Question #19

Reference: Exhibit 4, pages 18-20

a) Please confirm that for 2008, 31% of the Administrative charges from PUC Services were capitalized (per page 19). If this is not the case, please explain.

Response

Capital	**$394,771**	**31%**
Admin	**$528,786**	
Facilities	**$289,054**	
Misc.	**$46,691**	
	$1,259,302	

31% of the admin type costs were capitalized in 2008.

b) Are the Administrative expenses shown on page 20, the total Administrative expenses allocated to PUCD by the Service Company or just the portion that was expensed?

Response
The Administrative Expenses on page 20 are the shared costs allocated to PUCD to both expense and capital.

c) Please indicate in which OM&A accounts each of the cost items reported on page 20 is included.

Response
Please see below

		2004	2005	2006	2007	2008
Fixed Assets	Fixed Assets			$125,369	$207,750	$960,431
Load Dispatching	5010					$12,388
Transmission	4830					$6,320
Stations	5012					$68,894
Overhead Lines	5020					$158,299
Underground Lines	5040					$35,684
Transformers	5035					$16,853
Meters	5065					$34,920
Misc. Distribution Expenses	5085					$23,240
Engineering Operations	5005					$24,144
Billing & Collecting	5310, 5315, 5320, 5325	$513,978	$544,134	$516,651	$581,030	$644,051
Customer Service	5405, 5410	$310,923	$316,510	$300,046	$265,998	$351,995
Administrative Expenses	5605, 5610, 5615, 5620, 5505, 5515	$1,280,342	$1,319,496	$1,075,522	$1,117,891	$541,657
Facilities	5675	$565,154	$501,571	$321,812	$460,837	$289,054
Miscellaneous	5630, 5635	$30,760	$49,085	$64,947	$55,002	$80,969
		$2,701,157	$2,730,796	$2,404,347	$2,688,508	$3,248,899

d) Please provide a schedule that indicates how much of change in shared costs allocated to PUCD in 2008 vs. 2007 (see page 20) was due to the change in allocation methodology as opposed to a change in the level of service received from PUC Services.

Response

	2007	2008		Change	
Difference 2008 from 2007	$2,688,508	$3,248,899		$560,391	
Difference due to allocation method (Q. 18. a)	$3,073,171	$3,248,899		$175,728	
				$384,663	
Addition of Billing Supervisor					
Addition of IT Manager					
Increased software maintenance - software upgrade to address Reg. 22 requirements					
General wage increase of 3%					
Renovations and additional space required for staff increases					
The administrative staff additions are to address workload, overtime (unpaid) and IT technical issues					
which have increased since market opening.					

Question #21

Reference: Exhibit 4, page 67

a) Is any of the planned smart meter investment for 2008 related to computer software or equipment? If so, how much and please confirm which CCA class(es) it has been assigned to.

Response

21. a)					
Included in PUCD's smart meter costs in 2008 in Class 47 - Distribution System is the following:					
	Hardware	$209,926			
	Software	$39,365			
		$249,291			

b) The March 2007 federal budget introduced new CCA classes for computer equipment and buildings (after March 2007). Do any of PUCD's capital additions in 2007 and 2008 qualify and, if so, please adjust the CCA calculation accordingly.

Response

Included in Class 47		$249,291	
	CCA @ 50% @ 8%=		$9,972
If included in Class 45		$249,291	
	CCA @ 50% @ 55%=		$68,555
		Difference	$58,583

Question #24

Reference: Exhibit 8, pages 9-11

a) Please explain why PUCD is proposing each of the following Revenue to Cost ratio changes for 2008:
• Why is the Sentinel Light ratio only increasing from 38% to 40%?
• Why is the USL ratio not be increased at all?

b) Please explain plain how the revenue proportions set out in the table on page 9 under the columns “Cost Allocation” and “Existing Allocation” were determined.

c) If the response to part (b) indicates the revenue proportions are based on the revenues and costs from the Cost Allocation Informational filing then please explain why these percentages are appropriate for 2008 when the customer count and loads forecast for each customer class have changed between 2006 (the year used in the Informational filing) and 2008.

d) Please recalculate the revenue proportions associated with the “Existing Allocation” as follows:
• Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate Adder) and forecast 2008 billing parameters
• Determine the revenue proportions based on the results of the preceding step.
Please provide a schedule that sets out the associated input data and calculations.

e) Please explain how the “Proposed Allocation” percentages on page 9 were derived and why they are consistent with the proposed revenue to cost ratios.

Response
a)

The sentinel lights classes were raised to a revenue to cost ratio of only 40% to mitigate the rate impact.

The USL class falls with the OEB recommended Board band and therefore was not changed.

Hypothetical Rates at a ratio of 70%

	Monthly Fixed	Volumetric	Bill Impact $	Bill Impact %
Sentinel Lights	$1.93	$35.85	$1,658	71%

b) **On Page 9, the revenue proportions set out in the table under the column “Cost Allocation” is the proportion of revenue requirement allocated to each class to the total revenue requirement from the cost allocation**

information filing. In other words, this is the proportion of revenue by rate class assuming the revenue/cost ratio was 100% for all classes.

Under the "Existing Allocation" column the proportion of revenue assumes the percentage of class revenue to total revenue with revenue at existing rates (i.e. 2007 rates applied to 2008 forecast data).

c) **In order to update the revenue proportions under the Cost Allocation column to reflect 2008 data the whole cost allocation study would need to be redone. Not only would the load and customer data need to be revised but the cost structure and all other allocators would need to be updated. At this time, it is ERHDC's view that the results from the cost allocation study recently completed provides sufficient information to address the issue of cross subsidization in this rate application. However, ERHDC does expect to redo the cost allocation study for the next rebasing rate application.**

d)

Class	Charge Type	Billing Quantity	Rate	Revenue	Class Revenue	Class %
Residential	Customer	28,675	$7.34	$2,525,694.00		
Residential	kWh	352,377,221	$0.0112	$3,946,624.87	$6,472,318.87	53%
GS <50	Customer	3,294	$11.20	$442,758.05		
GS <50	kWh	96,197,960	$0.0187	$1,798,901.86	$2,241,659.91	19%
GS>50-Regular	Customer	426	$150.33	$768,486.96		
GS>50-Regular	kW	675,865	$3.6781	$2,485,898.96	$3,254,385.92	27%
Unmetered Scattered Load	Customer	26	$10.94	$3,413.28		
Unmetered Scattered Load	kWh	755,305	$0.0187	$14,124.21	$17,537.49	0%
Sentinel	Connection	436	$1.32	$6,909.25		
Sentinel	kW	759	$8.5992	$6,523.70	$13,432.95	0%
Street Light	Connection	8,753	$0.47	$49,367.68		
Street Light	kW	21,706	$2.6014	$56,465.50	$105,833.19	1%
				$12,105,168.33	$12,105,168.33	100%

e)

The Proposed Allocations percentages on page 9 were derived by adjusting revenue between classes to arrive at the Proposed Revenue to Cost Ratios to fall within the recommended Board bands. As noted the streetlight and sentinel light ratios do not fall within the recommended bands due to rate impact issues.