EB-2007-0746

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

AND IN THE MATTER OF an Application by Barrie Hydro Distribution Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity commencing May 1, 2008.

INTERROGATORIES OF THE SCHOOL ENERGY COALITION

1. General

It appears in many areas in the Application (OM&A, Shared Services, purchase of services), the Barrie Hydro Distribution ("BHD") has inflated 2007 actual results by inflationary amount (usually 1.9%) to determine the 2008 forecast. Please advise whether BHD applied a productivity factor to its inflationary increases. If so, what is it?

Response

No

2. Capital Structure

Ref: Ex6/T1/S1/pg2

The Evidence states tha "BHD's" current capital structure for rate-making purposes is 55% debt / 45% equity. BHD has used 57.5% debt / 42.5% equity in its 2008 Distribution rate application. BHD will move to the OEB single capital structure for rate-making purposes of 60% debt and 40% equity over 2 years.

a. Please advise how BHD proposes to complete this phase-in by 2010 given that its 2009 and 2010 rates will be based on the 3rd Generation IRM mechanism.

Response

Barrie Hydro's understanding is that in the 2009 3rd Generation IRM that there will be a component of the application that will allow this.

b. Please reconcile BHD's 2006 actual and 2007 bridge year rate base amounts shown in Table 1 of Ex 6/T1/S2/pg 4 of 8 with the amounts shown in Ex 2 /T1/S2/pg 3 of 43.

	2006 Actual Rate Base	2007 Bridge Rate Base
Ref: Ex2/T1/S2/pg3	$136,470,233	$143,977,551
Ref: Ex6/T1/S2/pg4	$140,128,892	$143,519,903

Response

E6, T1, S2 page 4 2007 should be $143,977,551, correspondingly Debt amount would be $79,187,653 and Equity would be $64,789,898.

2006 should be $136,470,233, Debt would be $75,058,628 and Equity would be $61,411,605.

3. Cost of Equity

Ref: Ex6/T1/S1/pg2

BHD has used a return on equity of 9% in the design of its proposed 2008 distribution rates. BHD states that the return on equity for its 2008 rates will be established based on January 2008 Consensus Forecasts data in accordance with the Board's December 20, 2006 Report on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors (the "Report").

a. Please confirm that BHD will update its ROE using the January 2008 data from Consensus Forecast and the Bank of Canada, in accordance with the "Report".

Response

It is our understanding that the Board will indicate the appropriate ROE to use in the application.

4. Cost of Debt

Ref: Exhibit 6/ Tab 1/Schedule 1

a. Please provide copies of the $20 million Promissory Note to the City of Barrie issued January 1, 2004 and the $25 million unsecured debt instrument issued August 1, 2002 to EDFIN.
b. Ref: Exhibit 6/ Tab 1/Schedule 3, pg. 7 of 8: it appears the $20 million Promissory Note is renewed annually, and is set to be renewed again as of January 1, 2008. Would this not make the Promissory Note new affiliate debt and not embedded debt as stated in the application?
c. What would the cost rate on the Promissory Note be if it was deemed to be new affiliate debt as opposed to embedded affiliate debt?

Response

a. Please see Attachment 4.

b. The promissory note was last renewed for two years and we believe likely will be renewed for another two years (at 6.5%) for $20,000,000.

c. Please se Board Staff question 18,b,ii.

5. Distribution Loss Factor

Ref a: Ex4/T2/S9/pg16

Ref b: Ex4/T3/Appendix 4-7

BHD has proposed a change to its distribution loss factor applied to billed consumption. The Evidence states that the increase of total loss factor (TLF) is due to load growth in areas distant from the transformer stations, and the problem of theft of power due to illegal marijuana grow operations.

Total loss factor for secondary metered customers <5000 has been increased from 1.051 to 1.0565 (Ref b). Total loss factor for primary metered customers <5000 has been increased from 1.0405 to 1.0462 (Ref b).

a. When was the last time BHD proposed an increase in total loss factor? What was the rationale for BHD's previous proposal to increase the distribution loss factor? Was it approved or not?

   Response

   A revised total loss factor was approved in the 2006 EDR application. The Board directed methodology was used.

b. Does BHD know of regulatory precedent for factoring in theft of power into the determination of loss factors?

   Response

   To the best of Barrie Hydro's knowledge unrecognized theft of power has always been a factor in determining loss factors.

c. How was theft of power from marijuana grow houses factored into BHD's line loss factor calculation?

   Response

   The difference between wholesale kWh and retail kWh would have included this.

d. What would be BHD's line loss estimate not including any influence from theft of power from marijuana grow houses?

   Response

   We have no methodology to estimate this.

e. Please provide BHD's loss factor each year from 2003-2007, and the fixed five-year average. Is the year over year variation of loss factor also explained by the two reasons identified in BHD's 2008 distribution application – "load growth in areas distant from the transformer stations", and/or "the problem of theft of power due to illegal marijuana grow operations"? If not, what are the other factors contributing to the change in loss factor over the past 5 years?

   Response

   2003 distribution loss factor as filed in 2006 EDR was 1.0495. For 2004 to 2006 please see appendix 4-7. 2007 unknown at this time. Please see Q15 from Board Staff questions.

f. Line loss is an input for a distribution utility. The Board's "2006 Electricity Distribution Rate Handbook" (RP-2004-0188) states that, "currently, distributors have a limited incentive to reduce line losses". The Board also expects a distributor to "take action where losses can be reduced." Please advise whether BHD has an action plan to reduce the level of distribution line losses.

   Response

   Ongoing review of plant, feeders, etc. is a function of our capital planning which reviews line loss mitigation. Operational switching is also performed where possible to mitigate losses.

g. Does BHD have a variance account to record the difference between forecast and actual line losses?

   Response

   Any difference between actual line losses and approved line loss factor would be recorded as part of the RSVA variance accounts.

6. Smart Metering

Ref: Ex 1/T1/S6/ pg17

BHD has stated that its Smart Meter Pilot project will be initiated in 2008. The forecasted cost of the pilot project is $600,000 to install approximately 5,000 smart meters. The pilot project will be funded through the current smart meter rider of $0.27 per month per metered customer initiated May 2006.

a. Please file BHD's 2007-2008 Smart Meter Implementation Plan.

b. Please calculate BHD’s smart meter capital unit cost, breaking down into sub-components such as meter purchase, meter installation, capitalized overhead, software and hardware, and other.

c. Please advise and justify the smart meter technology that will be implemented by BHD.

Response a/b/c

Barrie Hydro’s Smart Meter Implementation Plan is currently in draft stage and not yet finalized. It details the steps required to move toward the initiation of the installation of the first 5000 meters during the third and fourth quarters of 2008. Barrie Hydro is a member of the Ontario Utility Smart Metering (OUSM) group and has been guided by much of the work that this group has done with other utilities, both active implementers and those preparing for future implementation. An internal working team has completed a detailed Evaluation Report on the available technologies and it is our intention to make a selection of one of the OEB approved piloted technologies in the first quarter of 2008. Initial evaluation work has concluded that one of the previously approved technologies will be appropriate for our implementation of Smart Meters. The final selection will be guided by an RFP process. Our estimated costs to initiate implementation of the first 5000 meters in 2008 have been guided by the available information of the costs incurred by those LDCs that have preceded Barrie Hydro.

Presently, Barrie Hydro is attempting to receive clarification from the Ministry of Energy and/or the OEB on what specific approval processes are required to begin our Smart Metering implementation. At the time of this submission, we have been unable to receive sufficient clarity on the required approval process to provide any further information. It is our desire to begin in 2008 and complete our implementation in 2009.

7. Weather Normalized Forecasting Methodology

Ref: Ex3/T2/S1/pg6

BHD uses a simple trend growth in customer connections by class to forecast bridge and test year customer counts. 2007 counts are based on May YTD actual growth factors prorated for the entire year. 2008 increases are based on the actual number of new connections forecasted in the capital plan. Normalized volume forecasts for 2007 & 2008 represent the same percentage as the customer growth.

BHD also stated that the weather-normalized throughput was generated by Hydro One using their weather normalization model.

a. Please explain in detail the methodology used to derive the weather-normalized consumption shown at Ex3/T2/S1/pg10.

   Response

   Appendix 3-3 details weather normalized load per customer class from weather normalized 2004 data X number of customers.

b. Ref: Exhibit 3/ Tab 2/Schedule 4, pg. 13 of 19: it appears that BHD has under-forecasted the number of Residential, GS<50, and GS>50 customers in 2006 and 2007. For 2008, these customer classes are projected to increase by 2.1%, 0.6% and 0.6% respectively over the 2007 Bridge year. For 2007 vs. 2006, the increases were 1.6% for Residential, 2.2% for GS<50, and 2.2% for GS>50. Please provide a more detailed explanation as to what methodology BHD used to determine the 2008 forecast customer count for GS<50 and GS>50.

   Response

   Please see Appendix 3-3 and VECC question 14 c.

8. Related Party Transactions

Ref a: Ex 1/T3/Appendix 1-7, Note 6 of Barrie Hydro Distribution Inc. Audited Financial Statements for the year ended December 31, 2006

Ref b: Ex 4/T2/S4/pg 9 of 18, Shared Services

BHD's related party transactions for the year included:

- Electricity and services to the Corporation of the City of Barrie, owner of Barrie Hydro Holdings Inc. (BHD's parent company);
- Billing and collection services to Barrie Hydro Energy Service Inc;

The Evidence states that the transactions are in the normal course of operations and are measured at fair value.

In Ref b, BHD stated that "the actual cost per bill is determined including overheads and a profit of 9% if added,… every month the number of bills sent on behalf of BHESI are determined and the costs per bill is charged from BHDI to BHESI".

a. How is the 9% mark-up or return determined? Please provide any source documents detailing how the amount, percentage, or formula for any mark-up or return was initially established.

   Response

   Please see response to Board Staff question 23.

b. Please provide both the overhead rate and amount of overhead included in the billing costs charged from BHD to BHESI.

Response

The overhead rate in the billing costs is on a per invoice basis when BHDI charges BHESI for water/sewer and water heater costs. $1.06 is charged for water heaters and sewer charges and $1.61 for water. As per our application .15 cents per bill represents administrative overheads and .04 cents per bill represents occupancy charges. The main charge per bill at .78 cents is the customer service charges.

The total amount being charged from BHDI to BHESI for billing is $1,590,000.

9. Dividends

Ref: Ex 1/T3/Appendix 1-7, Note 15 of Barrie Hydro Distribution Inc. Audited Financial Statements for the year ended December 31, 2006

a. Please complete the following table.

	2005	2006
Net Income (A)	$5,776,206	$4,485,905
Dividends Declared and Reported (B)	$1,829,000	$2,900,000
Dividends Paid	$1,279,000	$3,100,000
Dividends Payout (B/A)	32%	65%

c. The Evidence states that during 2004, a dividend policy was adopted by the Board of Directors of Barrie Hydro Holdings Inc. stating that the amount of dividends payable by the corporation (BHD) to the Corporation of the City of Barrie is equal to 30% of the corporation's (BHD) audited net income after extraordinary items for the year.

Please provide a copy of BHD's dividend policy adopted in 2004.

Response

Please see Attachment 9C.

	2006 Dividend Paid	2006 Dividend Declared
	$1,650,000 (declared in 2005)	
	$82,900 (declared in 2006)	$82,900
	$1,167,000 (one-time additional)	$1,167,000
	$200,000	$200,000
		$1,450,000 (additional)
Total	$3,100,000	$2,900,000

The Evidence states that the one-time extra dividend of $1,167,000 was approved by the Board to increase the dividend payment with respect to 2005 to 50% of net income.

The Evidence also states that the additional $1,450,000 dividend declared was under the policy calculated using management's best estimate.

a. Please advise whether BHD has adopted a new dividend payment policy that allows a 50% dividend payment. If yes, please describe the changes to the previously adopted dividend policy and attach a copy of the policy.
   Response
   We did not revise our dividend policy to 50%.

b. 2006 dividend payment ratio is 65%, which is even higher than the approved 50% level in 2005. Please explain.
   Response
   Under the dividend note in the F/S (Note #15) the dividends are explained for each year.

c. What are the expected dividend payout ratios for 2007 & 2008?
   Response
   At this time for 2007 & 2008 we are expecting 30% will be paid out as this is our current policy.

10. Rate Base
Ref a: Ex 2/T1/S2/pg 3 of 43, "Rate Base Summary Table"
Ref b: Ex 2/T2/S1/pg 11 of 43, "Continuity Statements"

In Ref a, BHD indicated that the "amounts presented for gross asset and accumulated depreciation are averages of beginning and ending year balances".

Rate Base (Ref a: Ex2/T1/S2/pg3 of 43)	*2006 Board Approved*	*2006 Actual*	*2007 Bridge*	*2008 Test*
Avg of Beg. & End. Gross Asset	168,079,366	202,460,515	217,936,337	232,600,914
Avg of Beg. & End Accum. Dep'n	68,624,019	83,832,452	92,716,252	102,212,866
Avg Net Fixed Asets	**99,455,347**	**118,628,063**	**125,220,085**	**130,388,048**

In Ref b, opening and closing balances for gross assets, accumulated depreciation, and NBV were provided from 2006-2008.

Continuity Statement (Ref b: Ex2/T2/S1/pg11)	*2006 Actual*			*2007 Bridge*			*2008 Test*		
	Gross	*Accum. Dep'n*	*NBV*	*Gross*	*Accum. Dep'n*	*NBV*	*Gross*	*Accum. Dep'n*	*NBV*
Opening Bal	194,339,531	80,014,812	114,324,719	211,319,887	88,294,682	123,025,205	225,291,269	97,137,821	128,153,448
Additions	16,241,873			13,971,382			14,619,289		
Dep'n		8,279,870			9,243,092			10,150,089	
Adjustments	738,483				399,953				
Closing Bal	211,319,887	88,294,682	123,025,205	225,291,269	97,137,821	128,153,448	239,910,558	107,287,910	132,622,648
Avg of Beg. & Closing Bal.	**202,829,709**	**84,154,747**	**118,674,962**	**218,305,578**	**92,716,252**	**125,589,327**	**232,600,914**	**102,212,866**	**130,388,048**

Please reconcile the average of opening and closing NBV balance as derived from Ref. B with Ref A, for 2006 actual and 2007 bridge.

Response

In E2, T2, S1 page7 2006 gross asset value, account 1815 adjustment represents capital contributions to Hydro One for transformer improvements. These amounts were approved for inclusion in rate base in the 2006 EDR. This was shown as a adjustment in 2006, the difference in gross asset value in 2006 and 2007 is 50% of the $738,483 (Average of yearend beginning and ending).

In E2, T1, S2 page 3 the amount of $738,483 was added directly into the 2008 test year. In both references the 2008 test year amount is correct.

In 2006 the beginning balance for accumulated depreciation should be $79,370,223 as per the 2005 regulatory filings. An adjustment of $644,589 for fully depreciated disposals and accumulated depreciation for Contributions &

Grants should be in 2006. Average of ($79,370,223+$88,294,682)/2 = $83,832,452 as in E2, T1, S2.

11. Rate Base

Ref a: Ex 2/T2/S1/pg 11 of 43, “Continuity Statement”

Ref b: Ex 2/T2/S2/pg 13 of 43, “Gross Asset Table”

In Ref b, 2006 actual gross asset totals $210,581,404.
In Ref a, 2006 actual gross asset closing balance totals $211,319,887. The difference is $738K.

Please reconcile the $738K as identified above, or confirm the correct closing balance of 2006 gross assets and make corresponding adjustments/revision to other affected sections in the Evidence

Response

Please see question 10 above.

12. Rate Base

a. Please confirm that no projects will be added to rate base before they are commercially in service.

Response

Confirmed

b. Please advise whether BHD has conducted a Distribution Asset Condition Assessment. If yes, please provide a copy. If no, please explain how BHD assessed the need to replace/rebuild various components of its Distribution Assets?

Response

Barrie Hydro uses several assessment methods to determine distribution asset conditions that inform capital programs in this area. We complete OEB inspections of our physical plant as prescribed by regulation. These inspections involve visual, infra red, and test operations of our various physical plant assets. We also complete Pole Testing evaluations. We review and evaluate outage data to indentify trends or issues that might instruct us on specific programs (for example rehabilitation of underground plant with high fault/failure levels). Our system planning and asset investment planning processes follow “good utility practices” in identifying and scrutinizing the prudency of all capital projects and programs.

13. Rate Base – Materiality Analysis on Gross Asset
Ref: Ex 2/T2/S3/pg 16 of 43

BHD's 2006 actual spending on #1835 Underground Conductors & Devices was $8.4M above its 2006 Board approved level.
BHD's 2006 actual spending on #1840 Underground conduit was $10.7M above its 2006 Board approved level.
BHD's 2006 actual spending on #1845 was $7.4M above the approved amount.

a. BHD has identified that the above variances are partly due to an adjustment from 2004 CWIP. Please provide a detailed explanation

   Response

   As identified in the reference, these amounts represent 2 years of spending 2005 and 2006. In addition in the 2006 EDR Barrie Hydro had included amounts in the rate base that represented CWIP as per the original RUD model filing guidelines. The CWIP amounts were disallowed in the 2006 EDR application. The 2004 yearend CWIP balance was $18 million due to delay in the completion of projects and increased capital spending driven by customers. For the 2006 year-end the CWIP level was at $2 million. The reduction of CWIP and the move of these amounts to assets capitalized represents approximately $16 million which represents an approximate additional year of capital spending in the 2006 Board approved (2004) to 2006 Actual comparison.

14. Working Capital Allowance
Ref: Ex2/T4/S1/pg 43 of 43

LV charges (#4750) were not a component of working capital provision in 2006. LV charges (#4705) were forecasted to be approximately $1M for 2007 and 2008 and were included in working capital provision. Please explain why.

Response

In the 2006 EDR which used 2004 balances with some adjustments, Low Voltage charges were just coming into effect and amounts were being estimated to recover the charges to be incurred by LDCs starting in May of 2006. After implementation the Board's direction was to use Account 4750 to record the cost of Low Voltage charges billed to LDCs. It is Barrie Hydro's understanding that all accounts in the 4700 series of accounts can be included in the calculation of working capital amounts.

15. 2008 Capital Budget Proposal for Rebasing

Ref: Ex 2/T4/S1/Appendix 2-1, Table "2008 Capital Budget Proposal for Rebasing"

A list of 2008 additions to gross capital assets for rebasing is provided Ex 2/T4/S1/Appendix 2-1.

a. Please confirm that the amount of $14,619,289 is closed to 2008 rate base.
   Response
   Confirmed
b. Line 4 of Ref b: 2008 capital budget for City Road Relocation Projects is $3.175 million. BHD states in the "Notes" column "see below for details". Please provide such details.
   Response
   See Attachment 15
c. Line 5 of Ref b: 2008 capital budget for Transformer Betterment is $600K. BHD mentioned in the "Notes" column that "2007 was estimated 80 units @ $7,500 per, (2008) 70 units @ $8,600 per".

   (i) Should 2008 capital budget be $602,000 rather than $600,000?
   Response
   The rounded amount of $600,000 was used.
   (ii) Please explain the 15% increase in unit cost, from $7500 per unit in 2007 to $8600 per unit in 2008.
   Response
   The 15% increase in costs is due to the cost of the transformer. The cost of copper and core steel prices used in the production of transformers has escalated dramatically due to worldwide demand.

d. Line 7 of Ref b: 2008 capital budget for "Pole Replacement" is $506,800. BHD states in the "Notes" column that "2007 was estimated 67 poles @ $7462 per – details required, (2008) 100 poles @ $5068".

   i. Please provide such details.
   Response
   "Details Required" statement refers to the fact that the pole replacement program is a multi-year project; ex. out of the total number of poles to be replaced a portion of these are replaced each year, the estimate for 2008 is

100 poles to be replaced. The next step in this process is to identify those 100 poles which are the ones to be replaced in 2008.

ii. Please explain the 32% decrease in unit cost, from $7462 per unit in 2007 to $5068 in 2008.

Response

The reduction is based on derived estimates which would include forecasted labour efficiencies based on improved practices.

e. Line 8 of Ref b: 2008 capital budget for “MS835 Upgrade” is $500K. BHD states in the “Notes” column “Property resolved, no SCADA nor relays”. Please explain.

Response

The issue of acquiring property or right of ways has been resolved. As well the cost of SCADA and/or relays has not been included.

f. Line 10 of Ref b, 2008: capital budget for “Underground Primary Cable Betterment” is $300K. BHD states in the “Notes” column “an allowance – no identified project yet”.

i. Why should an allowance for a non-identified project be included in the test year rate base?

Response

Barrie Hydro’s service area has many underground residential subdivisions that were originally installed in the late 60’s and early 70’s. This plant has been in service in excess of 30 years. Upon analysis of faults and outage information these subdivisions are been upgraded where analysis warrants. Barrie Hydro has taken an approach of upgrading one of these subdivisions each year in an attempt to spread the capital cost on an even yearly basis. One of these upgrades will be performed in 2008 but the exact subdivision to be upgraded has not been identified at this time.

g. Line 16 of Ref b: 2008 capital budget for “13.8KV Switch Installations” is $150K. BHD states in the “Notes” column “2007 was estimated 12 units @ $11,000 per, (2008) 10 units @ $15,000 per”.

i. Please explain the 36% increase in unit cost, from $11K per unit in 2007 to $15K per unit in 2008.

Response

Similar issues as identified in part c above.

h. Line 19 of Ref b, 2008: capital budget for “2009 Pre-design capital” is $75K. BHD states in the “Notes” column “Engineering hours surveying”.

   i. Why did BHD include budget spending for 2009 design in 2008 rate base?

   Response

   This amount is not included in 2008 rate base. In Appendix 2-2, page 3 you will note that Pre-design 2009 is a future service year not test year. As added clarification you will note on page 2 of Appendix 2-2 that 2008 Pre-design capital of $75,000 is bridge year spending and test year in service.

i. Line 23 of Ref b, 2008: capital budget for “Unplanned minor capital upgrades” is $50K. BHD states in the “Notes” column “allowance due to rejected insurance claims & BHDI upgrades”. Please explain what is meant by “rejected insurance claims”?

   Response

   Some costs included in this project are for Underground transformers that are hit by vehicles and destroyed and therefore have to be replaced. If this is charged through the responsible parties insurance then the cost of the new transformer is recovered as contributed capital. Unfortunately in some circumstances such as a hit and run accident, insurance cannot be charged and Barrie Hydro must install at its cost.

j. Line 33 of Ref b: 2008 capital budget for “Meters” is $150K.

   i. Is this amount related to BHD’s smart meter plan?

   Response

   No

   ii. If yes, please provide BHD’s 2007-2008 Smart Meter Implementation Plan.

   Response

   Not Applicable

   iii. If yes, please advise the number of smart meters to be added to rate base, its capital unit cost (separating unit purchase price, installation, overhead, and other).

   Response

   Not Applicable

iv. Otherwise please explain in detail what has been included in the budgeted amount.

Response

These are costs of conventional meters which must be installed on new construction or need to be replaced on current installations due to damage or reverification.

16. Wages and Compensation

Ref: Ex 4/T2/S7/pg12 of 18

Total Salaries & Wages	*2006 Board Approved*		*2006 Actual*		*2006 Actual vs. Board Approved*	
	Total	***Average***	***Total***	***Average***	***$***	***%***
Executive	593,814	129,090	404,400	134,800	5,710	4%
Mgmt	1,774,877	77,169	1,929,461	83,890	6,721	9%
Non-unionized	643,204	46,274	672,710	51,747	5,473	12%
Unionized	4,563,111	57,398	4,822,664	61,046	3,649	6%
	7,575,006	62,603	7,829,235	66,349	3,746	6%

a. 2006 actual average salaries for Management are 9% higher than Board approved level. 2006 actual average salaries for Non-unionized employees is 12% higher than Board approved level. Please explain.

Response

The 9% for management represent a 2-year period of approx 3% each year (6% total) plus step increases for those employees not yet up to job rate. The non-unioned amount of 12% represents the same factors.

Total Benefits	*2006 Board Approved*		*2006 Actual*		*2006 Actual vs. Board Approved*	
	Total	*Average*	*Total*	*Average*	*$*	*%*
Executive	106,088	23,063	75,843	25,281	2,218	10%
Mgmt	372,288	16,186	429,288	18,665	2,478	15%
Non-unionized	107,970	7,768	124,202	9,554	1,786	23%
Unionized	1,044,622	13,140	1,301,200	16,471	3,331	25%
	1,630,968	13,479	1,930,533	16,360	2,881	21%

b. 2006 actual benefits for Executive, Management, Unionized and Non-unionized employees appear to have been significantly higher than the Board approved level. Please explain.

   Response

   A new union contract came into effect in May 2005, additional benefits were negotiated in this contract, all employees receive these benefits. Also for health and dental benefits we have experienced yearly premium increases of up to 10%.

17. OM&A

Ref: Ex. 4/Tab 1/Schedule 2, pg. 3

a. Please provide a further breakdown of the category "Other Operating Costs (taxes and donations)" in the amount of $402,500 for 2008. What portion is taxes and what portion is donations?

   Response

   Property Taxes - $371,935

   Donations - $30,570

b. Please provide details of the donations.

   Response

   As per E9, T1, S1 page 2 the donations amount is not included in the revenue requirement for recovery.

18. OM&A

Ref: Ex. 4/Tab 1/Schedule 2, pg. 3

a. Please explain the $200k increase in Operation expenses, from $2,479,722 in 2007, to $2,679,417 in 2008.

Response

Please see Board Staff question 39

b. Please explain the $411,458 increase in Administrative and General Expenses from $3,345,343 million in 2007 to $3,756,801 million in 2008 (a 12.3% increase in one year.)

Response

Please see Board Staff question 39

19. OM&A

Ref: Ex. 4/Tab 1/Schedule 3: "Collections Charges"

a. The evidence states that Collections Charges were moved to "Miscellaneous Revenue" in 2007. Please provide what amounts have been assumed for 2007 and 2008 for Collections Charges. Please explain any variation from the 2006 level of $430,854.

Response

The forecast amount for 2007 & 2008 is $501,000. the increased amounts represent increased customers and in 2006 only 2/3 of the year was at the new approved Specific Service Charge rate.

b. If $431,000 of the variation from 2006 Board approved to 2006 actual OM&A is accounted for as a result of the re-allocation of Collections charges, the net change to revenue requirement for 2006 should be neutral (because the item was moved from an expense to a negative expense to a revenue)- please confirm.

Response

Confirmed, that this item would be revenue neutral.

20. OM&A

Ex. 4/ Tab 1/ Schedule 2, pg. 5

a. The evidence states that the 2007 OM&A of $9,847,153 is $1,490,368 "or 15%" over the 2006 actual OM&A of $8,356,785. The year over year increase, however, appears to be 17.8% and not 15%. Is this just a calculation error or was the 15% figure based on some other number for 2006 actual?

Response

It was a calculation error, the 17.8% is correct.

21. OM&A

Ex. 4/Tab 2/Schedule 2, pg. 5: 2008 vs. 2007 variance explanation

a. Since 2007 OM&A expenses contain an expense item for energy conservation that does not appear in 2008, is it correct that the best way to compare 2007 expenditures to the 2008 forecast on an "apples to apples" basis is to remove the 2007 energy conservation expense of $460,000, giving a "net" OM&A of $9.387 million for 2007, compared to 2008 spending of $10.050 million?

   Response

   That would be appropriate.

b. Please explain why 2008 OM&A net of energy conservation expenses increase 7% in one year.

   Response

   Please see response to Question 18 above.

22. PILS

Ref: Exhibit 4/Tab 3/Schedule 1

a. Has BHD incorporated the recently-announced changes to the federal corporate income tax rate into its PILS calculation? If not, how does BHD intend to incorporate the tax rate changes into its revenue requirement?

   Response

   We believe the Board will make adjustments on the model to reflect the charges in federal tax on behalf of the LDCs.

b. Would the deferral account 1592 "PILs and Tax Variance" take into account differences in tax rates due to legislative changes?

   Response

   We would look to the Board for future guidance on this issue.

c. To the extent that the Goods and Services Tax is embedded in any of the cost items in BHD's revenue requirement, how does BHD propose to incorporate the recently-announced decrease in the GST from 6% to 5%?

   Response

   It would be our understanding that since Barrie Hydro records all GST paid on purchases as an Input Tax Credit that this should not be an issue.

23. Cost Allocation

Ref: Exhibit 8/ Tab 1/ Schedule 2- Cost Allocation

a. BHD's evidence is that the GS>50kW rate class under-contributes to distribution revenue in the amount of $1.461 million and that Street Lighting class under-contributes by $1.102 million. However, the adjustments BHD proposes to make would collect an additional $427,555 from the GS>50kW class and only $20,000 from Street Lighting. The resulting revenue to cost ratios would put the GS>50kW class at 86.3%, which is above the minimum acceptable range, and leave Street Lighting at 10.8%, which is far below the minimum acceptable range. Please explain.

Response

Please see response to OEB IR #47 and VECC IR #20.

b. What would the revenue cost ratios for all rate classes be if street Lighting were increased to 80%?

Response

An additional $841,000 addition to Street Lighting revenues would be required to be at the 80% level. The offsetting $841,000 reduction was applied to the Residential class since it is the only class above 100% and all other classes are below the 100% level. Since the overall goal is to bring all classes as close to 100% as possible it was not logical to apply any of the reduction to other classes. The Residential class ratio after this adjustment would be 109.5%.

SCHEDULE "A" TO PURCHASE AGREEMENT

Terms of the Series 2002-1 Debt Instruments, including the Deposited Security:

Aggregate Principal Amount:	$25,000,000.
Price:	$ 1,000 per $1,000 principal amount of the Deposited Security.
Maturity:	August 15, 2012.
Interest:	Interest will accrue on the outstanding principal amount of the Deposited Security on the basis of a rate of 6.45% per annum. Generally, interest will accrue and be payable in arrears on August 15 and February 15 of each year ("**Interest Payment Dates**") in equal semi-annual instalments commencing February 15, 2003 in an amount equal to the applicable outstanding principal amount multiplied by 6.45% and divided by two. If any principal amount of a Deposited Security is paid or required to be paid early, appropriate adjustments will be made to the interest amount payable on the next Interest Payment Date to reflect such principal repayment.
Principal:	The principal amount of the Deposited Security will be repaid by the Participant on maturity.
Use of Proceeds:	The net proceeds from the sale of the Deposited Security by the Participant to EDFIN will be used to repay existing debt, for capital expenditures, to return capital to shareholders and for general working capital.
Early Redemption Right:	Each Participant has the right to redeem, in whole or in part, the Deposited Security issued by it, upon not less than 30 days' and not more than 60 days' notice, for a price equal to the greater of (a) the principal amount of the Deposited Security to be redeemed, and (b) the Canada Yield Price, in each case plus accrued and unpaid interest on the principal amount being redeemed.

Issuing Participants and Address for Notice:

Barrie Hydro Distribution Inc.
55 Patterson Road
Box 7000
Barrie, Ontario
L4M 4V8

Attention: Duncan Newman
Facsimile No.: (705) 722-6159

RESOLUTION FORM

Resolution Number
2005-H-10-D

BARRIE HYDRO HOLDINGS INC.

February 17, 2005

Moved by: Carol Brown

Seconded by: Helen Fisch

Terms and Conditions of the Promissory Note to the City of Barrie

WHEREAS pursuant to By-Law No. 2000-254 (the "Transfer By-Law") the Corporation of the City of Barrie (the "City") did transfer on October 30, 2000 the employees, assets, liabilities, rights and obligations of the City associated with distributing and transmitting electricity to Barrie Hydro Distribution Inc. (the "Corporation);

AND WHEREAS in consideration of such transfer the City did:

(i) receive a promissory note dated October 30, 2000 from the Corporation (the "Promissory Note");

(ii) subscribe for, and was issued, 999 common shares in the capital of the Corporation which, together with the 1 common share of the Corporation already held by the City, were transferred to Barrie Hydro Holdings Inc. (the "Common Shares");

AND WHEREAS the Promissory Note provided that the principal amount of the Promissory Note, and interest thereon, shall be determined in accordance with Sections 9, 10, 11 and 12 of the Transfer By-Law;

AND WHEREAS the resolution of the Board of Directors of the Corporation authorizing the issue of the 999 Common Shares provided that the dollar amount to be added to the stated capital account of the Common Shares shall be determined in accordance with Sections 10 and 12 of the Transfer By-Law;

AND WHEREAS Section 11 of the Transfer By-Law provides, *inter alia*, that the form, amount and terms and conditions of the Promissory Note shall be those as deemed appropriate by the City Treasurer;

COPY

AND WHEREAS pursuant to Section 12 of the Transfer By-Law, the City Treasurer may adjust the value of the assets transferred to the Corporation pursuant to the Transfer By-Law and the consideration paid by the Corporation to the City, including the Promissory Note and the stated capital amount of the Common Shares;

AND WHEREAS the City Treasurer has advised via City Staff Report #FIN003-04 dated February 16, 2004 the Board of Directors of the Corporation as to the appropriate terms and conditions of the Promissory Note and the stated capital amount of the Common Shares;

BE IT RESOLVED THAT:

REGARDING THE PROMISSORY NOTE

1. The Promissory Note shall have a principal amount of $20 million.

2. The additional term of the Promissory Note shall be two years commencing on January 1, 2004 (the "Additional Term").

3. The interest on the Promissory Note during the Initial Term shall be 7.5% per annum, without compounding, payable annually on December 31.

4. Should interest payable on the Promissory Note not be paid when due, the Promissory Note shall become a demand promissory note; subject to the foregoing, no repayment of principal shall be required during the Initial Term.

5. At the end of the Additional Term, the Board of Directors, on the advice of the City Treasurer, shall establish any subsequent term or terms for the Promissory Note, or declare the Promissory Note to be a demand promissory note, or a combination thereof, as well as the interest thereon.

6. The Promissory Note shall be fully subordinated in priority of payment of interest and principal to indebtedness of the Corporation to Toronto Dominion Bank and to any issue of bonds currently contemplated by the Corporation in conjunction with other municipal electric utilities in Ontario. No payment of interest shall be made on the Promissory Note if to do so would result in a breach of any term or condition of the Revolving Credit and Non-Revolving Term Loan Agreement dated October 30, 2000 between the Corporation and Toronto-Dominion Bank.

7. Any officer of the Corporation is authorized and directed to do all such acts and things and to execute or cause to be executed (whether under seal of the Corporation or otherwise) all such instruments, agreements and other documents as in such officer's opinion may be necessary in furtherance of the foregoing.

OK

Carried ☑ Defeated ☐ Withdrawn ☐ Referred ☐

BarrieHydro Holdings Inc.

BOARD POLICY

Dividend Policy

Policy #	H-4	**Effective:**	August 19, 2004
Issued By:	V.P. Finance & Admin & Treasurer	**Reviewed:**	
Reviewed By:	President & CEO	**Revised:**	
Approved By:	Board of Directors	**Page:**	Page 1 of 1

STATEMENT OF POLICY

A Dividend policy is the Corporation's plan of action to be followed when dividend decisions are made. A dividend is a distribution of the Corporation's assets to its Shareholder. The Board must consider two basic objectives; maximizing Shareholder's wealth and having sufficient cash flow in the Corporation.

GUIDELINES

BHHI Board of Directors has sole authority to declare and pay out dividends as per the Shareholders Agreement section 2.07 (l) for the Corporation and its Subsidiaries.

The Board will set an initial target of 30% of net income after extraordinary items. This target will be reviewed annually at the time the budget is set. The payout of any dividends will be based on the results of the audited financial statements. Factors other than earnings that affect the decision to pay out dividends are the volatility of earnings and the availability of after tax cash flow. Adequate funds must be provided for debt interest and debt coverage requirements and any financial covenants that may apply. The amount of the dividend will be considered in order that the Company maintains its financial profile and credit rating.

Dividends can be paid at any time determined by the Board of Directors.

The Board will not pay out a dividend that exceeds Retained earnings.

Attachment 15

Appendix A1 - City Road Relocation Projects

ID #	City Projects	Gross	Contributed	Net
1	Mapleview Drive (Bryne to Huronia	$900,000	$300,000	$600,000
2	Cundles Road East (Pacific Avenue to Duckworth)	$800,000	$275,000	$525,000
3	ORE Development	$750,000	$750,000	$0
4	Ferndale Road (Edgehill to Tiffin)	$200,000	$75,000	$125,000
5	Huronia Road (Burton to BBPR)	$150,000	$50,000	$100,000
6	Caplan (Veterans to Bryne)	$150,000	$50,000	$100,000
7	Holland Road (Bradford)	$100,000	$30,000	$70,000
8	Donald Street (Anne to Eccles)	$75,000	$25,000	$50,000
9	Toronto Street (Ross to Dunlop)	$50,000	$20,000	$30,000
	Total	**$3,175,000**	**$1,575,000**	**$1,600,000**