

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #6

Vulnerable Energy Consumers Coalition (VECC)

2.Rate Base

Issue 2.1 Is the proposed rate base for 2013 and 2014, including capital expenditures for 2013 and 2014, appropriate?

Reference: Exhibit 2, Tab 2, Schedule 1, page 2, Table 1: Net Capital Expenditures.

- a) Please provide for Table 1: Net Capital Expenditures, on a CGAAP basis for 2011 through 2014.
- b) Are the reported 2011 figures actuals or forecast, please clarify?
- c) Please update the 2012 capital expenditures for most recent actuals.

Response:

- a) Please see the table below:

Table 1: Net Capital Expenditures, CGAAP 2011 - 2014 (\$000s)

Description	2011 CGAAP	2012 CGAAP	2013 CGAAP	2014 CGAAP
Land and Buildings	\$ 2,694	\$ 22,170	\$ 9,300	\$ 4,515
TS Primary Above 50	\$ -	\$ -	\$ -	\$ -
Distribution Station	\$ 8,364	\$ 6,666	\$ 3,242	\$ 3,473
Poles, Wires	\$ 25,501	\$ 23,922	\$ 24,329	\$ 26,555
Line Transformers	\$ 3,282	\$ 3,196	\$ 3,291	\$ 3,551
Services and Meters	\$ 2,749	\$ 4,191	\$ 2,273	\$ 2,875
General Plant	\$ -	\$ -	\$ -	\$ -
Equipment	\$ 2,284	\$ 2,839	\$ 3,175	\$ 3,660
IT Assets	\$ 5,615	\$ 5,464	\$ 4,351	\$ 4,388
Other Distribution Assets	\$ 1,358	\$ 1,523	\$ 1,919	\$ 2,320
CIP including CIAC	\$ (3,560)	\$ (101)	\$ -	\$ -
Customer Contributions	\$ (3,603)	\$ (2,907)	\$ (2,933)	\$ (2,960)
Net Capital Expenditures	\$ 44,684	\$ 66,964	\$ 48,947	\$ 48,377
Plus Borrowing cost	\$ 400	\$ 563	\$ 285	\$ 288
Net Capital Additions	\$ 45,084	\$ 67,527	\$ 49,231	\$ 48,664

- b) Figures presented in the Exhibit 2 Tab 2 Schedule 1 Table 1 are actual capital expenditures for 2011 in IFRS.

Figures presented in the above table for 2011 are actual capital expenditures in CGAAP.

All figures presented for 2012, 2013, and 2014 are forecasts.

- c) Please see the table below that shows the 2012 MIFRS net capital expenditures forecast updated with the most recent information.

Description	2012 Forecast MIFRS
Land and Buildings	\$ 24,065
TS Primary Above 50	\$ -
Distribution Station	\$ 6,787
Poles, Wires	\$ 21,714
Line Transformers	\$ 3,537
Services and Meters	\$ 3,664
General Plant	\$ -
Equipment	\$ 2,797
IT Assets	\$ 4,339
Other Distribution Assets	\$ 1,613
CIP including CIAC	\$ (101)
Customer Contributions	\$ (3,329)
Net Capital Expenditures	\$ 65,086
Plus Borrowing cost	\$ 544
Net Capital Additions	\$ 65,630

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 1

**The Consumers Council of Canada
(CCC)**

2 Rate Base

2.3: Is the proposed Green Energy Act Plan appropriate?

Reference: (2/T2/S3/p. 3)

What are the actual GEA capital expenditures to date in 2012?

Response:

The actual GEA capital expenditures to date in 2012 are shown below.

Capital Expenditures as of June 30, 2012	\$151
<u>Customer Contributions</u>	<u>(41)</u>
Net Capital Expenditures	\$110

Please note that customer contributions are only a pass-through for Connection Impact Assessment (CIA) studies that are conducted by a contracted service engineering firm.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 1

**Energy Probe Research Foundation
(Energy Probe)**

3. Operating Revenue

3.2 Is the proposed forecast of other regulated rates and charges for 2013 and 2014 appropriate?

Ref: Exhibit 3, Tab 3, Schedule 1

- a) Please provide the most recent year-to-date actual data for 2012 in the same level of detail as shown in Table 1. Please also provide the year-to-date figures for the corresponding period in 2011.
- b) Please provide the most recent year-to-date actual data for 2012 in the same level of detail as shown in Table 2. Please also provide the year-to-date figures for the corresponding year-to-date period in 2011.

Response:

- a) See Table 1 below.
- b) See Table 2 below.

Table 1: Other Revenue Summary, YTD June 2011 and 2012, incl. 2014 Forecast (\$000s)

Other Revenue Category	2008 Approved	2008 Actual	2009 Actual	2010 Actual	Actual YTD June 2011	2011 Actual	Actual YTD June 2012	2012 Bridge	2013 Test	2014 Forecast
Specific Service Charges	1,282	1,330	1,311	1,283	639	1,347	648	1,330	1,335	1,330
Late Payment Charges	420	408	413	1,379	1,052	2,068	826	1,800	1,800	1,800
Late Payment Charges	420	408	413	1,379	1,052	2,068	826	1,800	1,800	1,800
Other Regulated Revenues	1,260	1,189	1,124	1,608	586	1,212	627	1,464	1,452	1,461
Interest Revenue	2,049	1,957	284	187	267	735	478	377	50	95
TOTAL	5,340	5,195	3,434	4,751	2,673	5,605	2,685	5,178	4,830	4,879

Table 2: Late Payment Charges and Bad Debt Expense, YTD June 2011 and 2012, incl. 2014 Forecast (\$000s)

Description	2008 Rates	2008 Actual	2009 Actual	2010 Actual	Actual YTD June 2011	2011 Actual	Actual YTD June 2012	2012 Bridge	2013 Test	2014 Forecast
Late Payment Revenue	(420)	(408)	(413)	(1,379)	(1,052)	(2,068)	(827)	(1,800)	(1,800)	(1,800)
Bad Debt Expense	1,575	1,270	1,253	2,802	2047	3,706	1,586	3,600	3,550	3,455
Net Impact	1,155	862	840	1,423	995	1,638	759	1,800	1,750	1,650

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 3

**Energy Probe Research Foundation
(Energy Probe)**

3. Operating Revenue

3.2 Is the proposed forecast of other regulated rates and charges for 2013 and 2014 appropriate?

Ref: Exhibit 3, Tab 3, Schedule 1, Appendix 2-C

Please provide the most recent actual year-to-date figures for 2012 in the same level of detail as shown in the top table in Appendix 2-C. Please also provide the year-to-date figures for the corresponding year-to-date period in 2011.

Response:

Please see the table below.

USoA #	USoA Description	Approved 2008	Actual 2008	Actual 2009	Actual 2010	2011 YTD June	Actual 2011	2012 YTD June	Bridge 2012	Test Year 2013	Test Year 2014
4080	SSS Administration Charge	\$477,000	\$463,673	\$476,511	\$501,830	\$260,607	\$523,058	\$268,564	\$532,630	\$535,964	\$544,134
4082	Retail Services Revenues	\$315,000	\$297,697	\$293,110	\$279,105	\$125,825	\$236,687	\$100,953	\$200,554	\$186,631	\$186,631
4084	Service Transaction Requests	\$14,000	\$13,218	\$9,781	\$13,121	\$3,766	\$7,120	\$3,569	\$6,600	\$6,100	\$6,100
4210	Pole Rental	\$463,003	\$519,647	\$523,868	\$536,835	\$264,609	\$540,953	\$284,236	\$530,000	\$532,000	\$533,000
4225	Late Payment Charges	\$420,000	\$407,623	\$412,941	\$1,379,315	\$1,051,814	\$2,067,728	\$826,982	\$1,800,000	\$1,800,000	\$1,800,000
4235	Specific Service Charges	\$670,795	\$637,210	\$644,300	\$660,174	\$295,042	\$657,994	\$298,325	\$631,900	\$635,150	\$629,400
4235	Miscellaneous Service Revenues	\$358,000	\$246,630	\$274,207	\$492,053	\$141,425	\$272,046	\$155,320	\$449,161	\$433,633	\$434,657
4355	Gain on Disposition of Utility	\$425,000	\$144,509	\$178,952	\$167,312	\$92,988	\$156,927	\$57,323	\$161,000	\$161,000	\$161,000
4390	Misc Non-Operating Income	\$0	\$334,052	\$194,378	\$447,171	\$91,180	\$259,727	\$145,934	\$321,000	\$321,000	\$321,000
4405	Investment Interest Income	\$2,049,000	\$1,957,086	\$283,629	\$187,273	266,509	\$735,310	\$477,968	\$377,164	\$50,207	\$95,119
5330	Collection Charges	\$148,500	\$173,587	\$142,779	\$86,461	\$78,920	\$147,847	\$65,617	\$168,000	\$168,000	\$168,000
Specific Service Charges		\$1,177,295	\$1,057,427	\$1,061,286	\$1,238,688	\$515,388	\$1,077,887	\$518,794	\$1,249,061	\$1,236,783	\$1,232,057
Late Payment Charges		\$420,000	\$407,623	\$412,941	\$1,379,315	\$1,051,814	\$2,067,728	\$826,982	\$1,800,000	\$1,800,000	\$1,800,000
Other Distribution Revenue		\$1,269,003	\$1,294,235	\$1,303,270	\$1,330,891	\$654,807	\$1,307,819	\$657,323	\$1,269,784	\$1,260,695	\$1,269,865
Other Income and Expenses		\$2,474,000	\$2,435,647	\$656,959	\$801,756	\$450,677	\$1,151,963	\$681,225	\$859,164	\$532,207	\$577,119
Total		\$5,340,298	\$5,194,933	\$3,434,456	\$4,750,650	\$2,672,687	\$5,605,397	\$2,784,792	\$5,178,009	\$4,829,685	\$4,879,041

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 2

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 2

- a) What were the total HS&S costs incurred by Enersource Corporation ("EC") for each of 2008, 2009 and 2010?
- b) Were there any changes in the methodology to allocate costs to Enersource between that approved in the 2008 rates proceeding and the transfer of this function from EC to Enersource in 2011? If yes, please provide details and provide the impact of any such changes in 2008, 2009 and 2010.
- c) When the HS&S function was transferred to Enersource from EC in 2011, were changes made to the allocation methodology that used in the 2008 rates proceeding? Have any changes been made after 2011 to this allocation methodology? If yes, please provide details and provide the impact of any such changes on the 2013 costs allocated to Enersource and its affiliates.
- d) Please provide more details on the increase forecast in 2012 and 2013 for security costs. Is this increase related solely to 3240 Mavis Road? If not, please break out the increase between 2011 and 2012 into the components that are driving the increase.
- e) Are the security costs primarily related to labour costs? Does Enersource employ security resources or does it contract this service out to a third party?
- f) Please explain what is meant by "benchmarking and program costs" and explain the increase of more than 130% forecast between 2011 and 2012.
- g) Are the "benchmarking" costs an ongoing cost or a periodic cost?

- h) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 1 for 2012, along with the corresponding costs for the same period in 2011.

Response:

- (a) The total HS&S costs incurred by Enersource Corporation ("EC") for each of 2008, 2009 and 2010 were \$663,654.42, \$630,844.15 and \$610,329.97 respectively.
- (b) Beginning in 2009 the method of allocating costs was revised to better align with the services being provided to each affiliate based on budgeted headcount or as a percentage of revenue. Please refer to the response to Board Staff Issue 4.4 IR 42 for further details.
- (c) Please refer to the response to Board Staff Issue 4.4 IR 42.
- (d) The increase forecast in 2012 and 2013 for security costs is due to the security contract renegotiations and renewal in June, 2012 for security services at 3240 Mavis Road and increased mobile patrols at Enersource's remote locations (Stavebank and 3456 Mavis Road) due to the increased risk of copper and equipment theft.
- (e) Enersource contracts its security services out to a third party.
- (f) Benchmarking and program costs relate primarily to the provision of health and safety audit services. This includes fees for workplace health and safety audits and site visits where work observations identifying Health and Safety concerns, if any, are documented. These audits are conducted to ensure compliance with Health and Safety regulations (*Ontario Health and Safety Act* and other applicable regulations).

During 2011, Enersource incurred costs for site visits and Utility Work Protection audits. These are annual costs for Enersource. Benchmarking costs in 2012 increased due to a Health and Safety Compliance Audit that will be conducted in 2012. This audit will be completed every 2-3 years. During 2013, Enersource will be moving towards a managed Health and Safety system based on OHSAS 18001 (Occupational Health and Safety Assessment Series). Auditing will be required to ensure conformance with the Enersource Health and Safety Management System.

(g) Per (f) above, some costs are annual and other costs will be incurred every 2-3 years.

(h) The requested year-to-date figures are provided in the table below.

HS&S	YTD June 2012	YTD June 2011
Salaries	117	149
Benefits	69	67
Safety Equipment & Supplies	33	90
Benchmarking and program costs	14	9
Security	114	110
HS&S services provided to affiliates	-71	-77
Total HS&S	275	348

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 4

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 3

- a) At page 3, the number of calls handed in 2008 was identified as 130,000 with a forecast for 2013 of 171,000. Please provide the actual number of calls handed in 2009, 2010 and 2011, along with the forecast for 2012.
- b) Please provide the most recent year-to-date available number of calls handled for 2012, along with the corresponding number for the same period in 2011.
- c) Please provide a table for 2008 through 2013 that shows the costs related to the outsourced call centre and collections as shown in Table 2, the number of calls received, and the resulting average cost per call.
- d) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 2 for 2012, along with the corresponding costs for the same period in 2011.

Response:

- a) Please see the following table for the number of calls handled in 2008 to 2011, along with the forecast for 2012.

Year	Number of Calls
2008	130,498
2009	147,764
2010	175,679
2011	165,435
2012	182,755

- b) Please see the following table for the year-to-date number of calls handled for 2012, along with the corresponding number for the same period in 2011.

Month	2011	2012
January	12,285	11,696
February	12,496	10,612
March	15,384	12,080
April	12,348	10,811
May	13,939	13,234
June	16,119	13,801
Total Year-to-date	82,571	72,234

- c) Please see the response to SEC Issue 4.1 IR#27 which further discusses the third party call centre costs. The requested information is found in the table below for 2008 through 2012.

Year	Number of Calls	Third Party Costs (\$000s)	Third Party Costs Per Call (\$)
2008	130,498	522	4.00
2009	147,764	515	3.49
2010	175,679	685	3.90
2011	165,435	990	5.98
2012	182,755	1,225	6.70

- e) The requested year-to-date figures are provided in the table below.

	YTD June 2012	YTD June 2011
Salaries	\$1,605	\$1,671
Benefits	742	725
Outsourced Call Centre and Collections	665	869
Staff Training	11	42
Communication and Other Costs	34	24
Bill Print, Delivery and Meter Reads	583	518
Winter Warmth	100	100
Total	\$3,740	\$3,949

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 6

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 4

- a) What was the actual cost associated with the CN Agreement in 2010 and 2011?
- b) How many apprentices does Enersource forecast it will have in each of 2012, 2013 and 2014? Please provide a breakdown of the 2013 and 2014 figures by the number of years in the apprenticeship program.
- c) Please explain the 28% increase in tree trimming costs forecast for 2013 relative to 2012.
- d) Does Enersource do its own tree trimming or does it contract this function out to a third party?
- e) Please explain the decrease in distribution system maintenance costs in 2012 and the increase in 2013 shown in Table 2.
- f) Please explain the level of property taxes shown for 2012 and 2013 in Table 2, given the consistent level of just under \$600 in 2008 through 2011.
- g) Please explain how "Recoveries" in Table 2 are forecast. Please also provide a description of what these recoveries are related to.
- h) Which line item in Table 2 are the recoveries primarily associated with, or do the recoveries related to all of the costs shown in Table 2?
- i) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 2 for 2012, along with the corresponding costs for the same period in 2011.

- j) Did Enersource make any changes to its capitalization policy from that approved (or used) in the 2008 rates proceeding under CGAAP before the conversion to MIFRS? If yes, please provide the details and the impact on capital additions and OM&A expenses.

Response:

- a) The actual costs associated with the CN agreement, excluding taxes, was \$32 for 2010 and \$259 for 2011.
- b)

Apprentices		2012 As at June 30	2013 As at June 30	2014 As at June 30
	Totals	27	24	25
Type	Years in Program			
Lineman	4	6	4	4
Lineman	3	4	4	1
Lineman	2	4	1	3
Lineman	1	1	3	3
Cableman	4		1	
Cableman	3	1		2
Cableman	2		2	3
Cableman	1	2	3	2
System operator	4	3		
System operator	3			2
System operator	2		2	
System operator	1	2		
Substation Technician	4			
Substation Technician	3			1
Substation Technician	2		1	1
Substation Technician	1	1	1	
Metering	4	2		1
Metering	3		1	
Metering	2	1		1
Metering	1		1	1

- c) The increase in tree trimming costs forecast for 2013 relative to 2012 is due to rising contractor costs and additional focus on tree trimming, particularly on rights-of-way that have become difficult to access. Each is discussed further below.

The contractor hourly and equipment rates will be increasing from 2012 to 2013.

In 2013, greater emphasis will be made on trees located on pole lines within Hydro One rights-of-way that have become very difficult to access. Additional costs will be incurred due to the specialized equipment that will be required for this effort.

Enersource will place additional concentration on tree trimming in 2013 to help reduce customer outages caused by animals and to lessen the chance of having major customer outages during storms by ensuring trees are away from power lines. Additional contractor crews will be used to supplement Enersource's existing Forestry department. This will allow for increased tree trimming to be performed in heavily treed areas and on problem feeders in addition to normal planned work to maintain reliability.

- d) Enersource has two forestry crews. One contract forestry crew is utilized. On occasion, a second contract crew will be added as required.
- e) The slight decrease in distribution system maintenance costs in 2012 was mainly due to lower contractor costs. In 2011 Enersource had a record number (210) of primary cable faults mainly due to a very rainy May followed by a hot summer. Enersource typically has around 180 cable faults per year. Enersource uses a contractor to help dig and backfill the holes, allowing underground cable faults to be repaired by Enersource staff. Enersource projects cable faults to return to normal levels in 2012 which leads to a reduction in contractor costs compared to 2011.

In 2012 Enersource will be doing more inspections on its major equipment to identify areas that need to be worked on to maintain reliability. As a result of these inspections, Enersource anticipates that more emphasis will be made on increasing maintenance programs in 2013. These programs will include using additional contractors to perform certain functions such as increased power washing of the overhead system to clean insulators and prevent pole fires, and additional dry ice cleaning on padmounted transformer units to help extend their useful lives.

- f) Substation property taxes have been relatively consistent, around \$600, between 2008 and 2011. The increase in property taxes forecast for 2012 and 2013 is due to the addition of the new Erin Mills substation and BCM site in 2012 and the new Rubin building in 2013.

- g) Recoveries amounts in Table 2 relate to Enersource's labour and material indirect overhead burdens. An explanation of labour and material recoveries is described below:

Labour Burden Rate (labour recoveries)

The labour burden applies to direct labour costs, including overtime costs. It applies to direct labour costs recorded through the work order system so that indirect labour costs associated with managers, construction supervisors and various non-union staff are appropriately tracked and assigned. The application of the labour burden rate results in a reduction of Enersource's operating expenses that are recovered through distribution rates.

Administration Burden Rate (labour recoveries)

The administration burden applies to recoverable (or externally charged) activities only. This burden allocates indirect labour costs associated with collections, accounting (costing and billing of work orders) and Operations Division overhead. The application of the administration burden rate results in a reduction of Enersource's operating expenses that are recovered through distribution rates.

Material Burden Rate (material recoveries)

The materials burden covers the indirect costs incurred for materials handling and procurement of inventory items. The recovery of indirect material costs reduces the amount of Enersource's operating costs recovered through distribution rates.

Labour and material recoveries are forecasted by estimating the amount of direct labour and material costs that will be allocated to/ or used on projects. The labour and material burden rates are then applied to these direct labour and material costs.

- h) The labour recoveries are primarily associated with the salaries line item and the material recoveries are primarily associated with the distribution system maintenance line item. All material costs for E&O are included in this line item.
- i) The requested year-to-date figures are provided in the table below.

	YTD June 2012	YTD June 2011
Salaries	\$ 3,671	\$ 3,682
Benefits	1,708	1,663
Distribution System Maintenance	1,957	1,730
SCADA Circuit Conversion & Maintenance	283	266
Substation Property Taxes	298	290
Locate Services	324	234
Tree Trimming	108	100
Other Costs	285	297
Recoveries	(2,431)	(2,382)
Accounting IFRS Change – Overhead Burdens	1,337	1,096
Total Costs	\$ 7,540	\$ 6,976

- j) Enersource did not make any changes to its capitalization policy under CGAAP.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 5

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 3

- a) The evidence at page 13 indicates that two new third party collection agencies have been selected. When were these collection agencies selected and when did they begin providing services to Enersource?
- b) Prior to the use of the two new third party collection agencies, did Enersource utilize other collection agencies or did Enersource do this function in-house?
- c) What is the total cost associated with the hiring of the Accounts Receivable Manager and the two new third party collection agencies?
- d) What is the total savings associated with the resources that were previously used to collect accounts?
- e) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 3 for 2012, along with the corresponding costs for the same period in 2011.

Response:

- a) Enersource's previous collection agency was replaced in October, 2010 with the two new ones.
- b) Enersource previously and currently uses in-house staff as well as collection agencies.
- c) The hiring of a new Accounts Receivable Manager and two new collection agencies resulted in an increase in operating costs of approximately \$343.

- d) Enersource had forecast that its allowance for doubtful accounts would grow to \$4,300 for 2013 before the new Accounts Receivable Manager and collections agencies were engaged. Enersource reduced its bad debt expense to \$3,550, or by \$750, to reflect the savings from the renewed focus on doubtful accounts.
- e) The requested year-to-date figures are provided in the table below.

Description	YTD June 2012	YTD June 2011
Late-Payment Revenue	(827)	(1,052)
Bad Debt Expense	1,586	2,047
Net Impact	\$759	\$ 995

**Enersource Hydro Mississauga Inc.
 Response to Interrogatories by Issue**

Interrogatory # 8

**Energy Probe Research Foundation
 (Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 6

- a) Please provide a table for 2008 through 2013 showing the actual/forecast number of bulk meters replaced by individual meter suites as a result of the suite metering retrofit project. Please also show the number of additional individual meter suites as a result of this program for each year.
- b) Please update the status of the installations of smart meters. Did Enersource complete installations for all eligible customers by the end of June 2012?
- c) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 4 for 2012, along with the corresponding costs for the same period in 2011.

Response:

- a) Please see table below which identifies the total cumulative number of actual / forecast individual suite meters and bulk meters removed.

**Individual Meter Suite
 Retrofits**

<u>Class</u>	<u>2008 Actual</u>	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Bridge</u>	<u>2013 Test</u>
Residential Retrofits Added	0	0	796	127	250	250
Cumulative Residential Retrofits	192	192	988	1,115	1,365	1,615
Bulk Meters Replaced	0	0	3	0	1	1

- b) As of the end of June, 2012, Enersource stood at 99.9% installed and 94.8% converted to TOU. Also at that point, Enersource had 683 mechanical residential meters and 653 GS<50 kW meters remaining to be installed. These remaining meters are the result of refusals, and access issues that are continually being resolved. It is important to note the remaining mechanical GS<50 kW meters are made up of 600V meters and the progress for replacing these meters has been stalled due to a manufacturing issue outlined in the response to CCC, Issue 10.1 IR # 2.
- c) The requested year-to-date figures are provided in the table below.

Metering	YTD June 2012	YTD June 2011
Salaries	521	557
Benefits	408	326
Recoverable Salaries / Benefits	(417)	(459)
Material and Meter Reads	96	111
Physical Meter Inspections	65	25
Meter Re-Verification	23	3
Total Metering	696	562

**Enersource Hydro Mississauga Inc.
 Response to Interrogatories by Issue**

Interrogatory # 10

**Energy Probe Research Foundation
 (Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 9

- a) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 1 for 2012, along with the corresponding costs for the same period in 2011.
- b) Please explain the increase of \$692 between 2011 and 2012 shown in Table 1 for salaries, despite an increase of only 3 employees shown in Table 2.

Response:

- (a) The requested year-to-date figures are provided in the table below.

	YTD June 2012	YTD June 2011
Salaries	\$1,642	\$1,416
Benefits	742	672
Hardware/Software maintenance	419	375
Mainframe support	315	270
Software license renewal	218	254
Consultants (Prof Services)	154	140
Communications	155	161
Other	104	127
ISTS services provided to affiliates	(235)	(229)
Total	\$3,514	\$3,186

- (b) The increase of \$692 is due to the increase of three new positions (\$271), annual 3% wage increases (\$82), less capitalized labour during 2012 (\$225) and other salary increases (progressions, etc.) (\$114).

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 11

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 10

- a) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 2 for 2012, along with the corresponding costs for the same period in 2011.
- b) Has Enersource received its invoice for OEB assessed costs for 2012 yet? If yes, please provide the assessment for 2012.
- c) Please provide the costs incurred to date related to the current cost of service application for each of the line items shown in Table 3.
- d) Please explain what costs are included in the "Intervenor and Legal Costs" line in Table 2 since these costs exclude costs for the current application.

Response:

- a) The requested year-to-date figures are provided in the table below.

Regulatory Affairs	YTD June 2012	YTD June 2011
Salaries	153	130
Benefits	60	47
Conferences	0	1
Publication of Notices	11	3
Intervenor and Legal Costs	73	24
ESA Costs	49	49
OEB Assessed Costs	387	376
Total Regulatory Affairs	734	628

- b) Enersource has received two invoices to date during 2012 for OEB assessment costs. Enersource was invoiced for assessment costs of \$191 for the three month period from January 1 – March 31, 2012. This invoice represents the fourth assessment of the OEB's costs for its fiscal year commencing April 1, 2011. Enersource was also invoiced for assessment costs of \$195 for the three month period from April 1 – June 30, 2012. This invoice represents the first assessment of the OEB's costs for its fiscal year commencing April 1, 2012 and ending March 31, 2013.
- c) Enersource will provide costs incurred to June 2012 once the period is closed.
- d) Intervenor and Legal Costs in Table 2 are the annual non-COS related costs incurred by Enersource. These include legal advice and assistance in the IRM proceedings each year, cost awards for intervenors in those proceedings, cost awards for intervenor parties in other OEB proceedings and initiatives that are assessed and allocated to Enersource, and any legal support procured for Enersource's participation in OEB proceedings (that are not Enersource's own rate applications).

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 12

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 11

- a) What was the annual cost in 2011 for leasing the property at 3456 Mavis Road?
- b) What is the cost in 2013 for lease of the property at 3456 Mavis Road?
- c) Please provide the actual costs for 2008 through 2011 and the forecast for 2012 and 2013 for fuel costs.
- d) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 2 for 2012, along with the corresponding costs for the same period in 2011.
- e) Please explain the increase in property taxes shown in 2012 and 2013 relative to the declining levels recorded in previous years.
- f) Please explain the significant increases in utilities forecast for 2012 and 2013. Please break out the utility costs for 2008 through 2013 into each of the different utilities included (electricity, natural gas, water, etc.).
- g) Please explain what is included in the "Recoveries" line and indicate how it has been forecast in the bridge and test years and why it is lower than the levels recorded in 2009, 2010 and 2011.

Response:

- a) The annual cost in 2011 for leasing the property at 3456 Mavis Road was \$132.
- b) The annual cost in 2013 for leasing the property at 3456 Mavis Road will be \$144.
- c) Please refer to Exhibit 4 Tab 1 Schedule 11 Page 7 Table 2.
- d) The requested year-to-date figures are provided in the table below.

Facility Maintenance Services	YTD June 2012	YTD June 2011
Salaries	486	499
Benefits	263	249
Property Taxes	134	134
Utilities	279	293
Facility Maintenance & Repair	229	228
Rental	84	81
Fuel Costs	269	240
Vehicle Maintenance & Repair	185	157
Insurance & Licensing	60	61
Small Tool & safety Wear	178	111
Waste & Chemical Disposal	68	71
Other Costs	134	131
FMS Services provided to affiliates	(184)	(175)
Recoveries	(1,770)	(1,562)
Accounting IFRS change- Overhead burdens	231	260
Total	646	777

- e) The increase in property taxes shown in 2012 and 2013 is a result of anticipated property tax value assessments. The property values were last assessed in 2008, with changes phased in over a four-year period. It is anticipated that the 2012 property values will be higher than last assessed in 2008.

- f) The requested utility costs for 2008 through 2013 are provided in the table below.

	2008 Rates	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test Year
Electricity	523	459	356	415	453	517	517
Gas	67	59	55	33	36	58	58
Water	15	10	8	10	9	9	8
Total	605	528	419	458	498	584	583

Electricity, gas and water are projected according to market trends.

- g) The "Recoveries" line represents fleet recoveries, or the amounts paid to Enersource for the use of its fleet assets by utility business unit and affiliates. Enersource's fleet recovery allocation recovers the cost of fleet operations. Enersource applies the fleet recovery rate at either an hourly rate or monthly rate depending on the type of vehicle.

Most fleet rates charged to business units were decreased during 2012. The drop of the fleet rates contributed to the lower forecast of 2012 and 2013 fleet recoveries.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 14

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Ref: Exhibit 4, Tab 1, Schedule 13

- a) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 1 for 2012, along with the corresponding costs for the same period in 2011.
- b) Please explain the decrease in incentive plan, etc. costs shown in 2011 relative to previous years and the increase forecast for 2012 and 2013.

Response:

- a) The requested year-to-date figures are provided in the table below.
- b) Incentive plan costs in 2011 were lower relative to previous years as reliability and safety measures were not fully achieved in 2011. For the 2012 and 2013 budget Enersource assumed that it would fully achieve these targets which results in higher incentive plan costs for 2012 and 2013.

Other Operating Expenses	YTD June 2012	YTD June 2011
Retailer Services	105	130
Environmental Testing and Remediation	16	(3)
Incentive plan, bond rating agencies charges	585	317
Total Other Expenses	705	444

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #35

Vulnerable Energy Consumers Coalition (VECC)

4. Operating Costs

Issue 4.1: Is the proposed 2013 and 2014 OM&A forecast appropriate?

Reference: Exhibit 4, Tab 1, Appendix 2-F

- a) Please provide Appendix 2-F (Detailed. Account by Account, OM&A) on a CGAAP basis for all years to 2013.
- b) Please also update the 2012 Bridge year to incorporate for the most current actual spending.

Response:

- (a) The amounts included in Appendix 2-F for 2008 through 2010 are on a CGAAP basis. The amounts reported for 2011 through 2013 are IFRS, however, the only difference between these reported amounts under IFRS as compared to CGAAP, is that the CGAAP number would be lower due to overhead burdens, by \$2,525 in 2011, \$3,022 in 2012 and \$2,774 in 2013. The administration and general expenses totals for 2011, 2012, and 2013 in the tables would be lower by the aforementioned amounts under CGAAP. Under IFRS, indirect overhead costs, such as general and administration costs that are not directly attributable to an asset, that were being capitalized under CGAAP, are not allowed under IFRS. These costs referred to overhead burdens, results in an increase in Enersource's IFRS operating costs. Please refer to Exhibit 2 Tab 1 Schedule 1 for further details.
- (b) The requested version of Appendix 2-F is provided as an attachment to this response.

Appendix 2-F
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)
Updated with year-to-date June actuals

Account Description	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals	YTD June 2012	2012 Bridge Year	2013 Test Year
Operations							
5005 Operation Supervision and Engineering	\$ 2,069,858	\$ 2,238,397	\$ 2,022,276	\$ 2,047,475	\$ 962,224	\$ 2,276,153	\$ 2,528,872
5010 Load Dispatching	\$ 1,609,725	\$ 2,087,224	\$ 2,205,345	\$ 2,394,218	\$ 1,214,023	\$ 2,347,417	\$ 2,489,936
5012 Station Buildings and Fixtures Expense	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5014 Transformer Station Equipment - Operation Labour	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5015 Transformer Station Equipment - Operation Supplies and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5016 Distribution Station Equipment - Operation Labour	\$ 1,037,193	\$ 1,118,027	\$ 1,267,573	\$ 1,345,721	\$ 461,631	\$ 1,454,928	\$ 1,544,169
5017 Distribution Station Equipment - Operation Supplies and Expenses	\$ 140,982	\$ 193,830	\$ 139,348	\$ 130,012	\$ 82,004	\$ 150,500	\$ 166,820
5020 Overhead Distribution Lines and Feeders - Operation Labour	\$ 643,391	\$ 962,371	\$ 937,618	\$ 1,190,378	\$ 610,898	\$ 1,310,887	\$ 1,414,161
5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 118,558	\$ 259,376	\$ 170,141	\$ 221,926	\$ 134,230	\$ 301,436	\$ 309,967
5030 Overhead Sub-transmission Feeders - Operation	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5035 Overhead Distribution Transformers - Operation	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5040 Underground Distribution Lines and Feeders - Operation Labour	\$ 2,307,597	\$ 2,906,901	\$ 2,999,139	\$ 3,330,111	\$ 1,566,240	\$ 2,963,173	\$ 3,211,590
5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 225,829	\$ 259,017	\$ 276,648	\$ 350,126	\$ 119,471	\$ 286,880	\$ 286,880
5050 Underground Sub-transmission Feeders - Operation	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5055 Underground Distribution Transformers - Operation	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5060 Street Lighting and Signal System Expense	\$ 14	\$ 9	\$ -	\$ -		\$ -	\$ -
5065 Meter Expense	\$ 741,493	\$ 383,175	\$ 1,615,195	\$ 1,370,747	\$ 811,240	\$ 1,649,800	\$ 1,030,569
5070 Customer Premises - Operation Labour	\$ 1,503,620	\$ 1,586,206	\$ 1,449,163	\$ 1,605,236	\$ 813,348	\$ 1,562,292	\$ 1,629,935
5075 Customer Premises - Operation Materials and Expenses	\$ 85,767	\$ 103,299	\$ 74,083	\$ 72,138	\$ 27,960	\$ 87,540	\$ 86,540
5085 Miscellaneous Distribution Expenses	\$ 1,099,800	\$ 1,251,939	\$ 1,519,957	\$ 1,704,528	\$ 861,482	\$ 2,196,496	\$ 2,566,773
5090 Underground Distribution Lines and Feeders - Rental Paid	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5095 Overhead Distribution Lines and Feeders - Rental Paid	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5096 Other Rent	\$ 118,912	\$ 95,772	\$ 93,868	\$ 278,146	\$ 124,099	\$ 265,000	\$ 165,000
Total - Operations	\$ 11,702,739	\$ 13,445,543	\$ 14,770,356	\$ 16,040,763	\$ 7,788,850	\$ 16,852,502	\$ 17,431,212

Account Description	LRY Actual 2008	2009 Actuals	2010 Actuals	2011 Actuals	YTD June 2012	2012 Bridge Year	2013 Test Year
Maintenance							
5105 Maintenance Supervision and Engineering	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5110 Maintenance of Buildings and Fixtures - Distribution Stations	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5112 Maintenance of Transformer Station Equipment	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5114 Maintenance of Distribution Station Equipment	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5120 Maintenance of Poles, Towers and Fixtures	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5125 Maintenance of Overhead Conductors and Devices	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5130 Maintenance of Overhead Services	\$ 1,899,797	\$ 2,285,880	\$ 2,292,131	\$ 2,407,930	\$ 1,415,305	\$ 2,456,053	\$ 2,679,514
5135 Overhead Distribution Lines and Feeders - Right of Way	\$ 815,164	\$ 759,872	\$ 779,104	\$ 873,263	\$ 399,287	\$ 879,101	\$ 965,194
5145 Maintenance of Underground Conduit	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5150 Maintenance of Underground Conductors and Devices	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5155 Maintenance of Underground Services	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5160 Maintenance of Line Transformers	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5165 Maintenance of Street Lighting and Signal Systems	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5170 Sentinel Lights - Labour	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5172 Sentinel Lights - Materials and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5175 Maintenance of Meters	\$ 580,292	\$ 441,795	\$ 193,247	\$ 516,449	\$ 519,743	\$ 1,363,982	\$ 1,801,916
5178 Customer Installations Expenses - Leased Property	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5195 Maintenance of Other Installations on Customer Premises	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Total - Maintenance	\$ 3,295,253	\$ 3,487,547	\$ 3,264,481	\$ 3,797,642	\$ 2,334,335	\$ 4,699,136	\$ 5,446,624
Account Description	LRY Actual 2008	2009 Actuals	2010 Actuals	2011 Actuals	YTD June 2012	2012 Bridge Year	2013 Test Year
Billing and Collecting							
5305 Supervision	\$ 1,000,824	\$ 1,188,424	\$ 2,171,582	\$ 1,595,209	\$ 1,606,867	\$ 3,669,783	\$ 3,842,550
5310 Meter Reading Expense	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5315 Customer Billing	\$ 4,973,379	\$ 5,421,030	\$ 5,398,083	\$ 5,658,911	\$ 1,678,299	\$ 4,106,677	\$ 4,247,244
5320 Collecting	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5325 Collecting - Cash Over and Short	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5330 Collection Charges	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5335 Bad Debt Expense	\$ 1,270,475	\$ 1,252,636	\$ 2,801,922	\$ 3,706,065	\$ 1,585,836	\$ 3,600,000	\$ 3,550,000
5340 Miscellaneous Customer Accounts Expenses	\$ 81,223	\$ 264,741	\$ 428,103	\$ 520,385	\$ 169,379	\$ 312,022	\$ 350,111
Total - Billing and Collecting	\$ 7,325,900	\$ 8,126,830	\$ 10,799,691	\$ 11,480,571	\$ 5,040,381	\$ 11,688,482	\$ 11,989,905

Account Description	LRY Actual 2008	2009 Actuals	2010 Actuals	2011 Actuals	YTD June 2012	2012 Bridge Year	2013 Test Year
Community Relations							
5405 Supervision	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5410 Community Relations - Sundry	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5415 Energy Conservation	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5420 Community Safety Program	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5425 Miscellaneous Customer Service and Informational Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5505 Supervision	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5510 Demonstrating and Selling Expense	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5515 Advertising Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5520 Miscellaneous Sales Expense	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Total - Community Relations	\$ -			\$ -		\$ -	\$ -
Account Description	LRY Actual 2008	2009 Actuals	2010 Actuals	2011 Actuals	YTD June 2012	2012 Bridge Year	2013 Test Year
Administrative and General Expenses							
5605 Executive Salaries and Expenses	\$ 713,422	\$ 1,076,955	\$ 941,501	\$ 957,447	\$ 404,962	\$ 498,010	\$ 514,155
5610 Management Salaries and Expenses	\$ 3,788,922	\$ 3,395,178	\$ 3,355,020	\$ 3,718,522	\$ 2,279,271	\$ 4,778,416	\$ 5,530,836
5615 General Administrative Salaries and Expenses	\$ 8,374,638	\$ 8,835,139	\$ 10,028,063	\$ 9,933,167	\$ 4,891,629	\$ 10,611,125	\$ 11,365,039
5620 Office Supplies and Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5625 Administrative Expense Transferred - Credit	-\$ 6,721,484	-\$ 6,563,730	-\$ 6,652,898	-\$ 5,243,197	-\$ 2,395,775	-\$ 3,886,651	-\$ 4,337,299
5630 Outside Services Employed	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5635 Property Insurance	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5640 Injuries and Damages	\$ -	\$ -	\$ 5	\$ 830,757	\$ 377,028	\$ 1,007,600	\$ 1,086,443
5645 Employee Pensions and Benefits	-\$ 198,057	-\$ 141,326	\$ 92,926	\$ 507,260	\$ 401,901	\$ -	\$ -
5650 Franchise Requirements	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5655 Regulatory Expenses	\$ 805,526	\$ 958,872	\$ 818,465	\$ 846,426	\$ 460,281	\$ 895,000	\$ 1,091,500
5660 General Advertising Expenses	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5665 Miscellaneous General Expenses	\$ 171,176	\$ 1,130,202	\$ 194,886	\$ 110,345	\$ 71,985	\$ 344,651	\$ 313,020
5670 Rent	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5675 Maintenance of General Plant	\$ 5,986,118	\$ 6,774,501	\$ 6,975,162	\$ 6,703,153	\$ 3,591,747	\$ 8,202,564	\$ 9,219,951
5680 Electrical Safety Authority Fees	\$ 92,689	\$ 94,156	\$ 92,868	\$ 95,899	\$ 49,467	\$ 97,850	\$ 97,850
5685 Independent Electricity System Operator Fees and Penalties	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
5695 OM&A Contra Account	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
6205 Donations (Charitable Contributions)	\$ 31,228	\$ 40,091	\$ 50,445	\$ 140,000	\$ 100,000	\$ 145,000	\$ 150,000
Total - Administrative and General Expenses	\$ 13,044,178	\$ 15,600,037	\$ 15,896,443	\$ 18,599,779	\$ 10,232,497	\$ 22,693,565	\$ 25,031,495
6105 Taxes Other Than Income Taxes	\$ 866,050	\$ 863,606	\$ 867,586	\$ 864,465	\$ 475,103	\$ 1,075,000	\$ 1,200,000
Total OM&A	\$ 36,234,120	\$ 41,523,563	\$ 45,598,558	\$ 50,783,218	\$ 25,871,165	\$ 57,008,685	\$ 61,099,236

Note:

If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 2

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.4 Is the proposed allocation of shared services and corporate costs appropriate?

Ref: Exhibit 4, Tab 1, Schedule 8

Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 2 for 2012, along with the corresponding costs for the same period in 2011.

Response:

The requested year-to-date figures are found in the table below.

Table 2: EC Operating Costs by Type and by Year (\$000s)

	YTD June 2012	YTD June 2011
Salary	\$ 2,183	\$2,063
Benefits	1,077	921
Audit, Banking & Insurance	610	782
Communications & Customer Relations	132	449
Employee Development	34	151
Memberships & Subscriptions	64	63
Safety Related Costs	-	-
Supplies, Conferences, Travel	29	43
Directors Honoraria	76	70
Social Responsibility	59	47
Corporate Overhead	555	467
Legal	149	142
IFRS Deferral	-	(243)
Total Operating Costs	\$4,968	\$4,955

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 4

**Energy Probe Research Foundation
(Energy Probe)**

4. Operating Costs

4.4 Is the proposed allocation of shared services and corporate costs appropriate?

Ref: Exhibit 4, Tab 4, Schedule 1

- a) The evidence indicates that EC revised its shared service model and agreements in 2008. Were these changes reviewed by the Board in Enersource's last cost of service proceeding or were these changes made subsequent to that proceeding?
- b) Has Enersource Corporation pursued any utility acquisitions (page 5)? If yes, please provide the costs associated with such activities in each of 2008 through 2011 and any forecasts for 2012 and 2013.
- c) Please provide copies of the last three newsletters that were provided to customers (page 8).
- d) Please provide the most recent year-to-date costs available in the same level of detail as shown in Table 3 for 2012, along with the corresponding costs for the same period in 2011.
- e) Please add a line to Table 3 to show the ratio of the corporate allocation to the total EC operating costs.

Response:

- a) EC will review, and typically revise, its service level agreements (SLAs) with its affiliates annually. The then-current SLAs were included in Enersource's 2008 Cost of Service Application and reviewed by the Board at that time. Thus, subsequent changes to the SLA have occurred and have not been reviewed by the Board.

The current SLAs, which became effective January 1, 2011, have been included in this Application at Exhibit 4 Tab 4 Appendices 1 to 6.

- b) Enersource has tried to pursue utility acquisitions but has not included any costs of such activities in this Cost of Service Application. Only minor costs were incurred by EC in order to submit proposals to other utilities from 2008 to 2011. No utility acquisitions have occurred.
- c) Please see attachments 1 to 5 to this response.
- d) The requested year-to-date figures are provided in the table below.

Table 3 - Operating Costs by Type and by Year (\$000s)

	YTD June 2012	YTD June 2011
Salary	\$ 2,183	\$2,063
Benefits	1,077	921
Audit, Banking & Insurance	610	782
Communications & Customer Relations	132	449
Employee Development	34	151
Memberships & Subscriptions	64	63
Safety Related Costs	-	-
Supplies, Conferences, Travel	29	43
Directors Honoraria	76	70
Social Responsibility	59	47
Corporate overhead	555	467
Legal	149	142
IFRS Deferral	-	(243)
Total EC Operating Costs	\$4,968	\$4,955
Corporate Allocation	\$4,640	\$4,707

- e) The ratio of costs allocated by EC to Enersource is provided in Exhibit 4 Tab 4 Schedule 1 Appendix 2-L. The costs in Table 3 of Exhibit 4 Tab 4 Schedule 1 are EC costs by type rather than by affiliate.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #58

School Energy Coalition (SEC)

4. Operating Costs

Issue 4.4 Is the proposed allocation of shared services and corporate costs appropriate?

Reference: Ex. 4/4/1, App. 1

With respect to this SLA:

- (a) Please provide the most recent financial statements of the Service Provider.
- (b) Please provide a copy of the most recent invoice from the Service Provider to the Applicant.

Response:

- a) Enersource Corporation does not produce separate financial statements for Enersource Technologies Inc.
- b) Enersource Corporation does not invoice each affiliate. Costs are allocated each month by journal entry and the inter-company payable is settled by wire transfer the following month. The Telephone contract is transferred to Enersource Hydro at cost. The charges for the six months ended June 30, 2012 are \$71,794.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #59

School Energy Coalition (SEC)

4. Operating Costs

Issue 4.4 Is the proposed allocation of shared services and corporate costs appropriate?

Reference: Ex. 4/4/1, App. 2, p. 17

Please advise whether the “operating revenues” referred to are distribution revenues or total revenues (i.e. including the commodity). Please provide a copy of the most recent invoice from the Service Provider to the Applicant.

Response:

Enersource Corporation earns interest and financial asset revenue. The revenue earned reduces the costs that are allocated to each active affiliate. As mentioned in SEC Issue 4.4 IR 58b), Enersource Corporation does not invoice each affiliate. Rather, it allocates the corporate overhead costs each month by journal entry and settles the inter-company payable by wire transfer the following month. For the six months ended June 30, 2012, Enersource Corporation allocated \$4,640 to Enersource Hydro Mississauga through the management fee allocation.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #61

School Energy Coalition (SEC)

4. Operating Costs

Issue 4.4 Is the proposed allocation of shared services and corporate costs appropriate?

Reference: Ex. 4/4/1, App. 4 With respect to this SLA:

- (a) Please provide the most recent financial statements of the Service Provider.
- (b) Please provide a copy of the most recent invoice from the Service Provider to the Applicant.

Response:

- a) Enersource does not produce separate financial statements for Enersource Hydro Mississauga Services Inc.
- b) There are no invoices created from Enersource Hydro Mississauga Services Inc. to Enersource Hydro. The charges from Enersource Hydro Mississauga Services Inc. to Enersource Hydro are based on cost allocations through journal entries and allocations of labour through timesheets.

The total amount allocated to Enersource Hydro from Enersource Hydro Mississauga Services Inc. as at June 30, 2012 is \$75,061.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #50

Board Staff

8. Deferral and Variance Accounts

Issue: 8.1 - Are the deferral and variance account balances, allocation methodology and disposition period(s) appropriate?

Reference: E9-T1-S1 p.10

Will Enersource be removing and disposing the remaining PILC cables, which contain PCBs, in 2012 and what is the expected cost? If not, is the activity forecasted to occur in 2013?

Response:

As of June 2012, Enersource has completed the removal and disposal of the remaining PILC cables. The actual 2012 costs incurred is \$37.

Enersource has increased the amount sought for recovery relating to Account 1572 – Extra-Ordinary Costs (PCBs) by \$37. Please refer to Board Staff Issue General IR # 3 for the changes made to the evidence.

Enersource does not anticipate any additional costs to be incurred and deferred with respect to PCBs.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory # 54

Board Staff

9. Modified International Financial Reporting Standards

9.1 Is the treatment and disposition of the Property Plant & Equipment adjustments due to the transition to MIFRS appropriate?

Ref: E4-T6-S1, p.4-9

Enersource has included "Early De-recognition" in the calculation of depreciation expense, where "Early De-recognition" represents the net book value of assets that have been removed prematurely from the system (before reaching their useful lives).

- a) Please further clarify why these assets have been removed prematurely from the system.
- b) Please confirm if the assets related to the 2011 and 2012 Early De-recognition were in or not in service in 2011 and 2012.
- c) Please explain why Early De-recognition is not a one time IFRS transition issue but is an ongoing issue and applies to the years after the transition to IFRS (i.e. 2012-2014).

Response:

- a) Under IFRS an asset should be derecognized when it is disposed or when no future economic benefits are expected from its use. At Enersource, derecognition can occur for various factors:

- External factors

Derecognition occurs when assets in the field are removed before they reach their useful lives mainly due to storms, road projects initiated by the City, Region or Province, asset damaged by third parties, theft, fire, etc.

Sometimes when performing one of the above projects, assets that have not reached their useful life get removed and replaced because it is more efficient

to do these activities, due to the distribution system efficiencies, safety and reliability requirements.

- Internal factors

Some assets in the field are removed as part of ongoing Enersource activities such as overhead and underground rebuilds, equipment and technology upgrades. While these projects would generally be replacing fully depreciated assets, there are also assets that are not fully depreciated which are removed and derecognized for various reasons such as equipment failure, safety reasons, older technology, equipment condition, rebuilds, overall distribution system efficiency and reliability, or resource efficiencies.

- b) Enersource confirms that assets related to the 2011 early de-recognition were removed from the service in 2011. The 2012 early de-recognition is a forecast. Enersource has de-recognized \$1,026 as of June 2012.
- c) As explained in part a) of this question, the early de-recognition is going to be an ongoing issue for Enersource as the above mentioned factors will continue to exist and continue to impact its activities in the future.

**Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue**

Interrogatory #66

School Energy Coalition (SEC)

9. Modified International Financial Reporting Standards

Issue 9.1 Is the treatment and disposition of Property, Plant & Equipment adjustments due to the transition to MIFRS appropriate?

[Ex. 1/3/1, p. 6] Please describe how “early derecognition” arises each year when new depreciation rates have just been established. If assets are being taken out of service before the end of their useful lives, please provide a list of the types and amounts of such assets in each of 2013 and 2014, and the reasons for their anticipated early retirement.

Response:

It is not Enersource’s practice to voluntarily replace assets before they reach the end of their useful lives. Early derecognition of assets can occur as a result of various factors, as explained in detail in the response to Board Staff Issue 9.1 IR 54.

Under CGAAP, Enersource recorded PP&E as pooled assets based on major accounting classes in the year of capitalization, and generally consisted of high level asset groupings such as overhead distribution, underground distribution, etc.

Under CGAAP, Enersource did not write off an asset unless the whole asset pool is disposed, or for a particular item if the amount could be determined accurately.

Generally, assets remained on the books until the end of their pooled useful lives.

Under IFRS, Enersource is now required to track the movements of the assets in the field and determine their remaining book value if derecognized. As a result, Enersource is incurring more derecognition expense in the current period under IFRS than it would have had under CGAAP

The new depreciation rates were established as an average useful life of the asset category; therefore, there is a probability that some of the assets will fail or be removed before they reach their useful life. Of course, it is also probable that some will be in use after their useful life.

Due to the implementation of IFRS, and the new processes and systems associated with IFRS, Enersource recorded additional derecognition expense for 2011. The forecasts for 2012, 2013, and 2014 were established based on the 2011 actuals. Enersource has derecognized \$1,026 as of June 2012.

Enersource believes that the amounts forecast for 2013 and 2014 are appropriate, provided that no significant changes occur to the factors impacting this expense type.

The table below shows actual derecognition expense for 2011, 2012 YTD up to June 2012, and the forecasted amounts for 2012 to 2014.

Asset Category	Derecognition				
	Derecognition (NBV) Actual 2011	(NBV) Actual YTD June 2012	Derecognition (NBV) Forecast 2012	Derecognition (NBV) Forecast 2013	Derecognition (NBV) Forecast 2014
Substation Equipment	\$ 93	\$ 158	\$ 97	\$ 99	\$ 102
Scadamate / Reclosures	\$ -	\$ 39	\$ 14	\$ 15	\$ 15
Fault Indicators	\$ -	\$ 2	\$ 5	\$ 5	\$ 5
Wood Pole System	\$ 183	\$ 101	\$ 186	\$ 191	\$ 197
Concrete Pole System	\$ 100	\$ 66	\$ 101	\$ 104	\$ 107
Transformer System	\$ 59	\$ 50	\$ 60	\$ 62	\$ 64
O/H Switches/Fuses	\$ 286	\$ 113	\$ 290	\$ 298	\$ 307
U/G Cable System	\$ 709	\$ 320	\$ 725	\$ 747	\$ 769
Padmounted Transformers	\$ 395	\$ 135	\$ 410	\$ 422	\$ 435
Underground Accessories	\$ 11	\$ 13	\$ 11	\$ 12	\$ 12
Air Insulated Switchgear	\$ 23	\$ 30	\$ 25	\$ 26	\$ 27
Total	\$ 1,859	\$ 1,026	\$ 1,924	\$ 1,981	\$ 2,041