

EB-2012-0033

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.

ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
CROSS-EXAMINATION COMPENDIUM "B"

PANEL 2

OM&A COSTS

Source - Exhibit JT2.11

	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<u>Rates</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>MIFRS</u>	<u>MIFRS</u>	<u>MIFRS</u>
<u>Business Unit or Key Driver</u>							<u>Forecast</u>
1 Health Safety & Security	654	597	606	580	676	821	846
2 Customer Care	7,639	6,653	7,365	8,318	8,014	8,901	8,975
3 Engineering & Operations	9,435	8,517	11,399	11,821	12,229	13,062	13,923
4 Metering	980	662	707	714	1,544	1,721	1,632
5 Exec. Admin & Corp. Allocation	9,980	9,921	10,664	10,823	11,171	11,785	12,574
6 ISTS	5,457	4,477	4,971	5,862	6,279	7,559	8,227
7 Regulatory Affairs	1,074	898	1,053	1,215	1,340	1,473	1,518
8 Facilities Management	1,488	1,378	1,157	811	991	1,420	1,377
9 Bad Debt Expense	1,575	1,270	1,253	2,802	3,706	3,600	3,550
10 Other Expenses	<u>2,194</u>	<u>1,767</u>	<u>2,681</u>	<u>1,734</u>	<u>1,437</u>	<u>1,876</u>	<u>1,904</u>
11 SUB-TOTAL	40,476	36,140	41,856	44,680	47,387	52,218	54,526
12							
13							
14							
15							
16 <u>Other Key Drivers</u>							
17 IFRS Overhead Burdens	0	0	0	0	2,525	3,022	2,774
18 Assent Mgmt Plan Initiative	0	0	0	0	120	287	1,153
19 New Admin Building	0	0	0	0	0	847	1,668
20 One-Time Costs	0	0	0	0	0	0	251
21 Removal of IMS Costs	0	0	0	0	0	0	(88)
22 Smart Metering Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>727</u>
23							
24 TOTAL OPERATING COSTS	40,476	36,140	41,856	44,680	50,032	56,374	61,011
25							
26 - CGAAP BASIS							
27 - CGAAP CHANGE	40,476	36,140	41,856	44,680	47,507	53,352	58,237
28 - CGAAP CHANGE 2013 FROM 2008 BOARD APPROVED			15.8%	6.7%	6.3%	12.3%	9.2%
29 - COMPOUND ANNUAL INCREASE							43.9%
							7.5%

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		2.00		2.00	2.00
Union				1.00				
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	1,780,416	1,736,841	1,903,318
Union		4,669,585	4,960,793	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	41,597
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	5,278,162	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	11,276,468	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	20,909,050	20,733,710	22,316,813	21,178,410	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		137,844	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	80,047	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		1,461	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	61,488	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	36,677	33,319	32,920	32,995	32,995
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 ON JK								

ENENERSOURCE HYDRO MISSISSAUGA

	2008	2008	2009	2010	2011	2012	2013
	<u>COS</u>	<u>ACT</u>	<u>ACT</u>	<u>ACT</u>	<u>ACT</u>	<u>FCST</u>	<u>FCST</u>
TOTAL COMPENSATION	27,943,001	29,726,909	32,617,127	33,311,700	36,040,814	34,598,257	36,579,014
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
PERCENT CHARGED TO OM&A	74.3%	70.6%	70.9%	69.2%	73.9%	78.5%	79.3%

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									
Total Compensation charged to Enersource Hydro Mississauga¹									
	4,076,701	3,873,180	4,642,817	5,802,590	5,695,768	6,274,010	7,020,280		
Percentages taken from Exhibit 4, Tab 4, Schedule 1, Appendix 2-L pages 1-8									
	83.8%	83.8%	91.3%	95.0%	95.0%	93.4%	93.4%		
1. Percentages used to allocate the portion of compensation charged by Enersource Corporation to Enersource Hydro Mississauga is based on the total percentage allocation from Exhibit 4, Tab 4, Schedule 1, Appendix 2-L pages 1-8									

ENERSOURCE CORPORATION

	2008	2009	2010	2011	2012	2013
	<u>COS</u>	<u>ACT</u>	<u>ACT</u>	<u>ACT</u>	<u>FCST</u>	<u>FCST</u>
TOTAL COMPENSATION	4,864,798	5,085,232	6,107,989	5,995,546	6,717,355	7,516,359
TOTAL FTE'S	50.00	51.74	55.25	51.83	52.00	52.00
COMPENSATION PER FTE	97,296	98,284	110,552	115,677	129,180	144,545
- % CHANGE		1.0%	12.5%	4.6%	11.7%	11.9%
- CUMULATIVE % CHANGE 2013 FROM 2008 BOARD APPROVED						48.6%

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

Interrogatory # 1

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

4. Operating Costs

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

Ref: Exhibit 1, Tab 1, Schedule 9

- a) Are any of the costs associated with the Enersource Corporation Board of Directors included in the revenue requirement for 2013 or 2014? If yes, please provide the amount, the total amount of costs associated with the Enersource Corporation Board of Directors and the allocation methodology used to determine the amount to be allocated to the regulated distributor.
- b) How many members are on Enersource Hydro Mississauga's Board of Directors?
- c) What is the total cost included in the revenue requirement in 2013 and 2014 associated with Enersource Hydro Mississauga's Board of Directors? Please identify where in OM&A these costs are included.

Response:

- a) OM&A costs for Enersource Corporation are allocated through management fee to Enersource. The portion of Enersource Corporation's costs (allocation methodology) that have been allocated to Enersource can be found at Exhibit 4 Tab 4 Schedule 1 Appendix 2-L. Since Board of Director costs are included as part of total OM&A for Enersource Corporation, these costs will be included in the portion of OM&A costs allocated from Enersource Corporation to Enersource, and included in the revenue requirement. The total amount of costs for Enersource Corporation's Board of Directors for 2013 is \$158 of which \$148 will be allocated to Enersource through management fees.

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Enersource is not asking for any increases to OM&A for 2014, so there will be no impact to 2014 revenue requirement for this cost.

- b) Enersource has three members on its Board of Directors of which one is independent.
- c) The total cost included in the revenue requirement in 2013 for Enersource's independent member is \$6. As mentioned above, there is no increase to OM&A for 2014. This cost is included in Enersource's Executive and Administration operating costs.

1 As discussed above, the data used by Enersource in its 2013 Cost Study is
 2 consistent with the cost data that supports the proposed 2013 Test Year revenue
 3 requirement.

4 The rate class customer data used in the 2013 Cost Study is consistent with the
 5 2013 customer forecasts discussed in Exhibit 3 Tab 1 Schedule 2.

6 The resulting revenue-to-cost ratios from the 2013 Cost Study are shown in
 7 Table 2 below. The revenue-to-cost ratio ranges from the Cost Allocation
 8 Review are also shown in Table 2.

9 **Table 2: 2013 Initial Revenue-to-Cost Ratios**

Customer Class	Revenue-to-Cost Ratio 2013 Test Year	Revenue-to-Cost Ratio Target Range Per Cost Allocation Review
Residential	85%	85% - 115%
General Service Less Than 50 kW	113%	80% - 120%
General Service 50 kW - 499 kW	112%	80% - 120%
General Service 500 kW - 4999 kW	108%	80% - 120%
General Service Large Use (> 5000 kW)	124%	85% - 115%
Street Lighting	96%	70% - 120%
Unmetered Scattered Load	147%	80% - 120%

10 As illustrated in Table 2, the results from Enersource's initial application of the
 11 2013 Cost Study had two classes, the General Service Large Use (>5000 kW)
 12 and the USL class, outside the Board's required ranges. It was therefore
 13 necessary to reallocate revenues among rate classes. Enersource proposes to
 14 re-balance all classes to within 10% of unity.

15 The revised revenue-to-cost ratios after the above re-balance are shown in Table
 16 3 below:

1 **Table 3: Proposed 2013 Revenue-to-Cost Ratios**

Customer Class	Revenue-to-Cost Ratio 2013 Test Year at existing rates	Revenue-to-Cost Ratio 2013 Test Year at proposed rates
Residential	85%	90%
General Service Less Than 50 kW	113%	109%
General Service 50 kW - 499 kW	112%	109%
General Service 500 kW - 4999 kW	108%	108%
General Service Large Use (> 5000 kW)	124%	109%
Street Lighting	96%	96%
Unmetered Scattered Load	147%	109%

- 2 Enersource is not proposing to re-balance revenue-to-cost ratios after the 2013
 3 Test Year as all revenue-to-cost ratios are well within the Board's target ranges.

4 **Fixed Monthly Service Charges**

- 5 Table 4 below shows the Fixed Monthly Service Charges which Enersource is
 6 proposing for the 2013 Test Year.

7 **Table 4: Proposed 2013 Monthly Service Charges (\$)**

Customer Class	Proposed Monthly Service Charge
Residential	14.39
General Service Less Than 50 kW	43.88
General Service 50 kW - 499 kW	77.05
General Service 500 kW - 4999 kW	1,662.15
General Service Large Use (> 5000 kW)	12,533.37
Street Lighting	1.53
Unmetered Scattered Load	9.03