# SCHOOL ENERGY COALITION

# CROSS-EXAMINATION MATERIALS

# EB-2012-0033 - PANEL 1

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actually only approving the 2012 budget at that time. They just want an outlook of where the company is going. So this is the internal budget that was presented to the board of directors in December.

MS. GIRVAN: So it's part of a larger document, and this is just specific to 2013, or --

MR. MACUMBER: 2012 --

MS. GIRVAN: -- 2012.

MR. MACUMBER: -- this would be the 2012 budget.

MS. GIRVAN: Okay. So I guess what I was looking for is, what was provided when seeking approval of the 2013 budget?

MR. MACUMBER: Again, we presented presentation about our cost of service and where we were going with it, but nothing was presented to our board of directors yet for the 2013 budget, because we are doing the cost of service right now, and we will be presenting our budget for 2013 in December.

MS. GIRVAN: Oh so they don't approve the rate filing?

MR. MACUMBER: Not directly, no.

MS. GIRVAN: No, okay.

Okay. So 2013, those materials will go to the Board in December, you said?

MR. MACUMBER: Our plan right now hopefully is to finish this cost of service, put together our budget, and get it approved for 2013 in December, the same time frame.

MS. GIRVAN: Okay. Thank you.

If you can turn to issues -- Issue 2.1, CCC No. 4.

The substantive reasons for this request are discussed below. From a procedural perspective, Enersource appreciates that its proposed approach respecting the treatment of capital for a two-year period departs from past practice. The Board has approved multi-year rate applications but none has been limited past the first year to incremental capital only, like this Application.

The Board has recognized the need for new ways to approach the challenges of managing the rate treatment of infrastructure investment and the approach in this Application is proposed in that context. Therefore, Enersource recognizes that it may be appropriate to address the structure of this proposed approach as a preliminary issue in this Application.

**Reasons for Proposed Approach**

The Chair of the OEB recently stated that "one of the major challenges facing the sector today and the most significant driver of costs is the scale of capital spending expected over the next few years from most utilities – generators, transmitters and distributors alike – to renew and modernize the system and provide for new demand".[1] As a result, the Board has recognized the need "to consider how existing regulatory approaches and tools may need to be adapted to ensure that public policy goals are met in a cost effective manner".[2]

The need to adapt regulatory approaches to meet new needs of capital investment has been discussed in a number of forums, including the Board's *Renewed Regulatory Framework for Electricity* ("RRFE").[3] As part of that process, the Board tabled for discussion a "straw man" model ("Straw Man

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[1] Rosemarie T. Leclair, Chair & CEO, Ontario Energy Board, Remarks for the Ontario Energy Network, November 21, 2011, p. 7.
[2] Letter from OEB to Stakeholders, November 8, 2011, Attachment A.
[3] EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043, and EB-2011-0004.

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

# Interrogatory #11

## School Energy Coalition (SEC)

**2. Rate Base**

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

**Reference: [Ex. 1/2/1, p. 2]**

Please advise the evidentiary value the Applicant is proposing to be assigned to the quoted statement of the Chair of the Board. Please advise if it is being offered as proof of the contents of the statement.

**Response:**

This is a legal question that is better addressed in legal argument. In any event, counsel advises that the Board can take notice of statements by its Chair.

MR. GARNER: Well, I think the question I am trying to establish -- or what I am trying to establish with some certainty is the utility isn't proposing this plan because it has some form of extraordinary capital program that is, in financial terms - it may not in substantive of what you are building - but in financial terms is different from the past.

Your capital program is in line with your past spending?

MR. MACUMBER: I would say that our capital program goes with our planning process. We look at financial constraints, resource constraints, and the need of our customers.

I would suggest, though, that our evidence implies that our capital expenditures is quite a bit significantly more than our depreciation, which is why we are suggesting this other method may be preferable. Our capital expenditures haven't significantly increased, but they are outstripping depreciation.

MR. GARNER: Okay. Thank you.

The next issue I would like to talk about is the new building. I am actually not going to -- I think the reference is Exhibit 1, Issue 2.1, Board Staff No. 12, attachment 2.

And there is a discussion in there about the different costs of options. Constructing a new building, I believe the number was 28.6 million. Purchase of Derry Road, 25.6 million. And leasing office space of 17.2 million.

in Table 1 below. Customers would therefore have benefitted from this smoother rate increase.

The annual investments in capital and the resulting changes in revenue requirements, for each of the IRM years, are shown in Table 1 below[5].

**Table 1: Change in Average Net Book Value of Assets and Revenue Requirement, 2009 - 2012**

| Year | Annual Investments in Capital[1] ($000s) | Cost of Capital ($000s)[2] | Annual % Change from Approved Revenue Requirement |
|---|---|---|---|
| 2009 | 2,385 | 172 | 0.15% |
| 2010 | 13,265 | 1,129 | 1.00% |
| 2011 (MIFRS) | 11,298 | 1,944 | 1.71% |
| 2012 (MIFRS) | 28,747 | 4,017 | 3.47% |

[1] Reflects changes in the average net book value of assets only, excluding Smart Meter assets. Working Capital Allowance held at 2008 OEB-approved amount.
[2] Cost of Capital is WACC rate multiplied by the cumulative investments in capital.

Under the current IRM model, Enersource continues to make significant capital investments that exceed depreciation, with little financial return. This ongoing investment results in pent-up costs imposed all in one year on customers pursuant to the cost of service rebasing process. This approach does not incent efficiency or benefit customers; it causes confusion and concern among customers due to the resulting step increase in distribution rates following a COS rate application proceeding.

Enersource is proposing a modest change to the current approach to facilitate more gradual rate changes for customers to mitigate the step increases in rates.

[5] All references to dollar amounts are quoted in thousands of dollars throughout the Application, unless indicated otherwise.

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

# Interrogatory #12

## School Energy Coalition (SEC)

### 2. Rate Base

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

**Reference: Ex. 1/2/1, p. 4**

Please provide the full calculations supporting Table 1. Please identify the impact on Table 1, if any, of the change from CGAAP to MIFRS.

**Response:**

Full calculations of Table 1 are as follows:

| Year | Annual Investments in Capital[1] ($000's) | Weighted Average Cost of Capital[2] | Annual Change in Revenue Requirement due to Investments in Capital ($000's) | Cost of Capital ($000's) | Annual % Change from Approved Revenue Requirement |
|---|---|---|---|---|---|
| | A | B | C = A x B | D = Cumulative C | E -> see note 3 |
| 2009 | 2,385 | 7.213% | 172 | 172 | 0.15% |
| 2010 | 13,265 | 7.213% | 957 | 1,129 | 1.00% |
| 2011 (MIFRS) | 11,298 | 7.213% | 815 | 1,944 | 1.71% |
| 2012 (MIFRS) | 28,747 | 7.213% | 2,074 | 4,017 | 3.47% |

Notes:

1. Reflects change in average net book value of assets only, excluding Smart Meter assets. Working Capital Allowance held at 2008 OEB approved amount.
2. Per 2008 OEB approved weighted average cost of capital.
3. Annual change reflects column D divided by the sum of the 2008 approved revenue requirement plus column D up to the prior year.

The major impacts on Table 1 of the transition from CGAAP to MIFRS beginning in 2011 include:

1. Reduced capitalization of burdens reducing the annual investments in capital (column A); and,
2. Lower net change in annual investments in capital resulting from the write-down of the net book value of assets corresponding to in-service assets replaced or rebuilt.

As a result of the two items noted above, the cumulative cost of capital (column D) is lowered by $448 for 2012.

Enersource implemented the revision of asset useful lives in its 2011 CGAAP statements, and, as such, there is no impact in 2011 or in 2012 relating to this change.

wouldn't have some impact on your absolute value of OM&A costs. Surely it costs less to maintain a new asset than it does to maintain an old one?

MR. MACUMBER: I think what I am trying to say is because our assets are aging, by replacing the assets that we are putting in, we actually need to be replacing at a much faster pace to keep OM&A in check.

We will have increased OM&A costs due to other constraints.

MR. FAYE: Okay. I think I understand what you are saying. Your OM&A costs are increasing at a more rapid rate because your fleet is aging, and unless you replace them, then your growth on OM&A will not be linear. It will be some sort of geometric curve?

MR. MACUMBER: Well, I think we have put in the evidence, under Exhibit 2, tab 2, where we describe our asset management plan, what we put into the system, trying to trade off between our resource constraints, our financial constraints, and we try to make the best possible decision for ratepayers and our shareholders.

MR. FAYE: Okay. Thanks. I think I can explain it to Mr. Aiken, and if he has a follow-up question, he will do it.

His next question is Issue 1.1, Energy Probe 2, and he says:

"Based on this response..."

The response to the interrogatory.

"...am I correct that Enersource refuses to

provide information on any other approach to
setting rates, including the third-generation IRM
approach, which is the Board's current policy?"

MS. DeJULIO: Mr. Faye, can I get you to please repeat that question?

MR. FAYE: Sure. Based on the response to this IR, is Mr. Aiken correct that:

"...Enersource refuses to provide information on
any other approach to setting rates, including
the third-generation IRM approach, which is the
Board's current policy?"

MS. DeJULIO: Enersource -- this is Enersource's proposal. We have provided information to support the ICR for the second year, 2014. I am not quite sure what else it is that you are looking for, Mr. Faye.

MR. FAYE: Well, I think what Mr. Aiken is trying to point out is that if you don't provide a comparable analysis for rates that would be your standard IRM approach, you know, a rebasing in your test year and then three years of IRM, how is the Board able to decide whether the ICR approach is better, or that the IRM approach is better? They don't have the data.

MR. VEGH: So you are getting into the question of how is the Board to decide; obviously, the Board will decide the evidence based -- the case based on the evidence and the arguments in front of it.

Enersource has tried to provide all the information requested with respect to what it's proposing, and what the costs of capital will be in 2014 if the ICR proposal is adopted. And that's the case Enersource is trying to make.

If Mr. Aiken or you or other intervenors or Board Staff are of the view that the IRM model is better for that year, presumably you have information in support of that.

Enersource isn't in a position now to quantify the cost of an alternative approach to 2014, other than the one that Enersource has put forward.

MR. FAYE: Well, I hear what you are saying, but I am also cognizant of the fact that the Board's standard procedure is an IRM approach. And without providing the Board with that evidence, it seems to us that perhaps they don't have the evidence in front of them needed to make the decision on whether your ICR proposal is correct.

But all that aside -- I don't want to stray into argument here -- I think I hear you saying no, you are not going to provide the comparable scenario for IRM.

MR. VEGH: Yes, that's correct.

MR. FAYE: Okay. Thanks.

The next question concerns the same issue, 1.1, School's 7, School's 8 and Board Staff 3.

Mr. Aiken says:

> "Based on the updated evidence from Board Staff 3 and the approach taken in response to School's 7 and School's 8, please disaggregate the increase in the 2014 deficiency of 3,306,448 into the return on equity, the cost of interest, PILs, depreciation and any other component of the

increase."

MR. MACUMBER: I am sorry, are you asking for the change that we have made? Or the questions that SEC had asked in their 7, 8, 9, which we confirmed his numbers were correct about what's return, what is the increase in PILs and what is the increase in depreciation?

MR. FAYE: If that satisfies the request that you break down the 2014 deficiency into its component parts, then perhaps that would be satisfactory.

I am not certain that what you have just said addresses breaking down the 3.3-odd million into return on equity, cost of interest, PILs, depreciation and any other components.

MR. MACUMBER: I guess what I am suggesting is SEC Interrogatory No. 7, he spells out how much is return, how much is PILs and how much is the depreciation of -- which we confirmed.

MR. FAYE: I see on the screen return on equity, PILs, interest -- if you could just scroll down a little there -- amortization, and over on the right-hand side, that appears to add to 100 percent of the revenue deficiency. All right. I will refer Mr. Aiken to that and see if he is satisfied with it.

MR. MACUMBER: Okay.

MR. FAYE: Our next question is concerning Issue 1.2 and Energy Probe IR 2. The question is, in part (d) of the response Enersource indicates that the proposed approach is just and reasonable because it smooths the amount of one-time rate increases for rebasing years under the current model and more accurately provides compensation for the cost of capital, and he asks, does Enersource agree that the 2014 increases as proposed by Enersource will be higher than they would be under third-generation IRM?

MR. MACUMBER: I think what you are asking is our approach is to have the PILs return on amortization through rates rather than using an IRM. I am not sure what inflation would be used or the stretch factor or other factors, so I cannot compare whether or not there would be more or less rate impact from our proposal.

MR. FAYE: So I think what I heard you say is you don't agree, because you don't know what the effect of an IRM would have been on the rates; is that right?

MR. MACUMBER: I think what we are suggesting is our way of setting rates, of adding in the capital for the following year, we believe is just and reasonable. I cannot comment on whether or not it's the ICR or our method is better or worse or...

MS. GIRVAN: Peter, can I just follow up? So just to be clear, you didn't do that analysis, I mean, in assessing your options? You didn't look at what 2014 would look like under IRM or IRM with an incremental capital module? You didn't do that analysis?

MS. DeJULIO: Ms. Girvan, you are right. We did not do that analysis. There were -- with respect to IRM there are unknowns, and we believed that the ICR proposal was, you know, the best proposal for ratepayers and shareholders, and that's why we went -- that's why we made this proposal for the 2014.

With respect to your question on ICM, that's correct, we did not run that model either. A big factor in that decision to not run that model was the -- one of the criterion, which is -- one of the criteria, which is a criterion to have the capital expenditures being non-discretionary, and our capital expenditures for 2014, most of them, if not all of them, do not fall into that category.

MS. GIRVAN: Okay. Thanks.

MR. FAYE: So then without an analysis of the IRM process -- and I apologize if it seems to be overlapping backwards here on something I just sort of closed off -- what is the basis for your consideration of just and reasonable? For most people, I think, just and reasonable rates, from the customer's perspective, is lowest reasonable rates you can get while still getting reasonable reliability, and if you have not made that analysis from a customer's point of view, how would you be able to convince them that the rates are just and reasonable?

MR. VEGH: That's somewhat of a rhetorical question, Mr. Faye, and I think it relates to the discussion we had just a few minutes ago. Enersource has put in its evidence in support of its proposal, and that's described in the pre-filed evidence and the rationale for including the 2014 ICR year, but we are not in a position to carry out a calculation which provides what the comparison would be if

2014 were an IRM year.

MR. FAYE: Okay. Yeah, I hear what you are saying, and I guess if the Board requested you to carry out that calculation for an IRM you would be prepared to do it. I mean, you are not without resources to do that; right?

MR. VEGH: Well, as the witness said, there are some unknowns right now, and you would have to make some assumptions about what goes into that. But of course, you know, we will provide the Board with all the information that we have available and that's relevant.

But really, the merits of the proposal of the 2013 ICR year are trying -- or there is an attempt to demonstrate that in the evidence and in the interrogatory response, you know, with respect to the facts that relate to Enersource's proposal. We have not put forward or purported to put forward evidence on what alternative proposals may look like.

MR. SHEPHERD: I wonder if I can just follow up on that. I may be misunderstanding what your witnesses are saying, Mr. Vegh, and so I am going to ask them to clarify the response to Ms. Girvan's question.

Normally when you ask for something that is out of the existing rate-making model that the Board has promulgated, you would say, well, first, can we fit within the standard way of doing it. And am I to understand that you didn't take the step of seeing whether you could fit within the Board's model; is that right?

MS. DeJULIO: Mr. Shepherd, when you say "model" are you talking about ICM?

MR. SHEPHERD: The Board has a set of rules for setting rates for LDCs. It includes cost of service, it includes ICM, et cetera. They are well-known rules. Did you take the step of seeing whether you could fit within that set of rules?

MS. DeJULIO: We did not take the step of seeing whether we could fit within the ICM for 2014. Sorry, we looked at the criteria, one of which was, the capital expenditures for that year would be non-discretionary, and we knew that we could not meet that criterion.

MR. SHEPHERD: The Board has a number of decisions recently that have clarified the ICM and how it works. Have you looked at those?

MS. DeJULIO: I did look at a summary that was put together by the DRRTF, and Mr. Vegh actually presented that summary to the Board's initiative, the RRFE initiative.

MR. SHEPHERD: Sure. And that has loosened the ICM criteria; isn't that correct?

MR. VEGH: I am not sure, in fact. I think the -- you know, one of the concerns is that the current state of that criteria seemed to be in flux.

MR. SHEPHERD: Well, so what I am trying to understand is, the question I am meaning to ask, because it's not time for me to cross-examine yet, is -- and I'm trying not to desperately -- is, subsequent to those decisions did the company look at whether it could fit within the ICM?

MR. VEGH: I think --

MR. SHEPHERD:  I'm sorry, Mr. Vegh.  I am asking a question of your witnesses, so unless you are instructing them not to answer, I would like them to answer.

MR. VEGH:  Well, perhaps you could provide clarification of what it means to "fit within".

MR. SHEPHERD:  Well, in order to decide whether you will have sufficient revenue requirement under the Board's rules you have to actually do the math, so that's what I am asking.  Did you, subsequent to seeing that the Board was changing its approach, did you then look at whether you could fit within the Board's existing rules?

MR. VEGH:  Are you asking whether the applicant did a calculation of its revenue entitlement under the existing rules?

MR. SHEPHERD:  I am asking whether it did anything to determine whether they fit within the Board's existing rules.

MR. VEGH:  I am just having difficulty with the concept of "fit within".  I think you are asking whether or not they carried out a calculation.  I don't know what it means to "fit within".

MR. SHEPHERD:  I am sorry, it is sort of a -- it's not a technical term.  What I am trying to understand is, Enersource is asking the Board to make an exception in their case, to adopt a new rate-making methodology different from what the Board has currently approved.

So I am asking whether -- what steps the company has taken to determine whether it could live within -- live within; how is that?  Live within the existing rules that the Board has already promulgated for every other LDC. What steps has the company taken?

MR. VEGH:  To calculate the financial consequences of?

MR. SHEPHERD:  I did not say "calculate."

MR. VEGH:  I don't know what you mean, "live within" or "fit within."

The company will continue to exist, whatever model the Board approved for 2014 rates.

MR. SHEPHERD:  So then, do I understand that the company just didn't look at the Board's normal -- existing rules at all, said:  We don't have to look at those at all?

MR. VEGH:  Well, I think you have changed your question a few times now.  That is why I am trying to make it more concrete.

If you are asking about whether the company did the calculations, I think they have answered that question for you.

MR. GARNER:  Can I jump in, Jay?  Because maybe I can ask it a different way, and I think I have heard the answer given to Ms. Girvan.

I think what is perplexing to some of us is -- and maybe I will step-by-step with the questions.

The rate proposal in front of the Board today, who was that approved by at the highest levels at Enersource?  Who approved the rate application before the Board, in order for it to be submitted?  The board of directors?  The CEO?

Can you help me with that?

MS. DeJULIO: Certainly the executives of Enersource and our president, and ultimately we did present this to our board of directors.

MR. GARNER: Okay. And in doing that presentation to the executive and board of directors, I guess what we are wondering or I am wondering is: Was it explained to those people that there was a standard approach for applying for rates at the Ontario Energy Board that was the model we are talking about, the cost of service followed by an incentive period? Was that explained to those people in that presentation?

MR. MACUMBER: What we explained to our CFO, COO and CEO was that there was an IRM process with an incremental capital module. We felt, though, because they were -- the capital that we were spending on could be discretionary or non-discretionary and the way that the current IRM period was, is that by spending what we were going to on capital, that we would not get the return on it or the amortization collected through rates.

And we proposed to them that, because there was a renewed regulatory framework on the process, that capital was a big concern, is that we should attempt to address it with our cost of service application.

MR. GARNER: Thank you.

In the present --

MR. SHEPHERD: Sorry, Mark, can I just...

What was the relationship with the renewed regulatory framework to this analysis?

MR. MACUMBER: Because what we are trying to suggest is that throughout the industry there is a lot of assets that are aging, there is a lot of capital that has to be replaced. It's not just at Enersource.

So we knew that there was some conversations going on at the OEB with this process, to how did they address this huge capital spend that is going to happen in the province.

MR. SHEPHERD: I don't understand how that affects --

MS. DeJULIO: I can help you out, perhaps, a little bit, in that we developed this proposal, you know, being informed by the fact that the Ontario Energy Board had this consultation or this initiative, the RRFE initiative.

And so we knew that, as Mr. Macumber describes, there are conversations going on in the industry and discussions and consultation to look at the treatment of capital. And knowing that there was this, I guess, reception for treating capital differently, we decided to come up with our proposal that would treat capital differently for 2014, and we developed the ICR model.

MR. SHEPHERD: See, this is what I don't understand. When you refer to renewed regulatory framework, it's sort of strange to me.

I don't understand why you wouldn't just -- if the Board is going to have a new set of rules that would recognize capital, why wouldn't you just wait for the new rules?

MS. DeJULIO: It was very doubtful that we would see new rules in time for 2014.

them. Is there a difference in those proposals?

MR. VEGH: That's right. So you have our answer, and that's the answer to this question. The proposal speaks for itself. All of the information considered by the Board in its report on third-generation incentive regulation also speaks for itself, and there may be a debate on the consistency of approach. I am not sure there is any further evidence on this point that the panel can help you with.

**QUESTIONS BY MR. SHEPHERD:**

MR. SHEPHERD: Can I just ask a follow-up, Mr. Vegh? You said that there may well be differences of opinion as to the relationship between your proposal and the Yatchew proposal of several years ago that will come up in argument.

Have we got the company's position on that in the evidence somewhere?

MS. DeJULIO: No.

MR. SHEPHERD: Can we have it, please?

MS. DeJULIO: We have not reviewed this Professor Yatchew study, and I would think that to pull it out or even to pull, you know, a few sentences out of it is, in my view, cherry-picking. There would probably be other, you know, sentences scattered throughout this entire exercise that the Board went through, and, you know, that is not -- that's not our proposal, and, you know, we have -- we have not read it, we have not pulled it apart, we have not compared it to our own. We have made our proposal, and that's what we ask the Board to assess.

MR. SHEPHERD: Yes, I am sorry, and I am not trying to be argumentative. I just want to know when we are going to hear your position on how it relates to what was rejected -- what your current proposal relates to, to what the Board rejected some years ago. Are we going to hear that at some point or not?

MS. DeJULIO: We have given the answer that we have -- to this question here in the response.

MR. SHEPHERD: That's a different question. My different question is, are we going to hear that, your position, your company's position, on the relationship between the two. If the answer is no, that's fine.

MR. VEGH: So the company's position is that this is a matter for argument, and if you hear it, you will hear it there.

MR. SHEPHERD: And we won't hear your position on this until argument?

MR. VEGH: We are not going to go through the Board's report with a cross-reference of the Board's report back then and our current position. We are going to justify our position on its merits. If the issue -- if it becomes relevant for the Board to hear party's position on how this proposal may be impacted by or may be compared to various reports that were provided several years ago in a Board process, we can always address those in argument.

MR. SHEPHERD: And so we'll hear -- so we will first hear of it in argument-in-chief or in reply?

MR. VEGH: Well, it's going to be -- will be responsive to what the Board is addressing and what the Board is looking for, so I don't know whether that will come up in-chief or in reply. We may get some direction from the Board panel in the course of the hearing. I am not sure.

MR. SHEPHERD: Thank you.

**QUESTIONS BY MR. GARNER:**

MR. GARNER: And again, I am not trying to be argumentative or argue it, but I was trying to establish -- and I think I have heard a partial response, so I will say it back, and perhaps the panel can say if I have got it correct, is, one difference -- maybe not the only difference -- in this proposal and in that quote is that there isn't an adjustment to OM&A in your proposal. There is a two-year -- a two-year proposal for OM&A based on your model and a capital adjustment. That's what your model is; is that correct?

MS. DeJULIO: That's right.

MR. GARNER: Right. And other than that you are saying is you don't have an opinion as to whether it's different from what the Board considered at that time, whether it could be or could not be. You're not -- if I have heard Mr. Vegh's points, you don't have a position on that right now; that's correct?

MR. VEGH: We said we don't have evidence on that right now.

MR. GARNER: Evidence on that. Thank you, that's -- I

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

# Interrogatory #62

### School Energy Coalition (SEC)

**7. Rate Design**

**Issue 7.5 Is the proposed Tariff of Rates and Charges for 2013 and 2014 appropriate?**

**Reference: Ex. 8/1/1, App. 3**

Please confirm that the calculations of the Applicant's annual charges for typical customers as indicated in Schedule 1 to these questions ("Rate and Bill Comparison 2012") correctly calculate the annual distribution bills for those hypothetical customers. With respect to the comparison with other utilities.

(a) Please provide a detailed explanation as to the main reasons why the Applicant's rates are generally higher than many comparable LDCs, including Powerstream, London, Kitchener-Wilmot, Hydro One Brampton, EnWin, Burlington, and Oakville.

(b) Please reconcile the comparative data with the statement by Standard & Poors [Ex. 1/3/5, App. 2, p. 2] that "Enersource's residential and commercial distribution rates are among the lowest in the province". Please provide a copy of any document provided by the Applicant to Standard & Poors that formed, in whole or in part, the basis for that statement.

(c) Please identify those other utilities on the table which the Applicant believes are comparable utilities.

**Response:**

Enersource confirms the calculation of the annual distribution bills for the hypothetical customers in Schedule 1 provided by SEC:

| | 2012 Board-Approved Base Distribution | | | | |
|---|---|---|---|---|---|---|
| | Fixed | Variable | kWh / kW per month | Annual Base Distribution | Per SEC Schedule 1 | Difference |
| Residential | 11.87 | 0.0119 | 800 | $ 256.68 | $ 256.68 | $ - |
| GS < 50 | 39.93 | 0.0116 | 2,000 | $ 757.56 | $ 757.56 | $ - |
| GS 50 < 499 | 69.86 | 4.2044 | 250 | $ 13,451.52 | $ 13,451.52 | $ - |
| Large Use | 13856.9 | 2.9225 | 10,000 | $ 516,982.80 | $ 516,982.80 | $ - |

a), b), and c)

Enersource does not maintain information on other distributors and therefore does not have the information requested. Also see the response to Issue 2.1 SEC IR 23.

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

# Interrogatory #23

## School Energy Coalition (SEC)

**2. Rate Base**

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

**Reference: Ex. 2/1/1, p. 3**

Please confirm that the calculations of PP&E per customer for the Applicant in Schedule 2 attached are correct. Please explain the increase in PP&E per customer from 2005 to 2010. Please explain why, in light of the increase from 2005 to 2010, a further large increase from 2010 to 2013 is appropriate. Please identify those other utilities on the table which the Applicant believes are comparable utilities.

**Response:**

Enersource confirms that the calculations for PPE (excluding smart meters) per customer are correct as presented in Schedule 2 and as calculated in the following table.

**Table 1 PPE (excluding smart meters)/customer 2005/2010**

| | 2005 | 2010 |
|---|---|---|
| PPE excluding smart meters | $ 394,048 | $ 442,836 |
| Customers | 178,140 | 192,960 |
| PPE/Customer | $ 2,212 | $ 2,295 |
| Increase in Value | | **$ 83** |
| Increase as % | | **3.8%** |

The increase in PP&E/Customer from 2005-2010 is due to continuous investments in overhead and underground distribution system, distribution substation equipment upgrades, information systems, and other general plant as described in detail in the AMP at Exhibit 2 Tab 2 Schedule 2 Appendix 1.

Table 2 below is reinstated to include smart meter investments in PPE.

**Table 2 PPE (including smart meters)/customer 2005/2010**

| | 2005 | 2010 |
|---|---|---|
| PPE including smart meters | $ 394,048 | $ 461,454 |
| Customers | 178,140 | 192,960 |
| PPE/Customer | $ 2,212 | $ 2,391 |
| Increase in Value | | **$ 179** |
| Increase as % | | **8.1%** |

Table 3 below illustrates the PPE/customer for 2010 and 2013.

**Table 3 PPE (including smart meters)/customer 2010 and 2013**

| | 2010 | 2013 |
|---|---|---|
| PPE including smart meters | $ 461,454 | $ 533,003 |
| Customers | 192,960 | 200,300 |
| PPE/Customer | $ 2,391 | $ 2,661 |
| Increase in Value | | **$ 270** |
| Increase as % | | **11.3%** |

The reasons for the increase in net PP&E are detailed in Exhibit 2 Tab 1 Schedule 1, pages 7-9, and further details can be found in the AMP at Exhibit 2 Tab 2 Schedule 2 Appendix 1.

Enersource does not maintain information on the other distributors in the spread sheet and is therefore not in a position to provide an opinion on the accuracy of those numbers. The Board has stated that comparisons to other distributors can be informative and "in some instances where a record is lacking in detail it becomes a very important element to consider." However, when, like here, distributor-specific information is available and on the record, the Board has "base[d] its determinations primarily on the record before it." (See Decision and Order setting rates for Hydro Ottawa, December 30, 2011 (EB-2011-0054), p. 13). As a result, the information requested is of limited relevance.

**Annual Distribution Bill Comparison - All LDCs 2012 Rates** ***Schedule 1***

**(monthly charge and volumetric rate)**

| *Utility* | *Residential* | | *GS<50* | | *GS>50* | | *Large* | | *Overall* | *Number of* |
|---|---|---|---|---|---|---|---|---|---|---|
| | *800 kwh* | *% of Avg* | *2000 kwh* | *% of Avg* | *250 KW* | *% of Avg* | *10 MW* | *% of Avg* | *Ranking* | *Customers* |
| | | | | | | | | | | |
| Toronto Hydro (proposed 2012) | $397.84 | 127.0% | $903.64 | 146.5% | $18,872.77 | 167.4% | $613,803.96 | 180.1% | 155.2% | 700,386 |
| Algoma | $548.04 | 174.9% | | | $15,279.24 | 135.5% | | | 155.2% | 11,612 |
| CNP Fort Erie/Eastern | $363.96 | 116.2% | $794.16 | 128.8% | $23,372.46 | 207.3% | | | 150.7% | 9,169 |
| Norfolk | $457.56 | 146.1% | $968.88 | 157.1% | $14,756.46 | 130.9% | | | 144.7% | 18,940 |
| Haldimand County | $471.36 | 150.5% | $836.40 | 135.6% | $15,659.22 | 138.9% | | | 141.7% | 20,971 |
| Parry Sound | $426.12 | 136.0% | $707.76 | 114.8% | $14,137.38 | 125.4% | | | 125.4% | 3,377 |
| Waterloo North | $355.20 | 113.4% | $702.72 | 113.9% | $15,093.30 | 133.9% | $469,148.16 | 137.6% | 124.7% | 51,914 |
| Hydro Ottawa | $328.80 | 105.0% | $678.12 | 109.9% | $13,327.32 | 118.2% | $558,921.84 | 164.0% | 124.3% | 300,664 |
| Newmarket-Tay (2011) | $313.80 | 100.2% | $809.76 | 131.3% | $15,333.24 | 136.0% | | | 122.5% | 32,911 |
| Niagara Peninsula | $340.80 | 108.8% | $769.08 | 124.7% | $14,694.90 | 130.3% | | | 121.3% | 51,048 |
| CNP Port Colborne | $398.04 | 127.1% | $718.68 | 116.5% | $13,508.40 | 119.8% | | | 121.1% | 6,463 |
| Orillia | $319.80 | 102.1% | $807.48 | 130.9% | $14,147.04 | 125.5% | | | 119.5% | 12,862 |
| Enersource | $256.68 | 81.9% | $757.56 | 122.8% | $13,451.52 | 119.3% | $516,982.80 | 151.7% | 118.9% | 192,960 |
| Niagara-on-the-Lake | $341.52 | 109.0% | $877.80 | 142.3% | $11,584.38 | 102.7% | | | 118.0% | 7,882 |
| Bluewater | $346.08 | 110.5% | $682.92 | 110.7% | $12,389.10 | 109.9% | $468,451.20 | 137.4% | 117.1% | 35,688 |
| Whitby | $343.80 | 109.7% | $706.92 | 114.6% | $14,130.90 | 125.3% | | | 116.6% | 39,669 |
| Greater Sudbury | $312.72 | 99.8% | $705.00 | 114.3% | $14,786.58 | 131.2% | | | 115.1% | 46,710 |
| Embrun | $285.48 | 91.1% | $643.68 | 104.4% | $16,497.60 | 146.3% | | | 113.9% | 1,958 |
| EnWin | $322.20 | 102.8% | $695.88 | 112.8% | $15,172.62 | 134.6% | $355,769.52 | 104.4% | 113.7% | 84,866 |
| Innisfil | $411.12 | 131.2% | $552.60 | 89.6% | $12,772.98 | 113.3% | | | 111.4% | 14,707 |
| Brant County | $331.80 | 105.9% | $632.64 | 102.6% | $12,775.80 | 113.3% | | | 107.3% | 9,667 |
| Oakville | $292.92 | 93.5% | $723.48 | 117.3% | $12,394.56 | 109.9% | | | 106.9% | 62,674 |
| Sioux Lookout | $390.96 | 124.8% | $714.12 | 115.8% | $8,936.16 | 79.3% | | | 106.6% | 16,419 |
| Kitchener-Wilmot | $281.40 | 89.8% | $601.68 | 97.6% | $14,929.02 | 132.4% | $337,568.04 | 99.0% | 104.7% | 86,611 |
| PUC Distribution | $251.64 | 80.3% | $612.00 | 99.2% | $15,031.08 | 133.3% | | | 104.3% | 32,870 |
| London | $289.92 | 92.5% | $575.76 | 93.3% | $8,379.42 | 74.3% | $521,169.48 | 152.9% | 103.3% | 146,974 |
| Wellington North (2011) | $300.00 | 95.8% | $622.56 | 100.9% | $12,710.58 | 112.7% | | | 103.1% | 3,613 |
| Halton Hills (proposed 2012) | $302.40 | 96.5% | $578.88 | 93.9% | $13,366.08 | 118.6% | | | 103.0% | 20,790 |
| Entegrus - Chatham | $301.20 | 96.1% | $674.28 | 109.3% | $11,494.38 | 102.0% | | | 102.5% | 32,033 |
| Horizon | $311.64 | 99.5% | $589.80 | 95.6% | $9,677.22 | 85.8% | $434,513.04 | 127.5% | 102.1% | 234,464 |
| Festival - Main | $338.40 | 108.0% | $696.96 | 113.0% | $9,545.58 | 84.7% | $247,019.04 | 72.5% | 101.9% | 19,579 |
| Kenora (proposed 2012) | $357.12 | 114.0% | $579.96 | 94.0% | $11,005.38 | 97.6% | | | 101.9% | 5,580 |
| Woodstock | $365.16 | 116.6% | $638.40 | 103.5% | $9,631.74 | 85.4% | | | 101.8% | 15,074 |
| Wasaga (2011) | $282.96 | 90.3% | $495.00 | 80.3% | $14,617.08 | 129.6% | | | 100.1% | 12,046 |
| Hydro 2000 (proposed 2012) | $294.60 | 94.0% | $728.40 | 118.1% | $9,372.36 | 83.1% | | | 98.4% | 1,196 |
| Lakeland | $316.68 | 101.1% | $641.40 | 104.0% | $10,083.30 | 89.4% | | | 98.2% | 9,439 |
| Renfrew | $305.16 | 97.4% | $686.28 | 111.3% | $9,314.22 | 82.6% | | | 97.1% | 4,155 |
| WestCoast Huron | $347.04 | 110.8% | $683.04 | 110.7% | $10,030.68 | 89.0% | $263,286.84 | 77.2% | 96.9% | 22,007 |
| Orangeville | $329.52 | 105.2% | $639.72 | 103.7% | $8,770.68 | 77.8% | | | 95.6% | 11,256 |
| North Bay | $294.96 | 94.2% | $648.60 | 105.2% | $9,616.50 | 85.3% | | | 94.9% | 23,754 |
| Burlington | $306.12 | 97.7% | $631.32 | 102.4% | $9,444.84 | 83.8% | | | 94.6% | 64,329 |
| Midland | $329.52 | 105.2% | $550.32 | 89.2% | $9,687.96 | 85.9% | | | 93.4% | 6,914 |
| Essex | $295.20 | 94.2% | $669.48 | 108.5% | $8,690.94 | 77.1% | | | 93.3% | 28,183 |
| Cambridge North Dumfries | $276.00 | 88.1% | $444.72 | 72.1% | $12,303.36 | 109.1% | $351,166.80 | 103.0% | 93.1% | 50,890 |
| Rideau St. Lawr. (proposed 2012) | $300.24 | 95.8% | $607.56 | 98.5% | $9,284.28 | 82.3% | | | 92.2% | 5,818 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Centre Wellington | $289.44 | 92.4% | $567.72 | 92.0% | $10,317.00 | 91.5% | | | 92.0% | 19,196 |
| Veridian | $284.88 | 90.9% | $573.72 | 93.0% | $10,781.40 | 95.6% | $300,977.04 | 88.3% | 92.0% | 112,569 |
| St.Thomas | $290.16 | 92.6% | $561.00 | 91.0% | $10,381.74 | 92.1% | | | 91.9% | 2,754 |
| Milton | $312.60 | 99.8% | $596.28 | 96.7% | $8,446.80 | 74.9% | $304,622.40 | 89.4% | 90.2% | 29,142 |
| Guelph | $330.60 | 105.5% | $482.40 | 78.2% | $9,391.50 | 83.3% | $283,051.44 | 83.0% | 87.5% | 50,250 |
| Brantford | $270.00 | 86.2% | $453.72 | 73.6% | $11,337.42 | 100.6% | | | 86.8% | 37,654 |
| Oshawa | $211.32 | 67.5% | $493.92 | 80.1% | $11,346.54 | 100.6% | $336,712.44 | 98.8% | 86.7% | 52,710 |
| Hydro One Brampton | $255.24 | 81.5% | $587.40 | 95.2% | $8,614.14 | 76.4% | $310,669.68 | 91.1% | 86.1% | 134,228 |
| Lakefront | $256.32 | 81.8% | $469.20 | 76.1% | $11,142.30 | 98.8% | | | 85.6% | 9,571 |
| Tillsonburg | $281.16 | 89.7% | $665.64 | 107.9% | $6,656.16 | 59.0% | | | 85.6% | 6,700 |
| Grimsby | $292.68 | 93.4% | $606.72 | 98.4% | $7,061.76 | 62.6% | | | 84.8% | 10,151 |
| Powerstream | $273.48 | 87.3% | $622.08 | 100.9% | $11,524.20 | 102.2% | $151,891.56 | 44.6% | 83.7% | 325,540 |
| Welland | $310.68 | 99.2% | $506.40 | 82.1% | $8,346.48 | 74.0% | $260,977.68 | 76.6% | 83.0% | 21,411 |
| Westario | $272.40 | 87.0% | $470.04 | 76.2% | $9,593.70 | 85.1% | | | 82.8% | 3,770 |
| COLLUS | $271.20 | 86.6% | $486.96 | 79.0% | $9,288.24 | 82.4% | | | 82.6% | 15,533 |
| Northern Ontario Wires | $343.56 | 109.7% | $608.40 | 98.6% | $4,243.32 | 37.6% | | | 82.0% | 6,026 |
| Erie Thames (2011) | $291.24 | 93.0% | $443.28 | 71.9% | $5,931.30 | 52.6% | $355,501.92 | 104.3% | 80.4% | 14,373 |
| Kingston | $289.08 | 92.3% | $550.20 | 89.2% | $9,088.56 | 80.6% | $182,523.96 | 53.5% | 78.9% | 26,944 |
| Peterborough | $254.28 | 81.2% | $574.80 | 93.2% | $10,276.08 | 91.1% | $164,217.48 | 48.2% | 78.4% | 35,012 |
| Ottawa River | $273.24 | 87.2% | $520.92 | 84.5% | $6,389.82 | 56.7% | | | 76.1% | 10,475 |
| Thunder Bay | $237.24 | 75.7% | $526.08 | 85.3% | $6,982.26 | 61.9% | | | 74.3% | 49,508 |
| E.L.K. (2011) | $209.40 | 66.8% | $173.52 | 28.1% | $13,736.28 | 121.8% | | | 72.3% | 11,205 |
| Hearst | $262.44 | 83.8% | $396.84 | 64.3% | $7,585.32 | 67.3% | | | 71.8% | 2,734 |
| Entegrus - Middlesex | $285.00 | 91.0% | $338.16 | 54.8% | $4,892.52 | 43.4% | $51,040.80 | 15.0% | 51.0% | 7,859 |
| Hydro Hawkesbury | $148.20 | 47.3% | $297.00 | 48.2% | $5,796.18 | 51.4% | | | 49.0% | 5,496 |
| | | | | | | | | | | |
| ***AVERAGE*** | $313.28 | | $616.78 | | $11,274.45 | | $340,869.01 | | | |

$281.95

$344.60

## Cost Increases Comparison - 2005 to 2010 - (by # of Customers)

**(data from Electricity Distributors Yearbook)**

***Schedule 2***

| *Utility* | *OM&A per Customer* | | | | *PP&E per Customer* | | | | *Number of Customers* |
|---|---|---|---|---|---|---|---|---|---|
| | *2005* | *2010* | *Increase* | *Percent* | *2005* | *2010* | *Increase* | *Percent* | |
| | | | | | | | | | |
| Hydro One Networks | $296.37 | $461.47 | $165.11 | 55.7% | $3,011 | $4,288 | $1,277 | 42.4% | 1,203,030 |
| Toronto Hydro | $223.76 | $311.95 | $88.20 | 39.4% | $2,324 | $3,066 | $742 | 31.9% | 700,386 |
| Powerstream | $187.46 | $204.53 | $17.07 | 9.1% | $2,014 | $2,116 | $102 | 5.1% | 325,540 |
| Hydro Ottawa | $129.05 | $192.44 | $63.39 | 49.1% | $1,465 | $1,772 | $307 | 21.0% | 300,664 |
| Horizon | $165.34 | $168.41 | $3.07 | 1.9% | $1,225 | $1,420 | $195 | 15.9% | 234,464 |
| Enersource | $229.60 | $249.14 | $19.54 | 8.5% | $2,212 | $2,295 | $83 | 3.8% | 192,960 |
| London | $162.18 | $204.70 | $42.52 | 26.2% | $1,211 | $1,331 | $119 | 9.8% | 146,974 |
| Hydro One Brampton | $120.66 | $150.37 | $29.71 | 24.6% | $2,367 | $1,928 | -$438 | -18.5% | 134,228 |
| Veridian | $174.87 | $182.72 | $7.86 | 4.5% | $1,218 | $1,484 | $266 | 21.8% | 112,569 |
| Kitchener-Wilmot | $127.75 | $147.31 | $19.57 | 15.3% | $1,661 | $1,699 | $38 | 2.3% | 86,611 |
| EnWin | $250.67 | $259.61 | $8.95 | 3.6% | $1,729 | $2,156 | $427 | 24.7% | 84,866 |
| Burlington | $180.75 | $225.95 | $45.19 | 25.0% | $1,318 | $1,323 | $5 | 0.4% | 64,329 |
| Oakville | $181.83 | $179.51 | -$2.32 | -1.3% | $1,730 | $1,998 | $268 | 15.5% | 62,674 |
| Oshawa | $162.87 | $171.41 | $8.54 | 5.2% | $899 | $988 | $90 | 10.0% | 52,710 |
| Waterloo North | $171.55 | $195.85 | $24.29 | 14.2% | $1,761 | $2,462 | $700 | 39.8% | 51,914 |
| Niagara Peninsula | $250.04 | $263.72 | $13.68 | 5.5% | $1,620 | $2,315 | $695 | 42.9% | 51,048 |
| Cambridge North Dumfries | $169.91 | $188.39 | $18.49 | 10.9% | $1,586 | $1,638 | $52 | 3.3% | 50,890 |
| Guelph | $150.88 | $200.18 | $49.30 | 32.7% | $1,402 | $1,783 | $381 | 27.2% | 50,250 |
| Thunder Bay | $214.69 | $249.93 | $35.24 | 16.4% | $1,204 | $1,284 | $80 | 6.6% | 49,508 |
| Greater Sudbury | $205.03 | $174.77 | -$30.26 | -14.8% | $1,391 | $1,401 | $9 | 0.7% | 46,710 |
| Whitby | $206.38 | $223.49 | $17.11 | 8.3% | $1,469 | $1,585 | $116 | 7.9% | 39,669 |
| Brantford | $203.82 | $202.57 | -$1.25 | -0.6% | $1,408 | $1,648 | $240 | 17.0% | 37,654 |
| Bluewater | $256.10 | $293.94 | $37.85 | 14.8% | $1,046 | $1,192 | $146 | 14.0% | 35,688 |
| Peterborough | $178.03 | $209.09 | $31.06 | 17.4% | $1,295 | $1,371 | $76 | 5.9% | 35,012 |
| Newmarket-Tay | $184.53 | $221.53 | $37.00 | 20.0% | $1,375 | $1,550 | $175 | 12.7% | 32,911 |
| PUC Distribution | $214.34 | $265.85 | $51.51 | 24.0% | $1,091 | $1,287 | $196 | 17.9% | 32,870 |
| Entegrus - Chatham | $183.22 | $208.20 | $24.98 | 13.6% | $1,273 | $1,512 | $239 | 18.8% | 32,033 |
| Milton | $211.82 | $192.72 | -$19.10 | -9.0% | $1,586 | $1,715 | $129 | 8.2% | 29,142 |
| Essex | $239.82 | $196.87 | -$42.94 | -17.9% | $833 | $1,314 | $481 | 57.7% | 28,183 |
| Kingston | $197.79 | $228.55 | $30.76 | 15.6% | $845 | $1,066 | $221 | 26.2% | 26,944 |
| North Bay | $199.67 | $209.29 | $9.62 | 4.8% | $1,197 | $1,584 | $388 | 32.4% | 23,754 |
| Westario | $202.87 | $200.37 | -$2.50 | -1.2% | $1,127 | $1,373 | $245 | 21.8% | 22,007 |
| Welland | $173.32 | $224.13 | $50.80 | 29.3% | $885 | $1,018 | $134 | 15.1% | 21,411 |
| Haldimand County | $255.50 | $328.76 | $73.26 | 28.7% | $1,416 | $1,657 | $241 | 17.0% | 20,971 |
| Halton Hills | $190.38 | $217.25 | $26.87 | 14.1% | $1,274 | $1,448 | $174 | 13.7% | 20,790 |
| Festival - Main | $168.66 | $206.34 | $37.68 | 22.3% | $1,559 | $1,712 | $153 | 9.8% | 19,579 |
| CNP Fort Erie/Eastern | $273.68 | $352.44 | $78.76 | 28.8% | $2,179 | $3,282 | $1,103 | 50.6% | 19,196 |
| Norfolk | $212.72 | $263.65 | $50.93 | 23.9% | $1,897 | $2,608 | $711 | 37.5% | 18,940 |
| Sioux Lookout | $372.99 | $426.09 | $53.10 | 14.2% | $1,884 | $1,644 | -$239 | -12.7% | 16,419 |
| COLLUS | $195.59 | $275.69 | $80.10 | 41.0% | $667 | $857 | $191 | 28.6% | 15,533 |
| Woodstock | $212.38 | $243.45 | $31.08 | 14.6% | $1,199 | $1,397 | $198 | 16.5% | 15,074 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Innisfil | $195.28 | $267.36 | $72.08 | 36.9% | $1,181 | $1,537 | $355 | 30.1% | 14,707 |
| Erie Thames | $319.04 | $310.93 | -$8.11 | -2.5% | $1,148 | $1,245 | $97 | 8.5% | 14,373 |
| Orillia | $268.51 | $329.28 | $60.78 | 22.6% | $1,219 | $1,197 | -$23 | -1.9% | 12,862 |
| Wasaga | $147.23 | $182.89 | $35.65 | 24.2% | $775 | $732 | -$43 | -5.5% | 12,046 |
| Algoma | $641.08 | $749.56 | $108.47 | 16.9% | $4,280 | $6,071 | $1,791 | 41.9% | 11,612 |
| Orangeville | $175.15 | $235.08 | $59.92 | 34.2% | $1,276 | $1,246 | -$30 | -2.4% | 11,256 |
| Ottawa River | $186.70 | $221.99 | $35.29 | 18.9% | $824 | $780 | -$44 | -5.4% | 10,475 |
| Grimsby | $160.35 | $177.89 | $17.54 | 10.9% | $1,123 | $1,114 | -$9 | -0.8% | 10,151 |
| Brant County | $356.90 | $361.27 | $4.37 | 1.2% | $1,986 | $2,027 | $41 | 2.1% | 9,667 |
| Lakefront | $188.30 | $224.26 | $35.96 | 19.1% | $1,160 | $1,139 | -$21 | -1.8% | 9,571 |
| Lakeland | $216.53 | $312.58 | $96.05 | 44.4% | $1,399 | $1,475 | $76 | 5.4% | 9,439 |
| CNP Port Colborne | $432.95 | $388.19 | -$44.76 | -10.3% | $695 | $1,319 | $624 | 89.7% | 9,169 |
| Niagara-on-the-Lake | $182.64 | $228.52 | $45.89 | 25.1% | $2,536 | $2,515 | -$21 | -0.8% | 7,882 |
| Entegrus - Middlesex | $244.48 | $217.46 | -$27.01 | -11.0% | $911 | $1,104 | $193 | 21.2% | 7,859 |
| Midland | $254.24 | $271.67 | $17.43 | 6.9% | $810 | $1,573 | $762 | 94.1% | 6,914 |
| Tillsonburg | $215.93 | $330.22 | $114.29 | 52.9% | $828 | $885 | $57 | 6.8% | 6,700 |
| Centre Wellington | $234.34 | $285.14 | $50.80 | 21.7% | $1,149 | $1,007 | -$142 | -12.4% | 6,463 |
| Northern Ontario Wires | $259.23 | $341.29 | $82.06 | 31.7% | $579 | $578 | -$1 | -0.1% | 6,026 |
| Rideau St. Lawrence | $229.27 | $286.42 | $57.15 | 24.9% | $599 | $709 | $109 | 18.2% | 5,818 |
| Kenora | $206.88 | $309.90 | $103.02 | 49.8% | $1,195 | $1,315 | $120 | 10.1% | 5,580 |
| Hydro Hawkesbury | $140.05 | $160.73 | $20.68 | 14.8% | $387 | $356 | -$31 | -8.0% | 5,496 |
| Renfrew | $172.53 | $250.57 | $78.03 | 45.2% | $992 | $1,086 | $94 | 9.5% | 4,155 |
| WestCoast Huron | $373.54 | $351.48 | -$22.06 | -5.9% | $1,042 | $1,097 | $55 | 5.3% | 3,770 |
| Wellington North | $277.84 | $352.24 | $74.40 | 26.8% | $776 | $1,326 | $549 | 70.8% | 3,613 |
| Parry Sound | $306.09 | $359.27 | $53.18 | 17.4% | $1,432 | $1,140 | -$293 | -20.4% | 3,377 |
| St.Thomas | $197.94 | $210.22 | $12.28 | 6.2% | $1,202 | $1,142 | -$60 | -5.0% | 2,754 |
| Hearst | $213.80 | $299.76 | $85.96 | 40.2% | $384 | $287 | -$97 | -25.2% | 2,734 |
| Embrun | $198.84 | $242.70 | $43.86 | 22.1% | $1,107 | $982 | -$125 | -11.3% | 1,958 |
| Hydro 2000 | $264.06 | $249.45 | -$14.60 | -5.5% | $324 | $373 | $49 | 15.1% | 1,196 |
| | | | | | | | | | |
| ***WEIGHTED AVERAGE*** | $219.70 | $290.32 | $70.62 | 32.1% | $2,017 | $2,554 | $537 | 26.6% | |
| ***SIMPLE AVERAGE*** | $229.18 | $269.84 | $40.66 | 17.7% | $1,274 | $1,494 | $221 | 17.3% | |

## ***Large Urban Distributors Performance Comparison - 2010 Yearbook Data***

**PP&E per Customer**

| *Utility* | *PPE/Customer* | *% of Average* |
|---|---|---|
| London Hydro Inc. | $1,330 | 71% |
| Horizon Utilities Corporation | $1,420 | 75% |
| Veridian Connections Inc. | $1,484 | 79% |
| Kitchener-Wilmot Hydro Inc. | $1,699 | 90% |
| Hydro Ottawa Limited | $1,772 | 94% |
| Hydro One Brampton Networks Inc. | $1,928 | 102% |
| PowerStream Inc. | $2,116 | 112% |
| EnWin Utilities Ltd. | $2,156 | 114% |
| Enersource Hydro Mississauga Inc. | $2,295 | 122% |
| ***Toronto Hydro-Electric System Limited*** | $3,066 | 163% |
| ***AVERAGE*** | $1,927 | |
| ***Average of the Nine*** | $1,886 | |

**Dx Revenue per Customer**

| *Utility* | *Revenue/Customer* | *% of Average* |
|---|---|---|
| Horizon Utilities Corporation | $382.47 | 77% |
| London Hydro Inc. | $421.07 | 85% |
| Kitchener-Wilmot Hydro Inc. | $423.49 | 85% |
| Veridian Connections Inc. | $434.20 | 87% |
| Hydro One Brampton Networks Inc. | $472.43 | 95% |
| Hydro Ottawa Limited | $493.52 | 99% |
| PowerStream Inc. | $501.23 | 101% |
| EnWin Utilities Ltd. | $594.30 | 120% |
| Enersource Hydro Mississauga Inc. | $615.66 | 124% |
| ***Toronto Hydro-Electric System Limited*** | $752.26 | 151% |
| ***AVERAGE*** | $509.06 | |
| ***Average of the Nine*** | $497.22 | |

**Capital Additions per Customer**

| *Utility* | *Capex/Customer* | *% of Average* |
|---|---|---|
| Horizon Utilities Corporation | $165.49 | 59% |
| London Hydro Inc. | $180.79 | 65% |
| EnWin Utilities Ltd. | $218.58 | 79% |
| Kitchener-Wilmot Hydro Inc. | $240.53 | 86% |
| Veridian Connections Inc. | $247.32 | 89% |
| Enersource Hydro Mississauga Inc. | $259.09 | 93% |
| Hydro One Brampton Networks Inc. | $265.94 | 96% |
| PowerStream Inc. | $285.99 | 103% |
| Hydro Ottawa Limited | $297.64 | 107% |
| Toronto Hydro-Electric System Limited | $601.45 | 216% |
| ***AVERAGE*** | $276.28 | |
| ***Average of the Nine*** | $278.19 | |

**OM&A per Customer**

| *Utility* | *OM&A/Customer* | *% of Average* |
|---|---|---|
| Kitchener-Wilmot Hydro Inc. | $147.31 | 73% |
| Hydro One Brampton Networks Inc. | $150.37 | 74% |
| Horizon Utilities Corporation | $168.41 | 83% |
| Veridian Connections Inc. | $182.72 | 90% |
| Hydro Ottawa Limited | $192.44 | 95% |
| PowerStream Inc. | $204.53 | 101% |
| London Hydro Inc. | $204.70 | 101% |
| Enersource Hydro Mississauga Inc. | $249.14 | 123% |
| EnWin Utilities Ltd. | $259.61 | 128% |
| Toronto Hydro-Electric System Limited | $311.95 | 154% |
| ***AVERAGE*** | $207.12 | |
| ***Average of the Nine*** | $202.45 | |

**Dx Cost per Delivered kwh**

| *Utility* | *Cost per Kwh* | *% of Average* |
|---|---|---|
| Enersource Hydro Mississauga Inc. | $0.0154 | 82% |
| Horizon Utilities Corporation | $0.0157 | 83% |
| Hydro One Brampton Networks Inc. | $0.0168 | 89% |
| London Hydro Inc. | $0.0183 | 97% |
| Veridian Connections Inc. | $0.0192 | 102% |
| EnWin Utilities Ltd. | $0.0195 | 103% |
| Hydro Ottawa Limited | $0.0195 | 103% |
| PowerStream Inc. | $0.0196 | 104% |
| Kitchener-Wilmot Hydro Inc. | $0.0200 | 106% |
| Toronto Hydro-Electric System Limited | $0.0213 | 113% |
| ***AVERAGE*** | $0.0185 | |
| ***Average of the Nine*** | $0.0189 | |

**Dx Cost per Peak KW**

| *Utility* | *Cost per KW* | *% of Average* |
|---|---|---|
| Enersource Hydro Mississauga Inc. | $76.81 | 82% |
| Hydro One Brampton Networks Inc. | $79.35 | 85% |
| Horizon Utilities Corporation | $82.18 | 88% |
| PowerStream Inc. | $86.06 | 92% |
| London Hydro Inc. | $90.00 | 97% |
| Veridian Connections Inc. | $95.89 | 103% |
| EnWin Utilities Ltd. | $97.44 | 105% |
| Hydro Ottawa Limited | $97.74 | 105% |
| Kitchener-Wilmot Hydro Inc. | $99.67 | 107% |
| Toronto Hydro-Electric System Limited | $110.09 | 118% |
| ***AVERAGE*** | $91.52 | |
| ***Average of the Nine*** | $93.16 | |

**Cost per population served**

| *Utility* | *Cost by Pop.* | *% of Average* |
|---|---|---|
| Hydro One Brampton Networks Inc. | $127.18 | 82% |
| PowerStream Inc. | $136.32 | 88% |
| Kitchener-Wilmot Hydro Inc. | $147.45 | 95% |
| Horizon Utilities Corporation | $156.15 | 100% |
| Veridian Connections Inc. | $156.37 | 100% |
| Enersource Hydro Mississauga Inc. | $161.85 | 104% |
| London Hydro Inc. | $174.33 | 112% |
| Hydro Ottawa Limited | $179.68 | 115% |
| Toronto Hydro-Electric System Limited | $210.47 | 135% |
| EnWin Utilities Ltd. | $233.80 | 150% |
| ***AVERAGE*** | $168.36 | |
| ***Average of the Nine*** | $155.69 | |

**Cost per Km of line**

| *Utility* | *Cost by density* | *% of Average* |
|---|---|---|
| Kitchener-Wilmot Hydro Inc. | $19,657 | 68% |
| Veridian Connections Inc. | $21,242 | 73% |
| PowerStream Inc. | $22,107 | 76% |
| London Hydro Inc. | $22,309 | 77% |
| Hydro One Brampton Networks Inc. | $22,463 | 78% |
| Enersource Hydro Mississauga Inc. | $22,992 | 79% |
| Horizon Utilities Corporation | $26,259 | 91% |
| Hydro Ottawa Limited | $27,407 | 95% |
| EnWin Utilities Ltd. | $42,779 | 148% |
| Toronto Hydro-Electric System Limited | $52,740 | 182% |
| ***AVERAGE*** | $27,995 | |
| ***Average of the Nine*** | $28,922 | |

**Capex/Depreciation**

| *Utility* | *Capex/Deprec.* | *% of Average* |
|---|---|---|
| Enersource Hydro Mississauga Inc. | 137.90% | 76% |
| EnWin Utilities Ltd. | 151.43% | 83% |
| Horizon Utilities Corporation | 157.75% | 87% |
| London Hydro Inc. | 166.60% | 91% |
| PowerStream Inc. | 201.28% | 111% |
| Hydro One Brampton Networks Inc. | 202.37% | 111% |
| Hydro Ottawa Limited | 207.17% | 114% |
| Veridian Connections Inc. | 211.95% | 116% |
| Kitchener-Wilmot Hydro Inc. | 212.60% | 117% |
| Toronto Hydro-Electric System Limited | 255.36% | 140% |
| ***AVERAGE*** | 190.44% | |
| ***Average of the Nine*** | 182.09% | |

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

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

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

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

MR. MORRISON: No, we don't.

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

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

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

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

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

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

Et cetera.

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

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

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

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

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

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

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

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

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

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

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

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

Has nobody asked?

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

MR. SHEPHERD: That's all?

MR. MACUMBER: Yes.

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

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

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

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

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

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

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

MR. VEGH: Yes.

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

**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**

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

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

"Enersource does not maintain information on other distributors."

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

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

MR. MACUMBER: We just track the reliability.

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

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

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

MR. SHEPHERD: Thank you.

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

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

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

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

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