

UNDERTAKING NO. J2.3: TO PROVIDE THE ANALYSIS PROVIDED IN THE 2009 COST-OF-SERVICE APPLICATION

RESPONSE:

Table J2.3 below shows the analysis that was provided for the 2009 cost of service application.

Table J2.3

Water Metering and Billing for Markham and Vaughan			
Attributable Costs to Water			
Divisions of Customer Service	2008 Budget	2009 Estimate	2010 Estimate
245 Business Solutions	433,481	442,151	450,994
225 Billing Services	715,029	729,330	739,044
235 Customer Relations	407,881	416,039	424,360
255 Payments & Collections	567,390	578,737	590,312
Total Cost Attributable to Water - Note 1	2,123,781	2,166,257	2,204,710
Overhead Allocation			
Accounts	2008 Budget	2009 Estimate	2010 Estimate
Building Depreciation Attributable to Cust. Svc.	67,333	134,667	134,667
IT & CIS Attributable to Cust. Svc.	870,974	888,394	906,161
Facility Maintenance Attributable to Cust. Svc.	342,933	349,792	356,788
Corporate Overhead Attributable to Cust. Svc.	146,423	149,351	152,338
Total Overhead Allocated to Cust. Svc. - Note 2	1,427,663	1,522,203	1,549,954
Overhead Adjusted for Richmond Hill and Aurora	999,364	1,065,542	1,084,968
Overhead Adjusted for Water Service - Note 3	429,327	457,758	466,103
Total Cost of Providing Water Service - Note 4	2,553,109	2,624,014	2,670,812
Target Revenue (Return=WACC=7.3%) - Note 5	2,739,486	2,815,567	2,865,782
Income Analysis			
Accounts	2008	2009 Estimate	2010 Estimate
Total Revenue	2,739,486	2,815,567	2,865,782
Less Total Cost of Providing Water Service	2,553,109	2,624,014	2,670,812
Earnings	186,377	191,553	194,969
Return	7.30%	7.30%	7.30%
Note 1 - Costs were determined based on time each employee spent on water billing			
Note 2 - Overhead costs were allocated based on time spent or sq footage of space			
Note 3 - Overhead is adjusted for customers in the areas that water billing is provided			
Note 4 - Total water billing costs			
Note 5 - Total water billing costs marked up by 7.3% or WACC as at 2011.			