

**Responses to VECC Interrogatories
2009 Electricity Distribution Rates
ENWIN Utilities Ltd. ("EWU")
EB-2008-0227**

Question # 1

Reference: Exhibit 1 Tab 1 Schedule 14 Page 1 of 2

EWU provides senior management and corporate services to the WUC and EWE. EWU provides corporate services to the City.

- a) **Provide details of the composition of the EWU Board in terms of which party appoints the Directors- how many appointed by Windsor Canada and who appoints the non-Windsor Directors.**

All EWU Board members are appointed by the City of Windsor City Council.

- b) **How many of EWUs Directors hold positions with affiliates- indicate the number and the affiliate(s).**

The EWU Board of Directors has 6 members. Two of the EWU Board members are independent of any EWU affiliate, as required by the Affiliate Relationships Code for Transmitters and Distributors. The remaining 4 members serve as follows:

- Director 1: City of Windsor City Council, WUC Commission, WCU Board, EWE Board
- Director 2: City of Windsor City Council
- Director 3: WCU Board
- Director 4: WCU Board

- c) **Who are the Officers of Windsor Canada and EWU? To avoid use of names use Title/Position.**

WCU and EWU share 3 officers: President and CEO, VP Finance and CFO, and VP Corporate Services

d) **Which Officers of EWU also hold positions with affiliates (position and title)?**

Position with EWU	Position with Affiliate
President and CEO	President and CEO of WCU Member of the EWE Board of Directors
VP Finance and CFO	VP Finance and CFO of WCU President of EWE VP Finance and CFO of WUC
VP Corporate Services	VP Corporate Services of WCU VP Corporate Services of WUC
VP Hydro Operations	General Manager of WUC

e) **Provide the following actual 2007 and projected 2009 metrics for all affiliated business units of the City of Windsor, including WUC and EWE.**

- i. **Capital Deployed \$millions;**
- ii. **Employees (FTEs) include separately # of contract employees;**
- iii. **2007 actual and 2009 projected operating revenue; and**
- iv. **2007 actual and 2009 projected operating costs.**

This information is irrelevant to the Application.

Question # 2

**Reference: Exhibit 1 Tab 2 Schedule 3 Attachment Schedule 1-1-3
Preamble 2007 FS pg 16 Related party transactions:**

a) **Under a Management Services Agreement effective January 1, 2000, the Corporation provides certain finance, administration, human resource, management and other support services to the Commission. The total amount charged to the Commission for the year ended December 31,2007 was \$8,614 (2006 - \$7,318).**

b) **Under a Management Services Agreement effective January 1, 2000, the Corporation provides certain finance, administration, human resource, management and other support services to Enwin Energy Ltd. The total amount charged to Enwin Energy Ltd. for the year ended December 31,2007 was \$695 (2006 - \$39).**

c) The Corporation provides sewer surcharge billing and collecting and street lighting maintenance for the City of Windsor for which it charges a fee. The total amount charged to the City of Windsor for the year ended December 31, 2007 was \$2,778 (2006 - \$2,100).

d) The Corporation collects and remits the sewer surcharge on behalf of the City of Windsor.

The total amount owing to the City of Windsor at year-end relating to sewer surcharge was \$4,029 (2006 - \$3,064).

- a) **Please provide a schedule that reconciles the above amounts in the Audited Financial Statements to the amounts shown at Exhibit 4 Tab 2 Schedule 4 Page 6 Figure 4-2-4 D - Total Cost Allocated to EWU for Distribution. Explain differences.**

Please see Attachment VECC_IRR_2A for the reconciling schedule. With respect to reference d) above, the note references the year end payable balance to the City of Windsor and does not relate to amounts shown at Exhibit 4-2-4 p6.

- b) **Provide the 2007 service schedules that support the 2007 services.**

Please see Attachment VECC_IRR_2B.

- c) **Explain for all outbound services the method of accounting for costs and revenues. Provide examples.**

Please see the response to VECC question 21(e) for details on the methodology of accounting of costs and revenues for outbound services provided to affiliates.

Question # 3

Reference: Exhibit 1 Tab 1 Schedule 21 Page 1 of 1 Attachment A

- a) **Provide a version of the schedule that shows for the residential class the Bill Impact - Delivery Charges for uses of 250 kwh, 500 kwh and 750kwh.**
- b) **Provide the distribution only impact in \$ and % for 250 kwh, 500 kwh, 750kwh and 1000kwh.**
- c) **Provide the Total Bill Impact for use of 250 kwh, 500 kwh and 750kwh.**

Responses to 3a-3c are found at Attachment VECC_IRR_3.

Question # 4

Reference: Exhibit 1Tab 2Schedule 1Attachment A –ESQRs

- a) **Provide more historic information prior to 2007 -annual average SAIDI, SAIFI and CAIDI.**

Please see the response to Board Staff question 5(a).

- b) **Provide YTD reliability estimates for 2008 -July forward.**

Please see the response to Board Staff question 5(a).

- c) **Provide 2009 targets for major reliability indicators.**

Please see the response to Board Staff question 5(a).

- d) **Provide trend analysis and discussion for each major reliability indicator including relationship to sustaining/other capital programs.**

Please see the response to Board Staff question 5(b).

- e) **For Telephone Accessibility provide trend analysis and discussion, including if any, the impact of the proposed Customer Contact Centre.**

Please see VECC_IRR_ 4E for the trend analysis.

The main instrument EWU has used to improve telephone accessibility has been to increase staffing levels. While this instrument has been successful, it is costly. Unfortunately, the staffing increase was necessary because the existing telephone system and CIS were unable to support technological solutions to the poor accessibility results.

The upgraded telephone system and Comprehensive ERP will provide opportunities to further improve accessibility during peak times. While under normal operating circumstances this might lead to improved SQIs or the opportunity to reduce staffing levels, EWU is anticipating increased call volumes in the near future. These increases are anticipated due to poor economic conditions that will likely increasingly drive credit and collections related activity and due customer questions and concerns related to the transition to Smart Metering and time-of-use pricing. Though the telephone system is not a project designed for poor economic times or Smart Metering, it will enhance EWU's ability to maintain telephone accessibility arising from events such as those.

For additional discussion on the Customer Contact Centre, please see the response to CCC question 9.

RATE BASE

Question # 5

Reference: Exhibit 2Tab 1Schedule 1 Page 8 Table 2-1-1B

- a) **Provide a version of the Table that shows the base Board-Approved 2006 ERP capital expenditure amounts.**

Electricity Distribution Rate Application	ERP Capital Expenditure Amount
2008 IRM	\$0
2007 IRM	\$0
2006 EDR	\$0
2005 RAM	\$0
2004 RAM (2006 EDR Test Year)	\$0
2003 (2006 EDR Historical Year)	\$0
2002 (2006 EDR Historical Year)	\$0
1999-2000 (Regulatory Asset – Account 1570 – Transition Costs – to April 2006)	\$7,298,931

- b) **Provide a summary schedule that shows for each major Category of capital expenditure the total year's capital spend from 2005-2009 and the average over 5 years.**

Please see Attachment VECC_IRR_ 5B for capital expenditures for the years 2005-2009 along with the average.

Question # 6

Reference: Exhibit 2Tab 1Schedule 1 Page 23

Preamble: Operations Sustainability Capital

The Kinectrics 27.6 kV Report identified that, generally, EWU's 27.6 kV system is in good condition. However, approximately 3000 poles in the 27.6 kV system are in poor condition and should be replaced. EWU plans to replace approximately 160 poles in 2009 that have reached end-of-life. Of the \$850,000 budget for 2009, \$800,000 is estimated to be spent on pole replacements (160 poles x\$5,000/pole = \$800,000).

- a) **How many pole replacements and at what cost in 2009 are covered under the 4kv conversion program?**

Please see the response to Board Staff question 4(b).

- b) **Confirm that replacement of poles under the 4 kv conversion program was not part of the Kinetrics report recommendation for 3000 replacements.**

Please see the response to Board Staff question 4(b).

- c) **If 3000 poles in the existing 27.6 kV system are in poor condition how will an accomplishment of 160/year be adequate?**

Please see the response to Board Staff question 4(b).

- d) **What is the impact on depreciation expense related to wood poles of the proposed 27 kv pole replacement schedule?**

There is no impact on depreciation expense as the 27.6kV poles that are scheduled for replacement have reached the end of their useful lives and are already fully depreciated.

- e) **Based on failure history, what improvement in reliability can be expected from the proposed 160/year pole replacement versus a higher level of annual replacement and capital cost?**

There is no history of poles failing in the EWU system under normal operating conditions. Poles are replaced prior to failure. Based on the Kinetrics Report filed with the Application and Evidence, if these poles were not replaced, their condition will continue to degrade which will ultimately result in lower reliability and decreased safety to workers and the public at large.

Question # 7

Reference: Exhibit 2Tab 1Schedule 1Page 62 Comprehensive ERP

EWU States “Based on the report by SJH Consulting which justifies EWU procuring a Comprehensive ERP and based on the implementation schedule developed by SJH Consulting, EWU anticipates \$7,250,445 becoming eligible for rate base in the 2009 test year. EWU accordingly requests that the Board approve the addition of \$7,250,445 into EWU's rate base for the 2009 test year”.

- a) Provide the net book value (Ratebase) of the existing legacy systems to be replaced during the ERP Implementation.**

The net book value of the existing legacy systems to be replaced during the Comprehensive ERP implementation is \$454,000 at the end of 2009. It is anticipated that the legacy systems will continue to be used during the implementation of and transition to the Comprehensive ERP (2009-2010) and maintained until at least 2011-2012 for transition and contingency purposes. By the anticipated “end of use” for the legacy systems (2012), they will have fully depreciated.

- b) Provide a breakdown of current/estimated annual operating costs of the legacy systems (listed in the SJH Report at Appendix B) and the new ERP system(s). Include total operating cost and, if applicable, an estimate of capitalized OM&A.**

ERP costs for the legacy systems in 2007 were \$255,013. This will increase to \$390,527 in 2009. There are some inflated costs within the 2009 and 2010 timeframe as some system support costs will need to be paid for both the legacy and the new ERP system. Current estimate for 2011 is approximately \$300,000. There are no capitalized OM&A costs.

- c) Provide a Copy of the ERP Business Case provided to the EWU Board for approval.**

To date, EWU is still in the RFP stage. EWU has not brought a business case to the EWU Board for the Comprehensive ERP.

- d) Provide the Benefits Realization plan, including annual OM&A benefits to be realized from a Comprehensive ERP.**

Please see Attachment VECC_IRR_7D.

- e) **Provide a schedule that shows the annual Distribution Revenue Requirement impact of the ERP from 2009-2013. The calculation should include capital/ratebase and OM&A including revenue from affiliates and the CCA/tax impacts. Provide explanation of all inputs/assumptions used.**

Please see Attachment VECC_IRR_7E.

Question # 8

Reference: Exhibit 2Tab 1Schedule 1 Attachment E-SJH Report

Preamble: The SJH Report states "Based on the project phasing described above, it is expected that EWU will spend \$7,250,445 on functionality that will be go-live" within the 2009 calendar year. The remaining cost, some of which will actually be spent in 2009, will be in respect of functionality being deployed in 2010".

- a) **How can EWU predict the implementation schedule, 2009 costs, cash flow and assets in service until it has bid the Comprehensive ERP? Provide detailed support for these items.**

SJH Consulting, drawing upon the firm's experience in this area, provided the estimates on costs and schedules. These have been confirmed by the responses to the RFP. These responses are currently being evaluated and a recommendation being prepared for EWU Board of Directors approval.

- b) **What experience does EWU have to be able to bid, evaluate and manage implementation of a Comprehensive ERP? Or is EWU bidding ERP on a turnkey basis? Please explain.**

EWU has issued an RFP for a service implementer. EWU has also budgeted for project management expertise and a third party risk management contract. EWU intends to supplement in-house knowledge of systems and operations with prudent use of outsourced expertise.

- c) **Of the total estimated implementation cost of \$13,600,000 how much is outsourced services? Provide details.**

The entire amount represents outsourced services. Any EWU staff seconded to this project will be backfilled and those backfills are outsourced services within the \$13,600,000 figure.

d) Does the ERP cost estimate include contingency? Please provide details.

There is not a specific budget item for contingency. The costs at this point are estimates and the plan is to enter into fixed price contracts to mitigate risk and avoid the need for a contingency budget.

e) Will the ERP provide enhanced services to EWU affiliates? Provide an estimate of the pre-ERP baseline and post ERP revenue related to ERP functions from affiliate services.

No. There is not expected to be a significant change to operating costs, so there is not a significant change to allocation to affiliates. Also see the response to VECC question 7(e).

Question # 9

References:

- i) Exhibit 3/Tab 2/Schedule 1, page 7**
- ii) Exhibit 3/Tab 2/Schedule 2, page 25**
- iii) Exhibit 2/Tab 1/Schedule 1, pages 12-14**

a) With respect to references (i) and (ii), did EnWin seek input from the local municipal planning department regarding expectations for commercial and residential growth for 2008-2009? If not, why not? If yes, was their expectation that there would be zero growth in terms of new housing or businesses?

EWU did seek input from the City of Windsor Planning Department regarding growth forecasts for 2008 and 2009. EWU was advised by the Planning Department that the City of Windsor does not perform publicly available growth forecasts.

b) Please provide further details regarding the 2008 and 2009 spending on “Services” (per reference (iii)). Is there any spending included for “new” services and, if so, how does this reconcile with EnWin’s forecast of customer connections?

EWU forecasted no change in customer count numbers between December 31, 2007 and December 31, 2009, as set out in Exhibits cited in the reference above. While the actual 2008 and 2009 customer counts will fluctuate during that period of time, EWU submits that it is reasonable to forecast no customer class count increases or decreases by the end of each year.

This forecast does not mean that there will be no new connections; rather, that new connections will be offset by stopped connections.

EWU's forecast for New Services, as set out in the Exhibit cited in the reference above, is that there will be a slight decrease in 2009 as compared to 2008 (\$4,982). As noted at Exhibit 2-1-1 p14, this "holding the line" incorporates both the fact that the cost of labour and materials will increase the cost per New Work project (including per new connection) and that the economic slowdown will reduce the overall of New Service work (including new connections).

These forecasts are consistent with each other. There will be some new connections and they will require capital expenditures. However, those connections are forecasted to be:

- Fewer in number, due to the economic slowdown,
- More expensive, due to escalating costs of labour and materials, and
- Offset from a total count perspective by stopped connections.

Looking back on 2008, the consistency of these assumptions is supported. As set out in response to VECC question 14B, the CMHC reports that in the first six months of 2008 there were 68 new housing completions in the Windsor CMA. However, as set out below, the customer count as of the end of September 2008 had only increased by 6 in the EWU service area in that same period.

	Residential	GS<50
2007 Actual	76,311	7,128
As of September 30, 2008	76,317	7,013
Variance	6	-115

- c) **Based on the most available 2008 actual data, please provide EnWin's current number of customer connections by customer class.**

Rate Class	Count As At September 30, 2008
Residential	76,317
General Service < 50 kW	7,013
General Service > 50 kW	1,189
Intermediate	3
Large Use – Regular	6
Large Use – 3TS	3
Large Use – FA	1
Street Light	23,413
Sentinel Light	748
Unmetered Scattered Loads	893

Question # 10

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

- a) **With respect to Table 3-2-1 D, please confirm if (for weather sensitive loads) the values presented are based on actual or weather normalized use. If actual, please redo the table using weather normalized values.**

For the weather sensitive rate classes, the values presented within Table 3-2-1-D are based on weather-normalized use (as presented in Table 3-2-1 B on page 6 in the same Schedule).

- b) **With respect to Table 3-2-1 E, please provide a schedule that breaks down the Transformer Ownership Allowance for 2008 and 2009 as between the various applicable customer classes.**

Please see table in Attachment VECC_IRR_10B for a breakdown on the Transformer Ownership Allowance for 2008 and 2009, by customer class.

Question # 11

Reference: Exhibit 3/Tab 3/Schedule 1

- a) **Please explain the reason for the projected decline in late payment charges over the 2007-2009 period.**

The late payment charges revenue over the 2007-2009 periods shows a decline in the amount of \$51,549. 2009 late payment charges were budgeted using a five-year historical review of late payment and collection charge revenue recorded by EWU. The revenues were reviewed and adjusted downwards slightly to reflect the dedicated and continued focus to collect outstanding customer account balances by EWU's Call Centre and consideration given for the implementation of the outbound dialer which will be used, in conjunction with the IVR, to allow EWU to automate credit calling to its customers.

- b) **Please explain the reason for the decrease in Miscellaneous Service Revenue in 2008 and 2009 relative to 2007.**

Please see the response to Board Staff question 13A.

- c) **Please explain what the \$239,000 in 2007 for Gain on Disposition of Property represents.**

This represents the accounting gain recognized in 2007 for the sale of property such as trucks, vehicles, land, building and the recognition on capital lease income.

Question # 12

Reference: Exhibit 3/Tab 3/Schedule 2

- a) **Please explain why the basis for the \$65 rate (per lines 18-20) no longer exists and demonstrate that the proposed \$185 is justified.**

The Board-approved default Specific Service Charge is \$185. Justification is necessary to depart from the default charge, not to use the default charge. In 2006, EWU justified departure from the rate as a component of a Settlement Proposal that was approved by the Board. In 2009, the lower rate is not justified. If the rate is not returned to \$185, then customers who utilize that service will be subsidized by the customer base as a whole.

Question # 13

Reference: Exhibit 3/Tab 2/Schedule 2, ERA Load Forecast, pages 5-10

- a) **Page 2 states that the forecast is based on monthly class specific data for January 2003 to December 2007.**

- **How frequently does EnWin read the meters for its Residential and GS<50 customer classes?**

Residential and GS<50 meters are read monthly.

- **How was the billing data adjusted to account for the effect of meter reading dates?**

Prorated Usage = Total Usage x Number of days in month (for which
prorating is being calculated)

Total Number of Days

- **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.**

Actual consumption data is the most desirable for modeling 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, including EWU.

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 (e.g. to large users).

With respect to the results for EWU, the regression modeling shows a correlation between weather and prorated consumption.

- b) **Pages 2-3 state that the approach used by ERA for classes viewed as weather sensitive is “generally consistent” with that used by Hydro One for EnWin’s Cost Allocation filing. Please indicate what the differences are, if any.**

The Hydro One analysis for EWU’s Cost Allocation filing considered a small portion of the Intermediate Class and the Large Use – Regular Class as being weather sensitive. The approach used by ERA treated Intermediate and Large Use – Regular Classes as non-weather sensitive.

- c) **Pages 5-6, 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?**

No, ERA did not test a relationship that included number of customers by class. It is ERA’s experience in performing load forecasts that the number of customers is not a significant predictor of monthly class energy consumption. ERA has found that employment is a more significant predictor of energy consumption than is number of customers.

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)

Please see Attachment VECC_IRR_ 13D.

e) **Please provide the average (per customer) weather normalized usage for each customer class as determined and used for EnWin's Cost Allocation informational filing and confirm which year the data represents.**

Please see Attachment VECC_IRR_ 13E.

f) **Please develop alternative equations for the Residential, GS<50 and GS>50 classes that include the number of customers as an "explanatory variable". If monthly customer counts are not available please make reasonable interpolations using existing data. Please provide the statistical results for the resulting equations and compare them with those for the equations developed by ERA.**

$$1. \text{Res kWh} = \frac{1}{n} (\text{ResCust}, \text{HDD}, \text{CDD}, \text{Windsor FTEmploy}_{t-1}) + \text{const}$$

OLS estimates using the 60 observations 2003:01-2007:12

Unadjusted $R^2 = 0.92121$

Adjusted $R^2 = 0.91548$

F-statistic (4, 55) = 160.77 (p-value < 0.00001)

Durbin-Watson statistic = 2.06554

<u>Variable Name</u>	<u>Estimated Coeff.</u>	<u>T-Ratio</u>	<u>P-Value</u>
const	7.01628E+06	0.222	0.82492
ResCust	5.50875	0.017	0.98649
HDD	25388.1	11.391	<0.00001
CDD	209808	24.174	<0.00001
Windsor FTE Employ _{t-1}	276265	2.082	0.04204

Note that the coefficient estimate on ResCust is insignificant and that the addition of this additional explanatory variable has not increased R^2 .

2. $GS < 50 \text{ kWh} = \beta_0 (GS < 50 \text{Cust}, HDD, CDD, \text{Peakdays}, \text{Windsor FTEmploy}_{t-1}) + \text{const}$

OLS estimates using the 60 observations 2003:01-2007:12

Unadjusted $R^2 = 0.81267$

Adjusted $R^2 = 0.79533$

F-statistic (5, 54) = 46.8531 (p-value < 0.00001)

Durbin-Watson statistic = 1.61457

<u>Variable Name</u>	<u>Estimated Coeff.</u>	<u>T-Ratio</u>	<u>P-Value</u>
const	2.71246E+07	1.261	0.21255
GS<50Cust	-2661.51	-0.888	0.37856
HDD	4659.51	8.171	<0.00001
CDD	32235.7	14.747	<0.00001
Peakdays	88176.4	0.986	0.32847
Windsor FTE Employ _{t-1}	68713.9	2.111	0.03945

Note that the coefficient estimate on GS<50Cust is insignificant and intuitively of the wrong sign and that the addition of this additional explanatory variable has not increased R^2 .

3. $GS > 50 \text{ kWh} = \beta_0 (GS > 50 \text{ Cust}, HDD, CDD, CDD_{t-1}, \text{Peak days}, \text{Time Trend}, \text{Ontario dFTEmploy}_{t-1}) + \text{const}$

OLS estimates using the 60 observations 2003:01-2007:12

Unadjusted $R^2 = 0.86439$

Adjusted $R^2 = 0.84613$

F-statistic (7, 52) = 47.3493 (p-value < 0.00001)

Durbin-Watson statistic = 1.98406

<u>Variable Name</u>	<u>Estimated Coeff.</u>	<u>T-Ratio</u>	<u>P-Value</u>
const	-5.31822E+07	-0.701	0.48619
GS<50Cust	96412.1	1.509	0.13747
HDD	22409.0	12.546	<0.00001
CDD	53083.2	5.850	<0.00001
CDD _{t-1}	23923.8	3.699	0.00052
Peakdays	1.27604E+06	5.028	<0.00001
time	-136667	-7.352	<0.00001
d_Ont FTE Employ _{t-1}	23904.4	2.436	0.01833

Note that the coefficient estimate on GS>50Cust is insignificant at the 10% level. With the addition of this additional explanatory variable, the constant term has become insignificant and negative.

g) Using the results from (d), please develop an alternative load forecast for 2008 and 2009.

Using the above equations, an alternative load forecast for 2008 and 2009 was developed, as set out below. This forecast is provided solely as a response to the question posed. EWU does not propose to change its load forecast evidence at this time.

EWU Alternative Forecast (10-yr Weather Normal – 1998-2007)			
Year	Residential kWh	GS<50 kWh	GS>50 kWh
2008	651,423,067	245,762,480	1,047,568,883
2009	642,154,286	243,368,930	1,028,334,057

Question # 14

Reference: Exhibit 3/Tab 2/Schedule 1, ERA Load Forecast, pages 11-16

a) **With respect to page 12, are there more recent updates available for any of the economic forecasts presented in Tables 5 and 5a? If so, please provide and update the weather corrected consumption forecast in Table 7 accordingly.**

Yes, there are more recent updates available to the economic forecasts presented in Table 5 and 5a. Given that actual monthly data for all but December are available to 2008, forecasts below apply only for 2009. For 2008, the actual year-over-year (December'07 to November'08 compared to the same period in the previous year) growth rate for full-time employment in the Windsor CMA (CANSIM v3473204) is 1.5% and for Ontario (CANSIM v2054816) is 1.1%. Below, is an updated Table 2 with the most recent 2008 data.

Updated Table 2					
	Full-time Employment, Windsor CMA CANSIM v3473704 (in '000s)		Full-time Employment, Ontario CANSIM v2054816 (in '000s)		
	2007	2008	2007	2008	
January	113.2	120.3	5259.7	5356.9	
February	110.2	119.9	5224.7	5335.7	
March	107	119.5	5205.9	5310.9	
April	109.9	120.1	5233.8	5341.6	
May	110.5	117.4	5315.8	5399.9	
June	112.9	114.4	5426.4	5485.7	
July	112.6	110.4	5548.7	5559.3	
August	113.7	110.6	5615.9	5616.2	
September	116.2	112.7	5579	5580.3	
October	119.3	113.5	5515.2	5537.1	
November	121.7	114	5432.8	5433.4	
December	121.3		5409.3		
Ann. Avg.	114.0	115.7	5397.3	5450.6	

Updated Table 5 and Table 5a are produced below:

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

	BMO (Nov 28, 2008)	RBC (Dec 2008)	Scotia (Dec. 17, 2008)	TD (Oct 16, 2008)	Avg
2009	-0.3	-0.9	-1.8	-0.4	-0.9

Updated Table 5a
Conference Board of Canada Quarterly Employment Outlook for WINDSOR CMA
Updated: Dec 3, 2008

	Q1	Q2	Q3	Q4	Annual
2009 Employment	158	157	157	157	157
% change	-0.9	-0.3	-0.2	-0.1	-1.8

It should be noted that the forecasts contained in Table 5 have changed significantly. As recently as October 2008, RBC was forecasting 2009 Ontario employment to increase by 1.2% and in the spring, all 4 banks were forecasting positive growth. In their latest forecast, the Conference Board was forecasting – 1.5% for 2009, and this has worsened to –1.8% in the forecast dated December 3, 2008.

Examining the annual average change in employment for the Windsor CMA suggests that employment is increasing in Windsor. This is misleading. Statistics from Statistics Canada's Labour Force Survey show that full-time employment increased temporarily at the end of 2007 increasing from the decadal low of 107 in March of 2007 (monthly full-time employment in the Windsor CMA had not been this low since June 1999) to peak at 121.7 in November of 2007. Full-time employment has generally been declining since. In November 2008, full-time employment in the Windsor CMA was at 114, 6.3% below the level in November 2007.

In considering the above information, it is also helpful to consider 2008 year-to-date consumption and degree days. This information is summarized in the table at Attachment VECC_IRR_14A.

For example, while the number of HDD for January-May 2008 is 1.9% higher than the same period in 2007, weather actual consumption in the residential, GS<50 and GS>50 are all down for the same comparison period (-3.3%, -2.1% and -4.1%, respectively). It is difficult to do a similar comparison for the summer period as CDD for 2008 is over 50% less for June to September of 2008 compared to 2007. Obviously, weather actual consumption is also down in this comparison period as well.

In examining the actual degree days, economic data and consumption data for 2007 and 2008 year-to-date, EWU and ERA interpret that there has been a shift in the relationship between employment and consumption. One explanation for this is that negative forward expectations about the economy by the businesses and residents of Windsor took into account that the employment increase at the end of 2007 was temporary. The data have subsequently proved this to be correct. Given the extraordinary circumstances now facing the economy in Windsor, past relationships between weather, employment, and electricity consumption do not accurately reflect consumption in the environment Windsor now faces. If the equations used to forecast the weather sensitive classes were to be updated to include year-to-date actual data from 2008 and exclude earlier periods, the following would be the results:

$$1. \text{Res kWh} = f(\text{HDD}, \text{CDD}, \text{employ}) + \text{const}$$

OLS estimates using the 41 observations 2005:05-2008:09

Unadjusted $R^2 = 0.87995$

Adjusted $R^2 = 0.87022$

F-statistic (3, 37) = 90.405 (p-value < 0.00001)

Durbin-Watson statistic = 1.7139

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	3,332,100.0	0.162	0.87242
HDD	29,049.8	7.228	<0.00001
CDD	209,861.0	15.1	<0.00001
FTE Employ	293,373.0	1.676	0.10214

$$2. \text{GS} < 50 \text{ kWh} = f(\text{HDD}, \text{CDD}, \text{peakdays}, \text{employ}) + \text{const}$$

OLS estimates using the 41 observations 2005:05-2008:09

Unadjusted $R^2 = 0.64604$

Adjusted $R^2 = 0.6067$

F-statistic (4, 36) = 16.4268 (p-value < 0.00001)

Durbin-Watson statistic = 1.47327

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	8,929,630.0	1.271	0.21197
HDD	5,074.2	4.304	0.00012
CDD	31,217.3	7.604	<.00001
PeakDays	95,526.8	0.589	0.55924
FTE Employ	55457.6	1.079	0.28762

3. $GS > 50 \text{ kWh} = f(\text{HDD}, \text{CDD}, \text{CDDt-1}, \text{peakdays}, \text{time trend}, \text{delemploy}_{t-1}) + \text{const}$

OLS estimates using the 41 observations 2005:05-2008:09

Unadjusted $R^2 = 0.90275$

Adjusted $R^2 = 0.88558$

F-statistic (6, 34) = 52.5996 (p-value < 0.00001)

Durbin-Watson statistic = 2.2504

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	69,580,000.0	11.631	<0.00001
HDD	23,665.6	9.773	<0.00001
CDD	43,848.2	4.756	<0.00004
CDD_1	30,899.8	4.84	0.00003
Peakdays	1,253,650.0	4.582	<0.00006
time	-300,373.0	-11.682	<0.00001
d_FTE_Ontar_1	21,446.7	1.839	0.07463

Using the above employment forecast for Windsor produced by the Conference Board of Canada on December 3 2008 and actual monthly employment data for 2008 (December 2008 is estimated by using December to November growth from 2007), revised information for Tables 7 and 8 are presented below.

<i>Updated Weather Corrected Consumption for EWU Using Revised Economic Forecast and Updated Equations</i>	
	10-yr (1998-2007) Weather Normal
Year	Residential Class kWh
2008F	648,519,748
2009F	641,214,701
Year	GS<50 kW Class kWh
2008F	240,474,934
2009F	238,998,501
Year	GS>50 kW Class kWh
2008F	996,541,812
2009F	946,836,557
Year	GS>50 kW Class kW
2008F	2,552,395
2009F	2,431,356

b) With respect to page 13, what are the number of housing starts/completions currently projected for the City of Windsor and Windsor CMA for 2008?

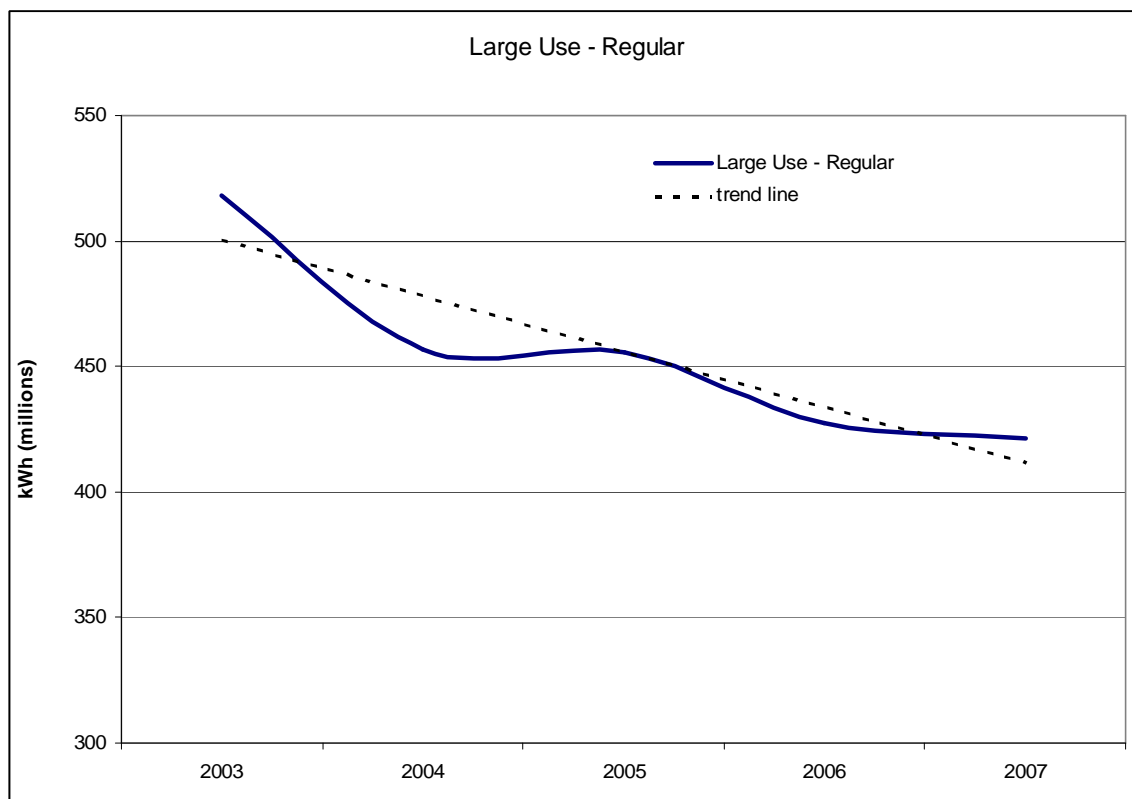
The Fall 2008 Issue of CMHC's Housing Outlook for the Windsor CMA forecasts total housing starts (single and multiple unit) for the Windsor CMA to be 388 in 2008, a decline of 36.8% from 2007, and decline of 63.9% and 74.1% from 2006 and 2005, respectively. While forecasts are not available for the City of Windsor and completions, the CMHC publication Housing Now reports on actual year-to-date activity. The 4th Quarter 2008 issue of Housing Now reports that January-June 2008 total housing starts for the City of Windsor are 36.4% lower than the same period last year (84 versus 132). Total completions for January-June 2008 are down by 32% for the City of Windsor (68 versus 100) and 22% for the Windsor CMA (173 versus 222). It should be noted that the current issue of Housing Now describes the new housing market in the Windsor CMA as the worst since 1984. CMHC is forecasting a net out-migration of 1,700 people in 2009, continuing a trend CMHC states has existed since 2004.

Question # 15

Reference: Exhibit 3/Tab 2/Schedule 1, ERA Load Forecast, pages 16-26

a) With respect to page 19, what methodology was used to establish the "secular decline" between 2003 and 2007 for the LU-Regular class? Why is it reasonable to assume the company specific declines reflected in the forecast are all "incremental" to the observed secular decline?

The secular decline of 4.9% per annum in the LU-Regular class was determined by the average annual rate of change in kWh consumption from 2003 to 2007. Casual observation of consumption over this time indicates a secular decline in consumption, as illustrated in the chart below.



Using the fitted linear trend line yields equivalent results. The table below displays the trend line values and percentage change:

LU-Regular kWh trend line values from above chart

Year	Trend line value	% change
2003	500,497,063	
2004	478,219,832	-4.5%
2005	455,942,601	-4.7%
2006	433,665,369	-4.9%
2007	411,388,138	-5.1%

Annual Avg. -4.8%

It is reasonable to assume that the specific company decline outlined in the load forecast is incremental to the secular decline. The specific company decline has its impact in the 2008 load forecast and is specific to a single customer at a single location. Indeed, it is likely that the secular decline seen in the 2003 to 2007 period understates the risk of load decline that may occur for LU-Regular customers in Windsor in 2009 for which specific adjustments were not made, given the state of the automotive sector.

b) **With respect to page 21, given the large decrease in use forecast for 2008 why is it reasonable to apply the historical secular trend to establish the 2009 usage level for the 3TS class. This secular 2008 reduction represents significantly more than “two years” of secular trend.**

The explanation is similar to that for the LU-Regular class. The 2008 reduction is the result of a single customer. The secular decline denotes the consumption decline that has occurred since 2004. It is more likely that the 2.7% annual secular decline will understate the actual decline in 2009 over 2008 (after accounting for the large reduction due to one customer). All three customers in the 3TS class are “Detroit Big 3” automotive manufacturers and all are facing unprecedented economic pressures.

c) **Please confirm whether the data presented in Table 15 represent the year-end or average customer count for each class.**

The data presented in Table 15 represents average annual customer counts, not year end.

Operating Costs

Question # 16

Reference: Exhibit 4Tab 2Schedule 1Page 3 Table 4-2-1 B

a) **Provide a version of the Table with a column showing Board-Approved 2006 EDR amounts.**

Please see Attachment VECC_IRR_16A.

b) **Provide a variance discussion relative to 2006 Board approved costs.**

The variance between 2006 Board approved costs and actual 2007 costs is a decrease in expenses of \$1,577,828. These expenses can not be compared on a line by line basis, as 2006 Board approved values were prior to the amalgamation in 2007 and therefore differs in the recording and tracking of individual line items and expenses between the years. On an overall level, this decrease can be attributed to the amalgamation of *ENWIN* Powerlines and *ENWIN* Utilities and having these previous allocated costs housed in the LDC.

Question # 17

Reference: Exhibit 4Tab 2Schedule 1 Page 3

- a) **With regard to benchmarking EWUs historic OM&A costs, please confirm/correct the data for 2005 and 2007 shown in the file “Comparison of Distributors (EB-2006-0268)” found on the OEB web site: [http://www.oeb.gov.on.ca/OEB/ Documents/EB-2006-0268/Comparison of Distributors with 2007 data.xls](http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison_of_Distributors_with_2007_data.xls).**

2007	2006	2005
\$30,456,985	\$22,279,233	\$21,843,228

Please indicate the correct data for 2005-2007 and reconcile with Exhibit 4/Tab 2/Schedule 1 Table 4-2-1 B as updated for 2006.

The corrected data is as follows. The 2007 information was resubmitted and the re-filed numbers agree to the chart below.

	2007	2006	2005
OM&A Cost	21,250,685	22,279,233	21,843,228

These OM&A costs agree to amounts shown in Table 4-2-1 B in Exhibit 4-2-1. This table has also been updated to include 2006 costs as requested. Please see the response to Board Staff question 24 for the updated table.

- b) **For the historic years 2005-2007 compute the average EWU OM&A cost per customer and compare the EWU average to that of the peer group shown on the OEB website.**

Please see Attachment VECC_IRR_ 17.

- c) **Compute the distribution OM&A cost per customer for the years 2007-2009.**

Please see Attachment VECC_IRR_ 17.

- d) **Compute the OM&A per kilowatt hour of energy distributed for the years 2005-2009.**

Please see Attachment VECC_IRR_ 17.

e) Discuss trends in OM&A per customer and per Kilowatt hr of energy distributed for the years 2005-2009.

In 2007, EWU managed to bring its OM&A down to the lowest level in recent history. In doing so, EWU reduced its OM&A per customer by 3.5% from its 2005 level. By comparison, the other LDCs in the current PEG-assigned peer group averaged an increase of 3.9% to OM&A per customer. In 2007, as the manufacturing boom of previous years subsided, EWU's kWh dropped even more dramatically than OM&A, resulting in a slightly increased OM&A/kWh.

For 2008 and 2009, EWU has forecasted OM&A cost pressures that are set out at Exhibit 4 of the Application and Evidence and load decline and customer count stagnation that are set out at Exhibit 3 of the Application and Evidence.

From 2005 to 2009, EWU forecasts that OM&A per customer will increase an average of 3.7% per year, which is slightly less than the average 3.9% per year historical increase of the other LDCs in its PEG peer group.

Question # 18

Reference: Exhibit 4Tab 2 Schedule 2Page 1

Preamble: EWU has employees who are fully dedicated to the regulated business; employees who are shared between the regulated business and affiliates; and employees who are fully dedicated to affiliates.

a) For 2007-2009 provide the FTE breakdown for each category for the groupings of employees shown in Table 4-2-2 A.

Please see Attachment VECC_IRR_18A.

b) Provide2007-2009 the total compensation for all categories in the format of Table 4-2-2 B.

Please see Attachment VECC_IRR_18B.

c) For the Shared employees provide their annual costs attributable to EWU and the affiliate(s) in the format provided in Table 4-2-2 B.

Please see Attachment VECC_IRR_18C.

d) For utility employees (and those shared employees conducting utility business) relate the increase in Total compensation Table 4-2-2B to the increase in total administrative costs 2007-2009 from \$14.4 million to \$18.2 million. Include explanation of the cost increases shown in Table 4-2-1C. Present the results in terms of the payroll-related cost drivers impacting the overall administration cost increases.

Please see Attachment VECC_IRR_18D.

e) Provide additional explanations for the non-payroll administration cost increases 2007-2009.

Please see attachment VECC_IRR_18E.

Question # 19

Reference: Exhibit 4 Tab2 Schedule 1

a) Does ENWIN have support for its tree trimming program? If so provide a copy of the report(s) that sets out the annual budgets, accomplishment and the trimming cycle(s).

Please see the response to Board Staff question 26(c).

Shared Services

Question # 20

Reference: Exhibit 4 Tab 2 Schedule 4 Page 5

a) Provide a copy of the Master Service Agreements with the City of Windsor, WUC and EWE.

The EWU-WUC MSA is enclosed as Attachment VECC_IRR_20A. The current MSAs between EWU and the City of Windsor and EWE have not been reduced to writing. Those affiliates, along with WUC, pay for their respective allocated costs of shared services based on the results of the KPMG Model. The nature of those shared services were studied and are set out in the Affiliate Study filed with the Application and Evidence.

b) Provide a copy of the respective 2009 Service Schedules.

Please see Attachment VECC_IRR_20B.

c) Provide a copy of the KPMG Spreadsheet populated with 2009 data. Provide explanatory notes.

Please see Attachment VECC_IRR_20C-1 for a copy of the cost allocation summary sheet from the KPMG Model populated with 2009 data. An explanation of the overall methodology of the KPMG Model, as set out by KPMG, is provided as Attachment VECC_IRR_20C-2.

d) Provide a copy of the Affiliate transactions spreadsheet populated with 2009 data.

Please see the response to VECC question 20(c) above as this illustrates the affiliate transactions for shared services for 2009. This is also shown in Table 4-2-4-D in Exhibit 4-2-4.

e) Provide a copy of the Document “Organizational and Inter-organizational Overview of Enwin Utilities Ltd and Associated Organizations”.

Please see Attachment VECC_IRR_20E.

f) Confirm that for costing shared/corporate services, Enwin uses FAC based on costs of the service provider, rather than market- based costs. If not please provide a list of shared services and the 2009 amounts that are based on comparable market costs.

Yes, EWU confirms that for costing shared/corporate services, EWU uses FAC based on costs of the service provider, rather than market-based costs.

g) **Provide an example of the FAC calculation for a service provided to WUC.**

Below is an example of a shared service calculation:

Total Cashiers costs	\$ 187,557.00	
Customer Care cost driver - WUC portion (see below)	35.15%	←
FAC to WUC - Cashiers	<u>\$ 65,926.29</u>	
Customer Care Driver		
1. Allocate based on number of bill segments:		
	EWU - Hydro	EWE
		WUC
		City/Sewer
# of bill segments	84,900	336
% allocation	37.09%	0.15%
		31.83%
		30.94%
		100.00%
2. Determine a weighted average (as not all call centre staff perform the same function):		
2 # of Call Centre Staff directly working with WUC		4.88%
39 # of Call Centre Staff working on the standard bill (hydro, water, sentinel lights, sewer)		95.12%
41		100.00%
3. Apply the weighted average:		
	Apply	
	WUC	Weighted
	Allocation	Avg
100.00%	4.88%	4.88% % of call centre staff directly working with WUC
31.83%	95.12%	30.27% % of call centre staff working on the standard bill (hydro, water, sentinel lights, sewer)
		<u>35.15%</u>

h) **If not provided in the KPMG Spreadsheet, provide a schedule that contains a list of 2009 major cost drivers based on Attachment C and a matrix that shows for each driver the 2009 total metrics and cost allocated for each affiliate, excluding Maxess (e.g. FTEs).**

Please see Attachment VECC_IRR_ 20H.

Question # 21

Reference: Exhibit 4 Tab 2 Schedule 4 Page 6 and Figure 4-2-4 D

a) **Provide a detailed explanation of the increase in total shared services of \$6 million from 2007 to 2009 despite the sale of Maximum and Maxess. The drivers for the increases such as the costs of providing the services and the level of services should be covered.**

Please see Attachment VECC_IRR_ 21A.

b) Provide a schedule based on Figure 4-2-4 D - Total Cost Allocated to EWU for Distribution that shows the breakdown of the 2009 cost of all *outbound* services provided to each affiliate. This includes shared services and direct services such as Street lighting for the city.

Please see Attachment VECC_IRR_ 21B.

c) Provide a schedule that shows 2009 *inbound* services and costs provided to the distribution utility from affiliates (for example water service).

Please see the response to SEC question 13.

d) Provide details of the CDM services provided to EWU by EWE in 2008 and forecast 2009 including type of service(s), costs and details of how the costs are calculated.

EWU is under contract with the Ontario Power Authority (OPA) to administer its conservation programs in the EWU service area. EWE administers the programs on EWU's behalf. EWE is responsible for managing the programs and reporting program performance to the OPA on behalf of EWU. Any costs incurred by EWE are recovered through the OPA funding. The OPA funding is directly passed through to EWE to finance the administration and operation of the programs, as directed by the OPA. EWU costs, if any, are charged directly to EWE. These particular services are provided on a pass-through basis and therefore are not reflected in the amounts shown in Table 4-2-4 D. EWU does not seek to recover these costs through this Application.

e) Provide full details as to how shared services and other direct services are charged to affiliates and the accounting treatment the costs and revenues.

All shared services and other direct services are charged based on the independent KPMG cost allocation model. Total costs for the entire company are allocated based on EWU-only, EWE-only, WUC-only, and shared services costs. The EWU-only, EWE-only and WUC-only costs are identified separately and charged directly or paid directly by the appropriate entity. Shared costs are segregated by department and then by general ledger account.

Cost drivers are identified to appropriately allocate shared costs based on the types of activities that are being performed. Cost drivers are applied to the general ledger accounts within each shared services department. Cost drivers are updated regularly to ensure reasonable and appropriate allocation of costs. Operating shared services costs are determined by applying the cost drivers to the actual cost.

In addition to operating costs, the cost allocation model charges depreciation, interest, a working capital gross up, and a return on assets. Actual depreciation realized for the use of the shared services assets is allocated by asset type and cost driver. Interest is also

calculated using actual costs and cost drivers. A working capital gross up is charged as a percentage of the total operating costs. The return on assets is calculated by taking the net book value of the shared services assets and applying the weighted average pre-tax return.

All costs are recorded at gross values and then the cost allocation is calculated. The revenue earned from this shared service is recorded separately in other revenues. All intercompany charges and charges to affiliates relating to the shared services provided to affiliates are invoiced.

f) Are the costs of services received from affiliates netted out or charged to operations as billed? Provide details.

Any services received from affiliates would be charged to operations as billed, with the exception of the OPA programming services provided by EWE. These services are provided on a pass-through basis whereby EWU contracts with the OPA for programming and EWE carries out that programming using the OPA funds.

Question # 22

Reference: Exhibit 4 Tab 2 Schedule 4 Attachments A (T of R) and B (BDR report)

Preamble:

- 1) The consultant will review the transfer pricing arrangement between EnWin and its affiliates, and develop an opinion on the appropriateness of the transfer pricing arrangements.**
- 2) The consultant will review the costs charged to and by EnWin in respect of its affiliates and develop an opinion on the appropriateness of those costs.**

a) Did BDR assess the appropriateness of overall level of shared services or just the allocation of the total pool of costs. Please explain.

The Terms of Reference (Exhibit 4-2-4 Attachment A p1) includes:

“1) The consultant will review the transfer pricing arrangement between EnWin and its affiliates, and develop an opinion on the appropriateness of the transfer pricing arrangements.

2) The consultant will review the costs charged to and by EnWin in respect of its affiliates and develop an opinion on the appropriateness of those costs.”

In satisfaction of #1, BDR North America did review transfer pricing between EWU and its affiliates and opined on the appropriateness of those arrangements. In satisfaction of #2, BDR North America did look at the existence and nature of the costs and whether such costs were appropriate costs for EWU to charge for or foe EWU to be charged for.

Assessment of the total level of shared services costs was outside the scope of the terms of reference.

b) Were BDR provided with all the Service Agreements, including the detailed service schedules for 2008 and 2009 including those for EWU and the City of Windsor? If so are these the same as requested in the Question above?

BDR North America was provided with a copy of the EWU-WUC Master Service Agreement. This is the same EWU-WUC MSA as EWU is providing in response to VECC question 20.

The current EWU-City of Windsor, EWU-WCU and EWU-EWE service agreements had not been reduced to writing at the time BDR North America prepared the Affiliate Study. To date they have still not been reduced to writing. There are clear understandings among affiliates in regard to the nature of services provided by EWU. Affiliates pay for those shared services based on the costs allocated using the KPMG Model.

c) With respect to Governance functions provide details of the allocation of the costs based on Cost Allocator 002 Board of Directors “Estimated by Management Judgement”. Specifically provide details of how the 2008 and 2009 time and costs of the Board of Directors is allocated among the City, WUC, EWE and EWU.

The Cost Allocator “002 Board of Directors” has been determined through an interview with Senior Management based on the estimated requirements and focus of the Windsor Canada Utilities Ltd. Board of Directors. This Cost Driver was deemed reasonable and appropriate through the Affiliate Study conducted by BDR North America.

The Cost Allocator 002 Board of Directors was allocated to affiliates for 2008 and 2009 as follows:

Board of Directors – Cost Driver	EWU	EWE	WUC	City
2008	95%	2.5%	0%	2.5%
2009	97%	0.5%	0%	2.5%

d) Provide a list of services for which “no portion is allocated to the City” and explain why this is the case.

The services for which “no portion is allocated to the City” are as follows:

WUC Senior Management: 100% allocation to WUC.

Water Division: 100% allocation to WUC.

Purchasing: Allocation split between EWU & WUC. The driver is determined by actual hours worked on specific function categorized by business unit. There are no purchasing functions done on behalf of the City by EWU's Purchasing Department.

Meter Reading: The allocation is based on an actual count of EWU electricity meters WUC water meters and allocated to EWU & WUC accordingly.

e) Distinguish festival lighting and streetlighting and explain what is changing with regard to Festival Lighting services in 2009.

For the purposes of the Affiliate Study, Festival Lighting is synonymous with Sentinel Lighting. In 2007, EWU provided maintenance to City of Windsor owned Street Lights and Sentinel Lights. In 2008, the City of Windsor made arrangements to procure Street Light and Sentinel Light maintenance from a third party. Accordingly, in 2009, EWU will not be maintaining City of Windsor Street Lights or Sentinel Lights.

f) With respect to Table 6 Page 30 Explain in detail how the costs of the CEO and CFO are derived and/or allocated as a "proportion of direct costs from all departments".

The cost of the CEO and CFO are allocated as a "proportion of direct costs from all departments" through the general overhead driver which is derived from all cost drivers and their allocation to each affiliate. The KPMG Model sums each affiliate's allocated costs and divides those costs by total allocated costs to determine the percentage of costs allocated to each affiliate. Since the roles of the CEO and CFO are to oversee and control the activities whose costs are being allocated, this is an appropriate mechanism to allocate their costs in the same proportion as the costs of the activities. BDR North America confirmed that this cost driver was appropriate and reasonable.

g) Why is there no allocator for Corporate Secretary? Does EWU have a Corporate Secretary? If so how are the costs allocated?

The EWU Vice President Finance and CFO also serves as the corporate secretary. The related costs are therefore allocated in the same manner as all costs for the VP Finance and CFO.

h) Is there an allocator(s) for Audit and Rating (DBRS/S&P) services? If so indicate which allocator and the amounts allocated to each affiliate 2007-2009.

There is no allocator for Audit and Rating (DBRS/S&P) services.

i) Provide more details as to how BDR concluded that Water Services were a shared service as opposed to a separate operation. Specifically is the water service physically and financially separate from the distribution utility. Please explain.

The Windsor Utilities Commission (“WUC”) is the affiliate of EWU which provides water service to consumers in Windsor. WUC is a separate entity from EWU.

WUC utilizes certain services provided on a shared cost basis by EWU. EWU refers to these services as “water services”. The “water services” consist of management, billing and related services provided by EWU to WUC on a shared cost basis. The line item referred to as “water services” in the Service Agreement and in the affiliate cost study is for these services.

This issue is discussed in the Application and Evidence at Exhibit 4-2-4 Attachment B p4.

j) Why should not water services be a separate entity that buys (shared) services from EWU just like EWE?

As noted in the response to VECC question 22(i), WUC is a separate entity that buys shared services from EWU.

Question # 23

Reference: Exhibit 4Tab 2Schedule 6 Page 2 Distribution Loss Factor

a) Explain why the DLF has not gone down over the period 2002-2008 given the 4kv conversion program.

Please see the response to Board Staff question 51(b).

b) Discuss whether DLFs should reduce as a direct benefit of the conversion program.

Please see the response to Board Staff question 51(b).

Question # 24

References: Exhibit 5 Tab 1 Schedule 1 Page 4 and Exhibit 5 Tab 2 Schedule 2 Page 1 Account 1550 and Smart Meter Program

Preamble: EWU estimates that the per-meter cost of each Smart Meter and its installation will be approximately \$169.12. EWU estimates an additional per-meter cost of approximately \$17.96 for computer hardware and incremental O&M expenses. EWU estimates the total incremental expenditure for Smart Metering in the test year will be approximately \$7,336,100. The 15 year present value is estimated to be \$16,231,216.

a) Provide a copy of the EWU Smart Meter Plan.

Smart Meter Plans address Smart Meter expenditures. EWU is not seeking recovery for Smart Meter expenditures. Accordingly, this information request is irrelevant to the Application currently before the Board.

b) Provide the accomplishment (units) 2006-2010.

EWU is not seeking recovery for Smart Meter expenditures. Accordingly, this information request is irrelevant to the Application currently before the Board.

c) Provide the amounts recorded on account 1555 for the rate adder revenue in each fiscal year and the year end 2008 estimated total balance, including accrued interest.

The amounts recorded in account 1555 for the rate adder revenue in each fiscal year is as follows:

2006	\$166,058	
2007	\$272,119	
2008	\$271,226	Estimated

The total year end 2008 estimated balance is expected to be a credit of \$(747,652).

d) How is EWU confident of the unit price? Have the meters been bid/procured and if so how does the actual price compare to the above estimate?

EWU is not confident of the unit price because the meters have not yet been procured from the vendor.

e) Do the units include features for functionality above minimum functionality and if so why is there no additional cost-please specify.

EWU's plan is to not pay for any functionality above minimum functionality. Accordingly, no smart meter costs are sought to be recovered in distribution rates in 2009.

The only smart meter related charge in 2009 would be the smart meter rate adder which would serve to offset the impact of recovery once recovery is sought by EWU and authorized by the Board.

Question # 25

Reference: Exhibit 5Tab 2 Schedule 1 Page 1

a) Why are there in costs of the Smart meter rate adder allocated to any classes except the Residential Class (taking the monthly charge from \$12.45 to \$13.45)? Please explain amounts shown in Table 5-2-1 A -for other classes.

EWU is an "implementing distributor" and has followed the Board's Guideline G-2008-0002 in respect of the Smart Meter rate adder for "implementing distributors". Particularly pertinent sections of G-2008-0002 are replicated below:

"Any distributor may apply for a smart meter funding adder. Approval of a smart meter funding adder does not constitute regulatory approval of any costs actually incurred to conduct smart meter activities. The prudence of such costs will be examined, and the costs will be approved (or denied), at the time at which the distributor applies to recover them (see section 5 below).

To date, the practice of the Board has been to make provision for a standard funding adder of 30 cents per metered customer for non-implementing distributors and a standard funding adder of one dollar per metered customer for implementing distributors. The Board has also approved utility-specific funding adders for implementing distributors.

...

The standard \$1.00 funding adder provides funding for distributors that are authorized and clearly intend to install smart meters in the rate test year. The Board has made provision for a standard funding adder in recognition of the fact that some distributors may be in the early stages of planning and may not yet have sufficient cost information to request a utility-specific rate adder."

Cost of Capital

Question # 26

Reference: Exhibit 6Tab 1 Schedule 1 page 4

Preamble: EWU long term debt includes a Note to the City of Windsor due December 2009, in the amount of \$3,255,973 at an interest rate of 6%.

a) Please provide a copy of the term sheet for the City Note and indicate any revisions or amendments made to this.

Please see the response to Board Staff question 13A.

b) EWU has used the current deemed long-term debt rate of 6.10% in its long term cost of debt calculation rather than the actual 6.0% that is being paid to the City of Windsor. Explain why this is appropriate.

Please see the response to Board Staff question 13B.

c) Please provide a revised calculation of Attachment A and the Weighted Average Cost of Capital using a debt rate of 6.0% for the Promissory Note.

Please see the response to Board Staff question 13C.

d) The City Note expires in 2009. How does EWU plan to renew/replace this debt?

Please see the response to Board Staff question 13D.

e) Please provide the market rate for a similar loan from a third party.

Please see the response to Board Staff question 13E.

Question # 27

Reference: Exhibit 6 Tab 1 Schedule 1 Page 4

a) Provide the total EDFIN issue costs as well as the percentage allocation to EWU.

The total issue costs to EWU for the bond deal was \$1,798,313. The percentage allocated to EWU varies with the particular expenditure. As an example, for the underwriter's fees, EWU was allocated 28.6% of these total costs, which represented EWU's share of the aggregate principal amount.

b) Provide the calculation of the effective Debenture cost rate and the total blended debt cost assuming 6.0% for the City Note.

Please see attachment VECC_IRR_27B for the calculation of the effective Debenture cost rate and the total blended debt cost, assuming 6.0% for the City Note. The total blended debt cost rate only changes by 0.01%, from 6.77% to 6.76%, if recalculated using 6% for the City Note. This in fact makes no difference in the Cost of Capital %, as this would remain at 7.4% due to rounding of amounts.

c) Provide the latest forecast for the Short term debt cost rate.

EWU expects to adjust its short term debt cost rate to the rate in effect at time of the Board's decision in order to prepare the draft rate order.

Question # 28

**References: i) Exhibit 8/Tab 1/Schedule 1, page 2 and Attachment A,pg19
ii) Exhibit 8/Tab 1/Schedule 2, page 1
iii) Exhibit 10/Tab 1/Schedule 9**

a) Please explain the basis for the 2007 Revenue to Cost ratios in reference (iii).

Please see the response to Board Staff question 38.

Question # 29

Reference: Exhibit 8/Tab 1/Schedule 1

a) **Please confirm that for purposes of Enwin's Cost Allocation – Run 3:**

- **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.**

For purposes of EWU's Cost Allocation Run 1R (see the response to Board Staff question 35 for a clarification of the reference to Run 3 and Run 1R):

- 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 provide the results of a cost allocation run with an alternative 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 revised Output Sheet O1)

As requested in the question, EnWin has adjusted the Approved Distribution Revenue from the approved 2006 EDR at row 29 on sheet 'I6-Customer Data' by the amount of the transformer ownership allowance for all classes receiving the credit. Hence, the revenue shown is the distribution revenue net of the transformer ownership allowance.

In addition, as requested, the transformer allowance amount on sheet 'I3-TB Data' has been removed which eliminates the allocation of this amount (reflected in Model Adjustments, column E) to accounts 5035, 5055 and 5160.

These changes deviate from the cost allocation model design developed for the 2006 Cost Allocation Information Filings.

The revised Output Sheet O1 is attached as VECC_IRR_ 29B.

Question # 30

References: i) Exhibit 10/Tab 1/Schedule 6
 ii) Exhibit 10/Tab 1/Schedule 7
 iii) Exhibit 7/Tab 1/Schedule 1, Attachment A

- a) **Please provide a schedule that sets out the build up of the 2009 Base Revenue Requirement set out in reference (ii) and reconciles it with the values in reference (iii).**

Attachment VECC_IRR_ 30A includes a table showing the build up on the 2009 Base Revenue Requirement of \$51,791,751, as indicated in Exhibit 10-1-7. The table also shows a reconciliation of the Base Revenue Requirement of \$51,791,751 to the Gross Revenue Deficiency of \$7,127,306, as shown in Exhibit 7-1-1 Attachment A.

- b) **Please reconcile the 2009 total revenues reported in references (i) and (ii).**

Total 2009 revenue reported in Exhibit 10-1-6 is \$53,201,478, less the transformer ownership allowance of \$1,409,726, equals the Base Revenue requirement of \$51,791,751 as shown in Exhibit 10-1-7. Please see the response to Board Staff question 45(c) for additional information and breakdown of transformer allowance values in response to VECC question 10(b).

Question # 31

Reference: Exhibit 8/Tab 1/Schedule 1, Attachment A

a) The Board's Cost Allocation Report set out tests to determine which CP and NCP allocators (e.g. 1NCP vs. 4 NCP) should be used. Did the consultant assess whether the adjustments to the load data (pages 15-17) changed the definition of the CP or NCP allocators that should be used in Enwin's Cost Allocation run? If not, why not? If yes, what were the results?

The consultant did not specifically review which allocator is used in the model as this is an automatic calculation of the model.

b) With respect to page 18 (lines 5-6), since revenues are based on both volume sales and number of customers why were revenues by customer lass adjusted in proportion to the change in energy and demand?

The changes in demand that were addressed by the revision to the 2006 cost allocation model related to the reduction in demand of two large customers. As a result, there was no change in the number of customers and no change in the revenue derived from the monthly customer charge.

c) With respect to page 18 (lines 8-9), was the proportional adjustment applied to Total Revenues for each customer class (i.e., including miscellaneous revenues) or to just the Distribution Revenues by customer class? If the first approach was used, please recalculate the revenue to cost ratios using the second approach.

The comparative revenue to cost ratios are provided below.

Total	Residential	GS <50	GS>50-Regular	Large Use - Regular	Street Light
100.00%	87.19%	102.71%	136.43%	171.71%	23.62%
100.00%	87.18%	102.71%	136.46%	171.75%	23.61%

Sentinel Light	USL	Intermediate (3000 - 4999 kW)	Large Use - 3TS	Large Use - Ford Annex
56.57%	239.10%	40.95%	132.53%	93.90%
56.57%	239.15%	40.94%	132.59%	93.94%

LRAM SSM

Question # 32

Reference: Exhibit 9 Tab 1 Schedule 1 Attachments A and B

Preamble: EWU seeks recovery of \$298,733.99 through the Lost Revenue Adjustment Mechanism ("LRAM") and \$378,687.61 through the Shared Savings Mechanism ("SSM");

- a) **Provide a schedule showing details of the Keep Cool/Torchier Exchange and Porch Light -full input assumptions and costs.**
- b) **Provide the relevant references/extracts from the OEB CDM guide for these measures.**
- c) **Provide a copy of any explicit OEB approval of the input assumptions for these measures.**
- d) **Provide the reference(s) and/or extract from the OPA Input measures and Assumptions Guide.**

For EWU's response to questions 32(a) through (d), please see EWU's response to CCC question 22.

Question # 33

Reference: Exhibit 9 Tab 1 Schedule 2 Page 6 (Keep Cool/Torchiere Exchange and Porchlight)

Preamble: EnerSpectrum Group used OEB assumptions for technologies implemented as a comparator to the TRC analysis previously reported.:

- a) **Provide source reference(s) and a copy of all the comparator input assumptions data used by Enerspectrum for evaluation of these measures.**

For the Keep Cool Program energy savings were based on the Board values for a replacement of a working residential air conditioning (RAC) unit with an E-Star model. Modifications were made for the following conditions:

- Retired Units - No replacements were assumed for working RACs retired, reflecting a reduction to zero in the Energy Efficient Technology Annual Energy Usage (kWh/yr). Resultant energy savings were prorated by period based on residential table item 50 values.

- Non-working Units – By replacing a non-working unit with an E-Star unit, overall energy usage was assumed to increase by the annual energy use of E-Star RACs. Resultant energy increases were prorated by period based on residential table item 50 values.

Standard Board assumptions were used for the Torchieri Exchange and Project Porchlight. The resultant comparative TRC and kW/kWh impacts are therefore limited to the Keep Cool Program.

The table below reflects the comparative TRC calculations for the programs, including the correction of a transposition error in EWU's original submission for project Porchlight and a correction to EnerSpectrum Group's comparative TRC and kW/kWh calculations.

Class	Program*	Variance	Variance	Variance	SSM	LRAM
		TRC	MWh	kW	Impact	Impact
Residential	Keep Cool/Torchieri Exchange and Porchlight	\$291,976	68	105	\$14,599	\$1,442

b) Provide verification for the participants.

Participation for the Keep Cool/Torchieri Exchange Program and Project Porchlight is stated in third party documents submitted in response to CCC question 22. Confidential customer documentation is filed at EWU as part of EWU's procedures for conservation and demand projects.

c) Comment on the free ridership and persistence of these measures.

Free ridership was consistently applied at 10% where Board tables were applicable. On custom projects 30% was applied as per Board guidelines.

Question # 34

Reference: Exhibit 9 Tab1 Schedule 1 LRAM & SSM Allocation

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

a) What volumes are used to allocate the balances?

Please see the response to Board Staff question 52(a).

b) Provide details of the allocations of the LRAM and SSM balances to the customer classes.

Please see the response to Board Staff question 52(a).

c) Please provide bill impact for the proposed riders for a residential customer with a load of 500 and 1,000 kWh/month.

The total bill impact for a Residential 500 kWh customer is \$0.15 or 0.25%.

The total bill impact for a Residential 1,000 kWh customer is \$0.30 or 0.26%.

d) What is the rationale for a two year recovery period rather than 1 year?

EWU proposed two year recovery periods for both DVA disposition and LRAM/SSM disposition. The two year period was chosen with the goal of smoothing any rate increases or decreases that would arise from initially implementing rate riders and eventually removing those rate riders. EWU is not aware of any Board policy or directive specifying a particular recovery period.

Question # 35

Reference: Exhibit 10/Tab 1/Schedule 6

a) Please provide a revised schedule that shows 2009 revenues at 2008 rates. In place of the existing last three columns please include:

- § The proportion of each class' revenue recovered from fixed and variable charges.**
- § The percentage each class' revenue represents of the total revenue. In calculating the revenues please ensure:**
- § The fixed charges exclude the 2008 smart meter rate adder.**
- § The variable revenue reflect the rates actually paid by customer, i.e., the revenues are reduced by the transformer ownership allowance discount where applicable.**

Please see Attachment VECC_IRR_35.

Question # 36

Reference: Exhibit 10/Tab 1/Schedule 7

a) There appear to be three footnotes to the Table which are missing. Please provide.

These footnotes specify the sources of data as other worksheets from the ERA RateMaker model. The footnotes should have read as follows:

¹ from sheet F3

² from sheet C4

³ from sheet F2

These worksheets are provided as VECC_IRR_36.

b) Please provide the basis (e.g., Run 3 cross-reference) for the percentages set out in the second column (“Cost Allocation”).

Please refer to worksheet F3 in VECC_IRR_36. The percentages refer to each customer class’ share of Base Revenue Requirement according to the Cost Allocation model.

c) Please explain how the determination of the “Cost Allocation” percentages accounts for the inclusion of Miscellaneous Revenues in the derivation of Revenue to Cost ratios.

Please refer to worksheet F3 in VECC_IRR_36. For each customer class, Miscellaneous Revenues appearing in the Cost Allocation model were subtracted from the Revenue Requirement to derive the Base Revenue Requirement. The “Cost Allocation” percentages refer to each customer class’ share of Base Revenue Requirement.

The Revenue to Cost ratios shown as results from Cost Allocation include Miscellaneous Revenues within each customer class.

d) Please explain how the percentages in third column (Existing Rates) were determined.

These percentages reflect the share of total Base Revenue which would be realized from each customer class, assuming 2008 distribution rates and the volumes shown in the load forecast for the year 2009 (see Exhibit 3-2-1).

e) Please reconcile any differences between the percentages in third column and the percentage of revenue at existing (2008) rates obtained from each customer class.

There are no differences to be reconciled. Please see the response to VECC question 36(d).

f) Please indicate how the percentages in the fourth column were determined.

The rate model used by EWU required these percentages as inputs which would sum to 100.00%. EWU determined the input values needed to produce the Revenue-to-Cost ratios for each class which appear in its Application.

Question # 37

**References: i) Exhibit 10/Tab 1/Schedule 1
ii) Exhibit 10/Tab 1/Schedule 8**

a) Please provide a schedule that compares EnWin's 2008 service charges and its proposed 2009 service charges for each customer class with the range established by the Report of the Board - Application of Cost Allocation for Electricity Distributors, EB-2007-0667, November 28, 2007.

Please see Attachment VECC_IRR_ 37A.

b) Please provide the service charges for each customer class that would result if EnWin were to maintain the same fixed/variable revenue split for each class as produced by the 2008 rates.

Please see Attachment VECC_IRR_ 37B.

Question # 38

Reference: Exhibit 10/Tab 1/Schedule 10

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 -> 1000 kWh per month**
- **Consume 1000 -> 1500 kWh per month**
- **Consume 1500 -> 2000 kWh per month**
- **Consume more than 2000 kWh per month**

Residential Customers – Monthly Consumption (kWh)

Monthly Consumption (kWh)	Less Than 100	100-249	250-499	500-749	750-999	1000-1499	1500-1999	Greater than 2000
% of Total Customers	1.45%	4.82%	22.09%	28.26%	20.47%	17.22%	4.15%	1.54%

The above information is based on residential customer accounts' average monthly consumption for those accounts with at least 11 months billing consumption at a customer premise.

Question # 39

Reference: Exhibit 10/Tab 1/Schedule 10, Attachment A

a) **Please provide similar customer bill impact analyses for residential customers using 100, 250, 500 and 750 kWh per month.**

Please see the response to VECC question 3.

Question #40

Reference: Exhibit 3/Tab 2/Schedule 1, ERA Load Forecast, page 15-23

- c) **With respect to page 15, please provide a table that set out the monthly kWhs and kW for the following customer classes for the years 2004 to 2007 and 2008 year to date:**
- **GS >50 kW**
 - **Intermediate Class**
 - **Large Use – Regular Class**
 - **Large Use – 3TS**
 - **Large Use – Ford Annex**

Please see Attachment VECC_IRR_ 40.