SCHOOL ENERGY COALITION

CROSS-EXAMINATION MATERIALS

EB-2012-0033 - PANEL 2

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	ENERSOURCE HYDRO MISSISSAUGA							
		2008 COS	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year	2013 Test Year
Number of Employees (FTE's including Part time								
Executive		4.00	4.00	3.00	3.00	3.00	2.00	2.00
Management		38.00	41.00	42.00	46.25	48.00	50.00	51.00
Non Union		49.00	44.83	52.92	52.00	54.67	54.00	59.00
Union		227.00	220.91	228.00	226.41	219.58	225.00	227.00
Total		318.00	310.74	325.92	327.66	325.25	331.00	339.00
Number of Part Time Employees								
Executive		-	-	-	-	-	-	-
Management		-	-	-	-	-	-	-
Non Union		-	0.50	1.00	2.00	2.00	2.00	2.00
Union								
Total		-	0.50	1.00	2.00	2.00	2.00	2.00
Total Salary and Wages								
Executive		531,374	537,196	476,209	496,724	516,024	376,074	389,610
Management		2,998,076	3,381,349	4,114,967	3,734,280	4,798,318	4,754,997	4,927,070
Non Union		2,999,570	3,047,023	3,634,927	4,444,288	4,375,879	4,501,656	4,651,064
Union		13,487,693	14,409,187	15,530,928	14,950,646	15,439,214	13,882,574	14,659,450
Total		20,016,713	21,374,755	23,757,031	23,625,937	25,129,434	23,515,302	24,627,194
Current Benefits								
Executive		234,347	241,570	199,204	221,024	212,383	151,715	224,482
Management		1,405,315	1,494,519	1,707,106	1,736,315	1,961,873	1,866,033	2,072,155
Non Union		1,296,928	1,340,177	1,502,347	1,869,918	1,784,416	1,736,841	1,903,318
Union		4,669,585	4,960,723	5,211,861	5,611,853	6,707,141	7,058,536	7,464,473
Total		7,606,175	8,036,989	8,620,519	9,439,111	10,665,814	10,813,125	11,664,428
Accrued Post-Retirement Benefits								
Executive		3,159	3,111	2,365	2,434	2,424	2,663	2,836
Management		46,327	45,611	34,672	35,696	35,539	39,050	41,592
Non Union		48,423	47,674	36,241	37,311	37,146	40,817	43,473
Union		222,204	218,768	166,301	171,211	170,458	187,300	199,491
Retirees		170,256	167,624	127,422	131,185	130,608	143,512	152,854
Total		490,369	482,788	367,000	377,837	376,174	413,342	440,246
Total Benefits (Current + Accrued)								
Executive		237,506	244,681	201,569	223,458	214,807	154,379	227,318
Management		1,451,642	1,540,130	1,741,778	1,772,011	1,997,412	1,905,083	2,113,747
Non Union		1,345,351	1,387,851	1,538,588	1,907,229	1,821,562	1,777,658	1,946,792
Union		4,891,788	5,179,492	5,378,162	5,783,064	6,877,599	7,245,836	7,663,964
Retirees		170,256	167,624	127,422	131,185	130,608	143,512	152,854
Total		8,096,544	8,519,778	8,987,519	9,816,947	11,041,988	11,226,468	12,104,674
Total Compensation (Salary, Wages & Benefits)								
Executive		768,880	781,877	677,778	720,182	730,831	530,452	616,928
Management		4,449,718	4,921,479	5,856,745	5,506,291	6,795,730	6,660,080	7,040,817
Non Union		4,344,921	4,434,874	5,173,515	6,351,517	6,197,441	6,279,314	6,597,855
Union		18,379,481	19,588,678	20,909,090	20,733,710	22,316,813	21,128,410	22,323,413
Total		27,943,001	29,726,909	32,617,127	33,311,700	36,040,814	34,598,257	36,579,014
Compensation - Average Yearly Base Wages								
Executive		132,844	134,299	158,736	165,575	172,008	188,037	194,805
Management		78,897	82,472	97,975	80,741	99,965	95,100	96,609
Non Union		61,216	67,968	68,687	85,467	80,042	83,364	78,832
Union		59,417	65,227	68,118	66,034	70,312	61,700	64,579
Total		332,373	349,966	393,517	397,817	422,327	428,201	434,825
Compensation - Average Yearly Overtime								
Executive		-	-	-	-	-	-	-
Management		1,814	3,509	6,434	4,489	5,766	4,508	4,761
Non Union		1,441	1,082	4,036	3,225	2,821	2,326	2,293
Union		3,401	10,013	11,354	9,710	11,682	4,823	5,378
Total		6,656	14,604	21,824	17,424	20,269	11,657	12,431
Compensation - Average Yearly Incentive Pay								
Executive		18,852	25,177	24,055	40,235	45,870	73,402	75,787
Management		6,931	8,579	8,563	6,120	7,633	7,529	7,681
Non Union		3,585	5,233	4,144	4,153	4,308	3,897	3,766
Union		3,372	4,628	4,165	3,063	3,687	3,236	3,417
Total		32,741	43,618	40,927	53,571	61,498	88,065	90,652
Compensation - Average Yearly Benefits								
Executive		59,377	61,170	67,190	74,486	71,602	77,189	113,659
Management		38,201	37,564	41,471	38,314	41,613	38,102	41,446
Non Union		27,456	30,958	29,074	36,677	33,319	32,920	32,996
Union		21,550	23,446	23,588	25,542	31,322	32,204	33,762
Total		146,584	153,139	161,323	175,020	177,856	180,414	221,864
Total Compensation		27,943,001	29,726,909	32,617,127	33,311,700	36,040,814	34,598,257	36,579,014
Total Compensation charged to OM & A		20,756,025	20,993,072	23,116,503	23,064,959	26,650,212	27,147,228	29,017,894
Total Compensation Capitalized		7,186,976	8,733,837	9,500,625	10,246,740	9,390,602	7,451,028	7,561,120
			-	-	-	-		
***AVERAGE YEARLY BENEFITS INCLUDES BOTH RETIREE AND CURRENT BENEFITS per JK								

ENERSOURCE CORPORATION	2008 COS	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year	2013 Test Year
Number of Employees (FTE's including Part time							
Executive	5.00	4.00	4.00	3.00	4.00	5.00	5.00
Management	12.00	13.00	13.00	14.00	12.00	12.00	12.00
Non Union	18.00	17.08	18.33	22.42	20.50	20.00	20.00
Union	15.00	15.50	16.41	15.83	15.33	15.00	15.00
Total	50.00	49.58	51.74	55.25	51.83	52.00	52.00
Number of Part Time Employees							
Executive	-	-	-	-	-	-	-
Management	-	-	-	-	-	-	-
Non Union							
Union		-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Total Salary and Wages							
Executive	719,711	635,547	675,007	598,687	727,405	797,890	939,219
Management	1,107,160	1,065,583	1,304,406	1,411,106	1,245,496	975,942	1,199,765
Non Union	831,337	800,118	1,004,076	1,225,896	1,284,012	1,747,156	1,999,608
Union	759,166	715,434	704,864	786,406	790,026	840,856	838,517
Total	3,417,374	3,216,681	3,688,352	4,022,095	4,046,939	4,361,844	4,977,109
Current Benefits							
Executive	283,948	279,616	254,085	307,957	347,766	414,664	445,312
Management	473,457	464,381	449,475	721,869	589,870	522,495	550,783
Non Union	349,020	342,695	409,767	620,278	603,325	932,930	997,509
Union	306,296	286,477	259,014	392,265	366,444	443,033	500,498
Total	1,412,721	1,373,168	1,372,341	2,042,369	1,907,405	2,313,121	2,494,101
Accrued Post-Retirement Benefits							
Executive	2,369	2,190	1,675	2,972	2,813	2,894	3,082
Management	8,766	8,105	6,199	10,995	10,408	10,708	11,405
Non Union	13,069	12,082	9,241	16,391	15,516	15,963	17,002
Union	10,499	9,706	7,424	13,168	12,465	12,824	13,659
Retirees	18,457	17,064	13,052	23,150	21,914	22,546	24,013
Total	53,160	49,148	37,592	66,676	63,116	64,936	69,163
Total Benefits (Current + Accrued)							
Executive	286,317	281,806	255,760	310,929	350,579	417,558	448,394
Management	482,224	472,486	455,674	732,864	600,278	533,203	562,188
Non Union	362,088	354,777	419,008	636,669	618,841	948,893	1,014,511
Union	316,795	296,183	266,439	405,433	378,909	455,857	514,157
Total	1,447,424	1,405,252	1,396,881	2,085,895	1,948,607	2,355,511	2,539,250
Total Compensation (Salary, Wages & Benefits)							
Executive	1,006,028	917,353	930,767	909,616	1,077,984	1,215,448	1,387,613
Management	1,589,384	1,538,069	1,760,080	2,143,970	1,845,774	1,509,145	1,761,953
Non Union	1,193,425	1,154,895	1,423,084	1,862,565	1,902,853	2,696,049	3,014,119
Union	1,075,961	1,011,617	971,302	1,191,838	1,168,935	1,296,713	1,352,674
Total	4,864,798	4,621,933	5,085,232	6,107,989	5,995,546	6,717,355	7,516,359
Compensation - Average Yearly Base Wages							
Executive	143,942	158,887	168,752	199,562	181,851	159,578	187,844
Management	92,263	81,968	100,339	100,793	103,791	81,328	99,980
Non Union	46,185	46,845	54,778	54,679	62,635	87,358	99,980
Union	50,611	46,157	42,953	49,678	51,535	56,057	55,901
Total	333,002	333,857	366,822	404,712	399,812	384,321	443,706
Compensation - Average Yearly Overtime							
Executive		-	-	-	-	-	-
Management		-	-	59	-	-	-
Non Union		87	191	305	431	-	-
Union	333	-	8	57	276	854	854
Total	333	87	199	420	708	854	854
Compensation - Average Yearly Incentive Pay							
Executive	36,364	38,472	48,397	87,276	63,565	63,159	65,212
Management	11,693	9,136	9,214	9,595	10,162	11,297	11,664
Non Union	4,367	3,895	4,428	2,708	3,451	3,761	3,883
Union	4,817	3,945	3,161	2,143	3,153	3,230	3,335
Total	57,241	55,448	65,200	101,721	80,331	81,447	84,094
Compensation - Average Yearly Benefits							
Executive	57,263	70,452	63,940	103,643	87,645	83,512	89,679
Management	40,185	36,345	35,052	52,347	50,023	44,434	46,849
Non Union	20,116	20,771	22,859	28,397	30,187	47,445	50,726
Union	21,120	19,109	16,236	25,612	24,717	30,390	34,277
Total	138,684	146,677	138,087	209,999	192,572	205,780	221,531
Total Compensation	4,864,798	4,621,933	5,085,232	6,107,989	5,995,546	6,717,355	7,516,359
Total Compensation charged to OM & A	4,864,798	4,621,933	5,085,232	6,107,989	5,995,546	6,717,355	7,516,359
Total Compensation Capitalized							
***AVERAGE YEARLY BENEFITS INCLUDES BOTH RETIREE AND CURRENT BENEFITS per JK							

MR. SHEPHERD: Thank you.

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

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

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

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

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

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

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

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

MR. MACUMBER: Mr. Pastoric wasn't there.

I actually said that, and that's why we believe if you take that out of the equation, if you look at total cost, it's regardless of where you actually account for it.

MR. WARREN: Am I right, Mr. Macumber, that you have said in this application, at some point in the record in this case, that you can't compare them because you don't know how they go about accounting or operating their businesses?

MR. MACUMBER: If you're talking about one side of the equation, assuming that you're talking about operating, yes, I can't do that.

But if you look at the total equation, that strips out any kind of differences.

MR. WARREN: You can't do that because, what, you don't have access to their data?

MR. MACUMBER: I don't know how they account for things. All I'm suggesting is if you remove that and look at both together, you get a clearer picture of what a utility spends on.

MR. WARREN: You'd be aware, would you not, Mr. Macumber, that the utilities -- including several of the utilities that might be used as comparables -- apply to this Board in cost of service applications? They do that from time to time; correct?

MR. MACUMBER: Yes, I guess that's how the process works.

MR. WARREN: And based on your own experience in this

Total Cost per Kwhr and per Customer by Rate Class

Enersource (EB-2012-0033)

Rate Class(es)	*Costs*	*Volumes*	*Percent*	*Cost/kwhr*	*Cust. Count*	*Percent*	*Cost/Cust.*	*Kwhr/Cust.*
Residential	$59,831,168	1,475,116,344	19.2%	$0.040560	176,865	87.586%	$338.29	8,340
GS < 50	$16,549,924	634,226,873	8.2%	$0.026095	17,702	8.766%	$934.92	35,828
GS 50-4999	$50,179,411	4,547,206,995	59.1%	$0.011035	4,414	2.186%	$11,368.24	1,030,178
Large User	$5,475,286	1,011,582,747	13.1%	$0.005413	9	0.004%	$608,365.11	112,398,083
Street Lighting	$1,615,703	19,704,431	0.3%	$0.081997	49,985		$32.32	394
USL	$465,398	10,756,816	0.1%	$0.043265	2,942	1.457%	$158.19	3,656
	$134,116,890	7,698,594,206		$0.017421	201,932 (excl. SL)		$664.17	

Enersource/Powerstream

Rate Class(es)	*Ratio - per kwhr*	*Ratio - per cust.*
Residential	1.16	1.11
GS < 50	0.99	1.06
GS 50-4999	0.96	1.02
Large User	0.91	3.23
Street Lighting	2.17	1.19
USL	1.10	0.88
	0.83	1.30

Powerstream (EB-2012-0161)

Rate Class(es)	*Costs*	*Volumes*	*Percent*	*Cost/kwhr*	*Cust. Count*	*Percent*	*Cost/Cust.*	*Kwhr/Cust.*
Residential	$95,291,157	2,727,901,711	32.2%	$0.034932	311,385	88.886%	$306.02	8,761
GS < 50	$27,734,368	1,049,877,268	12.4%	$0.026417	31,432	8.972%	$882.36	33,402
GS 50-4999	$52,348,687	4,553,483,283	53.8%	$0.011496	4,676	1.335%	$11,195.19	973,799
Large User	$376,565	63,032,980	0.7%	$0.005974	2	0.001%	$188,282.50	31,516,490
Street Lighting	$2,289,977	60,731,040	0.7%	$0.037707	84,204		$27.20	721
USL	$509,050	12,918,540	0.2%	$0.039405	2,824	0.806%	$180.26	4,575
	$178,549,804	8,467,944,822		$0.021085	350,319 (excl. SL)		$509.68	

Appendix 2-O
Cost Allocation

Enersource Mississauga Hydro's previous Cost Allocation was the 2008 Cost of Service Application.

a) Allocated Costs

Small Commercial and Unmetered Scatter Load (UMSL) were combined into one rate class in the previous Cost Allocation Study. For purposes of comparison the combined total from previous study is split based on the number of customer accounts.

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	$ 46,484,474	41.3%	$ 59,831,168	44.6%
Small commercial*	$ 225,746	0.2%	$ -	0.0%
GS < 50 kW	$ 14,982,784	13.3%	$ 16,549,924	12.3%
GS > 50 kW	$ 27,222,124	24.2%	$ 30,328,404	22.6%
GS > 500 kW	$ 16,965,654	15.1%	$ 19,851,007	14.8%
Large User, if applicable	$ 4,202,131	3.7%	$ 5,475,286	4.1%
Street Lighting	$ 2,123,429	1.9%	$ 1,615,703	1.2%
UMSL	$ 448,123	0.4%	$ 465,398	0.3%
Total	$ 112,654,465	100.0%	$ 134,116,890	100.0%

Table a) Allocated Costs is restated below to reflect the changes in the rate classes - Small Commercial rate class is to be retired, current small commercial customers will migrate to GS < 50 kW, Unmetered Scattered Load will be split out from the formerly combined Small Commercial UMSL.

Classes	Costs Allocated from Previous Study	%	Costs Allocated in Test Year Study (Column 7A)	%
Residential	$ 46,484,474	41.3%	$ 59,831,168	44.6%
GS < 50 kW	$ 15,208,530	13.5%	$ 16,549,924	12.3%
GS > 50 kW	$ 27,222,124	24.2%	$ 30,328,404	22.6%
GS > 500 kW	$ 16,965,654	15.1%	$ 19,851,007	14.8%
Large User, if applicable	$ 4,202,131	3.7%	$ 5,475,286	4.1%
Street Lighting	$ 2,123,429	1.9%	$ 1,615,703	1.2%
UMSL	$ 448,123	0.4%	$ 465,398	0.3%
Total	$ 112,654,465	100.0%	$ 134,116,890	100.0%

Attachment 6

Actual and Forecast Average Number of Customers &/or Connections by Rate Class, 2007 to 2013

Year	Residential	Small Commercial	GS<50	GS 50-499	GS 499-5000	Large User	Total	% Growth	USL	SL
2007	162,262	192	16,034	3,977	467	9	182,940		2,865	48,178
2008 COS	166,825	180	16,081	3,986	470	9	187,551		3,108	48,255
2008	164,329	175	16,181	3,954	469	10	185,116	1.2%	2,874	48,370
2009	167,085	177	16,471	3,912	482	10	188,136	1.6%	2,889	48,688
2010	169,768	174	16,730	3,991	483	10	191,156	1.6%	2,915	49,000
2011	172,346	170	17,000	3,986	472	11	193,983	1.5%	2,933	49,230
2012	174,659	168	17,287	3,947	464	10	196,534	1.3%	2,937	49,507
2013	176,865	168	17,534	3,950	464	9	198,990	1.2%	2,942	49,985

Note: Includes the impact of CDM

Attachment 7

Actual and Forecast Year-End Number of Customers &/or Connections by Rate Class, 2007 to 2013

Year	Residential	Small Commercial	GS<50	GS 50-499	GS 499-5000	Large User	Total	% Growth	USL	SL
2007	162,775	190	16,043	4,041	460	9	183,518		2,865	48,184
2008 COS	170,380	180	16,152	3,986	475	9	191,182		3,113	48,475
2008	165,882	177	16,318	3,867	477	10	186,731	1.8%	2,882	48,556
2009	168,288	176	16,624	3,956	486	10	189,540	1.5%	2,896	48,819
2010	171,247	172	16,836	4,026	480	10	192,771	1.7%	2,934	49,181
2011	173,444	168	17,163	3,945	463	11	195,194	1.3%	2,931	49,279
2012	175,874	168	17,412	3,948	464	9	197,875	1.4%	2,943	49,736
2013	177,856	168	17,657	3,951	464	9	200,104	1.1%	2,940	50,235

Note: Includes the impact of CDM

Table 4: Energy Consumption Forecast Including CDM Impacts, 2012 to 2013 (kWh)

	Energy Consumption Forecast (per Table 1)	CDM Adjustment (per Table 3)	Energy Consumption Forecast
2012			
Residential	1,498,238,071	(22,709,000)	1,475,529,071
Small Commercial	908,655	-	908,655
Unmetered Scattered Load	10,663,801	-	10,663,801
GS < 50	667,052,720	(32,620,613)	634,432,107
GS 50-499	2,204,055,980	(4,349,853)	2,199,706,127
GS 500-4999	2,316,967,744	(4,648,053)	2,312,319,691
Large User	1,011,627,005	(14,714,815)	996,912,190
Street Lighting	40,218,989	(5,228,799)	34,990,190
Total	**7,749,732,964**	**(84,271,133)**	**7,665,461,831**
2013			
Residential	1,510,959,264	(35,842,920)	1,475,116,344
Small Commercial	916,349	-	916,349
Unmetered Scattered Load	10,756,816	-	10,756,816
GS < 50	672,829,817	(39,519,293)	633,310,524
GS 50-499	2,223,403,707	(6,718,613)	2,216,685,094
GS 500-4999	2,337,688,588	(7,166,687)	2,330,521,901
Large User	1,020,566,402	(8,983,655)	1,011,582,747
Street Lighting	40,619,625	(20,915,195)	19,704,431
Total	**7,817,740,567**	**(119,146,362)**	**7,698,594,205**

Weather Normalization Methodology

Since forecasting weather with confidence is not reasonable, Enersource's load forecasting process utilizes two weather scenarios which are generated based on actual historical weather data for Mississauga. The two scenarios that are used are normal weather used for energy consumption forecasting, and extreme weather for peak system demand forecasting. Normal weather scenario is used for energy consumption since it provides the most typical weather conditions relative to historical experience. The extreme weather scenario is utilized for peak system demand forecasting to project the peak load demand which occurs

Table 2: Cost Allocation Summary and Adjustments

	2009 EDR Final Approved	2013 EDR CA model at "status quo" rates	OEB PROPOSED RANGE		Proposed per Application
	2009	2013	Low	High	2013
Revenue /Expenses Ratio					
Residential	92.9%	101.2%	85%	115%	**101.2%**
GS Less Than 50 kW	116.7%	98.8%	80%	120%	**98.8%**
GS 50 to 4,999 kW	106.5%	98.1%	80%	120%	**98.1%**
GS 50 to 4,999 kW Legacy					
Large Use	115.0%	41.7%	85%	115%	**100.2%**
Unmetered Scattered Load	119.9%	100.6%	80%	120%	**100.6%**
Sentinel Lighting	75.4%	92.4%	80%	120%	**92.4%**
Street Lighting	74.5%	118.9%	70%	120%	**109.2%**

Costs Allocated (line 35, CA model)	2009 EDR Final Approved 2009	2013 EDR CA model at "status quo" rates 2013	Proposed per Application 2013
Residential	$66,551,755	95,291,157	95,291,157
GS Less Than 50 kW	$16,174,114	27,734,368	27,734,368
GS 50 to 4,999 kW	$36,202,283	52,348,687	52,348,687
GS 50 to 4,999 kW Legacy	$0		-
Large Use	$54,552	376,565	376,565
Unmetered Scattered Load	$431,330	509,050	509,050
Sentinel Lighting	$26,725	18,117	18,117
Street Lighting	$1,690,275	2,271,860	2,271,860
	$121,131,034	$178,549,804	$178,549,804

Total Revenue requirement *should match tab O1, line 20*	2009 EDR Final Approved 2009	2013 EDR CA model at "status quo" rates 2013	Proposed per Application 2013
Residential	$61,853,512	$96,392,161	$96,392,161
GS Less Than 50 kW	$18,876,898	$27,408,811	$27,408,811
GS 50 to 4,999 kW	$38,541,454	$51,360,723	$51,360,723
GS 50 to 4,999 kW Legacy	$0	$0	$0
Large Use	$62,735	$157,180	$377,180
Unmetered Scattered Load	$517,171	$512,345	$512,345
Sentinel Lighting	$20,148	$16,742	$16,742
Street Lighting	$1,259,116	$2,701,841	$2,481,841
	$121,131,033	$178,549,804	$178,549,804

Miscellanious revenue *tab O1, line 19*			
Residential	$3,627,310	5,123,849	5,123,849
GS Less Than 50 kW	$1,588,671	1,397,719	1,397,719
GS 50 to 4,999 kW	$1,248,751	2,392,812	2,392,812
GS 50 to 4,999 kW Legacy	$0	-	-
Large Use	$904	7,830	7,830
Unmetered Scattered Load	$86,559	38,094	38,094
Sentinel Lighting	$545	839	839
Street Lighting	$15,306	100,858	100,858
	$6,568,047	$9,062,000	$9,062,000

Distribution Revenue Requirement *tab O1, line 18*	2009 EDR Final Approved 2009	2013 EDR CA model at "status quo" rates 2013	Distribution revenue re-allocation 2012	Proposed per Application 2012
Residential	$58,226,202	$91,268,313		$91,268,313
GS Less Than 50 kW	$17,288,227	$26,011,092		$26,011,092
GS 50 to 4,999 kW	$37,292,703	$48,967,911		$48,967,911
GS 50 to 4,999 kW Legacy				$0
Large Use	$61,830	$149,350	220,000	$369,350
Unmetered Scattered Load	$430,612	$474,251		$474,251
Sentinel Lighting	$19,603	$15,904		$15,904
Street Lighting	$1,243,810	$2,600,983	(220,000)	$2,380,983
Total	$114,562,987	$169,487,804	-	$169,487,804

Table 4: Demand and Consumption

Demand

Load (kW)					Variance Analysis							
					2010 Actual Norm vs 2009 Actual Norm.		2011 Actual Norm vs 2010 Actual Norm.		2012 Actual Norm vs 2011 Actual Norm.		2012 Actual Norm vs 2011 Actual Norm.	
Actual Normalized 2009 kW	Actual Normalized 2010 kW	Actual Normalized 2011 kW	Bridge Year Normalized 2012 kW	Test Year 2013 kW	kW	%	kW	%	kW	%	kW	%
0	0	0	0	0	0		0		0		0	
0	0	0	0	0	0		0		0		0	
11,841,293	11,993,106	12,059,393	12,194,106	12,130,724	151,813	1.3%	66,286	0.6%	134,713	1.1%	(63,381)	-0.5%
0	0	0	0	0	0		0		0		0	
81,160	82,797	83,361	83,894	187,932	1,637	2.0%	564	0.7%	533	0.6%	104,038	124.0%
0	0	0	0	0	0		0		0		0	
1,197	1,221	1,229	1,237	1,240	24	2.0%	8	0.7%	8	0.6%	3	0.2%
171,479	173,224	174,100	176,348	176,787	1,745	1.0%	877	0.5%	2,248	1.3%	439	0.2%
12,095,130	12,250,349	12,318,083	12,455,585	12,496,684	**155,219**	**1.3%**	**67,735**	**0.6%**	**137,502**	**1.1%**	**41,099**	**0.3%**

Consumption

Consumption (kwh)					Variance Analysis							
					2010 Actual Norm vs 2009 Actual Norm.		2011 Actual Norm vs 2010 Actual Norm.		2012 Actual Norm vs 2011 Actual Norm.		2012 Actual Norm vs 2011 Actual Norm.	
Actual Normalized 2009 kWh	Actual Normalized 2010 kWh	Actual Normalized 2011 kWh	Bridge Year Normalized 2012 kWh	Test Year 2013 kWh	kwh	%	kWh	%	kWh	%	kWh	%
2,645,607,890	2,673,270,148	2,686,931,286	2,721,123,173	2,727,901,711	27,662,258	1.0%	13,661,138	0.5%	34,191,887	1.3%	6,778,537	0.2%
1,017,968,580	1,029,072,171	1,034,413,080	1,047,268,438	1,049,877,268	11,103,591	1.1%	5,340,909	0.5%	12,855,357	1.2%	2,608,830	0.2%
4,445,407,912	4,500,600,497	4,525,154,776	4,576,906,372	4,553,483,283	55,192,585	1.2%	24,554,279	0.5%	51,751,596	1.1%	(23,423,089)	-0.5%
0	0	0	0	0	0		0		0		0	
27,221,419	27,770,469	27,959,582	28,138,353	63,032,980	549,050	2.0%	189,112	0.7%	178,772	0.6%	34,894,627	124.0%
12,540,625	12,648,823	12,709,369	12,886,447	12,918,549	108,198	0.9%	60,547	0.5%	177,078	1.4%	32,101	0.2%
457,217	466,439	469,615	472,618	473,795	9,222	2.0%	3,176	0.7%	3,003	0.6%	1,177	0.2%
58,436,961	59,052,787	59,355,422	60,107,512	60,257,245	615,826	1.1%	302,635	0.5%	752,090	1.3%	149,733	0.2%
8,207,640,604	8,302,881,333	8,346,993,130	8,446,902,913	8,467,944,830	**95,240,730**	**1.2%**	**44,111,797**	**0.5%**	**99,909,783**	**1.2%**	**21,041,917**	**0.2%**

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Appendix 2-U
Revenue Reconciliation

Rate Class	Customers/ Connections	Number of Customers/Connections			Test Year Consumption		Proposed Rates			Revenues at Proposed Rates	Service Revenue Requirement	Transformer Allowance Credit	Total	Difference
		Start of Test Year	End of Test Year	Average	kWh	kW	Monthly Service Charge	Volumetric						
								kWh	kW					
Residential	Customers	305,233	311,385	308,309	2,727,901,711		$ 13.57	$ 0.0154		$ 92,214,724	$ 92,190,288		$ 92,190,288	-$ 24,436
GS < 50 kW	Customers	30,966	31,432	31,199	1,049,877,268		$ 27.91	$ 0.0151		$ 26,302,316	$ 26,328,439		$ 26,328,439	$ 26,123
GS > 50 to 4,999 kW	Customers	4,647	4,676	4,662		12,130,724	$ 148.18		$ 3.6640	$ 52,735,867	$ 50,412,289	$ 2,322,897	$ 52,735,186	-$ 680
Large Use	Customers	2	2	2		187,932	$ 3,017.47		$ 1.9408	$ 509,158	$ 396,400	$ 112,759	$ 509,159	$ 1
Streetlighting	Connections	82,656	84,084	83,370		176,787	$ 1.34		$ 5.9768	$ 2,397,212	$ 2,397,217		$ 2,397,217	$ 5
Sentinel Lighting	Connections	120	120	120		1,240	$ 3.51		$ 8.8506	$ 16,032	$ 16,032		$ 16,032	-$ 0
Unmetered Scattered Load	Connections	2,804	2,824	2,814	12,918,549		$ 8.06	$ 0.0159		$ 477,575	$ 478,595		$ 478,595	$ 1,020
				-						$ -			$ -	$ -
Total										$ 174,652,883	$ 172,219,260	$ 2,435,656	$ 174,654,916	$ 2,033

MR. FAYE: Or on a PP&E basis?

MR. PASTORIC: That's correct.

MR. FAYE: Okay. Then let me just explore a little bit about this per kilowatt-hour and per-kilowatt metric you use.

How many customers do you have in your utility?

MR. PASTORIC: Approximately 196,000.

MR. FAYE: And how many of those would you categorize as being large customers?

MR. PASTORIC: Ten. Ten being the large users, if you want. Then we have one of the largest cement plants, and also the largest airport in Canada.

MR. FAYE: All right. How much of your load, both in kilowatt-hours and in kilowatts, would be contributed by those ten large customers?

MR. PASTORIC: We're going to take a few moments to find it by rate class, because it should be in our greater than 5 meg customer-class evidence.

If I refer to Enersource's asset management plan, page 12, we only have it on a percentage base. Large users, and it says "commercial", are -- and that's because one of our large is commercial -- 14.2 percent.

MR. FAYE: 14.2. Thanks.

If you lost all those customers, you didn't have any large customers left, the impact on your dollars per kilowatt-hour/dollars per kilowatt, what would that impact be in trend? You don't have to give me a number, just what direction does the impact go? Is your cost per kilowatt-

last year at 53 minutes was normal. We look at a 15-year average, and it's about 34 minutes, I think, for 15 years.

So from that point of view we look at the overall long trend, and we look at, are we increasing, which we're finding our system is decreasing in its reliability, and we have to take an asset management plan to fix that, and that's why we need additional cost.

MR. SHEPHERD: So then your important metric, from a benchmarking point of view, is your past performance on any given number, right?

MR. PASTORIC: Similar to customers, who look at their bill and said Did my bill go up or did my bill go down?

MR. SHEPHERD: Okay. So if your costs went up a lot, then that's a concern?

MR. PASTORIC: Absolutely.

MR. SHEPHERD: Whereas if your costs are year after year higher than other utilities, that's not a concern?

MR. PASTORIC: I think we've already shown that our costs per kilowatt-hour aren't dramatically higher than everyone else. Frankly, we're dramatically lower than everyone else. We analyze all capital and OM&A on the same basis. We don't look at one part of the equation, so when you say we don't look at it, we absolutely look at it.

MR. SHEPHERD: The proxy group that your shareholders have determined is the one that matters, at least for board of director remuneration, is Hydro Ottawa, PowerStream, Horizon, London Hydro, and, of course, yourselves; isn't that right?

Total Cost per Kwhr and per Customer by Rate Class

Enersource (EB-2012-0033)

Rate Class(es)	*Costs*	*Volumes*	*Percent*	*Cost/kwhr*	*Cust. Count*	*Percent*	*Cost/Cust.*	*Kwhr/Cust.*
Residential	$59,831,168	1,475,116,344	19.2%	$0.040560	176,865	87.586%	$338.29	8,340
GS < 50	$16,549,924	634,226,873	8.2%	$0.026095	17,702	8.766%	$934.92	35,828
GS 50-4999	$50,179,411	4,547,206,995	59.1%	$0.011035	4,414	2.186%	$11,368.24	1,030,178
Large User	$5,475,286	1,011,582,747	13.1%	$0.005413	9	0.004%	$608,365.11	112,398,083
Street Lighting	$1,615,703	19,704,431	0.3%	$0.081997	49,985		$32.32	394
USL	$465,398	10,756,816	0.1%	$0.043265	2,942	1.457%	$158.19	3,656
	$134,116,890	7,698,594,206		$0.017421	201,932 (excl. SL)		$664.17	

Enersource 2013/Enersource 2008

Rate Class(es)	*Ratio - per kwhr*	*Ratio - per cust.*
Residential	1.42	1.24
GS < 50	1.24	1.28
GS 50-4999	1.08	1.06
Large User	0.95	0.95
Street Lighting	1.60	0.75
USL		
	1.21	1.10

Enersource (EB-2007-0706)

Rate Class(es)	*Costs*	*Volumes*	*Percent*	*Cost/kwhr*	*Cust. Count*	*Percent*	*Cost/Cust.*	*Kwhr/Cust.*
Residential	$45,652,414	1,594,788,347	19.9%	$0.028626	166,825	87.499%	$273.65	9,560
GS < 50	$14,127,770	668,920,229	8.4%	$0.021120	19,369	10.159%	$729.40	34,536
GS 50-4999	$47,814,056	4,699,387,526	58.7%	$0.010175	4,456	2.337%	$10,730.26	1,054,620
Large User	$5,739,354	1,003,079,374	12.5%	$0.005722	9	0.005%	$637,706.01	111,453,264
Street Lighting	$2,091,536	40,800,231	0.5%	$0.051263	48,255		$43.34	846
USL (none)								
	$115,425,130	8,006,975,707		$0.014416	190,659 (excl. SL)		$605.40	

COST ALLOCATION - Modified SCENARIO 3

Customer Class	Based on Cost Allocation (Revenue to Cost Ratio)											Percentage Allocation of Fixed / Variable		
	RUN 1: Revenue to Cost Ratio ORIGINAL	RUN 1: Revenue to Cost Ratio Adj. TA	Allocate	Proposed Rev / Cost Ratio	Allocate Rev / Cost Ratio	Revised %	Per Cost Allocation	Fixed	Variable	Total	Percentage	Fixed	Variable	Total
RESIDENTIAL	87.7%	89.1%	102.7%	91.5%	$ 41,733,889	37.1%	$ 41,771,959	$ 23,203,524	$ 18,568,436	$ 41,771,959	36.4%	55.5%	44.5%	100.0%
GENERAL SERVICE Less than 50 kW	113.6%	115.4%	96.1%	111.0%	$ 15,028,296	13.4%	$ 15,042,425	$ 7,521,213	$ 7,521,213	$ 15,042,425	13.1%	50.0%	50.0%	100.0%
GENERAL SERVICE Other < 50 kW Small Commercial	149.9%	152.5%	72.8%	111.0%	$ 638,817	0.6%	$ 639,400	$ 411,895	$ 227,505	$ 639,400	0.6%	64.4%	35.6%	100.0%
GENERAL SERVICE 50 kW - 499 kW	120.6%	122.0%	91.0%	111.0%	$ 29,392,375	26.1%	$ 29,605,200	$ 3,262,677	$ 26,342,524	$ 29,605,200	25.8%	11.0%	89.0%	100.0%
GENERAL SERVICE 500 kW - 4999 kW	86.8%	82.1%	111.5%	91.5%	$ 18,162,066	16.1%	$ 19,345,575	$ 8,469,366	$ 10,876,209	$ 19,345,575	16.9%	43.8%	56.2%	100.0%
GENERAL SERVICE Large Use (> 5000 kW)	137.2%	124.5%	89.2%	111.0%	$ 5,677,127	5.0%	$ 6,370,683	$ 1,460,924	$ 4,909,759	$ 6,370,683	5.6%	22.9%	77.1%	100.0%
STREET LIGHTING	25.2%	25.6%	357.1%	91.5%	$ 1,912,011	1.7%	$ 1,913,755	$ 760,189	$ 1,153,566	$ 1,913,755	1.7%	39.7%	60.3%	100.0%
Total					$ 112,544,580	**100.0%**	**$ 114,688,998**	**$ 45,089,787**	**$ 69,599,211**	**$ 114,688,998**	**100.0%**	**39.3%**	**60.7%**	**100.0%**

Forecast Charge Parameters

Number of Customers

Enersource's forecast of the number of customers by customer class for the 2008 Test Year is set out in the table below.

Average Number of Customers (Connections)

RATE CLASS	2006	2007	2008
Residential	159,692	161,217	166,825
Less than 50 kW	15,764	15,946	16,081
Small Commercial	3,245	3,265	3,288
GS 50-499 kW	3,920	3,960	3,986
GS 500-4999 kW	461	466	470
Large User	9	9	9
Street Lighting	47,588	47,981	48,255
TOTAL	230,679	232,844	238,914

Enersource's forecasting methodology is summarized below. A detailed description of the forecasting methodology is found at ExB/Sched3/Tab2 and ExB/Sched3/Tab3.

Enersource relied on past experience of customer additions to forecast customer additions in the 2008 Test Year. Upon initial occupation, premises in Enersource's service area tend to be continually occupied. As a result, Enersource typically does not lose end users at specific sites. This number of connected premises is referred to as the number of customers.

Enersource uses the number of customers as of the end of the previous period as a proxy for the number of customers at the beginning of the next period. For the purposes of forecasting the number of customers in the 2008 Test Year, Enersource adopted the number of customers at the end of the 2007 Bridge Year as the opening number of customers in the Test Year. Consistent

Forecast Charge Parameters

Energy Deliveries

Enersource's forecast of the energy deliveries by customer class for the 2008 Test Year is set out in the table below.

Energy Deliveries Data in kWh (excluding Losses)

	2006	2007	2008
RATE CLASS	kWh	kWh	kWh
Residential	1,539,170,115	1,539,401,054	1,547,398,184
Less than 50 kW	656,887,198	663,266,083	646,726,132
Small Commercial	11,841,869	11,786,693	11,905,587
GS 50-499 kW	2,254,730,232	2,270,706,435	2,326,693,969
GS 500-4999 kW	2,366,145,258	2,357,307,265	2,372,693,557
Large User	966,057,966	990,826,184	1,003,079,374
Street Lighting	38,362,229	39,949,712	40,800,231
TOTAL	7,833,194,867	7,873,243,427	7,949,297,033

Note: 2008 data includes Conservation and Demand Management.

Enersource's forecasting methodology is summarized below. A detailed description of the forecasting methodology is found at ExB/Sched3/Tab2 and ExB/Sched3/Tab3.

Enersource's electricity deliveries forecast requires two inputs:

- A quantitative description of normal weather conditions; and
- Econometric information – e.g., population, economic conditions.

A description of the process relied on to quantitatively estimate normal weather is provided at ExB/Sched3/Tab1. The model is forged using past econometric, calendar and weather data inputs as well as past energy consumption data. The time period of the past actual data utilized in

2008 Units CDM Savings
INPUT CDM SAVINGS

Forecast Units/kWh/KW 2008

Res	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CDM Savings 2008 Budget
Customer chgs units													-
Distribution	2,843,410	2,843,410	2,843,410	2,843,410	3,791,213	4,265,115	4,265,115	4,739,016	4,739,016	4,739,016	4,739,016	4,739,016	47,390,163
Administration Charge units													-
Energy	2,966,529	2,966,529	2,966,529	2,966,529	3,927,697	4,418,659	4,418,659	4,909,621	4,909,621	4,909,621	4,909,621	4,909,621	49,179,236
Wholesale Market Srvc Rate	2,966,529	2,966,529	2,966,529	2,966,529	3,927,697	4,418,659	4,418,659	4,909,621	4,909,621	4,909,621	4,909,621	4,909,621	49,179,236
Network	2,843,410	2,843,410	2,843,410	2,843,410	3,791,213	4,265,115	4,265,115	4,739,016	4,739,016	4,739,016	4,739,016	4,739,016	47,390,163
Connection	2,843,410	2,843,410	2,843,410	2,843,410	3,791,213	4,265,115	4,265,115	4,739,016	4,739,016	4,739,016	4,739,016	4,739,016	47,390,163
0-50													
Customer chgs units													-
Distribution	617,311	617,311	617,311	617,311	823,081	925,966	925,966	1,028,851	1,028,851	1,028,851	1,028,851	1,028,851	10,288,510
Administration Charge units													-
Energy	644,040	644,040	644,040	644,040	852,712	959,301	959,301	1,065,890	1,065,890	1,065,890	1,065,890	1,065,890	10,734,002
Wholesale Market Srvc Rate	644,040	644,040	644,040	644,040	852,712	959,301	959,301	1,065,890	1,065,890	1,065,890	1,065,890	1,065,890	10,734,002
Network	617,311	617,311	617,311	617,311	823,081	925,966	925,966	1,028,851	1,028,851	1,028,851	1,028,851	1,028,851	10,288,510
Connection	617,311	617,311	617,311	617,311	823,081	925,966	925,966	1,028,851	1,028,851	1,028,851	1,028,851	1,028,851	10,288,510
50-499													
Customer chgs units													-
Distribution	156	156	156	156	208	234	234	260	260	260	260	260	2,600
Administration Charge units													-
Metered kWh													-
Energy	163	163	163	163	215	242	242	269	269	269	269	269	2,713
Wholesale Market Srvc Rate	163	163	163	163	215	242	242	269	269	269	269	269	2,713
Network	156	156	156	156	208	234	234	260	260	260	260	260	2,600
Connection	156	156	156	156	208	234	234	260	260	260	260	260	2,600

want to know why?

MR. PASTORIC: I still have to go back to the basic constructs of how we run our business. We look at the most reliable system with the cheapest cost through what we put through the system.

Now, if a school board in one jurisdiction has a difference, I can't really comment on that. There are a lot of variables, as we've talked about in the last two days.

We have the cheapest costs. We've got one of the best reliabilities, as you've already indicated, so, you know, if a customer comes and asks us, we explain the bill, we explain our cost system, we deal with our internal matters.

So we're very good at explaining to our customers our own costs, but we can't explain anybody else's cost.

MR. SHEPHERD: Actually, Mr. Pastoric, I chose Brampton particularly because it's the same school board, right?

MR. PASTORIC: Okay. We haven't been questioned by them.

MR. SHEPHERD: So back to page 23, can you take a look at (b)? And we quoted from Standard & Poor's, which is in your evidence:

> "Enersource's residential and commercial distribution rates are among the lowest in the province."

And we wanted to know the basis on which they said that, because presumably they got that from you. They

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

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

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

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

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

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

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

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

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

MR. SHEPHERD: Costs due to other cost drivers?

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

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

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

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

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

MR. VEGH: 4.4 percent compound growth rate.

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

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

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

tangible benefits for what we spend as well.

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

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

MR. SHEPHERD: By...

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

MR. SHEPHERD: Thank you.

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

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

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

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

And you have called the three that you describe 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, but in each case it looks like there is no -- there is no actual dollar savings; is that fair?

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

MR. SHEPHERD: How is that cost avoidance?

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

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

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

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

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

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

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

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

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

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

MR. SHEPHERD: Okay. Thank you.

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

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

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

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

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

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

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

MR. MORRISON: No, we don't.

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

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

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

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

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

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

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

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

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

MR. NUNES: No.

MR. SHEPHERD: Thank you.

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

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

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

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

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

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

MR. SHEPHERD: I understand. Thank you.

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

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

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory #28

School Energy Coalition (SEC)

4. Operating Costs

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

Reference: [Ex. 4/1/4, p. 12]

Please provide details on the impact of the ACA on forecast OM&A spending. Please provide any internal reports estimating the incremental OM&A costs and savings resulting from improved management of assets.

Response:

Please refer to the discussion of the Asset Management Plan Initiative Costs at Exhibit 4 Tab 1 Schedule 5 which includes the incremental OM&A costs stemming from the ACA.

MR. SHEPHERD: Okay. Thank you.

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

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

And your answer is yes.

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

MR. MACUMBER: Yes, it is.

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

MR. MACUMBER: Smart meter integration plan.

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

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

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

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

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

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

the funding was through the smart meter funding adder.

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

MR. MACUMBER: Operating and capital.

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

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

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

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

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

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

What were they overseeing during the smart meter funding adder?

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

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

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

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

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

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

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

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

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

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

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

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

MR. BONADIE: I don't believe so.

MR. SHEPHERD: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MR. MACUMBER: That's what we believe.

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

produce such a document?

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

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

MR. MACUMBER: No.

MR. SHEPHERD: Thank you.

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

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

MR. SHEPHERD: Thank you.

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

MR. MACUMBER: Yes.

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

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

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

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

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

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

MR. MACUMBER: That is correct.

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

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

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

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

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

MR. MACUMBER: We have provided a table.

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

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

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

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

MR. SHEPHERD: Thank you.

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

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

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

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

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

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

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

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

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

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory #37

School Energy Coalition (SEC)

4. Operating Costs

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

Reference: Ex. 4/1/9, p. 10

Please explain why customer self-service results in an increase in positions. Please provide details of any savings estimated from this initiative, and where those savings are reflected in the Application. Please provide the business case for this project.

Response:

In the past, distributors have relied on phone calls to field questions about bills, make arrangements for service moves and receive reports for power related outages. Distributors relied on mail services to deliver bills, receive payment and notify customers of special events or information.

Today customers expect to have a number of options in meeting these needs but also have a greater expectation of value-added information that would not have been available in the past.

Customers can come to the Enersource website (www.enersource.com) to understand the services provided by Enersource, get explanations on key information (their bills, tips for saving energy, etc.), check their account and pay their bills electronically, environment and safety, and much more.

Customers also interact via email. They can submit their questions and comments anytime and from any internet connected device and expect a timely response.

Technology experts are required in a number of areas in this new environment. Networking professionals that can assess traffic loads, design and implement the most effective and efficient solutions, deal with the increased security standards required, ensure adequate performance and fail-over/backup scenarios, and support /manage everyday operations are key.

Web development, content management and database experts are also central to creating and delivering these interfaces and applications that customers can easily use to get the information and services they need.

Provision of web based self-serve for customers is now considered a must for utilities in order to maintain customer satisfaction. However, a wide-spread adoption is not expected to occur in the near term and, therefore, any impact on customer service call volumes or related efficiencies are not anticipated until mid-2014.

The business case for this project is attached.

EHM PROJECT BUSINESS CASE

INVESTMENT CATEGORY:	**Non-System Requirements - Internally Driven Investments**
INVESTMENT NAME:	**IT – Meter to Cash**
BUSINESS UNIT #:	**C0589**
PROJECT NAME:	**2012 – 4. Customer Web Self Service**

Project Description

The Customer Web Self service initiative will broaden customer choice for function that can be performed on the internet, in order to reduce calls into the call centre further. Also, with expanded web functionality, automated processes will be developed to integrate function directly to the CC&B, the Customer Information Systems.

Justification

This project is needed to enhance the first Enersource Internet web self service initiatives that will be developed, and to further reduce costs to Enersource customer service.

The Customer Service user group will be the prime beneficiary of this project. This initiative will provide more system optimization, as routine functions could be performed by our customers, 24/7, rather that during Enersource business hours.

There is a Green Energy Act component. The is a direct reduction to Enersource costs, with the reduction to call to the call centre, and with the new Internet initiatives, Enersource will be able to promote more conservation programs to our customers.

Alternatives

No other alternative were considered.

Impact of Deferral

The project can be deferred, although as this project is a continuation to the first phase of the Customer Web self service initiatives, the complete web self service project will not be complete.

Results

Estimated Annual Expenditure ($ 1,000's)

COST TYPE	2012		
Capital Costs funded by Board	$ 200		
Capital Costs funded by Others			
Total Capital Costs	**$ 200**		

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

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

MR. SHEPHERD: So there will be savings?

MR. NUNES: Probably in the future.

MR. SHEPHERD: And have you estimated those?

MR. NUNES: No.

MR. SHEPHERD: Okay. Thank you.

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

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

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

You are familiar with these?

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

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

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

Appendix 2-L
Shared Services/Corporate Cost Allocation

Year: 2008

Name of Company		Service Offered	Pricing Methdology	Total Cost for the Service	Regulated Cost for the Service	Percentage Allocation
From	**To**			**$**	**$**	**%**
Enersource Corporation	Enersource Hydro	Board of Directors	Cost	143,026	128,723	90.0%
Enersource Corporation	Enersource Hydro	CEO office and Government Relations	Cost	2,636,611	2,372,950	90.0%
Enersource Corporation	Enersource Hydro	Safety	Cost	663,654	597,289	90.0%
Enersource Corporation	Enersource Hydro	Finance, Internal Audit & Risk	Cost	3,656,984	2,998,727	82.0%
Enersource Corporation	Enersource Hydro	Legal and Purchasing	Cost	665,773	291,590	43.8%
Enersource Corporation	Enersource Hydro	Human Resources	Cost	1,230,192	1,131,777	92.0%
Enersource Corporation	Enersource Hydro	Other Operating Costs	Cost	981,097	836,625	85.3%
Total				9,977,338	8,357,681	83.8%
			Check	**9,977,338**	**8,357,681**	
			Difference	-	- 0.00	

Note:

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

Appendix 2-L
Shared Services/Corporate Cost Allocation

Year: 2013

Name of Company		Service Offered	Pricing Methdology	Total Cost for the Service	Regulated Cost for the Service	Percentage Allocation
From	**To**			**$**	**$**	**%**
Enersource Corporation	Enersource Hydro	Board of Directors	Cost	158,224	147,623	93.3%
Enersource Corporation	Enersource Hydro	CEO office and Government Relations	Cost	2,638,613	2,461,826	93.3%
Enersource Corporation	Enersource Hydro	Safety	Cost	-	-	93.3%
Enersource Corporation	Enersource Hydro	Finance, Internal Audit & Risk	Cost	5,892,846	5,498,025	93.3%
Enersource Corporation	Enersource Hydro	Legal and Purchasing	Cost	493,039	460,006	93.3%
Enersource Corporation	Enersource Hydro	Human Resources	Cost	878,262	829,079	94.4%
Enersource Corporation	Enersource Hydro	Other Operating Costs	Cost	1,583,394	1,477,308	93.3%
Total				11,644,378	10,873,866	93.4%
			Check	**11,644,378**	**10,873,666**	
			Difference	-	-	

Note:

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 3

Energy Probe Research Foundation
(Energy Probe)

4. Operating Costs

4.3 Is the proposed PILs and property taxes forecast for 2013 and 2014 appropriate?

Ref: Exhibit 4, Tab 7, Schedule 1, Appendix 1 & Exhibit 2, Tab 1, Schedule 1, Appendix 2-B

a) Please confirm that that the CCA schedule shown on page 5 of Appendix 1 reflects the actual UCC closing balances from the 2011 PILs filing. If this cannot be confirmed, please update the historical year CCA schedule along with the resultant changes to the 2012 and 2013 CCA schedules and the calculation of the 2013 PILs.

b) Please provide a reconciliation of the 2012 additions to gross assets shown in Exhibit 2, Tab 1, Schedule 1, Appendix 2-B (page 6) of $59,486 (64,486 less $5,000 for land) and the CCA additions of $58,942 shown on page 13 of Appendix 1 of Exhibit 4, Tab 7, Schedule 1.

c) Please provide a reconciliation of the 2013 additions to gross assets shown in Exhibit 2, Tab 1, Schedule 1, Appendix 2-B (page 7) of $46,446 and the CCA additions of $44,120 shown on page 20 of Appendix 1 of Exhibit 4, Tab 7, Schedule 1.

d) Please explain why Enersource shows the use of $400,000 in tax credits in 2012 (page 19 of Appendix 1) in 2012 when it does not have positive taxable income.

e) Is Enersource required to use these tax credits in 2012 when it does not have any taxable income or can it defer the use of these credits to future years when it does have taxable income?

f) Please confirm that by claiming the tax credits in 2012, the test year taxable income has been increased by $400,000.

Response:

a) No, the CCA schedule shown on page 5 of Appendix 1 does not reflect the actual UCC closing balances from the 2011 PILs filing. Enersource finalized and filed its 2011 tax return after this Application was filed.

   Please refer to Board Staff Issue General IR # 3 for changes to the evidence.

b) Please refer to Board Staff Issue 4.3 IR #40 b).

c) Please refer to Board Staff Issue 4.3 IR #40 c).

d) It is anticipated that Enersource will have taxable income for the purposes of its 2012 PILs filings. As a result, any available investment tax credits will be utilized to decrease the 2012 tax liability.

e) As discussed in part d), it is anticipated that Enersource will have taxable income for the purposes of its 2012 PILs filings. Based on the tax rules, any investment tax credits must be claimed in the year earned if there is sufficient taxable income. As a result, Enersource expects to have taxable income to utilize the investment tax credits in 2012.

f) Confirmed.

MR. MACUMBER: It's around that number, yes.
MR. SHEPHERD: And in 2013 forecast you are allocating 93.4; is that right?
MR. MACUMBER: Yes.
MR. SHEPHERD: So if you had 50 employees in Enersource Corporation in 2008, 85 percent of the cost of those people was allocated to Enersource Hydro Mississauga; right?
MR. MACUMBER: Yes, the costs would have been allocated that way.
MR. SHEPHERD: So from 2008 to 2013 you only added two people there; right? Because you are at 52 now; right?
MR. MACUMBER: Correct.
MR. SHEPHERD: But because the percentages increased, your actual number of employees effectively allocated to Enersource Hydro Mississauga has gone up more; right? Because it has gone up twice. It's gone up because there are more people and it's gone up because a higher percentage goes to the utility; true?
MR. MACUMBER: The higher cost has been allocated to the hydro company. The time spent by the people didn't -- or the work that they performed did not change. It's the amount of cost that gets allocated.
MR. SHEPHERD: Well, why would the utility bear more cost if they are not getting more work for it?
MR. MACUMBER: I am saying that before the way we allocated costs was we were trying to grow our non-regulated business. As that was downsized the work

subsidizing the regulated business?

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

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

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

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

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

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

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

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

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

Undertaking No. JT2.5

To provide an analysis/ information with respect to how the number of calls for 2012 (182,755) was arrived at. P. 44

Response:

The 2011 actual call volumes answered were used as the base for the 2012 forecast.

The 2011 actuals were increased by 18% for the months of January through July. The increase was based on the experience and feedback of customer care personnel at other utilities, who saw their call volumes increase in the range of 10-25% following transitioning to TOU.

The increases for August and September were lowered to a 10% increase over 2011 to reflect the TOU transition nearing completion.

Very minor adjustments were also made from March through July based on input from the Collections department that was forecasting increased activity for the spring period. These adjustments had minimal impact on the annual total.

A detailed breakdown is provided in the table below.

Month	2011 Calls Answered (1)	Increase 18% Due to TOU Implementation	2012 sub-total	Reduce Outer Months Increase to 10% as TOU Implementation Slows	Adjust For Increased Collections Activity (2)	2012 Forecast
Jan	11,068	1,992	13,060			13,060
Feb	11,185	2,013	13,198			13,198
Mar	14,632	2,634	17,266		64	17,330
Apr	12,115	2,181	14,296		64	14,360
May	13,687	2,464	16,151		64	16,215
Jun	15,780	2,840	18,620		64	18,684
Jul	14,920	2,686	17,606			17,606
Aug	15,571	2,803	18,374	(1,246)		17,128
Sep	14,977	2,696	17,673	(1,198)		16,475
Oct	12,890	2,320	15,210	(1,031)		14,179
Nov	12,985	2,337	15,322	(1,039)		14,284
Dec	9,306	1,675	10,981	(744)		10,237
	159,116	28,641	187,757	(5,258)	256	182,755

(1) Note: These represent the number of calls ANSWERED in 2011. They are not the numbers reported to the OEB (which are the NUMBER OF QUALIFIED CALLS).

(2) Adjustments due to Collections department forecasting increased activity for the spring period.

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 4

Energy Probe Research Foundation
(Energy Probe)

4. Operating Costs

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

Ref: Exhibit 4, Tab 1, Schedule 3

a) At page 3, the number of calls handed in 2008 was identified as 130,000 with a forecast for 2013 of 171,000. Please provide the actual number of calls handed in 2009, 2010 and 2011, along with the forecast for 2012.

b) Please provide the most recent year-to-date available number of calls handled for 2012, along with the corresponding number for the same period in 2011.

c) Please provide a table for 2008 through 2013 that shows the costs related to the outsourced call centre and collections as shown in Table 2, the number of calls received, and the resulting average cost per call.

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

Response:

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

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

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

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

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

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

d) Year-to-date June 2012 costs will be provided once the period is closed.

MR. MACUMBER: Ideally, yes.

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

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

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

MR. MACUMBER: Page? Sorry.

MR. SHEPHERD: So page 4.

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

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

MR. MACUMBER: Okay.

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

MR. MACUMBER: Correct.

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

MR. MACUMBER: Correct.

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

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

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

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

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

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

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

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

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

MR. MACUMBER: Correct.

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

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

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

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

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

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

Enersource Hydro Mississauga Inc.
Response to Interrogatories by Issue

Interrogatory # 17

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, Appendix 2-K, page 1

a) Please explain the decline in the number of Union and Non Union employees per management employee from 7.3 in the 2008 COS to 5.6 in 2013.

b) Please explain the significant increase in executive average incentive pay in 2012 and 2013 relative to the previous years.

c) Please provide a table that shows for each employee group for 2008 through 2013 the total incentive pay paid, the total potential incentive pay and the ratio of the amount paid to the potential. Please ensure that the figures are based on only the components of the incentive pay that are included in the revenue requirement as noted on page 15 of Exhibit 4, Tab 3, Schedule 1.

d) Please explain the decrease in Total Salary and Wages for Union between 2011 and 2012 from $15,439, 214 to $13,882,574 despite an increase in the number of employees in this category.

e) Please explain the increase in the executive annual yearly base wages of 9.3% in 2012 and 3.6% in 2013 relative to the 2.5% for 2012 noted on page 14 of Exhibit 4, Tab 3, Schedule 1.

f) Please provide a table that shows, by employee group, the total incentive costs for each of 2008 through 2013.

Response:

(a) Enersource's Human Resources strategy was re-developed in 2011 and relies on the full engagement and alignment of all employees to fulfill the execution of the corporate strategic plan. The strategy builds on the continued positioning of the Corporation as an employer of choice and the enhancement of employee capability. Enersource's Assess Competency System introduced in 2011 leverages existing opportunities and builds an integrated human resources framework that links and optimizes recruitment, selection, training and development, performance evaluation and succession planning. The decline in the number of union and non-union employees per management employee optimizes management employee relations as management is better equipped to engage and respond to the needs of their employees. It is also necessary due to the increasing complexity of work due to the demands of an aging infrastructure, customer communication changes, technological advancements and policy and regulatory changes. Please refer to Exhibit 4 Tab 4 Schedule 1 page 12 and Exhibit 4 Tab 3 Schedule 1.

(b) The increase in the average incentive pay included in Exhibit 4 Tab 3 Schedule 1 Appendix 2-K is mainly due to transferring one lower level executive position to EC. The higher incentive reflects the average of two employees instead of three.

(c) Please see Table 1 below.

(d) The decrease in total salary and wages for union employees between 2011 and 2012 is primarily due to a higher amount of overtime charges incurred during 2011 due to a significant increase in system outages due to increased cable faults during 2011.

(e) The increase in the executive annual yearly base wages for 2012 is due to the general annual yearly increases and the transfer of one lower level executive position to EC. The increase in 2013 is due to general annual yearly increases and employee progressions.

(f) Please see Table 1 below.

Table 1 – 17c)

Incentive Paid ($000s)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year	2013 Test Year
Compensation - Incentive Pay						
Executive	101	72	121	138	147	152
Management	352	360	283	366	376	392
Non Union	235	219	216	236	210	222
Union	1,022	950	694	810	728	776
Total	1,710	1,601	1,314	1,550	1,461	1,542

2008 Paid vs. Potential

	2008 Actual	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	101	22.35%	25.00%	89.40%
Management	352	9.10%	10.00%	91.00%
Non Union	235	9.10%	10.00%	91.00%
Union	1,022	9.10%	10.00%	91.00%
Total	1,710			

2009 Paid vs. Potential

	2009 Actual	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	72	21.21%	25.00%	84.84%
Management	360	7.80%	10.00%	78.00%
Non Union	219	7.80%	10.00%	78.00%
Union	950	7.80%	10.00%	78.00%
Total	1,601			

2010 Paid vs. Potential

	2010 Actual	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	121	21.52%	25.00%	86.08%
Management	283	5.40%	10.00%	54.00%
Non Union	216	5.40%	10.00%	54.00%
Union	694	5.40%	10.00%	54.00%
Total	1,314			

2011 Paid vs. Potential

	2011 Actual	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	138	23.89%	37.50%	63.71%
Management	366	5.80%	10.00%	58.00%
Non Union	236	5.80%	10.00%	58.00%
Union	810	5.80%	10.00%	58.00%
Total	1,550			

2012 Forecast vs. Potential

	2012 Forecast	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	147	24.38%	37.50%	65.01%
Management	376	5.65%	10.00%	56.50%
Non Union	210	5.65%	10.00%	56.50%
Union	728	5.65%	10.00%	56.50%
Total	1,461			

2013 Forecast vs. Potential

	2013 Forecast	% average	Average Potential	Ratio
Compensation - Incentive Pay				
Executive	152	37.50%	37.50%	100.00%
Management	392	5.00%	5.00%	100.00%
Non Union	222	5.00%	5.00%	100.00%
Union	776	5.00%	5.00%	100.00%
Total	1,542			

Undertaking No. JT2.2

To expand on the information requested previously in JT1.12, to see the full set of assumptions and calculations, and to show where in the application one can find the end result. P. 23

Response

	2008 Rates	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge	2013 Test
Average salary charged to OM&A	$65	$68	$71	$70	$82	$82	$86
Vacancy period (weeks)	20	18	16	13	16	17	17
Vacancy rate per 52 weeks	0.385	0.354	0.308	0.243	0.301	0.327	0.327
Average # of positions vacant	20	29	21	18	32	18	16
Total OM&A cost vacancy rate adjustment	**$502**	**$693**	**$459**	**$308**	**$789**	**$483**	**$448**

The vacancy rate adjustment was included in the Engineering and Operations Operating Costs for the 2012 Bridge and 2013 Test Year at Exhibit 4 Tab 1 Schedule 4, in Table 2, in the row “Salaries”.

still have the gross amount on it?

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

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

MR. MACUMBER: In 2K, yes.

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

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

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

MR. MACUMBER: In the actuals, yes.

MR. SHEPHERD: On the 2K?

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

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

MR. MACUMBER: Correct.

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

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

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

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

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

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

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

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

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

MR. MACUMBER: Yes.

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

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

MR. SHEPHERD: Well --

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

want to know why?

MR. PASTORIC: I still have to go back to the basic constructs of how we run our business. We look at the most reliable system with the cheapest cost through what we put through the system.

Now, if a school board in one jurisdiction has a difference, I can't really comment on that. There are a lot of variables, as we've talked about in the last two days.

We have the cheapest costs. We've got one of the best reliabilities, as you've already indicated, so, you know, if a customer comes and asks us, we explain the bill, we explain our cost system, we deal with our internal matters.

So we're very good at explaining to our customers our own costs, but we can't explain anybody else's cost.

MR. SHEPHERD: Actually, Mr. Pastoric, I chose Brampton particularly because it's the same school board, right?

MR. PASTORIC: Okay. We haven't been questioned by them.

MR. SHEPHERD: So back to page 23, can you take a look at (b)? And we quoted from Standard & Poor's, which is in your evidence:

> "Enersource's residential and commercial distribution rates are among the lowest in the province."

And we wanted to know the basis on which they said that, because presumably they got that from you. They