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.

COMPENDIUM OF MATERIALS

OF THE CONSUMERS COUNCIL OF CANADA

FOR CROSS-EXAMINATION OF PANEL 2 ON SEPTEMBER 6, 2012

September 5, 2012

WeirFoulds LLP
Barristers & Solicitors
Suite 1600, The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J5
Robert B. Warren
(LSUC # 17210M)
Telephone: 416-365-1110
Fax: 416-365-1876

Lawyers for the Intervenor
The Consumers Council of Canada

INDEX

TAB	DESCRIPTION	PAGE NO.
1	Electricity Distribution Rate Handbook – March 9, 2000	1
2	Exhibit 4, Tab 1, Schedule 1	7
3	SEC IR #50 on Issue 4.1	25
4	Energy Probe IR #26 on Issue 4.1	28
5	CCC IR #10 on Issue 4.1	30
6	CCC IR #3 on Issue 4.1	32
7	Board Staff IR #38 on Issue 4.1	33
8	VECC IR #37 on Issue 4.1	34
9	Board Staff Summary Table filed August 31, 2012 in EB-2012-0033	39
10	Decision and Order in EB-2011-0054, pages 9-14	40
11	Exhibit 1, Tab 2, Schedule 1, p. 11	47

Ontario Energy Board

Commission de l'Énergie de l'Ontario

VT INCEPIT FIDELIS SIC PERMANET

Ontario

ONTARIO ENERGY BOARD ELECTRICITY DISTRIBUTION RATE HANDBOOK

MARCH 9, 2000

CHAPTER 2
OVERVIEW OF THE ELECTRICITY DISTRIBUTION RATE REGULATION FRAMEWORK

2.1 INTRODUCTION

This chapter provides an overview of the electricity distribution rate regulation framework that the Board is adopting for a three-year first generation PBR plan. The framework includes:

- Establishing initial rates for market opening.
- Use of a price cap PBR mechanism to adjust rates for year 2 and year 3 of the PBR plan.
- Establishing service quality standards.

2.2 ESTABLISHING INITIAL RATES

Electricity distribution utilities are required to file initial rates for several purposes:

- With market opening, the distribution charges need to be separated from commodity (SSS or retail options) and other non-competitive electricity charges (e.g., transmission and IMO charges).
- The distribution charge will be structured as a two-part rate: a monthly fixed service charge and a volumetric kW or kWh based rate.
- Adjustments to the existing distribution rates may be required for utilities that choose to increase their returns on common equity towards a market-based rate of return.

2.3 USE OF PBR AS THE RATE REGULATING MECHANISM

PBR is being adopted as the rate regulation scheme for electricity distribution utilities in the Province of Ontario. PBR has several features that make it an attractive regulatory mechanism:

- It provides strong incentives to the utilities to continue and expand their efforts to control cost, increase efficiency, and maintain service quality.
- It is expected to minimize the administrative burden.
- It should minimize the cost of regulation.

2.3.1 Objectives of PBR

PBR provides the electricity distribution utilities with incentives to operate efficiently and to innovate. It also gives consumers appropriate price signals, and allows sharing gains from more efficient production, consumption and innovation.

PBR is a framework that permits greater pricing flexibility. It also allows electricity distribution utilities the potential for greater returns, based on superior performance than would a traditional regulatory framework, such as cost-of-service regulation. It allows the utility to keep a portion of the rewards from innovation and provides a planning horizon for the term of the PBR plan, during which the mechanism for calculating price changes and earnings to be retained by the utility are fixed.

Customers benefit from PBR through the prescribed productivity factor and from potential gains through increased efficiency. By creating incentives that normally accrue in a competitive market, PBR brings the benefits of competition, and preserves the important service quality standards.

PBR decouples the price that the utility charges for its service from its cost. Since price adjusts according to a simple formula, if the utility can reduce its costs by more than its prescribed productivity factor it can keep the cost savings in the form of higher operating profits. Thus, PBR provides strong incentives for utilities to find efficiencies in their operations.

2.3.2 First Generation PBR

The PBR mechanism for the first generation PBR plan for the electricity distribution utilities is a price cap plan with a three-year term. Under a cap mechanism, changes in the IPI, adjusted for a prescribed productivity factor, and costs associated with extraordinary events, establishes the level of annual changes in the prices of distribution services over the term of the plan.

This is a time of major change for the electricity industry in Ontario. The imminent opening of the retail electricity market and the reorganization of the industry are posing challenges for all involved in the industry. Hence, in developing the first generation PBR plan for the electricity distribution utilities, several objectives were established for the PBR mechanism:

- First, the first term of PBR should allow all involved to gain experience with PBR while minimizing the potential for "bad" outcomes. This means that the plan should be of relatively short duration, with a simple rate adjustment mechanism, and safeguards for both customers and utilities.

- Second, the PBR rate regulation scheme needs to be administratively simple. Hence, this regulatory scheme is intended to establish the proper incentives that allows regulation to be "light-handed", with considerably less regulatory oversight than in traditional cost-of-service models.

- Third, it became apparent in the PBR development process that although there may be other regulatory mechanisms that are promising, these could not be implemented at this time due to lack of consistent data, insufficient time, or insufficient resources. Therefore, this first generation of PBR is intended to establish a base for future regulatory initiatives and to gain experience with PBR.

2.3.3 Second Generation PBR

A mid-term review will be held to design the next generation of PBR. While the regulatory mechanism will be reviewed at that time, the Board will also conduct a rebasing study to identify the level at which rates should be established for the second generation PBR term. In addition, electricity distribution utilities will be required to undertake cost allocation studies to better align rates with cost causation of the customer groups in the second generation PBR.

The intent is that second generation PBR and the corresponding updates to the Rate Handbook will be implemented in 2003. To fulfill that objective the Board anticipates undertaking an interim review of first generation PBR in 2001. Items to be assessed during that review include, but are not limited to, the following:

- The experience with PBR to date and future requirements.
- The possible role of alternate PBR mechanisms, e.g. yardstick.
- The rebasing of rates, including review of cost allocation among customer/rate classes.
- The design and term of the second generation PBR plan.
- Review and assessment of service quality and reliability standards.
- Role of electricity distribution utilities with regard to demand side management ("DSM").

2.4 SERVICE QUALITY STANDARDS

Left unchecked, the economic incentives of the PBR mechanism might ultimately lead the electricity distribution utility to cut service quality in order to reduce costs. Hence, an important component of PBR is standards that ensure that service quality is maintained or enhanced. Currently, there is such diversity in the size, circumstances, and service standards of distribution utilities in the Province that it is difficult to establish universally appropriate service quality standards. However, there needs to be some accountability and movement towards service quality standards. Hence, this Rate Handbook establishes six customer service and three service reliability indicators which will be monitored over the term of the first generation PBR plan. The indicators are:

Customer Service indicators

- Time to connect new services
- Time to locate underground cables
- Meeting appointments

- Telephone accessibility
- Written response to inquiries
- Emergency response

Service Reliability Indicators

- System average interruption duration index (SAIDI)
- System average interruption frequency index (SAIFI)
- Customer average interruption duration index (CAIDI)

2.5 DEMAND SIDE MANAGEMENT

Facilitation of energy efficiency is one of the objectives of the Act and DSM is important in achieving this objective. However, the role of the electricity distribution utilities with regard to DSM has not been examined as yet. The question on how DSM will be delivered in the restructured electricity industry requires better understanding. Therefore, appropriate considerations of DSM will be included in the review for second generation PBR.

Operating Costs Manager's Summary

Enersource's operating, maintenance, and administration ("operating" or "OM&A") costs from 2008 to 2013 are provided in Table 1 below. Table 1 presents the operating costs for summarized business units and other key drivers.

The summarized business units have experienced cost pressures since 2008 due to rising salaries and benefits, and maintaining the expected level of service to Enersource's customers. In other words, it represents a sub-total of operating costs for Enersource's "business as usual" scenario.

The other key drivers are items that were largely unforeseen during the 2008 cost of service rate application, EB-2007-0706. These are initiatives due to new or changing regulatory and business needs. The increased OM&A costs for these business units and other key drivers are described below.

Table 1: Operating Costs, 2008 to 2013 ($000s)

Business Unit or Key Driver	2008 Rates[1]	2008 Actual	2009 Actual	2010 Actual	2011 Actual CGAAP	2011 Actual IFRS	2012 Bridge IFRS	2013 Test IFRS
Business Unit Summary -								
Health Safety & Security	654	597	606	580	676	676	821	846
Customer Care	7,639	6,653	7,365	8,318	8,014	8,014	8,901	9,317
Engineering & Operations	9,435	8,517	11,399	11,821	12,229	12,229	13,062	13,923
Metering	2,157	756	374	1,632	2,295	2,295	2,356	2,017
Exec, Admin & Corp Alloc'n[2]	9,980	9,921	10,664	10,823	11,171	11,171	11,785	12,574
ISTS	5,457	4,477	4,971	5,862	6,279	6,279	7,559	8,227
Regulatory Affairs	1,074	898	1,053	1,215	1,340	1,340	1,473	1,518
Facilities Management	1,488	1,378	1,157	811	991	991	1,420	1,377
Other Expenses	2,194	1,767	2,681	1,734	1,437	1,437	1,876	1,904
Business Unit Sub-Total	**40,078**	**34,964**	**40,271**	**42,796**	**44,432**	**44,432**	**49,253**	**51,703**
Other Key Drivers -								
IFRS Overhead Burdens	-	-	-	-	-	2,525	3,022	2,774
Bad Debt Expense	1,575	1,270	1,253	2,802	3,706	3,706	3,600	3,550
Asset Mngm't Plan Initiative	-	-	-	-	120	120	287	1,153
New Administration Building	-	-	-	-	-	-	847	1,668
One-Time Costs	-	-	-	-	-	-	-	251
Other Key Drivers Sub-Total	**1,575**	**1,270**	**1,253**	**2,802**	**3,826**	**6,351**	**7,756**	**9,396**
Total Operating Costs	**41,653**	**36,234**	**41,524**	**45,598**	**48,258**	**50,783**	**57,009**	**61,099**

1. OM&A for 2008 Rates has been adjusted to include smart meter costs of $1,177. Note that this differs from Table 1 of Exhibit 2 Tab 1 Schedule 4, which agrees with EB-2007-0706 Settlement Agreement dated December 21, 2007, page 16.
2. "Exec, Admin & Corp Alloc'n" consists of Enersource Executive and Administration, and Shared Services/Corporate Allocation.

The total operating costs will rise from $41,653, as approved by the Board for 2008, to $61,099 in the 2013 Test Year. This is an increase of $19,446, or 47%.

—compare actual from 2008 to 2013

Table 2 below identifies the cost variances since 2008 that are attributable to business units and to other key drivers.

Table 2: Variance of Total Operating Costs, 2008 vs. 2013

Source of Increase	Amount ($000s)	Percentage Increase
Increase Due to Normal Business Unit Activities	11,625	60%
Increase Due to Other Key Drivers	7,821	40%
Total Operating Cost Increase 2008 to 2013	19,446	100%

The increase in costs for normal business unit activities represents 60% of the operating cost increase since 2008. Other key drivers explain 40% of the operating cost increase.

Excluding the operating expenses due to other key drivers (IFRS overhead burdens, bad debts, asset management plan ("AMP") initiative, one-time costs and the new administration office), total operating expenses in 2013 will be $51,704, representing a 4.4% average annual compound growth rate.

Various business units or Company initiatives are listed on Table 1. Each of these is discussed in detail in Schedules 2 to 13 of Exhibit 4 Tab 1 as listed in Table 3 below:

1 **Table 3: Discussions on Operating Costs at Exhibit 4 Tab 1**

Business Unit or Company Initiative	Schedule
Health, Safety and Security ("HS&S")	Schedule 2
Customer Care ("CC") (incl. Bad Debt Expense)	Schedule 3
Engineering and Operations ("E&O")	Schedule 4
Asset Management Plan ("AMP") Initiative	Schedule 5
Metering	Schedule 6
Enersource Executive and Administration ("E&A")	Schedule 7
Shared Services/Corporate Allocation	Schedule 8
Information Solutions and Technology Services ("ISTS")	Schedule 9
Regulatory Affairs ("RA")	Schedule 10
Facilities Management Services ("FMS")	Schedule 11
New Administration Office	Schedule 12
IFRS Overhead Burdens	Schedules 1, 4, 11
One Time Costs	Schedules 1, 6, 10
Other Expenses	Schedule 13

2 The remainder of this exhibit summarizes some of the key drivers of the
3 operating costs in the 2013 Test Year.

Pension and Other Benefits Costs

Overall benefits costs increase from $5,320 in 2008 Rates to $9,248 in 2013. The benefits costs increase is largely due to higher pension-related (OMERS) contributions. Table 4 shows the pension contribution rates since 2008, which have risen by approximately one-third since 2008. Further discussion on benefits and compensation costs is provided at Exhibit 4 Tab 3 Schedule 1.

Table 4: Enersource Pension Contribution Rates for Members with a Normal Retirement age of 65

Limit	2008	2009	2010	2011	2012
Up to CPP earnings limit	6.5%	6.3%	6.4%	7.4%	8.3%
Above CPP earnings limit	9.7%	9.5%	9.7%	10.7%	12.8%

Aging System Infrastructure

Operating costs have risen in the E&O division due to the growing challenge to maintain and replace the aging infrastructure of the Enersource distribution system. For example, overtime and contract costs in E&O have increased $2,087 since 2008. This increase is associated with 24/7 trouble trucks and other labour costs that must respond to outages of the system, and perform the necessary repairs to maintain reliability.

Reliability statistics provided in Tables 6.1 and 6.2 of the AMP found at Exhibit 2 Tab 2 Schedule 2 Appendix 1 highlight the growing problems associated with an aging system. The number of outages per year has risen from 384 to 1028, or 167%, from 2008 to 2011. The number of customer minutes of interruptions has risen from 3.6 million to 10.3 million from 2008 to 2011. This represents an increase of 6.7 million minutes, or 186%. Defective equipment has caused approximately half of the incremental interruptions.

In addition, the fact of aging infrastructure has required the investment of significant resources to monitor and manage the performance and replacement of distribution system assets. This is reflected in the additional ISTS staff and OM&A related to the AMP initiative, and internally-driven capital investments described in Exhibit 2 Tab 3 Schedule 2 Appendix 1.

IFRS Overhead Burdens on OM&A Costs

As shown in Table 1, the transition to IFRS has resulted in incremental operating costs, due to overhead burdens. IFRS prescribes which costs can be included as part of the cost of an asset and indicates that only costs that are directly attributable to a specific asset can be capitalized. Indirect overhead costs, such as general and administration costs that are not directly attributable to an asset, that were being capitalized under CGAAP, are not allowed under IFRS. This change resulted in a decrease of capital expenditures of $2,525 compared to CGAAP and an offsetting increase in OM&A for the same amount for 2011. This is forecast to rise to $3,022 in $2012, and $2,774 in the 2013 Test Year. These are discussed in further detail at Exhibit 4 Tab 1, in Schedules 4 and 11, respectively.

Table 5 below provides a breakout of the overhead burdens identified in Table 1.

Table 5: Total Overhead Burden Allocated to OM&A ($000s)

Allocation Specifics	2011 Actual	2012 Bridge	2013 Test
Labour and Material Burden - E&O	2,042	2,520	2,261
Fleet Burden - Facilities Management	483	502	513
Total Overhead Burden	2,525	3,022	2,774

Bad Debt Expenses

Since 2008, Enersource has experienced a significant increase in the amount and number of accounts deemed to be uncollectable. The net impact on the 2008 revenue requirement was expected to be $1,155. In the 2013 Test Year, the net impact of bad debts on Enersource's revenue requirement is expected to increase to $1,750. This is discussed in detail at Exhibit 4 Tab 1 Schedule 3.

One-Time Costs

Enersource has included certain costs for inclusion in operating costs and rates for the next four years to recover expenses related to one-time activities (referred to as "one-time costs"). These one-time costs are the regulatory costs for this Application, and costs associated with meeting Measurement Canada SE-04 specifications.

Enersource anticipates that it will incur a significant amount of expense relating to this Application. These additional regulatory costs total $650, as explained in Table 4 of Exhibit 4 Tab 1 Schedule 10. Enersource believes these costs should be recovered and amortized over four years to coincide with the expected cost of service period plus IRM term.

Measurement Canada requires that all newly-installed suite meters be inspected and certified to Measurement Canada's SE-04 specification within one year after installation. To comply with this requirement, Enersource expects to incur one-time costs totalling $352 as shown at Table 2 of Exhibit 4 Tab 1 Schedule 6. Further explanation of these costs is also provided in Schedule 6. Enersource believes these costs should also be recovered and amortized over four years to coincide with the expected cost of service period plus IRM term.

Employee Headcount and Type of Employee

The number of Enersource utility employees will rise from 318, the Board-approved level in 2008, to 339 in 2013. This is summarized in Table 6 below. Further detail on Enersource staffing and compensation is discussed at Exhibit 4 Tab 3 Schedule 1.

Table 6: Enersource Employee Count by Year

Business Unit/Initiative	2008 Rates	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test
HS&S	0	0	0	3	3	3
Customer Care	62	60	59	57	59	59
E&O	171	170	169	167	168	169
Asset Management Plan Initiative	0	0	0	0	1	5
Metering	22	23	24	26	24	24
Enersource E&A	10	11	9	9	8	8
ISTS	39	38	41	43	46	49
Regulatory Affairs	0	0	2	3	3	3
Facilities Management	14	17	17	16	16	16
New Administration Office	0	0	0	0	3	3
Total Enersource Headcount	318	319	321	324	331	339

Table 7 below provides the breakdown by type of employee for 2008 through 2013.

Table 7: Enersource Employee Type by Year

Business Unit	2008 Rates	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test
Inside	84	81	81	82	83	84
Outside	143	144	143	141	142	143
Non- Union	91	94	97	101	106	112
Total	**318**	**319**	**321**	**324**	**331**	**339**

Operating Cost OEB Appendices

The following OEB Appendices to Exhibit 4 are provided where indicated:

- Accounts for OM&A Analysis (Tab 1 Schedule 1 Appendix 2-D)
- Summary of OM&A Expenses (Tab 1 Schedule 1 Appendix 2-E);
- Detailed, Account by Account, OM&A Expense Table (Tab 1 Schedule 1 Appendix 2-F);
- OM&A Cost Driver Table (Tab 1 Schedule 1 Appendix 2-G);
- Regulatory Cost Schedule (Tab 1 Schedule 1 Appendix 2-H);
- OM&A Cost per Customer and per Full Time Equivalent (Tab 1 Schedule 1 Appendix 2-I);
- OM&A Variance Analysis (Tab 2 Schedule 1 Appendix 2-J);
- Employee Costs (Tab 3 Schedule 1 Appendix 2-K)
- Shared Services/Corporate Cost Allocation (Tab 4 Schedule 1 Appendix 2-L).

OM&A Cost per Customer and per Full Time Equivalent (Appendix 2-I)

The OM&A Cost per Customer in 2013 is $306.74. This compares to $221.84, as approved by the Board for 2008.

The OM&A cost per Full Time Equivalent in 2013 is $156,264. This compares to $113,188, as approved by the Board for 2008. (These costs are provided in dollars and not thousands of dollars.)

OM&A Shared Services/Corporate Cost Allocation (Appendix 2-L)

A summary of the total Enersource Corporation ("EC") operating costs allocated to Enersource (the regulated utility) is shown in Table 8 below, and is discussed at Exhibit 4 Tab 1 Schedule 8.

Table 8: EC Costs allocated to Enersource as per Appendix 2-L ($000s)

	2008 Rates	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test
Total EC Operating Costs	10,154	9,977	9,689	10,233	10,006	10,849	11,644
Allocated to Enersource (in Table 1)	8,546	8,358	8,842	9,721	9,506	10,131	10,874

Appendix 2-E
Summary of OM&A Expenses

Applicants should complete the two tables on this page.

Table 1: OM&A Year-over-Year Comparisons

This table should be completed for each of the comparisons outlined below (Note 1)

1 Last rebasing year (LRY) Actuals versus LRY Board approved (shown)
2 Year 1 Actuals versus LRY Actuals (Not necessary if LRY = Year 1)
3 Year 2 Actuals versus Year 1 Actuals
4 Year 3 Actuals versus Year 2 Actuals
5 Bridge Year versus Year 3 Actuals
6 Test Year versus Bridge Year

	2008 Board-approved	2008 Actuals	Variance $	Percentage Change %
Operations	$ 13,339,679	$ 11,702,739	-$ 1,636,940	-12.27%
Maintenance	$ 3,746,644	$ 3,295,253	-$ 451,391	-12.05%
Billing and Collecting	$ 8,422,185	$ 7,325,900	-$ 1,096,285	-13.02%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 15,247,150	$ 13,044,178	-$ 2,202,972	-14.45%
Taxes Other Than Income Taxes	$ 897,400	$ 866,050	-$ 31,350	-3.49%
Total OM&A Expenses	$ 41,653,058	$ 36,234,120	-$ 5,418,938	-13.01%
Inflation Rate				

	2008 Actuals	2009 Actuals	Variance $	Percentage Change %
Operations	$ 11,702,739	$ 13,445,543	$ 1,742,804	14.89%
Maintenance	$ 3,295,253	$ 3,487,547	$ 192,294	5.84%
Billing and Collecting	$ 7,325,900	$ 8,126,830	$ 800,930	10.93%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 13,044,178	$ 15,600,037	$ 2,555,859	19.59%
Taxes Other Than Income Taxes	$ 866,050	$ 863,606	-$ 2,444	-0.28%
Total OM&A Expenses	$ 36,234,120	$ 41,523,563	$ 5,289,443	14.60%
Inflation Rate				

	2009	2010	Variance	Percentage Change
	Actuals	Actuals	$	%
Operations	$ 13,445,543	$ 14,770,356	$ 1,324,813	9.85%
Maintenance	$ 3,487,547	$ 3,264,481	-$ 223,065	-6.40%
Billing and Collecting	$ 8,126,830	$ 10,799,691	$ 2,672,861	32.89%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 15,600,037	$ 15,896,443	$ 296,406	1.90%
Taxes Other Than Income Taxes	$ 863,606	$ 867,586	$ 3,980	0.46%
Total OM&A Expenses	$ 41,523,563	$ 45,598,558	$ 4,074,995	9.81%
Inflation Rate				

	2010	2011	Variance	Percentage Change
	Actuals	Actuals	$	%
Operations	$ 14,770,356	$ 16,040,763	$ 1,270,407	8.60%
Maintenance	$ 3,264,481	$ 3,797,642	$ 533,160	16.33%
Billing and Collecting	$ 10,799,691	$ 11,480,571	$ 680,879	6.30%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 15,896,443	$ 18,599,779	$ 2,703,335	17.01%
Taxes Other Than Income Taxes	$ 867,586	$ 864,465	-$ 3,121	-0.36%
Total OM&A Expenses	$ 45,598,558	$ 50,783,218	$ 5,184,661	11.37%
Inflation Rate				

	2011	2012 Bridge Year	Variance	Percentage Change
	Actuals	Actuals	$	%
Operations	$ 16,040,763	$ 16,852,502	$ 811,739	5.06%
Maintenance	$ 3,797,642	$ 4,699,136	$ 901,494	23.74%
Billing and Collecting	$ 11,480,571	$ 11,688,482	$ 207,911	1.81%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 18,599,779	$ 22,693,565	$ 4,093,786	22.01%
Taxes Other Than Income Taxes	$ 864,465	$ 1,075,000	$ 210,535	24.35%
Total OM&A Expenses	$ 50,783,218	$ 57,008,685	$ 6,225,467	12.26%
Inflation Rate				

	2012 Bridge Year	2013 Test Year	Variance	Percentage Change
	Actuals	Forecast	$	%
Operations	$ 16,852,502	$ 17,431,212	$ 578,710	3.43%
Maintenance	$ 4,699,136	$ 5,446,624	$ 747,488	15.91%
Billing and Collecting	$ 11,688,482	$ 11,989,905	$ 301,423	2.58%
Community Relations	$ -	$ -	$ -	
Administrative and General	$ 22,693,565	$ 25,031,495	$ 2,337,930	10.30%
Taxes Other Than Income Taxes	$ 1,075,000	$ 1,200,000	$ 125,000	11.63%
Total OM&A Expenses	$ 57,008,685	$ 61,099,236	$ 4,090,551	7.18%
Inflation Rate				

Table 2: Additional Total OM&A Expense Comparative Information Table

Required Total OM&A Comparison

	2011 Actuals	2013 Test Year Forecast	Variance $	Percentage Change %
Test Year versus Most Current Actuals	$ 50,783,218	$ 61,099,236	$ 10,316,018	20.31%
	2008 Board-approved	**2013 Test Year Forecast**	**Variance $**	**Percentage Change %**
Test Year versus LRY Board-approved	$ 41,653,058	$ 61,099,236	$ 19,446,178	46.69%
Simple average of % variance for all years				11.04%
Compound annual growth rate for all years				0

Note 1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

Appendix 2-F
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

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

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

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

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

Appendix 2-G
OM&A Cost Driver Table ($ Millions)

OM&A	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year	2013 Test Year
Opening Balance (Millions)	$ 41.7	$ 36.2	$ 41.5	$ 45.6	$ 50.8	$ 57.0
Collective agreement/annual progressions	- 1.4	2.6	- 0.2	0.2	1.3	1.5
Benefit and pension costs	- 0.3	0.5	0.8	1.8	0.5	0.8
Bad debt	- 0.3	- 0.0	1.5	0.9	- 0.1	- 0.1
Distribution system maintenance & repair costs	- 0.2	0.7	- 0.0	0.2	- 0.1	0.3
Information solutions and technology services costs	- 0.3	0.2	0.5	- 0.2	0.5	0.1
Customer care costs	- 0.4	0.2	0.8	- 0.5	0.4	0.1
Asset management plan operating costs	-	-	-	0.1	0.2	0.9
New administrative office operating costs	-	-	-	-	0.8	0.8
Capitalization policy change	-	-	-	2.5	0.5	- 0.2
Other costs	- 2.9	1.2	0.7	0.1	2.2	- 0.1
Closing Balance	$ 36.2	$ 41.5	$ 45.6	$ 50.8	$ 57.0	$ 61.1

Notes:

(1) For each year, a detailed explanation for each cost driver and associated amount is required.

Collective agreement/annual progressions/new positions:
Annual compensation increases and progressions are governed by Enersource Hydro's Collective Agreement with the International Brotherhood of Electrical Workers for unionized staff. Enersource currently has a four year agreement that expires March 31, 2014. It provided for increases of 3.00% in the first and second years and provides for an increase of 3.25% in the third and fourth years of the Agreement.
Additional headcount requests were supported by position requisitions which identified job requirements. All new positions are approved by management.

Benefit and pension costs:
Increases in benefit and pension costs are primarily due to increases in OMERS pension expenses. Pension contributions have increased due to additional staff and the 2008 economic downturn which resulted in a funding deficit in the OMERS pension plan. To eliminate the funding deficit, OMERS introduced contribution increases for both the employee and employer portion. Refer to Exhibit 4, Tab 3, Schedule 1 for details on Enersource's pension costs.

Bad debt:
Since 2008, Enersource has experienced a significant increase in the amount and number of accounts deemed to be uncollectable. Enersource has attempted to mitigate this trend by hiring and Accounts Receivable Manager and selecting two new third party collection agencies. Refer to Exhibit 4 Tab 1 Schedule 2 for futher details.

Distribution system maintenance and repair costs:
Distribution system maintenance and repair include material and transportation costs as well as substation maintenance costs, underground maintenance and burn off repairs, overhead maintenance and repair costs and insulator washing. These costs are discussed in detail in Exhibit 4 Tab 1 Schedule 3.

Information system costs:

This costs driver represents increases in hardware/software maintenance, mainframe support costs and software licence renewal fees. Refer to Exhibit 4 Tab 1 Schedule 8 for further details.

Customer Care costs:
This cost driver represents increases in call centre and collections costs. These costs have increased due to the overall increase in the cost of power and Enersource's increased focus on customer accounts that are overdue. Refer to Exhibit 4 Tab 1 Schedule 2 ofr further details.

New administrative office:
Enersource has developed a flexible and executable strategic facilities plan that addresses the specific needs of the organization. The plan culminated with the acquisiton of a new administrative office. The incremental operating expenses for the new administrative office include salary costs, facility maintenance and repair costs, property taxes and utility costs. Further detail on the new administrative office is provided at Exhibit 2 Tab 2 Schedule 5 and Exhibit 4 Tab 1 Schedule 11.

Asset management:
Enersource has developed a detailed and integrated Asset Management Plan that identifies key distribution system maintenance and replacement programs over a five-year planning horizon. The AMP can be found in Exhibit 2 Tab 2 Schedule 2. The implementation of the AMP neccessitates additional staff and related costs to collect and analyze operational and asset information that had not been collected previously. For further details on AMP operating costs, refer to Exhibit 4 Tab 1 Schedule 4.

Capitalization policy change:
IFRS prescribes that only costs directly attributable to a specific asset can be capitalized. Under IFRS, indirect overhead costs can no longer be capitalized. These costs, referred to as overhead burdens, have resulted in an increase in Enersource's operating costs. Please refer to Exhibit 2 Tab 1 for further details on the change in capitalization policy.

(2) The closing balance for each year becomes the opening balance for the next year.
The 2008 Actual opening balance is Enersource's 2008 COS OM&A adjusted for smart meter costs.

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

Appendix 2-H
Regulatory Cost Schedule

	Regulatory Cost Category (A)	USoA Account	2008 Rates	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
1	OEB Annual Assessment	5655	$ 840,000	$ 788,332	$ 804,172	$ 760,066	$ 768,055	$ 820,000	$ 854,000
2	OEB Hearing Assessments (applicant-originated)								
3	OEB Section 30 Costs (OEB-initiated)								
4	Expert Witness costs for regulatory matters								
5	Legal costs for regulatory matters								?
6	Consultants' costs for regulatory matters								
7	Operating expenses associated with staff resources allocated to regulatory matters	5615	$ -	$ -	$ -	$ 293,226	$ 376,479	$ 426,072	$ 445,642
8	Operating expenses associated with other resources allocated to regulatory matters [1]	5615	$ -	$ -	$ -	$ 10,866	$ 21,374	$ 54,030	$ 45,531
9	Other regulatory agency fees or assessments	5680	$ 88,000	$ 92,689	$ 94,156	$ 92,868	$ 95,899	$ 97,850	$ 97,850
10	Any other costs for regulatory matters (please define)								
11	Intervenor and legal costs	5655	$ 146,000	$ 17,194	$ 154,700	$ 58,399	$ 78,371	$ 75,000	$ 75,000
11	**Intervenor and legal costs (One time costs)**	5655	$ -	$ -	$ -	$ -	$ -	$ -	$ 162,500
12	Sub-total - Ongoing Costs [3]		$ 1,074,000	$ 898,215	$ 1,053,028	$ 1,215,424	$ 1,340,179	$ 1,472,952	$ 1,518,023
13	Sub-total - One-time Costs [4]		$ -	$ -	$ -	$ -	$ -	$ -	$ 162,500
14	Total		$ 1,074,000	$ 898,215	$ 1,053,028	$ 1,215,424	$ 1,340,179	$ 1,472,952	$ 1,680,523

Notes:

1. Please identify the resources involved (conferences and publication of notices)
2. Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.
3. Sum of all ongoing costs identified in rows 1 to 11 inclusive.
4. Sum of all one-time costs identified in rows 1 to 11 inclusive.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory #50

School Energy Coalition (SEC)

4. Operating Costs

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

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

Please confirm that Schedule 2 attached to these questions correctly sets out the OM&A per customer for the Applicant in 2005 and 2010 based on the Yearbook data. Please explain the high level of OM&A per customer relative to similar utilities. Please explain the Applicant's pattern of slow growth in OM&A per customer from 2005 to 2010, and high growth proposed from 2010 to 2013.

Response:

Enersource confirms that Schedule 2 attached correctly sets out the OM&A per customer for the Applicant in 2005 and 2010 based on the Yearbook data.

Enersource cannot confirm which utilities on the table are comparable due to the many factors impacting the comparison such as capitalization policies of each utility, type of customers, asset management practices etc.

Please refer to Exhibit 4 Tab 1 Appendix 2-G for Enersource's OM&A Cost Driver Table which depicts the reasons for changes in OM&A.

Cost Increases Comparison - 2005 to 2010 - (by # of Customers) *Schedule 2*

(data from Electricity Distributors Yearbook)

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%	

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 26

Energy Probe Research Foundation
(Energy Probe)

4. Operating Costs

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

Ref: Exhibit 4, Tab 3, Schedule 1

Does Enersource benchmark its productivity and cost metrics against other peer distributors? If yes, please provide any benchmarking studies or reports on the subject. If no, please explain why benchmarking productivity and cost metrics is not an appropriate strategy to measure performance.

Response:

Enersource reviews annually the Yearbook data provided by the OEB. However, Enersource has not performed any independent benchmarking studies and is unable to comment on other utility practices. Further discussion on the challenges associated with comparing the Yearbook information is found in the response to SEC Issue 4.1 IR 50.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 25

Energy Probe Research Foundation
(Energy Probe)

4. Operating Costs

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

Ref: Exhibit 4, Tab 3, Schedule 1

Does Enersource have productivity, cost and schedule metrics to measure its performance on capital projects and OM&A? If yes, please provide them along with actual performance over the past 5 years.

Response:

Please see the response to CCC Issue 4.1 IR #10.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 10

The Consumers Council of Canada
(CCC)

4 Operating Costs
4.1: Is the proposed 2013 and 2014 OM&A forecast appropriate?

Reference: (4/T1/S1)

Please provide a complete list of all productivity initiatives pursued during the IRM period. Please demonstrate how those initiatives have translated into cost reductions for the 2013 test year.

Response:

Enersource attempts to obtain the best possible solution at the best price for all costs. Enersource also manages and strives to continuously improve work processes to gain efficiencies. Staff members have mid-year and annual reviews which identify performance improvements and individual development needs. Productivity improvements obtained by each business unit are built into the budget forecast each year.

Enersource believes that an effective and productive organization must have an outstanding health and safety record, a robust succession and human resource development plan, a skilled and engaged workforce, while continuing to focus on productivity, and leveraging innovation to improve efficiency.

Discussed below are examples of some of the initiatives that Enersource has worked on over the last few years that have resulted in increased efficiencies or increased productivity.

Enersource successfully implemented a new electricity distribution operations system that introduced a leading-edge technology in the electricity industry. The Integrated Operating Model (IOM) established a single interface for operators and engineers to view and operate the distribution system. Using real-time map updates and streamlined work flows, the IOM helps provide analysis, outage probability modelling, and automated restoration capabilities. This improves planning, outage response times, and the delivery of greater overall system efficiency.

Enersource also went live with its new Customer Care and Billing (CC&B) system. Enersource jointly implemented the CC&B system with Toronto Hydro which allowed Enersource to align key processes with Toronto Hydro and realize economic synergies. This ensures that Enersource conforms to the Ontario market requirements as well as improves efficiencies in the areas of customer management and regulatory compliance as part of the base functionality.

During 2010, Enersource also added an I/Tracker feature to the IOM which allows the fleet vehicles to be tracked by GPS by the control centre. This additional feature allows for a more efficient dispatch of service vehicles responding to outages.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 3

The Consumers Council of Canada
(CCC)

4 Operating Costs

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

Reference: (1/T2/S2/p. 4)

What is the assumed annual increase for wages and salaries included in the 2013 budget?

Response:

The assumed annual increase for wages and salaries included in the 2013 budget is 3.25% for both union and non-union employees. This assumption is based on the four-year collective agreement ("Collective Agreement") between Enersource and the International Brotherhood of Electrical Workers ("IBEW"). Enersource has forecast the increase for non-IBEW employees to be same as the IBEW employees for 2013.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory #38

Board Staff

4. Operating Costs

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

Reference: E1-T2-S2 p.4

Enersource states that Compensation estimates are based on the four-year collective agreement ("Collective Agreement") between Enersource and the International Brotherhood of Electrical Workers ("IBEW"), and include annual increases in OMERS contributory earnings, benefits, and statutory employment contributions. The Collective Agreement became effective April 1, 2010 and is set to expire on March 31, 2014. It provides for increases of 3.00% in the first and second years of the Collective Agreement and 3.25% in the third and fourth years.

Please clarify whether the aforementioned was used to also forecast compensation for non IBEW employees, including Enersource Corporation employees whose costs are allocated to or shared with Enersource. If the aforementioned was not used, please provide the compensation basis that was utilized.

Response:

Collective Agreement increases are taken into consideration in the setting of non-union wages. However, Enersource also considers forecasted salary increases of The Hay Group, Wm. Mercer Limited, the Conference Board of Canada, Morneau Sobeco, and the Toronto Board of Trade in formulating the adjustment.

When the non-union salary ranges were adjusted January 1, 2012, a percentage increase of 2.5% was applied. This was lower than the 3.25% adjustment received by the bargaining unit, which became effective April 1, 2012.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory #37

Vulnerable Energy Consumers Coalition (VECC)

4. Operating Costs
Issue 4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?

Reference: Exhibit 4, Tab 3, Schedule 1, page 14.

a) Enersource states that Collective Agreement increase of 3.25% in 2012 and 2013 are consistent with increases negotiated within the industry. On what basis is this statement made?

b) What comparators outside the Ontario gas and electricity industry did Enersource review in determining a reasonable salary increase for union and non-union employees? Please provide any studies that were utilized.

Response:

a) The first two years of the Collective Agreement settled at 3% which was similar to percentage increases granted by comparator distributors such as Hydro One Brampton, Horizon, and PowerStream. Typically a small increment is required in outer years to secure a longer term contract, which is what occurred for this four-year contract.

b) Bargaining unit settlements are shaped exclusively by electricity distributor experience. The Ministry of Labour reports on all unionized wage settlements.

Non-union increases are formulated by compensation survey data produced by compensation consultants. Enersource is a client of The Hay Group. Attached is the Hay Group Compensation Planning Update Bulletin for 2012.

September 2011

BULLETIN:

Summary of the Hay Group Compensation planning update for 2012

HayGroup®

In July, Hay Group conducted its annual compensation planning update for the upcoming year. Organizations were surveyed with an online questionnaire for their forecasts for base salary policy and base salary actual for the next twelve months. Six hundred and fifty-five responded 394 industrial, 119 financial and 223 organizations from the broader public sector.

We have provided the results including and excluding 0% increases and decreases. As not all organizations provided responses for all employee levels, averages shown are based on the actual number of respondents for each question.

Overall weighted average for anticipated increases at a glance – approved and not yet approved

Excluding 0% and decreases

	All sectors	Industrial sector	Financial sector	Broader public sector
Base salary policy	2.5%	2.5%	2.2%	2.3%
Base salary actual	3.0%	3.0%	2.9%	2.6%

Including 0% and decreases

	All sectors	Industrial sector	Financial sector	Broader public sector
Base salary policy	2.0%	2.1%	2.0%	1.5%
Base salary actual	2.8%	2.9%	2.9%	2.3%

Plans for base salary movement in the next twelve months – all sectors

Prevalence of base salary policy movement

Level	Percentage of organizations			
	Increase	Freeze	Decrease	Don't know yet
Executive / senior management	59%	13%		25%
Middle mgmt / seasoned professional	63%	12%		22%
Supervisory / junior professional	62%	13%		22%
Clerical / operations (non-union)	61%	13%		23%
Clerical / operations (union)	56%	14%	-	26%

Note: Percentages may not total 100% due to rounding

Prevalence of base salary actual movement

Level	Percentage of organizations			
	Increase	Freeze	Decrease	Don't know yet
Executive / senior management	84%	5%		11%
Middle mgmt / seasoned professional	88%	4%	-	8%
Supervisory / junior professional	86%	5%	-	7%
Clerical / operations (non-union)	86%	4%	-	9%
Clerical / operations (union)	78%	5%		19%

Note: Percentages may not total 100% due to rounding

Anticipated increases by region including 0% and decreases – approved & not yet approved

All sectors

Region	Base salary policy increase	Base salary actual increase
Atlantic Provinces	1.8%	2.4%
Alberta	2.3%	3.4%
British Columbia	1.5%	2.6%
Manitoba	2.3%	2.6%
Ontario	1.9%	2.7%
Québec	1.9%	2.8%
Saskatchewan	2.6%	3.2%
Newfoundland	2.7%	3.4%

36

HayGroup®

Level	Base salary policy				Base salary actual			
	Including 0%		Excluding 0%		Including 0%		Excluding 0%	
	Approved & not yet approved	Approved	Approved & not yet approved	Approved	Approved & not yet approved	Approved	Approved & not yet approved	Approved
All sectors								
Executive / senior management	2.0%	1.8%	2.5%	2.7%	2.8%	2.6%	3.0%	3.0%
Middle mgmt / seasoned professional	2.1%	1.8%	2.5%	2.6%	2.9%	2.8%	3.0%	3.0%
Supervisory / junior professional	2.0%	2.0%	2.5%	2.7%	2.0%	2.8%	3.0%	3.0%
Clerical / operations (non union)	2.0%	1.9%	2.4%	2.6%	2.8%	2.6%	2.9%	2.9%
Clerical / operations (union)	1.8%	1.8%	2.4%	2.4%	2.5%	2.5%	2.7%	2.7%
Overall weighted average	**2.0%**	**1.9%**	**2.5%**	**2.6%**	**2.8%**	**2.7%**	**3.0%**	**2.9%**
Industrial sector								
Executive / senior management	2.0%	2.3%	2.6%	3.4%	2.9%	3.1%	3.1%	3.1%
Middle mgmt / seasoned professional	2.2%	2.3%	2.7%	3.1%	2.9%	2.9%	3.1%	2.9%
Supervisory / junior professional	2.1%	2.4%	2.6%	3.1%	2.9%	2.9%	3.0%	3.0%
Clerical / operations (non union)	2.0%	2.2%	2.5%	3.0%	2.8%	2.7%	2.9%	2.9%
Clerical / operations (union)	2.0%	2.0%	2.5%	2.8%	2.5%	2.4%	2.7%	2.6%
Overall weighted average	**2.1%**	**2.3%**	**2.6%**	**3.0%**	**2.7%**	**2.8%**	**3.0%**	**2.9%**
Financial sector								
Executive / senior management	2.0%	2.1%	2.3%	2.4%	2.8%	2.7%	3.0%	3.1%
Middle mgmt / seasoned professional	2.1%	2.2%	2.3%	2.5%	2.9%	2.9%	3.0%	3.2%
Supervisory / junior professional	2.0%	2.2%	2.2%	2.5%	2.9%	2.7%	3.0%	2.9%
Clerical / operations (non union)	1.9%	2.1%	2.2%	2.3%	2.9%	2.6%	2.9%	2.8%
Clerical / operations (union)	2.0%	2.0%	2.1%	2.2%	2.6%	2.3%	2.8%	2.5%
Overall weighted average	**2.0%**	**2.1%**	**2.2%**	**2.3%**	**2.9%**	**2.6%**	**2.9%**	**2.9%**
Broader public sector								
Executive / senior management	1.6%	1.9%	2.4%	3.0%	2.5%	2.4%	2.7%	2.8%
Middle mgmt / seasoned professional	1.7%	1.7%	2.3%	2.5%	2.4%	2.4%	2.7%	2.8%
Supervisory / junior professional	1.6%	1.6%	2.2%	2.4%	2.4%	2.4%	2.7%	2.8%
Clerical / operations (non union)	1.6%	1.6%	2.3%	2.5%	2.3%	2.3%	2.7%	2.7%
Clerical / operations (union)	1.6%	1.8%	2.2%	2.4%	2.2%	2.3%	2.6%	2.6%
Overall weighted average	**1.6%**	**1.7%**	**2.3%**	**2.5%**	**2.3%**	**2.4%**	**2.7%**	**2.7%**

Additional information:

Please contact any of the individuals listed below for additional information.

Toronto	Deirdre Chong Smith Tel (416) 815-6344 Fax (416) 868-0981	Calgary	Nick Bishop Tel (403) 215-6733 Fax (403) 215-6749
Montreal	Annie Desilets Tel (613) 238-4785 Fax (613) 238-3405	Regina	Brent Pederson Tel (306) 359-0181 Fax (306) 352-2488
Ottawa	Karen Reedman Tel (613) 238-4785 Fax (613) 238-3405	Edmonton	Herb King Tel (780) 415-8021 Fax (780) 423-2368
Halifax	Suzanne Cunningham Tel (902) 491-4289 Fax (902) 895-7862	Vancouver	Rachel O'Connor Tel (604) 682-4802 Fax (604) 682-4405

37

September 2011

Participant list:

Compensation planning update for 2012

HayGroup®

All organizations (n=655)

1st Choice Savings and Credit Union Ltd.
A&W Food Services of Canada Inc.
ACA Cooperative Ltd
Agfa Inc.
AKCS Offshore Partner
AMEC Inc
AREVA Resources Canada Inc.
ATB Financial
ATCO Electric Ltd
ATCO Gas
ATCO Power Canada Ltd.
ATCO Structures & Logistics
A. Harvey & Company Limited
Abbotsford School District
Access Communications Co-operative Limited
Actsafe Safety Association
Affinity Credit Union
The Agency for Co-operative Housing
Agrium Inc.
Agropur Coopérative
Air Canada
Air Canada Jazz
Aker Chemetics
Akzo Nobel Canada Inc.
Alberta Boilers Safety Association
Alberta Electric System Operator
Alberta Gaming and Liquor Corporation
Alberta Health Services
Alberta Innovates - Bio Solutions
Alberta Motor Association
Alberta Securities Commission
Allergan Canada Inc.
AltaGas Ltd.
Alterna Savings and Credit Union Limited
Alzheimer Society of B.C.
Amgen Canada Inc
Amway Canada Corporation
Andrew Peller Limited
Angiotech Pharmaceuticals, Inc.
Annapolis Valley Regional School Board
Apache Canada Ltd.
Aptalis Pharma Inc.
ArcelorMittal Dofasco Inc.
ArcelorMittal Montréal Inc.
Arcis Corporation
Arcturus Realty Corporation
Arrow Transportation Systems Inc.
The Arthritis Society, BC & Yukon Division
Assiniboine Credit Union
Association of Neighborhood Houses of British Columbia
Association of Regina REALTORS Inc.
Association of Universities and Colleges of Canada
Assomption, Compagnie mutuelle d'assurance vie
Atlantic Central
Autorité des Marchés Financiers du Québec
BASF Canada Inc.
BBM Canada
BC Biomedical Laboratories Ltd.
BC Cancer Foundation
BP Canada Energy Company
Babcock & Wilcox Canada Ltd.
Baldor Electric Canada Inc.
Ballard Power Systems Inc.
Bank of Canada
Bank of Montreal
Barrick Gold
Baxter Corporation
Baycoat
Bayer Inc.
The Beer Store
Bell Aliant Regional Communications Inc.
Bell Canada
Bethany Care Society
Blockbuster Canada Co.
Blount Canada Ltd.
Blue Mountain Resorts Ltd.
Blue Water Bridge Canada
Bluewater Power Distribution Corporation
Boardwalk Rental Communities
Boehringer Ingelheim (Canada) Ltd.
Bombardier Transport Canada Inc
Bristol-Myers Squibb Canada Co.
Britco Structures Inc.
British Columbia Automobile Association
British Columbia Hydro and Power Authority
British Columbia Institute of Technology
British Columbia Investment Management Corporation
British Columbia Medical Association
British Columbia Safety Authority
British Columbia Securities Commission
Brookfield LePage Johnson Controls
Brookfield Properties Ltd.
Bruce Power
Buckman Laboratories of Canada Ltd.
Bunge North America
Burlington Hydro Inc.
Business Development Bank of Canada
CAA North & East Ontario
CAA Saskatchewan
CAE Inc.
CBC/Radio-Canada
CGA Association of BC
CIBC
CKF Inc.
CNIB
CSA Group
Cadillac Fairview Corporation Limited
Calgary Airport Authority
Calgary Catholic Separate School District
Calgary Co-operative Association Limited
The Calgary Stampede
Cambridge Memorial Hospital
Camdon Construction
Cameco Corporation
Campbell Company of Canada
Canada Deposit Insurance Corp
Canada Lands Company CLC Limited
Canada Mortgage and Housing Corporation
Canada Post Corporation
Canada Safeway Limited
CanadaDrugs.com
Canadelle Inc.
Canadian Bankers Association
Canadian Blood Services
Canadian Cancer Society
Canadian Centre on Substance Abuse
The Canadian Chamber of Commerce
Canadian Co-operative Association
The Canadian Depository for Securities Limited
Canadian Home Builders' Association
Canadian Home Builders' Association of British Columbia
Canadian Life and Health Insurance Association Inc.
Canadian Medical Protective Association
Canadian National Railway Company
Canadian Nurses Association
Canadian Pacific Railway
Canadian Payments Association
Canadian Tire Corporation
Canadian Tourism Commission
Canadian Western Bank
Canadian Wood Council
Canexus Limited
Canfor Pulp Limited Partnership
Canlan Ice Sports Corp.
Canro Boiler Service & Repair Ltd.
CanWest DHI
Cape Breton University
La Capitale Assurance
Carlington Community & Health Services
Catalyst Paper Corp.
Catholic Family Services
Cave Spring Cellars - The Pennachetti Group
Celero Solutions
Centerra Gold Inc.
Central 1 Credit Union - BC Region
Centre Street Church
Chartis Insurance Company of Canada
Chatham-Kent Health Alliance
The Children's Wish Foundation of Canada
Chrysalis: An Alberta Society for Citizens with Disabilities
Chubb Insurance Company of Canada
The Church of Jesus Christ of Latter-day Saints Canada
The Churchill Corporation
CI Investments Inc.
Cipher Pharmaceuticals
Citibank Canada
The City of Calgary
City of Charlottetown
City of Kamloops
City of Kelowna
City of Kitchener
City of Leduc
City of Nanaimo
City of New Westminster
City of Ottawa
The City of Red Deer
City of Regina
City of Saint John
City of Spruce Grove
City of Summerside
City of Toronto
City of Vancouver
City of Yellowknife
Civic Institute of Professional Personnel
Coast Capital Savings Credit Union
Coastal Community Credit Union
College of Registered Nurses of British Columbia
Commonwealth Insurance Company
Community Trust Company
Compagnie d'Assurance Standard Life du Canada
Compass Group Canada
Concentra Financial
Concordia University
Conexus Credit Union
Consilium Consulting Group
Construction Sector Council
Cooper Industries
Co-operators Life Insurance Company
Corby Distilleries Limited
Cornerstone Credit Union
Cortina Systems
Cott Corporation
Country Ribbon Inc.
Cour suprême du Canada
Cowan Insurance Group Ltd.
Credential Financial Inc.
Credit Union Central of Alberta
Credit Union Central of Manitoba
Credit Union Deposit Guarantee Corporation
The D&B Companies of Canada Ltd.
The DATA Group of Companies
Dalhousie University
Daniels Electronics Ltd.
Deeley Harley-Davidson Canada
Deposit Insurance Corp. of Ont.
Direct Energy
D-Link Networks
Domtar Inc.
Dow Chemical - US
DSM Nutritional Products, LLC
EMC Corporation of Canada
EMD Serono Canada
ENWIN Utilities Ltd.
EPCOR Utilities Inc.
ERCO Worldwide
ESI Canada
E. I. du Pont Canada Company
Eastlink
East-Man Feeds Animal Nutrition
Eaton Corporation
Edmonton Catholic School District
Eli Lilly Canada Inc.
Elkem Métal Canada Inc
Encana Corporation
Energy Resources Conservation Board
Enerplus Corporation
Enersource Corporation
Engineers Canada
Environmental Refuelling Systems Inc
Equitable Life of Canada
Everest Colleges Canada, Inc.
Evraz
ExxonMobil Canada
FANUC FA America Corporation
FM Global
Farm Credit Canada
Federated Co-operatives Limited
Federated Insurance
Federation of Canadian Municipalities
FedEx Express Canada
Ferrero Canada Ltd.
Fidelity Investments Canada ULC
First Calgary Financial Credit Union Ltd.
First West Credit Union
FirstOntario Credit Union
Flanagan Foodservice Inc.
Flint Energy Services Ltd.
Fluor Canada Ltd
Foresters
Fortis Properties Incorporated
FortisBC Energy Inc
FPInnovations
Franklin Templeton Investments
Freudenberg-NOK Inc.
Gamma-Dynacare Medical Laboratories
Gates Canada
Gaz Métro
Gemcom Software
General Electric Canada
General Kinetics Engineering Corporation
General Motors Financial of Canada, Ltd.
General Motors of Canada Ltd
Genome Canada
Genome Prairie
Gerdau Long Steel North America
Gesco Industries Inc.
Gibson Energy
Good Samaritan Society
Government of Alberta
Government of British Columbia
Government of New Brunswick Nursing Homes Services
Government of Newfoundland and Labrador
Government of Nova Scotia
Government of Saskatchewan
Government of the Northwest Territories
Graham & Brown
Graham Group Ltd
Grand & Toy
Grant MacEwan University
Graymont Limited
Greater Vancouver Regional District
Great-West Life Assurance Company
Groupe Michaudville Inc.
Grouse Mountain Resort
GROWMARK, Inc.
HSBC Bank Canada
Halifax Harbour Bridges
Halifax Port Authority
Halifax Regional Municipality
Halifax Water
Hamilton + Partners
Hamilton Wentworth District School Board
Harlequin Enterprises Ltd.
Harvard Developments Inc.
Health Association Nova Scotia
Health Quality Council
Health Shared Services BC
Healthcare Benefit Trust
Healthcare of Ontario Pension Plan
Hemmera
Hewitt Équipement Limitée
High Liner Foods Inc.
Hilroy

38

HayGroup®

- Hilti Canada
- Hitachi Canadian Industries Ltd.
- Hoffmann-La Roche Ltd.
- Home Depot Canada
- House of Commons
- Hudson's Bay Company
- Hudson's Bay Company (The Bay)
- Hudson's Bay Company (Zellers)
- Husky Energy
- ICBC
- IKEA Canada Limited Partnership
- ING DIRECT
- Imperial Oil Limited
- Independent Electricity System Operator
- Industrial Alliance Pacific Insurance & Financial Services Inc.
- Industrielle Alliance, Assurance et services financiers inc.
- Information Services Corporation
- Inland Group
- Innovation Credit Union
- Institute of Chartered Accountants of Alberta
- Intact Financial Corporation
- Integris Credit Union
- Inter Pipeline Fund
- Interac Association/ACxsys Corporation
- Intergraph Canada Ltd
- International Development Research Centre
- Inuit Tapiriit Kanatami
- Investment Industry Regulatory Organization of Canada
- Investors Group Inc.
- Ipsos-Reid
- Johnson & Johnson
- Johnson Inc
- KPMG MSLP
- Katz Group Canada Ltd
- Kellogg Canada Inc.
- Kenroc Building Materials Co. Ltd.
- Kinder Morgan Canada Inc.
- Kinross Gold Corporation
- Kodak Canada Inc.
- Kootenay Savings Credit Union
- Kraft Foods Inc.
- Kruger Inc.
- Kubota Canada Ltd.
- LCBO
- LW Stores
- Labatt Breweries of Canada
- Labstat International ULC
- Lake Shore Gold Corp
- Langara College
- Lentic Inc.
- The Law Society of Upper Canada
- Ledcor Group of Companies
- Lehigh Hanson
- Lehigh Hanson Materials Limited
- Lethbridge College
- Library of Parliament
- Linde Canada Limited
- Loblaw Companies Ltd
- London Hydro
- Loto-Quebec
- Lowe's Canada Companies, ULC
- MAAX
- MBNA Canada Bank
- MCAP Group of Companies
- MDA Corporation
- MTS Allstream Inc.
- Mackenzie Financial Corporation
- Manitoba Liquor Control Commission
- The Manitoba Museum
- Manitoba Public Insurance
- Manulife Financial
- Maritime Paper Products Limited
- Markel Insurance Company of Canada
- Mars Canada Inc
- Mccain Foods Canada Limited
- McCormick Canada Co.
- McElhanney Consulting Services Ltd.
- The McElhanney Group Ltd.
- McElhanney Land Surveys Ltd.
- McGill University
- McMaster University
- Mega Group Inc.
- Memorial University of Newfoundland
- Meridian Credit Union
- Meridian Lightweight Technologies Inc.
- Methanex Corporation
- Metro Inc.
- Metrolinx
- Michelin North America (Canada), Inc.
- Midwest Surveys Inc.
- Minas Basin Pulp & Power Co. Ltd.
- The Minto Group
- Mitsubishi Canada Ltd.
- Mizuho Corporate Bank Ltd, Canada Branch
- Moen Inc.
- Moneris Solutions Corporation
- Morgan Meighen & Associates Limited
- The Mosaic Company
- Mother Parkers Tea and Coffee Inc.
- Mount Royal University
- Mountain Equipment Co-op
- Mouvement Desjardins
- Mustang Survival Corp.
- Mylan Pharmaceuticals ULC
- NAL Resources Management Limited
- NAV CANADA
- NOVA Chemicals Corporation
- Nalco Canada Corp.
- Nalcor Energy
- Nanaimo & District Hospital Foundation
- National Bank Financial Group
- NB Power Holding Corporation
- New Brunswick Liquor Corporation
- New Brunswick Securities Commission
- New Flyer Industries Canada ULC
- New Zealand High Commission Ottawa
- Newalta Corporation
- Newfoundland and Labrador Centre for Health Information
- Newfoundland and Labrador Hydro
- Newfoundland Power Inc.
- Nexen Inc.
- Niagara Region
- Norco Products Ltd.
- Nordion Inc.
- North Atlantic Refining Ltd.
- North Bay General Hospital
- North East School Division
- North Shore Credit Union
- Northlands
- Norton Rose
- NovaGold Resources Inc.
- Novo Nordisk Canada
- Nycomed Canada Inc.
- OMERS Administration Corporation
- Office of the Auditor General of Canada
- Omicron Canada Inc.
- Ontario Medical Association
- Ontario Pension Board
- Ontario Power Authority
- Ontario Securities Commission
- Ontario Teachers' Pension Plan
- Oracle Corporation Canada Inc.
- Osler, Hoskin & Harcourt LLP
- Otéra Capital Inc.
- The Ottawa Hospital
- Ottawa-Carleton District School Board
- Overwaitea Food Group LP
- Oxford Properties Group Inc.
- PPG Canada Inc.
- PPG Canada Inc. - Fine Chemicals Division
- PPG Canada Inc. - Industrial Coatings Division
- PPG Canada Inc. - Performance Glazing Division
- Pan American Silver Corporation
- Paramount Resources Ltd.
- Parker Hannifin Canada
- Parks Canada Agency
- Pathways to Independence
- Peace Hills Insurance
- Pelmorex Media Inc.
- Penske Truck Leasing
- Peoples Trust
- PepsiCo Canada
- Pet Valu Canada Inc.
- Pioneer Hi-Bred Limited
- Portland Investment Counsel Inc.
- Potash Corporation of Saskatchewan Inc.
- Prince Rupert Port Authority
- Procter & Gamble Inc.
- Progressive Solutions Inc.
- Prolific Graphics Inc.
- Prospera Credit Union
- Psion Teklogix
- Purolator Courier Inc.
- Quartech Systems Ltd.
- RAE Engineering and Inspection Ltd.
- RBC
- RBC Dexia Investor Services Trust
- RIMOWA
- R.F.Binnie & Associates Ltd.
- Ranch Ehrlo Society
- Real Estate Council of Ontario
- Regina Catholic School Division
- Region of Peel
- Regional District of Fraser-Fort George
- Regional District of Nanaimo
- Registered Nurses Association of Northwest Territories and Nunavut
- Ricoh Canada Inc.
- Ridley Inc.
- Roche Diagnostics Canada
- Rocky Credit Union
- Rogers Communications Inc.
- The Royal College of Physicians and Surgeons of Canada
- Royal Roads University
- Russel Metals Inc.
- SAIT Polytechnic
- SED Systems
- SEMAFO Inc.
- SGI Canada
- SMS Rents
- SNC-Lavalin Group Inc.
- Safety Codes Council
- Sanofi-Aventis Canada Inc.
- Saskatchewan Association of Health Organizations
- Saskatchewan Cancer Agency
- Saskatchewan Health Research Foundation
- Saskatchewan Housing Authorities
- Saskatchewan Liquor and Gaming Authority
- Saskatchewan Public Service Commission
- Saskatchewan Registered Nurses' Association
- Saskatchewan Research Council
- Saskatchewan Workers' Compensation Board
- Saskatoon Prairieland Park
- Saskatoon Public Library
- Saskatoon Public Schools
- SaskCentral
- SaskEnergy Incorporated
- SaskPower
- Savanna Energy Services Corp.
- Schneider Electric
- Science World
- Scotiabank
- Sears Canada Inc.
- Securit Group of Companies
- Sentry Investments
- Service de télécommunication
- Services conseils TI et multimédia
- Servus Credit Union Ltd.
- The Shaw Group Limited
- Sherritt International Corporation
- Shoppers Drug Mart Corporation
- Shore Gold Inc.
- Simon Fraser University
- Sobeys Inc.
- Société Immobilière du Québec
- Sofina Foods Inc.
- Somerset West Community Health Centre
- Spectra Energy
- Spinrite LP
- St. Boniface General Hospital
- St. John's Port Authority
- St. John's Transportation Commission
- Standard Machine
- StandardAero
- Star Produce Ltd.
- Steinbach Credit Union
- Stewart McKelvey Stirling Scales
- Strathcona County
- Strathcona Paper Company - Napanee
- Stream-Flo Industries Ltd.
- Sullivan Williams Consulting
- Sun Life Financial Canada
- Sun Rich Fresh Foods Inc.
- Suncor Energy Inc.
- Sun-Rype Products Ltd.
- Symcor Inc.
- Syncrude Canada Ltd.
- Synergy Credit Union Ltd.
- TD Bank Financial Group
- The TDL Group Corp.
- TORLYS Inc.
- TSI Terminal Systems Inc.
- TSO3
- Talisman Energy Inc.
- Target Marketing & Communications Inc.
- Target Products Limited
- Tarion Warranty Corporation
- Technologies HumanWare Inc.
- Teck Resources Limited
- Teekay Corporation
- Teknion Corporation
- Teleflex Canada Inc.
- Telus Communications Company
- Telus Communications Company - Retail Division
- Tembec Inc.
- Thales Rail Signalling Solutions
- Thordon Bearings
- Timminco Limited
- Toronto Hydro-Electric System Limited
- Toronto Transit Commission
- Town of Ladysmith
- Town of Qualicum Beach
- Town of Stratford
- Town of Truro
- Toyota Canada Inc.
- Toyota Motor Manufacturing Canada Inc.
- Tradex
- TransCanada Corporation
- Transcontinental Inc.
- TransLink
- Trillium Lakelands District School Board
- Trimac Transportation Services
- Trylon TSF
- UAP Inc.
- UFA Co-operative Limited
- Ultramar Ltée
- uniPHARM Wholesale Drugs Ltd.
- UNIT 4 Business Software
- United Way of the Alberta Capital Region
- United Way of the Lower Mainland
- United Way/Centraide Ottawa
- University of Alberta
- University of British Columbia
- University of New Brunswick
- University of Saskatchewan
- University of Victoria
- University of Waterloo
- VPL Enterprises Ltd.
- VWR International
- Vale Inco Limited
- Valeant Canada Limited
- Van der Graaf Inc.
- Vancity Savings Credit Union
- Vermilion Energy Trust
- Vision 7 International
- VitalAire Canada Inc.
- Viterra Inc.
- Wal-Mart Canada Corp.
- Wascana Centre Authority
- The Wawanesa Mutual Insurance Company
- Wells Fargo Financial Corporation Canada
- Wescast Industries Inc.
- West Fraser Timber Co. Ltd.
- West Wind Aviation
- Westech Building Products
- Western Canadian District C&MA
- WestJet
- Westminster Savings Credit Union
- Weyburn Credit Union
- Weyerhaeuser Company Ltd.
- Whistler Blackcomb Holdings Inc.
- Wilkinson Steel and Metals
- Winners Merchants International L.P.
- Winnipeg Convention Centre
- Workers' Compensation Board - Alberta
- Workers Compensation Board of Manitoba
- Workers' Compensation Board of Nova Scotia
- Workplace Safety and Insurance Board
- Xstrata Copper Canada
- Zurich Canada

EB-2012-0033

EXHIBIT____________

	B	C / D	E	F	G	H	I	J	K	L	M	N	O
2													
3		**OM&A**	**2008 Board Approved**	**2008 Actual**	**2009 Actual**	**2010 Actual**	**2011 Actual** (IFRS)	**2012 Bridge**	**2013 Test Year**	2013Test Year vs. 2008 Brd. App'd		2013 Test Year vs. 2008 actual	
4										2008-2013	Ave. Annual	2008-2013	Ave. Annual
5	(1)(2)	OM&A Updated	$ 41,653,058	$ 36,234,120	$ 41,523,563	$ 45,598,558	$ 50,783,218	$ 57,008,685	$ 61,011,000				
6		yearly increase (dec.)		(13.0%)	14.6%	9.8%	11.4%	12.3%	7.0%	46.5%	7.9%	68.4%	11.0%
7	(3)	Smart Meter Component	($1,177,058)	($94,120)	$332,437	($918,558)	($751,218)	($634,685)	($727,000)				
8		OM&A (excluding Smart Meter)	$ 40,476,000	$ 36,140,000	$ 41,856,000	$ 44,680,000	$ 50,032,000	$ 56,374,000	$ 60,284,000				
9		yearly increase (dec.)		(10.7%)	15.8%	6.7%	12.0%	12.7%	6.9%	48.9%	8.3%	66.8%	10.8%
10													
11	(4)	Customers (Ave.)	187,551	185,116	188,136	191,156	193,983	196,534	198,990				
12		Yearly % inc.		-1.3%	1.6%	1.6%	1.5%	1.3%	1.2%	6.1%	1.2%	7.5%	1.5%
13	(4)	Customer& Connections (Ave.)	238,914	236,360	239,713	243,071	246,146	248,978	251,917				
14		yearly increase (dec.)		-1.1%	1.4%	1.4%	1.3%	1.2%	1.2%	5.4%	1.1%	6.6%	1.3%
15													
16	(5)	IRM increase			1.18%	0.18%	0.18%	0.88%					
17													
18		Note1: Includes Property Taxes	$ 897,400	$ 866,050	$ 863,606	$ 867,586	$ 864,465	$ 1,075,000	$ 1,200,000				
19		Note2: reflects Suite Metering Inspection cost Adj. in 2013 ($88k) per IR Issue 4.1 Brd Staff #36 & includes Smart Meters											
20		Note 3: Per Undertaking JT2.11 (OM&A excluding SMART Meter costs in 2008-2012) & see Brd Staff issue 4.1 No. 34											
21		OM&A per E4-T1-S1 table 1	$ 41,653,058	$ 36,234,120	$ 41,523,563	$ 45,598,558	$ 50,783,218	$ 57,008,685	$ 61,011,000				
22		less revised table 1 per JT2.11	$ 40,476,000	$ 36,140,000	$ 41,856,000	$ 44,680,000	$ 50,032,000	$ 56,374,000	$ 60,284,000				
23		equals Smart Meter amount	$ 1,177,058	$ 94,120	($332,437)	$ 918,558	$ 751,218	$ 634,685	$ 727,000				
24		Note 4: E3-T1-S2 p.31 attachment 6											
25		Note 5: source: IR Issue 1.1 Brd Staff 10: the cumulative increase over 2009 to 2012 is about **2.4%**											
26											v1 aug.24		

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2011-0054

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 Hydro Ottawa Limited for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective January 1, 2012.

BEFORE: Marika Hare
Presiding Member

Ken Quesnelle
Member

DECISION AND ORDER
(Original December 28, 2011, as corrected December 30, 2011)

BACKGROUND

Hydro Ottawa Limited ("Hydro Ottawa" or the "Applicant") filed an application (the "Application") with the Ontario Energy Board (the "Board") on June 17, 2011. The Application was filed under section 78 of the *Ontario Energy Board Act, 1998*, S.O 1998, c. 15 (Schedule B) (the "Act"), seeking approval for changes to the rates that Hydro Ottawa charges for electricity distribution to be effective January 1, 2012. The Board assigned the Application file number EB-2011-0054.

Board Findings

The Board accepts the billed energy forecast of 7,753 GWh for the test year as proposed by Hydro Ottawa. The R-squared value for the system forecast is higher than the R-squared values for the individual class regression models and Hydro Ottawa's calibration for billed month and calendar month data appears to be reasonable. The Board finds that the forecast is reasonable and it accepts it on this basis.

OPERATING COSTS

1.2 Are Hydro Ottawa's economic and business planning assumptions for 2012 appropriate?

4.1 Is the overall OM&A forecast for the test year appropriate?

4.2 Are the methodologies used to allocate shared services and other costs appropriate?

4.4 Are the 2012 compensation costs and employee levels appropriate?

Depreciation on a CGAAP basis, property taxes and PILs were settled, as documented in the agreement filed on November 1, 2011.

For the 2012 test year, Hydro Ottawa is requesting Board approval of $63,891,431 in OM&A expenses excluding taxes and amortization expenses. This represents a 4.2% increase over the 2011 bridge year and a 19.8% increase over 2010 actual. Both the core functions of operations and maintenance and the support functions (i.e. billing, administration, etc.) have increased by approximately 24% over 2008 actual, the last rebasing year. The following table summarizes Hydro Ottawa's OM&A expenses by year.

	2008 Approved	2008 Actual	2009 Actual	2010 Actual	2011 Bridge	2012 Forecast
Operations	13,062,448	11,752,560	11,364,065	11,971,416	12,061,906	11,883,322
Maintenance	5,111,153	5,183,949	5,171,079	5,663,033	8,462,994	9,274,548
Billing and Collecting	11,716,819	10,365,089	10,233,636	9,142,479	11,925,750	12,085,194
Community Relations	4,759,852	4,588,888	4,594,942	4,932,698	6,093,455	6,911,671
Administrative and General	20,679,521	19,738,418	20,670,993	21,641,059	22,790,434	23,736,696
Total	**55,329,793**	**51,628,904**	**52,034,715**	**53,350,685**	**61,334,539**	**63,891,431**
%Change (year over year)			0.8%	2.5%	15.0%	4.2%

Total OM&A

The intervenors have proposed reductions on the envelope of total OM&A costs. The proposed test year OM&A expenses ranged from $57.7 M to $59.244 M. Most of the intervenors commented that actual OM&A expenses from 2008 to 2010 were below 2008 approved levels. Board staff and Energy Probe also commented that 2010 actual OM&A expenses were well below the forecast provided in the early rebasing application.

CCC stated that Hydro Ottawa was able to earn returns above the Board approved levels during the IRM term, and that the higher returns were to the benefit of Hydro Ottawa's shareholder.

Energy Probe noted that Hydro Ottawa spent 6.7% less than Board approved in 2008 and that the average OM&A increase in 2009 and 2010 was less than 2%. In aggregate the OM&A spending in 2008 to 2010 was $9.0 M lower than 2008 Board approved applied to each year. Energy Probe also calculated that the actual return on equity resulted in a shareholder benefit of $9.0 M.

CCC noted that the Board in recent years has approved OM&A levels accounting for inflation while considering customer growth (e.g. the Horizon and Hydro One Brampton 2011 cost of service proceedings). CCC submitted that based on customer growth of 1.5% and 2% inflation, a reasonable year over year increase from 2008 actual would result in a test year OM&A of $59.244 M.

Energy Probe observed that Hydro Ottawa's historical and forecast OM&A follow a similar trajectory to Burlington Hydro Inc. ("Burlington"), Hydro One Brampton and Horizon. Energy Probe graphed OM&A in its submission and illustrated slow and steady increases in OM&A in the historical years, but significant increases in bridge and/or test years. Similar to CCC's submission, Energy Probe noted that in these cases, the Board approved lower OM&A levels and found that the forecasts were not warranted based on customer growth, inflation and prevailing conditions. Based on analysis of the Burlington, Hydro One Brampton and Horizon decisions, extrapolating similar findings to Hydro Ottawa would result in an OM&A level in the range of $58.0 M to $58.7 M. A similar range was determined by increasing 2010 OM&A per customer by 3% per year.

Energy Probe submitted that unlike the Horizon decision, it would not be appropriate to use the 2008 approved OM&A as a starting point. Horizon's expenses in 2008 were 98.6% of Board approved with a variance of $0.6 M, while Hydro Ottawa's 2008 expenses were 93.3% of Board approved with a variance of $3.7 M.

SEC agreed with Energy Probe that OM&A reductions, similar to those in the Hydro One Brampton and Horizon decisions should be applied. SEC submitted that 2010 actual OM&A expenses are an appropriate base. SEC disagreed with Hydro Ottawa's argument in chief in which the Applicant said non-recurring items produced savings in 2010 making it an inappropriate base year. SEC submitted that the non-recurring items only account for half of the increase between 2010 and 2011. SEC submitted that a 10% increase over 2010 actual spending, i.e. an OM&A budget of $57.5 M, is reasonable and that 5% per year is higher than growth rate plus inflation.

VECC submitted that during the IRM period, utilities are motivated to keep costs down. In response to cross examination by VECC about the budget process in the IRM period, the witness replied that the process that was pursued was that of flat lining OM&A expenses. VECC observed in its submission that there was no evidence of service deterioration in the IRM period and no evidence that past OM&A reductions are not sustainable. VECC also observed that there were significant increases in executive incentive bonuses related to corporate performance for financial strength. VECC submitted that if the utility is able to significantly increase OM&A upon rebasing, there will be no efficiency gains or benefits of IRM to the ratepayer. SEC supported VECC's submission on IRM. VECC submitted that the Board should approve an OM&A level no higher than 3% escalation on 2008 actual, i.e. an OM&A budget of $58.0 M.

Hydro Ottawa replied that the 2008 actual OM&A and the 2010 actual OM&A are not appropriate starting points for determination of a reasonable OM&A budget for the test year. The Applicant noted that it had explained the 2008 OM&A variance in the pre-filed evidence, at the oral hearing and in argument in chief. The reasons for the variance in 2008 included savings in certain programs including vegetation management and meter maintenance, and unfilled vacancies. The reasons for the variance in 2010 included unfilled vacancies, deferral of time of use roll out and some one time savings in consulting, communications and training. Hydro Ottawa's 2011 spending has closely tracked the budget, and the Applicant submitted that 2011 is the appropriate starting point for the 2012 forecast.

With respect to VECC's submission about the budget process in the IRM period, Hydro Ottawa replied that the budget memorandum stated that the 2010 budget was to be flat lined to the prior year's amount adjusted for inflation and that new initiatives required a business case. Similarly, Hydro Ottawa argued that VECC relied on an isolated excerpt from the transcript to suggest that Hydro Ottawa applies a different budgeting standard in the IRM period.

Components of OM&A

Several parties commented that it is not useful to provide specific recommendations on how to reduce OM&A, as the utility is in the best position to manage reductions while maintaining reliability. VECC's submission provided an analysis to demonstrate that there are areas of uncertainty from which Hydro Ottawa could make reductions. Those areas included executive and management incentives, compensation and labour, community relations – customer service strategy, smart meter OM&A costs and corporate services. VECC identified that it would be possible to find $3.0 M of possible savings in these selected areas of OM&A.

Board staff submitted that base wage increases for the non-union employees were in excess of 3% and that the Board could consider reductions as the base wage data are not affected by the number of employees. Board staff also submitted that the utility is hiring at a rate that is higher than attrition through retirement and that the Board could consider a related OM&A reduction. SEC agreed with Board staff and commented that Hydro Ottawa has an opportunity to control costs by reducing the growth in employee headcount. Energy Probe submitted that Hydro Ottawa should be able to manage within an OM&A envelope of $58.0 M to $58.7 M by managing staff additions, managing wage and benefit increases and managing non-compensation costs in a low inflation environment.

With respect to compensation, Hydro Ottawa stated that the increase for unionized staff under the collective agreement is 3% and that there is an additional 1% related to pension and benefits. Hydro Ottawa argued that VECC's submission of a 3% limit is not supported. VECC submitted that 2012 overtime is in excess of past experience by $0.5 M. Hydro Ottawa replied that while 2011 overtime is higher than budget, the 2012 budget carries the 2011 budget forward. Hydro Ottawa stated that Board staff's submission on base wages did not recognize the transfer of 17 staff from the parent. Hydro Ottawa argued that management staff compensation is based on a 3% annual adjustment. Hydro Ottawa also stated that Board staff's submission regarding workforce planning, particularly regarding apprentices is based on a misunderstanding. Hydro Ottawa has hired replacements for employees expected to retire in 2016 and 2017, and the apprentices hired in 2011 are not replacements for those eligible to retire in the period 2008 to 2011.

In addition to compensation, Hydro Ottawa commented on some of the other reductions proposed by parties. Hydro Ottawa submitted that Board staff's submission to reduce regulatory costs did not recognize the higher Board cost assessment that must be absorbed in 2011 and the costs related to the renewed regulatory framework. VECC observed that the cost of meter maintenance is increasing, but that the trend is counter intuitive as the smart meters are relatively new. VECC submitted it should be possible to find savings of $0.5 M to $0.7 M. Hydro Ottawa replied that it is critical to ensure that the new meters and associated systems continue to work properly and that there are requirements to check collectors and ensure that data is provided to the MDM/R.

Board Findings

The Board accepts Hydro Ottawa's explanation that some of the variance between the 2008 Board approved OM&A and the actual expenses was due to savings in certain programs and unfilled vacancies. The Board also accepts that there is some need to address an aging workforce.

The intervenors have submitted that the OM&A envelope for the test year should be in the range of $57.7 M to $59.244 M, largely based on comparisons with other proceedings. The Board considers the comparisons to other proceedings to be informative and in some instances where a record is lacking in detail it becomes a very important element to consider. The Board has been able to base its determinations primarily on the record before it in this proceeding and finds that Hydro Ottawa has provided sound rationale for most of its requirements.

Compensation is an area of specific concern to the Board. The Board notes Hydro Ottawa's compensation costs are based largely on negotiated settlements with its unionized workforce. The Board further notes that that the management compensation increases are tracking upward at the same pace as those settled on in negotiated settlements. These increased costs have been incurred at a time when compensation related benefit costs of various types have also increased. The Board recognizes that these particular benefit costs may not be under complete management control but the same cannot be said for the cost increases incurred in direct salaries to the management group nor the costs that are a result of the negotiations with the unionized employee group. It is the Board's expectation that costs be contained as a whole and where there is little the company can do to control costs in some areas it must make up for it in areas where it does have control. There does not appear to be an attempt at this overall control approach given the direct compensation increases that are planned.

The Board will therefore provide for a level of revenue utilizing an envelope approach. Given some growth in the customer forecast, an identified need for some additional staff and increases in compensation, the Board has determined that the forecast OM&A envelope will be $61.1 M. This is based on a 2.5% year over year escalation of 2008 approved levels.

The Board will not direct specific spending cuts, as these are matters for Hydro Ottawa to manage within the spending envelope approved by the Board. The Board expects that Hydro Ottawa will be able to prioritize its business activities and implement planned projects within the envelope approved. The Board notes that Hydro Ottawa has demonstrated its focus on customer care and many of its spending programs are designed to improve customer value. The Board's establishment of an allowance cap that is less than proposed is intended to adjust the pace at which the these improvements occur to a rate that it considers more appropriate in the context of avoiding adverse rate impacts.

COST OF CAPITAL

5.2 Is the proposed long term debt rate appropriate?

As noted in the Settlement Agreement, the parties agreed to a capital structure of 56% long term debt, 4% short term debt and 40% equity. The parties also agreed that the cost of capital parameters effective January 1, 2012 would be applied.

Hydro Ottawa's evidence documents nine long term debt ("LTD") issuances, as summarized in the table below. All debt is owed to Hydro Ottawa Holding Inc. (the "parent" or the "parent company"), although older debt is tied to external debt arrangements, such as bond issuances, of the parent. The debt issuances since 2009 are under a Grid Promissory Note between Hydro Ottawa and the parent, and have a term ending February 9, 2015.

Date of Issuance	Principal ($000's)	Actual or Deemed	Interest Rate	Issuance Costs	Admin. Costs	Total Rate
July 1, 2005	200,000	Actual	4.93%	0.11%	0.10%	5.140%
July 1, 2005	32,185	Deemed	5.900%	NIL	NIL	5.900%
Dec. 20, 2006	50,000	Actual	4.968%	0.25%	0.10%	5.318%
Dec. 21, 2009	15,000	Deemed	5.75%	NIL	0.10%	5.85%
April 30, 2010	15,000	Deemed	5.87%	NIL	0.10%	5.97%
July 5, 2011	15,000	Deemed	5.45%	0.10%	0.10%	5.65%
Sept. 1, 2011	15,000	Deemed	5.55%	0.10%	0.10%	5.75%

Table 4: Revenue Requirement 2012 to 2013

2012 Distribution Rates at 2013 load and customers		116,543
Increase in OM&A (excluding amortization):		
Salaries	4,065	
Benefits	3,928	
IFRS Transition - Overhead Burdens	2,774	
Bad Debt Expense	1,975	
New Administration Office	1,668	
Distribution System Maintenance and Repairs	1,350	
Asset Management Plan	1,153	
Other (net of Price Cap Index increases via IRM)	2,626	
Subtotal	19,539	
Decrease in Amortization	(6,166)	
2012 Smart Meter Funding Adder	(1,839)	
Increase in Return on Equity	4,573	
Decrease in PILs	(4,791)	
Load / Customers Impact	2,785	
Decrease in Revenue Offsets	641	
Total Revenue Deficiency [1]		14,742
2013 Revenue Requirement [2]		131,285
[1] Refer to Exhibit 6 Tab 1 Schedule 1 for further information about the revenue deficiency.		
[2] Includes $1,998 transformer ownership allowance requirement		

The total revenue deficiency includes the impact of a 2013 revenue requirement related to smart meters of $5,164, which is only partially offset by the 2012 Smart Meter Funding Adder of $1,839 as it represents a true-up between the cumulative funding adders versus the smart meter revenue requirement. As a result, the revenue deficiency excluding the impact of smart meters is $11,417, as illustrated in Table 5 below.

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

EB-2012-0033

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.

ONTARIO ENERGY BOARD

COMPENDIUM OF MATERIALS OF THE INTERVENOR THE CONSUMERS COUNCIL OF CANADA FOR CROSS-EXAMINATION OF PANEL 2 ON SEPTEMBER 6, 2012

WeirFoulds LLP
Barristers & Solicitors
66 Wellington Street West, Suite 4100
P.O. Box 35, Toronto-Dominion Centre
Toronto, ON M5K 1B7
Robert B. Warren (LSUC # 17210M)
Tel: 416-365-1110
Fax: 416-365-1876

Lawyers for the Intervenor,
The Consumers Council of Canada

4817808.1