

# St. Thomas energy inc.

*We're Your Local Power Distributor*

May 20, 2011

Ontario Energy Board  
2300 Yonge Street, Suite 2701  
Toronto, ON M4P 1E4  
Attn: K. Walli, Board Secretary

Dear Ms. Walli :

Re: EB-2010-0141: St. Thomas Energy Inc. ("STEI"), 2011 Electricity Distribution Rate Application

In reference to the above proceeding and pertaining to the May 6<sup>th</sup>, 2011 filing of interrogatories please be advised that the following has been provided:

- Two (2) revised compiled hard copy sets of interrogatory responses that provide revisions to four (4) interrogatory responses; and
- two (2) live excel files.

A PDF version of the hard copy has been filed through the Board's RESS system.

Sincerely



Mr. Dana A. Witt, CGA  
Director, Regulatory Affairs  
Telephone Extension # 223

## Andrew Taylor, Energy Law

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Toronto, ON M5H 1T1  
Tel: (416) 644-1568  
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BY EMAIL and RESS

May 6, 2011

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2010-0141: St. Thomas Energy Inc. ("STEI"), 2011 Electricity Distribution Rate Application**

Please find enclosed two copies of STEI's responses to interrogatories in the above-referenced proceeding. The same has been filed through the Board's RESS system.

Sincerely,



Andrew Taylor

Exhibit 11: Interrogatories

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**Tab 1 (of 4): Board Staff**

**QUESTION 1**

**QUESTION**

Ref: Exhibit 1/Tab1/Schedule 2 p.2

St. Thomas filed its Cost of Service application for 2011 rates on February 10, 2011 and is requesting that the proposed rates be effective May 1, 2011.

a) Please explain why St. Thomas believes that a May 1 effective date is appropriate given that it filed its application about 5 months later than is normally expected for a Cost of Service Application that anticipates an effective date of May 1, 2011 for the new rates.

**RESPONSE**

There are a number of circumstances that contributed to the timing of the filing of the STEI rate application. These primarily include:

i) The wife of STEI's President and CEO was diagnosed with terminal cancer and recently passed away. This unfortunate circumstance significantly restricted the time that the President and CEO could spend working on the rate application.

ii) Historically, STEI's regulatory matters were addressed by its regulatory consultant Roger White, who had all of the historic knowledge and experience with STEI. Unfortunately, due to health issues, Roger White was unable to assist on the rate application.

iii) The Director of Regulatory Affairs had open heart surgery in 2010, which restricted his ability to work on the rate application.



1 These circumstances, among others, made it impossible to meet the Board's expected  
2 filing deadline. STEI made every effort to file the rate application as early as possible.  
3 STEI does not believe it should be penalized for the health-related delays described  
4 above.

**QUESTION 2**

**QUESTION**

Ref: Exhibit 1/Tab1/Schedule 2 p.2

St. Thomas is seeking approval for a 2011 Base Revenue Requirement of \$6,561,411. The Base Revenue Requirement (titled Distribution Revenue at Proposed Rates) shown in the Revenue Requirement Work Form at Exhibit 1-4-9 attachment 1 p. 4 is \$6,561,820.

a) Please explain the discrepancy and identify which of the 2 amounts St. Thomas views as correct.

**RESPONSE**

Exhibit 8, Tab 4, Schedule 1, Attachment 1 shows that the proposed Residential and General Service < 50 kW rates can be expected to over-recover the 2011 Test Year Proposed Revenue Requirement by \$409. This over-recovery is the result of rounding the proposed variable rates for these classes to 4 decimal places, consistent with the OEB's convention. Please note that the Revenues displayed have not been reduced by the 2011 Test Year Transformer Ownership Allowance ("TOA") of \$97,380 (Exhibit 3, Tab 2, Schedule 1, Attachment 1. p1). Reducing the calculated 2011 Test Year gross revenues of \$6,658,200, by the TOA yields \$6,561,820 which reconciles with the amount referenced in the interrogatory.

**QUESTION 3**

**QUESTION**

Ref: Exhibit 8/Tab4/Schedule 4 attachment 2

The Bill Impact schedules do not appear to include HST.

a) Why did St. Thomas not include HST in the calculation as is expected pursuant to the Board's 2011 COS filing requirements?

b) Please confirm that going forward St. Thomas will include HST in the Bill Impact calculations.

**RESPONSE**

a) The HST was missed in the calculation due to an oversight in the requirement changes. Since HST is calculated on a percentage basis on the total bill, the percentage increase is total bill not impacted, only the responsibility for dollars increased.

b) HST has been added to the RateMaker model's bill impacts sheet, and future updates to bill impact calculations will include HST. Please see updated bill impacts with HST added.

**QUESTION 4**

**QUESTION**

Exhibit 1/Tab4/Schedule 4 attachment 1

The entry for account 3650 (Billing & Collecting) shows an adjustment of \$157,517 (which reduced the Regulatory Statement as compared to the Audited Statement) and was described as "additional charges for accounts sent to collection agency".

a) Please explain the nature and purpose of this adjustment.

**RESPONSE**

Within the document, there is a reference "A" beside the \$157,517 increase for account 3650 (Billing & Collecting). When moving to the notes, this item is highlighted in the section "Reclassification of Income Statement Items". As such, this is not an adjustment to the accounts but rather a reclassification. You will note on the previous page there is a corresponding increase to "Gross Revenues" which is also referenced by "A".

The nature of this reclassification, which has zero impact on the income of either the Regulatory Statement or the Audited Statement, refers to a change in the classification of the income statement item for audit purposes. The item in question refers to "cash inflows" which, in our interpretation, was to be used to offset our "cash outflows" under account 3650 for regulatory reporting. Our auditors believed that these cash inflows were "revenue" or "income items" for the purposes of our audited financial statement and, accordingly, compelled us to reclassify the item for our audited statements.

As highlighted earlier, this does change the income of our entity in either set of accounts.

**QUESTION 5**

**QUESTION**

Ref: Exhibit 1/Tab1

a) Please identify any rates and charges, excluding those pertaining to contributed capital, that are included in St. Thomas's conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.

b) If the associated revenues are not otherwise included in the "Other Revenue Offsets" found at Exhibit 3 Tab 3 Schedule 6 attachment 1 p.3, please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2009 and the revenue forecasted for the 2010 bridge and 2011 test years.

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

**RESPONSE**

a) Identification of rates and charges in STEI's Conditions of Service (CoS):

- 1) CoS Section 1.4 - Customer request of a copy of the CoS – actual costs
- 2) CoS Section 2.5.1.1 – Temporary relocation of plant due to height restrictions (over 14 feet) – actual costs
- 3) CoS Section 3.4 – Customer Substation power interruption after hours or more than one instance per year – actual costs
- 4) CoS Section 5 Table 1 – Disconnection fees – Temporary Meter removal and re-install - \$ 60 fee or actual costs depending on type of service.

- 1     b)       All revenues resulting from a) above are included in the "Other Revenue Offsets"  
2     found at Exhibit 3 Tab 3 Schedule 6 attachment 1 p.3.  
3  
4     c)       Any rates or charges related to the charging of actual costs should not be  
5     included on the tariff sheet due to the uniqueness of each situation requiring such  
6     charge. Any specific fees could be included on the tariff sheet.

1 **QUESTION 6**

2

3 **QUESTION**

4 Ref. Exhibit /1 Tab 1 / Schedule 1

5 Following publication of the Notice of Application, did the applicant receive any letters of  
6 comment? If so, please confirm whether a reply was sent from the applicant to the  
7 author of the letter. If confirmed, please file that reply with the Board. If not confirmed,  
8 please explain why a response was not sent and confirm if the applicant intends to  
9 respond.

10 **RESPONSE**

11 No letters of comment were received.

## QUESTION 7

### QUESTION

Ref: Exhibit 1 /Tab 4 /Schedule 5

The PST and GST were harmonized effective July 1, 2010. Historically, unlike the GST, the PST was included as an OM&A expense and was also included in capital expenditures. Due to the harmonization of the PST and GST, regulated utilities may benefit from a reduction in OM&A expenses and capital expenditures on an actual basis.

a) Please state whether or not St. Thomas has adjusted its Test Year revenue requirement to account for reductions to OM&A expense and capital expenditures that St. Thomas realized due to the implementation of the HST effective July 1, 2010. If yes, please identify separately the amounts of commodity tax savings for OM&A and capital and provide an explanation of how each of those amounts was derived. If no, please identify the amounts in OM&A expense and capital expenditures for the Test Year that were previously subject to PST and are now subject to HST.

b) The Board's EB-2009-0208 decision and order, dated March 29, 2010, on the applicant's 2010 IRM application established a deferral account and directed the applicant to record the incremental input tax credits it receives on distribution revenue requirement items that were previously subject to PST and which become subject to HST. Tracking of these amounts would continue in the deferral account [1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs))] until the effective date of the applicant's next cost of service rate order. On December 23, 2010, the Board issued FAQs that provided options for tracking amounts in the HST sub-account. Has the applicant recorded any HST Input Tax Credits or other HST related items in PILs account 1592? If yes, please describe what has been recorded and provide supporting evidence showing how the tracking was done. If not, please explain why not.



1     **RESPONSE**

2     a) STEI's Test Year properly recognizes the impacts of the changes from GST / PST to  
3     HST. As indicated under Exhibit 1, Tab 4, Schedule 5, Attachment 1, Page 2 of 2, there  
4     are very few costs that are incurred directly by STEI as it purchases the majority of its  
5     services from St. Thomas Energy Services Inc ("STESI"). As a result of the structure of  
6     the costs borne by STEI, there was no PST directly paid prior to July 1, 2010. As a  
7     result, there are no impacts after July 1, 2010.

8

9     Some key reasons for this lies in the structure of the fees paid to STESI for services.  
10    Specifically, the fixed fee remains unchanged in structure from the MSA. The "non-  
11    MSA" services paid are generally for items that would not have attracted PST. Finally,  
12    as Capital is purchased from STESI, there was no PST incurred by STEI prior to July 1,  
13    2010.

14

15    Overall, we confirm that the Test Year properly recognizes the impacts of HST.

16

17    b) As discussed in a) above, STEI was did not pay PST in its expenditures prior to July  
18    1, 2010. As such, there is no incremental input tax credits received post harmonization.  
19    It is for this reason that there are no amounts recorded in the deferral account indicated  
20    for such purpose.

## QUESTION 8

### QUESTION

Exhibit 1 Tab 4 Schedule 2 attachment 2

The Auditor's Report for the year ended 2009 indicates that St. Thomas's financial statements were prepared on a CGAAP, and not an International Financial Reporting Standards (IFRS).

a) Please confirm that the revenue requirement numbers for 2011 are based on CGAAP, and not IFRS accounting principles. If confirmed, please identify the fiscal year which the applicant will begin reporting its (audited) actual results on an IFRS basis with the Board. If not confirmed, please provide a detailed revenue requirement impact statement comparing CGAAP with IFRS.

b) Please state whether or not the applicant has included an amount for IFRS transition costs, other than the \$60,000 mentioned in Exhibit 4 Tab2 Schedule 7, in its Test Year revenue requirement. If yes, please identify the amount and provide a breakdown with a detailed explanation of each cost item. If no, is the applicant recording IFRS transition costs in the deferral account established by the Board in October 2009?

### RESPONSE

a) St. Thomas Energy Inc. ("STEI") confirms that the revenue requirement numbers for 2011 are based on CGAAP and not IFRS accounting principles. We confirm that we have made the election to begin reporting audited actual results on IFRS basis with the Board beginning with the fiscal year 2012.

b) No further transition costs were included 2011. We incurred costs in 2010 associated with 3rd party consulting related to the IFRS transition. The consulting identified the key

- 1 process changes and reporting changes required to be compliant with IFRS. No
- 2 additional costs were budgeted in the Test Year.

## QUESTION 9

### QUESTION

Ref: Exhibit 1/Tab4/Schedule 2 attachment 3

St. Thomas's interim 2010 statements, for the period ended September 30, 2010, show that its actual "Capital Expenditures" of \$837,520 are about 26% less than the year to date budget.

a) Please prepare a similar calculation for just the "regulated" portion, if applicable, of the Capital Expenditures.

b) Please elaborate whether any/or all of the year-to-date variance shown in the response to a) will reverse by the end of the year so that the full year actual vs budget variance will be minimal, i.e +/- 2%.

### RESPONSE

a) The Capital Expenditures of \$837,520 are all "regulated" portion of Capital Expenditures.

b) The year to date financial statements at September 30, 2010 was an integral part in the development of the 2010 full year estimate used in the Bridge Year. The Budget amount shown in the September 2010 year to date results is part of the original budget that had been developed in December 2009. The original budget developed in December 2009 was not used for the Bridge Year.

In addressing the variance year to date, the estimate of the Bridge year factored into the full year estimate the variance year to date. In addition, the year to date actual is based on results year to date with no accruals made for work completed and documents not

1 received. These accounts are normally "trued up" at year end during the audit process.  
2 Our 2010 Bridge year forecast also considered the work completed to the end of  
3 September that should have been accrued. As such, we believe that the variance  
4 between full year actual and budget will be minimal.

**QUESTION 10**

**QUESTION**

Ref: Exhibit 2/Tab5/Schedule 1

The Allowance for Working Capital (WCA) calculation in the pre-filed evidence reflects input amounts as known at the time the evidence was prepared.  
a) Please confirm that St. Thomas intends at the appropriate time in this proceeding to update the WCA calculation with the then current information.

**RESPONSE**

STEI will undertake to update the cost of power input of its WCA calculation using the most current cost of power information available prior to the close of the evidentiary record in this proceeding, which as of this writing is the April 19<sup>th</sup>, 2011 Regulated Price Plan - Price Report which forecasts the RPP cost of power for the period May 1, 2011 – April 30, 2012 to be \$72.98 Per MWh.

## QUESTION 11

### QUESTION

Ref: Exhibit 2/Tab1/Schedule 1

Board staff prepared the table below using information from the pre-filed evidence and added (i) a calculated average annual expenditure for the 2006-2010 period and (ii) the variance between the proposed 2011 and the calculated amount. The comparison shows a \$609,000 or 45% increase.

Capital Expenditures	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year	(i) Average 2006-2010	(ii) 2011 vs Average
Non-Discretionary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
New Services	\$ 553,991	\$ 417,356	\$ 856,298	\$ 186,707	\$ 336,713	\$ 447,926	\$ 470,613	\$ 22,687
Municipal Road Rebuild	\$ 5,628	\$ 353,502	\$ 76,009	\$ 22,292	\$ 81,609	\$ 148,126	\$ 105,733	\$ 42,393
Subtotal	\$ 548,363	\$ 770,858	\$ 935,107	\$ 208,999	\$ 418,402	\$ 596,052	\$ 576,346	\$ 19,706
Sustainment								
Pole Replacement Pgm.	\$ 265,253	\$ 341,419	\$ 482,901	\$ 402,216	\$ 188,410	\$ 400,000	\$ 340,040	\$ 59,960
Voltage Conversion Pgm.	\$ 613,741	\$ 188,144	\$ 337,195	\$ 225,125	\$ 494,435	\$ 866,913	\$ 371,728	\$ 495,185
Emergency Replacement Pgm.	\$ 39,374	\$ 28,366	\$ 76,166	\$ 3,096	\$ 80,000	\$ 80,000	\$ 45,400	\$ 34,600
Subtotal	\$ 938,368	\$ 557,929	\$ 896,262	\$ 630,437	\$ 762,845	\$ 1,346,913	\$ 757,168	\$ 589,745
TOTAL	\$ 1,486,214	\$ 1,328,787	\$ 1,831,370	\$ 1,000,750	\$ 1,101,247	\$ 1,942,965	\$ 1,333,514	\$ 609,447
source: Exhibit 2-2-1 p.3 table 2-1-1-A								

The most significant increases occur in the pole replacement and voltage conversion programs. St. Thomas provided its Asset Management Plan and explains that the 2011 planned expenditures are supported by the Asset Condition Assessment Study prepared in 2010 by Kinectrics. The Asset Management Plan forecasts capital expenditures to range between \$1.947 million and \$2.127 million during 2012 to 2015.

a) When setting its capital expenditure plans and priorities did St. Thomas consider the impact on rates that the \$600,000 increase in 2011, as compared to the average expenditures between 2006 and 2010, would have on rates?

1 a) Does St. Thomas have any evidence quantifying the impact on operations if the  
2 completion of the \$3,000,000 pole replacement and voltage conversion programs took  
3 place over 7 rather than 5 years?

4  
5 b) If St. Thomas had to ration its 2011 capital budget to no more than \$1.3 million,  
6 please list and rank the projects and/or specific items St. Thomas would eliminate or  
7 delay in order to remain within the \$1.3 million envelope.

## 8 **RESPONSE**

9 a) STEI has never considered comparing one year's capital expenditure plans against a  
10 historic 5-yr rolling average. Capital expenditures are zero based budgeted and  
11 estimated on a project by project basis based on need. The process STEI follows for  
12 setting its capital expenditure plans is as described in Exhibit 1, Tab 4, Schedule 5 pp. 2-  
13 3 starting at line 7 of the cost of service evidence. The following statements are  
14 excerpts from said evidence:

15  
16 The engineering and operations departments perform the following steps:

- 17  
18 1. Review historical data.  
19 2. Incorporate development information for specific areas of the City through  
20 discussions held during Utility coordinating committee meetings.  
21 3. Layer in specific project data received from customer projects.  
22 4. Use station and feeder loading information from the SCADA system to identify  
23 areas where the distribution system needs attention.

24  
25 After projects requiring the attention of STEI are identified, the cost and benefits of  
26 discretionary projects are identified. Prioritization is based on a number of factors,  
27 including:

- 28 • Reliability;  
29 • Health and Safety;  
30 • Environmental; and



- Location relative to other projects (i.e. coordination of crews for multiple projects within proximity reduces costs).

In addition to the above other issues such as risks associated with not completing the work, the consequences of not completing the work and the probability of those risks occurring when determining which projects should be completed in the year in question.

Both the pole replacement and voltage conversion programs are aimed at addressing distribution assets that have reached the end of their useful lives.

Pole Replacements – Exhibit 2/Tab 4/Schedule 5/Attachment 1 page viii of the “Asset Condition Assessment” study performed by Kinectrics indicates that 11% of the wood poles in the distribution system are currently in poor or nearly poor condition, *“Another asset that will require investment in the near future is wood poles. Approximately 7% of wood poles were found to be poor or very poor; another 4% were in fair condition. Around \$1.7M of investment is expected in the next 5 years, while another \$745K is expected in the next 6 – 10 years.”* As time passes, some of the poles currently in good condition will transition into the ‘poor condition’ state, as will some of the poles currently in the ‘poor’ condition transition into the ‘very poor’ condition. In order to systematically replace these poles as they reach their end-of-lives, dollars have been budgeted in concert with not only this ageing cycle, but also levelled with capital funding requirements for future years.

Voltage Conversion – The 2400 Volt Delta distribution system is almost not heard of as being in existence within Ontario any longer. 40+ years ago it was more common as equipment for distributing power at 16kV was non-existent. This has been made possible with improvements in insulating materials and construction techniques over the past 40+ years. Most utilities that having these systems in place have converted long ago or, like STEI, are in the process of converting 16kV. This isn’t being done just because the technology is available, it is being done because the majority of these assets have reached or surpassed their expected useful lives.

1 Delaying and/or cancelling either of these projects will have detrimental impacts to: a)  
2 the electrical reliability of the distribution system; b) the financial performance of the  
3 utility as it is more expensive to replace failed assets versus having a systematic and  
4 planned approach to asset replacements; and c) to the Health and Safety of the public  
5 and to the employees of STEI.

6  
7 We also note that a \$600,000 increase in capex translates to approximately \$66,000 in  
8 revenue requirement. We are not suggesting that this amount is insignificant, but in the  
9 context of the need for the pole replacement and voltage conversion programs, St.  
10 Thomas believes that the rate impact of \$66,000 in revenue requirement is reasonable  
11 and prudent.

12  
13 b) STEI has no evidence quantifying the impact on operations if the pole replacement  
14 and voltage conversion programs took place over 7 vs. 5 years. Having stated this, it  
15 will be 12 years before the voltage conversion program is complete. As the majority of  
16 the distribution system is already greater than 40 years of age, delaying this project  
17 would have a cascading effect on other rebuild projects that will follow in future years.

18  
19 c) If STEI's capital budget were to be "rationed" at \$1.3 Million per year system reliability  
20 and public safety will eventually decay as the only choices would be to delay pole  
21 replacements and voltage conversion projects.

22  
23 As \$600k of the capital budget is driven by non-discretionary projects such as municipal  
24 road works, serving new customers, etc. a reduction in capital spending to \$1.3 Million  
25 would leave \$700k for system sustainment and expansion projects (contrasted against a  
26 requirement of \$1.3M). Take away another \$80k for emergency replacements and \$400k  
27 for pole replacements, would leave \$140k annually to re-invest in voltage conversion.  
28 Capital budgets related to voltage conversions are currently forecasted at \$900k per  
29 year for 12 years. This forecast translates to a multi-year \$10.8 Million expenditure. If  
30 this program were to be reduced to \$140k per year, this originally scheduled 12 year  
31 program would take 77 years to complete.

**QUESTION 12**

**QUESTION**

Exhibit 2 /Tab 2 /Schedule 1 p.8

St. Thomas notes that its spare part inventory is held by STESI, the cost of which is incorporated in the MSA fixed fee.

a) What are the components of the cost and how is it calculated?

b) How is the amount in the fee calculated?

**RESPONSE**

The correct reference is Exhibit 2, Tab 2, Schedule 1, page 6.

a) To clarify what was stated in the application the cost of major spare equipment resides in STESI until it is installed into service as required by STEI. STESI assumes the risk if inventory is not utilized by STEI. When put into service it is charged at STESI's cost plus overhead to account for handling costs. There are no spare part inventory items in STEI.

b) The cost is not included in the fixed fee as the fixed fee relates to operation, maintenance and administration costs (OM&A); it is treated as a capital cost.

1 **QUESTION 13**

2  
3 **QUESTION**

4 Ref: Exhibit 2 /Tab 1 /Schedule 1 p.8

5 Please provide a copy of the capital contribution calculation for the CASO station and  
6 the Parkside School.

7 **RESPONSE**

8 As requested, copies of the capital contributions for these facilities are attached to the  
9 response.

10  
11 In preparing the response to this question an error was noted in the evidence. The  
12 evidence states the addition of \$20,713 to rate base was solely related to two  
13 commercial and industrial customers, namely the CASO station and Parkside School.  
14 Upon further review and as shown in the following table, the impact these two projects  
15 have on rate base is actually a decrease of nearly \$22,000. There was one other project  
16 costing \$45,076 which addressed a couple of Hydro One load transfer customers as part  
17 of the Dalewood Meadows subdivision in 2010, this project is entitled "Build New O/H  
18 Powerline – Sutherland Line". Although this misallocation was discovered in preparing  
19 the response, the total amount for New Services remains unchanged at \$336,713.

1

		3142	2998	3022
G/L	GL Desc	UPGRADE SERVICE - 241 PARKSIDE DR>	UPGRADE SERVICE - 750 TALBOT - CASO>	BUILD NEW O/H POWERLINE- SUTHERLAND LINE
1830	POLES CAPITAL			\$10,167.94
1835	O/H LINES CAPITAL			\$34,872.41
1840	U/G DUCT CONDUIT CAPITAL			
1845	U/G LINES CAPITAL	\$17,563.33		\$36.05
1850	TRANSFORMERS-O/H CAPITAL			
	TRANSFORMERS-U/G CAPITAL	\$3,169.70	\$37,271.71	
1855	SERVICES-O/H CAPITAL			
	SERVICES-U/G CAPITAL	\$810.86	\$1,128.66	
1860	METERS--INTERVAL CAPITAL	\$2,779.11		
	METERS--NON-INTERVAL CAPITAL		\$1,748.47	
1995	Contributed Capital	-\$86,470.36		
<b>Grand Total</b>		<b>-\$62,147.36</b>	<b>\$40,148.84</b>	<b>\$45,076.40</b>

2

3 **2010 Forecasted Expenditures for New Services**

4 STEI has budgeted \$336,713 for New Services work in 2010. A breakdown of the  
 5 forecasted 2010 net expenditure is as follows:

- 6
- New residential subdivisions –Dalewood Meadows, Lake Margaret, Orchard Park  
 7 and Shaw Valley developments are projected to require a \$316,000 addition to  
 8 rate base net of capital contribution.
  - Commercial and Industrial – A further \$20,713 addition to rate base net of capital  
 9 contributions is budgeted for a commercial and industrial building (CASO station  
 10 and Parkside school).  
 11

12

1 **Table 2.1.1 H – 2010 New Service work**

		NEW SERVICES	NEW SUBDIVISIONS	NEW UG SERVICES	LAYOUTS	NEW OR UPGRADES	NEW METERS
<b>G/L</b>	<b>GL Desc</b>						
<b>1830</b>	POLES CAPITAL	<b>\$10,245.94</b>	\$78.00	\$0.00	\$0.00	\$10,167.94	\$0.00
<b>1835</b>	O/H LINES CAPITAL	<b>\$37,030.48</b>	\$19.50	\$2,138.57	\$0.00	\$34,872.41	\$0.00
<b>1840</b>	U/G DUCT CONDUIT CAPITAL	<b>\$135,848.87</b>	\$135,848.87	\$0.00	\$0.00	\$0.00	\$0.00
<b>1845</b>	U/G LINES CAPITAL	<b>\$220,917.71</b>	\$202,581.26	\$737.07	\$0.00	\$17,599.38	\$0.00
<b>1850</b>	TRANSFORMERS-O/H CAPITAL	<b>\$0.00</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	TRANSFORMERS-U/G CAPITAL	<b>\$129,446.17</b>	\$82,611.19	\$6,393.57	\$0.00	\$40,441.41	\$0.00
<b>1855</b>	SERVICES-O/H CAPITAL	<b>\$15,813.46</b>	\$819.00	\$0.00	\$14,994.46	\$0.00	\$0.00
	SERVICES-U/G CAPITAL	<b>\$73,052.10</b>	\$26,254.81	\$43,227.75	\$1,630.02	\$1,939.52	\$0.00
<b>1860</b>	METERS--INTERVAL CAPITAL	<b>\$5,646.94</b>	\$0.00	\$0.00	\$0.00	\$2,779.11	\$2,867.83
	METERS--NON- INTERVAL CAPITAL	<b>\$3,256.89</b>	\$0.00	\$85.56	\$0.00	\$1,748.47	\$1,422.86
<b>1995</b>	Contributed Capital	<b>-\$294,545.26</b>	<b>-\$194,784.63</b>	<b>-\$6,877.08</b>	\$0.00	<b>-\$92,883.55</b>	\$0.00
Grand Total		<b>\$336,713.30</b>	\$253,428.00	\$45,705.44	\$16,624.48	\$16,664.69	\$4,290.69

2

3

\* Note: 2010 data is presented on a 9+3 basis.

4

***Attachment 1 (of 2):***

---

# St. Thomas energy inc.

*We're Your Local Power Distributor*

October 16, 2009

Mr. Matt Janes  
North American Railway Hall of Fame  
750 Talbot Street  
St. Thomas, ON  
N5P 4H4

**Re: Offer to Connect – CASO Station Renovations – 750 Talbot Street**

Dear Sir;

The intent of this letter is to clarify the responsibilities of the owner and St. Thomas Energy Inc. (STEI) for the electrical servicing of the site. As per your request, we are planning for a 1200 amp, 208/120 volt service at the site supplied by a 300kVA pad-mounted transformer.

References to our website below can be found at  
<http://www.sttenergy.com/index.php/Commercial/Index>.

**A - Point of Supply**

STEI has the existing underground infrastructure to supply the site service.

**B - Pad-mount Transformer & Primary/Secondary Terminations**

STEI will supply and install the padmounted transformer required for the service. STEI will not have to install any primary cable terminations because the existing ones will remain. This work will have to be completed on premium time as there are other customers connected to the transformer. The contractor is required to supply 2-hole power-lugs for all of the secondary cables to be installed and connected to the transformer by STEI. STEI has the equipment to install Burndy Type YJA-XXXA2N power lugs, where XXX represents the size of the cable; if other lugs are purchased it is the owner's responsibility to provide the appropriate dies to STEI crews. Please note the transformer will be ordered when payment is received (current delivery time is approximately 12 weeks). The impedance of the transformer cannot be provided because the transformer could be changed out at any time; however the available fault current to take into account at the secondary bushings of the transformer is 42,000A for a bolted 3 phase fault as stated in Section 3.2.8 of our "Conditions of Service". The owner will be required to remove the existing secondary cable supplying the building.

Associated charges: \$ 36,046.48



### **C - Metering**

STEI will supply the equipment required for metering. As indicated on the Application for Service, the current transformers (CTs) will be installed in the metering compartment of the switchgear. Please provide the shipping details for the manufacturer, so the CTs can be shipped to the factory for installation. Being as the CTs will be installed in the switchgear, a 30" x 30" x 12" (minimum dimensions) metering cabinet will be required. STEI will require access to the electrical room between 7:30am to 4:30pm on weekdays, for metering purposes.

Associated charges: \$ 2,385.97

### **Charge Summary**

The following table summarizes the total charges for the service:

<b>Item</b>	<b>Amount</b>
A - Point of Supply	--
B - Pad-mount Transformer & Primary/Secondary Terminations	\$ 36,046.48
C - Metering	\$ 2,385.97
<b>Sub-Total</b>	<b>\$ 38,432.45</b>
GST (5%)	\$ 1,921.62
<b>Grand Total</b>	<b>\$ 40,354.07</b>

STEI Customer Service may require a letter of reference or a deposit for the new service, along with a "Service Agreement" form completed and returned. Finally, authorization from ESA will also be required prior to energizing the service. Payment will be required before any material is ordered and any work begins.

This offer is valid for 30 days, and may be reassessed beyond that time period. If you have any questions or require clarification on any of these items, please contact me at 519-631-5550 ext. 253.

Sincerely,  
ST. THOMAS ENERGY INC.



Ryan Karl  
Engineering Technician

Enclosure;      Drawing  
                         Service Agreement

cc. Paul Gubbels, P.Eng., MNE Engineering Incorporated

***Attachment 2 (of 2):***

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

March 8, 2010

Mr. Miles Buckrell  
Smylie & Crow Associates Inc.  
1 Wortley Road  
London, ON N6C 3N7

**Re: Offer to Connect – Parkside Collegiate Institute Electrical Upgrade – 241 Sunset Drive**

Dear Sir;

The intent of this letter is to clarify the responsibilities of the owner and St. Thomas Energy Inc. (STEI) for the electrical servicing of the site. As per your request, we are planning for a 1200 amp, 347/600Y volt service at the site supplied by a new pad-mounted transformer.

**A - Primary Duct Bank**

The Owner is responsible to install a new primary duct bank (3 - 100mm rigid ducts) from the existing pad-mounted transformer T468 to the new transformer pad. The portion of the new duct bank that overlaps between T468 and MU1, shall be installed above the existing ducts. The duct bank shall be swabbed clean with 10mm (3/8") polypropylene pulling ropes installed and capped at both ends. Any portion of the duct bank that is under a driveway or parking lot must be encased in concrete and extend 1m past the edge of the curb. Please refer to the attached drawing 11-15 for the duct bank details.

**B - Primary Cable & Installation**

STEI will supply and install the primary cable in the duct bank provided from the existing pad-mounted transformer T468 to the new transformer. STEI will remove existing underground cable located between existing transformer T468 and the pad-mounted primary metering unit MU1.

Associated charges: \$ 19,857.44

**C - Transformer Pad, Foundation & Grounding**

The Owner is responsible to provide the transformer foundation and pad as per our specifications 11-125, as well as the grounding as per 11-20 both of which have been attached for referencing. The attached drawing E1, shows the proposed pad location. Six 150mm (6") steel bollards filled with concrete, to be installed 1220mm (48") above ground positioned as shown on drawing. The bollards should be painted with reflective yellow paint. Owner is responsible for the removal of the existing private transformers and transformer bases.

**D - Pad-mount Transformer & Primary/Secondary Terminations.**

STEI will supply and install the pad-mounted transformer required for the service. STEI will also supply and install the primary cable terminations and lightning arresters. The contractor is required to supply 2-hole power-lugs for all of the secondary cables to be installed and connected to the transformer by STEI. STEI has the equipment to install Burndy Type YJA-XXA2N power lugs,

where XXX represents the size of the cable; if other lugs are purchased, it is the owner's responsibility to provide the appropriate dies to STEI crews. Please note the transformer delivery time is approximately 12 weeks upon receiving payment.

Associated charges: \$ 62,418.45

#### **E - Metering**

STEI will supply the equipment required for metering. If the incoming switchboard will have a metering compartment, please provide the required details so we can ship the instrument transformers to the manufacturer for installation. For instrument transformers installed in the switchboard, a 30" x 30" x 12" (minimum dimensions) metering cabinet will be required. Otherwise the cabinet must be 48" x 48" x 12". For interval metering, please reuse the existing dedicated phone line and number that is currently being used at the pad-mounted primary metering unit. STEI will also disconnect and remove the existing pad-mounted primary metering unit. Owner is responsible for removing the existing base that the metering unit is situated on, as well as the removal of the existing bollards.

Associated charges: \$ 4,194.47

#### **Charge Summary**

The following table summarizes the total charges for the service:

Item	Amount
A - Primary Duct Bank	--
B - Primary Cable & Installation	\$ 19,857.44
C - Transformer Pad, Foundation & Grounding	--
D - Pad-mount Transformer & Primary/Secondary Terminations	\$ 62,418.45
E - Metering	\$ 4,194.47
<b>Sub-Total</b>	<b>\$ 86,470.36</b>
GST (5%)	\$ 4,323.52
<b>Grand Total</b>	<b>\$ 90,793.88</b>

Payment will be required before any material is ordered and any work begins. Authorization from ESA will also be required prior to energizing the service.

This offer is valid for 90 days, and may be reassessed beyond that time period. If you have any questions or require clarification on any of these items, please contact me at 519-631-5550 ext. 253.

Sincerely,  
ST. THOMAS ENERGY INC.



Ryan Karl  
Engineering Technician

Drawing Enclosures; E1  
Trench Arrangements 11-15  
Concrete Pad and Foundation for 3 Phase Transformer 750kVA to 2500kVA  
11-125  
Grounding Details for Pad-mounted Equipment 11-20

**QUESTION 14**

**QUESTION**

14. Ref. Exhibit 3 /Tab 1 /Schedule 1

St. Thomas notes that the historic residential customer count over the 2005 to 2008 period increased at an average of 2.25% per year. Forecasted 2010 compared to 2009 actual shows a 0.95% increase and forecasted 2011 compared to forecasted 2010 shows a 0.9% increase. The lower rate of increase was attributed to the economic downturn.

a) Please calculate the average annual increase, since 2005, that includes 2009 actuals.

b) If available, please calculate the average annual increase, since 2005, including 2010 actuals.

c) Does St. Thomas have a factual analysis or study which supports the contention that the economic downturn will result in a lower rate of increase in average residential customer growth than historically experienced since 2005? If so, please provide it.

**RESPONSE**

a) The average annual increase in average annual historic residential customer counts (using actual 2009 counts) in 2009 compared to 2005 is 1.9% [i.e.,  $(14,297 \div 13,253)^{1/4} - 1$ ].

b) St. Thomas forecast 14,433 annual average number of customers for 2010. The 2010 actual number is 14,435. Therefore, annual average increase since 2005 is 1.7% [i.e.,  $(14,435 \div 13,253)^{1/5} - 1$ ]

1

2 c) Yes. As indicated on p.6 of the load forecast report prepared by Elenchus (Exhibit 3,  
3 Tab 1, Schedule 2, Attachment 1), the residential customer forecast relied upon the  
4 Spring 2010 London CMA Housing Market Outlook, published by the Canada Mortgage  
5 and Housing Corp. (CMHC). The Spring 2010 Outlook is provided as Attachment 1 to  
6 this response. Figure 1 in Attachment 1 shows clearly that housing starts forecast for  
7 2010 and 2011 do not reach levels seen prior to 2008. Since the forecast has been  
8 prepared, CMHC has released a Fall 2010 Outlook.; it is provided as Attachment 2. This  
9 forecast is consistent with the Spring 2010 outlook, and indicates that the economic  
10 recovery in this region is precarious (see discussion on p.3).

***Attachment 1 (of 2):***

***Attachment 1***

# HOUSING MARKET OUTLOOK

## London CMA

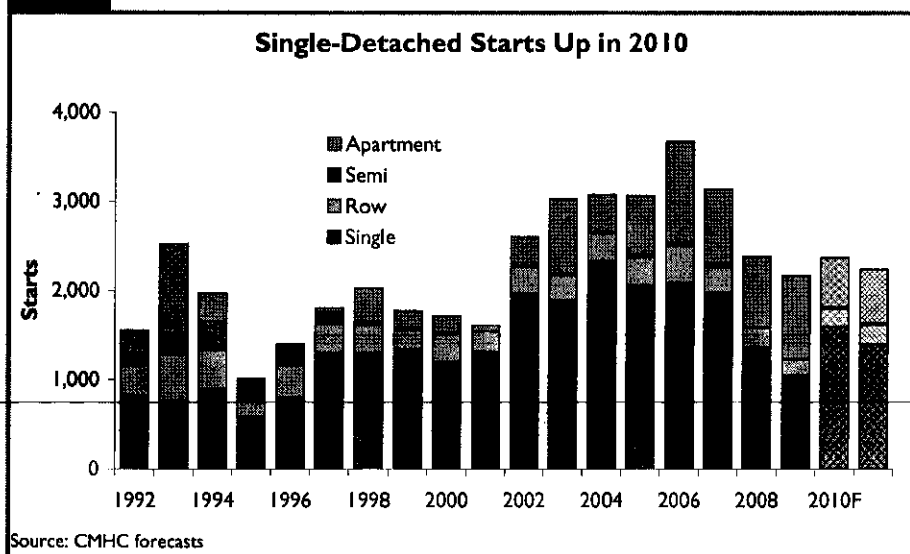
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2010

### Market at a Glance

- Both the resale and new construction market will show improvement in 2010. Starts will total 2,370 while MLS® sales will hit 8,700. This strength will come at the cost of future activity, resulting in a volume slowdown in 2011 for both sectors in the London CMA.
- A balanced resale market will support modest price growth in 2010 and 2011.
- Employment growth will be steady at 1.5 per cent through 2010 to 2011, but the unemployment rate will remain high.

Figure 1



<sup>1</sup> The forecasts included in this document are based on information available as of April 23, 2010.

### Table of Contents

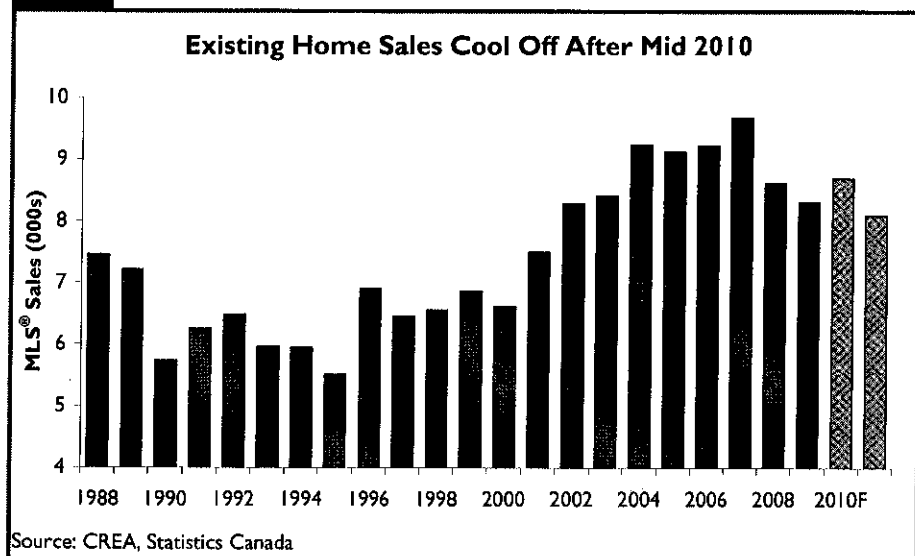
- Market at a Glance**
- Resale Market**  
Higher Mortgage Rates Cool Off  
Existing Home Sales
- New Home Market**  
Higher Inventory Causes Detached Home Starts to Move Down
- Local Economic Outlook**  
Improved Job Prospects  
Migration  
Mortgage Rate Outlook
- Forecast Summary**

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Figure 2



## Resale Market

### Higher Mortgage Rates Cool Off Existing Home Sales

First-time buyers will be the main catalyst behind a five per cent increase in MLS® sales in the London market in 2010. The strength will occur mainly in the first half, with sales easing later in the year and through 2011, as cost sensitive first time buyers are impacted by increasing mortgage rates and rising prices.

Despite some weakness in average incomes in 2009, the income required to buy a home declined due to low mortgage rates and flat prices. These conditions brought a significant number of first-time buyers into the market and a strong rebound in sales. The rebound in sales since this time in 2009 has come mainly from two groups. One group of buyers in late 2008 and the early part of 2009 had postponed their decision to buy because they were uncertain of their economic prospects, but by the latter half of 2009, they felt more comfortable entering the market. The other large group of buyers in

early 2010 were bringing forward their purchases to avoid anticipated mortgage rate increases. The borrowing of this future demand will in effect limit the number of potential buyers in 2011 in the London market area.

Despite the expected increases in the income required to own a home in London in 2010 and 2011, it will remain much lower than the actual household income. Homeownership

will continue to be accessible in London, contributing to demand for resale homes. However, some first time buyers may find it harder to qualify for homeownership due to rising carrying costs.

New listings will continue trending up in 2010. The increase in supply of listings in response to the strong price growth of the spring market will continue for the first half of the year and then gradually turn down in response to slowing price gains. In 2011 weaker price growth will offer less incentive to list and result in a modest decline in new listings.

An adequate supply of listings combined with moderating sales activity will result in a balanced market later this year and into next – dampening the rate of price growth. Strong first-time buyer activity will keep sales of properties in the lower price ranges robust. Consequently, the average resale price increase will be limited to just over two per cent in 2010 and over one per cent in 2011.

Figure 3

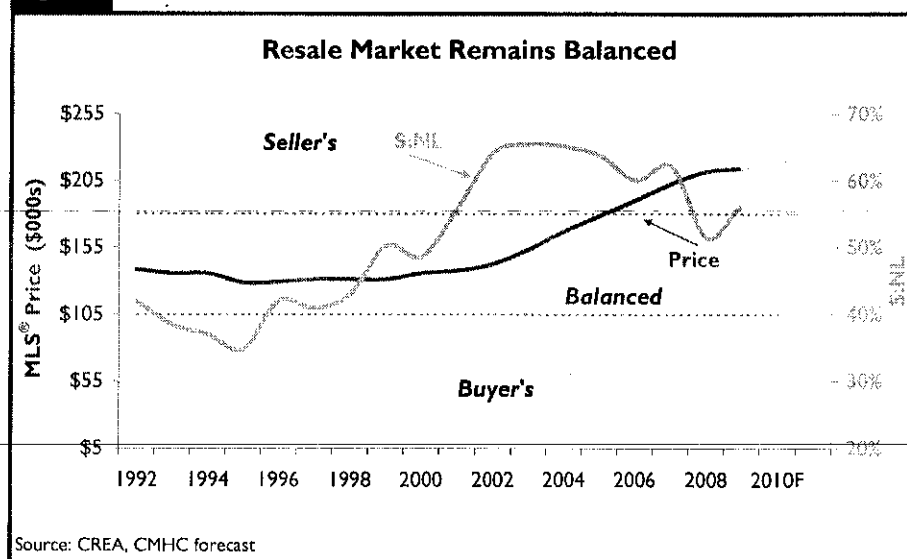
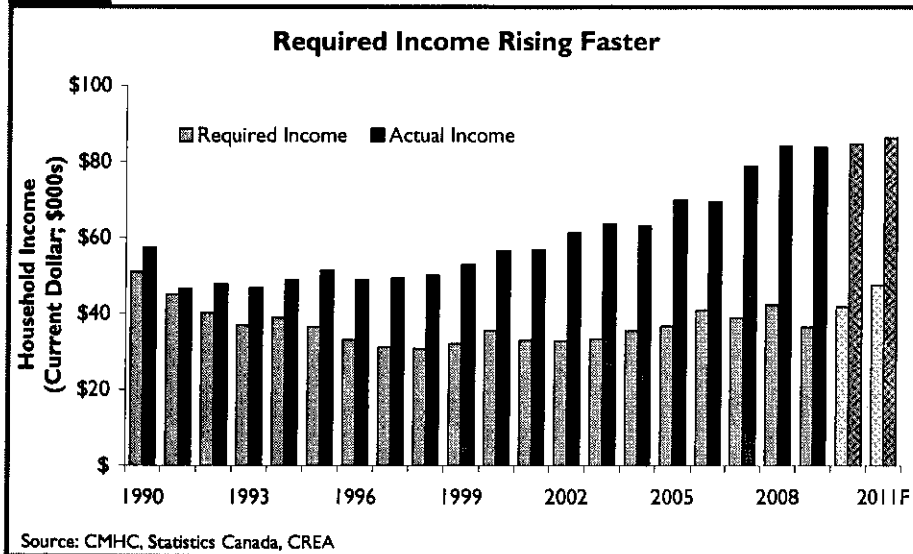


Figure 4



## New Home Market

### Higher Inventory Causes Detached Home Starts to Move Down

Construction of new homes will rise by nine per cent in 2010 in the London CMA before pulling back in 2011. A surge in single-detached construction of more than 50 per cent will be driven by builders replenishing inventory and consumers who are unable to satisfy their needs in the tight resale market but are eager to purchase before anticipated higher costs later in the year.

The inventory of detached homes declined throughout last year and builders are busy replenishing their stock. Many are building before sale in order to have stock ready to compete for buyers who are unable to find what they are looking for in the resale market. New homes are popular among professional health care workers in the London area and with job growth forecast to improve in this sector demand for single-detached homes will remain high. However, income growth in the healthcare

sector is not keeping pace and some may look at slightly lower priced homes. The average price of a new single detached home will fall nearly three per cent in 2010 and remain flat after two years of strong price increases. An abundance of land in London will also keep the New Home Price Index in check for the next two years.

Rental apartment construction will be down this year. Many units are currently under construction or recently completed and available for rent. The rental vacancy rate is forecast to rise this year due to the extra supply in conjunction with the exodus of renters into the homeownership market. In 2011 the rate will turn down as fewer units come to market. Retirees who are having trouble selling their homes in the second half of 2010 will postpone their downsizing as well, which will slow their movement into rentals, causing higher vacancies. Some builders and developers may postpone their high-rise projects until 2011 and beyond when the vacancy rate starts to move lower.

Rising mortgage rates will result in some buyers looking for more affordable ownership options such as townhomes which will increase construction in both 2010 and 2011. This style is also attractive to the aging baby boomers looking for a more maintenance-free lifestyle.

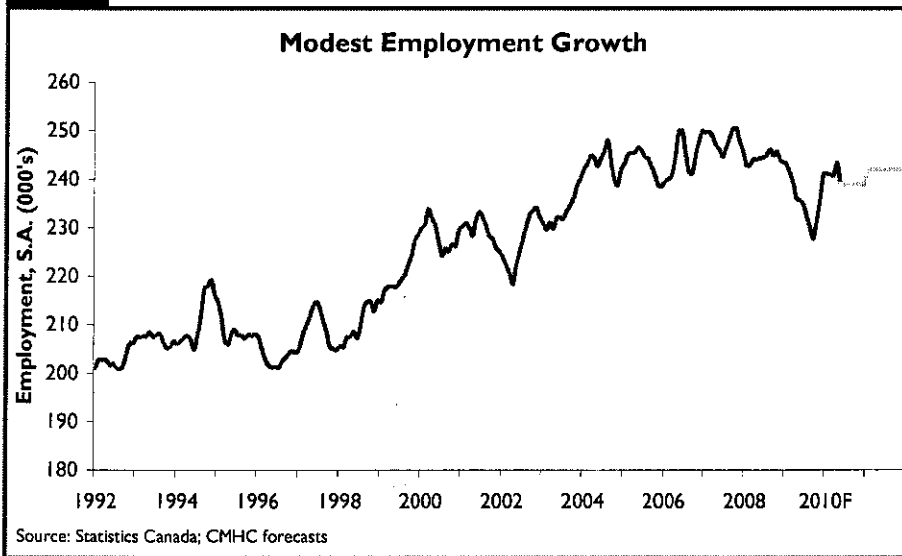
## Local Economic Outlook

### Improved Job Prospects

The outlook for job growth in the London CMA is positive yet slow, with a continuing high unemployment rate in 2010-2011. London's employment suffered a significant setback in 2009, dropping to the pre-expansion level in 2000. The manufacturing sector, hit hard by the high Canadian dollar and auto sector restructuring, will slowly begin to recover a portion of its lost jobs. The outlook for the automotive sector is already improving. Locally, the CAMI plant in Ingersoll has added a third shift due to the popularity of the Chevrolet Equinox produced there and the Toyota plant in Woodstock added a second shift. Also in manufacturing, General Dynamics Land Systems has secured an additional \$2.2 billion contract with the U.S. army to build light armoured vehicles.

Most of the strength in London's job growth will be in the health care, finance, insurance and real estate and educational sectors – all sectors which fared comparatively well during the economic downturn. London is a regional health care hub and with many baby boomers entering retirement age and looking after their parents, there will be a steady demand for all aspects of health care. Wages for the health care sector have just begun to recover after trending down

Figure 5



for over a year, positive news for new residential construction for which this group has demonstrated a buying preference.

Full-time employment for the 45-64 year-age group in London is well on its way to matching its pre-recession peak, a good indication of strong repeat buying for the rest of the year, i.e., the mid to upper priced homes in either the new or resale market.

### Migration

Net migration to the London CMA will remain stable in 2010 and 2011 at around the 2,500 mark. International migration will remain positive and an important feature of demand in the housing market. The inflow of intra-provincial migrants will be steady and will contribute to purchases of higher-end resale homes. Improving employment will help reduce the number of Londoners leaving for other provinces in search of work. International migrants tend to rent upon arrival for about three to four years before buying a home, and they tend to choose townhouse as their first ownership home in Canada. As

for intra-provincial migrants, they tend to move into homeownership within one to two years of arrival in London, and many of them buy larger, more expensive homes in the outskirts of the city.

### Mortgage Rate Outlook

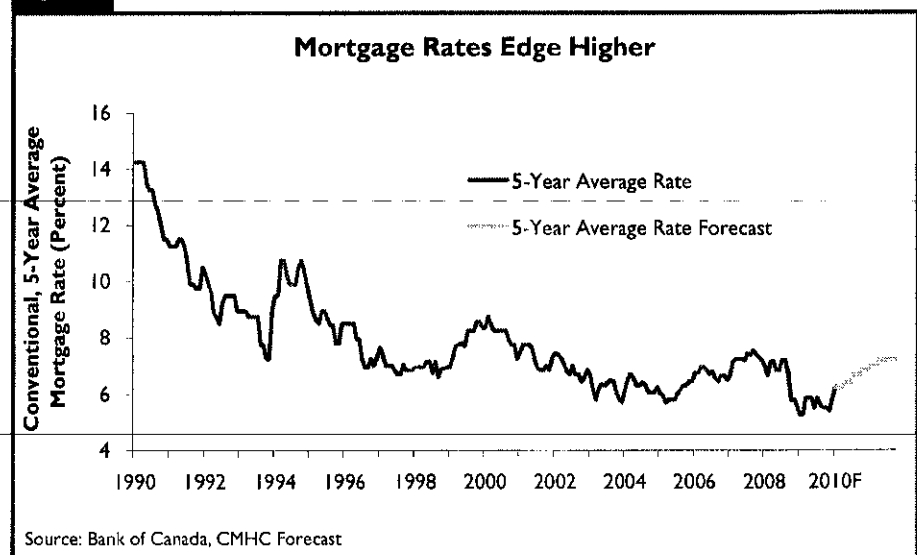
The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead,

we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Figure 6



### Forecast Summary London CMA Spring 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
<b>Resale Market</b>							
MLS® Sales	9,686	8,620	8,314	8,700	4.6	8,100	-6.9
MLS® New Listings	15,590	16,769	14,795	15,700	6.1	14,600	-7.0
MLS® Average Price (\$)	202,908	212,092	214,510	219,500	2.3	222,000	1.1
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	1,983	1,369	1,056	1,600	51.5	1,400	-12.5
Multiples	1,158	1,016	1,112	770	7.7	840	4.6
Semi-Detached	42	24	12	20	-16.7	20	0.0
Row/Townhouse	278	205	169	200	18.3	220	10.0
Apartments	838	787	931	550	-40.9	600	9.1
Starts - Total	3,141	2,385	2,168	2,370	9.3	2,240	-5.5
<b>Average Price (\$):</b>							
Single-Detached	290,342	320,039	341,898	333,000	-2.6	334,700	0.5
<b>Median Price (\$):</b>							
Single-Detached	266,000	295,900	307,900	320,000	3.9	322,000	0.6
New Housing Price Index (% chg.)	3.6	3.5	1.4	1.0	-	1.0	-
<b>Rental Market</b>							
October Vacancy Rate (%)	3.6	3.9	5.0	5.6	0.6	4.0	-1.6
Two-bedroom Average Rent (October) (\$)	816	834	896	920	-	950	-
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.20	5.56	1.34
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.57	7.06	0.86
Annual Employment Level	247,400	244,300	235,700	239,000	0.0	242,000	0.4
Employment Growth (%)	0.7	-1.3	-3.3	1.3	-	1.3	-
Unemployment rate (%)	6.1	7.0	9.9	9.8	-	8.9	-
Net Migration <sup>(1)</sup>	2,369	2,659	2,600	2,500	-	2,600	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), London & St. Thomas Association of Realtors (LSTAR)®, Statistics Canada (CANSIM)

**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2009 migration data is forecasted

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Outside Canada call 613-748-2003 or fax to 613-748-2016.

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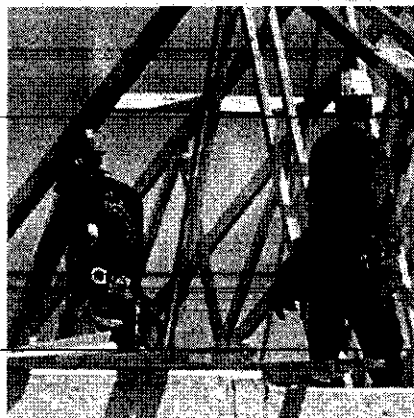
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***Attachment 2 (of 2):***

***Attachment 2***

# HOUSING MARKET OUTLOOK

## London CMA

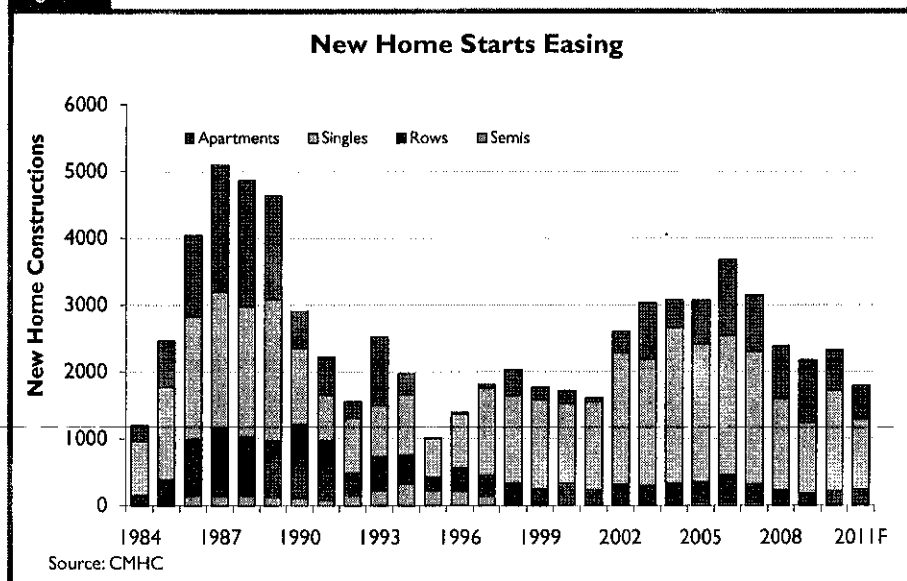
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2010

### Market at a Glance

- After declining in the second half of 2010, existing home sales will recover gradually through 2011. However, total sales in 2011 will be lower than they were in 2010.
- Housing starts will decline to a level that matches demographic demand.
- Employment will recover gradually following a set-back in the second half of 2010.

Figure 1



<sup>1</sup> The forecasts included in this document are based on information available as of October 8, 2010.

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#### 1 Market at a Glance

#### 2 Resale Market

#### 3 New Home Market

#### 3 Local Economic Outlook

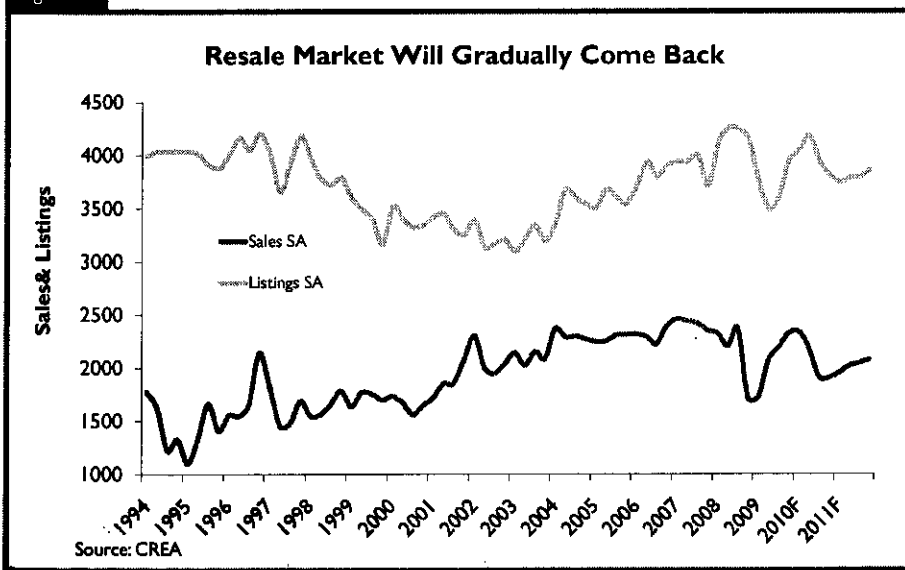
#### 5 Forecast Summary

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Figure 2



## Resale Market

### Withdrawal of first time buyers leads to slower sales

The robust spring London resale market will offset the slowdown in the second half of the year as sales remain virtually unchanged in 2010 from the previous year. Sales will gradually recover in 2011, but not sufficiently for the total to match 2010 annual sales.

First-time buyers were the main driver behind the strong spring market as many brought their purchases forward to avoid anticipated mortgage rate increases. This raised sales early in the year and is contributing to the decline in sales in the second half of 2010. With many first-time buyers having completed their purchase in the spring, repeat buyers are currently driving sales. The income required<sup>1</sup> to buy a home will decrease modestly in 2010 due to flat prices and slightly

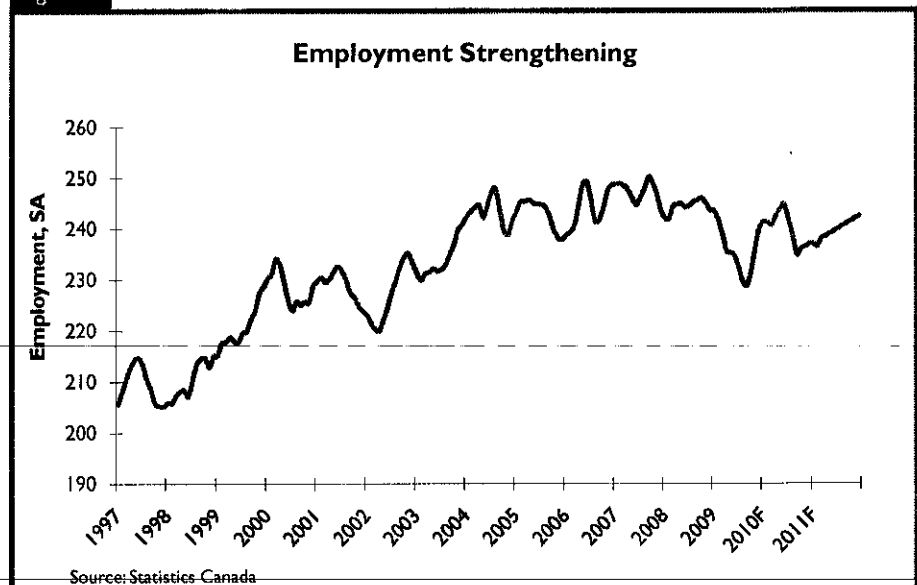
lower mortgage rates. Since the decrease is very small, the impact on sales will also be quite limited.

After adjusting for seasonality, the number of new listings increased throughout the second half of 2009 and the first half of this year as

homeowners noticed growing prices. New listings fell along with sales and prices in the third quarter and will show further weakness in the fourth. Growth in new listings in 2011 will be slow as homeowners who do not have to move will delay putting their home on the market due to the lack of price growth and the slow growth of sales. The slow increase in supply and a similar trend in sales will keep the market as a whole in balance; however, some segments may flirt with buyers' conditions for short periods.

The relatively strong price growth in 2010 is a combination both of a tighter market pushing up prices generally and a shift to higher-priced homes as repeat buyers became a bigger presence in the market. Strong price growth in specific categories such as townhouses or low-rise apartment condominiums is evidence of general price appreciation, while

Figure 3



<sup>1</sup> Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on the average MLS® price, a 10 per cent down payment, the forecast of the posted fixed five-year mortgage rate and 35-year amortization for a mortgage loan.

stronger sales in higher price ranges is evidence of the latter. During the first three quarters of the year, sales of homes with price tags higher than \$250,000 jumped while sales of homes priced between \$90,000 and \$175,000 dropped. While bracket creep due to the price appreciation explains some of this shift, its strength suggests buyers were also looking for more valuable homes. For example, sales of homes sold for over \$500,000 increased by 46 per cent. In 2011, with listings growing along with sales and first-time buyers returning to the market, price growth will be subdued.

## **New Home Market**

### **Demand for new construction diminishes**

Due to a strong beginning, housing starts in the London CMA will post a moderate annual gain this year, but as the downward trend continues into 2011 starts will fall.

Single-detached construction followed a similar pattern as the resale market, albeit several months delayed. Following the slump of the recession homebuilders were busy restocking inventory and satisfying spill-over demand from a tight resale market. Consequently, single-detached housing starts rebounded in early 2010 as builders responded to consumers' demand fuelled by anticipated mortgage rate increases. The early strength has been waning and, following further easing in 2011, single starts will not rise much above the level achieved in 2009.

Housing starts in the London CMA have been running above demographic demand, or the level required to

house increases in the size of the population starts, and will fall to a level which reflects long-term growth next year.

### **House prices will flatten**

The average price of a new single detached home in the London CMA will remain virtually unchanged in 2011 as reduced demand keeps price growth minimal. Between 2007-2009 the average price of newly completed homes showed double digit growth, influenced by demand for higher priced homes. This year demand for more affordable new homes has increased, in part due to the tighter resale market. As buyers found it more difficult to satisfy their needs in the resale market, they looked to new construction, but bought relatively more affordable homes, bringing down the average price. This trend may reverse again, but diminished cost pressures will restrain growth in the average price. The New Home Price Index (NHPI), which measures the change in the price of constant quality homes, is expected to increase by only one per cent in 2011. Cost pressures at the beginning of 2010 were passed to customers, but by mid-year builders were able to reverse the process and pass on some cost reductions.

### **High construction activity limits more rental starts**

The number of rental apartment starts will decline again in 2011 from the robust levels of the 2006-2009 period. Rental apartments take some time to complete, and although the number of starts has fallen, the number under construction remains substantial. The expectation that the market will be well-supplied as new

buildings are completed will be the main factor restraining initiation of new projects. There have been several announcements regarding both condominium and rental apartment developments planned for the downtown and Old East areas of the City, however evidence has yet to appear for most and several may be postponed due to current conditions.

## **Local Economic Outlook**

By the second quarter of 2010, London had recouped most of the jobs lost during the downturn. However, there was a significant set-back in the third quarter which underlines the fragile nature of the recovery. Employment is expected to stabilize in the fourth quarter and strengthen over the course of 2011.

The downturn and recovery in employment were almost entirely related to the service sector. Employment in the manufacturing sector has been trending downward since 2002, exacerbating the job losses in 2008/2009 and limiting the subsequent recovery. Although some manufacturers have announced investment plans, they have not been sufficient to produce a turnaround. Employment appears to have stabilized and stability in the manufacturing sector will support the gradual recovery expected in 2011.

Within the services sector, both the downturn and recovery were broadly based. Increased enrolment at post-secondary educational institutions will support further growth in the education sector. Employment in the health sector was almost unaffected by the downturn and will also support some strengthening in service sector

employment during 2011. As full-time employment fell during 2009, a significant number of part-time jobs were created, suggesting some workers retained their positions but had their hours cut back. The trend reversed in 2010, but part-time employment as a proportion of total employment still remains higher than it has been in more than a decade.

### **Migration picking up**

Net migration to the London CMA will be up in 2010 and 2011, reaching about 2,700 people in each year. Improving employment opportunities

will contribute to a decline in the number of Londoners leaving for other areas within the country in search of work. The number of people moving to other provinces appears to have peaked in 2009 during the worst of the economic downturn and now fewer people are leaving.

As well, higher levels of international migration will bring in new residents. The number one and two areas from which immigrants came to London in the past few years were the Africa and the Middle East region and the Asia and Pacific region.

### **Mortgage rate outlook**

According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast Summary London CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
<b>Resale Market</b>							
MLS® Sales	9,686	8,620	8,314	8,350	0.4	8,100	-3.0
MLS® New Listings	15,590	16,769	14,795	16,000	8.1	14,600	-8.8
MLS® Average Price (\$)	202,908	212,092	214,510	227,500	6.1	227,600	0.0
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	1,983	1,369	1,056	1,500	42.0	1,050	-30.0
Multiples	1,158	1,016	1,112	770	7.7	840	4.6
Semi-Detached	42	24	12	20	-16.7	20	0.0
Row/Townhouse	278	205	169	200	18.3	220	10.0
Apartments	838	787	931	550	-40.9	600	9.1
Starts - Total	3,141	2,385	2,168	2,320	7.0	1,790	-22.8
<b>Average Price (\$):</b>							
Single-Detached	290,342	320,039	341,898	333,000	-2.6	334,700	0.5
<b>Median Price (\$):</b>							
Single-Detached	266,000	295,900	307,900	320,000	3.9	322,000	0.6
New Housing Price Index (% chg.)	3.6	3.5	1.4	1.0	-	1.0	-
<b>Rental Market</b>							
October Vacancy Rate (%)	3.6	3.9	5.0	5.6	0.6	4.0	-1.6
Two-bedroom Average Rent (October) (\$)	816	834	896	920	-	950	-
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	247,400	244,300	235,700	239,000	1.4	242,000	1.3
Employment Growth (%)	0.7	-1.3	-3.3	1.3	-	1.3	-
Unemployment rate (%)	6.1	7.0	9.9	9.8	-	8.9	-
Net Migration	2,383	2,668	2,481	2,700	8.8	2,700	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM),

London & St. Thomas Association of Realtors (LSTAR)®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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## QUESTION 15

### QUESTION

15. Ref. Exhibit 3 /Tab 1 /Schedule 2 attachment 1 p.8 table 5

The table below shows the 2010 and 2011 load forecast as prepared by Elenchus Research Associates for St. Thomas. For each Rate Class please provide the operands and quantities which generated the 2010 and 2011 forecast e.g. average use per customer of XXXX times YYYY customers.

**Table 5**  
**St. Thomas Hydro – Class Retail kWh, Actual, Normalized & Forecast**

<b>Rate Class</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010F</b>	<b>2011F</b>
Residential	110,094,131	112,424,151	115,189,635	115,189,635	120,231,413	121,286,143	122,438,963	123,529,530
GS<50	38,610,948	38,647,608	38,957,180	40,429,683	40,926,628	40,912,371	40,912,371	40,961,251
GS>50-4999	172,035,175	176,216,393	174,069,461	170,744,600	151,470,639	127,173,724	128,576,170	129,249,343
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0	0
Street Light	2,874,586	2,903,745	2,938,634	2,977,270	2,998,494	3,047,943	3,078,422	3,109,206
Sentinel Light					53,774	56,665	56,665	56,665
<b>Total</b>	<b>360,896,187</b>	<b>368,567,520</b>	<b>368,092,110</b>	<b>362,592,344</b>	<b>344,055,376</b>	<b>298,981,670</b>	<b>295,062,590</b>	<b>296,905,995</b>

### RESPONSE

In order to facilitate response to this request, we have provided a “live” Microsoft Excel Spreadsheet with the calculations requested. In responding to Board Staff #16, it was discovered that an error is contained in the Residential Class calculations resulting from a revision to the 2007 annual customer count. We have provided the calculations for the forecast as filed, and a corrected version.

***Attachment 1 (of 1):***



**Table 2**  
**Average Customer Connections - Actual and Forecast**

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	12,978	13,253	13,579	13,579	14,173	14,297	14,433	14,562
%chg		2.1%	2.5%	1.5%	2.8%	0.9%	1.0%	0.9%
GS<50	1,580	1,581	1,594	1,654	1,675	1,674	1,674	1,676
%chg		0.1%	0.8%	3.8%	1.2%	0.0%	0.0%	0.1%
GS>50-4999	165	176	178	178	186	189	191	192
%chg		6.4%	1.2%	0.0%	5.0%	1.3%	1.1%	0.5%
GS>5000	1	1	1	1	1	1	0	0
%chg		0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a
Street Light	4,463	4,540	4,579	4,634	4,689	4,739	4,786	4,834
%chg		1.7%	0.9%	1.2%	1.2%	1.1%	1.0%	1.0%
Sentinel Light					46	50	50	50
%chg						8.7%	0.0%	0.0%
Total	19,187	19,550	19,930	20,046	20,770	20,950	21,134	21,314

**Table 3**  
**Average Use Per Customer**

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009
Residential	8,279	8,922	8,360	8,793	8,488	8,056
GS<50	24,992	26,139	24,839	24,420	24,014	22,234
GS>50-4999	1,043,164	1,004,082	980,213	961,490	812,538	673,174
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824
Street Light	644	640	642	642	639	643
Sentinel Light					1,169	1,133

**Table 4 - St. Thomas Hydro**  
**Class Average Use**

<u>Rate Class</u>	2004-2009 Avg	2004 H1 Retail NAC
Residential	8,483	8,409
GS<50	24,440	25,217
GS>50-4999	912,443	1,051,888
GS>5000	30,120,763	37,281,347
Street Light	642	644
Sentinel Light	1,151	n/a

**Table 5**  
**Weather Normal kWh Forecast**

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	110,094,131	112,424,151	115,189,635	115,189,635	120,231,413	121,286,143	122,438,963	123,529,530
GS<50	38,610,948	38,647,608	38,957,180	40,429,683	40,926,628	40,912,371	40,912,371	40,961,251
GS>50-4999	172,035,175	176,216,393	174,069,461	170,744,600	151,470,639	127,173,724	128,576,170	129,249,343
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0	0
Street Light	2,874,586	2,903,745	2,938,634	2,977,270	2,998,494	3,047,943	3,078,422	3,109,206
Sentinel Light	0	0	0	0	53,774	56,665	56,665	56,665
Total	360,896,187	368,567,520	368,092,110	362,592,344	344,055,376	298,981,670	295,062,590	296,905,995

Table 2

## Average Customer Connections - Actual and Forecast

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	12,978	13,253	13,579	13,784	14,173	14,297	14,433	14,562
%chg		2.1%	2.5%	1.5%	2.8%	0.9%	1.0%	0.9%
GS<50	1,580	1,581	1,594	1,654	1,675	1,674	1,674	1,676
%chg		0.1%	0.8%	3.8%	1.2%	0.0%	0.0%	0.1%
GS>50-4999	165	176	178	178	186	189	191	192
%chg		6.4%	1.2%	0.0%	5.0%	1.3%	1.1%	0.5%
GS>5000	1	1	1	1	1	1	0	0
%chg		0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a
Street Light	4,463	4,540	4,579	4,634	4,689	4,739	4,786	4,834
%chg		1.7%	0.9%	1.2%	1.2%	1.1%	1.0%	1.0%
Sentinel Light					46	50	50	50
%chg						8.7%	0.0%	0.0%
Total	19,187	19,550	19,930	20,251	20,770	20,950	21,134	21,314

Table 3

## Average Use Per Customer

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009
Residential	8,279	8,922	8,360	8,662	8,488	8,056
GS<50	24,992	26,139	24,839	24,420	24,014	22,234
GS>50-4999	1,043,164	1,004,082	980,213	961,490	812,538	673,174
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824
Street Light	644	640	642	642	639	643
Sentinel Light					1,169	1,133

Table 4 - St. Thomas Hydro

## Class Average Use

<u>Rate Class</u>	2004-2009 Avg	2004 H1 Retail NAC
Residential	8,461	8,409
GS<50	24,440	25,217
GS>50-4999	912,443	1,051,888
GS>5000	30,120,763	37,281,347
Street Light	642	644
Sentinel Light	1,151	n/a

Table 5

## Weather Normal kWh Forecast

<u>Rate Class</u>	2004	2005	2006	2007	2008	2009	2010F	2011F
Residential	109,810,464	112,134,480	114,892,839	116,632,326	119,921,626	120,973,638	122,123,488	123,211,245
GS<50	38,610,948	38,647,608	38,957,180	40,429,683	40,926,628	40,912,371	40,912,371	40,961,251
GS>50-4999	172,035,175	176,216,393	174,069,461	170,744,600	151,470,639	127,173,724	128,576,170	129,249,343
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0	0
Street Light	2,874,586	2,903,745	2,938,634	2,977,270	2,998,494	3,047,943	3,078,422	3,109,206
Sentinel Light	0	0	0	0	53,774	56,665	56,665	56,665
Total	360,612,520	368,277,849	367,795,314	364,035,035	343,745,589	298,669,166	294,747,115	296,587,710

**QUESTION 16**

**QUESTION**

16. Ref. Exhibit 3 /Tab 1 /Schedule 2 attachment 1 p.8

For the GS < 50kW rate class, the “2004-2009 average use per customer” is shown as 24,440 kWh and the “2004 Hydro One Retail NAC” is 25,217 kWh. The “2004-2009 average use per customer” is about 3% less than the “2004 Hydro One Retail NAC”.

a) Please confirm that St. Thomas used the “2004-2009 average use per customer” to prepare the load forecast.

b) Please explain what accounts for the 3% difference.

**RESPONSE**

a) Confirmed. St. Thomas used the “2004-2009 average use per customer” to prepare the GS<50 kW Class load forecast.

In completing this interrogatory response, it was discovered that Table 4 in the filed version of Exhibit 3, Tab 1, Schedule 2, Attachment 1 contains an error for the Residential Class 2004-2009 Average. This should read 8,461 rather than 8,483. This affects the normalized and forecast values of the Residential Class, as described at Exhibit 11, Tab 1, Schedule 15.

b) Below, we have reproduced Table 3 from Exhibit 3, Tab 1, Schedule 2, Attachment 1 and have added to it observed annual heating degree days (HDD) and cooling degree days (CDD) from London. From this table, it can be seen that HDD and CDD in 2008 exceed HDD and CDD in 2004. It can also be seen that in the Residential Class, average use per customer in 2008 exceeds that in 2004 (8,488 vs. 8,279 or by about

2.5%), as would be expected due to cooling and heating requirements. However, in the GS<50 kW class, average use per customer in 2008 is less than what was observed in 2004 (24,014 vs. 24,992 or about -3.9%) despite weather demands to the contrary. This is consistent with the difference between the "2004 Hydro One Retail NAC" and the reported "2004-2009 average use per customer". It is evident that changes in the customer makeup of the class have contributed to an overall decline in average use per customer. A similar, although more significant, decline also occurs in the GS>50 kW class. This is likely due to structural changes in the local economy and changes in industrial and commercial customer demands.

**Table 3**  
**Average Use Per Customer and Degree Days (Actual)**

<b>Rate Class</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Residential	8,279	8,922	8,360	8,662	8,488	8,056
GS<50	24,992	26,139	24,839	24,420	24,014	22,234
GS>50-4999	1,043,164	1,004,082	980,213	961,490	812,538	673,174
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824
Street Light	644	640	642	642	639	643
Sentinel Light					1,169	1,133
HDD London	3,923	3,950	3,481	3,835	3,961	3,908
CDD London	171	408	275	310	240	159

**QUESTION 17**

**QUESTION**

Ref. Exhibit 3 /Tab 1 /Schedule 1

St. Thomas notes that the 2011 weather normalized Test Year load forecast for the Residential, General Service less than 50kW and General Service greater than 50kW classes prepared by Elenchus Research Associates ("ERA") did not take CDM into account. The forecast for revenue requirement purposes does take it into account in that the ERA forecast was reduced to reflect St. Thomas's forecast Conservation and Demand Management results per its recently filed 4 year plan.

a) Please provide a copy of the referenced 4 year plan.

b) Please confirm that St Thomas's CDM targets, pursuant to the Board's EB-2010-0215/EB-2010-0216 Decision and Order dated November 12, 2010, are (i) 3.940 MW for the 2014 Annual Peak Demand Savings and (ii) 14.920 GWh for the 2011-2014 Net Cumulative Energy Savings.

c) Please complete the following table.

	(a)	(b)	(a) - (b)
<b>2011 LOAD FORECAST (kWh)</b>	<b>2011 forecasted by ERA</b>	<b>2011 CDM Adjustment</b>	<b>2011 load forecast for Revenue Requirement</b>
<b>Residential</b>			
<b>GS &lt; 50 kW</b>			
<b>GS &gt; 50 kW</b>			
<b>Total</b>			

d) Please provide the calculation, including achievement assumptions, St. Thomas used to derive the 2011 CDM (kWh) adjustment that will populate column (b) in the table above.

e) If St. Thomas made a separate CDM adjustment for its 2011 kW 2011 load forecast please complete a table similar to the table in question c).

f) If a table is provided in the response to question e), please provide the calculation, including achievement assumptions, St. Thomas used to derive the 2011 CDM (kW) adjustment that will populate column (b) in the requested table.

## RESPONSE

a. The requested document is provided as Attachment 1.

b. Confirmed, please see Attachment 2.

c. Please see Attachment 3.

d. Please refer to Attachment 4.

- 1 e. Please see Attachment 3.
- 2
- 3 f. Please see Attachment 4.

***Attachment 1 (of 1):***

***Question 17***





October 29, 2010

Ontario Energy Board  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P1E4

Attention: Board Secretary

Dear Sir/Madam:

**St. Thomas Energy Inc\_EB-2010-0215\_Conservation and Demand Management  
Strategy\_20101029**

The above referenced Strategy is attached in the format requested by The Ontario Energy Board.

This Strategy is being filed in the following OEB requested format:

- electronically through the web's portal, one (1) electronic version of the complete Strategy in searchable format in the prescribed file naming format;
- emailed to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca), one (1) electronic version of the complete Strategy in searchable format in the prescribed file naming format and;
- couriered in paper format, two (2) paper copies of the complete Strategy.

Respectfully submitted for the Board's consideration.

Kathleen Cea,  
Conservation Specialist  
St. Thomas Energy Inc  
135 Edward Street  
St. Thomas, ON N5P 4A8



**St. Thomas Energy Inc**  
**2011-2014 Conservation and Demand Management Strategy**

October 29, 2010  
Kathleen Cea,  
Conservation Specialist  
St. Thomas Energy Inc

## **St. Thomas Energy Inc 2011-2014 Conservation and Demand Management Strategy**

On September 16, 2010, the Ontario Energy Board (OEB) released the final version of the Conservation and Demand Management (CDM) Code for electricity distributors. The CDM Code sets out the obligations and requirements that a licensed distributor must comply with in relation to the CDM targets set out in their licences. It also sets out the conditions and rules that licensed distributors are required to follow if they choose to use Board-Approved CDM programs to meet the CDM targets. The CDM Code requires electricity distributors to file a CDM Strategy that outlines the high level description of how a distributor intends to achieve its targets. St. Thomas Energy Inc (STEI), as an Ontario licensed distributor, is filing this document to meet this requirement. The descriptions of each program to be offered, the program periods, target customers, projected results, program mix and coordination with other agencies are the contents of this Strategy.

### **I. CDM Targets**

<b>1. Distributor's Name</b>	St. Thomas Energy Inc.
<b>2. Total Reduction in Peak Provincial Electricity Demand Target</b>	4MW
<b>3. Total Reduction in Electricity Consumption Target</b>	16GWh

### **II. CDM Strategy**

STEI's intent is to meet the targets through all of Ontario Power Authority (OPA)-Contracted Province-Wide CDM programs (Tier 1 Programs). The plan is to execute Tier 1 programs yearly beginning January 2011 with the exception of Low-Income programs which are planned to be executed in July 2011. All programs are expected to end on December 31, 2014. Based on an analysis of the 2006-2009 program results provided by the OPA and an estimate of the 2010 program results, STEI believes that there is still significant potential for demand and energy savings within all customer classes. The table below compares the historical results, the forecasted savings and the allocated targets.

	<b>MW</b>	<b>GWh</b>
<b>Historical Results</b>	3.63	9.97
<i>Forecasted Results of Tier 1 Programs</i>	<i>3.90</i>	<i>14.84</i>
<i>Forecasted Results of Low Income Programs</i>	<i>0.10</i>	<i>1.16</i>
<b>Total Forecast 2011-2014 Programs</b>	4.00	16.00
<b>2011-2014 Targets</b>	4.00	16.00

The following tables break down the forecasted demand reduction and energy savings per program and the expected annual milestones. The programs that show no savings and milestones (Midstream Pool Incentives, Commercial Demand Response 1, Industrial Accelerator and Industrial Demand Response 1) are expected to achieve a smaller amount of savings compare to other programs. They are part of STEI's CDM portfolio but because of the small number of customers that are eligible in these programs, smaller amount of savings were predicted.

#### **A. Energy and Demand Savings Forecasts and Annual Milestones per Program**

##### **1. CONSUMER PROGRAMS (2011-2014)**

<b>Programs</b>	<b>2014 Forecasts</b>		<b>Annual Milestones</b>		
	<i>MW</i>	<i>MWh</i>	<i>Participants</i>	<i>MW</i>	<i>MWh</i>
Instant Rebates	0.024	627	1400	0.00625	156.75
Midstream Pool Incentives	-	-	-	-	-
Midstream Electronics Incentive	0.005	95	200	0.00125	23.75
HVAC Rebates	0.030	120	40	0.0075	30.00
Appliance Retirement	0.070	1,094	260	0.0175	273.50
Exchange Events	0.020	63	20	0.005	15.75
Residential New Construction	0.030	133	80	0.0075	33.25
Residential Demand Response	0.710	1,590	300	0.178	397.50
<b>Total energy and demand savings</b>	<b>0.890</b>	<b>3,722</b>		<b>0.223</b>	<b>930.50</b>

## 2. COMMERCIAL AND INSTITUTIONAL PROGRAMS (2011-2014)

Programs	2014 Forecasts		Annual Milestones		
	<i>MW</i>	<i>MWh</i>	<i>Participants</i>	<i>MW</i>	<i>MWh</i>
Equipment Replacement – Medium and Large	0.810	3,345	6	0.2025	836.25
Equipment Replacement – Small	0.480	3,397	10	0.12	849.25
Direct Installed Lighting and Direct Serviced Space Cooling	0.120	1,109	100	0.03	277.25
Small Commercial Demand Response	0.810	685	120	0.2025	171.25
Demand Response 1	-	-	-	-	-
Demand Response 3	0.240	13	8	0.06	3.25
<b>Total energy and demand savings</b>	<b>2.460</b>	<b>8,549</b>		<b>0.615</b>	<b>2137.25</b>

## 3. INDUSTRIAL PROGRAMS (2011-2014)

Programs	2014 Forecasts		Annual Milestones		
	<i>MW</i>	<i>MWh</i>	<i>Participants</i>	<i>MW</i>	<i>MWh</i>
Industrial Accelerator	-	-	-	-	-
Industrial Equipment Replacement	0.190	2,569	5	0.05	642.25
Demand Response 1	-	-	-	-	-
Demand Response 3	0.360	8	5	0.09	2.00
<b>2014 energy and demand savings</b>	<b>0.550</b>	<b>2,577</b>		<b>0.14</b>	<b>644.25</b>

## 4. LOW-INCOME PROGRAMS (July 2011-2014)

Programs	2014 Forecasts		Annual Milestones		
	<i>MW</i>	<i>MWh</i>	<i>Participants</i>	<i>MW</i>	<i>MWh</i>
Low-Income Program	0.100	1,152	4	0.025	288

## 5. SUMMARY OF FORECASTS AND MILESTONES

	<b>2014 Forecasts</b>		<b>Annual Milestones</b>	
<b>Programs</b>	<b>MW</b>	<b>MWh</b>	<b>MW</b>	<b>MWh</b>
Consumer	0.89	3,722	0.23	931
Commercial and Institutional	2.46	8,549	0.60	2137
Industrial	0.55	2,577	0.14	644
Low Income	0.10	1,152	0.03	288
<b>TOTAL</b>	<b>4.00</b>	<b>16,000</b>	<b>1.00</b>	<b>4,000</b>

## **A. Program Descriptions**

### **1. Consumer Programs**

The consumer programs intend to help consumers improve the energy efficiency of their homes, provide information and tools to better manage their electricity usage and increase market share of energy efficient technologies. The programs will benefit homeowners/consumers as well as retailers, contractors, suppliers and home builders.

#### **a. Instant Rebates**

Year round coupons and bi-annual in-store instant rebates are offered to consumers for energy efficient items such as compact fluorescent lights (CFL), light fixtures, ceiling fans, light control products, hot water pipe wraps, water heater blankets, heavy duty timers, powerstrips, clotheslines and programmable thermostats. A Conservation Discount Card to replace the discount coupons maybe distributed to STEI's customers when available.

#### **b. Midstream Electronics and Pool Incentives**

This program provides incentives to retailers for selling efficient televisions and to satellite and cable providers for providing high-efficiency set-top boxes and network configurations. It will also include incentives for contractors to install "right sized" pool equipment.

#### **c. HVAC Rebates**

This program provides incentive for high efficiency furnaces equipped with electronically commutated motors (ECM) and energy efficient central air conditioner. The HVAC rebates will be delivered to consumers through participating contractors and will be centrally fulfilled by the OPA.

#### **d. Appliance Retirement and Exchange Events**

Old inefficient working appliances are being picked up for free and decommissioned in an environmentally friendly way. Eligible appliances are refrigerators and freezers that are at least 15 years old in 2011 and 2012 and 20 years old in 2013 and 2014; room air conditioners, and dehumidifiers as secondary appliances.

The Exchange Events allows customers to exchange their old inefficient room air conditioners and dehumidifiers with incentives from retailers. Events are held twice a year, one in spring and one in fall.

**e. Residential New Construction**

This initiative provides incentives for builders to construct new, single family homes that include energy efficiency standards that are above current building codes. It includes incentives for prescriptive measures, custom projects, whole home EnerGuide 83 and 85, training on energy efficiency building techniques and practices and consumer education.

**f. Residential Demand Response**

STEI will continue offering peaksaver program to homeowners and small businesses until the new demand response (DR) program is launched by the OPA. The new residential DR program will provide two options for consumers, participation with load control and participation without load control. Four end-uses will be eligible for DR load control participation, these are central air conditioners, electric water heaters, room air conditioners and pool pumps. Participants will receive load control devices installed free and optional tools to access price and real-time consumption information (e.g. in-home displays) for a subsidized amount. Under the participation with no load control, consumers will only receive tools (e.g. in-home displays) for a subsidized amount.



## **2. Commercial and Institutional (C&I) Programs**

The main objective of these programs is to assist owners and operators of C&I buildings, farms and multi-family residences achieve reduced demand and energy savings through the purchase and operation of energy efficient equipment. The programs also provide education to tenants and occupants regarding in-suite energy efficiency and demand response to facilitate a culture of conservation among these communities and the supply chains that serve them.

### **a. Equipment Replacement for Medium and Large Customers**

This initiative is a carry forward and enhancement of Electricity Retrofit Incentive Program. General Service customers with greater 50kW demand are eligible to receive incentives for completing an energy efficient project in their premises that may either be a prescriptive, engineered or custom type project. Engineered types of projects are only available for existing buildings. Customers under this category are also eligible to receive grants for undergoing a pre-project assessment. This program also includes Existing Building Commissioning. The services that qualify for commissioning incentives are the development of a commissioning plan, procurement of devices and costs for third party services. Certification and training for building operators and tenants respectively are also subsidized by this program.

### **b. Direct Installed Lighting (DIL) and Direct Serviced Space Cooling (DSSC)**

DI programs target customers in the General Service less than 50kW demand category. The measures are primarily lighting and space cooling. Participants will receive \$1000 worth of lighting upgrade and \$750 worth of space cooling services. The pre-project assessment is provided by the contractors and no additional payment is required to the customer.

### **c. Equipment Replacement for Small Customers**

This program is a supplement for DIL and DSSC Programs. Standard prescriptive incentives will be available for equipment beyond the initial incentives provided by the DIL and DSSC programs.

**d. Small Commercial Demand Response**

STEI will be offering the current peaksaver program to small commercial customers until the new demand response program is launched by the OPA. Participants will receive a programmable thermostat that will enable STEI aggregator to cycle down the air conditioners during peak times. This program will be similar to the Residential DR mentioned earlier in this document.

**e. Demand Response 1**

DR1 is an initiative where distribution-connected electricity customers voluntarily provide DR capability to reduce system peak demand and increase system reliability. Participants contract through STEI or their preferred aggregator for a specific amount of DR capacity. Participants must be on standby for 1600 hours a year and are activated up to 100 hours/year. Payments are made monthly based upon performance relative to a baseline calculation. DR1 will be available to customers with peak demand of 50 kW or more that have minimum hourly interval meters.

**f. Demand Response 3**

DR3 is an initiative for distribution-connected electricity customers to provide DR capability to mandatorily reduce system peak demand and increase system reliability. The OPA will enter into contracts with the aggregators or directly with participants providing DR capacity of greater 5MW. Participants must be on standby approximately 1600 hours/year and are activated up to either 100 hours/year or 200 hours/year. There is an obligation to participate when called upon. Failure to do so may result in a financial penalty. DR3 will be available to customers with peak demand of 50kW or more that have interval meters supported by recorders with 5 minute interval capability.

### **3. Industrial Programs**

Similar to the C&I programs, the objective of the industrial programs is to assist owners and operators of industrial facilities achieve reduced demand and energy savings through the purchase and operation of energy efficient equipment. The programs aim to improve the overall electrical system and process of industrial facilities.

#### **a. Industrial Accelerator (IA)**

IA is an initiative aimed at improving the energy efficiency of the equipment and production processes. IA offers capital incentives and enabling incentives for eligible customers. Projects under this initiative must realize an annual savings of at least 100MWh. Detailed assessment of electricity savings and capital expenditures are required. Other than the capital incentives, incentives are also available for a preliminary engineering study and detailed engineering study. Such studies may support IA applications for the capital incentive. A customer, given that the OPA requirements are met, maybe entitled for an Energy Manager (EM) or Roving Energy Manager (REM) funded by the OPA. The EM will be responsible to develop a comprehensive annual energy plan and issue regular reports.

#### **b. Industrial Equipment Replacement**

This program is similar to C&I Equipment Replacement Program but targets larger industrial customers.

#### **c. Demand Response 1**

The description of this program is identical to C&I DR1 program but targets larger industrial customers.

#### **d. Demand Response 3**

The description of this program is identical to C&I DR3 program but targets larger industrial customers.

#### **4. Low-Income Programs**

This program aims on providing energy efficient tools and to educate low-income customers in conserving, not just electricity but also other forms of energy such as gas. Measures may include compact fluorescent lights, programmable thermostats, energy efficient shower heads, pipe wrap, aerators, attic insulation, basement insulation, wall insulation and draft-proofing measures. In addition, free pre and post home energy audits are also provided. STEI plans on offering low-income programs in July 2011.

#### **B. Board Approved Programs**

St. Thomas Energy Inc's strategy is to realize 4MW of demand savings and 16GWh of energy savings by implementing OPA Contracted Province Wide (Tier 1) Programs over the next four years, starting in 2011, with the exception of the OPA's Low-Income Program, which STEI will offer beginning July 2011. By the end of 2011, STEI will monitor performance against the allocated targets and will adjust the Strategy accordingly. If necessary, STEI will collaborate with other local distribution companies in implementing Board Approved Regional Programs (Tier 2) or will implement programs that are specifically designed for local STEI customers (Tier 3) to meet the allocated targets and comply with the Code.

#### **C. Program Mix**

STEI has approximately 16,000 customers: 14,300 residential customers, 1,500 General Service customers with less than 50kW demand and 200 General Service customers with more than 50 kW demand. STEI is certain that it can offer at least one conservation and demand management program to an individual customer of any sector, including low-income customers.

#### **D. CDM Programs Coordination**

To be able to accomplish the projected milestones, STEI will look at partnership opportunities with appropriate channel partners that can help promote and execute the Strategy.

<b>Consumer Programs</b>	<b>Channel Partners</b>
Instant Rebates	Local retail stores
Midstream Pool Incentives	Contractors, home builders, renovators
Midstream Electronics Incentive	Local retail stores, home builders, renovators
HVAC Rebates	HVAC contractors, home renovators
Appliance Retirement	Municipality, local retailers, multi-residential building owners
Exchange Events	Local retailers
Residential New Construction	Home builders association
Residential Demand Response	HVAC contractors, home builders and renovators

<b>Commercial and Institutional Programs</b>	<b>Channel Partners</b>
Equipment Replacement	Service provider, Contractors, Ontario Electrical League
Direct Install	Local contractors, Ontario Electrical League, Chamber of Commerce
Small Commercial Demand Response	HVAC contractors, Chamber of Commerce
Demand Response 1	DR aggregator, Municipality, School Board
Demand Response 3	DR aggregator, Municipality, School Board

<b>Industrial Programs</b>	<b>Channel Partners</b>
Industrial Accelerator	Service Providers, Contractors
Equipment Replacement	Service Providers, Contractors, Ontario Electrical League
Demand Response 1	DR aggregators
Demand Response 3	DR aggregators

<b>Low Income Programs</b>	<b>Channel Partners</b>
Low Income Program	Gas Utilities, Social Service Agencies, Municipality

Marketing Coop Students – St. Thomas Energy Inc plans to engage marketing coop students in developing the yearly marketing plan for Tier 1 programs. STEI believes that marketing initiatives must be aggressive and efficient to contact hard to reach customers.

Third Party Service Providers – STEI plans to continue procuring services from a third party consultant to manage a number of commercial, institutional and industrial programs. The consultant will be engaged to work closely with commercial and industrial customers in developing an energy efficient project plan.

DR Aggregator – STEI will partner with an approved DR aggregator to introduce DR programs to eligible customers. This will provide an opportunity for the DR aggregator and the consultant to present opportunities to customers simultaneously.

Energy Manager/Roving Energy Manager – If eligible, STEI will take advantage of the opportunity to hire an Energy Manager or Roving Energy Manager to assist industrial customers in reducing demand and energy targets.

# St. Thomasenergyinc.

*We're Your Local Power Distributor*

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
PO Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

April 28, 2011

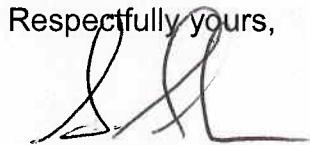
Dear Ms. Walli:

**RE: Addendum to St. Thomas Energy Inc's Conservation and Demand Management Strategy - Board File # EB-2010-0215**

As requested by the Board, St. Thomas Energy Inc (STEI) is submitting an amendment to its original Conservation and Demand Management (CDM) Strategy document (Strategy) originally filed with the Board on November 1, 2010. The addendum provides proposed budgeted figures to implement and operate the programs/initiatives indicated in the original Strategy. STEI used the best available information in preparing the overall estimated 2011-2014 CDM budget.

If you have any questions or concerns, please do not hesitate to contact myself at (519) 631-4211 ext 229 or email [sfilice@sttenergy.com](mailto:sfilice@sttenergy.com)

Respectfully yours,



Shawn Filice, MBA, P. Eng.  
Chief Operating Officer  
St. Thomas Energy Services Inc.

## Background

On November 1, 2010, St. Thomas Energy Inc (STEI) filed a Conservation and Demand Management (CDM) Strategy Document (Strategy) with the Ontario Energy Board (Board) in compliance with the CDM Code.

STEI's original Strategy submission indicated targets of 4MW demand and 16GWh energy savings. These targets were changed on November 12, 2010 to 3.94MW and 14.92GWh respectively and will be achieved mainly through Ontario Power Authority's suite of CDM Programming (Tier 1 Programs).

On February 18, 2011, the Board advised STEI that the CDM Strategy needs to be amended to include funding information. The funding information must include the overall estimated budget not just the Program Administration Budget that was provided by the OPA. To date complete funding information for Tier 1 programs are still not available.

## Methodology

To be able to comply with the Board's request, STEI used the best available information to reach the preliminary overall estimated budget for their 2011-2014 CDM Programming. STEI used the same methodology as was used by other Local Distribution Companies (LDC) such as Toronto Hydro, Chatham Kent Hydro and North Bay Hydro to estimate reasonable budgets for the Tier 1 programs. The methodology includes using the Resource Planning Tool provided by the OPA and making adjustments based on territory specific considerations.

## Prospective Budget

To respond to this direction from the Board, STEI has prepared an estimated, prospective budget for planned Tier 1 Programs. STEI's estimated overall budget requirement to meet its demand and energy targets for the 2011-2014 period is \$3,818,845.86.



<b>Program</b>	<b>Budget</b>
OPA Industrial Program	\$298,680.68
OPA Commercial and Institutional	\$2,176,102.11
OPA Consumer Program	\$1,344,063.07
OPA Low-income Program	NA
Portfolio total	\$3,818,845.86

\* Note that the prospective budget portfolio total above is not inclusive of any OPA Low-income Program costs. Further details regarding Low-income programs are pending from the OPA.

### **Limitations**

These prospective budgets are intended to provide an indication of the scale of the resources required to meet the targets for STEI. The final numbers maybe higher or lower depending on the following factors:

- Technologies and measures to be implemented
- Details of program designs and the actual cost of delivering them
- The ability to meet "typical" costs in the STEI's service area
- The possible need for the programs to exceed energy targets in order to meet demand targets (or vice versa)

STEI will report to the Board the progress relative to budget in its annual reports and will advise the Board of any adjustments required to ensure that the targets are being met.

***Attachment 2 (of 4):***

***Question 17***



EB-2010-0215  
EB-2010-0216

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

**AND IN THE MATTER OF** a Minister's Directive issued by  
the Minister of Energy and Infrastructure, to the Ontario  
Energy Board, pursuant to sections 27.1 and 27.2 of the  
*Ontario Energy Board Act, 1998* and approved by the  
Lieutenant Governor in Council on March 31, 2010 as Order  
in Council No. 437/2010;

**AND IN THE MATTER OF** a proceeding under section 74 of  
the *Ontario Energy Board Act, 1998* amending all electricity  
distributor licences.

**BEFORE:** Cynthia Chaplin  
Vice-Chair and Presiding Member

## **DECISION AND ORDER**

### **Background**

Section 27.1 of the *Ontario Energy Board Act, 1998* (the "Act") states that the Minister of Energy and Infrastructure (the "Minister") "may issue, and the Board shall implement, directives that have been approved by the Lieutenant Governor in Council that require the Board to take steps specified in the directives to promote energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources".

Section 27.2(1) of the Act states that the “Minister may issue, and the Board shall implement, directives that have been approved by the Lieutenant Governor in Council that require the Board to take steps specified in the directive to establish conservation and demand management targets to be met by distributors and other licensees”.

Section 27.2(2) provides: “To promote conservation and demand management, a directive may require the Board to specify, as a condition of a licence, the conservation targets associated with those specified in the directive, and the targets shall be apportioned by the Board between distributors and other licensees in accordance with the directive.”

Section 27.2(7) states: “A directive may specify whether the Board is to hold a hearing, the circumstances under which a hearing may or may not be held and, of a hearing is to be held, the type of hearing to be held.”

### **The Directive**

On March 31, 2010, the Minister issued a Minister’s Directive to the Ontario Energy Board (the “Board”), pursuant to sections 27.1 and 27.2 of the Act. The Directive was approved by the Lieutenant Governor in Council as O.C. 437/2010. The Directive directs the Board to amend the licences of all licensed electricity distributors.

The Directive states, in part:

1. Subject to paragraph 5, the Board shall, without a hearing and in accordance with the requirements of this Directive ... amend each distributor’s licence to add a condition requiring the distributor to achieve reductions in electricity consumption and reductions in peak provincial electricity demand through the delivery of CDM programs (“CDM Programs”) by the amounts specified by the Board (the “CDM Targets”), over a four-year period beginning January 1, 2011.
2. In establishing the CDM Targets for each distributor, the Board shall:
  - (a) ensure that the total of the CDM Targets established for all distributors is equal to 1330 megawatts (MW) of provincial peak demand persisting at the end of the four-year period and

6000 gigawatt hours (GWh) of reduced electricity consumption accumulated over the four-year period;

- (b) specify for each distributor, a CDM Target for the reduction of provincial peak electricity demand and a CDM Target for the reduction of electricity consumption, each of which must be greater than zero; and,
- (c) have regard to information obtained from the Ontario Power Authority (“OPA”), developed in consultation with distributors, regarding the reductions in provincial peak electricity demand and electricity consumption that could be achieved by individual distributors through the delivery of CDM Programs.

3. The Board shall amend the licence of each distributor as follows:

- (a) by adding a condition that specifies each distributor must meet its CDM Targets through:
  - (i) the delivery of Board approved CDM Programs delivered in the distributor’s service area (“Board-Approved CDM Programs”);
  - (ii) the delivery of CDM Programs that are made available by the OPA to distributors in the distributor’s service area under contract with the OPA (“OPA-Contracted Province-Wide CDM Programs”); or,
  - (iii) a combination of (i) and (ii)
- (b) Each licensed electricity distributor must deliver a mix of CDM Programs to all consumer types in the distributor’s service area, whether through the Board-Approved CDM Programs, OPA-Contracted Province-Wide CDM Programs or a combination of the two, as far as is appropriate and reasonable having regard to the composition of the distributor’s consumer base.

- (c) Each licensed electricity distributor must comply with the rules mandated by the Conservation and Demand Management Code for Electricity Distributors, issued on September 16, 2010.
- (d) Each licensed electricity distributor must utilize the same common Provincial brand with all:
  - (i) Board-Approved CDM Programs;
  - (ii) OPA-Contracted Province-Wide Programs, once those programs have been created; and
  - (iii) In conjunction with or co-branded with a distributor's own brand or marks.

### **Licence Amendments**

On June 21, 2010, the Board received information from the OPA, developed in consultation with distributors, regarding appropriate reductions (i.e. targets) to peak electricity demand and electricity consumption that could be obtained by individual distributors through the delivery of CDM programs. The Board circulated these proposed targets to distributors for comment on June 22, 2010. The Board considered the comments it received, and has made certain minor adjustments to the CDM Targets as described in a letter dated November 11, 2010.

In order to comply with the Directive, the Board is amending each distributor's licence. As specified in both Directive, and permitted by section 27.2(7) of the Act, these amendments are being made without a hearing. Amended licences will be issued to distributors forthwith.

### **THE BOARD THEREFORE ORDERS THAT:**

1. Each licensed electricity distributor must, as a condition of its licence, meet its respective CDM Targets as established in Appendix A and attached to this Decision.

2. Each licensed electricity distributor must, as a condition of its licence, deliver Board-Approved CDM Programs, OPA-Contracted Province-Wide CDM Programs, or a combination of the two.
3. Each licensed electricity distributor must, as a condition of its licence, comply with the Conservation and Demand Management Code for Electricity Distributors.
4. Each licensed electricity distributor must, as a condition of its licence, utilize the common Provincial brand, once made available by the Ministry, with all Board-Approved CDM Programs, OPA-Contracted Province-Wide Programs, and in conjunction with or co-branded with a distributor's own brand or marks.

**DATED** at Toronto, November 12, 2010

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

## Appendix A

### LDC CDM Targets

#	License Name	2014 Net Annual Peak Demand Savings Target (MW)	2011-2014 Net Cumulative Energy Savings Target (GWh)
1	Algoma Power Inc.	1.280	7.370
2	Atikokan Hydro Inc.	0.200	1.160
3	Attawapiskat Power Corporation	0.070	0.290
4	Bluewater Power Distribution Corporation	10.650	53.730
5	Brant County Power Inc.	3.300	9.850
6	Brantford Power Inc.	11.380	48.920
7	Burlington Hydro Inc.	21.950	82.370
8	COLLUS Power Corporation	3.140	14.970
9	Cambridge and North Dumfries Hydro Inc.	17.680	73.660
10	Canadian Niagara Power Inc.	4.070	15.810
11	Centre Wellington Hydro Ltd.	1.640	7.810
12	Chapleau Public Utilities Corporation	0.170	1.210
13	Chatham-Kent Hydro Inc.	9.670	37.280
14	Clinton Power Corporation	0.320	1.380
15	Cooperative Hydro Embrun Inc.	0.340	1.120
16	E.L.K. Energy Inc.	2.690	8.250
17	ENWIN Utilities Ltd.	26.810	117.890
18	Enersource Hydro Mississauga Inc.	92.980	417.220
19	Erie Thames Powerlines Corporation	4.280	18.600
20	Espanola Regional Hydro Distribution Corporation	0.520	2.760
21	Essex Powerlines Corporation	7.190	21.540
22	Festival Hydro Inc.	6.230	29.250
23	Fort Albany Power Corporation	0.050	0.240
24	Fort Frances Power Corporation	0.610	3.640
25	Greater Sudbury Hydro Inc.	8.220	43.710
26	Grimsby Power Inc.	2.060	7.760
27	Guelph Hydro Electric Systems Inc.	16.710	79.530
28	Haldimand County Hydro Inc.	2.850	13.300
29	Halton Hills Hydro Inc.	6.150	22.480
30	Hearst Power Distribution Company Limited	0.680	3.910
31	Horizon Utilities Corporation	60.360	281.420
32	Hydro 2000 Inc.	0.190	1.040
33	Hydro Hawkesbury Inc.	1.820	9.280
34	Hydro One Brampton Networks Inc.	45.610	189.540
35	Hydro One Networks Inc.	213.660	1,130.210
36	Hydro Ottawa Limited	85.260	374.730
37	Innisfil Hydro Distribution Systems Limited	2.500	9.200
38	Kashechewan Power Corporation	0.070	0.330
39	Kenora Hydro Electric Corporation Ltd.	0.860	5.220



#	License Name	2014 Net Annual Peak Demand Savings Target (MW)	2011-2014 Net Cumulative Energy Savings Target (GWh)
40	Kingston Hydro Corporation	6.630	37.160
41	Kitchener-Wilmot Hydro Inc.	21.560	90.290
42	Lakefront Utilities Inc.	2.770	13.590
43	Lakeland Power Distribution Ltd.	2.320	10.180
44	London Hydro Inc.	41.440	156.640
45	Middlesex Power Distribution Corporation	2.450	9.250
46	Midland Power Utility Corporation	2.390	10.820
47	Milton Hydro Distribution Inc.	8.050	33.500
48	Newmarket - Tay Power Distribution Ltd.	8.760	33.050
49	Niagara Peninsula Energy Inc.	15.490	58.040
50	Niagara-on-the-Lake Hydro Inc.	2.420	8.270
51	Norfolk Power Distribution Inc.	4.250	15.680
52	North Bay Hydro Distribution Limited	5.050	26.100
53	Northern Ontario Wires Inc.	1.060	5.880
54	Oakville Hydro Electricity Distribution Inc.	20.700	74.060
55	Orangeville Hydro Limited	2.780	11.820
56	Orillia Power Distribution Corporation	3.070	15.050
57	Oshawa PUC Networks Inc.	12.520	52.240
58	Ottawa River Power Corporation	1.610	8.970
59	PUC Distribution Inc.	5.580	30.830
60	Parry Sound Power Corporation	0.740	4.160
61	Peterborough Distribution Incorporated	8.720	38.450
62	Port Colborne Hydro Inc.	2.330	9.270
63	PowerStream Inc.	95.570	407.340
64	Renfrew Hydro Inc.	1.050	4.860
65	Rideau St. Lawrence Distribution Inc.	1.220	5.100
66	Sioux Lookout Hydro Inc.	0.510	3.320
67	St. Thomas Energy Inc.	3.940	14.920
68	Thunder Bay Hydro Electricity Distribution Inc.	8.480	47.380
69	Tillsonburg Hydro Inc.	2.290	10.250
70	Toronto Hydro-Electric System Limited	286.270	1,303.990
71	Veridian Connections Inc.	29.050	115.740
72	Wasaga Distribution Inc.	1.340	4.010
73	Waterloo North Hydro Inc.	15.790	66.490
74	Welland Hydro-Electric System Corp.	5.560	20.600
75	Wellington North Power Inc.	0.930	4.520
76	West Coast Huron Energy Inc.	0.880	8.280
77	West Perth Power Inc.	0.620	2.990
78	Westario Power Inc.	4.240	20.950
79	Whitby Hydro Electric Corporation	10.900	39.070
80	Woodstock Hydro Services Inc.	4.490	18.880
<b>Total</b>		<b>1,330.04</b>	<b>5,999.970</b>

***Attachment 3 (of 4):***

***Question 17***

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**St. Thomas Energy Inc. (ED-2002-0523)**  
**2011 EDR Application (EB-2010-0141 ) version: 10**  
**November 30, 2010**

**C2 Load Data and Forecast**

*Enter historical volume data and projections for 2010-2011*

**CUSTOMERS (CONNECTIONS)**

Customer Class Name	2005 Actual	2006 EDR Approved	2006 Actual	2007 Actual	2008 Actual
Residential	13,253	13,182	13,579	13,784	14,173
GS < 50	1,581	1,534	1,594	1,654	1,675
GS > 50	176	173	178	178	186
Large Use	1	1	1	1	1
Street Light	4,540	4,491	4,579	4,634	4,689
Sentinel		31			46
USL		41			
<b>TOTAL</b>	<b>19,551</b>	<b>19,453</b>	<b>19,931</b>	<b>20,251</b>	<b>20,770</b>

**METERED KILOWATT-HOURS (kWh)**

Customer Class Name	2005 Actual	2006 EDR Approved	2006 Actual	2007 Actual	2008 Actual
Residential	118,246,769	110,100,270	113,523,979	119,400,890	120,297,987
GS < 50	41,334,937	39,465,958	39,594,084	40,397,113	40,213,832
GS > 50	176,216,393	166,407,304	174,069,461	170,744,600	151,470,639
Large Use	38,375,623	33,294,798	36,937,199	33,251,155	28,374,428
Street Light	2,903,745	2,835,180	2,938,634	2,977,270	2,998,494
Sentinel		30,372			53,774
USL		302,063			
<b>TOTAL</b>	<b>377,077,467</b>	<b>352,435,945</b>	<b>367,063,357</b>	<b>366,771,028</b>	<b>343,409,154</b>

**KILOWATTS (kW)**

Customer Class Name	2005 Actual	2006 EDR Approved	2006 Actual	2007 Actual	2008 Actual
Residential					
GS < 50					
GS > 50	408,246	400,931	418,955	410,846	377,470
Large Use	68,146	65,250	65,717	66,206	60,397
Street Light	8,083	7,937	8,179	8,284	8,335
Sentinel		84			149
USL					
<b>TOTAL</b>	<b>484,475</b>	<b>474,202</b>	<b>492,851</b>	<b>485,336</b>	<b>446,351</b>

Customer Class Name	Loss Factor
Residential	1.0360
GS < 50	1.0360
GS > 50	1.0360
Large Use	
Street Light	1.0360
Sentinel	1.0360
USL	

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**St. Thomas Energy Inc.**  
**2011 EDR Application (EB-20**  
**November 30, 2010**

## C2 Load Data and Forecast

Enter historical volume data

### CUSTOMERS (CONNECTIONS)

Customer Class Name	2009 Actual	2009 Normalized	2010 Normalized	2010 Estimated	2011 Normalized
Residential	14,297	14,297	14,433	14,433	14,562
GS < 50	1,674	1,674	1,674	1,674	1,676
GS > 50	189	189	191	191	192
Large Use	1	1			
Street Light	4,739	4,739	4,786	4,786	4,834
Sentinel	50	50	50	50	50
USL					
<b>TOTAL</b>	<b>20,950</b>	<b>20,950</b>	<b>21,134</b>	<b>21,134</b>	<b>21,314</b>

### METERED KILOWATT-HOURS (kW)

Customer Class Name	2009 Actual	2009 Normalized	2010 Normalized	2010 Estimated	2011 Normalized
Residential	115,181,982	120,973,638	122,123,488	119,547,548	123,211,245-104,9902
GS < 50	37,219,865	40,912,371	40,912,371	36,873,785	40,961,251-158,1380
GS > 50	127,173,724	127,173,724	128,576,170	135,040,631	129,249,343-109,8718
Large Use	6,504,824	6,504,824			
Street Light	3,047,943	3,047,943	3,078,422	3,057,472	3,109,206
Sentinel	56,665	56,665	56,665	59,659	56,665
USL					
<b>TOTAL</b>	<b>289,185,003</b>	<b>298,669,165</b>	<b>294,747,116</b>	<b>294,579,095</b>	<b>292,857,710</b>

### KILOWATTS (kW)

Customer Class Name	2009 Actual	2009 Normalized	2010 Normalized	2010 Estimated	2011 Normalized
Residential					
GS < 50					
GS > 50	343,044	343,044	346,827	347,124	348,643-286
Large Use	15,788	15,788			
Street Light	8,434	8,434	8,518	8,463	8,603
Sentinel	157	157	157	166	157
USL					
<b>TOTAL</b>	<b>367,423</b>	<b>367,423</b>	<b>355,502</b>	<b>355,752</b>	<b>357,117</b>

### WHOLESALE kWh's <sup>1</sup>

Customer Class Name	2010 Normalized	2010 Estimated	2011 Normalized
Residential	126,520,525	123,851,839	#VALUE!
GS < 50	42,385,414	38,201,420	#VALUE!
GS > 50	133,205,535	139,902,747	#VALUE!
Large Use			
Street Light	3,189,260	3,167,556	3,221,152
Sentinel	58,705	61,807	58,705
USL			

<sup>1</sup> Metered kWh's multiplied by Loss Factor

***Attachment 4 (of 4):***

***Question 17***

SUMMARY OF FORECASTS AND MILESTONES				
2014 Forecasts		Annual Milestones		
Programs	MW	MWh	MW	MWh
OEB Target	3.94	14920	0.985	3730
	0.985	0.9325		
Consumer	0.87665	3,471	0.22655	868
Commercial and Institutional	2.4231	7,972	0.591	1,993
Industrial	0.54175	2,403	0.1379	601
Low Income	0.0985	1,074	0.02955	269
TOTAL	3.94	14,920	0.985	3,730

CUSTOMER CLASS ESTIMATED IMPACTS											
2014 Forecasts						Annual Milestones					
Residential		GS< 50 kW		GS>50 kW		Residential		GS< 50 kW		GS>50 kW	
MW	MWh	MW	MWh	MW	MWh	MW	MWh	MW	MWh	MW	MWh
				4	16000					1	4000
0.788985	3123.6885	0.087665	347.0765	0	0	0.203895	781.34175	0.022655	86.81575	0	0
0	0	1.817325	5978.956875	0.605775	1992.985625	0	0	0.44325	1494.564375	0.14775	498.188125
0	0	0	0	0.54175	2403.0525	0	0	0	0	0.1379	600.53
0.0985	1074.24	0	0	0	0	0.02955	268.56	0	0	0	0
0.887485	4197.9285	1.90499	6326.033375	1.147525	4396.038125	0.233445	1049.90175	0.465905	1581.380125	0.28565	1098.718125

1 **QUESTION 18**

2

3 **QUESTION**

4 Ref: Exhibit 3/ Tab 3/ Schedule 1

5 Please complete the table below. It is similar to the summary part of the form found in  
6 Appendix 2-C in Chapter 2 of the Filing Requirements for Transmission and Distribution  
7 Applications, dated June 28, 2010. For 2011, please explain the difference, if any,  
8 between the "Other Distribution Revenue" Total and the Revenue Requirement Offset  
9 reflected in the Base Revenue Requirement.

10 **RESPONSE**

11 Please refer to the attachment.

12 No explanation required for 2011 as there is no difference.

***Attachment 1 (of 1):***



Other Distribution Revenue	2006 Board approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	Year	2011 Test Year
Specific Service Charges	124,054	358,886	282,692	165,327	159,797	163,834		163,834
Late Payment charges	63,445	118,037	130,393	135,753	140,195	138,817		138,817
Other Distributing Revenues	427,601	456,824	484,049	443,727	442,871	438,280		446,475
Other Income and Expenses	38,508	-18,774	-3,770	111,675	143,231	-12,697		53,672
TOTAL	653,609	914,974	893,364	856,482	886,094	728,234		802,798
year-on-year % change		39.99%	-2.36%	-4.13%	3.46%	-17.82%		10.24%
4375-Revenues from Non-Utility Operations			210,370	363,753	534,325	374,929		463,721
4380-Expenses of Non-Utility Operations	-49,179	-63,709	-210,370	-262,857	-479,594	-426,582		-463,721
Revenue Requirement Offset	702,788	978,683	893,364	755,586	831,363	779,887		802,798
year-on-year % change		39.26%	-8.72%	-15.42%	10.03%	-6.19%		2.94%

## QUESTION 19

### QUESTION

Ref: Exhibit 1/Tab 2/Schedule 4 p.2

St. Thomas states that the fixed fee (under original Master Service Agreement ("MSA") charged by St. Thomas Energy Services Inc. ("STESI") is allocated to the different key financial accounts of St. Thomas based on the underlying activities tracked in STESI.

a) Please provide a copy of the allocation calculations that were used for the 2009 actuals and for the 2011 test year amounts.

b) What mechanism is used to allocate non-MSA variable expenses and regulatory and capital expenditures payments?

c) Has St. Thomas undertaken any studies or analyses to ensure that the cost allocation criteria currently used are appropriate? If so, please provide a copy of any such study or analyses.

d) Please provide an estimate of the additional or incremental costs that are incurred to manage and administer the fees, charges and payments associated with the STESI -St. Thomas arrangement regarding the provision of goods and services.

### RESPONSE

a) Please refer to the spreadsheet attachment in which the 2009 and 2011 allocations on an account basis are provided. The spreadsheet provides STESI's actual 2009 costs on an account basis. The cost for each account is illustrated as a percentage of the total cost of STESI. Those percentages are then used to allocate a portion of the total cost under the MSA's fixed fee for 2009. As an example, the cost recorded in

1 Account 4330 in 2009 was \$48,496, which is 1.94% of the \$2,493,452 total STESI cost.  
2 Under the MSA, the fixed fee to STEI in 2009 was \$2,367,330. Therefore, 1.94% of  
3 \$2,367,330 is \$46,043, the amount allocated to STEI's account 4330. The 2011  
4 calculations follow the same application only that 2011 is based on a budget rather than  
5 actual costs.

6  
7 b) The basis for NON MSA Costs and Capital Expenditures is STESI Cost plus  
8 Overhead Cost on the variable, regulatory and capital activities undertaken.

9  
10 c) No studies have been undertaken. STESI is following the requirements of the  
11 Master Services Agreement (MSA).

12  
13 d) All costs associated with administering the Master Services Agreement are  
14 included in the charges from STESI to STEI for a) and b) above and are administrative  
15 burdens.

***Attachment 1 (of 1):***

**Activities Tracked for the Fixed Fee****GL # and Description**

	<b>2009</b>	<b>% Allocated</b>	<b>2009</b>	<b>% Allocated</b>
	<b>STESI Cost</b>	<b>to Activity</b>	<b>STEI Cost</b>	<b>to Activity</b>
4330-Costs and Expenses of Merchandising, Jobbing, Etc.	48,496	1.94%	46,043	1.94%
5005-Operation Supervision and Engineering	92,511	3.71%	87,831	3.71%
5010-Load Dispatching	19,137	0.77%	18,169	0.77%
5016-Distribution Station Equipment - Operation Labour	3,227	0.13%	3,063	0.13%
5017-Distribution Station Equipment - Operation Supplies and Expenses	346	0.01%	329	0.01%
5020-Overhead Distribution Lines and Feeders - Operation Labour		0.00%		0.00%
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses		0.00%		0.00%
5040-Underground Distribution Lines and Feeders - Operation Labour	98,930	3.97%	93,926	3.97%
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	12,364	0.50%	11,739	0.50%
5065-Meter Expense	94,940	3.81%	90,138	3.81%
5070-Customer Premises - Operation Labour	19,066	0.76%	18,102	0.76%
5075-Customer Premises - Materials and Expenses	2,254	0.09%	2,140	0.09%
5085-Miscellaneous Distribution Expense	105,349	4.23%	100,020	4.23%
5090-Underground Distribution Lines and Feeders - Rental Paid	45	0.00%	43	0.00%
5095-Overhead Distribution Lines and Feeders - Rental Paid	896	0.04%	850	0.04%
5105-Maintenance Supervision and Engineering	18,389	0.74%	17,459	0.74%
5114-Maintenance of Distribution Station Equipment	12,995	0.52%	12,338	0.52%
5120-Maintenance of Poles, Towers and Fixtures	1,177	0.05%	1,118	0.05%
5125-Maintenance of Overhead Conductors and Devices	208,567	8.36%	198,017	8.36%
5130-Maintenance of Overhead Services	103,085	4.13%	97,871	4.13%
5135-Overhead Distribution Lines and Feeders - Right of Way	106,078	4.25%	100,712	4.25%
5145-Maintenance of Underground Conduit		0.00%		0.00%
5150-Maintenance of Underground Conductors and Devices	9,562	0.38%	9,079	0.38%
5155-Maintenance of Underground Services	10,905	0.44%	10,353	0.44%
5160-Maintenance of Line Transformers	57,582	2.31%	54,669	2.31%
5175-Maintenance of Meters		0.00%		0.00%
5305-Supervision	87,885	3.52%	83,440	3.52%
5310-Meter Reading Expense	134,474	5.39%	127,672	5.39%
5315-Customer Billing	439,461	17.62%	417,232	17.62%
5320-Collecting	323,250	12.96%	306,900	12.96%
5325-Collecting- Cash Over and Short		0.00%		0.00%
5330-Collection Charges		0.00%		0.00%
5335-Bad Debt Expense		0.00%		0.00%
5340-Miscellaneous Customer Accounts Expenses		0.00%		0.00%
5410-Community Relations - Sundry	3,922	0.16%	3,724	0.16%
5415-Energy Conservation		0.00%		0.00%
5420-Community Safety Program	7,479	0.30%	7,100	0.30%
5605-Executive Salaries and Expenses	164,711	6.61%	156,380	6.61%
5610-Management Salaries and Expenses	149,795	6.01%	142,218	6.01%
5615-General Administrative Salaries and Expenses	103,689	4.16%	98,444	4.16%
5620-Office Supplies and Expenses	3,617	0.15%	3,434	0.15%
5630-Outside Services Employed	15,043	0.60%	14,282	0.60%
5635-Property Insurance		0.00%		0.00%
5640-Injuries and Damages		0.00%		0.00%
5655-Regulatory Expenses		0.00%		0.00%
5660-General Advertising Expenses	671	0.03%	637	0.03%
5665-Miscellaneous General Expenses	33,555	1.35%	31,858	1.35%
5675-Maintenance of General Plant		0.00%		0.00%
5680-Electrical Safety Authority Fees		0.00%		0.00%
<b>Total STESI Actual Costs</b>	<b>2,493,452</b>	<b>100.00%</b>		
<b>Total STEI Fixed Fee</b>			<b>2,367,330</b>	<b>100.00%</b>

**Activities Tracked for the Fixed Fee****GL # and Description**

	<b><u>2011</u></b>	<b><u>% Allocated</u></b>	<b><u>2011</u></b>	<b><u>% Allocated</u></b>
	<b><u>STESI Cost</u></b>	<b><u>to Activity</u></b>	<b><u>STEI Cost</u></b>	<b><u>to Activity</u></b>
4330-Costs and Expenses of Merchandising, Jobbing, Etc.		0.00%		0.00%
5005-Operation Supervision and Engineering	169,241	6.45%	148,666	6.45%
5010-Load Dispatching	16,451	0.63%	14,451	0.63%
5016-Distribution Station Equipment - Operation Labour	5,094	0.19%	4,475	0.19%
5017-Distribution Station Equipment - Operation Supplies and Expenses	592	0.02%	520	0.02%
5020-Overhead Distribution Lines and Feeders - Operation Labour	0	0.00%		0.00%
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	5,988	0.23%	5,260	0.23%
5040-Underground Distribution Lines and Feeders - Operation Labour	43,784	1.67%	38,461	1.67%
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	12,444	0.47%	10,931	0.47%
5065-Meter Expense	39,049	1.49%	34,302	1.49%
5070-Customer Premises - Operation Labour	7,567	0.29%	6,647	0.29%
5075-Customer Premises - Materials and Expenses	1,971	0.08%	1,731	0.08%
5085-Miscellaneous Distribution Expense	59,920	2.28%	52,635	2.28%
5090-Underground Distribution Lines and Feeders - Rental Paid	51	0.00%	45	0.00%
5095-Overhead Distribution Lines and Feeders - Rental Paid	8,923	0.34%	7,838	0.34%
5105-Maintenance Supervision and Engineering	22,724	0.87%	19,961	0.87%
5114-Maintenance of Distribution Station Equipment	101,942	3.89%	89,548	3.89%
5120-Maintenance of Poles, Towers and Fixtures	14,165	0.54%	12,443	0.54%
5125-Maintenance of Overhead Conductors and Devices	100,651	3.84%	88,414	3.84%
5130-Maintenance of Overhead Services	59,651	2.27%	52,399	2.27%
5135-Overhead Distribution Lines and Feeders - Right of Way	127,365	4.86%	111,881	4.86%
5145-Maintenance of Underground Conduit	0	0.00%		0.00%
5150-Maintenance of Underground Conductors and Devices	13,541	0.52%	11,895	0.52%
5155-Maintenance of Underground Services	11,382	0.43%	9,998	0.43%
5160-Maintenance of Line Transformers	29,551	1.13%	25,958	1.13%
5175-Maintenance of Meters	887	0.03%	779	0.03%
5305-Supervision	103,342	3.94%	90,778	3.94%
5310-Meter Reading Expense	130,331	4.97%	114,486	4.97%
5315-Customer Billing	485,121	18.50%	426,143	18.50%
5320-Collecting	377,072	14.38%	331,230	14.38%
5325-Collecting- Cash Over and Short	0	0.00%		0.00%
5330-Collection Charges	0	0.00%		0.00%
5335-Bad Debt Expense	0	0.00%		0.00%
5340-Miscellaneous Customer Accounts Expenses	1,823	0.07%	1,601	0.07%
5410-Community Relations - Sundry	35,769	1.36%	31,420	1.36%
5415-Energy Conservation	0	0.00%		0.00%
5420-Community Safety Program	5,138	0.20%	4,513	0.20%
5605-Executive Salaries and Expenses	292,219	11.14%	256,693	11.14%
5610-Management Salaries and Expenses	174,384	6.65%	153,183	6.65%
5615-General Administrative Salaries and Expenses	85,620	3.26%	75,211	3.26%
5620-Office Supplies and Expenses	10,043	0.38%	8,822	0.38%
5630-Outside Services Employed	4,311	0.16%	3,787	0.16%
5635-Property Insurance	0	0.00%		0.00%
5640-Injuries and Damages	0	0.00%		0.00%
5655-Regulatory Expenses	0	0.00%		0.00%
5660-General Advertising Expenses	16,712	0.64%	14,680	0.64%
5665-Miscellaneous General Expenses	47,645	1.82%	41,853	1.82%
5675-Maintenance of General Plant	0	0.00%		0.00%
5680-Electrical Safety Authority Fees	0	0.00%		0.00%
<b>Total STESI Actual Costs</b>	<b><u>2,622,463</u></b>	<b>100.00%</b>		

**Total STEI Fixed Fee****2,303,638****100.00%**

MASTER SERVICES AGREEMENT SECTION 5.01

Base Financial Consideration Fixed Fee							Base Direct Cost	LDC Direct Cost	Total O M & A
	(A)	(B)	(C)	(D)	(E)	(F)			
		Performance	Customer			80 % of			
		Based	Count	Current Year	Customer	Customer			
Year	Prior Year Base	Regulation	Adjustment	Base	Count Change	Count Change			
		Reduction	(A x F)	(A + B + C)		(E x 80%)			
2005				2,412,332					
2006	2,412,332	-45,000	53,898	2,421,230	2.793%	2.234%	947,521	26,114	3,394,865
2007	2,421,230	-45,000	41,554	2,417,784	2.145%	1.716%	1,186,475	-58,259	3,546,000
2008	2,417,784	-45,000	36,488	2,409,272	1.886%	1.509%	701,794	-14,217	3,096,849
2009	2,409,272	-45,000	3,058	2,367,330	0.159%	0.127%	869,960	9,732	3,247,022
2010	2,367,330	-45,000	8,696	2,331,026	0.459%	0.367%	725,251	3,599	3,059,876
2011	2,331,026	-45,000	17,612	2,303,638	0.944%	0.756%	1,433,131	16,811	3,753,580

**QUESTION 20**

**QUESTION**

Ref: Exhibit 1/Tab 2/Schedule 4

What steps has St. Thomas undertaken to assure itself that the MSA fees, the non-MSA expenses payments and the capital and regulatory expenditures payments charged by STESI are no more than market?

**RESPONSE**

In regard to MSA fees, STEI believes the MSA fees paid are below market as they were based on a proportionate share of the expenses at the time STEI was set up (from the former PUC) in November 2000. Therefore, the MSA costs do not reflect the inflationary increases over the past eleven years. The MSA, as found under Exhibit 1, Tab 2, Schedule 4, Attachment 1, discusses the fee under 5.01 (a).

In regard to Non-MSA and regulatory costs, STEI believes that the costs charged by STESI are below market pricing because market pricing includes a profit margin. STESI charges STEI for these costs on a fully-allocated cost basis (i.e. non-profit).

In regard to capital expenditures, STEI believes that capital expenditure costs charged by STESI to STEI are below market because only a small margin factor charged on fully allocated costs is expected to generate a portion of earnings for the STESI fixed assets utilized in servicing STEI. It is also believed that profit % provides a level of compensation for the STESI fixed assets that is lower than Cost of Capital permitted by STEI to earn on its distribution assets. These fixed assets (ie. rolling stock, furniture, computers, etc.) are not in STEI's rate base. If the assets were in STEI's rate base, then



- 1 we would likely be allowed to earn the regulated return on the assets. However, because
- 2 the assets are owned by STESI they are not included in STEI's rate base.

## QUESTION 21

### QUESTION

Ref: Exhibit 1/Tab4/Schedule 2 attachment 3

St. Thomas's interim statements, for the period ended September 30, 2010, show that its actual "Expenses" of \$4,146,039 are about 6.5% less than the year-to-date 2010 budget.

a) Please prepare a similar calculation for just the "OM&A" portion of "Expenses".

b) Please indicate and explain whether, and to what extent, the year-to-date variance shown in the response to a) will reverse by the end of the year so that the full year actual vs budget variance will be minimal, i.e +/- 2%.

### RESPONSE

a) As indicated at Exhibit 11, Tab 1, Schedule 9, the September 2010 year to date results were an integral part in the development of the 2010 full year estimate used in the Bridge Year. We have included the statements to show our "stepping out" point for the projections. In addition, our quarter end, unaudited year to date amounts do not include accruals for services and products received and not yet billed. Our accruals are normally done only at year end audit. As well, the budget amount year to date is an arithmetic division over a twelve month period. As a result, it is more useful to focus the review on the year end 2010 bridge year only and not the year to date results. Incorporated in the full year estimate is the year to date results at September plus all expenses to the end of the year. To analyse the OM&A expenses for STEI, please refer to the full year variance analysis.

- 1 b) As indicated in a) above, since the actual results were fully factored into the 2010
- 2 Bridge Year estimate, then we anticipated minimal variance between the 2010 full year
- 3 actual results and the estimate provided.

**QUESTION 22**

**QUESTION**

Ref: Exhibit 1/Tab2/Schedule 2 and Exhibit 4 Tab 1 Schedule 1 p3.

Please identify the inflation rate used for the 2011 OM&A forecast and the source document for the inflation assumptions.

**RESPONSE**

As indicated under Exhibit 1, Tab 4, Schedule 5, Attachment 1, Page 2 of 2, a portion of the costs are based on a fixed fee which does not include any inflation in the formula. The fixed fee per customer actually reduces annually based on the formula within the MSA.

The other costs are developed under the process identified under Exhibit 1, Tab 4 Schedule 5. Through the process, 3% had been used for labour as this was the rate of the existing labour agreement and we expect will be part of the new agreement which will be negotiated in early May of 2011.

As also indicated, expenses outside of the specifically identified costs and or contracted rate changes, were increased by 3%. We did not utilize a specific outside source for this 3% figure and it was based on our internal estimate. We based the estimate on external information such as commodity and market reports from our bank (and their competitors), which discuss general inflation, commodity prices, fuel, etc. We do not hold these documents on file.

## QUESTION 23

### QUESTION

Ref: Exhibit 4/Tab2/Schedule 1 attachment 4 and Exhibit 4/Tab2/Schedule3

The evidence shows the following amounts in Account 5655 (Regulatory Services):  
2009 actual - \$70,888; 2010 bridge - \$60,346 and; 2011 test - \$175,896 (of which about \$72,000 is ongoing and \$103,000 is ¼ of the projected costs of \$412,000 for this proceeding). St. Thomas breaks-out (see below) the anticipated costs for this proceeding.

#### 2011 Rate Rebasing Application

STEI expects to incur \$412,400 of costs to file and defend its 2011 Rate Rebasing application. This amount consists of:

- Deferred costs incurred in 2010 to prepare the 2011 Cost of Service rate application by a newly created position - \$62,400
- Provision of third party consulting services
  - LRAM SSM support - \$12,000
  - General Regulatory Support - \$158,000
- Provision of legal services - \$100,000
- An allowance for intervenor costs - \$75,000
  - Assuming 3 active intervenors who claim an average of \$25,000 each
- The costs of publishing and serving the Notice of Application - \$5,000

a) Are Salaries and Wages costs limited to the position mentioned in the first bullet?

b) For each bulleted activity, please indicate the known costs incurred to date.

2	a)	Yes. Salaries and Wages are limited to the Director, Regulatory Affairs.	
3			
4	b)	Deferred costs incurred in 2010 to prepare the 2011 Cost of Service rate	
5		application by a newly created position -	\$76,149
6		Provision of third party consulting services:	
7		LRAM SSM support -	12,000
8		General Regulatory Support -	181,358
9		Provision of legal services -	32,759
10		An allowance for intervener costs -	0
11		The costs of publishing and serving the Notice of Application -	213
12			-----
13		Total to Date	\$302,479
14			=====
15			

## QUESTION 24

### QUESTION

Ref: Exhibit 4/Tab1 /Schedule 1 & Exhibit 4/Tab 2 /Schedule 7

St. Thomas explains that about \$338,000 of the increase in OM&A between 2010 and 2011 is due to 3 new positions.

- Director of Regulatory Affairs (1 FTE) created in 2010: \$247,000
- Financial Analyst (.4 FTE) filled in November 2010: \$60,000
- Chief Information Officer (.2 FTE) to be filled mid 2011: \$36,000

a) Re: Director of Regulatory Affairs

i.) Does the 2010 OM&A presented in evidence include any costs related to this position? If so please specify.

ii.) What costs, in addition to salaries, benefits, pension and incentive, are included in the \$247,000?

iii.) Will the Director of Regulatory Affairs provide any advice and/or support to St. Thomas's affiliates?

iv.) Does St. Thomas expect its ongoing consultant costs for regulatory type services to decline as a result of this new position?

b) Re: Financial Analyst

i.) Please provide the allocation calculation that supports the 40% cost allocation to St. Thomas.

ii.) Does the 2010 OM&A presented in evidence include any costs related to this position? If so please specify.

iii.) What expenses, in addition to salaries, benefits, pension, and incentive, are included in the \$60,000?

iv.) The analyst is to complete the IFRS conversion and work on process re-engineering. Are there any reasons, other than those mentioned in the pre-filed

1 evidence, for not recording the Financial Analyst costs in the deferral account set  
2 up for this purpose? Are any re-engineering savings reflected in the test year  
3 OM&A?  
4

5 c) Chief Information Officer

6 i.) Please provide the allocation calculation that supports a 20% cost allocation to  
7 St. Thomas.

8 ii.) Does the 2010 OM&A presented in evidence include any costs related to this  
9 position? If so please specify.

10 iii.) What expenses, in addition to salaries, benefits, pension, and incentive, are  
11 included in the \$36,000?

## 12 **RESPONSE**

13 a) Director of Regulatory Affairs

14 i) No. All costs of this position in 2010 went to the COS Rate Application  
15 preparation.  
16

17 ii) There are no other costs. The estimate represents the costs plus benefits  
18 and administrative burden.  
19

20 iii) The Director, Regulatory Affairs exists solely to serve the needs of STEI.  
21

22 iv) Costs for the use of consultants, that would otherwise be charged in the  
23 absence of this position will decrease. The costs of this position will, for most  
24 purposes, take the place of consultant costs. The future impact of consultant  
25 costs (i.e. how much of a decline will occur) will depend on the level of activity  
26 around further changes coming from the OEB and other regulatory bodies. One  
27 area of efficiency that will develop between now and the next cost of service rate  
28 application will be the "lessons learned" from the current COS Rate Application  
29 experience.  
30



1 b) Financial Analyst

2 i) The 40% allocation is based on an estimate of approximately 14 hours per 35-  
3 hour work week. This is a conservative estimate based on the impact of changes  
4 required within the organization to address the conversion to IFRS. We believe  
5 the estimate is lower than what would otherwise be calculated if STEI were to  
6 complete a more detailed estimate. The estimate was based upon the amount of  
7 work identified in an IFRS scan that related to STEI versus the affiliate  
8 companies. The report was completed in 2010 by KPMG. Based on the report,  
9 the key areas of work are

- 10 1. Fixed Asset Componentization
- 11 2. Capitalization policy
- 12 3. Regulatory / Deferral accounting

13  
14 Overall, we believe that the financial analyst time will focus on addressing the  
15 changes specific to STEI and the processes associated with the changes. For  
16 these reasons, the 40% estimate was a conservative estimate.

17  
18 ii) No costs for this position were included in the 2010 OM&A presented.

19  
20 iii) There are no other costs. The estimate represents the costs plus benefits  
21 and administrative burden.

22  
23 iv) We believe that the work will generate process reengineering benefits which  
24 will help reduce the future impacts of costs in STEI that are not sheltered by the  
25 MSA. These savings are outside of the IFRS work. The re-engineering savings  
26 is expected to limit the impacts of the additional work required for record keeping  
27 for IFRS purposes. No additional cost were built into OM&A to reflect any  
28 additional costs as the process change work is expected to support the hold on  
29 costs.

30  
31 c) Chief Information Officer

- 1           i)       As explained in the application (Exhibit 4, Tab 2, Schedule 7) the 20%  
2           allocation is based on an estimate of the time to be spent that will provide value  
3           to STEI.  
4           ii)       No.  
5           iii)       There are no other costs. The estimate represents the costs plus benefits  
6           and administrative burden.

**QUESTION 25**

**QUESTION**

Ref: Exhibit 4/Tab 3 /Schedule 1 attachment 1.

St. Thomas explains that about \$180,000 of the increase in OM&A between 2011 and 2010 reflects the full year return of one employee from the Smart Meter project to normal customer service activities and the full year costs of an additional employee hired in 2010 to work on Smart Meters who, in 2011, will work in customer service to meet service demands associated with LEAP, CDM and Distribution System Code Changes.

a) During 2010 how, without incurring costs, did St. Thomas meet the Customer Service workload requirements normally handled by the employee assigned to Smart Meters?

b) Regarding the new position added in 2010:

i.) How did St. Thomas handle CDM related workload before the new position became available?

ii.) Does St. Thomas view the anticipated workload related to LEAP, CDM and DSC changes staying at the same level beyond 2011?

**RESPONSE**

a) It is being assumed that the Supervisory Employee is the focus of this question. 0.55 FTE in 2010 of this employee was allocated to Smart Metering rather than OM&A due to the activities performed. On a temporary basis any overflow in supervisory matters regarding customer service activities was handled by the next senior member of the Customer Service group. This did not occur without some additional cost namely

1 overtime. It was felt that this was a more cost effective way of dealing with a temporary  
2 situation.

3

4 b) New position added in 2010

5

6 i) CDM related activities were being handled in part by customer service  
7 staff and in part by an operational staff person.

8 ii) Yes.

**QUESTION 26**

**QUESTION**

Ref: Exhibit 4/Tab1 /Schedule 1 p.2

With respect to the increase in OM&A between 2011 and 2010, St. Thomas explains that "\$76,014 ...primarily reflects STEIs Board of Directors' annual costs for corporate governance training. This training will be provided annually for the next four years."

a) Please confirm that the costs of the said training will total \$304,056 over 4 years.

b) How many directors will be participating in the training program? Are any of these directors also directors of St. Thomas's affiliates?

c) Please provide the cost elements and/or services that comprise an expenditure of \$76,000.

**RESPONSE**

a) We do not confirm that the training costs will total \$304,056 over the next 4 years. We have accidentally deleted important text. The total costs estimated for our Board of Directors in 2011 is \$76,014 of which \$27,750 relates to board fees/salaries and expenses and the remaining \$48,264 relates to STEI's board's share of training and board selection. Included in the training is governance training and a board certification program.

Of the \$27,750 in board fees and expenses in 2011, this is a marginal increase of the estimated costs of \$27,398 for 2010. It is expected that these costs will increase marginally over the next three years.

1 In respect to the training, there were amounts budgeted originally for the members in  
2 2010. Because of delays in negotiating the training, and timing of board members, it  
3 was not expected that they would have time to start the training in 2010 and, as a result,  
4 these costs were eliminated in developing the 2010 Bridge Year estimate.

5  
6 The governance training portion allocated to STEI is roughly \$13,700/year and is  
7 expected to be for two years. The board members are currently negotiating with a  
8 professor from McMaster University that specializes in that field.

9  
10 The certification program allocated to STEI is roughly \$19,600/year of the costs and is  
11 the cost of the program for one board member. It is expected that one board member  
12 will complete the program over each of the next four years.

13  
14 The remaining amounts represent costs associated with board selection, conferences  
15 and other board related expenses. The board selection costs are reoccurring as board  
16 members serve for periods and there tend to be reviews completed for 1 to 2 board  
17 members each year. STEI's annual selection costs are under \$3,000.

18  
19 Conference related costs are estimated at \$6,000 to \$7,000 annually.

20  
21 Finally, all other annual costs are under \$3,000 each.

22  
23 b) All the board members will be participating in the board governance training. These  
24 include the board member of St. Thomas Energy Inc., St. Thomas Energy Services Inc.  
25 and St. Thomas Holding Inc. There are six members on each board. Of the six member  
26 of the St. Thomas Energy Inc. board, two are also members of St. Thomas Holding and  
27 St. Thomas Energy Services Inc. and one board member is also a member on the St.  
28 Thomas Energy Services Board. Three of the members of St. Thomas Energy Inc.'s  
29 board are not on any other affiliate boards.

1 For the certificate program, only one person is budgeted for each year. Overall, the  
2 costs reflect the costs for the STEI members that are not on any other affiliate board,  
3 and a pro-rata share of board member costs who sit on affiliate's boards.

4

5 c) We believe the cost elements have been identified through the answer outlined under  
6 a). Specifically, the \$76,014 includes annual fees/salaries for board and related  
7 expenses (expected to continue over next four years), training for governance (expected  
8 to occur for next two years), certification (expected to continue over next four years),  
9 conferences and board selection (expected to continue over next four years).

**QUESTION 27**

**QUESTION**

Ref: Exhibit 4/Tab1 /Schedule 1 p.2

With respect to the increase in OM&A between 2011 and 2010, St. Thomas explains that \$67,053 that can be attributed to the Office Building/Service Centre for the following planned activities:

- i. replace end-of-life HVAC equipment to address heating, cooling and air quality issues;
- ii. replace defective access gates to address security concerns (inventory was stolen in 2010);
- iii. install attic firewall separation to meet fire regulations (inspection was done in 2010); and
- iv. paving of outside parking areas to comply with accessibility legislation.

a) Please explain why these expenditures are being expensed to OM&A rather than charged to capital?

**RESPONSE**

a) Capital expenditures are normally incurred to; 1) build a new asset with an anticipated life over many years or, 2) prolong the life of an existing asset.

Of the four items above only i) would have some merit in prolonging the life of the building and could potentially be considered as a capital expenditure. However the HVAC equipment replacement will cost about \$20,000 to replace and if you compare that cost to the overall cost of the building it is not a material amount. This is one of several units and the last to be replaced. Prior practice has consistently been to expense this kind of activity.



**QUESTION 28**

**QUESTION**

Ref: Exhibit 4/Tab2/Schedule 1

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

a) Please state whether or not the proposed pension costs include this increase.

b) If so, please provide the forecasted increase by years and the documentation to support the increases.

c) If not, please state how the applicant proposes to deal with this increase.

**RESPONSE**

a) The pension costs increase of 1% contribution increases (matched by employers) beginning in 2011 has been factored into the 2011 costs for the affiliate companies only. St. Thomas Energy Inc. ("STEI") does not have any employees. As indicated under Exhibit 1, Tab 4, Schedule 5, Attachment 1, Page 2 of 2, services are procured under the MSA. Risk associated with increases in OMERS are the risk (and cost) of the affiliate companies.

b) Please refer to the response to (a) above.

c) Please refer to the response to (a) above.

**QUESTION 29**

**QUESTION**

Ref: Exhibit 4/Tab3/Schedule 1 attachment 1

St. Thomas indicates that \$20,220 of the increase in OM&A between 2011 and 2010 is due to costs associated with disposing of one obsolete transformer.

a) Does the 2011 rate base include any net plant value for this transformer?

**RESPONSE**

a) The statement should have read "The increase is due to costs associated with the disposing of a vacant substation property and an obsolete transformer". The transformer was fully depreciated when it was removed from service as the distribution station had been in use since the 1970's. The majority of the \$ 20,220 relates to anticipated costs to dispose of the property. The transformer will be sold for scrap and any resulting gain or loss will be allocated to Other Income/Deductions.

1

## QUESTION 30

2

### 3 QUESTION

4 Ref: Exhibit 5/ Tab 1/ Schedule 1

5 Please complete the form found in Appendix 2-N in Chapter 2 of the *Filing Requirements*  
6 *for Transmission and Distribution Applications*, dated June 28, 2010 for each of 2006  
7 Board-approved, 2009, 2010, and 2011.

### 8 RESPONSE

9 Please see Attachment 1.

***Attachment 1 (of 1):***

***Question 30***

File Number: EB-2010-0141  
Exhibit: 11  
Tab: 1  
Schedule: 30  
Page: 1 of 4  
Date: 06-May-11

### Capitalization/Cost of Capital - 2006 Approved

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Application</b>					
	<b>Debt</b>					
1	Long-term Debt	50.00%	\$10,794,145	7.25%		\$782,576
2	Short-term Debt	(1)	\$ -			\$ -
3	<b>Total Debt</b>	50.0%	\$10,794,145	7.25%		\$782,576
	<b>Equity</b>					
4	Common Equity	50.00%	\$10,794,145	9.00%		\$971,473
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	50.0%	\$10,794,145	9.00%		\$971,473
7	<b>Total</b>	100.0%	\$21,588,290	8.13%		\$1,754,049

#### Notes

(1) 4.0% unless an applicant utility has proposed or been approved for a different amount.

File Number: EB-2010-0141  
Exhibit: 11  
Tab: 1  
Schedule: 30  
Page: 2 of 4  
Date: 06-May-11

### Capitalization/Cost of Capital - 2009 Actual

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Application</b>					
	<b>Debt</b>					
1	Long-term Debt	56.00%	\$13,010,033	7.62%		\$991,365
2	Short-term Debt	4.00% (1)	\$929,288	1.33%		\$12,360
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$13,939,321</b>	<b>7.20%</b>		<b>\$1,003,724</b>
	<b>Equity</b>					
4	Common Equity	40.00%	\$9,292,881	8.01%		\$744,360
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$9,292,881</b>	<b>8.01%</b>		<b>\$744,360</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$23,232,202</b>	<b>7.52%</b>		<b>\$1,748,084</b>

#### Notes

(1) 4.0% unless an applicant utility has proposed or been approved for a different amount.

File Number: EB-2010-0141  
Exhibit: 11  
Tab: 1  
Schedule: 30  
Page: 3 of 4  
Date: 06-May-11

### Capitalization/Cost of Capital - 2010 Actual

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Application</b>					
	<b>Debt</b>					
1	Long-term Debt	56.00%	\$13,273,735	5.87%		\$779,168
2	Short-term Debt	4.00% (1)	\$948,124	2.07%		\$19,626
3	<b>Total Debt</b>	60.0%	\$14,221,859	5.62%		\$798,794
	<b>Equity</b>					
4	Common Equity	40.00%	\$9,481,239	9.85%		\$933,902
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	40.0%	\$9,481,239	9.85%		\$933,902
7	<b>Total</b>	100.0%	\$23,703,098	7.31%		\$1,732,696

#### Notes

(1) 4.0% unless an applicant utility has proposed or been approved for a different amount.

File Number: EB-2010-0141  
 Exhibit: 11  
 Tab: 1  
 Schedule: 30  
 Page: 4 of 4  
 Date: 06-May-11

### Capitalization/Cost of Capital - 2011 Proposed

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return
		(%)	(\$)	(%)		(\$)
	<b>Application</b>					
	<b>Debt</b>					
1	Long-term Debt	56.00%	\$13,402,591	5.32%		\$713,018
2	Short-term Debt	4.00% (1)	\$957,328	2.46%		\$23,550
3	<b>Total Debt</b>	<b>60.0%</b>	<b>\$14,359,919</b>	<b>5.13%</b>		<b>\$736,568</b>
	<b>Equity</b>					
4	Common Equity	40.00%	\$9,573,280	9.58%		\$917,120
5	Preferred Shares		\$ -			\$ -
6	<b>Total Equity</b>	<b>40.0%</b>	<b>\$9,573,280</b>	<b>9.58%</b>		<b>\$917,120</b>
7	<b>Total</b>	<b>100.0%</b>	<b>\$23,933,199</b>	<b>6.91%</b>		<b>\$1,653,688</b>

#### Notes

(1) 4.0% unless an applicant utility has proposed or been approved for a different amount.



**QUESTION 31**

**QUESTION**

Ref: Exhibit / Tab 4/ Schedule 2 attachment 2 p.14 par.13

St. Thomas's 2009 audited financial statements indicate that St. Thomas has guaranteed the bank indebtedness of a related company, St. Thomas Energy Services Inc, to a maximum of \$1,100,000.

a) What is the current status of this guarantee? i.e. is the guarantee still in effect, has the maximum changed and are there similar guarantees for other affiliates?

b) All else being equal is St. Thomas's financial risk negatively impacted by this guarantee?

c) Are there any direct or indirect costs to St. Thomas because of this guarantee, or put another way, would St. Thomas's cost of doing business be lower if it did not guarantee the debt of its affiliate?

d) Does St. Thomas believe that its financial capacity to operate and invest, as a regulated distributor of electricity, would not be constrained if it were required to make good the debt on behalf of its affiliate. If so, please explain why.

**RESPONSE**

a) The guarantee identified in the financial statements is no longer in effect as a new banking arrangement was completed in 2010 which replaced all the credit facilities for each affiliate company with one credit facility for STEI's parent company, St. Thomas Holding Inc. ("STHI"). STHI had previously guaranteed the bank facilities for all its subsidiary companies. As part of this new banking facility, STEI provides a limited

1 guarantee of its shareholder equity; please see Exhibit 11, Tab 2, Schedule 3,  
2 Attachment 1, Note 8. All other affiliates of STHI have provided unlimited guarantees  
3 over the new credit facility.  
4

5 b) Under the new banking arrangement, we do not believe that STEI's financial risk is  
6 negatively impacted by the guarantee. In exchange for the guarantee, STEI is provided  
7 access to a shared operating facility which is larger than the previous \$3.0 million facility  
8 that was in place. In addition, the new banking arrangement has provided STEI with  
9 access to a larger term facility which it has utilized to finance spending for the smart  
10 meter program. As well, financial risk has been further reduced as a portion of the term  
11 facility has been able to be fixed which reduces the rate risk associated with the  
12 borrowed funds.  
13

14 c) Through STEI's participation in STHI's credit facility, the financing risk has been  
15 reduced. As well, because of the overall scale of the credit, the overall costs of credit  
16 compared with a like sized entity has been reduced. If STEI were to continue with a  
17 stand-alone facility, STEI would incur additional costs for stand-by fees on the operating  
18 facility (not shared with any affiliate), there would have been a set up charge (which was  
19 absorbed by the parent company) and the term loans for the Smart meter program  
20 would have been higher.  
21

22 d) STEI's financial capacity would not be constrained if it were required to make good  
23 on the debt on behalf of its parent. Through review of the 2009 financial statements,  
24 STEI had \$11.15 million in equity compared with \$7.71 million in funded debt (to the  
25 municipality). There is enough room, based on the 2009 statements, to move \$3.6  
26 million in funds out of STEI and still remain within the 60% debt to capitalization. As  
27 well, the shareholder has subordinated their debt holding in STEI to the bank to provide  
28 additional support for STEI.

## QUESTION 32

### QUESTION

Ref: Exhibit 5/ Tab 1/ Schedule 1 & 2

The information presented in the following table is from or an extrapolation from Exhibit 5-1-1 Attachment 1.

2011 Cost of Capital					
	Rate Base Amount	Weight	Rate	Weighted Rate	Cost
Long Term Debt	\$13,402,591	56.00%	5.48%	3.07%	\$734,462
Short Term Debt	\$957,328	4.00%	2.43%	0.10%	\$23,263
Total Debt	\$14,359,919				\$757,725
Equity	\$9,573,280	40.00%	9.66%	3.86%	\$924,779
Total	\$23,933,199	100.00%		7.03%	\$1,682,504

Source: Exhibit 5-1-1, attachment 1

Please confirm that it accurately captures St. Thomas' cost of capital and capital structure underpinning its proposed 2011 revenue requirement found in the pre-filed evidence. If it doesn't please correct where appropriate.

### RESPONSE

The table set out above is incorrect. As discussed at Exhibit 11, Tab 1, Schedule 34, St. Thomas is seeking a weighted average cost of debt of 5.6%, not 5.48%.

## QUESTION 33

### QUESTION

Ref: Exhibit 5/ Tab 1/ Schedule 1 and Schedule 2 Attachment 2.

On November 15, 2010 St. Thomas amended and restructured its promissory note in the amount of \$7,714,426 at an interest rate of 9% [in the cost of capital calculation St. Thomas uses a deemed rate in the 5.5% range] with the city of St. Thomas (the "city"). The amended note calls for \$100,000 in re-structuring fees and \$125,000 in set-up fees. The note is repayable in full on the earlier of (i) the maturity date, November 15, 2015, and (ii) the date which is 366 days from the date on which the Holder [city] makes written demand to the Debtor [St. Thomas] for payment.

a) Are any or all of the costs for the fees associated with the restructuring and set-up of the amended note included in St. Thomas' 2011 proposed revenue requirement? If so, please specify the amount.

b) Does St. Thomas view the amended promissory note with its affiliate as a "new" debt instrument?

c) Do the terms and conditions of the note preclude the Holder from requiring repayment of the principal at any time during 2011 (calendar year)?

d) Does St. Thomas agree that there is increased variability risk inherent in a debt instrument which may have to be repaid at the option of the Holder versus one which has a fixed term?

1   **RESPONSE**

2   a) No. The fees were paid in the Bridge Year 2010 and not included in the 2011  
3   revenue requirement. We also confirm that the annual review fee is not included in the  
4   revenue requirement. As shown at Exhibit 11, Tab 4, Schedule 32, we are proposing  
5   the Board's deemed long-term debt rate at the time the time of issuance, being 5.87%,  
6   for our revenue requirement associated with the promissory note. (5.60% on weighted  
7   average basis on our Long Term Debt).

8

9   b) Yes, we believe that the amended promissory note is a "new" debt instrument for  
10   regulatory purposes.

11

12   c) No. There was no request made by the city for repayment in 2010 and there has  
13   been no request to date. Therefore, the promissory note is not callable in the Test Year.

14

15   d) STEI does not believe that the risk has increased. In its current form, in the event  
16   that the City of St. Thomas ("City") requires repayment on the promissory note, STEI  
17   would have 366 days to refinance the loan. Based on the overall strength of STEI, the  
18   refinancing would be fairly straight forward and there would be a number of potential  
19   lenders who would be willing to refinance the debt in order to enable STEI to pay the  
20   City. In the end, under this hypothetical scenario, STEI would be in control of selecting  
21   the financing partner.

## QUESTION 34

### QUESTION

Ref: Exhibit 5/ Tab 1/ Schedules 1 and 2, and Schedule 2 Attachment 2.

In the weighted cost of capital calculation shown in the pre-filed evidence, St. Thomas used a deemed Long Term Debt rate of 5.48% [Board deemed debt rate for Jan 1, 2011 rates]. St. Thomas indicated that it would be filing a revised rate [5.6%] to reflect its actual debt instruments, being the amended note and a term credit facility with a bank and provided the following calculation.

**St. Thomas Energy Inc.**  
**Weighted Average Cost of Debt**

Long Term Debt	Amount	Rate Used	Weighted Average
Shareholder Promissory Note	7,714,426.00	5.87%*	4.04%
Term Facility - Bank	3,500,000.00	5.00%**	1.56%
	<b>11,214,426.00</b>		<b>5.60%</b>

\*Represents the rate OEB prescribed long term rate for May 1, 2010 rate applications

\*\*Represents budget rate used

a) Will St. Thomas update at the appropriate time during this proceeding its cost of capital calculations consistent with the rates set out in the Board's letter of March 3, 2011? In particular, please confirm what rate it will use for the Shareholder Promissory Note shown in the table above.

b) Has St. Thomas increased its Term Facility draw from \$2.5 million to \$3.5 million? If so, when did this occur, and at what rate? If not, when will it occur?

1 c) Please confirm that the draw (of \$3.5 million) is/will be for a fixed five year period.

2 Please confirm whether the interest rate is subject to change during the five years?

3

4 d) What actual interest rate was St. Thomas charged for the Term Facility in 2009 and  
5 2010?

6

7 e) Briefly explain how the rate is established at the time that the Term Facility is struck?

8 Is there a more current rate, than the 5% indicated in the pre-filed evidence?

9 **RESPONSE**

10 a) STEI will update its deemed short-term debt rate and ROE consistent with the cost of  
11 capital parameters set out in the Board's March 3, 2011 letter. For STEI's shareholder  
12 promissory note, STEI believes that because it is a fixed-term instrument that is not  
13 callable during the Test Year, the appropriate deemed long-term debt rate is 5.87%,  
14 which was the deemed long-term debt rate at the time the instrument was issued.

15

16 b) The final \$1.0 million in borrowing has not occurred at this point in time as we are  
17 accumulating the spending to date in 2011 and have not yet reached the level necessary  
18 to complete the final budgeted level. STEI continues spending on the smart meter  
19 program and expects to make the additional draw before the end of the second calendar  
20 quarter.

21

22 c) We have, through interest rate swap, fixed 22.7% of the \$2.5 million term loan  
23 outstanding for 5 years at 4.95% effective rate in January, 2011. The current rate  
24 available today, if we are to fix the remaining portion of our term loan (as per Scotia  
25 Capital), is 5.08% for five years (when our cost is added to the interest swap rate).  
26 Based on the information, we believe that our estimate of 5% is very reasonable for our  
27 term loan interest estimate.

28

29 d) There was no interest paid in 2009 as the loan was not drawn until Q4 2010. At the  
30 time, the rate was floating at Prime plus 0.3%. As indicated in c), 22.7% of the \$2.5

1 million term loan was fixed in January 2011 via an interest rate at an effective rate of  
2 4.95% for 5 years.

3

4 e) As indicated, STEI has been able to fix 22.7% of the loan through an interest rate  
5 swap at an effective 5 year rate of 4.95%. When the spending is completed, we will be  
6 going to market to fix more of the term loan (after completing the additional \$1.0 million  
7 draw). As mentioned in c), the current rate quoted by Scotia Capital is 5.08% (as of April  
8 18th). Based on the two rates, we believe our estimate of 5% per our schedule is very  
9 reasonable for our term loan interest estimate.



1 **QUESTION 35**

2

3 **QUESTION**

4 Ref: Exhibit 7/Tab 1/Schedule 1 Attachment 1 table 8 and Exhibit 7 /Tab 1/Schedule  
5 2 p.1

6 St. Thomas provides two versions of the class revenue requirements. The “by class  
7 revenues requirements” break-outs appear to differ in each version. Please indicate  
8 which version is applies to the 2011 rates proposed by St. Thomas.

9 **RESPONSE**

10 The values in Schedule 1, Attachment 1, Table 8 are the correct values for the  
11 application. The values in Exhibit 7, Tab 1, Schedule 2, Attachment 1, p.1 were relied  
12 upon for rate setting purposes.

13  
14 Given the inherent imprecision in cost allocation, these values are not significantly  
15 different from what the forecasted values filed in either table.

## QUESTION 36

### QUESTION

Ref: Exhibit 7/Tab 2/Schedules 2 attachment 2 p.3

For 2012 and 2013, St. Thomas is proposing to increase the revenue-to-cost ratios for Street lighting and Sentinel classes. While not specifying what the impact on the other rate classes will be, St. Thomas notes that it will attempt to keep the other ratios within the prescribed ranges.

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2011	2012	2013	
	%	%	%	
Residential	101%			85 – 115
GS < 50 kW	110%			80 – 120
GS > 50	104%			80 – 180
Streetlights	40%	55%	70%	70 – 120
Sentinel Lights	50%	60%	70%	70 – 120

a) Please specify the expected resulting impacts on the other rate classes.

### RESPONSE

The table above was in error. The correct 2011 and proposed 2012 and 2013 follows.

1

Class	Proposed Revenue-to-Cost Ratios			Policy Range
	2011	2012	2013	
	%	%	%	%
Residential	105%	103%	102%	85 – 115
GS < 50 kW	100%	100%	100%	80 – 120
GS > 50	100%	100%	100%	80 – 180
Streetlights	40%	55%	70%	70 – 120
Sentinel Lights	50%	60%	70%	70 – 120

2

## QUESTION 37

### QUESTION

Ref: Exhibit 3/Tab 1/Schedules 2 attachment 1 pp. 8-9

Please provide the specific calculations, including the identification and description of the input numbers, which generate the revenue to cost ratios shown in the table below.

REVENUE TO COST RATIOS			
	2011 Status Quo	2011 Proposed	Board Target
Residential	108.49	101.00	85-115
GS < 50 kWh	99.92	110.00	80-120
GS > 50 kWh	94.57	104.00	80-180
Street Lighting	10.31	40.00	70-120
Sentinel	32.65	50.00	70-120
Source: Ex 7-1-1 attach 1 p.13 and Exhibit 7-2-2-attach. 2 p.3			

### RESPONSE

The table in Exhibit 3, Tab 1, Schedule 2, attachment 1, pp 8-9 is in error. It should read.

REVENUE TO COST RATIOS			
	2011 Status Quo	2011 Proposed	Board Target
Residential	108.49	105	85-115
GS < 50 kWh	99.92	100	80-120
GS > 50 kWh	94.57	100	80-180
Street Lighting	10.31	40	70-120
Sentinel	32.65	50	70-120
Source: Ex 7-1-1 attach 1 p.13 and Exhibit 7-2-2-attach. 2 p.3			

These values were determined as follows:

1 2011 Status Quo

2 The 2011 Status Quo is based on the cost allocation O1 table as filed in Exhibit 7, Tab 1,  
 3 Schedule 2 Attachment 2, page 4. Calculation follows:

4

		1	2	3	7	8
	Total	Residential	GS <50	GS >50	Street Light	Sentinel Light
<b>Revenue Requirement (includes NI)</b>	<b>\$7,364,209</b>	\$4,464,564	\$1,107,499	\$1,456,896	\$327,657	\$7,592
<b>less</b> Miscellaneous Revenue (mi)	<b>\$802,797</b>	\$523,084	\$120,518	\$129,931	\$28,579	\$685
Revenue Required from Rates	\$6,561,412					
Distribution Revenue (sale)	<b>\$5,794,876</b>	\$3,815,669	\$870,930	\$1,102,090	\$4,603	\$1,584
Status Quo increase	113.23%	113.23%	113.23%	113.23%	113.23%	113.23%
Status Quo revenue from Rates	<b>\$6,561,412</b>	\$4,320,399	\$986,135	\$1,247,872	\$5,212	\$1,794
<b>plus</b> Miscellaneous Revenue (mi)	<b>\$802,797</b>	\$523,084	\$120,518	\$129,931	\$28,579	\$685
<b>Status Quo Class Revenue</b>	\$7,364,209	\$4,843,482	\$1,106,653	\$1,377,804	\$33,791	\$2,479
2011 Status Quo	100.00%	108.49%	99.92%	94.57%	10.31%	32.65%

5

1 2011 Proposed

2 The correct calculation would rely on 2011 proposed revenue by class which can be  
 3 found in Exhibit 8, Tab 2, Schedule 1, Attachment 1, along with the Revenue  
 4 Requirement Above.

	Total	1	2	3	7	8
		Residential	GS <50	GS >50	Street Light	Sentinel Light
Revenue Requirement (includes NI)	<b>\$7,364,209</b>	\$4,464,564	\$1,107,499	\$1,456,896	\$327,657	\$7,592
Proposed Revenue from Rates	<b>\$6,561,411</b>	\$4,117,384	\$980,931	\$1,354,931	\$104,983	\$3,182
Plus: Miscellaneous Revenue	<b>\$802,797</b>	\$523,084	\$120,518	\$129,931	\$28,579	\$685
Proposed Class Revenue	<b>\$7,364,208</b>	\$4,640,468	\$1,101,449	\$1,484,862	\$133,562	\$3,867
2011 Proposed	100%	105%	100%	100%	40%	50%

5

6

7

## QUESTION 38

### QUESTION

Ref: Exhibit 8/Tab 2/Schedule 1 attachment 1

St. Thomas is proposing to increase the monthly fixed charge for General Service > 50 kW from \$72.91 to \$93.52. St. Thomas also indicates that the minimum and maximum range (cost allocation based) is \$35.50 (or 6.04% of the costs) and \$78.52 (or 13.35% of the costs) respectively. Applying the existing fixed/variable ratio (15.24%) to the 2011 class Revenue Requirement results in a monthly fixed charge of \$89.64.

a) Please explain why St. Thomas is increasing the charge beyond \$89.64, which itself is already beyond the ceiling?

### RESPONSE

STEI's approach to rate design is provided at Exhibit 8, Tab 2, Schedule 1; it notes, among other things, that the currently authorized General Service > 50 kW monthly service charge exceeds the ceiling value computed by the OEB's Cost Allocation model.

With respect to the General Service > 50 kW customer class the proposed fixed monthly charge of \$93.52 is expected to recover approximately 15.9% of the class' revenue responsibility and is 4.3% greater than the currently authorized rate level. The proposed variable rate is \$3.5505, which recovers 84.1% of the class' revenue responsibility and is 19.9% greater than the currently authorized rate level. Please note that the subject customer class exhibited the lowest Revenue:Cost ratio of any of the metered customer classes. STEI sought to implement changed rates that achieve a Revenue:Cost ratio that approaches unity in a fair and equitable manner. Depending on commodity supply arrangements, STEI's proposed rates result in a bill impact of 2% - 5.2% for an average General Service > 50 kW customer.

1 **QUESTION 39**

2

3 **QUESTION**

4 Ref: Exhibit 9/ Tab 1/ Schedule1 p6

5 St. Thomas seeks the Board's approval to establish a new variance account to track  
6 future charges from the IESO for smart meter entity and MDMR costs.

7

8 a) Has St. Thomas incurred any costs to date for these types of charges?

9

10 b) Does St. Thomas's proposed 2011 revenue requirement include a provision for these  
11 anticipated charges? If so, what is the amount?

12 **RESPONSE**

13 a) There have been no charges incurred to date for smart meter entity and MDMR costs.

14

15 b) No provision included.



**QUESTION 40**

**QUESTION**

Ref: Exhibit 9/ Tab 1/ Schedule1 p6

In the PowerStream decision, EB-2010-0209, at page 9 the Board concluded, regarding a request to establish a new variance account to track future charges from the IESO for smart meter entity and MDMR costs, that "In terms of tracking the MDM/R costs it is open to the Applicant to do so should these costs arise in advance of PowerStream's next rate application, but the Board will not establish a formal deferral account at this time."

a) Is St. Thomas aware of any additional certainty subsequent to the PowerStream decision regarding the timing and magnitude of Smart Meter entity charges for both the historical and future periods?

**RESPONSE**

a) No, St Thomas has not been made aware of any further developments regarding the timing and magnitude of Smart Meter entity charges since the PowerStream decision.

**QUESTION 41**

**QUESTION**

Ref: Exhibit 9/ Tab 1/ Schedule1 p6

St. Thomas seeks the Board's approval to establish a deferral account to record additional costs related to the implementation of the Energy Consumer Protections Act, 2010.

a) When does St. Thomas expect to start incurring, at a material level, these additional costs?

b) Please provide the best estimate, and underlying calculation, of what these costs will be. Please break out the estimated amount into OM&A expenses and Capital expenditures by year.

**RESPONSE**

a) The potential for the two most material areas of cost are the increase in bad debts and the additional administrative and operational time spent to comply with the changes. In the 2011 OM&A, STEI is including costs for an additional person (Exhibit 4, Tab1 Schedule 1 Page 2). If included in the revenue requirement the need for a deferral account would relate only for increased bad debts, which would not be material until 2012, as set out in the response to (b) below. If the costs for the additional person are not included in revenue requirement, the costs recorded in the deferral account would be material in the Test Year. This person will be hired regardless of the outcome of the Revenue Requirement.

1 b) In summary the full impact may not be felt in 2011 but would certainly be realized in  
2 the years to come. The average bad debt cost from 2005 to 2010 was approximately \$  
3 81,000 per year. The incremental bad debt expense estimates going forward are:

4

- 5 • 2011 (\$ 81,000 x 1.5) - \$ 121,500
- 6 • 2012 (\$ 81,000 x 2.0) - \$ 162,000
- 7 • 2013 (\$ 81,000 x 2.5) - \$ 202,500
- 8 • 2014 (\$ 81,000 x 2.5) - \$ 202,500

**QUESTION 42**

**QUESTION**

Ref: Exhibit 9/Tab 2/Schedule 2 attachments 1 and 2

St. Thomas is seeking the disposition of a net credit in the amount of \$4,320 for accounts 1508, 1580, 1582, 1584, 1586, 1588 (main account) and of a debit of \$397,887 for account 1588 (global adjustment sub account).

a) Please confirm that St. Thomas has complied with and correctly applied the Board's accounting policy and procedures for the calculation of the final disposition balances.

b) If St. Thomas used other practices in the calculation, please describe them, including an explanation of why they were used.

c) Has St. Thomas reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin?

**RESPONSE**

a) St. Thomas has complied with and correctly applied the Board's accounting policy and procedures for the calculation of the final disposition balances.

b) St. Thomas has not used other practices.

c) Yes, St. Thomas has reviewed the Regulatory Audit & Accounting Bulletin 200901 dated October 15, 2009, and ensured that it has accounted for its account 1588 and sub-account Global Adjustment in accordance with this Bulletin.

## QUESTION 43

### QUESTION

Ref: Exhibit 10/Tab 1/ Schedule 1, attachment 1 p.6

Burman Energy notes that it used the Board's Assumptions and Measures List when calculating LRAM for St. Thomas for programs/projects from 2006-2008. In the Board's decision on LRAM in the Horizon Utilities Corp. application (EB-2008-0192), the Board noted that distributors are to be kept whole for revenues they have forgone as a direct consequence of implementing CDM programs. The Board has also noted in recent LRAM decisions, e.g. Burlington Hydro Inc.'s recent 2011 IRM (EB-2010-0067), that it views the most current OPA Measures and Assumptions List, as updated by the OPA from time to time, as representing the best estimate of losses associated with a distributor's CDM programs.

a) Please discuss the rationale for using the Board's Assumptions and Measures list for calculating LRAM for programs from 2006-2008 in light of the recent Board decisions directing utilities not to do so.

b) Please recalculate the total LRAM claim using either final OPA program results, as received from the OPA (e.g. 2006-2008 final program results) and/or the most recent OPA Measures and assumptions list, where applicable.

c) Please provide a table that lists all inputs used in both the LRAM and SSM calculations and the sources of those inputs.

### RESPONSE

a) St. Thomas Energy's application was submitted prior to the OEB making a decision on the appropriate input assumptions to be used. In accordance with question b), STEI

1 has recalculated Third Tranche LRAM to use the most recent OPA Measures and  
2 assumptions lists.

3

4 b) Please see Attachment 1, pdf page 4.

5

6 c) Please see Attachment 1, pdf pages 5-19.

***Attachment 1 (of 1):***

***Question 43***

**ATTACHMENT A**  
**CDM Load Impacts by Class and Program**

		NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS	
Class Program	Year Implemented	2006		2006		2007		2007		2008		2008		2009		2009		Total kWh	Total kW	Total kWh	Total kW
		kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW				
Third Tranche																					
RESIDENTIAL																					
Earth Day Campaign - 23W CFL	2007									197,008	7.69	218,897	8.54	197,008	7.69	218,897	8.54	394,015	15.38	437,795	17.09
GENERAL SERVICE < 50kW																					
LED Christmas Lighting - City Hall	2006					26,099	0.00	27,473	0.00	26,099	0.00	27,473	0.00	26,099	0.00	27,473	0.00	78,297	0.00	82,418	0.00
Retrofit Program for Small Business - 4L T8 Fixture	2007									3,110	0.66	3,888	0.83	3,110	0.66	3,888	0.83	6,221	1.33	7,776	1.66
Traffic Light Replacements	2007									385,633	44.02	550,904	62.95	385,633	44.02	550,904	62.89	771,266	88.04	1,101,808	125.84
Energy Audit (B4) - 4L T8 fixture	2008													27,734	5.93	34,668	7.41	27,734	5.93	34,668	7.41
LED Holiday Light Sponsorship	2008													6,413	0.00	6,750	0.00	6,413	0.00	6,750	0.00
OPA Programs																					
A Copy of the Program Measures by Year, Unit kWh Savings, Useful Life, # of Units can be found on "OPA MEASURES" Tab																					
Residential																					
Secondary Fridge Retirement Pilot	2006	15,756	3.57	17,506	3.97	15,756	3.57	17,506	3.97	15,756	3.57	17,506	3.97	15,756	3.57	17,506	3.97	63,022	14.29	70,025	15.87
Cool & Hot Savings Rebate	2006-2007	38,894	36.05	49,271	43.83	102,303	78.35	173,814	132.64	102,303	78.35	173,814	132.64	102,303	78.35	173,814	132.64	345,804	271.10	570,713	441.74
Cool Savings Rebate Program	2008-2009	0	0.00	0	0.00	0	0.00	0	0.00	69,235	43.86	120,527	76.14	153,135	99.12	316,892	202.56	222,370	142.97	437,419	278.70
Every Kilowatt Counts	2006	1,009,201	11.90	1,121,335	13.23	1,389,306	26.62	1,639,898	34.54	1,384,657	25.24	1,631,446	32.02	1,384,657	25.24	1,631,446	32.02	5,167,822	89.00	6,024,125	111.81
Great Refrigerator Roundup	2007	0	0.00			71,634	9.47	177,967	23.19	252,948	29.03	511,337	59.79	410,711	52.58	807,369	105.43	735,293	91.08	1,496,673	188.42
peaksaver®	2007, 2008					0	39.69	0	44.10	3,694	224.37	4,104	249.30	3,855	312.56	4,283	347.29	7,548	576.61	8,387	640.68
Summer Savings	2007					241,785	135.36	2,014,878	1128.00	40,754	40.37	339,613	336.40	15,426	19.44	128,549	161.97	297,965	195.16	2,483,039	1626.37
Social Housing – Pilot	2007					34,547	4.06	34,547	4.06	34,547	4.06	34,547	4.06	34,547	4.06	34,547	4.06	103,640	12.19	103,640	12.19
Energy Efficiency Assistance for Houses – Pilot	2007									0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Summer Sweepstakes	2008									240,871	60.94	310,457	78.54	86,919	34.95	112,029	45.04	327,790	95.88	422,486	123.58
Every Kilowatt Counts Power Savings Event	2008									351,456	19.17	871,665	45.90	495,815	33.09	1,264,911	83.82	847,271	52.26	2,136,577	129.73
General Service<50kW																					
OPA Conservation Programs																					
High Performance New Construction	2008									780	0.92	1,115	1.32	20,315	9.49	29,022	13.56	21,095	10.42	30,136	14.88
Power Savings Blitz	2008									100,753	13.83	108,336	14.87	647,721	154.03	684,093	162.45	748,474	167.87	792,429	177.33
General Service>50kW to 4,999kW																					
OPA Conservation Programs																					
Demand Response 1	2006 -2008	0	852.11	0	852.11	0	939.20	0	939.20	0	1195.08	0	1195.08	16,998	386.86	16,998	386.86	16,998	3373.25	16,998	3373.25
Demand Response 2		0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	161,808	262.69	161,808	262.69	161,808	262.69	161,808	262.69
Demand Response 3	2008	0	0.00	0	0.00	0	0.00	0	0.00	0	231.10	0	231.10	3,090	375.27	3,090	375.27	3,090	606.37	3,090	606.37
Electricity Retrofit Incentive Program	2007, 2008	0	0.00	0	0.00	46,161	16.62	51,290	18.46	582,676	121.40	979,509	199.23	989,376	181.74	1,624,843	294.68	1,618,213	319.75	2,655,641	512.37
Electricity Resources Demand Response	2006-2009	0	41.71	0	41.71	0	78.13	0	78.13	0	79.42	0	79.42	0	64.48	0	64.48	0	263.74	0	263.74



### Foregone Revenue by Class and Program

### Carrying Charge Calculations

**ATTACHMENT C**

**SSM Amounts by Class and Program**

Class Program	Total Costs \$	Total Benefits \$	Net Benefits \$ NPV	Benefits/C ost Ratio	SSM Amount \$
<b>Third Tranche</b>					
<b>RESIDENTIAL</b>					
Meter Lending Program (B3)	\$3,519.93	\$0.00	-\$3,519.93	0.00	-\$176.00
Education and Promotion	\$1,109.74	\$0.00	-\$1,109.74	0.00	-\$55.49
Earth Day Campaign - 23W CFL	\$75,206.46	\$117,886.48	\$42,680.02	1.57	\$2,134.00
<b>GENERAL SERVICE 50 TO 4,999 kW (2005-2007)</b>					
Utilismart Energy Management					
2007	\$21,759.60	\$0.00	-\$21,759.60	0.00	-\$1,087.98
2008 (B1)	\$28,258.89	\$0.00	-\$28,258.89	0.00	-\$1,412.94
Partnership/Sponsorship	\$3,294.97	\$0.00	-\$3,294.97	0.00	-\$164.75
LED Christmas Lighting - City Hall	\$4,679.23	\$38,691.01	\$34,011.78	7.27	\$1,700.59
Retrofit Program for Small Business - 4L T8 Fixture	\$816.00	\$1,274.60	\$458.60	0.56	\$22.93
Traffic Light Replacements	\$83,370.00	\$219,792.98	\$136,422.98	1.64	\$6,821.15
Energy Audid (B4) - 4L T8 fixture	\$7,334.77	\$11,462.16	\$4,127.39	0.56	\$206.37
LED Holiday Light Sponsorship	\$11,901.66	\$9,906.02	-\$1,995.64	-0.17	-\$99.78
<b>TOTALS</b>	<b>\$241,251.25</b>	<b>\$399,013.26</b>	<b>\$157,762.01</b>	<b>11.43</b>	<b>\$7,888.10</b>

**Carrying Charge Calculations**

	\$7,888.10
2008	\$156.97
2009	\$89.73
2010	\$62.91
2011	\$38.65
	<u>\$348.26</u>

**ATTACHMENT D****LRAM & SSM Totals****Rate Class**

	<b>LRAM \$</b>	<b>SSM \$</b>	<b>TOTAL \$</b>
<b><u>Third Tranche</u></b>			
<b>RESIDENTIAL</b>	\$6,195.89	\$1,902.52	\$8,098.40
<b>GENERAL SERVICE &lt; 50kW</b>	\$12,748.48	\$5,985.58	\$18,734.07
<b><u>OPA Programs</u></b>			
<b>RESIDENTIAL</b>	\$129,376.02		\$129,376.02
<b>GENERAL SERVICE &lt;50KW</b>	\$11,009.92		\$11,009.92
<b>General Service&gt;50kW to 4,999kW</b>	\$171,695.49		\$171,695.49
	<b>\$331,025.81</b>	<b>\$7,888.10</b>	<b>\$338,913.91</b>

Carrying Charges                      \$24,957.89              \$348.26              \$25,306.15

Total Amounts                      \$355,983.69              \$8,236.36              \$364,220.06

<b>Total</b>	<b>Residential</b>	<b>GS &lt; 50</b>	<b>GS &gt; 50</b>	<b>Customer Class</b>
<b>338,913.91</b>	<b>137,474.43</b>	<b>29,743.99</b>	<b>171,695.49</b>	<b>Lost Revenue Amount</b>
<b>25,306.15</b>	<b>10,264.99</b>	<b>2,220.94</b>	<b>12,820.22</b>	<b>Carrying Charges</b>
<b>364,220.06</b>	<b>147,739.42</b>	<b>31,964.93</b>	<b>184,515.71</b>	<b>Total</b>

**ATTACHMENT E**

**LRAM & SSM Input Assumptions**

Class	Free Rider		Number of Units		Table Applied		Discount Factor		Technology Life	
	LRAM	SSM	LRAM	SSM	LRAM	SSM	LRAM	SSM	LRAM	SSM
Program										
<b>Third Tranche</b>										
<b>RESIDENTIAL</b>										
Earth Day Campaign - 23W CFL	10%		4,272		OPA		8.13%		4	4
<b>GENERAL SERVICE &lt; 50kW</b>										
LED Christmas Lighting - City Hall	5%		2,035		OPA		8.13%		30	
Retrofit Program for Small Business - 4L	10%		12		OPA		8.13%		5	
Traffic Light Replacements	30%		821		Direct Input		8.13%		10	
Energy Audid (B4) - 4L T8 fixture	10%		107		OPA		8.07%		5	
LED Holiday Light Sponsorship	5%		500		OPA		8.07%		30	

Tables

OEB: OEB Total Resource Cost Guide, Section 5, Assumptions and Measures List September 8, 2005 - File: cdm\_assumptionsmeasureslist\_08092005.xls

OPA: 2011 Prescriptive Measures and Assumptions List Version 0.9.pdf

### Measure Results at End-Line Level





[illegible]

[illegible][illegible]

1.000	0	0	1.000	0	0	59.2	5.1	0.000
0.999	0	0	0.999	0	0	59.2	5.1	0.000
0.998	0	0	0.998	0	0	59.2	5.1	0.000
0.997	0	0	0.997	0	0	59.2	5.1	0.000
0.996	0	0	0.996	0	0	59.2	5.1	0.000
0.995	0	0	0.995	0	0	59.2	5.1	0.000
0.994	0	0	0.994	0	0	59.2	5.1	0.000
0.993	0	0	0.993	0	0	59.2	5.1	0.000
0.992	0	0	0.992	0	0	59.2	5.1	0.000
0.991	0	0	0.991	0	0	59.2	5.1	0.000
0.990	0	0	0.990	0	0	59.2	5.1	0.000
0.989	0	0	0.989	0	0	59.2	5.1	0.000
0.988	0	0	0.988	0	0	59.2	5.1	0.000
0.987	0	0	0.987	0	0	59.2	5.1	0.000
0.986	0	0	0.986	0	0	59.2	5.1	0.000
0.985	0	0	0.985	0	0	59.2	5.1	0.000
0.984	0	0	0.984	0	0	59.2	5.1	0.000
0.983	0	0	0.983	0	0	59.2	5.1	0.000
0.982	0	0	0.982	0	0	59.2	5.1	0.000
0.981	0	0	0.981	0	0	59.2	5.1	0.000
0.980	0	0	0.980	0	0	59.2	5.1	0.000
0.979	0	0	0.979	0	0	59.2	5.1	0.000
0.978	0	0	0.978	0	0	59.2	5.1	0.000
0.977	0	0	0.977	0	0	59.2	5.1	0.000
0.976	0	0	0.976	0	0	59.2	5.1	0.000
0.975	0	0	0.975	0	0	59.2	5.1	0.000
0.974	0	0	0.974	0	0	59.2	5.1	0.000
0.973	0	0	0.973	0	0	59.2	5.1	0.000
0.972	0	0	0.972	0	0	59.2	5.1	0.000
0.971	0	0	0.971	0	0	59.2	5.1	0.000
0.970	0	0	0.970	0	0	59.2	5.1	0.000
0.969	0	0	0.969	0	0	59.2	5.1	0.000
0.968	0	0	0.968	0	0	59.2	5.1	0.000
0.967	0	0	0.967	0	0	59.2	5.1	0.000
0.966	0	0	0.966	0	0	59.2	5.1	0.000
0.965	0	0	0.965	0	0	59.2	5.1	0.000
0.964	0	0	0.964	0	0	59.2	5.1	0.000
0.963	0	0	0.963	0	0	59.2	5.1	0.000
0.962	0	0	0.962	0	0	59.2	5.1	0.000
0.961	0	0	0.961	0	0	59.2	5.1	0.000
0.960	0	0	0.960	0	0	59.2	5.1	0.000
0.959	0	0	0.959	0	0	59.2	5.1	0.000
0.958	0	0	0.958	0	0	59.2	5.1	0.000
0.957	0	0	0.957	0	0	59.2	5.1	0.000
0.956	0	0	0.956	0	0	59.2	5.1	0.000
0.955	0	0	0.955	0	0	59.2	5.1	0.000
0.954	0	0	0.954	0	0	59.2	5.1	0.000
0.953	0	0	0.953	0	0	59.2	5.1	0.000
0.952	0	0	0.952	0	0	59.2	5.1	0.000
0.951	0	0	0.951	0	0	59.2	5.1	0.000
0.950	0	0	0.950	0	0	59.2	5.1	0.000
0.949	0	0	0.949	0	0	59.2	5.1	0.000
0.948	0	0	0.948	0	0	59.2	5.1	0.000
0.947	0	0	0.947	0	0	59.2	5.1	0.000
0.946	0	0	0.946	0	0	59.2	5.1	0.000
0.945	0	0	0.945	0	0	59.2	5.1	0.000
0.944	0	0	0.944	0	0	59.2	5.1	0.000
0.943	0	0	0.943	0	0	59.2	5.1	0.000
0.942	0	0	0.942	0	0	59.2	5.1	0.000
0.941	0	0	0.941	0	0	59.2	5.1	0.000
0.940	0	0	0.940	0	0	59.2	5.1	0.000
0.939	0	0	0.939	0	0	59.2	5.1	0.000
0.938	0	0	0.938	0	0	59.2	5.1	0.000
0.937	0	0	0.937	0	0	59.2	5.1	0.000
0.936	0	0	0.936	0	0	59.2	5.1	0.000
0.935	0	0	0.935	0	0	59.2	5.1	0.000
0.934	0	0	0.934	0	0	59.2	5.1	0.000
0.933	0	0	0.933	0	0	59.2	5.1	0.000
0.932	0	0	0.932	0	0	59.2	5.1	0.000
0.931	0	0	0.931	0	0	59.2	5.1	0.000
0.930	0	0	0.930	0	0	59.2	5.1	0.000
0.929	0	0	0.929	0	0	59.2	5.1	0.000
0.928	0	0	0.928	0	0	59.2	5.1	0.000
0.927	0	0	0.927	0	0	59.2	5.1	0.000
0.926	0	0	0.926	0	0	59.2	5.1	0.000
0.925	0	0	0.925	0	0	59.2	5.1	0.000
0.924	0	0	0.924	0	0	59.2	5.1	0.000
0.923	0	0	0.923	0	0	59.2	5.1	0.000
0.922	0	0	0.922	0	0	59.2	5.1	0.000
0.921	0	0	0.921	0	0	59.2	5.1	0.000
0.920	0	0	0.920	0	0	59.2	5.1	0.000
0.919	0	0	0.919	0	0	59.2	5.1	0.000
0.918	0	0	0.918	0	0	59.2	5.1	0.000
0.917	0	0	0.917	0	0	59.2	5.1	0.000
0.916	0	0	0.916	0	0	59.2	5.1	0.000
0.915	0	0	0.915	0	0	59.2	5.1	0.000
0.914	0	0	0.914	0	0	59.2	5.1	0.000
0.913	0	0	0.913	0	0	59.2	5.1	0.000
0.912	0	0	0.912	0	0	59.2	5.1	0.000
0.911	0	0	0.911	0	0	59.2	5.1	0.000
0.910	0	0	0.910	0	0	59.2	5.1	0.000
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0.908	0	0	0.908	0	0	59.2	5.1	0.000
0.907	0	0	0.907	0	0	59.2	5.1	0.000
0.906	0	0	0.906	0	0	59.2	5.1	0.000
0.905	0	0	0.905	0	0	59.2	5.1	0.000
0.904	0	0	0.904	0	0	59.2	5.1	0.000
0.903	0	0	0.903	0	0	59.2	5.1	0.000
0.902	0	0	0.902	0	0	59.2	5.1	0.000
0.901	0	0	0.901	0	0	59.2	5.1	0.000
0.900	0	0	0.900	0	0	59.2	5.1	0.000
0.899	0	0	0.899	0	0	59.2	5.1	0.000
0.898	0	0	0.898	0	0	59.2	5.1	0.000
0.897	0	0	0.897	0	0	59.2	5.1	0.000
0.896	0	0	0.896	0	0	59.2	5.1	0.000
0.895	0	0	0.895	0	0	59.2	5.1	0.000
0.894	0	0	0.894	0	0	59.2	5.1	0.000
0.893	0	0	0.893	0	0	59.2	5.1	0.000
0.892	0	0	0.892	0	0	59.2	5.1	0.000
0.891	0	0	0.891	0	0	59.2	5.1	0.000
0.890	0	0	0.890	0	0	59.2	5.1	0.000
0.889	0	0	0.889	0	0	59.2	5.1	0.000
0.888	0	0	0.888	0	0	59.2	5.1	0.000
0.887	0	0	0.887	0	0	59.2	5.1	0.000
0.886	0	0	0.886	0	0	59.2	5.1	0.000
0.885	0	0	0.885	0	0	59.2	5.1	0.000
0.884	0	0	0.884	0	0	59.2	5.1	0.000
0.883	0	0	0.883	0	0	59.2	5.1	0.000
0.882	0	0	0.882	0	0	59.2	5.1	0.000
0.881	0	0	0.881	0	0	59.2	5.1	0.000
0.880	0	0	0.880	0	0	59.2	5.1	0.000
0.879	0	0	0.879	0	0	59.2	5.1	0.000
0.878	0	0	0.878	0	0	59.2	5.1	0.000
0.877	0	0	0.877	0	0	59.2	5.1	0.000
0.876	0	0	0.876	0	0	59.2	5.1	0.000
0.875	0	0	0.875	0	0	59.2	5.1	0.000
0.874	0	0	0.874	0	0	59.2	5.1	0.000
0.873	0	0	0.873	0	0	59.2	5.1	0.000
0.872	0	0	0.872	0	0	59.2	5.1	0.000
0.871	0	0	0.871	0	0	59.2	5.1	0.000
0.870	0	0	0.870	0	0	59.2	5.1	0.000
0.869	0	0	0.869	0	0	59.2	5.1	0.000
0.868	0	0	0.868	0	0	59.2	5.1	0.000
0.867	0	0	0.867	0	0	59.2	5.1	0.000
0.866	0	0	0.866	0	0	59.2	5.1	0.000
0.865	0	0	0.865	0	0	59.2	5.1	0.000
0.864	0	0	0.864	0	0	59.2	5.1	0.000
0.863	0	0	0.863	0	0	59.2	5.1	0.000
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0.859	0	0	0.859	0	0	59.2	5.1	0.000
0.858	0	0	0.858	0	0	59.2	5.1	0.000
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0.855	0	0	0.855	0	0	59.2	5.1	0.000
0.854	0	0	0.854	0	0	59.2	5.1	0.000
0.853	0	0	0.853	0	0	59.2	5.1	0.000
0.852	0	0	0.852	0	0	59.2	5.1	0.000
0.851	0	0	0.851	0	0	59.2	5.1	0.000
0.850	0	0	0.850	0	0	59.2	5.1	0.000
0.849	0	0	0.849	0	0	59.2	5.1	0.000
0.848	0	0	0.848	0	0	59.2	5.1	0.000
0.847	0	0	0.847	0	0	59.2	5.1	0.000
0.846	0	0	0.846	0	0	59.2	5.1	0.000
0.845	0	0	0.845	0	0	59.2	5.1	0.000
0.844	0	0	0.844	0	0	59.2	5.1	0.000
0.843	0	0	0.843	0	0	59.2	5.1	0.000
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0.841	0	0	0.841	0	0	59.2	5.1	0.000
0.840	0	0	0.840	0	0	59.2	5.1	0.000
0.839	0	0	0.839	0	0	59.2	5.1	0.000
0.838	0	0	0.838	0	0	59.2	5.1	0.000
0.837	0	0	0.837	0	0	59.2	5.1	0.000
0.836	0	0	0.836	0	0	59.2	5.1	0.000
0.8								

0.000	0	0	0.000	-8	-8
0.000	0	0	0.000	-7	-7
0.000	0	0	0.000	-6	-6
0.000	0	0	0.000	-5	-5
0.000	0	0	0.000	-4	-4
0.000	0	0	0.000	-3	-3
0.000	0	0	0.000	-2	-2
0.000	0	0	0.000	-1	-1
0.000	0	0	0.000	0	0
0.000	0	0	0.000	1	1
0.000	0	0	0.000	2	2
0.000	0	0	0.000	3	3
0.000	0	0	0.000	4	4
0.000	0	0	0.000	5	5
0.000	0	0	0.000	6	6
0.000	0	0	0.000	7	7
0.000	0	0	0.000	8	8
0.000	0	0	0.000	9	9
0.000	0	0	0.000	10	10
0.000	0	0	0.000	11	11
0.000	0	0	0.000	12	12
0.000	0	0	0.000	13	13
0.000	0	0	0.000	14	14
0.000	0	0	0.000	15	15
0.000	0	0	0.000	16	16
0.000	0	0	0.000	17	17
0.000	0	0	0.000	18	18
0.000	0	0	0.000	19	19
0.000	0	0	0.000	20	20
0.000	0	0	0.000	21	21
0.000	0	0	0.000	22	22
0.000	0	0	0.000	23	23
0.000	0	0	0.000	24	24
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0.000	0	0	0.000	26	26
0.000	0	0	0.000	27	27
0.000	0	0	0.000	28	28
0.000	0	0	0.000	29	29
0.000	0	0	0.000	30	30
0.000	0	0	0.000	31	31
0.000	0	0	0.000	32	32
0.000	0	0	0.000	33	33
0.000	0	0	0.000	34	34
0.000	0	0	0.000	35	35
0.000	0	0	0.000	36	36
0.000	0	0	0.000	37	37
0.000	0	0	0.000	38	38
0.000	0	0	0.000	39	39
0.000	0	0	0.000	40	40
0.000	0	0	0.000	41	41
0.000	0	0	0.000	42	42
0.000	0	0	0.000	43	43
0.000	0	0	0.000	44	44
0.000	0	0	0.000	45	45
0.000	0	0	0.000	46	46
0.000	0	0	0.000	47	47
0.000	0	0	0.000	48	48
0.000	0	0	0.000	49	49
0.000	0	0	0.000	50	50
0.000	0	0	0.000	51	51
0.000	0	0	0.000	52	52
0.000	0	0	0.000	53	53
0.000	0	0	0.000	54	54
0.000	0	0	0.000	55	55
0.000	0	0	0.000	56	56
0.000	0	0	0.000	57	57
0.000	0	0	0.000	58	58
0.000	0	0	0.000	59	59
0.000	0	0	0.000	60	60
0.000	0	0	0.000	61	61
0.000	0	0	0.000	62	62
0.000	0	0	0.000	63	63
0.000	0	0	0.000	64	64
0.000	0	0	0.000	65	65
0.000	0	0	0.000	66	66
0.000	0	0	0.000	67	67
0.000	0	0	0.000	68	68
0.000	0	0	0.000	69	69
0.000	0	0	0.000	70	70
0.000	0	0	0.000	71	71
0.000	0	0	0.000	72	72
0.000	0	0	0.000	73	73
0.000	0	0	0.000	74	74
0.000	0	0	0.000	75	75
0.000	0	0	0.000	76	76
0.000	0	0	0.000	77	77
0.000	0	0	0.000	78	78
0.000	0	0	0.000	79	79
0.000	0	0	0.000	80	80
0.000	0	0	0.000	81	81
0.000	0	0	0.000	82	82
0.000	0	0	0.000	83	83
0.000	0	0	0.000	84	84
0.000	0	0	0.000	85	85
0.000	0	0	0.000	86	86
0.000	0	0	0.000	87	87
0.000	0	0	0.000	88	88
0.000	0	0	0.000	89	89
0.000	0	0	0.000	90	90
0.000	0	0	0.000	91	91
0.000	0	0	0.000	92	92
0.000	0	0	0.000	93	93
0.000	0	0	0.000	94	94
0.000	0	0	0.000	95	95
0.000	0	0	0.000	96	96
0.000	0	0	0.000	97	97
0.000	0	0	0.000	98	98
0.000	0	0	0.000	99	99
0.000	0	0	0.000	100	100





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[illegible][illegible][illegible]







[illegible]

# OPA Conservation & Demand Management Programs

Initiative Results at End-User Level

For: St. Thomas Energy Inc.

## Net Summer Peak Demand Savings (MW)

#	Initiative Name	Program Name	Program Year	Results Status	2006	2007	2008	2009	2010
1	Secondary Refrigerator Retirement Pilot	Consumer	2006	Final	0.0036	0.0036	0.0036	0.0036	0.0036
2	Cool & Hot Savings Rebate	Consumer	2006	Final	0.0360	0.0360	0.0360	0.0360	0.0360
3	Every Kilowatt Counts	Consumer	2006	Final	0.0119	0.0119	0.0119	0.0119	0.0119
4	Demand Response 1	Business, Industrial	2006	Final	0.8521	0.0000	0.0000	0.0000	0.0000
5	Loblaw & York Region Demand Response	Business, Industrial	2006	Final	0.0417	0.0000	0.0000	0.0000	0.0000
6	Great Refrigerator Roundup	Consumer	2007	Final	0.0000	0.0095	0.0095	0.0095	0.0095
7	Cool & Hot Savings Rebate	Consumer	2007	Final	0.0000	0.0423	0.0423	0.0423	0.0423
8	Every Kilowatt Counts	Consumer	2007	Final	0.0000	0.0147	0.0133	0.0133	0.0133
9	peaksaver®	Consumer, Business	2007	Final	0.0000	0.0397	0.0397	0.0397	0.0397
10	Summer Savings	Consumer	2007	Final	0.0000	0.1354	0.0404	0.0194	0.0194
11	Aboriginal	Consumer	2007	Final	0.0000	0.0000	0.0000	0.0000	0.0000
12	Affordable Housing Pilot	Consumer Low-Income	2007	Final	0.0000	0.0000	0.0000	0.0000	0.0000
13	Social Housing Pilot	Consumer Low-Income	2007	Final	0.0000	0.0041	0.0041	0.0041	0.0041
14	Energy Efficiency Assistance for Houses Pilot	Consumer Low-Income	2007	Final	0.0000	0.0000	0.0000	0.0000	0.0000
15	Electricity Retrofit Incentive	Business	2007	Final	0.0000	0.0166	0.0166	0.0166	0.0166
16	Toronto Comprehensive	Business	2007	Final	0.0000	0.0000	0.0000	0.0000	0.0000
17	Demand Response 1	Business, Industrial	2007	Final	0.0000	0.9392	0.0000	0.0000	0.0000
18	Loblaw & York Region Demand Response	Business, Industrial	2007	Final	0.0000	0.0781	0.0000	0.0000	0.0000
19	Renewable Energy Standard Offer	Consumer, Business, Industrial	2007	Final	0.0000	0.0000	0.0000	0.0000	0.0000
20	Great Refrigerator Roundup	Consumer	2008	Final	0.0000	0.0000	0.0196	0.0196	0.0196
21	Cool Savings Rebate	Consumer	2008	Final	0.0000	0.0000	0.0439	0.0439	0.0439
22	Every Kilowatt Counts Power Savings Event	Consumer	2008	Final	0.0000	0.0000	0.0192	0.0183	0.0183
23	peaksaver®	Consumer, Business	2008	Final	0.0000	0.0000	0.1847	0.1847	0.1847
24	Summer Sweepstakes	Consumer	2008	Final	0.0000	0.0000	0.0609	0.0349	0.0349
25	Electricity Retrofit Incentive	Consumer, Business	2008	Final	0.0000	0.0000	0.1048	0.1048	0.1048
26	Toronto Comprehensive	Consumer, Consumer Low-Income, Business	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
27	High Performance New Construction	Business	2008	Final	0.0000	0.0000	0.0009	0.0009	0.0009
28	Power Savings Blitz	Business	2008	Final	0.0000	0.0000	0.0138	0.0138	0.0061
29	Demand Response 1	Business, Industrial	2008	Final	0.0000	0.0000	1.1951	0.0000	0.0000
30	Demand Response 3	Business, Industrial	2008	Final	0.0000	0.0000	0.2311	0.0000	0.0000
31	Loblaw & York Region Demand Response	Business, Industrial	2008	Final	0.0000	0.0000	0.0794	0.0000	0.0000
32	Renewable Energy Standard Offer	Consumer, Business	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
33	Other Customer Based Generation	Business	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
34	LDC Custom - Hydro One Networks Inc. - Double Return	Business, Industrial	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
35	Great Refrigerator Roundup	Consumer	2009	Final	0.0000	0.0000	0.0000	0.0236	0.0236
36	Cool Savings Rebate	Consumer	2009	Final	0.0000	0.0000	0.0000	0.0553	0.0553
37	Every Kilowatt Counts Power Savings Event	Consumer	2009	Final	0.0000	0.0000	0.0000	0.0148	0.0145
38	peaksaver®	Consumer, Business	2009	Final	0.0000	0.0000	0.0000	0.0882	0.0882
39	Electricity Retrofit Incentive	Consumer, Business	2009	Final	0.0000	0.0000	0.0000	0.0603	0.0603
40	Toronto Comprehensive	Consumer, Consumer Low-Income, Business, I	2009	Final	0.0000	0.0000	0.0000	0.0000	0.0000
41	High Performance New Construction	Business	2009	Final	0.0000	0.0000	0.0000	0.0086	0.0086
42	Power Savings Blitz	Business	2009	Final	0.0000	0.0000	0.0000	0.1402	0.1402
43	Multi-Family Energy Efficiency Rebates	Consumer, Consumer Low-Income	2009	Final	0.0000	0.0000	0.0000	0.0000	0.0000
44	Demand Response 1	Business, Industrial	2009	Final	0.0000	0.0000	0.0000	0.3869	0.0000
45	Demand Response 2	Business, Industrial	2009	Final	0.0000	0.0000	0.0000	0.2627	0.0000
46	Demand Response 3	Business, Industrial	2009	Final	0.0000	0.0000	0.0000	0.3753	0.0000
47	Loblaw & York Region Demand Response	Business, Industrial	2009	Final	0.0000	0.0000	0.0000	0.0645	0.0000
48	LDC Custom - Thunder Bay Hydro - Phantom Load	Consumer	2009	Final	0.0000	0.0000	0.0000	0.0000	0.0000
49	LDC Custom - Toronto Hydro - Summer Challenge	Consumer	2009	Final	0.0000	0.0000	0.0000	0.0000	0.0000
50	LDC Custom - PowerStream - Data Centers	Business	2009	Final	0.0000	0.0000	0.0000	0.0000	0.0000
51	Toronto Comprehensive Adjustment	Consumer, Business	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
52	LDC Custom - Hydro One Networks Inc. - Double Return Adjustment	Business, Industrial	2008	Final	0.0000	0.0000	0.0000	0.0000	0.0000
2006 Subtotal					0.9453	0.0515	0.0515	0.0515	0.0515
2007 Subtotal					0.0000	1.2796	0.1659	0.1449	0.1449
2008 Subtotal					0.0000	0.0000	1.9533	0.4209	0.4131
2009 Subtotal					0.0000	0.0000	0.0000	1.4802	0.3906
Overall Total					0.9453	1.3311	2.1707	2.0975	1.0002

## Net Energy Savings (MWh)

## OPA Conservation & Demand Management Programs

Initiative Results at End-User Level

For: St. Thomas Energy Inc.

#	Initiative Name	Program Name	Program Year	Results Status		2006	2007	2008	2009	2010
1	Secondary Refrigerator Retirement Pilot	Consumer	2006	Final	#	16	16	16	16	16
2	Cool & Hot Savings Rebate	Consumer	2006	Final	#	39	39	39	39	39
3	Every Kilowatt Counts	Consumer	2006	Final	#	1,009	1,009	1,009	1,009	130
4	Demand Response 1	Business, Industrial	2006	Final	#	0	0	0	0	0
5	Loblaw & York Region Demand Response	Business, Industrial	2006	Final	#	0	0	0	0	0
6	Great Refrigerator Roundup	Consumer	2007	Final	#	0	72	72	72	72
7	Cool & Hot Savings Rebate	Consumer	2007	Final	#	0	63	63	63	63
8	Every Kilowatt Counts	Consumer	2007	Final	#	0	380	375	375	375
9	<i>peaksaver</i> ®	Consumer, Business	2007	Final	#	0	0	0	0	0
10	Summer Savings	Consumer	2007	Final	#	0	242	41	15	15
11	Aboriginal	Consumer	2007	Final	#	0	0	0	0	0
12	Affordable Housing Pilot	Consumer Low-Income	2007	Final	#	0	0	0	0	0
13	Social Housing Pilot	Consumer Low-Income	2007	Final	#	0	35	35	35	35
14	Energy Efficiency Assistance for Houses Pilot	Consumer Low-Income	2007	Final	#	0	0	0	0	0
15	Electricity Retrofit Incentive	Business	2007	Final	#	0	46	46	46	46
16	Toronto Comprehensive	Business	2007	Final	#	0	0	0	0	0
17	Demand Response 1	Business, Industrial	2007	Final	#	0	0	0	0	0
18	Loblaw & York Region Demand Response	Business, Industrial	2007	Final	#	0	0	0	0	0
19	Renewable Energy Standard Offer	Consumer, Business, Industrial	2007	Final	#	0	0	0	0	0
20	Great Refrigerator Roundup	Consumer	2008	Final	#	0	0	181	181	181
21	Cool Savings Rebate	Consumer	2008	Final	#	0	0	69	69	69
22	Every Kilowatt Counts Power Savings Event	Consumer	2008	Final	#	0	0	351	350	350
23	<i>peaksaver</i> ®	Consumer, Business	2008	Final	#	0	0	4	4	4
24	Summer Sweepstakes	Consumer	2008	Final	#	0	0	241	87	87
25	Electricity Retrofit Incentive	Consumer, Business	2008	Final	#	0	0	537	537	537
26	Toronto Comprehensive	Consumer, Consumer Low-Income, Business	2008	Final	#	0	0	0	0	0
27	High Performance New Construction	Business	2008	Final	#	0	0	1	1	1
28	Power Savings Blitz	Business	2008	Final	#	0	0	101	101	44
29	Demand Response 1	Business, Industrial	2008	Final	#	0	0	0	0	0
30	Demand Response 3	Business, Industrial	2008	Final	#	0	0	0	0	0
31	Loblaw & York Region Demand Response	Business, Industrial	2008	Final	#	0	0	0	0	0
32	Renewable Energy Standard Offer	Consumer, Business	2008	Final	#	0	0	0	0	0
33	Other Customer Based Generation	Business	2008	Final	#	0	0	0	0	0
34	LDC Custom - Hydro One Networks Inc. - Double Return	Business, Industrial	2008	Final	#	0	0	0	0	0
35	Great Refrigerator Roundup	Consumer	2009	Final	#	0	0	0	158	158
36	Cool Savings Rebate	Consumer	2009	Final	#	0	0	0	84	84
37	Every Kilowatt Counts Power Savings Event	Consumer	2009	Final	#	0	0	0	146	140
38	<i>peaksaver</i> ®	Consumer, Business	2009	Final	#	0	0	0	0	0
39	Electricity Retrofit Incentive	Consumer, Business	2009	Final	#	0	0	0	407	407
40	Toronto Comprehensive	Consumer, Consumer Low-Income, Business, I	2009	Final	#	0	0	0	0	0
41	High Performance New Construction	Business	2009	Final	#	0	0	0	20	20
42	Power Savings Blitz	Business	2009	Final	#	0	0	0	547	547
43	Multi-Family Energy Efficiency Rebates	Consumer, Consumer Low-Income	2009	Final	#	0	0	0	0	0
44	Demand Response 1	Business, Industrial	2009	Final	#	0	0	0	17	0
45	Demand Response 2	Business, Industrial	2009	Final	#	0	0	0	162	0
46	Demand Response 3	Business, Industrial	2009	Final	#	0	0	0	3	0
47	Loblaw & York Region Demand Response	Business, Industrial	2009	Final	#	0	0	0	0	0
48	LDC Custom - Thunder Bay Hydro - Phantom Load	Consumer	2009	Final	#	0	0	0	0	0
49	LDC Custom - Toronto Hydro - Summer Challenge	Consumer	2009	Final	#	0	0	0	0	0
50	LDC Custom - PowerStream - Data Centers	Business	2009	Final	#	0	0	0	0	0
51	Toronto Comprehensive Adjustment	Consumer, Business	2008	Final		0	0	0	0	0
52	LDC Custom - Hydro One Networks Inc. - Double Return Adjustment	Business, Industrial	2008	Final		0	0	0	0	0
2006 Subtotal						1,064	1,064	1,064	1,064	185
2007 Subtotal						0	838	632	607	607
2008 Subtotal						0	0	1,485	1,329	1,272
2009 Subtotal						0	0	0	1,543	1,355
Overall Total						1,064	1,901	3,180	4,542	3,418

Gross Summer Peak Demand Savings (MW)



## OPA Conservation & Demand Management Programs

Initiative Results at End-User Level

For: St. Thomas Energy Inc.

#	Initiative Name	Program Name	Program Year	Results Status		2006	2007	2008	2009	2010
1	Secondary Refrigerator Retirement Pilot	Consumer	2006	Final	#	0.0040	0.0040	0.0040	0.0040	0.0040
2	Cool & Hot Savings Rebate	Consumer	2006	Final	#	0.0438	0.0438	0.0438	0.0438	0.0438
3	Every Kilowatt Counts	Consumer	2006	Final	#	0.0132	0.0132	0.0132	0.0132	0.0132
4	Demand Response 1	Business, Industrial	2006	Final	#	0.8521	0.0000	0.0000	0.0000	0.0000
5	Loblaw & York Region Demand Response	Business, Industrial	2006	Final	#	0.0417	0.0000	0.0000	0.0000	0.0000
6	Great Refrigerator Roundup	Consumer	2007	Final	#	0.0000	0.0232	0.0232	0.0232	0.0232
7	Cool & Hot Savings Rebate	Consumer	2007	Final	#	0.0000	0.0888	0.0888	0.0888	0.0888
8	Every Kilowatt Counts	Consumer	2007	Final	#	0.0000	0.0213	0.0188	0.0188	0.0188
9	<i>peaksaver</i> ®	Consumer, Business	2007	Final	#	0.0000	0.0441	0.0441	0.0441	0.0441
10	Summer Savings	Consumer	2007	Final	#	0.0000	1.1280	0.3364	0.1620	0.1620
11	Aboriginal	Consumer	2007	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
12	Affordable Housing Pilot	Consumer Low-Income	2007	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
13	Social Housing Pilot	Consumer Low-Income	2007	Final	#	0.0000	0.0041	0.0041	0.0041	0.0041
14	Energy Efficiency Assistance for Houses Pilot	Consumer Low-Income	2007	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
15	Electricity Retrofit Incentive	Business	2007	Final	#	0.0000	0.0185	0.0185	0.0185	0.0185
16	Toronto Comprehensive	Business	2007	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
17	Demand Response 1	Business, Industrial	2007	Final	#	0.0000	0.9392	0.0000	0.0000	0.0000
18	Loblaw & York Region Demand Response	Business, Industrial	2007	Final	#	0.0000	0.0781	0.0000	0.0000	0.0000
19	Renewable Energy Standard Offer	Consumer, Business, Industrial	2007	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
20	Great Refrigerator Roundup	Consumer	2008	Final	#	0.0000	0.0000	0.0366	0.0366	0.0366
21	Cool Savings Rebate	Consumer	2008	Final	#	0.0000	0.0000	0.0761	0.0761	0.0761
22	Every Kilowatt Counts Power Savings Event	Consumer	2008	Final	#	0.0000	0.0000	0.0459	0.0435	0.0435
23	<i>peaksaver</i> ®	Consumer, Business	2008	Final	#	0.0000	0.0000	0.2052	0.2052	0.2052
24	Summer Sweepstakes	Consumer	2008	Final	#	0.0000	0.0000	0.0785	0.0450	0.0450
25	Electricity Retrofit Incentive	Consumer, Business	2008	Final	#	0.0000	0.0000	0.1808	0.1808	0.1808
26	Toronto Comprehensive	Consumer, Consumer Low-Income, Business	2008	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
27	High Performance New Construction	Business	2008	Final	#	0.0000	0.0000	0.0013	0.0013	0.0013
28	Power Savings Blitz	Business	2008	Final	#	0.0000	0.0000	0.0149	0.0149	0.0065
29	Demand Response 1	Business, Industrial	2008	Final	#	0.0000	0.0000	1.1951	0.0000	0.0000
30	Demand Response 3	Business, Industrial	2008	Final	#	0.0000	0.0000	0.2311	0.0000	0.0000
31	Loblaw & York Region Demand Response	Business, Industrial	2008	Final	#	0.0000	0.0000	0.0794	0.0000	0.0000
32	Renewable Energy Standard Offer	Consumer, Business	2008	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
33	Other Customer Based Generation	Business	2008	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
34	LDC Custom - Hydro One Networks Inc. - Double Return	Business, Industrial	2008	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
35	Great Refrigerator Roundup	Consumer	2009	Final	#	0.0000	0.0000	0.0000	0.0456	0.0456
36	Cool Savings Rebate	Consumer	2009	Final	#	0.0000	0.0000	0.0000	0.1264	0.1264
37	Every Kilowatt Counts Power Savings Event	Consumer	2009	Final	#	0.0000	0.0000	0.0000	0.0403	0.0387
38	<i>peaksaver</i> ®	Consumer, Business	2009	Final	#	0.0000	0.0000	0.0000	0.0980	0.0980
39	Electricity Retrofit Incentive	Consumer, Business	2009	Final	#	0.0000	0.0000	0.0000	0.0955	0.0955
40	Toronto Comprehensive	Consumer, Consumer Low-Income, Business, I	2009	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
41	High Performance New Construction	Business	2009	Final	#	0.0000	0.0000	0.0000	0.0122	0.0122
42	Power Savings Blitz	Business	2009	Final	#	0.0000	0.0000	0.0000	0.1476	0.1476
43	Multi-Family Energy Efficiency Rebates	Consumer, Consumer Low-Income	2009	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
44	Demand Response 1	Business, Industrial	2009	Final	#	0.0000	0.0000	0.0000	0.3869	0.0000
45	Demand Response 2	Business, Industrial	2009	Final	#	0.0000	0.0000	0.0000	0.2627	0.0000
46	Demand Response 3	Business, Industrial	2009	Final	#	0.0000	0.0000	0.0000	0.3753	0.0000
47	Loblaw & York Region Demand Response	Business, Industrial	2009	Final	#	0.0000	0.0000	0.0000	0.0645	0.0000
48	LDC Custom - Thunder Bay Hydro - Phantom Load	Consumer	2009	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
49	LDC Custom - Toronto Hydro - Summer Challenge	Consumer	2009	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
50	LDC Custom - PowerStream - Data Centers	Business	2009	Final	#	0.0000	0.0000	0.0000	0.0000	0.0000
51	Toronto Comprehensive Adjustment	Consumer, Business	2008	Final		0.0000	0.0000	0.0000	0.0000	0.0000
52	LDC Custom - Hydro One Networks Inc. - Double Return Adjustment	Business, Industrial	2008	Final		0.0000	0.0000	0.0000	0.0000	0.0000
2006 Subtotal						0.9548	0.0610	0.0610	0.0610	0.0610
2007 Subtotal						0.0000	2.3453	0.5338	0.3594	0.3594
2008 Subtotal						0.0000	0.0000	2.1449	0.6034	0.5951
2009 Subtotal						0.0000	0.0000	0.0000	1.6550	0.5640
Overall Total						0.9548	2.4063	2.7398	2.6788	1.5795

Gross Energy Savings (MWh)

# OPA Conservation & Demand Management Programs

Initiative Results at End-User Level

For: St. Thomas Energy Inc.

#	Initiative Name	Program Name	Program Year	Results Status		2006	2007	2008	2009	2010
1	Secondary Refrigerator Retirement Pilot	Consumer	2006	Final	#	18	18	18	18	18
2	Cool & Hot Savings Rebate	Consumer	2006	Final	#	49	49	49	49	49
3	Every Kilowatt Counts	Consumer	2006	Final	#	1,121	1,121	1,121	1,121	145
4	Demand Response 1	Business, Industrial	2006	Final	#	0	0	0	0	0
5	Loblaw & York Region Demand Response	Business, Industrial	2006	Final	#	0	0	0	0	0
6	Great Refrigerator Roundup	Consumer	2007	Final	#	0	178	178	178	178
7	Cool & Hot Savings Rebate	Consumer	2007	Final	#	0	125	125	125	125
8	Every Kilowatt Counts	Consumer	2007	Final	#	0	519	510	510	510
9	peaksaver®	Consumer, Business	2007	Final	#	0	0	0	0	0
10	Summer Savings	Consumer	2007	Final	#	0	2,015	340	129	129
11	Aboriginal	Consumer	2007	Final	#	0	0	0	0	0
12	Affordable Housing Pilot	Consumer Low-Income	2007	Final	#	0	0	0	0	0
13	Social Housing Pilot	Consumer Low-Income	2007	Final	#	0	35	35	35	35
14	Energy Efficiency Assistance for Houses Pilot	Consumer Low-Income	2007	Final	#	0	0	0	0	0
15	Electricity Retrofit Incentive	Business	2007	Final	#	0	51	51	51	51
16	Toronto Comprehensive	Business	2007	Final	#	0	0	0	0	0
17	Demand Response 1	Business, Industrial	2007	Final	#	0	0	0	0	0
18	Loblaw & York Region Demand Response	Business, Industrial	2007	Final	#	0	0	0	0	0
19	Renewable Energy Standard Offer	Consumer, Business, Industrial	2007	Final	#	0	0	0	0	0
20	Great Refrigerator Roundup	Consumer	2008	Final	#	0	0	333	333	333
21	Cool Savings Rebate	Consumer	2008	Final	#	0	0	121	121	121
22	Every Kilowatt Counts Power Savings Event	Consumer	2008	Final	#	0	0	872	867	867
23	peaksaver®	Consumer, Business	2008	Final	#	0	0	4	4	4
24	Summer Sweepstakes	Consumer	2008	Final	#	0	0	310	112	112
25	Electricity Retrofit Incentive	Consumer, Business	2008	Final	#	0	0	928	928	928
26	Toronto Comprehensive	Consumer, Consumer Low-Income, Business	2008	Final	#	0	0	0	0	0
27	High Performance New Construction	Business	2008	Final	#	0	0	1	1	1
28	Power Savings Blitz	Business	2008	Final	#	0	0	108	108	47
29	Demand Response 1	Business, Industrial	2008	Final	#	0	0	0	0	0
30	Demand Response 3	Business, Industrial	2008	Final	#	0	0	0	0	0
31	Loblaw & York Region Demand Response	Business, Industrial	2008	Final	#	0	0	0	0	0
32	Renewable Energy Standard Offer	Consumer, Business	2008	Final	#	0	0	0	0	0
33	Other Customer Based Generation	Business	2008	Final	#	0	0	0	0	0
34	LDC Custom - Hydro One Networks Inc. - Double Return	Business, Industrial	2008	Final	#	0	0	0	0	0
35	Great Refrigerator Roundup	Consumer	2009	Final	#	0	0	0	296	296
36	Cool Savings Rebate	Consumer	2009	Final	#	0	0	0	196	196
37	Every Kilowatt Counts Power Savings Event	Consumer	2009	Final	#	0	0	0	398	360
38	peaksaver®	Consumer, Business	2009	Final	#	0	0	0	0	0
39	Electricity Retrofit Incentive	Consumer, Business	2009	Final	#	0	0	0	645	645
40	Toronto Comprehensive	Consumer, Consumer Low-Income, Business, I	2009	Final	#	0	0	0	0	0
41	High Performance New Construction	Business	2009	Final	#	0	0	0	28	28
42	Power Savings Blitz	Business	2009	Final	#	0	0	0	576	576
43	Multi-Family Energy Efficiency Rebates	Consumer, Consumer Low-Income	2009	Final	#	0	0	0	0	0
44	Demand Response 1	Business, Industrial	2009	Final	#	0	0	0	17	0
45	Demand Response 2	Business, Industrial	2009	Final	#	0	0	0	162	0
46	Demand Response 3	Business, Industrial	2009	Final	#	0	0	0	3	0
47	Loblaw & York Region Demand Response	Business, Industrial	2009	Final	#	0	0	0	0	0
48	LDC Custom - Thunder Bay Hydro - Phantom Load	Consumer	2009	Final	#	0	0	0	0	0
49	LDC Custom - Toronto Hydro - Summer Challenge	Consumer	2009	Final	#	0	0	0	0	0
50	LDC Custom - PowerStream - Data Centers	Business	2009	Final	#	0	0	0	0	0
51	Toronto Comprehensive Adjustment	Consumer, Business	2008	Final		0	0	0	0	0
52	LDC Custom - Hydro One Networks Inc. - Double Return Adjustment	Business, Industrial	2008	Final		0	0	0	0	0
2006 Subtotal						1,188	1,188	1,188	1,188	211
2007 Subtotal						0	2,922	1,238	1,027	1,027
2008 Subtotal						0	0	2,678	2,475	2,414
2009 Subtotal						0	0	0	2,321	2,101
Overall Total						1,188	4,110	5,104	7,011	5,753

## QUESTION 44

### QUESTION

Ref: Exhibit 9/ Tab 3/ Schedules 1 & 2

St. Thomas proposes to increase its Smart Meter Adder by \$2.72 from \$0.52 to \$3.29 and does not seek disposition of the balances recorded in the smart meter deferral accounts 1555 and 1556. St. Thomas notes ( in Appendix 2-R) that as of the end of 2010 it will have installed 14,301 residential smart meters and 1,031 GS< 50kW smart meters with 177 and 654 respectively to follow in 2011. St. Thomas noted that 4.9% of applicable customers will have converted in 2010 rising to 100 % in 2011. Capital expenditures (deferral account 1555) will total \$3,500,000 in 2011 of which \$2,096,855 will have been spent in 2010. Operating Expenses (deferral account 1556) are \$61,725 in 2010, rising to \$450,000 in 2011.

a) Please explain how the 4.9% was calculated?

b) Please provide a copy of the calculation which underpins the 2010 and 2011 Rate Year Entitlement (Revenue Requirement) of \$336,790 and \$758,840 respectively which St. Thomas uses in its calculation of the \$3.29 Smart Meter Funding Adder.

c) Per the Smart Meter Funding and Cost Recovery G-2008-0002 (dated October 22, 2008) guideline page 10, a utility requesting a utility-specific smart meter funding adder is to support its request with the following.

- a detailed smart meter plan which includes the number of meters proposed to be installed and an installation schedule for each month during which the proposed smart meter funding adder is expected to be in effect
- the actual or estimated costs in total and on a per meter basis for:
  - procurement and installation of the components of the AMI system
  - customer information system

- 1           ○ incremental operating and maintenance activities
- 2           ○ changes to ancillary systems
- 3           ○ stranded meters
- 4       • a business plan justification for any smart meter or AMI costs that are incurred to
- 5       support functionality that exceeds the minimum functionality adopted in O. Reg.
- 6       425/06, and an estimate of those costs
- 7       • a statement as to whether the distributor has incurred, or expects to incur, costs
- 8       associated with functions for which the SME has the exclusive authority to carry
- 9       out pursuant to O. Reg. 393/07, and an estimate of those costs

10

11       Please confirm that St. Thomas has met these informational requirements. If not,  
12       please provide any missing information.

13

14       d) From the pre-filed evidence it appears that St. Thomas will have installed 100% of its  
15       smart meters in 2011. When will St. Thomas expect to file an application, either stand-  
16       alone or as part of another filing, to dispose the Smart Meter deferral account balances,  
17       including stranded meters?

18

19       e) In recent IRM decisions, the Board has limited increases to smart meter funding  
20       adders to \$2.50 per metered customer per month. Please identify any implications  
21       arising from a funding adder of \$2.50.

## 22       **RESPONSE**

23       a) St. Thomas should have stated 94.9%, not 4.9%.

24

25       b) Please see Attachment 1.

26

27       c) St. Thomas has met the Smart Meter Funding and Cost Recovery G-2008-0002  
28       (dated October 22, 2008) guideline on page 10 regarding the request for a utility specific  
29       smart meter funding adder. This information can be found in the STEI 2010 Distribution  
30       Rate Adjustment Application to the Ontario Energy Board dated October 29, 2009.

- 1 d) St. Thomas has not yet decided when it will apply to dispose of its Smart Meter  
2 deferral account balances, including stranded meters.  
3  
4 e) Should the Board decide on \$ 2.50 per metered customer per month it will mean that  
5 approximately \$90,000 in funding will not be received by St Thomas (estimated up to  
6 and including December 2011). As a result there will be increased use of funds  
7 borrowed from St Thomas's financial institution.

***Attachment 1 (of 1):***

***Question 44***

## Sheet 4. Smart Meter Rev Req Calc

### Smart Meter Revenue Requirement Calculation

#### Average Asset Values

Net Fixed Assets Smart Meters  
 Net Fixed Assets Computer Hardware  
 Net Fixed Assets Computer Software  
 Net Fixed Assets Tools & Equipment  
 Net Fixed Assets Other Equipment  
 Total Net Fixed Assets

#### Working Capital

Operation Expense  
 Working Capital %

#### Smart Meters included in Rate Base

#### Return on Rate Base

Deemed Short Term Debt %  
 Deemed Long Term Debt %  
 Deemed Equity %

Deemed Short Term Debt Rate%  
 Weighted Debt Rate (3. LDC Assumptions and Data)  
 Proposed ROE (3. LDC Assumptions and Data)

#### Return on Rate Base

#### Operating Expenses

Incremental Operating Expenses (3. LDC Assumptions and Data)

#### Amortization Expenses

Amortization Expenses - Smart Meters  
 Amortization Expenses - Computer Hardware  
 Amortization Expenses - Computer Software  
 Amortization Expenses - Tools & Equipment  
 Amortization Expenses - Other Equipment

#### Total Amortization Expenses

#### Revenue Requirement Before PILs

#### Calculation of Taxable Income

Incremental Operating Expenses  
 Depreciation Expenses  
 Interest Expense

#### Taxable Income For PILs

#### Grossed up PILs (5. PILs)

Revenue Requirement Before PILs  
 Grossed up PILs (5. PILs)

#### Revenue Requirement for Smart Meters

2010 Forecasted		2011 Forecasted	
\$	937,314.95	\$	2,293,320.82
\$	7,451.43	\$	13,246.99
\$	244,876.03	\$	435,335.17
\$	-	\$	-
\$	-	\$	-
\$	1,189,642.41	\$	2,741,902.97
\$	150,000.00	\$	300,000.00
\$	22,500.00	\$	45,000.00
	\$ 1,212,142.41		\$ 2,786,902.97
0.0%		4.0%	\$ 111,476.12
60.0%	\$ 727,285.45	56.0%	\$ 1,560,665.67
40.0%	\$ 484,856.96	40.0%	\$ 1,114,761.19
	\$ 1,212,142.41		\$ 2,675,426.85
0.0%		2.4%	\$ 2,708.87
7.3%	\$ 52,728.19	5.5%	\$ 85,524.48
9.0%	\$ 43,637.13	9.7%	\$ 107,685.93
	\$ 96,365.32		\$ 195,919.28
	\$ 150,000.00		\$ 300,000.00
\$	64,642.41	\$	162,618.15
\$	1,655.87	\$	3,311.75
\$	54,416.90	\$	108,833.79
\$	-	\$	-
\$	-	\$	-
\$	120,715.18	\$	274,763.69
\$	367,080.50	\$	770,682.97
-\$	150,000.00	-\$	300,000.00
-\$	120,715.18	-\$	274,763.69
-\$	52,728.19	-\$	88,233.35
\$	43,637.13	\$	107,685.93
-\$	30,289.56	-\$	11,842.03
\$	367,080.50	\$	770,682.97
-\$	30,289.56	-\$	11,842.03
\$	336,790.94	\$	758,840.94

## QUESTION 45

### QUESTION

Ref: Exhibit 9/ Tab 1/ Schedule 1

The pre-filed evidence presents deferral and variance account balances as of December 31, 2009.

A) Please indicate whether St. Thomas has posted any amounts to account 1592 since April 2006, with the exception of the HST sub-account. If yes, please respond to the following questions. If not, please explain why the applicant has not posted any amounts to account for the changes in tax legislation that have occurred since 2006 as required by the Board's methodology and prior decisions.

a. Please revise the deferral and variance account continuity schedule to include account 1592 as a group 2 account and enter all the required information for transactions, adjustments, interest carrying charges, etc. for all the relevant years.

b. Please describe each type of tax item that has been accounted for in account 1592.

c. Please provide the calculations that show how each item was determined and provide any pertinent supporting evidence.

d. Please confirm whether or not the Applicant followed the guidance provided in the July 2007 FAQ. If not, please explain why not.

e. Please identify the account balance as of December 31, 2009 as per the 2009 audited financial statements. Please identify the account balance as of December 31, 2009 as per the April 2010 2.1.7 RRR filing to the Board. Please



1 provide reconciliation if the balances provided in the above are not identical to  
2 each other and to the total amount shown on the continuity schedule.

3

4 f. Should the Board wish to dispose of this account at this time, please identify  
5 the following:

6

7 i. the allocator that in the applicant's view would be most appropriate to  
8 use in allocating the balance to the rate classes.

9

10 ii. the disposition period that the applicant would prefer if different from  
11 the period proposed for the remaining deferral and variance accounts and  
12 explain why.

13

14 iii. the billing determinant that in the applicant's view would be most  
15 appropriate to use.

16

17 g. Please complete the following table based on the previous answers. Add rows  
18 as required to complete the analysis in an informative manner, or if the applicant  
19 considers that any of the rows are not applicable, please delete the rows and  
20 provide an explanation. If the applicant uses Excel to prepare the table, please  
21 submit the live Excel workbook.

## 22 **RESPONSE**

23 A) STEI has not posted any amounts to account 1592 since April, 2006 because it  
24 believed that this account only affected the Federal Large Corporations Tax discrepancy.  
25 STEI did not have any amounts included in its PILS Proxy amount for Federal Large  
26 Corporations tax in 2005 or its 2006 PILs models. Therefore no adjustment was required  
27 for the Federal Large Corporations tax issue in either account 1562 or account 1592 for  
28 the 2006 year.

29

1 STEI notes that the Boards 2008 2<sup>nd</sup> Generation IRM Decision for STEI (EB-2007- 0841)  
2 determined the following:

3  
4 *"The Board also considered the reduction in Ontario capital tax and the*  
5 *increase in capital cost allowance (CCA) applicable to certain buildings*  
6 *and computers acquired after March 2007. The Board has decided that*  
7 *adjustments related to these items are not required, either because the*  
8 *changes are not of general application, or because they do not appear to*  
9 *be material".*

10  
11 STEI notes that the Boards 2009 2<sup>nd</sup> Generation IRM Decision for STEI (EB-2008-0211)  
12 determined the following:

13  
14 *"The Board has considered these fiscal changes and determined that the*  
15 *rate model will be adjusted to reflect the increase in the provincial and*  
16 *federal small business income limit for affected distributors, and the*  
17 *changes in the Ontario capital tax provisions. The Board is of the view*  
18 *that these changes when combined could be material, and should be*  
19 *passed through to ratepayers. With regard to the change in the CCA, the*  
20 *Board notes that this change would be captured in the revenue*  
21 *requirement calculation as it relates to smart meters when a distributor*  
22 *applies for cost recovery for the applicable investment period. For other*  
23 *computer equipment and related system software in class 50, the Board*  
24 *concludes that this adjustment is not required since it does not appear to*  
25 *be material".*

26  
27 STEI is not aware that the Board had instructed distributors to consider the changes to  
28 Ontario Capital taxes or CCA changes to be considered for retroactive application to  
29 USoA account #1592.

30  
31 In addition, STEI did not expect to apply for disposition of account 1562, 1563 or 1592 in  
32 our 2011 Cost of Service application due to the fact that the OEB has commenced a

1 proceeding (EB-2008-0381) to review PILs. Board Staff stated that the Board had  
2 indicated that the results of that proceeding will inform its policies on the disposition of  
3 the balances in the PILs accounts 1562, 1563 and 1592.

4  
5 a) STEI calculated the amounts that would have been attributable to Ontario Capital  
6 Taxes had the Board directed STEI to recognize this amount; please see the  
7 response to part g) below. However, STEI notes that the Board determined that any  
8 adjustment for Ontario Capital Taxes for 2007 and 2008 were immaterial (EB-2007-  
9 0841). STEI has not updated its deferral and variance account schedule to reflect  
10 the difference in Ontario Capital Tax as this was not required by the Board.

11  
12 b) For 2007, 2008 and 2009 STEI has no additions to account 1592 pertain to Ontario  
13 capital tax rate and was not subject to any federal capital tax.

14  
15 c) Detailed calculations are provided for informational purposes in Attachment 1.

16  
17 d) The guidance provided in the July 2007 FAQ (Attachment 2) questions 1-4  
18 regarding account 1592 did not apply to STEI due to the fact that it related to  
19 Federal Large Corporations Tax. The guidance provided in question 5 has been  
20 followed; please see the response to part g).

21  
22 e) The 2009 audited financial statements and the April 2010 2.1.7 RRR filing to the  
23 Board did not identify any balances in account 1592.

24  
25 f)  
26 i. STEI would have elected to use the allocator that will be decided upon in  
27 OEB proceeding EB-2008-0381, but does not believe that it is applicable  
28 in this circumstance.  
29 ii. STEI would have elected the period proposed for the remaining deferral  
30 and variance accounts, but does not believe that it is applicable in this  
31 circumstance.

- 1           iii.    STEI would have elected to use the billing determinant that will be  
2                decided upon in OEB proceeding EB-2008-0381, but does not believe  
3                that it is applicable in this circumstance.

- 1 g) Attachment 1 provides the amounts that would have been applied to account USoA  
 2 #1592 for each year had the Board directed STEI to account for this amount.  
 3

<b>Tax Item</b>	<b>\$ Principal As of [December 31, 2009]</b>
Large Corporation Tax grossed-up proxy from 2006 EDR application PILs model for the period from May 1, 2006 to April 30, 2007	
Large Corporation Tax from 2005 EDR application PILs model for the period from January 1, 2006 to April 30, 2006 (4 /12ths of approved grossed-up proxy) if not recorded in PILs account 1562	
Ontario Capital Tax rate decrease and increase in capital deduction for 2007	Principle \$14,316 Interest \$896
Ontario Capital Tax rate decrease and increase in capital deduction for 2008	Principle \$19,941 Interest \$896
Ontario Capital Tax rate decrease and increase in capital deduction for 2009	Principle \$6,647 Interest \$431
Ontario Capital Tax rate decrease and increase in capital deduction for 2010	Interest \$327
Ontario Capital Tax rate decrease and increase in capital deduction for 2011	Interest \$198
Capital Cost Allowance class changes from 2006 EDR application for 2006	
Capital Cost Allowance class changes from 2006 EDR application for 2007	
Capital Cost Allowance class changes from 2006 EDR application for 2008	
Capital Cost Allowance class changes from 2006 EDR application for 2009	
Capital Cost Allowance class changes from 2006 EDR application for 2010	
Capital Cost Allowance class changes from any prior application not recorded above.	
Insert description of next item(s)	
Insert description of next item(s) and new rows if needed.	
Total	Principle \$40,905 Interest \$2,170

***Attachment 1 (of 2):***

***Question 45***

## St. Thomas Energy Inc.

### Ontario Capital Tax Adjustment

Ontario Capital Tax Adjustments													
		PIL's Model Sheet "Test Year OCT. LCT"		2006 EDR		2009 2IRM		2007 Actual Tax Rates		2008 Actual Tax Rates			
Taxable Capital				\$21,588,290		\$21,588,290		\$21,588,290		\$21,588,290			
<u>Capital Tax Calculation</u>													
Deduction from taxable capital				\$10,000,000		\$15,000,000		\$12,500,000		\$15,000,000			
Net Taxable Capital				\$11,588,290		\$ 6,588,290		\$ 9,088,290		\$ 6,588,290			
Rate				0.300%		0.225%		0.225%		0.225%			
Ontario Capital Tax (Deductible, not grossed-up)		1	\$	34,765	2	\$	14,824	3	\$	20,449	4	\$	14,824
2007 Adjustment to 1592		1-3	\$	14,316									
2008 Adjustment to 1592		1-4	\$	19,941									
2009 Adjustment to 1592		(1-2)/3	\$	6,647									
			\$	40,905									

**Prescribed Interest Rates**

	<b>Approved Deferral and Variance Accounts</b>	<b>CWIP Account</b>
	<b>Rate (per the Bankers' Acceptances-3 months Plus 0.25 Spread)</b>	<b>Rate (per the DEX Mid Term Corporate Bond Index Yield 2)</b>
Q2 2006	4.14	4.68
Q3 2006	4.59	5.05
Q4 2006	4.59	4.72
Q1 2007	4.59	4.72
Q2 2007	4.59	4.72
Q3 2007	4.59	5.18
Q4 2007	5.14	5.18
Q1 2008	5.14	5.18
Q2 2008	4.08	5.18
Q3 2008	3.35	5.43
Q4 2008	3.35	5.43
Q1 2009	2.45	6.61
Q2 2009	1.00	6.61
Q3 2009	0.55	5.67
Q4 2009	0.55	4.66
Q1 2010	0.55	4.34
Q2 2010	0.55	4.34
Q3 2010	0.89	4.66
Q4 2010	1.20	4.01
Q1 2011	1.47	4.29
Q2 2011	1.47	4.29
Q3 2011	1.47	4.29
Q4 2011	1.47	4.29
Q1 2012	1.47	4.29
Q2 2012	1.47	4.29
Q3 2012	1.47	4.29
Q4 2012	1.47	4.29
Q1 2013	1.47	4.29
Q2 2013	1.47	4.29
Q3 2013	1.47	4.29
Q4 2013	1.47	4.29
Q1 2014	1.47	4.29
Q2 2014	1.47	4.29
Q3 2014	1.47	4.29
Q4 2014	1.47	4.29
Q1 2015	1.47	4.29
Q2 2015	1.47	4.29
Q3 2015	1.47	4.29
Q4 2015	1.47	4.29



## Carrying Costs Calculation

	OCT					
	Opening	Adjustment	Closing	Int. Rate	Days	Interest
Jan-07	-	1,193	1,193	4.59%	30	-
Feb-07	1,193	1,193	2,386	4.59%	27	4
Mar-07	2,386	1,193	3,579	4.59%	30	9
Apr-07	3,579	1,193	4,772	4.59%	29	13
May-07	4,772	1,193	5,965	4.59%	30	19
Jun-07	5,965	1,193	7,158	4.59%	29	22
Jul-07	7,158	1,193	8,351	4.59%	30	28
Aug-07	8,351	1,193	9,544	4.59%	30	33
Sep-07	9,544	1,193	10,737	4.59%	29	36
Oct-07	10,737	1,193	11,930	5.14%	30	47
Nov-07	11,930	1,193	13,123	5.14%	29	50
Dec-07	13,123	1,193	14,316	5.14%	30	57
<b>Total 2007</b>		<b>14,316</b>				<b>319</b>

	OCT					
	Opening	Adjustment	Closing	Int. Rate	Days	Interest
Jan-08	14,316	1,662	15,978	5.14%	30	62
Feb-08	15,978	1,662	17,640	5.14%	28	65
Mar-08	17,640	1,662	19,302	5.14%	30	77
Apr-08	19,302	1,662	20,963	4.08%	29	65
May-08	20,963	1,662	22,625	4.08%	30	72
Jun-08	22,625	1,662	24,287	4.08%	29	76
Jul-08	24,287	1,662	25,949	3.35%	30	69
Aug-08	25,949	1,662	27,610	3.35%	30	74
Sep-08	27,610	1,662	29,272	3.35%	29	76
Oct-08	29,272	1,662	30,934	3.35%	30	83
Nov-08	30,934	1,662	32,596	3.35%	29	85
Dec-08	32,596	1,662	34,257	3.35%	30	93
<b>Total 2008</b>		<b>19,941</b>				<b>896</b>

	OCT					
	Opening	Adjustment	Closing	Int. Rate	Days	Interest
Jan-09	34,257	1,662	35,919	2.45%	30	71
Feb-09	35,919	1,662	37,581	2.45%	27	67
Mar-09	37,581	1,662	39,243	2.45%	30	78
Apr-09	39,243	1,662	40,905	1.00%	29	32
May-09	40,905	-	40,905	1.00%	30	35
Jun-09	40,905	-	40,905	1.00%	29	34
Jul-09	40,905	-	40,905	0.55%	30	19

Aug-09	40,905	-	40,905	0.55%	30	19
Sep-09	40,905	-	40,905	0.55%	29	18
Oct-09	40,905	-	40,905	0.55%	30	19
Nov-09	40,905	-	40,905	0.55%	29	18
Dec-09	40,905	-	40,905	0.55%	30	19
<b>Total 2009</b>		<b>6,647</b>				<b>431</b>

OCT						
	Opening	Adjustment	Closing	Int. Rate	Days	Interest
Jan-10	40,905	-	40,905	0.55%	30	19
Feb-10	40,905	-	40,905	0.55%	27	17
Mar-10	40,905	-	40,905	0.55%	30	19
Apr-10	40,905	-	40,905	0.55%	29	18
May-10	40,905	-	40,905	0.55%	30	19
Jun-10	40,905	-	40,905	0.55%	29	18
Jul-10	40,905	-	40,905	0.89%	30	31
Aug-10	40,905	-	40,905	0.89%	30	31
Sep-10	40,905	-	40,905	0.89%	29	30
Oct-10	40,905	-	40,905	1.20%	30	42
Nov-10	40,905	-	40,905	1.20%	29	40
Dec-10	40,905	-	40,905	1.20%	30	42
<b>Total 2010</b>		<b>-</b>				<b>327</b>

OCT						
	Opening	Adjustment	Closing	Int. Rate	Days	Interest
Jan-11	40,905	-	40,905	1.47%	30	51
Feb-11	40,905	-	40,905	1.47%	27	46
Mar-11	40,905	-	40,905	1.47%	30	51
Apr-11	40,905	-	40,905	1.47%	29	49
May-11	40,905	-	40,905	0.00%	30	-
Jun-11	40,905	-	40,905	0.00%	29	-
Jul-11	40,905	-	40,905	0.00%	30	-
Aug-11	40,905	-	40,905	0.00%	30	-
Sep-11	40,905	-	40,905	0.00%	29	-
Oct-11	40,905	-	40,905	0.00%	30	-
Nov-11	40,905	-	40,905	0.00%	29	-
Dec-11	40,905	-	40,905	0.00%	30	-
<b>Total 2011</b>		<b>-</b>				<b>198</b>

	Revenue Requirement	Interest
<b>2007</b>	14,316	319
<b>2008</b>	19,941	896
<b>2009</b>	6,647	431
<b>2010</b>	-	327
<b>2011</b>	-	198
	<b>40,905</b>	<b>2,170</b>

***Attachment 2 (of 2):***

***Question 45***

# **Ontario Energy Board Accounting Procedures Handbook Frequently Asked Questions July 2007**

## **INDEX**

- Q.1 Accounts for recording adjustments due to the repeal of the federal Large Corporation Tax (“LCT”)**
- Q.2 Account to record the LCT for distributors that did apply for new distribution rates in 2006**
- Q.3 Identifying the LCT component included in distribution rates**
- Q.4 Calculating LCT adjustments for different time periods from the PILs or tax proxy**
- Q.5 Applicable interest rate to be used for LCT adjustments recorded in accounts 1562 and 1592**
- Q.6 Recording of Board-approved regulatory assets and liabilities in account 1590**
- Q.7 Accounts for recording OPA-funded CDM program transactions**

## ACCOUNTING PROCEDURES HANDBOOK

### Frequently Asked Questions

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**Q.1 The federal Large Corporation Tax (“LCT”) was repealed in the Federal Government’s 2006 Budget and was retroactive to January 1, 2006. Which APH accounts should be used to record the changes in tax legislation?**

A.1 The Board approved accounts 1562 and 1592 to deal with changes in tax legislation and tax rules with respect to PILs and taxes. Account 1562 applies to entries up to April 30, 2006, while account 1592 relates to tax changes that affect the period after April 30, 2006. Account 1592 was specifically approved by the Board effective for the start of the 2006 rate year on May 1, 2006. Please refer to December 2005 FAQs, Q.19, for additional information on account 1592. Since there was no LCT cost to the distributor in 2006 (and beyond), no cost recovery is needed from rate-payers. Accordingly, both accounts should be used to record adjusting entries for LCT in the applicable periods indicated above.

**Q.2 The distributor did not apply for 2006 rates, but had an LCT amount included in its previous rates. Which account should be used to record the LCT PILs tax entries?**

A.2 Account 1562 should be used to record the adjusting entries for the period starting from January 1, 2006, up to the date the LCT component is removed from rates (e.g., May 1, 2007 or upon rates rebasing), since the previous distribution rates approved in the distributor’s 2005 application, which included LCT, continued in rates during the period when the LCT legislative repeal came into effect (i.e., January 1, 2006).

**Q.3 There is no schedule in the Rate Adjustment Model (“RAM”) that isolated the LCT rate component in 2005 or in 2006. How does the distributor identify the amount that should be recorded?**

A.3 If the distributor cannot identify how much LCT has been billed, or collected, from its customers, the amount can be estimated from the grossed-up LCT PILs or tax proxy included in rates for the 2005 and the 2006 rates applications, as applicable.

## ACCOUNTING PROCEDURES HANDBOOK

### Frequently Asked Questions

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**Q.4 How can the distributor calculate the required LCT amounts for the different time periods from the PILs or tax proxy?**

- A.4 The LCT amounts are in two parts since they relate to two rate years. The 2005 grossed-up LCT PILs or tax proxy was incorporated in rates for the period from April 1, 2005 to April 30, 2006. The 2006 EDR grossed-up LCT PILs or tax proxy was included in rates with effect from May 1, 2006 to April 30, 2007 for those distributors that applied for rate changes.

Take the 2005 grossed-up LCT proxy from the 2005 application PILs model, and divide the number by 12. Multiply this amount by four (4) to calculate the amount applicable to the period January to April 2006, and enter the credit for the amount in 1562. The debit entry is posted to account 4080. If the distributor did not apply for 2006 rates, the 12-month grossed-up LCT proxy from the 2005 application will be the amount to be recorded in 1562 for all of 2006 including up to the period indicated in A.2 above.

For the 1592 entry, take the 2006 EDR grossed-up LCT proxy from the PILs model and divide it by 12. Multiply this amount by 8 to calculate the amount for the period May 1 to December 31, 2006. Also, multiply this amount by four (4) to calculate the amount for the period from January 1 to April 30, 2007. The credit entries will be made to account 1592 and the debit entries will be made to account 4080 for the applicable periods.

The 2007 rate applications included an adjustment that removed the LCT component in PILs or taxes effective in rates on May 1, 2007 for those distributors that applied.

**Q.5 Which interest rate should be used to calculate the simple interest carrying charge or credit in accounts 1562 and 1592?**

- A.5 Carrying charge amounts shall be calculated using simple interest applied to the monthly opening debit or credit balances in accounts 1562 and 1592 (exclusive of accumulated interest) and recorded in separate sub-accounts. In account 1562 for carrying charges up to the period ended April 30, 2006, the distributor shall use a rate of interest equal to its deemed debt rate set out in Chapter 3 of the 2000 Electricity Distribution Rate Handbook, Table 3-1. In account 1592

## ACCOUNTING PROCEDURES HANDBOOK

### Frequently Asked Questions

---

effective on May 1, 2006 and beyond, the rate of interest shall be the rate prescribed by the Board for the respective quarterly period. Information on prescribed interest rates can be found on the Board's website in the RRR section, and there are links to a website table of interest rates.

The offsetting entries for credit carrying charges recorded in these accounts are to account 6035, Other Interest Expense.

**Q.6 Please confirm that the accounting treatment for regulatory assets and liabilities, approved by the Board on a final basis, requires that the approved amounts for each account be posted to account 1590, Recovery of Regulatory Assets?**

A.6 Yes, as indicated as a requirement in the Board's letter of November 28, 2006 to electricity distributors regarding its approval of prescribed accounting interest rates policy for regulatory accounts. Amounts approved as part of the 2006 rates application process for each regulatory asset/liability account on a final basis for disposition in distribution rates should be posted to account 1590, Recovery of Regulatory Assets, effective on May 1, 2006. The offsetting entry is to the related regulatory asset/liability account(s).

The associated recoveries collected in rates over the remaining approved period (i.e., May 1, 2006 to April 30, 2008), which are recorded in account 1590 consistent with previous requirements for recording recoveries effective since April 1, 2004, will draw down on the amounts to be recovered. Any residual balance in this account at the end of this collection period will be reviewed in a future proceeding of the Board.

For purposes of calculating the carrying charges to be recorded in account 1590, only the principal amount transferred from the respective regulatory asset/liability account(s) is eligible for carrying charges. The previous carrying charges cumulative balance(s) up to April 30, 2006, transferred to 1590, should be recorded in a separate interest sub-account.

## ACCOUNTING PROCEDURES HANDBOOK

### Frequently Asked Questions

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**Q.7 Can you please provide the USoA accounts for recording OPA-funded CDM program related transactions?**

**A.7** OPA-funded CDM programs are not regulated by the OEB and therefore are classified as non-distribution activities. Consequently, OPA-funded CDM revenues, expenses, assets or liabilities are not recognized for rate-setting purposes. The OPA-funded CDM associated financial records shall be separate from the distributor's distribution activities.

A distributor receiving OPA-funded CDM revenues and incurring related CDM expenses and/or capital expenditures should record these transactions in separate non-distribution accounts in the USoA. For this purpose, account 4375, Revenues from Non-Utility Operations, should be used for revenues and 4380, Expenses from Non-Utility Operations, should be used for expenses. Sub-accounts may be used as appropriate.



Exhibit 11: Interrogatories

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**Tab 2 (of 4): Energy Probe**

1

## QUESTION 1

2

### 3 QUESTION

4 Ref: Exhibit 1, Tab 1, Schedule 4

5 Are there any costs associated with the Board of Directors of St. Thomas Holding Inc.,  
6 St. Thomas Energy Services Inc., or any other affiliate of STEI included in the 2011  
7 revenue requirement? If yes, please identify the amount and the associated affiliate.

### 8 RESPONSE

9 There are no costs associated with the Board of Directors of any affiliate included in the  
10 2011 revenue requirement.

**QUESTION 2**

**QUESTION**

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

a) The term of the Services Agreement indicates that it expired December 31, 2010. Has the existing Services Agreement been extended or replaced? If extended, please provide details of the extension. If replaced, please provide the new agreement.

b) The meter reading section of the agreement indicates that the meters of WIRECO's residential and general service customers shall be read in a timely manner with an Itron hand held meter-reading device. Please indicate how the movement to smart meters has or will impact meter reading, including the associated costs.

c) Please provide the amounts paid by WIRESCO to SERVCO based on section 5.01 of the agreement for 2005 through 2010 and the forecast for 2011. Please also provide the calculations based on the methodology provided in the Agreement.

**RESPONSE**

a) Please refer to Section 2.01 of the agreement. The original term expired on December 31, 2010. No termination of the agreement has taken place since December 31, 2010 and as a result an automatic renewal of one year has been put into place. Further automatic renewals of one year will take place unless a termination notice is provided by either party (STEI or STESI). Should such a notice be given it will result in the termination of the agreement four years from such date the termination notice is given.

b) The reading of meters is currently provided under the Fixed Fee (Base Financial Consideration) arrangement of the agreement. The reading of meters with handheld

1 devices is scheduled to continue to the end of 2011. Movement to Smart Metering will  
2 result in the use of current technology to read the meters remotely at a cost. The  
3 movement to Smart Metering is considered to be an additional regulatory cost and as  
4 such will be provided outside of the fixed fee arrangement. Having said that, a review will  
5 need to take place of the current and future meter reading activities to determine if an  
6 adjustment is required.

7

8 c) Please see Attachment 1 which shows, in addition to Section 5.01 of the Master  
9 Service Agreement, costs incurred directly by STEI resulting in a reconciliation to total  
10 OM&A costs.

***Attachment 1 (of 1):***

***Question 2***

MASTER SERVICES AGREEMENT SECTION 5.01

Base Financial Consideration Fixed Fee							Base Direct Cost	LDC Direct Cost	Total O M & A
	(A)	(B)	(C)	(D)	(E)	(F)			
		Performance	Customer			80 % of			
		Based	Count	Current Year	Customer	Customer			
Year	Prior Year Base	Regulation	Adjustment	Base	Count Change	Count Change			
		Reduction	(A x F)	(A + B + C)		(E x 80%)			
2005				2,412,332					
2006	2,412,332	-45,000	53,898	2,421,230	2.793%	2.234%	947,521	26,114	3,394,865
2007	2,421,230	-45,000	41,554	2,417,784	2.145%	1.716%	1,186,475	-58,259	3,546,000
2008	2,417,784	-45,000	36,488	2,409,272	1.886%	1.509%	701,794	-14,217	3,096,849
2009	2,409,272	-45,000	3,058	2,367,330	0.159%	0.127%	869,960	9,732	3,247,022
2010	2,367,330	-45,000	8,696	2,331,026	0.459%	0.367%	725,251	3,599	3,059,876
2011	2,331,026	-45,000	17,612	2,303,638	0.944%	0.756%	1,433,131	16,811	3,753,580

1

## **QUESTION 3**

2

### **QUESTION**

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

5

6 Please provide the audited financial statements for the year ended December 31, 2010.

### **RESPONSE**

8 Attachment 1 provides the audited financial statements for 2010. These statements

9 have been filed with the OEB.

***Attachment 1 (of 1):***

***Question 3***



**ST. THOMAS ENERGY INC.**

**Financial Statements**

**December 31, 2010**

# **ST. THOMAS ENERGY INC.**

## **Financial Statements**

**For the Year Ended December 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

To the shareholder of **St. Thomas Energy Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **St. Thomas Energy Inc.**, which comprise the balance sheet as at December 31, 2010, and the statements of operations, retained earnings, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the balance sheet of **St. Thomas Energy Inc.** as at December 31, 2010, and the statements of operations, retained earnings, and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

St. Thomas, Ontario

March 2, 2011

*Graham Scott Enns LLP*

**CHARTERED ACCOUNTANTS**

Licensed Public Accountants

# ST. THOMAS ENERGY INC.

## Balance Sheet As At December 31, 2010

	2010 \$	2009 \$
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash (Note 8)	686,091	429,763
Income taxes recoverable (Note 17)	88,501	491,940
Accounts receivable (net of allowance -\$30,000: 2009 - \$27,000)	2,437,414	1,708,516
Unbilled revenue	3,268,937	3,090,414
Current portion of prepaid expenses (Note 3)	243,589	4,929
	<u>6,724,532</u>	<u>5,725,562</u>
<b>PROPERTY, PLANT &amp; EQUIPMENT (NOTE 6)</b>	<u>18,747,372</u>	<u>18,955,370</u>
<b>OTHER ASSETS</b>		
Prepaid expenses (Note 3)	801,229	-
Regulatory accounts (Note 4)	2,530,836	456,996
Future tax asset (Note 15)	1,527,800	1,480,000
Due from St. Thomas Holding Inc. (Note 12)	11,579	11,579
	<u>4,871,444</u>	<u>1,948,575</u>
<b>TOTAL ASSETS</b>	<u>30,343,348</u>	<u>26,629,507</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	3,300,898	2,981,874
Accrued dividend payable	250,000	250,000
Due to St. Thomas Energy Services Inc. (Note 12)	1,133,104	1,250,591
Current portion of regulatory accounts (Note 4)	198,649	-
Current portion of customer deposits (Note 7)	260,000	196,000
Note payable to City of St. Thomas (Note 10)	-	7,714,426
	5,142,651	12,392,891
<b>TERM LOAN (NOTE 9)</b>	2,500,000	-
<b>NOTE PAYABLE TO CITY OF ST. THOMAS (NOTE 10)</b>	7,714,426	-
<b>REGULATORY ACCOUNTS (NOTE 4)</b>	2,418,072	2,478,021
<b>CUSTOMER DEPOSITS (NOTE 7)</b>	421,191	606,279
<b>TOTAL LIABILITIES</b>	<u>18,196,340</u>	<u>15,477,191</u>
<b><u>SHAREHOLDER'S EQUITY</u></b>		
<b>SHARE CAPITAL (NOTE 11)</b>	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	4,432,582	3,437,890
	<u>12,147,008</u>	<u>11,152,316</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>30,343,348</u>	<u>26,629,507</u>

See accompanying notes to the financial statements.

**ST. THOMAS ENERGY INC.**

**Statement of Retained Earnings  
For the Year Ended December 31, 2010**

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	<b>2010</b>	2009
	<b><u>\$</u></b>	<u>\$</u>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>3,437,890</b>	4,164,354
Net income for the year	<b><u>1,494,692</u></b>	<u>773,536</u>
	<b>4,932,582</b>	4,937,890
Dividends paid	<b><u>(500,000)</u></b>	<u>(1,500,000)</u>
<b>BALANCE, END OF YEAR</b>	<b><u>4,432,582</u></b>	<u>3,437,890</u>

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See accompanying notes to the financial statements.

# ST. THOMAS ENERGY INC.

## Statement of Operations For the Year Ended December 31, 2010

	2010 \$	2009 \$
<b>REVENUES</b>		
Gross revenue	30,740,233	28,868,974
Flow-through costs	(24,923,732)	(23,143,921)
Net revenue from electrical distribution	5,816,501	5,725,053
Other service revenue	713,739	744,526
Late payment charges	135,722	140,195
Interest	17,550	82,293
	<u>6,683,512</u>	<u>6,692,067</u>
<b>EXPENDITURES</b>		
Operating and maintenance of :		
Distribution system	872,893	861,153
Office building	232,932	363,970
Meters	32,992	90,138
Substations	71,003	12,338
Transformers	36,773	54,669
Amortization	1,340,883	1,308,810
Customer premises	72,548	38,410
Interest - long-term debt	796,443	559,296
- customer deposits and regulatory accounts	20,317	6,533
Meter reading, billing and collection	1,010,564	1,065,545
Office administration	418,335	385,484
Salaries - Administration	591,061	532,717
- Directors	23,180	23,180
Regulatory	110,439	70,888
Professional services and consulting	110,607	35,713
	<u>5,740,970</u>	<u>5,408,844</u>
<b>INCOME BEFORE EXTRAORDINARY ITEM AND PAYMENT IN LIEU OF TAXES</b>	942,542	1,283,223
<b>PROVISION FOR PAYMENT IN LIEU OF TAXES (NOTE 15)</b>	<u>351,260</u>	<u>509,687</u>
<b>NET INCOME FOR THE YEAR BEFORE EXTRAORDINARY ITEM</b>	591,282	773,536
<b>GAIN ON REFUND OF INTEREST (NOTE 17)</b>	<u>903,410</u>	<u>-</u>
<b>NET INCOME FOR THE YEAR</b>	<u>1,494,692</u>	<u>773,536</u>

See accompanying notes to the financial statements.

**ST. THOMAS ENERGY INC.****Statement of Cash Flow  
For the Year Ended December 31, 2010**

---

	2010 <u>\$</u>	2009 <u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	1,494,692	773,536
Adjustments:		
Amortization of property, plant and equipment	1,340,884	1,308,812
Future income tax expense	<u>(55,800)</u>	<u>-</u>
	<u>2,779,776</u>	<u>2,082,348</u>
Changes in non-cash working capital		
Accounts receivable	(728,897)	250,570
Unbilled revenue	(178,523)	(50,169)
Prepaid Expenses	(1,039,888)	22,450
Accounts payables and accrued liabilities	319,020	(270,302)
Regulatory assets and liabilities	(1,927,139)	(404,034)
Payment in lieu of income taxes paid	403,439	(210,092)
Customer deposits	<u>(121,087)</u>	<u>(49,422)</u>
Changes in non-cash working capital	<u>(3,273,075)</u>	<u>(710,999)</u>
Cash flows (used in) from operating activities	<u>(493,299)</u>	<u>1,371,349</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,132,886)	(1,000,749)
Dividends paid	<u>(500,000)</u>	<u>(1,500,000)</u>
Cash flows used in investing activities	<u>(1,632,886)</u>	<u>(2,500,749)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in term debt	2,500,000	-
Increase in due from St. Thomas Services Energy Inc.	<u>(117,487)</u>	<u>(391,170)</u>
Cash flows from (used in) financing activities	<u>2,382,513</u>	<u>(391,170)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>256,328</b>	<b>(1,520,570)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>429,763</b></u>	<u><b>1,950,333</b></u>
<b>CASH, END OF YEAR</b>	<u><u><b>686,091</b></u></u>	<u><u><b>429,763</b></u></u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u><b>816,759</b></u>	<u><b>565,829</b></u>
Income Taxes Paid	<u><b>359,907</b></u>	<u><b>719,779</b></u>

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See accompanying notes to the financial statements.

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2010**

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### **1. NATURE OF BUSINESS**

St. Thomas Energy Inc. (the Corporation) is incorporated under the Business Corporations Act (Ontario) on November 3, 2000 and is wholly owned by St. Thomas Holding Inc.

The principal business of St. Thomas Energy Inc. is the transmission and distribution of electricity to customers within the St. Thomas area and the business is primarily regulated by the Ontario Energy Board (OEB).

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In the opinion of management, the financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### Accounting Estimates

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from estimates, in particular including changes as a result of future decisions made by the OEB. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

In particular, the corporation uses estimates when accounting for certain items, including:

- Allowance for doubtful accounts
- Useful lives of tangible assets
- Unbilled revenue
- Regulatory accounts
- Future income taxes
- Revenues

#### Revenue Recognition

Hydro power revenue is recorded based on OEB-approved distribution rates and is recognized as electricity is delivered to customers, on the basis of regular meter readings. Unbilled revenue is based on estimates of customer usage from the last meter reading to the end of the year. The purchase of hydro power is recorded in the month to which it relates. Service revenue is recognized as service is performed.



# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2010**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Financial Instruments

The corporation has adopted Sections 3855, "Financial Instruments- Recognition and Measurement", 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments - Presentation", of The Canadian Institute of Chartered Accountants (CICA) Handbook. These standards provide recommendations on recognizing and measuring financial assets and financial liabilities.

These standards require that all financial instruments be classified into one of five categories: held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. The Corporation has classified its financial instruments as follows: cash is classified as held-for-trading; accounts receivable and unbilled revenues are classified as loans and receivables; accounts payable and accrued liabilities, customer deposits, due to related parties and notes payable are classified as other liabilities. All financial instruments are measured on the balance sheet at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument.

#### Regulatory Accounting

The Ontario Energy Board Act 1998 gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity and that distribution companies fulfil obligations to connect and service customers. The transitional rate orders issued by the OEB approved the transmission and distribution revenue requirements for 2001, which were designed to permit these regulated businesses to recover their allowed costs and to earn a forecasted annual rate of return of 9.88%.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated corporation. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Corporation's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Corporation has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Corporation been unregulated. The Corporation continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Corporation judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in that period that the assessment is made. Specific regulatory assets and liabilities are disclosed in Note 4.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, Plant & Equipment

Property, plant & equipment are stated at cost and are amortized on the straight-line basis over their estimated service lives. No amortization is provided for construction in progress. The amortization rates are as follows:

	<u>Life Years</u>	<u>Rate</u>
Buildings	50	2.00%
Distribution system	25	4.00%
Transformers	25	4.00%
Meters	25	4.00%
Substations	30	3.33%
Computers	5	20.00%

When non-grouped capital assets are sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings. Grouped capital assets are, by their nature not readily identifiable as individual assets. The related cost and accumulated amortization is therefore removed from the respective accounts at the end of their estimated useful life regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

#### Contributions to Property, Plant and Equipment

Contributions are received from developers and contractors for capital costs incurred by the Corporation. These contributions are included as a reduction to the cost of the related Property, Plant or Equipment when those assets are placed in service.

#### Corporate Income and Capital Taxes

Under the Electricity Act, 1998, St. Thomas Energy Inc. is required to make payments in lieu of corporate taxes to Ontario Electric Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

#### Current Income Taxes

The provision for current taxes and the assets and liabilities recognized for the current and prior periods are measured at the amounts receivable or payable from/to the OEFC.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Future Income Taxes

Future income taxes are provided for using the liability method and are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Future income tax liabilities are generally recognized on all taxable temporary differences and future tax assets are recognized to the extent that it is more likely than not that they be realized from taxable profits available against which deductible temporary differences can be utilized.

Future income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Future income taxes are charged or credited to the statement of operations.

The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that all or part of the future income tax assets have not met the “more likely than not” criterion. Previously unrecognized future income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not of being recovered from future taxable profits.

The Corporation has recognized regulatory assets and liabilities which correspond to future income taxes that flow through the rate-making process.

3. PREPAIDS	2010 \$	2009 \$
Prepaid interest on Note Payable to City of St. Thomas (note 10)	853,352	-
Prepaid annual credit review fees (note 10)	162,840	-
Other	<u>28,626</u>	<u>4,929</u>
	1,044,818	4,929
Less: current portion	<u>(243,589)</u>	<u>(4,929)</u>
	<u>801,229</u>	<u>-</u>
4. REGULATORY ASSETS AND LIABILITIES	2010 \$	2009 \$
Regulatory assets consist of the following:		
Smart meters	2,159,467	-
Other regulator variance accounts	371,369	35,330
Retail settlement variance accounts subsequent to December 31, 2008	<u>-</u>	<u>421,666</u>
	<u>2,530,836</u>	<u>456,996</u>

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# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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5. REGULATORY ASSETS AND LIABILITIES (CONTINUED)	2010	2009
	<u>\$</u>	<u>\$</u>
Regulatory liabilities consist of the following:		
Retail settlement variance accounts prior to January 1, 2009	695,132	794,596
Retail settlement variance accounts subsequent to December 31, 2008	449,589	-
Other regulator variance accounts	-	203,425
Regulatory future income tax liability	<u>1,472,000</u>	<u>1,480,000</u>
	2,616,721	2,478,021
Less: current portion	<u>198,649</u>	<u>-</u>
	<u>2,418,072</u>	<u>2,478,021</u>

Retail settlement variances represent amounts accumulated since January 1, 2009. These variances are comprised of variances between amounts charged by the Independent Electricity Market Operator and amounts billed to customers plus variances from settlement and transmission charges. In the absence of the rate regulation , these costs (revenues) would be charged to the period incurred.

The OEB approved a Rate Order on March 29, 2010, effective May 1, 2010. This Order included, in part, costs related to smart meters and Group 1 Deferral and Variance Accounts up to December 31, 2008.

The OEB Rate order included a \$0.52 per metered customer per month adder for the 2010 rate year. The capital costs, certain operating costs and stranded meter costs will be reviewed by the OEB in future rate applications on competition of the conversion.

The OEB rate order included review and disposition of the Group 1 deferral and variance accounts (retail settlement variance accounts) up to December 31, 2008. The OEB decision approved the repayment of the liability of \$727,265 plus interest of \$67,332 for a total of \$794,596 over a four year period starting May 1, 2010.

In the absence of rate regulated accounting, distribution revenue would have been \$504,476 higher and interest expense would be \$2,446 lower.

### *Regulatory Future Income Tax Asset and Liability*

Future income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Corporation has recognized regulatory assets and liabilities which correspond to future income taxes that flow through the rate-making process. In the absence of rate regulated accounting, the Corporation's provision for PILs would have been recognized using the liability method and there would be no regulatory accounts set up for taxes to be recovered through future rates. As a result the provision for PILs would have been lower by approximately \$8,000.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

### 6. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Amortization	2010	2009
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land	180,921	-	<b>180,921</b>	180,921
Buildings	2,385,250	850,574	<b>1,534,676</b>	1,584,310
Distribution system	16,866,982	7,672,870	<b>9,194,112</b>	9,008,235
Transformers	8,846,369	4,565,271	<b>4,281,098</b>	4,388,138
Meters	2,428,925	1,443,777	<b>985,148</b>	1,052,544
Substations	8,610,259	6,053,646	<b>2,556,613</b>	2,723,512
Computers	<u>43,592</u>	<u>28,788</u>	<b><u>14,804</u></b>	<u>17,710</u>
	<u>39,362,298</u>	<u>20,614,926</u>	<b><u>18,747,372</u></b>	<u>18,955,370</u>

All meters as disclosed above with a net book value of \$985,148 will be replaced with smart meters in 2011 and will be removed from the accounts accordingly. It is expected that the stranded costs (loss on disposal) will be allowed to be added to the cost base of the smart meters and recovered in the rate base in the future.

### 7. CUSTOMER DEPOSITS

	2010	2009
	<u>\$</u>	<u>\$</u>
Customer deposits	<b>681,191</b>	802,279
Less: Current portion	<b><u>260,000</u></b>	<u>196,000</u>
	<b><u>421,191</u></b>	<u>606,279</u>

### 8. BANK OF NOVA SCOTIA FACILITY

During the year, the Corporation's banking facilities were changed such that the Bank of Nova Scotia created a new credit facility for the Corporation's sole shareholder, St. Thomas Holding Inc., encompassing borrowing facilities for all its subsidiary companies. This replaced the separate facilities of the subsidiary companies, including that of the Corporation.

Under the new facility, the Corporation has access to the following available credit facilities:

- (1) Operating line of \$8,000,000, by way of lines of credit, bearing interest at bank prime (3% at December 31, 2010) or by way of bankers acceptances;
- (2) 364 Day Revolving Term Facility of \$17,000,000, convertible to non-revolving 2 year term debt. Interest is available at bank prime plus 0.3% per annum or can be fixed at market rates. In addition, the interest rate on debt of up to \$7,000,000 (cumulative) can be fixed by way of interest rate swap at market rates;
- (3) Equipment Financing Revolving Line with Scotia Leasing of \$500,000;
- (4) Standby Letter of Credit facility (available only for the Independent Electricity System Operator (IESO) commitment from St. Thomas Energy Inc.) (see note 13).

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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### 8. BANK OF NOVA SCOTIA FACILITY (CONTINUED)

The Corporation has provided to the Bank of Nova Scotia a limited guarantee, not to exceed 25% of the Corporation's equity, towards the above facilities, secured by a general security agreement over all present and future personal property with appropriate insurance coverage. As at December 31, 2010 the maximum guarantee for the Company would be \$3,036,752.

As at December 31, 2010, the following amounts were drawn on the facilities by St. Thomas Holding Inc. and its subsidiary companies, for which the Corporation has provided a limited guarantee:

Operating Line	\$ 5,800,000
Standby Letters of Credit	\$ 2,112,910
Revolving Term Facility	\$ 7,593,750
Equipment Financing Facility	\$ 149,235

### 9. TERM LOAN

	2010	2009
	\$	\$
364 Day Term Loan - Bank of Nova Scotia	<u>2,500,000</u>	<u>-</u>

The above amounts were borrowed under the 364 Day Revolving Term Facility (note 8), and bear interest at bank prime (3% as at December 31, 2010) plus 0.30% per annum with interest payable monthly. The principal may be drawn, repaid and redrawn at any time until August 31, 2011. At that time the Corporation may elect to convert the loan to 2 year non-revolving term debt. If the Corporation does elect to convert the loan, principal repayment of \$197,400 will be due in 2012 and the remaining balance of \$2,302,600 will come due in 2013.

### 10. PROMISSORY NOTE PAYABLE TO CITY OF ST. THOMAS

	2010	2009
	\$	\$
Promissory note payable	<u>7,714,426</u>	<u>7,714,426</u>

The promissory note is payable to the City of St. Thomas, bears interest at 9% per annum, and is unsecured. Interest is payable monthly. The principal balance is due on the earlier of November 15, 2015 (the maturity date) and the date which is 366 days from a written demand from the City for repayment.

The Corporation was required under the terms of the note to pre-pay interest equal to 2.25% per annum in respect of each year of the term of the note.

In 2010 St. Thomas Energy Inc. paid the City of St. Thomas \$571,443 of interest costs in addition to the required prepaid interest paid of \$867,816. In addition, a restructuring fee of \$100,000, a set-up fee of \$125,000, and annual credit review fees of \$41,400 per year summing to \$165,600 were paid. Interest paid in 2009 was \$559,296.

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# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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<b>11. SHARE CAPITAL</b>	<b>2010</b>	<b>2009</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Authorized Capital:		
Unlimited common shares		
Issued Capital:		
1,001 Common shares	<u><b>7,714,426</b></u>	<u><b>7,714,426</b></u>

## **12. RELATED PARTY TRANSACTIONS**

During the year, the Corporation had business transactions with St. Thomas Energy Services Inc. The Corporation contracts St. Thomas Energy Services Inc. to build and maintain its capital infrastructure as well as bill and collect its sales revenues. The terms of the transactions are as set out in the services agreement and are adjusted to attempt to correspond with market rates. In addition, St. Thomas Energy Inc. paid it's sole shareholder (City of St. Thomas) interest on the outstanding note payable.

The particulars of these transactions and balances owing from or to these corporations for the years ended December 31, were as follows:

	<b>2010</b>	<b>2009</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>
Transactions during the year:		
St. Thomas Energy Services Inc.		
Purchase of capitalized items	<b>1,517,416</b>	1,266,180
Purchase of services	<b>6,739,133</b>	4,003,534
Interest earned on intercompany loan	<b>6,782</b>	797
Building rental payments received	<b>273,182</b>	265,225
City of St. Thomas		
Interest on long-term debt	<b>571,443</b>	559,296
Balances at end of year:		
Amounts due from St. Thomas Holding Inc.	<b>11,579</b>	11,579
Amounts due to St. Thomas Energy Services Inc. (current)	<b>1,133,104</b>	1,250,591
St. Thomas Holding Inc.		
Dividends paid	<b>500,000</b>	1,500,000

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# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

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### 13. COMMITMENTS

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if St. Thomas Energy Inc. fails to make a payment required by a default notice issued by the IMO. As at December 31, 2010, the Corporation provided prudential support of \$2,112,910.

### 14. ECONOMIC DEPENDENCE

The Corporation obtains the majority of its management, maintenance, and capital assets construction services from a related party and as a result, the Corporation is economically dependent on this related party to ensure its ability to operate as a going concern until a replacement contract could be found.

### 15. PROVISION FOR PAYMENT IN LIEU OF TAXES

	2010 \$	2009 \$
Income before provision for PIL's	942,542	1,283,223
Combined rate of federal and provincial income tax	<u>31.0%</u>	<u>33.0%</u>
Provision for PIL's at statutory rate	292,188	423,464
Increases resulting from:		
Capital taxes included in PIL provision (net of tax)	4,333	11,908
Capital cost allowance less than amortization	80,860	73,074
Other	<u>(26,121)</u>	<u>1,241</u>
Total income tax provision for PILs	<u>351,260</u>	<u>509,687</u>
Current tax portion	407,060	509,687
Future tax portion	<u>(55,800)</u>	<u>-</u>
	<u>351,260</u>	<u>509,687</u>

The current income tax provision for PILs represents the amount payable to the OEFC with respect to current year earnings.

#### Future Income Tax Assets and Liabilities

Payments in lieu of future income tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Corporation's assets and liabilities. The tax effects of these differences are as follows:

	2010 \$	2009 \$
<u>Future income tax assets</u>		
Capital cost allowance in excess of amortization	<u>1,527,800</u>	<u>1,480,000</u>

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# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2010**

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### **16. CONTINGENT LIABILITIES**

The corporation has made guarantees on the corporate group's lending facilities. See note 8.

### **17. EXTRAORDINARY ITEM - REFUND OF INTEREST**

In 2004, the corporation was directed by the shareholder to pay retroactive interest on the note payable to the City of St. Thomas. As a result of this decision, a prior period adjustment had been made in 2004 to record accrued interest in the periods from 2001 to 2003. The prior period adjustment was made in order to align the interest expense with the fiscal period to which it pertains. As part of the interest payment, the corporation recorded \$355,006 on the balance sheet to represent the expected income tax recoverable from the transaction.

In 2010, the corporation completed a full review of the legal documentation and after some discussion, the City of St. Thomas agreed to refund those interest payments, which totalled \$1,258,516. The corporation reversed its balance of income tax recoverable of \$355,006, and has treated the net of tax balance of \$903,410 as an extraordinary item.

### **18. SMART METER COMMITMENT**

As part of a provincial initiative for conservation and demand management, the OEB has required all distributors to install smart meters for residential and small commercial customers by December 31, 2010. Of the approximately 16,000 meters scheduled to be replaced about 15,300 have been installed in 2010 at a cost of \$2,519,500. In addition to the regular capital budget an additional amount of \$1,000,000 has been included in 2011 to complete the installation of the remaining meters and other infrastructure. The smart meter system must be fully functional by the 3rd quarter of 2011 providing time of use rate billing to customers.

As a result, the corporation has begun in 2010 to finance these additional costs with \$2,500,000 in new debt. The OEB has approved funding of approximately \$100,000 annually in existing rates towards these costs and that has accumulated to \$407,500 at period end. The OEB has also authorized the use of deferral accounts for this initiative for tracking operating and capital costs.

# **ST. THOMAS ENERGY INC.**

## **Notes to the Financial Statements For the Year Ended December 31, 2010**

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### **19. CAPITAL DISCLOSURES**

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Corporation's capital is comprised of payable to related parties, common shares and retained earnings.

The corporation manages its capital and makes adjustments to it in light of economic conditions. The company will balance its overall capital structure through the payment of dividends, the repayment of debt or by undertaking other activities as deemed appropriate under specific circumstances.

The Corporation's borrowing are undertaken through a banking facility in place for its parent corporation St. Thomas Holding Inc. That facility is subject to a number of financial covenant restrictions typically associated with long-term debt, which are based on the consolidated financial results of St. Thomas Holding Inc. As at December 31, 2010, St. Thomas Holding Inc. is in compliance with all of its financial covenants and limitations.

### **20. NEW ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

#### International Financial Reporting Standards

St. Thomas Energy Inc. is a rate regulated enterprise and as such is required to adopt international Financial Reporting Standards (IFRS). The Canadian Accounting Standards Board (AcSB) had initially confirmed that all publicly accountable enterprises, including those organizations with rate regulated activities (RRA), would be required to adopt for fiscal periods beginning on or after January 1, 2011. On September 28, 2010, the AcSB decided to permit rate-regulated entities to defer their IFRS implementation to January 1, 2012.

As such, the Corporation will apply IFRS to its financial statements ending December 31, 2012 with restatement of the amounts recorded on the opening IFRS balance sheet as at January 1, 2011, for comparative purposes. The Corporation continues to assess the impact of conversion to IFRS on its results of operations. The effect on the Corporation's future financial position and results of operations are not estimable at this time.

# ST. THOMAS ENERGY INC.

## Notes to the Financial Statements For the Year Ended December 31, 2010

---

### 21. FINANCIAL INSTRUMENTS

As a rate-regulated entity, the nature of the Corporation's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the Corporation did not engage in those activities during the year.

The company has adopted CICA Handbook Section 3861 - Financial Instruments for disclosure purposes as the Corporation's financial instruments are not subject to disclosure requirements under Section 3862 or 3863 of the CICA Handbook.

#### Foreign currency risk

The corporation has no significant sales or purchases in foreign currencies.

#### Credit risk

By regulation, the Corporation is responsible for collecting both distribution and energy portions of the electricity bill. In general terms, the energy portion of the bill is 4 to five times larger than the distribution portion. Unless the retailer elects to bill the customer directly for the energy portion of the bill, the corporation is exposed to a credit risk substantially greater than their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The corporation does not have any significant exposure to any individual customer. The corporation may require payment guarantees, such as a letter of credit or customer deposits. Due to a large number of customers, the corporation does not believe that it is subject to any significant concentration of credit risk.

#### Fair value

The carrying value of accounts receivable, prepaids, and accounts payable approximate their fair values due to the near-term maturity of these instruments. The carrying value of amounts due to related parties may not approximate fair value as there are no specific terms of repayment.

#### Interest rate risk

The Corporation is exposed to interest rate risk for certain of its financial assets and liabilities, including its term loan, promissory note and operating loan (Note 9 and 10). These borrowings may expose the Corporation to fluctuations in short-term interest rates, borrowings in the form of prime rate loans in Canadian dollars, bankers' acceptances and letter of credit.

---

1 **QUESTION 4**

2

3 **QUESTION**

4 Ref: Exhibit 1, Tab 4, Schedule 1

5

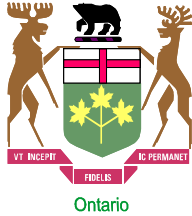
6 Please update the revenue requirement work form to reflect the cost of capital  
7 parameters issued by the Board on March 3, 2011 for 2011 cost of service applications  
8 for rates effective May 1, 2011 (i.e. return on equity of 9.58%, short term debt rate of  
9 2.46% and long term debt rate of 5.32%).

10 **RESPONSE**

11 Please refer to Attachment 1. Please note that the proposed PILs expense and deemed  
12 short-term debt rate have been updated, and that Cost of Long Term Debt has not; the  
13 Cost of Long Term Debt is at the proposed level of 5.60% for the reasons set out  
14 at Exhibit 11, Tab 1, Schedule 34.

***Attachment 1 (of 1):***

***Question 4***



## REVENUE REQUIREMENT WORK FORM

Name of LDC: St. Thomas Energy Inc. (1)  
 File Number: EB-2010-0141  
 Rate Year: 2011 Version: 2.11

### Table of Content

<u>Sheet</u>	<u>Name</u>
<a href="#">A</a>	<a href="#">Data Input Sheet</a>
<a href="#">1</a>	<a href="#">Rate Base</a>
<a href="#">2</a>	<a href="#">Utility Income</a>
<a href="#">3</a>	<a href="#">Taxes/PILS</a>
<a href="#">4</a>	<a href="#">Capitalization/Cost of Capital</a>
<a href="#">5</a>	<a href="#">Revenue Sufficiency/Deficiency</a>
<a href="#">6</a>	<a href="#">Revenue Requirement</a>
<a href="#">7A</a>	<a href="#">Bill Impacts -Residential</a>
<a href="#">7B</a>	<a href="#">Bill Impacts - GS &lt; 50 kW</a>

#### Notes:

- (1) Pale green cells represent inputs
- (2) Pale yellow cells represent drop=down lists
- (3) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**
- (4) **Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.**

#### **Copyright**

*This Revenue Requirement Work Form Model is protected by copyright and is being made available to you solely for the purpose of preparing or reviewing your draft rate order. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.*



# REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.

File Number: EB-2010-0141

Rate Year: 2011

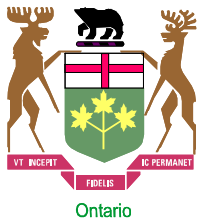
## Data Input (1)

	Initial Application	Adjustments	Settlement Agreement (7)	Adjustments	Per Board Decision
<b>1 Rate Base</b>					
Gross Fixed Assets (average)	\$40,302,138	\$ -	\$ 40,302,138		\$40,302,138
Accumulated Depreciation (average)	(\$21,114,007) (5)	\$ -	\$- 21,114,007		(\$21,114,007)
<b>Allowance for Working Capital:</b>					
Controllable Expenses	\$3,875,076	\$ -	\$ 3,875,076		\$3,875,076
Cost of Power	\$27,758,708	\$ -	\$ 27,758,708		\$27,758,708
Working Capital Rate (%)	15.00%				15.00%
<b>2 Utility Income</b>					
<b>Operating Revenues:</b>					
Distribution Revenue at Current Rates	\$5,794,876				
Distribution Revenue at Proposed Rates	\$6,561,431				
<b>Other Revenue:</b>					
Specific Service Charges	\$538,827				
Late Payment Charges	\$138,817				
Other Distribution Revenue	\$71,483				
Other Income and Deductions	\$53,672				
<b>Operating Expenses:</b>					
OM+A Expenses	\$3,753,580	\$ -	\$ 3,753,580		\$3,753,580
Depreciation/Amortization	\$1,359,074	\$ -	\$ 1,359,074		\$1,359,074
Property taxes	\$121,496	\$ -	\$ 121,496		\$121,496
<b>Capital taxes</b>	\$0				
Other expenses	\$ -	\$ -	0		\$0
<b>3 Taxes/PILs</b>					
<b>Taxable Income:</b>					
Adjustments required to arrive at taxable income	\$211,928 (3)				
<b>Utility Income Taxes and Rates:</b>					
Income taxes (not grossed up)	\$318,956				
<b>Income taxes (grossed up)</b>	\$444,538				
Capital Taxes	\$ - (6)			(6)	(6)
Federal tax (%)	16.50%				
Provincial tax (%)	11.75%				
Income Tax Credits	\$ -				
<b>4 Capitalization/Cost of Capital</b>					
<b>Capital Structure:</b>					
Long-term debt Capitalization Ratio (%)	56.0%				
Short-term debt Capitalization Ratio (%)	4.0% (2)		(2)		(2)
Common Equity Capitalization Ratio (%)	40.0%				
Preferred Shares Capitalization Ratio (%)	100.0%				
<b>Cost of Capital</b>					
Long-term debt Cost Rate (%)	5.48%				
Short-term debt Cost Rate (%)	2.46%				
Common Equity Cost Rate (%)	9.58%				
Preferred Shares Cost Rate (%)					

### Notes:

(Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the data. Notes should be put on the applicable pages to explain numbers shown.

- All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- 4.0% unless an Applicant has proposed or been approved for another amount.
- Net of addbacks and deductions to arrive at taxable income.
- Average of Gross Fixed Assets at beginning and end of the Test Year
- Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- Not applicable as of July 1, 2010
- Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.



## REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
File Number: EB-2010-0141  
Rate Year: 2011

### Rate Base

Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)	\$40,302,138	\$ -	\$40,302,138	\$ -	\$40,302,138
2	Accumulated Depreciation (average) (3)	(\$21,114,007)	\$ -	(\$21,114,007)	\$ -	(\$21,114,007)
3	Net Fixed Assets (average) (3)	\$19,188,131	\$ -	\$19,188,131	\$ -	\$19,188,131
4	Allowance for Working Capital (1)	\$4,745,068	(\$4,745,068)	\$ -	\$4,745,068	\$4,745,068
5	<b>Total Rate Base</b>	<b>\$23,933,199</b>	<b>(\$4,745,068)</b>	<b>\$19,188,131</b>	<b>\$4,745,068</b>	<b>\$23,933,199</b>

(1) Allowance for Working Capital - Derivation						
6	Controllable Expenses	\$3,875,076	\$ -	\$3,875,076	\$ -	\$3,875,076
7	Cost of Power	\$27,758,708	\$ -	\$27,758,708	\$ -	\$27,758,708
8	Working Capital Base	\$31,633,784	\$ -	\$31,633,784	\$ -	\$31,633,784
9	Working Capital Rate % (2)	15.00%	-15.00%	0.00%	15.00%	15.00%
10	Working Capital Allowance	\$4,745,068	(\$4,745,068)	\$ -	\$4,745,068	\$4,745,068

### Notes

- (2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.  
(3) Average of opening and closing balances for the year.





# REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
File Number: EB-2010-0141  
Rate Year: 2011

Utility income						
Line No.	Particulars	Initial Application	Adjustments	Settlement Agreement	Adjustments	Per Board Decision
<b>Operating Revenues:</b>						
1	Distribution Revenue (at Proposed Rates)	\$6,561,431	(\$6,561,431)	\$ -	\$ -	\$ -
2	Other Revenue (1)	\$802,798	(\$802,798)	\$ -	\$ -	\$ -
3	Total Operating Revenues	\$7,364,229	(\$7,364,229)	\$ -	\$ -	\$ -
<b>Operating Expenses:</b>						
4	OM+A Expenses	\$3,753,580	\$ -	\$3,753,580	\$ -	\$3,753,580
5	Depreciation/Amortization	\$1,359,074	\$ -	\$1,359,074	\$ -	\$1,359,074
6	Property taxes	\$121,496	\$ -	\$121,496	\$ -	\$121,496
7	Capital taxes	\$ -	\$ -	\$ -	\$ -	\$ -
8	Other expense	\$ -	\$ -	\$ -	\$ -	\$ -
9	Subtotal (lines 4 to 8)	\$5,234,150	\$ -	\$5,234,150	\$ -	\$5,234,150
10	Deemed Interest Expense	\$758,012	(\$758,012)	\$ -	\$ -	\$ -
11	Total Expenses (lines 9 to 10)	\$5,992,163	(\$758,012)	\$5,234,150	\$ -	\$5,234,150
12	Utility income before income taxes	\$1,372,066	(\$6,606,217)	(\$5,234,150)	\$ -	(\$5,234,150)
13	Income taxes (grossed-up)	\$444,538	\$ -	\$444,538	\$ -	\$444,538
14	Utility net income	\$927,528	(\$6,606,217)	(\$5,678,688)	\$ -	(\$5,678,688)

## Notes

(1)	<b>Other Revenues / Revenue Offsets</b>					
	Specific Service Charges	\$538,827		\$ -		\$ -
	Late Payment Charges	\$138,817		\$ -		\$ -
	Other Distribution Revenue	\$71,483		\$ -		\$ -
	Other Income and Deductions	\$53,672		\$ -		\$ -
	Total Revenue Offsets	\$802,798	\$ -	\$ -	\$ -	\$ -



## REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
 File Number: EB-2010-0141  
 Rate Year: 2011

### Taxes/PILs

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
<u>Determination of Taxable Income</u>				
1	Utility net income before taxes	\$917,120	\$ -	\$ -
2	Adjustments required to arrive at taxable utility income	\$211,928	\$ -	\$211,928
3	Taxable income	<u>\$1,129,048</u>	<u>\$ -</u>	<u>\$211,928</u>
<u>Calculation of Utility income Taxes</u>				
4	Income taxes	\$318,956	\$318,956	\$318,956
5	Capital taxes	\$ - (1)	\$ - (1)	\$ - (1)
6	Total taxes	<u>\$318,956</u>	<u>\$318,956</u>	<u>\$318,956</u>
7	Gross-up of Income Taxes	<u>\$125,582</u>	<u>\$125,582</u>	<u>\$125,582</u>
8	Grossed-up Income Taxes	<u>\$444,538</u>	<u>\$444,538</u>	<u>\$444,538</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$444,538</u>	<u>\$444,538</u>	<u>\$444,538</u>
10	Other tax Credits	\$ -	\$ -	\$ -
<u>Tax Rates</u>				
11	Federal tax (%)	16.50%	16.50%	16.50%
12	Provincial tax (%)	11.75%	11.75%	11.75%
13	Total tax rate (%)	<u>28.25%</u>	<u>28.25%</u>	<u>28.25%</u>

#### Notes

(1) Capital Taxes not applicable after July 1, 2010 (i.e. for 2011 and later test years)



## REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
File Number: EB-2010-0141  
Rate Year: 2011

### Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate		Return	
Initial Application							
		(%)		(\$)		(%)	(\$)
Debt							
1	Long-term Debt	56.00%		\$13,402,591		5.48%	\$734,462
2	Short-term Debt	4.00%		\$957,328		2.46%	\$23,550
3	Total Debt	60.00%		\$14,359,919		5.28%	\$758,012
Equity							
4	Common Equity	40.00%		\$9,573,280		9.58%	\$917,120
5	Preferred Shares	0.00%		\$ -		0.00%	\$ -
6	Total Equity	40.00%		\$9,573,280		9.58%	\$917,120
7	Total	100.00%		\$23,933,199		7.00%	\$1,675,132

Settlement Agreement							
		(%)		(\$)		(%)	(\$)
Debt							
1	Long-term Debt	0.00%		\$ -		0.00%	\$ -
2	Short-term Debt	0.00%		\$ -		0.00%	\$ -
3	Total Debt	0.00%		\$ -		0.00%	\$ -
Equity							
4	Common Equity	0.00%		\$ -		0.00%	\$ -
5	Preferred Shares	0.00%		\$ -		0.00%	\$ -
6	Total Equity	0.00%		\$ -		0.00%	\$ -
7	Total	0.00%		\$19,188,131		0.00%	\$ -

Per Board Decision							
		(%)		(\$)		(%)	(\$)
Debt							
8	Long-term Debt	0.00%		\$ -		5.48%	\$ -
9	Short-term Debt	0.00%		\$ -		2.46%	\$ -
10	Total Debt	0.00%		\$ -		0.00%	\$ -
Equity							
11	Common Equity	0.00%		\$ -		9.58%	\$ -
12	Preferred Shares	0.00%		\$ -		0.00%	\$ -
13	Total Equity	0.00%		\$ -		0.00%	\$ -
14	Total	0.00%		\$23,933,199		0.00%	\$ -

#### Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.



# REVENUE REQUIREMENT WORK FORM

Version: 2.11

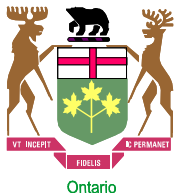
Name of LDC: St. Thomas Energy Inc.  
File Number: EB-2010-0141  
Rate Year: 2011

## Revenue Sufficiency/Deficiency

Line No.	Particulars	Initial Application		Settlement Agreement		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$756,148		(\$477,283)		\$5,234,150
2	Distribution Revenue	\$5,794,876	\$5,805,283	\$5,794,876	\$7,038,714	\$ -	(\$5,234,150)
3	Other Operating Revenue Offsets - net	\$802,798	\$802,798	\$ -	\$ -	\$ -	\$ -
4	<b>Total Revenue</b>	<b>\$6,597,673</b>	<b>\$7,364,229</b>	<b>\$5,794,876</b>	<b>\$6,561,431</b>	<b>\$ -</b>	<b>\$ -</b>
5	Operating Expenses	\$5,234,150	\$5,234,150	\$5,234,150	\$5,234,150	\$5,234,150	\$5,234,150
6	Deemed Interest Expense	\$758,012	\$758,012	\$ -	\$ -	\$ -	\$ -
	<b>Total Cost and Expenses</b>	<b>\$5,992,163</b>	<b>\$5,992,163</b>	<b>\$5,234,150</b>	<b>\$5,234,150</b>	<b>\$5,234,150</b>	<b>\$5,234,150</b>
7	<b>Utility Income Before Income Taxes</b>	<b>\$605,511</b>	<b>\$1,372,066</b>	<b>\$560,725</b>	<b>\$1,327,281</b>	<b>(\$5,234,150)</b>	<b>(\$5,234,150)</b>
8	Tax Adjustments to Accounting Income per 2009 PILs	\$211,928	\$211,928	\$211,928	\$211,928	\$ -	\$ -
9	<b>Taxable Income</b>	<b>\$817,439</b>	<b>\$1,583,994</b>	<b>\$772,653</b>	<b>\$1,539,209</b>	<b>(\$5,234,150)</b>	<b>(\$5,234,150)</b>
10	Income Tax Rate	28.25%	28.25%	28.25%	28.25%	28.25%	28.25%
11	<b>Income Tax on Taxable Income</b>	<b>\$230,926</b>	<b>\$447,478</b>	<b>\$218,275</b>	<b>\$434,826</b>	<b>(\$1,478,648)</b>	<b>(\$1,478,648)</b>
12	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
13	<b>Utility Net Income</b>	<b>\$374,584</b>	<b>\$927,528</b>	<b>\$342,451</b>	<b>(\$5,678,688)</b>	<b>(\$3,755,503)</b>	<b>(\$5,678,688)</b>
14	<b>Utility Rate Base</b>	<b>\$23,933,199</b>	<b>\$23,933,199</b>	<b>\$19,188,131</b>	<b>\$19,188,131</b>	<b>\$23,933,199</b>	<b>\$23,933,199</b>
	Deemed Equity Portion of Rate Base	\$9,573,280	\$9,573,280	\$ -	\$ -	\$ -	\$ -
15	Income/Equity Rate Base (%)	3.91%	9.69%	0.00%	0.00%	0.00%	0.00%
16	Target Return - Equity on Rate Base	9.58%	9.58%	0.00%	0.00%	0.00%	0.00%
17	Sufficiency/Deficiency in Return on Equity	-5.67%	0.11%	0.00%	0.00%	0.00%	0.00%
18	Indicated Rate of Return	4.73%	7.04%	1.78%	0.00%	-15.69%	0.00%
19	Requested Rate of Return on Rate Base	7.00%	7.00%	0.00%	0.00%	0.00%	0.00%
20	Sufficiency/Deficiency in Rate of Return	-2.27%	0.04%	1.78%	0.00%	-15.69%	0.00%
21	Target Return on Equity	\$917,120	\$917,120	\$ -	\$ -	\$ -	\$ -
22	Revenue Deficiency/(Sufficiency)	\$542,536	\$10,408	(\$342,451)	\$ -	\$3,755,503	\$ -
23	<b>Gross Revenue</b>	<b>\$756,148</b>	<b>(1)</b>	<b>(\$477,283)</b>	<b>(1)</b>	<b>\$5,234,150</b>	<b>(1)</b>

### Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)



## REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
 File Number: EB-2010-0141  
 Rate Year: 2011

### Revenue Requirement

Line No.	Particulars	Application	Settlement Agreement	Per Board Decision
1	OM&A Expenses	\$3,753,580	\$3,753,580	\$3,753,580
2	Amortization/Depreciation	\$1,359,074	\$1,359,074	\$1,359,074
3	Property Taxes	\$121,496	\$121,496	\$121,496
4	Capital Taxes	\$ -	\$ -	\$ -
5	Income Taxes (Grossed up)	\$444,538	\$444,538	\$444,538
6	Other Expenses	\$ -	\$ -	\$ -
7	Return			
	Deemed Interest Expense	\$758,012	\$ -	\$ -
	Return on Deemed Equity	\$917,120	\$ -	\$ -
8	Distribution Revenue Requirement before Revenues	<u>\$7,353,821</u>	<u>\$5,678,688</u>	<u>\$5,678,688</u>
9	Distribution revenue	\$6,561,431	\$ -	\$ -
10	Other revenue	<u>\$802,798</u>	<u>\$ -</u>	<u>\$ -</u>
11	<b>Total revenue</b>	<u>\$7,364,229</u>	<u>\$ -</u>	<u>\$ -</u>
12	<b>Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)</b>	<u>\$10,408</u> (1)	<u>(\$5,678,688)</u> (1)	<u>(\$5,678,688)</u> (1)

#### Notes

(1) Line 11 - Line 8



# REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.  
File Number: EB-2010-0141  
Rate Year: 2011

## Residential

Consumption  kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1	Monthly Service Charge		1	\$ -		1	\$ -	\$ -	
2	Smart Meter Rate Adder		1	\$ -		1	\$ -	\$ -	
3	Service Charge Rate Adder(s)		1	\$ -		1	\$ -	\$ -	
4	Service Charge Rate Rider(s)		1	\$ -		1	\$ -	\$ -	
5	Distribution Volumetric Rate		800	\$ -		800	\$ -	\$ -	
6	Low Voltage Rate Adder		800	\$ -		800	\$ -	\$ -	
7	Volumetric Rate Adder(s)		800	\$ -		800	\$ -	\$ -	
8	Volumetric Rate Rider(s)		800	\$ -		800	\$ -	\$ -	
9	Smart Meter Disposition Rider		800	\$ -		800	\$ -	\$ -	
10	LRAM & SSM Rate Rider		800	\$ -		800	\$ -	\$ -	
11	Deferral/Variance Account Disposition Rate Rider		800	\$ -		800	\$ -	\$ -	
12				\$ -			\$ -	\$ -	
13				\$ -			\$ -	\$ -	
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16	<b>Sub-Total A - Distribution</b>			\$ -			\$ -	\$ -	
17	RTSR - Network		800	\$ -		800	\$ -	\$ -	
18	RTSR - Line and Transformation Connection		800	\$ -		800	\$ -	\$ -	
19	<b>Sub-Total B - Delivery (including Sub-Total A)</b>			\$ -			\$ -	\$ -	
20	Wholesale Market Service Charge (WMSC)		800	\$ -		800	\$ -	\$ -	
21	Rural and Remote Rate Protection (RRRP)		800	\$ -		800	\$ -	\$ -	
22	Special Purpose Charge		800	\$ -		800	\$ -	\$ -	
23	Standard Supply Service Charge		1	\$ -		1	\$ -	\$ -	
24	Debt Retirement Charge (DRC)		800	\$ -		800	\$ -	\$ -	
25	Energy		800	\$ -		800	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28	<b>Total Bill (before Taxes)</b>			\$ -			\$ -	\$ -	
29	HST	13%		\$ -	13%		\$ -	\$ -	
30	<b>Total Bill (including Sub-total B)</b>			\$ -			\$ -	\$ -	
31	<b>Loss Factor (%)</b>	<b>Note 1</b> <input type="text"/>			<input type="text"/>				

### Notes:

**Note 1:** Enter existing and proposed total loss factor (Secondary Metered Customer < 5,000 kW) as a percentage.



# REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: St. Thomas Energy Inc.

File Number: EB-2010-0141

Rate Year: 2011

## General Service < 50 kW

Consumption **2000** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge			1	\$ -		1	\$ -	\$ -	
2 Smart Meter Rate Adder			1	\$ -		1	\$ -	\$ -	
3 Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate			2000	\$ -		2000	\$ -	\$ -	
6 Low Voltage Rate Adder			2000	\$ -		2000	\$ -	\$ -	
7 Volumetric Rate Adder(s)			2000	\$ -		2000	\$ -	\$ -	
8 Volumetric Rate Rider(s)			2000	\$ -		2000	\$ -	\$ -	
9 Smart Meter Disposition Rider			2000	\$ -		2000	\$ -	\$ -	
10 LRAM & SSM Rider			2000	\$ -		2000	\$ -	\$ -	
11 Deferral/Variance Account Disposition Rate Rider			2000	\$ -		2000	\$ -	\$ -	
12				\$ -			\$ -	\$ -	
13				\$ -			\$ -	\$ -	
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ -			\$ -	\$ -	
17 RTSR - Network			2000	\$ -		2000	\$ -	\$ -	
18 RTSR - Line and Transformation Connection			2000	\$ -		2000	\$ -	\$ -	
19 Sub-Total B - Delivery (including Sub-Total A)				\$ -			\$ -	\$ -	
20 Wholesale Market Service Charge (WMSC)			2000	\$ -		2000	\$ -	\$ -	
21 Rural and Remote Rate Protection (RRRP)			2000	\$ -		2000	\$ -	\$ -	
22 Special Purpose Charge			2000	\$ -		2000	\$ -	\$ -	
23 Standard Supply Service Charge			1	\$ -		1	\$ -	\$ -	
24 Debt Retirement Charge (DRC)			2000	\$ -		2000	\$ -	\$ -	
25 Energy			2000	\$ -		2000	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ -			\$ -	\$ -	
29 HST		13%		\$ -		13%	\$ -	\$ -	
30 Total Bill (including Sub-total B)				\$ -			\$ -	\$ -	
31 Loss Factor	Note 1		0.00%			0.00%			

### Notes:

Note 1: See Note 1 from Sheet 1A. Bill Impacts - Residential

**QUESTION 5**

**QUESTION**

Ref: Exhibit 2, Tab 1, Schedule 1

a) Please update Table 2.1.1 H to reflect actual expenditures for 2010.

b) Please update Table 2.1.1 O to reflect actual expenditures for 2010.

c) Have there been any changes to the city plans with respect to the municipal road projects shown in Table 2.1.1 P as of the current time? If so, please provide and updated Table 2.1.1 P.

d) Please update Table 2.1.1 W to reflect actual expenditures for 2010.

e) Please update Table 2.1.1 AD to reflect actual expenditures for 2010.

f) Please confirm that the figure of \$386,436 shown on line 8 should be \$494,435. If this cannot be confirmed, please reconcile this figure with the figure shown in Table 2.1.1 AD.

g) Please update Table 2.1.1 AF to include actual 2010 capital expenditures.

**RESPONSE**

a) Updated Table 2.1.1 H – 2010 Actual New Service Work

Upon review, the actual total for new services is approximately \$76,000 lower than the original forecast. This variance is directly related to 3 projects: 1) New Subdivision –



1 Orchard Park Phase 3 (\$60,000 more than forecast): The work for this subdivision was  
 2 completed and the work orders closed prior to year end; 2) Edgeware Public School (-  
 3 \$73,000): Estimates were provided during 2010, however, STEI did not expect to  
 4 receive this contributed capital until 2011, or at all; and 3) Edward Public School (-  
 5 \$63,000): Similar to Edgeware Public school, STEI did not expect to receive the  
 6 contributed capital until 2011. The original forecast was based on information provided to  
 7 St. Thomas by third-parties.

8

		NEW SERVICES					
		NEW SERVICES	NEW SUBDIVISIONS	NEW UG SERVICES	LAYOUTS	NEW OR UPGRADES	NEW METERS
G/L	GL Desc						
1830	POLES CAPITAL	\$10,658.23	\$0.00	\$0.00	\$0.00	\$10,658.23	\$0.00
1835	O/H LINES CAPITAL	\$36,909.08	\$0.00	\$2,036.67	\$0.00	\$34,872.41	\$0.00
1840	U/G DUCT CONDUIT CAPITAL	\$148,267.06	\$148,267.06	\$0.00	\$0.00	\$0.00	\$0.00
1845	U/G LINES CAPITAL	\$226,665.02	\$208,328.57	\$737.07	\$0.00	\$17,599.38	\$0.00
1850	TRANSFORMERS-O/H CAPITAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	TRANSFORMERS-U/G CAPITAL	\$112,642.47	\$65,327.05	\$6,874.01	\$0.00	\$40,441.41	\$0.00
1855	SERVICES-O/H CAPITAL	\$23,412.65	\$0.00	\$0.00	\$21,108.32	\$1,193.05	\$1,111.28
	SERVICES-U/G CAPITAL	\$50,276.10	\$3,478.81	\$43,227.75	\$1,630.02	\$1,939.52	\$0.00
1856	SERVICES-U/G CAPITAL	\$19,260.57	\$3,359.82	\$14,660.81	\$1,239.94	\$0.00	\$0.00
1860	METERS--INTERVAL CAPITAL	\$5,646.94	\$0.00	\$0.00	\$0.00	\$2,779.11	\$2,867.83
	METERS--NON-INTERVAL CAPITAL	\$3,764.67	\$0.00	-\$157.51	\$0.00	\$1,748.47	\$2,173.71
1995	Contributed Capital	-\$377,074.40	-\$130,263.01	-\$6,877.08	\$0.00	-\$239,934.31	\$0.00
Grand Total		\$260,428.39	\$298,498.30	\$60,501.72	\$23,978.28	-\$128,702.73	\$6,152.82

9

10

1 b) Updated Table 2.1.1 O – 2010 Actual Road Work

2

		<b>MUNICIPAL ROAD REBUILDS</b>
G/L	GL Desc	
<b>1830</b>	POLES CAPITAL	<b>\$40,884.51</b>
<b>1835</b>	O/H LINES CAPITAL	<b>\$31,094.37</b>
<b>1840</b>	U/G DUCT CONDUIT CAPITAL	<b>\$12,411.63</b>
<b>1845</b>	U/G LINES CAPITAL	<b>\$12,312.61</b>
<b>1850</b>	TRANSFORMERS-O/H CAPITAL	<b>-\$4,359.17</b>
	TRANSFORMERS-U/G CAPITAL	<b>\$0.00</b>
<b>1855</b>	SERVICES-O/H CAPITAL	<b>\$9,096.27</b>
	SERVICES-U/G CAPITAL	<b>\$0.00</b>
<b>1856</b>	SERVICES-U/G CAPITAL	<b>\$0.00</b>
<b>1860</b>	METERS--INTERVAL CAPITAL	<b>\$0.00</b>
	METERS--NON-INTERVAL CAPITAL	<b>\$0.00</b>
<b>1995</b>	Contributed Capital	<b>-\$7,454.74</b>
Grand Total		<b>\$93,985.48</b>

3

4

5 c) No changes

1 d) Updated Table 2.1.1 W – 2010 Actual Pole Replacement Program

2

		<b>POLE REPLACEMENTS</b>
G/L	GL Desc	
<b>1830</b>	POLES CAPITAL	\$119,748.46
<b>1835</b>	O/H LINES CAPITAL	\$34,446.23
<b>1840</b>	U/G DUCT CONDUIT CAPITAL	\$0.00
<b>1845</b>	U/G LINES CAPITAL	\$0.00
<b>1850</b>	TRANSFORMERS-O/H CAPITAL	\$17,713.11
	TRANSFORMERS-U/G CAPITAL	\$0.00
<b>1855</b>	SERVICES-O/H CAPITAL	\$29,558.87
	SERVICES-U/G CAPITAL	\$163.62
<b>1856</b>	SERVICES-U/G CAPITAL	\$0.00
<b>1860</b>	METERS--INTERVAL CAPITAL	\$0.00
	METERS--NON-INTERVAL CAPITAL	\$0.00
<b>1995</b>	Contributed Capital	\$0.00
Grand Total		<b>\$201,630.29</b>

3

4

1 e) Updated Table 2.1.1 AD – 2010 Actual Voltage Conversion Program

		<b>VOLTAGE CONVERSION</b>
G/L	GL Desc	
<b>1830</b>	POLES CAPITAL	\$163,463.24
<b>1835</b>	O/H LINES CAPITAL	\$208,679.52
<b>1840</b>	U/G DUCT CONDUIT CAPITAL	\$0.00
<b>1845</b>	U/G LINES CAPITAL	\$17,531.12
<b>1850</b>	TRANSFORMERS-O/H CAPITAL	\$86,015.87
	TRANSFORMERS-U/G CAPITAL	\$0.00
<b>1855</b>	SERVICES-O/H CAPITAL	\$87,151.65
	SERVICES-U/G CAPITAL	\$2,176.21
<b>1856</b>	SERVICES-U/G CAPITAL	\$11,825.11
<b>1860</b>	METERS--INTERVAL CAPITAL	\$0.00
	METERS--NON-INTERVAL CAPITAL	\$0.00
<b>1995</b>	Contributed Capital	\$0.00
Grand Total		<b>\$576,842.72</b>

2

3

4 f) Confirmed. Exhibit 2, Tab 1, Schedule 1 Page 31 of 36 Line 8 should have read  
 5 "\$494,435 is expected..."

6

7 g) No changes in 2010 Actuals.

1

## **QUESTION 6**

2

### **QUESTION**

4 Ref: Exhibit 2, Tab 1, Schedule 22, Attachment 1

5 Please update the rate base variance table shown on page 1 to reflect actual 2010 data.

### **RESPONSE**

7 Please see Attachment 1.

***Attachment 1 (of 1):***

***Question 6***

## X23 Rate Base Variance Analysis

Variances > 10% (min \$2,000) or \$36,679 are shown in bold

	2011 <input type="checkbox"/> Projection	2010 <input type="checkbox"/> Actual	Var \$	Var %
<i>Net Capital Assets in Service:</i>				
Opening Balance	18,927,195	19,112,074	-184,879	(1.0%)
Ending Balance	19,509,816	18,927,195	582,621	3.1%
<b>Average Balance</b>	<b>19,218,506</b>	<b>19,019,635</b>	<b>198,871</b>	<b>1.0%</b>
Working Capital Allowance (see below)	4,745,068	4,683,463	61,605	1.3%
<b>Total Rate Base</b>	<b>23,963,573</b>	<b>23,703,098</b>	<b>260,476</b>	<b>1.1%</b>

### Expenses for Working Capital

<u>Eligible Distribution Expenses:</u>				
3500-Distribution Expenses - Operation	493,406	677,862	-184,456	(27.2%)
3550-Distribution Expenses - Maintenance	423,276	408,347	14,929	3.7%
3650-Billing and Collecting	1,162,226	898,562	263,664	29.3%
3700-Community Relations	24,513	5,978	18,535	310.0%
3800-Administrative and General Expenses	1,650,159	1,279,708	370,451	28.9%
3950-Taxes Other Than Income Taxes	121,496	114,870	6,626	5.8%
<b>Total Eligible Distribution Expenses</b>	<b>3,875,076</b>	<b>3,385,326</b>	<b>489,750</b>	<b>14.5%</b>
3350-Power Supply Expenses	27,758,708	27,837,760	-79,052	(0.3%)
<b>Total Expenses for Working Capital</b>	<b>31,633,784</b>	<b>31,223,086</b>	<b>410,698</b>	<b>1.3%</b>
Working Capital factor	15.0%	15.0%		
<b>Working Capital Allowance</b>	<b>4,745,068</b>	<b>4,683,463</b>	<b>61,605</b>	<b>1.3%</b>

**QUESTION 7**

**QUESTION**

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

The evidence indicates that full amortization is normally taken in the year of purchase.

a) Please confirm that this full year amortization methodology was used to set rates for 2006.

b) Please provide revised continuity schedules for 2010 and 2011 (pages 11 - 14 of Exhibit 2, Tab 3, Schedule 3, Attachment 1) assuming the full year amortization methodology is applied to 2010 and the half year methodology is applied to 2011 only. Please also reflect 2010 actual capital expenditures and amortization expenses.

c) What is the impact on the 2011 rate base of the methodology used in part (b) above?

**RESPONSE**

a) Confirmed

~~b) STEI requires more time to respond to this interrogatory. It will file the requested information shortly.~~ Please see Exhibit 11, Tab 2, Schedule 7, Attachment 1.

~~c) Please see the response to b).~~ The impact on the 2011 Rate Base of applying full year amortization up to and including 2010 is a \$149,449 reduction.



## Fixed Asset Continuity Statements

	2009 Actual Balance	2010 Changes			2010 Balance
		Additions	Ret./Other	Amortization	
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	850,125				850,125
Accumulated Amortization	-821,695			-4,912	-826,607
Net Book Value	28,430			-4,912	23,518
1830-Poles, Towers and Fixtures					
Gross Assets	7,448,428	334,754			7,783,183
Accumulated Amortization	-3,441,881			-289,513	-3,731,395
Net Book Value	4,006,547	334,754		-289,513	4,051,788
1835-Overhead Conductors and Devices					
Gross Assets	6,850,610	311,129			7,161,739
Accumulated Amortization	-3,212,592			-267,322	-3,479,915
Net Book Value	3,638,018	311,129		-267,322	3,681,824
1840-Underground Conduit					
Gross Assets	3,661,790	160,679			3,822,469
Accumulated Amortization	-1,690,874			-134,975	-1,825,849
Net Book Value	1,970,916	160,679		-134,975	1,996,620
1845-Underground Conductors and Devices					
Gross Assets	7,503,625	256,509			7,760,134
Accumulated Amortization	-3,117,669			-283,520	-3,401,190
Net Book Value	4,385,955	256,509		-283,520	4,358,944
1850-Line Transformers					
Gross Assets	8,634,357	212,012			8,846,369
Accumulated Amortization	-4,246,218			-319,052	-4,565,271
Net Book Value	4,388,138	212,012		-319,052	4,281,098
1855-Services					
Gross Assets	4,777,809	232,921			5,010,730
Accumulated Amortization	-1,961,252			-188,687	-2,149,938
Net Book Value	2,816,557	232,921		-188,687	2,860,791

## Fixed Asset Continuity Statements

	2009 Actual Balance	2010 Changes			2010 Balance
		Additions	Ret./Other	Amortization	
1860-Meters					
Gross Assets	2,419,513	9,412			2,428,925
Accumulated Amortization	-1,366,969			-76,808	-1,443,777
Net Book Value	1,052,544	9,412		-76,808	985,148
1980-System Supervisory Equipment					
Gross Assets	43,592				43,592
Accumulated Amortization	-25,882			-2,906	-28,788
Net Book Value	17,710			-2,906	14,804
1995-Contributions and Grants - Credit					
Gross Assets	-6,526,610	-384,529			-6,911,139
Accumulated Amortization	1,411,932			276,446	1,688,377
Net Book Value	-5,114,678	-384,529		276,446	-5,222,761
<b>TOTAL</b>					
<b>Gross Assets</b>	<b>38,229,411</b>	<b>1,132,886</b>			<b>39,362,298</b>
<b>Accumulated Amortization</b>	<b>-19,274,043</b>			<b>-1,340,883</b>	<b>-20,614,926</b>
<b>Net Book Value</b>	<b>18,955,369</b>	<b>1,132,886</b>		<b>-1,340,883</b>	<b>18,747,372</b>

## Fixed Asset Continuity Statements

	2010 Balance	2011			2011 Balance
		Additions	Ret./Other	Amortization	
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	850,125				850,125
Accumulated Amortization	-826,607			-4,669	-831,276
Net Book Value	23,518			-4,669	18,849
1830-Poles, Towers and Fixtures					
Gross Assets	7,783,183	578,197			8,361,380
Accumulated Amortization	-3,731,395			-297,322	-4,028,716
Net Book Value	4,051,788	578,197		-297,322	4,332,663
1835-Overhead Conductors and Devices					
Gross Assets	7,161,739	423,868			7,585,607
Accumulated Amortization	-3,479,915			-272,503	-3,752,418
Net Book Value	3,681,824	423,868		-272,503	3,833,189
1840-Underground Conduit					
Gross Assets	3,822,469	144,034			3,966,503
Accumulated Amortization	-1,825,849			-136,013	-1,961,863
Net Book Value	1,996,620	144,034		-136,013	2,004,641
1845-Underground Conductors and Devices					
Gross Assets	7,760,134	289,051			8,049,185
Accumulated Amortization	-3,401,190			-286,537	-3,687,727
Net Book Value	4,358,944	289,051		-286,537	4,361,458
1850-Line Transformers					
Gross Assets	8,846,369	430,680			9,277,049
Accumulated Amortization	-4,565,271			-324,017	-4,889,288
Net Book Value	4,281,098	430,680		-324,017	4,387,761
1855-Services					
Gross Assets	5,010,730	290,417			5,301,147
Accumulated Amortization	-2,149,938			-192,474	-2,342,412
Net Book Value	2,860,791	290,417		-192,474	2,958,735

## Fixed Asset Continuity Statements

	2010 Balance	2011			2011 Balance
		Additions	Ret./Other	Amortization	
1860-Meters					
Gross Assets	2,428,925	37,714			2,466,639
Accumulated Amortization	-1,443,777			-75,732	-1,519,508
Net Book Value	985,148	37,714		-75,732	947,131
1980-System Supervisory Equipment					
Gross Assets	43,592				43,592
Accumulated Amortization	-28,788			-2,906	-31,695
Net Book Value	14,804			-2,906	11,898
1995-Contributions and Grants - Credit					
Gross Assets	-6,911,139	-251,000			-7,162,139
Accumulated Amortization	1,688,377			281,466	1,969,843
Net Book Value	-5,222,761	-251,000		281,466	-5,192,296
<b>TOTAL</b>					
<b>Gross Assets</b>	<b>39,362,298</b>	<b>1,942,961</b>			<b>41,305,259</b>
<b>Accumulated Amortization</b>	<b>-20,614,926</b>			<b>-1,360,340</b>	<b>-21,975,266</b>
<b>Net Book Value</b>	<b>18,747,372</b>	<b>1,942,961</b>		<b>-1,360,340</b>	<b>19,329,993</b>

**QUESTION 7**

**QUESTION**

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

The evidence indicates that full amortization is normally taken in the year of purchase.

a) Please confirm that this full year amortization methodology was used to set rates for 2006.

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c) What is the impact on the 2011 rate base of the methodology used in part (b) above?

**RESPONSE**

a) Confirmed

b) Please see Exhibit 11, Tab 2, Schedule 7, Attachment 1.

c) The impact on the 2011 Rate Base of applying full year amortization up to and including 2010 is a \$149,449 reduction.

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<b>Net Book Value</b>	<b>18,747,372</b>	<b>1,942,961</b>		<b>-1,360,340</b>	<b>19,329,993</b>

1

## **QUESTION 8**

2

### **QUESTION**

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

5 Please confirm that the line labelled "Volumetric Trend Table" in each of the tables  
6 should be "Residential".

### **RESPONSE**

8 Confirmed.

**QUESTION 9**

**QUESTION**

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

a) Please update Table 1 to reflect 2010 actual data.

b) Please update Table 2 to reflect 2010 actual data.

c) Please update Table 3 to reflect 2010 actual data.

d) Please confirm that the customer connection figures shown in Table 2 are averages for the years and not year-end figures.

e) For each rate class in Table 2, please provide the 2010 year-end number of actual customers.

# 1 RESPONSE

2 a) Table 1 is updated below to reflect 2010 actual kWh consumption data.

3

Rate Class	2004	2005	2006	2007	2008	2009	2010
Residential	107,439,119	118,246,769	113,523,979	119,400,890	120,297,987	115,181,982	120,542,703
%chg		10.1%	-4.0%	5.2%	0.8%	-4.3%	4.7%
GS<50	39,483,288	41,334,937	39,594,084	40,397,113	40,213,832	37,219,865	36,629,993
%chg		4.7%	-4.2%	2.0%	-0.5%	-7.4%	-1.6%
GS>50-4999	172,035,175	176,216,393	174,069,461	170,744,600	151,470,639	127,173,724	136,459,223
%chg		2.4%	-1.2%	-1.9%	-11.3%	-16.0%	7.3%
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0
%chg		2.9%	-3.7%	-10.0%	-14.7%	-77.1%	-100.0%
Street Light	2,874,586	2,903,745	2,938,634	2,977,270	2,998,494	3,047,943	3,065,784
%chg		1.0%	1.2%	1.3%	0.7%	1.6%	0.6%
Sentinel Light					53,774	56,665	61,164
%chg						5.4%	7.9%
Total Retail	359,113,515	377,077,466	367,063,357	366,771,028	343,409,155	289,185,003	296,758,867
		5.0%	-2.7%	-0.1%	-6.4%	-15.8%	2.6%
Wholesale	369,864,423	386,377,488	378,189,800	376,724,584	351,922,361	300,824,330	306,541,879
		4.5%	-2.1%	-0.4%	-6.6%	-14.5%	1.9%

4

5 b) Table 2 is updated below to reflect 2010 actual annual average customer data. Please  
 6 note, as indicated in response to Board Staff IR #16 a), an error occurred in the filed  
 7 version of the load forecast. The Residential class average customer count for 2007  
 8 read 13,579 instead of 13,784. This affects the average use per customer in this class,  
 9 as indicated in the response to Board Staff IR # 16 a).

10

1

<b>Rate Class</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Residential	12,978	13,253	13,579	13,784	14,173	14,297	14,435
%chg		2.1%	2.5%	1.5%	2.8%	0.9%	1.0%
GS<50	1,580	1,581	1,594	1,654	1,675	1,674	1,675
%chg		0.1%	0.8%	3.8%	1.2%	0.0%	0.1%
GS>50-4999	165	176	178	178	186	189	191
%chg		6.4%	1.2%	0.0%	5.0%	1.3%	1.3%
GS>5000	1	1	1	1	1	1	0
%chg		0.0%	0.0%	0.0%	0.0%	0.0%	-100.0%
Street Light	4,463	4,540	4,579	4,634	4,689	4,739	4,768
%chg		1.7%	0.9%	1.2%	1.2%	1.1%	0.6%
Sentinel Light					46	50	50
%chg						8.7%	0.0%
Total	19,187	19,550	19,930	20,251	20,770	20,950	21,119

2

3 c) Table 3 (average kWh use per customer) is updated to reflect actual data in updated  
 4 tables 2 and 3, as displayed in response to parts a) & b) above.

5

<b>Rate Class</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Residential	8,279	8,922	8,360	8,662	8,488	8,056	8,351
GS<50	24,992	26,139	24,839	24,420	24,014	22,234	21,865
GS>50-4999	1,043,164	1,004,082	980,213	961,490	812,538	673,174	713,202
GS>5000	37,281,347	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	N/A
Street Light	644	640	642	642	639	643	643
Sentinel Light					1,169	1,133	1,223

6

7 d) Confirmed.

8

1

2 e) Year-end customer counts for 2010 in each class are provided in the table below:

3

<b>Rate Class</b>	<b>December 2010 Customer Count</b>
Residential	14,480
GS<50	1,669
GS>50-4999	192
GS>5000	0

4

## QUESTION 10

### QUESTION

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

a) Please provide the historical data and regression analysis results discussed on page 2 of the Elenchus Report in a live Excel spreadsheet for rate classes for which an analysis was attempted.

b) Please provide the historical data and regression analysis results discussed on page 4 of the Elenchus Report in a live Excel spreadsheet for each of the weather sensitive classes modeled.

### RESPONSE

a) All data are provided at Exhibit 11, Tab 2, Schedule 10, Attachment 1. Regression results are provided below:

OLS, using observations 2004:01-2009:12 (T = 72)

Dependent variable: ReskWh

	coefficient	std. error	t-ratio	p-value
-----	-----	-----	-----	-----
const	8.63094e+06	350622	24.62	6.82e-036
HDDLond	2057.87	720.109	2.858	0.0056
CDDLond	15434.9	5353.30	2.883	0.0052
R-squared	0.124725	Adjusted R-squared	0.099355	
F(2, 69)	4.916187	P-value(F)	0.010092	
rho	0.383142	Durbin-Watson	1.218077	

OLS, using observations 2004:01-2009:12 (T = 72)

Dependent variable: GSlt50kWh

	coefficient	std. error	t-ratio	p-value
const	3.07456e+06	89503.4	34.35	4.00e-045
HDDLond	503.867	183.822	2.741	0.0078
CDDLond	3630.62	1366.54	2.657	0.0098
R-squared	0.111995	Adjusted R-squared		0.086256
F(2, 69)	4.351131	P-value(F)		0.016609
rho	0.321147	Durbin-Watson		1.333680

OLS, using observations 2004:01-2009:12 (T = 72)

Dependent variable: GSgt50kWh

	coefficient	std. error	t-ratio	p-value
const	1.32250e+07	470416	28.11	1.62e-039
HDDLond	281.124	966.143	0.2910	0.7719
CDDLond	10403.3	7182.32	1.448	0.1520
R-squared	0.041285	Adjusted R-squared		0.013497
F(2, 69)	1.485685	P-value(F)		0.233497
rho	0.866479	Durbin-Watson		0.297441

b) All data are provided in part a) of this response. Please see Exhibit 11, Tab 4, Schedule 4 for the regression analysis discussed on page 4 of the Elenchus Report.



Date	Wholesale kWh	Res kWh	Res Cust	GS < 50 kWh	GS < 50 Cust	GS > 50 kWh	GS > 50 Cust	GS > 5000 kWh
Jan-04	33,388,146	9,323,612	12,827	3,338,523	1,573	13,706,581	165	2,425,518
Feb-04	30,282,743	9,905,552	12,859	3,991,747	1,573	14,087,838	165	2,800,280
Mar-04	31,178,579	10,435,657	12,886	3,362,999	1,576	13,980,999	164	2,688,805
Apr-04	28,169,650	8,595,937	12,874	3,232,986	1,579	14,380,643	162	2,823,790
May-04	29,099,813	8,628,011	12,933	3,312,883	1,589	14,143,042	162	2,674,982
Jun-04	30,417,412	8,114,151	12,942	3,287,975	1,588	14,424,339	163	3,135,868
Jul-04	31,514,116	8,125,962	12,978	3,267,228	1,583	14,725,856	163	3,472,952
Aug-04	32,077,001	9,445,782	13,043	3,437,119	1,584	13,813,151	163	3,376,620
Sep-04	31,173,702	9,304,992	13,075	3,472,067	1,582	14,892,469	163	3,644,972
Oct-04	29,919,594	8,852,574	13,105	3,269,836	1,581	14,932,928	163	3,575,265
Nov-04	30,169,287	7,621,215	13,117	2,661,996	1,575	14,512,424	173	3,304,010
Dec-04	32,474,380	8,370,339	13,098	3,009,526	1,575	13,765,555	173	2,972,153
Jan-05	33,937,808	10,608,858	13,136	3,407,991	1,575	13,566,349	174	2,811,649
Feb-05	30,287,741	11,186,061	13,148	3,980,215	1,575	15,177,621	175	2,925,680
Mar-05	32,033,698	9,444,104	13,164	3,407,973	1,575	13,635,412	175	2,776,812
Apr-05	28,720,162	8,991,484	13,187	3,551,462	1,575	15,099,048	175	2,993,759
May-05	28,831,172	8,335,867	13,213	2,924,219	1,575	13,807,591	175	2,900,057
Jun-05	35,205,051	8,278,704	13,235	2,786,688	1,575	14,421,898	175	3,044,764
Jul-05	35,840,131	11,255,936	13,257	4,053,745	1,575	15,512,733	175	3,689,814
Aug-05	36,468,126	12,815,185	13,280	3,775,901	1,575	14,763,023	175	3,898,799
Sep-05	31,203,268	11,415,829	13,302	3,751,102	1,594	16,217,310	176	3,971,609
Oct-05	30,062,438	8,861,033	13,341	3,383,551	1,594	15,305,081	176	3,411,857
Nov-05	30,697,374	7,433,419	13,369	2,800,845	1,594	14,170,302	177	3,120,923
Dec-05	33,090,519	8,886,306	13,401	3,292,965	1,594	14,698,267	178	2,928,814
Jan-06	33,013,800	11,148,799	13,414	3,601,239	1,594	14,297,084	179	2,712,736
Feb-06	30,617,070	10,541,114	13,434	3,641,627	1,594	14,985,397	179	2,958,535
Mar-06	31,669,600	9,962,198	13,462	3,557,497	1,594	14,467,103	177	2,798,005
Apr-06	28,225,220	8,879,702	13,494	3,241,532	1,594	14,791,459	177	2,358,476
May-06	30,281,340	8,028,696	13,525	2,983,538	1,594	13,669,350	177	2,799,716
Jun-06	31,853,250	8,217,044	13,563	3,162,993	1,594	14,921,891	177	3,161,524
Jul-06	36,438,470	9,982,701	13,595	3,513,379	1,594	15,483,875	177	3,125,319
Aug-06	34,874,740	12,095,249	13,636	3,754,930	1,594	15,185,161	177	3,976,922
Sep-06	29,131,260	10,654,163	13,666	3,567,397	1,594	15,571,563	177	3,688,076
Oct-06	30,351,080	8,231,086	13,692	3,013,237	1,594	14,390,568	178	3,008,546
Nov-06	30,260,350	8,219,820	13,719	2,902,875	1,594	13,992,667	178	3,092,415
Dec-06	31,473,620	9,229,438	13,745	3,077,869	1,594	13,785,703	178	3,097,889
Jan-07	33,542,450	10,347,288	13,751	3,443,284	1,652	12,673,327	179	2,871,776
Feb-07	31,980,800	11,072,164	13,757	3,689,343	1,651	15,293,403	179	3,251,613
Mar-07	32,536,230	11,061,891	13,763	3,754,609	1,651	14,034,251	177	2,947,580
Apr-07	28,771,760	9,571,398	13,769	3,245,130	1,651	14,305,338	177	3,106,774
May-07	29,213,180	8,548,552	13,775	3,267,117	1,654	13,694,592	177	2,760,918
Jun-07	32,053,798	8,556,370	13,781	3,142,019	1,654	14,221,288	177	2,735,288
Jul-07	31,452,822	10,122,204	13,787	3,346,771	1,656	13,848,196	177	2,727,736
Aug-07	35,204,140	10,849,438	13,793	3,440,802	1,656	14,399,214	177	2,667,651
Sep-07	30,239,480	11,019,893	13,799	3,478,020	1,656	14,912,715	177	3,451,954
Oct-07	29,988,647	9,444,943	13,805	3,260,762	1,654	14,620,815	178	2,773,599
Nov-07	30,007,267	8,801,318	13,811	3,092,886	1,657	14,128,666	178	2,482,134
Dec-07	31,734,010	9,148,737	13,821	3,124,184	1,659	14,124,424	178	2,096,591
Jan-08	33,296,993	10,943,061	14,072	3,422,101	1,678	12,977,169	184	2,249,320
Feb-08	31,171,476	11,476,593	14,083	3,645,375	1,678	14,551,712	185	2,733,052
Mar-08	31,027,044	11,226,406	14,088	3,768,321	1,676	13,890,444	186	2,505,604
Apr-08	27,277,136	9,730,552	14,128	3,412,749	1,673	13,454,760	186	2,453,638

May-08	27,363,628	8,343,831	14,159	3,072,717	1,672	13,134,104	186	1,993,386
Jun-08	30,155,350	8,084,038	14,180	2,956,131	1,671	13,044,520	186	2,332,425
Jul-08	32,029,135	9,831,333	14,192	3,293,497	1,671	13,291,163	187	2,889,861
Aug-08	30,080,755	11,584,210	14,215	3,635,567	1,675	12,581,152	188	2,660,801
Sep-08	27,369,613	11,110,433	14,228	3,465,606	1,674	12,908,553	188	2,453,983
Oct-08	26,487,570	8,887,800	14,240	3,057,232	1,672	11,941,999	187	2,325,736
Nov-08	26,570,898	8,532,249	14,242	2,967,505	1,676	11,603,975	187	2,231,256
Dec-08	29,092,763	9,550,780	14,250	3,250,311	1,679	10,744,010	187	1,897,921
Jan-09	30,225,856	11,593,258	14,254	3,661,229	1,681	10,644,514	187	1,896,765
Feb-09	26,031,620	11,638,874	14,257	3,732,044	1,681	11,301,516	187	2,187,560
Mar-09	26,126,114	10,376,963	14,263	3,400,181	1,683	10,204,871	186	1,860,085
Apr-09	23,112,693	9,454,328	14,268	3,203,673	1,684	10,422,809	187	1,184,418
May-09	21,722,546	8,429,974	14,271	2,956,224	1,680	10,027,273	187	720,794
Jun-09	23,299,882	7,923,067	14,283	2,726,576	1,671	9,312,808	189	551,967
Jul-09	24,314,534	8,621,999	14,299	2,870,493	1,668	10,523,395	190	0
Aug-09	27,435,563	10,319,910	14,310	3,226,378	1,666	10,816,414	190	0
Sep-09	23,839,045	11,055,274	14,323	3,328,576	1,667	11,377,986	191	0
Oct-09	23,884,607	8,825,049	14,334	2,995,829	1,671	11,431,864	191	0
Nov-09	23,791,990	8,877,022	14,344	2,758,866	1,667	10,580,526	191	0
Dec-09	27,039,880	8,688,775	14,363	2,806,979	1,669	10,681,185	191	0
Jan-10	27,864,328	11,358,975	14,388	3,347,187	1,679	10,762,268	187	0
Feb-10	24,723,297	11,092,647	14,376	3,322,359	1,679	12,183,787	193	0
Mar-10	24,774,062	10,285,671	14,430	3,247,716	1,679	11,037,327	192	0
Apr-10	22,253,358	9,235,015	14,413	3,047,878	1,680	10,791,913	191	0
May-10	24,299,210	8,299,197	14,412	2,811,532	1,677	8,470,202	190	0
Jun-10	25,899,976	8,766,416	14,458	2,892,450	1,674	14,161,546	193	0
Jul-10	29,728,171	10,489,696	14,415	2,978,688	1,671	11,675,616	189	0
Aug-10	29,134,598	12,573,811	14,423	3,335,724	1,669	11,886,410	192	0
Sep-10	23,604,922	11,986,190	14,454	3,242,825	1,677	12,039,531	192	0
Oct-10	23,138,475	9,232,340	14,483	2,916,673	1,673	11,453,177	192	0
Nov-10	23,935,490	8,087,801	14,486	2,599,371	1,676	10,954,730	193	0
Dec-10	27,185,994	9,134,944	14,480	2,887,590	1,669	11,042,716	192	0

**QUESTION 11**

**QUESTION**

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

a) Please provide the historical data monthly wholesale purchases for the period January 2004 through May 2010 in a live Excel spreadsheet.

b) Please provide the historical monthly consumption associated with the GS > 5000 kW class in the same spreadsheet requested in part (a) above.

**RESPONSE**

Please see Exhibit 11, Tab 2, Schedule 10, Attachment 1.

**QUESTION 12**

**QUESTION**

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

a) Please provide a copy of the CMHC London CMA Housing Market Outlook, Sprint 2010.

b) Please explain how the figures provided in the CMHC Outlook have been translated into residential customer growth figures of 1.0% in 2010 and 0.9% in 2011.

**RESPONSE**

a) Please see Exhibit 11, Tab 1, Schedule 14, Attachment 1.

b) In the Forecast Summary on page 5 of the Spring 2010 CMHC London CMA Housing Market Outlook, CMHC forecast "Starts – Total" to be 2,370 in 2010, an increase of 9.3% over 2009. The average annual increase in residential customer count in St. Thomas from 2009 to 2010 was 124 (14,297 – 14,173). Therefore, the average number of new customers for 2010 was forecast to be 136, a 9.3% increase from 2009, for a total number of 14,433 (14,297 + 136), or a 1% increase over 2009. In the same Forecast Summary in the CMHC document, CMHC forecast total starts in 2011 to be 2,240, a decrease of 5.5% over 2010 and equivalent to 94.6% of the 2010 starts forecast. The 2011 new customer count of 129 is 94.6% of the 2010 new customer count of 136. These 129 new customers were added to the 2010 total of 14,433 to yield 14,562, approximately 0.9% greater than 2010.

**QUESTION 13**

**QUESTION**

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

a) Please provide the reductions to the ERA weather normal 2011 forecast shown in Table 5 for CDM results as per the results per its recently filed 4 year plan.

b) Please confirm that in EB-2010-0215/EB-2010-0126 Decision and Order dated November 12, 2010, STE's four year GWh savings target is 14.92 GWh.

c) Please confirm that the CDM adjustments applied to the ERA forecast are based on the target of 14.92 GWH noted in part (b) above. If this cannot be confirmed, please provide the target used to arrive at the CDM adjustments.

**RESPONSE**

a) Please see Exhibit 11, Tab 1, Schedule 17, Attachment 3.

b) Confirmed, please see Exhibit 11, Tab 1, Schedule 17, part b).

c) Please see Exhibit 11, Tab 1, Schedule 17, Attachment 4.

**QUESTION 14**

**QUESTION**

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

a) Please update Table 6 to reflect 2010 actual data.

b) Based on the updated Table 6 requested in part (a) above, please perform a regression analysis on each of the GS > 50-4999 and Street Light rate classes that has the kW/kWh ratio as the dependent variable and the explanatory variable is a simple time trend and provide the regressions results.

c) For any regression analysis that is statistically significant at the 90% confidence level, please provide the forecast kW/kWh ration for the 2011 test year, the resulting kW forecast and the impact on distribution revenues at current rates.

# 1 RESPONSE

2 a) Table 6 is updated below to reflect 2010 actual kW data.

3

Rate Class	2004	2005	2006	2007	2008	2009	2010
GS>50-4999	408,476	408,246	418,955	410,846	377,470	343,044	350,915
% chg		-0.1%	2.6%	-1.9%	-8.1%	-9.1%	2.3%
kW/kWh	0.002374373	0.002316732	0.002406825	0.002406199	0.002492034	0.002697447	0.002571572
Street Light	7,979	8,083	8,179	8,284	8,335	8,434	8,485
% chg		1.3%	1.2%	1.3%	0.6%	1.2%	0.6%
kW/kWh	0.002775802	0.002783668	0.002783225	0.002782394	0.002779722	0.002767011	0.002767576
Sentinel Light					149	157	170
% chg						5.7%	7.9%
kW/kWh	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	0.002770856	0.002778788	0.002778268
GS>5000	65,360	68,146	65,717	66,206	60,397	15,788	0
kW/kWh	0.001753152	0.001775774	0.001779146	0.001991101	0.002128557	0.002427053	#DIV/0!

4

5 b) Regression results, as requested, are displayed below.

6

GS>50-4999

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.846311
R Square	0.716242
Adjusted R Square	0.659491
Standard Error	7.65E-05
Observations	7

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	7.39E-08	7.39E-08	12.62067	0.016343
Residual	5	2.93E-08	5.85E-09		
Total	6	1.03E-07			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.002261	6.47E-05	34.96657	3.6E-07
T	5.14E-05	1.45E-05	3.552558	0.016343

Street Light

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.660345
R Square	0.436055
Adjusted R Square	0.323266
Standard Error	5.91E-06
Observations	7

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.35E-10	1.35E-10	3.866119	0.106434
Residual	5	1.75E-10	3.49E-11		
Total	6	3.1E-10			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.002786	5E-06	557.6965	3.52E-13
T	-2.2E-06	1.12E-06	-1.96624	0.106434



1 c) Below, we provide a forecast of kW/kWh using the above time trend for the GS > 50-  
 2 4999. Since  $F(1,5) = 3.866$  is not statistically significant at the 90% level, we do not  
 3 provide a forecast for the Street Light Class.

4

5 The following table provides a forecast for the kW/kWh ratio for the GS>50-4999 class  
 6 for 2011, as requested, and a forecast of 2011 kW based on the trend forecast kW/kWh  
 7 ratio and the 2011 forecast kWh of 129,249,343.

8

Year	T	GS>50-4999 kW/kWh ratio
2004	1	0.00237437
2005	2	0.00231673
2006	3	0.00240682
2007	4	0.0024062
2008	5	0.00249203
2009	6	0.00269745
2010	7	0.00257157
2011	8	0.00267192

GS > 50 -4999 2011F

kWh 129,249,343

kW 345,343

9

10 The table below provides the impact on distribution revenues at current rates.

1

Estimated Revenue Impact	
Forecast Billed kW per Application	348,357
Forecast Billed kW per Interrogatory Response	345,343
Difference	3,014
GS > 50 kW Variable Rate	2.961
Revenue Differential	\$8,924

2

3

## QUESTION 15

### QUESTION

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

a) Please provide the actual 2010 split between RPP and non-RPP volumes.

b) Please confirm that based on the October 18, 2010 Regulated Price Plan Price Report, the weighted average Ontario Electricity Market Price Forecast for the May, 2011 through April, 2012 period is \$62.50 per MWh calculated as follows based on the figures provided in Table 1 of the Price Report, along with the Global Adjustment shown in Table ES-1:

	Months	Price
May-Jul	3	35.20
Aug-Oct	3	37.57
Nov-Jan	3	37.87
Feb-Apr	3	33.85
Weighted Average		36.12
Global Adjustment		<u>26.38</u>
Non-RPP Price		62.50

c) Please confirm that based on the October 18, 2010 Regulated Price Plan Price Report, the Average Supply Cost for RPP Customers for the May, 2011 through April, 2012 period is \$65.04 per MWh calculated as follows based on the figures provided in Table ES-1 of the Price Report, along with the weighted average Ontario Electricity Market Price Forecast calculated in (b) above:

Load Weighted Price for RPP Consumers	42.16
Forecast Wholesale Electricity Price	39.23
Ratio	1.074688
May-Apr Weighted Average	36.12
May-Apr Load Weighted Price for RPP Consumers	38.82
Global Adjustment	26.38
Adjustment to Address Bias	1.00
Adjustment to Clear Existing Variance	<u>-1.16</u>
RPP Price	65.04

c) Please update the 2011 cost of power to reflect a Non-RPP price of \$62.50 and an RPP price of \$65.04 (as calculated in (b) and (c) above).

d) If available, please update the commodity cost of power based on the RPP and non-RPP prices from the April 2011 Regulated Price Plan Price Report.

## RESPONSE

a) The 2010 actual RPP vs non-RPP is provided at Exhibit 11, Tab 2, Schedule 15, Attachment 1.

b) STEI confirms that the data for the four periods and for the Global Adjustment were sourced in the October 18th, 2011 Regulated Price Plan – Price Report. However, an arithmetic average, not a weighted average as stated, was computed; STEI confirms that the arithmetic average was correctly computed.

c) STEI confirms that the values are sourced as described, and that the arithmetic is correct. STEI observes that the ratio computed is period specific, and may not be relevant to the May, 2011 to April, 2012 period.

1 d) STEI proposes that the OEB's Regulated Price Plan – Price Report for May 1, 2011 –  
2 April 30, 2012, dated April 19th, 2011 be used because it pertains to the time period in  
3 question.

4  
5 Table 1 provides a simple average market price of \$40.15 / MWh.

6 Table ES-1 provides a Global Adjustment of \$28.22 / MWh.

7 Summing these values yields a non-RPP price of \$68.37.

8 The RPP price is supplied on Table ES-1, at \$72.98

9  
10 The resulting weighted average price for St. Thomas is \$0.07076 / kWh, and is derived  
11 in Attachment 1. Applying this value to STEI's 2011 load forecast yields a Cost of  
12 Power, Commodity of \$21,467,391.

***Attachment 1 (of 1):***

***Question 15***

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## St. Thomas Energy Inc. (ED-2002-0523)

2011 EDR Application (EB-2010-0141 ) version: 10

November 30, 2010

### C7 Commodity Price

*Enter actual non-RPP kWh's and forecast prices*

Customer Class Name	2010 ACTUAL kWh's		
	Total	non-RPP	RPP
Residential	120,949,829	24,030,652	96,919,177
GS < 50	36,679,270	7,891,467	28,787,803
GS > 50	137,249,474	124,261,500	12,987,974
Large Use			
Street Light	3,065,784	3,051,760	14,024
Sentinel	61,318	2,970	58,348
USL			
<b>TOTAL</b>	<b>298,005,675</b>	<b>159,238,349</b>	<b>138,767,326</b>
%	100.00%	53.43%	46.57%
<b>Forecast Price</b>			
HOEP (\$/MWh)		\$39.23	
Global Adjustment (\$/MWh)		\$26.38	
<b>TOTAL (\$/MWh)</b>		<b>\$65.61</b>	<b>\$68.38</b>
<b>\$/kWh</b>		<b>\$0.06561</b>	<b>\$0.06838</b>
%		53.43%	46.57%
<b>WEIGHTED AVERAGE PRICE</b>	<b>\$0.0669</b>	\$0.0351	\$0.0318

1

## QUESTION 16

2

### 3 QUESTION

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

5

6 Please provide a table in the level of detail shown under the "Account Description" (i.e.  
7 accounts 4080 through 4405) that shows historical revenues for 2006 through 2010,  
8 along with the forecast for 2011.

### 9 RESPONSE

10 Please see Attachment 1.



***Attachment 1 (of 1):***

***Question 16***

Account Grouping	Account Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
3050-Revenues From Services - Distribution	4080-Distribution Services Revenue	52,694.18	46,975.91	38,304.47	38,359.06	33,130.00	33,130.00
3050-Revenues From Services - Distribution	4082-Retail Services Revenues	27,859.90	35,633.60	35,761.50	37,258.50	37,385.50	37,385.50
3050-Revenues From Services - Distribution	4084-Service Transaction Requests (STR) Revenues	2,245.75	1,806.25	1,467.00	979.75	967.00	967.00
3100-Other Operating Revenues	4210-Rent from Electric Property	302,190.12	329,697.65	298,258.67	296,338.55	296,862.46	305,057.92
3100-Other Operating Revenues	4220-Other Electric Revenues	71,833.98	69,935.16	69,935.16	69,935.16	69,935.00	69,935.00
3100-Other Operating Revenues	4225-Late Payment Charges	118,037.15	130,393.19	135,753.11	140,195.36	138,816.90	138,816.90
3100-Other Operating Revenues	4235-Miscellaneous Service Revenues	358,886.22	282,691.67	165,327.11	159,796.68	163,833.67	163,833.67
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	197,099.58	175,103.54	262,739.09	106,904.59	72,985.49	58,373.78
3150-Other Income & Deductions	4330-Costs and Expenses of Merchandising, Jobbing, Etc.	-226,567.36	-257,693.84	-309,876.01	-108,818.93	-86,977.71	-39,559.30
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
3150-Other Income & Deductions	4390-Miscellaneous Non-Operating Income	29,717.54	22,266.61	18,748.67	7,324.46	38,091.85	20,000.00
3200-Investment Income	4405-Interest and Dividend Income	44,685.61	56,553.93	39,167.06	83,090.12	14,857.27	14,857.27
	TOTAL	914,973.73	893,363.69	856,481.83	886,094.41	728,233.90	802,797.74
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
	REVENUE REQUIREMENT OFFSET	978,682.67	893,363.67	755,585.83	831,363.30	779,887.43	802,797.74

## QUESTION 17

### QUESTION

Ref: Exhibit 4, Tab 1, Schedule 1

a) Please update Table 1 to reflect actual data.

b) Please explain why the \$76,014 associated with annual corporate governance training should be paid for by ratepayers rather than the shareholder.

c) Is the office building/service centre for which the planned activities shown are scheduled owned by STEI or by an affiliate?

d) Please update Table 2 to reflect actual data.

### RESPONSE

a) Below is the table identified:

Table 1: Summary of OM&A Expenses (\$'s)\*

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast
Operations	279,078	368,562	396,963	631,201	555,092	672,829	493,406
Maintenance	647,604	528,204	365,504	423,486	501,616	433,704	423,276
O & M Total	926,682	896,765	762,468	1,054,687	1,056,707	1,106,533	916,682
Administration	1,724,462	2,498,100	2,783,533	2,042,161	2,190,314	1,953,343	2,836,898
Total O M & A Expenses	2,651,144	3,394,865	3,546,000	3,096,849	3,247,022	3,059,876	3,753,580
\$ Change		743,721	151,135	(449,152)	150,173	(187,146)	693,704
%age Change		28.05%	4.45%	-12.67%	4.85%	-5.76%	22.67%
%age Change 2006 Actuals Approved to 2011 Forecast							10.57%
Annual Average % Change 2006 Actual to 2011 Forecast							2.11%

1 The actual numbers for 2010 are:

2

3	Operations	677,862
4	Maintenance	<u>408,347</u>
5	O&M Total	1,086,209
6	Administration	<u>2,184,248</u>
7	Total	3,270,456
8	\$ change	23,435
9	% change	0.72%

10

11 b) Please refer to Exhibit 11, Tab 1, Schedule 26 for details surrounding the \$76,014 as  
 12 the total amount does not represent governance training as originally identified. In  
 13 respect to the question "why", is that better corporate governance will strengthen the  
 14 Board's ability to govern the organization.

15

16 c) Details associated with the training are still being finalized with the professor. We  
 17 have not finalized the location where the training will take place. In the past, we have  
 18 had sessions with board members at an offsite location when outside contractors were  
 19 brought in to work with the Board.

20

21 d) Below is the table identified:

22

23 Table 2: OM&A Cost per Customer\*

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast
Total O M & A Expenses	2,651,144	3,394,865	3,546,000	3,096,849	3,247,022	3,059,876	3,753,580
Customer Count	19,453	19,931	20,251	20,770	20,950	21,134	21,314
OM & A Cost/Customer	136.28	170.33	175.10	149.10	154.99	144.78	176.11
OM & A Cost/Customer % change		24.98%	2.80%	-14.85%	3.95%	-6.58%	21.64%
OM & A Cost/Customer % change-2006 Actual to 2011 Forecast							3.39%
Annual Average OM & A Cost/Customer % Change 2006 Actual to 2011 Forecast							0.68%

24

25 \* Note: Customer Count includes Streetlight, Sentinel Light, and USL connections

26

1 The actual numbers for 2010 are:

2

3 Total OM & A Expense 3,270,456

4 Customer Count 21,119

5 OM &A per customer 154.86

6 % change 0.08%

7

***Attachment 1 (of 1):***

***Question 17***

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Forecast
Operations	279,078	368,562	396,963	631,201	555,092	677,862	493,406
Maintenance	647,604	528,204	365,504	423,486	501,616	408,347	423,276
O&M Total	926,682	896,765	762,468	1,054,687	1,056,707	1,086,209	916,682
Administration	1,724,462	2,498,100	2,783,533	2,042,161	2,190,314	2,184,248	2,836,898
Total OM & A Expenses	2,651,144	3,394,865	3,546,000	3,096,849	3,247,022	3,270,456	3,753,580
\$ Change		743,721	151,135	(449,152)	150,173	23,435	483,124
%age Change		28.05%	4.45%	-12.67%	4.85%	0.72%	14.77%
%age Change 2006 Actuals Approved to 2011 Forecast							10.57%
Annual Average % Change 2006 Actual to 2011 Forecast							2.11%

1

## QUESTION 18

2

### 3 QUESTION

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

5

6 Please update the table to reflect actual 2010 data.

### 7 RESPONSE

8 Please see Attachment 1.



***Attachment 1 (of 1):***

***Question 18***

## Detailed Account by Account OM&A Expenses

Account Grouping	Account Description	2009 Actual	2010 Actual	2011 Projection
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	165,549	304,919	263,696
	5010-Load Dispatching	18,169	41,150	14,451
	5012-Station Buildings and Fixtures Expense	0	0	0
	5014-Transformer Station Equipment - Operation Labour	0	0	0
	5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0
	5016-Distribution Station Equipment - Operation Labour	5,345	6,679	4,475
	5017-Distribution Station Equipment - Operation Supplies and Expenses	23,618	30,720	17,944
	5020-Overhead Distribution Lines and Feeders - Operation Labour	0	0	0
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	0	0	5,260
	5030-Overhead Subtransmission Feeders - Operation	0	0	0
	5035-Overhead Distribution Transformers- Operation	0	0	0
	5040-Underground Distribution Lines and Feeders - Operation Labour	93,926	100,451	38,461
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	11,739	14,591	10,931
	5050-Underground Subtransmission Feeders - Operation	0	0	0
	5055-Underground Distribution Transformers - Operation	0	0	0
	5060-Street Lighting and Signal System Expense	0	0	0
	5065-Meter Expense	90,138	32,992	34,302
	5070-Customer Premises - Operation Labour	18,102	26,583	6,647
	5075-Customer Premises - Materials and Expenses	2,140	4,816	1,731
	5085-Miscellaneous Distribution Expense	118,494	112,373	87,670
	5090-Underground Distribution Lines and Feeders - Rental Paid	43	49	7,838
	5095-Overhead Distribution Lines and Feeders - Rental Paid	7,831	2,540	0
	5096-Other Rent	0	0	0
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	17,459	21,532	19,961
	5110-Maintenance of Buildings and Fixtures - Distribution Stations	0	0	0
	5112-Maintenance of Transformer Station Equipment	0	0	0
	5114-Maintenance of Distribution Station Equipment	12,338	71,003	89,548
	5120-Maintenance of Poles, Towers and Fixtures	1,118	5,462	12,443
	5125-Maintenance of Overhead Conductors and Devices	198,017	42,247	88,414
	5130-Maintenance of Overhead Services	97,871	86,613	52,399
	5135-Overhead Distribution Lines and Feeders - Right of Way	100,712	119,579	111,881
	5145-Maintenance of Underground Conduit	0	469	0
	5150-Maintenance of Underground Conductors and Devices	9,079	3,868	11,895
	5155-Maintenance of Underground Services	10,353	20,800	9,998
	5160-Maintenance of Line Transformers	54,669	36,773	25,958
	5165-Maintenance of Street Lighting and Signal Systems	0	0	0
	5170-Sentinel Lights - Labour	0	0	0
	5172-Sentinel Lights - Materials and Expenses	0	0	0
	5175-Maintenance of Meters	0	0	779
	5178-Customer Installations Expenses- Leased Property	0	0	0
	5185-Water Heater Rentals - Labour	0	0	0
	5186-Water Heater Rentals - Materials and Expenses	0	0	0
	5190-Water Heater Controls - Labour	0	0	0
	5192-Water Heater Controls - Materials and Expenses	0	0	0
	5195-Maintenance of Other Installations on Customer Premises	0	0	0
3650-Billing and Collecting	5305-Supervision	83,440	30,734	90,778
	5310-Meter Reading Expense	127,672	138,962	114,486
	5315-Customer Billing	498,454	491,039	519,856
	5320-Collecting	306,930	302,320	443,330
	5325-Collecting- Cash Over and Short	10	-122	0
	5330-Collection Charges	-112,455	-119,190	-123,042
	5335-Bad Debt Expense	94,966	54,562	115,095
	5340-Miscellaneous Customer Accounts Expenses	253	255	1,722
3700-Community Relations	5405-Supervision	0	0	0
	5410-Community Relations - Sundry	3,724	0	5,000
	5415-Energy Conservation	0	0	15,000
	5420-Community Safety Program	7,100	5,978	4,513
	5425-Miscellaneous Customer Service and Informational Expenses	0	0	0
	5505-Supervision	0	0	0
	5510-Demonstrating and Selling Expense	0	0	0

## Detailed Account by Account OM&A Expenses

Account Grouping	Account Description	2009 Actual	2010 Actual	2011 Projection
	5515-Advertising Expense	0	0	0
	5520-Miscellaneous Sales Expense	0	0	0
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	222,798	222,516	268,637
	5610-Management Salaries and Expenses	232,868	282,356	604,475
	5615-General Administrative Salaries and Expenses	148,560	151,141	138,018
	5620-Office Supplies and Expenses	6,498	10,038	22,749
	5625-Administrative Expense Transferred Credit	0	0	0
	5630-Outside Services Employed	35,713	110,607	49,987
	5635-Property Insurance	17,352	30,560	27,185
	5640-Injuries and Damages	22,197	15,120	15,622
	5645-Employee Pensions and Benefits	0	0	0
	5650-Franchise Requirements	0	0	0
	5655-Regulatory Expenses	70,888	110,439	175,896
	5660-General Advertising Expenses	637	0	14,680
	5665-Miscellaneous General Expenses	48,781	98,073	50,599
	5670-Rent	0	0	0
	5675-Maintenance of General Plant	363,970	232,932	266,472
	5680-Electrical Safety Authority Fees	9,958	15,927	15,840
	5685-Independent Market Operator Fees and Penalties	0	0	
	5695-Smart Meters OM&A Contra	0	0	
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	117,957	114,870	121,496
<b>TOTAL</b>		<b>3,364,978</b>	<b>3,385,326</b>	<b>3,875,076</b>

**QUESTION 19**

**QUESTION**

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

a) Please provide all the assumptions used to determine the regulatory costs associated with the current cost of service application related to each of legal costs, consulting costs, staff resources allocated to regulatory matters and intervenor costs.

b) Please reconcile the legal costs of \$18,750 shown in the first reference to the \$100,000 shown in the second reference.

**RESPONSE**

a) Legal Costs for assisting in preparing and defending the application: \$100,000 Estimate. This estimate assumes legal assistance in the preparation of the Application, consultation on the cost of service application process, assistance with interrogatory responses, preparation for and attendance at technical/settlement conferences or an oral hearing, preparation of a settlement agreement or written submissions, consultation on the draft rate order and intervenor cost claims.

Third Party Consulting Costs to assist in preparing the application including the LRAM/SSM, Asset Management Plan, Asset Condition Assessment and publishing and serving the Notice of Application: \$ 175,000 Estimate.

2010 costs of the Director, Regulatory Affairs to assist in preparing the application: \$ 62,400.

1 Intervener Costs – 3 Interveners participating at an average cost of \$ 25,000 each: \$  
2 75,000 Estimate.

3

4 b) Please see Attachment 1.

5

6 Regulatory Costs (Exhibit 4, Tab 2, Schedule 1, Attachment 4) in Column I “Test Year  
7 Forecast” have been revised to correctly show the legal cost estimate.

8

9 (\$ 25,000/ 4years = \$ 6,250) moved from Column (A) 6 “Consultants’ costs for regulatory  
10 matters” to Column (A) 5 “Legal costs for regulatory matters”. Legal costs are \$ 25,000  
11 for the test year or \$100,000/4 years (25%). Consultants’ costs have reduced to \$  
12 56,771 from \$ 63,021.

13

14 Note that all other lines remain the same in Column I.

***Attachment 1 (of 1):***

***Question 19***

Regulatory Cost Category (A)	USoA Account (B)	USoA Account Balance (C)	Ongoing or One-time Cost? (2) (D)	Last Rebasng Year (E)	Last Year of Actuals (F)	Bridge Year (G)	% Change (H)=[(G)-(F)]/(F)	Test Year Forecast (I)	% Change (J)=[(I)-(G)]/(G)
1. OEB Annual Assessment	5655		Ongoing	43,961	42,187	44,147		45,500	
2. OEB Hearing Assessments (applicant initiated)	5655								
3. OEB Section 30 Costs (OEB initiated)	5655		Ongoing	363	1,982	1,621		1,700	
4. Expert Witness cost for regulatory matters	5655								
5. Legal costs for regulatory matters	5655		Ongoing & Cost/4 Years (2011)	53,531	11,052	183		25,000	
6. Consultants' costs for regulatory matters	5655		Ongoing & Cost/4 Years (2011 - \$ 50,000)	93,819	11,629	8,763		56,771	
7. Operating expenses associated with staff resources allocated to regulatory matters	5655		Ongoing & Cost/4 Years (2011)	459				15,600	
8. Operating expenses associated with other resources allocated to regulatory matters (1)	5655		Ongoing	1,545	3,238	4,832		5,000	
9. Other regulatory agency fees or assessments	5655		Ongoing	800	800	800		800	
10. Any other costs for regulatory matters (please define)	5655		Ongoing					6,775	
11. Intervenor Costs	5655		Cost/4 Years					18,750	
12. Sub-total - Ongoing Costs (3)				194,478	70,888	60,346		72,796	
13. Sub-total – One time costs (4)				0	0	0		103,100	
14. Total (5)				194,478	70,888	60,346		175,896	

Notes: (1) Please identify the resources.(2) Where a category's costs include both one-time and on-going costs, the Applicant should provide a breakdown of the costs between one-time and on-going.(3) Sum of all on-going costs identified in rows 1 to 11 inclusive. (4) Sum of all one-time costs identified in rows 1 to 11 inclusive,(5) Sum of rows 12 and 13.

1 **QUESTION 20**

2  
3 **QUESTION**

4 Ref: Supplemental Information dated March 25, 2011, Appendix 2-K

5  
6 a) Please explain the significant increase in the between 2009 and 2010.

7  
8 b) Please update Appendix 2-K to reflect actual figures for 2010.

9 **RESPONSE**

10 a) The % difference in average yearly base salaries and wages for the management  
11 category amounts to 20% increase in 2010 over 2009. This can be explained as follows  
12 in approximate %s:

- 13
- 14 • 3.0 % relates to an inflationary increase,
  - 15 • 2.7 % relates to merit increases in base salaries (not incentive pay) and
  - 16 • 14.3 % relates to the hiring of two new senior positions at the beginning of the  
17 2010 year.
- 18

19 b) Appendix 2-K is based on 2010 actual figures.



**QUESTION 21**

**QUESTION**

Ref: Exhibit 4, Tab 8, Schedule 1 & Exhibit 4, Tab 8, Schedule 3, Attachment 1

a) Please confirm that the Ontario surtax claw-back on the first \$500,000 of taxable income was eliminated effective July 1, 2010 and that the provincial income tax rate on the first \$500,000 of taxable income was reduced to 4.50%.

b) Has STEI included a tax reduction of \$36,250 related to the Ontario small business tax rate on the first \$500,000 in taxable income (calculated as \$500,000 times the difference between 11.75% and 4.50%)? If not, why not?

**RESPONSE**

a) We have had our tax rates reviewed by our external audit firm to ensure that the rates were accurately reflected in our analysis and that the small business deduction was properly factored into the analysis. As noted on Exhibit 4, Tab 8, Schedule 2, Attachment 2, the T2 return for 2009, T2S23 (schedule 23 of the T2 return) shows that St. Thomas Energy Inc. is allocated 100% of the small business deductions.

To date, the actual 2010 income tax return has not been filed but we fully expect to have it filed well ahead of the filing deadline.

b) Please refer to Exhibit 4, Tab 8, Schedule 3, Attachment 1 and turn to the page "Tax Rates and Assumptions" the rates for Ontario small business rate of 4.5% has been captured (along with 11.75%). The form was completed as shown.

**QUESTION 22**

**QUESTION**

Ref: Exhibit 5, Tab 1, Schedule 2

a) Has STEI investigated the possibility of obtaining debt from Infrastructure Ontario to finance smart meters and/or the capital expenditures for 2011? If not, why not?

b) Please provide the current interest rates payable to Infrastructure Ontario for a 5 year loan.

c) What was the Infrastructure Ontario 5 year loan rate when STEI entered into the loan agreement with its affiliate on November 15, 2010?

d) Please explain how the effective interest rate of 9.43% was determined based on the 9.0% rate included in the loan agreement.

e) Why did STEI enter into a 5 year loan at a rate of 9.0% when the market based rates were substantially below this level?

**RESPONSE**

a) Yes. We met with our regional representative during 2010.

b) Please refer to the following web address for the current rates:

<http://www.infrastructureontario.ca/en/loan/rates/index.asp>

1 At time of writing, the rates were 3.03% and 3.13% for a Serial and Amortizer  
2 respectively.

3  
4 c) We were not able to obtain the rate when STEI executed the loan agreement with the  
5 City of St. Thomas. However, the rate would be irrelevant because funding from  
6 Infrastructure Ontario is not allowed to be used to refinance existing debentures.

7  
8 d) When the effective rate of the fees are added to the base 9.0% rate, the effective rate  
9 is 9.43%.

10  
11 e) Please refer to STEI's responses to OEB questions 32, 33 and 34. As written in  
12 these responses, the effective rate of 9.43% will not be borne by ratepayers. Rather, the  
13 impact on St. Thomas' ratepayers will be limited to the OEB's deemed long-term debt  
14 rate in effect at the time STEI executed the new loan agreement with the City of St.  
15 Thomas.

**QUESTION 23**

**QUESTION**

Ref: Exhibit 7, Tab 2, Schedule 2, page 2 & Exhibit 7, Tab 2, Schedule 2, Attachment 2, page 3

a) Please reconcile the revenue to cost ratios for the residential rate class shown in the evidence of 1.05 in the first reference and 101% shown in the second reference.

b) Please reconcile the revenue to cost ratios for the GS < 50 rate class shown in the evidence of 1.00 in the first reference and 110% shown in the second reference.

c) Please reconcile the revenue to cost ratios for the GS > 50 rate class shown in the evidence of 1.00 in the first reference and 104% shown in the second reference.

d) What would be the resulting residential revenue to cost ratio if the additional revenues generated from the proposed increases to the revenue to cost ratios in the street lighting and sentinel lighting classes were used to reduce the residential ratio assuming the GS < 50 and GS > 50 ratios remained at 99.92% and 94.57%, respectively, as shown in Table 7 of Attachment 1 of Exhibit 7, Tab 1, Schedule 1?

e) Please calculate the residential revenue to cost ratios for 2012 and 2013 assuming the increases proposed by STEI for the street lighting and sentinel lighting classes, but no changes for the GS < 50 and GS > 50 classes from the status quo ratios noted in part (d) above.

1    **RESPONSE**

2    a) Revenue to Cost ratio for residential based on the proposed rates is 105%. The 101%  
3    is in error.

4

5    b) Revenue to Cost ratio for GS < 50 based on the proposed rates is 100%. The 110% is  
6    in error.

7

8    c) Revenue to Cost ratio for GS > 50 based on the proposed rates is 100%. The 104%  
9    is in error.

10

11    d) The resulting residential revenue to cost ratio would be 107%.

12

13    e) The resulting residential revenue to cost ratio would be 105%.

1

## QUESTION 24

2

### 3 QUESTION

4 Ref: Exhibit 8, Tab 2, Schedule 1, Attachment 1

5

6 Please explain why the fixed rates shown as existing rates are different in the first table  
7 and the second table. For example, why is the residential fixed charge shown as \$10.93  
8 in the first table and \$11.79 in the second table, both under the existing rates sections?

### 9 RESPONSE

10 The lower table with the larger amounts shows the rates that would result from the  
11 proposed revenue allocation using the existing Fixed / Variable split.

1

## **QUESTION 25**

2

### **QUESTION**

4 Ref: Exhibit 8, Tab 3, Schedule 2, Attachment 1

5

6 Please update the total loss factor table to reflect 2010 actual data.

### **RESPONSE**

8 Please see Exhibit 11, Tab 4, Schedule 12.

1

## **QUESTION 26**

2

### **QUESTION**

4 Ref: Exhibit 8, Tab 4, Schedule 4, Attachment 2

5

6 Please provide revised schedules that reflect application of the HST.

### **RESPONSE**

8 Please refer to Exhibit 11, Tab 1, Schedule 3.



1 **QUESTION 27**

2

3 **QUESTION**

4 Ref: Exhibit 9, Tab 2, Schedule 1

5

6 The evidence indicates that STEI is requesting disposition of the balances through rate  
7 riders that begin May 1, 2011 and will be in place for one year. Given that rates will not  
8 be implemented May 1, 2011, how does STEI propose that the balances be disposed of  
9 (for example over a period of less than 12 months)?

10 **RESPONSE**

11 STEI would propose that the balances be disposed of over a period of less than 12  
12 months, from the implementation date until the end of the rate year.

Exhibit 11: Interrogatories

---

**Tab 3 (of 4): School Energy Coalition**

1

## QUESTION 1

2

### 3 QUESTION

4 Please provide details about the number of publicly-funded schools in the Applicant's  
5 franchise area. Please provide a table showing the number of schools in each of the  
6 GS<50 and GS>50 classes.

### 7 RESPONSE

8 Exhibit 1, Tab 2, Schedule 2 provides a description of the STEI franchise area. To the  
9 best of our knowledge, we have identified 16 publicly funded schools in the GS<50 class  
10 and 14 publicly funded schools in the GS>50 class.

## QUESTION 2

### QUESTION

Please reconcile the statement that the Applicant distributes electricity to over 16,000 customers [Ex. 1/Tab 1/Sch 2/p.1] with the Customer Count in the OM&A per customer chart. [Ex. 1/Tab 1/Sch 4/p.6].

### RESPONSE

The chart below provides for a reconciliation between what is considered customers and what is considered connections. There are 3 Street Light Customers and within those three accounts there are over 4,000 connection points. For Sentinel Lighting there is one customer (with no metered power) with several connections and there are several metered customers with individual connections.

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecast	2011 Forecast
<b>Total Customers and Connections</b>	<b>19,931</b>	<b>20,251</b>	<b>20,770</b>	<b>20,950</b>	<b>21,134</b>	<b>21,314</b>
Remove Street Light Connections	-4,579	-4,634	-4,689	-4,739	-4,786	-4,834
Remove Sentinel Light Connections			-46	-50	-50	-50
Add Street Light Customers	3	3	3	3	3	3
Add Sentinel Light Customers			1	1	1	1
<b>Total Customers</b>	<b>15,355</b>	<b>15,620</b>	<b>16,039</b>	<b>16,165</b>	<b>16,302</b>	<b>16,434</b>

**QUESTION 3**

**QUESTION**

Please provide a list of all members Board of Directors and their brief biography for each of STEI, STESI, and STHI.

**RESPONSE**

Please see Exhibit 11, Tab 3, Schedule 3, Attachment 1 for a listing of STEI board members and a brief bio for each.

Board of Director costs for STESI and STHI are not included in the Application. As such, we question the relevance of the request for the names and biographies for the board members of STESI and STHI.

***Attachment 1 (of 1):***

***Question 3***

## **BOARD OF DIRECTORS**

### **Joe Brophy**

- 2011 appointment to STEI
- VP/General Manager of Energy Fundamentals Group LP
- 20 years of energy related experience, focused on generation

### **Kit Brown**

- 2000 appointment to STEI (since incorporation)
- Retired – Former Plant Manager of Schulman Canada, a locally run plastics plant
- Outdoorsman (fishing/hunting)

### **James Herbert**

- 2006 appointment to STEI
- Appointed to the Board Governance Sub-committee
- Retired Radiologist (currently working on contract, consulting)
- Active in the sports community – coaching

### **John Lavery**

- 2000 appointment to STEI (since incorporation)
- Director of the former PUC Board
- Appointed to the Board Governance Sub-committee
- Superintendent of Education for the Hamilton-Wentworth District School Board
- Active in the community as a soccer coach

### **Peter Ostojic**

- 2007 appointment to STEI
- Former Mayor of St. Thomas
- Appointed by S.T.H.I. for a temporary period in 2000 as Interim President/C.E.O. of St. Thomas Energy during a recruitment process to replace the exiting C.E.O.
- Partner in a family owned local contracting business

### **Joseph Starcevic**

- 2006 appointment to STEI
- Appointed to the Board Governance Sub-committee
- Owner/operator of a locally owned consulting business in the field of strategic planning and leadership coaching

**QUESTION 4**

**QUESTION**

What % its services provided, does STESI provide to i) the City of St. Thomas ii) other municipalities ii) other electricity distributors and iii) other entities.

**RESPONSE**

Please refer to the Note 13 and the Statement of Operations as disclosed in the 2009 audited financial statements of STESI. As per the information provided:

- \$5,261,715 or 77% of Service Sales is to STEI
- \$430,553 or 6% of Service Sales is to the Corporation of the City of St. Thomas
- \$801,936 or 12% of Service Sales is to other related entities
- \$333,493 or 5% of Service Sales is to non-related parties



**QUESTION 5**

**QUESTION**

Please provide all presentations, reports and other materials provided to the Board of Directors with respect to approval of the 2011 budgets for OM&A and capital, including any supporting documents. Please provide any update materials where any budgets have been changed since their first approval.

**RESPONSE**

Please refer to Exhibit 11, Tab 3, Schedule 5, Attachment 1 for a copy of the December 17, 2010 Board presentation for the STEI budget for 2011. There were no other board related documents provided.

Please note that at the time of the presentation, the Cost of Service application had not been finalized and only a portion of the revenue requirement was included in 2011 sales in the budget presented to the board. This was done to not only reflect the estimated timing of any potential increase in rates (through the cost of service process) but also hedge our sales for a potential colder than normal summer.

There have been no changes to the budgets since the board approval received at the December 17, 2010 meeting.

***Attachment 1 (of 1):***

***Question 5***

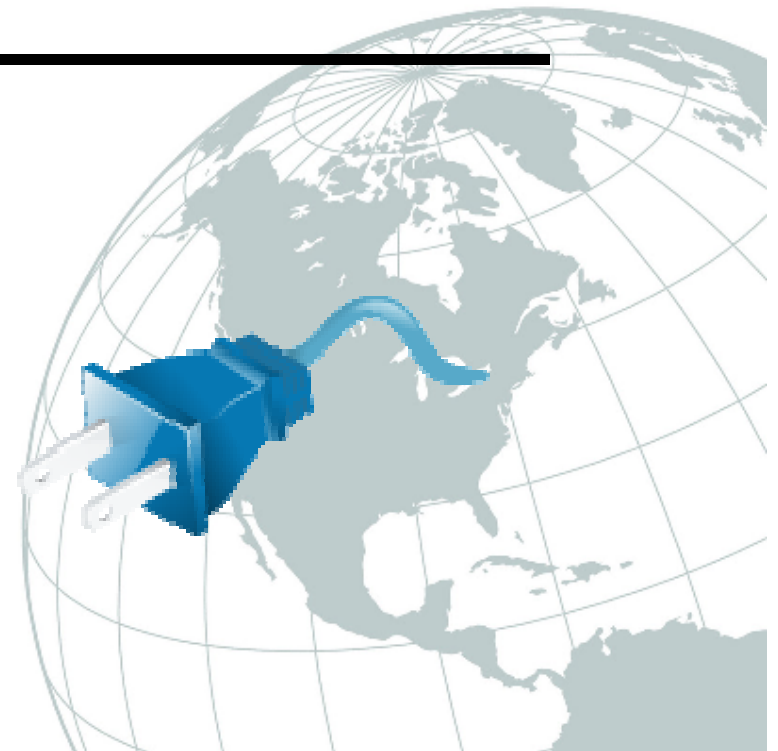


# 2011 Budget

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***Presentation to Board of Directors***

***December 17, 2010***



# Purpose and Agenda

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To present the key components of the proposed 2011 operating and capital budgets and recommend Board approval of each budget.

## **AGENDA**

- **Key Assumptions for Statements**
- **Statement of Operations**
- **Balance Sheet**
- **Capital Budget**
- **Statement of Cash Flow**
- **Summary and Recommendation**

# Key Assumptions for Statements

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- **Electrical Distribution System Revenue budget reflects the following:**
  - Metered kWh of 292.8m for 2011 (normalized) and 294.6m for 2010 (estimated). This aligns with Cost of Service application for Load Forecast
  - 2010 reflects results of a warmer than normalized summer
  - \$250k of the estimated \$780k revenue deficiency per rate application included to reflect impact of timing and potential award from OEB.
- **Operating expense increases of \$655k reflects the impacts of:**
  - Additional staffing for regulatory which was capitalized in 2010 as part of rate application
  - Additional staffing and costs for new OEB service level codes (discussed later in board meeting)
  - Slight increase in costs due to inflation
- **Interest expense reflect financial impacts of the new promissory note with the City of St. Thomas**
- **Smart meter investment is reflected in regulatory accounts for 2011 and 2010. Final \$1.0m of the total \$3.5m budget expenditure will be completed in Q1 2011. The expenditures are being financed by a term loan.**

**STATEMENT OF OPERATIONS**  
**Period ended December 31**

	<b>2011</b>	<b>2010</b>		<b>2009</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>				
Electrical Distribution System	6,160,832	5,767,991	5,871,500	5,725,053
Conservation and Demand Management	465,905	374,929	361,095	534,325
Other Operating	716,458	723,881	762,287	671,676
Interest	14,857	14,857	1,000	83,090
<b>Total Revenues</b>	<b>7,358,053</b>	<b>6,881,658</b>	<b>6,995,882</b>	<b>7,014,144</b>
<b>Expenses</b>				
Electrical Distribution System	916,682	1,119,109	988,508	1,056,707
Meter Reading, Billing & Collecting	868,317	769,375	915,960	918,049
Community Relations	35,933	7,174	18,228	10,824
Administrative & General	1,181,667	911,592	1,204,774	1,042,067
Regulatory	841,073	419,878	407,738	349,039
Conservation and Demand Management	465,905	426,582	328,268	479,594
<b>Subtotal</b>	<b>4,309,578</b>	<b>3,653,711</b>	<b>3,863,476</b>	<b>3,856,280</b>
<b>EBITDA</b>	<b>3,048,475</b>	<b>3,227,947</b>	<b>3,132,406</b>	<b>3,157,864</b>
Amortization	1,328,887	1,328,887	1,366,536	1,308,810
Interest	782,305	806,299	688,149	565,829
<b>Income before taxes</b>	<b>937,283</b>	<b>1,092,761</b>	<b>1,077,721</b>	<b>1,283,225</b>
Provision for Taxes	264,782	342,506	395,648	509,687
<b>Net Income</b>	<b>672,501</b>	<b>750,255</b>	<b>682,073</b>	<b>773,538</b>
<b>ROE</b>	<b>5.46%</b>	<b>6.73%</b>	<b>6.12%</b>	<b>6.94%</b>

**BALANCE SHEET**  
**As at December 31**

	2011	2010		2009
<b>ASSETS</b>	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CURRENT ASSETS</b>				
Cash and Short-term Investments	961,227	1,796,330	782,086	929,763
Payment in lieu of Income Taxes Recoverable	232,059	154,335	840,103	491,940
Accounts Receivable	1,878,000	1,883,000	2,055,000	1,708,516
Unbilled Revenue	3,100,000	3,000,000	3,100,000	3,090,414
Prepayments	1,017,770	1,119,418	29,000	4,929
Current Portion - Deferred Charges	33,120	33,120	-	-
	<b>7,222,176</b>	<b>7,986,204</b>	<b>6,806,189</b>	<b>6,225,562</b>
<b>CAPITAL ASSETS</b>	<b>19,378,001</b>	<b>18,727,728</b>	<b>19,116,289</b>	<b>18,955,369</b>
<b>OTHER ASSETS</b>				
Deferred Charges	96,600	129,720	-	-
Regulatory Accounts	2,992,816	1,673,440	2,275,402	-
Future Tax Asset	1,480,000	1,480,000	-	1,480,000
Due from St. Thomas Holding Inc.	11,579	11,579	11,579	11,579
	<b>4,580,995</b>	<b>3,294,739</b>	<b>2,286,981</b>	<b>1,491,579</b>
<b>TOTAL ASSETS</b>	<b>31,181,171</b>	<b>30,008,671</b>	<b>28,209,459</b>	<b>26,672,510</b>

**BALANCE SHEET**  
**As at December 31**

	2011	2010		2009
<b>LIABILITIES</b>	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CURRENT LIABILITIES</b>				
Bank Indebtedness	-	-	560,000	500,000
Accounts Payable and Accrued Liabilities	3,512,263	3,712,263	2,549,585	2,981,874
Payment in lieu of Income Taxes Payable	-	-	-	-
Accrued Dividends Payable	250,000	250,000	250,000	250,000
Regulatory Accounts	1,480,000	1,480,000	-	2,021,024
Due to St. Thomas Energy Services Inc. - current portior	1,500,000	1,300,000	1,650,000	1,250,591
Current Portion of Long-term Liabilities	196,000	196,000	418,000	196,000
	<b>6,938,263</b>	<b>6,938,263</b>	<b>5,427,585</b>	<b>7,199,489</b>
<b>LONG TERM LIABILITIES</b>				
Long Term Portion - Bank Loans	3,500,000	2,500,000	3,187,840	-
Note Payable - City Of St. Thomas	7,714,426	7,714,426	7,714,426	7,714,426
Customer Deposits	550,000	550,000	550,000	606,279
	<b>11,764,426</b>	<b>10,764,426</b>	<b>11,452,266</b>	<b>8,320,705</b>
<b>TOTAL LIABILITIES</b>	<b>18,702,689</b>	<b>17,702,689</b>	<b>16,879,851</b>	<b>15,520,194</b>
<b>SHAREHOLDER'S EQUITY</b>				
<b>CAPITAL STOCK</b>	7,714,426	7,714,426	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	4,764,056	4,591,556	3,615,182	3,437,891
	<b>12,478,482</b>	<b>12,305,982</b>	<b>11,329,608</b>	<b>11,152,316</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>31,181,171</b>	<b>30,008,671</b>	<b>28,209,459</b>	<b>26,672,510</b>



**CAPITAL BUDGET**  
Period ended December 31

	<b>2011 Budget</b>	<b>2010</b>		<b>2009 Actual</b>
		<b>Forecast</b>	<b>Budget</b>	
Serve New Customers - Residential	321,165	512,400	403,925	105,500
Serve New Customers - Commercial & Industrial	307,556	69,500	271,838	282,195
New System Expansion - Load Growth	303,509	45,100	-	11,348
Replace/Rebuild System	1,212,350	682,900	872,154	814,438
Road Work Relocation - City Work	66,374	89,100	237,503	15,292
Revenue Meters - New and Replacement	19,204	4,300	40,553	37,406
Gross Capital Budget	<b>2,230,159</b>	<b>1,403,300</b>	<b>1,825,973</b>	<b>1,266,180</b>
Contributed Capital	(251,000)	(146,260)	(302,000)	(265,431)
<b>Net Capital Budget</b>	<b>1,979,159</b>	<b>1,257,040</b>	<b>1,523,973</b>	<b>1,000,749</b>
<b>Smart Meter Project - Regulatory</b>	<b>1,000,000</b>	<b>2,500,000</b>	<b>3,979,400</b>	<b>-</b>
<b>Total</b>	<b>2,979,159</b>	<b>3,757,040</b>	<b>5,503,373</b>	<b>1,000,749</b>

**STATEMENT OF CASH FLOW**  
**Period ended December 31**

	<b>2011</b>	<b>2010</b>		<b>2009</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts & Cash Payments	2,608,604	3,142,984	2,392,604	2,371,317
Interest Earned & Paid	(767,448)	(791,442)	(687,149)	(482,739)
Payment in Lieu of Income Taxes Paid	(77,724)	337,605	(276,676)	(63,773)
Cash flows from (used in) Operating Activities	<b>1,763,432</b>	<b>2,689,147</b>	<b>1,428,779</b>	<b>1,824,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to Capital Assets	(1,979,159)	(1,101,246)	(1,523,973)	(1,000,749)
Proceeds on Disposal of Capital Assets	-	-	-	-
(Increase)/Decrease in Regulatory Assets	(1,319,376)	(2,214,464)	(3,464,234)	(404,034)
Cash flows from (used in) Investing Activities	<b>(3,298,535)</b>	<b>(3,315,710)</b>	<b>(4,988,207)</b>	<b>(1,404,783)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends	(500,000)	(500,000)	(500,000)	(1,500,000)
Increase/(Decrease) in Long-term Debt	1,000,000	2,500,000	3,187,840	-
Increase/(Decrease) in Due to STESI	200,000	49,409	385,155	(391,170)
Increase/(Decrease) in Due to STHI	-	-	-	-
Increase/(Decrease) in Customer Deposits	-	(56,279)	30,000	(49,421)
Cash flows from (used in) Financing Activities	<b>700,000</b>	<b>1,993,130</b>	<b>3,102,995</b>	<b>(1,940,591)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(835,103)</b>	<b>1,366,567</b>	<b>(456,433)</b>	<b>(1,520,569)</b>
<b>CASH (Operating Line) - Beginning</b>	<b>1,796,330</b>	<b>429,763</b>	<b>678,519</b>	<b>1,950,332</b>
<b>CASH (Operating Line) - Ending</b>	<b>961,227</b>	<b>1,796,330</b>	<b>222,086</b>	<b>429,763</b>

# Summary and Next Steps

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## Summary

- EBITDA for 2011 expected to be \$3,048k in 2011 compared with \$3,228k in 2010 Forecasts
- Net earnings of \$672k for 2011 generates a 5.46% return on Equity in compared with \$750k net earnings generating 6.73% return on Equity in 2010

## Next Steps

- Request Board approval for the 2011 Operating and Capital budgets.

**QUESTION 6**

**QUESTION**

[Ex. 1/Tab 2/Sch 3/p.1] Please provide detailed information on what each of the listed companies below did and the detailed purposes behind STHI's purchase of them.

- a) Titran Services Inc.
- b) Lizvo Sales Inc.
- c) Tal Trees Inc.
- d) ECM Controls Inc.

**RESPONSE**

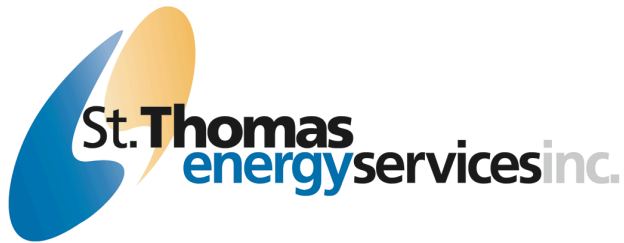
Please refer to Exhibit 11, Tab 3, Schedule 6, Attachment 1 for a copy of the public news release for the acquisition of Tiltrans Services Inc., and Lizco Sales Inc.

Please refer to Exhibit 11, Tab 3, Schedule 6, Attachment2 for a copy of the public news release for the acquisition of Tal Trees Inc.

Please refer to Exhibit 11, Tab 3, Schedule 6, Attachment 3 for a copy of the public news release for the acquisition of ECM Controls Inc.

***Attachment 1 (of 3):***

***Question 6***



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## **NEWS RELEASE FOR IMMEDIATE RELEASE**

DATE: Monday, November 19, 2007

### **St. Thomas Holding Inc. makes move to strengthen revenue opportunities**

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**November 19, 2007** – St. Thomas Holding Inc., wholly owned by the City of St. Thomas, and the owner and operator of St. Thomas Energy Services Inc. (STESI), announced today that it has entered into a mutually beneficial agreement to purchase the shares of two companies near the Town of Tillsonburg: Tiltran Services and Lizco Sales.

Tiltran specializes in the engineering, construction and maintenance of high voltage electrical power systems. Lizco has the largest, privately-owned transformer inventory in Canada.

This is the first transaction of its size in Ontario involving a municipally-owned utility company purchasing a competitive, privately-owned services company.

“We made the decision to purchase Tiltran and Lizco because it makes good business sense. We have similar cultures and philosophies and the desire to grow our companies,” says Brian Hollywood, President and CEO of St. Thomas Energy Services Inc. “We have always been an innovator in finding ways to secure new revenue streams and this purchase allows us to continue to be aggressive in new business development.”

Following the purchase, Tiltran, Lizco and STESI will operate as separate companies, sharing knowledge-based resources when the opportunity arises in order to provide growth and stability for all companies. Together, the companies will now have the opportunity to gain access to broader markets and larger projects.

“By joining with STESI, we have given Tiltran and Lizco employees an opportunity for further growth, success and security,” says Pat Carroll, President of Tiltran Services. “I am truly excited about the opportunities that exist as a result of our new partnership.”

STESI management has assured its approximately 22 unionized employees there will be no jobs, work or contract leakage to Tiltran or Lizco as a result of this acquisition.

Additionally, the more than 55 non-unionized Tiltran and Lizco employees have been informed there will be no job losses as a result of the purchase.

Under the terms of the deal, the transaction will be completed on January 2, 2008.

St. Thomas Energy Inc. customers will not see rates increase as a result of this purchase. It is anticipated it will actually assist in helping offset future upward pressures. The City of St. Thomas, as the shareholder of STHI, is excited by the value this acquisition will bring to the citizens of St. Thomas and the continued growth of its enterprise.

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**For more information, please contact:**

Brian Hollywood, President and CEO, St. Thomas Energy Services Inc.  
Phone: 519.871.0032

Pat Carroll, President, Tiltran Services  
Phone: 519.521.1066

Media assistance:  
Michelle Floyd  
Phone: 519.494.0335

#### About St. Thomas Energy Services Inc.

- Provides reliable, cost effective electrical distribution services, traffic signal, street lighting and fibre optic services.
- A subsidiary of St. Thomas Holding Inc., 100 per cent owned by the City of St. Thomas.
- Contributes to the economic success of the community.
- Entrepreneurially-minded service provider dedicated to creating superior value for its customers, employees and shareholders, maintaining a safe work environment and optimizing the businesses through use of best in class business practices.
- Voted one of the top five municipal power companies in Ontario by its customers.
- Employs 22 members of the International Brotherhood of Electrical Workers Local 636.
- [www.stesi.ca](http://www.stesi.ca)

#### About Tiltran Services

- A family-owned and operated company founded in 1982.
- Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
- An established high-voltage contracting company specializing in the field of industrial, commercial and institutional construction, maintenance and technical services for the past 25 years.
- Employs more than 55 non-unionized employees.
- One of the largest high voltage contractors in Ontario.
- Specializes in electrical power systems.
- Current services include engineering, construction, maintenance and technical services.
- Serves private industries, institutions and electrical contractors and wind farm developers.
- In recent years Tiltran has diversified into wind farms and was responsible for the collection system for the largest wind farm in Canada, located just outside Sault Ste Marie.
- [www.tiltran.com](http://www.tiltran.com)

#### About Lizco Sales

- A family-owned and operated company founded in 1987.
- Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
- Electrical power equipment specialists.
- Widest selection of inventory including the largest, privately-owned transformer inventory in Canada.
- Supplies contractors and companies that have a short-term delivery requirements or have an immediate need as a result of equipment failure or natural disaster.
- Boasts robust Canadian and international customer database for distribution of products.
- [www.lizcosales.com](http://www.lizcosales.com)



### What is St. Thomas Energy Services Inc. purchasing?

St. Thomas Holding Inc., owner and operator of St. Thomas Energy Services Inc. (STESI), has entered into a mutually beneficial agreement to purchase the shares of Tiltran Services and Lizco Sales. Tiltran specializes in the engineering, construction and maintenance of electrical power systems and Lizco is a provider of electrical power equipment. With this purchase, St. Thomas Energy Services Inc. will be able to leverage the strength of the partnering companies for future growth and the benefit of their customers.

### Why did St. Thomas Energy Services Inc. make the decision to purchase Tiltran and Lizco?

The decision to purchase Tiltran and Lizco was made to grow the business and have the ability to enter larger markets. An entrepreneurially-minded service provider, St. Thomas Energy Services Inc. is dedicated to creating superior value for our customers, employees and shareholders. Aligned with the Board's strategic plan set in 2006, the purchase of private sector companies is one of the few ways that an operator of a utility facing increasing regulatory requirements can grow and diversify its business. The cultural and business fit with Tiltran and Lizco is seen as an opportunity to strengthen St. Thomas Energy Services Inc. for the benefit of the residents of St. Thomas.

### How will the sale affect the staff and customers of Tiltran and Lizco?

The sale will not negatively affect staff or customers. In fact, the sale will improve and enhance the company's ability to gain access to larger markets and larger projects. The sale will ensure the longevity of the company, preserve its valued customer base and provide the opportunity to expand with the support of its loyal and specialized staff.

### Who will run the companies?

All three companies – Tiltran, Lizco and STESI -- will be operated separately, headed by the President and CEO of St. Thomas Energy Services Inc., Brian Hollywood, and his management team.

Pat Carroll, the current President of Tiltran, will continue with the company to assist with the transition for a period of at least three years. He will be active in supporting growth initiatives and developing new business opportunities.

### Why did the owners of Tiltran and Lizco decide to sell?

Approximately six years ago, when asked about the company's long-term future, staff indicated they wanted the company to grow and they wanted to be a part of it. As a result, Pat Carroll, President of Tiltran, began to actively build the company with the view to eventually being in a position to partner with another company. This sale will ensure the company continues and in fact grows for the benefit of the staff and valued customers. It provides continued security and long-term growth opportunities for Tiltran and Lizco employees past Pat Carroll's interest.

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#### **Will there be staffing change following this announcement?**

No. All current employment conditions and practices will continue. It will be business as usual for the 22 members of the International Brotherhood of Electrical Workers, Local 636 at STESI and the more than 55 non-unionized employees at Tiltran and Lizco.

The union membership has been assured that there will be no jobs, work or contract leakage to Tiltran or Lizco as a result of this acquisition -- and there is no intention or desire to discontinue the union at STESI.

There is also no intention to unionize the more than 55 non-unionized employees working for Tiltran or Lizco. There will be no job losses as result of this acquisition.

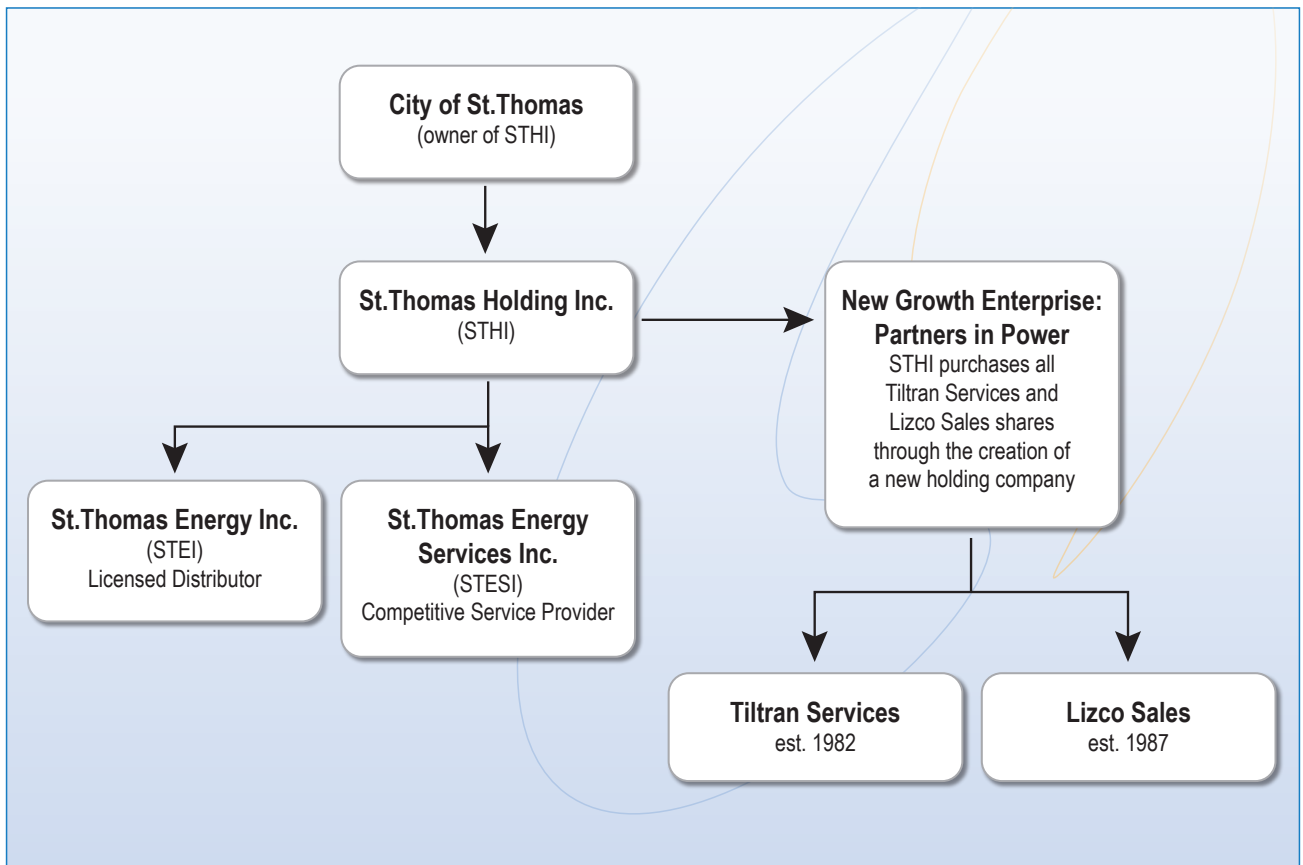
#### **Will St. Thomas Energy Services Inc.'s rates increase as a result of this purchase?**

Rates will not increase for St. Thomas Energy Services Inc. customers or its affiliate STEI customers as a result of this purchase. In fact, it is anticipated that the growth and business opportunities resulting from this partnership will assist in offsetting future upward pressures.

#### **Can St. Thomas Energy Services Inc. disclose how much it paid to acquire Tiltran and Lizco?**

The energy sector is a highly competitive environment and, for competitive reasons, St. Thomas Energy Services Inc. wishes to keep the offer price confidential.

The revenues of the competitive energy services business, not the regulated electrical distribution business, have funded this purchase. There is absolutely no municipal tax revenues or monies from the taxpayers of the City of St. Thomas being used to purchase these companies. Be assured that the price paid is a fair market offer and will only go to further strengthen the value of St. Thomas Energy Services Inc. to its customers and shareholders.



***Attachment 2 (of 3):***

***Question 6***

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## **NEWS RELEASE FOR IMMEDIATE RELEASE**

DATE: Monday, May 11, 2009

### **St. Thomas Holding Inc. positioned to respond to a new electricity industry in Ontario**

---

St. Thomas Holding Inc., wholly owned by the City of St. Thomas, and the owner and operator of St. Thomas Energy Services Inc. (STESI), announced today that it has entered into a mutually beneficial agreement to purchase the shares of Tal Trees located in Belleville, Ontario.

Tal Trees specializes in engineering services and site reviews, the construction of high voltage substations, maintenance of substation/transformers and overhead line construction and maintenance. They also provide high voltage emergency services and have recently been involved in wind/solar initiatives.

The partnership with Tal Trees will continue to position STHI and its' group of companies as leaders in building a new economy in the renewable energy sector, a distinctive and competitive benefit to the City of St. Thomas and their shareholders. It will also provide vital and strategic geographic and economic access to markets in Eastern Ontario.

"Our decision to purchase Tal Trees is part of our longer-term strategy to become a leader in an industry that is experiencing significant changes," says Brian Hollywood, President and CEO of St. Thomas Energy Services Inc. "The Green Energy Act is the most significant change the industry has seen in more than 100 years. With this new partnership, we're well poised to take advantage of emerging opportunities."

Tal Tree partners Arnold and John Portt see the new partnership as an exciting step for the company they founded in 1989 to make. "Entering a partnership with a municipally-owned company that has shown such innovation provides our employees with new opportunities and improved job security," says Arnold Portt, President of Tal Trees. "By leveraging our customer relationships and technical expertise with those of STESI, Tiltran Services and Lizco Sales, the scale of work we will be able to compete for and be involved in will increase exponentially. We're incredibly excited by what lies ahead."

In November 2007, STESI purchased the shares of Tiltran Services and Lizco Sales near the Town of Tillsonburg, the first transaction of its size in Ontario involving a municipally-owned utility company purchasing a competitive, privately-owned services company. "With this second share purchase, our City Council has once again shown progressive leadership in creating new business development opportunities and synergies for the municipality. Together, we're putting St. Thomas on the map as leaders in this emerging sector. We're developing a new area of economic focus."

Under the terms of the deal, the transaction will be completed on July 2, 2009.

St. Thomas Energy Inc. customers will not see rates increase as a result of this purchase. The City of St. Thomas, as the shareholder of STHI, is excited by the value this acquisition will bring to the citizens of St. Thomas and the continued growth of its enterprise.

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**For more information, please contact:**

Brian Hollywood  
President and CEO, St. Thomas Holdings Inc.  
Phone: 519.871.0032

Arnold Portt, President, Tal Trees  
Phone: 613.967.7333

Media assistance:  
Michelle Floyd  
Phone: 519.494.0335

#### About St. Thomas Energy Services Inc.

- Provides reliable, cost effective electrical distribution services, traffic signal, street lighting and fibre optic services.
- A subsidiary of St. Thomas Holding Inc., 100 per cent owned by the City of St. Thomas.
- Contributes to the economic success of the community.
- Entrepreneurially-minded service provider dedicated to creating superior value for its customers, employees and shareholders, maintaining a safe work environment and optimizing the businesses through use of best in class business practices.
- Voted one of the top five municipal power companies in Ontario by its customers.
- Employs 22 members of the International Brotherhood of Electrical Workers Local 636.
- [www.stesi.ca](http://www.stesi.ca)

#### About Tal Trees

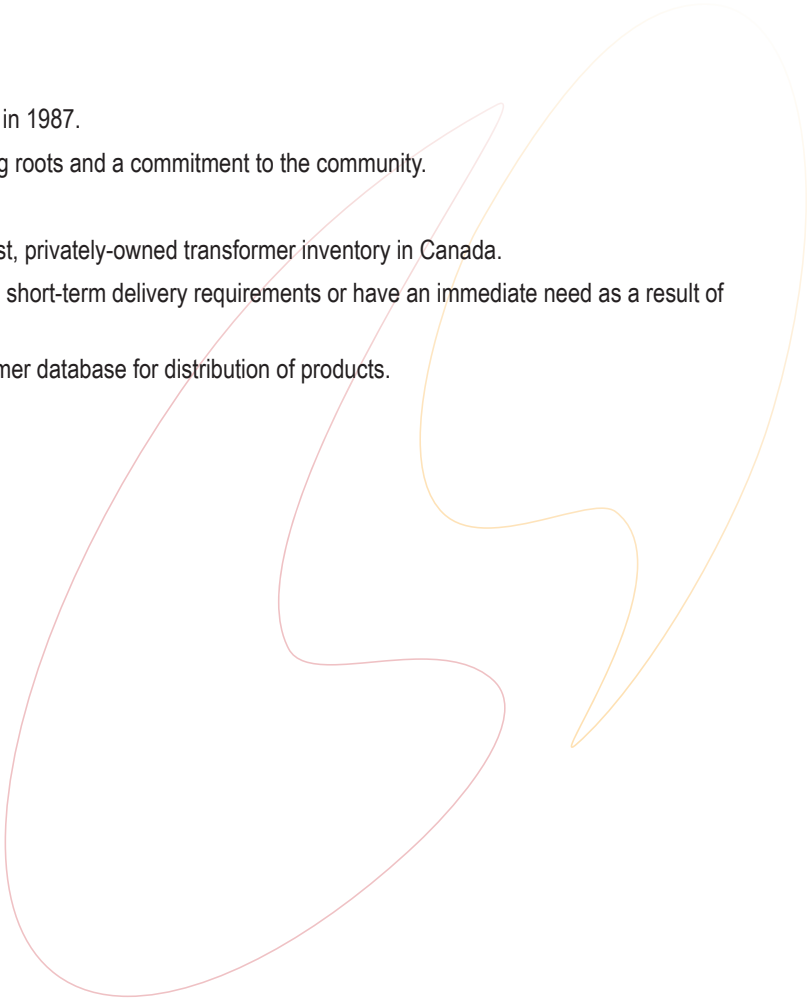
- Building and property located in Belleville, Ontario
- Founded in 1989, owned by brothers Arnold and John Portt.
- Employees include 15 full- and part-time staff at the Belleville location
- Specializes in engineering services and site reviews, the construction of high voltage substations, maintenance of substation/transformers and overhead line construction and maintenance. They also provide high voltage emergency services and have recently been involved in wind/solar initiatives.

#### About Tiltran Services

- A family-owned and operated company founded in 1982.
- Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
- An established high-voltage contracting company specializing in the field of industrial, commercial and institutional construction, maintenance and technical services for the past 25 years.
- Employs more than 55 non-unionized employees.
- One of the largest high voltage contractors in Ontario.
- Specializes in electrical power systems.
- Current services include engineering, construction, maintenance and technical services.
- Serves private industries, institutions and electrical contractors and wind farm developers.
- In recent years Tiltran has diversified into wind farms and was responsible for the collection system for the largest wind farm in Canada, located just outside Sault Ste Marie.
- [www.tiltran.com](http://www.tiltran.com)

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### About Lizco Sales

- A family-owned and operated company founded in 1987.
  - Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
  - Electrical power equipment specialists.
  - Widest selection of inventory including the largest, privately-owned transformer inventory in Canada.
  - Supplies contractors and companies that have a short-term delivery requirements or have an immediate need as a result of equipment failure or natural disaster.
  - Boasts robust Canadian and international customer database for distribution of products.
  - [www.lizcosales.com](http://www.lizcosales.com)
- 



**What is St. Thomas Holding Inc. purchasing?**

St. Thomas Holding Inc., owner and operator of St. Thomas Energy Services Inc. (STESI), has entered into a mutually beneficial agreement to purchase the shares of Tal Trees, a company located in Belleville, Ontario.

**What does Tal Trees do?**

Tal Trees specializes in engineering services and site reviews, the construction of high voltage substations, maintenance of substation/transformers and overhead line construction and maintenance. They also provide high voltage emergency services and have recently been involved in wind/solar initiatives.

**What is Tal Tree's company history?**

Tal Trees is a family built company, established by Thornton Portt in 1989. It is now owned by sons Arnold and John Portt. The company's building and property is located in Belleville, Ontario.

**What benefits are expected from this partnership?**

The partnership will not only provide STESI with geographic and economic diversity into eastern Ontario markets, but will also provide an extension of its business offering, technical expertise and scope of work.

In the marketplace currently, St. Thomas Energy Services Inc., with its partners Tiltran Services and Lizco Sales is able to provide Engineering, design, project management and construction & maintenance, associated with high voltage systems. Tal Trees will allow an extension of its STESI's business offering to include complimentary technical capabilities, along with pole-line design & construction expertise. By offering this increased scope of service and technical expertise in established markets across the province, STESI will be well positioned as a leader in the emerging renewable energy sector.

**How will the sale affect the staff and customers of Tal Trees?**

The sale will not negatively affect staff or customers. In fact, the sale will improve and enhance the company's ability to gain access to larger markets and larger projects. The sale will ensure the longevity of the company, preserve its valued customer base and provide the opportunity to expand with the support of its loyal and specialized staff.

**Who will run the companies?**

Tal Trees will be operated separately, headed by the President and CEO of St. Thomas Energy Services Inc., Brian Hollywood, and his management team. Arnold and John Portt will continue to play key roles in the operations, along with further developing this business

**Will there be staffing change following this announcement?**

No. All current employment conditions and practices will continue. There will be no job losses as result of this acquisition. As part of the transaction, John & Arnold have agreed to continued employment contracts.

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**Is this STESI's first acquisition of a private company?**

No. In November 2007, STESI purchased the shares of Tiltran Services and Lizco Sales near the Town of Tillsonburg, the first transaction of its size in Ontario involving a municipally-owned utility company purchasing a competitive, privately-owned services company.

**Why are private acquisitions part of STESI's business strategy?**

Aligned with the Board's strategic plan set in 2006, the purchase of private sector companies is one of the few ways that an operator of a utility facing increasing regulatory requirements can grow and diversify its business. With this purchase, St. Thomas Energy Services Inc. (an unregulated competitive service company) will be able to leverage the strength of the partnering companies for future growth and the benefit of their customers.

**Will St. Thomas Energy Services Inc.'s rates increase as a result of this purchase?**

No. Rates will not increase for St. Thomas Energy Services Inc. customers or its affiliate STEI customers as a result of this purchase. In fact, it is anticipated that the growth and business opportunities resulting from this partnership will assist in offsetting future upward pressures.

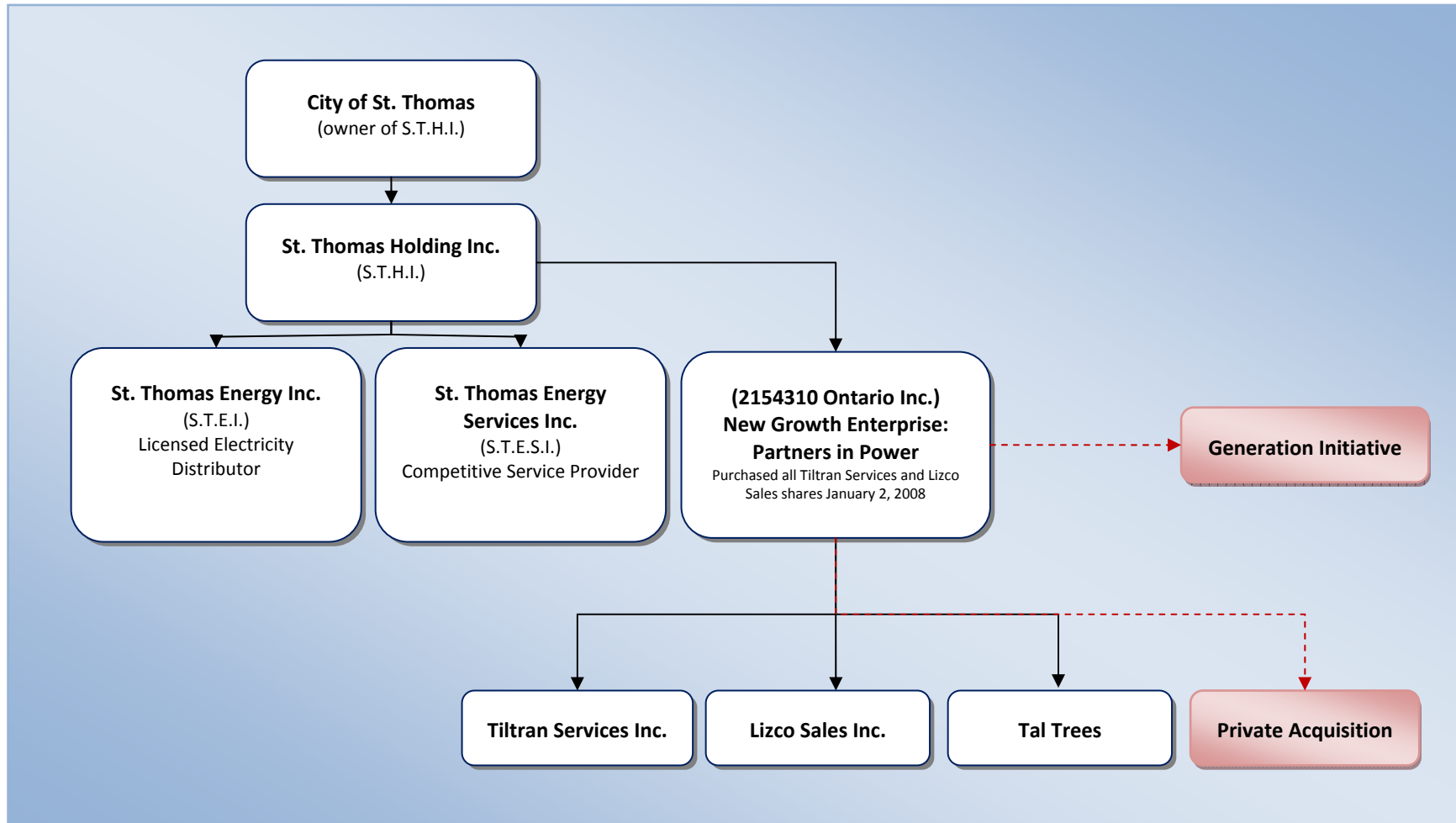
**Can St. Thomas Energy Services Inc. disclose how much it paid to acquire Tal Trees?**

St. Thomas Energy Services Inc. is not in a position to disclose this information both because it is operating in a highly competitive business environment and this information is sensitive, and because of its statutory obligation to protect the personal information (as defined by provincial privacy legislation) of the vendors of Tal Trees.

The revenues of the competitive energy services business, not the regulated electrical distribution business, have funded this purchase. There is absolutely no municipal tax revenues or monies from the taxpayers of the City of St. Thomas being used to purchase these companies. Be assured that the price paid is a fair market offer and will only go to further strengthen the value of St. Thomas Energy Services Inc. to its customers and shareholders.



## CORPORATE STRUCTURE



May 2009

***Attachment 3 (of 3):***

***Question 6***



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## **NEWS RELEASE FOR IMMEDIATE RELEASE**

DATE: Monday, November 1, 2010

### **St. Thomas Holding Inc. acquires ECM Controls Inc. to grow its service offering and access new business development opportunities**

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St. Thomas Holding Inc. (STHI) has added to its portfolio of services with the acquisition of ECM Controls Inc. St. Thomas Holding Inc., wholly owned by the City of St. Thomas, and the owner of St. Thomas Energy Services Inc. (STESI), St. Thomas Energy Inc. and a number of affiliates, has purchased ECM Controls Inc., a St. Thomas company that provides service and support for industrial controls and automation.

"The acquisition of ECM Controls Inc. will enable us to create additional efficiencies and provide STHI and all its affiliated companies with the edge it needs to access new and very competitive markets throughout Ontario," explains Brian Hollywood, CEO of St. Thomas Holding Inc. "The specialty services provided by ECM Controls Inc. will allow us to grow our offerings and provide additional lines of service to our clients."

Frank and Rita Morgan established ECM Controls Inc. in 1987 to provide highly skilled technicians to support industries in St. Thomas and surrounding area. It employs 10 people at its St. Thomas location including Controls Technologists, Electronics Technologists, Alarm Technicians and licensed Electricians. ECM Controls specializes in industrial controls, offering design, build, installation, troubleshooting & repairs to all types of control systems and equipment, PLC programming and instrument calibration. ECM is a CSA-certified panel shop offering a wide range of custom designed industrial control panels.

"We are looking forward to working with STHI and its affiliates to enhance the future possibilities this alliance will create," says Ken Gee, Operations Manager of ECM Controls Inc. "It's a great partnership that will serve our community, our staff, and our mutual customers well."

This is the third acquisition for STHI since 2007. Acquiring well-established, successful companies with specialized areas of expertise continues to be an ongoing business strategy to expand the organization's service offering and bolster its position as an industry leader. Previous acquisitions include purchasing the shares of Tiltran Services and Lizco Sales near Tillsonburg in 2007. This was the first transaction of its size in Ontario involving a municipally-owned utility company purchasing a competitive privately-owned company.

In May 2009, St. Thomas Holding Inc. purchased the shares of Tal Trees in Belleville. The decision to purchase Tal Trees, which provides high voltage services and associated green energy support, was part of a long-term strategy for STHI to become a leader in a diversifying industry.

“St. Thomas Holding Inc. is a progressive energy company that has positioned itself to be competitive in the new economy. We are confident our strategic business decisions and alliances will pay dividends for our shareholder, the City of St. Thomas and support the community,” says Hollywood.

For more information about St. Thomas Energy Services Inc., visit [www.sttenergy.com](http://www.sttenergy.com).

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**For more information, please contact:**

Brian Hollywood  
CEO, St. Thomas Holding Inc.  
Phone: 519.871.0032

Ken Gee  
Operations Manager, ECM Controls Inc.  
Phone: 519.633.7443

Media assistance:  
Michelle Floyd  
Principal, ON Communication Inc.  
Phone: 519.494.0335

#### About St. Thomas Energy Services Inc.

- Provides reliable, cost-effective electrical distribution services, traffic signal, street lighting and fibre optic services.
- A subsidiary of St. Thomas Holding Inc., 100 per cent owned by the City of St. Thomas.
- Contributes to the economic success of the community.
- Entrepreneurially-minded service provider dedicated to creating superior value for its customers, employees and shareholders, maintaining a safe work environment and optimizing the businesses through use of best in class business practices.
- Voted one of the top five municipal power companies in Ontario by its customers.
- Employs 22 members of the International Brotherhood of Electrical Workers Local 636.
- [www.stesi.ca](http://www.stesi.ca)

#### About ECM Controls Inc.

- ECM Controls Inc. was established in 1987 by Frank and Rita Morgan to provide highly skilled technicians in the electrical and industrial controls field to support industries in St. Thomas and surrounding area.
- In 1990 ECM Controls expanded its service offerings to provide sales, installation and service for a wide range of security products such as: alarm systems, closed circuit television (CCTV) cameras, and access control for residential, commercial and industrial clients.
- Employs 10 people at its St. Thomas location including Controls Technologists, Electronics Technologists, licensed Electricians and Alarm Technicians.
- Specialized in industrial controls offering design, build, installation, troubleshooting & repairs to all types of control systems and equipment, PLC programming, and instrument calibration.
- CSA-certified panel shop offering a wide range of custom designed industrial control panels for a variety of applications.
- [www.ecmcontrols.com](http://www.ecmcontrols.com)

#### About Tal Trees

- Building and property located in Belleville, Ontario
- Founded in 1989, owned by brothers Arnold and John Portt.
- Employees include 15 full- and part-time staff at the Belleville location
- Specializes in engineering services and site reviews, the construction of high voltage substations, maintenance of substation/transformers and overhead line construction and maintenance. They also provide high voltage emergency services and have recently been involved in wind/solar initiatives.

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### About Tiltran Services

- A family-owned and operated company founded in 1982.
- Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
- An established high-voltage contracting company specializing in the field of industrial, commercial and institutional construction, maintenance and technical services for the past 25 years.
- Employs more than 55 non-unionized employees.
- One of the largest high voltage contractors in Ontario.
- Specializes in electrical power systems.
- Current services include engineering, construction, maintenance and technical services.
- Serves private industries, institutions and electrical contractors and wind farm developers.
- In recent years Tiltran has diversified into wind farms and was responsible for the collection system for the largest wind farm in Canada, located just outside Sault Ste Marie.
- [www.tiltran.com](http://www.tiltran.com)

### About Lizco Sales

- A family-owned and operated company founded in 1987.
- Located near the Town of Tillsonburg. Has strong roots and a commitment to the community.
- Electrical power equipment specialists.
- Widest selection of inventory including the largest, privately-owned transformer inventory in Canada.
- Supplies contractors and companies that have short-term delivery requirements or have an immediate need as a result of equipment failure or natural disaster.
- Boasts robust Canadian and international customer database for distribution of products.
- [www.lizcosales.com](http://www.lizcosales.com)



**What is St. Thomas Holding Inc. purchasing?**

St. Thomas Holding Inc., owner of St. Thomas Energy Services Inc. (STESI), St. Thomas Energy Inc. and a number of affiliates, has entered into an agreement to acquire ECM Controls Inc. located in St. Thomas, Ontario. ECM Controls Inc. operates two businesses – ECM Controls and ECM Security Systems.

**What services does ECM Controls provide?**

ECM Controls provides service and support for industrial controls and automation. ECM Controls specializes in industrial controls, offering design, build, installation, troubleshooting & repairs to all types of control systems and equipment, PLC programming and instrument calibration. ECM is a CSA-certified panel shop offering a wide range of custom designed industrial control panels.

**What services does ECM Security Systems provide?**

ECM Security Systems provides sales, installation and service for a wide range of security products such as: alarm systems, closed circuit television (CCTV) cameras, and access control.

**What is ECM's company history?**

Frank and Rita Morgan established ECM Controls Inc. in 1987 to provide highly skilled technicians to support industries in St. Thomas and surrounding area. It employs 10 people at its St. Thomas location including Controls Technologists, Electronics Technologists, licensed Electricians and Alarm Technicians.

**Will there be staffing change following this announcement?**

No. All current employment conditions and practices will continue. There will be no job losses as a result of this acquisition. The sale will not negatively affect the staff or customers of either ECM Controls or ECM Security Systems.

**Is this STHI's first acquisition of a private company?**

No. This is the third acquisition for STHI. Previous acquisitions include purchasing the shares of Tiltran Services and Lizco Sales near Tillsonburg in 2007. This was the first transaction of its size in Ontario involving a municipally-owned utility company purchasing a competitive privately-owned company. In May 2009, St. Thomas Holding Inc. purchased the shares of Tal Trees in Belleville. The decision to purchase Tal Trees, which provides high voltage services and associated green energy support, was part of a long-term strategy for STHI to become a leader in a diversifying industry.

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### **Why are private acquisitions part of STHI's business strategy?**

Aligned with the Board's strategic plan set in 2006, the purchase of private sector companies is one of the few ways an operator of a utility facing increasing regulatory requirements can grow and diversify its business. With this purchase, St. Thomas Energy Services Inc. (an unregulated competitive service company) will be able to leverage the electronic controls expertise of ECM Controls Inc. to assist STHI's existing businesses as they continue to expand their operations in the renewable energy and other fields.

### **Will St. Thomas Energy Inc.'s rates increase as a result of this purchase?**

No. Rates will not increase for the customers of St. Thomas Energy Inc. or any of their other customers as a result of this purchase. In fact, it is anticipated that the growth and business opportunities resulting from this partnership will assist in offsetting future upward pressures.

### **Can St. Thomas Holding Inc. disclose how much it paid to acquire ECM Controls Inc.?**

St. Thomas Holding Inc. is not in a position to disclose this information because it has contractually agreed not to, because it is operating in a highly competitive business environment and this information is sensitive, and because of its statutory obligation to protect the personal information (as defined by provincial privacy legislation) of the vendor of ECM Controls Inc. The revenues of the competitive energy services businesses, not the regulated electrical distribution business of St. Thomas Energy Inc., have funded this purchase. There are absolutely no municipal tax revenues or monies from the taxpayers of the City of St. Thomas being used to purchase this company. Be assured that the price paid is a fair market offer and will only go to further strengthen the value of St. Thomas Holding Inc. to its customers and shareholders.

1 **QUESTION 7**

2  
3 **QUESTION**

4 [Ex. 1/Tab 2/Sch 4/Att 1] With respect to Master Services Agreement ("MSA"), please  
5 provide full details for each instance the provision listed below have been utilized by  
6 either SERVO or WIRESCO. Please provide all correspondence and documents that  
7 were exchanged between the two parties with respect to the utilization of each provision.

8 a) Section 5.03

9 b) Section 5.04

10 c) Section 5.06

11 **RESPONSE**

12 These provisions have not been utilized.

1 **QUESTION 8**

2

3 **QUESTION**

4 [Ex. 1/Tab 2/Sch 4/ p.2] Please provide further details with respect to financial  
5 information for STEI with respect to “[p]ayments to STESI for capital expenditures...”

6 **RESPONSE**

7 All capital expenditures of STEI are made through STESI. All discussion surrounding  
8 the capital expenditures within the filed cost of service application have been purchased  
9 from STESI. STEI does not understand what further details are being requested.

**QUESTION 9**

**QUESTION**

[Ex 1/Tab 2/Sch 4/p.2] Please provide full and complete financial statements and information for all affiliates of STESI."

**RESPONSE**

STEI has provided the 2009 financial statements for STESI in its March 25, 2011 supplemental filing. STEI questions the relevance of providing financial information for its other affiliates. As identified within the evidence at Exhibit 1, Tab 2, Schedule 3, page 1 and page 2:

"While these businesses operate in the hydro industry, none of the 310 Companies have any direct relationship with STEI"

As well, please refer to Exhibit 11, Tab3, Schedule 4.

1

## QUESTION 10

2

### 3 QUESTION

4 [Ex. 1/Tab 2/Sch 4/Att 2] Do the residents of the City of St. Thomas receive separate  
5 bills for water and hydro?

### 6 RESPONSE

7 In order to minimize costs, the residents of the City of St. Thomas receive one bill for  
8 both water and hydro.

1

## QUESTION 11

2

### 3 QUESTION

4 [Ex. 1/Tab 2/Sch 4/Att 2/p.14] Please reconcile the following statement “any information  
5 related to the customer’s electrical system on the customer’s side of the interface is not  
6 accessible to Wiresco or Servo” with, “...confidential customer information is only used  
7 by employees of Servo to service the needs of Wiresco.

### 8 RESPONSE

9 St. Thomas does not understand how the two statements contradict one another, so we  
10 are unable to reconcile one with the other.

**QUESTION 12**

**QUESTION**

[Ex. 1/Tab 2/Sch 4/Att 1] With respect to the MSA between STEI and STESI, please provide the names and positions of the signatories for each of the parties.

**RESPONSE**

We have been unable to locate the final executed copy of the MSA between STEI and STESI. We are continuing our search for the final document. In addition, our legal counsel who drafted the document had moved firms when McCarthy's closed their London, Ontario office and does not have a copy of the executed document.

We have been able to confirm in the May 21, 2004 minutes of STEI and STESI that board resolutions were passed, in each board meeting to accept and execute the documents. This would generally result in the Chair of the Board (for each board) signing the documents along with either the Vice Chair or the President & CEO.



**QUESTION 13**

**QUESTION**

[Ex. 2/Tab 1] For each 2010 capital forecasted expenditures:

a) Please provide an update on the progress of construction

b) Please provide a table comparing actual amount spent to forecasted expenditures

c) For 'New Service' projects, please provide a table comparing actual new lots/homes serviced to the forecasted amount.

**RESPONSE**

a) Construction has progressed as per forecasted plan. Please bear in mind the figures included in STEI's rate application were for 9 months of Actual data and 3 months of forecasted data. The majority of the variances in the tables provided below along with those provided at Exhibit 11, Tab 4, Schedule 25 part b) have more to do with the timing of processing paper and closing work orders than they have to do with physical work being constructed in the field. Especially since one of these months was December where very little capital work gets completed due to poor weather conditions.

b) Tables showing 2010 Actual vs. 2010 Forecasts are found below as requested:

		220		
		MUNICIPAL ROAD REBUILDS		
		2010 Actual	2010 Forecast	Variance
G/L	GL Desc			
1830	POLES CAPITAL	\$40,884.51	\$36,943.85	\$3,940.66
1835	O/H LINES CAPITAL	\$31,094.37	\$33,166.87	-\$2,072.50
1840	U/G DUCT CONDUIT CAPITAL	\$12,411.63	\$830.55	\$11,581.08
1845	U/G LINES CAPITAL	\$12,312.61	\$12,589.11	-\$276.50
1850	TRANSFORMERS-O/H CAPITAL	-\$4,359.17	-\$4,359.17	\$0.00
	TRANSFORMERS-U/G CAPITAL	\$0.00	\$496.00	-\$496.00
1855	SERVICES-O/H CAPITAL	\$9,096.27	\$9,408.77	-\$312.50
	SERVICES-U/G CAPITAL	\$0.00	\$67.50	-\$67.50
1856	SERVICES-U/G CAPITAL	\$0.00		\$0.00
1860	METERS--INTERVAL CAPITAL	\$0.00	\$0.00	\$0.00
	METERS--NON-INTERVAL CAP	\$0.00	\$0.00	\$0.00
1995	Contributed Capital	-\$7,454.74	-\$7,454.74	\$0.00
Grand Total		\$93,985.48	\$81,688.74	\$12,296.74

1  
2

		POLE REPLACEMENTS		
		2010 Actual	2010 Forecast	Variance
G/L	GL Desc			
1830	POLES CAPITAL	\$119,748.46	\$107,571.35	\$12,177.11
1835	O/H LINES CAPITAL	\$34,446.23	\$33,354.64	\$1,091.59
1840	U/G DUCT CONDUIT CAPITAL	\$0.00	\$228.50	-\$228.50
1845	U/G LINES CAPITAL	\$0.00	\$397.00	-\$397.00
1850	TRANSFORMERS-O/H CAPITAL	\$17,713.11	\$17,713.11	\$0.00
	TRANSFORMERS-U/G CAPITAL	\$0.00	\$692.00	-\$692.00
1855	SERVICES-O/H CAPITAL	\$29,558.87	\$28,224.35	\$1,334.52
	SERVICES-U/G CAPITAL	\$163.62	\$229.12	-\$65.50
1856	SERVICES-U/G CAPITAL	\$0.00		\$0.00
1860	METERS--INTERVAL CAPITAL	\$0.00	\$0.00	\$0.00
	METERS--NON-INTERVAL CAP	\$0.00	\$0.00	\$0.00
1995	Contributed Capital	\$0.00	\$0.00	\$0.00
Grand Total		\$201,630.29	\$188,410.07	\$13,220.22

3  
4

		VOLTAGE CONVERSION		
		2010 Actual	2010 Forecast	Variance
G/L	GL Desc			
1830	POLES CAPITAL	\$163,463.24	\$146,515.98	\$16,947.26
1835	O/H LINES CAPITAL	\$208,679.52	\$164,225.93	\$44,453.59
1840	U/G DUCT CONDUIT CAPITAL	\$0.00	\$9,916.90	-\$9,916.90
1845	U/G LINES CAPITAL	\$17,531.12	\$17,229.80	\$301.32
1850	TRANSFORMERS-O/H CAPITAL	\$86,015.87	\$51,636.94	\$34,378.93
	TRANSFORMERS-U/G CAPITAL	\$0.00	\$30,032.80	-\$30,032.80
1855	SERVICES-O/H CAPITAL	\$87,151.65	\$69,857.29	\$17,294.36
	SERVICES-U/G CAPITAL	\$2,176.21	\$5,018.91	-\$2,842.70
1856	SERVICES-U/G CAPITAL	\$11,825.11		\$11,825.11
1860	METERS--INTERVAL CAPITAL	\$0.00	\$0.00	\$0.00
	METERS--NON-INTERVAL CAP	\$0.00	\$0.00	\$0.00
1995	Contributed Capital	\$0.00	\$0.00	\$0.00
Grand Total		\$576,842.72	\$494,434.55	\$82,408.17

		EMERGENCY REPLACEMENT		
		2010 Actual	2010 Forecast	Variance
G/L	GL Desc			
1830	POLES CAPITAL	\$0.00	\$0.00	\$0.00
1835	O/H LINES CAPITAL	\$0.00	\$0.00	\$0.00
1840	U/G DUCT CONDUIT CAPITAL	\$0.00	\$0.00	\$0.00
1845	U/G LINES CAPITAL	\$0.00	\$0.00	\$0.00
1850	TRANSFORMERS-O/H CAPITAL	\$0.00	\$0.00	\$0.00
	TRANSFORMERS-U/G CAPITAL	\$0.00	\$0.00	\$0.00
1855	SERVICES-O/H CAPITAL	\$0.00	\$0.00	\$0.00
	SERVICES-U/G CAPITAL	\$0.00	\$0.00	\$0.00
1856	SERVICES-U/G CAPITAL	\$0.00	\$0.00	\$0.00
1860	METERS--INTERVAL CAPITAL	\$0.00	\$0.00	\$0.00
	METERS--NON-INTERVAL CAP	\$0.00	\$0.00	\$0.00
1995	Contributed Capital	\$0.00	\$0.00	\$0.00
Grand Total		\$0.00	\$0.00	\$0.00

		200				202				204				206/210				231							
		NEW SERVICES				NEW DIMENSIONS				NEW JO SERVICES				LAYOUTS				NEW DRINKWARES				NEW METERS			
		2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance	2010 Actual	2010 Forecast	Variance			
DL	Q, Less																								
803	PLATE CAPITAL	\$10,650.23	\$10,245.34	\$412.23	\$10.00	\$173.00	-173.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00				
803	DRINKS CAPITAL	\$3,300.00	\$3,100.49	-199.51	\$10.00	\$150.00	-150.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00				
804	UTENSILS CAPITAL	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87	\$4,618.19	\$140,267.06	\$135,648.87				
805	UTENSILS CAPITAL	\$20,065.02	\$20,917.71	\$-852.69	\$10.00	\$10.00	\$-10.00	\$10.00	\$10.00	\$-10.00	\$10.00	\$10.00	\$-10.00	\$10.00	\$10.00	\$-10.00	\$10.00	\$10.00	\$-10.00	\$10.00	\$10.00				
806	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
807	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
808	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
809	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
810	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
811	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
812	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
813	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
814	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
815	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
816	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
817	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
818	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
819	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
820	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
821	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
822	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
823	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
824	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
825	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
826	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
827	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
828	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
829	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
830	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
831	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
832	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
833	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
834	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
835	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
836	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
837	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
838	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
839	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
840	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
841	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
842	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
843	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
844	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
845	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00				
846	TRANSFORMERS CAPITAL	\$10,000.00	\$10,000.00	\$0.00	\$10,000.00	\$10,000.00	\$0.00																		

1 c) As mentioned in part a) of this response, there were no changes in number of  
2 services connected or vacant lots serviced between September 2010 and December  
3 2010. All of the variances in rate base between the forecasted and the actual values  
4 were exclusively due to the timing of processing work orders and receiving funds from  
5 customers/developers for planned work.

**QUESTION 14**

**QUESTION**

[Ex. 2/Tab 1/Sch 1/p.32] With respect to the 2011 Voltage Conversion Program, please provide the business case and any supporting document.

**RESPONSE**

St. Thomas attempts to keep its capex budget stable from year to year. It identifies and selects capital projects using the methodology described at Exhibit 1, Tab 4, Schedule 5, Pages 2 and 3. The identification and selection of a project such as the 2011 Voltage Conversion Program through this process serves as St. Thomas' business case. The need for the Voltage Conversion Program is described in detail at Exhibit 2, Tab 1, Schedule 1, Page 25.

1

## QUESTION 15

2

### 3 QUESTION

4 [Ex.3/Tab 3/Sch 5/p.1] Please provide offset revenues information from 2006-2009 in the  
5 same format as has been provided for 2010.

### 6 RESPONSE

7 Refer to attached.

***Attachment 1 (of 1):***

***Question 15***



Account Grouping	Account Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
3050-Revenues From Services - Distribution	4080-Distribution Services Revenue	52,694.18	46,975.91	38,304.47	38,359.06	33,130.00	33,130.00
3050-Revenues From Services - Distribution	4082-Retail Services Revenues	27,859.90	35,633.60	35,761.50	37,258.50	37,385.50	37,385.50
3050-Revenues From Services - Distribution	4084-Service Transaction Requests (STR) Revenues	2,245.75	1,806.25	1,467.00	979.75	967.00	967.00
3100-Other Operating Revenues	4210-Rent from Electric Property	302,190.12	329,697.65	298,258.67	296,338.55	296,862.46	305,057.92
3100-Other Operating Revenues	4220-Other Electric Revenues	71,833.98	69,935.16	69,935.16	69,935.16	69,935.00	69,935.00
3100-Other Operating Revenues	4225-Late Payment Charges	118,037.15	130,393.19	135,753.11	140,195.36	138,816.90	138,816.90
3100-Other Operating Revenues	4235-Miscellaneous Service Revenues	358,886.22	282,691.67	165,327.11	159,796.68	163,833.67	163,833.67
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	197,099.58	175,103.54	262,739.09	106,904.59	72,985.49	58,373.78
3150-Other Income & Deductions	4330-Costs and Expenses of Merchandising, Jobbing, Etc.	-226,567.36	-257,693.84	-309,876.01	-108,818.93	-86,977.71	-39,559.30
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
3150-Other Income & Deductions	4390-Miscellaneous Non-Operating Income	29,717.54	22,266.61	18,748.67	7,324.46	38,091.85	20,000.00
3200-Investment Income	4405-Interest and Dividend Income	44,685.61	56,553.93	39,167.06	83,090.12	14,857.27	14,857.27
	TOTAL	914,973.73	893,363.69	856,481.83	886,094.41	728,233.90	802,797.74
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
	REVENUE REQUIREMENT OFFSET	978,682.67	893,363.67	755,585.83	831,363.30	779,887.43	802,797.74

1

## QUESTION 16

2

### 3 QUESTION

4 [Ex. 4] Please provide detailed explanation for the variance in OM&A expenses for each  
5 year between 2006 till the test year.

6

### 7 RESPONSE

8 Please refer to Exhibit 4, Tab 3, Schedule 1 in its entirety. The explanations are found in  
9 Exhibit 4, Tab 3, Schedule 1, Attachment 1b.

1

## QUESTION 17

2

### 3 QUESTION

4 [Ex. 4/Tab 2/Sch 1/p.2] Please provide 2010 actuals for OM&A expenses by account

### 5 RESPONSE

6 Please see attached.

***Attachment 1 (of 1):***

***Question 17***

## Detailed Account by Account OM&A Expenses

Account Grouping	Account Description	2009 Actual	2010 Actual	2011 Projection
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	165,549	304,919	263,696
	5010-Load Dispatching	18,169	41,150	14,451
	5012-Station Buildings and Fixtures Expense	0	0	0
	5014-Transformer Station Equipment - Operation Labour	0	0	0
	5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0
	5016-Distribution Station Equipment - Operation Labour	5,345	6,679	4,475
	5017-Distribution Station Equipment - Operation Supplies and Expenses	23,618	30,720	17,944
	5020-Overhead Distribution Lines and Feeders - Operation Labour	0	0	0
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	0	0	5,260
	5030-Overhead Subtransmission Feeders - Operation	0	0	0
	5035-Overhead Distribution Transformers- Operation	0	0	0
	5040-Underground Distribution Lines and Feeders - Operation Labour	93,926	100,451	38,461
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	11,739	14,591	10,931
	5050-Underground Subtransmission Feeders - Operation	0	0	0
	5055-Underground Distribution Transformers - Operation	0	0	0
	5060-Street Lighting and Signal System Expense	0	0	0
	5065-Meter Expense	90,138	32,992	34,302
	5070-Customer Premises - Operation Labour	18,102	26,583	6,647
	5075-Customer Premises - Materials and Expenses	2,140	4,816	1,731
	5085-Miscellaneous Distribution Expense	118,494	112,373	87,670
	5090-Underground Distribution Lines and Feeders - Rental Paid	43	49	7,838
	5095-Overhead Distribution Lines and Feeders - Rental Paid	7,831	2,540	0
	5096-Other Rent	0	0	0
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	17,459	21,532	19,961
	5110-Maintenance of Buildings and Fixtures - Distribution Stations	0	0	0
	5112-Maintenance of Transformer Station Equipment	0	0	0
	5114-Maintenance of Distribution Station Equipment	12,338	71,003	89,548
	5120-Maintenance of Poles, Towers and Fixtures	1,118	5,462	12,443
	5125-Maintenance of Overhead Conductors and Devices	198,017	42,247	88,414
	5130-Maintenance of Overhead Services	97,871	86,613	52,399
	5135-Overhead Distribution Lines and Feeders - Right of Way	100,712	119,579	111,881
	5145-Maintenance of Underground Conduit	0	469	0
	5150-Maintenance of Underground Conductors and Devices	9,079	3,868	11,895
	5155-Maintenance of Underground Services	10,353	20,800	9,998
	5160-Maintenance of Line Transformers	54,669	36,773	25,958
	5165-Maintenance of Street Lighting and Signal Systems	0	0	0
	5170-Sentinel Lights - Labour	0	0	0
	5172-Sentinel Lights - Materials and Expenses	0	0	0
	5175-Maintenance of Meters	0	0	779
	5178-Customer Installations Expenses- Leased Property	0	0	0
	5185-Water Heater Rentals - Labour	0	0	0
	5186-Water Heater Rentals - Materials and Expenses	0	0	0
	5190-Water Heater Controls - Labour	0	0	0
	5192-Water Heater Controls - Materials and Expenses	0	0	0
	5195-Maintenance of Other Installations on Customer Premises	0	0	0
3650-Billing and Collecting	5305-Supervision	83,440	30,734	90,778
	5310-Meter Reading Expense	127,672	138,962	114,486
	5315-Customer Billing	498,454	491,039	519,856
	5320-Collecting	306,930	302,320	443,330
	5325-Collecting- Cash Over and Short	10	-122	0
	5330-Collection Charges	-112,455	-119,190	-123,042
	5335-Bad Debt Expense	94,966	54,562	115,095
	5340-Miscellaneous Customer Accounts Expenses	253	255	1,722
3700-Community Relations	5405-Supervision	0	0	0
	5410-Community Relations - Sundry	3,724	0	5,000
	5415-Energy Conservation	0	0	15,000
	5420-Community Safety Program	7,100	5,978	4,513
	5425-Miscellaneous Customer Service and Informational Expenses	0	0	0
	5505-Supervision	0	0	0
	5510-Demonstrating and Selling Expense	0	0	0

## Detailed Account by Account OM&A Expenses

Account Grouping	Account Description	2009 Actual	2010 Actual	2011 Projection
	5515-Advertising Expense	0	0	0
	5520-Miscellaneous Sales Expense	0	0	0
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	222,798	222,516	268,637
	5610-Management Salaries and Expenses	232,868	282,356	604,475
	5615-General Administrative Salaries and Expenses	148,560	151,141	138,018
	5620-Office Supplies and Expenses	6,498	10,038	22,749
	5625-Administrative Expense Transferred Credit	0	0	0
	5630-Outside Services Employed	35,713	110,607	49,987
	5635-Property Insurance	17,352	30,560	27,185
	5640-Injuries and Damages	22,197	15,120	15,622
	5645-Employee Pensions and Benefits	0	0	0
	5650-Franchise Requirements	0	0	0
	5655-Regulatory Expenses	70,888	110,439	175,896
	5660-General Advertising Expenses	637	0	14,680
	5665-Miscellaneous General Expenses	48,781	98,073	50,599
	5670-Rent	0	0	0
	5675-Maintenance of General Plant	363,970	232,932	266,472
	5680-Electrical Safety Authority Fees	9,958	15,927	15,840
	5685-Independent Market Operator Fees and Penalties	0	0	
	5695-Smart Meters OM&A Contra	0	0	
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	117,957	114,870	121,496
<b>TOTAL</b>		<b>3,364,978</b>	<b>3,385,326</b>	<b>3,875,076</b>

**QUESTION 18**

**QUESTION**

[Ex. 4/Tab 2/Sch 1/p.3] Please detail which risks from “cost fluctuation driven from operation and manpower” the Applicant believes the MSA protects them from.

**RESPONSE**

As set out at Exhibit 1, Tab 2, Schedule 3, page 2 beginning on line 19, the MSA protects STEI from the following kinds of risk:

- Risk associated with rising costs for these services as well as risk of customer decline (and related staffing levels) are not borne by STEI;
- Current industry staffing risks are not borne by STEI. Specifically, the average age of the industry employees is increasing and there is a challenge to hire and retain skilled staff especially in areas further away from major metropolitan areas.
- The costs associated with searching, hiring, training and retaining staff are that of STEI;
- Risk of rolling stock utilization is eliminated as these risks are also STEI risks. It would be higher costs for STEI to have a dedicated fleet.

## QUESTION 19

### QUESTION

[Ex. 4/Tab 2/Sch7/p.1] With respect to the addition of the position of Director, Regulatory Affairs:

a) Please detail why the Applicant believes that this position is necessary. Please provide any business case or any other document to support the decision.

b) Please detail how the Applicant decided upon the total compensation level of \$247,000. Please provide all documentation to support the decision.

### RESPONSE

a) There is no formal business case or other documentation. What has been explained in the application (per above reference) is reproduced below to re-emphasize the situation:

The new Regulatory Officer (Director, Regulatory Affairs) position was created in 2010 to, among other things, ensure ongoing implementation, training, compliance and reporting of new regulatory requirements, such as:

- Customer service code amendments:
  - Arrears Management Program (AMP) – DSC 2.7 – Effective October 2010
  - Suspending Disconnection Action – DSC 4.2 – Effective October 2010
  - Bill Issuance and Payment – DSC 2.6 - Effective January 2011
  - Disconnection Notices & Procedures – DSC 4.2 – Effective January 2011
  - Security Deposits – DSC 2.5 – Effective January 2011



- 1           ○ Low-Income Energy Assistance Program (LEAP) – DSC 2.4, RSC 7.7 –
- 2           Effective January 2011
- 3           ○ Load Limiters – DSC 2.9 – Effective January 2011
- 4           ○ Ontario Clean Energy Benefit – Effective January 2011

5

- 6       • Conservation and demand management
- 7       • Board consultation on asset management
- 8       • Rate change implementation
- 9       • Smart Metering
- 10      • Smart Grid
- 11      • Connection of renewable generation

12

13   These new regulatory requirements are extremely time consuming and require one full-  
14   time individual to manage them. Without the position of Director, Regulatory Affairs,  
15   STEI does not believe that it will be able to comply with all of these new regulatory  
16   requirements.

17

18   The Director, Regulatory Affairs is also necessary to foster in-house expertise of cost of  
19   service applications. STEI understands that the Board expects applicants to have  
20   reduced regulatory costs for cost of service applications in the future (i.e. less reliance in  
21   external consultants). The Director, Regulatory Affairs is working closely with external  
22   consultants on this cost of service application to develop the necessary expertise for  
23   STEI's next cost of service rate application. As such, STEI expects that its regulatory  
24   costs for its next cost of service application will be lower than in this application.

25

26   Please also refer to Exhibit 11, Tab 1, Schedule 24.

27

28   b) The \$247,000 represents costs for salary plus benefits and administrative burden,  
29   Please refer to Exhibit 11, Tab4, Schedule 32.

1

## QUESTION 20

2

### 3 QUESTION

4 [Ex. 5/Tab 1/Sch 2/p.3] Please update the evidence to account for the new weighted  
5 average cost of debt.

### 6 RESPONSE

7 Please clarify whether by "new" weighted average cost of debt you are referring to the  
8 5.6% weighted average cost of debt that STEI has requested.

**QUESTION 21**

**QUESTION**

[Ex. 7/2/2/p.2] Please confirm that the Applicant in its application seeks to move the revenue-cost ratio of GS<50 from 99.92% to 110% and for GS>50 from 94.57% to 104%.

**RESPONSE**

Those ratios are in fact in error. The rates being applied for are based on GS < 50 and GS > 50 both at 100%, residential moving from 108% to 105%, street light moving to 40%, and sentinel light moving to 50%. This way all classes are moving closer to unity, and none are crossing unity. This is correctly documented at Exhibit 7, Tab 2, Schedule 2.

1

## QUESTION 22

2

### 3 QUESTION

4 [Ex. 8/Tab 2/Sch 1/p.1] Please confirm that the fixed/variable split for GS>50 is above  
5 the maximum fixed rate. Please explain why the Applicant believes this is appropriate  
6 given Board policy.

### 7 RESPONSE

8 Please refer to Exhibit 11, Tab 1, Schedule 38.

1 **QUESTION 23**

2

3 **QUESTION**

4 [Ex. 8/4/3/p.1] Please provide the rationale behind the elimination of the Large User  
5 customer class. Has the Applicant consulted with the City of St. Thomas about this  
6 proposal?

7 **RESPONSE**

8 The only Large User customer has ceased operations. With no customers remaining in  
9 the class, it is impossible to allocate revenue or costs to the class, and therefore it is  
10 impossible to create justifiable rates for the class. If a new large user customer were to  
11 start operations, the class could be re-created based on their demand and costs at the  
12 next rebasing.

**QUESTION 24**

**QUESTION**

[Supplemental Evidence] With respect to Employee Costs:

a) Please confirm any outcome of the negotiations related to the Collective Agreement with Local Union 636 of The International Brotherhood of Electrical Workers, if any to date.

b) For each of the previous 4 years ending in the test year, please provide the number and % year over year increase in FTEs. Please disaggregate the increase in FTEs by:

i. additional persons hired solely to provide services to the Applicant

ii. additional persons hired to provide services to the Applicant as well as other activities of STESI or the City

iii. re-allocations of the time spent by existing persons working for the City or STESI.

c) Please confirm increase Total Compensation that the Applicant is proposing by percentage over the four year period ending in the Test Year.

**RESPONSE**

a) Negotiations commenced in the last week of April 2011 and are not yet complete.

b) Please refer to attachment for FTEs as provided on Appendix 2-K Employee Costs and answers to i), ii) and iii).

c) Please refer to attachment for Total Compensation as provided on Appendix 2-K Employee Costs.

**b) For each of the previous 4 years ending in the test year, please provide the number and % year over year increase in FTEs. Please disaggregate the increase in FTEs by:**

	<b>2008</b>	<b>% Change</b>	<b>2009</b>	<b>% Change</b>	<b>2010</b>	<b>% Change</b>	<b>2011</b>	<b>% Change</b>
FTEs	22.86	*	22.81	-0.22%	21.06	-7.67%	24.66	17.09%
i. additional persons hired solely to provide services to the Applicant	0.00		0.00		0.00		0.00	
ii. additional persons hired to provide services to the Applicant as well as other activities of STESI	0.00		0.00		1.32		1.90	
iii. re-allocations of the time spent by existing persons working for STESI.	0.00		-0.05		-3.07		1.70	

**c) Please confirm increase Total Compensation that the Applicant is proposing by percentage over the four year period ending in the Test Year.**

	<b>2008</b>	<b>% Change</b>	<b>2009</b>	<b>% Change</b>	<b>2010</b>	<b>% Change</b>	<b>2011</b>	<b>% Change</b>
Total Compensation	\$2,010,387	*	\$1,778,494	-11.53%	\$2,023,803	13.79%	\$2,479,325	22.51%
Total Compensation Charged to OM&A	\$1,627,001	*	\$1,298,944	-20.16%	\$1,590,044	22.41%	\$1,829,579	15.06%
Total Compensation Capitalized	\$383,386	*	\$479,550	25.08%	\$433,759	-9.55%	\$649,745	49.79%

\* 2007 Information not available

Exhibit 11: Interrogatories

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**Tab 4 (of 4): Vulnerable Energy Consumers  
Coalition**



1

## QUESTION 1

2

## 3 QUESTION

4 1. Reference: Exhibit 3/Tab 1/Schedule 1, page 1

5

6 a) For purposes of the record of this proceeding please provide a copy of STEI's 4-year  
7 CDM Plan.

## 8 RESPONSE

9 Please see Exhibit 11, Tab 1, Schedule 17.

## QUESTION 2

### QUESTION

Reference:

- i) Exhibit 3/Tab 1/Schedule 1, Attachment 1, page 2
- ii) Exhibit 3/Tab 1/Schedule 2, Attachment 1, page 8
- iii) STEI's 4-Year CDM Plan

a) Please confirm that the difference between the 296.9 GWh forecast for 2011 reported in Reference (ii) and the 292.9 GWh forecast for 2011 reported in Reference (i) is the adjustment for CDM based on STEI's 4-year Plan.

b) Please confirm that STEI's approved CDM energy target is 3.94 GWh of reduced electricity consumption accumulated over the four year period (2011-2014).

c) Please clarify STEI's interpretation of its approved "Cumulative Net Savings Energy Target"? Specifically, please indicate whether it is viewed as:

- The GWh of CDM savings reported for 2014 as result of programs offered over the 2011-2014 period (i.e, savings achieved in 2014 plus savings persisting in 2014 from programs implemented in 2011-2013), or
- The sum of the savings reported in each of the four years from programs in that year, plus savings persisting from previous years' programs implemented in during the period.

d) Please provide any correspondence or direction received from either the OPA or OEB supporting this interpretation.

1   **RESPONSE**

2   Please see Exhibit 11, Tab 1, Schedule 17.

3

4   a)     Confirmed, please see Exhibit 11, Tab 1, Schedule 17, Attachment 3.

5

6   b)     Confirmed, please see Exhibit 11, Tab 1, Schedule 17, Attachment 2.

7

8   c)     STEI interprets the "Cumulative Net Savings Energy Target" as the sum of  
9   annual electricity savings (kWh) that accrue during 2011-2014; please see Attachment 1,  
10   page 4 of 9.

11

12   d)     STEI has not received any correspondence.

***Attachment 1 (of 1):***

***Question 2***



EB-2010-0215  
Conservation and Demand Management Code  
Ontario Power Authority Comments

July 21, 2010

## Background

The Ontario Power Authority (“OPA”) is responsible for ensuring a reliable, sustainable supply of electricity for Ontario. Its key areas of focus are leading and coordinating conservation efforts across the province, planning the power system for the long term, and ensuring development of needed generation resources.

Since its inception, the OPA has played a key role in designing and delivering conservation and demand management (“CDM”) programs. The OPA and Local Distribution Companies (“LDCs”) have successfully developed and delivered some of the most innovative conservation programs in North America, spanning across all customer segments, and have gained significant expertise from this experience. The OPA has also focused on long-term planning and adopting a market-transformation approach to ensure that conservation is sustainable, reliable and cost-effective.

On March 31, 2010, the Minister of Energy and Infrastructure (the “Minister”) issued a Directive to the Ontario Energy Board (the “Board”) requiring it to establish CDM targets to be met by distributors, and to include these as a condition of distributors’ licenses. In addition, that Directive to the Board requires the Board to issue a code that includes rules relating to the reporting requirements and performance incentives associated with CDM programs, as well as relating to the planning, design, approval, implementation and the evaluation, measurement and verification of Board-Approved CDM Programs.

On April 23, 2010, the Minister issued a corresponding Directive to the OPA, outlining the requirements for strategic coordination of CDM programs with distributors and the Board, noting that:

*The OPA will play a key role in coordinating and facilitating the successful implementation of the new CDM opportunities provided to LDCs through the Green Energy and Green Economy Act, 2009.*

Among the responsibilities assigned to the OPA under this Directive are the design, delivery and funding of OPA-Contracted Province-Wide CDM Programs, as well as the evaluation, measurement and verification (“EM&V”) of these programs. In addition to the activities contained in the OPA Directive, the OPA is responsible for developing cost effectiveness tests, the Measures and Assumptions List, and EM&V protocols underlying the development and measurement of Board-Approved CDM programs, as specified in the Minister’s Directive to the Board.

On June 22, 2010, the Board issued for comment its Notice of Proposal to Issue a New Code, relating to the Creation of the Conservation and Demand Management Code for Electricity Distributors (the “Code”). The purpose of the proposed Code is to set out the obligations and requirements with which licensed distributors must comply in relation to the CDM targets that will be set out in their licenses.

In accordance with the Minister's Directives, distributors will be required to deliver 1,330 MW of provincial peak demand savings persisting at the end of the four-year period commencing January 1, 2011, and a reduction of 6,000 GWh of electricity consumption over that same period. Achieving these targets will require significant coordination of activities among the Board, the OPA, and distributors. The OPA proposes the following comments with the objective of enhancing the consistency of data collection and reliability of verified savings for reporting against provincial target achievement and facilitating the successful implementation of all provincial ratepayer-funded CDM programs.

## **OPA Comments**

The OPA and the Electricity Distributors' Association ("the EDA") have worked closely over the past 18 months to support the development of an implementation framework for the conservation elements of the *Green Energy and Green Economy Act, 2009*. This work included developing a set of overarching principles for conservation implementation, as follows:

1. Plan based: CDM efforts should support implementation of the Integrated Power System Plan.
2. Consistent/transparent/accessible: There should be consistent and transparent methodologies and processes across all LDCs for: planning & approvals, tracking, access to data, reporting and evaluation for both OPA-contracted or Board-approved initiatives.
3. Flexibility: LDCs should have flexibility in how conservation targets are met, provided all customers have access to conservation initiatives, including low-income households.
4. Multi-year planning & approvals: LDCs should have multi-year portfolio planning and budget approvals, with annual milestones, which align with the 2011-2014 CDM target period.
5. Coordination: LDCs should be encouraged to pursue opportunities for economies of scale in conservation delivery and evaluation through coordination with other electric and natural gas LDCs, OPA and others.
6. Cost-effectiveness: LDC conservation portfolios should be cost-effective from societal and program administrator perspectives and make best use of Ontario ratepayer funding (i.e. no double funding).
7. Program integration & consolidation: All parties involved in conservation should adopt a customer-focused approach including streamlined approvals, coordinated delivery services and comprehensive program offerings.

8. Results must be reliable and comparable: The framework should include sufficient protocols to enable annual public reporting of verified results and to ensure that the impacts of conservation efforts can be quantified with a high degree of confidence.
9. Cost Recovery: Remove disincentives for LDCs to participate in conservation activities. (i.e. LRAM claim for all ratepayer-funded conservation)

While the OPA is pleased to note that many of these principles appear to have already been reflected in the proposed Code, the OPA suggests that the Board consider whether these principles might be suitable for inclusion in section 1.1 'The Purpose of this Code'. This could be similar to the guiding principles that appear in the purpose section of the Affiliate Relationships Code.

## Terms and Definitions

Given the OPA's role in program design, delivery, and EM&V as described above, the OPA sees a benefit in more closely aligning the language used in the Code with the terms and definitions used to develop OPA-Contracted Province-Wide CDM Programs and the OPA's EM&V documentation. The use of consistent terms will ensure that distributors have clarity in reporting requirements and the provision of information necessary to effectively evaluate, measure, and verify electricity and demand savings, and report on progress towards CDM target achievement. It will also ensure that the OPA is able to accurately forecast and track the impact of all ratepayer-funded conservation activities within the provincial Integrated Power System Plan. Specifically, the OPA proposes the following revised definitions:

*"annual milestones" means the forecasted incremental, annual, and cumulative electricity savings (kWh) and incremental and annual peak demand savings that a distributor plans to achieve each year in order to meet its CDM Targets;*

*"Incremental electricity savings" means the electricity savings (kWh) that accrue in the same year that a conservation measure is implemented;*

*"Incremental peak demand savings" means the peak demand savings (kW) that accrue in the same year that a conservation measure is implemented;*

*"Annual electricity savings" means the total electricity savings (kWh) that accrue in a particular year, which consists of incremental electricity savings plus electricity savings in that year persisting from conservation resources implemented after 2010;*

*"Annual peak demand savings" means the total peak demand savings (kW) that accrue in a particular year, which consists of incremental peak demand savings plus peak demand savings in that year persisting from conservation resources implemented after 2010;*



*“Cumulative electricity savings” means the sum of annual electricity savings (kWh) that accrue during 2011-2014;*

*“Persistence” means the period of time that a given conservation measure continues to accrue electricity and peak demand savings, expressed in number of years;*

*“peak demand savings (kW)” means the reduction in system peak electricity demand as defined in the OPA’s EM&V protocol;*

*“Environmental Attributes” means any certificates, credits, reduction rights, allocated pollution rights, emission reduction allowances, or any other benefit that relate to or result from CDM programs.*

## **Customer Types**

In section 2.1.1 (c), the Code requires that CDM programs will be offered to all customer types (residential, commercial, institutional, industrial) in a distributor’s service area. The OPA notes for additional clarity that the OPA-Contracted Province-Wide CDM Program targeted at commercial and institutional customers also targets *multi-family and agricultural* subsectors.

On July 5, 2010, the Minister directed the OPA to design, implement, and fund an electricity CDM program for low-income residential consumers as part of its suite of OPA-Contracted Province-Wide CDM Programs. The Minister also issued a corresponding Directive to the Board on July 5, confirming that the Board should now resume work in relation to low-income energy customers. The OPA therefore recommends that the Board modify the Code to address matters related to Board-Approved CDM Programs targeted to low-income customers.

## **Data Requirements**

Distributors should be required to provide projected budgets and projected results in preparing their CDM strategies, as this underlying data will be required for provincial tracking. The OPA recommends removing the phrase *where the information is available* from both section 2.1.1 (b) and (b)(v) of the Code, as well as in sections 5 and 6 of Appendix B, the CDM Strategy Template.

With regard to Board-Approved CDM Programs, section 3.1.4 (g)(i) requires distributors to appropriately justify the reason for varying from the OPA’s Measures and Assumptions List. The OPA suggests that this justification should also include all substantiating data and technical assumptions used by the distributor in developing its proposed program. The distributor’s proposed measure data may be used to inform a future update of the OPA’s Measures and Assumptions List for use in future program development, and would allow for data requirements that are consistent with OPA-Contracted Province-Wide CDM Programs.

The OPA is responsible for incorporating conservation resources into the provincial Integrated Power System Plan (IPSP), including aggregating total forecasted CDM resources and tracking actual net verified resources for all ratepayer-funded conservation activities in the province. To support these efforts, the OPA will verify the *net* incremental, annual, and cumulative electricity savings and *net* incremental and annual peak demand savings associated with OPA-Contracted Province-Wide CDM Programs. To facilitate systematic tracking, reporting, and evaluation of the impacts and effectiveness of CDM programs across all distributors, the OPA proposes that Board-Approved CDM Programs should be required to be verified in a consistent manner.

The OPA will require a significantly greater level of detail regarding distributors' Board-Approved CDM Programs (projections and results) than is currently proposed in the Code in order to sufficiently build these CDM resources into the IPSP with a high degree of confidence. It is important for the OPA to be able to adequately forecast and track the progress of CDM resources implemented during the CDM target period since these ratepayer-funded resources have persistence that will need to be measured against the longer term 6,300 MW peak demand savings target.

The OPA notes that systematic tracking, reporting and evaluation of the impacts and effectiveness of CDM programs across all distributors will be required to ensure that the OPA can accurately include all ratepayer-funded CDM resources in the IPSP. Consistent data collection and consolidation across all distributors using a central data repository is critical to this process. In accordance with data requirements for OPA-Contracted Province-Wide CDM Programs, the following data requirements should therefore be incorporated into section 2.2 of the Code and should be aligned with the data requirements specified in the OPA's Cost Effectiveness Test Guide and EM&V protocols:

Resource savings:

- Net incremental savings for peak demand, electricity, natural gas, water, propane and heating oil;
- Net annual savings for peak demand, electricity, natural gas, water, propane and heating oil; and,
- Net cumulative savings for electricity, natural gas, water, propane and heating oil;

Costs and benefits:

- Avoided supply costs (from both a Program Administrator Cost ("PAC") perspective and Total Resource Cost ("TRC") perspective);
- Incremental equipment costs;
- Incentive costs; and,
- Program costs;

Cost effectiveness tests and levelized delivery costs:

- PAC Test benefits, costs and net benefits expressed in dollars and as a ratio;
- TRC Test benefits, costs and net benefits expressed in dollars and as a ratio; and,
- Levelized delivery costs for energy (\$/MWh) and capacity (\$/MW-yr).

The following underlying data at the measure-level (or project-level if measure-level data cannot be obtained) should also be required:

- Measure or project name;
- Initiative name (if applicable);
- Program name;
- Subsector (if applicable);
- Number of program activity units;
- Net-to-gross ratio, including free-rider rate, installation rate and other adjustment factor (where applicable);
- Gross and net peak demand savings per year;
- Gross and net electricity savings per year;
- Net electricity savings allocated to each seasonal-time-of-use period;
- Gross and net natural gas, water, propane and heating oil savings per year;
- End-use savings profile;
- Coincident peak factor;
- Implementation year and persistence;
- Incremental equipment cost per unit, including base measure equipment cost, base measure operations and maintenance (O&M) cost, conservation measure equipment cost, conservation measure O&M cost;
- Incentive cost per unit; and,
- Program cost per unit (where applicable).

The OPA notes that the following IPSP parameters are used to calculate cost effectiveness tests and levelized delivery costs for OPA-Contracted Province-Wide CDM Programs: the OPA's avoided supply cost table; discount rate and inflation rate; and, provincial average transmission and distribution system losses. The OPA suggests the same parameters be applied to the cost effectiveness tests and levelized delivery costs of Board-Approved CDM Programs undertaken by LDCs. These parameters are currently contained in the OPA's CDM Resource Planning Tool. The OPA notes that it plans to document these parameters in an updated version of the OPA Cost Effectiveness Test Guide and post the updated version on the OPA's website.

In addition to specifying these data requirements within the Code itself, LDCs should be required to input such data into an electronic template embedded within a central data repository. This would provide a standardized, consistent format to facilitate aggregation of data across LDCs to enhance the ability to track LDC progress against CDM targets. The OPA is amenable to supporting the development of that data template. The OPA is currently in the process of developing a central data repository for OPA-Contracted Province-Wide CDM Programs. The OPA also notes that the information indicated above is consistent with data required to develop projections in the OPA's CDM Resource Planning Tool.

The OPA proposes that the data requirements recommended above for section 2.2 should apply equally for section 3 and Appendix C.

## Coordination and Duplication of Programs

The OPA supports the opportunity for collective LDC programs designed by groups of synergistic LDCs, as well as individual LDC programs. The OPA agrees that the requirement for LDCs to coordinate with the OPA prior to applying for these Board-Approved CDM Programs will assist in ensuring that there is no duplication with OPA-Contracted Province-Wide CDM Programs. The requirements specified in section 2.3 of the Code should provide clarity for all parties, to assist LDCs in designing Board-Approved CDM Programs. Further clarity may be achieved through the proposed modifications described below.

Section 2.3 describes the requirement for distributors to coordinate with the OPA prior to applying for Board approval of CDM programs. Distributors must review the existing OPA-Contracted Province-Wide CDM Programs and avoid duplication. The OPA suggests removing the reference to *existing* to prevent distributors from duplicating OPA-Contracted Province-Wide CDM Programs that have been developed by LDC-OPA design teams, but that have not yet been introduced into the market at the time of application. The OPA also anticipates the possibility of integrating, in collaboration with LDCs, successful aspects of Board-Approved CDM Programs into future iterations of OPA-Contracted Province-Wide CDM Programs where appropriate. The OPA suggests that this issue warrants additional clarity in the Code to ensure that aspects of Board-Approved CDM Programs can be integrated into OPA-Contracted CDM Programs, while also ensuring that the initiators of Board-Approved CDM Programs are not penalized.

The OPA also notes that the potential exists for distributors to seek Board approval for programs which duplicate other programs offered by the OPA, such as pilot programs offered through the Conservation Fund or the Technology Fund. It is proposed that section 2.3.2 should be expanded to include “*other OPA programs*”.

In demonstrating that a Board-Approved CDM Program is not duplicative of an OPA-Contracted Province-Wide CDM Program, distributors are required to be mindful of the list of criteria provided in section 2.3.3. Although this list is not proposed to be exhaustive, further clarity may be achieved by modifying section (d) to include *delivery approaches* in addition to marketing approaches. It is further suggested that a distributor should be required to demonstrate how its proposed program differs from OPA-Contracted Province-Wide CDM Programs.

Education and other enabling initiatives such as training will be a critical component of the OPA-Contracted Province-Wide CDM Programs. As such, the OPA proposes that the duplication considerations and criteria outlined in section 2.3.3. should also apply to Board-Approved Education Programs as discussed in section 4.3.

Providing consistent customer access to CDM programs is another opportunity involving coordination with the OPA. The OPA proposes that customers who are interested in participating in OPA-Contracted Province-Wide CDM Programs and/or Board-Approved CDM

Programs will have the opportunity to access those programs either through an OPA-managed customer interface or through an LDC-managed customer interface. To enhance consistency and reduce customer confusion, the OPA proposes that the Code be amended to include provisions intended to ensure that customers have seamless access to Board-Approved CDM Programs and OPA-Contracted Province-Wide CDM Programs. To facilitate this goal, LDCs should be required to coordinate application and registration requirements for Board-Approved CDM Programs with the OPA and provide the OPA with sufficient information to allow the OPA to configure its customer interface in such a way that will permit customers to access all CDM programs offered in their area. Such provisions could also help facilitate data collection and tracking within a central data repository.

## **Board-Approved Educational CDM Programs**

Section 4.3.2 describes the requirements for distributors seeking approval for Educational CDM Programs. It is suggested that the potential to systematically evaluate the impacts and effectiveness of these programs would be enhanced by expanding the requirements in 4.3.2 (a) to identify the customer type(s) *and the particular end use(s)* that will be targeted.

The OPA also notes that according to section 4.1.2, Board-Approved Educational CDM Programs are exempt from cost effectiveness requirements set out in section 4.1.1. The OPA suggests that the Code would benefit from further clarity on the difference between stand alone educational programs versus marketing initiatives which support the implementation of CDM programs. This clarity would help to avoid potential double funding of marketing initiatives, as well as to ensure that the full ratepayer costs of CDM programs are taken into account in cost effectiveness screening and CDM program approvals. The OPA also proposes that marketing initiatives that are developed to enhance awareness of, and ultimately increase participation in, a particular CDM program should not be classified as an Educational CDM Program. The OPA proposes that the following definition be added to the definitions list:

*“Educational CDM Program” means a program designed to increase the general awareness of CDM benefits and opportunities for creating a culture of conservation, but is not related to the marketing of an OPA-contracted program. This definition would include initiatives designed to permeate the elementary and secondary school-based system, either targeting students or teachers, directly or indirectly through school boards or other related bodies.*

## **Environmental Attributes**

Section 5.6 of the Code states that a distributor shall not be the owner or beneficiary of any Environmental Attributes that are related to or result from Board-Approved CDM Programs. However, the section does not address who would be the owner or beneficiary of the environmental attributes. The OPA suggests that this language should be modified to state that the OPA should be the beneficiary and owner of any Environmental Attributes that are related to or result from CDM Programs, on the basis that those programs are funded by provincial

ratepayers. This would be consistent with the OPA's responsibility for holding environmental attributes that have resulted from OPA-contracted conservation and generation procurements on behalf of provincial ratepayers.

### **Attribution of Savings**

It is proposed in section 7.1 of the Code that distributors will be eligible to claim 100% attribution of the benefits upon demonstration that the distributor's role was central to the CDM programs. While the attribution of savings is an integral part of the EM&V process, the OPA suggests that the establishment of centrality as defined in the Code will be an onerous, time-consuming, and costly process. More importantly, the use of centrality acts as a disincentive to partnerships among LDCs and between gas and electricity distributors, which could result in more inefficient delivery of programs. The centrality principle is also incompatible with OPA-Contracted Province-Wide CDM Programs, which have been designed in collaboration with LDCs. Distributors that deliver OPA-Contracted Province-Wide CDM Programs should be able to claim all associated peak demand and electricity savings in their service territory towards their CDM targets and performance incentive eligibility. Therefore, the OPA recommends removing the centrality requirement from section 7.1.

Performance incentives should be awarded to distributors solely on the basis of the achievement of net verified results in meeting their CDM targets.

### **Update of OPA Documentation**

The OPA is responsible for developing and maintaining the Cost Effectiveness Test Guide, the Measures and Assumptions List, and EM&V protocols underlying the development and measurement of CDM programs. These documents are accessible on the OPA website. The OPA wishes to inform the Board that it is planning to update each of these documents in 2010 and plans to post updated versions on the OPA website once the updates have been completed. The OPA also anticipates that these documents may be subsequently updated from time to time.

The OPA appreciates the opportunity to provide its comments in this matter, and looks forward to participating further in this process.

## QUESTION 3

### QUESTION

Reference: i) Exhibit 3/Tab 1/Schedule 1, pages 1-2 & Attachment 1, pages 1-2;  
ii) Exhibit 3/Tab 1/Schedule 1, Attachment 1, pages 6-8

a) Please provide a copy of the Spring Housing Market Outlook noted in Reference (ii).

b) Please provide a schedule that compares the 2010 average customer count forecast for each class with the actual 2010 average customer count forecast.

c) Please provide a table that:

- Calculates the average growth rate in number of customers for each customer class as between 2004 and 2010.
- Calculates the 2011 customer count based on 2010 actual values and the historic growth rate.

d) Please confirm that the 2010 and 2011 forecasts for the GS>50 class are based on the forecast customer count and 2009 average use.

- If not, explain how the forecast was developed.
- If yes, why is 2009 average use appropriate when both 2010 and 2011 are expected to be years of positive economic growth?

e) Please provide the actual 2010 sales by customer class.

1 **RESPONSE**

2 (a) Please see Exhibit 11, Tab 1, Schedule 15, Attachment 1.

3

4 (b) Please see schedule below:

5

Forecast vs. Actual Average Annual Customers By Class		
Class	2010 Forecast	2010 Actual
Residential	14,433	14,435
GS<50 kW	1,674	1,675
GS 50-4999 kW	191	191
GS>5000 kW	0	0
Street Light	4,786	4,768
Sentinel Light	50	50

6

7 (c) Please see table below:

8

Average Customer Connections - Actual and Forecast								
Rate Class	2004	2005	2006	2007	2008	2009	2010	2011 based on avg growth '04-'10 and 2010 actual
Residential	12,978	13,253	13,579	13,784	14,173	14,297	14,435	14,693
%chg		2.1%	2.5%	1.5%	2.8%	0.9%	1.0%	1.8%
GS<50	1,580	1,581	1,594	1,654	1,675	1,674	1,675	1,692
%chg		0.1%	0.8%	3.8%	1.2%	0.0%	0.1%	1.0%
GS>50-4999	165	176	178	178	186	189	191	196
%chg		6.4%	1.2%	0.0%	5.0%	1.3%	1.3%	2.5%
GS>5000	1	1	1	1	1	1	0	0
%chg		0.0%	0.0%	0.0%	0.0%	0.0%	-100.0%	-16.7%
Street Light	4,463	4,540	4,579	4,634	4,689	4,739	4,768	4,820
%chg		1.7%	0.9%	1.2%	1.2%	1.1%	0.6%	1.1%
Sentinel Light					46	50	50	52
%chg						8.7%	0.0%	4.3%

9



1

2 (d) Confirmed. The GS>50 kW class forecasts are based on 2009 average use and  
 3 forecast customer count. 2009 average use is appropriate as average use in this class  
 4 has been declining since 2004, well before the recession of 2008-2009. During years of  
 5 positive economic growth in Ontario, such as 2004-2007, the average use per customer  
 6 in this class decreased from 1,043,164 to 961,490 due to local developments in St.  
 7 Thomas.

8

9 (e) Actual sales by class for 2010 are listed below.

10

<u>Class</u>	<u>2010 Actual kWh Sales</u>
Residential	120,542,703
GS<50	36,629,993
GS>50-4999	136,459,223
GS>5000	0
Street Light	3,065,784
Sentinel Light	61,164

11

## QUESTION 4

### QUESTION

Reference: i) Exhibit 3/Tab 1/Schedule 1, Attachment 1, page 4

a) Please provide the regression model (including supporting statistics) discussed in the second paragraph and also provide the associated load forecast for 2011, including the basis for the values used for the 2010 and 2011 explanatory variables.

### RESPONSE

The regression model results are provided below, as requested.

OLS using observations 2004:01-2009:12 (T = 72)

Dependent variable: WSLkWh

	coefficient	t-ratio	p-value
const	-32,596,611.91	-5.298712406	1.44E-06
HDDLond	8,046.22	13.33399904	2.14E-20
CDDLond	58,527.01	13.6107314	7.87E-21
FTE_Ont	1,563.86	1.788364599	0.078306912
Peakdays	393,190.70	3.484259415	0.000881595
Monthdays	852,142.09	5.710347422	2.91E-07

R-squared	0.822045966	Adj R-squared	0.8085646
F(5, 66)	60.97645852	P-value(F)	2.07E-23
rho	-0.122705329	Durbin-Watson	2.238930267

The following table summarizes the load forecast based on the above regression model. The 2010-2011 forecast is based on normal degree days for London, Ontario, based on the monthly average HDD and CDD for the 2000 to 2009 period and employment growth

1 forecasts for Ontario in 2010 and 2011 from four major chartered banks available as of  
 2 June, 2010.

3

Year	WSL kWh	% chg	Res kWh	% chg	GS<50 kWh	% chg	GS>50 kWh	% chg
2010	165,186,034	0.8%	118,085,861	0.8%	38,409,096	0.8%	123,505,407	-3.0%
2011	166,599,179	0.9%	119,096,069	0.9%	38,737,681	0.9%	121,652,826	-1.5%

GS>5000							
Year	kWh	% chg	StreetkWh	% chg	SentkWh	% chg	
							-
2010	0		3,070,725	0.8%	48,334	14.5%	
2011	0		3,098,361	0.9%	48,334	0.0%	

4

5

**QUESTION 5**

**QUESTION**

Reference: i) Exhibit 3/Tab 1/Schedule 3, Attachment 1, page 5

ii) Exhibit 1/Tab 2/Schedule 2, page 1

a) Please describe STEI's supply points. In doing so, please clarify whether STEI receives delivery of power from (i.e., is embedded within) any other distributor. (Note – According to Reference (i) STEI is not embedded within another electricity distributor)

**RESPONSE**

STEI is supplied by Edgware TS and St. Thomas TS, both are owned by Hydro One Networks, using 6 dedicated feeders (4 from Edgware TS and 2 from St. Thomas TS).

STEI is not embedded within any other distributor; please refer to Exhibit 8, Tab 3, Schedule 2, p1.

## QUESTION 6

### QUESTION

Reference: i) Exhibit 3/Tab 3/Schedule 1, Attachment 1, pages 2-3

ii) Exhibit 3/Tab 3/Schedule 2, Attachment 1, page 1

iii) Exhibit 3/Tab 3/Schedule 3, Attachment 2, pages 4-5

a) 'With respect to reference (i), please explain the distinction between the columns titles "Service Projection" and "Other".

b) Please reconcile the differences between the 2011 values reported in reference (i) for Accounts 3050, 3100, 3150 and 3200 and the 2011 values reported for the same accounts in reference (ii).

c) Please explain why reference (i) includes Retail Services Revenues and STR Revenues as opposed to these revenues being recorded and tracked in the appropriate deferral/variance accounts.

d) Please explain where the revenues associated with the Collection of Account Charge (reference (iii), USOA #5330) are captured in the total revenue offsets of \$802.798 reported in reference (i).

e) Please provide a schedule that sets out for the years 2006-2011 the revenues for each of the account listed in reference (i).

f) Please provide a schedule that summarizes the total 2011 revenues by USOA account as shown in reference (iii) and reconcile the totals with the values shown in reference (i).

1 g) Do the forecast 2011 revenues include any revenues/gains from the disposal of  
2 assets? If yes, please describe the assets disposed of and the basis for determining the  
3 revenue received.

4 **RESPONSE**

5 a) "Service Projection" represents Specific Service Charges at a standardized per unit  
6 regulated rate or %. "Other" represents all other revenues.

7  
8 b) Please refer to Attachment 1.

9  
10 c) Only the difference between the incremental costs and revenues received needs to be  
11 tracked in the deferral account. The 2011 estimated incremental costs have been  
12 considered to offset the 2011 estimated revenues received. As a result the 2011 deferral  
13 account is estimated at \$ 0.00.

14  
15 d) Revenues associated with the Collection of Account Charge are not included in the  
16 Total Revenue offsets of \$ 802,798. They are located in USOA Account # 5330 under  
17 the grouping of 3650 Billing and Collecting in the OM&A.

18  
19 e) Please refer to Attachment 1.

20  
21 f) Please refer to Attachment 1.

22  
23 g) No  
24

***Attachment 1 (of 1):***

**b) Reconciliation of 2011 Revenues**

Account Classifications	2011 @ Existing Rates				2011 @ New Distribution Rates			
	Distribution				Distribution			
	Revenue				Revenue			
	Profit and Loss	from	Deferral	Test Year	Profit and Loss	from	Deferral	Test Year
	Trend	Electricity	Accounts	Revenue	Trend	Electricity	Accounts	Revenue
		Sales	Interest	Offsets		Sales	Interest	Offsets
3050-Revenues From Services - Distribution	5,866,358	-5,794,876		71,483	6,632,893	-6,561,411		71,483
3100-Other Operating Revenues	677,643			677,643	677,643			677,643
3150-Other Income & Deductions	38,814			38,814	38,814			38,814
3200-Investment Income	36,549		-21,692	14,857	36,549		-21,692	14,857
	6,619,364	-5,794,876	-21,692	802,798	7,385,899	-6,561,411	-21,692	802,798



(d) 2006 to 2011 Test Year Revenue Offsets

Account Grouping	Account Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge Year	2011 Test Year
3050-Revenues From Services - Distribution	4080-Distribution Services Revenue	52,694.18	46,975.91	38,304.47	38,359.06	33,130.00	33,130.00
3050-Revenues From Services - Distribution	4082-Retail Services Revenues	27,859.90	35,633.60	35,761.50	37,258.50	37,385.50	37,385.50
3050-Revenues From Services - Distribution	4084-Service Transaction Requests (STR) Revenues	2,245.75	1,806.25	1,467.00	979.75	967.00	967.00
3100-Other Operating Revenues	4210-Rent from Electric Property	302,190.12	329,697.65	298,258.67	296,338.55	296,862.46	305,057.92
3100-Other Operating Revenues	4220-Other Electric Revenues	71,833.98	69,935.16	69,935.16	69,935.16	69,935.00	69,935.00
3100-Other Operating Revenues	4225-Late Payment Charges	118,037.15	130,393.19	135,753.11	140,195.36	138,816.90	138,816.90
3100-Other Operating Revenues	4235-Miscellaneous Service Revenues	358,886.22	282,691.67	165,327.11	159,796.68	163,833.67	163,833.67
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	197,099.58	175,103.54	262,739.09	106,904.59	72,985.49	58,373.78
3150-Other Income & Deductions	4330-Costs and Expenses of Merchandising, Jobbing, Etc.	-226,567.36	-257,693.84	-309,876.01	-108,818.93	-86,977.71	-39,559.30
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
3150-Other Income & Deductions	4390-Miscellaneous Non-Operating Income	29,717.54	22,266.61	18,748.67	7,324.46	38,091.85	20,000.00
3200-Investment Income	4405-Interest and Dividend Income	44,685.61	56,553.93	39,167.06	83,090.12	14,857.27	14,857.27
	<b>TOTAL</b>	<b>914,973.73</b>	<b>893,363.69</b>	<b>856,481.83</b>	<b>886,094.41</b>	<b>728,233.90</b>	<b>802,797.74</b>
3150-Other Income & Deductions	4375-Revenues from Non-Utility Operations	0.00	210,369.81	363,753.27	534,325.38	374,928.62	463,720.70
3150-Other Income & Deductions	4380-Expenses of Non-Utility Operations	-63,708.94	-210,369.79	-262,857.27	-479,594.27	-426,582.15	-463,720.70
	<b>REVENUE REQUIREMENT OFFSET</b>	<b>978,682.67</b>	<b>893,363.67</b>	<b>755,585.83</b>	<b>831,363.30</b>	<b>779,887.43</b>	<b>802,797.74</b>

f) Reconcile Test Year Revenue Offsets - Service Projections to Trend Table of Revenue from Service Charges

Service	USA #	2011 Projection (existing rates)			2011 Projection (proposed rates)		
		Volume	Rate	Revenue	Volume	Rate	Revenue
Standard Supply Service -- Administrative Charge	4080	152,980	\$0.25	38,245	152,980	\$0.25	38,245
Arrears Certificate	4235		\$15.00	0	0		0
Statement of Account	4235		\$0.00	0	0		0
Pulling post-dated cheques	4235	20	\$15.00	300	20	\$15.00	300
Duplicate invoices for previous billing	4235	7	\$15.00	105	7	\$15.00	105
Request for other billing information	4235	22	\$15.00	330	22	\$15.00	330
Easement Letter	4235		\$0.00	0	0		0
Income tax letter	4235		\$0.00	0	0		0
Notification Charge	4235	15	\$15.00	225	15	\$15.00	225
Account history	4235		\$0.00	0	0		0
Credit reference/credit check (plus credit agency costs)	4235	78	\$15.00	1,170	78	\$15.00	1,170
Returned Cheque charge (plus bank charges)	4235	653	\$15.00	9,802	653	\$15.00	9,802
Charge to certify cheque	4235		\$0.00	0	0		0
Legal letter charge	4235	34	\$15.00	510	34	\$15.00	510
Account set up charge / change of occupancy charge	4235	3,069	\$30.00	92,070	3,069	\$30.00	92,070
Special Meter reads	4235		\$0.00	0	0		0
Meter dispute charge plus Measurement Canada fees (if meter found correct)	4235		\$0.00	0	0		0
Late Payment - per month	4225	9,254,460	1.50%	138,817	9,254,460	1.50%	138,817
Collection of account charge -- no disconnection	5330	5,292	\$30.00	158,760	5,292	\$30.00	158,760
Collection of account charge -- no disconnection -- after regular hours	5330		\$0.00	0	0		0
Disconnect/Reconnect at meter -- during regular hours	4235	717	\$65.00	46,604	717	\$65.00	46,604
Disconnect/Reconnect at meter -- after regular hours	4235		\$0.00	0	0		0
Disconnect/Reconnect at pole -- during regular hours	4235	6	\$185.00	1,110	6	\$185.00	1,110
Disconnect/Reconnect at pole -- after regular hours	4235		\$0.00	0	0		0
Install / remove load control device -- during regular hours	4235		\$0.00	0	0		0
Install / remove load control device -- after regular hours	4235		\$0.00	0	0		0
Service call -- customer-owned equipment	4235		\$0.00	0	0		0
Service call -- after regular hours	4235		\$0.00	0	0		0
Temporary service install and remove -- overhead -- no transformer	4235		\$0.00	0	0		0
Temporary service install and remove -- underground -- no transformer	4235		\$0.00	0	0		0
Temporary service install and remove -- overhead -- with transformer	4235		\$0.00	0	0		0
Specific Charge for Access to the Power Poles -- per pole/year	4210	1,409	\$22.35	31,498	1,409	\$22.35	31,498
Administrative Billing Charge	4235		\$0.00	0	0		0
Layout fees	4235		\$0.00	0	0		0
Retailer Service Agreement -- standard charge	4082	1	\$100.00	100	1	\$100.00	100
Retailer Service Agreement -- monthly fixed charge (per retailer)	4082	179	\$20.00	3,580	179	\$20.00	3,580
Retailer Service Agreement -- monthly variable charge (per customer)	4082	42,166	\$0.50	21,083	42,166	\$0.50	21,083
Distributor-Consolidated Billing -- monthly charge (per customer)	4082	42,075	\$0.30	12,623	42,075	\$0.30	12,623
Retailer-Consolidated Billing -- monthly credit (per customer)	4082		(\$0.30)	0	0	(\$0.30)	0
Service Transaction Request -- request fee (per request)	4084	1,098	\$0.25	275	1,098	\$0.25	275

Service	USA #	2011 Projection (existing rates)			2011 Projection (proposed rates)		
		Volume	Rate	Revenue	Volume	Rate	Revenue
Service Transaction Request -- processing fee (per processed request)	4084	1,385	\$0.50	693	1,385	\$0.50	693
Interval Meter Load Management Tool	4235		\$0.00	0	0		0
Customer Information request -- non-EBT (more than twice a year, per r	4084		\$0.00	0	0		0
<b>TOTAL</b>				<b>557,898</b>			<b>557,898</b>
Collection of account charge – no disconnection	5330			-158,760			-158,760
Collection of account charge – no disconnection – after regular hours	5330			0			0
<b>Test Year Revenue Offsets - Service Projection</b>				<b>399,138</b>			<b>399,138</b>

**QUESTION 7**

**QUESTION**

Reference: i) Exhibit 7/Tab 1/Schedule 1, Attachment 1;  
ii) Exhibit 7/Tab 1/Schedule 2, Attachment 2

a) With respect to page 11, please explain why the 2009 rates were used to determine distribution revenues as opposed to currently approved 2010 rates.

b) With respect to page 13, explain how the 2011 ratios totalling 100% were derived as the 2011 ratios reported in reference (i) total 89.59%.

**RESPONSE**

a) Page 11 is in error. 2010 Rates were used in determining distribution revenues

b) It is assumed that the intended reference for this question is (ii) where the total is reported as 89.59%. First, the total Miscellaneous Revenue was subtracted from the Revenue Requirement. Second, the Revenue from Rates from all classes was scaled by a uniform percentage increase in order to recover this amount. Third, the Miscellaneous Revenue by class was added back to determine total revenue from each class. This class revenue was divided by the Revenue Responsibility by class to determine the revenue to cost ratio at 'status quo' rates on page 13.

1

## QUESTION 8

2

### 3 QUESTION

4 Reference: Exhibit 7/Tab 2/Schedule 2, page 26

5 a) Please confirm that the any additional revenues generated by the proposed 2012 and  
6 2013 adjustments to the revenue to cost ratios for Street Lighting and Sentinel Lighting  
7 will be used to reduce the ratio for the Residential class (the only class with a ratio above  
8 100%).

### 9 RESPONSE

10 a) Revenues generated by the proposed 2012 and 2013 adjustments will only be used to  
11 reduce the ratio for classes above 100%.

**QUESTION 9**

**QUESTION**

Reference: i) Exhibit 7/Tab 2/Schedule 2, Attachment 2, page 3; ii) Exhibit 7/Tab 2/Schedule 2, page 2 and Attachment 1, page 1

a) Please reconcile the proposed 2011 revenue to cost ratios reported in the two references (.e.g. for Residential one has the 2011 ratio as 101% and another has it as 105%).

**RESPONSE**

a) Both of these references appear to have the revenue to cost ratio at 101% for residential. However, in order to keep rates from crossing 100%, the revenue to cost ratios based on the rates being applied for are 105% for Residential, 100% for GS < 50, 100% for GS > 50, 40% for Street Light, and 50% for Sentinel.

**QUESTION 10**

**QUESTION**

Reference: Exhibit 8/Tab 2/Schedule 1, pages 1-2 and Attachment 1

a) Please confirm that STEI is proposing to increase the fixed portion of the fixed variable split for the GS<50, Street Lighting and Sentinel Light classes and, if so, provide the rationale for the increase in each case.

b) Please confirm that STEI is proposing to increase the MSC for the GS>50 class to a value that exceeds the maximum value calculated by the Cost Allocation and, if so, provide the rationale for this increase.

**RESPONSE**

a) Confirmed. Please see Exhibit 8/Tab 2/Schedule 1, page 1, lines 9-14 for an explanation of the fixed / variable split. Board policy is to allow LDCs to adjust the fixed / variable split at their discretion so long as rates which are initially start within the range remain within the range. This is the case for all 3 classes. St. Thomas has elected to increase the fixed charge for GS < 50 to bring the charge in line with the neighboring LDCs. St. Thomas has elected to recover greater share required revenue from fixed charges for the unmetered street lighting and sentinel light classes. However, a similar argument can also be constructed around rates charged by neighboring LDCs.

b) Please refer to Exhibit 11, Tab 1, Schedule 38.

**QUESTION 11**

**QUESTION**

Reference: Exhibit 8/Tab 3/Schedule 1

a) Please provide a schedule that sets out STEI's actual 2010 billing quantities for Network Service, Line Connection Service and Transformation Connection Service as billed by the IESO.

b) Please provide the Network and Connection costs assuming these 2010 quantities were billed at the 2011 UTRs.



1 **RESPONSE**

2 Please see the table below.

3

	<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column D</b>
	<b>2010 Charge Parameter for Line and Transformation Connection</b>	<b>2010 Charge Parameter for Network</b>	<b>Network costs – 2010 Volumes at 2011 UTRs</b>	<b>Connection costs – 2010 Volumes at 2011 UTRs</b>
<b>January</b>	48,924	48,609	\$156,520.98	\$125,245.44
<b>February</b>	47,305	46,466	\$149,620.52	\$121,100.80
<b>March</b>	43,818	43,445	\$139,892.90	\$112,174.08
<b>April</b>	39,451	38,614	\$124,337.08	\$100,994.56
<b>May</b>	53,994	52,011	\$167,475.42	\$138,224.64
<b>June</b>	53,974	53,394	\$171,928.68	\$138,173.44
<b>July</b>	62,047	61,680	\$198,609.60	\$158,840.32
<b>August</b>	60,915	60,284	\$194,114.48	\$155,942.40
<b>September</b>	59,065	58,658	\$188,878.76	\$151,206.40
<b>October</b>	46,191	39,262	\$126,424.77	\$118,248.96
<b>November</b>	44,041	42,586	\$137,126.92	\$112,744.96
<b>December</b>	50,015	49,640	\$159,840.80	\$128,038.40
<b>Total 2010</b>	609,740	594,649	\$1,914,770.91	\$1,560,934.40

4

**QUESTION 12**

**QUESTION**

Reference: Exhibit 8/Tab 3/Schedule 2

a) Please explain why STEI used the last three years (2007-2009) to calculate the average as opposed to the last five years.

b) Can STEI explain the unusually high loss factor (1.0415) experienced in 2009?

c) Please update Attachment 1 for 2010 actual results if they are available.

**RESPONSE**

a) Please refer to Exhibit 8, Tab 3, Schedule 2, page 1, lines 4-11.

b) STEI has identified that 2009 unbilled consumption was estimated based on 2008 Actual unbilled consumption. Due to the economic downturn and exceptionally low demand in 2008, the 2009 unbilled consumption was underestimated. Exhibit 11, Tab 4, Schedule 12, Attachment 1 provides the 2009 and 2010 loss factors based on actual unbilled consumption.

c) Please see Attachment 1.

## C1 Line Loss Factors

*Enter historical kWh's and Supply Facility Loss Factors*

Unbilled Revenue - Basis of Calculation		Jan & Feb Actual	Jan & Feb Actual	Feb Estimate	Feb Estimate	Jan & Feb Actual	Jan & Feb Actual
		2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
A1	"Wholesale" kWh delivered to distributor (higher value)	388,862,413	379,676,158	378,201,558	353,330,605	302,033,075	307,614,776
A2	"Wholesale" kWh delivered to distributor (lower value)	387,120,371	378,351,926	376,882,469	352,098,261	300,979,646	306,541,879
B	Portion of "Wholesale" kWh delivered to distributor for Large User Customer(s)	38,759,379	37,306,571	33,583,667	28,658,172	6,569,872	0
C	<b>Net "Wholesale" kWh delivered to distributor (A2)-(B)</b>	<b>348,360,992</b>	<b>341,045,355</b>	<b>343,298,802</b>	<b>323,440,089</b>	<b>294,409,774</b>	<b>306,541,879</b>
D	"Retail" kWh delivered by distributor	377,078,667	367,218,614	366,885,093	343,399,651	290,431,811	297,089,354
E	Portion of "Retail" kWh delivered by distributor for Large Use Customer(s)	38,375,623	36,937,199	33,251,155	28,374,428	6,504,824	0
F	<b>Net "Retail" kWh delivered by distributor (D)-(E)</b>	<b>338,703,044</b>	<b>330,281,415</b>	<b>333,633,938</b>	<b>315,025,223</b>	<b>283,926,987</b>	<b>297,089,354</b>
G	Loss Factor in distributor's system [C/F]	1.0285	1.0326	1.0290	1.0267	1.0369	1.0318
H	Supply Facility Loss Factor	1.0045	1.0035	1.0035	1.0035	1.0035	1.0035
I	<b>Total Loss Factor [(G)x(H)]</b>	<b>1.0331</b>	<b>1.0362</b>	<b>1.0326</b>	<b>1.0303</b>	<b>1.0405</b>	<b>1.0354</b>

<b>Average Total Loss Factor:</b>	<b>1.0354</b>
Primary Metering Adjustment:	0.99
<b>Primary Total Loss Factor:</b>	<b>1.0251</b>

**QUESTION 13**

**QUESTION**

Reference: i) OEB Guideline G-2008-0002:

ii) OEB Filing Requirements for Smart Meter Investment Plans, October 26, 2006

iii) Exhibit 9 Tab 3 Schedule 2

a) Confirm that Guideline G-2008-0002 has not superseded the Filing Requirements for Smart Meter Investment Plans, October 26, 2006

b) Confirm that paragraph 7 of the Filing Requirements specifies that

*7. Specifically, and in as much detail as possible, please provide the following information for your planned implementation of the SMIP:*

- the number of meters installed by class and by year, both in absolute terms and as a percentage of the class;*
- the capital expenditures and amortization by class and by year;*
- the operating expenses by class and by year;*
- the effect of the SMIP on the level of the allowance for PILs.*

c) Did STEI File its SMIP for the Combined SM proceeding in accordance with the Filing Guidelines? Please elaborate.

d) Has STEI kept records by class as required by the Filing Guidelines and are accounts 1556 and 1555 segregated by rate class? Please elaborate.

**RESPONSE**

a) The OEB Letter dated October 26, 2006 – Filing requirements for Smart Meter Investment Plans (“SMIP”) was to be used as a guideline to assist distributors in filing

1 their Smart Meter Investment Plans for the 2006 rate year only (May 1, 2006 to April 30,  
2 2007). That filing was due to be filed on December 15, 2006. Once filed and reviewed by  
3 the Board, that guideline has fulfilled its purpose and was no longer relevant. Moreover,  
4 that letter did not indicate that the questions to be responded to were any part of an on-  
5 going reporting or record keeping requirements for the future. STEI. has been following  
6 the OEB Guideline G-2008-0002 dated October 22, 2008. That document includes all  
7 relevant reference materials that the OEB considered necessary for distributors to  
8 consider, and STEI notes that the OEB did not include the letter dated October 26, 2006.  
9 Furthermore, the cover letter of Guideline 2008 states the following, and indicates that  
10 the accounting treatment is detailed within the guideline:

11  
12 *“...This Guideline sets out filing instructions in relation to the funding of, and the*  
13 *recovery of costs associated with, smart meter activities conducted by electricity*  
14 *distributors. It reflects amendments to a number of smart metering regulations*  
15 *that were enacted on June 25, 2008 as well as the direction provided by the*  
16 *Board in its combined proceeding on smart meter costs (proceeding EB-2007-*  
17 *0063). It also includes a synthesis of the practices that have emerged from*  
18 *recent decisions of the Board. The Guideline identifies the evidence that needs to*  
19 *be filed in support of applications for the following:*

- 20  
21 • *A smart meter funding adder to fund the implementation of smart meters;*  
22 • *A smart meter cost recovery as part of a cost of service application; and*  
23 • *Smart meter cost recovery as part of an incentive regulation application,*  
24 *including the associated smart meter disposition rider.*

25  
26 *In addition to settling out filing instructions for, and expectations related to the*  
27 *timing of, each of the above types of applications, the Guideline also provides*  
28 *guidance regarding the accounting treatment of smart meter costs and*  
29 *revenues“.*

30  
31 b) Paragraph 7 of the letter from October 26, 2006 has been recited correctly. However  
32 STEI's filing in 2006, indicated in c) below, included the number of meters estimated to

1 be installed by class. No other information by class was reported as no information was  
2 available at the time. To this day the OEB as only requested, by class, the number of  
3 meters in the regular monthly and quarterly filings to the Board. As a result information  
4 and costs collected to date, other than tracking meters by class, is not separated out by  
5 class.

6  
7 c) STEI filed a Smart Meter Investment Plan on December 12, 2006 which detailed  
8 STEI's plans for the 2006 to 2010 rate years in accordance with the SMIP Filing  
9 Guidelines.

10  
11 d) The SMIP Filing Guidelines did not extend beyond its original intended purpose of  
12 assisting distributors to file an investment plan for the 2006 rate year. STEI has kept  
13 records as required by G-2008-0002 ("Smart Meter Funding and Cost Recovery  
14 Guideline –dated October 22, 2008). Appendix A of that Guideline is an excerpt from  
15 OEB Letter of June 13, 2006 – Instructions for Smart Meter Accounting. Nowhere in that  
16 letter is it noted to segregate accounts 1555 and 1556 by rate class.

17  
18 In addition, the recent OEB Decision for PowerStream (EB-2010-0209) for final approval  
19 of smart meter related costs, on page 12 quotes: "...The Board finds that a cost  
20 allocation approach based on class specific revenue requirement calculations offset by  
21 class specific smart meter funding to be inconsistent with previous Board decisions, and  
22 that there has been no clear requirement to track costs by class. The Board notes that  
23 historical funding collected from customer classes other than Residential and GS<50 kW  
24 is not material. The Board finds that a class specific calculation of the residual amounts  
25 for disposition of smart meter costs for each rate class is unwarranted, as there is  
26 insufficient benefit given the additional complexity."

## QUESTION 14

### QUESTION

Reference: Exhibit 9 Tab 3 Schedule 2 Attachment 1.

Preamble: In its EB-2010-0209 Decision the Board stated:

“ the Board finds that PowerStream’s original cost allocation methodology is reasonable and based on the principle of cost causality”

a) Provide the average unit capital costs (procurement and installation) and total capital costs for each of residential and GS<50kw meters to the end of 2010

b) Provide an estimate of the SM rate adder revenue collected from each of the Residential and GS<50kw classes to the end of 2010. (average #customers \* SM adder rate/metered customer/month). Prorate the carrying costs and reconcile to Exhibit 9 Tab 3 Schedule 2 Attachment 1.

c) Provide the estimated 2011/12 total capital costs (procurement and installation) for each of the Residential and GS<50 kw classes.

d) Calculate class-specific proxy 2011/12 rate adders using capital cost as the cost driver for allocating the 2011/12 Revenue Requirement as class specific rate adders . This should add to the same total 2011/2012 SM revenue as that projected from the aggregate utility specific SM rate adder of \$3.29

### RESPONSE

a) Information includes Residential and General Service < 50 Kw Classes at 2010 Year End

1	Total Capital Costs	\$ 2,526,283.75
2	Total Meters Installed	15,322
3	Average Capital Cost per meter	\$164.88

4

5 b) Information includes Residential and General Service < 50 Kw Classes at 2010 Year

6 End

7

8	Funding Received	\$407,466.35
---	------------------	--------------

9	Carrying Charge	11,522.85
---	-----------------	-----------

10 -----

11	Total Funding @ Dec 2010	\$418,989.20
----	--------------------------	--------------

12	Estimated Funding Jan to Apr 2011	35,633.26
----	-----------------------------------	-----------

13 -----

14	Total Funding Forecast to Apr 2011	\$454,622.46
----	------------------------------------	--------------

15 =====

16 c) Information includes Residential and General Service < 50 Kw Classes estimated to  
17 2011 Year

18

19	Estimated 2011 Total Capital Cost	\$ 3,500,000
----	-----------------------------------	--------------

20

21 d) Information includes Residential and General Service < 50 Kw Classes estimated to  
22 2011 Year (as provided in Exhibit 9 Tab 3 Schedule 2 Attachment)



1

**Summary of Smart Meter  
 Revenue Requirement and Smart  
 Meter Funding Adder**

**Revenue Requirement for  
 Smart Meters Installed**

2010 Rate Year Entitlement	336,790.94
2011 Rate Year Entitlement	758,840.94
Total Revenue Requirement	1,095,631.88

**Smart Meter Funding Adder  
 Collected in Rates**

2006 Rate Year Collected - May 1/06 to April 30/07	-50,883.23
2007 Rate Year Collected - May 1/07 to April 30/08	-54,969.96
2008 Rate Year Collected - May 1/08 to April 30/09	-55,677.50
2009 Rate Year Collected - May 1/09 to April 30/10	-179,077.86
2010 Rate Year Forecasted - May 1/10 to April 30/11	-114,013.91
	-454,622.46

Net Revenue Requirement for Recovery	641,009.42
---	------------

		<b># of Customers</b>	<b>Monthly Amount</b>
<b>2011 Smart Meter Funding Adder Rate Rider</b>	-117,831.52	16,238	-0.60
<b>2011 Smart Meter Rate Adder</b>	758,840.94	16,238	3.89
	641,009.42		

2

## QUESTION 15

### QUESTION

Reference: Exhibit 10 Tab 1 Schedule 1 Attachment 1 BECG Report Attachments A & B and E (missing)

a) For LRAM the Guidelines and Policy Letter of January 27, 2009 Specify that

LRAM

The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5. For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again.

Confirm that the Third Tranche and Rate Funded LRAM Claims used only input assumptions from the OPA 2010 Prescriptive Measures and Assumptions Lists. If not, then list all exceptions and the sources of the inputs.

b) Provide a copy of BECGI Report Attachment E (input Assumptions)

c) Provide/confirm details of the Earth Day 2007 campaign:

- # units
- unit kwh savings,
- operating hours,
- lifetime and
- free ridership
- for each year 2007-2009

1 d) Confirm the Calculations for the kWh savings for Earth Day 2007. Reconcile to  
 2 681,683 kWh shown in Attachment A.

3

4 e) Confirm the lifetime and free-ridership assumption for CFLs 2006-2009 (third tranche  
 5 and OPA).

## 6 **RESPONSE**

7 a) Please see Exhibit 11, Tab 1, Schedule 43. STEI has updated all Third Tranche  
 8 LRAM input assumptions by using the 2011 OPA assumptions and Measures lists.

9

10 b) Please see Exhibit 11, Tab 1, Schedule 43, Attachment 1, page 5.

11

12 c)

23W CFL	
# Units	4272
unit kwh savings	51.24 kWh
operating hours	985.5
lifetime	409.92 kWh
free ridership	10%

13

14 d)

15 Annual kWh savings:  $51.24 * 4272 - 10\% = 197,008 \text{ kWh}$

16 Total Savings:  $197,008 \text{ kWh [2008]} + 197,008 \text{ kWh [2009]} = 394,015 \text{ kWh}$

17

1 e) OPA Unit Assumptions:

2

				Unit Savings Assumptions		
				Net Lifetime Energy Savings (kWh)	Aggregate Net-to-Gross Adjustment (%)	Effective Useful Life (EUL)
Every kilowatt Counts	2006	Final	Programable Thermostats – Autumn Campaign	8,458	90.0	18.0
Every kilowatt Counts	2007	Final	15 W CFL	268	78.0	8.0

3

4 Third Tranche assumptions:

23W CFL	
unit kWh savings	51.24 kWh
lifetime	409.92 kWh
free ridership	10%

5

## QUESTION 16

### QUESTION

Reference: Exhibit 10 Tab 1 Schedule 1 Attachment 1 BECG Report Appendix A & B

a) Provide details for the 3rd tranche General Service Measures from 2006-2009 that add to the data shown in Attachments A&B and Summary - Attachment D

- # units
- unit and total kwh savings,
- operating hours,
- lifetime and
- free ridership

for each year 2006-2009

b) Reconcile to the savings and revenue for each year and the Total Revenue as reported in Attachments A&B

- LED Christmas Lighting - City Hall 2006 183,105 kWh net
- Retrofit Program for Small Business - 4L T8 Fixture 2007 6,221 kWh / 1.33 kW net
- Traffic Light Replacements 2007 771,266 kWh 88.04 kW net
- Energy Audit (B4) - 4L T8 fixture 2008 27,734 kWh 5.93 kW net
- LED Holiday Light Sponsorship 27,075 kWh

1 **RESPONSE**

2 a)

3

	# units	unit kWh savings	operating hours	lifetime	free ridership
Earth Day Campaign - 23W CFL	4272	51.24 kWh /unit	985.5	409.92 kWh	10%
LED Christmas Lighting - City Hall (5W SLED)	2035	13.5 kWh	155	405 kWh	5%
Retrofit Program for Small Business - 4L T8 Fixture	12	288 kWh	4000	1440 kWh	10%
Traffic Light Replacements	821	469.711 kWh	8760	4697.11 kWh	30%
Energy Audit (B4) - 4L T8 fixture	107	288 kWh	4000	1440 kWh	10%
LED Holiday Light Sponsorship (5W SLED)	500	13.5 kWh	155	405 kWh	5%

4

5 b) The following unit assumptions are those updated to reflect changes made in  
 6 reference to interrogatory #43 for OEB Staff and interrogatory # 15 for VECC.

7

- 8 • LED Christmas Lighting - City Hall 2006 183,105 kWh net

9 Annual kWh savings: =  $2035 * 13.5 - 5\% = 26,099$  kWh

10 Total Savings: 26,099 kWh [2007] + 26,099 kWh [2008]

11 + 26,099 kWh [2009]

12 = 78,297 kWh

13 [2007] =  $(1/3) * 26,099 * 0.0143 + (2/3) * 26,099 * 0.0144$

14 = \$374.95

15 [2008] =  $(1/2) * 26,099 * 0.0144 + (1/2) * 26,099 * 0.0143$

16 = \$374.52

1	[2009]	= (1/3) * 26,099 * 0.0143 + (2/3) * 26,099 * 0.0143
2		= \$373.21
3	TOTAL LRAM	= \$374.95 + \$374.52 + \$373.21
4		= \$1,122.69
5		
6	• Retrofit Program for Small Business - 4L T8 Fixture 2007 6,221 kWh / 1.33 kW	
7	net	
8	Annual kWh savings:	= 12 * 288 kWh - 10% = 3,110 kWh
9	Total Savings:	3,110 kWh [2008] + 3,110 kWh [2009]
10		= 6,221 kWh
11	[2008]	= (1/2)* 3,110*0.0144+(1/2)* 3,110*0.0143
12		= \$44.63
13	[2009]	= (1/3)* 3,110*0.0143+(2/3)* 3,110*0.0143
14		= \$44.48
15	TOTAL LRAM	= \$44.63 + \$44.48
16		= \$89.11
17		
18		
19	• Traffic Light Replacements 2007 771,266 kWh 88.04 kW net	
20	Annual kWh savings:	= 821 * 469.711 kWh - 30% = 385,633 kWh
21	Total Savings:	385,633kWh [2008] + 385,633kWh [2009]
22		= 771,266 kWh
23	[2008]	= (1/2)* 385,633*0.0144+(1/2)* 385,633*0.0143
24		= \$5,533.83
25	[2009]	= (1/3)* 385,633*0.0143+(2/3)* 385,633*0.0143
26		= \$5,514.55
27	TOTAL LRAM	= \$5,533.83 + \$5,514.55
28		= \$11,048.38
29		
30	• Energy Audit (B4) - 4L T8 fixture 2008 27,734 kWh 5.93 kW net	
31	Annual kWh savings:	= 107 * 288 kWh - 10% = 27,734 kWh
32	Total Savings:	27,734 kWh [2009]

1		= 27,734 kWh
2	[2009]	$= (1/3) * 27,734 * 0.0143 + (2/3) * 27,734 * 0.0143$
3		= \$396.60
4	TOTAL LRAM	= \$396.60
5		
6	• LED Holiday Light Sponsorship 27,075 kWh	
7	Annual kWh savings:	$= 500 * 13.5 \text{ kWh} - 5\% = 6,413 \text{ kWh}$
8	Total Savings:	6,413 kWh [2009]
9		= 6,413 kWh
10	[2009]	$= (1/3) * 6,413 * 0.0143 + (2/3) * 6,413 * 0.0143$
11		= \$91.70
12	TOTAL LRAM	= \$91.70



**QUESTION 17**

**QUESTION**

Reference: Exhibit 10 Tab 1 Schedule 1 Page 2 line 9

Preamble: STEI is relying upon Burman Energy's verification of CDM program related electricity savings as evidence of third party verification for its LRAM/SSM claim.

a) Confirm that Burman is relying on OPA verification of STEI OPA- funded programs.

b) Provide a Copy of the Final OPA results (to end 2009) Extract for STEI.

c) Indicate whether Burman used the preliminary or final OPA results. If the preliminary then provide any update required in the form of a Table that shows the as filed and final results.

d) Amend the LRAM and rate riders as necessary.

e) For CFLs installed in 2005 and 2006 what unit savings and lifetime is included in the OPA results.

f) Do the OPA results indicate a 4 year life or 8 year life for CFLs installed in 2005/2006?

**RESPONSE**

a) Confirmed. Program results attributed to OPA CDM Programs were provided by the OPA January 24, 2011 to each utility.

File Source received from OPA named "2006-2009 Final Update.OPA CDM Results.St. Thomas Energy Inc..xls" [ used to answer b) and c) below (information referenced).

b) Please see Exhibit 11, Tab 1, Schedule 43, Attachment 1, pages 16 to 19.

c) Final Program results attributed to OPA CDM Programs were provided by the OPA January 24, 2011 to each utility. Please see Exhibit 11, Tab 1, Schedule 43, Attachment 1, page 1. This attachment has been updated to include Final Program Results. Changes made are highlighted in Yellow (2009 Peaksaver Program).

d) Please see Exhibit 11, Tab 1, Schedule 43, Attachment 1, pages 1 to 5.

#### Amended LRAM Inputs

Total	Residential	GS < 50	GS > 50	Customer Class
338,913.91	137,474.43	29,743.99	171,695.49	Lost Revenue Amount
25,306.15	10,264.99	2,220.94	12,820.22	Carrying Charges
364,220.06	147,739.42	31,964.93	184,515.71	Total

#### Amended LRAM Rate Riders (as a result of LRAM Input changes)

Short Name	Billing Determinant	Residential	GS < 50	GS > 50
LRAM Rate Rider	Volumetric	\$0.0004	\$0.0003	\$0.1765

e) 2005 OPA Programs were not included in the LRAM claim. Below is an extract from the OPA Final results document for the 2006 CFL program results.

Initiative Name	Program Year	Results Status	Measure Name	Unit Savings Assumptions							
				Gross Summer Peak Demand Savings (kW)	Gross Annual Energy Savings (kWh)	Gross Lifetime Energy Savings (kWh)	Net Summer Peak Demand Savings (kW)	Net Annual Energy Savings (kWh)	Net Lifetime Energy Savings (kWh)	Aggregate Net-to-Gross Adjustme nt (%)	Effective Useful Life (EUL)
Every Kilowatt Counts	2006	Final	Energy Star® Compact Fluorescent Light Bulb - Spring Campaign	0.000	104	418	0.000	94	376	90.0	4.0
Every Kilowatt Counts	2006	Final	Energy Star® Compact Fluorescent Light Bulb - Autumn Campaign	0.000	104	418	0.000	94	376	90.0	4.0

f) Please see the response to part 3; the Effective Useful life used by the OPA for 2006 was 4 years.

1

## QUESTION 18

2

### 3 QUESTION

4 Reference: Exhibit 1/Tab 1/Schedule 4, page 2

5 a) Please identify any amounts included in STEI's revenue requirement in respect of the  
6 Board of Directors of STHI, City of St. Thomas, or of any other affiliated entity.

7

8 b) Please provide the amount included in STEI's revenue requirement for the utility's  
9 Board of Directors.

### 10 RESPONSE

11 a) None.

12

13 b) Please see Exhibit 11, Tab 1, Schedule 26.

1 **QUESTION 19**

2  
3 **QUESTION**

4 Reference: Exhibit 1/Tab 1/Schedule 4, page 3

5 Preamble: The evidence states that "*STEI and STESI put in place an incentive based*  
6 *fixed cost services arrangement that provided and continues to provide significant*  
7 *savings and benefits to STEI's customers.*"

8  
9 a) Please provide details with respect to the estimated annual cost savings for STEI's  
10 customers that can be attributed to the incentive arrangements.

11 **RESPONSE**

12 a) As discussed at the bottom of the referenced page, services in existence at time the  
13 service agreement was put in place are offered at a fixed fee per customer. This fixed  
14 fee, as evidenced in supplemental information filed on March 25, 2011 (Appendix 2-G,  
15 OM&A Cost Drivers), also provides for a performance based reduction to drive down the  
16 fixed fee per customer annually.

17  
18 We estimate the savings on these costs to be in excess of \$597k in 2010. We based  
19 this estimate on the total fixed fee paid by STEI (based on the 2010 forecasted numbers)  
20 to be \$2,331k and applied the inflation for the period. The total inflation was 25.65% for  
21 the period 1999 through to 2010 (as calculated on the Bank of Canada web site found at  
22 web address [http://www.bankofcanada.ca/en/rates/inflation\\_calc.html](http://www.bankofcanada.ca/en/rates/inflation_calc.html)). The savings  
23 does not incorporate the total reductions in fees as built into the MSA.

24

**QUESTION 20**

**QUESTION**

Reference: Exhibit 1/Tab 2/Schedule 3, page 1

Preamble: The evidence states that "*STESI was set up initially to provide services to STEI and to provide additional services to the Shareholder and other third parties.*"

a) Was STESI initially set up in November 2000?

b) When did STESI begin providing services to other entities?

c) Does STESI currently provide services to any unaffiliated third parties?

**RESPONSE**

a) Yes. This is discussed at Exhibit 1, Tab 1, Schedule 4.

b) At the beginning of its incorporation.

c) Yes, please see Exhibit 11, Tab 4, Schedule 4.

1 **QUESTION 21**

2  
3 **QUESTION**

4 Reference: Exhibit 1/Tab 2/Schedule 3, page 3 and Attachment 2

5 a) Please provide the cvs of the members of STEI's independent Board of Directors.

6  
7 b) Are any of the members of STEI's Board also members of Boards of affiliated  
8 entities? If so, please provide full details, including the compensation received from  
9 each Board.

10  
11 c) With respect to the claim that "*any deemed inefficiency in service delivery to the rate*  
12 *payer will not be allowed to be charged to the rate payer,*" please indicate how the utility  
13 and its Board detects deemed inefficiencies and ensures that ratepayers are not  
14 responsible for any such inefficiencies.

15  
16 d) Have there been any cases in which inefficiencies were deemed and their financial  
17 impacts were removed from ratepayers by reversing charges? Please provide details.

18  
19 e) Are there any circumstances particular to STEI's Board, its mandate, protocols,  
20 controls, etc., which would ensure a superior level of governance as compared to other  
21 utilities in St. Thomas' cohort?

22 **RESPONSE**

23 a) Please refer to Exhibit 11, Tab 3, Schedule 3.

24  
25 b) Members John Laverty, Peter Ostojic, and Joseph Starcevic are also members of  
26 affiliate boards. Each of these individuals is paid by each separate board. For their  
27 work with STEI, they receive \$3,000 fees for the year which is consistent with the other

1 board members. The chair of the board, Christopher Brown, receives an additional  
2 \$1,000 for his work as Chairman of the board.

3  
4 c) The board approves the budget, and then monitors the company performance during  
5 the year at each of the board meetings held throughout the year. In addition, the budget  
6 is presented to the Chair of the Board at a date earlier than the Board budget meeting in  
7 order to provide input to any issues that he may identify with the preliminary budget.  
8 These comments are built into the final budget presented to the full board at a later date.

9  
10 d) No.

11  
12 e) Please refer to Exhibit 11, Tab 1, Schedule 26 for information regarding the additional  
13 training being provided to board members in order to strengthen their governance skills  
14 beyond their current level. STEI is unaware of the corporate governance practices of the  
15 other members in its cohort.

**QUESTION 22**

**QUESTION**

Reference: Exhibit 1/Tab 4/Schedule 5, page 1

Preamble: The pre-filed evidence states that "A one year capital and operating budget is prepared by Management and approved by STEI's Board of Directors before the start of each fiscal year."

a) Please provide a copy of each of the operating and capital budgets approved by STEI's Board of Directors for each fiscal year 2006-2011 inclusive. For each, please provide the date that the budget was approved.

**RESPONSE**

a) Please refer Exhibit 11, Tab 3, Schedule 5 for the 2011 budget that was approved December 17, 2010.

The 2010 budget was approved December 18, 2009. This full year budget can be found on the September year to date schedules found at Exhibit 1, Tab 4, Schedule 2, Attachment 3.

The 2009 budget was approved on December 12, 2008. Please see Exhibit 11, Tab 4, Schedule 22, Attachment 1 to Attachment 4 for the capital and operating budget approved.

The 2008 budget was approved on December 14, 2007. Please see Exhibit 11, Tab 4, Schedule 22, Attachment 5 to Attachment 8 for the capital and operating budget approved.



1 The 2007 budget was approved on December 14, 2006. Please see Exhibit 11, Tab 4,  
2 Schedule 22, Attachment 9 to Attachment 12 for the capital and operating budget  
3 approved.

4

5 The 2006 budget was approved on December 15, 2005. Please see Exhibit 11, Tab 4,  
6 Schedule 22, Attachment 13 to Attachment 16 for the capital and operating budget  
7 approved.

***Attachment 1 (of 16):***

***Question 22***

**St. Thomas Energy Inc.**  
**Capital Budget**  
**2009**

Year	Project	Reason	Project Code	2009 Gross Capital	2009 Contributed Capital	2009 Net Capital
2009	Service new residential subdivision development (Approx 100 lots- OP:III, LM:IX, DW:IVA)	Developer Driven	200 & 209	\$406,026	-\$223,314	\$182,712
2009	Service new or upgrades to residential apartment & multi-unit development - various locations	Developer Driven	201	\$24,978	-\$6,245	\$18,734
2009	Service Layouts for new service connections	Customer Driven	204	\$18,543	\$0	\$18,543
2009	New UG services miscellaneous	Customer Driven	202	\$35,114	-\$4,000	\$31,114
2009	New OH services miscellaneous	Customer Driven	203	\$11,352	\$0	\$11,352
2009	Service new or upgrades to commercial and industrial customers - various locations	Developer Driven	205	\$382,127	-\$229,276	\$152,851
2009	New System Expansion	System Driven	210	\$0	\$0	\$0
2009	Pole replacement program	Reliability/Safety Driven	215	\$465,286	\$0	\$465,286
2009	Conversion - Woodworth Cr & Dalewood Dr	Replace depreciated plant	215	\$197,071	\$0	\$197,071
2009	Misc. System Rebuilds	Replace aging plant in conjunction with development	215	\$83,742	\$0	\$83,742
2009	Park St Rebuild (2008 Carryover)	as above	215	\$46,244		\$46,244
2009	Misc. relocations for City roadworks	Municiply driven	220	\$36,482	-\$10,000	\$26,482
2009	New meters and metering equipment - Residential	Legislative Requirement	231	\$50,755	\$0	\$50,755
2009	New meters and metering equipment - Commercial & Industrial	Legislative Requirement	231	\$12,660	\$0	\$12,660
TOTALS (not including Smart Meter Deployment:)				\$1,770,379	-\$472,835	\$1,297,544
2009	Smart Meter Project	Legislative Requirement	230	\$0		\$0
TOTALS (including Smart Meter Deployment)				\$1,770,379	-\$472,835	\$1,297,544

Project Code Summary		Gross	Contributed	Net Capital
Serve New Customers - Residential	200, 201, 202, 203 & 204	\$496,013	-\$233,559	\$262,454
Serve New Customers - C & I	205	\$382,127	-\$229,276	\$152,851
New System Expansion - Load Growth	210	\$0	\$0	\$0
Replace/Rebuild System	215	\$792,342	\$0	\$792,342
Road Work Relocation - City Work	220	\$36,482	-\$10,000	\$26,482
Revenue Meters - New and Replacement	231	\$63,415	\$0	\$63,415
Total		\$1,770,379	-\$472,835	\$1,297,544

***Attachment 2 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**

**STATEMENT OF OPERATIONS**  
for the Period ending December 31st

	Budget 2008	Forecast 2008	Budget 2009	Actual 2007	Actual 2006	Actual 2005
<b>Revenues</b>						
Electrical Distribution System	5,956,000	5,913,939	5,630,230	6,045,324	5,816,109	6,188,632
Conservation and Demand Management	210,648	360,309	315,000	354,977	9,084	0
Other Operating	673,546	655,131	673,565	647,383	588,490	582,225
Interest	32,226	18,206	15,000	56,554	44,686	122,818
<b>Total Revenues</b>	<b>\$6,872,420</b>	<b>\$6,947,585</b>	<b>\$6,633,795</b>	<b>\$7,104,238</b>	<b>\$6,458,370</b>	<b>\$6,893,675</b>
<b>Expenses</b>						
Electrical Distribution System	916,872	939,647	1,107,904	762,468	896,765	881,500
Meter Reading, Billing & Collecting	1,011,742	930,105	987,796	1,067,108	1,056,154	1,006,812
Community Relations	7,101	6,908	8,874	5,047	11,651	1,347
Administrative & General	1,000,951	1,031,868	1,049,861	914,084	910,103	975,890
Regulatory	933,731	395,302	618,586	669,119	653,331	264,520
Conservation and Demand Management	210,648	185,081	280,227	469,741	9,084	0
Amortization	1,300,000	1,293,722	1,350,000	1,230,004	1,187,635	1,136,353
Interest	579,296	579,556	580,164	642,233	724,675	572,777
<b>Total Expenses</b>	<b>\$5,960,341</b>	<b>\$5,362,188</b>	<b>\$5,983,411</b>	<b>\$5,759,804</b>	<b>\$5,449,399</b>	<b>\$4,839,199</b>
Net Income Before Taxes	\$912,079	\$1,585,396	\$650,383	\$1,344,434	\$1,008,971	\$2,054,476
Loss on Sale of Capital Asset Extraordinary Item						
<b>Net Income Before Taxes</b>	<b>\$912,079</b>	<b>\$1,585,396</b>	<b>\$650,383</b>	<b>\$1,344,434</b>	<b>\$1,008,971</b>	<b>\$2,054,476</b>
Capital Taxes	50,000	40,000	40,000	52,000	57,000	51,000
Income Taxes	314,832	531,108	214,627	584,248	451,574	825,594
	<u>\$364,832</u>	<u>\$571,108</u>	<u>\$254,627</u>	<u>\$636,248</u>	<u>\$508,574</u>	<u>\$876,594</u>
<b>Net Income (Loss)</b>	<b>\$547,247</b>	<b>\$1,014,288</b>	<b>\$395,757</b>	<b>\$708,186</b>	<b>\$500,397</b>	<b>\$1,177,882</b>
<b>Net Capital Expenditures</b>	<b>\$1,971,801</b>	<b>\$1,743,602</b>	<b>\$1,297,544</b>	<b>\$1,328,789</b>	<b>\$1,486,738</b>	<b>\$1,828,933</b>
<b>Net Funds Available From Operations</b>	<b>(\$124,554)</b>	<b>\$564,409</b>	<b>\$448,213</b>	<b>\$609,401</b>	<b>\$201,294</b>	<b>\$485,302</b>
<b>ROE</b>	<b>4.79%</b>	<b>8.88%</b>	<b>3.46%</b>	<b>6.20%</b>	<b>4.57%</b>	<b>12.04%</b>

***Attachment 3 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**

**BALANCE SHEET  
as at December 31st**

	Budget 2008	Forecast 2008	Budget 2009	Actual 2007
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Short-term Investments	(436,366)	767,046	1,070,840	536,405
Payment in lieu of Income Taxes Recoverable	355,007	381,461	657,834	355,007
Accounts Receivable	2,720,190	2,898,039	3,017,848	3,323,466
Unbilled Revenue	3,000,000	3,300,000	3,300,000	3,297,053
Prepayments	5,818	6,000	6,000	5,035
	<u>5,644,649</u>	<u>7,352,546</u>	<u>8,052,522</u>	<u>7,516,965</u>
<b>CAPITAL ASSETS</b>	<u>19,776,032</u>	<u>19,167,286</u>	<u>19,114,830</u>	<u>18,717,406</u>
<b>OTHER ASSETS</b>				
Regulatory Accounts	0	0	0	0
Due from St. Thomas Holding Inc.	11,579	11,579	11,579	11,579
	<u>11,579</u>	<u>11,579</u>	<u>11,579</u>	<u>11,579</u>
<b>TOTAL ASSETS</b>	<u>25,432,260</u>	<u>26,531,410</u>	<u>27,178,931</u>	<u>26,245,951</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	3,201,510	3,524,536	3,574,852	3,575,777
Payment in lieu of Income Taxes Payable	0	0	0	132,837
Accrued Dividends Payable	250,000	250,000	250,000	0
Regulatory Accounts	295,310	1,129,619	1,830,140	550,479
Due to St. Thomas Energy Services Inc. - current portion	1,785,000	1,619,074	1,600,000	2,150,066
Current Portion of Long-term Liabilities	188,835	183,000	183,000	183,000
	<u>5,720,655</u>	<u>6,706,229</u>	<u>7,437,992</u>	<u>6,592,159</u>
<b>LONG-TERM LIABILITIES</b>	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>
<b>CUSTOMER DEPOSITS</b>	<u>512,330</u>	<u>680,000</u>	<u>700,000</u>	<u>522,899</u>
<b>DUE TO ST. THOMAS ENERGY SERVICES INC.</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>13,947,411</u>	<u>15,100,655</u>	<u>15,852,418</u>	<u>14,829,484</u>
<b>SHAREHOLDER'S EQUITY</b>				
<b>CAPITAL STOCK</b>	7,714,426	7,714,426	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	5,270,423	4,966,330	5,362,087	4,452,041
<b>DIVIDENDS DECLARED</b>	(1,500,000)	(1,250,000)	(1,750,000)	(750,000)
	<u>11,484,849</u>	<u>11,430,756</u>	<u>11,326,513</u>	<u>11,416,467</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>25,432,260</u>	<u>26,531,410</u>	<u>27,178,931</u>	<u>26,245,951</u>

***Attachment 4 (of 16):***

***Question 22***



**ST. THOMAS ENERGY INC.**

**STATEMENT OF CASH FLOW**  
for the Period ending December 31st

	<b>Budget 2008</b>	<b>Forecast 2008</b>	<b>Budget 2009</b>	<b>Actual 2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts & Cash Payments	2,099,758	2,473,961	2,241,428	1,867,285
Interest Earned	32,226	18,206	15,000	56,554
Interest Paid	(579,296)	(579,556)	(580,164)	(642,233)
Payment in Lieu of Income Taxes Paid	197,755	106,383	(276,373)	365,999
	<u>1,750,443</u>	<u>2,018,994</u>	<u>1,399,891</u>	<u>1,647,605</u>
Cash Flows from Operating Activities	<u>1,750,443</u>	<u>2,018,994</u>	<u>1,399,891</u>	<u>1,647,605</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to Capital Assets	(1,971,801)	(1,743,602)	(1,297,544)	(1,328,789)
Proceeds on Disposal of Capital Assets	0	0	0	0
Dividends Paid	(500,000)	(250,000)	(500,000)	(500,000)
(Increase)/Decrease in Regulatory Assets	119,478	579,139	700,521	286,925
	<u>(2,352,323)</u>	<u>(1,414,462)</u>	<u>(1,097,023)</u>	<u>(1,541,864)</u>
Cash Flows from (used in) Investing Activities	<u>(2,352,323)</u>	<u>(1,414,462)</u>	<u>(1,097,023)</u>	<u>(1,541,864)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) in Due to St. Thomas Energy Services	(951)	(530,992)	(19,074)	(1,997,063)
Increase/(Decrease) in Due to St. Thomas Holding Inc.	0	0	0	0
Increase/(Decrease) in Long-term Debt	0	0	0	0
Increase in Customer Deposits	0	157,101	20,000	(54,891)
	<u>(951)</u>	<u>(373,891)</u>	<u>926</u>	<u>(2,051,954)</u>
Cash Flows from (used in) Financing Activities	<u>(951)</u>	<u>(373,891)</u>	<u>926</u>	<u>(2,051,954)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(602,831)</b>	<b>230,641</b>	<b>303,795</b>	<b>(1,946,213)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>166,465</b>	<b>536,405</b>	<b>767,046</b>	<b>2,482,618</b>
<b>CASH, ENDING BALANCE</b>	<b><u>(436,366)</u></b>	<b><u>767,046</u></b>	<b><u>1,070,840</u></b>	<b><u>536,405</u></b>

***Attachment 5 (of 16):***

***Question 22***

**St. Thomas Energy Inc.**  
**Capital Budget**  
**2008**

Year	Project	Reason	Project Code	Gross Capital	Contributed Capital	Net Capital
2008	Service new residential subdivision development (Approx 250 lots - various locations)	Development Driven	200 & 209	\$685,486	-\$308,469	\$377,017
2008	Service new or upgrades to residential apartment & multi-unit development - various locations	Development Driven	201	\$48,654	-\$30,000	\$18,654
2008	Service Layouts for new service connections	Customer Driven	204	\$22,810		\$22,810
2008	New UG services miscellaneous	Customer Driven	202	\$54,395		\$54,395
2008	New OH services miscellaneous	Customer Driven	203	\$18,092		\$18,092
2008	Service new or upgrades to commercial and industrial customers - various locations	Customer Driven	205	\$135,294	-\$120,000	\$15,294
2008	New System Expansion	Development Driven	210	\$69,117		\$69,117
2008	Lake Margaret Estates - Pinnafore Park, complete UG loop	System Reliability & Development Driven	210	\$59,626		\$59,626
2008	Pole replacement program	2006/07 Pole Inspections	215	\$456,292		\$456,292
2008	Fire Pump Service Conversion	Unmetered load & Reliability	215	\$46,724		\$46,724
2008	Replace failed UG cable on Pol Court at south end	2007 Carry Over	215	\$48,106		\$48,106
2008	Convert Weatherhead plant Inkerman St south of Edward St. to accommodate 13.8 kV conversion	13.8 kV elimination	215	\$71,686		\$71,686
2008	Woodworth Cres, Dalewood Drive Conversion (Sub 10-13 tie)	2007 Carry Over	215	\$190,237		\$190,237
2008	Infrastructure for future conversion on Raven Ave	Joint trench cost savings	215	\$113,955		\$113,955
2008	Sub 13 Conversion: Confederation Dr apartments	Conversion	215	\$53,241		\$53,241
2008	Relocations for Municipal road works	City Driven	220	\$274,660	-\$68,665	\$205,995
2008	New wholesale meter point	IESO Compliance	231	\$76,537		\$76,537
2008	New meters and metering equipment - Residential	Legislative Requirement	231	\$37,475		\$37,475
2008	New meters and metering equipment - Commercial & Industrial	Legislative Requirement	231	\$36,548		\$36,548
TOTALS (not including Smart Meter Deployment:)				\$2,498,935	-\$527,134	\$1,971,801
2008	Smart Meter Project (Estimated cost of \$200 per meter for 1/3 of existing meters)	Legislative Requirement	230	\$1,002,804		\$1,002,804
TOTALS (including Smart Meter Deployment)				\$3,501,739	-\$527,134	\$2,974,605

Project Code Summary			Gross Capital	Contributed Capital	Net Capital
Serve New Customers - Residential	200, 201, 202, 203 & 204		\$829,437	-\$338,469	\$490,968
Serve New Customers - C & I	205		\$135,294	-\$120,000	\$15,294
New System Expansion - Load Growth	210		\$128,743	\$0	\$128,743
Replace/Rebuild System	215		\$980,241	\$0	\$980,241
Road Work Relocation - City Work	220		\$274,660	-\$68,665	\$205,995
Revenue Meters - New and Replacement	231		\$150,560	\$0	\$150,560
Total			\$2,498,935	-\$527,134	\$1,971,801

***Attachment 6 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**

**STATEMENT OF OPERATIONS**  
for the Period ending December 31st

	<b>Budget 2007</b>	<b>Forecast 2007</b>	<b>Budget 2008</b>	<b>Actual 2006</b>	<b>Actual 2005</b>	<b>Actual 2004</b>
<b>Revenues</b>						
Electrical Distribution System	\$6,404,567	\$6,252,700	\$6,166,648	\$5,825,193	\$6,188,632	\$5,540,968
Other Operating	533,276	703,667	673,546	588,490	582,225	474,306
Interest	90,000	55,310	32,226	44,686	122,818	148,584
<b>Total Revenues</b>	<b>\$7,027,843</b>	<b>\$7,011,677</b>	<b>\$6,872,420</b>	<b>\$6,458,370</b>	<b>\$6,893,675</b>	<b>\$6,163,858</b>
<b>Expenses</b>						
Electrical Distribution System	\$1,089,108	\$849,634	\$916,872	\$896,765	\$881,500	\$929,649
Meter Reading, Billing & Collecting	939,099	1,115,273	1,070,516	1,141,605	1,075,428	978,595
Community Relations	13,329	7,053	7,101	11,651	1,347	956
Administrative & General	1,539,466	1,331,817	1,875,908	1,477,983	1,171,794	850,707
Conservation and Demand Management	199,600	195,000	210,648	9,084	0	0
Amortization	1,280,275	1,238,231	1,300,000	1,187,635	1,136,353	1,074,900
Interest	754,974	642,469	579,296	724,675	572,777	589,239
<b>Total Expenses</b>	<b>\$5,815,851</b>	<b>\$5,379,476</b>	<b>\$5,960,340</b>	<b>\$5,449,399</b>	<b>\$4,839,199</b>	<b>\$4,424,046</b>
Net Income Before Taxes	\$1,211,992	\$1,632,201	\$912,079	\$1,008,970	\$2,054,476	\$1,739,812
Loss on Sale of Capital Asset Extraordinary Item						(\$49,179)
<b>Net Income Before Taxes</b>	<b>\$1,211,992</b>	<b>\$1,632,201</b>	<b>\$912,079</b>	<b>\$1,008,970</b>	<b>\$2,054,476</b>	<b>\$1,690,633</b>
Capital Taxes	\$100,000	\$50,000	\$50,000	\$57,000	\$51,000	\$48,000
Income Taxes	384,797	602,881	314,832	451,574	825,594	745,505
	\$484,797	\$652,881	\$364,832	\$508,574	\$876,594	\$793,505
<b>Net Income (Loss)</b>	<b>\$727,195</b>	<b>\$979,321</b>	<b>\$547,248</b>	<b>\$500,396</b>	<b>\$1,177,882</b>	<b>\$897,128</b>
<b>Net Capital Expenditures</b>	<b>\$1,965,220</b>	<b>\$1,723,840</b>	<b>\$1,971,801</b>	<b>\$1,486,738</b>	<b>\$1,828,933</b>	<b>\$1,354,887</b>
<b>Net Funds Available From Operations</b>	<b>\$42,250</b>	<b>\$493,712</b>	<b>-\$124,553</b>	<b>\$201,293</b>	<b>\$485,302</b>	<b>\$617,141</b>
<b>ROE</b>	<b>6.64%</b>	<b>8.94%</b>	<b>4.78%</b>	<b>4.57%</b>	<b>12.04%</b>	<b>10.10%</b>

***Attachment 7 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**  
**BALANCE SHEET**  
as at December 31st

	Budget 2007	Forecast 2007	Budget 2008	Actual 2006
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Short-term Investments	4,452,405	166,465	-436,366	2,482,618
Payment in lieu of Income Taxes Recoverable	840,970	355,007	355,007	853,842
Accounts Receivable	1,659,172	2,820,190	2,720,190	2,956,968
Unbilled Revenue	3,800,000	3,000,000	3,000,000	3,032,012
Prepayments	6,000	5,818	5,818	5,712
	<u>10,758,547</u>	<u>6,347,480</u>	<u>5,644,649</u>	<u>9,331,152</u>
<b>CAPITAL ASSETS</b>				
	<u>19,022,717</u>	<u>19,104,231</u>	<u>19,776,032</u>	<u>18,618,622</u>
<b>OTHER ASSETS</b>				
Regulatory Accounts	0	0	0	0
Due from St. Thomas Holding Inc.	11,579	11,579	11,579	11,579
	<u>11,579</u>	<u>11,579</u>	<u>11,579</u>	<u>11,579</u>
<b>TOTAL ASSETS</b>	<u><u>29,792,843</u></u>	<u><u>25,463,290</u></u>	<u><u>25,432,260</u></u>	<u><u>27,961,353</u></u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	5,300,108	3,200,559	3,201,510	3,867,172
Payment in lieu of Income Taxes Payable	0	197,755	0	0
Dividends Payable	0	250,000	250,000	250,000
Regulatory Accounts	1,001,209	175,832	295,310	263,554
Due to St. Thomas Energy Services Inc. - current portion	0	1,785,951	1,785,000	1,178,500
Current Portion of Long-term Liabilities	100,000	188,835	188,835	149,000
	<u>6,401,317</u>	<u>5,798,933</u>	<u>5,720,655</u>	<u>5,708,226</u>
<b>LONG-TERM LIABILITIES</b>				
	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>
<b>CUSTOMER DEPOSITS</b>				
	<u>700,000</u>	<u>512,330</u>	<u>512,330</u>	<u>611,791</u>
<b>DUE TO ST. THOMAS ENERGY SERVICES INC.</b>				
	<u>3,028,807</u>	<u>0</u>	<u>0</u>	<u>2,968,630</u>
<b>TOTAL LIABILITIES</b>	<u>17,844,550</u>	<u>14,025,689</u>	<u>13,947,411</u>	<u>17,003,073</u>
<b>SHAREHOLDER'S EQUITY</b>				
<b>CAPITAL STOCK</b>				
	7,714,426	7,714,426	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>				
	4,233,867	4,723,175	5,270,423	3,743,854
<b>DIVIDENDS DECLARED</b>				
	0	-1,000,000	-1,500,000	-500,000
	<u>11,948,293</u>	<u>11,437,601</u>	<u>11,484,849</u>	<u>10,958,280</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>29,792,843</u></u>	<u><u>25,463,290</u></u>	<u><u>25,432,260</u></u>	<u><u>27,961,353</u></u>

***Attachment 8 (of 16):***

***Question 22***



ST. THOMAS ENERGY INC.

STATEMENT OF CASH FLOW  
for the Period ending December 31st

	Budget 2007	Forecast 2007	Budget 2008	Actual 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts & Cash Payments	3,083,241	2,702,292	2,099,758	1,178,172
Interest Received	90,000	55,310	32,226	44,686
Interest Paid	-754,974	-642,469	-579,296	-724,675
Payment in Lieu of Income Taxes Paid	-14,599	301,080	197,755	-976,248
Cash Flows from Operating Activities	2,403,668	2,416,212	1,750,443	-478,066
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to Capital Assets	-1,965,220	-1,723,840	-1,971,801	-1,486,738
Proceeds on Disposal of Capital Assets	0	0	0	0
Dividends Paid	-250,000	-500,000	-500,000	-250,000
(Increase)/Decrease in Regulatory Assets	92,215	-87,722	119,478	410,545
Cash Flows from (used in) Investing Activities	-2,123,005	-2,311,562	-2,352,323	-1,326,193
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(Decrease) in Due to St. Thomas Energy Services	0	-2,361,179	-951	249,094
Increase/(Decrease) in Due to St. Thomas Holding Inc.	0	0	0	0
Increase/(Decrease) in Long-term Debt	0	0	0	0
Increase in Customer Deposits	50,000	-59,625	0	52,289
Cash Flows from (used in) Financing Activities	50,000	-2,420,804	-951	301,383
<b>NET INCREASE (DECREASE) IN CASH</b>	330,663	-2,316,153	-602,831	-1,502,876
<b>CASH, BEGINNING OF YEAR</b>	4,121,742	2,482,618	166,465	3,985,494
<b>CASH, ENDING BALANCE</b>	<u>4,452,405</u>	<u>166,465</u>	<u>-436,366</u>	<u>2,482,618</u>

***Attachment 9 (of 16):***

***Question 22***

**St. Thomas Energy Inc.**  
**Capital Budget**  
**2007**

<b>Year</b>	<b>Project</b>	<b>Project Code</b>	<b>Gross Capital</b>	<b>Contributed Capital</b>	<b>Net Capital</b>
2007	Service new residential subdivision development (Approx 250 lots - various locations)	200 & 209	669,726.50	- 235,000.00	434,726.50
2007	Service new or upgrades to residential apartment & multi-unit development - various locations	201	63,696.00		63,696.00
2007	Service Layouts for new service connections	204	46,638.00		46,638.00
2007	New UG services miscellaneous	202	51,862.00		51,862.00
2007	New OH services miscellaneous	203	18,535.00		18,535.00
2007	New meters and metering equipment - Residential	231	34,974.00		34,974.00
2007	Service new or upgrades to commercial and industrial customers - various locations	205	149,221.50	- 149,221.00	0.50
2007	New meters and metering equipment - Commercial & Industrial	231	29,294.00		29,294.00
2007	New 27.6 kV breaker, UG feeder egress and associated equipment	210	282,814.00		282,814.00
2007	New wholesale meter point	231	78,459.00		78,459.00
2007	Pole replacement program (2006 inspection results)	215	284,122.00		284,122.00
2007	Replace failed Ug cable on Pol Court at south end	215	47,242.00		47,242.00
2007	Convert Weatherhead plant Inkerman St south of Edward St. to accommodate 13.8 kV conversion	215	70,371.00		70,371.00
2007	Barwick St - Install 3 phase	215	52,598.00	- 15,000.00	37,598.00
2007	Pole Treatment Program (Treat approx. 415 poles with Cobra wrap @ \$50 per pole)	215	33,846.00		33,846.00
2007	Woodworth Cres, Dalewood Drive Conversion	215	135,773.00		135,773.00
2007	Relocate existing pole line on Wellington St. to accommodate City road widening	220	406,269.00	- 91,000.00	315,269.00
<b>TOTALS:</b>			<b>2,455,441.00</b>	<b>- 490,221.00</b>	<b>1,965,220.00</b>

<b>Project Type</b>	<b>Code</b>	<b>Gross CapEx</b>	<b>Contributed Capital</b>	<b>Net CapEx</b>
Serve New Customers - Residential	200	885,431.50	- 235,000.00	650,431.50
Serve New Customers - C & I	205	178,515.50	- 149,221.00	29,294.50
New System Expansion - Load Growth	210	361,273.00	-	361,273.00
Replace/Rebuild System	215	623,952.00	- 15,000.00	608,952.00
Road Work Relocation - City Work	220	406,269.00	- 91,000.00	315,269.00
<b>Total</b>		<b>1,965,220.00</b>	<b>1,474,999.00</b>	<b>1,965,220.00</b>

***Attachment 10 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**

**STATEMENT OF OPERATIONS**

	Forecast 2006	Budget 2007	Budget 2006	Actual 2005 Audited	Actual 2004 Audited	Actual 2003 Audited	Actual 2002 Audited	Actual 2001 Audited
<b>Revenues</b>								
Electrical Distribution System	\$6,084,800	\$6,343,900	\$6,264,315	\$6,188,632	\$5,540,968	\$5,532,911	\$4,127,281	\$3,355,706
Other Operating	519,463	593,943	527,250	582,225	474,306	447,564	652,992	370,786
Interest	90,897	90,000	30,000	122,818	148,584	77,923	160,134	35,733
<b>Total Revenues</b>	<b>\$6,695,161</b>	<b>\$7,027,843</b>	<b>\$6,821,565</b>	<b>\$6,893,675</b>	<b>\$6,163,858</b>	<b>\$6,058,398</b>	<b>\$4,940,407</b>	<b>\$3,762,225</b>
<b>Expenses</b>								
Electrical Distribution System	\$1,030,547	\$1,089,108	\$1,021,638	\$881,500	\$929,649	\$775,842	\$930,793	\$1,006,089
Meter Reading, Billing & Collecting	1,026,988	939,099	962,157	1,075,428	978,595	892,660	563,079	630,243
Community Relations	11,100	13,329	5,000	1,347	956	2,709	1,929	36,660
Administrative & General	1,351,249	1,539,466	1,091,895	1,171,794	850,707	944,431	1,343,415	870,235
Conservation and Demand Management	4,400	199,600	0	0	0	0	0	0
Amortization	1,204,275	1,280,275	1,207,300	1,136,353	1,074,900	1,029,192	988,309	923,973
Interest	789,306	754,974	599,296	572,777	589,239	615,968	660,505	200,382
<b>Total Expenses</b>	<b>\$5,417,865</b>	<b>\$5,815,851</b>	<b>\$4,887,286</b>	<b>\$4,839,199</b>	<b>\$4,424,046</b>	<b>\$4,260,802</b>	<b>\$4,488,030</b>	<b>\$3,667,582</b>
Net Income Before Taxes	\$1,277,296	\$1,211,992	\$1,934,279	\$2,054,476	\$1,739,812	\$1,797,596	\$452,377	\$94,643
Loss on Sale of Capital Asset					-49,179			
Extraordinary Item								99,410
<b>Net Income Before Taxes</b>	<b>\$1,277,296</b>	<b>\$1,211,992</b>	<b>\$1,934,279</b>	<b>\$2,054,476</b>	<b>\$1,690,633</b>	<b>\$1,797,596</b>	<b>\$452,377</b>	<b>\$194,053</b>
Capital & Other Taxes	\$100,000	\$100,000	\$100,000	\$51,000	\$48,000	\$100,000	\$60,000	\$37,148
Income Taxes	410,918	384,797	773,712	825,594	745,505	717,662	223,859	-48,550
	\$510,918	\$484,797	\$873,712	\$876,594	\$793,505	\$817,662	\$283,859	(\$11,402)
<b>Net Income (Loss)</b>	<b>\$766,377</b>	<b>\$727,195</b>	<b>\$1,060,567</b>	<b>\$1,177,882</b>	<b>\$897,128</b>	<b>\$979,934</b>	<b>\$168,518</b>	<b>\$205,455</b>
<b>Net Capital Expenditures</b>	<b>\$1,222,528</b>	<b>\$1,965,220</b>	<b>\$2,066,661</b>	<b>\$1,828,933</b>	<b>\$1,354,887</b>	<b>\$1,823,616</b>	<b>\$1,698,742</b>	<b>\$1,587,331</b>
<b>Net Funds Available From Operations</b>	<b>\$748,124</b>	<b>\$42,250</b>	<b>\$201,206</b>	<b>\$485,302</b>	<b>\$617,141</b>	<b>\$185,510</b>	<b>(\$541,915)</b>	<b>(\$457,903)</b>
<b>ROE</b>	<b>6.99%</b>	<b>6.64%</b>	<b>9.68%</b>	<b>12.04%</b>	<b>10.10%</b>	<b>12.40%</b>	<b>2.18%</b>	<b>2.73%</b>

***Attachment 11 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**  
**BALANCE SHEET**  
as at November 30th, 2006

	Budget 2007	Forecast 2006	Actual 2005 Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Short-term Investments	3,660,385	4,346,099	3,985,494
Payment in lieu of Income Taxes Recoverable	840,970	1,311,168	386,168
Accounts Receivable	1,659,172	1,585,172	1,850,446
Unbilled Revenue	3,800,000	3,800,000	3,699,601
Prepayments	6,000	6,000	5,712
	<u>9,966,526</u>	<u>11,048,439</u>	<u>9,927,421</u>
<b>CAPITAL ASSETS</b>	<u>19,022,717</u>	<u>18,337,772</u>	<u>18,319,518</u>
<b>OTHER ASSETS</b>			
Regulatory Accounts	0	0	146,991
Due from St. Thomas Holding Inc.	11,579	11,579	11,579
	<u>11,579</u>	<u>11,579</u>	<u>158,570</u>
<b>TOTAL ASSETS</b>	<u><u>29,000,823</u></u>	<u><u>29,397,790</u></u>	<u><u>28,405,509</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	5,300,108	5,300,108	5,126,661
Payment in lieu of Income Taxes Payable			0
Dividends Payable	0	250,000	0
Regulatory Accounts	1,001,209	908,994	0
Due to St. Thomas Energy Services Inc. - current portion	0	0	1,166,402
Current Portion of Long-term Liabilities	100,000	100,000	109,165
	<u>6,401,318</u>	<u>6,559,103</u>	<u>6,402,228</u>
<b>LONG-TERM LIABILITIES</b>	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>
<b>CUSTOMER DEPOSITS</b>	<u>700,000</u>	<u>650,000</u>	<u>599,337</u>
<b>DUE TO ST. THOMAS ENERGY SERVICES INC.</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,731,634</u>
<b>TOTAL LIABILITIES</b>	<u>17,815,744</u>	<u>17,923,529</u>	<u>17,447,625</u>
<b>SHAREHOLDER'S EQUITY</b>			
<b>CAPITAL STOCK</b>	7,714,426	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	3,470,653	3,759,835	3,243,458
	<u>11,185,079</u>	<u>11,474,261</u>	<u>10,957,884</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>29,000,823</u></u>	<u><u>29,397,790</u></u>	<u><u>28,405,509</u></u>

***Attachment 12 (of 16):***

***Question 22***



**ST. THOMAS ENERGY INC.**

**PROJECTED STATEMENT OF CASH FLOW**  
Forecast/Budget

	<b>Budget 2007</b>	<b>Forecast 2006</b>	<b>Actual 2005 Audited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts & Cash Payments	1,816,863	1,721,941	5,692,338
Interest Received	90,000	90,897	122,818
Interest Paid	<b>-754,974</b>	<b>-789,306</b>	<b>-1,191,193</b>
Payment in Lieu of Income Taxes Paid	<b>-14,599</b>	<b>-1,435,918</b>	<b>-552,308</b>
	<hr/>	<hr/>	<hr/>
Cash Flows from Operating Activities	1,137,290	<b>-412,386</b>	4,071,655
	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Additions to Capital Assets	<b>-1,965,220</b>	<b>-1,222,528</b>	<b>-1,828,933</b>
Proceeds on Disposal of Capital Assets	0	0	0
(Increase)/Decrease in Regulatory Assets	92,215	1,055,985	<b>-361,707</b>
	<hr/>	<hr/>	<hr/>
Cash Flows from (used in) Investing Activities	<b>-1,873,005</b>	<b>-166,543</b>	<b>-2,190,640</b>
	<hr/>	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in Due to St. Thomas Energy Services	0	898,036	833,040
Increase/(Decrease) in Due to St. Thomas Holding Inc.	0	0	0
Increase/(Decrease) in Long-term Debt	0	0	0
Increase in Customer Deposits	50,000	41,498	39,940
	<hr/>	<hr/>	<hr/>
Cash Flows from (used in) Financing Activities	50,000	939,534	872,980
	<hr/>	<hr/>	<hr/>
<b>NET INCREASE IN CASH</b>	<b>-685,715</b>	360,605	2,753,995
<b>CASH, BEGINNING OF YEAR</b>	4,346,099	3,985,494	1,231,499
<b>CASH, ENDING BALANCE</b>	<b><u>3,660,385</u></b>	<b><u>4,346,099</u></b>	<b><u>3,985,494</u></b>

***Attachment 13 (of 16):***

***Question 22***

# 2006 Capital Budget - St. Thomas Energy Inc.

DECEMBER 31, 2006

## BUDGET

		BUDGET		
Year	Project	Gross Capital Budget	Contributed Capital - Budget	Net Capital Budget
2006	Rebuild poleline on Elm St. from Hepburn St. to Pinafore Park entrance.	127,096.00 0.00		127,096.00 0.00
2006	Replace 37 poles in backyards on south side of City	294,922.00 0.00		294,922.00 0.00
2006	Sub # 11 UG Feeder Cable Rreplacement	117,270.00		117,270.00
2006	Relocate existing pole line on Wellington from First Ave to Fairview Ave	246,032.00 0.00	(81,000.00)	165,032.00 0.00
2006	Replace 2400 UG tie cable on Forest Ave	113,747.01 0.00		113,747.01 0.00
2006	Voltage Conversion Aspen Dr (Rear yard west side)	23,634.50 0.00		23,634.50 0.00
2006	Timken Conversion - This project is tentative and could be Customer owned or Utility owned depending on agreement. Carried forward from 2005	310,520.00 0.00		310,520.00 0.00
2006	Weatherhead Plant Conversion - This project is tentative based on approval to proceed with Timken Project Carried forward from 2005	53,060.00 0.00		53,060.00 0.00
2006	Thermo-Comfort Plant Conversion - This project is tentative based on approval to proceed with Timken Project Carried forward from 2005	50,474.00 0.00		50,474.00 0.00
2006	Additional Breaker Position - This project is tentative based on approval to proceed with Timken Project Carried forward from 2005	0.00 0.00		0.00 0.00
2006	Feeder Egress at Edgeware TS - This project is tentative based on approval to proceed with Timken Project Carried forward from 2005	187,019.00 0.00		187,019.00 0.00
2006	Install UG system for residential subdivision	572,550.00 0.00	(220,000.00)	352,550.00 0.00
2006	Miscellaneous Capital Work - plant replacement	111,144.00		111,144.00
2006	Miscellaneous Capital Work - New UG svcs	72,923.00		72,923.00
2006	Miscellaneous Capital Work - New OH svcs	40,344.00	(5,252.00)	35,092.00
2006	Miscellaneous Capital Work - New commercial	90,077.00	(60,000.00)	30,077.00
2006	Capital Revenue Metering	26,100.00 0.00	(4,000.00)	22,100.00
2006	Capital Revenue Metering - SMART METERING	924,000.00		924,000.00
		<b>2,436,912.51</b>	<b>(370,252.00)</b>	<b>2,066,660.51</b>
<b>SUMMARY of STEI Capital Projects</b>				
<b>Project Type</b>				
<b>STEI Controlled Projects</b>		787,813.51	0.00	787,813.51
<b>Customer Demand Projects</b>		801,994.00	-289,252.00	512,742.00
<b>City Projects</b>		246,032.00	-81,000.00	165,032.00
<b>STEI Controlled Projects - Timken Related</b>		601,073.00	0.00	601,073.00
<b>Total</b>		<b>2,436,912.51</b>	<b>-370,252.00</b>	<b>2,066,660.51</b>

***Attachment 14 (of 16):***

***Question 22***

# ST. THOMAS ENERGY INC.

## STATEMENT OF OPERATIONS

	Budget 2006	Forecast 2005	Budget 2005 Year	% of Actual To Budget	Actual 2004 Audited	Actual 2003 Audited	Actual 2002 Audited	Actual 2001 Audited
<b>Revenues</b>								
Electrical Distribution System	\$6,264,315	\$6,050,714	\$5,696,900	106.21%	\$5,540,968	\$5,532,911	\$4,127,281	\$3,355,706
Other Operating	527,250	594,376	428,700	138.65%	474,306	447,564	652,992	370,786
Interest	30,000	41,889	40,000	104.72%	148,584	77,923	160,134	35,733
<b>Total Revenues</b>	<b>\$6,821,565</b>	<b>\$6,686,979</b>	<b>\$6,165,600</b>	108.46%	<b>\$6,163,858</b>	<b>\$6,058,398</b>	<b>\$4,940,407</b>	<b>\$3,762,225</b>
<b>Expenses</b>								
Electrical Distribution System	\$1,021,638	\$855,305	\$974,655	87.75%	\$929,649	\$775,842	\$930,793	\$1,006,089
Meter Reading, Billing & Collecting	962,157	1,122,516	817,321	137.34%	978,595	892,660	563,079	630,243
Community Relations	5,000	4,031	9,040	44.59%	956	2,709	1,929	36,660
Administrative & General	1,091,895	954,128	1,090,577	87.49%	850,707	944,431	1,343,415	870,235
Amortization	1,207,300	1,135,000	1,154,600	98.30%	1,074,900	1,029,192	988,309	923,973
Interest	599,296	581,796	587,300	99.06%	589,239	615,968	660,505	200,382
<b>Total Expenses</b>	<b>\$4,887,286</b>	<b>\$4,652,775</b>	<b>\$4,633,493</b>	100.42%	<b>\$4,424,046</b>	<b>\$4,260,802</b>	<b>\$4,488,030</b>	<b>\$3,667,582</b>
Net Income Before Taxes	\$1,934,279	\$2,034,204	\$1,532,107	132.77%	\$1,739,812	\$1,797,596	\$452,377	\$94,643
Loss on Sale of Capital Asset					(49,179)			
Extraordinary Item								99,410
<b>Net Income Before Taxes</b>	<b>\$1,934,279</b>	<b>\$2,034,204</b>	<b>\$1,532,107</b>	132.77%	<b>\$1,690,633</b>	<b>\$1,797,596</b>	<b>\$452,377</b>	<b>\$194,053</b>
Capital Taxes	\$100,000	\$100,000	\$100,000	100.00%	\$48,000	\$100,000	\$60,000	\$37,148
Income Taxes	773,712	813,682	612,800	132.78%	745,505	717,662	223,859	(48,550)
	\$873,712	\$913,682	\$712,800	128.18%	\$793,505	\$817,662	\$283,859	-\$11,402
<b>Net Income (Loss)</b>	<b>\$1,060,567</b>	<b>\$1,120,522</b>	<b>\$819,307</b>	136.76%	<b>\$897,128</b>	<b>\$979,934</b>	<b>\$168,518</b>	<b>\$205,455</b>
<b>Net Capital Expenditures</b>	<b>\$2,066,661</b>	<b>\$1,690,903</b>	<b>\$1,998,775</b>	84.60%	<b>\$1,354,887</b>	<b>\$1,823,616</b>	<b>\$1,698,742</b>	<b>\$1,587,331</b>
<b>Net Funds Available From Operations</b>	<b>\$201,206</b>	<b>\$564,618</b>						

***Attachment 15 (of 16):***

***Question 22***

**ST. THOMAS ENERGY INC.**  
**BALANCE SHEET**  
as at December 31st

<b>ASSETS</b>	<b>Budget 2006</b>	<b>Forecast 2005</b>	<b>Audited 2004</b>
<b>CURRENT ASSETS</b>			
Cash and Short-term Investments	2,682,417	1,570,757	1,231,499
Income Taxes Recoverable	(0)	710,454	710,454
Accounts Receivable	2,568,065	2,368,065	2,165,855
Unbilled Revenue	3,371,410	3,371,410	3,371,410
Prepayments	13,764	13,764	12,619
	<u>8,635,657</u>	<u>8,034,451</u>	<u>7,491,837</u>
<b>CAPITAL ASSETS</b>	<u>19,042,202</u>	<u>18,182,841</u>	<u>17,626,938</u>
<b>OTHER ASSETS</b>			
Due from St. Thomas Holding Inc.	11,579	11,579	11,508
	<u>11,579</u>	<u>11,579</u>	<u>11,508</u>
<b>TOTAL ASSETS</b>	<u>27,689,438</u>	<u>26,228,871</u>	<u>25,130,283</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	3,785,198	3,785,198	3,815,436
Regulatory Accounts	1,075,526	675,526	214,716
Due to St. Thomas Energy Services Inc. - current portion	200,000	200,000	1,038,617
Current Portion of Long-term Liabilities	109,165	109,165	133,700
	<u>5,169,889</u>	<u>4,769,889</u>	<u>5,202,469</u>
<b>LONG-TERM LIABILITIES</b>	<u>7,714,426</u>	<u>7,714,426</u>	<u>7,714,426</u>
<b>CUSTOMER DEPOSITS</b>	<u>602,757</u>	<u>602,757</u>	<u>534,863</u>
<b>DUE TO ST. THOMAS ENERGY SERVICES INC.</b>	<u>2,241,272</u>	<u>2,241,272</u>	<u>1,898,523</u>
<b>TOTAL LIABILITIES</b>	<u>15,728,345</u>	<u>15,328,345</u>	<u>15,350,281</u>
<b>SHAREHOLDER'S EQUITY</b>			
<b>CAPITAL STOCK</b>	7,714,426	7,714,426	7,714,426
<b>RETAINED EARNINGS</b>	4,246,667	3,186,100	2,065,576
	<u>11,961,093</u>	<u>10,900,526</u>	<u>9,780,002</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>27,689,438</u>	<u>26,228,871</u>	<u>25,130,283</u>

***Attachment 16 (of 16):***

***Question 22***



**ST. THOMAS ENERGY INC.**

**PROJECTED STATEMENT OF CASH FLOW**  
for the Year ending December 31st

	<b>Budget 2006</b>	<b>Forecast 2005</b>	<b>Audited 2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts & Cash Payments	3,510,875	3,450,843	3,847,179
Interest Received	30,000	41,889	148,584
Interest Paid	(599,296)	(581,796)	(589,239)
Payment in Lieu of Income Taxes Paid	(163,258)	(913,682)	(1,506,856)
	<u>2,778,321</u>	<u>1,997,254</u>	<u>1,899,668</u>
Cash Flows from Operating Activities	<u>2,778,321</u>	<u>1,997,254</u>	<u>1,899,668</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to Capital Assets	(2,066,661)	(1,690,903)	(1,354,887)
Proceeds on Disposal of Capital Assets	0	0	99,197
(Increase)/Decrease in Regulatory Assets	400,000	460,810	548,629
	<u>(1,666,661)</u>	<u>(1,230,093)</u>	<u>(707,061)</u>
Cash Flows from (used in) Investing Activities	<u>(1,666,661)</u>	<u>(1,230,093)</u>	<u>(707,061)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in Due to/from St. Thomas Energy Services	0	(495,868)	(1,073,332)
Increase/(Decrease) in Due to/from St. Thomas Holding Inc.	0	71	0
Increase/(Decrease) in Long-term Debt	0	0	(96,716)
Increase in Customer Deposits	0	67,894	(602,258)
	<u>0</u>	<u>(427,903)</u>	<u>(1,772,306)</u>
Cash Flows from (used in) Financing Activities	<u>0</u>	<u>(427,903)</u>	<u>(1,772,306)</u>
<b>NET INCREASE IN CASH</b>	1,111,660	339,258	(579,699)
<b>CASH, BEGINNING OF YEAR</b>	1,570,757	1,231,499	1,811,198
<b>CASH, ENDING DECEMBER 31</b>	<u><u>2,682,417</u></u>	<u><u>1,570,757</u></u>	<u><u>1,231,499</u></u>

**QUESTION 23**

**QUESTION**

Reference: Exhibit 1/Tab 4/Schedule 6, page 1

a) Please discuss all financing alternatives that the utility considered or explored with respect to the refinancing of the promissory note from the City.

b) Please explain fully why five-year debt at an effective rate of 9.43% was prudent in the economic circumstances prevailing in November 2010.

**RESPONSE**

a) Please refer to Exhibit 11, Tab 2, Schedule 22 to address some of the work surrounding the debt refinancing. In addition, STEI spoke with its current senior lender and had discussions with other senior lenders throughout 2010.

b) Please refer to Exhibit 11, Tab 2, Schedule 22 and Exhibit 11, Tab 1, Schedules 32, 33 and 34. STEI is not proposing the effective rate of 9.43% be used for the purpose of determining its cost of capital.

## QUESTION 24

### QUESTION

Reference: Exhibit 2/Tab 1/Schedule 1, page 3, Table 2-1-1 A

a) Please explain why sustainment spending was decreasing in each successive year beginning in 2007 and continuing through 2010.

### RESPONSE

This question is not clear as sustainment spending did not have a downward trend as suggested starting in 2007.

Exhibit 2, Tab 1, Schedule 1, Page 17 of 36 Table 2-1-1 Q shows the following:

Description	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Variance 09-10		Bridge 2010	Variance 10-11		Test 2011
					\$	%		\$	%	
Sustainment	\$938,367	\$657,929	\$896,261	\$791,749	\$108,904	-14%	\$682,845	\$684,068	97%	\$1,346,913
Pole Replacement Program	\$285,253	\$341,419	\$482,901	\$402,216	-\$213,806	-53%	\$188,410	\$211,590	112%	\$400,000
Voltage Conversion Program	\$613,741	\$188,144	\$337,195	\$386,436	\$107,998	28%	\$494,435	\$372,478	75%	\$866,913
Emergency Replacement Program	\$39,374	\$28,366	\$76,166	\$3,096	-\$3,096	-100%	\$0	\$80,000	100%	\$80,000

The year over year variances are clearly described for each program at Exhibit 2, Tab 1, Schedule 1, pages 17-35. The increases/reductions are summarized as follows:

2008 vs. 2007 - \$338,332 increase

\$140k increase – Pole replacements: Greater number and more complex poles replaced in 2008 vs. 2007.

\$150k increase – Voltage conversion: See details in evidence.

1 \$48k increase – Emergency replacement: A few bad storms occurred in 2008 that didn't  
2 occur in 2007.

3  
4 2009 vs. 2008 - \$104k decrease

5 \$80k decrease – Pole replacements: Fewer and less complex poles replaced in 2009  
6 vs. 2008.

7  
8 \$50k increase – Voltage conversion: This program was sacrificed to deal with the  
9 significant increase in New service work being performed in 2008.

10  
11 \$73k decrease – Emergency replacement: Minimal failures due to age and  
12 deterioration were experienced.

13  
14 2010 vs. 2009 - \$109k decrease

15  
16 \$214k decrease – Pole replacements: 2010 was the final year of the program. Again,  
17 fewer and less complex poles replaced in 2010 vs. 2009.

18  
19 \$108k increase – Voltage conversion: See details in evidence.

20  
21 \$3k decrease – Emergency replacement.

**QUESTION 25**

**QUESTION**

Reference: Exhibit 2/Tab 1/Schedule 1, pages 18-19

a) Please identify the contractor hired in 2006 and 2007 to inspect and test all wooden poles installed prior to 1990.

b) Please indicate whether the selected contractor inspected and tested all wooden poles that had been installed prior to 1990.

c) Please provide a copy of the terms of reference or RFP that was issued for the 2006-07 inspection and testing project.

d) Please provide a copy of the detailed summary of the pole testing results that was issued to STEI subsequent to the 2006-07 inspection and testing.

e) Please provide a copy of the pole replacement initiative that was introduced by STEI for the years 2006-10.

**RESPONSE**

a) Genics was the 3rd party contractor hired in 2006 and 2007 to inspect and test the wooden poles installed prior to 1990.

b) The contractor inspected and tested all wooden poles that STEI had knowledge of. Through this process data integrity errors had been discovered. As a result, it was discovered that roughly 1,000 poles should have been inspected and tested but were not.

1 c) A formal RFP was not issued. Discussions were held with a number of utilities  
2 performing this work back in 2006, undocumented reference checks were made and  
3 Genics was selected based upon their reputation, price point and quality of service.

4

5 d) A summary does not exist. The data is available in an excel file which STEI will  
6 provide in electronic form upon request.

7

8 e) The initiative is not formally documented in a report, but it is described at Exhibit 2 of  
9 the pre-filed evidence.

**QUESTION 26**

**QUESTION**

Reference: Exhibit 2/Tab 1/Schedule 1, page 24 and Exhibit 2/Tab 4/Schedule 5, Attachment 1, page viii (Executive Summary)

Preamble: The pre-filed evidence states that "*The ACA Report concluded that nearly \$3,000,000 should be spent to replace poles and transformers over the next 5 years to address age and deterioration issues.*"

a) Page viii of the ACA Report estimates that over the next 5 years, \$733K for transformer replacement and \$1.7M for pole investment are required. Are these figures the source of STEI's claim that nearly \$3M needs to be spent on these items over the next 5 years?

b) Has the competitive process commenced to find a 3rd party service provider to "inspect approximately 1,000 poles?" If so, please provide copies of any documentation issues or received by STEI in this respect.

**RESPONSE**

a) Yes, this is the source of the statement nearly \$3 Million needing to be spent within the next 5 years.

b) The competitive process for selecting the 3rd party service provider for pole testing and inspection has not yet commenced.

**QUESTION 27**

**QUESTION**

Reference: Exhibit 2/Tab 1/Schedule 1, page 24 and Exhibit 2/Tab 4/Schedule 5, Attachment 1, pages 43-50

Preamble: The pre-filed evidence states that *"In conjunction with the ACA, some gaps in data integrity surrounding the 2006-2007 Pole Inspection Program were identified. It was concluded that 1,000 additional poles should have been inspected. As such, pole replacement plans for 2011 include engagement of a 3rd party service provider through a competitive bidding process to inspect approximately 1,000 poles. Based on experience, it is anticipated that 10%, or roughly 100 poles, will require immediate attention."*

a) Please provide details with respect to the conclusion that 1,000 additional poles should have been inspected in 2006-2007, including the detailed reasons underpinning this conclusion and the reasons and responsibility for not initially inspecting these additional poles in 2006-2007.

b) Is it STEI's experience that 10% of poles inspected generally require replacement? Please elaborate with respect this estimate.

**RESPONSE**

a) This work assignment was performed by an Engineer who left STEI after the work was assigned but before the results were received from the contractor. This Engineer had a comprehensive database of poles in his possession; however, it is not clear as to why this database was not used in assigning work to the contractor. The pole inspection contractor was issued paper maps showing poles by section of the City to be tested and inspected. A comparison between the inspection data received from the contractor and



1 this pole database was conducted in 2009. Please refer to the attachment which  
2 summarizes the number of poles not tested by age of pole. A resultant figure of 1,057  
3 poles not tested is evident by adding the values contained in Cells B4 (# poles installed  
4 in 1933) through B57 (# poles installed in 1995).

5  
6 b) Based upon STEI's experience from the 2006-2007 inspection results it is anticipated  
7 that 10% of the 1,000 poles will require replacement. The inspection data provided at  
8 Exhibit 11, Tab4, Schedule 24, part d shows that 6.4% (114 of the 1,775) of the poles  
9 inspected required replacement and 56% (956 of the 1,775) of the poles inspected  
10 required some form of internal/external treatment.

11

**QUESTION 28**

**QUESTION**

Reference: Exhibit 2/Tab 1/Schedule 1, Attachment 2

a) Please explain how the Contributions and Grants amount of \$251K was estimated for 2011.

b) Please confirm that the estimated Contributions and Grants for 2011 is smaller than the corresponding credits for each year starting in 2005. If unable to so confirm, please explain.

**RESPONSE**

a) 2011 Capital contributions are found in Exhibit 2, Tab 1, Schedule 1, Table 2.1.1. I (Page 10, Line 1) and in Exhibit 2, Tab 1, Schedule 1, Table 2.1.1 P (Page 16, Line 4).

A summary of the 2011 Capital contributions are as follows: \$200k New Services (\$100k new subdivisions + \$100k New or upgraded services) + \$51k Roadwork.

New subdivision contributions (\$100k) are forecasted using historic percentages (i.e. normally 50% of the capital spend are contributed by the developer). The details are provided in Exhibit 2, Tab 1, Schedule 1, page 9 of 36, lines 10-12.

The forecasted figures for New/Upgraded services (\$100k) are assumed to be equal to that of 2010; please see Exhibit 2, Tab 1, Schedule 1, page 9 of 36, lines 13-15.

Municipal road work forecasts are based upon 50% labour and trucking of planned roadwork projects. For details please refer to Exhibit 2, Tab 1, Schedule 1, pages 15-16 of 36, starting on line 10.

1 b) We cannot confirm the estimate contributions for 2011 are smaller than the  
 2 corresponding credits for each year starting in 2005. The following table provides a  
 3 breakdown of historic and forecasted capital contributions:

4

Year	New Services	Roadwork	Total
2006	650,575	38,858	697,496
2007	1,254,074	104,312	1,358,386
2008	695,903	31,519	727,422
2009	249,742	-7,000	265,431
2010	294,545	7,454	302,000
2011	200,000	51,000	251,000

5

6 Capital contributions are entirely driven by non-discretionary projects such as New  
 7 Services, New subdivisions, service upgrades and municipal road work projects. With  
 8 the economic downturn in 2008 there has been little residential growth in STEI's service  
 9 territory. This downward trend in economic development is mirrored in the declining  
 10 capital contributions displayed in the above table starting in 2009 and are forecasted to  
 11 continue into 2011 and beyond.

**QUESTION 29**

**QUESTION**

Reference: Exhibit 2/Tab 4/Schedule 5, Attachment 2, page 17, Table 5.1

a) For each row in the referenced table, please indicate how long the maintenance cycle has been in effect and also provide the maintenance cycle that was in effect prior to the current standard.

**RESPONSE**

The chart referenced in Exhibit 2, Tab 4, Schedule 5, Attachment 2, page 17, Table 5.1 is based upon the Ontario Energy Boards Distribution System Code "Appendix C – Minimum Inspection Requirements" as they pertain to Distribution inspection standards and the related inspection cycles.

STEI and its predecessor companies have been performing the documented system inspections long before deregulation (i.e. year 2000), documentation of the origin of inspection cycles could not be found however, employees whose tenure exceeds 30 years can attest to this practice. The only modification to this table post- 2000 was the addition of the "Poles and Structures...wood rot test" (i.e. the 2nd row from the bottom). This practice was introduced in 2006 and the row was added sometime in 2008 or 2009 as a result of an ISO 9001 Quality Audit, where the auditor noted the gap in that the practice was not documented in this chart.

**QUESTION 30**

**QUESTION**

Reference: Exhibit 4/Tab 1/Schedule 1, page 2

a) Regarding the incremental costs of \$60,357 associated with the return of one employee from the Smart Meter project to normal customer service activities for the full year in 2011, please (i) explain who was performing the tasks associated with the returning employee in her absence, (ii) explain why these costs are incremental, (iii) the length of time this employee spent in 2010 – and in any prior year – on the Smart Meter project and (iii) indicate how many months of a year the \$60,357 in compensation and benefits refers to.

b) Regarding the \$76,014 primarily attributed to corporate governance training for STEI's Board of Directors, please (i) provide a comprehensive breakdown of this amount, (ii) explain why ratepayers should be responsible for the costs of training the utility's Board of Directors, and (iii) provide the total costs included in the 2011 revenue requirement associated with the utility's Board of Directors.

**RESPONSE**

a) Below are the responses associated with the \$60,357 increment

i) On a temporary basis any overflow in supervisory matters regarding customer service activities was handled by the next senior member of the Customer Service group.

ii) It was considered necessary to have a member of STESI Staff lead the project on site on behalf of STEI. The costs are incremental because we had additional help with contract employee at a lower cost in 2010. The return of the employee

1 in 2011 represents return of costs. Not all functions handled by the senior  
2 member were addressed in 2010 and the employee is catching up in 2011.

3

4 III) This employee's time was charged on the Smart Meter project for the 2010  
5 year.

6

7 iii) Works out to an average of about 17 hours per week over the 12 month  
8 period.

9

10 b) Please refer to Exhibit 11, Tab 1, Schedule 26.

1 **QUESTION 31**

2  
3 **QUESTION**

4 Reference: Exhibit 4/Tab 2/Schedule 3, page 1

5 a) Please provide details with respect to the following cost estimates: (i) the \$62,400  
6 claimed in deferred 2010 costs, and (ii) the \$100,000 claimed for legal services. In  
7 particular, please provide evidence that these costs were incremental, have been  
8 accurately estimated and prudently incurred, and contain no overlap with respect to any  
9 other costs already claimed including internal and external costs such as the 3rd party  
10 consulting expenses also claimed for recovery in this application.

11 **RESPONSE**

12 a) Please refer to Exhibit 11, Tab 1, Schedule 23 and Exhibit 11, Tab 2, Schedule 19.  
13 The responses referred to, in regards to the above items, contain no overlap with  
14 respect to any other costs already claimed.  
15

**QUESTION 32**

**QUESTION**

Reference: Exhibit 4/Tab 2/Schedule 7, page 1

a) Please explain how the utility determined that the compensation for the Director, Regulatory Affairs – proposed for recovery in the 2011 revenue requirement – is prudent and appropriate.

b) Please provide full details as to how the successful applicant for this position was recruited by the utility.

c) Please provide the cv of the successful applicant for this position.

d) Please explain why this position was not required for previous rebasing applications.

**RESPONSE**

a) Please refer to b) and c) below.

b) No recruitment was necessary, the position was filled from within STESI.

c) The Regulatory position was created in 2010 due to a re-organization of the Affiliate Companies that placed more emphasis on meeting the growing regulatory needs of STEI. A new CFO position was created and filled through a recruitment process for St. Thomas Holdings Inc. to place more emphasis on overseeing all financial affairs of the entire organization. As a result of these changes the CFO position in STESI was no longer required. The Regulatory position was offered and accepted by the former CFO of STESI who had handled regulatory matters in the past. The former CFO has 30 plus years of work experience in the Utility Industry having worked for several LDCs in



1 various capacities involving financial and regulatory matters amongst other  
2 responsibilities. The cv of the Director, Regulatory Affairs is attached.

3  
4 d) Previous rate applications, save and except the 2006 application, were of a simpler  
5 mechanistic process compared to the current application that could be managed better.  
6 However more often than not consultants provided ongoing support over many years to  
7 assist in preparation of rate applications and to assist in other regulatory matters. The  
8 regulatory activities of STEI have become very burdensome.

9  
10 Please refer to Exhibit 11, Tab 1, Schedule 24 and Exhibit 11, Tab 3, Schedule 19.

***Attachment 1 (of 1):***

***Question 32***

# Dana A. Witt CGA

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## Education

1973 Waterloo Collegiate – Grade 12  
1975 Conestoga College Business Program – Marketing  
1986 Certified General Accountant (CGA)

## Professional experience

### **2010 – St. Thomas Energy Services Inc. Director, Regulatory Affairs**

- Direct Report to Chief Financial Officer
- Manage all regulatory activities of St. Thomas Energy Inc.

### **2002 – 2010 St. Thomas Energy Services Inc. Chief Financial Officer**

- Direct Report to President/Chief Executive Officer
- On Senior Management Team
- Attend Board Meetings
- Direct Finance and Customer Service Activities
- Internal Monthly Financial Statement Reporting to Boards & Staff
- Direct Regulatory Filing Requirements
- Capital & Operating Budget Development & Presentation
- Develop and Monitor Internal Control Policies
- Coordinate Activities for the Yearly External Audit Process

### **1976 – 2002 Various Locations and Positions in the Electric Utility Industry**

Waterloo North Hydro, Junior Accountant 1976 to 1982  
Grimsby Hydro, Office Manager/Treasurer 1982 to 1987  
Barrie Public Utilities Commission, Chief Accountant 1987 to 1991  
Lindsay Hydro Electric Commission, Secretary-Treasurer 1991 to 2001  
Middlesex Power Distribution Corp, Director of Finance 2001/2002

- Supervision of Office Staff
- Direct Finance Activities
- Direct Customer Service Activities
- Direct Information System Activities
- Capital & Operating Budget Development/Presentation
- Coordinate Activities for the Yearly External Audit Process
- Tendering of Special Services – Insurance, Banking, Employee Benefits, Meter Reading, Auditing

**Other activities**

Electric Industry - Executive Development Program & Frontline Leadership Program  
Attended Seminars on Legal, Financial, Rate Regulations, Customer Service, Human Resources, Insurance and Information Technology

Served on Provincial and District Committees of the former Municipal Electric Association (now Electric Distributors Association (EDA)):

Utility Accounting and Finance Committee  
Business Administration Conference Committee  
Accounting and Office Practices Committee

1 **QUESTION 33**

2  
3 **QUESTION**

4 Reference: Exhibit 4/Tab 2/Schedule 7, page 2

5 a) Please provide specifics with respect to the 40% allocation of the costs of the  
6 Financial Analyst to the utility.

7  
8 b) Please indicate the allocation of the costs of the Financial Analyst to all other entities  
9 to which these costs were allocated.

10  
11 c) Will this position of Financial Analyst be required after the conversion to IFRS is  
12 completed?

13 **RESPONSE**

14 a) Please refer to Exhibit 11, Tab 1, Schedule 24, part b.

15  
16 b) The remaining 60% is allocated to STEI's other affiliate companies.

17  
18 c) Yes, please refer to a) above. STEI expects to be able to continue with the process  
19 re-engineering beyond 2011.

**QUESTION 34**

**QUESTION**

Reference: Exhibit 1/Tab 2/Schedule 3 & Attachments 1 and 2

a) Please provide a list of actual 2010 projected 2011 and 2012 services and payments to St Thomas Holdings Inc.

b) Please provide a list of STEI directors and note whether they are City or STHI appointed or independent and the aggregate reimbursement paid by STEI to Directors in 2010-2012

c) Please provide an indication of the affiliations and reimbursement of the Executive staff shown in attachment 2 (2010 actual and projected 2011 and 2012)

d) Please list all 2010 actual 2011 and 2012 projected costs/expenses (high level of granularity)

i. Payments to STHI under the MSA

ii. Payments to/from affiliates not under MSA (include STHI)

iii. Payment to third parties

e) Regarding the statement that "*Overall it is believed that STEI has benefitted from the current organizational structure and the relationship it has with STESI,*" please list all reasons and if possible tangible benefits to ratepayers, from the current Corporate Structure.

**RESPONSE**

St. Thomas assumes that this interrogatory mistakenly asked for information on the years 2010, 2011 and 2012. As such, the answers provided are based on 2009, 2010

1 and 2011. In any event, St. Thomas does not have the requested information for 2012 at  
2 this time.

3  
4 a) The 2009 payment to St. Thomas Holding Inc. ("STHI") was \$1,500,000 in dividends  
5 as outlined in the 2010 audited financial statements (Exhibit 11, Tab 2, Schedule 3,  
6 Attachment 1). In 2010, the dividends were \$500,000 and it is budgeted that the board  
7 will approve \$500,000 total dividends in 2011.

8  
9 b) Please refer to Exhibit 11, Tab 3, Schedule 3. The City Council has the final approval  
10 (through ratification) on the board members for STEI based on the selections made by  
11 the board members of STHI. Please refer to Exhibit 11, Tab 4, Schedule 21. This  
12 annual payment of \$3,000 per Director in 2009 is unchanged in 2010 and is budgeted to  
13 remain the same in 2011.

14  
15 c) STEI does not pay any Executive Salaries. The payroll for the executive is made by  
16 STESI. Services of Executive are provided under the MSA except as noted at Exhibit  
17 11, Tab 1, Schedule 24, part (a).

18  
19 d) As with our responses earlier, we believe the question is for 2009 actual, 2010  
20 forecast and 2011 budget.

21  
22 i) Zero. Please refer to response to a)

23 ii) Please refer to table below which outlines all payments made by STEI to  
24 STESI.

25

**ST. THOMAS ENERGY SERVICES INC.**  
**STATEMENT OF EARNINGS - STEI Relationship Only**  
**Period ended December 31**

	<b>2011 Budget</b>	<b>2010 Forecast</b>	<b>2009 Actual</b>
<b>Revenues</b>			
Energy - MSA	2,303,638	2,331,026	2,367,330
Energy - Non-MSA	1,994,337	1,291,607	1,636,204
Energy - Regulatory (Including Smart Meter)*	1,729,050	2,927,649	-
Energy - Capital	2,230,159	1,403,246	1,266,180
<b>Total Revenues</b>	<b>8,257,184</b>	<b>7,953,528</b>	<b>5,269,714</b>

\* Majority represents work done for Energy on Smart Meter Project. Cost were not material in prior years

iii) Apart from payments made for cost of power to IESO, payments to retailers, payments/refunds to customers, there is very little that is paid directly STEI. Specifically, STEI makes payments to the external auditor, the bank (fees, Standby L/C fees and interest), board members and interest payments to the City of St. Thomas.

e) Please refer to Exhibit 11, Tab 4, Schedule 19 and to Exhibit 1, Tab 2, Schedule 4, Attachment 2.



**QUESTION 35**

**QUESTION**

Reference: i) Exhibit 1/Tab 2/Schedule 3, Attachment 1 ii) Exhibit 1/Tab 2/Schedule 4

Preamble: STEI does not have any material transactions with any other affiliated company controlled by STHI.

a) Please provide a summary of all costs incurred by STHI in 2010(actual) 2011 and 2012 projected and how (method) these ("common"?) costs are allocated to affiliates, including specifically those shown on attachment shown in Attachment 1 E1T2S3

b) Please provide details of all costs (2010-2012) related to water services for the City of St Thomas

c) Given the growth of affiliates (2008+) provide details of how the following costs are/will be allocated and the results (2010-2012)

i. Shared Employees

ii. Shared Assets

iii. Shared A&G costs

Provide a full description of the method(s) of allocation (time studies cost drivers direct allocation etc.

d) How are priorities for use of common equipment and personnel determined on a day to day basis (i.e., describe system in some detail).

**RESPONSE**

a) Costs incurred by STHI are not applicable to STEI. As indicated at Exhibit 11, Tab 4, Schedule 34, the expenses with affiliates are outlined. In addition, related party information is disclosed in the notes to the audited financial statements.

b) Water services are provided by STESI and not STEI. Please refer to the audited financial statements of STESI included in the March 25, 2011 supplemental filing.

c) STEI's relationship is with STESI only. Please refer to Exhibit 11, Tab 4, Schedule 34.

d) STESI's priority is to service STEI first and its other customers secondarily. STESI's other customers have the STESI resources scheduled to address the service needs throughout the regular scheduled activities that STESI completes on behalf of STEI. As indicated, if there is any conflict, then STEI is given priority.

**QUESTION 36**

**QUESTION**

Reference: Exhibit 1/Tab 2/Schedule 4, Attachment 1 (Master Service Agreement)

a) Provide a schedule listing the costs charged to STEI for the 19 services listed in Article 3 Section 3.01 of the MSA

b) Is a Service schedule executed each year in accordance with ARC requirements? If not why not?

c) Provide the authorities required for activities under Section 3.02 Capital Construction and indicate whether these persons are employees of STEI or STHI

d) Provide historic bridge year and test year capital budgets for STEI.

e) Provide summary information of procurement (tender etc) and transfer pricing, including any/all markups by STHI)

f) Provide a list of the (main )applicable standards of performance and Serveco's performance/achievement as set out in section 3.03.

g) Provide the historic and projected Base Financial Consideration as set out in Article 5 (1999-2012) provide the associated customer count and show how changes in the Base amount has changed due to customer count and in total

h) List all non-rate regulated activities performed by STHI either on behalf of STEI or its affiliates. Provide the costs for 2010-2012. Include water heater sales, rentals, water meter reads and all related billing activities.

i) Provide details of the ownership and operation of the CIS used to provide services to STEI and other affiliates

j) List all direct costs as per section 5.01 for 2010 actual and projected 2011-2012

## RESPONSE

a) Please refer to Exhibit 11, Tab 4, Schedule 34. STEI does not receive the itemized detail as requested in the question and the information is not available in STEI's financial information.

b) We do not know which ARC requirement is being referred to.

c) STEI's board approves the capital budget at the time that the annual budget is approved. Any material changes are brought before the board except as indicated under 3.02 (c). The Board approved plan is then provided to STEI to complete during the year.

d) Please refer to Exhibit 2, Tab 4 for discussion surrounding the Capital of STEI. Please also refer to Exhibit 11, Tab 4, Schedule 22.

e) Please refer to Exhibit 4, Tab 6, Schedule 1 of the Cost of Service Application. STEI does not charge expenses to STEI.

f) STEI believes that standards set out under 3.03 (a), (b) and (c) have been achieved based on performance under standards set out by the bodies identified in the agreement. Please see Exhibit 11, Tab 4, Schedule 36, Attachment 1 and Attachment 3 for information provided to the Board in 2010. In addition, a customer survey is completed every second year and the survey completed in 2010 indicated improvement over the 2008 survey in the areas of customer service and ranked very high versus the peer group. Please see Exhibit 11, Tab 4, Schedule 36, Attachment 2 for a summary memo

1 regarding the 2010 survey. Item 3.03 (d) is achieved under the MSA fixed fee and  
2 through efforts to achieve efficiency through all other activities in the relationship.

3  
4 g) Please refer to Exhibit 11, Tab 2, Schedule 2, Attachment 1.

5  
6 h) STHI does not have any non-regulated activities completed on behalf of STEI. Other  
7 activities listed in the question are completed by STESI and are not part of the  
8 relationship with STEI. STEI believes that there has been sufficient information provided  
9 on STESI as part of the March 25, 2011 supplemental filing.

10  
11 i) The CIS system is a Harris Northstar program which is paid for by STESI. The costs  
12 of the software are shared with other LDC's in Ontario through the Utility Collaborative  
13 Services Inc. Please refer to the following web address for more information regarding  
14 the group:

15  
16 <http://www.ucsportal.ca/index.php>

17  
18 The CIS system is used by STESI only and is not utilized, in any way, by any other  
19 affiliate controlled by STHI.

20  
21 j) Please refer to Exhibit 11, Tab 4, Schedule 34 for the information for the period 2009  
22 through to 2011 inclusive. This outlines all costs paid by STEI to STESI.

***Attachment 1 (of 3):***

***Question 36***

## MEMORANDUM

Date: September 1, 2010  
To: St. Thomas Energy Inc. Board of Directors  
From: Shawn Filice, Chief Operating Officer  
Cc: St. Thomas Energy Services Inc. and St. Thomas Holding Inc. Boards of Directors  
SUBJECT: CEA Reliability Report

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**In 2009, St. Thomas Energy Inc. (STEI) ranked within the top 5 of all international companies participating in the Canadian Electricity Association (CEA) System Reliability Study.**

STEI has participated in the CEA System Reliability Study for over 10 years. This study takes the form of an annual report prepared by the CEA and presents a statistical summary of distribution system performance for the year, for each participating utility. The 2009 results were recently released and are summarized herein.

The study provides a tool to benchmark STEI's system reliability compared to other Canadian and International utilities. System reliability statistics are also reported annually to the Ontario Energy Board (OEB) as part of its Service Quality Indicators.

System reliability, customer interruptions and response time have always been a high priority and a very important responsibility of the utility and staff. This CEA report provides a measure of STEI's success in this area and benchmarks the performance relative to others in the industry.

Included are copies of several pages from the CEA report for information and review. Please note that information pertaining to other utilities is confidential and for internal use only. A composite report is available, which has all utility specific data removed and can be used in the public domain.

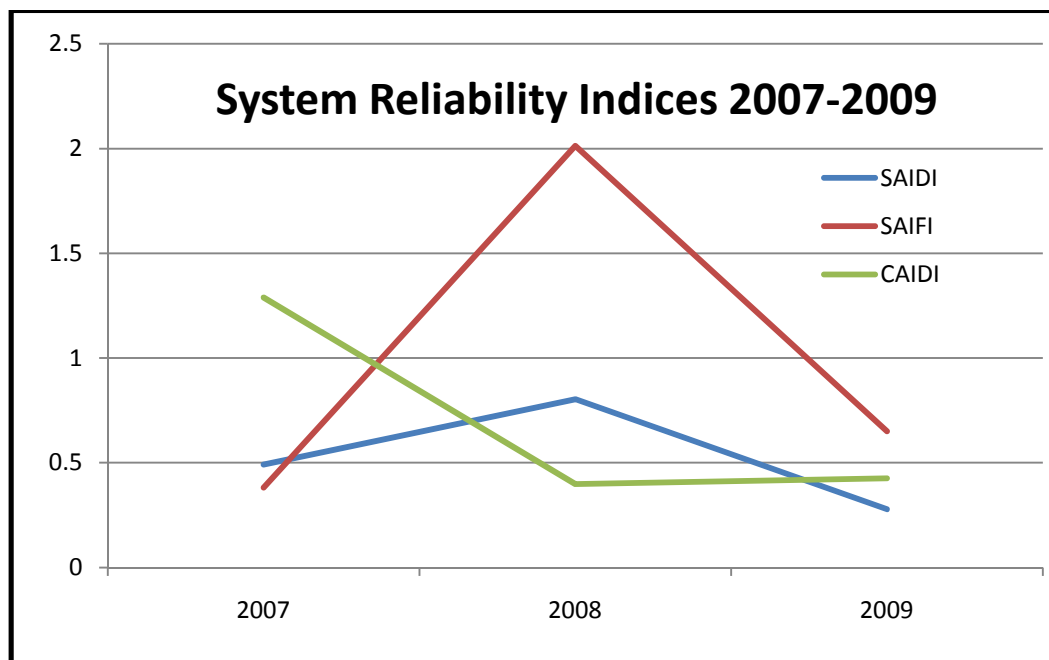
The attached sections include:

- definitions used in the report (pg 2 &3)
- Table 3.1 (pg 16) & Table 3.1A (pg 17) - General Distribution System Statistics for each Utility
- Table 3.2 (pg 18) – overall Interruption Statistics for all participating Canadian utilities
- A visual comparison is provided in the bar graphs on the remaining pages attached. The graphs on pages 21 to 24 compare all participating utilities, both Canadian and International. The graphs on pages 45 to 47 compare only Canadian “urban” utilities.

As is depicted in the excerpts from the CEA report, when compared to the other participating utilities, the effort made by St. Thomas Energy Inc. and St. Thomas Energy Services Inc. has resulted in an exceptional level of system reliability. This is a result of the utility taking a pro-active approach to system maintenance, a scheduled capital replacement program and having well trained and qualified staff equipped with the necessary equipment.

The following table and graph depicts a three-year comparison of STEI's reliability statistics. It should be noted that the higher SAIDI and SAIFI values in 2008 were attributed to two significant outages due to loss of supply from Hydro One. Loss of supply occurs upstream of STEI owned facilities and is out of the direct control of any actions STEI can undertake to mitigate them.

CEA Reliability Statistics			
Reliability Indices	Year		
	2009	2008	2007
SAIDI	0.2770	0.803217	0.490855
SAIFI	0.6499	2.013597	0.380833
CAIDI	0.4263	0.398897	1.288898
Index of Reliability	0.999968	0.999908	0.999943



**RECOMMENDATION:** The CEA Reliability Report Summary has been approved by the President & CEO for distribution to the Board, for information purposes.



**QUESTION 37**

**QUESTION**

Reference: Exhibit 1/Tab 2/Schedule 4 and Attachment 2

a) Provide copies of all correspondence between STHI STESI and STEI and The Office of the OEB Chief Compliance Officer.

b) Provide a detailed status report on the status of STHI STESI and STEI compliance with the ARC

**RESPONSE**

a) Please refer to the Exhibit 11, Tab 4, Schedule 37, Attachments 1 through 5 for all correspondence other than what has already been included in Exhibit 1, Tab 2, Schedule 4, Attachment 2.

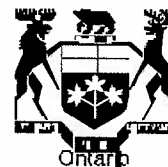
b) There has been no further correspondence beyond what has been provided under a).

***Attachment 1 (of 5):***

***Question 37***

Ontario Energy  
Board  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
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Commission de l'Énergie  
de l'Ontario  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



Compliance Office

March 17, 2006

File No.: MI20050245

Mr. Brian Hollywood  
President and CEO  
St. Thomas Energy Inc.  
135 Edward St.  
St. Thomas, ON  
N5P 4A8

Dear Mr. Hollywood:

**Re: Compliance with the Affiliate Relationships Code**

I am writing in relation to the material you submitted in response to a number of questions that Compliance staff posed in a previous letter to you with regards to compliance with the Affiliate Relationships Code for Electricity Distributors and Transmitters (the "Code").

As you know, the Compliance Office has been gathering information from a number of licensed distributors in order to assess overall compliance with the Code. Based on the information you have provided, I have identified certain areas of concern in regard to St. Thomas Energy Inc.'s ("STEnergy") relationship with St. Thomas Energy Services Inc. ("STEServices") and compliance with the Code. This letter outlines those concerns and identifies areas where action is required by STEnergy in order to come into compliance with the Code.

**Distributor Management and Control**

Your electricity distribution licence includes the following authorization:

- 3.1 *The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this licence:*

- a) *to own and operate a distribution system in the service area described in Schedule 1 of this Licence;*

Your distribution licence authorizes STEnergy to own and operate a distribution system. STEnergy is the only entity licensed to both own and operate your distribution system. As such, STEnergy is solely responsible for the operation of its distribution system and for ensuring that STEnergy's operations comply with all applicable legal and regulatory requirements. It is my view that this requires that STEnergy have at least one employee who has responsibility and authority for managing the operations of STEnergy and for ensuring that STEnergy's distribution system is operated in accordance with those legal and regulatory requirements. It is also my view that, as a result of section 2.2.3 of the Code, such management employee cannot be shared with any affiliate.

You provided information that STEnergy has no employees. All employees providing management of distribution services within the service area of STEnergy are employees of STEServices.

Therefore, operational management and decision-making for STEnergy is carried out by STEServices employees. However, as the sole entity licensed to both own and operate your distribution system, STEnergy must for the reasons noted above have at least one employee who has the responsibility and authority to make decisions regarding the operation of the distribution system and who is not shared with an affiliate.

### **Is STEServices an Energy Service Provider ("ESP")?**

The Code defines an ESP as:

*A person, other than a utility, involved in the supply of electricity or gas or related activities, including retailing of electricity, marketing of natural gas, generation of electricity, energy management services, demand-side management programs, and appliance sales, service and rentals.*

Certain sections of the Code are limited in their application to the relationship between a distributor and an affiliate that is an ESP. For the purposes of this review, it is therefore necessary to determine whether STEServices is an ESP.

You have presented the opinion that STEServices is not an ESP. This opinion is based on the fact that STEServices is not an energy retailer. However, you have also reported that STEServices provides electric water heaters; as well as billing, distribution maintenance and metering services to other distributors and third parties in the competitive marketplace both inside and outside your service area.

A key element of the Code definition of the term “ESP” is the reference to involvement “*in the supply of electricity ... or related activities*”. The definition is not limited to retailing or appliance rental activities, which are cited as examples only. It is my view that the provision of services such as water heater rentals are activities involved in and related to the supply of electricity. Similarly, I consider any affiliate that is involved in the provision of distribution services to be an ESP.

Accordingly, it is my view that STEServices is an ESP. Therefore, STEnergy must, in its relationship with STEServices, adhere to the provisions of the Code that address the relationship between a distributor and an ESP affiliate.

### **Equal Access to Services**

Section 2.5.1 of the Code states that:

*A utility shall not endorse or support the marketing activities of an affiliate which is an energy service provider. A utility may include an affiliate as part of a listing of alternative service providers, but the affiliate's name shall not in any way be highlighted.*

Section 2.5.3 of the Code states that:

*A utility shall take all reasonable steps to ensure that an affiliate does not use the utility's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between the utility and affiliate.*

STEnergy shares a website ([www.sttenergy.com](http://www.sttenergy.com)) with STEServices. This website contains information about STEnergy's rates, services and billing. It also describes the services of STEServices. There are few references to STEnergy on the website and the contact information is all to STEServices.

Given the absence of any real distinction between STEnergy and STEServices (and their respective services) on this shared website, it is my view that STEnergy is supporting or endorsing STEServices' marketing activities contrary to section 2.5.1 of the Code. In addition, a person perusing the shared website would be unable to distinguish between STEnergy and STEServices (and the services provided by each). By providing a specific reference to STEnergy's Conditions of Service under the website name of STEServices, it is my view that STEnergy is allowing STEServices to use STEnergy's name in a manner which would mislead consumers as to the distinction between STEnergy and STEServices. This is contrary to section 2.5.3 of the Code.

In order to come into compliance, STEnergy must take steps to ensure that STEServices does not use STEnergy's name, logo or other distinguishing characteristics in a manner that would mislead consumers as to the distinction between STEnergy and STEServices. STEnergy must also ensure that its communications do not endorse or support STEServices' marketing activities. In particular, it is my expectation that STEnergy will:

- ensure that all communications to consumers that relate to distribution activities clearly identify STEnergy as the service provider, and do not direct consumers to STEServices (or to a shared website where STEnergy is indistinguishable from STEServices);
- if it wishes to maintain a website as a source of information for current or potential distribution customers, ensure that the website is independently accessible from that of STEnergy's affiliates, such that a customer may visit the site without visiting the sites of STEnergy's affiliates; and
- ensure that the website of any affiliate does not use STEnergy's name, logo or other distinguishing characteristics in a manner that would mislead consumers as to the distinction between STEnergy and STEServices.

### **Sharing of Employees and Confidential Information**

Section 2.2.3 of the Code states that:

*A utility may share employees with an affiliate provided that the employees to be shared are not directly involved in collecting, or have access to, confidential information.*

Section 2.2.4 of the Code states that:

*A utility shall not share with an affiliate that is an energy service provider employees that carry out the day-to-day operation of the utility's transmission or distribution network.*

Section 2.6.2 of the Code states, in part, that:

*A utility shall not disclose confidential information to an affiliate without the consent in writing of the consumer, retailer or generator, as the case may be, except where confidential information is required to be disclosed:*

*(a) for billing or market operation purposes;*

The Code defines confidential information as:

*“information the utility has obtained relating to a specific consumer, retailer or generator in the process of providing current or prospective utility service.”*

You have stated that STEnergy has no employees and, therefore, there is no employee sharing between STEnergy and STEServices for the purpose of the Code. For the purposes of assessing compliance with the employee sharing provisions of the Code, I consider an employee of an affiliate that is involved in providing distribution services for the distributor to be shared with the distributor. In other words, I do not consider it necessary for an employee to have an employment relationship with both the distributor and the affiliate in order to be considered a shared employee within the meaning of the Code.

In order to comply with the employee sharing restrictions of the Code, a distributor must ensure that shared employees who have access to confidential information or carry out the day-to-day operation of the distribution network are not involved in the affiliate's unregulated activities in the distributor's licensed service area. The distributor must also ensure that shared employees that have access to confidential information or carry out the day-to-day operation of the distribution network are physically separated (in the manner described in the following section) from employees who provide unregulated services within the distributor's licensed service area.

Based on the information provided, STEServices staff is involved in providing distribution services for STEnergy and are also involved in providing unregulated services within STEnergy's licensed service area. It is therefore my view that STEnergy is not in compliance with the employee sharing provisions of the Code.

In order to come into compliance, STEnergy must take steps to ensure that STEServices staff who have access to confidential information or carry out the day-to-day operation of STEnergy's distribution network are not involved in the provision of STEServices' unregulated services within your licensed service area, and that such staff are physically separated from staff involved in the provision of such unregulated services.

As I have concluded under the “Distributor Management and Control” section of this letter, STEnergy must have at least one employee that has responsibility and authority to make decisions regarding the operation of the distribution system. Once STEnergy becomes compliant with that requirement, it must also ensure that there is adequate physical separation between STEnergy's operations and the operations of STEServices.

## **Transfer Pricing**

Section 2.3.2 of the Code states that:

*In purchasing a service, resource or product from an affiliate, a utility shall pay no more than the fair market value. For the purpose of purchasing a service, resource or product a valid tendering process shall be evidence of fair market value.*

Section 2.3.3 of the Code states that:

*Where a fair market value is not available for any product, resource or service, utilities shall charge no less than a cost based price, and shall pay no more than a cost based price. A cost based price shall reflect the costs of producing the service or product, including a return on invested capital. The return component shall be the higher of the utility's approved rate of return or the bank prime rate.*

You have reported that the pricing mechanism for all services provided by STEServices to STEnergy is set out in Article 5 of the Services Agreement. The pricing for services is based on a base financial consideration (from 1999 costs) to be adjusted annually based on customer count and PBR-related factors. Pricing for capital construction is based on STEServices' actual costs. You have also stated that STEServices is currently identified as a preferred bidder to provide a range of services to other utilities. The pricing structure used by STEServices for third party work is set in the same manner as that used to bill STEnergy for similar services. STEServices is being awarded third party contracts on the basis of this pricing structure. The fact that STEServices' pricing structure for third party work mirrors STEServices' pricing structure for services purchased by STEnergy combined with an annual audit process to validate price has lead you to conclude that STEnergy is purchasing services at fair market value.

In my view, in order to comply with the transfer pricing provisions of the Code, a distributor must take the following steps in determining the price to be paid for services that may be purchased from an affiliate:

1. Once it decides to contract for a service, the distributor must determine whether or not a market for the service exists (i.e., do other companies offer the services?). In order to adequately determine if a market for the service exists, I would expect a distributor to complete a review of the energy services industry to determine if there are any companies that would be willing to provide the service. Bundling a number of distribution services together so that they form a unique service requirement cannot, in my view, be used as a means of eliminating the possibility of a market existing for specific services.



2. If a market exists for the service, then a fair market value can be determined. The recommended evidence of fair market value is a valid tendering process. If a valid tendering process is not used, the distributor must be able to demonstrate that it is paying no more than fair market value through other auditable means.
3. If a market for the service does not exist and cost based pricing is used, then the distributor must ensure that the price payable is no more than the affiliate's actual fully allocated costs of providing the service, including a return on invested capital that is no higher than the distributor's approved rate of return. In order to ensure that a cost-based pricing approach is being appropriately implemented, the affiliate's actual costs must be verified and a proper cost allocation methodology must be used.

The information that you have filed does not indicate that STEnergy attempted to determine whether a market existed for the services provided to it by STEServices prior to agreeing on cost-based pricing. The fact that STEServices provides similar services to third parties and that STEServices tenders for some of the services illustrates that there does, in fact, appear to be a market for at least some services.

STEnergy did not complete the necessary review required to determine if a market existed for the outsourced services prior to agreeing on a cost-based price. It is therefore my view that STEnergy is non-compliant with the transfer pricing provisions of the Code.

In order to come into compliance, STEnergy must conduct a market review to determine whether there is a market for the services that it obtains from STEServices. If the review reveals that a market does exist, STEnergy must then determine the fair market value of those services and ensure that it pays no more than that fair market value for the services that it obtains from STEServices.

As discussed above it is not reasonable to bundle services in order to assess the market availability. If STEnergy determines that there is no market price for particular service, then it must ensure it is paying no more than the affiliate's cost of providing the service, including a reasonable return. In any event, I do not consider the pricing mechanism described in the STEServices service agreement to be appropriate given its terms for escalation and adjustment are not cost related.

### **Conclusions**

This letter has outlined a number of concerns that I have identified in regards to STEnergy's relationship with STEServices and compliance with the Code. The following is a summary of my conclusions.

### Distributor Management and Control

- As the sole entity authorized to operate STEnergy's distribution system, STEnergy must have at least one employee who has responsibility and authority to make decisions regarding the operation of STEnergy's distribution system and to ensure that STEnergy's operations comply with applicable legal and regulatory requirements. That employee cannot be shared with an affiliate.

### Equal Access to Services

- STEnergy is not in compliance with the equal access provisions of the Code. In order to come into compliance, STEnergy must take steps to ensure that STEServices does not use STEnergy's name, logo or other distinguishing characteristics in a manner that would mislead consumers as to the distinction between STEnergy and STEServices. Since, in my view, STEServices is an ESP, STEnergy must also ensure that its communications do not endorse or support STEServices' marketing activities.

### Physical Separation

- Once STEnergy becomes compliant with the "Distributor Management and Control" requirements, it must ensure that there is adequate physical separation between STEnergy's operations and the operations of STEServices.

### Sharing of Employees and Confidential Information.

- STEnergy is not in compliance with the employee sharing provisions of the Code. In order to come into compliance, STEnergy must take steps to ensure that STEServices staff who have access to confidential information or carry out the day-to-day operation of the distribution network are not involved in the provision of STEServices' unregulated services within STEnergy's licensed service area, and that such staff are physically separated from staff involved in the provision of those unregulated services.

### Transfer Pricing

- STEnergy is not in compliance with the transfer pricing provisions of the Code. In order to come into compliance, STEnergy must conduct a market review to determine whether there is a market for the services that it obtains from STEServices. If the review reveals that a market does exist, STEnergy must then determine the fair market value of those services and


ensure that it pays no more than that fair market value for the services that it obtains from STEServices.

I request that you prepare an action plan that indicates the steps intended to be taken in order to bring STEnergy into compliance with the Code as soon as possible. Please provide me with that action plan by April 13, 2006.

The views expressed in this letter are mine and are not binding on the Board. Although no statutory power of decision has been delegated to me, I may seek enforcement action by the Board under Part VII.1 of the *Ontario Energy Board Act*, 1998, in relation to non compliance.

Thank you for your attention to this matter. If you would like to discuss the content of this letter or have any questions or concerns, please do not hesitate to contact me at (416) 440-7628, or Gordon Ryckman, Senior Advisor, Compliance, at (416) 440-8109.

Yours truly,



Brian Hewson  
Chief Compliance Officer

***Attachment 2 (of 5):***

***Question 37***

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

April 7, 2006  
(via Canada Post, email)

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor,  
2300 Yonge Street,  
Toronto, Ontario  
M4P 1E4

**Attention:** Mr. Brian Hewson,  
Chief Compliance Officer

Dear Mr. Hewson,

**Re: Compliance with the Affiliate Relationships Code (ARC)**

Further to our letter of March 27, 2006, regarding ARC compliance, I would like to take this opportunity to thank you, Gord Ryckman and Paul Gasparatto for taking the time from your busy schedule to meet with Roger White and myself on April 4, 2006 to discuss your concerns with compliance issues at St. Thomas Energy Inc. These types of discussions are healthy between the regulator and licensed distributors and assist both with meeting their requirements to provide service.

From our meeting on April 4, 2006 you felt it would be helpful if I could set out the process that St. Thomas Energy Inc. intends to follow to respond to the Compliance Office concerns, as set out in your letter of March 17, 2006.

As a licensed distributor, St. Thomas Energy Inc. is committed to operate in compliance with all codes and license requirements, as set out by the Ontario Energy Board and all other regulatory and legislative authorities. St. Thomas Energy Inc. takes the Compliance Office concerns seriously and wishes to work with O.E.B. staff to establish viable solutions. Obviously, due to the apparent extent of staff concerns, these solutions will take some time to evaluate, prior to structuring an "Action Plan" for O.E.B. consideration.

In an effort to initiate this evaluation process, we met on April 4, 2006 with you. We are now scheduling time with our legal counsel for next week. Following that meeting, we would like to schedule another meeting with compliance staff to finalize our discussion on the remaining concerns of the O.E.B. I will be contacting Cindy Roks, your Administrative Assistant, next week, to determine available meeting times with you, Gord and Paul.

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

Due to the nature and extent of Compliance staff concerns, and depending on the contemplated solutions, it may be necessary for me to seek input and authorization from both Board of Directors and Shareholder to contemplate the necessary structural changes to meet compliance approval, prior to filing submissions to the O.E.B. compliance group.

Given the magnitude of these issues and the potential impacts on current business models, I trust the compliance staff will be receptive to facilitating a full analysis of options. The completion of this analysis will take time significantly beyond your stated April 12<sup>th</sup>, 2006 filing deadline for an "Action Plan", as set out in your March 17, 2006 correspondence.

St. Thomas Energy Inc., and its' predecessor St. Thomas P.U.C. has been supplying electricity in St. Thomas for 100 years. We are committed to customer and community service and intend to fully comply with license requirements in order to continue that history.

Regards,



Brian Hollywood, C.E.T.,  
President & C.E.O.

cc(electronically) - Hugh Shields, S.T.E.I. Chair & S.T.E.I. Board members

Mayor Jeff Kohler - City of St. Thomas

Mr. Mark Garner - O.E.B. Managing Director - Market Operations

Mr. Roger White - ECMI

Mr. Charles Keizer - Ogilvy Renault

Mr. Gordon Ryckman - O.E.B.

Mr. Paul Gasparatto - O.E.B.

***Attachment 3 (of 5):***

***Question 37***

**Ontario Energy  
Board**  
P.O. Box 2319  
2300 Yonge Street  
26th. Floor  
Toronto ON M4P 1E4  
Telephone: (416) 481-1967  
Facsimile: (416) 440-7656

**Commission de l'Énergie  
de l'Ontario**  
C.P. 2319  
2300, rue Yonge  
26e étage  
Toronto ON M4P 1E4  
Téléphone: (416) 481-1967  
Télécopieur: (416) 440-7656



## **Compliance Office**

July 4, 2005

**File No.: 2005-0245**

Mr. Brian Hollywood  
President and CEO  
St. Thomas Energy Inc.  
135 Edward St.  
St. Thomas, ON  
N5P 4A8

## **Re: Compliance with the Affiliate Relationships Code**

Dear Mr. Hollywood:

The Compliance Office is gathering information from a number of licensed distributors in order to assess compliance with the Affiliate Relationships Code for Electricity Distributors and Transmitters (the "ARC"). The purpose of the ARC is to set out standards and conditions for the interaction between distributors and their affiliated companies.

The Compliance Office is assessing ARC compliance particularly for those distributors whose purchases of services from affiliates represent a significant percentage of overall distribution revenue.

In order to allow the Compliance Office to begin this assessment, I request that you respond to the following questions.

### **Affiliates and Separation**

1. Our records indicate that St. Thomas Energy Inc. ("STE") has two affiliates; St. Thomas Holding Inc. ("STH"); and St. Thomas Energy Services Inc. ("STES"), all located at 135 Edward St. Please provide phone and fax numbers and a list of officers and directors for each of these affiliates. Please also provide a corporate organization chart indicating relationships and ownership percentages.
2. We note that STE shares the same address as STH and STES. Please describe the steps taken to ensure any required physical separation.



3. Our records indicate that a service agreement was executed between STE and STES on May 21, 2004. Please confirm that this agreement is current.

### **Sharing of Resources**

4. Please report on whether STE shares any information services with the affiliate. For shared information services, please report on the computer data management and data access protocols that are in place to protect confidential information from being accessed by the affiliate.

Where the affiliate has access to confidential information for billing or market operation purposes, please report on the steps taken to ensure that confidential information is not used by the affiliate for any other purpose.

5. Please report on whether any employees are shared between STE and an affiliate. For the purposes of this question, please consider sharing to include instances where an employee works for STE and one or more affiliates. For each employee that is shared, please list the employee's name and job title(s) and describe the employee's specific job responsibilities.
6. Please report on how the costs for these shared employees are allocated between STE and the affiliate.

### **Transfer Pricing**

7. Please list all of the specific services, resources, or products that STE purchases from each of its affiliates. For each service, resource, or product, please describe the mechanism used to establish the purchase price.

Specifically, please describe the tendering process (or other mechanism) that was used to ensure that STE paid no more than fair market value for the service, resource or product.

8. In cases where the price paid by STE for the purchase of a service, resource or product from an affiliate was a cost-based price, please describe how you determined that a fair market value was not available.
9. In cases where the price paid by STE for the purchase of a service, resource or product was a cost-based price, please describe the mechanism used to verify that the price was based on the affiliate's actual costs, plus an appropriate return on invested capital.
10. Please provide copies of STE's specific costing and transfer pricing guidelines and tendering procedures, if these are not included in your responses above.

## Compliance Monitoring

11. Please describe any steps taken to ensure compliance with the ARC, for example:

- The process in place to complete periodic compliance reviews and the frequency of any such reviews.
- Copies of reports or notes that were created as a result of any periodic compliance reviews you have completed.
- The process in place for communicating the requirements of the ARC to employees and the frequency of any such communications.
- The process in place for monitoring compliance with the ARC by your employees.

## Affiliate Activity in the Competitive Market


12. Please identify any affiliate that provides distribution services to STE. For each such affiliate, please indicate whether the affiliate is involved in offering or selling products or services to other, non-affiliated parties. For each affiliate that does, please provide:

- A description of the products or services that the affiliate offers or sells to other parties.
- The gross revenue of the affiliate from the sale of each of those products or services in the last two fiscal years.
- The percentage of the affiliate's revenues from sales to STE relative to revenues from sales to all parties.

I request\* that you respond to these questions by July 29, 2005. If you have any questions or concerns with this request, please contact me directly at (416) 440-8109 or toll free at 1-888-632-6273 extension 109.

Thank you for your cooperation in this matter.

Yours truly,



Gordon Ryckman  
Senior Advisor, Compliance Office

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\* As a Board-appointed Inspector, I am collecting this information under the express authority of Section 107 of the *Ontario Energy Board Act, 1998*. Pursuant to Section 4.14 of the *Act*, the Board may collect personal information for the purposes of carrying out its duties and exercising its powers under this *Act* or any other Act.

***Attachment 4 (of 5):***

***Question 37***

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

July 31, 2006  
(via Canada Post, email)

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor,  
2300 Yonge Street,  
Toronto, Ontario  
M4P 1E4

**Attention:** Mr. Brian Hewson,  
Chief Compliance Officer

Dear Mr. Hewson,

**Re: Compliance with the Affiliate Relationships Code (ARC)**

Thank you for taking the time to meet with Charles Keizer, Roger White and myself on several occasions to discuss your concerns relative to interpretations of the Affiliate Relationships Code, as it relates to the operation of St. Thomas Energy Inc.

In response to your letter of March 17, 2006, which outlined your concerns, St. Thomas Energy Inc. hereby files its' response and plan, entitled "St. Thomas Energy Inc. Submissions", dated July 25, 2006. (Copy attached)

I trust this information will be helpful in your review, but should you require clarification or additional information, feel free to contact me directly.

Regards,



Brian Hollywood, C.E.T.,  
President & C.E.O.  
Telephone - (519)-631-5550, Ext. 238  
Cellular - (519)-871-0032  
Email - [bhollywood@sttenergy.com](mailto:bhollywood@sttenergy.com)

cc(electronically) - Christopher Brown, S.T.E.I. Chair & S.T.E.I. Board members  
Mayor Jeff Kohler - City of St. Thomas  
Mr. Mark Garner - O.E.B. Managing Director - Market Operations  
Mr. Roger White - ECMI  
Mr. Charles Keizer - Ogilvy Renault  
Mr. Gordon Ryckman - O.E.B.  
Mr. Paul Gasparatto - O.E.B.

***Attachment 5 (of 5):***

***Question 37***

August 4, 2006

Ontario Energy Board  
P.O. Box 2319,  
27<sup>th</sup> Floor – 2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

**Attention: Ms. Kirsten Walli,  
Board Secretary**

Dear Ms. Walli,

**Affiliate Relationships Code Review**

St. Thomas Energy Inc. requests that the Ontario Energy Board (the “Board”) commence a proceeding on its own motion to review the *Affiliate Relationships Code for Electricity Distributors and Transmitters* (the “ARC”) as soon as possible.

This request is based on a number of concerns about compliance bulletins #200604 and #200605 (the “Bulletins”), recently issued by the Chief Compliance Officer (the “CCO”).

**The CCO's interpretations create broad-sweeping policy changes that have not been approved by the Board.** Policy reforms that significantly impact LDCs should be considered by the Board through a proper process that involves stakeholder participation (i.e. similar to the Transmission System Code proceeding). It is inappropriate for such changes to be developed through compliance bulletins that have no legal status and which have been developed without stakeholder participation.

In many places, **the bulletins are inconsistent with the Board's governing legislation.** As a result of changes in legislation since the ARC was first issued, the role of LDCs has changed and this now needs to be reflected in the ARC. In addition, through the Bulletins, the CCO seeks to regulate competition in markets that are outside the Board's jurisdiction.

The Bulletins also purport to provide an interpretation of the scope of section 71 of the *Ontario Energy Board Act*, which deals with restrictions on business activities carried out by LDCs. Although the Board produced some draft guidelines some time ago, it has never finalized any policy on the issue. The scope of section 71 raises several important policy questions that are best dealt with by the Board in a generic review of the ARC, rather than on a case-by-case basis by the CCO in the absence of policy direction from the Board.

# St. Thomas *energy* inc.

*We're Your Local Power Distributor*

Compliance with the CCO's interpretations would require many LDCs to reorganize their corporate structures and eliminate revenues that have traditionally been used to offset revenue requirement. This is particularly unfair to LDCs whose corporate structures were known to the Board, at the time they were licensed and which were in place as the Board considered and approved rates that recognized those revenues over the last several years.

**Compliance with the Bulletins would mean LDCs would incur significant costs and rates would increase, without corresponding benefits or protection to consumers.**

It is not for the CCO to turn back the clock on matters that have been implicitly approved by the Board and which have benefited ratepayers. Rather, it is for the Board to determine if the ARC is appropriate under today's circumstances and to ensure that it is designed to prevent harm to ratepayers without eliminating the benefits that flow to ratepayers under existing arrangements. Compliance for the sake of compliance which leads to increased costs to ratepayers under circumstances where there has been no harm to ratepayers does not serve the public interest and erodes the credibility of the Board.

**Almost every LDC in the Province is affected by the Bulletins.**

Accordingly, we respectfully recommend that it is in the interest of consumers and LDCs that the Board establish a generic proceeding to review the ARC.

Respectfully submitted,



Brian Hollywood, C.E.T.,  
President & C.E.O.  
St. Thomas Energy Inc.

cc(electronically)    - C. Macaluso – E.D.A.  
                              - S.T.E.I. Board of Directors  
                              - Ontario L.D.C.'s