Please indicate how many of the 1,000 new homes were connected at the end of 2009.

Response:

To the end of 2009, there have been 326 services connected

Interrogatory # 16
Ref: Exhibit 2, Tab 4, Schedule 4, Project CP 198

a) Please provide a forecast of the costs by year beyond 2010 for the various phases of the project.

Response

VIVA Project			
		Phase	Estimated Amount
2010		1	$ 65,000
2011		2	$ 2,650,000
2012		2	$ 1,500,000
2013		2	$ 1,500,000

b) Have there been any changes to the timing of the expenditures forecast for 2010 since the evidence was prepared? If yes, please provide details.

Response
The 2010 work (phase one) to facilitate VIVA's original time frame was postponed by VIVA from the spring of 2010 to November 2010. This caused a delay of the 2nd phase from late fall 2010 to spring 2011.

c) The evidence refers to preliminary plans received in the latter part of the spring 2009. Are there any more recent plans available and if so, what is the impact based on the most recent plans available?

Response

Please see response to Energy Probe IR 16 (b).

d) Newmarket-Tay is seeking approval from the Board to readjust its rate base in the subsequent years as additional phases of the project and the associated distribution relocation work is scheduled and completed. Please explain why the capital module in the third generation IRM model would not be sufficient for Newmarket-Tay, assuming the capital module threshold would be triggered.

Response
It is the Applicant's belief that the letter and intent of the incremental capital module provision under the 3rd generation IRM would not capture the nature of this project, which among other things is not unforeseen.. The Applicant is projecting that the VIVA costs of 5.7 million dollars will be spread over the IRM period.

e) If the capital adjustment module threshold was not triggered, please explain why Newmarket-Tay should be allowed to opt out of the IRM and file a full or partial rebasing application.

Response

The VIVA project as described in the Cost of Service Application is another mandated project by the Provincial Government under the "Places to Grow" legislation. This project is to facilitate growth in ridership in rapid transit and growth within the Greater Toronto Area. However, due to the re engineering of plans and delays with expropriations of land, this project has been delayed until 2011.

As the Applicant has been mandated to comply with the Provincial Government Legislation in both Smart Meter/TOU and the VIVA projects, the Applicant respectfully requests that the Board either accepts that the Applicant be permitted to adjust its rate base throughout the IRM period or authorize the establishment of a deferral account(s) in a similar fashion as it did for smart meters or for Green Energy Act initiatives.

f) Please provide the details associated with the statement that "this approach has been used in other jurisdictions".

Response
The Applicant meant that this approach has been used in the achievement of other government policy objectives (i.e. market opening and smart meters)

g) Please provide the relevance of the Board's approach to capital expenditures related to the provincial initiatives for renewable energy to the current project.

Response

The Board in its response to renewable energy initiatives as set out by the Green Energy act has allowed utility companies to set up deferral accounts to capture its costs incurred.

h) Newmarket-Tay is proposing the Board approve the need and justification for the project in the current proceeding along with the costs expected to be incurred in the test year and a preliminary estimate of the cost of the future phases. Please provide details and costs associated with the future phases that Newmarket-Tay is asking the Board to approve.

Response
Please see Energy Probe IR 16 (a).

i) Has Phase 1 been completed? What was the forecast cost of Phase 1 included in the filing? What was the actual cost of Phase 1 if it is completed?

Response
The 2010 work (Phase 1) to facilitate VIVA's original time frame was postponed by VIVA from the spring of 2010 to November 2010. This caused a delay of the 2nd phase from late fall 2010 to spring 2011. The forecasted cost of Phase1 included in the filing was 2.7 million dollars. The actual cost of Phase 1 will be $65,000.

j) Has Phase 2 been completed? If not when was it/will it be started? Please provide the forecasted and actual (if completed) cost associated with Phase 2. Is Phase 2 still forecast to be completed by the end of 2010? If not, what amount is expected to be completed and in service by the end of 2010?

Response
The 2010 work (phase one) to facilitate VIVA's original time frame was postponed by VIVA from the spring of 2010 to November 2010. This caused a delay of the 2nd phase from late fall 2010 to spring 2011. The forecasted cost for phase two is outlined in response to Energy Probe IR 16 (a).

Interrogatory # 17

Ref: Exhibit 3, Tab 1, Schedule 1

a) **Are the figures shown for 2009 actual figures or do they include some forecast figures? If they do include some forecasts, please update the table to reflect actual 2009 figures.**

Response:

The figures in the Schedule are 2009 normalized actual.

b) **Are the 2007 through 2009 figures actual revenues or normalized actual revenues?**

Response:

The figures are normalized actual revenues calculated by multiplying the approved rate by the actual statistical data.

Interrogatory # 18
Ref: Exhibit 3, Tab 1, Schedule 2, pages 3 & 4

At the top of page 3 the evidence indicates that the applicant has further adjusted the load forecast for the expected future achievement of CDM results. However, at the bottom of page 4 the evidence indicates that the applicant has adopted the load forecast produced by the econometric model prepared by Elenchus. These statements appear to be contradictory. Please explain and indicate what adjustment, if any, has been made to the forecast from the econometric model prepared by Elenchus.

Response
On the top of page three the statement should be "has not further adjusted the load forecast for the expected future achievement of CDM results". The Applicant regrets any inconvenience this may have caused.

Interrogatory # 19

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1

a) **Please update Table 4 to show the most recent available forecasts from the four banks shown.**

Response

a) Updated forecasts as of October 12, 2010 are provided in the table below.

Employment Forecast – Ontario
(figures in annual percentage change)

	BMO (Oct 8, 2010)	RBC (Sept 2010)	Scotia (Jun 16, 2010)	TD (Sept ,2010)	Avg
2010	1.7	1.9	1.2	1.9	1.7

b) **Please update the forecast for 2010 shown in Table 5 to reflect the change in the 2010 employment forecast as a result of the response to part (a) above.**

Response:

An updated Table 5 based on employment forecasts as of October 12, 2010 is provided below.

Updated Table 5 - Weather Corrected Wholesale kWh, NTPDL				
			10-yr (1999-2008)	
Year	Actual WSL kWh	%chg	Weather Normal	%chg
2005	710,325,427		690,344,726	
2006	691,832,918	-2.6%	696,897,633	0.9%
2007	707,210,539	2.2%	704,028,335	1.0%
2008	699,380,696	-1.1%	706,824,549	0.4%
2009	681,018,592	-2.6%	700,500,002	-0.9%
2010F			705,675,209	0.7%

Interrogatory # 20

Ref: Exhibit 3, Tab 1, Schedule 2, Attachment 1

a) **Please explain how the weather normal figures shown in Table 5 and in Appendix A have been calculated.**

Response

Weather normal figures shown in Table 5 are the sum of the weather normal figures for each relevant year shown in the first two tables in Appendix A (weather normal kWh for Newmarket and Tay, respectively). Weather normal figures for the first two tables in Appendix A are calculated by applying the weather normal heating and cooling degree days along with the actual and forecast employment and peak days or month days to the respective regression equations shown in Table 1.

b) **Please explain why the forecast economic variables and calendar variables have been incorporated to provide weather corrected figures.**

Response
As explained in the Introduction to the Load Forecast report on page 2, variation in electricity consumption is influenced by three main factors – weather (heating and cooling), economic, and timing. In order to separate these factors, forecast economic and calendar variables need to be incorporated.

c) Are the weather corrected figures equivalent to weather normal figures?

Response
The terms 'weather corrected' and 'weather normal' are used interchangeably in the Report.

d) How are the weather normal figures provided related to the actual figures in each individual year?

Response
Weather normal figures represent the consumption that would have been seen if the observed weather had been "normal" as defined by the weather normal definition adopted.

e) Does the weather normal methodology applied by Elenchus assume that all rate classes are equally sensitive to changes in both heating and cooling degree days? If not, explain why not, given the weather corrected class specific consumption methodology shown in Appendix A.

Response
The methodology used in the Load Forecast Report treats all weather sensitive load (WSL) in Newmarket and all weather sensitive load (WSL) in Tay as equally sensitive to heating and cooling. However, the weather sensitivity of Newmarket's WSL and Tay's WSL is different. As well, the non-weather sensitive classes do not vary with degree days. A portion of the GS>50 kW class in Newmarket (as described on page 3 of the Report) has also been removed from WSL

f) Please explain why, based on the same heating and cooling degree days, the weather normal volume for Newmarket is higher than the actual in 2009, while for Tay the weather normal volume is lower than the actual.

Response
The weather sensitivity of load in Newmarket differs from that in Tay, as described in the response to part (e) and as can be seen from examining the regression equations in Table 1 of the Load Forecast Report. Specifically, the relative importance of cooling versus heating would play a role in this.

g) Please fill in the following table for Tay and a similar table for Newmarket based on the formula and example for 2008 provided to calculate the

normalization adjustment (the formula for Newmarket would use the Newmarket equation coefficients).

Year Tay	Actual kWh	Normalization Adjustment kWh (1)	Normalized Actual kWh
2005	45,593,507		
2006	45,013,619		
2007	45,806,502		
2008 (2)	46,051,168	284,757	46,335,925
2009	46,323,663		

a) **(Normal heating degree days - Actual heating degree days) x 2,863.9 + (Normal cooling degree days - Actual cooling degree days) x 6,661.3**

a) **(3,692.6 - 3,836.0) x 2,863.9 + (380.1 - 275.7) x 6,661.3 = -410,683 + 695,440 = 284,757**

Response

Tay	*Actual kWh*	*EP Normalization Adjustment kWh*	*EP Normalized Actual kWh*
Year			
2005	*46,593,507*	*-1,338,302*	*45,255,205*
2006	*45,013,619*	*883,522*	*45,897,141*
2007	*45,806,502*	*-449,175*	*45,357,327*
2008	*46,051,168*	*284,687*	*46,335,855*
2009	*46,323,663*	*803,506*	*47,127,169*
Newmarket	*Actual kWh*	*EP Normalization Adjustment kWh*	*EP Normalized Actual kWh*
Year			
2005	*663,731,920*	*-18,142,758*	*645,589,161*
2006	*646,819,299*	*4,516,056*	*651,335,354*
2007	*661,404,037*	*-6,337,479*	*655,066,558*
2008	*653,329,528*	*8,896,730*	*662,226,258*
2009	*634,694,929*	*17,153,111*	*651,848,040*

NTPDL	*Actual kWh*	*EP Normalization Adjustment kWh*	*EP Normalized Actual kWh*	*Normalized kWh per Report*	*var EP vs Report*
Year					
2005	*710,325,427*	*-19,481,060*	*690,844,367*	*690,344,726*	*0.07%*
2006	*691,832,918*	*5,399,577*	*697,232,495*	*696,897,633*	*0.05%*
2007	*707,210,539*	*-6,786,654*	*700,423,886*	*704,028,335*	*-0.51%*
2008	*699,380,696*	*9,181,418*	*708,562,114*	*706,824,549*	*0.25%*
2009	*681,018,592*	*17,956,617*	*698,975,209*	*700,500,002*	*-0.22%*

h) **Based on the response to part (g) above, please provide a revised Table 1 showing the new weather normalized actual use per customer figures.**

Response

Updated Table 11 Weather Normal Use Per Customer - NTPDL			
Year	*Residential*	*GS<50*	*GS>50*
2005	*10,055*	*36,184*	*997,514*
2006	*9,773*	*33,892*	*959,876*
2007	*9,694*	*34,655*	*937,847*
2008	*9,637*	*34,295*	*934,039*
2009	*9,481*	*33,012*	*815,890*

i) Please provide all the calculations and assumptions used to arrive at the 307,538,497 kWh forecast for the 2010 test year in the GS > 50 kW class shown on page 16.

Response

The 2010 WSL kWh weather normal forecast for Newmarket = 657,561,285 kWh.

Based on 2009 actual consumption, the share of GS>50 consumption (excluding the 4 GS>50 customers referenced on p. 3 of the Load Forecast Report) of actual WSL kWh = (291,144,627 / 634,694,929).

Therefore, GS>50 (exclusive of 4 GS>50 customers) weather normal forecast = (291,144,627 / 634,694,929) x 657,561,285 kWh = 301,633,787 kWh.

Four GS>50 customers' forecast 2010 consumption = 5,904,710 kWh.

Newmarket 2010 GS>50 weather normal forecast = 307,538,497 kWh (301,633,787 kWh + 5,904,710 kWh).

j) Please provide a live Excel spreadsheet containing all the historical and forecast data used to estimate the Newmarket and Tay equations shown on page 5 and the resulting 2010 forecast shown in Table 5.

Response
Provided

k) How much of the decrease in the normalized kW forecast shown in Table 7 between 2010 and 2008 for the GS > 50 kW class is related to the four large customers referred to on page 10?

Response:

The annual billed kW for the four large customers referred to is assumed to be 74,634 kW lower in 2010 than in 2008.

Interrogatory # 21

Ref: Exhibit 3, Tab 1, Schedule 3

a) **Please provide all the information used to calculate the power purchased cost of $44,394,543 for the 2010 test year. Please include the calculation of the kWh's used in the calculation based on the retail kWh's of 689,773,632 shown in Table 10 in Exhibit 3, Tab 1, Schedule 2, Attachment 1.**

Response:

The 2010 Power Purchased was calculated by multiplying the total retail kWh as provided in the Weather Normalized Load Forecast on page 13 by the 5 year average Line Loss calculation as detailed for with this Application in Exhibit 8, Tab 7, Schedule 1 pg 1 of 2. The following chart provides the details:

Weather Normalized 2010 Retail kWh	*kWh*	*689,773,632*
Five Year Average Loss Factor	*Factor*	*1.0356*
Weather Normalized Wholesale kWh	*kWh*	*714,312,845*
Wholesale Rate/kWh	*$*	*0.06215*
Estimate of Power Purchased	*$*	*44,394,543*

b) **Please provide a source for the price of $62.15/MWh as of April 1, 2009.**

Response:
The Applicant used the estimated RPP commodity price of $.06215/KWh, from the Board report of October 15, 2009.
A review of energy costs to July, 2010 has the actual energy cost at $65.21/mWh.

c) **Please provide the calculation of the cost of power purchased based on the April 2009 Regulated Price Plan Report that shows an average cost for RPP consumers of $60.72/MWh.**

Response:

Weather Normalized 2010 Retail kWh	*kWh*	*689,773,632*
Five Year Average Loss Factor	*Factor*	*1.0356*
Weather Normalized Wholesale kWh	*kWh*	*714,312,845*
Wholesale Rate/kWh	*$*	*0.06072*
Estimate of Power Purchased	*$*	*43,373,076*

d) **Please provide the calculation of the cost of power purchased based on the split of RPP and non-RPP volumes for 2010 (please show how this has been estimated, if based on historical figures) and the corresponding prices from the April, 2009 Regulated Price Plan Report of $60.72/MWh for RPP customers and $59.15/MWh for non-RPP customers (sum of forecast wholesale electricity price of $44.88 and Global Adjustment of $14.26).**

Response:

Using the actual ratio and the suggested rates, the Energy component of the Cost of Power is shown in the table below. This average rate /mWh of $59.99/mWh is considerably below the actual July 2010 average costs.

Weather Normalized 2010 Retail kWh	*kWh*	*689,773,632*
Five Year Average Loss Factor	*Factor*	*1.0356*
Weather Normalized Wholesale kWh	*kWh*	*714,312,845*
Wholesale Rate/kWh	*$*	*0.06072*
Estimate of Power Purchased	*$*	*43,373,076*

Weather Normalized Wholesale kWh	*kWh*	*714,312,845*
RPP Component	*%*	*49.08%*
RPP Component kWh	*kWh*	*350,612,638*
Rate	*$*	*0.0607*
Estimate of RPP Component Cost	*$*	*21,289,199*
non-RPP Component	*kWh*	*363,700,207*
Rate	*$*	*0.0592*
Estimate of non-RPP Component Cost	*$*	*21,512,867*
Grand Total	*$*	*42,802,067*
Overall Average Rate	*$*	*0.0599*

Interrogatory # 22

Ref: Exhibit 3, Tab 2, Schedule 2 &
Exhibit 2, Tab 4, Schedule 3 &
Exhibit 3, Tab 1, Schedule 2, Attachment 1

a) **Please provide the number of residential customers for the most recent actual month in 2010 and provide the actual number of residential customers for the corresponding month in 2009.**

Response:

Newmarket-Tay		
Class	*Jan-Jul 31/09*	*Jan-Jul 31/10*
Residential	*390*	*222*
GS <50	*11*	*-17*

GS>50	*4*	*6*

b) **Exhibit 2, Tab 4, Schedule 3 showed the addition of 494 single family and 150 townhouse additions in 2009 in Newmarket, for a total of 644 residential additions which equals the additions shown for 2009 in Exhibit 3, Tab 2, Schedule 2. However, for 2010 the capital budget has a total of 300 single family and 150 townhouse additions, while the additions shown are 438. Please explain the difference. Please also explain the difference for Tay.**

Response:

The new connections listed in the capital budget were not updated to reflect the revised customer count connections. The values that should be reflected on Exhibit 2, Tab 4 Schedule 3 are 288 and 150 respectively for Newmarket and 26 for Tay.

c) **Please provide the number of GS < 50 customers for the most recent actual month in 2010 and provide the actual number of residential customers for the corresponding month in 2009.**

Response:
Please see the response to Energy Probe IR No. 22a)

d) **What is the impact on the revenue requirement if the forecasted residential additions for 2010 was increased from 464 to 560, the historical average?**

Response:

The Revenue Requirement would decrease by $27,506; calculated as follows:

Residential Distribution Revenue @ Existing Rates	*$*	*8,415,172*
Avg Customer Count in Forecast	*#*	*29,370*
Avg Distribution Rev/Customer	*$*	*287*
Additional Customers	*#*	*96*
Revenue Requirement	*$*	*-27,506*

e) **Does the customer forecast include 50 additions related to the affordable rental units at Tom Taylor Place?**

Response:

They were energized in 2007.

f) **Please provide the information from Canada Mortgage and Housing Corp. (CMHC) referred to on page 12 of Attachment 1 of Exhibit 3, Tab 1, Schedule 2. Please also provide the most recent forecast from CMHC for the region that includes Newmarket.**

Response:
The information is attached as:
Attach_2_CMHC_Jan_2010
Attach_3_CMHC_Jan_2009
Attach_3_CMHC_Spring_2010

g) **The evidence states at page 9 that the applicant and the Town of Newmarket economic development office is not aware of any activity planned for the sites of three large-use customers. Please confirm that this is still the case.**

Response
Confirmed

h) **Please explain why the distribution service provided to these sites allows them to be classified as GS > 50 kW customers.**

Response
Due to the nature and size of the plants the Applicant has left these customers in the GS>50 class. At the end of the year the Applicant reviews all GS customers on their annual consumption and will readjust the customer's class if needed.

i) **What is the basis for the reduction in the number of sentinel lighting customers forecast for 2010?**

Response:

The 426 units shown for 2009 Actual are the average number of units for the year. The number of units at year end was 421.

Interrogatory # 23
Ref: Exhibit 3, Tab 3, Schedule 2

a) **Please provide the most recent actual year-to-date figures for each of the categories shown in the table on page 1 and the corresponding year-to-date figures for the same period in 2009.**

Response

Other Revenue

Account Name	July 2009 Actual		July 2010 Actual	
SSS Administration Charge	$	(62,553)	$	(60,250)
Retail Service Revenues	$	(25,825)	$	(31,138)
STR Revenues	$	(3,963)	$	(1,484)
Revenue-Rentals	$	(57,973)	$	(60,356)
Revenue-Late Payment Charges	$	(119,130)	$	(132,774)
Specific Service Charges	$	(180,853)	$	(180,748)
Revenue-Sale of Scrap Metals	$	(3,537)	$	(7,955)
Gain on Sale of Assets	$	-	$	(7,500)
Loss on Sale of Assets	$	66	$	1,160
Revenue-Miscellaneous	$	988	$	(14,643)
Interest Earned	$	(21,135)	$	(23,115)
Grand Total Other Revenue	$	(473,914)	$	(518,802)

b) **Please explain the reduction in STR revenues (4084) forecast for 2010 relative to 2009.**

Response

The Applicant has corrected its reporting of certain STR revenues. Certain retailer fees that were being recorded in STR revenue account are now being recorded in the Retail Service Revenue account.

c) **Please explain the reduction rental revenues (4210) forecast for 2010 relative to 2009. In particular, why has the forecast for 2010 been set to the 2008 actual level?**

Response

The Applicant attempted a reasonable estimate based upon all available information known at the time. Based upon actual and projected billings for 2010 the amount of Pole Rentals Revenues is estimated at $128,000.

d) **Will Newmarket-Tay have more poles to rent in 2010 than they did in 2009? If yes, what is the percentage increase?**

Response

There is an increase of 1.7%.

e) Please explain the reduction of more than 50% in the revenue from the sale of scrap metals (4325) forecast for 2010.

Response
The Applicant attempted a reasonable estimate based upon all available information at the time. The Applicant was informed that scrap prices had decreased. Also the Applicant did not have any obsolete inventory that needed to be scrapped.

f) Has Newmarket-Tay recorded any revenues in account 4375 - Revenues from Non-Utility Operations or any costs in account 4380 - Expenses from Non-Utility Operations in 2008 or 2009 that are not CDM related? If yes, please provide the actual figures for 2008 and 2009 and the forecast for these non-CDM activities for 2010.

Response
No

Interrogatory # 24
Ref: Exhibit 3, Tab 3, Schedule 2 &
Exhibit 2, Tab 4, Schedule 3

Newmarket-Tay has capital expenditures in 2010 related to the replacement of three vehicles.

a) Will these vehicles be fully depreciated when they are replaced? If not, please provide the remaining net book value when they are forecast to be replaced.

Response:
They will be fully amortized.

b) How does Newmarket-Tay account for the proceeds from the disposition of these vehicles? In particular, are any losses or gains recorded in accounts 4355 or 4360?

Response
The Applicant would record any gains or losses in the appropriate accounts.

c) Please provide an estimate of the revenue to be received from the disposition of these vehicles.

Response

If these vehicles are sold, they would possibly receive $5,000 each. However one pick up truck will be redeployed to the Tay service area.

d) What was the revenue received for the dump truck and single bucket truck that were replaced in 2009? In what account has this revenue been recorded in 2009?

Response
They were not sold in 2009.

e) The forecasted interest earned for 2010 is $0, which implies an average cash balance for 2010 of $0. Please provide the average cash balance for the most recent year-to-date period available for 2010.

Response
The average monthly balance for July 2010 was 3,057,816. This cash balance consists of the average monthly bank balance of $7,056,772 less customer deposits of $3,998,956.
The Applicant had predicted that it would have incurred an extra $4,000,000 in capital spending by July 2010 on the Commercial Smart Meter and the VIVA projects.
These incremental capital costs that were projected to be incurred in 2010, led the Applicant to predict it would generate zero dollars in interest revenue. Interest earned is included in the response to Energy probe IR No. 23a).

Interrogatory # 25

Ref: Exhibit 3, Tab 3, Schedule 3

a) What is the impact on the total forecasted specific service charges if the 25% reduction forecast for arrears certificates, statement of account and duplicate invoices for previous billing was eliminated?

Response:

If the activity is at the 2009 levels, the SSC revenues would increase by $1,950:

	2010 Budgeted Level		2009 Actual Level		Change
	(All $ at Proposed Rates)				
	#	$	#	$	$
Arrears certificate	184	2,766	242	3,629	863
Statement of account	197	2,961	259	3,885	924
Duplicate invoices for previous billing	37	556	48	719	163
Totals	418	6,283	549	8,233	1,950

b) **What is the impact on the total forecasted specific service charges if the 5% reduction forecast for credit reference/credit check, change of occupancy - final bill, and account set up charge was eliminated?**

Response:

If the activity levels do not reduce by 5%, the SSC revenues would increase by $6,354 as shown if the following chart:

	2010 Budgeted Level		*2010 Level + 5%*		*Change*
	(All $ at Proposed Rates)				
Credit reference/credit check (plus credit agency costs)	*951*	*14,267*	*999*	*14,981*	*713*
Account set up charge (plus credit agency costs if applicable)	*4,339*	*112,820*	*4,556*	*118,461*	*5,641*
Totals	*5,290*	*127,087*	*5,555*	*133,442*	*6,354*

c) **Please explain why there is no revenue forecast for 2010 and the proposed rate is $0 for change of occupancy - final bill in the table on page 9. What is the proposed rate for this charge and how much would that increase the total specific service charges shown in the table on page 9?**

Response:
The Newmarket service area rates are currently based on the 1998 RUD methodology. These costs were split between the 2 customers; the moving in and the one moving out. New market's existing rates resulted in a total of $25 being charged to the two customers.
The Applicant proposes to charge only the customer that is moving in a rate of $26. The development and request for this rate is explained in Exhibit 3, Tab 3, Schedule 3, page 6 of 9 of the Cost of Service Application.

Interrogatory # 26

Ref: Exhibit 4, Tab 1, Schedule 1

a) **What is the impact on the revenue requirement of a 1% change in wage rates (i.e. 2% increase instead of 3% increase)?**
Response
The impact would be approximately $50,000 including operating reductions and a decrease in the cost of capital.

b) **What is the impact on the revenue requirement of a 1% increase in inflation rather than 2%?**

Response

The impact would be approximately $68,000 including operating reductions and a decrease in the cost of capital.

c) Please provide the most recent year-to-date expenses for 2010 in the same level of detail as shown in the table on page 3. Please also provide the actual year-to-date expenses for the same period in 2009.

Response

Newmarket Tay Power Distribution Ltd.	July 31 2010	July 31 2009
Operation & Maintenance	1,398,271	1,320,163
Billing & Collecting	944,804	899,967
Community Relations & Advertising	66,555	54,297
Administration Labour & Exp	1,613,116	1,529,701
Total OM&A	4,022,746	3,804,129
Interest	868,024	849,558
Amortization	2,639,986	2,527,805
Property Taxes	113,609	104,342
Income Taxes (PILS)	1,100,394	1,930,394
Grand Total	8,744,758	9,216,227

Interrogatory # 27

Ref: Exhibit 4, Tab 1, Schedule 2

a) Are any of the increases shown in 2010 over 2009 in the tables on pages 1 and 2 of a one-time nature?

Response

Any costs that are of a one time nature have been amortized over four years and one forth of the total have been included in the 2010 amounts. One time costs include regulatory expenses (Ex4, Tab 1, Schedule 2 pages 22 to 24) and one time purchased service costs (Ex 4 Tab2 Sch 2, pages 1 and 2).

b) Are all of the increases shown in the table on pages 1 and 2 in 2010 over 2009 expected to continue beyond 2010? If not, please identify.

Response

Yes

Interrogatory # 28

Ref: Exhibit 4, Tab 1, Schedule 2

With respect to the additional engineer at a cost of $135,000 please provide the following.

a) **Is the $135,000 the net annual increase in costs associated with the additional engineer?**

Response
Confirmed

b) **Has this position been hired? If yes, when? If no, when is the addition expected?**

Response
The position has been filled as of October 12, 2010

c) **Please provide further detail on the costs and savings associated with this position such as the total wages and benefits of the new position, the expected overtime savings that will be generated. Please provide estimates based on an annual figure beginning when the new position is filled. Please also provide the figures for 2010 based on when the position was/will be filled.**

Response
Please see the response to School Energy Coalition No. IR 21 b).

Interrogatory # 29

Ref: Exhibit 4, Tab 1, Schedule 2

a) **Please provide the actual tree trimming expense for 2007, 2008, 2009 and the forecast for 2010 for each of Newmarket and Tay.**

Response

	Tree Trimming & ROW Mtce			
	2007	2008	2009	2010
Newmarket	$ 57,321	$ 91,568	$ 67,510	$ 89,653
Tay	$ 5,403	$ 85,938	$ 55,696	$ 87,583
Total	$ 62,724	$ 177,506	$ 123,206	$ 177,236

b) **At page 6 the evidence indicates that the consolidated total tree trimming expense is $177,236. However, this amount also appears on page 5 and appears to be related only to Newmarket. Please explain.**

Response
The amount of $177, 326 on page 5 refers to the maintenance of 342 kilometres of over head lines in Tay and 242 kilometres of overhead lines in Newmarket.

c) What were the costs associated with contract line men co-op students, increased overtime, etc. that will be eliminated through the addition of the apprentices noted on page 6? How has this decrease been reflected in the cost of $30,000 shown?

Response
Please see the response to School Energy Coalition IR No. 21 d).

d) Please provide the quantum of costs associated with TOU pricing in 2009 that has been recorded in the deferral account. Please indicate if any of these costs were one-time in nature. Please reconcile the remaining ongoing costs recorded in 2009 with the $373,000 shown on page 1.

Response
The $373,000 refers to the 2010 operating costs for TOU expenses. This amount is revised from the $200,000 described in the EB 2007 -0776 settlement process. Since this Cost of Service application has not been settled the Applicant is presenting the 2010 costs incurred year to date. These are currently being charged to the deferral account.

2010 TOU Operating Costs

	Expenditure	$	Actual July 31 2010
1	ODS	$ 56,000	$ 33,232.00
2	MDMR	$ 110,000	$ -
3	Security Audit	$ 24,000	$ -
4	Exception reporting	$ 150,000	$ 88,084.00
5	Software Maintenance	$ 33,000	$ 25,200.00
	Total	$ 373,000	$ 146,516

MDMR costs
The Applicant has not yet received a bill from the IESO for using its MDMR. For more information concerning the Applicants MDMR cost please see the Cost of Service

Application Exhibit 4 Tab 1 Schedule 2 page 18 of 26. The Applicant has used the service and the Applicant expects to be billed for this service. The Applicant now intends to use the smart meter deferral account for these costs.

Security Audit

The security audit is being finalized at time of writing and costs will be incurred by year end. For more information on the security audit, please see the Cost of Service Application Exhibit 4 Tab 1 Schedule 2 pages 17 and 18 of 26.

There are no one time charges in these amounts.

Interrogatory # 30
Ref: Exhibit 4, Tab 1, Schedule 2

Are there any administration costs or any type of costs associated with Newmarket Hydro Holdings Inc. and/or Tay Hydro Holdings Inc. included in the test year revenue requirement? If yes, please provide details on the costs included in the revenue requirement and what these costs are related to.

Response

There are no administration costs or any type of costs associated with Newmarket Hydro Holdings Inc. and/or Tay Hydro Holdings Inc. included in the test year revenue requirement.

Interrogatory # 31

Ref: Exhibit 4, Tab 1, Schedule 2

a) **Please provide the most recent year-to-date regulatory costs incurred in the same level of detail as shown on page 22.**

Response

		2010 Application Budget	Year to Date July 31 2010
Elenchus	$	217,000.00	$ 120,343.00
Andrew Taylor/Ogilvy Renault	$	100,000.00	$ 44,110.00
Interveners	$	100,000.00	$ -

Navigant TOU study	*$*	*90,000.00*	*$*	*33,915.00*
2008 2009 Application	*$*	*93,000.00*	*$*	*-*

b) What is the impact on the forecast of regulatory costs that is related to the late filing by Newmarket-Tay?

Response
None

c) When did Newmarket-Tay start to prepare its application/evidence for the current proceeding?

Response
April, 2009

d) When did Newmarket-Tay retain Elenchus to assist in the preparation of the current application/evidence?

Response
May 2009

e) When did Newmarket-Tay retain legal counsel to assist with the current proceeding?

Response
May 2009

f) Has Newmarket-Tay sought to recover some of the costs associated with the Navigant TOU study from the other interested groups with whom the results have been shared? If not, why not?

Response

Please see the response to Board Staff IR Issue 4h), question 23 (d).

g) Please provide any precedent at the OEB for the recovery of the 2008 EDR regulatory costs requested by Newmarket-Tay.

Response

The manner in which the Board addresses regulatory costs associated with an application is unique. Although these costs are usually incurred over more than one year, the Board typically allows for their recovery as though they were a one-time cost all incurred in the Test Year. This unique treatment should be considered in the context of the settlement in EB-2007-0776. In that proceeding, the parties agreed to determine 2008 rates based on actual 2008 costs for the purpose of developing IRM rates for 2009. The reason for this was that the settlement conference occurred after the 2008 Test Year. The actual 2008 regulatory costs only accounted for $60,000. However the regulatory costs associated with the application in 2009, costs that were not known at the time the settlement was reached, totalled $108,000. As such, although these costs were incurred over in both 2008 and 2009, the Board's practice is to treat them as a one-time cost in the test year.

h) Please provide the actual insurance premiums paid for 2007 through 2009 and the forecast for 2010.

Response

		2010		2009		2008
Liability	$	47,656	$	75,022	$	81,689
Property	$	127,593	$	61,137	$	61,137
Vehicle	$	22,454	$	20,413	$	17,474
Total	$	197,703	$	156,572	$	160,300

For 2010, MEARIE members received a one time liability premium decrease.

i) Does Newmarket-Tay now have the actual insurance premiums payable for 2010? If no, when will the final cost for 2010 be known?

Response

Please see the response to Energy Probe IR No. 31 h).

j) Please split the $46,000 wage increase and inflation increase for 2010 into executive, management, non-union and Union. Please also confirm that the 3% increase applies to each of these employee categories.

Response

Response

All groups were budgeted at a three percent increase in wages. $35,000 of the increase is due Tay staff being budgeted to an administrative cost centre whereas in 2009 their actual costs where spread out over a number of accounts based upon their timesheets.

k) Please explain the increase of $71,025 in 2010 for all other charges (administration) relative to the increase of $23,839 in 2009.

Response:

Approximately $46,000 of the increased costs are associated with the non cost of service regulatory costs and outside services costs. Note the Applicant traditionally budgets these costs as one budget line item.

The forecast $46,000 increase over 2009 actual is composed of:

<u>OEB proceeding fees.</u>
The Applicant budgets $15,000 per annum for assistance from outside consultants to participate in OEB related proceedings. The Applicant did not participate in any OEB proceedings in 2009 as the Applicant's staff was involved with a cost of service application.

<u>ESA and Related fees.</u>
The Applicant has budgeted an increase of $10,000 for ESA and E&USA related costs including its annual audit cost and user group membership fees.

<u>The Annual Financial Audit</u>
The Applicant's 2010 audit has been increased by $6,000 due to extra assurance procedures in relation to deferral accounts and a general increase for inflation.

<u>OEB Annual Assessment</u>
The Applicant has budgeted for a $4,000 increase in the OEB annual Assessment costs

<u>EDA Annual fees</u>
The Applicant increased the budget for the 2010 EDA fees for the period by $4,000

<u>Annual Instructional updates</u>
The Applicant updates certain standing instruction and policies on a rotational basis. The annual budget for this is $5,000. The Applicant did not update any standing instructions in 2009 due to the fact that the Applicant's staff was involved with a cost of service application.

<u>User groups</u>
In 2010 the Applicant is being charged annual fees for participating in various software system user groups. These costs represent a $2,000 increase over 2009 actual

Interrogatory # 32
Ref: Exhibit 4, Tab 2, Schedule 1

a) **What is the total cost in 2010 associated with the incentive plan that is included in the revenue requirement?**

Response
Total effect of the incentive pay on the 2010 revenue requirement is $36,310.

b) **What is the total potential cost in 2010 of the incentive plan?**

Response
Total budgeted and potential cash outflow for the incentive plan by the Applicant for 2010 is $49,000.

c) **Please provide the actual incentive plan costs for each of 2007 through 2009 and indicate what percentage the actual costs comprise of the total potential cost of the incentive plan in those years was.**

Response
Actual amounts budgeted and paid out were:

Year	*Potential (Budget) Cost*	*Actual Cost*
2007	*$44,000*	*100%*
2008	*$44,000*	*100%*
2009	*$44,000*	*100%*

Interrogatory # 33
Ref: Exhibit 4, Tab 2, Schedule 2

Please provide a breakdown by year of the $100,000 that Newmarket-Tay has budgeted in account 56300 throughout the rebasing period.

Response

$25,000 for consulting costs associated with creating and implementing mandatory policies with respect to the new Bill 168.

$35,000 for an administrative review of job functions, responsibilities and current performance review process.

$30,000 for a full IT ERP audit of its internal and external systems

$10,000 to ensure that the Tay service area is compliant with all current environment regulations.

Total $100,000 or 25,000 per annum

For additional information please see the Cost of Service Application Exhibit 4 Tab 2 Schedule 2.

Interrogatory # 34
Ref: Exhibit 4, Tab 3, Schedule 1

a) **Regulatory expenses are forecast to increase by $193,336 in 2010. $150,000 of this amount has been identified as the portion related to the 2010 COS rates proceeding. Please explain the additional increase of more than $43,000 or 33% over the 2009 level recorded.**

Response

Please see the response to Energy Probe IR No. 31 k).

b) **Do the 2009 regulatory expenses of $132,672 include the $108,000 in 2008 EDR related costs described in Exhibit 4, Tab 1, Schedule 2, page 24? If not, why not?**

Response
No. The $108,000 incurred in 2009 were placed on the Balance Sheet .

c) **Do the 2008 regulatory expenses of $160,459 include only $15,000 in 2008 EDR related costs described in Exhibit 4, tab 1, Schedule 2, page 24?**

Response
Yes

d) **When was the union contract settled?**

Response
The contract was settled in April, 2010

e) **On average how many FTEE's have been vacant positions in each of 2008 and 2009?**

Response:
The Applicant has had two positions vacant; the Applicant has not included any costs associated with those positions in this application nor were any costs in EB 2007-0776.

f) **What assumptions has Newmarket-Tay made with respect to vacancies in 2010?**

Response
That there would be none; with the exceptions noted in the response to Energy Probe IR No. 34 e).

g) Based on the most recent year-to-date information available, how many vacant FTEE's has Newmarket-Tay had in 2010?

Response
The Applicant has two positions vacant; the Applicant has not included those costs in this application.

Interrogatory # 35
Ref: Exhibit 4, Tab 6, Schedule 1 &
Exhibit 4, Tab 1, Schedule 2, page 22

a) Please reconcile the $157,000 and $82,000 figures for consulting and costs associated with the rebasing application as described in Exhibit 4, Tab 6, Schedule 1 with the figures of $217,000 and $100,000 shown on page 22 of Exhibit 4, Tab 1, Schedule 2.

Response
The Applicant incurred $18,000 of legal costs associated with the 2010 cost of service application in 2009. The Applicant expected to incur an additional $82,000 of legal costs in 2010 for a total of $100,000. The Applicant incurred $157,000of consulting costs in 2009 and expected to incur more than $60,000 in 2010 for consultants to complete the Cost of Service Application.

b) When were the estimates of $157,000 and $82,000 made?

Response
Fall 2009

c) Did Newmarket-Tay undertake a competitive bidding process for rate filing consulting and/or legal assistance? If not, why not? If yes, did Newmarket-Tay accept the lowest cost bids? If not, why not?

Response:
The Applicant did not undertake a formal competitive bidding process for the consultants and or legal assistance. The Applicant's stated intent in EB 2007-0776 was to return with a Cost of Service application for the Tay service area in 2010 to address certain cost increases incurred since their 2006 filing. However as a result of the settlement agreement in EB 2007 – 0776, the Applicant was requested to return with a harmonized cost of service application in 2010 and no later than

2011. Due to the negative synergies within the Tay service area, the Applicant urgently needed to return in 2010.

The time and effort involved in a cost of service application cannot be reasonably estimated, particularly when it is complicated by harmonization. This makes responses to any formal RFP ambiguous. The Applicant chose its legal and regulatory consulting firm based upon their reputation and working knowledge of the Applicant and the industry.

Interrogatory # 36
Ref: Exhibit 4, Tab 6, Schedule 2 &
Exhibit 3, Tab 3, Schedule 2

a) Does Newmarket-Tay provide street lighting services to any party other than its shareholders?

Response:
No.

b) Please provide the costs associated with provision of street lighting services for 2008 and 2009 and the forecast for 2010.

Response:

The costs associated with the provision of the street light services are the same as the revenues for each of these years. i.e. 2008- $405,491, 2009 - $420,365, and 2010 - $457,000.

c) Are the revenues shown on page 2 of Exhibit 4, Tab 6, Schedule 2 included in the revenue offsets shown on page 1 of Exhibit 3, Tab 3, Schedule 2? If yes, please indicate where. If no, please explain why not?

Response:

No. The revenues shown on Exhibit 3, Tab 3, Schedule 2 are not included in the revenue offsets. The "Energy Sales" relate to the monthly billings to the municipalities for energy, distribution, transmission, and wholesale market services etc. The "Services" are treated as a "clearing account". Fully burdened costs are charged into the account and then billed to the municipality.

d) In what account does Newmarket-Tay record the revenues shown in Exhibit 4, Tab 6, Schedule 2 for street lighting services? In which account are the related costs recorded?

Response:

Please see response to c) above.

e) The evidence indicates that the maintenance services associated with the street lighting service is billed at Newmarket-Tay's full cost.

i) Has Newmarket-Tay done a fully allocated costing study to determine the full cost billed to its affiliates? If yes, please provide the costing study.

Response:

No. There is no study. The Applicant's practice is to bill street lighting service at the same recoverable rates as any other 3rd party customer.

ii) Does the full cost billed for this service include a return on capital for assets used in the provision of the service such as tools, vehicles, billing systems, etc. as well as recovery of the associated depreciation expenses?

Response:

The fully burdened rate charged to any third party includes fully allocated wages and benefit costs of line staff, an allocation of management costs, an allocation for billing and collecting costs and an allocation of costs associated with tool and fleet maintenance. The Applicants burden rate does not include a provision for a return on capital.

iii) Does the full cost billed for this service include an allocation of overhead costs such as executive and management time, as well as a time allocation for billing purposes?

Response:

Please see response to Energy Probe IR 36 e)ii. The only executive time spent is for the purposes of attempting to achieve an appropriate agreement for the service with the municipal shareholders. This is treated as normal course of business.

iv) Does the full cost billed for this service include a fully allocated proportion of wages and benefits for all individuals involved in delivering, managing and billing for service?

Response:

Please see response to Energy Probe IR 36 e)ii

Interrogatory # 37
Ref: Exhibit 4, Tab 6, Schedule 2

The Cushman & Wakefield LePage letter refers to surplus land of approximately 1.5 acres that would have a rental value of between $30,000 and $36,000 per annum.

a) Is Newmarket-Tay using this surplus land? If yes, please explain what it is being used for.

Response
The Applicant uses this space for safety training facilities, unsecured inventory, excavated material storage, and equipment storage.

b) If the land is not being used, has Newmarket-Tay requested a change in its rental agreement with its shareholder so that no rent is payable on land that is not used? If not, why not?

Response
Please see the response to Energy Probe IR No. 37a).

c) If the land is not being used, has Newmarket-Tay investigated the opportunity to rent the unused land to another party? If not, why not?

Response
Please see the response to Energy Probe IR No. 37a).

Interrogatory # 38
Ref: Exhibit 4, Tab 8, Schedule 1

a) What is the total cost included in the revenue requirement for 2010 associated with meals & entertainment?

Response
The cost of Meals and Entertainment in the 2010 revenue requirement is $26,347

b) What were the actual meals and entertainment expenses recorded in 2008 and 2009?

Response

2008 – $28,873
2009 - $37,425

c) **Please explain the doubling of the non-deductible portion of meals and entertainment expenses from $15,000 in 2008 to $30,000 in 2010.**

Response
The amount for 2010 was incorrect. The correct amount is $15,000.

Interrogatory # 39
Ref: Exhibit 4, Tab 8, Schedules 1 & 3 &
Exhibit 2, Tab 3, Schedule 1, Table 1

a) **Sheet P1 in Exhibit 4, tab 8, Schedule 3 shows capital additions of $5,901,544 in 2009 while Table 1 of Exhibit 2, Tab 3, Schedule 1 shows gross fixed capital additions for 2009 of $5,920,779. Please reconcile and explain the difference.**

Response
The difference is $19,235. This amount is for land for the Holland Junction capital project.

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b) **The 2008 CCA schedule included in the attachment to Exhibit 4, Tab 8, Schedule 1 shows the cost of additions in 2008 of $6,483,274, while Table 1 of Exhibit 2, Tab 3, Schedules 1 shows gross fixed capital additions for 2008 of $7,017,535. Please reconcile and explain the difference.**

Response
The difference is $534,261. The amount was for land purchased. $64,764 was for land included with the Holland Junction capital project and remainder was for land assets that were omitted in the transfer of assets at the time of deregulation. The Applicant discovered that two distribution station sites had not been transferred and subsequently purchased them at the appraised market value. The Applicant is not seeking any retroactivity in relation to the foregone revenue on these expenditures.

c) **Please provide the calculation of the taxable capital for 2010 from sheet E3 referred to on Sheet P7.**

Response

A copy of the Applicant's calculation is attached.

Ont Capital Tax Calculation		
Reserves	*$*	*1,337,000*
Capital Stock	*$*	*27,140,206*
Retained Earnings	*$*	*13,166,790*
All Loans and Advances	*$*	*26,556,004*
Total	*$*	*68,200,000*
Less Capital Deduction	*$*	*15,000,000*
Amount for Capital Tax	*$*	*53,200,000*

Interrogatory # 40

Ref: Exhibit 4, Tab 8, Schedule 3, Sheet Y1

a) Please confirm that the small business tax rate declined from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and the 4.25% surtax on taxable income over $500,000 was eliminated, also effective July 1, 2010.

Response

Confirmed.

b) Please confirm that the 2010 provincial tax savings resulting from the above change is $18,750, the difference between the following calculations on the first $1,500,000 of taxable income:

*** 13% x $1,500,000 = $195,000 and**

*** 5% x $500,000 = $25,000**
13% x $1,000,000 = $130,000
2.125% x $1,000,000 = $21,250
Total = $176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

Response

The Applicant is reviewing the calculation.

c) **Please confirm that the provincial corporate income tax rate fell from 14.0% to 12.0% effective July 1, 2010 and that the weighted average provincial tax rate for 2010 is 12.99%.**

Response
The Applicant can confirm that the Provincial corporate income tax rate fell from 14% to 12% on July 1 2010.

d) **Please explain how the provincial income tax rate of 12.07% for 2010 was calculated.**

Response
The Applicant is reviewing the calculation.

e) **Please confirm that the correct federal income tax rate for 2010 is 18.0%.**

Response
Confirmed.

Interrogatory # 41
Ref: Exhibit 4, Tab 8, Schedules 1 & 3

a) **Has Newmarket-Tay claimed any apprenticeship training tax credits (ATTC), federal Apprenticeship Job Creation tax credits, or the Co-operative Education tax credit in 2007, 2008 or 2009? If yes, please provide the number of eligible positions and the tax credits claimed. If not, please explain why, including whether or not any positions qualified for the tax credits.**

Response
The Applicant has not claimed any apprenticeship training tax credits. The Applicant is currently investigating to determine if it has any positions that qualify for the tax credits and the extent of actual dollars if any it may be eligible to claim.

b) **For each of the three tax credits noted in (a) above, please provide the number of positions that qualify for the tax credit in 2010.**

Response
The two apprentices hired in 2009 would be the only qualifying positions.

c) **Has Newmarket-Tay included any of these tax credits in the calculation of PILs for 2010? If not, please provide the following based on the response to (b) above:**

   i) **Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit as calculated as a maximum of 35% of qualifying wages to a maximum of $10,000 per position over an eligibility period of 48 months.**
   ii) **Please calculate the impact on taxes and on the revenue requirement of including the federal Apprenticeship Job Creation tax credit of $2,000 per eligible position.**
   iii) **Please calculate the impact on taxes and on the revenue requirement of including the Co-operative Education Tax Credit as calculated as a maximum of 25% of qualifying wages to a maximum of $3,000 per eligible employee.**

Response
Assuming the maximum credits in the question were applicable, the following is provided:
(i) ATTC = $0
(ii) AJC = $4,000
(iii) CETC = $6,000
Total Credit = $10,000.
The Applicant estimates this would result in tax reduction of $4,000 with a corresponding reduction in revenue requirement.

Interrogatory # 42

Ref: Exhibit 5, Tab 1, Schedule 2

a) **Please provide a copy of the Newmarket Hydro Holdings Inc. debt instrument.**

Response
Attached

b) **The actual amount of long-term debt held by Newmarket-Tay is approximately $25.6 million whereas the deemed long-term debt is almost $36 million. Does Newmarket-Tay expect to obtain any additional long-term debt over the remainder of 2010?**

Response
The Applicant was expecting to have a minimum bank balance of zero dollars after incurring all the 2010 listed capital expenditures. The Applicant was not expecting to incur any additional long term debt.

c) **Please confirm that Newmarket-Tay has not obtained any additional long-term debt to date in 2010. If this cannot be confirmed, please provide details of this additional debt.**

Response
Confirmed

Interrogatory # 43
Ref: Exhibit 7, Tab 2, Schedules 2 & 3

a) **At line 10 of Schedule 2, a reference is made to "the following table" that shows the revenue to cost before and after changes were made. Please indicate where in the evidence this table is found.**

Response:

The table was submitted separately from the pre-filed evidence. It is provided below:

	Cost Allocation Model Version	Total	Residential	GS <50	GS>50-Regular	Large User	Street Light	Sentinel	Unmetered Scattered Load
1	As Submitted - 2007								
	Newmarket	100.00%	92.55%	100.95%	148.62%	92.67%	8.96%	39.12%	95.50%
	Tay	100.00%	100.68%	122.06%	119.29%	N/A	25.08%	34.22%	139.61%
2	With 2008 EDR Settlement								
	Newmarket	100.00%	94.71%	102.10%	126.96%	N/A	40.00%	70.00%	119.88%
3	Updated NT Power 2010 (First Run - Meter Capital & Reading same weighting as 2008 EDR)								
	NT Power	100.00%	98.52%	88.04%	131.26%	N/A	38.56%	107.84%	95.23%
4	Updated NT Power 2010 (Second Run - Meter Capital includes Smart Meters)								
	NT Power	100.00%	94.46%	92.68%	143.47%	N/A	38.56%	107.84%	95.23%
5	Updated 2010 (Third Run - Street Light Connection Study)								
	NT Power	100.00%	90.43%	91.27%	143.22%	N/A	113.49%	99.38%	89.79%
6	Floor		85.00%	80.00%	80.00%	N/A	70.00%	70.00%	80.00%
	Ceiling		115.00%	120.00%	180.00%	N/A	120.00%	120.00%	120.00%

b) **Schedule 3 refers to Numbers 1 through 5 and refers to the impact comparison table (line 7 of page 1) "shown above". Please indicate where in the evidence this comparison table is found.**

Response:

Please see response to b) above.

Interrogatory # 44
Ref: Exhibit 7, Tab 2, Schedule 1

What is the impact on the total expenses of $238,794 shown for the street lighting class if the proposed change in methodology used to allocate costs for the street lighting class are not approved?

Response:

The total expenses increase as follows:

	$
Street Light Costs from Cost Allocation Model as submitted	*238,794*
Street Light Costs from Cost Allocation Model if each light is treated the same as a household	*712,205*
Increase	*473,412*

Interrogatory # 45
Ref: Exhibit 8, Tab 7, Schedule 1

Newmarket-Tay is proposing common loss adjustment factors for Newmarket and Tay as part of its rate harmonization proposal.

a) **Please comment on whether or not, in the view of Newmarket-Tay, it is necessary to have common loss factors even through the losses in Tay are significantly higher than those in Newmarket.**

Response
The Applicant was requested to submit a harmonized Cost of Service application through the EB 2007-0776 settlement process for harmonizing distribution rates in the Newmarket and Tay service areas. The Applicant assumed that harmonized rates meant one set of harmonized rates including the same loss factor for all the Applicant's customers, irregardless of geographical location.

b) **Could the Board approve harmonized rates but also approve different loss factors in the two service areas?**

Response
The Applicant declines to comment on what the Board could do.

c) **Would this create any billing problems for Newmarket-Tay?**

Response
No