

Question #5

Reference: i) Exhibit 1, page 162

a) Please confirm that the Distribution Revenue value (\$1,064,527) was calculated by applying the approved 2007 rates (excluding the smart meter rate adder) to the forecast 2008 billing quantities for each class.

Response

The Distribution Revenue was calculated using 2007 rates and 2007 forecast quantities.

b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:

- The 2007 rates used for each customer class
- The 2008 billing quantities for each customer class
- The total revenues by customer class

Response

N/A

c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule per part (b).

Response

Class	Charge Type	Billing Quantity (Test Year Projected)	Rate	Revenue
Residential	Customer	2,817	10.1300	\$342,434.52
Residential	kWh	33,090,578	\$ 0.0112	\$370,614.47
GS <50	Customer	431	12.9300	\$66,881.32
GS <50	kWh	14,771,227	\$ 0.0179	\$264,404.97
GS>50-Regular	Customer	16	123.1100	\$23,637.12
GS>50-Regular	kW	37,580	\$ 0.9569	\$35,960.32
Unmetered Scattered Load	Customer	11	6.4700	\$854.04
Unmetered Scattered Load	kWh	125,709	\$ 0.0113	\$1,420.51
Sentinel	Connection	27	0.4500	\$145.80
Sentinel	kW	77	\$ 7.9066	\$608.81
Street Light	Connection	1,011	0.4100	\$4,975.36
Street Light	kW	1,718	\$ 2.2458	\$3,858.35
				\$1,115,795.59

d) Please explain why there are no "property taxes" included in the Deficiency calculation.

Response

Property taxes are included in Operating and Maintenance expenses.

e) In the determination of the "deficiency" please confirm that interest is included as a separate cost (I.e., \$120,835) and then captured again as part of the overall cost of capital. Please remove any double counting of interest costs and redo the deficiency calculation.

Response

The purpose of the calculation of the revenue deficiency is to compare the estimated 2007 revenue to the estimated 2008 level of expenses. There is no double counting of interest costs.

f) Please explain why the other Distribution revenue value of \$156,075 does not match the 2008 other revenue value reported in Exhibit 3 (page 14) of \$146,652.

Response

The purpose of the calculation of the revenue deficiency is to compare the estimated 2007 revenue to the estimated 2008 level of expenses. The other distribution revenue of \$156,075 is the 2007 Bridge year amount.

Question #8

Reference: Exhibit 2, page 33

a) Please explain the basis for the 2007 and 2008 forecast values for Power Purchased Expenses.

Response

The 2007 forecast was based on 2007 year to date and prior year history.

The 2008 forecast was based on estimated 2008 volumes and wholesale rates.

b) Please explain why there are no Transmission Charges included for 2007 or 2008 (i.e., #4714 and #4716).

Response

2007 and 2008 charges were shown on the incorrect lines. See following revised chart. Also included							
is 2007 costs based on IESO and Hydro One invoices.							
			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

c) Please explain the "One-Time" charge for \$244,300 included for 2008.

Response

The "One-Time" charge for \$244,300 should be in the cost 4716 CN not 4712.

d) Please provide a schedule that reconciles ERHDC's forecast sales for 2008 per Exhibit 3 and the current wholesale charges for Rural Remote Rate Assistance (RRRA) for \$0.001/kWh with the projected 2008 value of \$334,165.

Response

The \$334,165 should be shown as 4714 NW per the above revised chart.

e) Please explain the 23% increase in WMS charges assumed between 2006 and 2008.

Response

The 2008 estimate is based on test year consumption and the retail WMS rate.

Question #9

Reference: Exhibit 3, page 6

a) Please reconcile the decrease in customers reported for 2006 and 2007 with the fact there was capital spending (Exhibit 2, pages 27-28) on new services in 2007 and 2008.

Response

New services and upgraded services installed each year are based on customer requests. Although new and upgraded services are installed each year, the total number of customers may not increase in a year.

Question #10

Reference: Exhibit 3, page 8

a) Please explain why there is such a large difference in the loss factors calculated for each rate class for 2004.

Response

The 2004 Weather Actual Retail kWh is an actual number but the 2004 Weather Actual Wholesale kWh was an estimated number as required by Hydro One in order to provide the weather normalized kWhs for the cost allocation informational filing. At the time the cost allocation informational filing were prepared Hydro One was only prepared to provide weather normalized wholesale information at the rate class level. As a result, Hydro one needed wholesale kWh information by rate class. Distributors were instructed by Hydro One to take their 2004 billed retail kWhs by rate class, add on unbilled kWh, add on an estimate of losses and then ensure the resulting 'Wholesale kWhs' by rate class added to the total kWhs purchased in 2004. As this process was not a perfect science the resulting so called "loss factors" by rate class could be significantly different across the classes. In order to determine a retail weather normalized kWh forecast for this application the wholesale weather normalized kWhs from the Hydro One study were adjusted to the retail level using these "loss factors" but this is the only place they are used. If Hydro One had provided weather normalized data at the retail level there would be no need for the "loss factors".

Question #11

Reference: i) Exhibit 3, page 14

a) Please explain what is captured under "Other Electric Revenues" and why the value decreases by 30% between 2007 and 2008.

Response

Other electric revenue includes: interest revenue, regulatory carrying charge revenue, chargeable work done for customers and work performed for a neighbouring utilities. The decrease in 2008 is the result of crews not being available to perform work for neighbouring utilities.

Question #12

Reference: i) Exhibit 4, pages 4-12

a) What is the reason for the increase in Maintenance of Overhead Lines (#5125) between 2006 (actual) and 2007?

Response

The increase in account 5125 is a result of crew time allocations between accounts and was affected by crews completing more internal work rather than work for Sudbury.

b) What is the reason for the increase in Account #5020 between 2007 and 2008?

Response

The increase in account 5020 is a result of crew time allocations between accounts and is affected by crews completing more internal work rather than work for Sault Ste. Marie.

c) With respect to Purchase of Services (page 12), in which account are the costs for each of the services listed recorded?

Response

Management	1830, 5005, 5105, 5630
Billing & Collecting	5315, 5320
Retail Settlement	5315, 5320
Software Support	5315, 5320, 5620
Audit	5630
Regulatory	5630
Meter Reads, Disconnects	5310, 5320
Janitorial	5012, 5620

d) With respect to the purchase of services from PUC Inc., the Application indicates that for three areas the price was based on a tender. Please indicate how many parties submitted tenders for each of these services provided by PUC and, in each case, whether PUC was the lowest cost. If not the lowest cost tender, please explain why PUC was selected as the service provider.

Response

ERHDC hired a consultant to search for a new manager in 2005. None of the candidates responding seemed to have the skills and requirements to fill the position.

The ERHDC Board discussed whether any individual would have the skills and qualifications to fulfill the new regulatory requirements that were coming into effect. Since it seem to require that ERHDC would have to pay a manager and then hire and pay a large number of consultants to meet all the regulatory requirements, the Board decided to try another approach.

The ERHDC Board approached the two nearby larger utilities in Sudbury (Greater Sudbury Hydro) and Sault Ste. Marie (PUC Services Inc.) to determine if they would be interested in supplying "management services". Sudbury Hydro would only agree if they could, after a year purchase ERHDC. This was rejected by the Shareholders. PUC Services made a management services contract offer.

After examining the offered contract, the ERHDC Board felt that the services offered would fulfill the needs of ERHDC, that PUC was close enough that the proposed arrangement was workable, and that the costs would be , in fact, less than hiring a manager and paying additional needed consultants. PUC was awarded the contract in 2006.

Question #14

h) Please provide a schedule that shows the calculation of the residual balance in Account #1590 (\$31,700) as of April 30, 2008.

Response

				Jan1/07 to Apr30/07			May1/07 to Dec31/07			Jan1 to Apr30/08		
				Interest	Other	Balance	Interest	Other	Balance	Interest	Other	Balance
Recovery of Regulatory Asset Balances (acct #1590)												
Approved Balance												
Less Period Disposals					46,758			93,818			46,979	
Plus Period Interest				1,970			1,850			(124)		
Balance to (Refund) or Recover from 2006				152,159		107,371			15,403			(31,700)
Bridge Year (2007) Forecast												
Customer Class	Metric	kW	kWhs	# Customer s	EDR 2006 Approved Rates ^a	EDR 2007 Approved Rates ^{aa}	Jan1/07 to Apr30/07 Disposal	May1/07 to Dec31/07 Disposal				
Residential	kWhs		33,161,058	2,823	0.0030	0.0030	33,161	66,322				
GS < 50 kW	kWhs		14,701,715	429	0.0015	0.0015	7,351	14,702				
GS > 50 Non TOU	kW	37,580	14,752,248	16	0.4822	0.4822	6,040	12,081				
GS > 50 TOU	kW						-	-				
Intermediate	kW						-	-				
Large Users	kW						-	-				
Small Scattered Load	kWhs		125,709	11	0.0015	0.0015	63	126				
Standby Power	kW						-	-				
Sentinel Lighting	kW	77	27,890	27	2.0503	7.9253	53	407				
Street Lighting	kW	1,447	582,301	2	0.1879	0.1879	91	181				
Totals		39,104	63,350,921	3,308			46,758	93,818				
Test Year (2008) Forecast												
Customer Class	Metric	kW	kWhs	# Customer s	Dx Revenue	# Customer s w/Rebate Cheques	EDR 2007 Approved Rates	Jan1/08 to Apr30/08 Disposal				
Residential	kWhs		33,090,578	2,817	797,946	2,591	0.0030	33,091				
GS < 50 kW	kWhs		14,771,227	431	368,082	395	0.0015	7,386				
GS > 50 Non TOU	kW	37,580	14,752,248	16	89,167	0	0.4822	6,040				
GS > 50 TOU	kW						0.0000	-				
Intermediate	kW						0.0000	-				
Large Users	kW	0	0	0	0	0	0.0000	-				
Small Scattered Load	kWhs		125,709	11	2,551	0	0.0015	63				
Standby Power	kW						0.0000	-				
Sentinel Lighting	kW	77	27,890	27	805	0	12.0503	309				
Street Lighting	kW	1,446	581,870	2	9,272	0	0.1879	91				
Totals		39,103	63,349,522	3,304	1,267,823	2,986	-	46,979				

Question #17

Reference: Exhibit 8, pages 8-10

a) Why is ERHDC proposing to increase the Revenue to Cost ratio for GS > 50 to 100% while leaving the ratio for Unmetered Scattered Load at 92%?

b) Why aren't the proposed ratios for Street Light and Sentinel Light closer to 100%?

c) Please explain plain how the revenue proportions set out in the table on page 8 under the columns "Cost Allocation" and "Existing Allocation" were determined.

d) If the response to part (c) 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.

e) 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 the LV Cost recovery 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.

f) Please explain how the "Proposed Allocation" percentages on page 8 were derived and why they are consistent with the proposed revenue to cost ratios.

Response

- a) **ERHDC is not proposing to change the revenue to cost ratio for USL because it falls within the Boards recommended band.**
- b) **The proposed ratios for streetlights and sentinel lights are not closer to 100% due to the rate impact of moving closer to 100%. See Board interrogatory response 31.**
- c) **In Exhibit 8, Page 8, 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).

- d) 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.

e)

Class	Charge Type	Billing Quantity	Rate	Revenue	Class Revenue	Class %
Residential	Customer	2,817	10.1300	\$342,434.52		
Residential	kWh	33,090,578	\$ 0.0112	\$370,614.47	\$713,048.99	63.90%
GS <50	Customer	431	12.9300	\$66,881.32		
GS <50	kWh	14,771,227	\$ 0.0179	\$264,404.97	\$331,286.29	29.69%
GS>50-Regular	Customer	16	123.1100	\$23,637.12		
GS>50-Regular	kW	37,580	\$ 0.9569	\$35,960.32	\$59,597.44	5.34%
Unmetered Scattered Load	Customer	11	6.4700	\$854.04		
Unmetered Scattered Load	kWh	125,709	\$ 0.0113	\$1,420.51	\$2,274.55	0.20%
Sentinel	Connection	27	0.4500	\$145.80		
Sentinel	kW	77	\$ 7.9066	\$608.81	\$754.61	0.07%
Street Light	Connection	1,011	0.4100	\$4,975.36		
Street Light	kW	1,718	\$ 2.2458	\$3,858.35	\$8,833.71	0.79%
				\$1,115,795.59	\$1,115,795.59	100%

- f) 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.

Question #18

Reference: i) Exhibit 9, pages 2-8

c) If not done so in the Application, please recalculate the "Percentage of Current Class Revenue from Current Monthly Fixed Charge" as follows for each customer class:

- Base the fixed charge revenue on the 2007 approved monthly fixed charge (excluding the Smart Meter Rate Adder)
- Base the variable charge revenue on the 2007 approved variable distribution rate (excluding the LV adder)

d) Please recalculate Table shown on page 5 based on the results of part (c) above.

Response

c) and d)

Class	Charge Type	Billing Quantity (Test Year Projected)	Rate	Revenue	% of Class Rev.	
Residential	Customer	2,817	10.1300	\$342,434.52	48%	
Residential	kWh	33,090,578	\$ 0.0112	\$370,614.47	52%	100%
GS <50	Customer	431	12.9300	\$66,881.32	20%	
GS <50	kWh	14,771,227	\$ 0.0179	\$264,404.97	80%	100%
GS>50-Regular	Customer	16	123.1100	\$23,637.12	40%	
GS>50-Regular	kW	37,580	\$ 0.9569	\$35,960.32	60%	100%
Unmetered Scattered Load	Customer	11	6.4700	\$854.04	38%	
Unmetered Scattered Load	kWh	125,709	\$ 0.0113	\$1,420.51	62%	100%
Sentinel	Connection	27	0.4500	\$145.80	19%	
Sentinel	kW	77	\$ 7.9066	\$608.81	81%	100%
Street Light	Connection	1,011	0.4100	\$4,975.36	56%	
Street Light	kW	1,718	\$ 2.2458	\$3,858.35	44%	100%
				\$1,115,795.59		