

Board Staff Interrogatories
2009 Electricity Distribution Rates
ENWIN Utilities Ltd. ("ENWIN")
EB-2008-0227
December 5, 2008

GENERAL

1. Ref: n/a

ENWIN has received several letters of comment from ratepayers as a result of the Notice of Application in this proceeding. Please provide a response to the issues raised in each letter of comment received.

RATE BASE (Exhibit 2)

Issue 2.1 Are the amounts proposed for Rate Base appropriate?

2. Ref: Exh1/Tab3/Sch1: 2007 Audited Financial Statements, p12

- a) Please describe the nature of the service company, (and the services that it provided) that was absorbed into the utility that became ENWIN in 2007.
- b) When that service company was absorbed, what percentage of staff were taken up by the utility and what was the number of staff absorbed?
- c) Please describe the nature of the major assets of the service company that were absorbed by the utility.

3. Ref: Exh2/Tab 2/ Sch2/p2 - Gross Assets & Exh2/Tab2/Sch3/p3 -Accumulated Depreciation

In 2007, when the merger took place, the gross plant of the utility increased by 24.3% (from \$205,696,422 to \$255,671,670) while accumulated depreciation increased by 51.6% (from \$58,264,830 to \$88,326,662). Please provide the major reasons why these two components of rate base are so different for that year.

Issue 2.2 Are the amounts proposed for 2009 Capital Expenditures appropriate?

4. Ref: Exh2/Tab1/Sch1

On page 23 of Exhibit 2/Tab1/Schedule1, ENWIN has provided information on its Pole Replacement Program. The Kinectrics Report has identified approximately 3000 poles in the 27.6 kV system that are in poor condition and need replacement. Accordingly, ENWIN intends to replace 160 poles at a cost of \$800,000.

- a) Did ENWIN have a Pole Replacement Program prior to the Kinectrics Report. If "Yes", please provide details. If "No", what approach did ENWIN use to identify and replace poles?

- b) Does ENWIN intend to replace all 3000 poles over time as identified in the Kinectrics Report? Please provide details of timelines, number of poles that ENWIN intends to replace and total costs involved.
- c) On page 44 of the Kinectrics Report (Report No: K-013638-010-RA-0001-R00, "Condition Assessment for Enwin Utilities' 27.6 kV Assets"), Kinectrics notes that poles can be reinforced if they are weak at certain spots. The reinforcement can be made of steel trusses, at about \$600 per pole or reinforced epoxy wraps at \$1,400 per pole. Has ENWIN considered this alternative in its replacement strategy? Please provide details.
- d) ENWIN has indicated that it intends to replace approximately 160 poles in 2009 at an average cost of \$5,000 per pole. Please provide a breakdown of the costs including labour costs.

5. Ref: Exh2/Tab1/Sch1

- a) Please provide a record of reliability indices for the years 2003 through 2009 (estimated) and indicate the desired values.
- b) Indicate if and how the reliability indices relate to the capital expenditures for each of the projects that have been undertaken for reasons of reliability in bridge 2008 and projected 2009.

6. Ref: Exh2Tab1/Sch1

Ontario and ENWIN's service territory has experienced a significant downturn in current economic activity which will likely continue in the coming years.

Please provide a list of all capital projects for 2008 and their current status. If ENWIN will be unable to complete any of the scheduled projects for 2008, please provide details and the reasons for their delay or cancellation. Also, how will this impact projects planned for 2009?

7. Ref: Exh2/Tab3/Sch2

- a) Please provide a list of criteria and the rationale that ENWIN has used in the prioritization and selection of 2009 maintenance and capital projects in its application.
- b) How will an economic downturn impact ENWIN's planned capital expenditures and growth projections? Has ENWIN identified certain capital expenditures that it could reduce in terms of scope or delay it until economic activity picks up?
- c) Please identify, individually, maintenance and capital programs, if any, that ENWIN may consider as a candidate for a deferral, cut, or partial adjustment, given the current economic situation. Please identify these programs, if any, in a ranking order that ENWIN would consider, using a ranking of "1" as the first suitable candidate, ranking of "2" as the second suitable candidate, ranking of "3" as the third suitable candidate, etc.
- d) Please identify the rationale for the selection of these maintenance and capital programs and projects.

- e) Please describe the expected impacts on ENWIN's revenue requirement, operations and service quality and reliability to customers if the identified programs are reduced, deferred or cut during the economic downturn.

8. Ref: Exh2/Tab2/Sch2/pp1&2 and Exh1/Tab3/Sch4/p7

- a) Using end-of-year balance differentials for a/c 1860 (meters), it would appear that the amounts spent on meters in 2007, 2008 and 2009 are respectively \$526,863, \$526,970 and \$851,983. Please provide the amount of capital expenditure on the **smart** metering installations in 2006, 2007, 2008 and projected 2009.
- b) Please confirm that the capital amounts quoted above for the respective years are/are not in the respective years' rate bases or subsequent years following installation.
- c) Regarding the DBRS' Rating Analysis of Electricity Distributors Finance Corporation (Exhibit1/Tab3/Schedule4/p7) in reference to ENWIN: "Annual capital expenditures from 2008 to 2010 are expected to average roughly \$18 million. Smart meter installations will comprise about 35% of the capital expenditure during 2008 to 2010 period". It appears from the above as if ENWIN is pursuing the implementation of smart meters possibly totalling \$18 (or \$6 million per year) over three years. It is not obvious where the capital items relating to this initiative is to be found in the application. Please clarify where these capital expenditures are to be found in the application material.

Issue 2.3 Are the 2009 sustaining/infrastructure capital expenditures proposed for the test year justified and appropriate, in particular the 4kv Conversion program and the Comprehensive ERP System?

9. Ref: Exh2/Tab1/Sch1

On page 51 of Exhibit 2/Tab1/Schedule1, ENWIN has provided information on a customer service project to be phased in over 2008 and 2009 at a cost of \$680,000 in 2008 and \$659,000 in 2009.

- a) How will this project impact the Service Quality Indicators? Please provide details.
- b) Will this project lead to a reduction in bad debt expenses? If "yes", please provide estimated reductions and the years in which they will be realised.

10. Ref: Exh2/Tab1/Sch1/p59/3.3.3

2009 Capital Addition: ERP System

- a) Capital of \$7,250,000 for this project is proposed to be spent in 2009 with an additional \$8.3 million in 2010. In view of the current economic situation, what are the implications of delaying development and implementation of this project for such time when local manufacturing industries are less financially stressed?
- b) What alternative, less costly solutions were considered and rejected that could provide a large portion of the benefits expected from the ERP system? Please summarise the costs and benefits of any alternatives considered.
- c) Please outline the future O&M savings expected due to the investment in the ERP system.

Issue 2.4 Has the Working Capital Allowance been determined appropriately?

11. Ref: Exh2/Tab4/Sch1

In Exhibit2/Tab4/Schedule1, ENWIN provided a table titled "Working Capital Allowance by Account" with only information on the account level for the test year. Please provide a table with the same information for the Historic Board Approved, Historic (2007), Bridge (2008) and Test Year (2009).

Issue 2.6 Is ENWIN's overhead Capitalization Policy appropriate?

12. Ref: Exh2/Tab3/Sch3, Capitalization Policy.

Please confirm that AFUDC and overhead are included in the actual project costs, actual and estimated and are included in rate base. If not, please clarify where these items are included. Please confirm that no change in capitalization policy has taken place from and including 2006 through 2009.

REVENUE REQUIREMENT (Exhibit 3)

Issue 3.2 Is the proposed amount for 2009 Other Revenues, including Corporate and Shared Services appropriate? Is the methodology used to cost and price these services appropriate?

13. Ref: Exh3/Tab3/Sch1

The category of Other Revenue is forecast to decline from actual revenue of \$3.15 million actual in 2007 to \$2.44 million in 2009.

Please describe the basis for the forecast of Miscellaneous Service Revenue, in particular those components that are expected to decrease most.

Please describe the basis for the forecast of Miscellaneous Non-Operating Revenue, including whether the decrease in salvage value is due to a change in capital replacement plans or is due to a forecast in market prices.

Issue 3.4 Are ENWIN's Economic and Business Planning Assumptions for 2009 appropriate?

14. Ref: n/a

- a) Given the general economic situation in Ontario, has ENWIN assessed the situation and identified any specific issues that may have a material impact on its load and revenue forecasts and bad debt expense forecast?
- b) If so, please indicate if ENWIN will be updating its current application, in whole or in part, to address any material impacts. If yes, please provide an estimate of the timing of the update.

Issue 3.5 Is the load forecast and methodology appropriate including the weather normalization methodology?

15. Ref:Exh3/Tab2/Sch2/ERA Report p11

On page 11, ENWIN states: "For EWU, the 10 year average from 1998 to 2007 has been adopted as the appropriate definition of weather normal." Also on page 11, ENWIN shows a comparison of Heating Degree Days and Cooling Degree Days based on 30 and 10-year periods. Please:

- a) Provide any information that supports using a 10-year period as the definition of normal weather and the rationale for using this specific period instead of a longer period, and
- b) Recalculate the resulting 2009 kWh load forecast (as summarized in Exhibit 3/Tab2/Schedule1/page 5) successively using
 - i. the 30-year trend to define normal weather, and
 - ii. the 20-year trend to define normal weather.

16. Ref:Exh3/Tab2/Sch2/ERA Report pp 5 to 10

On pages 7, 8 and 9, ENWIN shows the Adjusted R-squared value for the three weather-sensitive classes to range from 0.80 to 0.92. On page 10, ENWIN shows the Mean Absolute Percent Error for the three weather-sensitive classes to range from 1% to 2%. Please:

- a) Identify any changes in the model ENWIN plans to make in future applications in order to raise the Adjusted R-squared value for all classes closer to the normal 0.90-0.95 acceptance range and to reduce the Mean Absolute Percent Error closer to zero, and
- b) Provide any statistical information (including the Adjusted R-squared value) ENWIN may have that demonstrates ENWIN's load forecasting track record over the past number of years.

17. Ref: Exh3/Tab2/Sch1/p3 and Exh3/Tab2/Sch2/ ERA Report p25

In Schedule 1, page 3, ENWIN states: "...EWU has not incorporated incremental conservation in its load or revenue forecast." In the ERA Report, page 25, ENWIN states: "Incremental conservation associated with new programs (implemented after 2007) and existing programs (e.g. changes in participation rates) is not incorporated in the underlying data and is therefore not reflected in the load forecast analysis." Please:

- a) Reconcile the statements regarding the exclusion of incremental conservation with ENWIN's most recent annual CDM report to the Board, and
- b) Estimate the effect on ENWIN's 2009 load forecast of including the amount of incremental CDM reported in ENWIN's most recent annual CDM report to the Board.

18. Ref: Exh3/Tab2/Sch2/ERA Report pp 16-23

On page 16-23, ENWIN presents the historical load for the Intermediate and Large Use customer classes. While ENWIN, in its confidential filing, explains at a general level, the rationale used to establish the 2008 and 2009 loads and shows the resulting percentage

changes in Table 12 on page 23, insufficient details are provided to reconstruct the forecasted values. Please provide, **in a confidential response**, for the Intermediate class and each of the Large Use sub-classes, calculations showing the establishment of the 2008 and 2009 values that are summarized in Table 12.

19. Ref: Exh3/Tab2/Sch2/ERA Report pp 2 & 25, and Exh3/Tab2/Sch1/p5

On page 2 of the ERA Report ENWIN states: "The retail consumption amounts do not include losses; therefore distribution system losses are not part of the class retail volumes. These volumes will need to be adjusted for distribution system losses to reconcile with wholesale purchases by the LDC." On page 25 of the ERA Report and on page 5 of Exhibit3/Tab2/Schedule1, ENWIN shows its 2009 forecast to be 2,667,516,053 kWh. Please:

- a) Verify that distribution system losses have already been included and ENWIN's 2009 forecast of 2,667,516,053 kWh is the total of its retail volumes,
- b) Describe, together with full calculations, how the statement: "These volumes will need to be adjusted for distribution system losses to reconcile with wholesale purchases by the LDC." has been effected in the filed forecast, and
- c) Show ENWIN's historical pattern of distribution system losses and explain how the specific value for each customer class was developed from the historical data.

20. Ref: Exh3/Tab2/Sch1/p9 and Exh10/Tab1/Sch7/p2

In Schedule 1, page 9, where ENWIN shows the forecasted 2009 distribution revenue to be \$51,791,752, there is an explanatory note "Pro-forma, as if EDR rates became effective January 1st." In Schedule 7, page 2, ENWIN shows the same forecasted value as the basis for calculating its 2009 rates. Please clearly explain the significance of the explanatory note.

21. Ref: Exh3/Tab2/Sch2/ERA Report pp15-16

On page 15, ENWIN notes that the monthly actual class load factor during 2007 is utilized in determining the GS>50 kW demand. On page 16, ENWIN shows the 2008 and 2009 forecasted kW demand values for the GS>50 kW class. Without additional data, an independent review of the kWh to kW conversion is not possible. Please:

- a) Show, in tabular form, the historical actual class load factors during the 2003 to 2007 period, and
- b) Calculate the difference in forecasted load for this class if trend data over the 2003 to 2007 period were used rather than the values for 2007 only.

22. Ref: Exh3

Some of ENWIN's evidence may require adjustment in light of responses to the preceding load and revenue forecasting interrogatories. Please re-file any Exhibit 3 tables that require to be updated as a result of changes in ENWIN's evidence.

23. Ref: Exh3/Tab3/Sch1

In the table on page 1, ENWIN shows data for various accounts including Miscellaneous Service Revenue, Gain on Disposal on Property and Miscellaneous Non-Operating Revenue. For each of these accounts there is a significant difference between the "2007 Actual" and "2009 Test Year" values. The brief explanations on pages 2 and 3 do not fully explain the differences. Please explain in detail the development of the 2009 Test Year values for the three identified accounts including, for the Miscellaneous Service Revenue account, details of quantities and unit charges for the Specific Service Charges.

COST OF SERVICE (Exhibit 4)

Issue 4.1 Are the overall levels of the 2009 Operation, Maintenance and Administration budgets appropriate?

24. Ref: Exh4/Tab2/Sch1

In Exhibit4/Tab2/Schedule1, ENWIN provided a table titled "OM&A Costs by Functional Areas" (Table 4-2-1 B) with only information on an aggregate basis. Please provide a table with detailed information on an account level for the Historic Board Approved, Historic (2007), Bridge (2008) and Test Year (2009).

25. Ref: Exh4/Tab1/Sch1

The figures in Table 1 below are taken directly from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm the utility's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

	Table 1		
	<i>Col. 1</i> 2003	<i>Col. 2</i> 2004	<i>Col. 3</i> 2005
1 Operation	\$1,503,630	\$1,604,003	\$1,938,190
2 Maintenance	\$1,936,648	\$1,970,704	\$2,299,822
3 Billing and Collection	\$189,617	\$510,143	\$188,859
4 Community Relations	\$45,477	\$43,919	\$38,483
5 Administrative and General Expenses	\$18,910,681	\$18,689,024	\$16,666,008
6 Total OM&A Expenses	<u>\$22,586,053</u>	<u>\$22,817,793</u>	<u>\$21,131,362</u>

a) Please confirm ENWIN's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1.

Board staff prepared Table 2 below to review ENWIN's OM&A expenses. Note rounding differences may occur, but are immaterial to the questions below.

	Table 2				
	<i>Col. 1</i> 2006 Bd Appr.	<i>Col. 2</i> 2006 Actual	<i>Col. 3</i> 2007	<i>Col. 4</i> 2008 Bridge	<i>Col. 5</i> 2009 Test
1 Operation			\$2,326,928	\$2,237,577	\$2,284,473
2 Maintenance			\$2,143,136	\$2,873,040	\$2,953,609
3 Billing and Collection			\$1,243,284	\$1,284,475	\$1,283,494
4 Community Relations			\$43,602	\$59,335	\$53,949
5 Administrative and General Expenses			\$14,444,327	\$16,192,418	\$18,192,733
6 Total			<u>\$20,201,277</u>	<u>\$22,646,845</u>	<u>\$24,768,258</u>

Board Staff Table 3 below was created to review ENWIN's OM&A forecasted expenses from the evidence provided in the application's Exhibit 4. Note rounding differences may occur, but are immaterial to the following questions.

Table 3

ENWIN Powerlines Ltd.										
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 11
	2006 Board Approved	Variance 2006/2006	2006 Actual	Variance 2007/2006	2007 Actual	Variance 2008/2007	2008 Bridge	Variance 2009/2008	2009 Test	Variance 2009/2006
1 Operation					2,326,928	-89,351	2,237,577	46,896	2,284,473	
2						-3.8%		2.1%		
3 Maintenance					2,143,136	729,904	2,873,040	80,569	2,953,609	
4						34.1%		2.8%		
5 Billing & Collections					1,243,284	41,191	1,284,475	-981	1,283,494	
6						3.3%		-0.1%		
7 Community Relations					43,602	15,733	59,335	-5,386	53,949	
8						36.1%		-9.1%		
9 Administrative and General Expenses					14,444,327	1,748,091	16,192,418	2,000,315	18,192,733	
10						12.1%		12.4%		
11 Total OM&A Expenses					20,201,277	2,445,568	22,646,845	2,121,413	24,768,258	
						12.1%		9.4%		
Combined O&M (lines 1 & 3)					4,470,064	640,553	5,110,617	127,465	5,238,082	
						14.3%		2.5%		

- a) Please confirm that ENWIN agrees with the two tables prepared by Board Staff presented above. If ENWIN does not agree with any table please advise why not and provide amended tables with full explanation of changes made. Please complete the tables for 2006 Board Approved and 2006 Actual.
- b) Please complete Table 4 by updating for 2006 historical and identifying the key cost drivers that are contributing to the overall increase of 26% over 2006 Historical relative to 2009 cost levels.

Table 4

	Col. 1	Col. 2	Col. 3	Col. 4
	2006	2007	2008	2009
Opening Balances			\$20,201,277	\$22,646,845
1 Cost Driver 1				
2 Cost Driver 2				
3 Cost Driver 3				
4 Cost Driver 4				
... Etc.				
Closing Balances		\$20,201,277	\$22,646,845	\$24,768,258

26. Ref: Exh4/Tab2/Sch1

This Tab 2 contains a variance analysis for OM&A. The increase for maintenance of overhead services increased by \$389,723 from 2007 to 2008, and is forecast to again increase by \$136,404 from 2008 to 2009. The increase for 2008 was explained to be for storm related costs and the replacement of single poles. For 2009 the increase is explained to be due to tree trimming.

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- a) Storm costs are claimed to have been lower in 2007, and that for 2008 they are forecasted to be \$174,000 higher.
- i Is the forecast for storm damages for 2008 based on a normalization or average of historical costs?
 - ii If so, please explain the data used and how the forecast was developed from the data. If not, please explain how this cost level was determined.
 - iii Is the 2008 level of budgeted costs for storms the same as that for 2009? If not please explain.
- b) The explanation for the increase in maintenance of overhead expenses between 2007 and 2008 also states that an increase of \$198,000 is due to replacement of poles.
- i Does ENWIN have a regular pole replacement programme?
 - ii Is this increased level sustained in the 2009 budget?
 - iii If the pole replacement programme is not sustained at the same cost level, please explain why costs for 2009 are not lower.
- c) ENWIN has budgeted increased costs in order to improve the clearances between trees and wires based on an internal engineering study.
- i Is this a one time cost?
 - ii If this is not a one time cost, for what period of time will it take to bring all clearances into line with the new specifications?
 - iii Does ENWIN have a regular tree trimming programme?
 - iv If there is a programme, please explain the length of the cycle and the rationale for the cycle?

27. Ref: Exh4/Tab2/Sch1

Page 6 states for Account 5665, Regulatory Expenses that the increase of \$392,835 is due to the 2009 COS Application and that this amount represents a two year amortization.

- a) Please provide the breakdown for actual and forecast, where applicable, for the 2006 Board approved, 2006 actual, 2007 actual, 2008 bridge year, and 2009 Test Year regarding the following regulatory costs and present it in the table format shown below.
- b) Under "Ongoing or One-time Cost", please identify and state if any of the regulatory costs are "One-time Cost" and not expected to be incurred by ENWIN during the impending three year period when the applicant is subject to the 3rd Generation IRM process or it is "Ongoing Cost" and will continue throughout the 3rd Generation of IRM process.
- c) Please state ENWIN's proposal on how it intends to recover the "One-time" costs as part of its 2009 rate application if it is not included in the two year amortization.

Regulatory Cost Category	Ongoing or One-time Cost?	2006 Board Approved	2006 Actual	2007 Actual	% Change in 2007 vs. 2006	2008 (As of Sept 2008)	% Change in 2008 vs. 2007	2009 Test Year	% Change in 2009 vs. 2008
1. OEB Annual Assessment									
2. OEB Hearing Assessments (applicant initiated)									
3. OEB Section 30 Costs (OEB initiated)									
4. Expert Witness cost for regulatory matters									
5. Legal costs for regulatory matters									
6. Consultants costs for regulatory matters									
7. Operating expenses associated with staff resources allocated to regulatory matters									
8. Any other costs for regulatory matters (please define)									
9. Operating expenses associated with other resources allocated to regulatory matters (please identify the resources)									
10. Other regulatory agency fees or assessments									

28. Ref: Exh4/Tab2/Sch1

On Page 3 ENWIN itemizes the totals for the functional areas of the Company for OM&A expenses.

- For the 2009 Forecast test year, please identify and describe any onetime costs other than those explained for regulatory costs above.
- Are there any one time costs that were inadvertently carried forward from previous years?
- Are there any expenses for charitable donations in the 2009 forecast? If there are please identify them.
- Are there any costs in the forecast for conversion due to the adoption of International Financial Reporting Standards? If there are please itemize the costs and the rational of the drivers of the costs.
- Does ENWIN partake in any Winter Warmth or other programmes to assist low income customers? If so what are the programmes and their costs for 2009?
- Please identify any programmes in the 2009 forecast that are specifically aimed at productivity and efficiency improvements.
- What inflation rate is used for 2009 and what is the source document for the inflation assumptions?
- Has ENWIN a provision in its 2009 budget for bad debt? If so please state the amount of the provision and the account that it is in.

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- i) How was the level for bad debt established?

Issue 4.2 Are the proposed Purchased Services and Shared Services appropriate?

29. Ref: Exh4/Tab2/Sch4

ENWIN has a cost allocation model which was developed by KPMG and reviewed by BDR to allocate corporate services between ENWIN and its affiliates. The model develops costs which are to be used in determining affiliate transactions.

- a) On page 12 of the BDR Report, is a table that defines the major cost allocators.
- i) Are all of these factors set on a normalized annual basis (e.g. annual as opposed to monthly bills)?
 - ii) Are the factors set taking into account for any changes in the test year?
- b) Are there any steps taken to minimize year to year swings in allocated costs as ENWIN and its affiliates businesses change to meet new conditions by developing allocators with the longer term in mind?
- c) ENWIN no longer provides services to Maxess and Maxium. On page 4 of the BDR report the costs of these services in 2007 is stated to have been nearly \$500,000. Have there been any steps to mitigate the impact of these costs that now will be borne by the surviving affiliates and ENWIN?
- d) On page 5 BDR recommend a change in allocator for insurance.
- i) What is the impact of this change?
 - ii) Has ENWIN followed, or does ENWIN plan to follow BDR's recommendation?
 - iii) Were the costs in the application be changed to reflect the new allocator?
 - iv) If ENWIN did not change the allocator, please explain why.

Issue 4.4 Are the 2009 Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?

30. Ref: Exh4/Tab2/Sch2

This schedule contains the compensation and benefits statistics.

- a) Please provide a copy of the Hay Report referenced on page 5.
- b) The following Table summarizes the data found on this referenced schedule for Number of Employees and Base Wages. Please explain the drivers of the large percentage changes observed in Column 4, referencing the year over year changes for both Number of Employees and Base Wages by employee type that contribute to these increases.

Table 5

ENWIN					
EMPLOYEES					
		<i>Col. 1</i>	<i>Col. 2</i>	<i>Col. 3</i>	<i>Col. 4</i>
Item		2007	2008	2009	09/07
Number of Employees					
1.1	Executive	9	9	9	
1.2	Management	18	19	20	
1.3	Non-Union	22	25	28	
1.4	Union	141	146	147	
1.5	Total	190	199	204	
Increase					
1.6	Executive		0	0	0
1.7	Management		1	1	2
1.8	Non-Union		3	3	6
1.9	Union		5	1	6
1.10	Total		9	5	14
Increase %					
1.11	Executive		0.0%	0.0%	0.0%
1.12	Management		5.6%	5.3%	10.0%
1.13	Non-Union		13.6%	12.0%	21.4%
1.14	Union		3.5%	0.7%	4.1%
1.15	Total		4.7%	2.5%	6.9%
Compensation - Avg. Base Wage					
2.1	Executive	114,719	131,314	135,654	
2.2	Management	80,184	86,972	90,691	
2.3	Non-Union	72,931	75,797	81,068	
2.4	Union	60,621	59,241	62,570	
2.5	Total	66,462	67,228	71,090	
Increase					
2.6	Executive		16,595	4,340	20,935
2.7	Management		6,788	3,719	10,507
2.8	Non-Union		2,866	5,271	8,137
2.9	Union	-	1,380	3,329	1,949
2.10	Total		766	3,862	4,628
Increase %					
2.11	Executive		14.5%	3.3%	15.4%
2.12	Management		8.5%	4.3%	11.6%
2.13	Non-Union		3.9%	7.0%	10.0%
2.14	Union		-2.3%	5.6%	3.1%
2.15	Total		1.2%	5.7%	6.5%

c) All employee groups receive incentive pay. Please describe the basis of determining the incentive payments? In the description identify the specific goals and the means of

quantifying the payout versus results, and whether any of these incentives are tied to productivity or efficiency improvements or to return to the shareholder.

d) Please complete the following table.

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	2006 BAP	2006Act.	2007	2008	2009
1 Total Compensation					
2 Less Capitalized Amount					
3 Less Billable					
4 Less Other					
5 Compensation charged to OMA&G					

Issue 4.7 Is the amount proposed for 2009 Payments in Lieu of Taxes, including the methodology, appropriate?

31. Ref: Exh4/Tab3/Sch1/p12 - Reconciliation of Figures

At Exhibit 4/Tab 3/Schedule 1/ Page 12, P5 T2 S1 Line No 104: "Amortization of tangible assets, 2009": \$11,487,968 as against Exhibit 2/Tab 2/ Schedule 3/ Page 3: Amortization Variance, 2009 over 2008 Total: \$12,599,801.

- a) Please reconcile these figures as with the \$11,487,968 used in the PILS calculation.
- b) Exhibit 4/Tab 3/Schedule1/Page14, P6 T2 S1 Line 403 "Capital cost Allowance from Schedule 8": \$15,538,414. Please provide the backup material for this figure for CCA.

REGULATORY ASSETS (Exhibit 5)

Issue 5.1 Is the proposal for the amounts, disposition and continuance of ENWIN's existing Deferral and Variance Accounts (Regulatory Assets) appropriate?

32. Ref: Exh5/Tab1/Sch2

ENWIN's application to dispose of PILs-related accounts 1562 and 1563 will be considered in Board Proceeding EB-2008-0381. In addition to those accounts, ENWIN is requesting approval of rate riders that would accomplish the disposition of some twelve deferral and variance accounts.

- a) Please provide a continuity schedule for ENWIN's deferral and variance accounts using the Excel spreadsheet attached. (It is not necessary to provide information here for Accounts 1562 and 1562. However, please note that the spreadsheet includes a number of accounts that ENWIN has not identified for disposition, and information is requested for all such accounts. Also, please note that forecasting principal transactions beyond December 31, 2007 and the interest on those transactions in columns AM – AP is optional.)
- b) Footnote # 1 to Table C6 makes reference to a 'sheet C5' which is not included in the evidence. Please provide sheet C5 and/or any information that would be helpful to parties in understanding the balances in Account 1590.

33. Ref: Exh5/Tab1/Sch3

The continuity schedule spreadsheet provides a sub-total for the accounts: 1508, 1518, 1525, 1548, 1570, 1571, 1572, 1574, 1582, 1592, and 2425. Please calculate a set of rate riders similar to those in Table C6 that would dispose of the net balance of these accounts.

COST OF CAPITAL/DEBT (Exhibit 6)

Issue 6.2 Are ENWIN's proposed costs and mix for its short and long-term debt for the 2009 test year appropriate?

34. Ref: Exh6/Tab1/Sch1/p4

ENWIN has issued a Promissory Note to the City of Windsor, in the amount of \$3,255,973 on December 20, 2001 for an 8 year term, at an interest rate of 6%.

- a) Please provide a copy of the original Promissory Note and any revisions or amendments made to this Note.
- b) ENWIN has used the current deemed long-term debt rate of 6.10% in its long term cost of debt calculation rather than the actual 6.0% that is being paid to the City of Windsor. Please provide the rationale for using the higher 6.1% when the actual cost of debt is 6.1%.
- c) Please provide a revised calculation of Attachment A and the Weighted Average Cost of Capital using a debt rate of 6.0% for the Promissory Note.
- d) The Promissory Note is for an 8 year term and will expire in December 2009. Will ENWIN refinance this debt? If so, how? What will be the term and interest rate for the loan?
- e) Please provide the market rate for a similar loan from a third party.

COST ALLOCATION AND RATE DESIGN (Exhibit 8)

Issue 7.1 Is ENWIN's cost allocation appropriate?

35. Ref: Exh8/Tab1/Sch1

Please provide, for the record of this Application, an electronic copy of ENWIN's cost allocation study Run 3 that was done as a result of the report prepared by Elenchus Research Associates. Please also provide:

- an electronic copy of Appendix 1.1 that was originally filed as part of EB-2007-0001,
- copies of worksheet I8 'Demand Data' from Run 3 and from the more relevant of Run 1 or Run 2 from the Informational Filing EB-2007-0001,
- copies of worksheet E2 'Allocators' from Run 3 and from the more relevant of Run 1 or Run 2 from the Informational Filing.

36. Ref: Exh8/Tab1/Sch1/Attachment A/p12 (Table 5)

It appears that the forecast 2009 energy consumption of the Intermediate class is some 43% lower than the 2006 amount, whereas the energy consumption of the Large Use -3TS class is lower by 35%. If this is the case, why did ERA or ENWIN not make an adjustment to the Intermediate class load in the same way as it adjusted the Large Use class load?

37. Ref: Exh8/Tab1/Sch1/Attachment A; Exh10/Tab1/Sch7/Table F4

The class revenue requirements shown in Table 8 (p. 18 of Attachment A), calculated in percentage terms, and the percentage breakdown in Table F4 do not match. For example, the Residential percentage calculated from Attachment A is 52.78% (i.e. \$25,584.9 / 48,470.6) whereas the percentage in Table F4 is 52.02% of the total base revenue requirement, which is a difference of nearly \$400,000 per year. Please provide an explanation of this disparity, and if possible identify one set of percentages to use and one to disregard.

Issue 7.2 Are the proposed revenue to cost ratios appropriate?

38. Ref: Exh8/Tab1/Sch1/Attachment A; Exh8/Tab1/Sch2/Table 8-1-2 A; Exh10/Tab1/Sch9/Table 10-1-9 A

The revenue to cost ratios in Table 8 (p. 18 of Attachment A) match those in Table 10-1-9 A but do not match those in Table 8-1-2 A.

- a) Please confirm that Table 8-1-2 A should be disregarded.
- b) If disregarding the ratios in Table 8-1-2 A, please provide as necessary a new set of ratios converging toward the Board's policy boundary(ies) in 2010 and 2011

39. Ref: Exh8/Tab1/Sch2/Table 8-1-2-A; Exh10/Tab1/Sch6/Table F6; Exh10/Tab1/Sch9/Table 10-1-9 A

- a) Please demonstrate that the class revenues in Table F6 accomplish the revenue to cost ratios listed in the final column in Table 10-1-9 A (or in the 2009 column of Table 8-1-2 A)
- b) Given that the 2009 column of Table 10-1-9 A shows three classes with ratios that will increase from the current ratio and three that will decrease, please show that the changes in revenues offset each other. Alternatively, if they do not exactly offset, please identify a seventh class for an adjustment, or calculate an alternative new ratio for one of the six classes whose ratio is being adjusted.

40. Ref: Exh10/Tab1/Sch 5 & 9

Please describe the difference in costs allocated to the Large Use – 3TS class compared to the Large Use – Regular class, considering that the rates to the former class are considerably higher (Schedule 5) and the proposed revenue to cost ratio is considerably lower (Schedule 9).

41. Ref: Exh1/Tab1/Sch18

Section 2.4.2 of ENWIN's Conditions of Service states that rates and charges for Wheeling of power vary with each application.

- a) Please provide a copy of material that would be provided to an applicant, or if no standard package of information is available please provide a description of what a customer would be told in this situation.
- b) Please describe the revenue obtained from the rates and charges for Wheeling in 2007, 2008 and forecast for 2009.

c) Is revenue from Wheeling included in "Other Revenue" listed at Exhibit3/Tab3/Schedule1/Table 3-3-1 A?

42. Ref: Exh3/Tab1/Sch1/Table 3-1-1 A

Please explain the meaning of the footnote to Table 3-1-1 A, which appears to assume an effective date at the beginning of 2009.

RATE DESIGN (Exhibit 10)

Issue 8.1 Are customer charges and the fixed-variable splits for each class appropriate?

43. Ref: Exh10/Tab1/Sch 4 & 5

Please explain why the proposed Monthly Service Charge to the Residential class in Schedule 5 is some 55% higher than the existing charge in Schedule 4, whereas the proposed volumetric rate is some 11% lower.

44. Ref: Exh10/Tab1/Sch5

Please provide the rationale for the comparatively high service charges that ENWIN proposes to continue to charge customers in the Large User – 3TS and Large User - Ford Annex classes.

45. Ref: Exh10/Tab1/Sch6

Table F6 shows the revenue that results from the load forecast and the proposed rates, and totals \$53,201,478

- a) Please add columns to table F6 showing the annual kW load class that is expected to qualify for the Transformer Ownership Allowance, and the dollar amount of the allowance.
- b) Please provide the information that corresponds to the footnotes (numbers and asterisks) in the column headings of table F6.
- c) Please confirm that an adjustment for Transformer Ownership Allowance results in a reconciliation of the total in Table F6 (\$53,201,478) with the requested revenue requirement in Table 3-1-1 A, which is \$51,791,751. If it does not, please provide the other factors that are required for the reconciliation.

46. Ref: Exh10/Tab1/Sch6

Table F6 shows revenue from Back-up/Standby Power at \$0.

- a) Please confirm that the forecast of sales in this rate classification is 0 kW, and if so please explain the basis for this forecast.
- b) Please provide the definition of billing demand that would be used to determine a customer's bill, based on ENWIN's Conditions of Service or material that ENWIN would provide in response to a customer's query.

47. Ref: Exh10/Tab1/Sch11/p1

ENWIN's Intermediate Use class is defined by consumption larger than 3000 kW and by the fact that the customers were "classified as Time of Use prior to market opening".

a) What is ENWIN's longer- term intention?

- to introduce a classification based on size of consumption, eg. GS 50 – 2999 kW and GS 3000 – 4999 kW;
- to merge the two existing classes GS 50 – 4999 kW; or
- to maintain the existing classification based on the pre-market-opening classification.

b) If the first option is intended, how many customers are currently in the range above 3000 kW but not in the Intermediate Use class?

c) If the second option is intended, why is ENWIN not moving more quickly to harmonize the rates of the two classes?

Issue 8.3 Are the customer bill impacts appropriate?

48. Ref: Exh10/Tab1/Sch10

It appears that ENWIN intended to include an Attachment A. If so, please provide the Attachment. If the attachment does not comprise detailed 2008 and 2009 bills for representative customers, as anticipated, please provide such bill comparisons to substantiate the summary results that are found in Table 10-1-10 A.

49. Ref: Exh10/Tab1/Sch9&10

The increase in the revenue to cost ratio for the Sentinel Lighting class is relatively small, from 57% to 64% shown in Schedule 9, but the bill impact that would be experienced by the class is by far the largest of any class as shown in Schedule 10, at 51.9%. Please confirm that the calculations are correct, and if correct please provide an explanation of this seeming inconsistency.

Issue 8.5 Are the proposed Retail Transmission Service Rates appropriate? (Exhibit 3)

50. Ref: Exh3/Tab5/Sch1/Attachment A; Exh3/Tab5/Sch2

Has ENWIN calculated total actual and projected costs and revenues for a one-year period, as distinct from the three month period described in Attachment A, and if so does the annual comparison of revenues with the corresponding projected costs yield the same ratios as the three-month comparison?

Issue 8.6 Are the proposed Loss Factors appropriate? (Exhibit 4)

51. Ref: Exh4/Tab1/Sch1; Exh4/Tab2/Sch6/p2

ENWIN is requesting approval of a Total Loss Factor of 1.0377 because its loss factors have improved in the interim since the last rebasing.

- a) Please reconcile the statement about improving loss factors with the data in the table in Schedule 6 that shows a three-year increase in distribution loss factors.
- b) Please describe steps that ENWIN is taking or plans to take to reverse the observed trend in distribution losses.

OTHER ISSUES

Issue 9.1 Is the LRAM and SSM Proposal appropriate? (Exhibit 9)

52. Ref: Exh9/Tab1/Sch1 LRAM & SSM Allocation

Attachment D shows the determinations of the unit rate riders for the collection of the LRAM and SSM balances.

- a) What volumes are used in Attachment D to allocate the balances?
- b) Please provide a detailed spreadsheet showing the allocations of the LRAM and SSM balances to the customer classes.
- c) Please explain the allocators used in this spreadsheet.
- d) Please provide bill impact for the proposed riders for a residential customer with a load of 1,000 kWh/month and a GS<50 customer with an load of 2,000 kWh/month
- e) Please explain the rationale for a two year recovery period.

53. Ref: Exh9/Tab1/Sch1

Please provide a list of all CDM programmes providing:

- a) a brief description of the technologies employed,
- b) the programme duration,
- c) whether they are funded through ENWIN's distribution rates or through the OPA,
- d) the claimed LRAM and SSM amounts, and
- e) the alternative LRAM and SSM amounts arising from the EnerSpectrum Group review.

If any programmes were funded through ENWIN's distribution rates, were there any recommendations on any forward looking evaluation work, or programme enhancements such as; design, performance, and uptake of customers?