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December 16, 2008

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Innisfil Hydro Distribution Systems Limited
Application for 2009 Electricity Distribution Rates
Board File No. EB-2008-0233

Please find enclosed the second round of interrogatories submitted on behalf of VECC.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Innisfil Hydro Distribution Systems Limited (IHDSL)

2009 RATE APPLICATION

VECC Round 2 IRs

Question #17

Reference: Schools Energy Coalition IR #18 c)

- a) Please explain more fully why and how (in IHDSL's view) the geometric mean approach addresses outliers appropriately?

Response #17

An example will be used to provide a fuller explanation. The following table shows the number of customers in the GS>50kW class as per the application, column A, and an illustrative example, column B. In column A the growth rate in customer numbers is determined and the geometric mean growth rate is -0.28%. It appears the customer numbers in 2005 and 2006 in column A are producing growth rates that could be classified as "outliers". However, when the customer numbers in 2005 and 2006 are average and the average number of 75 is used for both years the resulting growth rate does not appear to be an outlier. In this case, the geometric mean growth rate is still -0.28 since the geometric mean growth rate is the compounding growth rate from 2002 to 2007. As a result, it is IHDSL view that the geometric mean approach addresses the issues of outliers.

	General Service > 50 to 999 kW As per Application (A)	General Service > 50 to 999 kW Illustrative Example (B)
Customer Numbers		
2002	73	73
2003	73	73
2004	74	74
2005	82	75
2006	67	75
2007	72	72
Growth Rate in Customer Numbers		
2002		
2003	1.0000	1.0000
2004	1.0137	1.0137
2005	1.1081	1.0068
2006	0.8171	1.0000
2007	1.0746	0.9664
Geometric Mean	0.9972	0.9972
or	-0.28%	-0.28%

Question #18

Reference: Energy Probe IR #2 d) and #4

- a) Energy Probe #4 shows that the September 2008 customer count for the Residential and GS<50 customer classes exceeds IHSDL's 2008 year-end forecast. Please update the 2008 and 2009 customer count forecast for these two classes and update the overall 2009 load forecast by customer class provided in response to Energy Probe # 2 d) accordingly.
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Response #18

The September 2008 customer count for the Residential and GS<50 kW customer classes represent the number of customers billed during the month of September 2008. To achieve an accurate recovery of the revenue requirement, it is Innisfil Hydro's view the annualized/average number of customers that need to be taken into consideration and not the December 2008 (i.e. yearend) customer count. If the December 2008 customer count was utilized to verify the 2008 fixed revenue it would result in an overstatement of the estimated fixed revenue compared to the actual fixed revenue billed to customers in 2008.

The following table reflects the most current estimated annualized customer count for 2008 of 13,298 for Residential and 837 for GS<50 compared to the cost of service application in Exhibit 3/Tab 2/Schedule 3 page 2, 13,321 and 829 respectively. The most current annualized customer forecast is showing a total of 14,135 for Residential and GS<50 compared to the cost of service application for the same customer classes totaling 14,150.

The annualized customer count is determined by the applicable month's number of customers billed and applying the related month's weighting factor. For example May 2008 had 13,240 customers billed for that month. The annualized customers would equal 13,218 ($13,240 \times 0.67$).

The distribution revenue calculated in Exhibit 7/Tab 1/ Schedule 1 page 2 tries to determine the amount of distribution revenue from the existing rates using an annualized customer count in order to match how Innisfil Hydro each month bills a different number of customers and then determines the resulting revenue deficiency.

Residential and GS<50 billed by year each month

	2008			2007	
	Residential	GS<50		Residential	GS<50
Jan	13,149	831	Jan	12,963	816
Feb	13,164	832	Feb	12,973	818
Mar	13,185	833	Mar	12,975	820
Apr	13,202	834	Apr	12,979	819
May	13,240	838	May	12,984	818
Jun	13,277	836	Jun	12,991	819
Jul	13,308	836	Jul	13,011	824
Aug	13,349	837	Aug	13,034	821
Sep	13,384	839	Sep	13,055	824
Oct-forecast	13,420	841	Oct	13,090	826
Nov-forecast	13,434	840	Nov	13,104	825
Dec-forecast	13,463	846	Dec	13,132	831
Annual/Average	13,298	837		13,024	822

	Month Weighting
Jan	1.00
Feb	0.92
Mar	0.83
Apr	0.75
May	0.67
Jun	0.58
Jul	0.50
Aug	0.42
Sep	0.33
Oct	0.25
Nov	0.17
Dec	0.08

Annualized/Average billed customer by year by month

	2008			2007	
	Residential	GS<50		Residential	GS<50
Jan	13,149	831	Jan	12,963	816
Feb	13,163	832	Feb	12,972	818
Mar	13,180	833	Mar	12,974	820
Apr	13,193	834	Apr	12,977	819
May	13,218	836	May	12,980	818
Jun	13,240	835	Jun	12,984	819
Jul	13,255	835	Jul	12,994	821
Aug	13,273	835	Aug	13,004	820
Sep	13,284	836	Sep	13,011	821
Oct-forecast	13,293	837	Oct	13,020	821
Nov-forecast	13,296	836	Nov	13,022	821
Dec-forecast	13,298	837	Dec	13,024	822
08' bridge forecast	13,321	829			

The net result is a higher customer count is being forecasted in the 2009 cost of service filing than the most current estimated annualized customer count for 2008. Innisfil Hydro's position is the customer count and load provided for 2008 and 2009 for Residential and GS>50 classes in the cost of service application do not require upward adjustments.

Question #19

Reference: OEB Staff IR #6.2.

a) With respect to Table 6.23, please provide the 2008 values.

Response #19

Here is Table 6.23 as provided by the Town of Innisfil Planning Department with updated values as at December 16, 2008.

Estimated New Dwelling construction activity													
Area	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Alcona	425	190	260	260	260	260	260	260	260	260	260	260	260
Cookstown		0	50	50	50	50	50	50					
Gilford			2	2	2	2	2	2	2	2	2		
Lefroy				50	50	50	50	50	50	50	50	50	50
Big Bay Point (Res)					100	100	100	100	100	100	100	100	100
New Growth Areas							100	100	100	100	100	100	100
Balance (rural)	25	10	25	25	25	25	25	25	25	25	25	25	25
Totals	450	200	337	387	487	487	587	587	537	537	537	535	535

Area	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Totals	Population
													30,000
Alcona	260	260	260	260	260	260	260	260	260	260	260	3,475	10,078
Cookstown												300	870
Gilford												18	52
Lefroy	50	50	50	50	50	50	50	50	50	50	50	500	1,450
Big Bay Point (Res)	100	100	100	100	100	100	100					900	2,610
												-	-
New Growth Areas	100	100	100	100	100	100	100	100	100	100	100	700	2,030
Balance (rural)	25	25	25	25	25	25	25	25	25	25	25	310	899
Totals	535	535	535	535	535	535	535	435	435	435	435	6,203	47,989

Question #20

Reference: VECC #1 d).

- a) The response provided used a different set of adjustments than those set out in VECC's original question. Please provide an alternate cost allocation run adjusted as per VECC's request.
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Response #20

As per clarification conference call on December 11, 2008 with Bill Harper, Laurie Ann Cooledge, Bruce Bacon, Dave Proctor and Daria Babaie, Innisfil Hydro is providing an alternate cost allocation run adjusted per VECC's request below. Just to confirm in I3 the transformer allowance is zero and in I6 the distribution revenue has been reduced by the transformer allowance.



2006 COST ALLOCATION INFORMATION FILING
Innisfil Hydro Distribution Systems Limited

EB-2005-0382 EB-2006-0247

Monday, January 15, 2007

Sheet 01 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets	Total	1	2	3	7	8	9
		Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
crev Distribution Revenue (sale)	\$6,238,408	\$4,957,254	\$595,079	\$609,081	\$35,495	\$5,301	\$36,198
mi Miscellaneous Revenue (mi)	\$438,862	\$359,266	\$41,635	\$19,415	\$5,760	\$731	\$12,054
Total Revenue	\$6,677,270	\$5,316,520	\$636,714	\$628,496	\$41,255	\$6,032	\$48,252
Expenses							
di Distribution Costs (di)	\$846,527	\$664,040	\$50,216	\$49,770	\$72,695	\$5,766	\$4,040
cu Customer Related Costs (cu)	\$909,647	\$721,208	\$87,144	\$66,373	\$8,855	\$1,295	\$24,772
ad General and Administration (ad)	\$922,355	\$727,275	\$71,853	\$60,937	\$43,727	\$3,770	\$14,793
dep Depreciation and Amortization (dep)	\$1,454,453	\$1,130,845	\$101,357	\$92,189	\$114,549	\$9,085	\$6,429
INPUT PILs (INPUT)	\$761,785	\$593,318	\$52,393	\$49,432	\$58,651	\$4,656	\$3,335
INT Interest	\$900,562	\$701,405	\$61,938	\$58,438	\$69,336	\$5,504	\$3,942
Total Expenses	\$5,795,328	\$4,538,092	\$424,900	\$377,139	\$367,812	\$30,075	\$57,311
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI Allocated Net Income (NI)	\$881,942	\$686,903	\$60,657	\$57,229	\$67,902	\$5,390	\$3,861
Revenue Requirement (includes NI)	\$6,677,270	\$5,224,995	\$485,557	\$434,368	\$435,714	\$35,465	\$61,172
Revenue Requirement Input equals Output							
Rate Base Calculation							
Net Assets							
dp Distribution Plant - Gross	\$34,228,605	\$26,619,017	\$2,389,255	\$2,238,785	\$2,625,035	\$208,256	\$148,257
gp General Plant - Gross	\$3,054,045	\$2,381,266	\$205,881	\$193,107	\$241,042	\$19,129	\$13,620
accum dep Accumulated Depreciation (dep)	(\$18,087,072)	(\$14,033,321)	(\$1,301,114)	(\$1,218,156)	(\$1,351,055)	(\$107,153)	(\$76,272)
co Capital Contribution	(\$2,224,487)	(\$1,747,569)	(\$129,054)	(\$115,214)	(\$205,208)	(\$16,264)	(\$11,179)
Total Net Plant	\$16,971,092	\$13,219,393	\$1,164,967	\$1,098,522	\$1,309,814	\$103,968	\$74,426
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP							
Cost of Power (COP)	\$14,524,264	\$10,092,480	\$1,674,425	\$2,619,727	\$80,158	\$9,336	\$48,138
OM&A Expenses	\$2,678,528	\$2,112,523	\$209,213	\$177,080	\$125,277	\$10,831	\$43,605
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$17,202,792	\$12,205,003	\$1,883,637	\$2,796,807	\$205,434	\$20,167	\$91,743
Working Capital	\$2,580,419	\$1,830,750	\$282,546	\$419,521	\$30,815	\$3,025	\$13,762
Total Rate Base	\$19,551,511	\$15,050,144	\$1,447,513	\$1,518,044	\$1,340,629	\$106,993	\$88,188
Rate Base Input equals Output							
Equity Component of Rate Base	\$9,775,755	\$7,525,072	\$723,757	\$759,022	\$670,314	\$53,497	\$44,094
Net Income on Allocated Assets	\$881,941	\$778,429	\$211,814	\$251,357	(\$326,557)	(\$24,043)	(\$9,059)
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$881,941	\$778,429	\$211,814	\$251,357	(\$326,557)	(\$24,043)	(\$9,059)
RATIOS ANALYSIS							
REVENUE TO EXPENSES %	100.00%	101.75%	131.13%	144.69%	9.47%	17.01%	78.88%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$1)	\$91,525	\$151,157	\$194,128	(\$394,459)	(\$29,433)	(\$12,919)
RETURN ON EQUITY COMPONENT OF RATE BASE	9.02%	10.34%	29.27%	33.12%	-48.72%	-44.94%	-20.54%

Question #21

Reference: VECC #2 a)

- The response indicates that Column A values are based on the 2006 Cost Allocation Informational filing with the \$10,284 associated with the transformer ownership allowance removed from the GS>50 kW class. However, the \$10,284 represents the 2009 “cost” of the transformer ownership allowance discount (per VECC #1 c)). Was the “cost” of the transformer ownership allowance also \$10,284 for 2006?
- If not, please what adjustments must be made to the Application?
- Also, if not, please revise the response to VECC #1 d) accordingly.

Response #21

- The cost of the transformer ownership allowance was \$8,954 for 2006.
- Exhibit 8/Tab 1/Schedule 2/Page 3/Table 3 had deducted \$10,091 as the transformer allowance for 2006 cost allocation to the GS>50 kW. The following table reflects the correct transformer allowance for 2006 cost allocation of \$8,954 in column A. The result of this change is \$1,137 (\$10,091-\$8,954) increase to the GS>50 kW customer class in column A of the table below had no impact on the calculated R/C ratios in column L. The table was provided in interrogatory #4b).

IHDSL Revenue / Cost Ratio Reconciliation

Table 3

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Cust Class \$ in A / Total \$ of A	Cust Class Ratio in B * Total \$ of C		Column C + Column D	Revenue Proportion to bring 2009 Revenues to Cot Allocation R/C results	Column F * Total \$ in Column G			Column G + Column H		Column G + Column H	Column K / Column E
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	Assumed 100% R/C Ratio		2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Total Revenue Cost Allocation	Calculated R/C Ratios	Cost Allocation Filing R/C Ratios
Res	5,231,859	78.35%	6,457,634		6,457,634	79.483%	6,160,266		6,160,266	402,159	6,562,425	101.6%	101.6%
<50kW	486,106	7.28%	599,996		599,996	9.539%	739,290		739,290	46,606	785,896	131.0%	131.0%
>50kW	425,942	6.38%	525,736	10,284	536,020	9.725%	753,703	10,284	763,987	21,733	785,720	146.6%	146.6%
Street L	436,664	6.54%	538,970		538,970	0.574%	44,486		44,486	6,448	50,934	9.5%	9.5%
Sent L	35,538	0.53%	43,864		43,864	0.085%	6,626		6,626	818	7,444	17.0%	17.0%
USL	61,161	0.92%	75,490		75,490	0.594%	46,063		46,063	13,493	59,556	78.9%	78.9%
Total	6,677,270		8,241,691	10,284	8,251,975	100.000%	7,750,434	10,284	7,760,718	491,257	8,251,975		

- The revised response to VECC #1 d) in question 21 a) above takes into consideration the \$8,954 transformer ownership allowance adjustment to the cost allocation model for the customer class GS>50 kW.

Question #22

Reference: VECC #4 a)

- a) The response does not reflect the impact of the transformer ownership allowance on class revenues, as requested in the original IR. Please provide a revised response that reflects the lower rates applicable for transformer ownership where appropriate.

Response #22

As per clarification conference call on December 11, 2008 with Bill Harper, Laurie Ann Cooledge, Bruce Bacon, Dave Proctor and Daria Babaie, Innisfil Hydro is providing an updated table that reflects the lower rates applicable for transformer ownership for the GS>50 kW customer class below. The total variable charge for the GS>50 kW is the product of the 115,534 kW and the volumetric rate of \$2.8045 less the transformer ownership of \$10,284 which equals \$313,713.

Excl TA											
Customer Class	2009 Billing Determinants			2008 Rates							
	Customers / Connections	kwh	kW	Monthly S/C \$	Volumetric Rates \$	Total Fixed Charges	Fixed Charge %	Total Variable Charge	Variable Charge %	Total Charges	Total Charge %
Residential	13,512	153,846,698		19.24	0.0140	\$3,119,651	59.16%	\$2,153,854	40.84%	\$5,273,504	79.092%
GS < 50kW	827	31,019,894		36.49	0.0107	362,127	52.18%	331,913	47.82%	694,040	10.409%
GS > 50kW	72	39,978,179	115,534	359.80	2.8045	310,867	49.77%	313,731	50.23%	624,598	9.368%
Street Lights	2,810	1,652,371	4,924	0.67	4.6396	22,592	49.72%	22,845	50.28%	45,438	0.681%
Sentinel Lights	193	123,512	344	1.34	6.6447	3,103	57.59%	2,286	42.41%	5,389	0.081%
USL	85	562,039		18.25	0.0106	18,615	75.76%	5,958	24.24%	24,573	0.369%
Total						\$3,836,955	57.55%	\$2,830,587	42.45%	\$6,667,542	100.0%

Question #23

Reference: VECC #4 b)

- a) The original question requested that a comparison and comments be provided regarding the percentage of revenues allocated to the residential class in the Application (Exhibit 8/Tab 1/Schedule 2 – Table 4) relative to results of VECC #4 a). However, the response compared the percentages in the Application to the results of the Cost Allocation Informational filing. Please provide a response to VECC #4 b) based on the comparison requested.

Response #23

As per clarification conference call on December 11, 2008 with Bill Harper, Laurie Ann Cooledge, Bruce Bacon, Dave Proctor and Daria Babaie, Innisfil Hydro is providing the following updated comments and tables.

The tables below provide the following revenue proportions for the residential customer class:

- Step 1 79.092% based on 2009 bill determinants
- Step 2 79.483% to bring 2009 revenue to cost allocation R/C ratio results
- Step 3 79.110% Innisfil Hydro proposed revenue proportion

In order to determine whether the revenue to cost ratios are moving in the expected direction as the proposed revenue proportions, the comparison must be made between steps 2 and step 3 as opposed to step 1 and step 3.

Step 1: Use revenue splits from VECC Response 21a) in column F. The result is the revenue to cost ratios are not the same as the cost allocation informational filing.

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Cust Class \$ in A / Total \$ of A	Cust Class Ratio in B * Total \$ of C		Column C + Column D	Revenue Proportion from VECC 4a which is existing class rev split	Column F * Total \$ in Column G		Column G + Column H		Column G + Column H	Column K / Column E	
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	Assumed 100% R/C Ratio		2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Total Revenue Cost Allocation	Calculated R/C Ratios	Cost Allocation Filing R/C Ratios
Res	5,231,859	78.35%	6,457,634		6,457,634	79.092%	6,129,987		6,129,987	402,159	6,532,146	101.2%	101.6%
<50kW	486,106	7.28%	599,996		599,996	10.409%	806,760		806,760	46,606	853,366	142.2%	131.0%
>50kW	425,942	6.38%	525,736	10,284	536,020	9.368%	726,041	10,284	736,325	21,733	758,058	141.4%	146.6%
Street L	436,664	6.54%	538,970		538,970	0.681%	52,817		52,817	6,448	59,265	11.0%	9.5%
Sent L	35,538	0.53%	43,864		43,864	0.081%	6,264		6,264	818	7,083	16.1%	17.0%
USL	61,161	0.92%	75,490		75,490	0.369%	28,564		28,564	13,493	42,057	55.7%	78.9%
Total	6,677,270		8,241,691	10,284	8,251,975	100.000%	7,750,434	10,284	7,760,718	491,257	8,251,975		

Step 2: Innisfil Hydro has adjusted revenue splits in column F to produce revenue to cost ratios consistent with cost allocation model. This is equivalent to the table in VECC 22a) and is the starting point for movement to the proposed Revenue/Cost ratios.

Exhibit 8/Tab 1/Schedule 2/Table 3

	A	B	C	D	E	F	G	H	I	J	K	L	M
	Cust Class \$ in A / Total \$ of A	Cust Class Ratio in B * Total \$ of C			Column C + Column D	Revenue Proportion to bring 2009	Column F * Total \$ in Column G		Column G + Column H		Column G + Column H	Column K / Column E	
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	Assumed 100% R/C Ratio	Revenues to CA R/C results	2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Total Revenue Cost Allocation	Calculated R/C Ratios	Cost Allocation Filing R/C Ratios
Res	5,231,859	78.35%	6,457,634		6,457,634	79.483%	6,160,266		6,160,266	402,159	6,562,425	101.6%	101.6%
<50kW	486,106	7.28%	599,996		599,996	9.539%	739,290		739,290	46,606	785,896	131.0%	131.0%
>50kW	425,942	6.38%	525,736	10,284	536,020	9.725%	753,703	10,284	763,987	21,733	785,720	146.6%	146.6%
Street L	436,664	6.54%	538,970		538,970	0.574%	44,486		44,486	6,448	50,934	9.5%	9.5%
Sent L	35,538	0.53%	43,864		43,864	0.085%	6,626		6,626	818	7,444	17.0%	17.0%
USL	61,161	0.92%	75,490		75,490	0.594%	46,063		46,063	13,493	59,556	78.9%	78.9%
Total	6,677,270		8,241,691	10,284	8,251,975	100.000%	7,750,434	10,284	7,760,718	491,257	8,251,975		

Innisfil Hydro 2009 Base Revenue Requirement allocation

	Revenue to Cost Ratios Per C.A. Study	2009 Service RR based on CA Study	Est 2009 Gross Revenue Split w 2004 Cost Rev Ratios	Misc Revenue Allocation 2009	Transformer Allowances 2009	Total Revenue Cost Allocation 2009	2009 Base RR proportion
Residential	101.62%	6,457,634	6,562,247	402,159		6,160,088	79.48%
GS<50 (kW)	130.98%	599,996	785,875	46,606		739,269	9.54%
GS>50 (kW)	146.58%	536,020	785,698	21,733	10,284	753,681	9.72%
Street Lights	9.45%	538,970	50,933	6,448	0	44,485	0.57%
Sentinel Lights	16.97%	43,864	7,444	818	0	6,625	0.09%
USL	78.89%	75,490	59,554	13,493		46,061	0.59%
		8,251,975	8,251,751	491,257	10,284	7,750,210	
							-223.39

Step 3: Adjust revenue splits in column F to move revenue to cost ratios in the direction of OEB acceptable ranges .
This is the updated Table 4 in VECC 4b reflecting the change to the transformer allowance in column A.

Exhibit 8/Tab 1/Schedule 2/Table 4

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Cust Class \$ in A / Total \$ of A	Cust Class Ratio in B * Total \$ of C		Column C + Column D	Column F * Total \$ in Column G			Column G + Column H		Column G + Column H 2009 Total Revenue Cost Allocation	Column K / Column E 2009 Proposed R/C Ratio	Cost Allocation Filing R/C Ratios
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	Assumed 100% R/C Ratio	2009 Proposed Revenue Proportion	2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Revenue Allocation	2009 Proposed R/C Ratio	2009 Cost Allocation Filing R/C Ratios
Res	5,231,859	78.35%	6,457,634		6,457,634	79.110%	6,131,368		6,131,368	402,159	6,533,527	101.2%	101.6%
<50kW	486,106	7.28%	599,996		599,996	8.395%	650,633		650,633	46,606	697,238	116.2%	131.0%
>50kW	425,942	6.38%	525,736	10,284	536,020	8.957%	694,206	10,284	704,490	21,733	726,223	135.5%	146.6%
Street L	436,664	6.54%	538,970		538,970	2.700%	209,262		209,262	6,448	215,709	40.0%	9.5%
Sent L	35,538	0.53%	43,864		43,864	0.233%	18,059		18,059	818	18,877	43.0%	17.0%
USL	61,161	0.92%	75,490		75,490	0.605%	46,906		46,906	13,493	60,400	80.0%	78.9%
Total	6,677,270		8,241,691	10,284	8,251,975	100.000%	7,750,434	10,284	7,760,718	491,257	8,251,975		

Question #24

Reference: VECC #14 b) & c)

- a) With respect to the response to VECC #14 b):
 - What was the date of the Concensus forecast from the 6 chartered banks used by THES?
 - The last line of the response states “2008-2010 was forecasted based on the historical actual (1998-2005).” Please clarify this statement.
- b) With respect to the response to VECC #14 c):
 - Please confirm that the 0.7% GDP growth rate is applicable to 2009 (and not 2008).
 - What were the annualized 2008 and 2009 growth rates underlying load forecast in IHDSL’s Application?

Response #24

- a) In THESL's application EB-2007-0680, Exhibit K1, Tab 6, Schedule 2, Filed Aug 2, 2008, Page 1 of 1 there are additional details associated with the Concensus forecast but it appears the date of the Concensus forecast from the 6 chartered banks is not given. In reviewing the material in the THESL application in order to respond to this interrogatory, it is Innisfil Hydro's understanding, from reading the THESL material, that for 2007 GDP the Concensus forecast was used. However, the actual historical 1998-2005 data was used to forecast the 2008 -2010 Ontario

real GDP growth rate in the THESL application. This would also suggest the historical 1998 – 2005 data was used to determine the 2006 GDP in the THESL application but this is not clear from the THESL evidence.

- b) Confirmed. For Innisfil Hydro's Application, the annualized growth rate in Ontario Real GDP is 2.4% in 2008 and 2.3% in 2009.

Question #25

Reference: IHDSL's Interrogatory Responses

- a) In its interrogatory responses IHDSL has identified a number of revisions required to its Application. Please add an additional column to Exhibit 7, Tab 1, Schedule 1 (page 2) to reflect the impact of the revisions IHDSL has acknowledged as being required and for each line item that has changed provide a cross reference to the appropriate IR responses.

Response #25

Innisfil Hydro has prepared a summary of proposed changes from the August 15, 2008 cost of service application submission. The last column reflects the impact of each of the proposed changes to the revenue deficiency.

A summary of these adjustments is as follows:

1. Energy Probe #1c) – Summary of Forecast Data: Innisfil Hydro is proposing to use the three average distribution loss factor of 4.77% instead of 5.8% as submitted in the application. This result in an overall increased customer loads of 2,301,874 kWh and reduces the revenue deficiency.
2. Energy Probe #16a) – Cost of Power: Innisfil Hydro has determined an incorrect total loss factor of 1.0498 was utilized in the quantities of the cost of power components as it relates to the working capital calculations within the application. Innisfil Hydro is proposing to update the quantities of the cost of power components using the total loss factor of 1.0746. This result in an increase to the cost of power for \$382,144 and increases the revenue deficiency.
3. Energy Probe #16c) – Cost of Power and RTSR: Innisfil Hydro has prepared an analysis of the impact for the Retail Transmission Rates in accordance with the OEB's guidelines of October 22, 2008. Innisfil Hydro is also proposing to update the power supply expense using October 15, 2008 OEB forecasted rate of \$0.0603 per kWh. This would result in an increase to the overall cost of power components of \$1,554,380 and increases the revenue deficiency.
4. OEB Staff #3.1e) – Capital Expenditures: Innisfil Hydro has determined the road widening project has been pushed back one year. Innisfil Hydro is proposing the

\$750,000 estimated project cost be removed from the 2008 bridge year capital expenditures. Also, Innisfil Hydro has most recently received an updated 2009 cost estimate from Innisfil Hydro's design engineering consultant in the amount of \$1,050,000. This results in an increase to the capital expenditure for 2009 of \$261,200.

5. OEB Staff #3.2a) – Capital Expenditures: Innisfil Hydro has determined the one of the two feeders can be deferred for a few years and will therefore not be required to pay the estimated Hydro One contribution originally submitted in the application of \$500,000. Innisfil Hydro will also reduce capital costs in relation to the constructing the second feeder in the amount of \$170,000. Innisfil Hydro is proposing to reduce the 2009 capital expenditures by \$670,000.
6. OEB Staff #3.2b) – Capital Expenditures: Innisfil Hydro has determined due to a subdivision delay in the settlement area of Lefroy will allow the postponement of line extensions totaling \$898,650. Innisfil Hydro is proposing to reduce the 2009 capital expenditures by \$898,650. The items identified in 3.1e), 3.2a) and 3.2b) will result in overall reduced capital requirements in 2009 of \$1,307,450, reduced 2009 debt by \$2,057,450, and reduce the revenue deficiency.
7. OEB Staff #4a) – Smart Meter Funding Adder: Innisfil Hydro has requested to change its Smart Meter Funding Adder of \$0.30 per customer to \$1.00 per customer in accordance with the OEB's guidelines of October 22, 2008. The impact is a bill only impact.
8. SEC #1b) – Innisfil Hydro is proposing to increase the OM&A Expenses by \$25,000 per year over four years as a result of the transition to IFRS January 2011. Innisfil Hydro is beginning the planning stage for the conversion from GAAP to IFRS and estimates a one-time cost of \$100,000 for this transition. Innisfil Hydro is aware that it may incur additional operational expenses on a yearly basis, but at this point has not included an estimate of these costs until further information is known. Innisfil Hydro will require an understanding of the OEB requirements vs. IFRS presentation of our financial records to better estimate the additional cost.

Innisfil Hydro Distribution Systems Limited

Summary of Proposed Changes

		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Revenue Deficiency
IR #	Original Submission August 15, 2008	\$1,732,770	7.19%	\$24,089,366	\$20,952,180	\$3,142,827	\$1,980,834	\$596,367	\$3,931,720	\$8,241,691	\$7,750,434	\$1,071,765
EP 1c)	Loss factor chg to load forecast Change	\$1,735,078	7.19%	\$24,121,443	\$21,166,026	\$3,174,904	\$1,980,834	\$597,025	\$3,931,720	\$8,244,657	\$7,753,400	\$1,046,120
		\$2,308	-	\$32,077	\$213,846	\$32,077	\$0	\$658	\$0	\$2,966	\$2,966	-\$25,645
EP 16a)	Loss factor chg to cost of power Change	\$1,739,201	7.19%	\$24,178,765	\$21,548,170	\$3,232,226	\$1,980,834	\$598,202	\$3,931,720	\$8,249,957	\$7,758,700	\$1,051,420
		\$4,123	-	\$57,322	\$382,144	\$57,322	\$0	\$1,177	\$0	\$5,300	\$5,300	\$5,300
EP 16c)	Commodity & RTSR update Change	\$1,755,972	7.19%	\$24,411,922	\$23,102,550	\$3,465,383	\$1,980,834	\$602,991	\$3,931,720	\$8,271,517	\$7,780,260	\$1,072,980
		\$16,771	-	\$233,157	\$1,554,380	\$233,157	\$0	\$4,789	\$0	\$21,560	\$21,560	\$21,560
OEB	Capital/Amortization/Debt Change	\$1,735,797	7.54%	\$23,039,953	\$23,102,550	\$3,465,383	\$1,924,223	\$601,512	\$3,931,720	\$8,193,251	\$7,701,994	\$994,714
		-\$20,175	0.35%	-\$1,371,969	\$0	\$0	-\$56,611	-\$1,479	\$0	-\$78,266	-\$78,266	-\$78,266
3.1e)	2008 (\$750.0k), 2009 +\$261.2k											
3.2a)	2009 (\$670.0k)											
3.2b)	2009 (\$898.65k)											
OEB 4a)	Smart Meter Funding Adder (Bill Impact only) Change	\$1,735,797	7.54%	\$23,039,953	\$23,102,550	\$3,465,383	\$1,924,223	\$601,512	\$3,931,720	\$8,193,251	\$7,701,994	\$994,714
		\$0	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SEC 1b)	IFRS reporting standards	\$1,736,067	7.54%	\$23,043,703	\$23,127,550	\$3,469,133	\$1,924,223	\$601,589	\$3,956,720	\$8,218,598	\$7,727,341	\$1,020,061
		\$270	0.00	\$3,750	\$25,000	\$3,750	\$0	\$77	\$25,000	\$25,347	\$25,347	\$25,347
Proposed at December 18, 2008		\$1,736,067	7.54%	\$23,043,703	\$23,127,550	\$3,469,133	\$1,924,223	\$601,589	\$3,956,720	\$8,218,598	\$7,727,341	\$1,020,061
Change - Proposed vs. Original		0.19%		-4.34%	10.38%	10.38%	-2.86%	0.88%	0.64%	-0.28%	-0.30%	-4.82%
		\$3,297		-\$1,045,663	\$2,175,370	\$326,306	-\$56,611	\$5,222	\$25,000	-\$23,093	-\$23,093	-\$51,704

Additional changes to the 2009 capital expenditures have arisen since the response to the OEB staff interrogatories as follows:

- 3.1e) The 2009 Urbanization project costs have increased from \$788.8k to \$1,050k.

- 3.2a) The 2009 Hydro One build double circuit costs have been deferred equaling \$670k in capital expenditure savings from the 2009 cost of service application.

Question #26

Reference: Response to VECC #11 a), Appendix C, pp 7-11 and Exhibit 2, Tab 3, Schedule 2, Table 5 and Table 6

- a) With respect to the response to VECC #11 a) in Appendix C, there is an entry on page 7 for 2008 spending of \$3,502, 918 on "Smart Metering." Please provide the actual spending to date on this initiative in 2008 and please indicate how the spending is being treated for regulatory purposes.
- b) Please confirm that in comparing the proposed 2008 and 2009 capital expenditures in the pre-filed evidence to 2008 and 2009 amounts shown in the five-year capital plan filed in response to VECC #11 a), the appropriate comparisons to be made are between the amounts shown in Table 5 and Table 6 of Exhibit 2, Tab 3, Schedule 2 and the amounts shown on page 8 of VECC #11 a) Appendix C at the line "Total Capital Budget" for 2008 and 2009. If unable to so confirm, please explain.
- c) Please indicate whether the table shown on pages 7-8 of Appendix C are "corrected" to reflect capital contributions.
- d) Please provide an explanation for the variance between the 2008 Total Capital budget of \$8,222,721 shown on page 8 of Appendix C of the response to VECC IR # 11a) with the Total 2008 Capital Expenditures of \$3,442,560 shown in Table 5 of Exhibit 2, Tab 3, Schedule 2.
- e) The five-year plan indicates a Total Capital budget of \$4,503,300 for 2009 (Appendix C, page 8), while Table 6 of Exhibit 2, Tab 3, Schedule 2 indicates Total 2009 Capital Expenditures net of contributions to be \$6,497,892 or almost \$2 M in excess of the amount in the five-year plan. Please provide an explanation for this variance.

Response #26

- a) The actual spending year to date October 31, 2008 for the Smart Meter Initiative is \$28,545. These costs are being recorded in the deferral account number 1555.
- b) Innisfil Hydro confirms the appropriate comparisons are between the amounts shown in Table 5 and 6 of Exhibit 2, Tab 3, Schedule 2 and the amounts shown of page 8 of Appendix C relating to VECC #11. The following table represents

the major project changes from the November 2007 5 year Business Plan to the 2009 Cost of Service application:

2008 & 2009 capital project comparison

November 2007 Business Plan to 2009 Cost of Service application

	2008	2009
Appendix C - Nov 2007 5 year plan	8,222,721	4,503,300
Smart meters	(3,502,918)	
Hydro One double circuit	(500,000)	500,000
9M3 9M6 extension	(658,158)	853,186
Customer demand	(119,085)	211,756
Sandy Cove		(700,000)
Wind Farm		(130,000)
27 kv line-Lefroy 7th & 4th		714,550
27 kv line-Lefroy 5th & 6th		184,100
Utility relocates		162,000
9M4 ext 20th sr 10th to 11th		199,000
E2/T3/S2/Table 5	3,442,560	
E2/T3/S2/Table 6		6,497,892

- c) The table shown on pages 7-8 of Appendix C include the capital contributions.
- d) Please see response to question 26 b) above.
- e) Please see response to question 26 b) above.