

Board Staff Interrogatories
Newmarket Tay Distribution Inc.
2010 Electricity Distribution Rates Application
EB-2009-0269

As identified in the Procedural Order No. 2 issued on September 22, 2010, the Board has determined the Issues List for the review of this application and will proceed with a series of interrogatories to the applicant arising from its pre-filed evidence. The following Board staff interrogatories contain questions relating to specific aspects of the application of Newmarket – Tay Power Distribution Ltd. Board staff has prepared these interrogatories to conform to the Issues List.

GENERAL

Issue 1 a.) Has Newmarket-Tay responded appropriately to all relevant Board directions from previous proceedings?

1.) Ref: Exhibit 1 Tab 1 Schedule 1

Letter of the Board to All Licensed Electricity Distributors, March 5, 2009
Letter of the Board to Paul Ferguson, President, Newmarket – Tay Power Distribution Ltd. April 30, 2010

On March 5, 2009 The Board wrote to all licensed electricity distributors encouraged distributors planning to file a 2010 cost of service application as soon as possible but no later than August 28, 2009. Newmarket – Tay did not file by the deadline.

On April 20, 2010 the Board wrote Paul Ferguson, president of Newmarket – Tay stating:

“Please be advised that, if the Board does not receive your cost of service application by **April 30, 2010**, any application that you file for 2010 rates should be filed on the basis of the 3rd generation incentive regulation mechanism for the Newmarket service area and 2nd generation for Tay service Area.”

Please provide an explanation for the late filing of the application.

Response:

When the Applicant filed for rates for its Newmarket service area on a stand alone basis (i.e. the application did not pertain to the distribution facilities in Tay) in 2008 (EB-2007-0776, the “Newmarket Proceeding”), it planned to file a cost-of-service application for its Tay service area on a stand alone basis in 2009. The Newmarket Proceeding concluded in a settlement conference on March 18, 2009. As part of the resulting Settlement Agreement, the parties to it agreed that the Applicant would file a cost-of-

service application on a harmonized Newmarket – Tay basis for rates effective May 1, 2010, but no later than 2011.

As a result of inefficiencies in the Tay service area due to the merger discussed in the response to Issue 1e.), question 4 c) following, the Applicant determined there was a need to file for harmonized rates effective May 1, 2010 rather than file for incentive regulation mechanisms in the stand alone Newmarket and Tay service areas for 2010 and a harmonized cost-of-service application for 2011 rates. The Applicant proceeded to assemble the necessary resources to prepare this filing in a timely manner and in accordance with the Board’s preferences for filing timelines. However, due the complexity of the harmonization modeling, uncertainty caused by load forecasting during a sudden period of unprecedented economic instability and the constantly changing design and timelines being tabled by the proponents for the Viva infrastructure project, the application was filed late. At the time of the Board’s letter of April 20, 2010, the application had progressed to the point where material costs and effort would be wasted if it were abandoned in favour of filing on an incentive regulation basis.

2.) Ref: Exhibit 1 Tab 4 Schedule 4 Attachment 1

Newmarket – Tay has not provided a reconciliation of the 2008 and 2009 financial data to the audited financial statements (“AFS”). Newmarket – Tay has provided trial balances instead. Section 2.2.3 of the Filing Requirements states:

“The utility must file a detailed reconciliation of the financial results shown in the Annual Reports/Audited Financial Statements with the regulatory financial results filed in the application.”

Please provide a detailed reconciliation with full explanations of for any adjustments of the Application to the AFS for 2008 and 2009.

Response

Fixed Assets and Accumulated Amortization:

There are three factors that account for differences between the applied for Rate Base values and the Financial Statements:

- 1. For Financial Statement purposes in 2008 the cumulative amortization of Capital Contributions was netted against the asset account (1995).**
- 2. Sentinel Lights are not included in the Rate Base values.**
- 3. There is a small unreconciled difference in 2009.**

	2008	2009
	\$	\$
Gross Fixed Assets		

Financial Statements		
Total NT Power	103,283,210	105,901,712
Adjustments:		
2) Sentinel Lights	(23,052)	(23,052)
1) Newmarket Amortization of Capital Contributions Netted Against Capital Contributions	(3,165,919)	0
Smart Meters	2,371,002	2,371,002
3) Minor Variance		(4,479)
Rate Base	102,465,241	108,245,183

Accumulated Amortization Financial Statements Property Plant and Equipment Newmarket Tay		
Total NT Power	(54,395,837)	(55,360,550)
Adjustments:		
2) Sentinel Lights	23,052	23,052
1) Newmarket Amortization of Capital Contributions Netted Against Capital Contributions	3,165,919	
Smart Meters	(1,274,727)	(1,339,222)
3) Minor Variance	158	2,741
Rate Base	(52,481,434)	(56,673,979)
Net Fixed Assets	49,983,806	51,571,205

Operation, Maintenance and Administration Accounts:

Operations and Maintenance

	2008	2009
Operation and Maintenance Financial Statements Newmarket Tay NT Power May - Dec		
Total NT Power	2,177,029	2,197,730
Adjustments:		
Sentinel Light Mtce	(119)	
Depreciation Exp Trucks Tools		

Stores		
<i>Late Adjustment not included in Rt</i>		
Base		26,336
<i>Meter Reading Vehicles (offset in</i>		
<i>Billing)</i>	(12,715)	(16,040)
Adjusted Financials	2,164,195	2,208,026
Rate Base	2,164,196	2,208,026
Variance	(0)	(0)

1. Sentinel Light Maintenance costs have been removed.

Billing and Collecting

	2008	2009
Billing and Collecting		
Financial Statements		
Total NT Power	1,737,748	1,836,647
Adjustments:		
<i>Meter Reading Vehicles (offset in</i>		
<i>Ops)</i>	12,715	16,040
<i>Community Rel & Ret Setup Reported</i>		
<i>with Admin</i>		1,852,687
Adjusted Financials	1,750,463	1,852,687
Rate Base	1,750,464	1,852,686
Variance	(1)	0

Administration and Advertising

	2008	2009
Administration & Advertising		
Financial Statements		
Total NT Power	2,446,541	2,510,941
Adjustments:		
<i>Community Rel Reported with Admin</i>		(5,366)
Adjusted Financials	2,446,541	2,505,575
Rate Base	2,446,541	2,505,575
Variance	(0)	(0)

Depreciation Expense

2008	2009
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<i>Depreciation Expense</i>		
<i>Financial Statements</i>		
<i>Total NT Power</i>	<i>4,082,048</i>	<i>4,270,472</i>
<i>Adjustments:</i>		
<i>1) Depreciation on Meters previously written off</i>	<i>13,000</i>	<i>39,772</i>
<i>2) Variances due to timing of year end results</i>		<i>23,135</i>
<i>3) Depreciation on Sentinel Lights Unreconciled Variance</i>	<i>(328)</i> <i>(5,589)</i>	
<i>Adjusted Financials</i>	<i>4,089,131</i>	<i>4,333,380</i>
<i>Rate Base</i>	<i>4,089,131</i>	<i>4,333,380</i>
<i>Variance</i>	<i>0</i>	<i>(0)</i>

Adjustments

1. As mentioned above, analogue meters previously written off were brought back into the Rate Base. Depreciation Expense is calculated for these in the Rate Base.
2. The Rate Base values were set prior to the finalization of the 2009 Audited Financial amounts.
3. Depreciation Expense on Sentinel Lights is removed from the Rate Base.

Deferral Accounts

	<i>2008</i>	<i>2009</i>
<i>Deferral Accounts</i>		
<i>Financial Statements</i>		
<i>Newmarket (Previously Approved)</i>	<i>(2,109,608)</i>	
<i>Tay</i>	<i>(737,048)</i>	
<i>NT Power May - Dec</i>		
<i>Total NT Power</i>	<i>(2,846,656)</i>	<i>(952,566)</i>
<i>Adjustments:</i>		
<i>Remove Unbilled Revenues</i>	<i>684,051</i>	<i>7,370,073</i>
<i>Remove Accrued Power Bills</i>	<i>(538,479)</i>	<i>(5,305,172)</i>
<i>Add Smart Meter Adjustment per filing</i>	<i>549,552</i>	<i>1,317,077</i>
<i>Entry recorded after Rate Model completed</i>		<i>(10,011)</i>
<i>Newmarket (Previously Approved)</i>	<i>2,109,608</i>	
<i>Adjusted Financials</i>	<i>(41,924)</i>	<i>2,419,401</i>
<i>Rate Model</i>	<i>(41,924)</i>	<i>2,419,401</i>

<i>Variance</i>	<i>0</i>	<i>0</i>
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- 1. Newmarket Deferral balances for 2006 to 2008 were approved with the 2008 EDR and were not reconciled again here.**
- 2. The Applicant uses the Cash method for RRR and rate making purposes. Therefore all accrued Cost of power bills and unbilled revenues included in the GAAP Deferral Accounts must be reversed.**
- 3. Smart Meter balances have been adjusted to the levels shown at Exhibit 9, Tab 3, Schedule 2.**
- 4. Deferral Account balances were set in the Rate Base prior to the finalization of the 2009 Audit.**

Issue 1 d.) What is the appropriate effective date for any new rates flowing from this Application?

3.) Ref: Exhibit 1 Tab 1 Schedule 2
Exhibit 8

In the "Legal Application" filed in Exhibit 1 Tab 1 Schedule 2, Newmarket – Tay has not stated an effective date for its proposed rates. Newmarket Tay has also not provided a Tariff of Rates and Charges which would include an Effective Date in Exhibit 8. In addition, Newmarket – Tay has not addressed implementation issues for its proposed rates, either in the Legal Application or its rates design evidence Exhibit 8. Typically new rates are in effect as of May, 1 of the proposed test year, and for this Application that would be May 1, 2010.

a) What is the proposed Effective Date and why?

Response:

Please see the response to Energy Probe IR No. 2. The Applicant proposes an effective date of August 1, 2010. The Applicant does not believe it should be penalized for its late filing in light of the circumstances described in the response to interrogatory #1 above.

b) In recognizing that a rate order will not be issued for quite some time, what is Newmarket – Tay's proposal for implementing rates?

Response:

The Applicant proposes that a rate rider be used to recover its revenue deficiency from the effective date to the implementation date. The Applicant would be happy to calculate such a rate rider when it has a better idea of when its rates may be implemented.

Issue 1 e.) Is the Applicant's proposed rate harmonization appropriate?

4.) Ref: Exhibit 1 Tab 2 Schedule 2 and the following 6 pages
Exhibit 8 Tab 9 Schedule 4 Page 13

In the "For Immediate Release" document dated May 10, 2006, the then Newmarket Hydro Ltd. Stated:

"Putting these two utilities together delivers cost savings. By eliminating certain duplicate costs and enhancing administrative efficiencies, an annual incremental savings estimated at approximately \$70,000 will be achieved."

- a) Please list the duplication of costs that have been eliminated and the actual savings realized in 2008, 2009, and 2010. Please state your assumptions and show calculations, referencing evidence or other sources for numbers used.

Response

The following chart contains the projected and actual amounts achieved

Duplicate Costs		
Potential Savings	Projected	Amount Achieved
Board Costs	\$ 17,000	\$ 17,000
Computer Software Costs	\$ 15,000	\$ 15,000
Audit Fees	\$ 13,000	\$ 13,000
Meter Reading	\$ 12,000	\$ -
Settlement Costs	\$ 7,000	\$ -
Extra Interest Revenue	\$ 6,000	\$ -
Postal Saving	\$ 4,500	\$ 4,500
Consultants	\$ 3,000	\$ 3,000
Total	\$ 77,500	\$ 52,500

- b) Please list the administrative efficiencies that have materialized and state the estimated savings. Please state your assumptions and show calculations, referencing evidence or other sources for numbers used.

Response

No significant administrative efficiencies have materialized from the merger to date. The Applicant notes that a merger is a long-term commitment for the parties, and efficiencies beyond the test year are expected.

- c) Please state any un-anticipated costs or events that would offset these savings, such as increased travel time and over-time, increased systems costs, and buy-outs or settlements of contracts etc.

Response:

Prior to the merger, Tay was not unionized. The Newmarket lines staff is represented by the Power Worker's Union. Under the merger, the Power Workers were recognized as the representation for all lines staff. This increased costs in two ways:

- 1. Wages and benefits harmonized at the Newmarket levels; and***
- 2. Tay had a complement of two linepersons with the former president regularly performing lineperson work to satisfy workload and safety requirements. With the reorganization of the Tay lines staff, the president was no longer able to perform line work resulting in the need to hire a 3rd lineperson. The Applicant hired a 1st year apprentice to fill this need.***

The total effect of wage and benefit harmonization and the journey line person has increased the wages from the 2005 level by over \$160,000.

The release also states:

““The business case for this merger is that it is the right thing to do for the customers in Newmarket and Tay,” adds Paul Ferguson. “With these utilities teaming up, we’re more competitive, and **we have greater flexibility in managing future rate increases and limiting the impact on consumers,** [Emphases Added] all of which helps in protecting shareholder value over the long run.” Additionally, the merger is helpful in the context of industry and regulator discussions concerning the most efficient size of distributors as a means to lowering costs and improving service to customers.”

Newmarket – Tay has estimated that for a residential customer consuming 800 kWh in the Newmarket Service territory where the majority of the residential customers are, the Monthly Service Charge is increasing by 26.49% and variable distribution charge is increasing by 5.27% without the application of the HST. These increases are only partially offset with the removal of the smart meter rate

adder. The net result of the changes in the three components is a one year increase of 14.1%.

d) What has been done to limit this impact on customers?

Response

As administrative and other efficiencies from the merger materialize beyond the test year, they will have a moderating effect on rates. As noted in the response to Board Staff IR No. 4b), a merger is a long-term commitment, these efficiencies have yet to materialize.

RATE BASE

Issue 2 f.) Is the determination of the level of the proposed rate base appropriate?

5.) Ref: Exhibit 2 Tab 1 Schedule 1 Attachment 1

Board staff would like more detail to confirm the net book value of Newmarket – Tay’s assets. Board staff is requesting Newmarket – Tay to complete the following table for all the accounts that underpin its net book values for each of the years 2006 to 2010 inclusive. A full year of depreciation on a full year of gross book value is to be used in each year except for 2010. The half year rule is to be applied to adjust the gross assets and depreciation for 2010.

Newmarket - Tay Continuity of Net Book Value											
		Gross Asset					Accumulated Depreciation				
Account#	Account Description	Col. 1 Depn. Rate	Col. 2 Opening Bal.	Col. 3 Addns.	Col. 4 Disposals	Col. 5 Closing Bal.	Col. 6 Opening Bal.	Col. 7 Addns.	Col. 8 Disposals	Col. 9 Closing Bal.	Col. 10 NBV

Response:

The Applicant has filled in the data required, but must offer the following comments in this regard:

- 1. The Applicant’s Fixed Asset system calculates depreciation starting on the date that the asset is declared “In Service” throughout the year. Although on average, this would be close to July 1, it provides a more accurate calculation than (Year Start plus Year End)/2. All Forecast and Budget values are calculated using the mid year average.*

- 2. The Applicant's Fixed Asset base has many assets that are fully depreciated and still in service. The Fixed Asset system does not calculate depreciation on these assets.***

The Applicant has provided reconciliations between the Fixed Assets included in the Rate Base to the audited Financial Statements as provided in OEB Staff IR 2.

Fixed Asset Details Plus Reconciliation to Financial Statements –2006

		Fixed Asset Details 2006									
Class	Account #	Deprn Rate	Gross Asset			Accumulated Depreciation				NBV	
			Opening Balance	Additions	Disposals and Adj	Closing Balance	Opening Balance	Additions	Disposals and Adj		Closing Balance
Distribution - Land	1805		1,516,507	1,002,269		2,518,776	0			0	2,518,776
Distribution - Land Rights	1806	3.33%	241,737	0		241,737	(98,362)	(4,725)		(103,087)	138,650
Mun Trans Stn-50kv	1820	3.33%	7,997,369	298,095		8,295,464	(3,743,209)	(270,968)		(4,014,177)	4,281,286
Distribution Lines o/h Poles	1830	4.00%	11,752,122	566,174		12,318,296	(5,484,882)	(468,813)		(5,953,695)	6,364,601
Distribution Lines o/h Cable	1835	4.00%	14,199,219	845,972		15,045,191	(6,543,898)	(574,265)		(7,118,163)	7,927,028
Distribution Lines u/g Conduit	1840	4.00%	6,654,162	97,150		6,751,312	(2,785,411)	(304,206)		(3,089,616)	3,661,695
Distribution Lines u/g Cable	1845	4.00%	21,196,060	814,868		22,010,929	(8,835,053)	(965,234)		(9,800,287)	12,210,642
Services	1855	4.00%	3,310,216	919,089		4,229,306	(1,477,894)	(144,019)		(1,621,913)	2,607,393
Distribution Transformers	1850	4.00%	13,456,412	770,883		14,227,295	(6,083,382)	(622,026)		(6,705,407)	7,521,888
Distribution Meters	1860	4.00%	6,147,926	714,146		6,862,071	(2,890,511)	(305,253)		(3,195,764)	3,666,307
Smart Meters	1860	6.67%	0	294,833		294,833	0	(9,828)		(9,828)	285,005
Leasehold Improvements	1910	20.00%	347,913	42,303		390,216	(233,777)	(46,609)		(280,386)	109,830
Office Equipment	1915	10.00%	274,203	12,252		286,455	(174,704)	(16,296)		(191,001)	95,454
Computer Equipment	1920	20.00%	503,029	149,418		652,447	(399,614)	(57,190)		(456,804)	195,643
Computer Software	1925	20.00%	727,350	323,238		1,050,588	(403,680)	(171,634)		(575,314)	475,273
Stores Whse Equipment	1935	10.00%	142,664	4,592		147,256	(85,078)	(7,748)		(92,826)	54,430
Rolling Stock & Equip.	1930	13.33%	3,035,312	286,784	(185,942)	3,136,154	(2,217,430)	(318,944)	185,942	(2,350,432)	785,722
Misc. Tools & Equip.	1940	10.00%	458,342	10,692		469,035	(318,750)	(25,395)		(344,146)	124,889
Measurement & Test Equip	1945	10.00%	37,312	51,176		88,488	(25,359)	(4,858)		(30,217)	58,271
Sentinel Lights											
System Supervisory Equip	1980	6.67%	727,538	7,018		734,556	(383,090)	(47,842)		(430,932)	303,624
Buildings	1908	2.44%	274,675	1,602		276,277	(64,523)	(6,809)		(71,332)	204,945
Contributed Capital	1995	4.00%	(11,097,818)	(1,747,726)		(12,845,544)	1,513,195	512,765		2,025,960	(10,819,584)
Totals			81,902,249	5,464,829	(185,942)	87,181,136	(40,735,410)	(3,859,899)	185,942	(44,409,368)	42,771,768

Fixed Asset Details Plus Reconciliation to Financial Statements – 2007

Fixed Asset Details 2007

Class	Account #	Deprn Rate	Gross Assets			Accumulated Depreciation			NBV	
			Opening Balance	Additions	Disposals and Adj	Closing Balance	Opening Balance	Additions		Disposals and Adj
Distribution - Land	1805		2,518,776	51,571		2,570,347	0	0	2,570,347	
Distribution - Land Rights	1806	3.33%	241,737	0		241,737	(103,087)	(107,858)	133,879	
Mun Trans Stn-50kv	1820	3.33%	8,295,464	171,053		8,466,517	(4,014,177)	(4,250,869)	4,215,647	
Distribution Lines o/h Poles	1830	4.00%	12,318,296	718,714		13,037,010	(5,953,695)	(6,407,996)	6,629,015	
Distribution Lines o/h Cable	1835	4.00%	15,045,191	588,555		15,633,746	(7,118,163)	(7,725,379)	7,908,367	
Distribution Lines u/g Conduit	1840	4.00%	6,751,312	390,267		7,141,579	(3,089,616)	(3,450,905)	3,690,674	
Distribution Lines u/g Cable	1845	4.00%	22,010,929	767,674		22,778,602	(9,800,287)	(10,988,316)	11,790,287	
Services	1855	4.00%	4,229,306	1,197,598		5,426,903	(1,621,913)	(1,785,551)	3,641,352	
Distribution Transformers	1850	4.00%	14,227,295	1,025,697		15,252,992	(6,705,407)	(7,361,302)	7,891,691	
Distribution Meters	1860	4.00%	6,862,071	392,184		7,254,255	(3,195,764)	(3,496,097)	3,758,158	
Smart Meters	1860	6.67%	294,833	3,727,070		4,021,903	(9,828)	(81,947)	3,939,956	
Leasehold Improvements	1910	20.00%	390,216	29,019		419,236	(280,386)	(326,409)	92,826	
Office Equipment	1915	10.00%	286,455	39,066		325,521	(191,001)	(208,637)	116,884	
Computer Equipment	1920	20.00%	652,447	70,678		723,125	(456,804)	(521,082)	202,042	
Computer Software	1925	20.00%	1,050,588	347,960		1,398,547	(575,314)	(814,232)	584,315	
Stores Whse Equipment	1935	10.00%	147,256	1,227		148,483	(92,826)	(100,689)	47,794	
Rolling Stock & Equip.	1930	13.33%	3,136,154	141,250		3,277,404	(2,350,432)	(2,389,035)	888,369	
Misc. Tools & Equip.	1940	10.00%	469,035	16,627	(9,397)	476,265	(344,146)	(362,998)	113,267	
Measurement & Test Equip	1945	10.00%	88,488	14,047		102,535	(30,217)	(35,997)	66,538	
Sentinel Lights			0	0		0	0	0	0	
System Supervisory Equip	1980	6.67%	734,556	4,479		739,035	(430,932)	(479,179)	259,856	
Buildings	1908	2.44%	276,277	2,743		279,020	(71,332)	(78,186)	200,833	
Contributed Capital	1995	4.00%	(12,845,544)	(1,421,423)		(14,266,967)	2,025,960	2,580,361	(11,686,606)	
Totals			87,181,136	8,276,055	(9,397)	95,447,794	(44,409,368)	(4,253,215)	270,280	47,055,491
									(48,392,303)	

Contributed Capital	1995	4.00%	(14,266,967)	(1,570,253)	(15,837,221)	2,580,361	632,861	3,213,222	(12,623,998)	
Totals			95,447,794	7,017,446	102,465,240	(48,392,303)	(4,089,131)	0	(52,481,434)	49,983,806

Fixed Asset Details Plus Reconciliation to Financial Statements – 2009

Fixed Asset Details 2009

Class	Account #	Deprn Rate	Gross Assets				Accumulated Depreciation				NBV
			Opening Balance	Additions	Disposals and Adj	Closing Balance	Opening Balance	Additions	Disposals and Adj	Closing Balance	
Distribution - Land	1805		3,104,515	23,804		3,128,319	0	0	0	3,128,319	
Distribution - Land Rights	1806	3.33%	463,812	125,990		589,802	(116,307)	(14,192)	(130,499)	459,302	
Mun Trans Stn<50kv	1820	3.33%	8,879,447	(0)		8,879,447	(4,536,712)	(295,577)	(4,832,289)	4,047,158	
Distribution Lines o/h Poles	1830	4.00%	14,113,004	811,550		14,924,554	(6,893,758)	(543,554)	(7,437,312)	7,487,242	
Distribution Lines o/h Cable	1835	4.00%	16,256,387	828,713		17,085,100	(8,332,472)	(636,604)	(8,969,075)	8,116,025	
Distribution Lines u/g Conduit	1840	4.00%	7,582,427	849,032		8,431,458	(3,727,154)	(300,902)	(4,028,057)	4,403,401	
Distribution Lines u/g Cable	1845	4.00%	23,658,386	1,611,883		25,270,269	(11,865,726)	(894,864)	(12,760,589)	12,509,680	
Services	1855	4.00%	6,519,311	1,297,241		7,816,552	(1,985,462)	(281,809)	(2,267,270)	5,549,282	
Distribution Transformers	1850	4.00%	16,246,035	1,012,859	(500)	17,258,394	(7,975,521)	(651,872)	(8,626,894)	8,631,500	
Distribution Meters	1860	4.00%	7,704,477	179,862	(1,821)	7,882,517	(3,797,179)	(281,943)	(4,077,301)	3,805,217	
Smart Meters	1860	6.67%	4,871,019	473,285		5,344,304	(386,459)	(339,110)	(725,569)	4,618,735	
Leasehold Improvements	1910	20.00%	456,691	254,135		710,826	(374,636)	(41,344)	(415,980)	294,846	
Office Equipment	1915	10.00%	352,373	19,035	(418)	370,990	(229,703)	(18,305)	(247,590)	123,400	
Computer Equipment	1920	20.00%	838,637	26,096		864,733	(583,606)	(79,341)	(662,947)	201,786	
Computer Software	1925	20.00%	1,465,482	38,316		1,503,797	(1,058,957)	(204,562)	(1,263,519)	240,278	
Stores Whse Equipment	1935	10.00%	151,247	0		151,247	(108,614)	(7,978)	(116,591)	34,656	
Rolling Stock & Equip.	1930	13.33%	4,003,225	346,763	(131,800)	4,218,188	(2,682,646)	(336,650)	(2,887,496)	1,330,691	
Misc. Tools & Equip.	1940	10.00%	511,791	25,258	(6,296)	530,753	(388,666)	(24,196)	(406,565)	124,188	
Measurement & Test Equip	1945	10.00%	102,535	0		102,535	(41,851)	(8,960)	(50,811)	51,724	
Sentinel Lights			0	0		0	0	0	0	0	
System Supervisory Equip	1980	6.67%	742,641	0		742,641	(524,180)	(39,731)	(563,910)	178,731	
Buildings	1908	2.44%	279,020	18,892		297,912	(85,048)	(7,240)	(92,288)	205,623	
Contributed Capital	1995	4.00%	(15,837,221)	(2,021,935)	(17,859,155)	108,245,183	3,213,222	675,352	3,888,575	(13,970,581)	
Totals			102,465,240	5,920,779	(140,836)	108,245,183	(52,481,434)	(4,333,380)	140,836	(56,673,979)	51,571,204

Fixed Asset Details Plus Reconciliation to Financial Statements – 2010

Class	Account #	Deprn Rate	Fixed Asset Details 2010				Accumulated Depreciation				NBV
			Gross Assets		Net Assets		Gross Assets		Net Assets		
			Opening Balance	Additions	Disposals and Adj	Closing Balance	Opening Balance	Additions	Disposals and Adj	Closing Balance	
Distribution - Land	1805		3,128,319	0	0	3,128,319	0	0	0	0	3,128,319
Distribution - Land Rights	1806	3.33%	589,802	0	0	589,802	(130,499)	(19,660)	0	(150,159)	439,642
Mun Trans Stn<50kv	1820	3.33%	8,879,447	1,429,792	0	10,309,238	(4,832,289)	(298,655)	0	(5,130,944)	5,178,294
Distribution Lines o/h Poles	1830	4.00%	14,924,554	2,262,680	0	17,187,234	(7,437,312)	(581,462)	0	(8,018,773)	9,168,460
Distribution Lines o/h Cable	1835	4.00%	17,085,100	2,319,612	0	19,404,712	(8,969,075)	(669,022)	0	(9,638,097)	9,766,615
Distribution Lines u/g Conduit	1840	4.00%	8,431,458	537,894	0	8,969,352	(4,028,057)	(325,111)	0	(4,353,168)	4,616,184
Distribution Lines u/g Cable	1845	4.00%	25,270,269	1,679,077	0	26,949,346	(12,760,589)	(974,724)	0	(13,735,314)	13,214,033
Services	1855	4.00%	7,816,552	674,471	0	8,491,023	(2,267,270)	(326,151)	0	(2,593,422)	5,897,601
Distribution Transformers	1850	4.00%	17,258,394	1,489,888	0	18,748,283	(8,626,894)	(660,877)	0	(9,287,771)	9,460,511
Distribution Meters	1860	4.00%	7,882,517	49,364	0	7,931,881	(4,077,301)	(279,830)	0	(4,357,131)	3,574,750
Smart Meters	1860	6.67%	5,344,304	2,027,551	0	7,371,855	(725,569)	(423,872)	0	(1,149,441)	6,222,414
Leasehold Improvements	1910	20.00%	710,826	95,000	0	805,826	(415,980)	(83,606)	0	(499,586)	306,240
Office Equipment	1915	10.00%	370,990	12,040	0	383,030	(247,590)	(23,079)	0	(270,669)	112,361
Computer Equipment	1920	20.00%	864,733	45,100	0	909,833	(662,947)	(81,482)	0	(744,429)	165,404
Computer Software	1925	20.00%	1,503,797	260,200	0	1,763,997	(1,263,519)	(139,744)	0	(1,403,264)	360,734
Stores Whse Equipment	1935	10.00%	151,247	0	0	151,247	(116,591)	(8,286)	0	(124,878)	26,370
Rolling Stock & Equip.	1930	13.33%	4,218,188	115,000	0	4,333,188	(2,887,496)	(325,307)	0	(3,212,803)	1,120,385
Misc. Tools & Equip.	1940	10.00%	530,753	45,000	0	575,753	(406,565)	(22,938)	0	(429,504)	146,250
Measurement & Test Equip	1945	10.00%	102,535	35,000	0	137,535	(50,811)	(11,665)	0	(62,476)	75,059
Sentinel Lights			0	0	0	0	0	0	0	0	0
System Supervisory Equip	1980	6.67%	742,641	0	0	742,641	(563,910)	(31,196)	0	(595,107)	147,534
Buildings	1908	2.44%	297,912	0	0	297,912	(92,288)	(7,266)	0	(99,554)	198,357
Contributed Capital	1995	4.00%	(17,859,155)	(2,694,061)	0	(20,553,217)	3,888,575	768,247	0	4,656,822	(15,896,395)
Totals			108,245,183	10,383,607	(2,694,061)	118,628,790	(56,673,979)	(4,525,690)	768,247	(61,199,668)	57,429,122

6.) Ref: Exhibit 2 Tab 3 Schedule 1

Exhibit 2 Tab 4 Schedule 3

Board staff has prepared the following table from the evidence:

Please confirm that it is correct. If it is not, please make corrections.

Newmarket - Tay Capital Expenditures

	Government Requirements	2010	2009
1	Overhead Line Additions, Rebuilds (CP 212 - Holland Junction TS)	\$ 868,039	\$ 1,187,951
2	Blanket Jobs and Metering (CP 276 & TP 276 - Smart Meter Deployment and Application of TOU Pricing)	\$ 2,027,551	\$ 473,285
	Government Requirements Total	\$ 2,895,590	\$ 1,661,236
	System Reliability		
3	Distribution Stations (CP 214 - Leadbeater MUS Refurb)	\$ 709,637	
4	Overhead Line Additions, Rebuilds (TP 007 - Line Rebuild)		\$ 182,604
5	Overhead Line Additions, Rebuilds (CP 230 - Rebuild Residential Overhead Pole Line)	\$ 131,415	\$ 65,232
6	Overhead Line Additions, Rebuilds (CP 227 - Lundy's Lane Feeder Tie & Open Bus)	\$ 234,444	
7	Overhead Line Additions, Rebuilds (CP 228 - Gorham Street - Replace Pole Line)	\$ 120,902	
8	Overhead Line Additions, Rebuilds (TP 013 - Replace Pole Line - 4th Avenue to Alberta, Port McNicol)	\$ 125,215	
9	Undergand Line Additions, Rebuilds (CP 199 & CP 231 - Eagle Hills - Replace Underground System)	\$ 1,095,267	\$ 903,047
10	Blanket Jobs (CP 218 & TP 218 - Replace End of Life Transformers)	\$ 139,282	\$ 137,794
11	Blanket Jobs (CP 220 & TP 220 - Pole Replacement Program)	\$ 113,259	\$ 67,955
12	System Reliability Totals	\$ 2,669,421	\$ 1,356,632
	Growth in Demand		
13	Distribution Stations (CP 224 - Boggartown Station)	\$ 746,438	
14	Customer Additions (CP 216,217, TP 216, 217 - Addition of Res, Com and Indus Customers)	\$ 841,007	\$ 1,297,893
15	Overhead Line Additions, Rebuilds (CP 226 - Leslie Street Line Addition)	\$ 152,441	
16	Growth in Demand Totals	\$ 1,739,886	\$ 1,297,893
	Third Party Driven		
17	Overhead Line Additions, Rebuilds (CP 193 - Bayview Pole Line Rebuild)		\$ 467,186
18	Overhead Line Additions, Rebuilds (CP 287 - Yonge St Pole Line Rebuild)	\$ 141,440	
19	Overhead Line Additions, Rebuilds (CP 287 - Doug Duncan Drive, Pole Line Rebuild)	\$ 129,238	
20	Overhead Line Additions, Rebuilds (TP 016 - Line Addition/Rebuild - Triple Bay Road, Hwy 12)	\$ 101,137	
21	Overhead Line Additions, Rebuilds (CP 198 - Infrastructure Project - Davis Drive and Yonge Street)	\$ 1,937,576	\$ 936,968
22	Third Party Driven Totals	\$ 2,309,391	\$ 936,968
	Internally Driven		
23	Fleet (Single Bucket Truck and Dump Truck Replacement)	\$ 115,000	\$ 346,763
24	Computer Software	\$ 200,000	
25	Internally Driven Totals	\$ 315,000	\$ 346,763
26	ALL CAPITAL EXPENDITURES TOTAL	\$ 9,929,288	\$ 5,599,492

Response:

The table is not correct.

An updated version of the 2010 capital plan which includes actual to date and current projected in-service dates is provided in the response to Consumers Council of Canada IR No. 3.

A corrected table for 2009 is given below:

Newmarket-Tay Capital Expenditures

	Government Requirements	OEB Calculation 2009	2009 Actual As Filed
1	Overhead Line Additions, Rebuilds(CP122 - Holland Junction TS)	\$ 1,187,951	\$ 1,187,951
2	Metering (CP 276 & TP 276 - Smart Meter Deployment and Application of TOU Pricing)	\$ 473,285	\$ 483,570
	Government Requirements Totals	\$ 1,661,236	\$ 1,671,521
	System Reliability		
3	Distribution Stations (CP 214 - Leadbeater MUS Refurb)		
4	Overhead Line Additions, Rebuilds(TP 007 - Line Rebuild)	\$ 182,604	\$ 182,604
5	Overhead Line Additions, Rebuilds (CP 230 - Rebuild Residential Overhead Pole Line	\$ 65,232	\$ 65,232
6	Overhead Line Additions, Rebuilds (CP 227 - Lundy's Lane Feeder Tie & Open Bus		
7	Overhead Line Additions, Rebuilds (CP228 - Gorham Street - Replace Pole Line		
8	Blankets and Other Replacements		\$ 360,262
9	Overhead Line Additions, Rebuilds (TP 013 - Replace Pole Line - 4th Avenue to Alberta, Port McNicol		
10	Underground Line Additions, Rebuilds (CP 199 & CP 231 - Eagle Hills - Replace Underground System	\$ 903,047	\$ 903,047
11	Blanket Jobs (CP 218 & TP 218 - Replace End of Life Transformers	\$ 137,794	\$ 137,794
12	Blanket Jobs (CP 220 & TP 220 - Pole Replacement Program	\$ 67,955	\$ 67,955
13	System Reliability Totals	\$ 1,356,632	\$ 1,716,894
	Growth in Demand		
14	Distribution Stations (CP 224 - Boggartown Station)		
15	Customer Additions (CP 216,217, TP 216,217 - Addition of Res, Com, and Indus Customers	\$ 1,297,893	\$ 1,297,893
16	Overhead Line Additions, Rebuilds (CP 226 - Leslie Street Line Addition		
17	Growth in Demand Totals	\$ 1,297,893	\$ 1,297,893
	Third Party Driven		
18	Overhead Line Additions, Rebuilds (CP 193 - Bayview Pole Line Rebuild)	\$ 467,186	\$ 467,186

19	<i>Overhead Line Additions, Rebuilds (CP 287 - Younge St. Pole Line Rebuild)</i>		
20	<i>Overhead Line Additions, Rebuilds (CP 287 - Doug Duncan Drive, Pole Line Rebuild)</i>		
21	<i>Overhead Line Additions, Rebuilds (TP 016 - Line Addition/Rebuild - Triple Bay Road Hwy 12)</i>		
22	<i>Overhead Line Additions, Rebuilds (CP 198 - Infrastructure Project - Davis Drive and Yonge Street)</i>	\$ 936,968	\$ 11,765
23	<i>Third Party Driven Totals</i>	\$ 1,404,154	\$ 478,951
	<i>Internally Driven</i>		
24	<i>Fleet (Single Bucket and Dump Truck Replacement)</i>	\$ 346,763	\$ 346,763
25	<i>Leasehold and Building Improvements</i>		\$ 273,027
26	<i>Misc Tools and Equipment</i>		\$ 97,413
27	<i>Computer Software</i>		\$ 38,316
28	<i>Internally Driven Totals</i>	\$ 346,763	\$ 755,519
29	ALL CAPITAL EXPENDITURES TOTAL	\$ 6,066,678	\$ 5,920,778

- a) Exhibit 2 Tab 3 Schedule 1 indicates that forecast total capital additions for 2010 are \$10,383,607 and for 2009 was \$5,857, 917. Please reconcile the differences between Exhibit 2 Tab 3 Schedule 1 and the above table.

Response

Please see the Response to OEB staff IR 6a).

- b) Are any of the planned expenditures for 2010 that will not be used and useful by the end of the year? If so, please state the dollar amount for the assets that will not be used and useful.

Response

Please see the Response to OEB staff IR 6a). All of the planned expenditures in the revised table will be used and useful in 2010.

- 7.) Ref: Exhibit 2 Tab 2 Schedule 2
Exhibit 2 Tab 4 Schedule 6
Exhibit 2 Tab 4 Schedules 3 through 4
Exhibit 2 Tab 3 Schedule 1
Exhibit 2 Tab 3 Schedule 2 subsequent page

In the Asset Retirement Policy, Exhibit 2 Tab 2 Schedule 2, Newmarket Tay states that it has no formal asset retirement policy in place. In Exhibit 2 Tab 4 Schedule 6, Asset Management, Newmarket Tay describes situations where replacing some of the distribution assets occurs. Newmarket – Tay. In Exhibit 2 Tab 4, Schedule 2 through 4 Newmarket – Tay described proposed and

completed capital projects which include replacements and rebuilds for 2009 and 2008. The Asset continuity sheet and the Amortization sheet do not show any retirements for lines, poles, conduits or cables.

- a) If there is no Asset Retirement Policy, does Newmarket – Tay follow Generally Accepted Accounting Principles for retiring its assets?

Response

The Applicant follows GAAP and presents the net book value of assets for Financial Statements purposes.

- b) Please explain Newmarket – Tay's retirement accounting, by describing the T-Account Entries.

Response

When an asset is fully amortized the accounting entry would be credit fixed assets for the full amount and debit accumulated amortization for the same amount.

- c) Please show how these accounting entries for retirements are applied to the asset and accumulated depreciation balances for 2006 through 2010 inclusive.

Response

Please see the response to Board Staff IR No. 5.

- d) Does Newmarket – Tay have any stranded assets that form part of the rate base? If so, please itemize by account these assets for 2006 through 2010 inclusive.

Response

The Applicant does not have any stranded assets.

Issue 2 h.) Is the accounting for smart meters in rate base appropriate?

8.) Ref: Exhibit 2 Tab 1 Schedule 1 Page 3.

On the referenced exhibit, Newmarket – Tay states:

“Between 2006 and April of 2009 all costs associated with smart meters and TOU billing in the Newmarket service area were borne by The Applicant. The impact of these expenditures on the Test Year revenue requirement is \$1,319,722 which includes operating costs.”

- a) Please explain and show the calculation of the stated revenue requirement impact of \$1,319,722.

Response

Please see the response to Energy Probe IR No. 7

Also on this exhibit, Newmarket – Tay point out that at the end of 2010 all eligible customers will be on TOU billing, and that the total cost for the smart meter project will be \$7.1 million.

- b) Please state the total number of installed smart meters and the number remaining as of September 30, 2010.

Response

29,433 Residential smart meters have been installed as of September 31, 2010. This represents a 100% of the residential customers.

Only 300 out of 3,000 small general service customer; or 10 % of small general service customers have smart meters.

- c) Please state only the number of meters installed from January 1, 2010 through September 30, 2010.

Response

Residential smart meters installed on new connections were 289.

- d) Please state only the number of meters installed from May 1, 2010 through September 30, 2010.

Response

Residential smart meters installed on new connections were 176.

- e) For the purposes of rate making, how is Newmarket – Tay proposing to account for the former “dumb” meters that have been replaced?

Response

The “dumb” meters have been removed from the Applicant’s Financial GAAP records. The Applicant maintains a separate spreadsheet for these assets and the corresponding amortization expense. In accordance with OEB direction in the EB-2007-0063, the “dumb” meter assets remain in rate base. The Applicant adds the “dumb” meter assets and amortization back into its current financial assets for the purposes of rate making.

FORECASTS OF VOLUMES, CUSTOMERS, CONNECTIONS, AND REVENUES

Issue **3 a.) Is the load forecast, including methodology and weather normalization, appropriate?**

9.) Ref: Exhibit 3Tab 1 Schedule 2 Elenchus Report

Board staff is concerned about the model's design and performance as illustrated in the plots on page 6 of the Elenchus Report.

- a) Please confirm that the entire residential load is considered temperature sensitive. If it is not, please explain the separation of non-weather sensitive and temperature sensitive loads.

Response

Residential load is considered temperature sensitive. However, the entire residential load is obviously not driven solely by temperature. The regression equations used to predict weather sensitive load and described on page 5 of the Elenchus Report, contain several factors in addition to degree days, including number of peak days or number of days in the month, full-time employment, and a constant term. The total monthly load sensitivity to heating or cooling is described by the regression coefficient for heating degree days or cooling degree days. Obviously, if there is no heating or cooling, the regression equation would forecast the monthly load in the absence of any temperature effects.

- b) Please confirm that the entire GS < 50 kW load is considered temperature sensitive. If it is not, please explain the separation of non-weather sensitive and temperature sensitive loads.

Response

Please see response to 9 (a).

- c) Please explain the method used to separate the non-weather sensitive portion of the GS 50 – 4,999 kW class.

Response

Please see response to 9 (a).

- d) The Elenchus Report states that Reiningers' volumes are less than historical and were removed for modelling purposes. Please explain whether or not any load for Reiningers was included in the 2010 volumetric forecast.

Response

Yes, as explained on page 10 of the Elenchus Report, 4 large GS>50 kW class customers' consumption was removed for the purpose of WSL analysis, but the 4 customers' consumption was added back to the class total. For the

forecast, Reiningers' kWh consumption in 2010 is assumed to be identical to the 2009 actual consumption.

- e) Please confirm that the weather sensitive loads for all the classes were combined as if they were one class for the purposes of modelling the weather sensitive forecast.

***Response
Confirmed.***

- f) What percentage of Newmarket – Tay's residential and GS<50 kWh customers in the Newmarket service territory use natural gas for heating?

***Response
Newmarket – Tay does not have any current specific information on the number of customers that use natural gas for space heating in the Newmarket service territory.***

- g) What percentage of Newmarket – Tay's residential and GS<50 kWh customers in the Tay service territory use natural gas for heating?

***Response
Newmarket – Tay does not have any current specific information on the number of customers that use natural gas for space heating in the Tay service territory.***

- h) Was there any attempt to separate the natural gas heated residences and GS<50 kWh customers?

***Response
No.***

- i) Was there any attempt to consider hours of day-time light as a determinant in the model?

***Response
No.***

- j) Toronto has several weather stations, which station was used for degree days?

***Response
Toronto Pearson International Airport is the weather station used, as indicated on page 4 of the Elenchus report.***

- k) Toronto's weather is largely influenced by Lake Ontario. Was a weather station closer to Newmarket modelled and rejected? If so why was it rejected?

Response

No. It is possible that Environment Canada may have a weather observation station closer to Newmarket than Toronto Pearson. However, many stations have missing data, partial observations, or limited historical data. Toronto Pearson Airport has comprehensive weather observations and is geographically close to Newmarket. Observations from Toronto Pearson also provide an appropriate indicator of temperature for all of the south-central Ontario region.

- l) Tay's weather is largely influenced by Georgian Bay. Were weather stations closer to Newmarket territory and the Tay territory modelled and rejected? If so why was it rejected?

Response

Please see response to 9 (k).

- m) Were heating degree days and cooling degree days based on a temperature other than 18 °C tested as a model determinant? If so, why was it rejected?

Response

No. Degree Days based on 18 °C is the definition used by Environment Canada and is also used in other jurisdictions such as the USA. Also, it is the experience of the Elenchus consultant who prepared the load forecast that alternative degree day definitions do not substantially affect results. For example, see EB-2009-0132, response to Board Staff Interrogatory 9 (c), (d), (e), December 9, 2009; and, EB-2009-0186, response to Board Staff Interrogatory 9 (f), (g), (h), January 6, 2010.

- n) Was full time employment ("FTE") or the percentage change in FTE used as the determinant? Please provide a table of the input data.

Response

Actual full-time employment levels for Toronto and Ontario were used. The data are provided in the table below:

Date	Full-Time Employment Ontario ('000s)	Full-Time Employment Toronto ('000s)
Jan-02	4764.5	
Feb-02	4733.3	
Mar-02	4728.5	
Apr-02	4766.7	
May-02	4844.3	
Jun-02	4925.4	
Jul-02	5038.7	
Aug-02	5125	
Sep-02	5114.2	

<i>Date</i>	<i>Full-Time Employment Ontario ('000s)</i>	<i>Full-Time Employment Toronto ('000s)</i>
Oct-02	5049.3	
Nov-02	4964.8	
Dec-02	4953.4	
Jan-03	4929.6	
Feb-03	4911.6	
Mar-03	4911.1	
Apr-03	4940.2	
May-03	4995.5	
Jun-03	5068.9	
Jul-03	5158.7	
Aug-03	5227	
Sep-03	5196.7	
Oct-03	5147.7	
Nov-03	5078.7	
Dec-03	5076.7	
Jan-04	5048.8	
Feb-04	5035.5	
Mar-04	5022.8	
Apr-04	5053.9	2262.1
May-04	5113.7	2278.5
Jun-04	5218.7	2316.4
Jul-04	5307.2	2336.5
Aug-04	5366.9	2360.2
Sep-04	5319.8	2331
Oct-04	5244	2291.2
Nov-04	5156.2	2256.7
Dec-04	5125.6	2235.8
Jan-05	5071.8	2216.5
Feb-05	5043.8	2198.6
Mar-05	5012.8	2201
Apr-05	5065.6	2234.8
May-05	5147.2	2268
Jun-05	5264.7	2317.3
Jul-05	5369.3	2357.4
Aug-05	5443.4	2399.7
Sep-05	5425.9	2406.4
Oct-05	5370.8	2394.5
Nov-05	5287.8	2365.1
Dec-05	5267.3	2346.2
Jan-06	5219.1	2323.8
Feb-06	5181.8	2301.7
Mar-06	5153	2285.2
Apr-06	5184.7	2292.2
May-06	5290.7	2336.9
Jun-06	5401.1	2386.9
Jul-06	5511	2436.1

<i>Date</i>	<i>Full-Time Employment Ontario ('000s)</i>	<i>Full-Time Employment Toronto ('000s)</i>
<i>Aug-06</i>	<i>5550.7</i>	<i>2445.6</i>
<i>Sep-06</i>	<i>5500.2</i>	<i>2420.2</i>
<i>Oct-06</i>	<i>5421.1</i>	<i>2386.6</i>
<i>Nov-06</i>	<i>5326.2</i>	<i>2353.8</i>
<i>Dec-06</i>	<i>5309.4</i>	<i>2356.5</i>
<i>Jan-07</i>	<i>5259.7</i>	<i>2349.3</i>
<i>Feb-07</i>	<i>5224.7</i>	<i>2350.2</i>
<i>Mar-07</i>	<i>5205.9</i>	<i>2350.7</i>
<i>Apr-07</i>	<i>5233.8</i>	<i>2360.5</i>
<i>May-07</i>	<i>5315.8</i>	<i>2384.9</i>
<i>Jun-07</i>	<i>5426.4</i>	<i>2429.7</i>
<i>Jul-07</i>	<i>5548.7</i>	<i>2471.9</i>
<i>Aug-07</i>	<i>5615.9</i>	<i>2494.8</i>
<i>Sep-07</i>	<i>5579</i>	<i>2467.3</i>
<i>Oct-07</i>	<i>5515.2</i>	<i>2438.4</i>
<i>Nov-07</i>	<i>5432.8</i>	<i>2409.2</i>
<i>Dec-07</i>	<i>5409.3</i>	<i>2408.7</i>
<i>Jan-08</i>	<i>5356.9</i>	<i>2396.8</i>
<i>Feb-08</i>	<i>5335.7</i>	<i>2401.2</i>
<i>Mar-08</i>	<i>5310.9</i>	<i>2399</i>
<i>Apr-08</i>	<i>5341.6</i>	<i>2418.5</i>
<i>May-08</i>	<i>5399.9</i>	<i>2440.1</i>
<i>Jun-08</i>	<i>5485.7</i>	<i>2458.2</i>
<i>Jul-08</i>	<i>5559.3</i>	<i>2466.5</i>
<i>Aug-08</i>	<i>5616.2</i>	<i>2471.5</i>
<i>Sep-08</i>	<i>5580.3</i>	<i>2461.1</i>
<i>Oct-08</i>	<i>5537.1</i>	<i>2456.7</i>
<i>Nov-08</i>	<i>5433.4</i>	<i>2426.8</i>
<i>Dec-08</i>	<i>5393.6</i>	<i>2423.1</i>
<i>Jan-09</i>	<i>5301.3</i>	<i>2395.7</i>
<i>Feb-09</i>	<i>5229.5</i>	<i>2382.9</i>
<i>Mar-09</i>	<i>5156.1</i>	<i>2360.9</i>
<i>Apr-09</i>	<i>5153.2</i>	<i>2371.6</i>
<i>May-09</i>	<i>5191.2</i>	<i>2375.9</i>
<i>Jun-09</i>	<i>5248.3</i>	<i>2375.5</i>
<i>Jul-09</i>	<i>5324.6</i>	<i>2391.5</i>
<i>Aug-09</i>	<i>5377.4</i>	<i>2408.6</i>
<i>Sep-09</i>	<i>5380.5</i>	<i>2419.7</i>
<i>Oct-09</i>	<i>5347</i>	<i>2408.6</i>
<i>Nov-09</i>	<i>5295.5</i>	<i>2399.9</i>
<i>Dec-09</i>	<i>5279</i>	<i>2413</i>

o) Please provide a rationale for the negative intercept in the Tay model.

Response

There is no specific rationale for the negative intercept.

- p) Which Theil's U factor was used, Theil's U_1 or Theil's U_2 ?

Response

The Theil's U refers to Theil's U_2 .

- q) Please provide Newmarket – Tay's interpretation of the Theil's U factor value for each model.

Response

Theil's U can be interpreted as the ratio of the RMSE of the forecasting model to the RMSE of a naïve model which simply forecasts the next period based on the last period. The naïve model yields $U = 1$; $U > 1$ indicates a model that performs worse than the naïve model; $U < 1$ indicates a model that performs better than the naïve model. The closer U is to 0, the more accurate the forecasts. Results from both the Newmarket and Tay models show U is closer to 0 than to 1. This is one of several accuracy and goodness-of-fit measures considered (others being MAPE and Adjusted R-squared) that suggests we can have confidence in the accuracy of the Newmarket-Tay models.

Issue 3 b.) Are the forecasts of factors (e.g. number of customers, economic activity) appropriate?

10.) Ref: Exhibit 3 Tab 1 Schedule 2 Elenchus Report

- a) Please provide a detailed description of the development of the customer connections forecast by class.

Response

The customer connection forecast for Newmarket and Tay operating areas was based on the anticipated number of service connection requests known to the LDC in the first quarter of 2010. This was validated with information from CMHC on the outlook and historical performance in the residential housing market (for Newmarket operating area only) and by recent historical growth (for Tay). In addition to internal LDC data on developments and service connections, the following CMHC data sources were used:

- a. *Housing Now – Greater Toronto Area – date Released January 2009 & January 2010*
 - i. *Table 2.1: Starts by Submarket and by Dwelling Type, January to December*
 - ii. *Table 3.1: Completions by Submarket and by Dwelling Type, January to December*
 - iii. *Table 4: Absorbed Single-Detached Units by Price Range by Submarket*
- b) Please state the sources of any data that was relied upon to develop the forecast.

Response
Please see a) above

- c) Please compare the forecast growth to the growth forecasted for Newmarket by the York Regional Government.

Response
This response is still being prepared.

Issue 3 c.) Is CDM appropriately reflected in the load forecast?

11.) Ref: Exhibit 3 Tab 1 Schedule 2 page 3

Newmarket – Tay states that they have further adjusted the load forecast for the expected achievement of CDM results.

Preamble:
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”

- a) Please describe how this adjustment was determined.

Response:
Please see the preamble to question 11 above.

- b) Please describe how this adjustment was applied.

Response:
Please see the preamble to question 11 above.

- c) Please state the magnitude, in kWh, of the adjustment by class or in aggregate, depending on the answer to a) above.

Response:
Please see the preamble to question 11 above.

Issue 3 d.) Are the proposed Revenue Offsets appropriate?

12.) Ref: Exhibit 3 Tab 3 Schedule 2
Exhibit 4 Tab 6 Schedule 2

Newmarket – Tay states in Exhibit 4 Tab 6 Schedule 2, that the revenues from street lighting maintenance service reduces overall costs and shows in the table of that exhibit an amount of \$475,000 for street light service. In Exhibit 3 Tab 3 Schedule 2, Newmarket – Tay is not showing a revenue offset. Please state why these revenues are not shown as revenue offsets.

Response

Please see the response to Energy Probe IR No. 36b) and c)

COSTS OF OPERATIONS

Issue **4 a.) Are the costs, services, and arrangements under the ongoing arrangement with the Applicant’s affiliates, including all related parties, appropriate?**

13.) Ref: Exhibit 1 Tab 2 Schedule 3

Newmarket – Tay is related to a number of affiliates, as indicated on the organization chart in Exhibit 1 Tab 2 Schedule 3.

a) Please name and describe these affiliates.

Response:

The affiliates and their nature are:

1443393 Ontario Ltd. – Dormant Company

1443394 Ontario Ltd. – Dormant Company

1443396 Ontario Ltd. – Dormant Company

1443397 Ontario Ltd. – Dormant Company

1443398 Ontario Ltd. – Dormant Company

1402318 Ontario Ltd. – Dormant Company

Unipower Holdings Inc. – Dormant Company

b) Please describe the nature of any business that transacts between Newmarket – Tay and the affiliates. This would include general administration, such as but not limited to, financial services, human resources services and management consulting.

Response:

No business is transacted

c) Please provide the service agreements between Newmarket – Tay and the affiliates.

Response:

There are none

d) Please state the costs for providing these services and the amounts collected.

Response:

None. Please see (b) above

- e) Please state the basis for establishing the costs in d).

Response:

Not applicable. Please see (b) above

- f) Please state how the charges for the services were determined.

Response:

See (b) above

- g) Are the revenues from the services included as revenue offsets for the purposes of setting rates?

Response:

See (b) above

- h) Please state if and why these charges comply with the Affiliate Relationship Code.

Response:

The Applicant is in the process of re-evaluating its provision of streetlight services and expects to implement changes within the next nine months.

14.) Ref: Exhibit 4 Tab 6 Schedule 2

Newmarket – Tay states that the maintenance services for street lighting are billed separately at the Applicant's full costs.

- a) Please list the components of the costs charged for street lighting and how the overheads are allocated to the basic labour to establish the rate.

Response

Please see Energy Probe IR 36e) (ii), 36e) (iii).

- b) Please state if and why these charges comply with the Affiliate Relationship Code.

Response

Please see the response to Board Staff IR No. 13h).

Issue **4 b.) Are the Test Year Human Resources and related costs (wages, salaries, benefits, incentive payments, labour,**

productivity, and pension costs) including employee levels, appropriate?

15.) Ref: Exhibit 4 Tab 4 Schedule 1 Page 2

Typically in an organization the size of Newmarket – Tay, there are staff turnovers resulting in temporary vacant positions until new staff can be hired.

- a) What assumptions were made and built into the compensation budget to reflect operating at less than 100% employment in the test year?

Response

The Applicant expects 100% employment in the Test Year.

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

- b) Please state whether or not the Newmarket - Tay's proposed pension costs include this increase.

Response

The Applicant did include an estimate for the increased OMERS cost in the test year. The increase was based upon the actual amount paid in 2009. As of July 31, 2010; the variance between actual OMERS and the forecast is less than \$9,000.

The Applicant has not made any other provisions in its forecast for the future increase in OMERS costs in 2011 and beyond.

- c) If the OMERS increases are included, please provide the forecasted increase by years and the documentation to support the increases. Please state how these future increases are included in the 2010 benefits

Response

Please see the response to 15 b) above. The increase is based on actual 2009 costs.

- d) If the OMERS increases are not included, please state how the applicant proposes to deal with this increase.

Response

The Applicant will be reviewing its costs related to this increase as they are incurred.

16.) Ref: Exhibit 4 Tab 1 Schedule 2 pages 3 & 4

Newmarket – Tay is requesting to include an additional engineer and an apprentice for a total cost increase of \$195,000.

- a) Does this cost include salary only? If not please state what the cost includes.

Response

The cost for these two positions includes salary costs and benefits only.

- b) Will the new engineer be employed the full year? If not, for how long will the engineer be employed in the test year, and what reduction to the \$195,000 would that represent?

Response

The Applicant's Cost of Service application indicates that the annual cost of the new engineer would be \$135,000. The new position was hired on October 12, 2010. Therefore the reduction would be 283days over 365 days or about 77%. However, the Applicant believes that the full cost of this position in the test year and over the IRM should be amortized for inclusion in the test year.

- c) Will there be any technicians or others let go because of the engineer? If so, what is the cost reduction?

Response:

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

- d) Please explain what was meant by "The current positions will continue to be fully deployed in the 2010 test year until an additional engineer can be retained."

Response

With the Applicant's current asset projects, ever increasing government regulations from ESA, Ministry of Transportation and Ministry of Labour, the Applicant does not forecast the overtime burden being decreased. Hence the statement that staff will continue to be fully deployed after the additional engineer is hired.

- e) Is the incentive pay tied to net income or rate of return? If it is, what is the portion of total incentive would that represent?

Response:

Incentive pay is not tied to net income or rate of return. Please see the responses to Energy Probe IR No. 32 c) and School Energy Coalition IR No. 22.

17.) Ref: Exhibit 1 Tab 1 Schedule 3 page 13

Newmarket Tay states "The Applicant has determined that it is more efficient to outsource large capital projects to third parties and focus the Applicant's staff on maintenance and certain smaller capital projects. The Applicant has returned to its historical allocation of resources by assigning 55% to 60% of its available labour time to maintenance projects from the recent allocation using a 50/50 split between capital and maintenance."

- a) Please provide the business analysis that determined that outsourcing for capital is more cost effective when the total costs for capital and maintenance is considered.

Response

This response is prefaced by SEC IR 23, VECC IR 23 and VECC IR 25

The Applicant continually experiences moderate increases and decreases in capital projects over the years. The Applicant normally balances these through deferral of some maintenance and allocating extra resources to capital.

The Applicant routinely analyzes the most efficient way to manage significant increases in capital projects such as the government mandated ones while balancing off the maintenance of its existing plant and ensuring it complies with all current ESA, Ministry of Labour and Ministry of Transport legislation. It also considers that the most productive time for capital works is seasonal in nature (i.e. - in the late spring, summer and early fall) and that when working on Regional Roads, line crews cannot be on the roads during rush hours; which essentially curtails the hours available to complete the work unless the Applicant pays overtime at double time or re-assigns other line crews.

To summarize, the Applicant routinely reviews its staffing level to meet the average resource requirements of capital and maintenance work over the years. The Applicant must also balance those hours with external restrictions to minimize the financial impact of overtime costs.

To accomplish the capital works that are greater than average, the Applicant considers the fact that it would need to increase its staffing levels by offering full time employment for potentially thirty years, assuming such resources are available in the current times of shortages of trained linepersons. The cost would have to include salary, benefits and burden. In addition to this, the Applicant would have to purchase and maintain additional tools and equipment for the additional resources. These costs must be considered versus contracting out.

For example, a full time position would cost approximately \$83,000/year before benefits and burdens, while a contractor at \$60.00/hour, 40 hours per week for four months would cost \$38,400. Also, the Applicant has full flexibility on the term of the contractor's engagement.

- b) Please state the impact on 2010 OM&A expenses and on capital expenses for moving costs from capital to operations?

Response

Please see the response to VECC IR No. 23.

Issue **4 c.) Has the Applicant demonstrated improvements in efficiency and value for dollar associated with its compensation costs?**

18.) Ref: Exhibit 4 Tab 1 Schedule 1
Exhibit 4 Tab 4 Schedule 1 page 2

Newmarket – Tay has budgeted \$7,784,526 for OM&A. In that amount is incentive pay for management.

- a) Please provide the budget directives that were given for improvements in efficiency, productivity and for cost reductions and related reductions in OM&A expenses.

Response

The Applicant continually strives to obtain efficiency, increased productivity, and overall cost reductions throughout its normal course of business. The Applicant does not have any specific budget directives for improvements. The Applicant is requesting \$25,000 per annum for various consultants to enhance certain of the Applicants policies and practices. Please see the response to Energy Probe IR No. 33 for more details on these costs.

- b) Please provide the guidelines for assessing the level of incentive pay.

Response

Incentives are part of the annual performance review and tied to the mission statement and corporate objectives contained therein. The objectives are safety, system reliability, excellence in customer service, environmental stewardship and financial integrity.

- c) Please state the planned expenditures in the forecast that will improve efficiency and improve value associated to the compensation expense.

Response

Please see response to 18 a) above.

Issue 4 f.) Is the Payment in Lieu of Taxes (including methodology) appropriate?

19.) Ref: Exhibit 4/Tab 8/Tax returns

Please provide the federal and Ontario Notice of Assessments, Notice of Re-assessments (if applicable), Statements of Adjustments, and any other correspondence with the CRA and Ministry of Finance regarding any tax items, or tax filing positions that may be in dispute, or under consideration or review, for tax years 2007 to 2009.

Response

The Applicant has no tax filing positions that are in dispute and no correspondence from federal or provincial tax authorities in this regard.

Issue 4 g.) Are taxes and credits (other than PILs) appropriate?

20.) Ref: Exhibit 4 Tab 1 Schedule 1

Newmarket – Tay is proposing a reduction in Capital and Property Taxes from \$246,309 in 2009 to \$173,946 in 2010, a reduction of \$72,303.

a) Please provide separately for 2006 to 2010 the capital taxes and property taxes.

Response

	2006	2007	2008	2009	2010
Property Taxes	116,711	126,442	126,379	131,203	133,965
Capital Taxes	150,764	145,415	133,898	115,106	39,900
Total	267,475	271,857	260,277	246,309	173,865

b) Please explain the reduction in taxes.

Response

There has been a reduction and leading to an eventual phase out of the capital tax by the Provincial Government in July 2010.

c) Are there other taxes that Newmarket – Tay is responsible to pay other than income taxes?

Response:

The Applicant pays property taxes for distribution property sites it owns. The Applicant also pays Capital Tax which it records in this account.

- d) If there are other taxes, in what account are they expensed in the Newmarket – Tay’s application?

Response:

There are none.

Issue 4 h.) Are the overall levels of OM&A budgets appropriate?

21.) Ref: Exhibit 4 Tab 3 Schedule 1

Board staff has developed the following table of controllable expenses:

Please confirm that the table is correct. If it is not, please correct the table.

	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Year	2010 Test	4 Yr. Increase
1 Operation	\$1,860,955	\$1,894,991	\$1,831,140	\$2,208,026	\$2,560,224	\$699,269
2 Billing and Collection	\$1,501,889	\$1,653,517	\$1,750,464	\$1,852,686	\$2,331,264	\$829,375
3 Community Relations	\$107,754	\$79,479	\$72,007	\$63,202	\$76,332	(\$31,422)
4 Administrative and General Expenses	\$2,068,003	\$2,263,092	\$2,374,534	\$2,442,373	\$2,798,398	\$730,395
5 Total OM&A Expenses	\$ 5,538,601	\$ 5,891,079	\$ 6,028,145	\$ 6,566,287	\$ 7,766,218	\$ 2,227,617
6 Variance		\$352,478	\$137,066	\$538,142	\$1,199,931	
7 Percent Change		6.36%	2.33%	8.93%	18.27%	40.22%
8 Residential	27,229	27,595	28,147	28,852	29,370	
9 GS < 50	2,775	2,791	2,843	2,881	2,901	
10 GS 50 - 4,999	374	385	395	398	401	
11 Total OM&A Expenses	30,378	30,771	31,385	32,131	32,672	
12 Cost per Customer	\$ 182.32	\$ 191.45	\$ 192.07	\$ 204.36	\$ 237.70	
13 Variance		\$ 9.13	\$ 0.62	\$ 12.29	\$ 33.34	\$ 55.38
14 Percent Change		5.01%	0.32%	6.40%	16.32%	30.37%

Response:

The Applicant confirms that the table is correct.

22.) Ref: Exhibit 4 Tab 1 Schedule 2

Board staff would like information regarding Newmarket – Tay’s Test Year expenses in relation to International Financial Reporting Standards (“IFRS”).

- a) Please confirm that the revenue requirement for 2010 is based on Canadian Generally Accepted Accounting Principles (“CGAAP”), and not IFRS accounting principles.

Response

The Revenue Requirement is based upon GAAP.

- b) If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis.

Response

The Applicant will begin IFRS reporting in 2012.

- c) If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.

Response

Please see the response to a) above.

- d) Please state whether or not the applicant has included an amount for IFRS transition costs in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item.

Response

The Applicant has not included an amount for IFRS transition costs in the test year.

- e) If the answer to b) is no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

Response:

As costs are incurred, the Applicant will record them in this deferral account.

23.) Ref: Exhibit 4 Tab 1 Schedule 2 Pages 22 - 24

Board staff is concerned about the level of regulatory costs for 2010.

- a) Please break down the costs for Legal support into its components, and provide an updated estimate based on experience to date.

Response

The Applicant has paid approximately \$20,000 in 2009 for legal services. Up to July 31 2010 the Applicant has paid approximately another \$44,000.

For a description of Legal services included please see the Cost of Service Application Exhibit 4, Tab 1 Schedule 1.

- b) Please break down the costs for Elenchus into its components, and provide an updated estimate based on experience to date.

Response

The Applicant has paid approximately \$132,000 in 2009 for legal services. Up to July 31 2010 the Applicant has paid approximately another \$120,000.

For a description of consulting services included please see the Cost of Service Application Exhibit 4, Tab 1 Schedule 1.

- c) Please provide a breakdown of the costs for interveners.

Response

The Applicant in EB200-0776 incurred costs of \$56,000 for Intervener's and court costs. Based upon those costs incurred, originating from the three interveners and the fact that the Applicant is returning with essentially two applications; Newmarket and Tay. The applicant thought it prudent to double the actual cost incurred from EB 2007-0776.

For a description of intervener costs included please see the Cost of Service Application Exhibit 4, Tab 1 Schedule 1.

- d) Please provide all regulatory authorizations or directions for undertaking the Navigant Study titled: The Effects of Time-of-Use Rates on Residential Electricity Consumption.

Response:

The Applicant has no regulatory authorizations or directions for undertaking the study. The Applicant's Newmarket and Tay service areas were priority installation areas for the Government's Smart Meter initiative and had migrated all of its residential consumers to time-of-use (TOU) pricing by the end of 2009. The study was undertaken at the applicant's sole initiative for two reasons:

- 1. Load Forecasting - to determine if TOU pricing results in an overall conservation effect resulting in decreased consumption.***
- 2. To help both the Applicant and broader industry stakeholders better understand the consumption behaviour and educational needs of consumers under the present TOU pricing regime in Ontario.***

Prior to completing the study, the Applicant solicited input from staff at the Ministry of Energy and Infrastructure, the Board and the Independent Electricity System Operator. When completed, the results were shared with these stakeholders as well as the office of Ontario's Environmental Commissioner and interested LDCs.

The Applicant has classed the cost of the study as a regulatory expense as it was needed for load forecasting.

The Applicant is of the opinion that the study provided valuable information that will assist in TOU education efforts going forward thereby empowering its customers to gain maximum benefit from this pricing structure and assist the industry in general as TOU pricing is introduced on a much broader scale. In this context, it could have been classed as a Smart Meter education expense.

24.) Ref: Exhibit 1 Tab 1 Schedule 2

Newmarket – Tay has requested deferral accounts for costs associated with the Low Income Energy Assistance Programme (“LEAP”), Green Energy and Green Economy Act (“GEGEA”), and the late payment charges class action. It is not clear as to whether any costs associated with these issues have been included in the Test Year OM&A.

In regards to LEAP;

- a) Are any costs associated with LEAP included in the Test Year and if so please identify the amount and the account(s).

Response

There are no costs associated with LEAP in the test year.

- b) If there are no costs associated with LEAP in the Test Year please provide the following calculation: 0.12% of the total distribution revenue proposed by the applicant for the 2010 Test Year.

Response

The Applicant has a requested revenue requirement of \$17,468,865 multiplied by .0012 equals \$20,962

- c) Please state whether or not the applicant has included an amount in its 2010 Test year revenue requirement for any legacy program(s), such as Winter Warmth. If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

Response

The Applicant has not included any costs in this regard.

In regards to GEGEA;

- d) Are any costs associated with GEGEA included in the Test Year and if so please identify the amount account(s).

Response

There are no costs includes with the Green Energy Act included in the Test Year.

In regards to the late payment charge class action”

- e) Please state whether or not the applicant has included an amount for recovery of late payment penalty litigation costs in its 2010 Test Year application.

Response

The Applicant has not included any costs associated with the recovery of late payment penalty litigation costs in its 2010 test year.

- f) If yes, please identify the amount and the related account(s) and explain how the applicant is proposing to recover this amount.

Response

Please see the response to e) above.

- g) If yes, please provide evidence supporting the amount allocated to the applicant (e.g. the settlement agreement).

Response

Please see the response to e) above.

Issue 4 i.) Is the accounting for operating and maintaining smart meters appropriate?

25.) Ref: Exhibit 4 Tab 3 Schedule 1 Pages 3 & 4
Exhibit 9 Tab 1 Schedule 2

Newmarket – Tay, in Exhibit 4 Tab 3 Schedule 1 Pages 3 & 4 explains increases in Account 5310 Reading – Contract Services and Account 5315 Billing – Labour & Expenses as being related to Smart meters and TOU pricing. Board staff have prepared the following summary:

Smart Meters and TOU 2010 Expenses

	(\$)
1 ODS	56,000
2 Exceptions Reporting	150,000
3 Software Matenance Costs	33,000
4 Security Audit	23,000
5 Other - IESO	110,000
6 Total	372,000

Smart Meters and TOU 2010 Expenses

	(\$)
1 ODS	56,000
2 Exceptions Reporting	150,000
3 Software Matenance Costs	33,000
4 Security Audit	23,000
5 Other - IESO	<u>110,000</u>
6 Total	<u>372,000</u>

In Exhibit 8 Tab 1 Schedule 2, Newmarket – Tay show an increase in Account 1556 Smart Meters – OM&A of \$68,366 excluding interest for the first quarter of 2010.

- a) Please state the portion of the \$372,000 that would be for smart meters without TOU expenses included?

Response

All of the \$372,000 is for time of use costs.

- b) If Newmarket – Tay is proposing to include the OM&A costs for smart meters in the revenue requirement, why has the principal in Account 1556 Smart Meters – OM&A increased for 2010?

Response

Please see the pre filed evidence Exhibit 9, Tab 3, Schedule 2 pages 2 through 6. The charts within these pages outline the timing and nature of expenses flowing through the account.

In addition to the cost of capital expenses and amortization; the Applicant through EB 2007-0776 was allowed to record its TOU operational expenses through this deferral account as well.

COST ALLOCATION

Issue 7 a.) Is the Applicant's cost allocation appropriate?

26.) Ref: Exhibit 7 Tab 1 Schedule 2

Exhibit 3 Tab 1 Schedule 2 Elenchus Report

Newmarket – Tay lists the changes that it is proposing to the cost allocation model and state that Page I8 Demand Data was only changed for GS 50 – 4,999 kW. The change was to reduce the demand for the customer that it lost in 2009. The Elenchus report state that three customers in this class ceased operations

and a fourth reduced operations. The Elenchus report also shows volumetric growth in the residential class and the GS<50 kW class.

- a) Why did Newmarket – Tay not adjust the GS 50 – 4,999 kW class for all three companies that ceased operations?

Response:

The kW Demand and kwh usage were adjusted for the three customers. The initial draft of the Application was not adjusted after the loss of the additional customers. The statistical data ties to the Elenchus Report.

- b) Why did Newmarket – Tay not adjust the demand factors for the one customer that reduced demand?

Response:

Please see a) above

- c) Why has Newmarket – Tay not adjusted the demand factors for the growth in the residential and GS<50 kW classes?

27.) Ref: Exhibit 3 Tab 1 Schedule 2
Cost Allocation Runs 4 and 5

Board staff prepared the following table from the referenced exhibits:

Newmarket - Tay						
Customer Connections						
	Res.	GS<50	GS>50	Street Lighting	Sentinel Lighting	USL
1 Elenchus Forecast	29,370	2,901	401	8,574	414	125
2 Cost Allocation Run 4	29,370	2,901	401	8,252	80	125
3 Cost Allocation Run 5	29,370	2,901	401	2,058	80	125

- a) Please confirm that the table correctly reflects the evidence otherwise please provide a corrected table.

Response:

The Elenchus Forecast has the correct values for Street Lights and Sentinel Lights. The correct values are therefore:

Newmarket - Tay						
Customer Connections						
	Res.	GS<50	GS>50	Street Lighting	Sentinel Lighting	USL

1	Elenchus Forecast	29,370	2,901	4 0 1	8,574	4 1 4	125
2	Cost Allocation Run 4	29,370	2,901	4 0 1	8,574	4 1 4	125
3	Cost Allocation Run 5	29,370	2,901	4 0 1	2,144	1 0 4	125

- b) Please explain the differences in the number of connections between the Elenchus Forecast and Run 4 of the cost allocation model for Street Lighting, Sentinel Lighting and USL.

Response:

The correct values are those shown in Exhibit 3/Tab 1/Schedule 2, Attachment 1 – i.e. 8,574 and 414 respectively. The Applicant regrets any confusion. As mentioned in a) above, the Applicant would like to apply the same factor for allocating Sentinel Light Capital as it does for Street Lights.

- c) Newmarket – Tay states that it is weighting the Street Lighting service connections at 25% of that for a residential customer. Is the reduction of the number of connections in Run 5, which is almost 25% of the number of connections the means by which Newmarket – Tay is proposing to accomplish this?

Response:

The Applicant used the factor that resulted from the Street Light study and applied it to the number of connections. The Cost Allocation Model does not currently have any other mechanism to allocate appropriate capital costs to the Street Light class. Therefore, the Applicant simply applied the resultant factor to the number of lights as an interim method of distributing costs fairly to this class.

- d) Please explain why the reduction wasn't accomplished by using a weighting factor of 0.25 for Weighting Factor – Services on Sheet I6 Customer Data Worksheet?

Response:

The Applicant, in its analysis finds that adjusting the Weighting Factor – Services does not properly account for the transformation and primary cable costs associated with supplying street light loads. Please also refer to the response to VECC IR No. 7.

- e) Please explain the discrepancies between the Elenchus Forecast and the cost allocation model for connections for sentinel lighting.

Response:

Please see response to a) above.

Board staff prepared the following table from the proposed cost allocation study,

Newmarket - Tay
Billing and Collection Costs (\$)

	Res.	GS<50	GS>50	Street Lighting	Sentinal Lighting	USL
1 Billing	662,671	154,823	64,617	2,337	-	7,303
2 Cost/customer	22.56	53.37	161.14	584.24	-	58.42
3 Collection	563,274	131,600	54,924	1,986	-	6,208
5 Cost/customer	19.18	45.36	136.97	496.60	-	49.66
6 Customers	29,370	2,901	401	4	80	125

Run 5. The costs presented in this table are from Sheet O4 Summary of Allocators by Class and Account, and Sheet I6 Customer Data Worksheet.

Please confirm that the table correctly reflects the evidence otherwise please provide a corrected table.

- f) Please describe the nature of the expenses and itemize the components for the budgeted expenses for Billing Account and Collection Account separately.

Response

Please see Pre-Filed Evidence Exhibit 4, Tab 3, Schedule 1 page 1.

- g) Please provide calculations that would show that the allocation of billing expenses to street lighting and USL is reasonable.

Response:

The weighting factors in the Cost Allocation Model (the "CA") that drive the costs related to all account classes are "Weighting Factor – Billings" and "Number of Bills". The Applicant undertook an analysis of these factors. There are major differences in street light and USL accounts that were considered.. These factors drive the allocation of costs to Billing as well as Collecting. The Collecting costs associated with these accounts are negligible due to the nature of the account holder (municipality, country wide telco, etc.).

The Applicant made the following analysis of the Billing costs:

Street Lighting:

There are only four accounts in this class with 8,574 connections. The CA model uses a factor of "1" to distribute the Billing and Collecting costs to this class assuming that one street light is the equivalent to one residential account. This weighting is obviously incorrect. The Applicant maintains a database of Street Lights that is used to keep track of the number of lights as well as their wattage and load profile for billing and settlement purposes. The cost of maintaining this database is estimated to be 20 times the cost of maintaining a single residential account.

USL

As with street lights, the default here is "1" in the CA model to distribute Billing and Collecting costs. Here again, the billing for this class requires extra effort to maintain. As these accounts are unmetered, the Applicant must, from time to time, verify the load at the connection to ensure no changes that would affect billing accuracy have been made. It was estimated that, on a per connection basis a factor of "2" is reasonable.

The Applicant believes that the resulting total of Billing and Collection costs that the CA model produces using these weighting factors for street light and USL accounts is a good proxy for uplifting the Billing costs associated with these accounts.

- h) Please provide calculations that would show that the allocation of collection expenses to street lighting and USL is reasonable.

Response:
Please see g) above

- i) Please explain the need for collection costs from street lighting customers.

Response:
Please see g) above

28.) Ref: Exhibit 7 Tab 3 Schedule 1 Table on page 4

Newmarket – Tay has provided a study to estimate the ratio of costs to serve a residential customer to the costs to serve a street light and has concluded that a 1:4 ratio is appropriate. The referenced table develops ratios for seven subdivisions which serve to underpin the proposed ratio.

- a) Please explain the development of the costs found in the table on page 4.

Response:

There were six subdivisions used in the Applicant's model.

The costs for primary conductor, secondary housing (residential) services, street light services and transformers are the actual costs for providing electrical service in the subdivisions. These are the same costs the Applicant uses in the methodology and assumptions for an offer to connect in accordance with Appendix B of the Distribution System Code.

- b) How are the costs for primary conductors categorized and allocated in the proposed cost allocation model?

Response:

Primary conductors serve all connections within a subdivision. These are allocated based on the average kWh consumption of each streetlight or residential connection.

- c) How are the costs for secondary conductors categorized and allocated in the proposed cost allocation model?

Response:

Street light and residential secondary services are specific to each connection, and are directly allocated.

- d) How are the transformer costs categorized and allocated in the proposed cost allocation model?

Response:

Transformation requirements in a subdivision are based on the kWh requirements for residential connections. The street light load is incidental to this (i.e. – street light load is not considered in specifying transformer size and therefore has no cost impact). However, street lights require a connection to a transformer and utilize the secondary service connection points in them. The costs of transformation are allocated based on the percentage of total connections.

RATE DESIGN

Issue **8 a.) Are the customer charges and the fixed-variable splits for each class appropriate?**

29.) Ref: Exhibit 8 Tab 3 Schedule 2 page 2

Newmarket – Tay seems to have intended to provide a table that combines Newmarket and Tay's 2009 distribution revenue at weighted average rates. It appears that the tables provided are not what Newmarket – Tay intended. Please provide the intended table.

Response

The Applicant did not copy the entire chart on to the Application. The same information appears in Question 9 above and is repeated here:

Service Territory: Newmarket

	2010 Statistical Data			2009 Approved Rates		Revenue		
	kWh	kW	Avg Cust/Co n	Fixed	Variabl e	Fixed	Variable	Total
Residential	242,673,431		25,530	13.44	0.0136	4,117,478	3,300,359	7,417,837
GS<50	90,591,182		2,676	25.18	0.0159	808,580	1,440,400	2,248,980
USL	211,968		75	16.39	0.0138	14,751	2,925	17,676
GS>50	307,538,497	774,860	385	157.0	4.3209	725,525	3,348,093	4,073,617
GS>50 T/A		(597,211)			0.7000		(418,048)	(418,048)
Street Lights	4,917,148	13,360	7,862	1.76	8.7325	166,045	116,666	282,712
Sentinel Lights	297,183	826	393	1.76	6.7192	8,300	5,550	13,850
Total	646,229,409					5,840,680	7,795,945	13,636,625

Service Territory: Tay

	2010 Statistical Data			2009 Approved Rates		Revenue		
	kWh	kW	Avg Cust/Co n	Fixed	Variabl e	Fixed	Variable	Total
Residential	32,180,943		3,840	14.59	0.0101	672,307	325,028	997,335
GS<50	5,162,826		225	14.72	0.0165	39,744	84,980	124,724
USL	179,150		50	7.35	0.0165	4,410	2,947	7,357
GS>50	5,574,063	13,635	16	208.3	2.7726	40,001	37,804	77,806
GS>50 T/A		(4,074)			0.6000		(2,445)	(2,445)
Street Lights	438,191	1,222	712	0.69	3.3617	5,895	4,108	10,003
Sentinel Lights	9,050	24	14	0.72	2.7786	118	67	185
Total	43,544,223					762,476	452,489	1,214,965

Service Territory: Newmarket Tay

	2010 Statistical Data			2009 Approved Rates		Revenue		
	kWh	kW	Avg Cust/Co n	Fixed	Variabl e	Fixed	Variable	Total
Residential	274,854,374		29,370	13.59	0.0132	4,789,786	3,625,386	8,415,172
GS<50	95,754,008		2,901	24.37	0.0159	848,324	1,525,380	2,373,704
USL	391,118		125	12.77	0.0150	19,161	5,872	25,033

GS>50	313,112,560	788,495 (601,285)	401	159.09	4.2941	765,526	3,385,897	4,151,423
GS>50 T/A					0.6993		(420,492)	(420,492)
Street Lights	5,355,339	14,582	8,574	1.67	8.2824	171,941	120,774	292,715
Sentinel Lights	306,233	850	407	1.72	6.6079	8,418	5,617	14,035
Total	689,773,632					6,603,156	8,248,434	14,851,590

Issue 8 b.) Are the proposed Retail Transmission Service Rates appropriate?

30.) Ref: Exhibit 8 Tab 5 Schedule 1

- a) Please show the derivation of the estimated costs of \$4,525,660 for Network charges.

Response:

The Applicant used 2008 as a basis for forecasting the 2010 Test Year costs since it was the most recent year where there was not a rate change mid-year. kWh's were used in the calculation since the Applicant did not have kW available at the time. When analyzing the same data for another Intervener and having kW data available, it was found that the kW/kWh relationship has changed since 2008. The rationale for this is not entirely known, but contributing factors may be the introduction of the new Holland Junction TS and the loss of several significant customers as discussed elsewhere. 2010 Test Year estimates have since been revised as follows:

As filed Network charges:

Transmission Network Charges

	Annual kW (Actual)	2010 Rate	2009 Annual \$ @ 2010 Rate
2009 kW Newmarket	1,163,314	2.97	3,455,041
2009 kW Tay	89,116	2.65	236,157
Total Transmission Network at 2009 Rates	1,252,430		3,691,199

The Applicant has recalculated the 2010 Transmission Network Charges using the above approach. The results are in the following chart:

Transmission Network Charges

	2010 kW (est)	2010 Rate	2010 Annual \$ @ 2010 Rate
2010 kW Newmarket	1,143,881	2.97	3,397,326
2010 kW Tay	93,216	2.65	247,022
Total Transmission Network at 2009 Rates	1,237,097		3,644,349

- b) Please show the derivation of the estimated costs of \$3,368,696 for Connection charges.

Response:

Please see a) above for rationale. Connection costs have been re-estimated as follows:

As filed Connection charges:

Transmission Connection Charges

	Annual kW (Actual)	2010 Rate	2009 Annual \$ @ 2010 Rate
2009 Approved Rate			
2009 kW Newmarket	1,182,044	2.44	2,884,186
2009 kW Tay	94,080	2.14	201,331
Total Transmission Connection at 2010 Rates			3,085,518

The Applicant has recalculated the 2010 Transmission Connection Charges using the above approach: The results are in the following chart:

Transmission Connection Charges

	2010 kW (est)	2010 Rate	2010 Annual \$ @ 2010 Rate
2010 Approved Rate			
2010 kW Newmarket	1,162,298	2.44	2,836,007
2010 kW Tay	42,429	2.14	90,799
Total Transmission Connection at 2009 Rates	1,204,727		2,926,806

- c) Please show and explain the allocation of the Network and Connection charges to the classes.

Response:

Currently approved rates were used as the basis for calculating the proposed 2010 rates. First of all, the Weighted Average approved rate

was developed and then this rate was factored up by the overall increase in costs to recover the estimated charges. The revised estimates of costs provided above will result in the following rates:

Wholesale Cost	Network		Connection	
	Rate	\$	Rate	\$
NTP Wholesale (see Exhibit 2 - Rate Base)	2.97	3,644,349	2.44	2,926,806
Total Wholesale		3,644,349		2,926,806

Recovery at Current Rates & Proposed Loss Factor							
		kWh/kW	Loss Factor	Network		Connection	
Tay							
Residential	kWh	32,180,943	1.0356	0.0053	176,627	0.0047	156,631
GS<50	kWh	5,162,826	1.0356	0.0048	25,663	0.0042	22,455
USL	kWh	179,150	1.0356	0.0048	891	0.0042	779
GS>50	kW	13,635		1.9747	26,925	1.6747	22,835
Street Lights	kW	1,222		1.4893	2,046	1.2946	1,582
Sentinel Lights	kW	24		1.4968	31	1.3217	32
Total					232,183		204,314
Newmarket							
Residential	kWh	236,431,810	1.0356	0.0054	1,322,152	0.0048	1,175,247
GS<50	kWh	91,587,959	1.0356	0.0049	464,747	0.0043	407,839
USL	kWh	212,128	1.0356	0.0049	1,076	0.0043	945
GS>50	kW	793,980		1.9923	1,581,846	1.7038	1,352,783
Street Lights	kW	13,405		1.5025	20,141	1.3172	17,657
Sentinel Lights	kW	945		1.5101	1,427	1.3447	1,271
Total					3,391,390		2,955,741
Total recovery at weighted average rates (NT Power)							
Residential	kWh	268,612,753	1.0356	0.0054	1,498,779	0.0048	1,331,878
GS<50	kWh	96,750,785	1.0356	0.0049	490,410	0.0043	430,294
USL	kWh	391,278	1.0356	0.0049	1,967	0.0043	1,724
GS>50	kW	807,615		1.9920	1,608,771	1.7033	1,375,618
Street Lights	kW	14,627		1.5169	22,187	1.3153	19,239
Sentinel Lights	kW	969		1.5048	1,458	1.3441	1,302
Total					3,623,573		3,160,055
2010 Transmission Rates							
Residential	kWh	268,612,753	1.0356	0.0054	1,507,373	0.0044	1,233,570
GS<50	kWh	96,750,785	1.0356	0.0049	493,222	0.0040	398,533
USL	kWh	391,278	1.0356	0.0049	1,978	0.0039	1,597
GS>50	kW	807,615		2.0034	1,617,995	1.5776	1,274,081
Street Lights	kW	14,627		1.5256	22,315	1.2182	17,819
Sentinel Lights	kW	969		1.5134	1,466	1.2449	1,206
Total					3,644,349		2,926,806

Issue 8 e.) Is the Applicant's proposed Tariff of Rates and Charges appropriate?

31.) Ref: Exhibit 8 Tab 9 Schedule 2

- a) Please provide the proposed Tariff of Rates and Charges. This document should include all proposed distribution rates, Effective Date, Implementation Date if applicable, Specific Service Charges and all other charges that the Board regulates.

Response:

The following is the proposed rate schedule based on the initial Application:

Class	Newmarket 2009 Approved Rates	Tay 2007 Approved Rates	NT Power Proposed 2010 Rates
<u>RESIDENTIAL</u>			
Distribution kWh Rate	0.0136	0.0101	0.0143
Monthly Service Charge/Customer/Month	13.4400	14.5900	17.0000
Smart Meter Adder	0.6100	2.5900	0.0000
Deferral Account Recovery/kWh	0.0025	0.0058	0.0024
LV kWh Rate	0.0000	0.0015	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kWh	0.0054	0.0053	0.0067
Transmission Connection/kWh	0.0048	0.0047	0.0051
Commodity - To 600 kWh	0.0570	0.0570	0.0570
Commodity - > 600 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge/kWh	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
<u>GENERAL SERVICE < 50 KW</u>			
Distribution kWh Rate	0.0159	0.0165	0.0172
Monthly Service Charge/Customer/Month	25.1800	14.7200	33.0000
Smart Meter Adder	0.6100	2.5900	0.0000
Deferral Account Recovery/kWh	0.0012	0.0039	0.0018
LV kWh Rate	0.0000	0.0012	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kWh	0.0049	0.0048	0.0061
Transmission Connection/kWh	0.0043	0.0042	0.0046
Commodity - To 750 kWh	0.0570	0.0570	0.0570
Commodity - > 750 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge/kWh	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
<u>GENERAL SERVICE < 50 KW USL</u>			
Distribution kWh Rate	0.0138	0.0165	0.0293
Monthly Service Charge/Customer/Month	16.3900	7.3500	12.0000
Deferral Account Recovery/kWh	0.0092	0.0079	0.0007

LV kWh Rate	0.0000	0.0013	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kWh	0.0049	0.0048	0.0061
Transmission Connection/kWh	0.0043	0.0042	0.0045
Commodity - To 750 kWh	0.0570	0.0570	0.0570
Commodity - > 750 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge/kWh	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
<u>GENERAL SERVICE > 50 KW</u>			
Distribution KW Rate (Thermal Demand Meter old style)	4.3209	2.7726	5.1840
Distribution KW Rate (Interval Meter)	4.4419	2.7726	5.3289
Transformer Allowance/kW	-0.7000	-0.6000	-0.7000
Monthly Service Charge/Customer/Month	157.0400	208.3800	150.0000
Smart Meter Adder	0.6100	2.5900	0.0000
Deferral Account Recovery/kW	0.1401	0.9416	0.2118
LV kW Rate	0.0000	0.5300	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kW	1.9923	1.9747	2.4937
Transmission Connection/kW	1.7038	1.6747	1.8193
Commodity - To 750 kWh	0.0570	0.0570	0.0570
Commodity - > 750 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge/kWh	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
<u>SENTINEL LIGHTS</u>			
Distribution KW Rate	6.7192	2.7791	7.9298
Monthly Service Charge/Connection/Month	1.7600	0.7200	2.0000
Deferral Account Recovery/kW	0.5879	7.4173	0.1822
LV kW Rate	0.0000	0.5130	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kW	1.5101	1.4968	1.8829
Transmission Connection/kW	1.3447	1.3217	1.4356
Commodity - To 750 kWh	0.0570	0.0570	0.0570
Commodity - > 750 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
<u>STREET LIGHTING</u>			
Distribution KW Rate	8.7325	3.3623	7.5452
Monthly Service Charge/Connection/Month	1.7600	0.6900	2.0000
Deferral Account Recovery/kW	0.1907	1.0734	0.1683
LV kW Rate	0.0000	0.4088	0.0000
Wholesale Market Services/kWh	0.0052	0.0052	0.0052
Rural Rate Protection/kWh	0.0013	0.0010	0.0013
Transmission Network/kW	1.5025	1.4893	1.8990
Transmission Connection/kW	1.3172	1.2946	1.4049

Commodity - To 750 kWh	0.0570	0.0570	0.0570
Commodity - > 750 kWh	0.0660	0.0660	0.0660
Debt Retirement Charge/kWh	0.0070	0.0070	0.0070
Regulated Price Plan Admin Charge/Cust/Mn	0.2500	0.2500	0.2500
Total Loss Factor - Secondary Metered Customer	1.0365	1.0866	1.0356
Total Loss Factor - Primary Metered Customer	N/A	1.0757	1.0252
<u>SPECIFIC SERVICE CHARGES</u>			
Arrears certificate	8.50	15.00	15.00
Statement of account	8.50	15.00	15.00
Duplicate invoices for previous billing	3.25	15.00	15.00
Request for other billing information		15.00	15.00
Easement letter	8.50	15.00	15.00
Account history	8.50	15.00	15.00
Credit reference/credit check (plus credit agency costs)	10.00	15.00	15.00
Returned cheque charge (plus bank charges)	16.50	15.00	15.00
Legal letter charge		15.00	15.00
Change of Occupancy - Final Bill)	12.50	30.00	0.00
Account set up charge (plus credit agency costs if applicable)	12.50	30.00	26.00
Special meter reads		30.00	30.00
Collection of account charge - no disconnection	18.00	30.00	23.00
Disconnect/Reconnect at meter - during regular hours *	50.00	65.00	50.00
Install/Remove load control device - during regular hours			
Disconnect/Reconnect at meter - after regular hours *	120.00	185.00	185.00
Install/Remove load control device - after regular hours			
Disconnect/Reconnect at pole - during regular hours *	160.00	185.00	185.00
Disconnect/Reconnect at pole - after regular hours *	315.00	415.00	415.00
Meter dispute test self contained plus Measurement Canada fees (if meter found correct)	25.00	30.00	30.00
Service call - customer-owned equipment		30.00	30.00
Service call - after regular hours		165.00	165.00
* All Disconnect/Reconnect charges can be for non-payment or at customer's request			

Board staff is concerned that there may be charges that Newmarket – Tay could be making to its customers that are not included as Specific Service Charges.

- b) Please identify any rates and charges that are included in the applicant's conditions of service and provide an explanation for the nature of the costs being recovered.

Response

The Applicant is not aware of any additional rates and charges in its Conditions of Service.

- c) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2010 Test Year.

Response:

Please see the response to b) above.

- d) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

Response:

Please see the response to b) above.

32.) Ref: Exhibit 8 Tab 4 Schedule 2
Proposed Cost Allocation Model

Newmarket – Tay is requesting a Transformer Ownership Credit ("TOC") of \$0.70. Sheet O3.1 Line Transformers Unit Cost Worksheet calculates the TOC should be \$0.77. Please explain why Newmarket – Tay is only proposing \$0.70.

Response:

The Applicant notes an inconsistency between Exhibit 7 Cost Allocation and Exhibit 8 Rate design. The Applicant is proposing a TOC of \$0.77. Please also refer to the response to VECC IR No. 13.

Issue 8 f.) Is the proposed treatment of LV appropriate?

33.) Ref: Exhibit 8 Tab 6 Schedule 1

Please show and explain the allocation of the LV charges to the rate classes.

Response:

The Applicant requested that the rate for these charges be set at \$0.00 for the rate period. The estimated cost recovery was about \$57,000. The Applicant requests include them with other Deferral Balances and recover them through the Deferral Account Recovery process.

The rates were developed as a ratio of the proposed Transmission Rates. The Recovery amounts for Transmission Network and Transmission Connection were added together by class and then the LV Charges of \$30,000 was prorated to the classes in the same ratio. The prorated amounts were then divided by the appropriate kWh or kW to arrive at the rate for the class:

If the Applicant were to charge a LV rate to recover the \$57,000, the rates by class are presented below:

	2010 Transmission Recovery			Required LV Recovery	
	Network	Connection	Ttl Trans	%	\$
<i>Residential</i>	<i>1,919,994</i>	<i>1,455,749</i>	<i>3,375,743</i>	<i>42.76%</i>	<i>24,374</i>
<i>GS<50</i>	<i>607,605</i>	<i>454,866</i>	<i>1,062,471</i>	<i>13.46%</i>	<i>7,671</i>
<i>USL</i>	<i>2,461</i>	<i>1,840</i>	<i>4,302</i>	<i>0.05%</i>	<i>31</i>
<i>GS>50</i>	<i>1,966,308</i>	<i>1,434,533</i>	<i>3,400,842</i>	<i>43.08%</i>	<i>24,555</i>
<i>Street Lights</i>	<i>27,692</i>	<i>20,486</i>	<i>48,178</i>	<i>0.61%</i>	<i>348</i>
<i>Sentinel Lights</i>	<i>1,600</i>	<i>1,220</i>	<i>2,821</i>	<i>0.04%</i>	<i>20</i>
Total	4,525,660	3,368,696	7,894,356	100.00%	57,000

		kW kWh	Apportioned LV Cost	Calculated Rate
<i>Residential</i>	<i>kWh</i>	<i>274,854,374</i>	<i>24,374</i>	<i>0.00009</i>
<i>GS<50</i>	<i>kWh</i>	<i>95,754,008</i>	<i>7,671</i>	<i>0.00008</i>
<i>USL</i>	<i>kWh</i>	<i>391,118</i>	<i>31</i>	<i>0.00008</i>
<i>GS>50</i>	<i>kW</i>	<i>788,495</i>	<i>24,555</i>	<i>0.03114</i>
<i>Street Lights</i>	<i>kW</i>	<i>14,582</i>	<i>348</i>	<i>0.02386</i>
<i>Sentinel Lights</i>	<i>kW</i>	<i>850</i>	<i>20</i>	<i>0.02396</i>
Total			57,000	

DEFERRAL AND VARIANCE ACCOUNT

Issue 9 a.) Is the proposal for the amounts, disposition, and continuance appropriate?

34.) Ref: Exhibit 9 Tab 1 Schedule 2

Ref: Exhibit 9 Tab 1 Schedule 2 Regulatory Assets Continuity Schedule

Generally, the Board orders disposing of only audited balances. Approving only audited balances provides the comfort that the balances have been independently tested and verified.

- a) Please provide the audited balances for Newmarket and Tay separately for December 31, 2009.

Response:

Please see response to 2.) Ref: Exhibit 1 Tab 4 Schedule 4 Attachment 1

- b) If available, please file audited balances for Newmarket and Tay separately for April 30, 2010.

Response:

The Applicant has audited statements only up to December 31, 2009.

- c) Please file respective Regulatory Assets Continuity Schedules that reconcile to the audited balances in both hard copy and electronic form for Newmarket and for Tay separately.

Response:

The Applicant created the combined continuity schedule in the format provided within the instructions, but did not attempt to fill it in by Service Territory. To do so is a significant undertaking. However, the Applicant maintains its own continuity schedule by location. This schedule is used to calculate the monthly Carrying Charges and therefore it uses the same data on a monthly basis. The data on the submitted schedule was taken directly from these schedules. In the interest of expediency, the Applicant has chosen to provide its own schedules by location in order to satisfy this question. The hardcopy version provided below is condensed to an annual basis while the Excel version that is included with this response retains the monthly format.

Tay Deferral Account GARP Balances

Account Name	Account #	Apr-07	Dec-07	Dec-08	Dec-09	Mar-10
Other Reg Assets OEB/OMERS/Life INS		45,025	45,025	45,025	45,025	45,025

Interest Current Period		3,050	1,440	1,792	512	62
Interest End of Period		3,050	4,490	6,282	6,794	6,856
GARP Total	1508	48,075	49,514	51,306	51,819	51,880
Retail Cost Variance - Retail		(2,164)	(943)	(943)	(943)	(943)
Interest Current Period		(31)	(35)	(38)	(11)	(1)
Interest End of Period		(31)	(65)	(103)	(114)	(115)
GARP Total	1518	(2,195)	(1,008)	(1,046)	(1,057)	(1,058)
Misc Deferred Debits		2,171	2,171	2,171	2,174	2,174
Interest Current Period		0	69	86	25	3
Interest End of Period		0	69	156	180	183
GARP Total	1525	2,171	2,240	2,326	2,354	2,357
Retail Cost Variance - STR		1,719	1,280	1,280	1,280	1,280
Interest Current Period		0	43	51	15	2
Interest End of Period		0	43	94	108	110
GARP Total	1548	1,719	1,323	1,374	1,388	1,390
Low Voltage Variance Account - Costs	1550	53,213	89,949	143,593	193,069	187,425
Low Voltage Variance Account - Revenues		(46,294)	(84,906)	(147,278)	(209,785)	(228,017)
Interest Current Period			179	(39)	(101)	(41)
Interest End of Period		115	294	255	154	113
GARP Total	1550	7,034	5,337	(3,429)	(16,562)	(40,478)
Smart Meter - Cap Recovery	1555	(10,992)	(74,282)	(199,493)	(325,207)	(356,801)
Smart Meter - Cap					504,593	516,414
GARP Total					179,385	159,612
Interest Current Period			0	0	90	76
Interest End of Period			0	0	23,021	23,258
GARP Total	1555	(10,992)	(74,282)	(199,493)	202,406	182,871
Smart Meter - OM&A - Recovered	15560					
Smart Meter - OM&A					123,350	130,900
Total					123,350	130,900
Interest Current Period			0	0	2,266	173
Interest End of Period					2,266	2,439
GARP Total	1556				125,616	133,339
PILS		123,821	123,821	123,821	123,821	123,821
Interest Current Period		2,233	3,959	4,928	1,408	170
Interest End of Period		2,233	6,192	11,121	12,529	12,699
GARP Total	1562	126,055	130,014	134,942	136,350	136,521
PILS Contra		(123,821)	(123,821)	(123,821)	(123,821)	(123,821)
PILS CC Contra		(2,233)	(6,192)	(11,121)	(12,529)	(12,699)
GARP Total	1563	(126,055)	(130,014)	(134,942)	(136,350)	(136,521)
CDM	1565	(15,751)	(8,874)	7,708	7,708	7,708
CDM Contra	1566	18,210	16,726	(7,708)	(7,708)	(7,708)
Transition Costs	15700	0	0	0	0	0
Interest Current Period		0	0	0	0	0
Interest End of Period		0	0	0	0	0

GARP Total	1570	0	0	0	0	0
RSVA-Whistle Market Serv						
Total w/o Carrying Charges		35,424	29,189	(24,732)	(14,175)	(14,694)
Interest Current Period		0	1,041	116	(282)	(20)
Interest End of Period		771	1,813	1,928	1,646	1,626
GARP Total	1580	36,195	31,002	(22,803)	(12,529)	(13,069)
RSVA-One Time Charges						
Total		(2,428)	(2,428)	(2,428)	(2,428)	(2,428)
Interest Current Period		0	(78)	(97)	(28)	(3)
Interest End of Period		(138)	(216)	(313)	(340)	(344)
GARP Total	1582	(2,566)	(2,644)	(2,741)	(2,768)	(2,771)
RSVA-Trans Network						
Total w/o Carrying Charges		(7,025)	(14,051)	(92,514)	(146,455)	(158,880)
Interest Current Period		0	(384)	(2,077)	(1,281)	(197)
Interest End of Period		(1,495)	(1,879)	(3,956)	(5,237)	(5,434)
GARP Total	1584	(8,520)	(15,930)	(96,470)	(151,692)	(164,314)
RSVA-Trans Connection						
Total w/o Carrying Charges		(217,026)	(227,176)	(288,308)	(319,324)	(326,019)
Interest Current Period		0	(984)	(792)	(145)	(148)
Interest End of Period		(45,521)	(52,635)	(62,613)	(66,034)	(66,475)
GARP Total	1586	(262,547)	(279,811)	(350,921)	(385,358)	(392,494)
RSVA-Power						
Total w/o Carrying Charges		214,087	162,027	87,379	(91,337)	(74,838)
Interest Current Period		0	5,930	8,035	412	(95)
Interest End of Period		12,148	18,079	26,114	26,526	26,431
GARP Total	1588	226,235	180,106	113,493	(64,811)	(48,406)
1590						
Approved Reg Assets	15900	716,661	716,661	716,661	716,661	716,661
Approved Reg Assets - Recovered to date	15901	(494,659)	(644,772)	(873,417)	(1,096,095)	(1,162,435)
Recovery in Unbilled				35,743	35,743	35,746
Total		222,002	71,889	(121,014)	(343,691)	(410,029)
Interest Current Period		0	5,007	(1,026)	(2,466)	(503)
Interest End of Period	15902	7,846	12,853	11,827	9,361	8,858
GARP Total	1590	229,848	84,741	(109,187)	(334,331)	(401,171)
Summary						
Account Total		290,170	5,597	(597,261)	(583,856)	(689,430)
Interest Accrued to Date		(23,254)	(17,156)	(20,329)	(1,669)	(2,493)
Grand Total		266,916	(11,560)	(617,590)	(585,525)	(691,923)

Global adjustment						
Total w/o Carrying Charges		(8,393)	28,118	6,597	(98,831)	(221,813)
Interest Current Period		0	233	1,290	3,207	(206)
Interest End of Period		(560)	(327)	963	4,170	3,964
GARP Total	GA	(8,953)	27,791	7,560	(94,661)	(217,849)

Newmarket Deferral Account GARP Balances

Account Name	Acct #	Dec-06	Dec-07	Dec-08	Approval Entry	Dec 08 Revised	Dec-09	Mar-10
Other Reg Assets OEB/OMERS/Life								
INS		703,031	1,056,989	1,456,710	(1,456,710)	0	0	0
Interest Current Period			40,688	48,564			0	0
Interest End of Period		37,751	78,440	127,003	(127,003)		0	0
GARP Total	1508	740,782	1,135,428	1,583,713	(1,583,713)	0	0	0
Retail Cost Variance - Retail		34,360	38,223	43,874	(43,874)	0	255	444
Interest Current Period			163	447			0	0
Interest End of Period		5,576	7,289	10,551	(10,551)		2	3
GARP Total	1518	39,936	45,512	54,426	(54,426)	0	257	447
Misc Deferred Debits		27,579	27,579	27,579	(27,579)	0	0	0
Interest Current Period			118	77			0	0
Interest End of Period		6,508	7,812	8,909	(8,909)		0	0
GARP Total	1525	34,087	35,391	36,489	(36,489)	0	0	0
Retail Cost Variance - STR		36,523	45,270	53,916	(53,916)	0	7,990	10,964
Interest Current Period			191	149			3	5
Interest End of Period		5,927	7,852	9,797	(9,797)		28	41
GARP Total	1548	42,450	53,123	63,714	(63,714)	0	8,018	11,005
Smart Meter - OM&A - Recovered	1556							
Smart Meter - OM&A	0		49,914	49,917	(49,917)	0		
Total							176,676	229,213
Interest Current Period			191	191			176,676	229,213
Interest End of Period			1,718	3,628	(3,628)		42	97
GARP Total	1556		51,633	53,545	(53,545)	0	176,739	229,546
PILS		135,171	135,171	135,171		135,171	135,171	135,171
Interest Current Period			579	377			62	62

Interest End of Period	158,809	165,199	170,579	170,579	171,840	172,026
GARP Total	1562	293,979	300,369	305,749	307,011	307,197
PILS Contra	(135,171)	(135,171)	(135,171)	(135,171)	(135,171)	(135,171)
PILS CC Contra	(158,809)	(165,199)	(170,579)	(170,579)	(171,840)	(172,026)
GARP Total	1563	(293,979)	(300,369)	(305,749)	(307,011)	(307,197)
Transition Costs	281,663	281,663	281,663	(281,663)	0	0
Interest Current Period		1,206	786		0	0
Interest End of Period	74,700	88,016	99,226	(99,226)	0	0
GARP Total	1570	356,363	369,679	380,889	(380,889)	0
WMS						
Total w/o Carrying Charges	(85,337)	(1,032,430)	(1,356,309)	1,356,309	(103,847)	(313,689)
Interest Current Period		(4,088)	(3,653)		(33)	(84)
Interest End of Period	(14,095)	(37,290)	(84,237)	84,237	(362)	(555)
GARP Total	1580	(99,432)	(1,440,545)	1,440,545	0	(104,209)
One-Time Charges						
Total w/o Carrying Charges	97,644	99,667	85,900	(85,900)	(0)	18,708
Interest Current Period		534	238		8	13
Interest End of Period	7,722	12,618	16,372	(16,372)	0	66
GARP Total	1582	105,366	112,285	102,272	(0)	18,774
RSVA-Trans Network						
Total w/o Carrying Charges	902,389	1,099,695	627,984	(627,984)	0	137,307
Interest Current Period		4,889	1,795		58	91
Interest End of Period	40,609	87,731	121,220	(121,220)	0	281
GARP Total	1584	942,998	1,187,426	749,204	0	137,588
RSVA-Trans Connection						
Total	210,081	261,601	48,706	(48,706)	(0)	101,336
Interest Current Period		1,180	172		44	63
Interest End of Period	(22,099)	(11,821)	(6,639)	6,639	32	191

GARP Total	952,028	996,037							
	2,257,417	1,855,303							
Account Total		1,435,708	34,059	1,401,649					
Interest Accrued to Date		1,269,945	(34,059)	1,304,004					
Interest Recovered to Date		(1,069,796)	0	(1,069,796)					
		(194,997)							(221,528)
Grand Total	2,281,037	1,855,761	0	1,635,856	3,449,382	1,635,856	0	1,635,856	7
Global adjustment									
Total w/o Carrying Charges	1,456,978	988,033	0	1,705,105	(103,670)				
Interest Current Period	628	640		4,560	(1,620)				
Interest End of Period	22,412	24,368	0	(318,965)	(344,344)	(318,965)	(318,965)		
GARP Total	1,479,339	1,012,401	0	1,386,139	(448,014)	1,386,139	(318,965)	(318,965)	1

According to the evidence filed, the balances requested for disposition reconcile with Newmarket – Tay’s RRR 2.1.1 Q1/2010 filing with the Board, except Account 1555 Smart meter – Capital Account 1556 Smart Meter – OM&A and Account 1595 Approved Regulatory Assets .

- d) For Account 1555 Smart meter – Capital Account 1556 Smart Meter – OM&A and Account 1595 Approved Regulatory Assets, please state what was filed under RRR 2.1.1 for Q1/2010.

Response:

The following was filed for Q1/2010:

Smart Meter - Cap	23,258.36	159,612.30	182,870.65
Smart Meter - OM&A	2,772.53	360,113.28	362,885.81
Total	26,030.89	519,725.58	545,756.47

- e) Please provide a detailed explanation of the differences for each of these accounts.

Response:

The Applicant followed Ontario Energy Board G-2008-0002 Guideline – Smart Meter Funding and Cost Recovery to develop the applied for balances for these accounts. The calculations for the March 2010 balances are detailed in Exhibit 9, Tab 3, Schedule 2 pages 2 to 9. These balances do not include the “Capital Cost”, but the calculation for Return on Equity and Cost of Debt as if the Smart Meters were included in the Rate Base from the beginning.

The historical RRR filings were not calculated in that way. The reported values in March 2010 included Tay’s fixed asset costs less accumulated depreciation in the 1555 Capital account and offset by the Smart Meter Adder to date. The Tay 1556 OM&A account includes Depreciation to date plus operation and maintenance costs since September 2009 when the parallel reads were discontinued. Carrying charges are included in both accounts.

The Newmarket RRR balances did not include any Capital costs and only operation and maintenance costs since September 2009. Newmarket did not have a Smart Meter Adder until May of 2009 and this was designed to cover O & M costs. This Recovery is reported in the 1595 Deferral Account Recovery Account as instructed by the Ontario Energy Board Audit staff.

The following is a summary of values reported for 2010 Q1:

	Newmarket	Tay	NT Power
1555 Smart Meter Capital			
Installed Capital Costs	0	610,612	610,612
Amortization		(94,198)	(94,198)
Carrying Charges		23,258	23,258

Rate Adder		(356,801)	(356,801)
Total		182,871	182,871
1556 Operation and Maintenance			
Depreciation to Date		94,198	94,198
Operation and Maintenance fro Sept 2010	229,213	36,703	265,915
Carrying Charges	334	2,439	2,773
Total	229,546	133,339	362,886

f) Please state which amount Newmarket – Tay is seeking approval for disposition in this application, and why.

Response:

The Applicant is seeking recovery based on the calculation from the Guideline G-2008-0002 as follows: Please see Exhibit 9, Tab 3, Schedule 2 pages 2 to 9 for full details)

	\$
1555 Smart Meter Capital	235,886
Carrying Charges	0
Total	235,886
1556 Operation and Maintenance	861,840
Carrying Charges	20,966
Total	882,806

It is important to note that the requested recovery above does not include any Capital Charges for Newmarket from May 2009 to March 2010. The installed capital costs of the Newmarket meters was included in the Rate Base approved with the 2008 EDR.

The Applicant's reasons for recovery are given in the response to Consumers Council of Canada IR No. 11.

The Board in the Smart Meter Guidelines (G-2008-0002) instructed distributors to file audited balances for disposition:

“The Board expects that a distributor will normally file for inclusion of smart meter costs into ongoing operations and rate base when it files for a cost of service rate adjustment. When applying for recovery of smart meter costs, a distributor should ensure that all cost information has been audited, including the smart meter related deferral account balances.”¹

¹ Smart Meter Funding and Cost Recovery; EB-2008-0002, October 22, 2008 page 12

- g) In EB-2007-0063, *Decision with Reasons* August 8, 2007, Appendix A, the Board found Newmarket – Tay's estimated Total Cost per Unit to be \$126.83. Please provide the actual to date installed cost and a variance analysis to the previously filed costs for December 31, 2009 and for April 30, 2010 if available.

Response:

The Applicant's actual cost in EB-2007-0063 Appendix A was \$123.59. Please see the response to VECC IR No. 20a) for actual costs to March 31, 2010. The Applicant does not have a variance analysis available.

- h) As stated in G-2008-0002, *Guideline Smart Meter Funding and Cost Recovery Section 1.5* please provide the capital and operating unit cost per installed smart meter and in total for:

- i Procurement and installation of the components of the AMI system,

Response:

No capital costs have been incurred.

The Applicant did not procure or install an AMI system. The AMI system is owned and operated by a third party. The Applicant pays a monthly per meter reading fee which is included in the "Communications and Back Office" costs shown the response to VECC IR No. 20.

- ii Customer information system

Response:

Please see the response to VECC IR No. 20.

- iii Incremental operating and maintenance activities,

Response:

Please see the response to VECC IR No. 20.

- iv Changes to ancillary systems, and

Response:

Please see the response to VECC IR No. 20.

- v Stranded meters

Response:

These costs are the ongoing amortization discussed in the response to Board Staff IR No. 8e).

These totalled \$1,339,222 in 2009 and will be \$1,403,717 at the end of 2011.

In addition the Board's Guidelines require the following information to be disclosed:

- vi justification for any smart meter or AMI costs incurred to support functionality that exceeds the minimum functionality adopted in O Reg. 425/06, and

Response:

The Smart Meter and AMI system deployed by the Applicant was procured through a RFP that was directly linked to the Request for Pre-Qualification for Advanced Metering Infrastructure Procurement and Installation issued by Enersource Corporation as referenced in Ontario Regulation 427 subsection 1 paragraph 3. As such, the Applicant did not request any functionality that exceeded the minimum. Although the AMI infrastructure procured does have functionality beyond that required in O.Reg. 425/06, the Applicant prudently accepted a competitive bid in conformance with government regulation for its acquisition. Vendors bidding on the RFP did not identify any additional cost for this added functionality. Rather, it was simply included in its commercially available product.

- i) Provide the basis on which recovery of those costs is allowed under applicable law for any costs incurred that are associated with functions for which the Smart Meter Entity has the exclusive authority to carry out pursuant to O. Reg. 393/07.

Response:

The Applicant's Newmarket and Tay service areas are explicitly identified in O.Reg. 428/06 as priority installations.

O.Reg. 393/07, Section 6 states that:

"In order to enable the transition to the Smart Metering Entity performing the functions described in section 5 of this regulation, each distributor identified in Ontario Regulation 428/06 (Priority Installations) made under the Act is permitted to carry out the functions set out in section 5 of this regulation for its service area until it is receiving billing quantity data produced by the Smart Metering Entity for all of its customers with a smart meter."

It is the Applicant's understanding that, by virtue of the fact that Section 6 of O.Reg. 393/07 allows it to perform the functions of the Smart Metering Entity it is permitted to seek recovery of these costs.

- j) Are the April 30, 2010 amounts in Account 1555 Smart meter – Capital Account 1556 Smart Meter – OM&A based on projections or on actual costs?

Response:

The Applicant is requesting the recovery of actual balances as at March 31, 2010. This applies to all Deferral Balances including Account 1555 Smart Meter Capital.

- k) Newmarket – Tay shows for Account 1555 Smart Meter Capital, a steady reduction to its balance from December 31, 2008 to April 30, 2010. Please explain.

Response:

By the end of 2008, the majority of the Smart Meters had been installed. Since that time the recovery adder has exceeded the cost components in the account.

- l) Are any OM&A expenses for TOU included in Account 1556 Smart Meter – OM&A?

Response:

Yes, the Applicant is billing 100% of eligible residential consumers under the Smart Meter Program as of September 1, 2009. All Operation and Maintenance costs of the system are included in Account 1556 Smart Meter OM&A from that time forward.

The applicant is requesting disposition of Account 1595 Approved Regulatory Assets, the residual amount from the disposition of 2008 Newmarket balances. The amount requested for disposition is a debit of \$996,037.

- m) Since balance in this account should not be cleared until the associated rate rider has ended, has the rate rider for this account ended (per the Board's EDDVAR report EB-2008-0046 (pg. 6)?)

Response:

The Rate Rider for the Newmarket service area ended on April 30, 2010 leaving the account in a debit position. This is in accordance with EB-2007-0776 Decision and Order dated April 23, 2009. The Applicant can split out the Account 1595 remaining balance as a separate rider, but may have to combine the riders for billing purposes within the billing system.

- n) Did Newmarket – Tay discontinue the deferral and variance account rate rider after April 30, 2010 as stated in the EB-2007-0776 Decision and Order dated April 23, 2009?

Response:

Yes, please see the response to m) above.

- o) For what period was the rider designed to collect the total amount requested in EB-2007-0776 of \$1,635,858.

Response:

The rider was designed to recover the balance from May 1, 2009 to April 30, 2011.

- p) If the rider was to be collected over two years, \$996,037 seems high compared to one half of \$1,635,858, or \$817, 929. Please explain the difference.

Response:

The balance of \$996,037 is as of March 31, 2010, thus leaving another month to the half way point. Also, the Applicant uses the "Cash" method and there for there are no accruals for unbilled amounts included in the balance.

- q) The EB-2007-0776 deferral and variance account balance for disposition of \$1,635,858 was directed to be collected from Newmarket customers only. Please explain why Newmarket – Tay are now proposing to clear the residual balance of \$996,037 to both Newmarket and Tay customers.

Response:

The Applicant recognizes the differences that result from the "full harmonization" approach taken. This is especially true when looking at each aspect of the applied for rates in isolation. However, when the total package is analyzed, the picture looks much different. For example, the applied for Line Loss factor is about 5% lower for the Tay Service Territory customers and very close to the current level for Newmarket Service territory customers. The bill impacts on a territorial basis are the test for this. The Applicant feels that the overall package is fair to both.

Issue 9 b.) Are the proposed Deferral and Variance Account rate riders appropriate?

35.) Ref: Exhibit 9 Tab 3 Schedule 4

The Board approved the disposition of the December 31 2008 balances in the deferral and variance accounts for Newmarket in EB-2007-0776. Board staff feels that the December 31, 2008 balances should only be a cost to the Tay customers.

- a) Please recalculate the rate riders for Tay customers only for the disposition of the deferral account balances as of December 31, 2008.

Response:

The Applicant disagrees with isolating individual components of the Application for the reason given in r) above. If this component is to be isolated, the Applicant feels that Line Losses should be as well in order to keep the overall package fair to all customers. Other different components are LV charges and Cost of Power charges. This Application provides a good opportunity for full harmonization. Full harmonization also provides a billing advantage in that all customers will have the same rates and charges regardless of the service area.

Also, the Applicant is not clear on this question. The pre-amble states "Board staff feels that the December 31, 2008 balances should only be a cost to the Tay

customers.” As the balances are in favour of the customer, the Applicant thinks that the cost comment should relate to Newmarket customers.

This said, the deferral account recovery amounts and the rates to clear them would be:

Deferral Account Amounts

	Residential	GS < 50 KW	GS > 50 Non TOU	Small Scattered Load	Sentinel Lighting	Street Lighting	Total All Classes
kWh/kW	32,180,943	5,162,826	13,635	179,150	24	1,222	
Deferral	\$ (148,658)	\$ (22,789)	\$ (21,977)	\$ (1,055)	\$ (100)	\$ (1,696)	\$ (196,275)
LRAM	\$ 13,801	\$ 184	\$ 89	\$ -	\$ -	\$ -	\$ 14,075
Total	\$ (134,857)	\$ (22,606)	\$ (21,887)	\$ (1,055)	\$ (100)	\$ (1,696)	\$ (182,201)
Deferral	\$ (148,658)	\$ (22,789)	\$ (21,977)	\$ (1,055)	\$ (100)	\$ (1,696)	\$ (196,275)
LRAM	\$ 13,801	\$ 184	\$ 89	\$ -	\$ -	\$ -	\$ 14,075
Total	\$ (134,857)	\$ (22,606)	\$ (21,887)	\$ (1,055)	\$ (100)	\$ (1,696)	\$ (182,201)
Def Recovery LRAM	\$ (297,317)	\$ (45,579)	\$ (43,954)	\$ (2,110)	\$ (200)	\$ (3,392)	\$ (392,551)
Recovery	\$ 27,603	\$ 368	\$ 179	\$ -	\$ -	\$ -	\$ 28,149
Total	\$ (269,714)	\$ (45,211)	\$ (43,775)	\$ (2,110)	\$ (200)	\$ (3,392)	\$ (364,401)
kWh/kW	242,673,431	90,591,182	774,860	211,968	826	13,360	334,265,627
Def Recovery LRAM	\$ 872,456	\$ 241,025	\$ 275,792	\$ 1,557	\$ 392	\$ 4,355	\$ 1,395,578
Recovery	\$ 104,075	\$ 3,227	\$ 5,077	\$ -	\$ -	\$ -	\$ 112,379
Total	\$ 976,532	\$ 244,252	\$ 280,869	\$ 1,557	\$ 392	\$ 4,355	\$ 1,507,957
Def Recovery LRAM	\$ 265,773	\$ 132,316	\$ 167,234	\$ (393)	\$ (93)	\$ 1,807	\$ 566,644
Recovery	\$ 104,075	\$ 3,227	\$ 5,077	\$ -	\$ -	\$ -	\$ 112,379
Total	\$ 369,848	\$ 135,543	\$ 172,311	\$ (393)	\$ (93)	\$ 1,807	\$ 679,023
Def Recovery LRAM	\$ 1,138,229	\$ 373,341	\$ 443,026	\$ 1,164	\$ 299	\$ 6,162	\$ 1,962,222
Recovery	\$ 208,150	\$ 6,454	\$ 10,154	\$ -	\$ -	\$ -	\$ 224,758
Total	\$ 1,346,379	\$ 379,795	\$ 453,181	\$ 1,164	\$ 299	\$ 6,162	\$ 2,186,980

Deferral Recovery Rates:

**Deferral/LRAM Rate Summary
 Independent Calculation to Dec 31, 2008**

Rates	Residential	GS < 50 KW	GS > 50 Non TOU	Small Scattered Load	Sentinel Lighting	Street Lighting	Recovery Period	
							kWh	kWh
Tay (Based on 2008 Deferral Account Balances)								
2 Years	Deferral	\$ (0.0057)	\$ (0.0059)	\$ (1.8276)	\$ (0.0040)	\$ (4.0549)	\$	\$ (1.5230)
	LRAM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total	(0.0057)	(0.0059)	(1.8276)	(0.0040)	(4.0549)		(1.5230)
Newmarket Previously Approved								
1 Year	Deferral	\$ 0.0025	\$ 0.0012	\$ 0.1401	\$ 0.0092	\$ 0.5879	\$	0.1907
NTP (Based on Mar 2010 Account Balances less Tay Dec 2008)								
2 Years	Deferral	\$ 0.0011	\$ 0.0015	\$ 0.2158	\$ (0.0019)	\$ (0.1127)	\$	0.1353
	LRAM	\$ 0.0004	\$ 0.0000	\$ 0.0066	\$ -	\$ -	\$ -	\$ -
	Total	0.0015	0.0015	0.2224	(0.0019)	(0.1127)		0.1353
Tay Customers								
2 Years	Deferral	\$ (0.0046)	\$ (0.0044)	\$ (1.6118)	\$ (0.0059)	\$ (4.1676)	\$	\$ (1.3877)
	LRAM	\$ 0.0004	\$ 0.0000	\$ 0.0066	\$ -	\$ -	\$ -	\$ -
	Total	(0.0042)	(0.0044)	(1.6052)	(0.0059)	(4.1676)		(1.3877)
Newmarket Customers								
Year 1	Deferral	\$ 0.0036	\$ 0.0027	\$ 0.3559	\$ 0.0073	\$ 0.4752	\$	0.3260
	LRAM	\$ 0.0004	\$ 0.0000	\$ 0.0066	\$ -	\$ -	\$ -	\$ -
	Total	0.0040	0.0027	0.3625	0.0073	0.4752		0.3260
Year 2	Deferral	\$ 0.0011	\$ 0.0015	\$ 0.2158	\$ (0.0019)	\$ (0.1127)	\$	0.1353
	LRAM	\$ 0.0004	\$ 0.0000	\$ 0.0066	\$ -	\$ -	\$ -	\$ -
	Total	0.0015	0.0015	0.2224	(0.0019)	(0.1127)		0.1353

Newmarket and Tay have their own unique sets of rates. In other words the rates are not harmonized. As such, Board staff feels that some deferral accounts, such as the RCVA and RSVA accounts are based on these separate sets of rates, should not be cleared equally to both sets of customers.

- b) Please review all remaining deferral and variance accounts and determine which accounts have cost drivers that differ between the two operating areas.

List all deferral and variance accounts and balances and state the reasons why the accounts should be disposed of separately or combined.

Response:

We are still preparing the list of deferral and variance accounts and balances. Nevertheless, all of the remaining deferral and variance accounts, as they were incurred under differing tariffs for differing reasons, have differing cost drivers. The Applicant reiterates that a full harmonization also provides the advantage of all customers having the same rates and charges regardless of the service area.

c) Please calculate the rate riders that would result from b).

Response:

Deferral Account Amounts:

	Residential	GS < 50 KW	GS > 50 Non TOU	Small Scattered Load	Sentinel Lighting	Street Lighting	Total All Classes
kWh/kW	32,180,943	5,162,826	13,635	179,150	24	1,222	
Deferral	\$ (428,771)	\$ (66,659)	\$ (56,037)	\$ (1,902)	\$ (308)	\$ (4,503)	\$ (558,181)
LRAM	\$ 15,632	\$ 195	\$ 91	\$ -	\$ -	\$ -	\$ 15,917
Total	\$ (413,140)	\$ (66,465)	\$ (55,946)	\$ (1,902)	\$ (308)	\$ (4,503)	\$ (542,264)
Deferral	\$ (428,771)	\$ (66,659)	\$ (56,037)	\$ (1,902)	\$ (308)	\$ (4,503)	\$ (558,181)
LRAM	\$ 15,632	\$ 195	\$ 91	\$ -	\$ -	\$ -	\$ 15,917
Total	\$ (413,140)	\$ (66,465)	\$ (55,946)	\$ (1,902)	\$ (308)	\$ (4,503)	\$ (542,264)
Def Recovery	\$ (857,543)	\$ (133,319)	\$ (112,074)	\$ (3,803)	\$ (616)	\$ (9,007)	\$ (1,116,362)
LRAM							
Recovery	\$ 31,263	\$ 389	\$ 182	\$ -	\$ -	\$ -	\$ 31,834
Total	\$ (826,280)	\$ (132,930)	\$ (111,892)	\$ (3,803)	\$ (616)	\$ (9,007)	\$ (1,084,528)
kWh/kW	242,673,431	90,591,182	774,860	211,968	826	13,360	334,265,627
Def Recovery	\$ 1,059,789	\$ 298,944	\$ 390,537	\$ 1,521	\$ 570	\$ 6,123	\$ 1,757,484
LRAM							
Recovery	\$ 102,245	\$ 3,216	\$ 5,075	\$ -	\$ -	\$ -	\$ 110,537
Total	\$ 1,162,034	\$ 302,160	\$ 395,613	\$ 1,521	\$ 570	\$ 6,123	\$ 1,868,021

Def Recovery LRAM	\$ 453,105	\$ 190,234	\$ 281,979	\$ (429)	\$ 84	\$ 3,575	\$ 928,549
Recovery	\$ 102,245	\$ 3,216	\$ 5,075	\$ -	\$ -	\$ -	\$ 110,537
Total	\$ 555,350	\$ 193,450	\$ 287,055	\$ (429)	\$ 84	\$ 3,575	\$ 1,039,086
Def Recovery LRAM	\$ 1,512,893	\$ 489,178	\$ 672,517	\$ 1,093	\$ 654	\$ 9,698	\$ 2,686,033
Recovery	\$ 204,490	\$ 6,433	\$ 10,151	\$ -	\$ -	\$ -	\$ 221,074
Total	\$ 1,717,384	\$ 495,610	\$ 682,667	\$ 1,093	\$ 654	\$ 9,698	\$ 2,907,107

Def Recovery LRAM	\$ 655,351	\$ 355,859	\$ 560,442	\$ (2,711)	\$ 38	\$ 692	\$ 1,569,671
Recovery	\$ 235,753	\$ 6,822	\$ 10,333	\$ -	\$ -	\$ -	\$ 252,908
Total	\$ 891,104	\$ 362,680	\$ 570,775	\$ (2,711)	\$ 38	\$ 692	\$ 1,822,579

Deferral Recovery Rates:

Rates		Deferral/LRAM Rate Summary						
		Independent Calculation to Mar 31, 2010						
		Residential	GS < 50 KW	GS > 50 Non TOU	Small Scattered Load	Sentinel Lighting	Street Lighting	
Recovery Period	kWh	kWh	kW	kWh	kW	kW		
Tay (Based on Tay Balances to Mar 31, 2010)								
2 Years	Deferral	\$ (0.0133)	\$ (0.0129)	\$ (4.1098)	\$ (0.0106)	\$ (12.8382)	\$ (3.6853)	
	LRAM	\$ 0.0005	\$ 0.0000	\$ 0.0067	\$ -	\$ -	\$ -	
	Total	\$ (0.0128)	\$ (0.0129)	\$ (4.1031)	\$ (0.0106)	\$ (12.8382)	\$ (3.6853)	
Newmarket Previously Approved								
1 Year	Deferral	\$ 0.0025	\$ 0.0012	\$ 0.1401	\$ 0.0092	\$ 0.5879	\$ 0.1907	
Newmarket (Based on Newmarket Balances to Mar 31, 2010)								
2 Years	Deferral	\$ 0.0019	\$ 0.0021	\$ 0.3639	\$ (0.0020)	\$ 0.1021	\$ 0.2676	
	LRAM	\$ 0.0004	\$ 0.0000	\$ 0.0066	\$ -	\$ -	\$ -	
	Total	\$ 0.0023	\$ 0.0021	\$ 0.3705	\$ (0.0020)	\$ 0.1021	\$ 0.2676	
Tay Customers								
2 Years	Deferral	\$ (0.0133)	\$ (0.0129)	\$ (4.1098)	\$ (0.0106)	\$ (12.8382)	\$ (3.6853)	
	LRAM	\$ 0.0005	\$ 0.0000	\$ 0.0067	\$ -	\$ -	\$ -	

Total	\$	(0.0128)	\$	(0.0129)	\$	(4.1031)	\$	(0.0106)	\$	(12.8382)	\$	(3.6853)
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Newmarket Customers

Year 1	Deferral	\$	0.0044	\$	0.0033	\$	0.5040	\$	0.0072	\$	0.6900	\$	0.4583
	LRAM	\$	0.0004	\$	0.0000	\$	0.0066	\$	-	\$	-	\$	-
	Total	\$	0.0048	\$	0.0033	\$	0.5106	\$	0.0072	\$	0.6900	\$	0.4583
Year 2	Deferral	\$	0.0019	\$	0.0021	\$	0.3639	\$	(0.0020)	\$	0.1021	\$	0.2676
	LRAM	\$	0.0004	\$	0.0000	\$	0.0066	\$	-	\$	-	\$	-
	Total	\$	0.0023	\$	0.0021	\$	0.3705	\$	(0.0020)	\$	0.1021	\$	0.2676

Issue 9 c.) Is the proposed recovery of the Global Adjustment (sub-account of 1588) from RPP and non-RPP customers appropriate?

36.) Ref: Exhibit 9 Tab 1 Schedule 2 Pages 6 & 7

Many recent Board Decisions (e.g. EB-2009-0132, EB-2009-0186, and EB-2009-0405) order the Account 1588 Global Adjustment sub-account be disposed as a separate rate rider to non-RPP customers, excluding the MUSH sector.

- a) If the Board were to order Newmarket Tay to provide such a rate rider, would Newmarket – Tay’s billing system be capable of billing non-RPP the separate rate rider?

Response:

Yes, the Applicant’s billing system is capable of billing non-RPP a separate rider.

- b) Would Newmarket – Tay have any objections to such a rate rider, and if so, what would they be?

Response:

The Applicant has no objections.

- c) Would Newmarket – Tay’s billing system be able to exclude the MUSH sector from this rate rider?

Response:

Yes, the billing system is able to exclude the MUSH sector from this rate rider.

- d) If Newmarket – Tay were unable to bill in this fashion what would it consider proposing as an alternative?

Response:

The Applicant has no helpful response.

Issue 9 d.) Is the proposed new deferral account to record Green Energy Act costs appropriate?

37.) Ref: Exhibit 1 Tab 1 Schedule 2

Newmarket – Tay is seeking approval for a deferral account to record costs associated with the Green energy Act. The Board has established four new deferral accounts listed below in the USoA that electricity distributors may use to begin recording capital investments and expenses incurred for qualifying projects undertaken to accommodate renewable generation or towards the development of a smart grid. Details of these accounts were released in October 2009 FAQ.

- Account 1531, Renewable Connection Capital Deferral Account,
- Account 1532, Renewable Connection OM&A Deferral Account,
- Account 1534, Smart Grid Capital Deferral Account, and
- Account 1535, Smart Grid OM&A Deferral Account.

a) In light of these accounts does Newmarket – Tay require an additional account?

Response

The Applicant is not seeking any new deferral accounts in regards to the Green Energy Act. The GEA deferral accounts were used as an example of how the OEB treats costs associated with provincial government policy. The Applicant regrets any confusion this has caused.

b) Please provide a detailed description of the costs that will be recorded in each of the accounts.

Response:

Please see the response to a) above.

c) Are the costs to be recorded in these accounts consistent with the Board's guidelines G-2009-0087 (including Appendix A) with respect to the qualifying expenditures?

Response:

Please see the response to a) above

d) Please state any regulatory precedent for this proposed deferral account.

Response:

Please see the response to a) above

- e) Please state any additional justification that Newmarket – Tay has for this account.

Response:

Please see the response to a) above

Issue 9 e.) Is the proposed new deferral account to record LEAP costs appropriate?

38.) Ref: Exhibit 1 Tab 1 Schedule 2

Newmarket – Tay is seeking approval for a deferral account to record costs associated with the Low-income Energy Assistance Programme (“LEAP”).

- a) Please provide a the justification for this account.

Response:

Please see the response to 38d) below.

- b) Please state the journal entries to be recorded in this account?

Response:

Please see the response to 38d) below.

- c) Please state how the Applicant plans to allocate the costs to the rate classes?

Response:

Please see the response to 38d) below.

- d) Please provide any new or additional information that has become available since the filing of the application that could be provided to the Board to facilitate a decision to approve the recording of these costs in a deferral account?

Response

The Applicant is in receipt of the Board’s letter of October 20, 2010 regarding processes EB-2008-0150 and EB-2007-0722, “LEAP Financial Assistance” and will be striving to meet the Board’s expectations in this regard.