

**Board Staff Interrogatories
2009 Electricity Distribution Rates
London Hydro Inc. (“London Hydro”)
EB-2008-0235**

Rate Base

1. Ref: Exhibit 2 – Rate Base

Please provide information for the period 2006 to 2009 in the following table format:

	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Allowed Return on Equity (%) on the regulated rate base				
Actual Return on Equity (%) on the regulated rate base				
Retained Earnings				
Dividends paid to shareholders				
Sustaining capital expenditures (excluding smart meters)				
Development capital expenditures (excluding smart meters)				
Operations capital expenditures				
Smart Meters capital expenditures				
Other capital expenditures (please specify)				
Total capital expenditures (including smart meter meters)				
Total capital expenditures (excluding capital expenditures)				
Depreciation expense				
Construction Work in Progress				
Rate Base				
Number of Customer Additions (total)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				
Number of Customers (total, December 31)				
- Residential				
- General Service < 50 kW				
- General Service > 50 kW, Intermediate and Large Use				

Capital Expenditures

2. Ref: Exhibit 2 / p. 133 – Three-year Gross Capital Expenditure Plan

In this exhibit, London Hydro provides its 3-year capital plan, including 2008 budget and projections. The table is reproduced below.

	2008 Budget	2008 Projected	2009 Budget	2010 Budget	2011 Budget	Total
Substation Rebuilds - A	\$ 2,140,000	\$ 2,140,000	\$ 3,110,000	\$ 500,000	\$ 500,000	\$ 4,110,000
Substation Rebuilds - B	\$ 2,300,000	\$ 2,300,000	\$ 1,825,000	\$ 2,500,000	\$ 2,500,000	\$ 6,825,000
Main Feeders - C	\$ 4,100,000	\$ 4,100,000	\$ 1,050,000	\$ 2,000,000	\$ 1,000,000	\$ 4,050,000
Projects Resulting from City Works - D	\$ 1,000,000	\$ 1,000,000	\$ 750,000	\$ 1,000,000	\$ 1,000,000	\$ 2,750,000
Projects Resulting from Developer Works - E	\$ 5,690,000	\$ 5,690,000	\$ 7,900,000	\$ 5,600,000	\$ 5,600,000	\$ 19,100,000
Networks - F	\$ 1,410,000	\$ 1,410,000	\$ 1,250,000	\$ 2,000,000	\$ 2,000,000	\$ 5,250,000
Overhead Line Works - G	\$ 2,700,000	\$ 2,700,000	\$ 3,455,000	\$ 3,500,000	\$ 3,500,000	\$ 10,455,000
Automation - H	\$ 450,000	\$ 450,000	\$ 610,000	\$ 400,000	\$ 400,000	\$ 1,410,000
Total Projected Capital spending	\$ 19,790,000	\$ 19,790,000	\$ 19,950,000	\$ 17,500,000	\$ 16,500,000	\$ 53,950,000
Total Engineered Projects	\$ 13,100,000	\$ 13,100,000	\$ 11,300,000	\$ 10,900,000	\$ 9,900,000	\$ 32,100,000

For “Projects Resulting from Developer Works – E”, 2009 is shown to be significantly higher than 2008 or 2010 or 2011. Please provide further explanation for the higher capital expenditures in 2009 for this project category, relative to past or short-term forecast.

3. Ref: Exhibit 2 / Page 141 – Project Number 9A1- Substation Rebuilds

The project title for project number 9A1 is “Downtown Network Supply Upgrade”. In the description of the project, it states: “London Hydro has previously identified the need to make alterations and improvements to the 13.8kV network. This work was scheduled over 2 years (2008-2009). In 2008 the detailed engineering was completed, transformers and switchgear procured and a portion of the civil works was installed. This work will continue in 2009.”

Based on the project details, the cost of this project is estimated at \$3,000,000 in 2009. Please provide the cost of the project in 2008.

4. Ref: Exhibit 2 / Page 69 – Vehicles & Major Equipment

On page 69, London Hydro states: “.....\$1,778,000 has been allocated in 2009 for the replacement of 3 bucket trucks, 1 knuckle boom flat crane deck, 5 pickup trucks, 2 vans, 2 compact hybrid SUVs and a brush chipper. Money has also been allocated in the budget to purchase an additional 11 pre-owned vehicles.”

Please provide the amount budgeted for the additional 11 pre-owned vehicles and the purpose(s) of these vehicles.

5. Ref: Exhibit 2 / pp. 18-19 – Information Technology

On page 18-19, it states: “London Hydro has completed a number of upgrades to its existing corporate software applications over the past five years including a major initiative to replace its existing Customer Information System (“CIS”), Geographic

Information System (“GIS”), Document Management System, and an Enterprise Resource Planning (“ERP”) solution.”

- a) What cost savings or productivity improvements (i.e. process improvements) has London Hydro projected as a result of the upgrades? How have these been factored into operating and capital expenditures during 2009 and factored into London Hydro’s proposed distribution rates? If available, please provide the details of the cost savings on an annual basis.
- b) Are there any features or parts of the new CIS system which are dedicated to the water and sewer billing that London Hydro provides on behalf of the City of London? If so, please describe and quantify the costs of these features and components.
- c) Please describe how any directly assigned, or allocated, costs specific to features or components of the new CIS system used for sewer and water billing are accounted for.

Service Quality and Reliability

6. Ref: Exhibit 1 / page 42 / Table 1 – Service Quality Indicators

- a) Please provide London Hydro’s performance on the established service quality indicators per the following table format:

Year			2005	2006	2007	2008
SQI	Label	Standard				
1A	Connection of New Services - Low Voltage	90% or better				
1B	Connection of New Services - High Voltage	90% or better				
2	Underground Cable Locates	90% or better				
3	Telephone Accessibility	65% or better				
4	Appointments Met	90% or better				
5	Written Response to Enquiries	80% or better				
6A	Emergency Response - Urban	80% or better				
6B	Emergency Response - Rural	80% or better				

- b) For any annual result where performance is below the standard, please provide an explanation for the reason for deteriorated performance, London Hydro’s efforts to address the matter and, if available, the impacts of service improvement efforts.

7. Ref: Exhibit 1 / page 43 – Reliability Indicators

- a) Please provide London Hydro’s historical reliability performance per the following table format:

Reliability Indicator		Year			
		2005	2006	2007	2008
System Average	All outages				

Interruption Duration Index (SAIDI)	Excluding Loss of Supply (Cause Code 2)				
System Average Interruption Frequency Index (SAIFI)	All outages				
	Excluding Loss of Supply (Cause Code 2)				
Customer Average Interruption Duration Index (CAIDI)	All outages				
	Excluding Loss of Supply (Cause Code 2)				

- b) For any annual result where performance is outside (higher than) the range of the previous three years' performance, please provide an explanation for the reason for deteriorated performance, London Hydro's efforts to address the matter and, if available, the impacts of service improvement efforts.

Smart Meters

8. Ref: Exhibit 9 / pages 14-15 – Smart Meter Rate Adder Proposal

London Hydro has provided documentation in support of the proposal to increase the smart meter funding adder to \$1.00, but states that the cost per installed meter may vary between \$150 to \$200, depending on the exchange rate. As a result, estimated capital costs for 2009 may vary between \$12 million to \$16 million.

This is a fairly wide range. Recognizing that smart meter costs will be tracked in the established deferral accounts for review and disposition in a later application, does London Hydro have, since the filing of its application on December 8, 2008, more recent estimates of the per meter and aggregate capital costs for smart meters planned to be deployed in 2009? If so, please provide.

Load and Customer Forecasting

9. Ref: Exhibit 3 / page 11 – Load Forecasting Model

- a) Please provide statistics for London Hydro's estimated forecasting model, including model specification, functional form, coefficient estimates and associated t-statistics, F-statistic, Durbin-Watson statistic, R^2 and adjusted R^2 .
- b) London Hydro states "The process of developing a model of energy usage involves estimating multifactor models using different input variables to determine the best fit. Using stepwise regression techniques different explanatory variables were tested with the ultimate model being determined both by model statistics and by forecast accuracy." Please provide further explanation of the econometric model estimation approach used by London Hydro, describing what alternative models were examined and the criteria used for selecting the preferred load forecasting equation documented on the bottom of page 11.

10. Ref: Exhibit 3 / p. 13 – Weather Normalization

On Exhibit 3 / page 13, London Hydro states: “The forecasted weather normalized amount for 2008 and 2009 is determined by using a forecast of the dependent variables in the predication formula on a monthly basis. In order to incorporate weather normal conditions, the average monthly heating degree days and cooling degree days which has occurred from 1996 to 2007 is applied in the prediction formula.”

Using the similar method to develop the weather normalized forecast of total system purchases for 2009, please provide the following scenario. Instead of using the average monthly heating degree days (HDD) and cooling degree days (CDD) from 1996 to 2007, please develop the weather normalized forecast of total system purchases for 2009 by using a **trend** of monthly HDD and CDD from 1988 to 2007. Please calculate the variance and percent variance of 2009 proposed weather normalized forecast of total system purchases between this methodology compared with that employed by London Hydro in its Application.

11. Ref: Exhibit 3 / p. 16 – Customer Count

On page 16, it states: “In most cases where the geometric mean is determined, the resulting geometric mean is applied to the 2007 customer/connection numbers to determine the forecast of customer/connections in 2008 and 2009.”

Please prepare a 2009 test year customer forecast using a linear trend method applied to historical customer data from 1996 to 2007. Please also provide the impact on the proposed test year (Billed kWh) load and revenue forecast if this alternate customer forecast were used.

12. Ref: Exhibit 3 / Page 22 – kW Load Forecasting

On page 22, it states: “For the Cogeneration class, the average ratio did not appear to be reasonable but the 2007 value appeared to be more reasonable based on recent experience with Cogeneration class in the London Hydro service area. Consumption values for the Cogeneration class are heavily influenced by their decision to self-generate or purchase from London Hydro based upon financial factors such as the price of natural gas.”

Please provide more details to support the conclusion that the 2007 value of the kW/kWh ratio for the Cogeneration customer class is reasonable.

Other Revenues

13. Ref: Exhibit 3 / page 27 / II. 6-8 – Other Revenues

London Hydro notes that its 2006 EDR application omitted revenues from Bell Canada billings for pole attachments due to manual billing.

- a) Please provide pole attachment rentals received from Bell Canada for each of 2006 actual, 2007 actual and 2008 bridge (or actual, if available).

- b) When did London Hydro become aware of this omission?
- c) Please indicate what steps London Hydro has instituted, or plans to institute, to avoid such omissions on a going forward basis.

14. Ref: Exhibit 3 / p. 24 – Revenue Offsets

London Hydro forecasts revenue offsets to be \$3.7M for the 2009 test year, down about 15% from 2007.

- a) Please provide a brief narrative description of why revenue from duct rental (a component of account 4210 as discussed on Exhibit 3 / p. 27) is forecast to decline from \$35K in 2008 to \$24K in 2009.
- b) Please confirm that the revenue from Occupancy Charges in the 2009 test year (a component of account 4235, as discussed on Exhibit 3 / p. 29) should be \$675K rather than \$660K, as a result of multiplying the specific service charge times the forecasted number of transactions.
- c) Please explain whether Non-refundable Customer Credits (a component of account 4390, as discussed in Exhibit 3 / p. 32) was at a normal level in 2008, or higher than normal. If the 2008 amount is higher than normal, please explain why the 2009 amount should not be \$70K instead of \$40K.
- d) Please explain why interest on deferral and variance accounts (a component of account 4405, as discussed in Exhibit 3 / p. 32) is included as a negative amount in London Hydro's revenue accounts instead of being posted in a deferral or variance account.

Operating Expenses

15. Ref: Exhibit 4 – OM&A Expenses

Board staff have compiled the figures in the table below from the public information filing in the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website. Please confirm agreement with the numbers, or provide corrections, for OM&A expenses, summarized in the table below.

	2002	2003	2004	2005
Operation	\$4,500,844	\$4,682,233	\$5,619,125	\$5,718,414
Maintenance	\$5,088,321	\$5,298,303	\$5,279,935	\$5,303,212
Billing and Collection	\$5,513,905	\$4,364,865	\$3,549,415	\$4,545,440
Community Relations	\$23,577	\$354,571	\$432,000	\$1,310,483
Administrative and General Expenses	\$6,141,351	\$6,445,290	\$6,304,345	\$5,569,730
Total OM&A Expenses	\$ 21,267,998	\$ 21,145,262	\$ 21,184,819	\$ 22,447,280

16. Ref: Exhibit 1 / pp. 1-4

Please identify the inflation rate used for the forecasted OM&A for the 2008 Bridge and 2009 Test years. Please identify the source document for the inflation assumptions used by London Hydro.

17. Ref: Exhibit 4 / pp. 11-17

London Hydro indicates that it is addressing the challenges of an aging workforce by developing a succession plan. Plan implementation began in 2007 with the hiring of 4 overhead line apprentices. London Hydro documents that the plan, in 2009, calls for the hiring of 6 apprentices.

- a) Please confirm the approximate dollar amount in the 2009 OM&A forecast related to these 10 additions to staff.
- b) In which year(s), after 2009, does London Hydro consider that any overlap between these apprentices and existing staff will no longer be required (i.e., the staffing complement will decrease to a "normal" level).

18. Ref: Exhibit 2 / p. 3

Board staff observes that the corporate objectives listed as underpinning London Hydro's budget do not appear to explicitly include efficiency improvements.

- a) Are there any cost efficiency programs (e.g. investing in a technology or new program today that will reduce operating costs over, say, the next 5 years) at the utility that are in place now or contemplated in the 2009 test year?
- b) If so, please describe the programs and include any cost/benefit analysis that London Hydro has prepared or had prepared for it.

19. Ref: Exhibit 4 / p. 63 – Smart Meter-related Staffing

London Hydro explains that its OM&A Meter Reading Expenses have increased in part due to labour costs and that its labour costs have been impacted by the addition of new

positions, i.e. Smart Meter Coordinator for \$80.9K in costs and a Meter Technology Manager for \$126.3K in costs. London Hydro also states that all incremental cost related to smart meters have been excluded from OM&A and are allocated to a Deferral/Variance account for future recovery.

Please confirm whether or not the associated costs for the two new positions mentioned above are included in London Hydro's forecasted OM&A for the 2009 test year.

20. Ref: Exhibit 4 / p. 2 – Bad Debt Expense

The evidence indicates the following expenditure patterns for Bad Debt Expense:

2006 EDR Approved	\$591,096
2006 Actual	\$545,728
2007 Actual	\$534,840
2008 Bridge	\$525,000
2009 Test	\$535,000

Please provide London Hydro's actual bad debt expenses for 2002, 2003, 2004 and 2005.

21. Ref: Exhibit 4 / p. 2 – Charitable Contributions

Please confirm that the \$50,0000 amount in the donations account 6205 for 2008 Bridge and 2009 Test is solely for a Winter Warmth program or other bill-payment assistance to low income customers.

22. Ref: Exhibit 4 / p. 15

London Hydro indicates that the addition of new positions account for \$1.485 million of the increase in labour costs in OM&A between 2006 Board Approved and 2009 Test Year. Please provide the number of new positions, on an FTE basis, that account for the \$1.485 million increase.

23. Ref: Exhibit 4 / p. 15 / Tables 9, 10 and 11 – Wages and Salaries

London Hydro indicates that cumulative wage increases of about 3% per year (shown in table 10) account for about \$2.350 million (shown in table 11) of the increase in base labour costs between 2006 Board Approved and 2009 Test Year. Base labour in 2006 Board Approved is \$15.2 million (shown in table 9).

Applying wage increases of 3% per year (for 2007, 2008, 2009) would account for about \$1.4 million. Please identify, with explanation, what factors are driving the wage increases from 2006 to 2009 of \$2.350 million.

24. Ref: Exhibit 4 / p. 12 / Tables 9 and Exhibit 4 / p. 23 / Table 17

- a) Please explain why the Totals for Benefits costs for 2007, 2008 and 2009, shown in table 9, are about \$2 to \$3 million higher than the Benefits cost Totals indicated in table 17.
- b) Please provide FTE totals for 2004 actual, 2005 actual and 2006 actual, broken out into the same categories shown in table 17.

25. Ref: Exhibit 4 / p. 23 / Table 17

Please provide the base salary percentage increases budgeted for 2008 bridge and 2009 test years, broken down by the major employee grouping shown in Table 17.

26. Ref. Exhibit 4 / p. 18 – Performance-based Compensation

London Hydro indicates that it has a performance based compensation system and that the source of funding for the pay-out under this plan is restricted to savings that can be achieved through efficiency, productivity and cost avoidance measures. London Hydro notes that this element of total compensation (non-union group) is not included in OM&A for rate making purposes.

Given the source of funding for the compensation system, please explain what steps London Hydro takes to ensure that managers do not withhold efficiency and productivity savings in their 2009 Test Year budgets. In your answer please elaborate the measures, if any, taken during budget preparation for review and approval for the 2009 Test Year in this regard.

27. Ref. Exhibit 4 / p. 43 / Table 25 – Software OM&A

The evidence indicates that Software Expense is increasing from \$458,853 in 2007 actual to \$770,600 in 2009 Test Year OM&A.

- a) Please provide a listing of the specific software expenses (indicating the item and the dollar amount) that account for this increase of \$311 K or 67% increase from 2007 actual.
- b) Please confirm whether or not any of the costs in the 2009 Test Year will not recur in either in 2010, 2011 or 2012. If there are non-recurring items, please identify the amount.

28. Ref. Exhibit 4 / p. 48 – Training Expenses

London Hydro states that Corporate training costs have increased significantly due to the apprenticeship program and other development programs. Table 27 indicates that employee development training increases from \$312,000 in 2007 to \$510,000 in 2009. Please indicate how much of this increase is due to apprenticeship training. In London Hydro's response, please note the number of apprentices that will be trained in 2009.

29. Ref: Exhibit 2 / p. 6 – Capitalization Policy

London Hydro indicates that it does not capitalize, through internal cost allocations, any indirect support costs such as Finance, Human Resources, Corporate Services or Facilities

- a) In preparing its 2009 Test year budget, did London Hydro consider changing its capitalization policy concerning the capitalization of indirect costs?
- b) Please confirm that London Hydro does not intend to change, except for conformance with IFRS, its capitalization policy underpinning its 2009 rates,

including the aforementioned treatment of indirect support costs, during period from 2009 to 2012 inclusive.

30. Ref: Exhibit 4 / p.39 / II. 1-7

London Hydro states that it implemented an approach to capitalizing betterments made to buildings that is more conservative than was previously used. Using this approach, London Hydro has also expensed minor renovation and replacement costs. When did London Hydro start to use this more conservative approach to capitalizing betterments to buildings? What is the approximate dollar value of the annual costs (for the 2009 test year) which are now expensed as a result of this change?

31. Ref: Exhibit 4 / p. 93 – Regulatory Expenses

The pro forma account (Account 5655 – Regulatory Expenses) for provides for the following amounts.

2006 Actual:	\$351.6 K
2007 Actual:	\$537.9 K
2008 Bridge:	\$458.0 K
2009 Test:	\$468.6 K

- a) Please provide a list of the items or services that comprise the amounts for shown for 2007, 2008 and 2009.
- b) Are the cost amounts identified above full year costs, or do they reflect some form of amortization of regulatory costs?
- c) Please indicate what portion of the 2009 amount is related to expected costs for this current rate application being considered under file number EB-2008-0235.
- d) Are other regulatory-type costs recorded in any other accounts in for 2007, 2008 and 2009? If so please indicate the account(s) involved and the amount(s) recorded in each affected account.

32. Ref: Exhibit 4 / p.9, pp. 57-58 and p. 67 – Shared Services

London Hydro indicates that its OM&A are net of cost recoveries, most of which are for services provided to the City of London, its affiliate/owner. The offsets, ranging between \$4.2 and \$3.7 million includes fees for monthly water billing, customer inquiry and receivables, collection of overdue customer account fees. London Hydro notes that these are costed at market rates. The table below provides a history of cost recoveries.

(in thousands)	2006 EDR	2006 Actual	2007 Actual	2008 bridge	2009 Test			
Cost Recoverables	\$ (4,176)	\$ (3,623)	\$ (3,643)	\$ (3,605)	\$ (3,658)			
Year-on year change	\$	na	\$ 552.40	\$ (19.60)	\$ 37.90	\$ (53.00)		
	%	na	-13.2%	0.5%	-1.0%	1.5%		
Cost Recoverables Components						Account	Account	Account
monthly water billing								
customer inquiry/receivables collection								
collection of over due customer account fees								
apprenticeship training tax credits								
plant locate services for city								
Total	\$ (4,176)	\$ (3,623)	\$ (3,643)	\$ (3,605)	\$ (3,658)			

- a) Please complete the table by breaking out the Cost Recoverable total into its components.
- b) For each component please identify 4 digit account which records the recovery for the 2009 Test Year OM&A.
- c) The evidence states that \$.45 million reduction in recoveries between 2006 Board-approved and 2007 actual reflects a reduction in the fee paid by the City of London for monthly water billing and related services. London Hydro states that a survey had indicated that, on an average monthly per customer basis, the previous fee was about double what other municipalities were paying for similar services. Also, the Application indicates that the 2006 actual reflects the discontinuation of cable locate services to the City of London. Please indicate the extent to which the drop in recoveries was offset by a decrease in the costs to provide these services.

33. Ref: Exhibit 4 – Non-recurring Items

- a) Please identify any non-recurring expenditure items (in excess of \$ 50,000) that are included on the 2009 OM&A forecast.
- b) Do the 2008 bridge or the 2009 test year OM&A forecasts include costs for the change to International Financial Reporting Standards? If so, please indicate the amount and the account.

CDM

34. Ref: Exhibit 1 / page 44 – LRAM / SSM

London Hydro states that it “has elected not to file an application for a CDM-related lost revenue adjustment (“LRAM”) or shared savings mechanism (“SSM”) with this Application.” Board staff recognizes that application for LRAM or SSM disposition is at

the discretion of the distributor. However, significant build-up of a surplus or deficiency could be of concern if unaddressed.

Please indicate London Hydro's balances for LRAM and/or SSM as of December 31, 2008. Please separately identify principal and carrying charges.

35. Ref: Exhibit 4 / p. 91 - CDM

The 2009 Test Year budget provides for an estimate of \$134,300 in account 5415 (Energy Management). Please describe the program(s) funded by account 5415 for the 2009 test year.

Deferral and Variance Accounts

36. Ref: Exhibit 1 / pp. 77-78; Exhibit 5 / pp. 4-5 – Deferral and Variance Accounts

London Hydro has provided the audited amounts of Regulatory Assets and Liabilities in Exhibit 1, and the balances and transactions by account, starting at December 31, 2007 in Exhibit 5.

- a) Please show how the long-term regulatory liability item \$3,817k (Exhibit 1 / p. 77) is derived from the applicable amounts in individual accounts (Exhibit 5 / Tables 1 and/or 2)
- b) Please use the attached spreadsheet to provide a continuity schedule for the period from January 1, 2005 up to December 31, 2007.
- c) Please confirm that those accounts that appear on the spreadsheet provided but are not included in London Hydro's pre-filed evidence (e.g., account 2425) would be zero. If not zero, please fill in those accounts in the spreadsheet.

37. Ref: Exhibit 5 / p. 7 – Regulatory Asset Recovery Rate Riders

- a) Please provide the derivation of the proposed rate riders, showing how each of the accounts that is being disposed of is allocated to the respective rate classes, and showing the forecasted billing quantities (either those starting at May 2009 or September 2009).
- b) Please calculate an alternative set of rate riders that would dispose of the net balance of accounts 1518, 1548, 1550 and 1582, in addition to the accounts covered in part a), based on the projected balances at April 30, 2009 and assuming that the recovery would begin at May 1, 2009.
- c) Please calculate an alternative set of rate riders that would dispose of the net balance of all deferral and variance accounts, except those having to do with Smart Meters and PILs, based on the projected balances at April 30, 2009 and assuming that the recovery would begin at May 1, 2009.

Loss Factors

38. Ref: Exhibit 4 / pp. 76-77 – Total Loss Factors

- a) The first row in Table 35 is not equal to either row in Table 36. Please confirm that the difference is due to Embedded Generation serviced by London Hydro.
- b) Please explain whether the amount of Embedded Generation is added to the IESO amount adjusted or not adjusted for Supply Facility Losses.
- c) Please confirm that the amount in Table 35 row 1 for 2006 is an error, being lower than either of the corresponding amounts in Table 36. If possible, provide the correct amount.

39. Ref: Exhibit 4 / p. 76 and Exhibit 9 / p. 22 – Total Loss Factor

London Hydro has provided the background that would support a Total Loss Factor of 1.0368, but is applying for approval of a TLF of 1.0419. Please provide further explanation for this apparent difference.

Retail Transmission Service Rates

40. Ref: Exhibit 9 / p. 13 – Retail Transmission Service Rates

For Retail Transmission Service Rates (“RTSRs”), London Hydro proposes to increase Network rates for all customer classes by 11.3%, and Connection rates by 5.5% above the currently approved rates. These are the same percentages as the increases in the Uniform Transmission Rates that came into effect on January 1, 2009.

Please provide monthly revenue and cost data for as many months as possible since May 2008, i.e. the period during which the previous wholesale rates and the current retail rates were in effect. Please provide any analysis that might be helpful in understanding any sizeable disparities between Retail Transmission Services costs and recoveries that may have occurred during that time period.

41. Ref: Exhibit 9 / p. 20

The proposal is to continue with RTSRs that are higher for customers in GS 50 – 4999 kW class that are interval- metered, amounting to more than \$1 per kW higher compared to customers that are not interval-metered.

- a) Is there a cost basis for the distinction between interval- and non-interval-metered customers? If so, please explain.
- b) What is the intent as Smart Meters are installed throughout the class – to move all customers to the interval-metered rate, or to develop a rate that is the (weighted) average of the two rates now proposed? Please explain the rationale underlying London Hydro’s response.

42. Ref: Exhibit 9 / p. 21

The proposal is to continue with the same format and wording as in the current tariff, including interval metering distinguished in the Cogeneration and Large User classes. In the interests of simplicity:

- a) Can two lines be dropped from the Cogeneration tariff by eliminating the metering distinction?

- b) Can the description of the metering be dropped from the Large User tariff?

Cost Allocation

43. Ref: Exhibit 8 / p. 7 – Cost Allocation Informational Filing

- a) Please provide, for the record of this Application, an electronic copy of London Hydro's cost allocation study EB-2007-0002 (rolled-up Informational Filing). Provide either Run 1 or Run 2, whichever is more relevant to this Application.

- b) If the revenue-to-cost ratios in worksheet O1 of the Informational Filing do not match the ratios in the third column of Table 4, please provide an explanation of any variance(s).

Rate Design

44. Ref: Exhibit 9 / p.6 / Table 7 and Exhibit 9 / p. 32 – Unmetered Scattered Load

For Unmetered Scattered Load, London Hydro proposes to increase the Monthly Service Charge from \$0.42 to \$1.20 per connection, with the effect of increasing the fixed:variable split from 15:85 to 30:70.

- a) Please give the rationale for increasing the fixed:variable split for this class while maintaining a constant split for all other classes.

- b) The illustrative bill impact calculation for USL shows a bill where the split is closer to 70:30. Please confirm that the intended split is 30:70 and provide a brief explanation for what seems to be an inconsistency between the two references.

Transformer Ownership Allowance

45. Exhibit 1 / pp. 212-213 and Exhibit 9 / p. 22 – Transformer Ownership Allowance Credit

Under London Hydro's proposal, Large Users will no longer be eligible to receive the transformer ownership allowance, because no transformer costs are allocated to that class. London Hydro's Conditions of Service currently do not appear to specify that a customer in the Large User class must supply its own transformer. Is it possible that a Large Use customer might receive transformer service from London Hydro while paying a rate that has the transformer ownership allowance credit effectively built into it?

PILs

46. Ref: Exhibit 4 / pp. 79-80 – PILs

London Hydro proposes to amortize the CCA for the new CIS placed in service in 2009 over four years for regulatory purposes, in order to smooth the PILs allowance recovered in rates. London Hydro states that the accelerated CCA of class 12 computer equipment and software would result in CCA allowances of \$3,369,937 in each of 2009 and 2010, and \$0 in each of 2011 and 2012. CCA Class 12 expenditures are eligible for 100% deduction after applying the half-year rule. London Hydro advises that while the application of the CCA rates in accordance with tax law requirements will result in a reasonable recovery of PILs in 2009 rates, absent a specific regulatory adjustment there will be an under-recovery in 2011 and 2012, when London Hydro would be under IRM rate adjustments, unless London continued to spend similar amounts on computers in those years. Since the capital plans of these future periods are not subject to scrutiny under 2009 EDR, it is not clear that the requested amortization is necessary.

- a) Please provide summaries of Tax (PILs) Calculations as shown in Table 37 in Exhibit 4 / page 81 and Table 40 in Exhibit 4 / page 84 applying the accelerated CCA in accordance with tax law.
- b) On January 27, 2009, the Federal Government introduced its 2009 Budget, which was subsequently passed by Parliament. The 2009 Budget provided for further accelerated write-off (100% with no half-year rule) of certain computer equipment acquisitions made after January 26, 2009.
 - i) Please indicate what, if any, impacts the most recent Federal Budget would have on London Hydro's estimate of its PILs allowance for 2009.
 - ii) If there is any material impact, please provide summary tax calculations as shown in Tables 37 and 40 reflecting all known tax changes.
- c) The Board's general practice has been that a utility should manage its tax exposure so as to reasonably minimize its tax expense in the current period, by taking advantage of, for example, available loss carry-forwards or other eligible strategies. London Hydro's proposal goes contrary to general Board practice for setting 2009 electricity rates. Please identify, and file available information, on any precedents that London is aware of and/or relying on where amortization of tax allowances is smoothed over a period of time.