MIDLAND POWER UTILITY CORPORATION
16984 Highway#12 P.O. Box 820
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December 12, 2008

Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli,

Midland Power Utility Corporation – License #ED-2002-0541
OEB File No.: EB-2008-0236

Enclosed please find Midland's Interrogatory Response to the VECC Interrogatories. I would also refer VECC to the Interrogatory Response Summary submitted with the OEB Staff Interrogatory Response, which provides details on all proposed changes to the Rate Application as a result of the interrogatories received from OEB Staff, VECC and SEC.

As indicated in the summary, please contact the undersigned should your require any further information.

Yours very truly,

MIDLAND POWER UTILITY CORPORATION

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Midland Power Utility Corporation (MPUC)

2009 Electricity Rate Application

Board File No. EB-2008-0236

Midland's Response to VECC's Interrogatories

Question #1

Reference: Exhibit 3/Tab 1/Schedule 2, Attachment 1

a) Please confirm whether the rates used in each year to determine the revenues shown on page 1 include the smart meter rate adder.

Response:

The rates used in each year to determine the revenues shown in Exhibit 3/Tab 1/Schedule 2, Attachment 1, page 1 do not include the smart meter rate adder.

Question #2

Reference: Exhibit 3/Tab 2/Schedule 1 – ERA Load Forecast Attachment

a) Page 2 states that the forecast is based on monthly class specific data for May 2002 to December 2007.
   - How frequently does MPUC read the meters for its Residential and GS<50 customer classes?
   - How was the billing data adjusted to account for the effect of meter reading dates?
   - Please comment on the validity of simply prorating billing data to account for the effect of meter reading dates, when the weather and/or the occurrence non-holiday weekdays could vary significantly over the period requiring prorating.

b) Page 3 indicates that the HDD and CDD data used was from that reported at the Pearson International Airport. Are there no weather stations closer to Midland that could have been used instead (e.g., Barrie)?

c) Since ERA also forecasts number of connections by class, did ERA test a relationship that also included number of customers by class? If not, why not?

d) Please provide a schedule that sets out, for the period January 2003 to December 2007, the monthly values for:
   - HDD and CDD
   - Number of customers by class (month end)

e) Please provide a schedule that sets out the average (per customer) weather normalized usage for the Residential and GS<50 classes for the years 2003, 2004, 2005, 2006, and 2007 based on the ERA weather normalization results. In the same schedule please include the average (per customer) usage forecast for 2008 and 2009.

f) Please provide the average (per customer) weather normalized usage for each customer class as determined by Hydro One Networks and used for MPUC's Cost Allocation informational filing and confirm which year the data represents.

g) With respect to page 8, what is the impact on the Residential and GS<50 usage forecast for 2008 and 2009 of using a 30 year definition of "climate normal"?

h) With respect to page 9, are there more recent updates available for any of the economic forecasts presented in Table 5? If so, please provide and update the weather corrected consumption forecast in Table 6 accordingly.

i) Page 4 states that the GS>50 class usage is not particularly well correlated with weather. However, there is no indication as to the extent to which peak days and economic variables explained historical GS>50 usage.
   - Please provide such a discussion
   - If peak days and/or economic variables were significant in explaining historical usage, please use the resulting equations to provide a forecast of GS>50 usage for 2008 and 2009.

j) With respect to the customer connections forecast on page 11, please provide year end 2007 customer count and the current 2008 customer count (indicate which month) for each customer class.

RESPONSE:

a)

Midland reads the meters for its Residential and GS<50 customers on a monthly basis.

The concern VECC raises is a valid one. Actual consumption data is the most desirable for modelling weather effects on consumption. However, until more advanced metering is deployed and enabled, billing data is the only class specific data available to use for most LDCs. One possible workaround is to use wholesale purchases which represent monthly consumption of the entire LDC. The drawback to this approach is that weather sensitivity is different by class and using wholesale data for weather normalization may wash out some class specific effects and assign effects where they do not exist (to large users, for example).

With respect to MPUC, the regression results suggest that the prorated billing data correlate very well with weather effects. The equation for residential kWh shows a high level of significance for HDD and CDD and the equation itself has an adjusted R-squared of 0.82. Similar results are obtained for GS<50, with an adjusted R-squared of 0.81. In fact, for both these classes, weather explains almost 80% of the monthly variation. It may be that the problem with billing data VECC raises is an issue more applicable to larger LDCs with tens of thousands, or even hundreds of thousands of meters. In a small LDC like Midland, all meters can be read in a matter of days, which appears to make the use of billing data in place of actual consumption much less of an issue.

b) No. Pearson Airport appears to be the closest Environment Canada weather station with 10 years of daily observations for heating degree days and cooling degree days without significant missing values.

c) Yes. The number of customer connections by class was tested as an explanatory variable. Please see response to Board Staff IR #34.

d) The schedule below sets out the monthly values for HDD and CDD and number of customers by class for the period January, 2003 to December, 2007:

Degree Days – Pearson A			Customer Connections					
Date	**HDD**	**CDD**	**Res**	**GS<50**	**GS>50**	**Str L**	**Sen L**	**USL**
Jan 2003	814.5	0	5,531	689	114	1,384	16	
Feb 2003	699	0	5,531	689	114	1,384	16	
Mar 2003	581.1	0	5,531	689	114	1,384	16	
Apr 2003	372.5	2.4	5,531	689	114	1,384	16	
May 2003	177.9	0	5,531	689	114	1,384	16	
Jun 2003	43.4	52.9	5,531	689	114	1,384	16	
Jul 2003	0.2	118.3	5,535	691	114	1,384	16	
Aug 2003	2	128	5,539	693	115	1,384	18	
Sep 2003	54.9	24	5,544	696	115	1,384	18	
Oct 2003	276	0	5,539	702	116	1,384	18	
Nov 2003	398.5	0	5,534	708	116	1,384	39	
Dec 2003	561.5	0	5,533	713	117	1,384	39	
Jan 2004	849.1	0	5,533	713	117	1,469	39	
Feb 2004	631.7	0	5,532	714	118	1,469	39	
Mar 2004	487.3	0	5,531	714	118	1,469	38	
Apr 2004	331.5	0	5,531	715	117	1,469	38	
May 2004	158.9	8.6	5,532	716	115	1,469	38	
Jun 2004	44.2	31.6	5,533	718	114	1,469	38	
Jul 2004	3.6	86.4	5,541	719	114	1,469	38	
Aug 2004	12.8	59.6	5,549	720	113	1,469	38	
Sep 2004	30	41.2	5,558	721	113	1,469	38	
Oct 2004	226.3	1.5	5,583	719	113	1,469	38	
Nov 2004	379.1	0	5,608	718	112	1,469	37	
Dec 2004	643.4	0	5,635	717	112	1,469	36	
Jan 2005	770	0	5,623	718	114	1,487	36	
Feb 2005	616.4	0	5,631	719	113	1,487	36	
Mar 2005	608.6	0	5,632	718	113	1,487	36	
Apr 2005	306.8	0	5,632	718	113	1,487	36	
May 2005	189.4	0.8	5,637	719	112	1,487	36	
Jun 2005	8.9	146.3	5,661	715	114	1,487	36	

Degree Days – Pearson A			Customer Connections					
Date	HDD	CDD	Res	GS<50	GS>50	Str L	Sen L	USL
Jul 2005	0	188.7	5,662	718	112	1,487	36	
Aug 2005	0.2	140.7	5,666	715	111	1,487	36	
Sep 2005	22.6	52.1	5,677	715	111	1,487	36	
Oct 2005	220.2	7.6	5,677	712	110	1,487	36	
Nov 2005	388.4	0	5,681	714	107	1,487	19	
Dec 2005	665.3	0	5,695	714	107	1,487	19	
Jan 2006	551.8	0	5,702	717	103	1,523	19	
Feb 2006	604.3	0	5,701	717	103	1,523	19	
Mar 2006	516.6	0	5,707	716	103	1,523	19	
Apr 2006	293.3	0	5,716	717	103	1,523	25	
May 2006	136.9	26	5,728	708	103	1,523	25	
Jun 2006	19.5	73.6	5,727	709	106	1,523	25	
Jul 2006	0	167.3	5,748	710	109	1,523	34	
Aug 2006	4.2	101.6	5,769	709	109	1,523	34	
Sep 2006	80.9	12.9	5,778	712	108	1,523	34	
Oct 2006	288.3	1.1	5,787	713	108	1,523	34	
Nov 2006	382.2	0	5,790	716	108	1,523	23	
Dec 2006	500.5	0	5,795	718	108	1,523	22	
Jan 2007	647.1	0	5,814	718	108	1,525	22	13
Feb 2007	740.1	0	5,809	712	107	1,525	22	13
Mar 2007	546.7	0	5,818	719	106	1,525	22	13
Apr 2007	356.4	0	5,817	728	105	1,525	22	12
May 2007	136.4	22.4	5,819	732	106	1,525	22	12
Jun 2007	16.5	99.2	5,828	730	107	1,525	22	12
Jul 2007	3.2	106.1	5,837	728	107	1,525	22	12
Aug 2007	5.2	141	5,843	718	107	1,525	22	12
Sep 2007	36.9	47.5	5,848	719	107	1,525	22	12
Oct 2007	137.7	19.8	5,853	718	107	1,525	22	12
Nov 2007	462.5	0	5,860	723	107	1,525	22	12
Dec 2007	630.7	0	5,865	724	108	1,525	22	12

e) The table below sets out the average (per customer) weather normalized usage.

Normalized Average Use Per Customer, MPUC		
	Res	GS<50
2003	8,584	39,800
2004	8,671	38,613
2005	8,668	38,605
2006	8,648	38,754
2007	8,475	38,324
2008f	8,378	38,135
2009f	8,274	37,946

f) The table below provides the average per customer weather normalized usage for each customer class as determined by Hydro One Networks and used for MPUC's Cost Allocation information filing and represents data from 2004. The Unmetered Scattered Load average normalized data is based on a per connection basis.

Customer Class	**Average (per customer) Weather Normalized Usage kWh**
Residential	8,976
GS < 50	39,123
GS > 50	1,256,499
Street Lights	230,573
Sentinel Lights	1,652
Unmetered Scattered Load	10,550

g) As illustrated on page 8 of the ERA report, Environment Canada's 30 year (1971 – 2000) climate normal heating degree days for Pearson Airport is about 12 per cent greater than the most recent 10 year average, and the 30 year climate normal (1971 – 2000) for cooling degree days is about 35 per cent less than the most recent 10 year average. Applying this definition of weather normal to the Residential and GS<50 kW class forecasts would result in annual kWh

being reduced by 2.0 per cent and 2.1 per cent, respectively, compared to the forecast throughput obtained using our 10 year definition of weather normal. The results are summarized below:

30 year (1971 - 2000) Weather Normal - MPUC

	10-yr 1998-2007		30-yr 1971-2000		Variance from 10-yr
	2008	2009	2008	2009	2008/2009
Res	49,640,491	49,791,737	48,662,480	48,813,726	-2.0%
GS<50	27,668,362	27,650,878	27,090,319	27,072,834	-2.1%

It should be noted that ERA has developed weather-normal load forecasts for several LDCs including MPUC and has consistently adopted the most recent 10 years (1998 to 2007) as the definition of weather normal. ERA adopted this definition of "weather normal" as the Board has accepted this definition in other cases involving electricity distribution; namely, Toronto Hydro Electric System Limited ("THESL"). For example, in their forward test year filing in the 2006 EDR process (EB-2005-0421), THESL proposed to use the most recent 10 years (1995 to 2004) as the definition of "weather normal." In its Decision with Reasons, dated April 12, 2006, the Board accepted the load forecast as proposed by the Applicant.

THESL again proposed the most recent 10 years (1996 to 2005) in their multi-year rate filing for 2008 – 2010 rates (EB-2007-0680). In their Application, THESL explained that the 10 year average was chosen over the 30 year average due to a pronounced trend in HDD and CDD, as illustrated in Figure 2 at Exhibit K1, Tab 1, Schedule 1, Page 7 of their Application. Again, the Board in their Decision with Reasons issued May 15, 2008, accepted this definition of weather normal.

MPUC and ERA have developed a model to weather normalize MPUC's throughput based on best efforts and relying upon a definition that was previously filed and approved by the Board with the least amount of complexity necessary and that is consistent across LDCs (to the extent that data allows). MPUC and ERA were careful to design the model and definition of weather normal based on what appeared to be reasonable and based on past practice of other LDCs that have had approval by the Board. In developing the model, it was paramount that the model specification and weather normal definition be as consistent as possible across LDCs and that model specification and weather normal definition not be driven by a desired result (i.e, choosing a specification and weather normal definition in order to get a particular result).

We note that while there are many definitions of weather normal, the US NOAA/ESRL also uses the 10 year period 1998-2007 (among others) as a long term climatological base period comparator.

h) Yes, the Chartered Banks have more recent forecasts. Some, such as Scotiabank, have a monthly update, while others have a quarterly cycle. The average of the 4 forecasts has changed since the ERA Report, dated June 9, was completed. An updated table is presented below.

Updated Table 5 - Employment Forecast – Ontario
(figures in annual percentage change)

	BMO *(Summer 2008)*	RBC *(Oct 2008)*	Scotia *(Oct 31, 2008)*	TD *(Oct 16,2008)*	Avg
2008	1.2	1.5	1.4	1.4	1.4
2009	0.7	1.2	-0.9	-0.4	0.2

The outlook for 2009 has deteriorated from 0.7 to 0.2. However, the variance between the various Banks' forecasts has also increased. RBC (at 1.2%) is more optimistic on 2009 growth than any forecast in the June report. Likewise, Scotia is more pessimistic (at -0.9%). For 2008, we now have 10 months of actual employment data from Statistics Canada. For Midland, we have used full-time employment for the Kitchener-Waterloo-Barrie economic area (CANSIM v2054776). The average January to October 2008 full-time employment

increased by 1.01% compared to the same period last year. Therefore, the 0.9% forecast used in the June report is appropriate. For 2009, while there may be some downside risk associated with the forecast in the June report, we do not believe that the average of the Banks' forecast has changed enough to make a significant change to Midland's outlook. As well, we believe the current forecast, especially with respect to the declining trend in the GS>50 kW Class represents the expected economic conditions in MPUC's service territory in 2009. Therefore, we see no need to update the consumption forecast at this time.

i) A simple OLS regression of GS>50 class kWh on peak days and employment was estimated and the results are displayed below:

GS>50 kW class kWh = f(Peakdays, Employ) + const

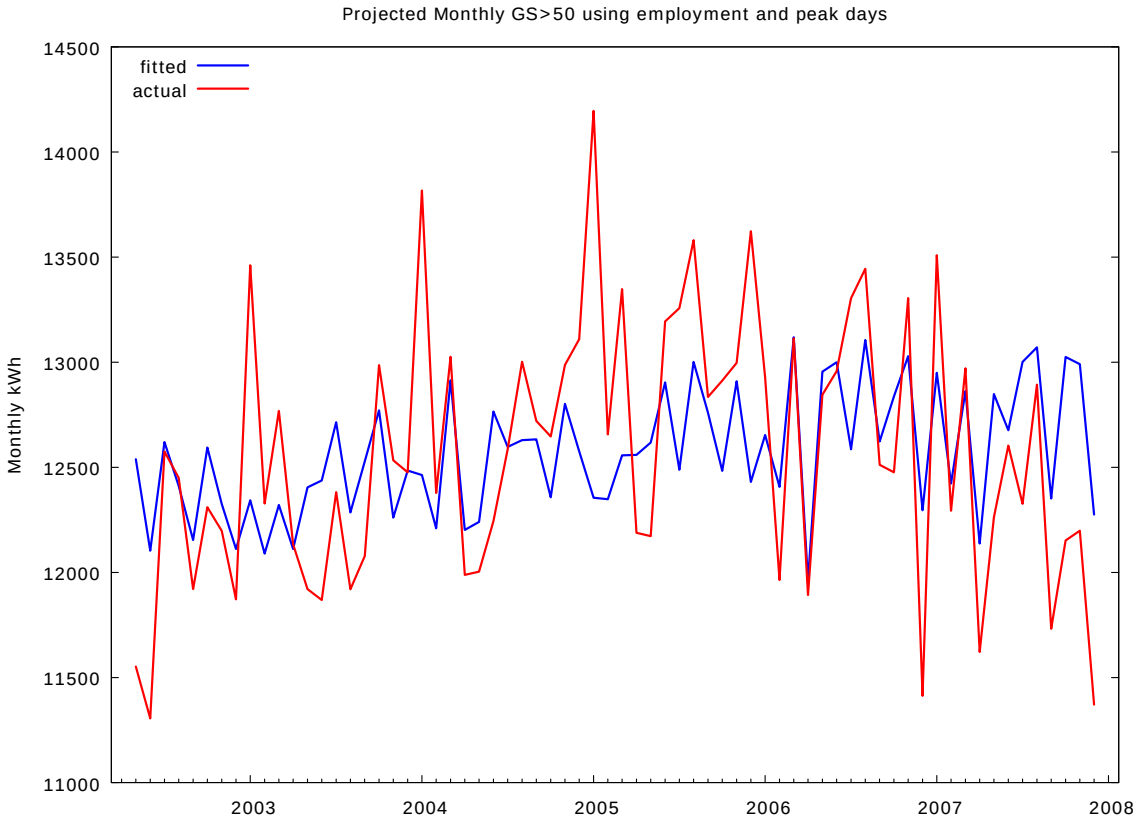
OLS estimates using the 68 observations 2002:05-2007:12

Unadjusted R^2 = 0.22637
Adjusted R^2 = 0.20256
F-statistic (2, 65) = 9.30958 (p-value < 0.000238)
Durbin-Watson statistic = 1.24014

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	4.59264e+06	2.4665	0.01629
Peakdays	236680	3.6313	0.00056
FTE Employ	5952.21	2.3275	0.02306

As can be seen from the above results, both peak days and employment are statistically significant; however, the regression equation does not explain a significant amount of the monthly variation (with adjusted R-squared of only 0.2). This can be observed in the graph below, plotting monthly predicted vs actual using this equation. The graph illustrates the generally poor predictive power of the equation and shows the equation fails to predict the declining trend in consumption that starts in 2006. If this equation were to be used to predict GS>50 kW class kWh consumption, the forecast annual kWh would be 152,717,263 kWh in 2008 (which would represent an increase of about 3.2%

over 2007 actual) and 152,744,861 kWh in 2009. We believe this significantly overstates consumption, and is verified by looking at year-to-date consumption.



Year-to-date (January to October 2008), consumption in the GS>50 kW class is 117,512,777 kWh, compared with 124,364,279 kWh for the same period in 2007, a decline of 5.5%. Using the above specification including only peak days and employment, YTD consumption is forecast at 127,465,280, an increase of 2.5% over the same period in 2007 and 8.5% higher than YTD actual.

As was discussed in the ERA Report, weather is also not a significant explanatory variable in the monthly variation of the consumption in this class. Therefore, we believe it is most appropriate to base the forecast for GS>50 kW class kWh on the trend growth seen in annual consumption over the last 2 years

Year-to-date (January to October 2008), consumption in the GS>50 kW class is 117,512,777 kWh, compared with 124,364,279 kWh for the same period in 2007, a decline of 5.5%. Using the above specification including only peak days and employment, YTD consumption is forecast at 127,465,280, an increase of 2.5% over the same period in 2007 and 8.5% higher than YTD actual.

j) The following table provides the customer connection forecast for the year ended 2007 and the current customer count as at October 31, 2008.

Customer Class	2007 Year End Customers/Connections	October 31, 2008 Customer/Connections
Residential	5865	5919
General Service GS < 50 kW	724	714
General Service GS > 50 kW	108	109
Street Lights	1525	1525
Sentinel Lights	22	21
Unmetered Scattered Load	12	12

Question #3

Reference: Exhibit 3/Tab 2/Schedule 4, page 1 (Table 28)

a) Please confirm whether the historical customer count values reported for each year are:
   - Year end values
   - Average annual values (i.e., average of start and end of year values)

Response:

The historical customer count values reported in Exhibit 3/Tab 2/Schedule 4, page 1 (Table 28) represent the average annual values, based on the total of month end customer count values divided by 12 months.

Question #4

Reference: i) Exhibit 8/Tab 1/Schedule 2, page 5, lines 15-20

a) Please provide the analysis undertaken by MPUC to support the conclusion that the results from the Cost Allocation Informational filing will not change materially if updated for the 2009 Application data.

b) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Cost Allocation Filing		2009 Application	
	# Customers/ Connections	% of Total	# Customers/ Connections	% of Total

c) Based on the results from part (b), please comment on the appropriateness of assuming that the revenue requirement proportions from the Cost Allocation Informational filing are appropriate to utilize for setting 2009 rates.

Response:

a) Midland has not undertaken a formal analysis, however, the number of customers and the load data for each customer class has not changed significantly as shown below in part b).

b) Below are the completed schedules.

	Cost Allocation Filing		2009 Application		
Customer Class	**kWh**	**% of Total**	**kWh**	**% of Total**	**Difference**
Residential	46,445,857	19.51%	49,791,737	22.78%	3.27%
GS < 50	25,950,016	10.90%	27,650,878	12.65%	1.75%
GS > 50	163,465,701	68.67%	139,428,070	63.78%	-4.88%
Street Light	1,301,013	0.55%	1,195,783	0.55%	0.00%
Sentinel Light	35,318	0.01%	15,948	0.01%	-0.01%
USL	854,570	0.36%	513,550	0.23%	-0.12%
Total	**238,052,475**	**100.00%**	**218,595,966**	**100.00%**	

	Cost Allocation Filing		2009 Application		
Customer Class	**# Customers**	**% of Total**	**# Customers**	**% of Total**	**Difference**
Residential	5,568	86.38%	6,018	87.51%	1.13%
GS < 50	726	11.26%	729	10.60%	-0.66%
GS > 50	129	2.00%	103	1.50%	-0.50%
Street Light	5	0.08%	4	0.06%	-0.02%
Sentinel Light	18	0.28%	11	0.16%	-0.12%
USL	-	0.00%	12	0.17%	0.17%
Total	**6,446**	**100.00%**	**6,877**	**100.00%**	

	Cost Allocation Filing		2009 Application		
Customer Class	**# Connections**	**% of Total**	**# Connections**	**% of Total**	**Difference**
Residential					
GS < 50					
GS > 50					
Street Light	1,469	22.79%	1,564	22.74%	-0.05%
Sentinel Light	114	1.77%	22	0.32%	-1.45%
USL	81	1.26%	-	0.00%	-1.26%
Total	**1,664**	**25.81%**	**1,586**	**23.06%**	

c) As stated in the response to part a) above, Midland is of the opinion the revenue requirement proportion from the Cost Allocation Informational filing is appropriate to set 2009 rates. Although the proportions have changed slightly, some classes have increased and other classes have decreased as compared to the Cost Allocation filing, which suggests the cost allocation proportions are a reasonable estimate for the 2009 Rate Application. In addition, it was costly to prepare the 2006 Cost Allocation informational filing. It is Midland's view that it is prudent and cost effective to use the results of this study at least once to adjust

rates. To update a cost allocation model would require Midland to request load data from Hydro One once again and the data would be an estimate. Midland submits it would be more prudent to update the cost allocation study at the time of the next rebasing/cost of service application, at which time smart meters will be installed and actual peak demand load data will be available by rate class.

Question #5

Reference: Exhibit 8/Tab 1/Schedule 2

a) Please confirm that for purposes of the Cost Allocation Informational Filing:
   - The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
   - The Costs include the cost of the Transformer Ownership Allowance
   - The cost of the Transformer Ownership Allowance is allocated to all customer classes

b) Please confirm that (per Exhibit 9, Tab 1, Schedule 1, page 5) MPUC is proposing to allocate the cost of the Transformer Ownership Allowance to just the GS>50 class.

c) Please provide the results of an alternative cost allocation run which is consistent with MPUC's proposed treatment of the Transformer Ownership Allowance where:
   - The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
   - The Costs allocated exclude the "cost" of the Transformer Ownership Allowance.
     (Note: For purposes of the response please just file the revise Output Sheet O1)

Response:

a) Midland confirms for the purposes of the Cost Allocation Informational Filing, the revenues are based on distribution rates excluding the discount for the transformer ownership allowance.

Midland confirms the costs include the cost of the Transformer Ownership Allowance, and in addition, confirms the cost of the Transformer Ownership Allowance is allocated to all customer classes.

b) Midland confirms it is proposing to allocate the cost of the Transformer Ownership Allowance to the GS>50 class only.

c) Below please find Output Sheet O1 of the Cost Allocation Informational filing model reflecting an alternative cost allocation run which is consistent with Midland's proposed treatment of the Transformer Ownership Allowance. To accomplish this response, the Transformer Allowance Costs were removed from cell F15 on Worksheet I3. On Worksheet I6 of the Cost Allocation Informational filing the "Total Approved Distribution Revenue" in cell B15 was reduced by the Transformer Ownership Revenue of $161,825, and the corresponding "Approved Distribution Rev from approved EDR, Sheet 7-1 Col AK + Sheet 7-3 Col H" row was adjusted to remove $161,825 of revenue associated with the transformer allowance from the GS>50 class in cell F29.

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$2,629,073	$1,582,535	$432,779	$574,448	$22,871	$2,188	$14,252
mi	Miscellaneous Revenue (mi)	$229,656	$119,488	$40,867	$62,570	$5,226	$415	$1,089
	Total Revenue	$2,858,729	$1,702,023	$473,646	$637,018	$28,097	$2,603	$15,341
	Expenses							
di	Distribution Costs (di)	$451,348	$176,034	$62,992	$184,438	$23,996	$1,853	$2,035
cu	Customer Related Costs (cu)	$539,592	$356,271	$99,338	$70,398	$10,438	$797	$2,351
ad	General and Administration (ad)	$717,768	$378,298	$116,598	$192,529	$25,248	$1,943	$3,153
dep	Depreciation and Amortization (dep)	$435,963	$182,704	$67,684	$162,301	$19,918	$1,538	$1,818
INPUT	PILs (INPUT)	$168,350	$64,334	$24,047	$71,837	$6,938	$533	$661
INT	Interest	$189,553	$72,437	$27,076	$80,885	$7,812	$600	$744
	Total Expenses	$2,502,574	$1,230,078	$397,735	$762,387	$94,350	$7,262	$10,762
	Direct Allocation	$0	$0	$0	$0	$0	$0	$0
NI	Allocated Net Income (NI)	$356,153	$136,102	$50,873	$151,975	$14,678	$1,127	$1,398
	Revenue Requirement (includes NI)	$2,858,727	$1,366,180	$448,608	$914,362	$109,027	$8,389	$12,160
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$11,406,434	$4,517,698	$1,667,918	$4,630,532	$505,612	$39,012	$45,662
gp	General Plant - Gross	$1,962,098	$750,858	$280,534	$835,649	$81,122	$6,228	$7,707
accum dep	Accumulated Depreciation	($7,904,045)	($3,177,399)	($1,167,159)	($3,138,881)	($360,806)	($27,895)	($31,905)
co	Capital Contribution	($212,621)	($83,984)	($31,062)	($86,556)	($9,440)	($728)	($850)
	Total Net Plant	$5,251,867	$2,007,174	$750,231	$2,240,744	$216,488	$16,617	$20,614
	Directly Allocated Net Fixed Assets	$0	$0	$0	$0	$0	$0	$0
COP	Cost of Power (COP)	$15,757,503	$3,074,409	$1,717,720	$10,820,351	$86,118	$2,338	$56,567
	OM&A Expenses	$1,708,708	$910,603	$278,928	$447,365	$59,682	$4,593	$7,539
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0
	Subtotal	*$17,466,211*	*$3,985,012*	*$1,996,647*	*$11,267,716*	*$145,800*	*$6,930*	*$64,106*
	Working Capital	$2,619,932	$597,752	$299,497	$1,690,157	$21,870	$1,040	$9,616
	Total Rate Base	$7,871,799	$2,604,926	$1,049,728	$3,930,901	$238,358	$17,656	$30,230
		Rate Base Input equals Output						
	Equity Component of Rate Base	$3,935,899	$1,302,463	$524,864	$1,965,451	$119,179	$8,828	$15,115
	Net Income on Allocated Assets	$356,155	$471,946	$75,911	($125,369)	($66,252)	($4,659)	$4,579
	Net Income on Direct Allocation Assets	$0	$0	$0	$0	$0	$0	$0
	Net Income	$356,155	$471,946	$75,911	($125,369)	($66,252)	($4,659)	$4,579
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	124.58%	105.58%	69.67%	25.77%	31.03%	126.16%
	EXISTING REVENUE MINUS ALLOCATED COSTS	$2	$335,843	$25,038	($277,345)	($80,930)	($5,786)	$3,181
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.05%	36.23%	14.46%	-6.38%	-55.59%	-52.78%	30.30%

Question #6

Reference: Exhibit 8/Tab 1/Schedule 2, pages 5-6

a) Why is MPUC proposing to reduce the revenue to cost ratio for USL from 117% to 100% but is reducing the Residential ratio to only 107% (from 118%)?

b) Please provide a schedule that sets out the proportion of revenue by customer class based on 2009 billing forecast billing determinants and current rates. For purposes of the calculation please:
- Exclude the smart meter rate adder from the current rates used
- Exclude the LV charge adder from the current rates used
- Include the impact of the revenue reduction due to the transformer ownership allowance.

c) Please compare the proportion of revenues proposed in Table 69 by customer class with those calculated in part (b). For those classes where the proposed directional change (increase or decrease) in the proportion of revenues does not match the proposed directional change in the revenue to cost ratios – please explain the anomaly.

d) Please provide a schedule that shows how the revenue proportions set out in Table 69 (page 6) are derived using the proposed revenue to cost ratios in Table 68.

RESPONSE:

a) Midland is proposing rates that are fair and balanced to all customers. Our approach is to bring customers to unity while avoiding rate shock for any particular customer class. The USL class represents a relatively small base revenue requirement ($15,406) compared to the Residential customer class ($1,811,424), therefore, it is easier to move the USL class to 100% revenue to cost ratio resulting in less rate shock to other classes.

b) Below please find a schedule that sets out the proportion of revenue by customer class based on the 2009 billing forecast determinants and current rates, excluding the smart meter rate adder and the LV charge adder, and including the impact of the revenue reduction due to transformer ownership allowance.

2009 Billing Forecast Determinants at Existing Rate - excluding Smart Meter Adder, LV charges & Transformer Allowance											
	2009 PROJECTED DISTRIBUTION REVENUE AT EXISTING RATES										
Customer Class Name	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Variable Rate	per	Volume	Transformer Allowance Rate	Transformer Allowance Volume kW	Variable Charge Revenue	TOTAL	Proportion of Revenue by Class
Residential	$11.1100	6,018	$ 802,320	$0.0184	kWh	49,791,737			$ 916,168	$ 1,718,488	63.9%
General Service <50 kW	$12.3500	729	$ 108,038	$0.0128	kWh	27,650,878			$ 353,931	$ 461,969	17.2%
General Service >50 Kw	$13.7900	103	$ 17,044	$1.8361	kW	332,681	-$ 0.60	252,000	$ 459,636	$ 476,680	17.7%
Street Lighting	$0.9600	1,564	$ 18,017	$1.9592	kW	3,052			$ 5,979	$ 23,997	0.9%
Sentinel Lighting	$1.4600	22	$ 385	$2.2030	kW	44			$ 97	$ 482	0.0%
Unmetered Scattered Load	$12.3500	12	$ 1,778	$0.0128	kWh	513,550			$ 6,573	$ 8,352	0.3%
Gross Revenue			$ 947,583			78,291,942		252,000	$ 1,742,385	$ 2,689,968	100.0%

c)

	Table 69		Proportion of Revenue at Current Rates	
Customer Class Name	Proportion of Revenue %	Proportion of Revenue $	Proportion of Revenue by Class	TOTAL
Residential	50.56%	$ 1,811,424	63.89%	$ 1,718,488
General Service <50 kW	15.61%	$ 559,442	17.17%	$ 461,969
General Service >50 Kw	31.23%	$ 1,118,884	17.72%	$ 476,680
Street Lighting	2.01%	$ 72,013	0.89%	$ 23,997
Sentinel Lighting	0.15%	$ 5,553	0.02%	$ 482
Unmetered Scattered Load	0.43%	$ 15,406	0.31%	$ 8,352
	100.00%	$ 3,582,722	100.00%	$ 2,689,968

The GS<50 class is the only class where the proposed directional change in the proportion of revenues does not match the proposed directional change in the revenue to cost ratio. In this class the revenue/cost ratio has remained the same but the proportion of revenue has slightly declined. It is Midland's view that this has resulted from the Cost Allocation Information Filing being based on revenue proportion across customer classes that assumed a three year average of load

data (ie: 2002, 2003 & 2004). However, the 2009 Rate Application uses projected 2009 weather normalized data which also has its own distinct profile of revenue proportion across customer classes.

d) The process used to arrive at the proposed revenue to cost ratios was to first allocate proportions of the revenue requirement to each class (Column B). Those proportions were then compared to proportions from the Cost Allocation information (Column A) which represented 100% revenue to cost ratios. Using the Residential Class as an example, the revenue proportion from the Cost Allocation filing that would result in a 100% revenue to cost ratio is 47.32% (Column A) or $1,695,383 (Column C). Choosing a revenue proportion of 50.56% (Column B) results in $1,811,424 (Column D) as the proposed 2009 revenue requirement, and therefore results in a R/C ratio of 107% ($1,811,424/$1,695,383) (Column E).

The following table sets out the revenue proportions and the resulting R/C ratios.

Revenue Requirement AllocationTable

	A		B	C		D		
Customer Class Name	**Outstanding Base Revenue Requirement %**			**Outstanding Base Revenue Requirement $** [3]			**Directly Assigned Revenues** [3]	**Total Base Revenue Requirement**
	Cost Allocation [1]		**Rate Application**	**Cost Allocation**		**Rate Application**		
Residential	47.32%		50.56%	1,695,383		1,811,424		1,811,424
General Service <50 kW	15.86%		15.62%	568,243		559,442		559,442
General Service >50 Kw	31.97%		31.23%	1,145,308		1,118,884		1,118,884
Street Lighting	4.11%		2.01%	147,095		72,013		72,013
Sentinel Lighting	0.32%		0.16%	11,313		5,553		5,553
Unmetered Scattered Load	0.43%		0.43%	15,380		15,406		15,406
TOTAL	**100.00%**		**100.00%**	**3,582,722**		**3,582,721**		**3,582,721**
			OK			**OK**		

	D	C	E				
Customer Class Name	**Rate Application**			**Cost Allocation**	**Variance**		
	Allocated Revenue from Rate Application Above	**Allocated Cost from Cost Allocation Above**	**Proposed Revenue to Cost Ratio**	**Revenue to Cost Ratio** [9]		**Floor**	**Ceiling**
Residential	1,811,424	1,695,383	1.07	1.18	(0.11)	0.85	1.15
General Service <50 kW	559,442	568,243	0.98	0.98	0.00	0.80	1.20
General Service >50 Kw	1,118,884	1,145,308	0.98	0.84	0.14	0.80	1.80
Street Lighting	72,013	147,095	0.49	0.23	0.25	0.70	1.20
Sentinel Lighting	5,553	11,313	0.49	0.28	0.21	0.70	1.20
Unmetered Scattered Load	15,406	15,380	1.00	1.17	(0.17)	0.80	1.20
TOTAL	3,582,721	3,582,722	1.00	1.00	(0.00)		

Question #7

Reference: Exhibit 9/Tab 1/Schedule 2, page 1

a) Please confirm that the Base Revenue Requirement in Table 70:
   - Excludes LV costs
   - Has not been increased to recover revenue shortfall due to the transformer ownership allowance.

RESPONSE:

a)

- The Base Revenue Requirement in Table 70 does not include LV Costs.
- The Base Revenue Requirement in Table 70 has not been increased to recover revenue shortfall due to the transformer ownership allowance.

Question #8

Reference: Exhibit 9/Tab 1/Schedule 2, page 3

a) Please confirm that MPUC's Cost Allocation Informational filing excluded LV costs. If this is not the case please indicate how they were incorporated into the Informational filing and provide the relevant pages from the actual Cost Allocation run.

b) Please provide a schedule that sets out the billing determinants; rates; and resulting revenues used to derive the Fixed/Variable %'s at Existing rates in Table 74 and confirm whether the rates used:
   - Exclude the Smart Meter rate adder
   - Exclude the LV charge adder
   - Allow for the transformer ownership allowance.

c) If different from that provided in response to part (b), please provide a schedule that sets out the 2009 fixed and variable billing determinants and revenues (dollars and %) by customer class based on current (approved 2008) rates. For purpose of the schedule please use: a) the monthly service charges excluding the smart meter rate adder; b) variable charges

excluding any charges for LV cost recovery and c) GS>50 variable revenues that include the transformer ownership discount (where applicable.

RESPONSE:

a) On sheet I3 of Midland's Cost Allocation Informational Filing an adjustment for LV costs of $284,777 was deducted from account #5665 Miscellaneous General Expenses. Therefore Midland confirms that LV costs have been excluded from our Cost Allocation Informational Filing.

b) The table below sets out the billing determinants, rates, and resulting revenues used to derive the Fixed/Variable percentages at existing rates. These rates exclude the Smart Meter rate adder, include the LV charge adder, and include a Transformer Ownership Allowance charge across all rate classes, but then deducts the Transformer Ownership Allowance from the total distribution revenue.

	2009 PROJECTED DISTRIBUTION REVENUE AT EXISTING RATES									
Customer Class Name	**Fixed Rate**	**Customers (Connections)**	**Fixed Charge Revenue**	**Fixed %**	**Variable Rate**	**per**	**Volume**	**Variable Charge Revenue**	**Variable %**	**TOTAL**
Residential	$ 11.11	6,018	$ 802,320	44.87%	$0.0198	kWh	49,791,737	$ 985,876	55.13%	$ 1,788,196
General Service <50 kW	$ 12.35	729	$ 108,038	21.82%	$0.0140	kWh	27,650,878	$ 387,112	78.18%	$ 495,150
General Service >50 Kw	$ 13.79	103	$ 17,044	2.17%	$2.3148	kW	332,681	$ 770,090	97.83%	$ 787,134
Street Lighting	$ 0.96	1,564	$ 18,017	71.33%	$2.3727	kW	3,052	$ 7,241	28.67%	$ 25,259
Sentinel Lighting	$ 1.46	22	$ 385	76.94%	$2.6254	kW	44	$ 116	23.06%	$ 501
Unmetered Scattered Load	$ 12.35	12	$ 1,778	19.83%	$0.0140	kWh	513,550	$ 7,190	80.17%	$ 8,968
Gross Revenue (before Transformer Allowances)			$ 947,583					$ 2,157,625		$ 3,105,208
Less: Transformer Allowances					($0.6000)	kW	252,000	-$ 151,200		-$ 151,200
Total Revenue			**$ 947,583**					**$ 2,006,425**		**$ 2,954,008**
Less: LV Charges								-$ 268,609		-$ 268,609
DISTRIBUTION REVENUE			**$ 947,583**					**$ 1,737,816**		**$ 2,685,399**

c) The table below sets out the billing determinants, rates, and resulting revenues used to derive the Fixed/Variable percentages at existing rates. These rates exclude the Smart Meter rate adder, exclude the LV charge adder, and includes the Transformer Ownership Allowance discount to the GS>50 class. The

Transformer Ownership Allowance recovery is spread across all classes in the existing rates as per the 2006 EDR.

Customer Class Name	2009 PROJECTED DISTRIBUTION REVENUE AT EXISTING RATES											
	Fixed Rate	Customers (Connections)	Fixed Charge Revenue	Fixed %	Variable Rate	per	Volume	Transformer Allowance Rate	Transformer Allowance Volume kW	Variable Charge Revenue	Variable %	TOTAL
Residential	$ 11.11	6,018	$ 802,320	46.69%	$0.0184	kWh	49,791,737			$ 916,168	53.31%	$ 1,718,488
General Service <50 kW	$ 12.35	729	$ 108,038	23.39%	$0.0128	kWh	27,650,878			$ 353,931	76.61%	$ 461,969
General Service >50 Kw	$ 13.79	103	$ 17,044	3.58%	$1.8361	kW	332,681	-$ 0.60	252,000	$ 459,636	96.42%	$ 476,680
Street Lighting	$ 0.96	1,564	$ 18,017	75.08%	$1.9592	kW	3,052			$ 5,979	24.92%	$ 23,997
Sentinel Lighting	$ 1.46	22	$ 385	79.90%	$2.2030	kW	44			$ 97	20.10%	$ 482
Unmetered Scattered Load	$ 12.35	12	$ 1,778	21.29%	$0.0128	kWh	513,550			$ 6,573	78.71%	$ 8,352
Gross Revenue			$ 947,583							$ 1,742,385		$ 2,689,968

Question #9

Reference: Exhibit 9/Tab 1/Schedule 2, page 6
Board Staff IR #5

a) Based on MPUC's proposed Retail Transmission Rates (Exhibit 9/Tab 1/Schedule 8 and Midland's response to Board Staff IR #5), please provide a schedule that sets out the proportion of the 2009 forecast transmission connection revenues that will be collected from each customer class. Please reconcile these percentages with those presented in Table 76.

RESPONSE:

The following table compares the proportion of the 2009 forecast transmission connection revenues that will be collected from each customer class based on the rates proposed in Midland's application in comparison to the proposed rates in Midland's response to Board Staff IR #5.

Rate Classification	Table 76 Retail Transmission Connection Revenue	Table 76 Allocation Percentage	Board Staff IR #5 Retail Transmission Connection Revenue	Board Staff IR #5 Allocation Percentage
Residential	$ 376,536.00	26.4%	$ 233,346.00	26.4%
General Service < 50 kW	$ 191,431.00	13.4%	$ 117,804.00	13.3%
General Service > 50 kW	$ 849,401.00	59.5%	$ 527,366.00	59.6%
Street Lights	$ 6,024.00	0.4%	$ 3,740.00	0.4%
Sentinel Lights	$ 89.00	0.0%	$ 55.00	0.0%
Unmetered Scattered Load	$ 3,555.00	0.2%	$ 2,188.00	0.2%
	$ 1,427,036.00	100.0%	$ 884,499.00	100.0%

The rates in each rate classification were decreased by the same percentage therefore the allocation percentages in Board Staff IR#5 remain essentially the same as those rates presented in Table 76.

Question #10

Reference: Exhibit 9/Tab 1/Schedule 9, page 1

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
   - Consume less than 100 kWh per month
   - Consume 100 -> 250 kWh per month
   - Consume 250 -> 500 kWh per month
   - Consume 500 -> 750 kWh per month
   - Consume 750 -> 1,000 kWh per month
   - Consume 1,000 -> 1,500 kWh per month

RESPONSE:

The following table lists the percentage of total residential customers consumption based on the most recent 12 consecutive months of actual billing data.

	Percentage of Customers
Consume less than 100 kWh/mth	0.88%
Consume 100 - >250 kWh/mth	5.86%
Consume 250 - >500 kWh/mth	26.11%
Consume 500 - >750 kWh/mth	28.20%
Consume 750 - >1,000 kWh/mth	19.05%
Consume 1,000 - >1,500 kWh/mth	14.05%
Consume < 1,500 kWh/mth	5.86%
	100.00%

Question #11

Reference: Exhibit 1/Tab 1/Schedule 7, page 3

a) Please provide a breakdown of the $50,000 in 2009 regulatory costs shown in Table 8.

RESPONSE:

The regulatory costs of $50,000 shown in Exhibit 1/Tab 1/Schedule 7, page 3 are based on $150,000 total cost expected to be incurred by Midland as a result of the finalization of Midland's Rate Application. Although Midland estimated the rate application expenses to be $150,000 and have initially recorded the $50,000 per year over 3 years, Midland believes that the oral component will require additional costs to be expended by the ratepayers over and above what was originally budgeted. The breakdown is as follows:

Rate Application Preparation - Consultants, Rate Models	$55,000
Interrogatories Preparation - Consultants/Legal	$35,000
Intervenors (3) - Interrogatories	$18,000
Oral Component - Consultants/Legal	$25,000
Oral Component - Board	$7,500
Oral Component - Intervenors	$15,000
Final Submissions - Consultants/Legal	$20,000
Total Costs	$175,500

If these costs are to be recovered over three years, the cost per year would then be $58,300. Midland would respectfully ask for the Board's consideration in amending the regulatory costs as outlined above in the final determination of rates.

Question #12

Reference: Exhibit 1/Tab 1/Schedule 7, pages 3 and 4

a) Please explain how the bad debt expense of $80,000 per year was calculated or determined.

b) Please clarify and provide specifics with respect to the following statement at line 10 of page 4: "In the alternative, MPUC requests that the distribution revenues only form a part of the bad debts and the balance of the receivable be allocated to the associated cost of power charges."

Response:

a) Midland's average bad debt expense over the past five years (2003-2007) is $66,400; over the past three years (2005-2007) is $90,600. In light of the current economic conditions, Midland views the past three year history to be more representative of future years. Midland has proposed $80,000 as the point mid-way between the two calculations.

b) Midland's distribution revenue accounts for approximately 20%-25% of the total bill to customers. Other invoiced amounts include, the cost of power, transmission network and connection charges and low voltage charges. Midland is responsible for 100% of the total invoiced costs and does not have a remedy to reduce the cost of power, transmission or low voltage as a result of bad debts. If Midland does not collect 100% of the invoice, Midland must bear the cost of the bad debt. If Midland were responsible for the distribution revenues only, the bad debt expense could be reduced significantly. Any bad debts associated with the cost of power, transmission and low voltage

charges would then be accumulated in the associated variance accounts through regulatory assets. This would move the responsibility for the cost to the transmission and cost of power components which attract the revenue. Midland believes that LDCs should be held harmless on pass through costs and be responsible for distribution revenues and resulting costs only.

Question #13

Reference: Exhibit 1/Tab 1/Schedule 7, pages 4 and 5

a) Please provide the extent to which income was overstated, capital asset balances were understated, and contributed capital was understated in the 2006 EDR due to the classification of Revenue from Merchandising/Jobbing with respect to contributed capital projects in 2004.

Response:

	2006 EDR		
		Capital Understatement	Contributed Capital Understatement
Revenue from Merchandising/Jobbing	$102,230		$102,230
Expenses from Merchandising/Jobbing	$102,230	$102,230	
Net Income	$0		

Revenues and expenses were recorded against operations in the 2006 EDR and should have been recorded as an increase to the utility assets contributed by the customer. This will have a net effect of $0 on the rate base.

As a result of recording $102,230 in both Revenue from Merchandising/Jobbing Account #4375 and recording $102,230 in Expenses from Merchandising/Jobbing Account #4380, the effect on net income was $0.

Question #14

Reference: Exhibit 1/Tab 3/Schedule 2, Attachment, Financial Statements fort he year ending December 31, 2007, page19.

a) Please explain how the amount paid to the shareholder for lease fees for substation properties, $30,000, was determined, i.e., by a market survey?

b) Please indicate the nature of the services currently provided by the Corporation to its shareholder for "Maintenance of street lighting and other services" and explain why revenues from these services increased by almost 46% in 2007 over 2006.

c) Does MPUC have a service agreement with its shareholder? If so, please provide a copy.

d) Please provide any promises made by the shareholder in respect of requesting repayment of the balance on the promissory note over the next three years.

e) Please provide a copy of the promissory not payable to the shareholder.

Response:

a) The lease fees were determined by the Town of Midland based on typical charges that the Town has on similar leases and include leases on each of our substation properties.

b) Maintenance of street lighting and other services includes work performed for the Town of Midland for streetlight maintenance and for jobbing. In 2006, Streetlight maintenance accounted for $53,500 and in 2007 totalled $63,000. In 2006, miscellaneous jobs completed by Midland under jobbing revenues totaled $14,800 vs. $36,700 in 2007.

c) Midland does not have a service agreement with its shareholder.

d) The shareholder has not made any promises in respect of requesting repayment of the balance on the promissory note over the next three years. The promissory note provides that the Corporation may repay the balance on the promissory note at any time or times, without notice or bonus. The Corporation has not made any promises to the Shareholder for repayment over the next three years.

e) A copy of the promissory note payable to the shareholder is provided below.

PROMISSORY NOTE

$ 2,772,519.19

1. Effective Date-October 1, 2001

   This promissory note shall have no effect by way of interest or principal until ratified by Midland Power Utility Corporation (the "Corporation"). This Promissory Note was ratified by the Board of Directors of said Corporation on January 23, 2002.

2. Promise to Pay

   FOR VALUE RECEIVED the Corporation acknowledges itself indebted and hereby promises to pay The Corporation of the Town of Midland or its successor or assignee (the "Town") at its offices at 575 Dominion Avenue, Midland, Ontario, L4R 1R2 (or at such other place as the Town may direct the Corporation in writing) the principal sum of TWO MILLION SEVEN HUNDRED AND SEVENTY TWO THOUSAND FIVE HUNDRED AND NINETEEN DOLLARS AND NINETEEN CENTS ($2,772,519.19) in lawful money of Canada, together with interest thereon as hereinafter provided.

3. Interest

   Interest shall be payable on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing under this promissory note. The interest rate payable in any given year shall be the Government of Canada 10-year bond rate posted by the Bank of Canada on December 31st of each year. At the option of the Corporation, interest under this Promissory Note may be payable in cash or, in lieu thereof, in additional common shares in the capital of the Corporation.

4. Principal Payments

   The corporation shall have the option of prepaying the principal amount hereof at any time, in whole or in part, without notice or bonus and further shall have the option to redeem any shares issued under this note at the value at the date of issue.

DATED at Midland, Ontario this 23rd day of January, 2002

MIDLAND POWER UTILITY CORPORATION

per: _____
David Winter, Director/Chair

per: _____
Dennis Neufeldt, Director/Vice-Chair

"We have authority to bind the Corporation"

Note: $2,772,519.19 – The principal amount equals 50% of the Net Book Value [NBV] of the Assets transferred to the Corporation per Transfer By-Law 2000-77.]

Question #15

Reference: Exhibit 2/Tab 1/Schedule 1, pages 3 and 4

a) Please confirm that the Scott substation project was completed and in-service in December 2007.

b) Please indicate the current status of the Brandon substation project, i.e., is it completed or is it expected to be completed in 2008?

c) Please update the power supply expense component of working capital shown in Table 15 (and calculated in Exhibit 2, Tab 4, Schedule 3) using the October 15, 2008 OEB forecasted rate.

d) Please provide support for MPUC's determination that "in-house resources would provide the best economies to MPUC" in undertaking 2008 and 2009 projects.

Response:

a) Midland confirms that the Scott substation project was completed and in-service in December, 2007.

b) The Brandon substation project is projected to be completed in 2008.

c) The table below provides an update for the power supply expense pursuant to the October 15, 2008 OEB forecasted rate.

2009 Update COP Rate				2009 Rate Application			OEB Forecasted Rate Oct 15/08		
Electricity	Custor	Revenue	Expense	2009	*rate ($/kWh):*	$0.05450	2009	*rate ($/kWh):*	$0.06030
	Class I	USA #	USA #	Volume		Amount	Volume		Amount
kWh	Reside	4006	4705	53,033,179		2,890,308	53,033,179		3,197,901
kWh	Genera	4035	4705	29,450,950		1,605,077	29,450,950		1,775,892
kWh	Genera	4035	4705	148,504,837		8,093,514	148,504,837		8,954,842
kWh	Street l	4025	4705	1,273,628		69,413	1,273,628		76,800
kWh	Sentine	4030	4705	16,986		926	16,986		1,024
kWh	Unmete	4035	4705	546,982		29,811	546,982		32,983
	TOTA	0	0	**232,826,563**		**12,689,048**	**232,826,563**		**14,039,442**
Transmission - Network	Custor	Revenue	Expense	2009			2009		
	Class I	USA #	USA #	Volume	Rate	Amount	Volume	Rate	Amount
kWh	Reside	4066	4714	53,033,179	$0.0038	201,526	53,033,179	$0.0038	201,526
kWh	Genera	4066	4714	29,450,950	$0.0034	100,133	29,450,950	$0.0034	100,133
kW	Genera	4066	4714	332,681	$1.4180	471,742	332,681	$1.4180	471,742
kW	Street l	4066	4714	3,052	$1.0694	3,264	3,052	$1.0694	3,264
kW	Sentine	4066	4714	44	$1.0749	47	44	$1.0749	47
kWh	Unmete	4066	4714	546,982	$0.0034	1,860	546,982	$0.0034	1,860
	TOTA	0	0	**83,366,888**		**778,572**	**83,366,888**		**778,572**
Transmission - Connection	Custor	Revenue	Expense	2009			2009		
	Class I	USA #	USA #	Volume	Rate	Amount	Volume	Rate	Amount
kWh	Reside	4068	4716	53,033,179	$0.0071	376,536	53,033,179	$0.0071	376,536
kWh	Genera	4068	4716	29,450,950	$0.0065	191,431	29,450,950	$0.0065	191,431
kW	Genera	4068	4716	332,681	$2.5532	849,401	332,681	$2.5532	849,401
kW	Street l	4068	4716	3,052	$1.9738	6,024	3,052	$1.9738	6,024
kW	Sentine	4068	4716	44	$2.0150	89	44	$2.0150	89
kWh	Unmete	4068	4716	546,982	$0.0065	3,555	546,982	$0.0065	3,555
	TOTA	0	0	**83,366,888**		**1,427,036**	**83,366,888**		**1,427,036**
Wholesale Market Service	Custor	Revenue	Expense	2009	*rate ($/kWh):*	$0.00520	2009	*rate ($/kWh):*	$0.00520
	Class I	USA #	USA #	Volume		Amount	Volume		Amount
kWh	Reside	4062	4708	53,033,179		275,773	53,033,179		275,773
kWh	Genera	4062	4708	29,450,950		153,145	29,450,950		153,145
kWh	Genera	4062	4708	148,504,837		772,225	148,504,837		772,225
kWh	Street l	4062	4708	1,273,628		6,623	1,273,628		6,623
kWh	Sentine	4062	4708	16,986		88	16,986		88
kWh	Unmete	4062	4708	546,982		2,844	546,982		2,844
	TOTA	0	0	**232,826,563**		**1,210,698**	**232,826,563**		**1,210,698**
Rural Rate Protection	Custor	Revenue	Expense	2009	*rate ($/kWh):*	$0.00100	2009	*rate ($/kWh):*	$0.00100
	Class I	USA #	USA #	Volume		Amount	Volume		Amount
kWh	Reside	4062	4730	52,872,087		52,872	52,872,087		52,872
kWh	Genera	4062	4730	29,450,950		29,451	29,450,950		29,451
kWh	Genera	4062	4730	148,504,837		148,505	148,504,837		148,505
kWh	Street l	4062	4730	1,273,628		1,274	1,273,628		1,274
kWh	Sentine	4062	4730	16,986		17	16,986		17
kWh	Unmete	4062	4730	546,982		547	546,982		547
	TOTA	0	0	**232,665,471**		**232,665**	**232,665,471**		**232,665**
Debt Retirement Charge	Custor	Revenue	Expense	2009	*rate ($/kWh):*	$0.00700	2009	*rate ($/kWh):*	$0.00700
	Class I	USA #	USA #	Volume		Amount	Volume		Amount
	TOTA	0	0	**0**		**0**	**0**		**0**
Low Voltage Charges	Custor	Revenue	Expense	2009			2009		
	Class I	USA #	USA #	Volume		Amount	Volume		Amount
	TOTA	4075	4750	**0**	339,515.32	**339,515**	**0**	339,515.32	**339,515**
GRAND TOTAL		0	0	**0**		**16,677,534**	**0**		**18,027,928**

As a result of the update to the power supply expense, the Working Capital Expense has been revised, as follows:

Working Capital Allowance			
		2009 Rate Application	**OEB Forecasted Rate**
Eligible Distribution Expenses:			
3500-Distribution Expenses - Operation		455,700	455,700
3550-Distribution Expenses - Maintenance		353,900	353,900
3650-Billing and Collecting		435,800	435,800
3700-Community Relations		5,600	5,600
3800-Administrative and General Expenses		807,900	807,900
3950-Taxes Other Than Income Taxes		34,200	34,200
Total Eligible Distribution Expenses		2,093,100	2,093,100
3350-Power Supply Expenses		16,677,534	18,027,928
Total Expenses for Working Capital		18,770,634	20,121,028
Working Capital Allowance	**15.0%**	**2,815,595**	**3,018,154**

When final rates are determined, Midland will reflect this new working capital allowance in those rates.

d) In 2007, Midland contacted three area contractors who provided quotes for hourly rates for a two man crew along with a vehicle. These rates are as follows:

2 Man Crew & Vehicle Hourly Rates

Contractor #1 $ 272.58
$91.80 Hr Journeymen X 2 = $183.60 + Vehicle @ $76/Hr = $259.60 x 5% (2008 Price)

Contractor #2 $ 202.73
$76.42 Hr Journeymen X 2 = $152.84 + Vehicle @ $40.24/Hr = $193.08 x 5% (2008 Price)

Contractor #3 $ 157.50
$50.00 Hr Journeymen X 2 = $100.00 + Vehicle @ $50/Hr = $150.00 x 5% (2008 Price)

Midland Power Utility $ 100.00
$40.00 Hr Journeymen X 2 = $80.00 + Vehicle @ $20/Hr = $100.00

Based on this analysis Midland determined that in-house resources would provide the best economies in completion of the capital projects.

Question #16

Reference: Exhibit 2/Tab 2/Schedule 3, page 44

a) Please explain how MPUC determined the forecasted capital contributions of $273.5K for 2008 and 2009.

Response:

The forecasted capital contribution amounts include contributions from new customer additions that lie along the existing distribution system, and upgrades to existing customer connections. For 2008, Midland looked at the known projects which were expected to be completed in 2008 and forecasted additional capital work to be completed. Midland then looked at the 2007 contributed capital for comparison purposes and determined the value of $273,500. As at September 30, 2008 the contributed capital totaled $204,000. Midland used the same value for the test year 2009.

Question #17

Reference: Exhibit 2/Tab 3/Schedule 1, page 2

a) Please provide MPUC's SAIDI and SAIFI targets for each year 2006-2009 inclusive.

Response:

The following are the SAIDI, SAIFI & CAIDI statistics for 2003-2007 and targets for 2008 and 2009

Service Quality Indicators

	SAIDI	SAIFI	CAIDI
2003	4.34	1.51	2.87
2004	0.11	0.08	1.41
2005	5.78	1.57	3.68
2006	2.32	2.12	1.10
2007	1.64	0.50	3.29
2008	2.82	1.00	2.87
2009	2.20	2.10	1.10

Question #18

Reference: Exhibit 2/Tab 3/Schedule 1, pages 17-18

a) Please provide the amount that had been budgeted for project #2007-04 (Scott Street Substation) broken down by account numbers as shown at the bottom of page 18.

b) Please provide the capital spending budget for 2007 broken down by project.

Response:

a) A comparison of the actual to budget for the Scott Street Sub Station is as follows:

Scott Street Sub Station Upgrade

	Actual	Budget
#1820 - Distribution Stn Equipment	$ 679,052	$ 636,000
#1830 - Poles, Towers, Equipment	$ 2,579	$ 4,000
#1835 - Overhead Conductors/Devices	$ 7,934	$ 9,000
#1845 - Underground Conductors/Devices	$ 1,317	$ 1,000
#1855 - Services	$ 855	$ -
	$ 691,737	$ 650,000

b) The capital spending budget for 2007 by project is as follows:

Capital Budget for the year 2007

Project	Budget
Billing Software	$ 131,300
Queen St Rebuild	$ 76,200
Tiffin Park 44KV Rebuild	$ 55,000
Scott St. Substation	$ 650,000
Bucket Truck	$ 129,600
Computer Hardware & Software	$ 19,200
Building Purchases	$ 10,100
Pole Projects	$ 45,300
44 KV Arrestors/Scada	$ 10,000
Tools	$ 30,000
Implements Shelter	$ 28,000
Meters	$ 21,100
Transformers	$ 5,400
	$ 1,211,200

Question #19

Reference: Exhibit 2/Tab 3/Schedule 1, pages 21-30

a) Please provide the 2008 capital additions on a year-to-date basis using the most recent monthly information available. Is MPUC on target to complete its 2008 capital projects as projected in 2008 and as budgeted?
b) Please provide any update re 2008 or 2009 capital spending, if applicable.
c) Please provide a comparative table showing 2007 capital spending as it would have appeared for the same year-to-date period in 2007.

Response:

a) The table below provides the 2008 capital additions as at October 31, 2008.

Capital Spending
as at October 31, 2008

Project		Actual
Brandon Substation Upgrade	$	858,906
Montreal Street Pole Line	$	77,898
George St. 3 Phase Bank	$	17,442
Norman Crescent Pole Transformer Replacemen	$	60,761
Scott St. Pole Line	$	47,043
Development Contributions	$	-
Contributed Capital - Customer Contributions	$	204,000
Computer Hardware & Software	$	20,227
Building Purchases	$	18,471
559 King St - ESA	$	20,059
334 King St - ESA	$	348
Replace Number of Selected Poles	$	2,691
Air Break Switch Replacement	$	16,875
Fault Current Indicator Installation	$	9,346
Taylor's Field	$	-
Bourgeois Lane	$	-
44 KV Arrestors at SCADA	$	842
845 King St. - ESA	$	18,173
Borsa Lane	$	20,015
Misc. Services - Engineering	$	5,039
AutoCad/Dromey Upgrades		
Tools and Test Equipment	$	26,367
Meters	$	20,002
Refurbishment of Transformers	$	27,203
Engineering - Fourth St. Substation	$	-
Mini Van Purchase	$	25,473
Storage Cage for Propane	$	1,519
SCADA - 3 RTU's	$	8,952
Pole Trailer	$	18,452
Total Budget Spending	**$**	**1,526,104**
Additional Capital Work:		
New Connections	$	7,006
Queen Street	$	20,024
Misc. Capital Work	$	27,493
Red Carpet Inn	$	4,055
Net Additional Capital Work	**$**	**58,578**
Total Additions 2008	**$**	**1,584,681**

Midland is on target to complete the 2008 capital projects as projected and as budgeted except for the developer contributions.

b) The 2008 capital spending update is included under (a) above. The 2009 capital spending update is as set out under the three year capital plan provided in question #21(b).

c) The 2007 Capital Spending as at October 31, 2007 is as follows.

Capital Spending
for the 10 month period ended October 31, 2007

Project	Actual
Billing Software	$ 142,024
Queen St Rebuild	$ 46,565
Tiffin Park 44KV Rebuild	$ 17,405
Scott St. Substation	$ 391,142
Bucket Truck	$ 132,987
Computer Hardware & Software	$ 16,365
Building Purchases	$ 8,630
Pole Projects	$ 44,284
44 KV Arrestors/Scada	$ 11,299
Tools	$ 33,981
Implements Shelter	$ 30,694
Meters	$ 18,169
Transformers	$ 27,069
Total Budget Spending	**$ 920,614**
Additional Purchases:	
New Connections - Customer Demand	$ 10,069
Ground Grid - Substations	$ 24,394
Red Carpet Inn	$ 4,277
Total Additional Purchases/Adjustments	**$ 38,740**
Total Additions 2007	**$ 959,354**

Question #20

Reference: Exhibit 2/Tab 3/Schedule 1, page 15

a) Please advise as to the date that Harris Computer Systems purchased Advanced CIS.
b) Was MPUC aware that Advanced CIS might be purchased when MPUC decided to choose Harris?
c) How many billing software providers did MPUC consider before choosing Harris?
d) Please provide the details as to why MPUC determined that Harris was to be preferred to other alternatives.

Response:

a) Midland was informed that Harris Computer Systems purchased Advanced CIS on June 14, 2006.

b) No, Midland was not aware that Advanced CIS might be purchased when Midland decided to choose Harris. However, Midland was aware a number of LDCs had moved their billing platform away from Advanced to Harris and was concerned that as the number of LDCs decreased, Midland's costs would increase to cover the changes as a result of both regulatory and software upgrades.

c) Midland also made some general inquiries on the SAP model, but our initial investigation revealed that the costs of this program would far exceed the Harris model.

d) The Harris billing system was used by over 40 LDC's throughout Ontario. Midland is a member of the CHEC Group and through this affiliation knew that a number of LDCs in the group were using the software program Harris. Midland was able to review the program in detail and received many positive references from LDCs who were currently using the software. Midland also

received advice from our Auditor, BDO on LDC billing software programs used by other clients. Midland would refer VECC to Board IR #22 for a further discussion on the Harris billing software.

Question #21

Reference: Exhibit 2/Tab 3/Schedule 1

a) Please provide the capital spending budgeted for 2005, 2006, and 2007 and provide an explanation for any variances exceeding 10% between the amount budgeted and amount spent in each year.

b) Does MPUC develop a multi-year capital plan? If so, please provide the most recent plan.

Response:

a)

2005

The following summary provides the capital project budget vs. actual spending for the 2005 year:

Capital Budget Actual vs Budget
for the year 2005

Project		Actual		Budget	% over / under budget
44kV Distribution System	$	328,389	$	335,000	1.97%
Kabar Replacements	$	51,322	$	73,000	29.70%
Poleline Projects	$	107,867	$	113,400	4.88%
Building Renovations	$	4,000	$	4,500	11.11%
Meters	$	7,950	$	12,000	33.75%
Distribution Transformers	$	28,892	$	28,000	-3.19%
Computer Software & Hardware	$	7,336	$	6,000	-22.27%
Total	**$**	**535,756**	**$**	**571,900**	**6.32%**
Additional Capital Work:					
Tools	$	2,155			
Office Equipment	$	4,150			
Total Capital Additions	**$**	**542,061**			

Kabar Replacements

The budget allowed for replacement of kabars and primary elbow termination. Fewer terminations than expected were required therefore reducing material and labour costs.

Building Renovations

The contractor hired to paint the exterior metal structure had factored in cost for the rental of an aerial device. The rental was not required.

Meters

Fewer commercial meters were purchased as compared to the estimated quantity of proposed building units.

Computer Hardware & Software

An additional upgrade to the Advanced billing software was required during the 2005 year.

2006

The following summary provides the capital project budget vs. actual spending for the 2006 year:

Capital Budget Actual vs Budget for the year 2006

Project	Actual	Budget	% over / under budget
Substation Infrastructure Study	$ 51,532	$ 50,000	-3.06%
44 KV Rebuild	$ 372,582	$ 379,100	1.72%
Wholesale Metering Points	$ 67,120	$ 150,000	55.25%
Digger/Derrick	$ 212,863	$ 233,280	8.75%
Poleline Projects	$ 38,478	$ 39,700	3.08%
Stone for Brandon & Dorion Sub-Stations	$ 8,617	$ 5,300	-62.58%
Fault Current Indicators	$ 2,962	$ 4,400	32.68%
Transformers	$ 28,295	$ 28,200	-0.34%
Tilt Trailer & Vehicle Purchase	$ 35,616	$ 36,900	3.48%
Meter Purchases	$ 44,908	$ 41,500	-8.21%
Tools	$ 6,704	$ 6,800	1.41%
SCADA	$ 8,245	$ 10,000	17.55%
Generator	$ 5,442	$ 6,000	9.30%
Computer Hardware & Software	$ 50,507	$ 51,200	1.35%
Kabar Replacements	$ 5,044	$ 5,000	-0.88%
Office/Building Purchases	$ 5,673	$ 4,700	-20.70%
Total Capital Budget Spending	$ 944,588	$ 1,052,080	10.22%
Additional Capital Work:			
Scott St. Sub-Station	$ 2,444		
Lift Truck	$ 11,556		
Total Additional Capital Work	$ 14,000	$ -	
Contributed Capital	$ 167,863		
Total Capital Additions	**$ 1,126,451**	**$ 1,052,080**	

Wholesale Metering

The wholesale meters to be replaced in 2006 were the primary meters on the 98-M2 and the 98-M4 and the Firth Station metering point. The 98-M2 and 98 M-4 were completed in 2006. Due to the strike at Hydro One in the summer of 2005, Midland was unable to obtain estimates on the costs to be incurred from Hydro One for the metering points. In addition, the Firth Station metering point was not replaced. Subsequent to the strike, Midland met with Hydro One and determined that due to the location of the metering point (within the Hydro One substation)

the costs of relocating this metering point outside the substation would be excessive. Consequently, due to the additional costs involved in relocating this metering point, the decision was made to deregister the metering at the station.

Stone for Brandon & Dorion Substations

The budget for the installation of stone included the Brandon and Dorion Substations only. As a result of the ESA due diligence field inspection recommendation, stone was installed at four substations – Brandon, Dorion, Queen and Fourth Street.

Fault current indicators

Ideal conditions for the installation of the FCIs progressed quicker than planned reducing labour costs.

SCADA

The cost of the RTU repair included contract labour to perform the mapping files. Midland completed this mapping with inhouse labour which was not capitalized.

Office/Building Purchases

Midland was required to purchase additional office furniture and filing cabinets.

Lift Truck

In 2006, the lift truck was unable to be repaired and required replacement.

2007

The following summary provides the capital project budget vs. actual spending for the 2007 year:

Capital Budget Actual vs Budget for the year 2007

Project	Actual	Budget	%(over)/ under budget
Billing Software	$ 142,024	$ 131,300	-8.17%
Queen St Rebuild	$ 77,374	$ 76,200	-1.54%
Tiffin Park 44KV Rebuild	$ 57,878	$ 55,000	-5.23%
Scott St. Substation	$ 691,737	$ 650,000	-6.42%
Bucket Truck	$ 132,987	$ 129,600	-2.61%
Computer Hardware & Software	$ 20,911	$ 19,200	-8.91%
Building Purchases	$ 9,665	$ 10,100	4.31%
Pole Projects	$ 55,193	$ 45,300	-21.84%
44 KV Arrestors/Scada	$ 23,845	$ 10,000	-138.45%
Tools	$ 40,179	$ 30,000	-33.93%
Implements Shelter	$ 30,694	$ 28,000	-9.62%
Meters	$ 20,511	$ 21,100	2.79%
Transformers	$ 48,611	$ 5,400	-800.20%
Total Capital Budget Spending	**$ 1,351,609**	**$ 1,211,200**	-11.59%
Additional Capital Work:			
New Connections - Customer Demand	$ 12,922		
Ground Grid - Substations	$ 24,394		
Red Carpet Inn	$ 4,277		
Adj - cost base of 06 truck	$ 19,000		
Total Additional Capital Work	$ 60,593	$ -	
Contributed Capital	$ 258,431		
Total Capital Additions	**$ 1,670,633**	**$ 1,211,200**	

Pole Line Rebuilds

During the year $45,300 was budgeted to overhead pole projects. New pole construction at Borsa Lane, Bourgeois Lane/Perrin's, Bourgeois Lane/Bell Canada, Huron Park, Super 8 and Bayport Marina were completed in 2007 at a cost of $41,600. Other small overhead projects were completed throughout the year which left a variance of $13,600.

44 Kv arrestors

The additional pole height required to obtain the standard clearances made it unsafe for Midland crews to install the arrestors on the 44 Kv sub-transmission lines. A contractor with an aerial truck with higher reach was hired to perform the work. One additional pole was required to complete the job.

Tools

Midland's cable locator was defective and needed to be replaced. In addition, new climbing gear was purchased to replace existing worn gear and to purchase new gear for two new line staff. Both of these items totaled $12,000 which was not included in the budget

Transformers

An additional two transformers were sent out to be refurbished. Additional transformers were required to replenish inventories.

Substation Ground Grid

The ground grids at two of Midland's substations were replaced as a result of theft of copper wire. Upon inspection of the substations it was recommended by Rondar that the ground grid be completely renewed to provide employee safety.

b) Midland prepares a three year capital plan. Below is a copy of our most recent 3 year plan.

3 Year Capital Plan

	2009 $	2010 $	2011 $
Fourth Street Sub Station Upgrade	1,262,800		
Pole Line Rebuilds	548,600	399,100	387,900
Economic Evaluation	400,000	200,000	200,000
Air Break Switch Replacement Program	31,500	31,500	31,500
Fault Current Indicator Installation Program	10,400	10,400	10,400
Kabar Replamements	40,000	40,000	40,000
Dorion Street Sub Station Upgrade	30,000	1,243,100	
Montreal/Queen Sub Station Upgrade			576,000
Computer Hardware & Software Upgrades	38,600	175,000	25,000
Building and Operations Yard Renovations	35,000	15,000	0
Tools	10,000	10,000	10,000
Meters	10,800	10,800	10,800
Transformers	16,200	16,200	16,200
Vehicle - Bucket Truck & Metering Van	386,500	25,000	0
	2,820,400	2,176,100	1,307,800

At the time of filing of the Rate Application, the 2009 capital spending totaled $2,698,540. The table above indicates capital spending of $2,820,400. The following table provides a reconciliation of the variance:

Reconcilation between Rate Application and VECC IR#21

	2009 Rate Appl'n	VECC IR #21
Fourth Street Sub Station Upgrade	1,234,800	1,262,800
Pole Line Rebuilds	406,600	548,600
Economic Evaluation	400,000	400,000
Air Break Switch Replacement Program	31,200	31,500
Fault Current Indicator Installation Program	11,900	10,400
Kabar Replamements	40,000	40,000
Dorion Street Sub Station Upgrade	30,000	30,000
Computer Hardware & Software Upgrades	139,040	38,600
Building and Operations Yard Renovations	35,000	35,000
Tools	10,000	10,000
Meters	10,000	10,800
Transformers	15,000	16,200
Vehicle - Bucket Truck & Metering Van	335,000	386,500
Total Capital Budget Spending	**2,698,540**	**2,820,400**
Add: Contributed Capital	273,500	273,500
Total Capital Additions	**2,972,040**	**3,093,900**

This variance can be explained by the increase in the fourth street substation project, an increase in pole line work, the removal of the SCADA software and the increase in the purchase of the bucket truck for an overall increase in budget of $121,860.

This budget reflects more up-to-date spending and Midland would respectfully request that this budget be considered as the capital program for 2009 for the purpose of setting the 2009 rates.

Question #22

Reference: Exhibit 2/Tab 3/Schedule 7, page 1

a) With respect to developer installed projects, please explain (i) how the expansion deposit has been determined and how it will be reduced, (ii) where the carrying costs/revenues of the deposit are recorded, (iii) how the transfer price for the assets is determined, and (iv) the relationship between the developers costs, the transfer fee, and the associated change in rate base.

Response:

a) With respect to developer installed system expansion projects Midland follows Section 3.2 Expansion of the Distribution System Code.

(i) For expansions installed by a developer Midland requires the customer to provide an expansion deposit. Where a capital contribution is required the expansion deposit is based on the present value of the forecasted revenues over the 25 year revenue horizon. Where no capital contribution is required, the expansion deposit is based on the present value of the forecasted costs.

This expansion deposit is reduced annually based on a proportion of the actual connections that materialized in that year. This calculation is performed only for the duration of the customer connection horizon. Any remaining portion of the expansion deposit at the end of the customer connection horizon is retained by Midland and recorded as a capital contribution.

(ii) If the expansion deposit is in the form of cash, Midland records the deposit as a liability owing to the developer. Carrying costs are accrued on a monthly basis at a rate of prime less 2% which is also recorded as a developer liability.

(iii) The transfer price of the asset is determined to be the lower of the cost to the developer to construct the expansion facilities, or the amount set out in Midland's initial offer to do the contestable work.

(iv) Midland records the transfer price of the expansion facility as a fixed asset. If the present value of the cost exceeds the present value of the revenues, the developer is required to pay the difference to Midland who records this amount as a capital contribution. Both of these transactions combined result in a net increase to the rate base.

Question #23

Reference: Exhibit 2/Tab 3/Schedule 8, pages 2-3

a) Please provide a list of MPUC's vehicles showing vehicle age, mileage, and expected replacement date for each vehicle.

Response:

Below is a copy of Midland's vehicle replacement plan.

Vehicle Replacement Plan

MODEL YEAR	PURCHASE YEAR	MAKE	TYPE	LICENCE	VIN NUMBER	Odometer Rdg Oct-08	YEAR OF REPLACEMENT
2007	2006	INT'L	DIGGER/DERRICK	VZ1908	1HTMKAAR77H358208	8,387	2017
2007	2007	FORD F-550	SINGLE BUCKET 32'	8263CR	1FDAF56PX7EB37251	26,317	2016
1993	1993	GMC KODIAK	SINGLE BUCKET 42'	XK8019	1GBM7H1J7PJ1OO298	57,684	
1990	1990	GMC TOPKICK	DOUBLE BUCKET 52'	VM7216	1GDP7H1J3LJ606810	41,480	2009
1997	1997	GMC SAFARI	VAN	9396CT	1GTDM19W1VB542271	107,132	2009
1999	1999	DODGE	CARAVAN	4011EY	2B4GP2432XR187958	92,388	2010
2005	2005	GMC SIERRA	PICKUP TRUCK	8062CW	2GTEC19V451260396	58,442	2015
2006	2008	TOYOTA RAV 4	TOYOTA RAV 4	BCFY426	JTMBD33V866005524	61,282	2016
2006	2006	GMC SIERRA	PICKUP TRUCK	ZM7919	2GTEC19V461328990	34,175	2014
1986	2006		FORK LIFT	NO LIC.	VIN# C356L-0220-9393FB		2014
	1996		UTILITY TRAILER	J48641	2U9TY158XT1016165		2020
	1996		TENSION TRAILER	R40177	2T9G11F16TAO22010		2015
	2006		DUMP TRAILER	D6802J	2CPUSB2F16A006740		2014
	2008		POLE TRAILER	P70779	2U9TP99198W009006		2016

Question #24

Reference: Exhibit 3/Tab 1/Schedule 4

a) Please provide a table shlist of MPUC's vehicles showing vehicle age, mileage, and expected replacement date.

Response:

This question appears to be a duplicate of Question #23 above.

Question #25

Reference: Exhibit 4/Tab 2/Schedule 2, page 47

a) Has the new management position been filled yet? If so, please indicate the date of hire and how the associated OM&A costs have been allocated. If not, please indicate the expected date of hire.

Response:

Although it was expected the position would be filled in October 2008, Midland is currently interviewing candidates. Midland's current plan is to have this position filled by the end of 2008 or early 2009.

Question #26

Reference: Exhibit 4/Tab 2/Schedule 8

a) Please explain why management incentive compensation has increased so much in 2008 and 2009 relative to 2006.
b) Please explain why management incentives spiked in 2007.
c) Please provide the escalations provided for in union wages and benefits in the current collective agreement.
d) Please provide the term of the current collective agreement.

Response:

a) The incentive is provided to management staff to encourage
    - continuous process improvements;
    - cost saving measures;
    - adherence to safety standards;
    - to exceed OEB Service Quality Indicators.

    The incentive of $22,500 paid in 2006 was based in part on income results from 2005 in comparison to budget and applying the principles stated above. In 2008 the incentive was based in part on income results from 2007 in comparison to budget and again applying the principals stated above. For 2009 an estimated incentive payment of $25,000 has been included in this rate application.

b) The incentive of $52,300 paid in 2007 was based in part on income results from 2006 in comparison to budget and in applying the principles stated in part a) above. Therefore the reason for the spike was the result of a higher net income over budget than the other years.

c) The current collective agreement provided for the following escalations:

Outside Workers	March 1, 2006	$0.10 + 3%
	March 1, 2007	$0.20 + 3%
	March 1, 2008	$0.20 + 3%
Inside Workers	March 1, 2006, 2007, 2008	3%

d) The term of the current collective agreement is March 1, 2006 to February 29, 2009.

Question #27

Reference: Exhibit 6/Tab 1/Schedule 1, pages 2-3

a) Please provide an update with respect to the additional debt that MPUC intends to secure for 2009.

Response:

Based on the rates achieved in this Application, Midland projects that it will require between $1.5M and $2M in financing in order to accomplish the 2009 capital projects.