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ONTARIO ENERGY BOARD

FILE NO.: EB-2012-0033

REDACTED

VOLUME: Technical Conference

DATE: July 31, 2012

THE ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an application by
Enersource Hydro Mississauga Inc. for an order
approving just and reasonable rates and other
charges for electricity distribution to be
effective January 1, 2013 and January 1, 2014.

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Tuesday, July 31st, 2012,
commencing at 9:30 a.m.

TECHNICAL CONFERENCE

A P P E A R A N C E S

MAUREEN HELT	Board Counsel
KEITH RITCHIE	Board Staff
RICHARD BATTISTA	
GEORGE VEGH	Enersource Hydro Mississauga Inc.
GIA DeJULIO	
BILL KILLEEN	
BRANKO BORAS	
DAVID CROCKER	Association of Major Power Consumers in Ontario (AMPCO)
JULIE GIRVAN	Consumers Council of Canada (CCC)
PETER FAYE	Energy Probe Research Foundation
RANDY AIKEN	
DAVID MacINTOSH	
JAY SHEPHERD	School Energy Coalition (SEC)
MARK GARNER	Vulnerable Energy Consumers'
BILL HARPER	Coalition (VECC)

I N D E X O F P R O C E E D I N G S

<u>Description</u>	<u>Page No.</u>
--- On commencing at 9:30 a.m.	1
Preliminary Matters	1
--- Recess taken at 9:34 a.m.	2
--- On resuming at 9:44 a.m.	2
 ENERSOURCE HYDRO MISSISSAUGA INC. - PANEL 3	 4
D. Nunes, J.P. Michaud, J. Macumber, E. Gjevori, G. DeJulio, D. Morrison	
Questions by Mr. Shepherd	4
--- Recess taken at 10:59 a.m.	46
--- On resuming at 11:17 a.m.	46
Questions by Mr. Battista	83
--- Luncheon recess taken at 12:41 p.m.	91
--- On commencing in camera at 1:50 p.m.	92
Questions by Mr. Shepherd	92
Questions by Mr. Aiken	107
--- Recess taken at 2:20 p.m.	109
--- On resuming at 2:23 p.m.	110
 ENERSOURCE HYDRO MISSISSAUGA INC. - PANEL 4	 110
J.A. Macumber, J. Bonadie, M. Sultana, D. Morrison	
Questions by Mr. Aiken	110
Questions by Mr. Harper	114
Questions by Mr. Battista	154
--- Whereupon the conference concluded at 3:49 p.m.	156

E X H I B I T S

<u>Description</u>	<u>Page No.</u>
EXHIBIT NO. KTC2.1: CONFIDENTIAL VERSION OF DOCUMENT IN RESPONSE TO SEC INTERROGATORY NO. 27, THIRD-PARTY CONTRACT.	1
EXHIBIT NO. KT2.2: REDACTED VERSION OF THE THIRD- PARTY CONTRACT, IN RESPONSE TO SEC IR NO. 27, ISSUE 4.1	91

U N D E R T A K I N G S

<u>Description</u>	<u>Page No.</u>
UNDERTAKING NO. JT2.1: TO RECONCILE OM&A NUMBERS IN EXHIBIT 2-E, AND IF THERE ARE ANY ACTUAL DIFFERENCES THAT CAN'T BE RECONCILED EASILY, TO EXPLAIN WHAT THE DIFFERENCES ARE.	7
UNDERTAKING NO. JT2.2: TO EXPAND ON THE INFORMATION REQUESTED PREVIOUSLY IN JT1.12, TO SEE THE FULL SET OF ASSUMPTIONS AND CALCULATIONS, AND TO SHOW WHERE IN THE APPLICATION ONE CAN FIND THE END RESULT.	23
UNDERTAKING NO. JT2.3: TO PROVIDE AMOUNT OF THE \$3 MILLION IN OM&A STILL BEING REQUESTED IN THIS APPLICATION.	28
UNDERTAKING NO. JT2.4: FOR THE 18 EMPLOYEES, TO PROVIDE YEAR IN WHICH EACH BECAME ELIGIBLE TO RETIRE.	40
UNDERTAKING NO. JT2.5: TO PROVIDE AN ANALYSIS/ INFORMATION WITH RESPECT TO HOW THE NUMBER OF CALLS FOR 2012 (182,755) WAS ARRIVED AT.	44
UNDERTAKING NO. JT2.6: TO PROVIDE TREE-TRIMMING CONTRACTOR'S HOURLY AND EQUIPMENT RATES FOR 2012 AND 2013.	47
UNDERTAKING NO. JT2.7: TO PROVIDE THE NUMBER OF INTERNET PAYMENTS, TELEPHONE PAYMENTS, PAYMENTS AT BANKS, AND LOCK-BOX PAYMENTS PER YEAR.	54
UNDERTAKING NO. JT2.8: TO PROVIDE BREAKDOWN OF METHODOLOGY FOR ALLOCATION TO AFFILIATES FOR IT SERVICES.	69
UNDERTAKING NO. JT2.9: TO PROVIDE EVIDENCE THAT THE MAJORITY OF EMPLOYEES HISTORICALLY RETIRE IN THE FIRST YEAR THAT THEY ARE ELIGIBLE TO RETIRE ON AN UNREDUCED PENSION.	78
UNDERTAKING NO. JT2.10: TO PROVIDE THE NUMBER OF EMPLOYEES IN AFFILIATES, AS REQUESTED IN PART (E) OF SEC INTERROGATORY NO. 46 IN ISSUE 4.1	79

U N D E R T A K I N G S

<u>Description</u>	<u>Page No.</u>
UNDERTAKING NO. JT2.11: TO PRODUCE TABLE 1 UNADJUSTED FOR SMART-METER-RELATED COSTS.	86
UNDERTAKING NO. JT2.12: TO PROVIDE THE 2011 INCOME-TAX RETURN INCLUDING SCHEDULES.	88
UNDERTAKING NO. JTC2.13: TO PROVIDE THE PER- CALL FEE FOR THE TEST YEAR.	94
UNDERTAKING NO. JTC2.14: TO EXPLAIN DECREASE IN AVERAGE CALL DURATION.	97
UNDERTAKING NO. JTC2.15: TO PROVIDE EARLIER VERSION OF EXHIBIT KTC2.1 SHOWING AMENDMENTS MADE.	100
UNDERTAKING NO. JTC2.16: TO ADVISE WHETHER ENERSOURCE HYDRO MISSISSAUGA CONSIDERS THIS AGREEMENT BINDING ON THE UTILITY.	101
UNDERTAKING NO. JTC2.17: TO ADVISE WHETHER ENERSOURCE HYDRO MISSISSAUGA HAS A SHAREHOLDER DIRECTION FROM ITS PARENT, AND IF SO, TO PROVIDE IT. 102	
UNDERTAKING NO. JTC2.18: TO CONFIRM WHETHER A PERSON WHO WORKS FOR BOREALIS OR IS RELATED TO ANYBODY WHO WORKS FOR BOREALIS WOULD NOT BE AN INDEPENDENT.	103
UNDERTAKING NO. JTC2.19: TO ADVISE WHY THE LIST SHOWING THE BREAKDOWN OF BOARD MEMBERS DIFFERS FROM THE AGREEMENT.	103
UNDERTAKING NO. JTC2.20: TO ADVISE WHETHER ALL SHARING PROVISIONS MUST BE APPROVED 75 PER CENT BY THE BOARD OF DIRECTORS AND BY THE CITY OF MISSISSAUGA.	106
UNDERTAKING NO. JTC2.21: TO ADVISE WHO IS CURRENTLY ON THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE AND WHO IS ON THE NOMINATING COMMITTEE	107

U N D E R T A K I N G S

<u>Description</u>	<u>Page No.</u>
UNDERTAKING NO. JTC2.22: TO RECONCILE THE [REDACTED] THIRD-PARTY PRICE PER CALL IN EXHIBIT KTC2.1 WITH THE [REDACTED] THIRD-PARTY COST PER CALL in ENERGY PROBE IR NO. 4, TABLE TO PART (C) UNDER ISSUE 41.	108
UNDERTAKING NO. JT2.23: TO PROVIDE THE REGRESSION STATISTICS WITH THE VARIABLE REMOVED AND WITH THE POPULATION VARIABLE CONTINUING TO BE EXCLUDED; AND TO PROVIDE THE RESULTING FORECAST FROM THE NEW EQUATION FOR 2012, 2013, AND 2014.	111
UNDERTAKING NO. JT2.24: TO PROVIDE WEATHER-CORRECTED NUMBERS AND SHARES AND AVERAGE FOR EACH RATE CLASS FOR 2012 and 2013.	116
UNDERTAKING NO. JT2.25: TO EXPLAIN THE DIFFERENCE in MAGNITUDE BETWEEN MEASUREMENTS OF HEATING DEGREE-DAYS AND COOLING DEGREE-DAYS.	120
UNDERTAKING NO. JT2.26: TO TAKE UNDER ADVISEMENT THE REQUEST FOR THE DATA.	122
UNDERTAKING NO. JT2.27: TO PROVIDE THE FORECAST FOR 2014.	123
UNDERTAKING NO. JT2.28: TO PROVIDE THE NUMBER OF CUSTOMERS FOR EACH OF THE RATE CLASSES IN ADDITION TO OTHER VARIABLES.	124
UNDERTAKING NO. JT2.29: TO PROVIDE THE QUARTERLY DATA USED AS THE INPUT FOR EACH INDIVIDUAL RATE CLASS.	124
UNDERTAKING NO. JT2.30: TO PROVIDE EQUATION RESULTS WITH HDD AND CDD VARIABLES REMOVED FROM RATE CLASS MODEL FOR LARGE USERS.	126
UNDERTAKING NO. JT2.31: TO PROVIDE DETAILS OR EVIDENCE RELATED TO THE 80,000 ADJUSTMENT IN KILOWATT DEMAND FORECAST DESCRIBED IN ENERGY PROBE IR NO. 10	127

U N D E R T A K I N G S

<u>Description</u>	<u>Page No.</u>
UNDERTAKING NO. JT2.32: TO RESPOND TO ENERGY PROBE IR NO. 15, PARTS (A), (B) AND (C)	128
UNDERTAKING NO. JT2.33: TO PROVIDE CORRECTED TABLE 1 FOR ENERGY PROBE IR NO. 1, ISSUE 3.2.	128
UNDERTAKING NO. JT2.34: TO UPDATE TABLE PROVIDED IN RESPONSE TO PART (A) OF ENERGY PROBE IR NO. 5, ISSUE 3.2, TO SHOW EXPECTED MICROFIT CUSTOMER AT END OF 2014.	129
UNDERTAKING NO. JT2.35: TO PROVIDE THE WEATHER-RELATED ADJUSTMENT BASED ON THE DIFFERENCES BETWEEN ACTUAL AND NORMAL WEATHER FOR FIVE VARIABLES.	133
UNDERTAKING NO. JT2.36: TO PROVIDE AN ESTIMATE OF WHEN EACH OF THE OPA PROGRAMS GAINED TRACTION WITH CUSTOMERS DURING THE YEAR.	138

1 Tuesday, July 31, 2012

2 --- On commencing at 9:30 a.m.

3 **PRELIMINARY MATTERS:**

4 MS. HELT: Good morning, everyone. My name again is
5 Maureen Helt. I am counsel with the Board. With me is
6 Richard Battista, who is the case manager with Board Staff.

7 We are here today for Day 2 of the technical
8 conference for Enersource's cost of service application,
9 EB-2012-0033.

10 We are -- yesterday we finished with witness panel
11 numbers 1 and 2, and we were in the process of having
12 intervenors question witness panel number 3. We will
13 resume with questioning of witness panel 3 this morning.

14 Prior to doing so, we will just address a few
15 preliminary matters. The first is, I would just like to
16 remind parties that when asking their questions to ensure
17 that, not only do you make reference to the interrogatory
18 number, but also the issue number if possible. That will
19 just make it easier when reviewing the transcript to know
20 specifically which documents we are talking about.

21 In addition, I would like to confirm that Enersource
22 has now provided a copy of the confidential version of the
23 document which was in response to SEC Interrogatory No. 27,
24 specifically the third-party contract. We will mark that
25 today as Exhibit KTC2.1.

26 **EXHIBIT NO. KTC2.1: CONFIDENTIAL VERSION OF DOCUMENT**
27 **IN RESPONSE TO SEC INTERROGATORY NO. 27, THIRD-PARTY**
28 **CONTRACT.**

1 MS. HELT: And I understand that there is not yet a
2 redacted version, but Enersource is going to address that
3 momentarily.

4 Those are all the preliminary matters that I have at
5 this time.

6 Mr. Shepherd?

7 MR. SHEPHERD: We were going to get a redacted copy of
8 the shareholders' agreement. I understand it's been
9 provided, but I haven't seen a copy yet.

10 MS. HELT: All right.

11 MR. VEGH: Can we just go off the record for a minute?

12 MS. HELT: Certainly.

13 --- Recess taken at 9:34 a.m.

14 --- On resuming at 9:44 a.m.

15 MS. HELT: All right. If we can resume from where we
16 left off, Mr. Battista is currently handing out a redacted
17 version of the confidential document, that being the
18 shareholders' agreement filed yesterday as KTC -- or KT1.3,
19 being the redacted version. I'm sorry.

20 One other preliminary matter that I forgot to address
21 earlier was with respect to when we will actually deal with
22 the questions for the confidential documents. I think it
23 would be most appropriate to have it at the end of witness
24 panel number 3, if parties are in agreement with that, if
25 witness panel 3 is the best panel to speak to any questions
26 with respect to the two confidential documents.

27 MR. VEGH: Yes, that seems reasonable.

28 MS. HELT: Then if I can ask at the end of the

1 questions for witness panel 3, Mr. Shepherd, you still have
2 questions to ask, we will then go in camera. And we will
3 have questions on the documents at that time.

4 Those are all of Board Staff's preliminary matters.
5 Is there anything else that anyone needs to address at this
6 time?

7 MR. AIKEN: I have one preliminary matter.

8 The IRs were originally filed on the 23rd, I guess,
9 and there were more filed on Friday and I believe a number
10 of PDFs on Sunday. And somewhere I think I saw a note from
11 Gia saying that you are filing one large PDF file with the
12 Board that would have all -- everything in one file.

13 Has that been done? And if so, I can't seem to find
14 it on the website, the Staff website.

15 MS. DeJULIO: Mr. Aiken, we have not filed one PDF
16 with all of those documents. We filed, I think it's now,
17 two out of three PDFs; we are going to file the third today
18 through RESS.

19 And if you would like we could put together one PDF of
20 all of those IRs. I am not sure how quickly we can get
21 that to you. I don't know if we would have to file that
22 through RESS. It would just be a repeat of what's already
23 been filed.

24 MR. AIKEN: Will the three files -- if you could
25 combine the three files, would that be the complete IR
26 responses?

27 MS. DeJULIO: Yes, it would.

28 MR. AIKEN: Okay. Well, then that's fine. If those

1 three are filed on the Board's website, I can combine them
2 into one PDF file myself in about 30 seconds.

3 So that's not a problem. I just want to make sure
4 that there's -- I don't have to go and slot 15 different
5 PDFs into the large PDF we got on the 23rd. Well, I can do
6 that, but that takes more billable time.

7 MS. HELT: All right, then. Mr. Shepherd?

8 **ENERSOURCE HYDRO MISSISSAUGA INC. - PANEL 3**

9 **James A. Macumber**

10 **John Bonadie**

11 **Martin Sultana**

12 **Doug Morrison**

13 **QUESTIONS BY MR. SHEPHERD:**

14 MR. SHEPHERD: Thank you. Let me start with CCC
15 Interrogatory No. 2 under issue 1.1. This is the
16 presentation to the board of directors with respect to the
17 2012 budget; right?

18 MR. MACUMBER: Yes.

19 MR. SHEPHERD: If you could turn to page 13 of that
20 attachment -- no. You know what? Mine is missing some
21 pages. I am just looking at what I have here and it says
22 page 1, page 3, page 5, page 7 of 18.

23 Am I missing every second page on this? Because what
24 I have is nine pages and this says it's 18.

25 MR. KILLEEN: Jay, if I could just comment on that, on
26 the printed versions that were sent we discovered that
27 there were some errors and there were, in fact, some pages
28 missing. So those were subsequently sent out in the

1 package on Friday.

2 MR. SHEPHERD: Sorry, I am sure I heard Ms. DeJulio
3 say yesterday that the printed package was fine; it was the
4 electronic packages that there was a problem.

5 So you are saying in this package that you delivered
6 to us yesterday that there is a replacement to this? Is
7 that right?

8 MR. KILLEEN: On Friday, there were two attachments
9 sent by e-mail. One was related to all the June year-to-
10 date interrogatory responses, and the second attachment
11 addressed all the printing errors, if I can call it that.

12 MR. SHEPHERD: Okay. So what you gave me yesterday is
13 not readable. I am just looking at issue 1.1, CCC IR
14 No. 2. It has got one table after another, you can't read
15 the numbers.

16 So I wonder if you could provide us with something we
17 can read. Take a look at the whole package. I will let
18 you look at it. And if you could provide us with one that
19 we can read, that would be good.

20 Is that all right?

21 MR. VEGH: We will take a look at the package.

22 MR. SHEPHERD: Thank you. And if you can't read it,
23 you will provide us with one we can read; right?

24 MR. VEGH: Well, we will take a look at it. If the
25 concern is that the print is too small, you can always look
26 at it electronically and expand the table.

27 MR. SHEPHERD: It's not too small. It's not printed
28 properly.

1 MR. VEGH: Well, that's what I am saying. We will
2 take a look at it.

3 MR. SHEPHERD: Thank you.

4 So in this document, then, I don't know what page I am
5 referring to, because the one I got originally didn't have
6 all the pages, but the number in the original document, I
7 think, was 4-12, which is headed up: "Management statement
8 of comprehensive income, 2012 budget."

9 Do you see that? Okay.

10 So there is a line there, "Total operation,
11 maintenance and administration expenses."

12 You see that?

13 MR. MACUMBER: Yes.

14 MR. SHEPHERD: Okay. I tried to reconcile those
15 numbers to your Exhibit 2-E, which is your OM&A exhibit,
16 and I couldn't -- and I'm sure it's something simple, but I
17 wonder if you could undertake to provide us with the
18 reconciliation, and if there are any actual differences
19 that can't be reconciled easily, explain what the
20 differences are.

21 Could you do that?

22 MR. MACUMBER: We can explain the differences between
23 -- are you looking for 2013 to...

24 MR. SHEPHERD: I am looking for all lines. I want to
25 see that -- that number, for example, 59,221. So you have
26 a number in your evidence for 2011 OM&A. I would like you
27 to reconcile the two, and if they are not the same, if
28 after the reconciliation you don't come up with the same

1 number, then explain how the actual ended up being
2 different, or the current number ended up being different.

3 Could you do that?

4 MR. MACUMBER: For sure we can do that. This was a
5 budget done in December, so we would have updated the
6 evidence with actual results for 2011.

7 Going forward, there are things that are going to be
8 phased over four years rather than a one-year expense in
9 IFRS, but we can provide a reconciliation --

10 MR. SHEPHERD: Yes. There are two steps here.

11 There is the reconciliation, because this is a
12 financial statement presentation, and the other one is a
13 regulatory presentation. So that will reconcile most
14 things; right?

15 And the second thing is you have changed some stuff
16 since last December.

17 MR. MACUMBER: Yes.

18 MR. SHEPHERD: So those are the two things I would
19 like to see. Can you do that?

20 MR. MACUMBER: Sure.

21 MS. HELT: That will be Undertaking JT2.1.

22 **UNDERTAKING NO. JT2.1: TO RECONCILE OM&A NUMBERS IN**
23 **EXHIBIT 2-E, AND IF THERE ARE ANY ACTUAL DIFFERENCES**
24 **THAT CAN'T BE RECONCILED EASILY, TO EXPLAIN WHAT THE**
25 **DIFFERENCES ARE.**

26 MR. SHEPHERD: And now I am going to issue 4.1 --
27 sorry what was that? JT 2.1?

28 I am going to issue 4.1, and all of these now are

1 issue 4.1 for the next, I don't know, hour or so. The
2 first is interrogatory 33, Staff Interrogatory 33, and this
3 is asking you about the new positions that you are adding
4 with respect to the Internet site. And the essence of the
5 question is to get an explanation as to what are the
6 savings that we are going to get in the future from this.

7 And I didn't see any identification of savings in the
8 future. It looks to me -- and tell me whether I have
9 understood this correctly -- that there is some spending
10 now that has to happen to get this service improved, the
11 web-based service improved, and down the line there will be
12 a benefit, but you don't know what it is yet; is that
13 right?

14 MR. MACUMBER: I would say that the headcount that we
15 have added is to maintain the website, connect with the
16 customer. We can't determine at this time if there are any
17 savings related to providing our customers with more access
18 to information about Enersource.

19 MR. SHEPHERD: Have you -- in making the decision to
20 add these positions, did you assess whether you can improve
21 the -- reduce the cost of customer care, for example, or
22 billing or any of those things by expanding your web
23 presence?

24 MR. MACUMBER: No, we didn't look at it that way.
25 It's, our customers are becoming more sophisticated. They
26 want more stuff online. They want more interaction with
27 the company. In the future there may be even requirements
28 for applications on iPad or an iPhone.

1 We know that the expectations of our customers
2 continue to grow, so we didn't do any analysis of what it
3 would mean to our call centre in the future.

4 MR. SHEPHERD: Then, so this additional expense, you
5 are assuming, has no savings attached to it, now or in the
6 future.

7 MR. MACUMBER: Well, I actually cannot say...

8 MR. NUNES: The point there is that the adoption of
9 these types of services take time, so it's really, these
10 services are required by customers now, but it probably
11 wouldn't have -- and we are guessing at this point, because
12 we don't see the impacts now, but it probably wouldn't have
13 an impact until a couple of years from now when the numbers
14 get big enough.

15 MR. SHEPHERD: But you haven't studied, is my point.
16 You haven't done any analysis of what the savings will be,
17 if any.

18 MR. NUNES: Yeah, and at best that would be a guess,
19 right, because that's how that works, because it depends on
20 the service, it depends even on the regionality of it.

21 MR. SHEPHERD: Have you looked at the experience of
22 other consumer-oriented organizations, Rogers Cable, people
23 like that, who use the Internet more extensively?

24 MR. NUNES: No.

25 MR. SHEPHERD: Thank you.

26 MS. HELT: Excuse me. Could you just note your name
27 for the purpose of the record, please, since you are not on
28 the witness panel?

1 MR. NUNES: Apologies. Danny Nunes, director of IT.

2 MS. HELT: Thank you.

3 MR. SHEPHERD: Now I am moving to Staff Interrogatory
4 No. 37, again under issue 4.1. And there was a discussion
5 about this yesterday, and I have to confess that I was a
6 little bit confused. Your Appendix 2-K has two pages to
7 it. It has one for Enersource Hydro Mississauga and one
8 for Enersource Corporation; right?

9 MR. MACUMBER: Yes.

10 MR. SHEPHERD: And I couldn't -- after the discussion
11 yesterday I wasn't sure whether the one for Enersource
12 Corporation was the total FTEs or the FTEs allocated to
13 Enersource Hydro.

14 MR. MACUMBER: It's the total FTEs.

15 MR. SHEPHERD: So then we would have to then, to look
16 at what the allocations -- what the actual FTEs are of
17 Enersource Hydro Mississauga, we would have to multiply
18 those FTEs in Enersource Corporation by the percentages
19 each year of their time that are spent in Hydro's work;
20 right?

21 MR. MACUMBER: I think what I was trying to get at
22 yesterday is, the cost we allocate by allocating headcount
23 for the work they do, I don't think is an appropriate
24 measure. The head is still there performing work. It's
25 how much costs get allocated, not the time spent by the
26 person.

27 MR. SHEPHERD: Well, you're allocating -- in 2008
28 Board-approved you allocated 85 percent; right?

1 MR. MACUMBER: It's around that number, yes.

2 MR. SHEPHERD: And in 2013 forecast you are allocating
3 93.4; is that right?

4 MR. MACUMBER: Yes.

5 MR. SHEPHERD: So if you had 50 employees in
6 Enersource Corporation in 2008, 85 percent of the cost of
7 those people was allocated to Enersource Hydro Mississauga;
8 right?

9 MR. MACUMBER: Yes, the costs would have been
10 allocated that way.

11 MR. SHEPHERD: So from 2008 to 2013 you only added two
12 people there; right? Because you are at 52 now; right?

13 MR. MACUMBER: Correct.

14 MR. SHEPHERD: But because the percentages increased,
15 your actual number of employees effectively allocated to
16 Enersource Hydro Mississauga has gone up more; right?
17 Because it has gone up twice. It's gone up because there
18 are more people and it's gone up because a higher
19 percentage goes to the utility; true?

20 MR. MACUMBER: The higher cost has been allocated to
21 the hydro company. The time spent by the people didn't --
22 or the work that they performed did not change. It's the
23 amount of cost that gets allocated.

24 MR. SHEPHERD: Well, why would the utility bear more
25 cost if they are not getting more work for it?

26 MR. MACUMBER: I am saying that before the way we
27 allocated costs was we were trying to grow our non-
28 regulated business. As that was downsized the work

1 performed by the staff did not change. It's just the cost
2 that was allocated to the hydro company did.

3 MR. SHEPHERD: So the hydro company is paying more for
4 the same work now than it was before?

5 MR. MACUMBER: I would say that they were -- the non-
6 regulated side of the company paid more than the work that
7 they were receiving before.

8 MR. SHEPHERD: All right. So --

9 MR. AIKEN: Sorry, Jay, can I just jump in there for a
10 minute?

11 MR. SHEPHERD: Sure.

12 MR. AIKEN: Can you go to attachment -- or the
13 attachment to Energy Probe Interrogatory No. 3, under issue
14 4.4? I think this deals with the numbers that we are
15 talking about.

16 In Part B of that question we had asked -- yeah, 4.4,
17 Energy Probe No. 3 -- we had asked to show the total
18 compensation charts to OM&A from Enersource Corp., added to
19 the bottom of the Enersource Hydro Mississauga schedule
20 that shows the number of employees and all the wages.

21 So I see at the bottom --

22 MR. VEGH: Sorry, Randy, could you give the reference
23 again?

24 MR. AIKEN: Yes, issue 4.4, Energy Probe IR 3(b)
25 attachment. It was in one of these packages that you gave
26 us yesterday. Number 3 under issue 4.4. It's a big table.

27 MR. SHEPHERD: Okay. But the table that's shown there
28 on the screen I don't have in 4.4.

1 MR. AIKEN: Of the three packages that we were given
2 yesterday, it's in the package that starts with AMPCO
3 Interrogatory No. 16.

4 That looks like it.

5 If you can go right to the bottom, the yellow line and
6 the following line, I just want to confirm that in the 2008
7 actual, which is the second column of numbers, the total
8 compensation charged to Enersource Hydro Mississauga is the
9 3.873 million, and that's 83.8 percent of the Enersource
10 Corporation cost; is that right?

11 MR. MACUMBER: We allocate all the costs out to the
12 regulated, non-regulated companies. The question asked how
13 much of the salaries was allocated out.

14 We used the same percentage of what the total
15 compensation was, to show how much salaries would have been
16 allocated.

17 We allocate total costs.

18 MR. AIKEN: Okay. So that was -- the 83.8 is actually
19 what you are referring to as the 85 percent, as a rough
20 estimate?

21 MR. MACUMBER: Rough estimate, yes.

22 MR. AIKEN: Then that number, the percentage changes,
23 and you come up to 2013 it's now 93.4 percent, which we
24 heard yesterday.

25 And that's the 7 million that's being allocated?

26 MR. MACUMBER: We allocate the corporation's cost to
27 the regulated and non-regulated companies, and we have
28 stated in the evidence that our current method is by

1 revenue or headcount.

2 MR. AIKEN: Yeah, no, I agree. I just want to confirm
3 that your percentages have changed -- which I think you
4 have agreed to -- and the result of that is the 3.8 million
5 in 2008 and the 7 million in 2013.

6 MR. MACUMBER: I am saying we changed the methodology,
7 not -- the percentage changed, but the methodology of how
8 we allocate costs.

9 MR. AIKEN: That's fine. Thank you.

10 MR. SHEPHERD: Just while we are on that, this was in
11 the package that was given to me but it doesn't have that
12 part at the bottom, so I am looking for it. This was in --
13 a revised version of that was provided yesterday. I see.
14 All right. Thank you.

15 So do I understand correctly, then -- the way I did
16 the math was 50 people in 2008; 83.8 percent is 42 people.
17 And 52 people in 2013; 93.4 percent is 49 people.

18 But you are saying you don't think of it that way.
19 It's not 42 people increased to 49 people?

20 MR. MACUMBER: No, correct. I don't view it as the
21 people can be allocated on the percentage as to how the
22 cost is allocated.

23 MR. SHEPHERD: Of course, you are a finance guy so you
24 allocate dollars; right?

25 MR. MACUMBER: The dollar. The work didn't change for
26 the people, no.

27 MR. SHEPHERD: So the essence of what you are saying,
28 then, is that in 2008 the unregulated businesses were

1 subsidizing the regulated business?

2 MR. MACUMBER: No. I believe that our original
3 allocation was appropriate at the time. We determined that
4 the focus would be more on the regulated side of the
5 company, not the non-regulated, and so we agreed to change
6 the percentage in 2009 and how it was allocated.

7 MR. SHEPHERD: If you reduced your regulated activity,
8 didn't those 50-odd people have less to do?

9 MR. MACUMBER: No. With the work, that's what I am
10 saying. It's not about the work that people were
11 performing; it's just how we allocate the cost.

12 MR. SHEPHERD: I'm sorry, I am still lost.

13 Normally, if you pay more for something than you used
14 to, it's because you got more for it. And the only other
15 alternative is you were underpaying in the first place, but
16 I just asked you that and you said: No, we weren't
17 underpaying in the first place.

18 So if we were paying the fair amount, we are getting
19 the same work, but we are paying more, that doesn't -- I am
20 just not understanding what you are saying. I'm sorry.

21 MR. MACUMBER: Okay. I would rephrase it this way.

22 We revised the allocation to more accurately reflect
23 the amount that the regulated company should pay.

24 MR. SHEPHERD: All right. And the other thing about
25 this interrogatory that you discussed yesterday was
26 vacancies. And tell me whether this is right and --
27 because I heard all this vacancy discussion yesterday, and
28 again I got confused. I was confused a lot yesterday.

1 In 2008 Board-approved, those number of FTEs assumed
2 zero vacancies; right?

3 MR. MACUMBER: In 2008, our cost of service, we put
4 the FTEs that we were asking for, and did a calculation and
5 took off dollars for our usual vacancy rate.

6 MR. SHEPHERD: But the FTEs themselves were at 100
7 percent of positions filled?

8 MR. MACUMBER: Right. Not the dollar -- we put the
9 positions at 100 percent, not the dollars.

10 MR. SHEPHERD: So your cost per employee would be
11 understated?

12 MR. MACUMBER: I am not quite sure...

13 MR. SHEPHERD: If you assume that every position is
14 filled, but then you reduce the compensation, total
15 compensation, to deal with only the ones that you expect to
16 be there, then you're averaging that cost, the cost per
17 employee, over more employees than you are actually going
18 to have; right?

19 So that would reduce the average cost per employee;
20 true?

21 MR. MACUMBER: All I can recall is when we put
22 together the budget for 2008, or the cost of service, we
23 calculated a full headcount. I calculated a usual vacancy
24 rate and took the dollars off.

25 I didn't allocate it to salaries, I didn't allocate it
26 to individual line items; I took a total dollar figure off
27 of what we were requesting.

28 MR. SHEPHERD: Well but your 2K, presumably, would

1 still have the gross amount on it?

2 MR. MACUMBER: For sure. The gross amount that was
3 put there does not have the vacancy dollars in it.

4 MR. SHEPHERD: For 2013, what you are proposing now
5 for the test year, again you are assuming 100 percent
6 filling of positions; right?

7 MR. MACUMBER: In 2K, yes.

8 MR. SHEPHERD: Okay. And are the dollars in the 2K
9 also assuming 100 percent of positions are filled?

10 MR. MACUMBER: In 2K. And we have removed a vacancy
11 rate in totality in what we are asking for.

12 MR. SHEPHERD: But the -- however, in the actuals from
13 2008 through 2012, both the FTEs and the dollars will be
14 net of vacancies; right? In the actuals?

15 MR. MACUMBER: In the actuals, yes.

16 MR. SHEPHERD: On the 2K?

17 MR. MACUMBER: Well, from the actuals that have been
18 produced would have vacancy dollars removed, for sure.

19 MR. SHEPHERD: And vacancy FTEs removed too; right?

20 MR. MACUMBER: Correct.

21 MR. SHEPHERD: So then that sounds like the forecast
22 and the Board-approved on the 2K are on a different basis
23 than the actuals that string between them on the 2K; is
24 that right?

25 MR. MACUMBER: I would say yes, because we have
26 removed it on the total cost of service dollars that we are
27 requesting. I am not sure which line items to put them in.
28 I don't know who will be vacant and who will not be vacant.

1 MR. SHEPHERD: All right. So if we look at, for
2 example, your 2K has -- for 2013 it has 36.6 million of
3 total compensation; right? 36 million 579?

4 MR. MACUMBER: That is what has been listed, yes.

5 MR. SHEPHERD: Well, that is your number, isn't it?

6 MR. MACUMBER: That would be our manpower costs that
7 are in our cost of service, yes.

8 MR. SHEPHERD: Well, okay. So now I am confused,
9 because didn't you just say that after that number, you
10 then backed out vacancies?

11 MR. MACUMBER: On totality. We didn't take it off of
12 there; we took it off of what we were requesting.

13 MR. SHEPHERD: So the amount you are requesting in the
14 cost of service is lower than that?

15 MR. MACUMBER: Yes.

16 MR. SHEPHERD: Okay. So then I am going to ask you to
17 give me the 2K, both pages, with 2008 and 2013 on the same
18 basis as the years in the middle; that is, with vacancies
19 removed in both FTEs and dollars.

20 MR. MACUMBER: I will have to put it as a bottom
21 footnote. I don't know which positions or what costs will
22 be considered vacancies during those periods.

23 MR. SHEPHERD: Well --

24 MR. MACUMBER: I cannot put it -- I would have to make
25 an assumption if this is union, management, which position.
26 I can say, Here is the dollars I have removed and the FTEs
27 I have removed, but I can't put it in the particular lines,
28 because I don't know -- I would be making an assumption of

1 which type of employee would be vacant.

2 MR. SHEPHERD: Didn't you have to make an assumption
3 about which types of employees were going to be vacant in
4 order to decide what the dollar figure was in the first
5 place, since they don't all cost the same?

6 MR. MACUMBER: What we did is we did an average
7 operating cost per employee by the number of weeks and took
8 out a total dollar figure. We did not do the type of
9 employee.

10 MR. SHEPHERD: Okay. So I'm going to -- just so --
11 all right. So then you are saying what I am asking you to
12 do is impossible, to actually redo it on a consistent
13 basis, not possible.

14 MR. MACUMBER: It's not possible, because we didn't do
15 it that way.

16 MR. SHEPHERD: Well, no, I know you didn't do it that
17 way. The question is can you do it that way.

18 MR. MACUMBER: I cannot -- I would have to make
19 assumptions on what type of employee would be vacant. I
20 can't do that.

21 MR. SHEPHERD: All right. So then I am going to ask
22 you this: For 2008 Board-approved and for 2013 test-year
23 request, I would like you to do a full reconciliation of
24 that column, whatever you can, to what you have asked for
25 in the application and what you got under the cost of
26 service in 2008.

27 So reconcile the 2K to the app, right, and show us
28 what the dollar difference is and the FTE difference is and

1 how you got to it. Can you do that?

2 MR. MACUMBER: That was an undertaking we agreed to
3 yesterday.

4 MR. SHEPHERD: Oh, really. Okay. I didn't get that.

5 MR. MACUMBER: You asked for the vacancy and the
6 dollars that were removed for '08 and '13.

7 MR. SHEPHERD: Yeah, no, I didn't think I asked for
8 this calculation I am just asking for now. I mean, if you
9 thought I did, great, but I didn't think I did.

10 MR. MACUMBER: My understanding is you asked for the
11 vacancy rate, our actual vacancy rate, and then the 2008
12 and '13 FTEs that we removed and the dollars.

13 MR. SHEPHERD: Okay. And you can then provide us with
14 the full calculations as well as part of that undertaking?

15 MR. MACUMBER: Of what we assumed in 2008 and '13,
16 yes.

17 MR. SHEPHERD: Wonderful. Okay.

18 MS. HELT: I am sorry, Mr. Shepherd, I was just
19 looking at yesterday's undertakings. Is that a new
20 undertaking then, or did you agree that --

21 MR. SHEPHERD: Mr. Macumber says that he has already
22 undertaken to do this, so I will take him at his word.

23 MR. MACUMBER: I believe it was with the vacancy rate
24 that we agreed to.

25 MR. SHEPHERD: I don't recall it.

26 MS. HELT: I believe it was Undertaking JT1.12, to
27 provide the vacancy rates for 2008 and 2013 and to provide
28 the actual rates. There was a Part A and B to it.

1 MR. MACUMBER: Yeah, my understanding from yesterday
2 was that Part A was to provide '08 and '13, what he has
3 asked for. Part B was the vacancy -- our actual vacancy
4 rates.

5 MR. SHEPHERD: Okay. So now you are agreeing to
6 expand that to the dollars and the FTEs for both and the
7 calculations of how you adjusted from 2K to application.

8 MR. MACUMBER: Well, it's not so much 2K. What I can
9 say is how much we removed in total for usual vacancy rate
10 for 2008 and '13 and tell you an FTE equivalent of the
11 dollars I removed.

12 MR. SHEPHERD: Yeah, no, I am asking for more than
13 that. I am not asking for just the dollars. I am not
14 asking for just the FTEs. I am asking for the calculation.
15 You did a calculation. You made some assumptions. You did
16 a calculation --

17 MR. MACUMBER: The number of weeks, for sure.

18 MR. SHEPHERD: So when this document here says
19 36.579 million, you didn't actually ask for that in your
20 application. You asked for something less.

21 MR. MACUMBER: Yes.

22 MR. SHEPHERD: You had a calculation with assumptions
23 to do that. That's what I want to say.

24 MR. MACUMBER: I will provide.

25 MR. SHEPHERD: Thank you.

26 MS. HELT: I think probably for the record we then
27 should note that as a separate undertaking, referencing the
28 undertaking from yesterday. So that will be Undertaking

1 JT2.2, which is an expansion on the information requested
2 yesterday in JT1.12.

3 MR. VEGH: Can you put a little more --

4 MS. HELT: Detail around that? Yes, okay.

5 MR. VEGH: Yes, I am not sure exactly what the
6 undertaking actually is.

7 MR. SHEPHERD: Okay. I thought we were pretty clear,
8 but --

9 MS. HELT: Jay, if you could just articulate it again
10 for the record, thank you.

11 MR. SHEPHERD: I will try again.

12 Let's start with 2013. You did a calculation of how
13 to get from the number of 36-million-579 and, indeed, the
14 similar number in the corporate of -- hang on -- of 7-
15 million-516 and change. You did a calculation for how to
16 get from there to the amount that you would include in your
17 operating and capital costs in the application, and that
18 included assumptions and calculations, and we would like to
19 see the full set of assumptions and calculations and how
20 you got from one number to the other.

21 If you could also make sure you let us know where in
22 the application we will see the end result so we can track
23 it, that would be good.

24 MS. HELT: Is that sufficiently detailed and clear to
25 the applicant?

26 MR. VEGH: I think it's something we can probably work
27 with.

28 MS. HELT: Thank you.

1 MR. SHEPHERD: Sorry, has the witness said he will
2 give me the undertaking or not? Because I --

3 MR. VEGH: He agreed to the undertaking as described.

4 MS. HELT: Yes.

5 MR. SHEPHERD: Thank you.

6 **UNDERTAKING NO. JT2.2: TO EXPAND ON THE INFORMATION**
7 **REQUESTED PREVIOUSLY IN JT1.12, TO SEE THE FULL SET OF**
8 **ASSUMPTIONS AND CALCULATIONS, AND TO SHOW WHERE IN THE**
9 **APPLICATION ONE CAN FIND THE END RESULT.**

10 MR. GARNER: I just had one question. I wanted to
11 follow up on the Energy Probe Interrogatory 3 that was put
12 up when Mr. Shepherd was asking about the allocation
13 methodology, and I just wanted to be -- understand if I
14 understood this clearly.

15 It's the allocation methodology that changed, not the
16 work that's being done by the people. That's what I
17 understood you to say; correct?

18 MR. MACUMBER: Yes, it's the cost that gets allocated.

19 MR. GARNER: Right. And in 2008 how many companies
20 were being allocated at that time? How many companies were
21 being allocated costs in 2008?

22 MR. MACUMBER: Two.

23 MR. GARNER: Just two?

24 MR. MACUMBER: Two.

25 MR. GARNER: And in 2000 and -- after you changed the
26 methodology, how many companies were being allocated from
27 them?

28 MR. MACUMBER: Still two.

1 MR. GARNER: So there was no change in where it was
2 being allocated. It was always just being allocated 100
3 percent to the utility --

4 MR. MACUMBER: It gets allocated 100 percent to the
5 regulated or non-regulated companies.

6 MR. GARNER: Right. But I thought you said there were
7 three non-regulated -- or another non-regulated company
8 prior to 2009 that was then -- and you were talking about a
9 business model that didn't take off, et cetera. Can you
10 help me with that?

11 MR. MACUMBER: Sure. In 2006 we had a telecom
12 business that we divested of. The intention was to
13 eventually grow our non-regulated business into other
14 things, but which did not materialize.

15 MR. GARNER: And were any of the costs that we are
16 talking about ever allocated to that entity?

17 MR. MACUMBER: They were being allocated more up until
18 2009 to the non-regulated.

19 MR. GARNER: So up until 2009 there was Enersource
20 utility and this telecommunication company that were
21 getting allocated costs from this Enersource -- what is it
22 called? Enersource Corporation?

23 MR. MACUMBER: No, Enersource Telecom was sold in
24 2006. During 2007 and early 2008 the intention was to try
25 to grow the non-regulated business, which did not
26 materialize.

27 MR. GARNER: Okay. So would I be correct in saying
28 then that the change in allocation coincided with the

1 demise of that exercise? Is that what you are saying?

2 MR. MACUMBER: I would say that Enersource Corporation
3 revised its allocation based on its revised business model,
4 knowing that it wasn't going to grow its non-regulated
5 business.

6 MR. GARNER: Thank you.

7 MR. SHEPHERD: My next questions are with respect to
8 again issue 4.1, Interrogatories 5, 6, and 7 CCC. And in
9 each of these CCC asked why the actuals for particular
10 components of your work in 2008 were a million less than
11 your Board-approved level. And in each of those your main
12 explanation -- the second one has some others as well, but
13 the main explanation appears to be higher capitalization
14 than you planned; right?

15 MR. MACUMBER: It's either -- the labour costs either
16 went to capital or recoverable projects.

17 So we are saying that it didn't go to OM&A; it either
18 went to a recoverable project or capital.

19 MR. SHEPHERD: Okay. But it's mostly capitalization;
20 right? I mean, your explanation in the first and the last
21 of these three is essentially all higher capitalization,
22 and the middle one you say it's vacancies plus
23 capitalization; right?

24 MR. MACUMBER: Our CIS system didn't go live in 2008
25 as we'd planned. The customer service and our IT
26 departments spent more time on developing the software for
27 our billing system. We didn't actually go live with it
28 until 2009.

1 MR. SHEPHERD: Okay. So what I am going to ask you to
2 do, then, is undertake to do a calculation that tells us
3 for that \$3 million that's asked about in those three
4 interrogatories, how much of that remains in rate base as
5 of January 1st, 2013? How much of that \$3 million remains
6 in rate base as of January 1st, 2013?

7 MR. MACUMBER: I think what you are asking is what did
8 we have in CIS and what did we spend on the CIS system and
9 what was in rates in 2008?

10 MR. SHEPHERD: No. I am saying you got from
11 ratepayers a million dollars in each of these three
12 categories for OM&A expenses.

13 Instead of doing that, you spent it on capital, and
14 you are now asking us -- I think -- on January 1st, 2013 to
15 pay for some of that capital going forward. Now, maybe you
16 are not; maybe it's all been depreciated.

17 But I want to know how much of the \$3 million we
18 already gave you is still being requested in this
19 application.

20 MR. MACUMBER: I will look at what we have in our CIS
21 for 2008 rates, what additional labour was capitalized, and
22 what we are asking for in this rate application.

23 MR. SHEPHERD: Not just CIS.

24 MR. MACUMBER: That was the majority of the two pieces
25 that was put to the CIS system, that you're implying that
26 we got through OM&A that we capitalized.

27 MR. SHEPHERD: No, I understand that. And what I am
28 asking is give us a calculation of this \$3 million. If

1 some of it was not capitalized, fine, just say: X dollars
2 was not capitalized. The amount that was capitalized was
3 2 million 623. That amount, there is 885,000 left in rate
4 base.

5 That's what I would like to see. Can you do that?

6 Maybe you will have to make some estimates, I
7 understand.

8 MR. MACUMBER: Yeah, I would have to take an estimate
9 of how much was in -- and I am looking at the CIS system
10 specifically, because we overspent what was in our 2008
11 rate base.

12 And I can do a calculation on that one. For IT and
13 customer service, I can do that. For the engineering and
14 operations area, that would have been recoverable in
15 regular ongoing business. For IT and customer service I
16 can do a calculation of how much additional labour went to
17 that project and tell you what's in rate base today.

18 MR. SHEPHERD: Okay. I am sorry, that's not what I am
19 asking.

20 I am asking -- there are differences in these three
21 categories, and I want you to tell us how much of it, how
22 much of those dollars, is still in rate base.

23 Sooner or later, we will have to know this, so...

24 MR. MACUMBER: But I guess why I am having trouble is
25 we follow our accounting policies and it's either capital
26 or operating.

27 You are asking: Did I collect it through OM&A and
28 then capitalize it, and how much is left in rate base

1 today? It's not a simple calculation to come up with.

2 MR. SHEPHERD: I understand, but the alternative is
3 that we pay you twice, and we probably don't want to do
4 that.

5 MR. MACUMBER: But I am not suggesting that a customer
6 would pay twice.

7 I am just having difficulty trying to figure out,
8 going back to 2008 to 2013, of an approved amount through
9 the cost of service and what is in rate base today.

10 MR. SHEPHERD: You understand what I am looking for;
11 right?

12 MR. MACUMBER: I am just having trouble with how I
13 would calculate that number.

14 MR. SHEPHERD: Can I make a suggestion? That you will
15 take the undertaking under advisement and see if you can
16 give us the best figure you can give us; is that fair?

17 MR. VEGH: So I think you have stated the question,
18 and we will take the undertaking under advisement and
19 respond to it accordingly.

20 MR. SHEPHERD: Thank you.

21 MS. HELT: Just so we track that, then, we will give
22 it an undertaking number of JT2.3.

23 **UNDERTAKING NO. JT2.3: TO PROVIDE AMOUNT OF THE**
24 **\$3 MILLION IN OM&A STILL BEING REQUESTED IN THIS**
25 **APPLICATION.**

26 MR. SHEPHERD: My next question is CCC No. 9 under
27 issue 4.1.

28 And in this, you have divided up your increases in

1 operating costs between normal operating activities and
2 other key drivers; right?

3 MR. MACUMBER: Correct.

4 MR. SHEPHERD: And we have a bunch of information in
5 your application about the other key drivers, I understand
6 that. Here is the part that I want to try to understand.

7 You are proposing an increase in your costs due to
8 normal operating activities of almost 30 percent over five
9 years, which I calculate to be 5.2 percent per year.

10 Do you have an explanation for why your costs due to
11 normal operating activities would be going up at 5.2
12 percent per year?

13 MR. MACUMBER: I think we have described all this
14 information about why our costs are increasing in the
15 evidence under Exhibit 4.

16 Each business unit, either headcount, union contract,
17 additional resource requirements, additional overtime for
18 outages, I believe we have explained the regular business
19 activities.

20 MR. SHEPHERD: So you don't benchmark these costs to
21 other utilities, do you?

22 MR. MACUMBER: Like I said yesterday, it's hard to
23 benchmark without knowing how they allocate their costs
24 either to capital, operating or recoverable.

25 MR. SHEPHERD: So how do you assess whether the
26 overall increases that people are asking for in the
27 organization, business units are asking for, are
28 reasonable?

1 MR. MACUMBER: Each year we do a detailed, bottoms-up
2 budget, which the CFO, COO and CEO review. We look at the
3 costs, the benefits to the stakeholders, and whether it's
4 capital or operating, we determine on a case-by-case basis,
5 and it gets approved by our board in December.

6 We believe that the customers are benefiting from what
7 we are spending on.

8 MR. SHEPHERD: I understand the process. Sorry, I
9 clearly was not clear on what I was saying.

10 It wasn't the process I was asking about; it's the
11 rationale. What is the thought process, the analytical
12 approach that you are using that allows you to approve more
13 than five percent a year in routine cost increases before
14 you add on the additional stuff?

15 MR. VEGH: Sorry, just implicit in the question, Mr.
16 Shepherd, you keep referring to this five percent a year.

17 I think the evidence is 4.4 percent, if I have the
18 numbers correct.

19 MR. SHEPHARD: Yeah, except that it's 11-million-625
20 on 40,078. And the math is pretty clear it's 5.2 percent
21 per year.

22 There is nothing you can do about it. It's just math.
23 You can tell me I am wrong.

24 MR. VEGH: I just refer to the evidence, which refers
25 to the operating expenses due to other cost drivers being
26 at 4.4 percent annual compound growth rate.

27 MR. SHEPHERD: Costs due to other cost drivers?

28 MR. VEGH: Yes. That's the evidence --

1 MR. SHEPHERD: That's not what I am asking about. I
2 am asking about --

3 MR. VEGH: No, sorry, excluding the costs due to other
4 cost drivers.

5 MR. SHEPHERD: Well, I am reading Interrogatory No. 9,
6 and it says there is \$11,625,000 increase over five years
7 on a \$40 million base.

8 So you can tell me that's 4.4 percent, but that won't
9 add up.

10 MR. VEGH: 4.4 percent compound growth rate.

11 MR. SHEPHERD: No, sorry. I mean, do the math. Maybe
12 I am wrong. Anyway, whether it's 4.4 or 5.2, I mean,
13 presumably you will go check. That -- and maybe I am
14 wrong. It wouldn't be the first time.

15 Is there some test you use to see each year or over a
16 period of years whether the number is a reasonable one?
17 So, for example, if all the business units came in and the
18 total was 15 percent in one year, you presumably -- even if
19 they had great justifications, you would presumably be
20 saying, Whoa, 15 percent, that seems like a lot; right?

21 MR. MACUMBER: Each year, like I said, when we go
22 through the budget, each business unit manager believes
23 that they may need additional resources, additional costs.
24 We do review it each year for, what benefit is the company
25 going to receive, or the customer. We do review it with
26 the CEO. We have made cuts in the past, and when we
27 produce it for the board of directors they question
28 everything we are doing as well. They want to see some

1 tangible benefits for what we spend as well.

2 MR. SHEPHERD: We heard from OPG last year or the year
3 before that they switched from bottom-up budgets to top-
4 down budgeting for some aspects of their organization, and
5 basically in top-down they just said, Okay. Lookit, here
6 is a reasonable amount we can spend. Now, what is the most
7 efficient way to spend it? You don't do anything like
8 that; right?

9 MR. MACUMBER: We do at the end, meaning what is the
10 return and what is it that the shareholder expects. There
11 may be challenges that are put on management as well.

12 MR. SHEPHERD: By...

13 MR. MACUMBER: By the board of directors, yes.

14 MR. SHEPHERD: Thank you.

15 My next question is a quick one with respect to CCC
16 Interrogatory No. 10. And this is a -- you were asked to
17 provide a complete list of all productivity initiatives
18 pursued during the IRM period and how they translated into
19 cost reductions for the 2013 test year, so I actually have
20 two questions about this. The first is, this looks like
21 some examples. Do you actually have a list of all of them,
22 or do you only have a few examples?

23 MR. MACUMBER: No, we don't track it by the
24 productivity improvements and what costs have been removed.
25 We are just trying to give examples that we incorporated
26 into our daily activities.

27 MR. SHEPHERD: Okay. And then the second thing is you
28 were asked to demonstrate:

1 "Demonstrate how those initiatives have
2 translated into cost reductions for the 2013 test
3 year."

4 And you have called the three that you describe
5 examples of some of the initiatives that Enersource has
6 worked on over the last few years that have resulted in
7 increased efficiencies or increased productivity, but in
8 each case it looks like there is no -- there is no actual
9 dollar savings; is that fair?

10 MR. MACUMBER: I would say these things are more cost
11 avoidance. By putting in the I-tracker into IOM we can
12 dispatch our crews quicker to the site of outage. That's
13 not so much that you are going to have cost savings. It's
14 cost avoidance.

15 MR. SHEPHERD: How is that cost avoidance?

16 MR. MACUMBER: Because it would take longer to send
17 the truck there, so therefore it would be incurring more
18 cost and they would be less efficient.

19 MR. SHEPHERD: So the year before, when you didn't
20 have it, it would cost more to do that than the year when
21 you had it; isn't that right?

22 MR. MACUMBER: I would say yes, and I am avoiding
23 costs.

24 MR. SHEPHERD: Well, you are saving costs, aren't you?
25 If it costs you a million dollars to dispatch trucks in one
26 year and then the next year you have this system and it
27 costs less, then aren't you saving money?

28 MR. MACUMBER: No, I would say that to have the truck,

1 I mean, I am still going to have that cost. What I am
2 saying is I might be able to do things more efficiently.
3 Therefore, I might be able to do more work.

4 MR. SHEPHERD: But there is only so much work you have
5 to do; right? So if you can do more work you need less
6 resources.

7 MR. MACUMBER: Oh, I would say I've got more work than
8 I have resources for.

9 MR. SHEPHERD: Ah. So these increases in -- these
10 productivity measures, instead of using them to reduce
11 costs, you have used them to produce more results, if you
12 like.

13 MR. MACUMBER: I would say, yes, we have a limited
14 amount of financial resources and human resources, and we
15 have to use them the most productive method that we can.

16 MR. SHEPHERD: Okay. Thank you.

17 My next question is with respect to CCC Interrogatory
18 No. 14 under issue 4.1. And you were asked to provide a
19 complete detailed annual cost budget for the apprentice
20 program. And so this appears to be -- for 2013 you are
21 saying it's \$113,700? So is that all your costs associated
22 with apprentices?

23 MR. MORRISON: Those are the costs that would be
24 associated with training the apprentices over and above
25 training costs for our normal tradesmen.

26 MR. SHEPHERD: Well, okay. But you are asked for the
27 program costs for the apprenticeship program. Are there
28 other costs?

1 MR. MORRISON: I would say there is no other real
2 significant cost. There is costs in recruiting, in
3 managing, in developing the apprentices, but the majority
4 of the hard costs would be the training costs in front of
5 you.

6 MR. SHEPHERD: Do you track the recruitment,
7 management, and similar costs, all those other costs?

8 MR. MORRISON: I would say no to the management costs,
9 because the people managing the program have other
10 management duties as well, and they are not tracked
11 separately. For some of their recruitment costs we may
12 have some hard costs, but I don't believe they are
13 significant.

14 MR. SHEPHERD: And things like renovating, it's Mavis
15 Road; right? You are renovating Mavis Road to have a
16 training centre; right?

17 MR. MORRISON: Would be renovating Mavis Road to be a
18 more appropriate operation centre for our crews.

19 MR. SHEPHERD: Well, isn't there -- aren't you
20 building a new training centre, though?

21 MR. MORRISON: Part of it would be to use for training
22 as well.

23 MR. SHEPHERD: And is that primarily for the
24 apprenticeship program, or is that primarily for general
25 training of all staff?

26 MR. MORRISON: It would be general training of all
27 trade staff.

28 MR. SHEPHERD: Okay. All right. And there are

1 significant other costs associated with apprentices,
2 because you have to pay them all salaries, right, but -- or
3 pay them all wages, but those costs are charged to jobs.

4 MR. MORRISON: That's correct.

5 MR. SHEPHERD: So, like, for example, if you have --
6 what do you have here, 18 apprentices, that's probably,
7 what, a million dollars?

8 MR. MORRISON: I haven't done the math, but you are
9 correct that they are -- the bulk of their salaries is
10 charged to other jobs. It's their on-the-job training.

11 MR. SHEPHERD: See, I don't see any of their salaries
12 here in these program costs; right?

13 MR. MORRISON: You do see the salaries for the time
14 that they are actually in the training program.

15 MR. SHEPHERD: So these program costs here are not
16 just the trainers and those sorts of things, it's also the
17 salaries of the people being trained?

18 MR. MORRISON: During the time they're being trained.
19 If they go for a week's training to learn how to operate a
20 radial boom derrick, they are not actually working on our
21 system, so they are not being charged to jobs, so those
22 wages would be charged -- or taken into account in these
23 training costs.

24 MR. SHEPHERD: Okay. Thank you.

25 Under issue 4.1, CCC No. 18, these are -- this is a
26 question with respect to your estimate of regulatory costs
27 for OEB hearing costs. And you talk about the hearings
28 that are not your cost of service and the hearings that are

1 your cost of service; right? That's just two components;
2 right?

3 MR. MACUMBER: There is ongoing regulatory
4 requirements, and then there is the one-time cost
5 associated with this cost of service.

6 MR. SHEPHERD: And none of those estimates that you
7 have provided in your evidence include the costs of
8 internal staff as a hearing cost; right?

9 That's considered a separate category of cost; right?

10 MR. MACUMBER: Are you talking about the costs for us
11 to be here today?

12 MR. SHEPHERD: Yes, for example.

13 MR. MACUMBER: No, we are not charging this.

14 MR. SHEPHERD: Well, no, some organizations do. They
15 job-cost it. It's just another job they have to do; right?
16 Okay.

17 But anyway, what I was driving at here is you have
18 assumed that this proceeding will go to an oral hearing;
19 right? For the purposes of estimating your cost?

20 MR. MACUMBER: That is correct.

21 MR. SHEPHERD: And have you done an estimate of the
22 difference between going to an oral hearing and not going
23 to an oral hearing in this proceeding?

24 MR. VEGH: Sorry, Mr. Shepherd, just for
25 clarification, there was an undertaking yesterday to break
26 down the components of this, the cost estimate by reference
27 to all of the listed items for legal costs, including oral
28 hearing and other components.

1 MR. SHEPHERD: Maybe that was when I was out of the
2 room. That is fine.

3 Will that, then, give me the information I just asked
4 for, the difference between hearing and no hearing? If it
5 will, that's fine.

6 MS. HELT: I am sorry, just to note the undertaking
7 yesterday was Undertaking JT1.13, and that was to provide a
8 breakdown of the \$200,000 estimate in legal expenses.

9 MS. DeJULIO: Right, and we...

10 MR. MACUMBER: We actually provided our estimate of
11 what the OEB hearing would cost. It's on Exhibit 4, tab 1,
12 schedule 10 of the prefiled evidence.

13 MR. SHEPHERD: Okay. What's the number?

14 MR. MACUMBER: Total for the bridge and test year,
15 225,000.

16 MR. SHEPHERD: What do you mean, "total for the bridge
17 and test year"?

18 MR. MACUMBER: What we are saying is we are going to
19 incur some in '12 and --

20 MR. SHEPHERD: Oh, I see. So the difference between
21 going to hearing and not going to hearing is \$225,000?

22 MR. MACUMBER: That was our original estimate, yes.

23 MR. VEGH: No, no, no. Sorry, the \$200,000 is what's
24 being broken down.

25 When you see the response to the undertaking, it will
26 be by segment of the application, so there will be a
27 specific component for the oral hearing that you can
28 identify as --

1 MR. SHEPHERD: But I wasn't actually too much
2 concerned about the legal cost as the overall cost, and I
3 think I have the number now.

4 MR. VEGH: No, you don't. I think the witness did not
5 mean to say that the total cost for the regulatory costs
6 there will apply just to the oral hearing. It was with
7 respect to the application.

8 MR. SHEPHERD: Sorry, my question -- and again, I have
9 obviously been inelegant -- my question is: What is the
10 difference between the cost of this proceeding if there is
11 an oral hearing and if there is not an oral hearing?

12 And I thought you said 225.

13 MR. MACUMBER: We have estimated the whole process to
14 be 650,000, and the 225 of it is to go to a hearing.

15 MR. SHEPHERD: Thank you.

16 My next question -- what time would you like to break?

17 MS. HELT: I thought we would take a break at around
18 11:00 o'clock.

19 MR. SHEPHERD: Wonderful. Thank you.

20 My next question is on CCC IR No. 21 and this says, if
21 I read this right, it says there are 18 employees eligible
22 to retire in 2012, and you think that three of them, at
23 least, will retire; is that right?

24 MR. MACUMBER: That is what I have been informed from
25 our HR department, yes.

26 MR. SHEPHERD: And the other 15 you don't know whether
27 any of them will retire this year. You expect them all to
28 retire by 2016?

1 MR. MACUMBER: That is our assumption.

2 MR. SHEPHERD: That 18 includes employees that were
3 eligible to retire last year and the year before and the
4 year before that; right? Or not?

5 MR. MACUMBER: If they are 55 years or older, my
6 understanding is they are able to retire.

7 MR. SHEPHERD: Yes, sorry, what I am trying to get at
8 is: Are these the employees that became eligible to retire
9 this year, or the ones that are eligible to retire this
10 year?

11 I can't say that too many times.

12 MS. DeJULIO: We don't have that distinction, whether
13 they became eligible this year or not.

14 MR. SHEPHERD: You don't have the information with
15 you?

16 MS. DeJULIO: I do not have the information with me.

17 MR. SHEPHERD: Okay. So I am going to ask you to
18 undertake to provide us with the number of employees -- of
19 those 18, the year in which they first became eligible to
20 retire. So if two of them became eligible to retire in
21 2004 and three in 2005, et cetera, just a list.

22 Could you do that?

23 MS. DeJULIO: I will ask our HR department if they can
24 provide that for you.

25 MR. SHEPHERD: Thank you.

26 MS. HELT: That will be Undertaking JT2.4.

27 **UNDERTAKING NO. JT2.4: FOR THE 18 EMPLOYEES, TO**
28 **PROVIDE YEAR IN WHICH EACH BECAME ELIGIBLE TO RETIRE.**

1 MR. SHEPHERD: Thank you.

2 In IR -- and this may actually be a capital question,
3 even though it's under OM&A. It's strange that it's here,
4 but I will ask it anyway. And it's probably you, Mr.
5 Macumber, anyway, so...

6 So this is Energy Probe IR No. 1 under issue 4.1, and
7 you were asked what is the impact -- I guess what is the
8 impact on your operating costs if you have a five percent
9 reduction in capital expenditures in both 2012 and 2013.

10 And your answer is you can't estimate that, because it
11 depends on what capital expenditures you would cut; right?

12 MR. MACUMBER: Yes, I am not sure what it is that --
13 in the capital that I would be removing, so I can't tell
14 you if they were self-constructed assets, where labour
15 component would go back to OM&A.

16 MR. SHEPHERD: That's interesting you say that.

17 So if you spend less on capital, then you do more
18 repairs and maintenance; right?

19 MR. MACUMBER: We have a certain amount of headcount,
20 and the people that would be working, if I cut five percent
21 of capital, essentially I would have to find -- that they
22 would be working on capital, I would have to find something
23 for them to do. And more than likely a five percent
24 reduction in capital would result in more repair costs, so
25 operating costs.

26 MR. SHEPHERD: So cutting capital expenditures would
27 actually increase your revenue requirement in the short
28 term?

1 MR. MACUMBER: I can't actually say that to know
2 without -- what five percent of the capital would be
3 removed.

4 MR. SHEPHERD: Fair point. Fair point. Okay. Thank
5 you.

6 You were asked a question yesterday about Energy Probe
7 IR No. 3 under issue 4.1. This is the question of what --
8 if you go to monthly billing, the incremental cost.

9 And I was confused with your numbers, so tell me
10 whether this is right. Right now, you send out about
11 100,000 bills every month because you only do half your
12 customers every month, and this would imply that you go to
13 200,000, if you did it every month?

14 MR. MACUMBER: I just did a rough calculation to say
15 -- our residentials are billed bi-monthly. I just did a
16 rough guess saying that I would bill them monthly, which
17 would result in another 100,000 bills going out per month.

18 MR. SHEPHERD: Okay. Then I do understand it.

19 The next one is Energy Probe IR No. 4 under issue 4.1.
20 If you look at the second page of that, you will see --
21 this is the number of calls; right?

22 And you will see that in 2011, your number of calls as
23 of the end of June was 82,571; right? And if you go to the
24 previous page, the actual number of calls for the whole
25 year was about double that, almost exactly.

26 Do you see that?

27 MR. MACUMBER: Yes.

28 MR. SHEPHERD: And then your actual for the year-to-

1 date in 2012 is 72,234, and that would get you 144,500 if
2 the same thing happened. So why do you have 182,755 as
3 your expectation for this year?

4 MR. MACUMBER: We recently switched to time of use.
5 On average our bills have gone up, and we considered that
6 more people would call trying to understand time-of-use
7 bills, and with the summer that we have had we anticipated
8 more call volumes.

9 MR. SHEPHERD: And the time-of-use switch was when?

10 MR. MACUMBER: May, for a majority of our customers.

11 MR. SHEPHERD: So you are thinking that these numbers
12 that are sort of 12-, 13,000 a month in calls for the first
13 half of the year are going to go up to 18- or 20,000 in
14 that range; is that --

15 MR. MACUMBER: We assumed an increase once we switched
16 to time-of-use, yes.

17 MR. SHEPHERD: And did you do an analysis to get to
18 that new number? I mean, the new number is pretty
19 specific, 182,755, which seems very precise. Is there some
20 analysis that you have to show how you got to that number?

21 MR. MACUMBER: I got this number through our customer-
22 care manager. I will undertake to provide any information
23 that she came up with this calculation.

24 MR. SHEPHERD: I just want to see the calculation, if
25 there is a spreadsheet or something, whatever. You know I
26 love spreadsheets. Whatever you can give us.

27 MR. MACUMBER: Okay.

28 MR. SHEPHERD: Thank you.

1 MS. HELT: That will be Undertaking JT2.5. That's to
2 provide an analysis or whatever information the applicant
3 has with respect to how the number of calls for 2012 total
4 of 182,755 was arrived at.

5 **UNDERTAKING NO. JT2.5: TO PROVIDE AN ANALYSIS/
6 INFORMATION WITH RESPECT TO HOW THE NUMBER OF CALLS
7 FOR 2012 (182,755) WAS ARRIVED AT.**

8 MR. SHEPHERD: My next question is on Energy Probe IR
9 No. 5, issue 4.1. And this is dealing with your bad debts
10 and allowance for doubtful accounts. And you are saying
11 that you are going to spend another \$343,000 on increased
12 collection costs, basically an internal person plus two new
13 collection agencies; right?

14 MR. MACUMBER: What we have included is one position,
15 the AR manager, and outsourced collection agency costs,
16 yes.

17 MR. SHEPHERD: And the incremental cost of that is
18 \$343,000.

19 MR. MACUMBER: That is correct.

20 MR. SHEPHERD: Okay. And then you are saying, but the
21 benefit is that you've reduced your bad-debt expense by
22 \$750,000.

23 MR. MACUMBER: Our assumption when we hired the AR
24 manager and revised our contract or went out for RFP for
25 two collection agencies is that with the trend that was
26 continuing, is that our bad debt would grow to 4.3 million.

27 MR. SHEPHERD: So it wasn't a -- it isn't actually a
28 reduction of 750, it's -- what's the actual reduction from

1 your most recent actuals, like 2011, let's say? What's the
2 actual reduction?

3 Let me ask it a different way. Is it a reduction at
4 all?

5 MR. MACUMBER: We have provided a table.

6 MR. SHEPHERD: Yes. I just couldn't find it.

7 MS. HELT: I think the table you are referring to is
8 in the response to Board Staff Interrogatory No. 32, under
9 issue 4.1, correct.

10 MR. SHEPHERD: Thirty-two. Ah, okay. So it's
11 actually not a reduction. Your 2011 actual was 3-million-
12 706, and you are saying you're going to spend some extra
13 money - oh, it is a little bit of a reduction - and you
14 will get it down to 3-million-550.

15 MR. MACUMBER: We actually hired the AR manager in
16 April. The two new collection agencies were active in
17 October 2011. We did see a benefit from hiring the AR
18 manager in '11. So the forecast would have been much
19 higher without hiring that position.

20 MR. SHEPHERD: Thank you.

21 This is probably a good time to break, if you're
22 comfortable.

23 MS. HELT: Sure. Mr. Shepherd, can I just ask how
24 much longer you think you will be with this witness panel?

25 MR. SHEPHERD: I could be at least another hour, at
26 least.

27 MS. HELT: All right. We will break until 11:15.
28 Thank you.

1 --- Recess taken at 10:59 a.m.

2 --- On resuming at 11:17 a.m.

3 MS. HELT: All right. If we can get started again,
4 please, Mr. Shepherd, you were in the middle of your
5 examination questions for this witness panel.

6 MR. SHEPHERD: Yes. Thank you. Mr. Macumber, at the
7 break we tried to figure out that \$225,000 hearing cost you
8 stated. It didn't look to us like it included everything,
9 and it looked like it might include stuff that wasn't part
10 of the hearing cost for this proceeding.

11 I wonder if you could undertake to confirm either that
12 the expected cost of the hearing for this year is for this
13 cost of service hearing, the total cost, all costs, is 225,
14 or that some different number is the correct number.

15 Could you do that?

16 MR. MACUMBER: I am not sure if it's an undertaking.

17 Like I had suggested, the total cost for legal,
18 intervenor costs, a cost of going to an oral hearing, we
19 put in our evidence that it would cost 650,000.

20 The cost for just the hearing was 225.

21 MR. SHEPHERD: So, sorry, 650 is the --

22 MR. MACUMBER: The whole proceeding.

23 MR. SHEPHERD: The whole proceeding? And the
24 component that is all costs associated with having a
25 hearing is 225?

26 MR. MACUMBER: Yes.

27 MR. SHEPHERD: So that includes your legal fees,
28 intervenor costs, et cetera, associated with the hearing

1 component?

2 MR. MACUMBER: Just the hearing.

3 MR. SHEPHERD: Well, does it include your lawyer and
4 the intervenors and the Board costs and everything like
5 that for the hearing component?

6 MR. MACUMBER: Yes.

7 MR. SHEPHERD: Okay. Then I don't need the
8 undertaking. Thank you. I am looking at Energy Probe IR
9 No. 6, and I just have two quick questions -- three quick
10 questions on this. The first is under number (c). The
11 tree-trimming contractor is not an affiliate; right?

12 MR. MORRISON: No, it's not an affiliate.

13 MR. SHEPHERD: Okay. And you say that the
14 contractor's hourly and equipment rates are increasing from
15 2012 to 2013; right?

16 MR. MORRISON: Yes.

17 MR. SHEPHERD: Do we have those rates in the evidence?

18 MR. MORRISON: I don't believe they are in the
19 evidence.

20 MR. SHEPHERD: Can you undertake to provide us with
21 the 2012 and 2013 rates that you are referring to here, so
22 we can see the increases?

23 MR. MORRISON: Yes.

24 MR. SHEPHERD: Thank you.

25 MS. HELT: That will be Undertaking JT2.6.

26 **UNDERTAKING NO. JT2.6: TO PROVIDE TREE-TRIMMING**
27 **CONTRACTOR'S HOURLY AND EQUIPMENT RATES FOR 2012 AND**
28 **2013.**

1 MR. SHEPHERD: And then you have said in the third
2 paragraph on page 3 of this IR response that you are
3 placing an additional concentration on tree trimming in
4 2013.

5 My simple question on this is: Has something specific
6 happened to make you change your approach to tree trimming,
7 or are you simply trying to produce a better result
8 generally?

9 MR. MORRISON: In general, we are trying to produce a
10 better result. We just, through inspections, believe that
11 we are starting to fall behind a little bit in our program,
12 and believe we need to invest a little bit more in order to
13 sustain the reliability.

14 MR. SHEPHERD: Okay. And my last question on this
15 interrogatory is you talked about spending more on
16 inspections in 2012, and one of the results of that is
17 going to be that you are going to have increased
18 maintenance in 2013; is that right?

19 MR. MORRISON: That's correct, yes.

20 MR. SHEPHERD: And what was it that prompted you to do
21 more inspections in 2012?

22 MR. MORRISON: It's the evolution to go towards the
23 asset management plan and the asset condition assessment,
24 going through that process and working with our consultant
25 Kinectrics has highlighted the need to get better
26 information about our assets through more inspections, but
27 through more inspections we will find more things that are
28 in need of repair.

1 MR. SHEPHERD: Okay. In the long-term, am I right in
2 understanding that that process of inspecting more and
3 repairing more should reduce costs over time, because you
4 have less things that you have to fix on an emergency
5 basis? You are fixing them proactively; is that right?

6 MR. MORRISON: That would be right, except that we
7 have an aging system and we have a lot of assets that are
8 nearing end of life.

9 So the inspections will help to offset what we would
10 consider to be -- the OM&A and the repairs would increase
11 at a rapid rate, so we need to do the inspections to find
12 things before they fail, to fix them, but with the system
13 aging there will be other assets that will need repairs, as
14 well.

15 MR. SHEPHERD: No, I understand that. I guess what I
16 am saying is if you have -- your old pattern, you did less
17 inspections and you would have a certain trend of costs,
18 and if you have more inspections, your overall trend of
19 cost is going to go down; right? It may still go up, but
20 it will be less than it was before.

21 MR. MORRISON: It will be less than if we didn't do
22 the inspections, but it won't necessarily trend downwards.

23 MR. SHEPHERD: I understand. Thank you.

24 My next question is on page -- is Energy Probe IR
25 No. 17, issue 4.1.

26 And in your response to (a), the question was about
27 the decline in the number of union and non-union employees
28 per management employee. This is your management ratio;

1 right?

2 I don't know who I am asking this to.

3 MR. MACUMBER: This is more of an HR strategy, but I
4 can try to answer your question.

5 MR. SHEPHERD: So it says here in your answer to (a):
6 "The decline in the number of union and non-union
7 employees per management employee optimizes
8 management-employee relations, as management is
9 better equipped to engage and respond to the
10 needs of their employees."

11 I didn't understand what that meant. Can you help me?

12 MR. MACUMBER: I think what we are trying to do, part
13 of our human resource strategy, is to have the ultimate
14 amount of people -- that a manager has the ultimate amount
15 of direct reports that they need to develop, do performance
16 reviews for and oversight for.

17 What we are suggesting is seven people per management
18 employee is not the ideal situation for Enersource, and
19 five is a better, reasonable number of direct reports per
20 manager or supervisor.

21 MR. SHEPHERD: So your -- so this is a conscious
22 strategy to increase your number of managers relative to
23 your number of union and non-union employees?

24 MR. MACUMBER: It's a conscious strategy to ensure
25 that the employees get the direct involvement with their
26 manager and the development needs they need.

27 MR. SHEPHERD: And that involves changing the ratio
28 over time?

1 MR. MACUMBER: Ideally, yes.

2 MR. SHEPHERD: So does that include a reduction in the
3 number of union and non-union employees or is it -- because
4 you still need the same number of people to actually do the
5 work; right? You are just increasing the number of
6 managers; is that the intent?

7 MR. MACUMBER: Well, I would say it's also due to the
8 complexity of the work that we are asking employees to do.
9 And even the managers themselves do a lot of the work, so
10 the ultimate balance is between having a manager that is
11 productive and can manage their staff for performance.

12 MR. SHEPHERD: Okay. On page 4 of that interrogatory
13 response, this is talking about incentives, incentive
14 compensation; right? And this column, the second column
15 from the left, is the dollars; true?

16 MR. MACUMBER: Page? Sorry.

17 MR. SHEPHERD: So page 4.

18 MR. MACUMBER: I thought it was on page 3.

19 MR. SHEPHERD: Well, it's page 3 and 4, but it's
20 page 4 I am looking at right now.

21 MR. MACUMBER: Okay.

22 MR. SHEPHERD: So that second column from the left is
23 the dollars; right?

24 MR. MACUMBER: Correct.

25 MR. SHEPHERD: And the farthest column on the right is
26 the ratio of available incentives that were actually earned
27 in the year; right?

28 MR. MACUMBER: Correct.

1 MR. SHEPHERD: And so every year that amount is below
2 100 percent, but then you are forecasting in 2013 100
3 percent. What is it you think is going to change in 2013?

4 MR. MACUMBER: We forecast -- this is just the
5 reliability SQRs or ESQRs, safety measures. We believe
6 that we will achieve those. The top numbers include the
7 financial portion, which we believe is self-funding,
8 meaning that they are not included in this rate
9 application.

10 MR. SHEPHERD: Sorry, you lost me. What?

11 MR. MACUMBER: What I am saying is that the potential
12 is actually still the 10 percent, so that this sheet has
13 been mischaracterized. The potential is still 10 percent
14 for the management, non-union, and union staff. What we
15 have included is achieving all of our non-financial
16 measures. The potential is still 10 percent.

17 MR. SHEPHERD: Okay. Oh, so what you are saying is
18 that the actual potential is higher than what you are
19 saying here. So what you are really saying is that for
20 management, union, and non-union the average potential is
21 10 percent, that you are expecting them to get five, which
22 is 50 percent.

23 MR. MACUMBER: No, I think what we are saying is we
24 are expecting the utility to meet its reliability ESQR
25 measures and the safety record and that it would achieve
26 the 5 percent of the 10 percent.

27 MR. SHEPHERD: It would achieve the 5 percent of the
28 10 percent?

1 MR. MACUMBER: What I am saying is 50 percent of our
2 incentive target is non-financial measures, and we believe
3 that in 2013 that we will meet those measures.

4 MR. SHEPHERD: So this number of a million-542 is --
5 assumes that the company meets all of its non-financial
6 targets and none of its financial targets.

7 MR. MACUMBER: Correct.

8 MR. SHEPHERD: Okay. That helps a lot. Thank you.

9 In Energy Probe Interrogatory No. 19, under issue 4.1,
10 you are asked whether you had systems that permit
11 electronic communications and payments, and you said, yes,
12 you do, but you talked about 73,000 payment transactions
13 per year, but they don't include Internet payments,
14 telephone payments, and payments at banks. So I -- that
15 sounds like the opposite of what you were asked, and maybe
16 I am just misunderstanding it, but your payment
17 transactions are a lot more than 73,000; right?

18 MR. MACUMBER: Yeah, what was quoted there is the deed
19 to have people processing wires, cheque, debit, cash
20 transactions, what has been listed there. Banks and bank
21 payments, et cetera, is in another set of transactions that
22 we have to process.

23 MR. SHEPHERD: Okay. Do we have in the evidence the
24 number of Internet payments, telephone payments, payments
25 at banks, and lock-box payments that you get each year?

26 MR. MACUMBER: No, I do not believe that evidence has
27 been provided.

28 MR. SHEPHERD: Can you provide that? At the same

1 level of granularity as the 73,000; right? So the 73,000
2 is a sort of an estimate for the other four estimates as
3 well?

4 MR. VEGH: Mr. Shepherd, for now we will have to take
5 that under advisement and -- to see how much work is
6 involved to provide this information and whether it's
7 available, but we will make an attempt to answer it in the
8 way you are requesting.

9 MR. SHEPHERD: Thank you.

10 MS. HELT: So we will note that for the record as
11 JT2.7, undertaking taken under advisement.

12 MR. SHEPHERD: Thank you.

13 **UNDERTAKING NO. JT2.7: TO PROVIDE THE NUMBER OF**
14 **INTERNET PAYMENTS, TELEPHONE PAYMENTS, PAYMENTS AT**
15 **BANKS, AND LOCK-BOX PAYMENTS PER YEAR.**

16 MR. SHEPHERD: Next I want to look at Energy Probe
17 Interrogatory No. 22 under issue 4.1. And basically what
18 the question asked is, why are you hiring 40 to 60
19 apprentices over the next ten years when you only have 29
20 employees eligible for retirement? And you say, Well, the
21 answer is we have vacancies for lots of other reasons as
22 well. And you have four to six vacancies per year.

23 I was under the impression that your apprenticeship
24 program was a succession planning program; is that not
25 right?

26 MR. MORRISON: It is a succession planning program,
27 yes.

28 MR. SHEPHERD: Well, then I guess I wonder if you can

1 give us a verbal explanation of the answer to the question,
2 why do you need 40 to 60 apprentices to cover 29
3 retirements?

4 MR. MORRISON: We will hire as per the vacancies that
5 are available. So as well as retirements, we do get
6 resignations. We do have some tradesmen that leave and go
7 to other utilities as well. We actually just had two
8 within the past month.

9 So we may not necessarily hire four to six per year.
10 It will depend on the vacancies we have in that year. The
11 four to six is just our best approximation at this point in
12 time.

13 MR. SHEPHERD: Okay. So the apprenticeship program is
14 sort of like a regular hiring program; right? Your
15 strategy is, try to bring in people at the ground floor,
16 both for succession purposes and to replace more
17 experienced people, because in the long-term you can build
18 their skills and they will be valuable employees; is that
19 right?

20 MR. MORRISON: That's correct.

21 MR. SHEPHERD: Okay. Good.

22 The next is Energy Probe Interrogatory No. 25, and --
23 under issue 4.1. And this asks about productivity cost and
24 schedule metrics to measure performance, and we were
25 referred to CCC issue 4.1, Interrogatory No. 10. But I
26 looked at that IR, and that doesn't deal at all with
27 productivity cost and schedule metrics. So I wonder
28 whether you can tell us what metrics you have, if any?

1 MR. MORRISON: For tracking productivity, the best
2 measure we would have is, we do project-by-project
3 estimates, and then if there is overruns or if projects are
4 under we explain the variances and we look at the reasons
5 for the variances and address them.

6 MR. SHEPHERD: So you don't have any methodologies
7 that you use to determine whether the costs of the things
8 you are doing are at a reasonable level, other than looking
9 at the actual process itself, the details?

10 MR. MORRISON: We look at the cost of each project,
11 and that's a way to measure it, and then our supervisors
12 and managers manage the work force, so they ensure that the
13 work is done safely and productively.

14 MR. SHEPHERD: So -- but I am sort of asking, like,
15 lots of utilities will use metrics like maintenance dollar
16 cost per line kilometre, right, that sort of thing. I am
17 just making that one off the top of my head, but there is
18 lots of them that utilities use. You don't have any of
19 those.

20 MR. MORRISON: No, we don't.

21 MR. SHEPHERD: Okay. And then following up on that,
22 Energy Probe Interrogatory No. 26 asks about benchmarking,
23 and I think you said earlier you don't benchmark; right?
24 Because there is basically nobody you are comparable to;
25 right?

26 MR. MACUMBER: No, we did not say that. What we
27 implied was we look at certain measures, SAIDI and SAIFI,
28 but it's hard to know exactly how they measure it.

1 We do look at some of the other information, but like
2 I said earlier, I don't know their accounting policies, I
3 don't know what they capitalize, what they expense, so it's
4 hard to do benchmarking for any kind of cost metrics.

5 MR. SHEPHERD: I am looking for your redacted
6 shareholders' agreement, because one of the things that you
7 have in here, on page 12 -- no, sorry, on page 5, is a
8 proxy group.

9 And this is -- the definition is -- and I won't read
10 it all, but the definition is:

11 "Proxy group means the four municipally
12 controlled electricity distributors in Ontario
13 that are closest in size to the corporation,
14 measured by reference to average peak load as
15 published by the OEB in their yearbook..."

16 Et cetera.

17 And those four are Hydro Ottawa, PowerStream, Horizon
18 and London Hydro; right?

19 MR. MACUMBER: This shareholders' agreement is between
20 the City of Mississauga and Borealis. I can tell you,
21 though, that the proxy group that you are referring to is
22 how to set board of director remuneration.

23 MR. SHEPHERD: All right. I wasn't going to say it,
24 because I didn't see it in here and I didn't want to blab
25 it if it's confidential.

26 But I guess if this proxy group is considered to be a
27 reasonable proxy group for some purposes, why would it not
28 be a good proxy group for other purposes?

1 MR. MACUMBER: Like I said, this is an agreement
2 between the City of Mississauga and Borealis. This is not
3 -- this is a shareholders' agreement; this is not about how
4 we run our utility.

5 MR. SHEPHERD: Okay. And so you have never looked at
6 whether that proxy group or any other proxy group would be
7 a good proxy to test your performance?

8 MR. MACUMBER: I would just say that we do review the
9 yearbook data, and we work with the other coalitions, the
10 large distributors, to try to find best practices, et
11 cetera.

12 But we don't review it for any kind of benchmarking on
13 our productivity or cost measures.

14 MR. SHEPHERD: And the reason is because you don't
15 know whether their data is on the same basis as your data?

16 MR. MACUMBER: We have never done that analysis of
17 whether or not they are on the same basis. We have made
18 the assumption that they are not.

19 MR. SHEPHERD: I am hesitating because I don't want to
20 accidentally slide into cross-examination, but I do want
21 the information.

22 I am surprised that nobody, your board of directors,
23 your CEO, nobody has asked for comparisons to the these
24 other organizations that are clearly similar to yours.

25 Has nobody asked?

26 MR. MACUMBER: They have asked for SAIDI and SAIFI.

27 MR. SHEPHERD: That's all?

28 MR. MACUMBER: Yes.

1 MR. SHEPHERD: Okay. Thank you.

2 In Energy Probe IR No. 31, issue 4.1, one of the
3 questions from Energy Probe, number (d), is:

4 "Will the new administration building require
5 24/7 security?"

6 And your answer is yes.

7 Is that additional security cost included in
8 the million 668 that you talked about yesterday?

9 MR. MACUMBER: Yes, it is.

10 MR. SHEPHERD: Okay. Then I am looking at Energy
11 Probe IR No. 39, issue 4.1, and this talks about -- remind
12 me what SMIP is, S-M-I-P.

13 MR. MACUMBER: Smart meter integration plan.

14 MR. SHEPHERD: Okay. Then I think SMIP is suitable.

15 So you had a whole bunch of people working on the
16 capital side on that from 2008 to 2011, and you moved them
17 to operating in 2012; right?

18 MR. MACUMBER: Well, I would say we had a separate
19 business unit for the staff that were working on the smart
20 meter project, which we included those costs in the smart
21 meter funding adder.

22 Once the project was completed, we moved them back to
23 regular business.

24 MR. SHEPHERD: So what I don't understand is why were
25 they needed in operations in 2012 if you didn't need them
26 in 2008 through 2011.

27 MR. MACUMBER: No, I am saying that we did need them
28 in 2008 and they were in our 2008 cost of service, but just

1 the funding was through the smart meter funding adder.

2 MR. SHEPHERD: But they were doing smart meter stuff
3 in 2008 through 2011; right? So for those four years --

4 MR. MACUMBER: Operating and capital.

5 MR. SHEPHERD: This says: "Reallocation from smart
6 meter capital work." So for four years they were doing
7 capital work in smart meters, and then you needed them to
8 do non-smart meter operating work; right?

9 MR. MACUMBER: No. What I am suggesting is in 2008
10 when we put that cost of service together, we had a
11 business unit that had operating and capital costs relating
12 to these employees.

13 At the end of the project, they moved to just the
14 ongoing maintenance work and capital replacements of any
15 smart meters that do not function; just regular ongoing
16 business.

17 MR. SHEPHERD: I understand, and my question is: Why
18 did you need so many people in 2012 when you no longer had
19 the smart meter project?

20 MR. MACUMBER: The meters themselves don't go away,
21 and the maintenance of them and ongoing compliance with
22 time of use, that work doesn't go away, and they were
23 overseeing that through the smart meter funding adder.

24 MR. SHEPHERD: Through the? They were overseeing
25 the...

26 What were they overseeing during the smart meter
27 funding adder?

28 MR. MACUMBER: No, I am saying their cost that was

1 included in the meter funding adder was not only the
2 deployment of smart meters, but also the ongoing
3 requirements related to smart meters.

4 MR. SHEPHERD: But in 2012 they no longer needed to do
5 the deployment; presumably, you needed less people?

6 MR. MACUMBER: But I would say we still have smart
7 meters and the work still continues.

8 MR. SHEPHERD: All right. Then my next is Energy
9 Probe IR No. 40, and just one quick question on this one.

10 This appears to say that you are sending a meter
11 reader to condominium buildings to download meter data as
12 an interim measure; is that right?

13 MR. BONADIE: I believe that's true for any of the
14 buildings with communication issues.

15 MR. SHEPHERD: So is this like one or two buildings,
16 or is this most of them?

17 MR. BONADIE: I can't comment on the number.

18 MR. SHEPHERD: Well, okay. Then why is it considered
19 an interim measure?

20 MR. BONADIE: Again, I'd be assuming that it's all
21 related to a communication issue and that it's only
22 temporary in nature, as we would be able to fix this
23 communication issue.

24 MR. SHEPHERD: So you are not planning to continue to
25 have manual reading of individual suite-metered condominium
26 buildings?

27 MR. BONADIE: I don't believe so.

28 MR. SHEPHERD: Thank you.

1 My next is School Energy Coalition No. 26 in issue
2 number 4.1.

3 And we asked for a breakdown by function from the
4 previous years, similar to 2011 through 2013. And my -- I
5 wasn't able to understand why you weren't able to provide
6 it. Perhaps you could explain.

7 MR. MACUMBER: Before, the health and safety
8 department wasn't organized the way it is currently. It
9 would track all the training costs and development costs
10 for Enersource's staff. Starting in 2011 we moved the
11 actual headcount into the area and moved a lot of the
12 benefits to employee to benefit cost. So we were unable to
13 break it down in that detail, because the costs were not
14 the same. They are not comparable.

15 MR. SHEPHERD: But in 2011 didn't management want to
16 know, how is this compared to last year?

17 MR. MACUMBER: We moved the health and safety division
18 in 2010 to the hydro services company, or the hydro
19 company, and moved the actual headcount there. The health
20 and safety division, the total cost for the headcount has
21 gone up slightly, and we managed that but, like I said, not
22 on a comparable basis before that move.

23 MR. SHEPHERD: So, sorry, my question was, didn't
24 management want to have a comparison between the pre-
25 reorganization and the post-reorganization costs of this --
26 these activities?

27 MR. MACUMBER: Well, because we increased one
28 headcount from our last cost of service til now in this

1 division, we know the head-count costs and we know where
2 the costs are going, so on a comparable basis we were
3 comparing it on a total spend, not just in this division.

4 MR. SHEPHERD: All right. Next is SEC No. 28. And I
5 think you appear to have misunderstood the nature of the
6 question, and that's probably my fault. What we were
7 trying to get is the impact of the asset condition
8 assessment in the reduction in OM&A spending. That is, if
9 you have better handle on your assets, therefore you are
10 spending money to replace them more, what is the payoff in
11 reduced OM&A, and your answer refers to incremental OM&A.

12 So do I take it that this increased tightness of
13 management of your assets is increasing rather than
14 reducing OM&A?

15 MR. MORRISON: In the sense that we are incurring more
16 costs to plan better so that we can efficiently replace
17 this assets, there is some incremental cost there, and as I
18 answered before, if we didn't do this planning and we
19 didn't do increased inspections, we would expect the OM&A
20 cost to rise even further.

21 MR. SHEPHERD: So then what I was trying to get at
22 here in this question was, this planning, this tighter
23 control over your assets, is going to save money in the
24 long-term. Do you have details on those savings?

25 MR. MORRISON: I don't believe we have a detailed
26 analysis of that.

27 MR. SHEPHERD: When you implemented your asset
28 management plan, when you decided to go ahead with it,

1 presumably you said at the time, Here is the reason why we
2 are going to do this. In the long-term it's going to save
3 us some money, or it's going to give us these benefits,
4 save money, better reliability, et cetera, et cetera.

5 Did you produce a document for management to make that
6 case?

7 MR. MACUMBER: I am just going to go back to how the
8 Board guidelines are laid out. They request an asset
9 management plan and suggest that you should have an asset
10 condition assessment conducted. We agreed that in order to
11 become more efficient in our planning and where we spend
12 our money that we would engage Kinectrics to help us with
13 our health index. The plan was, is that because of our
14 limited amount of resources, either headcount or financial,
15 that we needed to find a better way to plan.

16 And so the cost of this wasn't so that we would save
17 money, but rather avoid future significant repairs and
18 maintenance costs for not knowing how to plan our rebuilds,
19 our construction activity, appropriately.

20 MR. SHEPHERD: I understand. So the future without
21 the plan would be more expensive than the future with the
22 plan.

23 MR. MACUMBER: That's what we believe.

24 MR. SHEPHERD: Okay. And so presumably your
25 management said, Show us that this is true. Give us some
26 projections to demonstrate that that's true, that spending
27 this money at the front end will have a payoff at the back
28 end with reduced costs. Did they do that, and did you

1 produce such a document?

2 MR. MACUMBER: No, we did not produce that. We
3 essentially told them that in order to be more effective at
4 our planning is that we would need to conduct a health
5 index of our assets.

6 MR. SHEPHERD: And then no analysis was done as to
7 whether there was a payoff.

8 MR. MACUMBER: No.

9 MR. SHEPHERD: Thank you.

10 Still keeping with the asset management plan, in SEC
11 IR No. 32 you say that the process - that is, the new
12 process - is very similar to the current method, because we
13 are asking, what did you do before you had an asset
14 management plan, and I take it you are saying here, Well,
15 we did the same as we are doing now. We just didn't have
16 Kinectrics. Is that right?

17 MR. MORRISON: No, we are saying we do it in greater
18 detail now, and one of key inputs is the asset condition.
19 Prior we did look at reliability forecasts, our system
20 constraints, but in addition to that we are adding in
21 better information about our assets.

22 MR. SHEPHERD: Thank you.

23 The next is School Energy Coalition No. 34. And this
24 is -- we asked for a copy of the strategic plan, and you
25 provided us with a strategic plan dated February 22nd,
26 2011. Is this the current strategic plan?

27 MR. MACUMBER: Yes.

28 MR. SHEPHERD: Okay. So then the reason I ask that is

1 because, if you look at page 5 of that interrogatory
2 response, this is the actual plan cycle itself, and it says
3 in April of this year you were to do an update, and in May
4 it was to be approved by the Board. So did that happen?

5 MR. MACUMBER: No, it did not.

6 MR. SHEPHERD: Why not?

7 MR. MACUMBER: The majority of staff have been working
8 on the cost of service and the adoption of IFRS. There is
9 going to be a strategic plan update scheduled for the fall.

10 MR. SHEPHERD: So September? October?

11 MR. MACUMBER: It's around that time period, yes.

12 MR. SHEPHERD: Well, do you have a date?

13 MR. MACUMBER: I believe it's in September.

14 MR. SHEPHERD: So in September you are getting an
15 approval for an update or you are preparing an update for
16 approval at a subsequent Board meeting?

17 MR. MACUMBER: I'm preparing an update for approval at
18 a subsequent date.

19 MR. SHEPHERD: Thank you.

20 Next is School Energy Coalition IR No. 36, under issue
21 4.1. And this is -- if I understood what you said
22 yesterday, it was that the allocation to -- of ISTS
23 services to affiliates is based on the headcount of the
24 affiliates, so since the headcount of the affiliates stayed
25 the same the allocation has stayed roughly the same. Is
26 that a fair characterization of what you told us yesterday?

27 MR. MACUMBER: We base it on the cost and the
28 headcount. If there wasn't a significant increase in the

1 headcount, then the cost that's allocated would not
2 significantly increase.

3 MR. SHEPHERD: Well, so what I don't understand is, if
4 the cost doubles, more than doubles, as it did, why
5 wouldn't the allocation double?

6 MR. MACUMBER: There is certain costs in IT that we
7 believe is directly related to the hydro company, such as
8 for CC&B, or our billing system, that we don't allocate
9 those costs out to the regulated -- or, sorry, to the non-
10 regulated company, because they don't use the billing
11 system.

12 MR. SHEPHERD: Okay. So that would be things like
13 mainframe support and software licence renewal.

14 MR. MACUMBER: There are certain costs that are
15 included in IT that we do not allocate out because they
16 relate specifically to the regulated company.

17 MR. SHEPHERD: So do we have somewhere a breakdown of
18 this -- you see this line, ISTS services provided to
19 affiliates? Do we have somewhere a breakdown of how that
20 was calculated each of those years?

21 MR. MACUMBER: That has not been provided.

22 MR. SHEPHERD: Can you provide it?

23 MR. MACUMBER: Yes.

24 MR. SHEPHERD: So that's for each of the years from
25 2008 to 2013, a breakdown of the calculation of the
26 allocation of ISTS services, and if you could help us by
27 relating that to the budget for each year, that would be of
28 assistance.

1 MR. MACUMBER: Actual compared to the budget?

2 MR. SHEPHERD: No, no. Like, you have an actual or a
3 budget for each year, which is the total for ISTS, and then
4 you have a portion that's allocated; right?

5 So if you could relate the allocation to the total
6 spend, then we could understand why the allocation is going
7 down as a percentage of the total spend.

8 Do you understand that?

9 MR. VEGH: The panel seems somewhat confused, and so
10 am I. If you -- you're just looking at the percentage of
11 the allocation to affiliates as the total?

12 MR. SHEPHERD: Yeah, I --

13 MR. VEGH: Because that's provided here, or that can
14 be derived from what's presented in the last row -- the
15 very bottom row and the row just above that.

16 MR. SHEPHERD: No, but that's not what I am asking
17 about. What I'm asking --

18 MR. VEGH: What are you asking for?

19 MR. SHEPHERD: What I am asking about is how you got
20 that number of 580 and how you got that number of 423 in
21 2008. There was a calculation in which you broke down your
22 spending, and you said: This much of this category goes to
23 the affiliate and this much of this category goes to the
24 affiliate; right?

25 MR. MACUMBER: We will give a breakdown of how we have
26 come up with the allocation to affiliates for IT services.

27 MR. SHEPHERD: Wonderful. Thank you.

28 MS. HELT: That will be Undertaking JT2.8.

1 **UNDERTAKING NO. JT2.8: TO PROVIDE BREAKDOWN OF**
2 **METHODOLOGY FOR ALLOCATION TO AFFILIATES FOR IT**
3 **SERVICES.**

4 MR. SHEPHERD: Now, the next is SEC No. 37, the
5 attachment, and this is the business case for -- well, what
6 we asked you for was the business case for the web self-
7 service initiative; right? And that's what this is?

8 MR. MACUMBER: I am sorry, I am going to ask Danny,
9 our IT director, to...

10 MR. NUNES: So Danny Nunes again. Your question was?

11 MR. SHEPHERD: So this is the business case for the
12 customer web self-service initiative; right?

13 MR. NUNES: Yes.

14 MR. SHEPHERD: Okay. So this is the whole business
15 case? This one page and a bit is the whole business case
16 that was presented to management?

17 MR. NUNES: Yes.

18 MR. SHEPHERD: Yes?

19 MR. NUNES: Yes.

20 MR. SHEPHERD: Okay. And so I asked Mr. Macumber
21 earlier about the savings that would come from Internet --
22 web self-service.

23 And my impression was the answer was there isn't going
24 to be, but this says there is a direct reduction to
25 Enersource costs.

26 So I couldn't reconcile that, and I am trying to
27 understand what that means.

28 MR. NUNES: Actually, we didn't say that there wasn't

1 going to be savings. We said that they would probably be
2 delayed; right?

3 So it will depend on the adoption rate; right? And
4 typically, that would take a couple of years.

5 MR. SHEPHERD: So there will be savings?

6 MR. NUNES: Probably in the future.

7 MR. SHEPHERD: And have you estimated those?

8 MR. NUNES: No.

9 MR. SHEPHERD: Okay. Thank you.

10 The next is I am looking at School Energy Coalition
11 No. 39, the attachment, and I have a couple of questions on
12 some of these new positions.

13 Not meaning to attack the individuals -- I am sure
14 they are good people -- I am just trying to understand the
15 rationale behind some of these positions.

16 So these positions here, the 28 pages that I have got
17 here, are all new positions. And some of them are listed
18 as being related to some core initiative; for example, the
19 new head office building.

20 You are familiar with these?

21 MR. MACUMBER: Yes. It was requested from our HR
22 department during the budgeting process that they get it
23 approved by the VP or manager of each area for any
24 additional headcount that's required.

25 MR. SHEPHERD: Okay. So the business case says:

26 "The amount of payment transactions has
27 significantly increased, and there will be an
28 increase in arrears payment processing in the

1 future."

2 Do you know the basis for that? I mean, aside from
3 the fact that you have more customers in the future?

4 MR. MACUMBER: Which position are you referring to?

5 MR. SHEPHERD: This is page 1.

6 MR. MACUMBER: The cashier?

7 What was happening was the cashier was overworked and
8 incurring a substantial amount of overtime, trying to
9 process all the transactions. It was agreed that the
10 requirement for two positions was needed to process these
11 transactions.

12 We have also had a problem with our collection of
13 overdue accounts, so the arrears payment management has
14 caused a significant issue with the cash office, or with
15 the payments, because they are not paying their whole
16 bills, and we have had to manage that process.

17 So that's why a new cashier was required.

18 MR. SHEPHERD: So then this is one of those positions
19 where the savings would outweigh the incremental costs?

20 You save on overtime, you save on reducing your
21 arrears problems, et cetera. Your savings should overcome
22 the cost; right?

23 MR. MACUMBER: Not completely. The savings wouldn't
24 completely outweigh a whole position. However, to have a
25 work-life balance, we believe that it is appropriate to
26 split the duties between two people. We have reduced the
27 overtime, though, in that area, since we have hired this
28 cashier position.

1 MR. SHEPHERD: I am not going to go through all of
2 them, but I am going to ask you about page 3. And this is
3 -- this talks about -- and you talked about this yesterday
4 -- the -- you had a contract person on AR, and now you have
5 changed that to a full-time position; right?

6 MR. MACUMBER: Correct.

7 MR. SHEPHERD: And the intended result and the result
8 that are you are seeing already is to reduce the accounts
9 over 45 days; right?

10 MR. MACUMBER: Well, it's not the accounts over 45
11 days. It's to reduce the uncollectible accounts.

12 MR. SHEPHERD: The business case says:

13 "Over the last three months the person holding
14 the position has reduced energy accounts
15 outstanding over 45 days by 12 percent."

16 That is what it says.

17 MR. MACUMBER: That is the justification to go from a
18 temporary position to a permanent position.

19 MR. SHEPHERD: All right. So my question is: You did
20 your working capital study before this?

21 MR. MACUMBER: Working capital study that -- which
22 working capital --

23 MR. SHEPHERD: Your lead-lag.

24 MR. BONADIE: We completed one lead-lag, as mentioned,
25 in 2009, that was submitted as part of the 2008 cost of
26 service application settlement process.

27 We have also completed a new lead-lag study that was
28 filed in one of the Board questions for 2010.

1 MR. SHEPHERD: And so that's all before you have done
2 this, so have you adjusted your payment lag for the effect
3 of this person?

4 MR. MACUMBER: I would suggest that in 2009 our
5 uncollectible accounts wasn't at the level that we
6 experienced in '10 and '11.

7 The information that was provided in our last lead-lag
8 study, which was asked yesterday, showed a significant
9 increase in payment collection lag, which suggested a
10 working capital allowance of 17.1.

11 We have not reflected the increased collection
12 activities from this, and we kept it at the 13.5 that we
13 previously had before our issue arose.

14 MR. SHEPHERD: So you are saying that other effects
15 have increased your payment lag, but you are assuming you
16 are going to get it back down to a level consistent with
17 the 13.5, through this position?

18 MR. MACUMBER: We believe with this position we can
19 get it back down to the levels we have historically had.

20 MR. SHEPHERD: Okay. Can you take a look at page 7?

21 And you have a building automation system in the new
22 building; right?

23 MR. MACUMBER: I'm sorry, I am not in charge of the
24 building process. However, a position at the building is
25 required for any kind of automation, HVAC, et cetera. That
26 is needed to ensure that the building runs effectively and
27 efficiently.

28 MR. SHEPHERD: Okay. But this is not the caretaker;

1 right?

2 MR. SHEPHERD: There is a facilities analyst and a
3 caretaker.

4 MR. SHEPHERD: So what I am trying to understand is
5 why do you need a full-time person for a building
6 automation system for one building?

7 MR. MACUMBER: What we are saying is, because we will
8 have an operations centre and another admin location, a
9 facility analyst has to be at the building at all times.

10 MR. SHEPHERD: Do you have a building automation
11 system at your Mavis Road location?

12 MR. MACUMBER: Again, I can't comment on -- I can't
13 answer that question.

14 MR. SHEPHERD: All right. I will leave it for now.

15 Page 11 of this, I just have one simple question on
16 this. This is, basically it says that you will have to
17 have ISTS services in both buildings, so you need two new
18 positions for support in the new building; right?

19 MR. MACUMBER: That is correct.

20 MR. SHEPHERD: And so my simple question is, are those
21 included in the million-668 that you said yesterday?

22 MR. MACUMBER: Yes, they are.

23 MR. SHEPHERD: And you investigated whether you could
24 have one set of support people for both buildings and
25 decided that it's better if it's on-site?

26 MR. MACUMBER: Yes, we believe that a full-time person
27 was required at the new building location to manage the IT
28 services.

1 MR. SHEPHERD: I was going to tell him not to go away,
2 because my next question is on page 17 of that same
3 response, which is the BI developer. And it looks like
4 this is saying you need a full-time person to develop a BI
5 dashboard, which seems to me to be something that doesn't
6 take a full-time person. And so I don't understand.
7 Perhaps you could help me with that. BI dashboards are
8 pretty easy to do. You can do it in a weekend.

9 MR. NUNES: Actually, business intelligence is more
10 than just dashboards. It probably could have been worded
11 differently. But when you take -- historical data is what
12 you have in CC&B, your ERP, and other systems.

13 When you take that -- when you are trying to analyze
14 from a forecasting perspective, predicting -- predictive
15 situation for the future, that's where BI comes in. So
16 they are more than just that application.

17 MR. SHEPHERD: No, I understand what BI is. I
18 understand the product. What I am trying to understand is
19 why you need a full-time person for this. It doesn't seem
20 like a full-time job to me. What is the breadth of the job
21 that makes it full-time?

22 MR. NUNES: Yeah, and as it states at the bottom of
23 that, it -- otherwise we will rely on third-party resources
24 to do it.

25 MR. SHEPHERD: So you are talking about sort of
26 ongoing development of new things within this module. It's
27 not just building out a functionality, it's continuing to
28 build out a functionality over time, year after year, more

1 and more; right?

2 MR. NUNES: Well, I think you said you understand
3 business intelligence, so I think you can extrapolate that
4 business intelligence can serve you in a lot of ways,
5 right, in terms of forecasting going forward for analytics
6 of historical and other data that you can combine with it,
7 so does that answer your question?

8 MR. SHEPHERD: So your plan with this person is to
9 sort of continually use more and more of the capability of
10 the product over time, and so, you know, once you have got
11 some you will get some more over time.

12 MR. NUNES: Well, what I would say is, make better use
13 of the data that we get.

14 MR. SHEPHERD: Okay. That's good. Thank you.

15 I have a response, School Energy Coalition 43, under
16 issue 4.1. I am just going to see whether I have it in one
17 of these other packages that you have given to me. Because
18 what I have, my answer is "awaiting response". So is it in
19 one of these piles that I have here?

20 MR. KILLEEN: Yes, it was provided in Friday's
21 package, Jay.

22 MR. SHEPHERD: Okay. Ah, thank you.

23 And School Energy Coalition No. 44, you were asked
24 some questions about it yesterday, and it was alleged that
25 I would follow up today, and I will. On the second page of
26 that --

27 MR. VEGH: Sorry, we have 44 next?

28 MR. SHEPHERD: 44. Let me just see if I can find my

1 note on that.

2 So yesterday you said you don't track your eligible --
3 eligible to retire against actual retirements, and that's
4 why you couldn't complete the table that we asked for. I
5 understood that right?

6 MS. DeJULIO: I will try to help you with that, Mr.
7 Shepherd. Can you repeat that, please?

8 MR. SHEPHERD: Sure. We asked for you to track
9 eligible to retire to actual retirements, and I thought you
10 said yesterday -- my note says you said that you don't
11 track retirements to eligible to retire, so that you don't
12 -- you don't have that information; is that right?

13 MS. DeJULIO: I think if -- are you -- you are looking
14 at this particular second table on this answer? Is that
15 what you are looking at?

16 MR. SHEPHERD: Yes, yes, the table at the top of the
17 second page.

18 MS. DeJULIO: Oh, the top. Those are actual
19 retirements; right? You were talking about eligible,
20 though?

21 MR. SHEPHERD: Yeah. Yeah, we asked for the number of
22 newly eligible employees who -- sorry, number of employees
23 who became eligible to retire in each year, and the number
24 of those who actually retired, and the number who became
25 eligible in the previous year but retired in a subsequent
26 year, and you didn't give that, but you gave some different
27 information. And I understood that the reason is that you
28 don't track it the way we asked it.

1 MS. DeJULIO: I believe that's the case, yes.

2 MR. SHEPHERD: Okay. So you said the majority of
3 employees historically retire in the year that they are
4 eligible to retire on an unreduced pension. Do you have a
5 basis for that? Do you have information that tells us
6 that's true? I am assuming what that means is that the
7 first year they are eligible to retire on an unreduced
8 pension they retire.

9 MS. DeJULIO: The majority of them.

10 MR. SHEPHERD: Okay. So do you have some information
11 that can help us to demonstrate that, some evidence to back
12 that up?

13 MS. DeJULIO: I don't have anything on me here.

14 MR. SHEPHERD: Can you undertake to see if you have
15 any evidence that would demonstrate that?

16 MS. DeJULIO: Yes.

17 MS. HELT: So that will be Undertaking JT2.9, and
18 it's, just to be clear, to provide evidence that the
19 majority of employees historically retire in the year that
20 they are eligible to retire on an unreduced pension.

21 MR. SHEPHERD: Actually, I think it is in the first...

22 **UNDERTAKING NO. JT2.9: TO PROVIDE EVIDENCE THAT THE**
23 **MAJORITY OF EMPLOYEES HISTORICALLY RETIRE IN THE FIRST**
24 **YEAR THAT THEY ARE ELIGIBLE TO RETIRE ON AN UNREDUCED**
25 **PENSION.**

26 MR. SHEPHERD: Actually, I think it is in the first
27 year that they are eligible to retire.

28 MS. HELT: In the first year, then.

1 MR. SHEPHERD: I am looking now at SEC 46 in issue
2 4.1, and we asked you for the number of employees in the
3 affiliates, and in (e) you said: No, we are not going to
4 provide that.

5 And I am just looking at the redacted version of the
6 investor presentation to see whether it has that
7 information. I will ask you to confirm it if it does.

8 MS. HELT: That's Exhibit KT1.2.

9 MR. SHEPHERD: I cannot find it. Maybe it's in the
10 confidential one.

11 I am going to ask you again if you can provide the
12 information on the employees in the affiliated companies.

13 MR. VEGH: I think for now we will take that under
14 advisement.

15 MR. SHEPHERD: Okay. And that's basically item (e) of
16 Interrogatory 46.

17 MR. VEGH: Yes.

18 MS. HELT: That will be noted as Undertaking JT2.10,
19 an undertaking taken under advisement.

20 **UNDERTAKING NO. JT2.10: TO PROVIDE THE NUMBER OF**
21 **EMPLOYEES IN AFFILIATES, AS REQUESTED IN PART (E) OF**
22 **SEC INTERROGATORY NO. 46 IN ISSUE 4.1**

23 MR. SHEPHERD: And I am looking now at -- I am almost
24 finished, by the way. I know you will be disappointed,
25 but...

26 I am looking at VECC IR No. 36 under issue 4.1. And
27 it says:

28 "Enersource does not maintain information on

1 other distributors."

2 And I just want to confirm. This is talking about --
3 this is talking about the yearbook data, and I want to make
4 sure that I understand your response correctly.

5 Do you have no set of information, internal
6 information, on comparable distributors and what their
7 performance levels are relative to yours? None?

8 MR. MACUMBER: We just track the reliability.

9 MR. SHEPHERD: SAIDI and SAIFI I heard earlier; right?

10 But I have never seen a utility that didn't have some
11 form of other utility information as part of their internal
12 records, and so I am -- I am just clarifying that I
13 misunderstood your answer.

14 MR. MACUMBER: I would say that we may review the
15 yearbook for information, but we don't track it on our own.

16 MR. SHEPHERD: Thank you.

17 I am looking at, now, Board Staff Interrogatory No. 39
18 under issue 4.2.

19 And you were asked whether the methodology that you
20 used to determine the amount of your depreciation expense
21 included in your budget includes an element of discretion.

22 And I understood your answer. You describe how you do
23 it, but I didn't get from you whether there is an element
24 of discretion in that or not.

25 Is there an element of discretion in your depreciation
26 expense, or not?

27 MR. MACUMBER: No. I guess when we came up with our
28 new depreciation, our useful lives, we worked with

1 Kinectrics, we worked with our engineers to come up with an
2 appropriate time frame, and then we adopted those new
3 useful lives.

4 The depreciation expense goes with the work orders
5 that we attach in JD Edwards, so as soon as it is energized
6 we start depreciating it. In our system, though, we use a
7 half-year life -- or half-year rule for depreciation.

8 So there is no -- the discretion would have been only
9 determining the useful lives of the asset, to ensure that
10 the engineering life and the Kinectrics study were in line.

11 MR. SHEPHERD: All right, but in fact you accepted all
12 the useful lives that were recommended by your operations
13 people and consultants; right? You didn't change any of
14 them?

15 MR. MACUMBER: No. We did not. We accepted what our
16 engineers and the third party came up with, and we believe
17 that we are in the range.

18 MR. SHEPHERD: Okay. In Energy Probe IR No. 1 under
19 issue 4.2, you talk about the transition to IFRS and
20 revising the useful lives. And I understand that process.

21 One of the things you do in that, I believe, is you do
22 a vintage chart, where you look at your categories of
23 assets and you separate them by vintage, so you can get a
24 sense of, when you are setting up your new depreciation
25 expense, how many are now -- what's the extension or
26 contraction of their useful lives.

27 Did you do vintage charts? And if so, are they in the
28 evidence somewhere?

1 Would you prefer to take this by way of undertaking?

2 MR. MACUMBER: No. We did provide vintage tables.

3 I am trying to find the question that asked for it
4 that we provided them in.

5 MR. SHEPHERD: Oh, they are in an IR response?

6 MS. GJEVORI: Actually, yes. So that is in response
7 to School Energy Coalition IR No. 18 and 19, issue 2.1.

8 MR. SHEPHERD: It shows how many of the IR responses I
9 have read, doesn't it? All right. Thank you.

10 MS. HELT: Can you just state your name for the
11 record, please?

12 MS. GJEVORI: Edlira Gjevori.

13 MR. SHEPHERD: Then I just have two more questions.

14 The first is Energy Probe IR No. 2 under issue 4.2.

15 And in your response to number (a), you see the third
16 sentence that starts: "The need or reason for replacing
17 capital"? Am I right in understanding that that should
18 read: "The need or reason for replacing capital is not
19 only related to the age of the asset"?

20 Is that correct?

21 MS. GJEVORI: Yes.

22 MR. SHEPHERD: Because I had, like, a wonderful series
23 of questions about that, but.

24 Okay. My last series of questions is on School Energy
25 Coalition Interrogatory No. 52 under issue 4.2.

26 And here is what I didn't understand in this, is you
27 changed the useful life of a number of assets, and as a
28 result there are changes to depreciation. What -- however,

1 that didn't result in a change in the customer
2 contributions.

3 I don't understand why that is.

4 MS. GJEVORI: Indeed, that's resulted in a change in
5 customer contributions, but it's netted with the poles-and-
6 wires category and line transformers.

7 MR. SHEPHERD: So -- all right. So built into these
8 840, 7620, and 2273 are adjustments to the customer
9 contributions as well.

10 MS. GJEVORI: Yes. We change the useful life for
11 customer contributions to match the useful lives of the
12 related asset.

13 MR. SHEPHERD: Wonderful. That's all my questions,
14 thank you.

15 MS. HELT: Thank you, Mr. Shepherd.

16 I understand, Mr. Battista, you have a few questions?

17 **QUESTIONS BY MR. BATTISTA:**

18 MR. BATTISTA: Yes, just a few questions. I would
19 like to take you -- or just reference issue 4.1, Board
20 Staff IR 32 and, under the same issue, Energy Probe
21 Interrogatory No. 3, and it's really in part to get a
22 clarification on the nomenclature and the wording used.

23 In Energy Probe No. 5 -- did I say -- No. 5, yes,
24 sorry, Energy Probe No. 5, part (d), it says:

25 "Energy Probe had forecast its allowance for
26 doubtful accounts would grow to 4.3."

27 And then it goes on to say, but it reduced it, the
28 bad-debt expense, to 3.5 million.

1 Are you using the words, the allowance for doubtful
2 accounts and bad-debt expense to be equivalent from an
3 accounting perspective?

4 MR. MACUMBER: What we are assuming is, yes, that we
5 will not collect those accounts, so there would be expense,
6 bad-debt expense, or an allowance.

7 MR. BATTISTA: So your allowance is on the balance
8 sheet.

9 MR. MACUMBER: That is what we would be expensing each
10 year.

11 MR. BATTISTA: So you don't have a formula or a
12 weighting. It's sort of dollar for dollar.

13 MR. MACUMBER: Until we actually write them off. So
14 our allowance may be higher than that amount. It may be 5-
15 or 6 million until we actually physically write them off,
16 but we have deemed them to be uncollectible.

17 MR. BATTISTA: Okay. And going to the Board Staff
18 Interrogatory No. 32, on the second page of that you
19 mention that during the first half of 2012 Enersource has
20 experienced a reduction in its allowance for doubtful
21 accounts, and I guess your bad-debt expense then will go
22 down accordingly for 2012, and then it says Enersource
23 anticipates that the hot summer weather and the overall
24 increase in commodity prices, you know, will cause the
25 doubtful accounts to increase to the forecast level.

26 Can one assume then correspondingly that your late-
27 payment revenue would also increase?

28 MR. MACUMBER: Yes, they kind of go hand in hand. If

1 I have accounts outstanding, then -- you know, that are
2 owing, the late-payment revenue goes up.

3 MR. BATTISTA: Right. So that would go up as well.
4 Okay.

5 I would like to take you to issue 4.1, Board Staff
6 No. 34. And in terms of Table 1, which breaks out the
7 OM&A, would it be possible to redo Table 1, but excluding
8 any smart-meter-related expenses? Because in your response
9 you're saying you included it to make an apples-to-apples
10 kind of comparison, and it might be useful to have a clean
11 OM&A history, starting with Board-approved, without any
12 adjustments made to your Board-approved or your subsequent
13 actuals and forecasts, excluding --

14 MR. VEGH: Excuse me, just to confirm, when you refer
15 to Table 1, it's the -- of the document that's now on the
16 screen -- what's the --

17 MR. BATTISTA: That's right. That's the document.

18 MR. VEGH: Exhibit 4, tab 1, schedule 1, at page 2.

19 MR. BATTISTA: Right.

20 MR. VEGH: And what is it that you asked for?

21 MR. BATTISTA: Well, from my -- the response to the
22 question, it seemed that these numbers include smart-meter
23 expenses, program expenses, and those costs really were
24 picked up through the deferral variance accounts, I
25 believe. So I was wondering if we could have this table
26 expressed on a -- excluding smart-meter expenses.

27 MR. MACUMBER: We can produce Table 1, showing
28 separately the amount that relates to smart-meter funding

1 adder costs and ongoing smart meter costs.

2 MR. BATTISTA: Okay. Yes. What got my attention was
3 the last sentence of the response:

4 "Enersource adjusted prior periods to reflect
5 annual smart-meter operating expenses."

6 Et cetera. So...

7 MR. MACUMBER: Our intention was to show the true cost
8 of ongoing smart-meter expenditures, either capital or
9 operating, and we put it in this table to show that the
10 costs were incurred and that they would be ongoing
11 regardless of how they were funded.

12 MR. BATTISTA: I can appreciate that, but
13 traditionally OM&A wouldn't include --

14 MR. MACUMBER: In our perspective it is OM&A. It is
15 just where it shows up. But we can do Table 1.

16 MR. BATTISTA: On an unadjusted bases.

17 MR. MACUMBER: But unadjusted for smart-meter-related
18 costs.

19 MR. BATTISTA: Okay.

20 MS. HELT: That will be Undertaking JT2.11.

21 **UNDERTAKING NO. JT2.11: TO PRODUCE TABLE 1 UNADJUSTED**
22 **FOR SMART-METER-RELATED COSTS.**

23 MR. BATTISTA: I would like to take you to issue 4.1,
24 CCC Interrogatory No. 1. And yesterday there was some
25 conversation in this regard. And it had to do with the
26 guidelines within Enersource to prepare the 2014 budget.
27 And I think, subject to your checking or concurrence, that
28 you had mentioned that when you prepared your 2014 OM&A

1 budget, as outlined in this interrogatory, that you did it
2 on a line-by-line basis, and I was wondering, in that you
3 did take the time to prepare the 2014 OM&A, I was wondering
4 how it compares to the 2014 OM&A that you are proposing to
5 be recovered in rates, and the understanding being that
6 it's the same as your 2013, that you are not changing your
7 2014 OM&A for rates purposes.

8 So could you provide us the number that was generated
9 as a result of this process for 2014?

10 MR. MACUMBER: We have provided that. It's in our
11 pro forma statements. It's under the pre-filed evidence
12 under Exhibit 1, tab 3, schedule 2.

13 MR. BATTISTA: Okay. That's fine, thanks.

14 I would like to take you to issue 4.1, Energy Probe
15 Interrogatory No. 20. And this has to do with social media
16 changes and the activity and responsiveness of the company
17 in that regard.

18 And in response to A, which is the last sentence, it
19 says:

20 "To date, Enersource has 890 followers on
21 Twitter."

22 I wonder how many of those are company employees.

23 [Laughter]

24 MR. MACUMBER: I can tell you the employees that are
25 here today are not followers.

26 [Laughter]

27 MR. BATTISTA: And I have one last question, and that
28 would be the PILs question. And it would be under issue

1 general Board Staff Interrogatory No. 3, and I believe in
2 the response to that IR you mention that you have sort of
3 filed your 2011 tax return with the Ministry of Revenue?

4 MR. SULTANA: That's correct.

5 MR. BATTISTA: I was wondering whether we could get a
6 copy of the tax return, and as well as any related notice
7 of assessment?

8 MR. SULTANA: We can provide the tax return that was
9 filed at the end of June, but we cannot provide the notice
10 of assessment, because it has not been received yet.

11 MR. SHEPHERD: Can I just clarify, this is the tax
12 return in all schedules, right, not just the return itself
13 but the whole package?

14 MR. SULTANA: Correct, the whole package.

15 MR. SHEPHERD: Thank you.

16 MS. HELT: That will be Undertaking JT2.12.

17 MR. BATTISTA: Thank you.

18 **UNDERTAKING NO. JT2.12: TO PROVIDE THE 2011 INCOME-**
19 **TAX RETURN INCLUDING SCHEDULES.**

20 MS. HELT: All right, then. This may be an
21 appropriate time to take the lunch break, and then when we
22 come back we will deal with the questions with respect to
23 the confidential documents for this panel. And then we can
24 continue with panel 4.

25 MR. HARPER: Excuse me. Actually, it's Bill Harper.
26 I wasn't here yesterday, so maybe for the record I should
27 explain. I am a consultant for VECC, and I believe
28 yesterday Mr. Garner provide list of questions that I had,

1 and a few of them fell to this panel, about two or three of
2 them, and maybe the next panel can handle them, but I
3 thought rather than having them leave and we have to leave
4 those questions because the next panel can't handle them --
5 I think is only two or three.

6 I can deal with them now or we can deal with them
7 first thing when we come back from lunch, but I think it
8 would be appropriate to see if this is the right panel for
9 answering them.

10 MS. HELT: Certainly. We can deal with them. Why
11 don't we deal with them now, then?

12 MR. VEGH: I am told panel 4 can answer all of those
13 questions, or can address those questions.

14 MR. HARPER: Okay. As long as the understanding is
15 panel 4 can address them all, there was one that wasn't on
16 that subsequently came up with, but hopefully panel 4 can
17 address that, as well.

18 I just wanted to make sure that -- I don't say you
19 waited too long.

20 MR. VEGH: Nobody is leaving, Bill.

21 MR. HARPER: Okay. Thanks.

22 MS. HELT: So why don't we take a break? We could
23 take a break either for an hour or until 1:30.

24 I am not certain how long people will be with their
25 questions for panel 4 or on the confidential information,
26 but I do want to make sure we are completed today.

27 MR. VEGH: Perhaps through you, Ms. Helt, we can ask
28 that question, what people's estimate of their time is.

1 MR. SHEPHERD: I expect to be 30 to 45 minutes on the
2 confidential material, and I don't have any questions on
3 panel 4, except my role as interrupter-in-chief.

4 MS. HELT: Thank you, Mr. Shepherd.

5 Mr. Aiken?

6 MR. AIKEN: On panel 4, 30 minutes is my best guess.

7 MS. HELT: Any on the confidential information?

8 MR. AIKEN: Yes. It will be about 30 seconds.

9 MS. HELT: All right. Mr. Harper.

10 MR. HARPER: Actually, I provided -- we provided our
11 questions earlier, so Enersource can probably give a better
12 sense how long it's going to take to answer them than I do,
13 but I don't think it will be more than half an hour.

14 MS. HELT: Thank you.

15 Mr. Crocker?

16 MR. CROCKER: I have no more questions -- I have no
17 questions of panel 4 and no questions on the confidential
18 information.

19 In fact, I won't be able to stay this afternoon.

20 MS. HELT: Thank you. And Mr. Battista?

21 MR. BATTISTA: Two minutes.

22 MS. HELT: All right. Well, then, we can certainly
23 get finished today.

24 So why don't we take a break until quarter to 2:00,
25 then? Thank you.

26 MR. VEGH: Oh, and just one more matter.

27 MS. DeJULIO: We now have a redacted version of the
28 third-party contract, which was a response to issue 4.1,

1 School's IR No. 27.

2 MS. HELT: All right. Thank you.

3 Why don't we just have that marked, then, as Exhibit
4 KT2.2?

5 **EXHIBIT NO. KT2.2: REDACTED VERSION OF THE THIRD-**
6 **PARTY CONTRACT, IN RESPONSE TO SEC IR NO. 27,**
7 **ISSUE 4.1**

8 MS. HELT: And you will provide them to...

9 MS. DeJULIO: I only have one copy.

10 MS. HELT: All right. We will make copies, then, and
11 provide them. Thank you.

12 All right. We are adjourned until quarter to 2:00.

13 --- Luncheon recess taken at 12:41 p.m.

14 --- On resuming at 1:48 p.m.

15 MS. HELT: Good afternoon, everyone. I believe we are
16 ready to go to the in camera session. Before doing so I
17 just want to ensure that there is no one here who has not
18 signed the authorization, declaration, and undertaking from
19 the Board's documents in order to participate in this part
20 of the technical conference. All other individuals in the
21 room other than those who have signed the document are then
22 with Enersource; is that correct? Yes.

23 All right then. We will be going in camera. I have
24 put a sign on the door indicating it is in camera, so we
25 should not be interrupted. I have also asked our court
26 reporter to ensure that we are not being broadcast, and to
27 also ensure that the mics will remain on, but we will just
28 not be broadcast.

1 So at this time we will go off-air.

2 --- On commencing in camera at 1:50 p.m.

3 MS. HELT: Thank you.

4 MR. SHEPHERD: Is there somebody at the Board who is
5 checking that we are actually off-air?

6 MS. HELT: Yes, that's correct.

7 MR. SHEPHERD: Good.

8 MS. HELT: So...

9 MR. SHEPHERD: Not having happened before.

10 MS. HELT: Yes, it has happened before. So we're just
11 taking extra steps to ensure that we are off-air.

12 MR. SHEPHERD: Good.

13 MS. HELT: You can start, Mr. Shepherd.

14 **QUESTIONS BY MR. SHEPHERD:**

15 MR. SHEPHERD: Thank you. I'm starting with KTC2.1,
16 which we got today, and I just have a couple of questions
17 about this. There is attached to the agreement -- the
18 agreement is from 2003; right?

19 MR. MACUMBER: The original agreement, yes.

20 MR. SHEPHERD: And that agreement is still operative,
21 subject to the changes which are attached; right?

22 MR. MACUMBER: This is the latest change that is
23 attached.

24 MR. SHEPHERD: Oh, so there are other changes.

25 MR. MACUMBER: That have occurred prior to this, but
26 this is the one that is in effect right now of January --
27 in 2012.

28 MR. SHEPHERD: So none of these other amending

1 agreements are -- there is no provision of any of these
2 other amending agreements that is currently applicable.

3 MR. MACUMBER: Correct.

4 MR. SHEPHERD: All right. And so this change is
5 effective January 1st, 2012; is that right?

6 MR. MACUMBER: Yes.

7 [REDACTED]
[REDACTED]

9 MR. MACUMBER: For the calls received, yes.

10 MR. SHEPHERD: And do you know what the number is for
11 the test year, the per-call?

12 MR. MACUMBER: We have put into the budget the
13 estimated number of calls, and we also use ATOS to do
14 collection calls for us as well. We have put in
15 \$1.2 million -- 1.225 for the call-centre activities for
16 collection --

17 MR. SHEPHERD: [REDACTED]
[REDACTED]
[REDACTED]

20 MR. MACUMBER: I don't have that information.

21 MR. SHEPHERD: I mean, in order to estimate your
22 budget you had to have that number; right? A number of
23 calls times a dollar figure?

24 MR. MACUMBER: By a dollar figure, for sure.

25 MR. SHEPHERD: Okay. So can you undertake to provide
26 that then?

27 MR. MACUMBER: Yes.

28 MS. HELT: That will be Undertaking JTC2.13.

1 **UNDERTAKING NO. JTC2.13: TO PROVIDE THE PER-CALL FEE**
2 **FOR THE TEST YEAR.**

3 MR. SHEPHERD: And the next question on this is, you
4 see where it says on the request for change on the first
5 page "AHT, three minutes and nine seconds"? That's the
6 average call volume, isn't it -- the average call duration?
7 I don't know what AHT stands for, but I think the three
8 minutes and nine seconds is an assumption as to the length
9 of each call; right?

10 MR. MACUMBER: I don't know what AHT stands for. I
11 would assume that hat would be the average call length,
12 though.

13 MR. SHEPHERD: Okay. Well, let's assume that, and if
14 it's not the case, presumably you will tell us; right? So
15 that's down from the original number, which was [REDACTED]
[REDACTED] in the original agreement; right? In the original
17 agreement on page 12 there is the terms.

18 MR. MACUMBER: That would be correct if the AHT is the
19 average call duration.

20 MR. SHEPHERD: And the formula says that [REDACTED]

[REDACTED]
[REDACTED]

[REDACTED] I think that's what I understand this to
24 say.

25 MR. VEGH: So where precisely do you see that
26 understanding?

27 MR. SHEPHERD: [REDACTED]
[REDACTED]

1

■

■

4 And then it sets out the formula, which is exactly
5 that.

6

I am not -- it's not a trick question. ■

■

■

■

10

MR. MACUMBER: ■

■

■

13 I think
14 where they were trying to do the length of the call is to
15 estimate how many staff they needed based on a work day.

15

MR. SHEPHERD: ■

■

■

■

19 MR. VEGH: I think the witness can address this point,
20 but I am -- the sense I am getting is that the contract
21 does speak for itself, and you can interpret it that way,
22 but I don't think the witness is comfortable giving an
23 interpretation of the contract.

24

MR. SHEPHERD: ■

■

■

■

■

1 MR. VEGH: So if the witness can identify whether he
2 agrees or disagrees or does not know.

3 MR. SHEPHERD: Yes, that's all I --

4 MR. MACUMBER: I do not know.

5 MR. SHEPHERD: Thank you.

6 And then my last question on this document is, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18 MR. MACUMBER: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

22 MR. MACUMBER: We are using to answer -- outsource our
23 calls, plus we are also using ATOS to do some calls for us
24 for collection activities.

25 MR. SHEPHERD: So that's not in this contract. That's
26 a different contract.

27 MR. MACUMBER: I was unable to locate the contract
28 with our collection activity.

1 MR. SHEPHERD: Okay. Next is the confidential
2 document, "Investor presentation", which is under issue
3 general SEC No. 3, and --

4 MS. DeJULIO: Excuse me, Mr. Shepherd. It's Gia. I
5 inquired as to what "AHT" stands for and it's average
6 handle time.

7 MR. SHEPHERD: So that's the equivalent of average
8 call duration from the beginning?

9 MS. DeJULIO: Yes.

10 MR. SHEPHERD: You reminded me of a question I forgot
11 to ask. Is this -- that's quite a significant drop from

12 [REDACTED]
[REDACTED] Have you done something in particular to reduce
14 the handle time, the amount of time you spend on each call?

15 MR. MACUMBER: I would be only speculating of why the
16 average call time has decreased or the handle time.

17 MR. SHEPHERD: All right. What I am trying to figure
18 out is whether it's because the new CIS has better
19 interface or things like that, faster access to
20 information, that sort of thing.

21 Is this something you could find out for us, why it's
22 dropped? [REDACTED]
[REDACTED]

24 MR. VEGH: So we will make inquiries.

25 MR. SHEPHERD: Okay.

26 MS. HELT: So we will note that as JTC2.14.

27 **UNDERTAKING NO. JTC2.14: TO EXPLAIN DECREASE IN**
28 **AVERAGE CALL DURATION.**

1 MR. SHEPHERD: Now, I was moving to School Energy
2 Coalition IR No. 3. And you recall we had a discussion
3 about employees in affiliates.

4 So the only affiliate you have that is operating is
5 EHM services; correct?

6 MR. MACUMBER: Correct.

7 MR. SHEPHERD: So on page 11 of this presentation, it
8 says that they have 22 full-time employees.

9 Those are the only employees outside of Corp. and
10 Hydro Mississauga; right?

11 MR. MACUMBER: Correct.

12 MR. SHEPHERD: These are all employees who are
13 actually separately in that organization; they are not
14 employees that technically are employed by Hydro
15 Mississauga, but are assigned to --

16 MR. MACUMBER: No, they are paid out of the services.

17 MR. SHEPHERD: Separately employed there.

18 There is also some sharing of employees between the
19 two; right?

20 MR. MACUMBER: If there is ever a requirement for
21 excess work, we may see if the services company can provide
22 help.

23 MR. SHEPHERD: And conversely, when they are
24 overworked they can sometimes ask Hydro Mississauga for
25 assistance?

26 MR. MACUMBER: And we -- yes.

27 MR. SHEPHERD: Thank you.

28 And so the only other question I have on this one is

1 on page 22, you show a \$10 million increase in revenues
2 from 2008 to 2009, an 8.1 percent increase in revenues.

3 I didn't see the reason for that in your application.
4 Is there something you can tell me about that?

5 I asked yesterday and you said that it was CDM, but I
6 didn't see the CDM as being that impact either. Is CDM the
7 only thing that you can identify there?

8 MR. MACUMBER: I am going to say from 2008 to 2009
9 there would be two main things for any kind of growth like
10 that, would be CDM and the other one would have been the
11 recognition of a smart meter revenue.

12 In 2008, we had requested to recognize 2006 and '07
13 smart meter revenue, which was approved by the Board. In
14 2008, we made the same request, and they said essentially:
15 For your financial statements you can recognize the
16 revenue, but we are not approving the prudence of that
17 right now.

18 So we recognized '08 and '09 in '09, for our
19 accounting statements or financial statement presentation.

20 MR. SHEPHERD: So this is the adder?

21 MR. MACUMBER: It would be the revenue requirement
22 from the investments in smart meters.

23 MR. SHEPHERD: Which -- you were collecting the money,
24 but you were treating it as a deferral account, and you
25 wanted to recognize it for financial statement purposes?

26 MR. MACUMBER: Correct.

27 MR. SHEPHERD: I see. Okay. Thank you. And then I
28 do have a few questions on the shareholders' agreement.

1 This -- and this is KTC1.1. And so this document is June
2 1st, 2012, so this is after you filed your rate
3 application. So first, can you tell me why this agreement
4 was amended so recently?

5 MR. MACUMBER: I can tell you from our last cost of
6 service it's been an ongoing negotiation between Borealis
7 and the city since about 2008.

8 MR. SHEPHERD: Okay. And do you know what the changes
9 were between the last one and this one?

10 MR. MACUMBER: I don't know.

11 MR. SHEPHERD: I wonder if you can undertake to
12 provide us with either the last one, so we can compare the
13 two, or, better yet, a red line of this one showing the
14 changes.

15 MR. VEGH: We will take that under advisement. We
16 will look at the previous version and then advise as to
17 what the changes are. As to the form of presentation, I
18 think it's probably best to just see what the previous
19 agreement looks like first.

20 MR. SHEPHERD: You know what I am looking for; right?

21 A red line is the easiest if you can give us one, but
22 obviously that's fine.

23 MS. HELT: That will be Undertaking JT2.15, under
24 advisement.

25 MR. SHEPHERD: JTC?

26 MS. HELT: Oh, JTC, yes. Thank you.

27 **UNDERTAKING NO. JTC2.15: TO PROVIDE EARLIER VERSION**
28 **OF EXHIBIT KTC2.1 SHOWING AMENDMENTS MADE.**

1 MR. SHEPHERD: Now, another question about this
2 document is I am used to, in shareholders' agreements,
3 seeing a provision that says that it is binding on the
4 company and on its subsidiaries, and except for some
5 specific provisions in here I didn't see a provision that
6 says this is binding on the subsidiaries.

7 Can you tell me whether Enersource Hydro Mississauga
8 considers this agreement to be binding on the utility?

9 MR. VEGH: We can -- we will advise. So we will
10 provide an undertaking to advise.

11 MR. SHEPHERD: Thank you.

12 MS. HELT: So that will be JTC2.16.

13 **UNDERTAKING NO. JTC2.16: TO ADVISE WHETHER ENERSOURCE**
14 **HYDRO MISSISSAUGA CONSIDERS THIS AGREEMENT BINDING ON**
15 **THE UTILITY.**

16 MR. SHEPHERD: And then secondary to -- and I am aware
17 of sections 2.14 and 2.15, which specifically have
18 restrictions on subsidiaries. I am looking for whether
19 there is a general restriction.

20 Then sort of related to that is it is common where a
21 holding company has a shareholders' agreement to have a
22 shareholder direction, which directs its wholly owned
23 subsidiaries to act in a certain manner. It's the
24 equivalent of a shareholders' agreement when you have only
25 one shareholder.

26 Does Enersource Hydro Mississauga have a shareholder
27 direction from its parent?

28 MR. MACUMBER: I don't know.

1 MR. SHEPHERD: Can you undertake to advise? And if
2 so, to provide it?

3 MR. VEGH: We will undertake to advise.

4 MS. HELT: JTC2.17.

5 **UNDERTAKING NO. JTC2.17: TO ADVISE WHETHER ENERSOURCE**
6 **HYDRO MISSISSAUGA HAS A SHAREHOLDER DIRECTION FROM ITS**
7 **PARENT, AND IF SO, TO PROVIDE IT.**

8 MR. SHEPHERD: Okay. But my question is if you have
9 one, I would like to see it. And I understand if what you
10 are saying is you will take under advisement whether you
11 will provide it, I understand that, but I just want it to
12 be clear.

13 Is that fine?

14 MR. VEGH: Yes, that's fine. So we will take under
15 advisement whether to provide it, but we will advise
16 whether there is one.

17 MR. SHEPHERD: Thank you.

18 And so one of the things that we were trying to
19 understand is the extent to which your private-sector
20 shareholder had indirect control over actions of the
21 utility. And that typically in a shareholders' agreement
22 involves how board committees are constituted and things
23 like that, and so I have a couple of questions related to
24 that to understand it.

25 There is a definition on page 4 of the agreement of
26 what constitutes an independent individual, and this is for
27 the purposes of who is on the board of directors. And if I
28 read this correctly -- and I am asking you to confirm this

1 -- the -- a person who works for Borealis or is related to
2 anybody who works for Borealis would not be an independent;
3 is that right?

4 MR. VEGH: We will advise.

5 MS. HELT: JTC2.18.

6 MR. SHEPHERD: Thank you.

7 **UNDERTAKING NO. JTC2.18: TO CONFIRM WHETHER A PERSON**
8 **WHO WORKS FOR BOREALIS OR IS RELATED TO ANYBODY WHO**
9 **WORKS FOR BOREALIS WOULD NOT BE AN INDEPENDENT.**

10 MR. SHEPHERD: And the agreement provides that
11 Borealis will have one director and the city of Mississauga
12 will have nine, but if we see the list on page 9 of the
13 agreement it's actually eight for the city and two for
14 Borealis, and also, as part of that there is supposed to be
15 six independents appointed by the city of Mississauga, and
16 there appear to be only four.

17 And I wonder if I could just get an explanation as to
18 why the list doesn't appear to match the rules that the
19 parties have agreed to. There is nothing wrong with this.
20 I just wondered what the reason was.

21 MR. VEGH: So we will advise.

22 MR. SHEPHERD: Thank you.

23 MS. HELT: JTC2.19.

24 **UNDERTAKING NO. JTC2.19: TO ADVISE WHY THE LIST**
25 **SHOWING THE BREAKDOWN OF BOARD MEMBERS DIFFERS FROM**
26 **THE AGREEMENT.**

27 MR. SHEPHERD: And then in 2.14, which starts on page
28 11, there is a list of things that Enersource Corporation

1 and its subsidiaries can't do without the permission of 75
2 percent of the directors, which basically means the city,
3 and similarly in 2.15 a list of things that the city must
4 approve.

5 And I just want to make sure I understand whether this
6 is correct, that -- and these, by the way, all apply to the
7 utility as well, by way of 2.14U and 2.15P.

8 Do I understand correctly that the utility, for
9 example, can't make any capital expenditures, any single
10 capital expenditure, in excess of 2.5 million and any
11 aggregate capital expenditures in excess of 5 million in a
12 year without the consent of both 75 percent of the
13 directors of the parent and the City of Mississauga?

14 MR. VEGH: So we will advise. I assume you're -- why
15 don't you just confirm which sections that you are
16 referring to.

17 MR. SHEPHERD: Well, actually, I am looking at
18 2.14M --

19 MR. VEGH: Yes.

20 MR. SHEPHERD: -- and I am just actually looking at
21 whether there is an equivalent in 2.15, but I think that
22 this is one of the few that is not in 2.15. So I guess --
23 I rephrase my question to, you must have 75 percent board
24 of directors approval for any individual \$2.5 million
25 capital expenditure or aggregate 5 million of capital
26 expenditures.

27 MR. VEGH: So thanks for the clarification. So we
28 will advise.

1 MR. SHEPHERD: Okay. I guess I want to know whether
2 the financial person knows whether they have this approval
3 limitation or not.

4 MR. VEGH: Do you know?

5 MR. MACUMBER: Yes. My understanding is the way it
6 works is, if there is one -- any one expenditure that is in
7 excess of 2.5 million, you need special approval from our
8 board. If -- once the budget's approved, to do an
9 aggregate of 5 million in one year, movements between
10 projects, you need special approval by the board.

11 MR. SHEPHERD: So you have the budget approved, and
12 that covers all of your capital expenditures. So your
13 total capital budget is over 5 million, so you get it
14 approved.

15 MR. MACUMBER: That's approved.

16 MR. SHEPHERD: And then if you change it by 5 million
17 then you have to get another approval.

18 MR. MACUMBER: Yes.

19 MR. SHEPHERD: Oh, okay. That makes sense.

20 MR. MACUMBER: And any one particular project that's
21 more than two and a half needs special approval as part of
22 the budget process.

23 MR. SHEPHERD: Okay. And then the other thing is you
24 have a provision in 2.14R and 2.15O, which basically
25 prohibits you from entering into a joint venture or
26 reciprocal concession, sharing of profits, et cetera, with
27 anybody without both the 75 percent approval and the
28 approval of the city of Mississauga.

1 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

6 Am I right that everything like that that you have in
7 IT contracts and things like that, that all of those
8 sharing provisions must be approved 75 percent by your
9 board and by the city of Mississauga?

10 MR. VEGH: Do you know?

11 MR. MACUMBER: I don't know.

12 MR. VEGH: So we will advise.

13 MR. SHEPHERD: Thank you.

14 MS. HELT: That will be Undertaking JTC2.20.

15 **UNDERTAKING NO. JTC2.20: TO ADVISE WHETHER ALL**
16 **SHARING PROVISIONS MUST BE APPROVED 75 PER CENT BY THE**
17 **BOARD OF DIRECTORS AND BY THE CITY OF MISSISSAUGA.**

18 MR. SHEPHERD: I think my only other question is, you
19 have two committees of your board. One is the human
20 resources and corporate governance committee and the other
21 is the nominating committee. Human resources and corporate
22 governance deals with compensation; is that right?

23 MR. MACUMBER: That's my understanding, yes.

24 MR. SHEPHERD: And the nominating committee deals with
25 making sure that you have the right mix of board members on
26 the board; is that right?

27 MR. MACUMBER: That's my understanding, yes.

28 MR. SHEPHERD: And so am I right that Borealis is on

1 neither of those committees?

2 MR. VEGH: Do you know?

3 MR. MACUMBER: I don't know.

4 MR. SHEPHERD: I wonder if you could -- I am sure it's
5 public information, but I wonder if you could just let us
6 know who currently is on those two committees.

7 MR. VEGH: Yes, we will advise.

8 MR. SHEPHERD: And those are all my questions, thank
9 you.

10 MS. HELT: That will be JTC2.21. Thank you, Mr.
11 Shepherd.

12 **UNDERTAKING NO. JTC2.21: TO ADVISE WHO IS CURRENTLY**
13 **ON THE HUMAN RESOURCES AND CORPORATE GOVERNANCE**
14 **COMMITTEE AND WHO IS ON THE NOMINATING COMMITTEE**

15 MS. DeJULIO: Ms. Helt, just an administrative matter.
16 Can you please remind me the exhibit name or number you
17 gave to the redacted version of the third-party contract?

18 MS. HELT: The redacted version was marked this
19 morning as KT2.2.

20 MS. DeJULIO: Okay. Thank you.

21 MS. HELT: You're welcome. Mr. Aiken?

22 **QUESTIONS BY MR. AIKEN:**

23 MR. AIKEN: Thank you. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 MR. VEGH: Can you provide that again?

2 MR. AIKEN: Yes, it's issue 4.1, Energy Probe
3 Interrogatory No. 4, and it's part (c). It shows a third-
4 party cost per call for 2008 through 2012.

5 MR. MACUMBER: We will provide that as an undertaking.

6 MR. AIKEN: Okay. Thank you.

7 MS. HELT: Undertaking JTC2.22.

8 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

12 MR. AIKEN: And the only other question I had on this
13 document is that the original contract was Siemens Business
14 Services; correct? 2003 service agreement.

15 MR. MACUMBER: Yes.

16 MR. AIKEN: And is that the same company that you are
17 buying the building on Derry Road from? Because I noticed
18 the address appears to be the same.

19 MR. MACUMBER: They actually have changed their name,
20 I believe, to ATOS, and they are no longer in this
21 building. We are buying the Siemens building that you are
22 referring to.

23 MR. AIKEN: That's what I thought. I drive past it on
24 the 401, and it used to have the Siemens name on it, and I
25 don't know whether it still does or not, but --

26 MR. MACUMBER: Eventually it's going to say
27 Enersource.

28 MR. AIKEN: Yeah, okay.

1 MS. DeJULIO: Can I just clarify, though? We did not
2 buy the building from Siemens.

3 MR. SHEPHERD: Okay. I will bite. Who did you buy it
4 from?

5 [Laughter]

6 MR. MACUMBER: I don't actually know the name of
7 property management company that had it. I don't know.

8 MR. SHEPHERD: Oh, so it was their address, but it
9 wasn't their building?

10 MR. MACUMBER: No. They had vacated the building and
11 sold it to a property management company.

12 MR. SHEPHERD: I see. Thank you.

13 MR. AIKEN: That's all I have.

14 MS. HELT: Thank you, Mr. Aiken. Mr. Battista?

15 All right, then. So there are no further questions
16 with respect to the confidential documents. We will go
17 back on air.

18 --- On resuming public session at 2:20 p.m.

19 MS. HELT: Just for the record to show, we are back on
20 air, and we, I believe, are finished with witness panel
21 number 3, with the understanding that witness panel 4 will
22 be answering those questions that Mr. Harper had provided
23 yesterday to Enersource, and witness panel 4 will also be
24 available for questions by the other intervenors.

25 So thank you, witness panel number 3.

26 Just perhaps go off air while we switch up places.
27 Thank you.

28 --- Recess taken at 2:20 p.m.

1 --- On resuming at 2:23 p.m.

2 MS. HELT: Okay. We are back on air with witness
3 panel number 4. Mr. Vegh, would you like to introduce your
4 witnesses, please?

5 **ENERSOURCE HYDRO MISSISSAUGA INC. - PANEL 4**

6 **Sam Ramtahal**

7 **Branko Boras**

8 **John Bonadie**

9 **Martin Sultana**

10 MR. VEGH: Thank you, Ms. Helt. I will ask the
11 witnesses to introduce themselves and their areas of
12 evidence, starting with the furthest to my left.

13 MR. RAMTAHAL: Sam Ramtahal, manager, strategic
14 projects, and I am responsible for conservation demand
15 management, which is CDM forecast, for 2011-to-2014 period.

16 MR. BORAS: Branko Boras, responsible for load
17 forecasting.

18 MR. BONADIE: John Bonadie, director of revenue,
19 responsible for operating revenue and cost allocation.

20 MR. SULTANA: Martin Sultana, responsible for rate
21 design.

22 MS. HELT: All right. Thank you.

23 Mr. Aiken, I believe you are going to start off with
24 your questions?

25 **QUESTIONS BY MR. AIKEN:**

26 MR. AIKEN: Yes. My first question is on issue 3.1,
27 Board Staff No. 25, part (d), the attachment, which shows
28 the regression statistics. And the regression statistics

1 provided in the attachment shows that the monthly DB-cubed
2 variable is not statistically significant at a 95 percent
3 level of confidence, so my request is twofold.

4 First, please provide the regression statistics with
5 this variable removed, and with the population variable
6 continuing to be excluded, and then the second part is to
7 provide the resulting forecast from the new equation for
8 2012, '13, and '14. And I assume you will be doing that --
9 need to do that by undertaking.

10 MR. BORAS: We will provide that information.

11 MS. HELT: That will be Undertaking JT2.23.

12 **UNDERTAKING NO. JT2.23: TO PROVIDE THE REGRESSION**
13 **STATISTICS WITH THE VARIABLE REMOVED AND WITH THE**
14 **POPULATION VARIABLE CONTINUING TO BE EXCLUDED; AND TO**
15 **PROVIDE THE RESULTING FORECAST FROM THE NEW EQUATION**
16 **FOR 2012, 2013, AND 2014.**

17 MR. AIKEN: Now, on the same Board Staff Interrogatory
18 No. 25, part (e), if you look at the response, can you
19 explain the reference to Exhibit 4, tab 1, schedule 2,
20 attachment A? Because I didn't think that had anything do
21 with the response provided. So I am wondering if there is
22 a different reference that we should be looking to.

23 MR. VEGH: Sorry, it's IR 25, the main IR?

24 MR. AIKEN: Yes, it's Interrogatory No. 25, and the
25 response to party, after it says "from an adjustment
26 R squared of 0.97", then in brackets it says "see Exhibit
27 4, tab 1, schedule 2, attachment A".

28 MR. BORAS: Okay. A correction is required. That's

1 Exhibit 3, tab 1, schedule 2, attachment A, which points
2 out the statistics for the load forecasting model.

3 MR. AIKEN: Sorry, did you say Exhibit 3?

4 MR. BORAS: Yes.

5 MR. AIKEN: Okay. Thank you.

6 The next one is on Board Staff No. 27, and it's Table
7 1, essentially. Can you explain the source of the growth
8 figure shown in Table 1 in the response; for example, what
9 is the source of the growth rate of 1.4 percent for the GS
10 less than 50 class?

11 MR. BONADIE: As provided in the response there,
12 Enersource has relied on past historical data and
13 information obtained from the city's planning department,
14 specifically with respect to rezoning applications, site
15 plans, and customer consultations.

16 MR. AIKEN: So basically you have looked at your past
17 historical growth and then projected that into 2012, '13,
18 '14.

19 MR. BONADIE: That's a component of it as well, yes.

20 MR. AIKEN: Okay. Then Board Staff No. 29, and it's
21 the attachment -- mine says "page 1 of 3", but I have just
22 noticed I don't have any pages after that, but it's the
23 table that shows the steps in the load forecast.

24 MR. VEGH: Just a second. That's an attachment or...

25 MR. AIKEN: Yeah, it's probably page 3 of the IR
26 response.

27 MR. BORAS: That is correct.

28 MR. AIKEN: It's just labelled "page 1 of 3".

1 MR. BONADIE: That is correct.

2 MR. AIKEN: I want to walk through and try and
3 understand how this works. So in step 1 the load forecast
4 comes from your equation of purchases; is that correct?

5 MR. BORAS: That's correct.

6 MR. AIKEN: Then in step 2, the weather-normalization
7 models, how do you come up with a figure for the
8 residential?

9 MR. BORAS: Okay. So for the weather-normalization
10 models, as we provided in the evidence, schedule 2, we use
11 it to develop individual rate models using actual data from
12 2004 to 2011, which is seven years of actual data. We then
13 weather-correct that data for those seven years for each
14 individual rate classes, which we use to develop the
15 weather-normalization coefficient.

16 MR. AIKEN: What do you mean by "weather-correct"?

17 MR. BORAS: It means applying the normal weather on
18 the actual purchase -- I should say actual sales for the
19 rate classes.

20 MR. AIKEN: In other words, you go back and
21 historically adjust the actuals to reflect what those
22 numbers would have been under normal weather?

23 MR. BORAS: That's correct.

24 MR. AIKEN: Why do you need to do that for a forecast?

25 MR. BONADIE: This wasn't done for the forecast.
26 These are independent models. So in step 1 the load
27 forecast is one total system load forecast that gets
28 created; step 2, that we are identifying here the weather-

1 normalization models. These are separate models just only
2 for the calculation of weather normalization by rate class.

3 MR. AIKEN: Okay. But let's assume you have five
4 different models, one for each rate class.

5 MR. BONADIE: Okay.

6 MR. AIKEN: And you generate a forecast for the test
7 year from each of the five. When you add the five up they
8 don't add up to the 7817 overall forecast. So how -- what
9 adjustments do you make to come up with the 1510 for the
10 residential, for example? Because we understand that's not
11 the direct forecast from the residential equation.

12 MR. BONADIE: That's correct. So as explained, what
13 we have used is actual sales data for -- by class for 2004
14 through 2011, and we have taken those model results, used
15 the average weather normalization between those years, to
16 calculate a percentage as shown -- or actually, we haven't
17 shown it here, but the breakout of the 7.749 in 2012
18 results to 1.49 billion kilowatt-hours for the residential
19 class. There is a percentage there. That percentage is
20 the calculation of the 2004 through 2011 sales data that
21 has been weather-normalized. That percentage gets
22 allocated out by class here.

23 **QUESTIONS BY MR. HARPER:**

24 MR. HARPER: It's Bill Harper. Perhaps if I can put
25 it to you in my words, and you can confirm whether or not
26 my understanding is correct.

27 MR. BONADIE: Sure.

28 MR. HARPER: You use your individual class models for

1 each individual customer class in order to develop weather-
2 normalized actual values for each of the historical years
3 for each customer class. You then use that to figure out
4 what's the -- out of the total sales in each year, what's
5 the percentage, average percentage, of sales that are made
6 to each of the customer classes historically on weather-
7 normalized basis, and then you take those percentages and
8 apply those percentages to your forecast total that you've
9 got here.

10 MR. BONADIE: Correct.

11 MR. HARPER: Okay. Because -- okay. Now I
12 understand.

13 MR. AIKEN: Could you provide then the weather-
14 normalized figures for each of the historical years, for
15 each of the rate classes, and the corresponding -- and the
16 table that shows the shares of each rate class for each
17 year, and then the average of that, that gets applied to
18 the 2003 number of the 7817, because that should then lead
19 us for the residential, for example, to be able to
20 calculate the 1510.

21 MR. BORAS: So just to clarify, you are asking us to
22 confirm how the -- each individual rate class, how the
23 forecast for 2012 and '13 were developed using weather-
24 corrected data and the averages?

25 MR. AIKEN: Yes, I want to see the weather-corrected
26 numbers for each rate class for each of the years, and then
27 the corresponding percentage, for example, that the
28 residential represents of the total sales in each of those

1 years.

2 MS. HELT: That will be Undertaking JT2.24.

3 **UNDERTAKING NO. JT2.24: TO PROVIDE WEATHER-CORRECTED**
4 **NUMBERS AND SHARES AND AVERAGE FOR EACH RATE CLASS FOR**
5 **2012 AND 2013.**

6 MR. AIKEN: And just one more question on that table
7 or on this approach, because later on you adjust the
8 residential and the large-user numbers for losses. That's
9 step 4.

10 So my question is: That means that each of these
11 individual components, the residential, the large-user, the
12 other modelled equations, are not based on billed energy,
13 but it's billed energy plus an allocation of the losses; is
14 that correct? The historical data you are using?

15 MR. BONADIE: I believe they all come from sales, so
16 consumption.

17 MR. AIKEN: Okay. Next question is issue 3.1, Energy
18 Probe No. 6 --

19 MR. SHEPHERD: Sorry. Excuse me, Mr. Aiken, just
20 before you go on from that table, the weather correction
21 that you are using, is it straight degree-day ratio? That
22 is you have a standard degree-days and you have the actual
23 for the year, and you take the ratio? For each of the past
24 years?

25 MR. BORAS: Just to clarify, you are asking about how
26 do we develop the weather-normalization?

27 MR. SHEPHERD: Yes. You are correcting the load for
28 the previous years by class?

1 MR. BORAS: Yes.

2 MR. SHEPHERD: Based on weather-normal; right?

3 MR. BORAS: That's correct.

4 MR. SHEPHERD: Is it a simple degree-day calculation?

5 MR. BORAS: We do have a number of variables, which
6 does include the normal heating degree-days and cooling
7 degree-days. And if you refer to, I believe, Exhibit 3,
8 tab 1, schedule 2.

9 MR. SHEPHERD: That's what I was actually looking for.

10 MR. BORAS: And attachments C to H.

11 MR. SHEPHERD: All right. Thank you. I will look at
12 that. Thank you.

13 MR. AIKEN: So Energy Probe No. 6 under issue 3.1, my
14 understanding is that in calculating degree-days you are
15 using medians rather than averages.

16 So my question is: Is Enersource aware of any other
17 distributor that has used a median approach at the OEB,
18 rather than the average?

19 MR. BORAS: As we provided in our evidence, Exhibit 3,
20 tab 1, schedule 2, and it's page 7, 8 and 9, we did point
21 out that this particular approach was also used by the IESO
22 in the development of an 18-month outlook.

23 It was also used by the Environment Canada, and as
24 well, in the development of the RPP rates that was put in
25 front of the Ontario Energy Board.

26 MR. AIKEN: The next question is the graph and table
27 in attachment 2 to Energy Probe No. 6 shows heating degree-
28 days that appear to be generally in the 2,000 per year

1 range.

2 Are these heating degree-days calculated based on an
3 18-degree-day base?

4 MR. BORAS: Sorry, can you repeat that question?

5 MR. AIKEN: Yes. The graph in attachment 2 to Energy
6 Probe No. 6 shows that the heating degree-days are roughly
7 an average of 2,000 a year over this period, somewhere in
8 that range.

9 And my question is: Are the heating degree-days
10 calculated based on an 18-degree-day base?

11 MR. BORAS: I believe it is set up on the 18 degrees,
12 and I believe that's also given in the evidence.

13 MR. AIKEN: And is it also correct that the cooling
14 degree-days, which are in the 200 to 400 range in that
15 graph, are also based on 18 degree-days as the base of the
16 calculation?

17 That's what Environment Canada does, so I am assuming
18 that is what you have been doing?

19 MR. BORAS: I believe that's the case.

20 MR. AIKEN: If you flip over the page or go down a
21 page on the screen to attachment 2, we have the table that
22 actually has the numbers in there. And I am going to
23 concentrate on the heating degree-days, but my questions
24 are equally applicable to the cooling degree-days.

25 For the heating degree-days that you call annual
26 heating degree-days, are those heating degree-days for all
27 months in each of those years? Or does your model only use
28 heating degree-days in certain months and not in others?

1 MR. BORAS: Sorry, can you repeat that question about
2 the annual HDD and CDD?

3 MR. AIKEN: Yes. Let me give an example.

4 2010 actual heating degree-days, annual heating
5 degree-days are shown as 1,682.06.

6 Is that the total for the year, or is that a total
7 only for certain months?

8 MR. BORAS: That's for the total year.

9 MR. AIKEN: Okay. Well, then, if you could pull up
10 the Excel spreadsheet that was filed, I think it's part of
11 this response. Yes, if you go back to attachment 1,
12 page 1, this shows the data that was provided for part of
13 1980, and the live Excel spreadsheet that was provided
14 shows the daily information right through to September
15 2011.

16 And when I calculated heating degree-days based on
17 18 degree-days for the year 2010, I don't get anything
18 close to 1,682; I get 3,560.

19 MR. BORAS: Sorry, can you repeat how you calculate
20 your heating degree-days?

21 MR. AIKEN: Yes. I took the live Excel spreadsheet
22 that was provided, and for each day in 2010, if the average
23 -- sorry, I used the medians. If the median temperature is
24 below 18 degrees, then you calculate how many heating
25 degree-days there were for that day. You add them up over
26 the 365 days, and I get 3,560.

27 And I can tell you we have just gone through a
28 proceeding with Union Gas who is proposing to change their

1 weather-normalization, and they used Toronto Pearson
2 Airport data, which I believe you do.

3 MR. BORAS: That's correct.

4 MR. AIKEN: And they are in the 3,500 per year range,
5 not 1,600 per year.

6 MR. BORAS: Can we take that as one of the
7 undertakings?

8 MR. AIKEN: Yes, to explain the difference between
9 both the heating and cooling degree-days. The cooling
10 degree-days are also different, just not to the same
11 magnitude that the heating degree-days seem to be
12 different.

13 MR. VEGH: We will take that as an undertaking.

14 MS. HELT: So that will be JT2.25.

15 **UNDERTAKING NO. JT2.25: TO EXPLAIN THE DIFFERENCE IN**
16 **MAGNITUDE BETWEEN MEASUREMENTS OF HEATING DEGREE-DAYS**
17 **AND COOLING DEGREE-DAYS.**

18 MR. AIKEN: My next question has to do with Energy
19 Probe No. 7.

20 This asked for a live Excel spreadsheet; that wasn't
21 provided. So my request is to file the live Excel
22 spreadsheet requested in part (c) that includes the
23 independent variables, as well as -- further on the
24 question I asked for the live Excel spreadsheet to include
25 the number of customers. And then I am also going to add
26 the request that it include the forecasted values of all of
27 the explanatory variables for 2012, '13 and '14, including
28 the customer forecast for those years.

1 MR. BORAS: Just to clarify, you are saying that you
2 haven't received the attachment to question (c)?

3 MR. AIKEN: That's right. We did not receive the live
4 Excel spreadsheet. And the live Excel spreadsheet -- or,
5 sorry, the hard copy that is included here in attachment --
6 the ten pages, this does not appear to include the
7 dependent variable, the volumes. It only has explanatory
8 variables.

9 MR. BORAS: So to clarify, you are asking for the
10 number of customers to be included as one of the
11 independent variables?

12 MR. AIKEN: Yes. I realize you don't use it as an
13 explanatory variable, but I have asked for it to be
14 included so that I can review the impact of including it.

15 So what I am looking for is what you have provided
16 here in hard copy with the addition of customers, with the
17 addition of the independent variable, i.e., the volumes;
18 and then in addition, because your data goes to the end of
19 the historical period that you use to estimate the
20 equation, I am also asking for the forecasted values of the
21 explanatory variables, including the number of customers to
22 be added on for 2012 through 2014 and provided in a live
23 Excel spreadsheet.

24 MR. BONADIE: Sorry, with regards to the number of
25 customers, I guess this is requesting 16 years of actual
26 data on our customer base?

27 MR. AIKEN: Yes.

28 MR. BONADIE: I would say that we do not have that

1 information.

2 MR. AIKEN: How many years of actual customer do you
3 have?

4 MR. BONADIE: I believe we could go back to 2002, and
5 even in comparison of the data from 2002 onward, I would be
6 reluctant to use that information, just because I believe
7 the Board has changed its methodology on how to calculate
8 customers, whether one bulk customer represents one or
9 whether it represents 250 in that building. I cannot, you
10 know, ensure that the data for the customer numbers over
11 that period would be consistent.

12 MR. AIKEN: Well, can you provide the number of
13 customers on a best-efforts basis going back as far as you
14 are -- as far as you believe that the numbers to be
15 accurate?

16 MR. VEGH: So Mr. Aiken, I think what we will do,
17 because it's difficult for the -- to make a commitment on
18 the stand like this, you will get the live spreadsheet. We
19 will take the request for the data under advisement, and we
20 will undertake to try to accommodate, but we will have to
21 get back to you with respect to what we can actual -- what
22 we're actually in a position to produce.

23 MR. AIKEN: All right. That'll be an undertaking
24 then?

25 MS. HELT: Yes, JT2.26, undertaking under advisement.

26 **UNDERTAKING NO. JT2.26: TO TAKE UNDER ADVISEMENT THE**
27 **REQUEST FOR THE DATA.**

28 MR. AIKEN: Now, on the same IR, No. 7, and the

1 response to Part (e) refers to Board Staff No. 25(d). The
2 question asked for the volume forecast for 2012, '13, and
3 '14, and the referenced response, being Board Staff 25(d),
4 only provides a forecast for 2012 and '13.

5 So can you include the forecast for 2014?

6 MR. BORAS: Yes, we can provide that information.

7 MS. HELT: That will be undertaking JT2.27.

8 **UNDERTAKING NO. JT2.27: TO PROVIDE THE FORECAST FOR**
9 **2014.**

10 MR. AIKEN: The next question I have is on Energy
11 Probe No. 8, part (c). Let me see here. So based on our
12 discussion before, the models in attachments C through H,
13 you actually don't do a forecast for 2013; is that correct?

14 MR. BORAS: Not using those particular models, no.

15 MR. AIKEN: Okay. Energy Probe No. 9. This is going
16 to -- and similar request for the live Excel spreadsheet.
17 Somewhere in here I asked for the live Excel spreadsheets,
18 basically a live Excel spreadsheet for each of the models
19 in attachments C through H. And in these cases can you
20 provide -- because we are only going back to, I believe,
21 2004, can you provide the number of customers for each of
22 these rate classes in addition to the other explanatory
23 variables you have included?

24 MR. VEGH: We will continue to take that request under
25 advisement and act in accordance with the previous
26 undertaking.

27 MS. HELT: That will be Undertaking JT2.28, under
28 advisement.

1 **UNDERTAKING NO. JT2.28: TO PROVIDE THE NUMBER OF**
2 **CUSTOMERS FOR EACH OF THE RATE CLASSES IN ADDITION TO**
3 **OTHER VARIABLES.**

4 MR. AIKEN: Now, when you look at attachment C -- and
5 I am looking at page 1 of 6, and I am assuming this is for
6 the residential rate class -- can you confirm that the
7 figures in the first column following the quarter column
8 shown in the attachment are the actual volumes? In this
9 case it's labelled PRED, so I didn't know whether that was
10 predicted volumes or actual volumes, because obviously what
11 I want to see are the actual independent variable numbers
12 in the spreadsheet.

13 MR. BORAS: I believe those are predicted values, so
14 they wouldn't be actuals.

15 MR. AIKEN: Then in the live Excel spreadsheets that
16 you provide for all of these, can you replace the predicted
17 values with the actual values?

18 MR. BORAS: We can provide the quarterly data that was
19 used as the input, as actual input, for each individual
20 rate classes.

21 MR. AIKEN: Yes, that is what I am looking for, thank
22 you.

23 MR. BORAS: We can provide that.

24 MS. HELT: Okay. So we will just note that for the
25 record as JT2.29.

26 **UNDERTAKING NO. JT2.29: TO PROVIDE THE QUARTERLY DATA**
27 **USED AS THE INPUT FOR EACH INDIVIDUAL RATE CLASS.**

28 MR. AIKEN: Now, in part (g) of the question I asked

1 whether Enersource used the number of customers as an
2 explanatory variable in any of the models, and the response
3 doesn't tell me one way or the other. It refers me to
4 other IRs, but none of those IRs respond to that.

5 So I ask the question again, did Enersource attempt to
6 use a number of customers as an explanatory variable in any
7 of these models that are in attachments C through H?

8 MR. BORAS: No.

9 MR. AIKEN: Okay. The response to part (i) -- oh,
10 yes, this is the attachment H, so this is the large-use
11 equation. The response there refers me to Board Staff
12 No. 25(e), but in that response what appears to have
13 happened is that Enersource appears to have used the
14 overall purchase model in attachment A and re-estimated it
15 with the removal of the heating and cooling degree days.
16 And that's not what I was looking for.

17 What I was looking for was a re-estimation of the
18 large-use equation, excluding the heating and cooling
19 degree days. So could you undertake to provide that?

20 MR. BORAS: So to clarify, you are asking to remove
21 the HDD and CDD variables from the rate class model for
22 large users?

23 MR. AIKEN: Yes.

24 MR. BORAS: We believe the variables of CDD and HDD
25 that were included for large user of the rate class are
26 appropriate, as pointed out by the statistical relevance
27 provided in Exhibit 3, tab 1, schedule 2, attachments, I
28 believe, H. For that reason we feel that those variables

1 are appropriate and relevant, statistically relevant.

2 MR. AIKEN: Yes, and we disagree with that, and that's
3 why we want to see the equation with those variables
4 removed.

5 MR. VEGH: So we will take that under advisement and
6 get back to you.

7 MS. HELT: That will be JT2.30.

8 **UNDERTAKING NO. JT2.30: TO PROVIDE EQUATION RESULTS**
9 **WITH HDD AND CDD VARIABLES REMOVED FROM RATE CLASS**
10 **MODEL FOR LARGE USERS.**

11 MR. AIKEN: The next question is on Energy Probe
12 No. 10. This is the kilowatt demand forecast.

13 And can you provide more details or show me or direct
14 me to the evidence on the 80,000 adjustment noted there per
15 an OEB decision, as noted in note 1 of the response to part
16 (b)?

17 MR. BONADIE: Are you looking for more details?

18 MR. AIKEN: Yes.

19 MR. BONADIE: What I could say is that this was
20 related to an OEB Staff decision; it shouldn't say "OEB
21 decision."

22 And it's related to one customer that we have made an
23 adjustment for on billing determinants.

24 MR. AIKEN: Can you just summarize what that Staff
25 decision was about?

26 MR. BONADIE: It was with respect to one customer's
27 calculation of billed demand.

28 MR. AIKEN: Well, okay. Can you undertake to provide

1 a copy of that Staff decision?

2 MR. VEGH: No, we won't provide that undertaking.

3 MR. AIKEN: Can I ask why not?

4 MR. VEGH: We will provide a written explanation of
5 that, Mr. Aiken, shortly.

6 MR. AIKEN: Can you make sure you include the file
7 number in there, so that we can go look for the decision?

8 MR. VEGH: As I say, right now what you have is a
9 refusal to provide the undertaking, but we will provide you
10 with a written reason for that refusal shortly.

11 MR. AIKEN: All right. So could we have an
12 undertaking number for that?

13 MS. HELT: JT2.31.

14 **UNDERTAKING NO. JT2.31: TO PROVIDE DETAILS OR**
15 **EVIDENCE RELATED TO THE 80,000 ADJUSTMENT IN KILOWATT**
16 **DEMAND FORECAST DESCRIBED IN ENERGY PROBE IR NO. 10**

17 MR. AIKEN: The next question is on Energy Probe
18 No. 13, part (e). This is the detailed revenue calculation
19 for 2014.

20 Am I correct that the rates you have used here are the
21 current 2012 rates?

22 MR. BONADIE: Can you identify a reference?

23 MR. AIKEN: Well, for example, rates fixed monthly,
24 residential 11.87 per month, I see in every column.

25 Yes, it is 13(e), attachment 1.

26 MR. BONADIE: That is correct.

27 MR. AIKEN: And do you have any idea how much the
28 revenue would go up if you used your proposed 2013 rates?

1 MR. BONADIE: We haven't done that calculation.

2 MR. AIKEN: All right. Energy Probe No. 15, the
3 response says: "See Board Staff issue 13.1."

4 That response, however, does not answer the questions
5 posed. So I am asking again: Can you please provide the
6 response to parts (a), (b) and (c) as requested?

7 MR. BONADIE: We can undertake that.

8 MR. AIKEN: Thank you.

9 MS. HELT: That will be Undertaking JT2.32.

10 **UNDERTAKING NO. JT2.32: TO RESPOND TO ENERGY PROBE IR**
11 **NO. 15, PARTS (A), (B) AND (C)**

12 MR. AIKEN: Any next question is on issue 3.2, Energy
13 Probe No. 1, and I believe there was an update to this that
14 showed your to-date numbers. But in any case, it's an
15 issue with both the original and the update, and it's in
16 table 1 of the response.

17 You will notice that the late payment charges are
18 listed twice, and the retailer service charges are missing
19 from the table. So my question to you is: Can you provide
20 a corrected table 1?

21 MR. BONADIE: We can do that.

22 MS. HELT: Undertaking JT2.33.

23 **UNDERTAKING NO. JT2.33: TO PROVIDE CORRECTED TABLE 1**
24 **FOR ENERGY PROBE IR NO. 1, ISSUE 3.2.**

25 MR. AIKEN: And finally, Energy Probe No. 5, under
26 issue 3.2. This is the microFIT customers.

27 Can you update the table shown in response to part (a)
28 to show your expected number of microFIT customers at the

1 end of 2014?

2 MR. BONADIE: We can do that.

3 MS. HELT: That will be Undertaking JT2.34.

4 **UNDERTAKING NO. JT2.34: TO UPDATE TABLE PROVIDED IN**
5 **RESPONSE TO PART (A) OF ENERGY PROBE IR NO. 5, ISSUE**
6 **3.2, TO SHOW EXPECTED MICROFIT CUSTOMER AT END OF**
7 **2014.**

8 MR. AIKEN: Thank you. Those are my questions.

9 MS. HELT: Thank you, Mr. Aiken. I understand, Mr.
10 Harper, you will be dealing with those questions that were
11 provided to Enersource yesterday, as well as any additional
12 questions you may have.

13 MR. HARPER: Yes, I will.

14 MS. HELT: Thank you. Please proceed.

15 MR. HARPER: The first IR I would like you to look at
16 is issue 3.1 and your response to VECC IR No. 18.

17 Actually, I am focussing primarily -- there was an
18 attachment to -- there was an attachment to that,
19 attachment B, which has got three pages.

20 And before we get into, actually, the question that I
21 had posed, that we left with you in writing, I wonder if
22 you could turn to page 3 of that attachment. And actually
23 page 3, what I was just curious about was the order of
24 magnitude, because if I look at page 3, and let's say I go
25 to January 2009, I have the normal heating degree-days of
26 about 15,783.

27 Do you see that?

28 MR. BORAS: Yes.

1 MR. HARPER: Now, if I flip back a page to your first
2 page, I have the actual heating degree-days for that year
3 of 565, which is 30 times less. And I see similar issues
4 for all the months in 2009. And similarly, for 2010, there
5 is orders of magnitude difference there.

6 And I don't recall the weather being that abnormal in
7 one year as opposed to the next, and I am wondering whether
8 there is a problem with the data that you used in this
9 table.

10 MR. BORAS: Yes. Well, I just want to provide a
11 clarification in one of the questions that you asked
12 yesterday in writing. And we do have an update.

13 Where is a problem with the normal weather, as you
14 pointed out. So we will provide that information. We have
15 the spreadsheet ready, so what it will show is it will show
16 weather-corrected data for 2009, '10 and 11, and obviously
17 it's going to tie in with the earlier evidence that we
18 provided.

19 MR. HARPER: Now, I guess maybe just as a question, if
20 this is -- and the problem is -- and maybe just to clarify
21 and go back to the questions Mr. Aiken was asking and the
22 undertaking you gave him about JT2.25, is the, you know --
23 when you provide me with an updated table, is the issue
24 with the normalized numbers, or is the issue with the
25 actual numbers you are showing here?

26 MR. BORAS: In the question that you asked yesterday,
27 the problem was with the values that were provided for the
28 normal weather.

1 MR. HARPER: Okay. So that won't -- because I think
2 Mr. Aiken was asking you about the historical actuals, so
3 that won't impact on any of his material then.

4 MR. BORAS: Just wanted to give an update on Mr.
5 Aiken's question pertaining to the CDD and HDD. The
6 heating degree days were actually calculated based on the
7 18 degrees threshold -- sorry, 10 degrees threshold, and
8 the cooling degree-days were calculated based on the 18.

9 And if you refer to Exhibit 3, tab 1, schedule 1,
10 page 8, we have provided the scatter plot and the reasoning
11 behind that choice of the CDD and HDD thresholds, which
12 could be the reason why there is a difference with the CDD
13 and HDD calculation provided by Environment Canada, but we
14 will check into that.

15 MR. HARPER: Okay. Actually, maybe I should have just
16 asked my original question, as opposed to trying to follow
17 up, because I guess my original question had been, you had
18 -- on the first page of that attachment you have got actual
19 purchases and weather-corrected purchases, and, say, for
20 January 2009 there is a difference of 10,636, and I was --
21 just out of curiosity I tried to replicate that number and
22 I couldn't. Part of it, I assume, is because of the data
23 problems with your normal degree days.

24 And so I understand that you do have a response. So
25 what I asked for was if you just show me a calculation of
26 how January -- how the value for January, the 10,636, was
27 actually calculated, and if you have got something of that
28 that you could file with us now with the corrected data,

1 that would be great.

2 MR. BORAS: Absolutely.

3 MS. HELT: Do you have a copy of that now?

4 MR. BORAS: I do have it on my laptop.

5 MR. VEGH: So we will file it. We are not in a
6 position to do that at this moment, but it will go in
7 shortly.

8 MS. HELT: All right. Thank you.

9 MR. HARPER: And can I just ask, in that written
10 question I also laid out for you my understanding -- one
11 way that could have been done, which was, I understand you
12 got five weather-related variables that you use in your
13 system energy equation.

14 MR. BORAS: That's correct.

15 MR. HARPER: And one way of doing that calculation is
16 to take the difference between the actual and the
17 normalized value for each of those five, multiply it by the
18 coefficient, and then sum those five individual values you
19 get to come up with the adjustment. Is that the way that
20 you did the calculation?

21 MR. BORAS: In theory, yeah, that would be the case,
22 but when you're calculating actual -- your actual
23 purchases, our basis will be bought from the ISO wholesale
24 market, and those may not completely relate to the actual
25 HDD and CDD values and so on.

26 So what I am saying is the weather-corrected
27 adjustments were calculated by subtracting the weather-
28 corrected data from actual purchases.

1 MR. HARPER: What I am trying to understand is how you
2 got the weather-corrected data.

3 MR. BORAS: Weather-corrected but calculated by
4 obviously running the load forecast model, ensuring a very
5 good accuracy, as we provided in Exhibit 3, tab 1,
6 schedule 1, with the adjusted R squared of .987, and then
7 obviously we applied the normal weather that we developed
8 using 31 years, in order to develop those --

9 MR. HARPER: So if I can repeat that back to you, you
10 came up with a normalized actual by putting in your actual
11 values for each of the independent variables and the
12 normalized values for the weather and coming up with a
13 value of what you would then call your corrected weather?

14 MR. BORAS: That's correct.

15 MR. HARPER: Okay. Well, that was not what I asked
16 for in my question. I was asked for just what would be the
17 weather-related adjustment based on the differences between
18 actual and normal weather for those five variables. So is
19 that something that you could undertake to do for me?

20 MR. BORAS: We can provide that information.

21 MR. HARPER: Okay.

22 MS. HELT: That will be Undertaking JT2.35.

23 **UNDERTAKING NO. JT2.35: TO PROVIDE THE WEATHER-**
24 **RELATED ADJUSTMENT BASED ON THE DIFFERENCES BETWEEN**
25 **ACTUAL AND NORMAL WEATHER FOR FIVE VARIABLES.**

26 MR. HARPER: Thank you.

27 My second question had to do with, I guess it was your
28 response to VECC 19(a) and (b), and also the response --

1 you had a similar question, I think, from Board Staff, OEB
2 Staff 21.

3 And maybe -- the easiest way maybe to do this is to
4 refer to the actual evidence, which is Exhibit 3, tab 1,
5 schedule 2, page 2. And there you have a Table 1.

6 MR. BORAS: Just to clarify, you are referring to
7 Exhibit 3, tab 1, schedule 1, Table 1?

8 MR. HARPER: Actually, Exhibit 3, tab 1, schedule 2,
9 and it's Table 1, which is on page 2. You have got it on
10 the screen there, I believe, yes.

11 I just want to make sure I am interpreting your
12 response correctly, because -- and so these values that you
13 are showing here in your second column as actual or
14 forecast energy consumption, that's actually inclusive of
15 losses, so that would be the purchases in total that you
16 would be making.

17 MR. BONADIE: That is correct.

18 MR. HARPER: As opposed to consumed. Okay. I just
19 wanted to confirm that that was the case. That's fine.

20 I would like to move on to the CDM, and maybe just to
21 start off with, I understand -- maybe just -- I understand
22 your CDM target overall is about 417.22 gigawatt-hours of
23 cumulative energy over 2011 to 2014?

24 MR. RAMTAHAL: Yes.

25 MR. HARPER: Okay. And that I think in response to
26 VECC 20 you filed the OPA's report for 2011, indicating
27 what your reported savings were for 2011, and that was...?

28 MR. SULTANA: 26.48.

1 MR. HARPER: Right. That was the 26.48. And if you
2 accumulate that over four years you come up with about
3 105.57 gigawatt-hours, as that being the contribution from
4 that to your overall target. Would that be a fair
5 characterization?

6 MR. SULTANA: Yes.

7 MR. HARPER: Okay. And then if I look at Energy Probe
8 No. 5 -- and I believe it's attachment A. Oh, no, no,
9 actually, it's Table 3. It's response to Part A of Energy
10 Probe No. 5, under issue 3.1, and Table 3, which is in the
11 response to part (a), has your CDM adjustments for 2012,
12 2013, and also has one for 2014.

13 MR. RAMTAHAL: Yes.

14 MR. HARPER: And I just want to make sure I understand
15 what these numbers represent. The 2012 adjustment of
16 roughly 84.3 gigawatt-hours is the impact of 2012 programs
17 in 2012.

18 MR. RAMTAHAL: So this also includes the incremental
19 savings from the 2011 programs.

20 MR. HARPER: So -- okay. So the 84,271 includes the
21 incremental savings from -- includes the 26 -- excuse me,
22 the -- yes, the 2,648 from 2011?

23 MR. RAMTAHAL: No, it wouldn't be the actual savings,
24 it would be the plan -- original plan, which was 53
25 gigawatt-hours.

26 MR. HARPER: So what you are telling me is the 84 is
27 made up of 53 gigawatt hours from 2011 programs, and the
28 balance of that, which is about 30-something gigawatt-hours

1 from 2012 programs?

2 MR. RAMTAHAL: Yes.

3 MR. HARPER: Okay. Sorry, that's -- okay.

4 And then similarly, you are telling me that the -- I
5 assume the number you have there for 2013, the 119,146,362,
6 that is 2011 -- the impact in 2013 of 2011 programs, 2012
7 programs, and 2013 programs?

8 MR. RAMTAHAL: Yes.

9 MR. HARPER: And I go the same thing for 2014.

10 MR. RAMTAHAL: Yes.

11 MR. HARPER: So if I sum those three numbers together,
12 I would theoretically come up with what's the value --
13 those three should come together to be your conservation
14 target that the Board has prescribed for you.

15 MR. RAMTAHAL: Yes.

16 MR. HARPER: Now, I want to understand, when you
17 estimated your system energy equation that you use as the
18 basis for your forecast, what data period did you use for
19 your load forecast when you estimated the system energy
20 equation that had that great statistical fit?

21 MR. BORAS: From 1996 to end of 2011.

22 MR. HARPER: So -- and your 2011 data would have
23 captured all the actual savings you'd made in 2011 from CDM
24 programs in 2011, would it not?

25 MR. BONADIE: No, it would not.

26 MR. HARPER: Well, why not?

27 MR. RAMTAHAL: The 2011 results, actual results for
28 CDM programs were reflecting the latter part of 2011,

1 because most of these programs started late due to program
2 design delays from the OPA.

3 MR. HARPER: So -- but there would be some overlap,
4 would there not, if you have assumed that your 2012 numbers
5 here include all of 2011, some number -- is there not some
6 overlap going on here between what's been embedded in your
7 load forecast, and what you have actually got in these CDM
8 adjustments?

9 MR. BONADIE: Any overlap would be very minimal.

10 MR. HARPER: Can you tell me what your actual savings
11 were in 2011, included in your actual reported purchases
12 for that year?

13 MR. RAMTAHAL: So we have received the OPA report with
14 actual savings of 26 gigawatt-hours, but in terms of the
15 load forecast adjustment, it would be far less because the
16 programs, most of the programs were completed late in 2011.

17 MR. HARPER: So I am trying to understand -- so what
18 you are saying is the 26 gigawatt-hours that the OPA
19 includes in their report was not the actual savings in
20 2011, it's an annualized value assuming all the programs
21 had been implemented January 1?

22 MR. RAMTAHAL: Correct.

23 MR. HARPER: Can you tell me, then, what was the
24 actual savings in 2011 from those programs that you
25 implemented? And I acknowledge it will be something less
26 because you didn't implement them all January 1st, but can
27 you tell me what the actual savings were?

28 MR. BONADIE: We don't have that calculation, but I

1 would say that the -- as a result of delays in the OPA
2 programs starting up in 2011, we didn't get traction until
3 the second half of the year, and most of our programs
4 didn't actually materialize until the last quarter of 2011.

5 MR. HARPER: Do you have an estimate in your own mind
6 as to when each of those programs -- I guess using your
7 words -- had traction with the customers during the year?

8 MR. BONADIE: We might be able to do an estimate.

9 MR. HARPER: Well, that's what I was wondering,
10 because you have a list of the programs from the OPA. That
11 OPA report will include the annualized savings for each
12 program.

13 And if the traction estimate was July 1st, you can
14 multiply that number roughly by 0.5, the traction estimate
15 was October 1st you can multiply it by 0.25, and try and
16 come up with a rough estimate as to what the number was.

17 So is that something you could undertake to do for me?

18 MR. RAMTAHAL: Yes.

19 MS. HELT: Undertaking JT2.36.

20 **UNDERTAKING NO. JT2.36: TO PROVIDE AN ESTIMATE OF**
21 **WHEN EACH OF THE OPA PROGRAMS GAINED TRACTION WITH**
22 **CUSTOMERS DURING THE YEAR.**

23 MR. HARPER: So that actually -- and I haven't -- so
24 if I summed these three numbers -- if I look at that
25 response again to Energy Probe No. 5 under issue 3.1, in
26 that table there - getting late in the day for me - will
27 the sum of those three numbers come -- I don't believe the
28 sum of those three numbers comes up to your energy target

1 for cumulative energy savings over the period.

2 MR. BONADIE: You also have to add in 2011.

3 MR. HARPER: Okay. So if I add in the estimate of the
4 actual savings for 2011, that would give me the number --
5 that's the number that's missing there?

6 MR. BONADIE: Not the estimate of the actual, not the
7 26, but the planned amount that we had in there, which is
8 the 53 gigawatt-hours.

9 MR. HARPER: So you had planned 53, and that plan of
10 53, was that -- that was an annualized value for 2011, I
11 assume?

12 MR. RAMTAHAL: Yes.

13 MR. HARPER: And the fact that you only got five, is
14 that some concern about you being able to meet your actual,
15 you know -- you say if I add 53 on to that, I will get the
16 cumulative target. You actually only got five -- you
17 actually got 26, I guess, annualized, which is half that.

18 So I --

19 MR. BONADIE: Again, this is a result of the OPA
20 delaying their programs by half a year.

21 MR. HARPER: In your view, you will probably have to
22 do some catch-up in subsequent years, then, I assume.

23 MR. BONADIE: I believe so.

24 MR. RAMTAHAL: The actual results that we have to
25 date, the 26 gigawatt-hours, those are unverified results.
26 The OPA still have to publish the final results.

27 Secondly, the 2011 programs started in June, most of
28 the programs started in June. After we completed our

1 procurement process, we ended up in the third, fourth
2 quarter in 2011. So we are confident that we will make up
3 in the 2012-'14 period.

4 MR. HARPER: Just out of curiosity -- and this isn't
5 here -- how is the OPA and yourselves doing in terms of
6 implementing 2012 programs? Are they coming out of the
7 gate from the OPA? Have they all come out of the gate from
8 the OPA, and you are starting to implement those already?
9 Or are we seeing a delay again in terms of them coming out
10 of the gate from the OPA?

11 MR. RAMTAHAL: Most of the programs are out of the
12 gate.

13 MR. HARPER: Okay. So you are either in your
14 procurement process or have completed your procurement
15 process for most of those?

16 MR. RAMTAHAL: Correct.

17 MR. HARPER: Okay. I just wanted to know whether you
18 were having the same problem again this year, or whether
19 things are improving.

20 My next question relates to CCC issue 3.1 and your
21 response to their second interrogatory, Interrogatory
22 No. 2.

23 Again, this probably relates to -- this probably --
24 the clarification you gave in the previous question may
25 help in the response to this one, because -- and I was just
26 struggling with the response you gave to one of Energy
27 Probe's interrogatories, and it has to do with the savings
28 for the industrial programs.

1 And the question there had been why the -- sorry, let
2 me see if I can see it quickly here.

3 I am sorry, I lost my train of thought here. I
4 apologize.

5 Maybe I can start off first -- I was curious in the
6 demand response programs that you had here. And for 2012,
7 you have got a demand response program showing a savings of
8 about 10,000 kilowatts.

9 I am talking kilowatts, which should be the second
10 page of the attachment.

11 MR. RAMTAHAL: Yes.

12 MR. HARPER: And as you said, associated with that is
13 50,000 kilowatt-hours.

14 And if I move to 2013, I show the demand response has
15 gone up by about 30 percent and I am showing kilowatt
16 savings of 13,559 kilowatts.

17 However, my kilowatt-hour savings have gone from
18 50,000 to 746,000, so they have gone up by a factor of
19 almost 15, whereas the kilowatt savings have only gone up
20 by 30 percent.

21 And I was wondering whether you could explain to me
22 why there is such a disparity between the change in
23 kilowatts and the change in kilowatt-hours for that
24 particular program.

25 MR. RAMTAHAL: Yes. In fact, there was a typo error
26 in the numbers reflecting in 2013.

27 So instead of 746.323, that should have been reading
28 74.63 gigawatt-hours.

1 MR. HARPER: Does that change the total at the bottom
2 of the page at all?

3 MR. RAMTAHAL: No. That's just the allocation.

4 MR. HARPER: When you say "just the allocation," so it
5 would change the savings values for some of the other
6 programs, then, would it?

7 MR. RAMTAHAL: That's right. It will go to up to PS
8 and not U (sic).

9 MR. HARPER: Right. So - and since this gets critical
10 in terms of the adjustment you make on a customer class
11 basis, can you base -- I assume your original application
12 was based on the numbers that you are showing here?

13 MR. RAMTAHAL: Yes.

14 MR. HARPER: By customer class?

15 So can you provide a corrected copy of what the
16 kilowatt-hour savings are by customer class for 2013 that
17 you are assuming?

18 MR. RAMTAHAL: So it will only affect the large users
19 class here, between the four programs. It wouldn't affect
20 the other class.

21 MR. HARPER: So you are saying it affects the
22 allocation between those three large-user programs? Okay.
23 That's fine. Then I don't need an undertaking. It's just
24 an allocation within the same customer class. That's fine.
25 Okay.

26 The other question I had was these demand response
27 programs are typically things that are implemented with
28 large customers, say something like an air-conditioning

1 program for residentials, I understand it, and basically
2 they are only enacted when there is a capacity shortage or
3 you actually have a problem, and then the ISO tries to
4 initiate the program and initiate the demand response from
5 the various customers who have signed up.

6 And it's my understanding that that would normally
7 happen during sort of high-low days, which would typically
8 be days with abnormally high temperatures. Is that a fair
9 comment?

10 MR. RAMTAHAL: Yes.

11 MR. HARPER: So I guess, given that your forecast here
12 is based on weather normal, why would it be appropriate to
13 include the kilowatt-hour savings in the forecast for
14 revenue purposes? And I can tell you we had this same
15 problem in a Hydro One transmission hearing a couple of
16 cases ago, and we had a -- in terms of forecast and weather
17 normal, and including savings that really only show up
18 during abnormal weather conditions.

19 So could you please comment on why it's appropriate to
20 put those kilowatt-hour savings in here for purpose of
21 setting revenues?

22 MR. BONADIE: Sorry, you are saying kilowatt-hour
23 savings. You were talking about demand --

24 MR. HARPER: Well, it would be kilowatt-hour savings.
25 It could also be -- in the case of large-use customers it
26 would also be the kilowatt savings, but it would be the
27 kilowatt-hours associated with such things as how many
28 kilowatt-hours do I have to -- am I including in my

1 purchases, for that matter, and -- but also the kilowatt
2 savings, I am assuming, for that particular customer class.

3 MR. BONADIE: So for purposes of the load forecast,
4 what we have done is we have adjusted incremental CDM only
5 on kilowatt-hours. No demand response has been factored
6 into the load forecast to reduce demands. It's all based
7 on kilowatt-hours. And the kilowatt-hours for the large,
8 greater than 50 classes are all based on the calculation of
9 kilowatt-hours using a five-year average load factor to
10 come up with demand.

11 MR. HARPER: But I assume in your adjustment of
12 kilowatt-hours for the large-use class you include -- it's
13 no longer 746, so maybe the issue isn't quite as large, but
14 you included the 74,000 kilowatt-hours savings associated
15 with the demand response program for the large-use class
16 when you were making the adjustment to kilowatt-hours for
17 large users?

18 MR. BONADIE: I am not seeing the 74 you are talking
19 about for large user --

20 MR. HARPER: Well, that's because it used to be
21 746,323, but the number was just corrected.

22 MR. BONADIE: Again, if you are referencing the demand
23 response, that was not taken into consideration for the
24 load.

25 MR. HARPER: So that the adjustment you made to the
26 load for the large users was not the 29-thousand-898,849
27 that's been shown there?

28 MR. BONADIE: Okay. The only adjustments that were

1 made to the load forecasts -- I'm going to give you the
2 reference here -- Exhibit 3, tab 1, schedule 2, page 7 of
3 31.

4 MR. HARPER: Exhibit 3, tab 1, schedule 2, page 31.

5 And -- okay. I think...

6 MR. BONADIE: So in Table 4 there it highlights the
7 original load forecast and the adjustments for CDM.

8 MR. HARPER: Okay. And can you just -- maybe just
9 tell me if you've got it in front of you and I don't -- the
10 -- okay. And the adjustment you made for large users in
11 2013 was 8. -- roughly 9 million kilowatt-hours. I am
12 reading 89-83 -- yeah, roughly 9 million kilowatt-hours?

13 MR. BONADIE: Correct.

14 MR. HARPER: Okay.

15 MR. BONADIE: And as you are looking at this table, I
16 do want to say that the 2013 values calculated by class are
17 correct. If -- in one of the IR questions, in one of the
18 responses, I believe we have identified that there is an
19 incorrect allocation in the large-user class for 2012. You
20 will note that the CDM adjustment there is 14.7 gigawatt-
21 hours, and in 2013 it looks to be declining, but in fact it
22 is not. In 2012 we have an incorrect allocation in the
23 large-user class that is to be allocated to the street
24 lighting.

25 MR. HARPER: Okay. So the street lighting would come
26 down and the large user would go up.

27 MR. BONADIE: Correct.

28 MR. HARPER: Now, maybe just stay with this table,

1 because I note the -- in this table you have in the
2 evidence the total adjustment -- CDM adjustment for 2013,
3 the 119,146,362, is exactly the same as the number that
4 shows up at the bottom of the table for the response you
5 gave to Energy Probe -- excuse me, to CCC in that reference
6 I was just talking to.

7 But the customer -- but the -- and the amount for the
8 residential class is the same -- okay. The general service
9 less than 50 is the same, but the other ones are quite a
10 bit different. No? Do they all match? Oh, okay. Fine.
11 Okay.

12 Could you just -- okay. They all match. Okay. Fine.
13 I think -- I'm sorry, it was probably my confusion, trying
14 to look at the numbers.

15 So you say there is an IR response that corrects that
16 allocation between the street lighting and the large-user
17 class?

18 MR. BONADIE: I actually believe it's one of the
19 questions that you provided to us yesterday that we have a
20 response for.

21 MR. HARPER: Okay. Fine. Okay. Thank you very much.

22 I would like to turn to -- it is the same as load
23 forecast, issue 3.1, VECC 20(b). And here we asked you
24 whether the -- whether the value of the trending variable
25 that you use -- because in your system energy forecast you
26 include a trending variable that increases monthly every
27 year throughout the historical period. And we asked you
28 whether the value of that trending variable increased

1 during the forecast period, and you responded, saying, no,
2 the value of the coefficient did not increase, and I want
3 to come back and say, what we were asking was whether the
4 -- and I understand the coefficient doesn't change. That's
5 what came out of the regression equation.

6 What our question was was whether the value of the
7 trending variable itself actually increased over the
8 forecast period, or whether you held it constant at the
9 2011 value when you forecast 2012 and 2013.

10 MR. BORAS: I just wanted to clarify for
11 understanding. The trending variable that we used for this
12 time series does include other things that are not CDM-
13 related. So we got to take a look at things and, you know,
14 variables that cannot be easily observed. So we have got
15 to look at, you know, efficiency, efficiency improvements;
16 we've got to look at behavioural changes in consumer usage
17 with the time-of-use rollout, and also the things like
18 aging population.

19 So when we talk about a trending variable, I think
20 it's also important to point out that there is other
21 variables that are included in that trending variable.

22 What we have done is, for the actual period from 1996
23 to 2011, we used that trending variable to learn about any
24 trends that are available or existing on our system, which
25 does include, you know, some of the historical CDM impacts,
26 but it also does include other variables.

27 Over the forecasting period we expect that those CDM
28 impacts from historical programs would continue, meaning

1 staying constant, but we've got to be also mindful of the
2 fact that there is other trends that will continue and to
3 grow into the future.

4 So in response to your question, it wouldn't be
5 appropriate to keep that trend variable constant over the
6 forecasting period.

7 MR. HARPER: But on the other hand, one of the reasons
8 -- is it fair to say that -- and I think in your evidence
9 you characterize it at page 7, you know, of Exhibit 3, tab
10 1, schedule 1, I believe. You -- when you are discussing
11 this trending variable you specifically made reference to
12 CDM, if I am not mistaken.

13 And so -- and is it fair to say that over that
14 historical period the savings you have been getting from
15 CDM have been increasing each year?

16 MR. BONADIE: I don't agree that that's true. I don't
17 believe so.

18 MR. HARPER: You don't agree that the amount of
19 savings that you were getting from the CDM programs in 2011
20 in total from all the programs you implemented, starting
21 with the third-tranche programs, is greater -- the
22 cumulative effect is greater in 2011 than it was in 2005
23 and 2006 and 2008?

24 MR. BONADIE: I can't comment.

25 MR. HARPER: Okay. We will leave it at that, then. I
26 think Mr. Aiken covered one of my questions I was dealing
27 with on the Board Staff No. 29 and how you come up with
28 your individual customer class forecasts, so I don't think

1 we have to deal with that.

2 The next question that I have actually deals with
3 change of the cost allocation, so it's issue 6.1. And I
4 would like to look at Board Staff No. 27.

5 And here, you talk about the customer growth in the
6 residential class due to new condos and retrofits of
7 condos, and I guess when you say "retrofit" you mean from
8 bulk meter to individual suite meter; is that fair?

9 MR. BONADIE: Sorry, I was going to ask for the
10 reference again.

11 MR. HARPER: Okay. I am sorry. It's issue 6.1, Board
12 Staff No. 27. It's page -- actually, I was looking
13 specifically at the table on the third page.

14 MR. BONADIE: Is this in issue 6.1 or 3.1?

15 MR. HARPER: Sorry, issue 3.1. I apologize.

16 Right. Okay. Now, first of all, when you say
17 "retrofits" I assume that means retrofits from bulk-metered
18 condominiums or apartments to individual suite-metered
19 condominiums and apartments?

20 MR. BONADIE: That is correct.

21 MR. HARPER: So you are showing an increase of 2,430
22 customers in 2012 and 1,982 in 2013; right?

23 Can you tell me, do you have any estimate as to how
24 many of your residential customers, say, on average in 2013
25 would be suite-metered customers in either apartments or
26 condos? Out of your total residential customer count
27 forecast for 2013?

28 MR. BONADIE: I believe the answer to your question is

1 provided in VECC 3.1, IR 26.

2 MR. HARPER: IR 26? Sorry, that was one of the
3 individual ones you filed with me, so I am going to have
4 to... Okay. I'm sorry. So this -- okay.

5 So on average for 2013, there are about 11,000
6 customers, residential customers in condos and apartments,
7 then?

8 MR. BONADIE: It's 10,799.

9 MR. HARPER: Right. Roughly 11,000.

10 Now, I guess what I was curious about -- we also asked
11 you in one of the VECC IRs in the cost allocation section
12 about whether all these customers and these apartments were
13 served at secondary voltage, and you said yes.

14 And I want to make sure I understand your answer,
15 because these customers would be located in condos or
16 apartments that would be receiving service from Enersource;
17 right?

18 MR. BONADIE: Sorry, can you repeat that?

19 MR. HARPER: These 10,799 customers would be located
20 in a number of individual apartment and condo buildings
21 that are receiving service from Enersource, and
22 Enersource's responsibility in terms of the voltage it
23 supplies these -- it uses to supply would be the voltage it
24 uses to supply the building; is that correct?

25 MR. BONADIE: That's correct.

26 MR. HARPER: And are all of these buildings served at
27 secondary voltage?

28 MR. BONADIE: Yes, they are.

1 MR. HARPER: Even the very large ones that have
2 numbers of banks of elevators in them are served at
3 secondary voltage by Enersource?

4 MR. BONADIE: That's correct.

5 MR. HARPER: Okay. Fine. I just wanted to make sure
6 you understood the question. And you did and that was the
7 answer. Fine.

8 I would like to go to VECC -- and this now is issue
9 6.1, and it's VECC 47, part (d).

10 Here, we were asking you what that row on that sheet
11 in the cost allocation model represented, and you indicated
12 that it was the weather-normalized load forecast for 2013,
13 including CDM.

14 Now, when I look at the total value there, the total
15 value does agree with your total forecast purchases for
16 2013, but when I look at the individual values provided for
17 the individual customer classes like residential, it does
18 not match up with your load forecast.

19 And I was wondering if you could explain, based on
20 this response, why that is the case.

21 MR. BONADIE: When we submitted the load forecast data
22 to Hydro One for load profile analysis, there was the
23 weather-correcting or weather-normalization models by rate
24 class were not perfected. As such, there was a bit of an
25 allocation, like a minimal allocation between some of the
26 classes, and that's causing the difference.

27 The total system load ties to the load. We have
28 actually updated the cost allocation model based on that

1 new allocation, and I can tell you that there is no change
2 to the revenue-to-cost ratios.

3 MR. HARPER: No, I was just curious to understand,
4 given the response, why the numbers were different. And I
5 now understand that, so that's fine.

6 And my final question is a -- actually it's a rate
7 design question, so it falls under issue 7.1. I would like
8 you to turn up -- excuse me -- but actually -- in my mind,
9 it falls under 7.1, but actually it's your response to CCC
10 issue 6.1, No. 1.

11 And in a VECC IR, we had asked you to explain how you
12 got the fixed/variable split, to show us the calculation of
13 the fixed/variable split for each customer class, and this
14 was the IR response that you referred us to, to show us
15 what that -- how that split was calculated.

16 If you could just look at the table there, which is on
17 page 2, and you are showing your fixed/variable proportions
18 -- I believe it's in column G of that table.

19 MR. SULTANA: That's correct.

20 MR. HARPER: As I understand, those fixed/variable
21 proportions are based on the fixed and variable revenues
22 shown in columns E and F.

23 MR. SULTANA: That is correct.

24 MR. HARPER: And the variable revenues in column F for
25 those customer classes where one or more of the customers
26 receive a transformer ownership allowance, those variable
27 revenues have not been reduced to reflect the fact that
28 some customers are getting a transformer ownership

1 allowance; is that fair?

2 MR. SULTANA: That is correct.

3 MR. HARPER: Would it be possible for you to redo
4 column F, showing what the variable revenues would be,
5 taking into account the fact that some customers do get a
6 transformer ownership allowance and therefore the revenues
7 you're receiving are somewhat less?

8 MR. SULTANA: I believe that was your question that
9 you had that we received yesterday, and we have performed
10 that calculation and we will submit it.

11 MR. HARPER: Great. So that would, then, change the
12 proportions shown in G and H for those customer classes;
13 correct?

14 MR. SULTANA: That is correct.

15 MR. HARPER: Right. I guess the second part of my --
16 and it can all come out in the same response, hopefully,
17 was if I look over at column L, here you have allocated the
18 transformer ownership allowance, which is a little bit less
19 than \$2 million, to all the customer classes?

20 MR. SULTANA: Correct.

21 MR. HARPER: And I can tell you the standard approach
22 that we have seen utilities use over the last couple of
23 years is to allocate that transformer ownership allowance
24 specifically to the customer class that is actually getting
25 it.

26 MR. SULTANA: We have performed that calculation, as
27 well, based on your question submitted yesterday.

28 MR. HARPER: Right. So with those two changes, you

1 can provide an updated -- a revised version of this table
2 for us?

3 MR. SULTANA: Yes.

4 MR. HARPER: Okay. Great.

5 MS. HELT: I take it you don't need an undertaking for
6 that, because they said they are going to file it.

7 MR. HARPER: I think if they are going to file it,
8 then that should be fine.

9 Those are all of my questions.

10 MS. HELT: Thank you, Mr. Harper.

11 Mr. Battista?

12 **QUESTIONS BY MR. BATTISTA:**

13 MR. BATTISTA: These are just clarification questions.

14 If we go to Exhibit 3.1, Board Staff IR 21, in the
15 response, part (a), Enersource noted that a correction is
16 required in the -- I guess the description of the tables
17 used in the evidence on load forecasting, and it says Table
18 1 and Table 4 should really be labelled as energy purchases
19 rather than energy consumption. And then part (b), it says
20 -- I notice that there are subsequent tables, Tables 5, 6,
21 and 7, in that exhibit, and they as well are characterized
22 as energy consumption.

23 Can you confirm whether they are energy consumption or
24 energy purchases? That would be Tables 5, 6, and 7 in A3,
25 T1, S2.

26 MR. BONADIE: Sorry, what was the first table you
27 said?

28 MR. BATTISTA: Table -- let's say Table 5, the energy

1 forecast. It says -- the table is called --

2 MR. BONADIE: That should be purchase forecast.

3 MR. BATTISTA: That should be purchases, 5. What
4 about 6?

5 MR. BONADIE: That should be purchase.

6 MR. BATTISTA: Okay. What about 7? The numbers seem
7 to jibe with Table 1, at least the historical ones.

8 MR. BONADIE: And that is what I was looking at. I
9 think that one is purchases as well too.

10 MR. BATTISTA: Okay. So we can assume that the table
11 header and all the column headers should say "purchases",
12 rather than "consumption".

13 MR. BONADIE: Correct.

14 MR. BATTISTA: Okay. Because it gets really
15 confusing. Anyhow...

16 Board Staff issue 3.1, Board Staff, IR 22, on the back
17 of the response, I guess it's a two-page response, there is
18 an attachment, and the attachment is called "energy
19 consumption", so annual energy -- system energy consumption
20 at peak demand. Are these purchases as well, rather than
21 consumption?

22 MR. BORAS: Yes, they are. We do apologize for that.

23 MR. BATTISTA: Okay. And the number for 2006, should
24 it be -- actual energy consumption, should it be 8038 or
25 8068?

26 MR. BORAS: Yeah, if you look at the response to the
27 question, the embedded generation for --

28 MR. BATTISTA: So that's the correction.

1 MR. BORAS: Yes.

2 MR. BATTISTA: That's the only clarification I
3 require.

4 MS. HELT: Thank you, Mr. Battista.

5 Are there any further questions for this witness
6 panel? No? All right. Thank you very much.

7 That concludes the technical conference with respect
8 to all of the questions for the various witness panels. I
9 would like to remind Enersource that, by way of the
10 procedural order, undertaking responses are due on Tuesday,
11 August the 7th, and to remind everyone that we are set to
12 commence the settlement conference Wednesday, August the
13 8th, and that will continue on the 9th and 10th as needed.

14 I don't think that there is anything further. We have
15 all of the documents that needed to be filed with respect
16 to what was set out in Procedural Order No. 3, so thank you
17 very much, everyone. And thank you to the court reporter
18 as well.

19 --- Whereupon the conference concluded at 3:49 p.m.

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