

**2008 Electricity Distribution Rates**  
**Espanola Regional Hydro Distribution Corporation (ERHDC)**  
**EB-2007-0901**

**D. GENERAL – REGULATORY COSTS**

7. Please provide the breakdown for actual and forecast, where applicable, for the 2006 Board approved, 2006 actual, 2007 bridge year, and 2008 test year regarding the following regulatory costs and present it in the following table format:

**Response**

Regulatory Cost Category	Ongoing or One-time Cost?	2006 Board Approved	2006 Actual	2007	%	2008 Forecast	%
				(as of Dec 07)	Change in 2007 vs. 2006		Change in 2008 vs. 2007
1. OEB Annual Assessment	Ongoing	\$5,074	\$4,349	\$3,946	-\$403	\$6,000	\$2,054
2. OEB Hearing Assessments (applicant initiated)							
3. OEB Section 30 Costs (OEB initiated)	Ongoing			\$270	\$270	\$300	\$30
4. Expert Witness cost for regulatory matters							
5. Legal costs for regulatory matters							
6. Consultants costs for regulatory matters	Ongoing		\$43,173	\$32,336	-\$10,837	\$36,700	\$4,364
7. Operating expenses associated with staff resources allocated to regulatory matters	A portion of the management services contract billed by a third party includes regulatory issues. Admin staff consists of one person - time for regulatory issues is not tracked separately.						
8. Operating expenses associated with other resources allocated to regulatory matters (please identify)							
9. Other regulatory agency fees or assessments							
10. Any other costs for regulatory matters							

- a) Under "Ongoing or One-time Cost", please identify and state if any of the regulatory cost is a "One-time Cost" and not expected to be incurred by the applicant during the impending two year period when the applicant is subject to 3rd Generation IRM process or it is "Ongoing Cost" and will continue throughout the 3rd Generation of IRM process.

**Response**

**Please see table above.**

- b) Please state the utility's proposal on how it intends to recover the "One-time" costs as a part of its 2008 rate application.

**Response**

**The 2008 Forecast is the estimated average annual costs that are expected to be incurred over the three year period.**

11. b. For the years 2002 to 2008 inclusive, please provide a table listing the following information (actual dollars where available, or expected, planned or projected dollars, or % where indicated):

- i Net income;
- ii Actual Return on the Equity portion of the regulated rate base (%);
- iii Allowed Return on the Equity portion of the regulated rate base (%);
- iv. Retained Earnings;
- v. Dividends to Shareholders;
- vi. Sustainment Capital Expenditures excluding smart meters;
- vii. Development Capital Expenditures excluding smart meters;
- viii. Operations Capital Expenditures;
- ix. Smart meters Capital Expenditures;
- x. Other Capital Expenditures (identify);
- xi. Total Capital Expenditures including and excluding smart meters;
- xii. Depreciation;
- xiii Number of customer additions by class.

Response

	2002	2003	2004	2005	2006	2007	2008
<b>Net Income</b>	<b>(294,749)</b>	<b>158,719</b>	<b>(124,507)</b>	<b>(110,432)</b>	<b>(272,333)</b>	<b>(3,059)</b>	<b>112,720</b>
<b>Actual Return on Equity portion of the regulated rate base %</b>	<b>-9.98%</b>	<b>5.79%</b>	<b>1.76%</b>	<b>2.06%</b>	<b>-3.30%</b>	<b>5.63%</b>	<b>7.12%</b>
<b>Allowed Return on the Equity portion of the regulated rate base %</b>	<b>8.57%</b>	<b>8.57%</b>	<b>8.57%</b>	<b>8.57%</b>	<b>8.13%</b>	<b>8.13%</b>	<b>7.12%</b>
<b>Retained Earnings</b>	<b>(221,598)</b>	<b>(62,879)</b>	<b>(187,386)</b>	<b>(297,818)</b>	<b>(570,151)</b>	<b>(573,212)</b>	<b>(454,325)</b>
<b>Dividends to Shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
<b>Sustainment Capital Expenditures excluding smart meters</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Development Capital Expenditures excluding smart meters</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operations Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Smart meters Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Capital Expenditures (identify)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditures including smart meters</b>	<b>161,516</b>	<b>351,558</b>	<b>220,868</b>	<b>181,915</b>	<b>98,444</b>	<b>146,808</b>	<b>204,399</b>
<b>Total Capital Expenditures</b>	<b>161,516</b>	<b>351,558</b>	<b>220,868</b>	<b>181,915</b>	<b>98,444</b>	<b>185,828</b>	<b>204,399</b>

<b>excluding smart meters</b>							
<b>Depreciation</b>	<b>222,382</b>	<b>247,369</b>	<b>216,027</b>	<b>157,783</b>	<b>188,561</b>	<b>178,061</b>	<b>179,455</b>
<b>Number of Customer Additions by class:</b>							
<b>Residential</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>-6</b>
<b>GS&lt;50</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>2</b>
<b>GS&gt;50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Street Lights (connections)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>
<b>Sentinal Lights (connections)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>USL (connections)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Rate Base</b>	<b>2,938,961</b>	<b>2,749,606</b>	<b>2,798,816</b>	<b>3,017,643</b>	<b>3,081,501</b>	<b>3,008,347</b>	<b>2,763,963</b>

**Responses to Board Staff Interrogatories**  
**Espanola Regional Hydro Corporation**  
**EB-2007-0901**  
**Page 6 of 10**

16. Reference: Exhibit 2/ Working Capital/ Page 33/ Line 11

Electricity Supply Expense and 15% thereof for Working Capital: 2006 actual to 2007:  
Please advise how much of the rise in cost (from \$4,585,854 to \$4,909,393) is due to  
increased purchased electricity unit price cost and how much is due to increased  
customer usage.

**Response**

<p>ERHDC did not complete a detailed estimate of cost of power for 2007. The 2007 bridge year was estimated using costs to date at the time the test year data was compiled and projecting to year end. The 2008 test year expense is based on projected consumption for 2008 and an energy rate of 5.5 cents per kWh. Below is a revised cost of energy chart which makes corrections to the row specific charges are shown on and also includes the 2007 cost of power based on IESO and Hydro One invoices.</p>							
			2006 Board Approved	2006 Actual	2007 Bridge	2008 Test	2007 IESO/Hydro One Invoices
4705	Power Purchased		\$3,294,748	\$3,616,484	\$3,904,000	\$3,700,000	\$3,905,682
4708	WMS		\$423,033	\$333,112	\$356,000	\$412,209	\$399,767
4714	NW		\$342,043	\$316,097	\$330,000	\$334,165	\$317,120
4716	CN		\$260,571	\$303,318	\$200,000	\$244,300	\$277,701
4730	RRA						
4710	Cost of Power Adjustments						
4712	Charges - One-time						
4720	Other		\$2,085				
4750	Charges - LV			\$16,843	\$119,393	\$139,296	\$133,538
			\$4,322,480	\$4,585,854	\$4,909,393	\$4,829,970	\$5,033,809

**Responses to Board Staff Interrogatories**  
**Espanola Regional Hydro Corporation**  
**EB-2007-0901**  
**Page 7 of 10**

23. Ref: Exhibit 7, Page 2

The value used in the 2008 Test Year Other Operating Revenue (Net) on Exhibit 7 Page 2 is reported as \$156,075. The application reference Exhibit 3, Page 14 identified this value as the 2007 Bridge value. Please confirm the number as presented is correct or provide a corrected amended schedule.

**Response**

**ERDHC used the 2007 bridge year other operating revenue of \$156,075 to calculate the revenue deficiency. The schedule on Exhibit 7 page 2 compares the 2007 total revenue to the projected 2008 costs and expenses to determine the utilities revenue deficiency.**

Ref: Exhibit 3, Page 14

Exhibit: 3

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**OTHER DISTRIBUTION REVENUE**

	2006 Board Approved	2006 Actual	Variance form 2006 Board Approved	2006 Actual	2007 Bridge	Variance form 2006 Actual	2007 Bridge	2008 Test	Variance form 2007 Actual
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
<b>Other Distribution Revenue</b>									
Distribution Services Revenue									
Retail Services Revenues	852	5,810	4,768	5,810	5,780	160	5,780	8,850	2,890
Service Transaction Requests (STR) Revenues	2	282	280	282	100	(182)	100	125	25
Electric Services Incidental to Energy Sales									
Transmission Charges Revenue									
Transmission Services Revenue									
Interdepartmental Rents									
Rent from Electric Property	27,791	40,283	12,492	40,283	38,900	(1,383)	38,900	39,500	600
Other Utility Operating Income									
Other Electric Revenues	28,397	68,951	40,554	68,951	41,895	(27,056)	41,895	28,957	(12,938)
Late Payment Charges	9,185	11,378	2,193	11,378	12,200	822	12,200	12,200	0
Sales of Water and Water Power									
Miscellaneous Service Revenues	22,388	45,821	23,433	45,821	57,220	11,399	57,220	57,220	0
Provision for Rate Refunds									
<b>TOTAL</b>	<b>88,615</b>	<b>172,305</b>	<b>83,690</b>	<b>172,305</b>	<b>156,075</b>	<b>(16,230)</b>	<b>156,075</b>	<b>146,652</b>	<b>(9,423)</b>

a) Please provide an explanation as to why the number for Total Revenue Offsets for 2006 Board Approved (\$88,615) is different from the approved 2006 EDR Model, Sheet 5-5, Cell D25 (\$125,226).

**Response**

**The table above uses the actual 2004 other distribution revenue as a comparator in the 2006 board approved column. The 2006 EDR model estimated the specific**

**service charges to be \$85,034 based on revised rates and estimates and the total in 2004 actual was \$22,388 for a difference of \$62,645 Also, the 2006 Board approved did not include the rent from electric property which ERHDC included as a revenue offset in 2008 test year therefore for consistency purposes it was included on the schedule above.**

b) Please state whether or not Specific Service Charges are included in the above table and if so, in which line item. If not, please state why not and make any necessary adjustments to the application.

**Response**

**ERHDC has included specific service charges in the miscellaneous service revenues line.**

c) Please provide a description of each variance from 2006 Board Approved versus 2006 Actual.

**Response**

Variances between 2006 Board Approved and 2006 Actual:					
	Approved	Actual	Variance		
Retail Services Revenues	852	5,610	4,758	In the Board Approved (2004) there were 3 retailers. In the 2006 Actual there were approx. 20 retailers.	
STR's	2	262	260	In the Board Approved (2004) there were 3 retailers. In the 2006 Actual there were approx. 20 retailers.	
Rent From Electric Property	27,791	40,283	12,492	Pole rental rates increased by \$6.46 per pole between 2004-2006. In the 2006 Board Approved the stub poles were not charged at the full rate and were charged at the full rental rate in 2006 actual.	
Other Electric Revenues	28,397	68,951	40,554	Revenue from jobbing was recorded in Services Company in 2004	
			10,359	Revenue from linecrew working for a neighbouring utility	
			10,000	Additional revenue from transition costs carrying charges in	
			12,346	2006 Actual	
			10,000	Increase interest on cash and investments	
Late Payment Charges	9,185	11,378	2,193	Increase in customer arrears from 2004 to 2006	
Misc. Service Revenue	22,388	45,821	23,433	Water billing fees were recorded in Services Company in 2004	
			16,625	O/H from jobbing revenue was recorded in Services in 2004	
			7,480	Handling Charges revenue was recorded in Services in 2004	
			55		



d) It is shown that the "Other Electric Revenues" decreases significantly in 2007 to \$41,895 and in 2008 Test to \$28,957. Please provide a complete explanation of this change.

**Response**

The decrease in "Other Electric Revenues" from actual 2006 to projected 2007 of \$27,056 is due to:

- \$10,000 – in 2007 the line crew did no work for a neighboring utility.
- \$4,200 – in 2007 there was a reduction in streetlight revenue.
- \$12,346 – in 2007 there were no carrying charges on transmission costs.

The decrease in "Other Electric Revenues" from 2007 to projected 2008 of \$12,938 is the result of a further reduction in work performed for other utilities. There was no work performed for Sudbury Hydro in 2007 and there is no work planned for Sudbury or Sault Ste. Marie in 2008.

e) The total amount for Other Distribution Revenue is shown as follows:

2006 Actual - \$172,305  
2007 Bridge - \$156,075  
2008 Test - \$146,652

Please provide a thorough explanation of the decreases.

**Response**

Please refer to the answers above for a detailed analysis of variances.

47. Ref: Exh5/Pg4

Does ERHDC have a business relationship and service agreements with any retailers?  
If yes, why is there a zero balance in 1518 RCVA Retail and 1548 RCVA STR?

**Response**

**ERHDC has service agreements with several retailers operating in its service territory. ERHDC has an agreement with PUC Services Inc. to provide billing services. The cost of the service has been recorded in billing expenses and no variance calculation has been performed.**