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Newmarket-Tay Power Distribution Ltd.

VIA EMAIL & OVERNIGHT COURIER

December 19, 2008

Ontario Energy Board
PO Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

RECEIVED

DEC 23 2008

Attention: Ms. Kirsten Walli, Board Secretary

**ONTARIO ENERGY BOARD
OFFICE OF THE BOARD SECRETARY**

Dear Ms. Walli:

Re: Board File EB 2007-0776

Newmarket-Tay Power Distribution Ltd. (Licence #ED-2007-0624) is submitting its responses to the interrogatories via email as well as two hard copies have been forwarded to you.

Please contact us if any further information is required.

Yours truly,

Iain Clinton, CA
Chief Financial Officer

Tel: 905-953-8548 ext 2300
Email: iclinton@nmhydro.ca

EB-2007-0776

OEB BOARD SECRETARY	
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**NEWMARKET-TAY POWER DISTRIBUTION LTD.
COPY 1**

INCLUDED AS FOLLOWS;

- **Interrogatories of Energy Probe Research Foundations**
- **Interrogatories of the School Energy Coalition**
- **Board Staff Interrogatories**
- **Interrogatories of Vulnerable Energy Consumers Coalition**

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 Newmarket-Tay Power Distribution Ltd. for an Order or Orders approving just and reasonable rates and other service charges for the distribution of electricity within its Newmarket Service Area, as of the date of the Ontario Energy Board's Rate Order.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

September 12, 2008

NEWMARKET-TAY POWER DISTRIBUTION LTD.
2008 RATES REBASING CASE
EB-2007-0776

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 1.2, pg. 37

The evidence states that the applicant is requesting that rates be effective from the date of the OEB's decision on the applicant's submission. However, the evidence also states that the OEB's decision must be effective for volumes consumed after May 1, 2008.

- a) Please indicate whether the utility is requesting any rate changes for the period prior to the Board decision in this case?

Response:

There is one exception to above requested effective date. In Exhibit 1.1.4 b) pg 23, the applicant requested "Interim approval to immediately implement revised and reduced Transmission Network and Connection rates as proposed in Exhibit 9.1.1." Interim approval was granted by the Ontario Energy Board (OEB) in their Decision and Procedural Order Number 1 on August 19, 2008 and the reduced rates have been implemented effective that date.

Is the utility requesting any change in rates or a rate rider to recover the revenue deficiency between the period May 1, 2008 and the effective date of the Board's decision in this case?

Response:

No.

Interrogatory # 2

Ref: Exhibit 1.2, pg. 38

- a) Please provide the customer impacts, by rate class, of only the change in the distribution and distribution related charges.

Response:

The following table details the impacts by class of the requested distribution fixed and variable rates:

Rate Class	Distribution Rate Impacts
Residential	5.0%
GS<50	7.7%
USL	-20.2%
GS>50	3.9%
Street Lights	191.2%
Sentinel	
Lights	38.2%

- b) Please provide the customer impacts, by rate class, of the changes in all components of the customer's bill with the exception of the commodity cost (i.e. including distribution, transmission, rate riders, etc.).

Response:

The following table details the impacts by class of all requested charges excluding the commodity:

Rate Class	All Components Except Commodity
Residential	-2.3%
GS<50	-1.5%
USL	-19.4%
GS>50	-5.8%
Street Lights	49.8%
Sentinel	
Lights	17.5%

Interrogatory # 3

Ref: Exhibit 2.2, pg. 81

Please provide the actual capital expenditure summary for customer additions in the same level of detail as shown for 2008 for both 2006 and 2007.

Response:

Please note that the applicant does not collect Capital Expenditure data in the format shown in Exhibit 2.2. The request is further complicated by movement of customers between classes due to load changes (GS<50 to GS>50 and GS>50 to GS <50 in particular) based on an annual consumption review.

Notwithstanding the above reservations, the following summary provides estimated values for 2006 and 2007 in a format similar to the 2008 Budget.

2008 Budget Customer Data	Units	Gross Cost	Capital Contributions	Net Cost
2007 Customer Addition Data				
Residential Single Family	337	1,690,594	(1,163,013)	527,581
Residential Townhomes	85	294,134	(191,187)	102,947
Small Commercial	42	450,572	0	450,572
Commercial Industrial (44kV System)	6	180,000	0	180,000
	470	2,615,300	(1,354,200)	1,261,100
2006 Customer Addition Data				
Residential Single Family	423	2,122,022	(1,308,820)	813,202
Residential Townhomes	106	366,802	(220,422)	
Commercial Industrial (44kV System)	9	175,500	0	175,500
Commercial Industrial (44kV System)	3	90,000	0	90,000
	541	2,754,324	(1,529,242)	1,225,082

Interrogatory # 4

Ref: Exhibit 2.2, pg. 82

Please explain the carryover from 2007 of \$1,461,019 related to metering. Why was this amount not included in rate base at the end of 2007?

Response:

These costs were expected to be included in the original Smart Metering upgrade program in 2007 but were not incurred until 2008. Therefore, the amounts were not included in the 2008 capital budget.

Interrogatory # 5

Ref: Exhibit 2.2, pg. 83

- a) Please explain the carryover from 2007 of \$49,080 related to vehicles and equipment. Why was this amount not included in rate base at the end of 2007?

Response:

This was a replacement pickup truck ordered in 2007 as part of the 2007 Budget, but not received until 2008 and not included in the 2008 Budget.

- b) Does the expenditure of \$49,080 represent the replacement of a vehicle in 2007 or an addition to the fleet?

Response:

Replacement.

Interrogatory # 6

Ref: Exhibit 2.1.7

- a) Please provide a table showing the additions to gross cost for 2006, 2007 and 2008 for the following accounts:
- i) 1910 Leasehold Improvements
 - ii) 1930 Rolling Stock & Equip.
 - iii) 1940 Misc. Tools & Equip.
 - iv) 1980 System Supervisory Equip.

Response:

Capital Expenditure Additions By Account				
		2006	2007	2008
1910	Leasehold Improvements	42,303	29,019	58,000
1930	Rolling Stock & Equip.	250,268	139,883	843,080
1940	Misc. Tools & Equip.	10,195	15,932	64,000
1980	System Supervisory Equipment	7,018	4,479	20,000

- b) For each account listed above, please provide an explanation for the change in 2008 relative to the 2007 level of capital expenditures.

Response:

Full details of the 2008 Budgeted additions appear in Exhibit 2.2.1 on pages 82 and 83. For your convenience, they are repeated below:

1910	Skylight Shade - Operations Lunch/Meeting Room	3,000
	Perimeter Fencing	35,000
	Other (Operations & Engineering)	20,000
		<u>58,000</u>
1930	Ford F-450 4X4 Dump truck vehicle #120	70,000
	Intl. Navistar Model 4900 vehicle #310	280,000
	RBD Replacement	350,000
	Chev Silverado #04	50,000
	Lease Renewals	44,000
	Replace fully depreciated Pickup	49,080
		<u>843,080</u>
1940	Line Department (small tools)	20,000
	Hydraulic Drill (replacement)	4,500
	Replacement Stringing ropes 18000 ft (4 new spyder ropes & bull rope)	18,000
	EUSA Safety - Personal protective equipment	10,000
	Ops cell phones (replacements)	1,000
	Meter Department	6,500
	Defibrillators	4,000
		<u>64,000</u>

The year over year change may not be relevant in these accounts where expenditures change based on the values of the items purchased. For instance, in the Rolling Stock and Equipment Account, the Budget includes 2 large vehicles. Lead time on these vehicles is a minimum of 6 months or more and therefore it is difficult to predict when they will be received and capitalized. The applicant has received one of the large vehicles in 2008 and expects to receive the other before the end of the year. The last time a major capital expenditure occurred on large vehicles was 2004.

Interrogatory # 7

Ref: Exhibit 2.1.7, pg. 78
Exhibit 2.2.1, pg. 83

Exhibit 2.1.7 shows account 1930 Rolling Stock & Equip. additions of \$843,080. This total reflects the replacement of fully depreciated vehicles. Exhibit 2.2.1 shows the composition of this total.

- a) Does the gross cost shown in Exhibit 2.2.1 for each vehicle reflect the proceeds from the disposition of each vehicle that is being replaced?

Response:

The applicant has assumed a \$0 residual value proceeds from the sale of fully depreciated vehicles.

- b) Please provide, for each vehicle listed, the cost of the vehicle, the re-sale value of the vehicle being replaced, and the net cost of the addition.

Response:

	Gross Cost	Resale Value	Net Cost
Ford F-450 4X4 Dump truck vehicle #120	70,000	0	70,000
Intl. Navistar Model 4900 vehicle #310	280,000	0	280,000
RBD Replacement	350,000	0	350,000
Chev Silverado #04	50,000	0	50,000
Lease Renewals	44,000	0	44,000
Replace fully depreciated Pickup	49,080	0	49,080
	<u>843,080</u>	<u>0</u>	<u>843,080</u>

Interrogatory # 8

Ref: Exhibit 2.3, pg. 86

- a) Please provide a breakdown of the total expenses for working funds allowance into the OM&A component and the cost of power component.

Response:

Working Funds Allowance	2006	2007	2008
Power Purchased (Energy)	40,080,226	40,677,12941	,582,574
Charges - WMS	3,542,199	3,509,348	3,587,463
One Time	32,335	85,093	86,987
Charges - NW	4,074,071	3,976,249	4,064,758
Charges - CN	3,348,913	3,354,803	3,429,478
Cost of Power Component	<u>51,077,744</u>	<u>51,602,62252</u>	<u>,751,261</u>
OM&A Component	<u>4,996,308</u>	<u>5,020,559</u>	<u>5,747,977</u>
Total for Allowance Calculation	<u>56,074,052</u>	<u>56,623,18158</u>	<u>,499,238</u>
Allowance	<u>8,411,108</u>	<u>8,493,477</u>	<u>8,774,886</u>

- b) Please provide a further breakdown of the cost of power into its component parts including, but not limited to, the cost of power, network transmission charges, connection transmission charges, LV charges and other charges included in the total cost of power.

Response:

	2006	2007	2008
Power Purchased (Energy)	40,080,226	40,677,129	41,582,574
Charges - WMS	3,542,199	3,509,348	3,587,463
One Time	32,335	85,093	86,987
Charges - NW	4,074,071	3,976,249	4,064,758
Charges - CN	3,348,913	3,354,803	3,429,478

- c) For each component listed in (b) above, please provide the rates used to calculate the cost component

Response:

2006 and 2007 are based on actual costs from the monthly Power Bill. 2008 was calculated using the projected 2008 kWh sales/actual 2007 kWh sales * 2007 actual cost for each component.

Using this formula, the Transmission components are over priced by the amount of the decrease in the rate, priced out for a 10 month period. The Applicant has recalculated the Transmission Components of the Cost of Power and the resultant decrease is \$735,500. At 15%, this reduces the Working Funds Allowance by about \$110,300 and the Revenue Requirement by \$10,000.

Transmission Price Reduction						
	2006 Actual	Growth to 2008	Projection @ 2006 rates	Reduction	Projection w/Reduction	Difference
Charges - Network	4,074,071	1.040	4,235,331	18.37%	3,457,301	(607,457)
Charges - Connection	3,348,913	1.040	3,481,470	5.17%	3,301,478	(128,000)
Total Reduction						(735,458)
Working Funds Allowance Reduction @ 15%						(110,319)
Revenue Requirement before Reduction						15,190,271
Revenue Requirement before Reduction						15,180,068
Difference						(10,203)

- d) Please update the cost of power component of the working cash allowance to reflect the forecast presented to the Board in April 2008 of \$54.50 per megawatt hour, if Newmarket – Tay used a different figure. What is the impact on the working cash allowance?

Response:

The Applicant feels that the projection included with the submission is more accurate than provided rate. The provided rate is based on provincial averages and does not consider the Newmarket customer mix and usage patterns. The following chart prices the Energy at \$54.50/mWh and shows the impact on Revenue Requirement as requested above:

Cost of Power @ 54.50/MWh	
2007 mWh purchased	717,120
Growth in 2008	1.022
2008 Projected mWh purchased	733,083
Rate	54.50
Total	39,953,019
Power Purchased (Energy) as Submitted	41,582,574
Total Reduction	(1,629,555)
Working Funds Allowance Reduction @ 15%	(244,433)
Revenue Requirement before Reduction	15,190,271
Revenue Requirement before Reduction	15,167,664
Difference	(22,606)

The applicant also calculated the actual Energy component to August 2008 to compare it with the same period of 2007 and the recommended \$54.50 rate. The following chart shows the result of this calculation and prices the 2008 Energy and Revenue Requirement impact at the 2007 rate less 1.78%:

Cost of Power @ -1.78% from 2007 Actual

	Aug-07	Aug-08	Difference
2007 mWh purchased to August	483,274	476,609	(6,665)
Energy \$ to August 2007	27,563,686	26,700,464	(863,222)
Rate	57.04	56.02	(1.01)
% Reduction			-1.78%
<hr/>			
2007 mWh purchased to December	717,120		
2007 Actual Energy \$	40,677,129		
2007 Rate	56.72		
2007 Rate less 1.78%	55.71		
Estimated Energy \$ at above rate	40,842,405		
Total Reduction from Submission	(740,170)		
Working Funds Allowance Reduction @ 15%	(111,025)		
Revenue Requirement before Reduction	15,180,002		
Revenue Requirement before Reduction	15,167,664		
Difference	(12,338)		

In summary, the \$54.50 provincial rate does not reflect Newmarket customer mix and usage profiles. The 1.78% rate reduction to \$55.71 does take into account the Newmarket Service territory variables, but is based on a year where the average daily provincial peaks are lower than normal and therefore the average \$/mWh is lower than normal.

- e) If Newmarket – Tay has a LV charge component, please update, if necessary, this cost component of the working cash allowance to reflect Hydro One's current 2008 distribution rate application rate of \$0.58 per kW. What is the impact on the working cash allowance?

Response:

N/A

- f) Has Newmarket – Tay used the transmission rates approved by the Board in October, 2007 (EB-2007-0759)? If not, why not? What is the impact on the working cash allowance of using these rates?

Response:

Please see response to c) above for methodology. This approach results in a projection that is an average of the old rate and the new. The impact in the Network component is -\$607,500 and the Connection component is -\$128,000. The impact on the working cash allowance is -\$110,300. The calculation was initially developed before the Transmission rate decreases were implemented and were not updated subsequently.

Interrogatory # 9

Ref: Exhibit 3.1.2, pg. 88

- a) Please provide the customer count based on the latest information available for 2008 for each of the four categories provided in the customer count table. Please also identify the month from which this information has been taken.

Response:

The following is the actual customer count as at August 31, 2008:

Class	2007	Aug-08	Change
Residential	24069	24441	372
GS<50	2674	2702	28
USL			
GS>50	374	381	7
Total	27117	27524	407

- b) Exhibit 2.1.7 indicates the addition of 15 new customers on the 44 k system. Where do these customers show up in the customer count table?

Response:

They show up in the GS<50 Class and the GS>50 Class. The split between the classes is estimated at 10 in the GS<50 and 5 in the GS>50.

Interrogatory # 10

Ref: Exhibit 3.1.3, pg. 89

- a) The evidence states that for fiscal 2008, the residential new connections are running at 20% of the forecast as of June 2008. Please provide similar statistics for the percentage of new residential customers that were connected as of June 2007, June 2006 and June 2005 as compared to the total number of new residential customers connected in each of those years.

Response:

Residential Customers connected to June 2006 of annual total = 79%
Residential Customers connected to June 2007 of annual total = 29%

- b) What is the impact on revenues of the addition of the 15 new customers identified in Exhibit 2.1.7?

Response:

The impact on Distribution Revenues is about \$64,300.

Interrogatory # 11

Ref: Exhibit 3.2, pg. 91-93

- a) Is the seven year average consumption for the class of 10,221 kWh the actual consumption or the normalized actual consumption? If the data is normalized, please explain how the non-2004 data has been normalized and provide all the information used to normalize the actual usage data.

Response:

This is the actual average consumption for the 7 year period and was shown only to support the normalized calculation taken from the Cost Allocation Model.

The projection of Residential kWh for 2008 is the average # of customers for 2007 and 2008 * the weather normalized consumption less CDM programs.

- b) Please provide the annual data used to calculate the 10, 221 kWh average, including the actual use per customer and the normalized actual use per customer for each year of the seven years used in the average.

Response:

The annual average Residential consumption is made up of the following:

2006	9,787
2005	10,517
2004	9,718
2003	10,173
2002	10,821
2001	10,719
2000	9,810
TTL	71,546
AVG	10,221

- c) If not included in the data requested in (b) above, please provide the annual residential use per customer for 2005, 2006 and 2007 on both an actual and normalized actual basis.

Response:

2007 was not used in the above. The 2007 average was 9,937 kWh/Yr and when this is used in the calculation the 8 year average is 10,185 kWh. This is very close to the weather normalized value used in the Application of 10,158 kWh.

- d) Please explain why no adjustment to consumption was made for time-of-use rates? Does Newmarket – Tay expect to have time-of-use rates in place in 2008? If so, when?

Response:

In August 2006, the applicant commenced an impact study using 250 pilot customers with Navigant Consulting on the effect of Time-Of-Use rates (as shown in appendix 1 to the filing document). The applicant installed Smart Meters and started billing the customers at that time using TOU rates. Late in 2007 the applicant compared the results of this test with a similar cross section on non-TOU customers. The results showed an increase in total consumption in the TOU group of about 2% vs. 1% in the comparator group. From this the applicant concluded that Smart Meters and TOU rates in and of themselves do not change total consumption patterns. However, the Navigant Report did support a shift of consumption from peak to off-peak periods of 3%. The applicant has taken the position that at this time there is no conservation effect of TOU rates at their current structure. The shift in kWh has no impact on distribution rates.

At the end of August 2008, the applicant had about 7,000 Residential customers being billed on TOU Rates and expects to have all Residential customers on TOU by the end of June 2009. The remaining customers (GS<50 and small GS>50) will be converted after that time.

- e) Has the OEB reviewed and/or approved the total savings of 3,585,134 kWh as presented on page 92 or the 1,083,318 kWh figures provided on page 93?

Response:

The CDM savings of 3,585,134 kWh is cumulative aggregate savings for 2005 to 2007. These values have been reported to the OEB on an annual basis as required.

The savings of 1,083,318 kWh is an estimate of the impacts of the OPA approved programs in the Newmarket service territory. The estimate relies upon OPA targets by program as a percentage of Provincial kWh's by class and applies this percentage to the Applicants total kWh by class. The applicant is participating in all programs that fit customer profile(s) and is exceeding the targets in every program but one to the end of July 2008.

Estimate of 2007 Conservation Savings in kWh (Please note that the applicant is not requesting compensation for historical loads lost to these efforts prior to 2008)

Residential Program	Method of Calculation	Province kWh	Newmarket kWh
Appliance Retirement	Newmarket share of Province	49,000,000	272,863
Summer Savings	2% Residential for 2 months		771,475
Demand Response	Newmarket share of Province	7,000,000	38,980
Program Totals		56,000,000	1,083,318
Total Provincial Sales (per 2006 Yearbook of Electricity Distributors)		121,675,238,626	
Newmarket Sales - 2006		677,565,412	
% Newmarket of Province		0.56%	

Interrogatory # 12

Ref: Exhibit 3.2, pg. 94

Please provide all the calculations and all the assumptions used to calculate the total GS < 50 consumption of 92,373,021 kWh.

Response:

GS <50 kWh Calc	
2007 Actual Kwh	91,102,385
+ Customer Growth	1,496,402
- CDM	-13,798
- USL Customers removed from Class	-211,968
Total GS<50 Consumption	<u>92,373,021</u>

Interrogatory # 13

Ref: Exhibit 3.1.2, pg. 87

Please explain the derivation of the revenues shown for 2008 for street lights, sentinel lights and USL.

Response:

The calculations are based on 2008 forecast consumption and load at currently approved rates. It is important to note that the applicant does not connect new unmetered customers or Sentinel lights and therefore the load/consumption remains static. The calculation is detailed in 9.1 on Rate Design and is repeated here for your convenience:

Base Data - 2008 Statistics @ Approved Rates & Revenue Shortfall

	2008 Test Year		2005 Rates w/o RA's		Base Revenue	
	kWh	kW	Fixed	Variable	Total	%
Residential	242,306,934		13.34	0.0135	7,164,068	52.59%
GS<50	92,373,021		20.95	0.0171	2,241,853	16.46%
USL	211,968		20.95	0.0171	22,487	0.17%
GS>50	364,635,703	863,096	376.28	3.2075	4,470,888	30.30%
Street Lights	4,547,882	14,934	0.31	1.8466	54,640	0.40%
Sentinel Lights	309,346	945	1.74	3.0602	11,556	0.08%
Total	704,384,854				13,965,492	
GS>50 T/A		(688,163)		0.5000	(344,081)	
					13,621,411	100.00%
Distribution Revenue S	(From Rate Base Model)				814,914	
Revised Revenue Requ					14,436,325	
% Shortfall					5.98%	

Interrogatory # 14

Ref: Exhibit 3.3, pg. 96

General Response:

Other Revenues for 2008 are based on the Budget developed in 2007. The actual values for 2007 were known prior to the application being submitted and were updated.

- a) Please explain why the SSS Administration charge revenue is forecast to decline in 2008, despite an increase in the number of customers as compared to 2007.

Response:

The 2008 total is based on the 2008 Budget which was developed prior to the actual 2007 value being available.

- b) Please explain the reduction in retail service revenues of more than 10% in 2008 following an increase of nearly 12% in 2007.

Response:

The 2008 total is based on the 2008 Budget which was developed prior to the actual 2007 value being available.

- c) Please explain the nearly 12% decline in rental revenues in 2008 following an increase of nearly 14% in 2007.

Response:

The 2008 total is based on the 2008 Budget which was developed prior to the actual 2007 value being available.

- d) Please explain the 1.3% decline in late payment revenues in 2008 despite the 5.3% increase that took place in 2007.

Response:

The 2008 total is based on the 2008 Budget which was developed prior to the actual 2007 value being available. However, the 2008 actual to August is \$15,000 lower than August 2007.

The applicant since 2006 has made significant efforts to place delinquent payers on budget or pre-authorized programs in an effort to assist these customers in avoiding late payment fees and charges

- e) Please explain the significant decline in the sale of scrap metals in 2008 as compared to 2007 and 2006. What are the prices of scrap metals in 2008 forecast to be relative to the prices obtained in 2006 and 2007?

Response:

The 2008 value is based on a 5 year average. Scrap metals are stored in bins and disposed of when the bins are full. These bins take a long time to fill, and so may not be disposed of regularly. This may cause discrepancies in scrap metal sales year to year.

- f) Please explain the rationale for the decline of more than \$31,000 in miscellaneous revenues in 2008 from that recorded in 2007.

Response:

By their nature, these revenues are difficult to predict because they are generally one-time payments to the Applicant.

- g) For each category of revenues shown in the chart, please provide the most recent year-to-date revenues for 2008 and provide the corresponding revenues in 2007 for the same year-to-date period.

Response:

Account Name	US of A	Aug-07	Aug-08	2008 Test
SSS Administration Charge	4080	(60,231)	(62,303)	(90,500)
Retail Service Revenues	4082	(25,106)	(26,321)	(36,500)
STR Revenues	4084	(960)	(1,074)	(1,500)
Revenue-Rentals	4210	(53,759)	(51,395)	(68,200)
Revenue-Late Payment Charges	4225	(119,881)	(105,092)	(180,000)
Specific Service Charges	4235	(196,852)	(165,759)	(305,245)
Revenue-Sale of Scrap Metals	4325	(17,115)	(14,665)	(10,000)
Gain on Sale of Assets	4355	(10,272)	(20,644)	
Loss on Sale of Assets	4360			
Revenue-Miscellaneous	4390	2,204	(10,274)	(20,000)
Interest Earned w CC Accrual	4405	(244,388)	(146,382)	(42,000)
Grand Total Other Revenue		(726,360)	(603,909)	(753,945)

- h) Please provide, by month, the average bank balance and the interest rate for each month in 2007 and for each month in 2008 that is currently available.

Response:

Month	Aver. Daily Balance	Rate %	Interest Earned
Jul-08	\$8,522,394.25	3.00	\$21,475.87
Jun-08	8,609,821.48	3.00	21,229.70
May-08	8,240,497.80	3.00	20,996.34
Apr-08	7,313,039.12	3.367	20,238.08
Mar-08	7,115,870.39	3.565	21,545.49
Feb-08	6,439,160.58	4.00	20,464.18
Jan-08	4,760,403.18	4.177	16,887.95
Dec-07	6,967,583.43	4.28	25,327.64
Nov-07	7,774,436.42	4.50	28,754.76
Oct-07	5,873,264.19	4.50	22,447.13
Sep-07	6,330,475.85	4.50	23,414.09
Aug-07	6,213,752.49	4.50	23,748.45
Jul-07	6,771,809.39	4.419	25,415.44
Jun-07	7,204,863.64	4.25	25,167.67
May-07	6,539,289.96	4.25	23,604.15
Apr-07	7,431,832.71	4.25	25,960.51
Mar-07	6,617,612.68	4.25	23,886.86
Feb-07	6,270,671.01	4.25	20,444.11
Jan-07	7,471,746.12	4.25	26,969.93

i) What is the current interest rate paid on bank balances?

Response:

The current rate is 3% (Jul 2008).

Interrogatory # 15

Ref: Exhibit 3.3.4, pg. 34

The evidence indicates that the applicant proposes to adopt Standard Specific Service Charges developed using the 2006 EDR model with the exception of the following:

- Account set up charge (plus credit agency costs if applicable);
- Collection of accounts – no disconnection;
- Disconnect/Reconnect at meter – regular hours;
- Install/Remove load control device – regular hours.

Please calculate the incremental revenue that would be generated under each of these categories if the Standard Rate was adopted in place of the proposed rates.

Response:

The following chart details the incremental revenue if Standard rate was used:

SSC Description	
Account set up charge (plus credit agency costs if applicable)	16,000
Collection of account charge - no disconnection	61,640
Disconnect/Reconnect at meter - during regular hours	3,435
Install/Remove load control device - during regular hours	3,000
	<u>84,075</u>

Each of these rates requires a field visit to complete the service. Some time after the currently approved rates were developed, the field component of the charge was contracted out at a reduced cost. The proposed rates were calculated using the spreadsheet provided with the 2006 EDR.

Interrogatory # 16

Ref: Exhibit 3.3.3, pg. 97

Exhibit 3.3.3 shows a requested rate of \$0.00 for Change of Occupancy – Final Bill. .

Response:

The following chart details the revenues of each of the rates where the applicant has requested a deviation from the standard rate:

Description	OEB Approved Rate	Standard Rate	Requested Rate	2006 Volume	2007 Volume	2008 Budget	@ Requested Rate	@ Approved OEB rate
Account set up charge (plus credit agency costs if applicable)	12.50	30.00	25.00	3,660	3,170	3,200	80,000	96,000
Collection of account charge - no disconnection	18.00	30.00	22.00	8,261	7,565	7,705	169,510	231,150
Disconnect/Reconnect at meter - during regular hours	50.00	65.00	50.00	397	481	229	11,450	14,885
Install/Remove load control device - during regular hours		65.00	50.00			200	10,000	13,000
Total							270,960	355,035

a) Please explain why the applicant does not plan to charge for this service.

Response:

The standard industry practice is to charge only one customer in a resale situation. The applicant's current rates were based on components including a field trip plus clerical time. The total cost for the service for the two customers was \$25.00 which the applicant split equally between the two parties. The applicant is seeking to recover only its cost in this rate for this service. If the applicant were to continue charging both customers, the rates should remain at \$12.50 each. Since the Industry norm is to charge \$30.00 for this service, the applicant's requested rate is \$5.00 lower than this standard, or a net incremental difference of $3,200 \times \$5.00 = \$16,000$.

- b) What is the incremental revenue from this service for 2008 if the current approved rate of \$12.50 were maintained?

Response:

The applicant believes the question is “What is the incremental revenue from this service for 2008 if the current approved rate of \$12.50 were maintained as well as the requested rate for Account Setup \$25.00 for a total of \$37.50 or \$18.75 per person”? In this case, the incremental revenue would be $3,200 \times \$12.50 = \$40,000$.

- c) What is the incremental revenue from this service for 2008 if the standard rate of \$30 were to be used?

Response:

The applicant believes the question is “What is the incremental revenue from this service for 2008 if the standard rate of \$30.00 were used as well as the requested rate for Account Setup \$25.00 for a total of \$55.00 or \$27.50 per person”? Incremental revenue would be $3,200 \times \$30.00 = \$96,000$.

- d) What is the 2007 volume of change of occupancy – final bill?

Response:

3,170

Interrogatory # 17

Ref: Exhibit 4.1, pg. 101

- a) Please confirm that the reference to \$186,367 OM&A expenditure increase in 2006 should be for 2007.

Response:

Yes, that is confirmed. This is the 2007 OM&A expenditure increase.

- b) Please provide the actual dollar value increase in 2006 OM&A expenditures.

Response:

2006 OM&A expenditures decreased by \$239,447 vs. 2005.

Interrogatory # 18

Ref: Exhibit 4.2.2, pg. 106

- a) Please explain how the 19.7% increase referred to in the Billing and Collecting explanation is derived, in relation to the 19.18% shown in the table at the top of the page.

Response:

The Billing and Collecting explanation should read 19.18%

- b) What is the percentage increase for the billing and collecting costs if the impacts of the smart meters and time-of-use rates are removed?

Response:

7.88%

Interrogatory # 19

Ref: Exhibit 4.2.1, pg. 103

- a) Please provide the interest rate used for the 2007 interest expense on customer deposits.

Response:

**We apply interest at a rate of Bank prime less 2% on a monthly basis.
The following is a chart of the monthly rate applied in 2007:**

Jan	4.00%
Feb	4.00%
Mar	4.00%
Apr	4.00%
May	4.00%
Jun	4.00%
Jul	4.00%
Aug	4.25%
Sep	4.25%
Oct	4.25%
Nov	4.25%
Dec	4.00%

- b) Please provide the interest rate forecast used for the 2008 interest expense on customer deposits.

Response:

A rate of 3.00% was used for the 2008 Budget

- c) What is the actual interest rate used for 2008 year-to-date interest expense on customer deposits?

Response:

The following is a chart of the monthly rate applied in 2008. The applicant has paid out a total of \$62,000 to the end of August:

Jan	3.75%
Feb	3.75%
Mar	3.25%
Apr	2.75%
May	2.75%
Jun	2.75%
Jul	2.75%
Aug	2.75%

- d) How does the change in interest rates between 2007 and forecast for 2008 compare to the 1.25% reduction in interest rates referenced in Exhibit 3.3 at page 96?

Response:

There is a direct relationship. The applicant receives a negotiated rate of Bank prime less 1.75%, and pays its customers at Bank prime less 2%.

Interrogatory # 20

Ref: Exhibit 4.2.2, pg. 110

- a) Please provide all documentation supporting the increase in the building rental cost in 2007 of \$90,000.

Response:

The applicant leases its building and land from its shareholder the Corporation of the Town of Newmarket. Rent has increased from the original determination in 1999 of \$180,000 per annum to \$270,000 per annum. A copy of the independent opinion of value is attached as Exhibit A. Note the term of the lease is from 2007 to December 31, 2010.

- b) Is the building rented from a related party to Newmarket – Tay? If so, please provide details.

Response:

Yes, the building is rented from The Town of Newmarket.

Interrogatory # 21

Ref: Exhibit 4.2.5, pg. 111

Please confirm that the OM&A figures provided throughout the evidence are the Newmarket share of total costs based on the corporate allocation based on the number of customers in the Newmarket and Tay service areas.

Response:

The above is confirmed. The application and amounts contained therein are for the Newmarket service area only

Interrogatory # 22

Ref: Exhibit 4.2.7, pg. 114

- a) The increase in the management compensation average per employee is 4.0%. Please explain this increase in relation to the 3.25% increase for 2007 noted in the variance explanation.

Response:

The variance above 3.25% is due to vacation payouts in 2007. Due to the implementation of Smart Meters, a cost of service filing and merger with Tay Hydro, certain management staff did not have the opportunity to take vacation. The Applicant limits the number of days of vacation that can be carried forward.

- b) What was the basis of the 3.25% increase for 2007?

Response:

Negotiated wage settlement.

- c) What is the basis for the 3.00% increase in 2008?

Response:

Negotiated wage settlement.

- d) Please provide the increase the Canadian CPI for 2007 and for year-to-date for 2008.

Response:

Exhibit B shows that the CPI for 2007 was 2.2% and that the CPI for the Toronto area August 2008 is 3.7%.

Interrogatory # 23

Ref: Exhibit 2.1.7
Exhibit 2.2.2, pg. 84

Please show the calculation of the 2008 depreciation expense shown in Exhibit 2.1.7 for each of the grouped asset accounts shown on page 84 of the evidence. For each calculation, please show that the rate used is based on the asset life shown on page 84. Please also show the derivation of the base to which the rate is applied with reference to the opening balance, closing balance and additions shown for each of the relevant asset classes in Exhibit 2.1.7.

Response:

All depreciation is calculated on a straight line basis. New assets are depreciated for the number of months that they are in service in the 1st year. In the final year, depreciation is calculated only for the months that apply. For instance, if the asset has a 10 year life and was purchased in November, there would be 2 months of depreciation in the 1st year and 10 months in the final year.

The values shown in Exhibit 2.1.7 were based on values in the fall of 2007 and projected to the end of the year. 2007 values were revised to actual values, but the 2008 depreciation expense was left at the budgeted value.

The following table represents a close approximation of how the system calculated depreciation for 2008. The values are not exact due to the reasons mentioned above:

Asset Account		2008 Data	Avg Years for the Class	Depn Exp
1806 Distribution - Land Rights	Forward	0		
	Less Fully Depreciated	0		
	Net	0	30	0
	Additions	400,000		6,667
	Total 2008 Depreciation			6,667
1820 Mun Trans Stn<50kv	Forward	7,973,659		
	Less Fully Depreciated	1,350,000		
	Net	6,623,659	30	220,789
	Additions	981,700		16,362
	Total 2008 Depreciation			237,150
1830 Distribution Lines o/h Poles	Forward	11,411,390		
	Less Fully Depreciated	1,190,000		
	Net	10,221,390	25	408,856
	Additions	1,671,173		33,423
				442,279
1835 Distribution Lines o/h Cable	Forward	14,200,847		
	Less Fully Depreciated			
	Net	14,200,847	25	568,034
	Additions	2,068,927		41,379
				609,412
1840 & 1845 & 1855 Distribution Lines u/g & Services	Forward	33,758,429		
	Less Fully Depreciated			
	Net	33,758,429	21	1,607,544
	Additions	2,783,587		55,672
				1,663,216
1850 Distribution Transformers	Forward	14,183,937		
	Less Fully Depreciated			
	Net	14,183,937	22	636,051
	Additions	973,680		19,474
				655,525
1860 Distribution Meters	Forward	6,890,175		
	Less Fully Depreciated			
	Net	6,890,175	25	275,607
	Additions	401,640		8,033
				283,640
1860 Smart Meters	Forward	3,590,944		
	Less Fully Depreciated			

		Net	3,590,944	15	239,396
		Additions	1,696,019		<u>56,534</u>
					295,930
1910	Leasehold Improvements	Forward	419,236		
		Less Fully Depreciated	<u>175,000</u>		
		Net	244,236	5	48,847
		Additions	58,000		<u>5,800</u>
					54,647
1915	Office Equipment	Forward	275,235		
		Less Fully Depreciated	<u>88,000</u>		
		Net	187,235	10	18,723
		Additions	5,000		<u>250</u>
					18,973
1920	Computer Equipment	Forward	652,493		
		Less Fully Depreciated	<u>475,000</u>		
		Net	177,493	5	35,499
		Additions	17,900		<u>1,790</u>
					37,289
1925	Computer Software	Forward	1,138,804		
		Less Fully Depreciated	<u>125,000</u>		
		Net	1,013,804	5	202,761
		Additions	91,500		<u>9,150</u>
					211,911
1930	Rolling Stock & Equip.	Forward	2,942,172		
		Less Fully Depreciated	<u>1,260,000</u>		
		Net	1,682,172	7	240,310
		Additions	843,080		<u>60,220</u>
					300,530
1935	Stores Warehouse Equipment	Forward	142,099		
		Less Fully Depreciated	<u>65,000</u>		
		Net	77,099	10	7,710
		Additions	0		<u>0</u>
					7,710
1940	Misc. Tools & Equip.	Forward	419,726		
		Less Fully Depreciated	<u>210,000</u>		
		Net	209,726	10	20,973
		Additions	64,000		<u>3,200</u>
					24,173
	Measurement & Test				
1945	Equipment	Forward	102,535		
		Less Fully Depreciated	<u>44,000</u>		
		Net	58,535	10	5,854

		Additions	26,600		<u>1,330</u> 7,184
1980	System Supervisory Equipment	Forward	739,035		
		Less Fully Depreciated	<u>70,000</u>		
		Net	669,035	15	44,602
		Additions	20,000		<u>667</u> 45,269
1985	Sentinel Lighting Units	Forward	13,085		
		Less Fully Depreciated	<u>11,000</u>		
		Net	2,085	10	209
		Additions	0		<u>0</u> 209
1995	Contributed Capital	Forward	(13,902,242)		
		Less Fully Depreciated	<u>(13,902,242)</u>		
		Net	(13,902,242)	25	(556,090)
		Additions	(2,137,082)		<u>(42,742)</u> (598,831)
Total Depreciation Expense					<u><u>4,302,881</u></u>

Interrogatory # 24

Ref: Exhibit 1.2.3, pg. 46

- a) Please explain the depreciation and amortization (vehicle, tools & stores adj) figure of (338,937). What does this reduction in depreciation and amortization expense relate to?

Response:

Depreciation Expense for Vehicles, Stores, Tools and Measurement Equipment is allocated to general ledger accounts other than Depreciation. This adjustment removes these values from Depreciation Expense to avoid double booking.

- b) Please provide all assumptions and calculations used to derive this figure.

Response:

Please see the details provided in the chart above. The values highlighted in yellow are the equivalent to the Submission in this regard.

Interrogatory # 25

Ref: Exhibit 4.3, pg. 119

- a) Please show the derivation of the taxable capital figure of \$58,668,644. Please comment on this figure in light of the year-end total rate base of \$58,152,029 shown in Exhibit 2.1.2.

Response:

Taxable Capital Calculation

	Calculation used for Rate Filing	Updated Estimate
Paid up Capital Stock	25,200,000	25,200,000
Retained Earnings	2,918,058	2,918,058
Loans and Advances	28,576,000	28,576,000
Other Reserves not Deductible	944,667	944,667
Subtotal	57,638,725	57,638,725
Less		
Excess of amounts deducted for tax purposes over amounts booked	(1,029,919)	(10,192,104)
Net paid up capital/taxable capital	58,668,644	67,830,829
Reduction	14,505,511	14,505,512
Balance for capital tax calculation	44,163,133	53,325,317
Rate	0.00285	0.00225
Capital Tax	125,865	119,982
Reduction Calculation		
Net paid up capital/taxable capital	58,668,644	67,830,829
Taxable Capital of Holding Company	2,000,000	2,000,000
Aggregate Taxable Capital	60,668,644	69,830,829
Basic Reduction	15,000,000	15,000,000
Reduction Calculation	14,505,511	14,570,390

Noted in the above chart, there was an error in the "Excess of amounts deducted for tax purposes over amounts booked" line. The value was simply input to the chart incorrectly. The Updated Estimate column contains the correct values and uses the rate suggested in c) below.

- b) Please explain the derivation and show the calculations used to arrive at the reduction in taxable capital figure of \$14,505,511.

Response:

See Reduction chart in a) above.

- c) Please confirm that the provincial capital tax rate to be used for 2008 is 0.00225 based on the 2007 Ontario Economic Update and Fiscal Review announced by the provincial government on December 13, 2007.

Response:

The applicant had not checked this rate and used .00285 to calculate the rates. The corrected rate is used in the chart in a) above.

- d) Please recalculate the Ontario capital tax using the rate of 0.00225.

Response:

The suggested rate is used in the chart in a) above. The taxable capital amount used in the original rate filing was \$44,163,133. Multiplied by the revised Ontario Capital tax rate of .00225 the corrected value is \$99,367.

Interrogatory # 26

Ref: Exhibit 4.3, pg. 119

- a) Please provide the evidence that supports the post employment benefits figures of 814,000 and (727,000) used in arriving at taxable income.

Response:

The applicant uses a third party actuarial company for this calculation. The total values of \$742,354 are disclosed in the audited 2007 NT Power financial statements submitted with the application. The applicant's share of this value is \$727,000 and reconciled to \$742,354 below. The supporting actuarial documents contain confidential information. A summary provided from the actuarial firm is attached as Exhibit C.

**NT POWER Post employment of benefits
31-Dec-07**

	<i>Newmarket</i>	<i>Tay</i>	<i>NT Power</i>
ABO Beg	\$ 712,363	\$ -	\$ 712,363
Current Service Cost	\$ 43,385	\$ 9,631	\$ 53,016
Amort of Transitional obligation	\$ 25,151		\$ 25,151
Amort of Past service costs		\$ 8,803	\$ 8,803
Actuarial gain	\$ (34,984)		\$ (34,984)
Benefits Paid	\$ (18,672)	\$ (3,323)	\$ (21,995)
ABO End	\$ 727,243	\$ 15,111	\$ 742,354

The actuarial valuation for 2008 is approximately \$840,000. Based on the number of employees, the applicant's share is 83% (44 Newmarket employees / 53 NT Power employees) which is applied to the incremental increase of \$100,000 for 2008 and then added to \$727,000 to yield a value of approximately \$814,000.

- b) Please provide the evidence that supports the allowance for AR figures of 130,667 and (107,000) used in arriving at taxable income.

Response:

The applicant believed that an increase in the AR figure is warranted due to the potential decrease in the automotive sector. The automotive sector represents just under 5% of the applicants total revenues. Since the time of submitting the original rate filing, this assumption of a decrease in the automotive sector has been realized. The largest automotive customer will be closing its doors in 2009 and laying off approximately 500 employees, the majority of whom reside in the applicant's service territory.

The AR value shown above represents .02% of the applicant's total billings. The applicant currently believes that this value could rise significantly in the future due to the rapidly declining economic climate especially in the automotive sector.

- c) A number of different interest figures for 2008 are shown in the evidence, including \$1,342,000 in Exhibit 4.1.2, and \$1,787,478 and \$1,442,000 shown in Exhibit 4.3.2.

Please reconcile the \$1,442,000 figure in Exhibit 4.3.2 with the \$1,342,000 figure shown in Exhibit 4.1.2.

Response:

\$1,442,000 represents the 2008 Budget for total Interest Expense including Interest on long term debt to be paid to the Town of Newmarket of \$1,342,000 plus Interest on Customer Deposits of \$100,000.

Which figure has been used in the calculation of taxable income?

Response:

\$1,442,000

Interrogatory # 27

Ref: Exhibit 4.3.1, pg. 120

Please show the derivation of the grossed up income tax figure of \$1,441,363 based on the actual tax figure of \$957,700.

Response:

The \$1,441,363 can be calculated by dividing \$957,700 by (1-33.5%).

Interrogatory # 28

Ref: Exhibit 1.2.3, pg. 46
Exhibit 4.1.2, pg. 102

Please reconcile the 2008 OM&A figure of \$5,483,028 shown in Exhibit 1.2.3 with the figure of \$5,481,020 shown in Exhibit 4.1.2.

Response:

The correct value is \$5,483,028.

Interrogatory # 29

Ref: Exhibit 4.2.2, pg. 110

- a) Please provide the total amount budgeted for regulatory support related to the current 2008 rates filing (including legal, evidence preparation, intervener costs, notification publication, etc.).

Response:

Essentially the applicant made two errors:

- 1) The applicant budgeted \$25,000 per year as an estimated cost for OEB Consultation processes.**
 - 2) The applicant's budget for this process is \$25,000 which is the 2008 budgeted amount. At the time the budget was prepared, the applicant did not anticipate all the potential costs that would be incurred with this project. The applicant now anticipates the total project costs to be about \$60,000.**
- b) Has Newmarket – Tay included all of this cost in account 5655 for the 2008 test year? If yes, why has this cost not been amortized over a three year period to reflect the intervening IRM years?

Response:

See response to a) above.

Interrogatory # 30

Ref: Exhibit 4.1.2, pg. 102
Exhibit 4.3, pg. 119

- a) Please confirm that the Ontario capital tax for 2008 of \$125,865 is included in the taxes other than PILS figure of \$264,949.

Response:

The Ontario Capital Tax is included in the Taxes Other Than PILS figure of \$264,949.

- b) What other taxes are included in the taxes other than PILS line?

Response:

Property Taxes

For each of the taxes in (b), please provide the actual 2006, actual 2007 and forecast 2008 figures. Please provide the rationale for the change between the 2007 and 2008 figures, including any calculations, assumptions and information used for each of the taxes.

Response:

	2006	2007	2008	
			As submitted at reduced rate	Revised Capital Tax at reduced rate
Property Tax	103,096	107,506	119,949	119,949
Capital Tax	135,924	122,064	99,367	119,982
Total	239,020	229,570	219,316	239,931

The applicant has reviewed the Ontario Capital Tax and revised the calculations using the lower rate. These are reflected in the chart above. During the review it was noted that there was an error in the original calculation of taxable capital. If the revised calculation is used the capital tax amount becomes \$119,982 from \$99,367.

Interrogatory # 31

Ref: Exhibit 4.3.1, pg. 124

- a) Please explain why class 47 of the 2008 capital cost allowance schedule shows the addition of \$9,280,707 in column 3 and the reduction of \$2,137,082 in column 4, rather than the net addition of \$7,143,625 in column 3.

Response:

The method of calculation has been prepared by the applicant's auditors since deregulation. This method has also been audited and passed by the Ministry's PIL auditors.

- b) Please confirm that the reduction of \$2,137,082 in column 4 is the result of contributed capital.

Response:

Yes, this is a result of Contributed Capital.

- c) Please recalculate the CCA for the year if the calculation is based on the net additions of \$7,143,625 in column 3 with no net adjustments shown in column 4. Please also calculate the difference in the total CCA as a result of this change.

Response:

The method of calculation has been prepared by the applicant's auditors since deregulation. This method has also been audited and passed by the Ministry's PIL auditors. The calculation, taken only as an adjustment on 2008 additions, would increase the CCA by \$72,910. The CCA would go from \$3,701,699 to \$3,774,609.

Interrogatory # 32

Ref: Exhibit 2.1.5
Exhibit 2.1.6
Exhibit 2.1.7

Newmarket – Tay has had significant expenditures related to smart meters in 2006 and 2007 and is forecasting additional expenditures in 2008.

- a) Do any of the capital expenditures recorded in 2006 and 2007 and forecast for 2008 for smart meters include computer and/or software costs?

Response:

No, the applicant's policy is to depreciate the new computerized meters or "smart meters" over fifteen years. Included in these costs are amounts which relate to the testing, measurement, completeness, verification, and accuracy of the data originating from the "smart meter" and into the associated billing and presentment mediums including the integration with the Provincial Smart Meter Entity. The applicant has been named in provincial legislation as a rapid deployment utility under Ontario Regulation 428/06 and has been allowed to incur costs in this manner under Ontario Regulation 233/08. The applicant is currently billing 7,000 customers and will have all its residential customers on Time of Use rates by the summer of 2009. Currently the applicant is compiling its billing data for its Time of Use customers through a third party and a small section of customers data are currently being processed through the Provincial Smart Meter entity. The applicant is implementing the Ontario's governments stated policy in this regard.

The applicant believes that it is appropriate to associate these costs with the 15 year amortization period of Smart Meters.

- b) If the answer to (a) is yes, please provide the capital expenditures included in smart meters for each of 2006, 2007 and 2008 that are:
- i) for computers; and,

Response:

See a) No direct costs

- ii) for software.

Response:

See a) No direct software costs.

Interrogatory # 33

Ref: Exhibit 4.3.1

The evidence in Exhibits 2.1.5, 2.1.6 and 2.1.7 shows that capital expenditures for software of \$321,695, \$193,978 and \$91,500 have been incurred or forecast to be incurred for 2006, 2007 and 2008, respectively.

- a) Have these expenditures been expensed or capitalized for tax purposes?

Response:

Capitalized for tax purposes.

- b) Please indicate under which CCA class software has been included in the capital cost allowance schedules. For each of 2006, 2007 and 2008 please provide the CCA class and the amount added to that class related to software.

Response:

The applicant's tax practice is to capitalize these amounts as system software and depreciate them at the amount defined by Revenue Canada Class 10 of 30 percent declining balance

- c) Why have the software costs not been included in CCA class 12?

Response:

See b) above. The applicant considers these costs to be system and network costs which by definition should be in class 10.

- d) Please calculate the UCC for software at the end of 2007 for all the CCA classes into which the software was put in 2006 and 2007.

Response:

The applicant's tax practice is to capitalize these amounts as system software and depreciate them at the amount defined by Revenue Canada Class 10 of 30 percent declining balance

Software	
Class 10 2006 - 2007	
Rate 30 percent Declining balance	
2006 Additions	321,695
2006 CCA	48,254
2006 Ending UCC	273,441
2007 Opening	273,441
2007 Additions	193,979
2007 CCA	111,129
2007 ending UCC	356,291
2008 Opening	356,291
2008 Additions	91,500
2008 CCA	120,612
2008 ending UCC	327,178

- e) If all the UCC related to the software capital expenditures was transferred into Class 12 at the beginning of 2008 and the software expenditures for 2008 are included as additions to Class 12 rather than to another class, what is the impact on the CCA claim for 2008? Please show all calculations.

Response:

IR Request	
If moved to class 12	
2008 Opening	356,291
2008 Additions	91,500
2008 CCA	402,041
2008 ending UCC	45,750

Interrogatory # 34

Ref: Exhibit 4.3.1

The evidence in Exhibits 2.1.5, 2.1.6 and 2.1.7 shows that capital expenditures for computers of \$136,932, \$66,612 and \$17,900 have been incurred or forecast to be incurred for 2006, 2007 and 2008, respectively.

- a) Have these expenditures been expensed or capitalized for tax purposes?

Response:

The applicant's tax practice is to capitalize these amounts as network infrastructure equipment and depreciate them at the amount in Class 10 at 30 percent declining balance. Network infrastructure equipment should be in class 46 as defined by Revenue Canada but the CCA rate is the same at 30 % declining balance. Therefore there is no difference to the CCA amounts taken.

- b) Please indicate under which CCA class computers have been included in the capital cost allowance schedules. For each of 2006, 2007 and 2008 please provide the CCA class and the amount added to that class related to computers.

Response:

Please see 34a) above

- c) Please calculate the UCC for computers at the end of 2007 for all the CCA classes into which the computer expenditure was put in 2006 and 2007.

Response:

Computer Hardware	
Class 10 2006 2007	
Rate 30 percent Declining balance	
2006 Additions	136,932
2006 CCA	20,540
2006 Ending UCC	116,392
2007 Opening	116,392
2007 Additions	66,612
2007 CCA	44,909
2007 ending UCC	138,095
2008 Opening	138,095
2008 Additions	17,900
2008 CCA	44,113
2008 ending UCC	111,881

Interrogatory # 35

Ref: Exhibit 4.3.1

Computers acquired after March 22, 2004 can be put into CCA Class 45, with a rate of 45%. Previous to this time computer equipment was included in Class 10, which has a rate of 30%. Computer equipment acquired on or after March 19, 2007 can be included in CCA Class 55, with a rate of 55%.

- a) Please provide the breakdown of the capital expenditures of \$66,612 that took place in 2007 into the pre and post March 19, 2007 periods.

Response:

Computer Equipment totaling \$4,162 was purchased from Jan 1, 2007 to Mar 19, 2007 and \$62,450 after mar 19 to the end of 2007.

- b) If the UCC related to the computer equipment capital expenditures in 2006 and 2007 were transferred into Class 45 and Class 55, as applicable, at the beginning of 2008 and the computer expenditures for 2008 are included as additions to Class 55 rather than to another class, what is the impact on the CCA claim for 2008? Please show all calculations.

Response:

The applicant's tax practice is to capitalize these amounts as network infrastructure equipment and depreciate them at the amount in Class 10 at 30 percent declining balance. Network infrastructure equipment should be in class 46 as defined by Revenue Canada but the CCA rate is the same at 30 % declining balance. Therefore there is no difference to the CCA amounts taken.

IR Request	
2006 at 45 percent march 17 2007 55 percent	
2006 Additions	136,932
2006 CCA	30,810
2006 Ending UCC	106,122
2007 Opening	106,122
2007 Jan to march Additons	4,162
2007 April on Additions	62,450
2007 CCA @45 %	48,691
2007 CCA @55 %	17,174
Total 2007 CCA	65,865
2007 ending UCC	124,043
2008 Opening	106,869
2008 Additions	17,900
2007 CCA @ 45 %	27,717
2007/8 CCA @ 55 percent	29,824
Total 2008 CCA	57,541
2008 ending UCC	67,228

Interrogatory # 36

Ref: Exhibit 5.1.2, pg. 134

The evidence shows the recovery based on a three year period commencing May 1, 2008. Assuming that the DA rate is not adjusted retroactively and remains at current rates:

- a) Will the recovery period remain for a full three year period, or will it be shortened to a period ending April 30, 2011?

Response:

The applicant is currently collecting at an accelerated pace and can shorten the period or reduce the rate even further. The preference would be to reduce the rate so that overall there is no bill impact thus giving rate stability to the applicant's customers in this uncertain economic time.

- b) How will the incremental revenue generated with the current DA rate in the period May 1, 2008 through to the effective date of new rates from this proceeding be dealt with?

Response:

Please see the response to a) above.

Interrogatory # 37

Ref: Exhibit 6.1.2, pg. 136

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 indicated that "The short-term debt amount will be fixed at 4% of rate base".

- a) Please explain why Newmarket – Tay has not used 4% for the short term debt component of the capital structure in 2008.

Response:

In the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors there is a 3 year implementation plan indicated in Section 3.1 Term and Starting Base. The application was technically included as part of the 2007 rebasing and therefore the applicant is applying for a 3 year phase in of the new structure from the current 50:50 structure to the new 40:56:4 structure. 1/3rd of the 4% Short Term % is 1.3% which is used in the application. The applicant is expecting to transition to the new structure during Interim Adjustments over the following 2 years from the date of initial implementation.

- b) Please recalculate the 2008 cost of capital using a structure of 46.70% equity, 4.00% short term debt and 49.3% long term debt.

Response:

This request reduces the Distribution Revenue shortfall by \$24,355.

- c) What is the current actual level of long term debt for the utility?

Response:

The 2007 Long Term Debt is \$22,000,000.

Interrogatory # 38

Ref: Exhibit 8.1, pg. 140

Please define the extended period for moving the street lighting class to the minimum level.

Response:

The applicant proposes to move the Street Lighting Rate to the minimum level over a period of 10 years commencing upon the implementation of rates approved with this submission. Further details are shown in Exhibit 9.3.5 on Page 168.

Interrogatory # 39

Ref: Exhibit 9.1.4, pg. 152

Please clarify the period used to calculate the average loss factor. The table shows 2003 through 2007, while the title indicates 2002 to 2006. If the information used does not include 2007 data, please update the table to reflect 2007 data.

Response:

The period is 2003 to 2007. The table was updated when the 2007 data became available and the title was not updated.

Interrogatory # 40

Ref: Exhibit 9.2.1, pg. 158 & 159

Page 159 appears to be a repeat of page 158. Not all rate classes are represented by the four rate classes shown. Please provide a complete list of all the existing and proposed rates.

Response:

Thank you for pointing this out. The following is a complete list of the proposed rates. They also show in Exhibit 1.2 pgs. 40 to 42.

Class	Currently Approved Rates	Proposed 2008 Rates
	(Dist Rate with PILS)	(Dist Rate with PILS)
<u>RESIDENTIAL</u>		
Distribution kWh Rate	0.0135	0.0150
Monthly Service Charge/Customer/Month	13.34	13.34
Deferral Account Recovery/kWh	0.0018	0.0012
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kWh	0.0057	0.0050
Transmission Connection/kWh	0.0050	0.0048
Debt Retirement Charge/kWh	0.0070	0.0070
Regulated Price Plan Administration Charge/Customer/Month	0.2500	0.2500
<u>GENERAL SERVICE < 50 KW</u>		
Distribution kWh Rate	0.0171	0.0176
Monthly Service Charge/Customer/Month	20.95	25.00
Deferral Account Recovery/kWh	0.0018	0.0012
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kWh	0.0052	0.0046
Transmission Connection/kWh	0.0045	0.0044
Debt Retirement Charge/kWh	0.0070	0.0070
Regulated Price Plan Administration Charge/Customer/Month	0.2500	0.2500
<u>GENERAL SERVICE < 50 KW USL</u>		
Distribution kWh Rate	0.0171	0.0176
Monthly Service Charge/Customer/Month	20.95	15.80
Deferral Account Recovery/kWh	0.0018	0.0012
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kWh	0.0052	0.0046
Transmission Connection/kWh	0.0045	0.0044
Debt Retirement Charge/kWh	0.0070	0.0070
Regulated Price Plan Administration Charge/Customer/Month	0.2500	0.2500
<u>GENERAL SERVICE > 50 KW</u>		
Distribution KW Rate (Thermal Demand Meter <small>old style</small>)	3.2075	3.5703
Distribution KW Rate (Interval Meter)	N/A	3.6701
Transformer Allowance/kW	(0.50)	(0.70)
Monthly Service Charge/Customer/Month	376.28	376.28
Deferral Account Recovery/kWh	0.7774	0.5053
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kW	2.1218	1.8603
Transmission Connection/kW	1.7882	1.7325
Debt Retirement Charge/kWh	0.0070	0.0070
Regulated Price Plan Administration Charge/Customer/Month	0.2500	0.2500
<u>SENTINEL LIGHTS</u>		
Distribution KW Rate	3.0602	7.7276
Monthly Service Charge/Connection/Month	1.74	1.74

Deferral Account Recovery/kWh	0.5231	0.3400
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kW	1.6083	1.4101
Transmission Connection/kW	1.4113	1.3674
Debt Retirement Charge	0.0070	0.0070
Regulated Price Plan Administration Charge/Connection/Month	0.2500	0.2500
<u>STREET LIGHTING</u>		
Distribution KW Rate	1.8466	5.4264
Monthly Service Charge/Connection/Month	0.31	0.90
Deferral Account Recovery/kWh	0.3425	0.2226
Wholesale Market Services/kWh	0.0052	0.0045
Rural Rate Protection/kWh	0.0010	0.0010
Transmission Network/kW	1.6002	1.4030
Transmission Connection/kW	1.3824	1.3394
Debt Retirement Charge/kWh	0.0070	0.0070
Regulated Price Plan Administration Charge/Connection/Month	0.2500	0.2500
Total Loss Factor - Secondary Metered Customer	1.0365	1.0346
<u>SPECIFIC SERVICE CHARGES</u>		
Arrears certificate	8.50	15.00
Statement of account	8.50	15.00
Duplicate invoices for previous billing	3.25	15.00
Request for other billing information		15.00
Easement letter	8.50	15.00
Account history	8.50	15.00
Credit reference/credit check (plus credit agency costs)		15.00
Returned cheque charge (plus bank charges)	16.50	15.00
Legal letter charge		15.00
Change of Occupancy - Final Bill)	12.50	0.00
Account set up charge (plus credit agency costs if applicable)	12.50	25.00
Special meter reads		30.00
Collection of account charge - no disconnection	18.00	22.00
Disconnect/Reconnect at meter - during regular hours *	50.00	50.00
Install/Remove load control device - during regular hours		50.00
Disconnect/Reconnect at meter - after regular hours *	120.00	185.00
Install/Remove load control device - after regular hours		185.00
Disconnect/Reconnect at pole - during regular hours *	160.00	185.00
Disconnect/Reconnect at pole - after regular hours *	315.00	415.00
Meter dispute test self contained plus Measurement Canada fees (if meter found correct)	25.00	30.00
Service call - customer-owned equipment		30.00
Service call - after regular hours		165.00
* All Disconnect/Reconnect charges can be for non-payment or at customer's request		

Interrogatory # 41

Ref: Exhibit 9.3.5, pg. 168

The revenue to cost ratio for the street lighting rate class is currently 9.36% and the proposal would move it to 23.33% with the remaining increase to the minimum level of 70% phased in over a 9 year period. At the same time, Newmarket – Tay is proposing to increase the sentinel lighting revenue to cost ratio from 39.61% to 69.28%, an increase of nearly 30 percentage points.

- a) Please show the rate impact of increasing the street lighting revenue to cost ratio by 30 percentage points to 39.36%.

Response:

This request would require an additional \$120,000 from the Class and result in a total bill impact of 45% with the Distribution component increasing by 411%.

- b) Please comment on a phase in period that sets the 2008 rates so that the revenue to cost ratio moves by 50% toward the bottom of the Board's target range with the remaining 50% move split into equal increments in 2009 and 2010. Based on the current revenue to cost ratio of 9.36% and a Board target of 70%, this would result in revenue to cost ratios of 39.68% for 2008, 54.85% for 2009 and 70.0% for 2010.

Response:

The Applicant disagrees with this proposal. Provincially, there has been a lot of credibility placed on the Cost Allocation Model in regards to Street Lighting. The costs are split to each light in a similar fashion to a Residential customer. Granted there are weighting factors that ease the split somewhat, but the applicant feels that there should be additional study to support the allocation of costs to this Class. The applicant agrees that it is currently under-costed, but prefer a longer term of implementation with smaller increments to allow additional study to happen.

- c) If the Board were to direct higher revenue to cost ratios for street lighting than that proposed by Newmarket – Tay, which rate class or classes would have their ratios reduced? Please explain why.

Response:

As mentioned above, the applicant disagrees with the proposal, but if forced to change, the classes furthest from 100% would be adjusted on some basis.

Interrogatory # 42

Ref: Dec. 31, 2007 Financial Statements

Newmarket – Tay had approximately \$1.3 million in cash in US dollar denominated accounts at the end of 2007.

- a) How are any gains or losses resulting from currency fluctuations accounted for in the determination of the revenue requirement, if at all?

Response:

The applicant follows General Accepted Accounting Principles for foreign currency transactions. Actual Gains or Losses have not been recorded in the revenue requirement.

- b) If there are gains or losses, please provide the details for 2006, 2007 and forecast for 2008 and indicate in which accounts these gains or losses are recorded.

Response:

The applicant no longer maintains foreign currency reserves. The gain on disposal is less than \$10,000 and will be recorded in miscellaneous income at year end.

- c) Please explain why Newmarket – Tay maintains a significant amount of cash in US dollar denominated accounts.

Response:

The applicant does not normally maintain a reserve of foreign currency. The applicant's contract to purchase meters was denominated in US dollars. The applicant believed that all the smart meters would be purchased during fiscal 2007.

However not all types of meters were available in 2007 thus the costs and the corresponding US dollars were carried forward into 2008.

- d) What is the current interest rate paid on US dollar denominated accounts and on Canadian dollar denominated accounts?

Response:

The following table shows the US rates. Please see response to #14 h) for Canadian rates.

**US Dollar Denominated Account
Annual % Rate**

	2007	2008
Jan		3.38
Feb		2.19
Mar	4.64	2.02
Apr	4.45	1.53
May	4.63	1.32
Jun	4.53	1.28
Jul	4.50	1.32
Aug	4.64	1.32
Sep	4.29	1.28
Oct	4.13	
Nov	3.75	
Dec	3.71	

Interrogatory # 43

Ref: Exhibit 8.1

- a) Has Newmarket – Tay updated the cost allocation model to reflect the forecasted figures for rate base, OM&A, taxes, customers and volumes for the 2008 test year? If not, why not?

Response:

No, the CA model was not updated for these values. The Applicant has limited resources that must be allocated under available time constraints.

- b) Does Newmarket – Tay believe that the results of the cost allocation model using 2008 data would be significantly different than that used? Please explain.

Response:

The Applicant feels that there would be some shift in costs due to the Smart Metering initiative. Although all metered Classes would feel some of this impact, Residential and GS<50 would see the greatest impact.

This will be built into the next CA review and as mentioned above, the Applicant hopes to see additional review of the Street Light allocation.

Interrogatory # 44

Ref: Exhibit 1.1.15

Pursuant to the Ontario Energy Board's Decision and Order on Cost Awards in the EB-2007-0063 Smart Meters proceeding, issued December 13, 2007, please advise whether or not Newmarket-Tay Power Distribution Limited is fully in compliance with the Board's Order.

Response:

The applicant believes it is in Compliance with the Board's order.

NEWMARKET-TAY POWER DISTRIBUTION LTD.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
(ENERGY PROBE)**

INDEX

EXHIBIT A RENT

EXHIBIT B CPI FOR 2007

EXHIBIT C SUMMARY FROM ACTUARIAL FIRM

NEWMARKET-TAY POWER DISTRIBUTION LTD.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
(ENERGY PROBE)
EXHIBIT A**

energy probe IR #20



16630 Bayview Ave., Ste 6
Newmarket, ON L3X 1X2
Phone: (905) 841-2500
Fax: (905) 895-3617

June 11, 2007

Mrs. Lorraine Thivierge
Newmarket Hydro Ltd.
590 Steven Court
Newmarket, ON
L3Y 6Z2

Dear Lorraine:

Re: Rental Value – 590 Steven Court, Newmarket

Please find attached a list of current available industrial space in Newmarket and Aurora in excess of 10,000 square feet. Good space with a high percentage of finished office is fairly scarce. Rental rates are mainly over \$6.00 per square foot Net with a small percentage of office and the tenant pays all additional costs for property taxes, maintenance, management and insurance (generally around \$3.00 PSF). Net lease rates have been fairly flat over the last few years. Industrial land values are currently in the range of \$375,000 to \$400,000 per acre with some upwards pressure.

The Newmarket Hydro building located at 590 Steven Court has a gross floor area of approximately 38,396 square feet plus surplus land of approximately 1.5 acres. It would be my opinion, as of today's date, that the building would have a fair market rental value of between \$6.00 and \$6.50 per square foot Net based on the gross floor area – this would equal total yearly rent of \$230,000 to \$250,000 Net to the Landlord. I believe a fair market rental value for the surplus land would be \$30,000 to \$36,000 per annum – this represents something in the range of a 5% to 6% return on the value of the land. Total fair market Net rental, in my opinion, would be in the range of \$260,000 to \$286,000 per year.

Please note that this is an opinion of value only and should in no way be construed as appraisal. Please call me if I can be of further assistance.

Sincerely,
Cushman & Wakefield LePage Inc.

R. Lassaline

Robert Lassaline
Senior Sales Representative

**NEWMARKET-TAY POWER DISTRIBUTION LTD.
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
(ENERGY PROBE)
EXHIBIT B**



Statistics
Canada

Statistique
Canada

Canada

Related tables: [Consumer price indexes.](#)

Consumer Price Index, by city (monthly)

	August 2007	July 2008	August 2008	July 2008 to August 2008	August 2007 to August 2008
	2002=100			% change	
All-items					
St. John's (N.L.)	110.7	115.8	115.3	-0.4	4.2
Charlottetown and Summerside (P.E.I.)	113.3	119.2	118.6	-0.5	4.7
Halifax (N.S.)	112.2	116.9	116.9	0.0	4.2
Saint John (N.B.)	111.4	115.0	114.4	-0.5	2.7
Québec (Que.)	109.8	113.7	113.1	-0.5	3.0
Montréal (Que.)	110.0	113.9	113.3	-0.5	3.0
Ottawa-Gatineau (Ont. part)	110.9	115.0	114.8	-0.2	3.5
Toronto (Ont.)	110.6	114.9	114.7	-0.2	3.7
Thunder Bay (Ont.)	108.3	112.1	111.9	-0.2	3.3
Winnipeg (Man.)	111.1	114.8	114.9	0.1	3.4
Regina (Sask.)	112.2	116.3	116.4	0.1	3.7
Saskatoon (Sask.)	114.1	118.1	118.1	0.0	3.5
Edmonton (Alta.)	119.1	123.6	123.6	0.0	3.8
Calgary (Alta.)	119.3	123.0	124.4	1.1	4.3
Vancouver (B.C.)	110.6	114.7	114.5	-0.2	3.5
Victoria (B.C.)	110.0	113.3	113.2	-0.1	2.9
Whitehorse (Y.T.)	110.5	115.3	115.4	0.1	4.4
Yellowknife (N.W.T.)	111.1	116.6	116.9	0.3	5.2

Source: Statistics Canada, CANSIM, table (for fee) 326-0020 and Catalogue nos. 62-001-X and 62-010-X.
Last modified: 2008-09-23.

To learn more about the Consumer Price Index, see [Your Guide to the Consumer Price Index](#).

Find information related to this table (CANSIM table(s); Definitions, data sources and methods; *The Daily*; publications; and related Canadian Statistics tables).

Date modified: 2008-09-23

<http://www40.statcan.ca/101/cst01/cpis02a.htm>

10/21/2008

Statistics
CanadaStatistique
CanadaEnergy Probe
IR 4.2.7

Canada

Related tables: [Consumer price indexes](#).**Consumer Price Index, by province
(Canada)**

	2003	2004	2005	2006	2007
	2002=100				
Canada					
All-items	102.8	104.7	107.0	109.1	111.5
Food	101.7	103.8	106.4	108.9	111.8
Shelter	103.2	105.8	109.2	113.1	116.9
Household operations, furnishings and equipment	100.7	101.2	101.7	102.2	103.2
Clothing and footwear	98.2	98.0	97.6	95.8	95.7
Transportation	105.2	107.7	112.0	115.2	117.1
Health and personal care	101.4	102.8	104.6	105.9	107.3
Recreation, education and reading	100.8	101.1	100.8	100.6	101.8
Alcoholic beverages and tobacco products	110.1	116.0	119.1	121.7	125.5
Special aggregates					
All-items excluding food	103.0	104.8	107.1	109.2	111.4
All-items excluding energy	102.4	103.8	105.4	107.2	109.5
	% change from previous year				
All-items	2.8	1.8	2.2	2.0	2.2
Food	1.7	2.1	2.5	2.3	2.7
Shelter	3.2	2.5	3.2	3.6	3.4
Household operations, furnishings and equipment	0.7	0.5	0.5	0.5	1.0
Clothing and footwear	-1.8	-0.2	-0.4	-1.8	-0.1
Transportation	5.2	2.4	4.0	2.9	1.6
Health and personal care	1.4	1.4	1.8	1.2	1.3
Recreation, education and reading	0.8	0.3	-0.3	-0.2	1.2
Alcoholic beverages and tobacco products	10.1	5.4	2.7	2.2	3.1
Special aggregates					
All-items excluding food	3.0	1.7	2.2	2.0	2.0
All-items excluding energy	2.4	1.4	1.5	1.7	2.1
Note: Annual average indexes are obtained by averaging the indexes for the 12 months of the calendar year.					
Source: Statistics Canada, CANSIM, table (for fee) 326-0021 and Catalogue nos. 62-001-X and 62-010-X.					
Last modified: 2008-08-20.					

To learn more about the Consumer Price Index, see [Your Guide to the Consumer Price Index](#).

**NEWMARKET-TAY POWER DISTRIBUTION LTD.
INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
(ENERGY PROBE)
EXHIBIT C**

Newmarket Hydro Ltd. / Newmarket-Tay Power Distribution Ltd.*
ESTIMATED BENEFIT EXPENSE (CICA Section 3461)
Draft

Period -->	Newmarket Hydro Ltd.		Newmarket-Tay Power Distribution Ltd.		
	Calendar Year 2007 Jan 1 - Apr 30		Calendar Year 2007 May 1 - Dec 31	Calendar Year 2008	Projected Calendar Year 2009
Discount Rate	5.00%		5.00%	5.00%	5.00%
Withdrawal Rate	2.00%		2.00%	2.00%	2.00%
Assumed increase in Employer Contributions	Expected		Expected	10.00%	9.00%
A. Determination of Benefit Expense					
		Newmarket Hydro	Tay Hydro		
Current Service Cost	8,014	16,027	4,835	20,663	34,171
Interest on Benefits	13,462	27,358	4,996	32,354	52,647
Expected Interest on Assets	-	-	-	-	-
Past Service Cost	-	-	8,803	8,803	13,204
Transitional Obligation/(Asset)	12,575	25,151	-	25,151	37,727
Actuarial (Gain)/Loss	(50,590)	-	-	-	-
Benefit Expense	(16,538)	68,537	18,434	86,971	137,749
B. Reconciliation of Prepaid Benefit Asset (Liability)					
Accrued Benefit Obligation (ABO) at end of period	815,710		991,976	1,038,547	1,085,809
Assets at end of period	-		-	-	-
Unfunded ABO	(815,710)		(991,976)	(1,038,547)	(1,085,809)
Unrecognized Loss/(Gain)	-		-	-	-
Unrecognized Past Service Costs	-		135,441	123,237	110,033
Unrecognized Transition	138,332		113,181	75,454	37,727
Prepaid Benefit Asset (Liability)	(677,377)		(742,354)	(839,857)	(938,049)
Prepaid Benefit/(Liability) beginning of period	(704,813)		(677,377)	(742,354)	(839,857)
Benefit Income/(Expense)	16,538		(86,971)	(133,704)	(137,749)
Contributions/Benefit Payments by the Employer**	10,997		21,995	36,291	39,557
Prepaid Benefit Asset (Liability)	(677,377)		(742,354)	(839,857)	(938,049)

* Figures for the period Jan 1 2007 to Apr 30 2007 for Newmarket Hydro Ltd. and figures from May 1 2007 onward for Newmarket-Tay Power Distribution Inc. (entity formed effect May 1 2007 through the merger of Newmarket Hydro Ltd. and Tay Hydro)

** Based on projection of expected contributions/benefits to be paid to retirees.

C. Calculation of Component Items

		Newmarket Hydro	Tay Hydro		
Calculation of the Service Cost					
- Current service cost	8,014	16,027	4,835	20,663	34,171
Interest on Benefits					
- ABO at beginning of period	\$805,231	\$815,710	145,243	\$960,953	991,976
- Current service cost	8,014	16,027	4,835	20,663	34,171
- Benefit payments	(5,499)	(10,997)	-	(10,997)	(19,779)
- Accrued benefits	807,746	820,740	149,879	970,519	1,052,940
- Interest	13,462	27,358	4,996	32,354	52,647
Expected Interest on Assets					
- Assets at beginning of period	-	-	-	-	-
- Funding	5,499	-	-	10,997	19,779
- Benefit payments	(5,499)	-	-	(10,997)	(19,779)
- Expected assets	-	-	-	-	-
- Interest	-	-	-	-	-
Expected ABO at end of Period					
- ABO at beginning of period	805,231			960,953	991,976
- Current service cost	8,014			20,663	34,171
- Interest on benefits	13,462			32,354	52,647
- Benefit payments	(10,997)			(21,995)	(39,557)
- Expected ABO at end of period	815,710			991,976	1,038,547
Expected Assets at end of Period					
- Assets at beginning of period	-			-	-
- Funding	10,997			21,995	39,557
- Interest on assets	-			-	-
- Benefit payments	(10,997)			(21,995)	(39,557)
Expected Assets at end of period					

* Figures for the period Jan 1 2007 to Apr 30 2007 for the former Newmarket Hydro Ltd. and figures from May 1 2007 onward are in respect of Newmarket-Tay Power Distribution Inc. (entity formed effect May 1 2007 through the merger of Newmarket Hydro Ltd. and Tay Hydro)

Note: Projected calendar year 2009 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008, which cannot be known until early 2009.

5/2/2008

Newmarket Hydro Ltd. / Newmarket-Tay Power Distribution Ltd.*
ESTIMATED BENEFIT EXPENSE (CICA Section 3461)
Draft

Period -->	Newmarket Hydro Ltd.	Newmarket-Tay Power Distribution Ltd.		
	Calendar Year 2007 Jan 1 - Apr 30	Calendar Year 2007 May 1 - Dec 31	Calendar Year 2008	Projected Calendar Year 2009
Discount Rate	5.00%	5.00%	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	Expected	Expected	10.00%	9.00%
<u>D. Actuarial (Gain)/Loss</u>				
(Gain)/Loss on ARO at beginning of period				
- Accrued Benefit Liability	704,913	677,377	742,354	839,857
- Unamortized Transitional Obligation	159,908	138,332	113,181	75,454
- Expected ARO	855,821	815,710	855,535	915,311
- Unamortized Past Service Cost		145,243	136,441	123,237
- Actual ARO	805,231	950,953	991,976	1,038,547
- (Gain)/Loss on ARO	(50,590)	-	-	-
(Gain)/Loss on assets at beginning of period				
- Expected assets	-	-	-	-
- Actual assets	-	-	-	-
- (Gain)/Loss on assets	-	-	-	-
Total (Gain)/Loss at beginning of period	(50,590)	-	-	-
Expected average remaining service life (years)	11	11	10	9
Actual Amortization for current period	(50,590)	-	-	-
Unamortized (Gain)/Loss	-	-	-	-
<u>E. Amortization of Past Service Costs</u>				
Unamortized past service costs at beginning of period	-	145,243	136,441	123,237
Period over which past service costs are to be amortized (years)	-	11	10	9
Actual Amortization for current period	-	8,803	13,204	13,204
Unamortized past service costs at the end of period	-	136,441	123,237	110,033

* Figures for the period Jan 1 2007 to Apr 30 2007 for the former Newmarket Hydro Ltd. and figures from May 1 2007 onward are in respect of Newmarket-Tay Power Distribution Inc. (entirely formed effective May 1 2007 through the merger of Newmarket Hydro Ltd. and Tay Hydro)

Note: Projected calendar year 2009 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008, which cannot be known until early 2009.