

UNDERTAKING**Undertaking**

PROVIDE TOTAL OF DECREASE IN STANDARD COSTING RATES FROM 2005 TO 2006

Response

As discussed by Mr. Van Dusen during the Panel 1 proceedings, this change was reviewed and discussed in the previous Distribution cost-of-service application (EB-2005-0378).

Facilities costs were taken out of the labour rates and fleet and material surcharges in 2006 (vs. 2005), and allocated to corporate common costs instead. This change was made to better track the costs to the work being performed.

The major item removed in 2006 was Facilities costs, which, at \$14.9M, represented \$1.78 per hour in terms of labour rates. (See EB-2005-0378, Exhibit C1, Tab 2, Schedule 6, Table 3). This change impacted labour rates in the various classes generally in the same proportion. The \$1.78 added back to present-day (2008) rates would have the impact shown below for the following examples*:

	2005	2006	2007	2008	2008 Revised	Percentage Change for 2008 Revision
Regional Line Maintainer	92.00	91.00	103.50	111.00	112.78	1.6%
Meter Reader A	79.00	74.50	84.00	86.00	87.78	2.1%
Mechanical Maintenance (Stations)	100.50	99.00	111.00	121.50	123.28	1.5%
Regional Maintainer - Forestry	100.50	98.50	105.00	110.00	111.78	1.6%
Labourers	74.50	86.00	76.00	80.50	82.28	2.2%
Students (Prov Lines)	25.50	30.50	34.50	41.50	43.28	4.3%

*Data taken from tables shown in EB-2007-0681, Exhibit H, Tab 13, Schedule 26.

Labour rates consist of many factors which vary over time. The effect of the removal of the factors noted above was offset by the effect of other factors, many of which typically

1 result in annual upward pressures on overall rates as noted below. Some of these other
2 factors are as follows:

- 3 - economic wage increases;
- 4 - pension adjustments;
- 5 - benefits costs;
- 6 - additional administrative:
- 7 - additional administrative expenses such as travel/board/lodging;
- 8 - increased health and safety costs;
- 9 - increased fixed distribution costs such as supervision;
- 10 - increased administrative overheads such as the Barrie Administrative Service
11 Center (BASC);
- 12 - business decisions to charge costs to projects from overheads or to overheads
13 from projects (i.e. on call costs to projects, from overheads).

14
15 Note that most of the above "influences" are increases, although occasionally they are
16 decreases.
17